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TRADEMARK

Justices question if 'Fuct' trademark merits First Amendment protection

By Kteba Dunlap, Esq.

The U.S. Supreme Court on April 15 grilled attorneys representing Fuct, a streetwear firm trying to federally register its brand, and the U.S. government on the validity of the statute that bars registration of "scandalous" and "immoral" marks.

Iancu v. Brunetti, No. 18-302, oral argument held, 2019 WL 1598074 (U.S. Apr. 15, 2019).

Several justices pressed Deputy Solicitor General Malcolm L. Stewart to explain why the government's interest in upholding Section 2(a) of the Lanham Act, 15 U.S.C.A. § 1052(a), should overcome Fuct founder Erik Brunetti's claim that the Patent and Trademark Office's refusal to register his trademark was unconstitutional viewpoint discrimination.

On the other side, they challenged Brunetti's lawyer John R. Sommer, who tried to convince the justices the trademark merited protection under both the First Amendment and the trademark registration scheme.



REUTERS/Patrick T. Fallon

Erik Brunetti, designer of the streetwear brand Fuct, poses for a portrait in Los Angeles on April 7. The Supreme Court on April 15 heard oral argument in the U.S. Patent and Trademark Office's appeal of an appellate court decision finding the agency should have allowed Brunetti to register the "Fuct" brand name.

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EXPERT ANALYSIS

2018 year-end roundup of Federal Circuit obviousness decisions in biopharma

Patent and intellectual property attorneys Jonathan A. Harris, Drew A. Hillier and Nisan Zaghi of Axinn, Veltrop & Harkrider survey a host of recent Federal Circuit rulings they say may sway the future of court decisions regarding the possible obviousness of biopharma patents.

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2018 year-end roundup of Federal Circuit obviousness decisions in biopharma

By Jonathan A. Harris, Esq., Drew A. Hillier, Esq., and Nisan Zaghi, Esq.
Axinn, Veltrop & Harkrider

Obviousness is one of the most common defenses invoked in biopharma patent litigation. It is also one of the most complicated. To remain current on nuanced shifts in Federal Circuit obviousness law for biopharma patents, we review the court's jurisprudence in this area every year. Staying current on these shifts may mean the difference between success and failure before the Patent Office and in court.

TAKEAWAY NO. 1: PRIORITY DATE AND NON-PRIOR ART

The U.S. Court of Appeals for the Federal Circuit, in the inter partes review context, decided for the first time that a petitioner may use non-prior art that memorializes pre-priority date events to demonstrate the motivation of a person of ordinary skill in the art regarding the prior art, but not to show a reasonable expectation of success.

In *Yeda Research v. Mylan Pharmaceuticals Inc.*,[1] an IPR, the instituted claims were directed to administering a 40-milligram dose of glatiramer acetate three times per week to treat multiple sclerosis. The primary reference by Pinchasi taught administering 40 milligrams every other day to treat MS.

A secondary reference — a 1996 summary basis of approval, or SBoA — recommended to "evaluate the necessity of daily GA injections as opposed to more infrequent intermittent administration of the drug" because daily dosing seems "like it would subject the patient to an excessive discomfort if it is not necessary to maintain efficacy."[2] Additional prior art taught a daily 20-milligram dose but noted that many patients discontinued such daily treatment because of injection site reactions.

None of the foregoing references, however, motivated or taught dosing three times per week. A 2009 study by Khan, which was not published until three weeks after the priority date but began two years prior, taught a "considerable interest in studying a more patient-friendly dosing regimen" than daily administration of GA.[3] Khan further taught administering 20 milligrams twice weekly as opposed to daily. Thus, Kahn was the only reference motivating use of a dosing schedule with at least three days between doses.

The Patent Trial and Appeal Board held the claims obvious over Pinchasi in view of the SBoA. The board noted that Pinchasi disclosed every limitation except for dosing three times a week. It relied on the SBoA to show the importance of evaluating the necessity of daily administration as opposed to less frequent dosing.

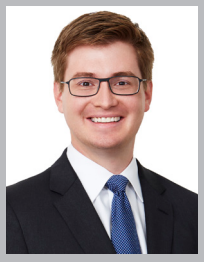
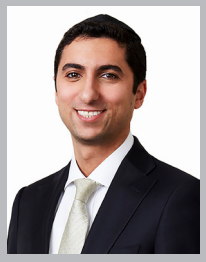
> The Federal Circuit announced a new test for determining the applicability of secondary considerations in view of blocking patents.

Background prior art by Fletcher noted that 20 milligrams of GA every other day was well-tolerated and probably as effective as daily GA. The board then moved to the Khan study to demonstrate motivation for even less-frequent injections. It found a reasonable expectation of success because GA was a "forgiving" drug and administering 40 milligrams three times per week was a "virtually identical" dose to the Food and Drug Administration-approved 20-milligram daily dose.[4]

Yeda appealed under 35 U.S.C.A. § 311(b), which mandates making patentability determinations "only on the basis of prior art consisting of patents or printed publications."[5]

THE DECISION

The Federal Circuit held that a petitioner may use non-prior art in an IPR for three purposes: "indicating the level of ordinary skill in the art, what certain terms would mean to one with ordinary skill in the art, and how one with ordinary skill in the art would have understood a prior art disclosure." The court held that Khan showed how a person of ordinary skill would have understood the SBoA's directive to study a more

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patient-friendly dosing regimen than daily administration.

The court indicated, however, that it was harmless error (but error nonetheless) to rely on the non-prior-art Khan to show a reasonable expectation of success. Thus, the board may consider non-prior art without violating Section 311(b) to the extent the non-prior art shows a person of ordinary skill in the art's motivation, but not to replace a missing claim limitation or to provide a reasonable expectation of success.

TAKEAWAY NO. 2: BLOCKING PATENTS AND OBJECTIVE INDICIA OF NON-OBVIOUSNESS

The Federal Circuit announced a new test for determining the applicability of secondary considerations in view of blocking patents. For the first time, the court held that the safe harbor of 35 U.S.C.A. § 271(e)(1), which shields infringing uses of blocking patents when such uses are reasonably related to the preparation of regulatory submissions,[6] does not avoid secondary considerations.

In *Acorda Therapeutics v. Roxane Laboratories*,[7] Acorda's Orange Book patents covered methods for administering 4-amnipyridine in a 10-milligram dose twice a day over two weeks to achieve certain 4-AP serum concentrations and to improve walking in patients with MS. Acorda also held an exclusive license to Elan's blocking patent for methods of treating MS with a sustained release formulation of 4-AP.

The U.S. District Court for the District of Delaware held that Acorda's patents were obvious, finding that Elan's blocking patent obviated Acorda's reliance on evidence of commercial success, failure of others and long-felt but unmet need.[8] According to the District Court, the blocking patent precluded those of ordinary skill from investigating 4-AP, thereby destroying the value of Acorda's secondary considerations. Acorda's appeal argued that the District Court incorrectly applied a "categorical" rule that blocking patents automatically vitiate secondary considerations.

RULING ANNOUNCES NEW TEST

The Federal Circuit rejected Acorda's argument. In so doing, it announced a new nine-factor test for assessing whether a blocking patent deters innovation and thereby voids secondary considerations.

The factors are:

- Whether the blocking patent can be successfully challenged.
- The costliness of the project.
- The risk of research failure.
- The nature of improvements, including whether the blocking patent will entirely cover them.
- The size of anticipated market opportunities.
- Costs of arriving at the improvements and getting them to market.
- The risk of losing the invention race to a blocking patent owner or licensee.
- The risk that the blocking patent owner will altogether refuse to grant a license to the improvement or will demand an unreasonable share of profits.
- Other investment opportunities.

The court held that a blocking patent can deter innovation "even if the research itself is within the safe harbor provided by 35 U.S.C.A. § 271(e)(1)." It relied on unrebutted expert testimony that the blocking patent deterred third parties from entering the market noting the safe harbor "does not eliminate infringement liability for the eventual reward-collecting activity of generally marketing the product."

As for long-felt but unmet need, the Federal Circuit held that the blocking patent discouraged other entities from using the technology at issue. "While not dispositive, the evidence of blocking we have discussed is pertinent, in this case, to the factual question of long-felt but unmet need — at least as to the period after the issuance of the Elan patent in 1996," the court said. Thus, the Federal Circuit affirmed that the Elan patent discounts Acorda's objective indicia of non-obviousness.

In a sharp dissent, Judge Pauline Newman criticized the majority's "flawed reasoning" in discounting the weight of the secondary considerations simply because of a "blocking" patent. She reasoned that the mere presence of a blocking patent does not "categorically preclude" the development of technology. The safe harbor, "knowledge provided in the patents, and the right to conduct research on patented subject matter," would still allow others to develop the technology in question.

District courts have not yet invoked the nine-factor test. When blocking patents are in play, challengers can consider using third-party discovery to build the factual record for the nine *Acorda* factors. For example, establishing that the owner of a blocking patent would refuse to grant a license may require third-party discovery.

Patentees can also make use of third-party discovery and should focus their efforts on developing expert testimony that the blocking patent would not have deterred others from developing new technology in accordance with the nine *Acorda* factors.

TAKEAWAY NO. 3: INHERENT DISCLOSURES IN PRIOR ART

The Federal Circuit held, apparently for the first time, that a claimed element is not "inherently" present in a prior art disclosure merely because the element was actually used in the real world. The key question is whether the prior art disclosure permits one of ordinary skill to conclude that the element is necessarily present.

In *Endo Pharmaceutical Solutions v. Custopharm Inc.*, Endo asserted two Orange Book patents for Aveed, a testosterone replacement therapy.[9] The claims were directed to a method for administering a 750-milligram dose of testosterone undecanoate, in a vehicle containing 40 percent castor oil and 60 percent benzyl benzoate, via two initial injections every four weeks followed by injections every 10 weeks.

Prior art by Behre, Nieschlag and von Eskardstein reported clinical studies involving administration of 1,000 milligrams of TU in castor oil at the claimed dosing intervals. None of these references, however, expressly reported use of benzyl benzoate as a co-solvent or the claimed 40-60 ratio.

It was uncontested that the prior art did not disclose a 750-milligram dose of TU. Custopharm unsuccessfully argued that a person of ordinary skill in the art would have been motivated to reduce the 1,000-milligram dose from Behre to 750 milligrams because some of the study participants in Behre were overdosed according to the American Association of Clinical Endocrinologists Guidelines.

To cure the deficiency that Behre, Nieschlag and von Eskadrstein did not expressly disclose

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benzyl benzoate as a co-solvent in the claimed ratio, the challenger relied upon Saad, which published four years after the priority date. According to Saad, the formulation used in the clinical studies reported in Behre, Nieschlag and von Eskardstein actually used a 40-60 ratio of castor oil to benzyl benzoate. On this basis, Custopharm argued that each of these prior art references inherently teaches the benzyl benzoate limitation as well as the claimed 40-60 ratio.

The U.S. District Court for the District of Delaware disagreed. The court held that although the studies reported in the three articles actually used benzyl benzoate as a co-solvent, a person of ordinary skill in the art reading those articles could not and would not have recognized that benzyl benzoate was necessarily present.[10]

The Federal Circuit sided with the District Court and held that although benzyl benzoate was used in examples described in the prior art, mere use-in-fact is insufficient to show inherency. Citing to *Par Pharmaceutical v. TWI Pharmaceutical*,[11] the Federal Circuit explained that to prove inherent disclosure, a patent challenger must show that "the limitation at issue necessarily must be present, or [is] the natural result of the combination of elements explicitly disclosed by the prior art."

In doing so, the Federal Circuit rejected Custopharm's reliance on well-settled precedent holding that a skilled artisan need not recognize or appreciate an inherent characteristic to make it obvious. The problem was that skilled artisans reviewing the prior art as a whole could not determine whether the benzyl benzoate or the 40-60 ratio were necessarily present.[12] As the Federal Circuit has repeatedly recognized, inherency is not a matter of "probabilities or possibilities."

TAKEAWAY NO. 4: BURDEN-SHIFTING IN IPRS AND ROUTINE OPTIMIZATION

The Federal Circuit held for the first time in the IPR context that where prior art ranges overlap with claimed ranges, the burden of production shifts to the patentee to support non-obviousness. The case also provides a road map for the important doctrine of routine optimization.

In *DuPont Co. v. Synvina CV*,[13] Synvina's patent covered a method of oxidizing 5-hydroxymethylfurfural under specific conditions to form 2,5-furan dicarboxylic acid. Additional claim limitations of Synvina's patent required the temperature of the reaction to proceed between 140 degrees Celsius and 200 degrees Celsius and an oxygen partial pressure between 1 and 10 bars.

The PTAB instituted review of these claims based on prior art by Grushin, alone or in combination with Slavinskaya. Specifically, Grushin teaches the claimed oxidation reaction under a "preferred temperature" of about 50 degrees Celsius and 200 degrees Celsius and an oxygen partial pressure of approximately 14.5 bars.

Slavinskaya likewise teaches the claimed oxidation reaction but employs a temperature between 115 degrees Celsius and 140 degrees Celsius and an oxygen partial pressure of between 2.1 and 10.5 bars.

Although the combination of these prior art references taught ranges that overlap with the claim limitations, the board did not hold that this created prima facie obviousness and thus impose the burden of production on the patentee to come forward with evidence of non-obviousness. The board instead relied on two earlier Federal Circuit decisions — *Dynamic Drinkware* and *Magnum Oil* — to support the proposition that there is no burden-shifting in IPRs.[14]

APPEALS COURT: BURDEN-SHIFTING APPLIES

The Federal Circuit disagreed, noting that that the burden-shifting framework has long applied in district court cases and Patent and Trademark Office proceedings. This line of cases,[15] which the board did not cite, holds that "[w]here there is a range disclosed in the prior art, and the claimed invention falls within that range, the burden of production falls upon the patentee to come forward with evidence of teaching away, unexpected results, or other pertinent evidence of non-obviousness."[16]

The Federal Circuit held that the board failed to properly interpret *Dynamic Drinkware* and *Magnum Oil*, neither of which addressed overlapping ranges. Indeed, *Dynamic Drinkware* simply held that the burden of persuasion — as opposed to the burden of production — never shifts. *Magnum Oil* merely stands for the proposition that the burden of production with respect to non-obviousness does not shift to the patentee simply because the board institutes an IPR.

> The Federal Circuit held, apparently for the first time, that a claimed element is not "inherently" present in a prior art disclosure merely because the element was actually used in the real world.

The Federal Circuit turned next to its analysis of routine optimization for the claimed temperature and pressure limitations. It listed four ways in which a patentee can satisfy its burden of production and thereby rebut the presumption of obviousness:

- A showing of unexpected results for the claimed range.
- A teaching away from the claimed range.
- Evidence that the claim limitation is not "result effective."
- A showing that the prior art ranges are overly broad.

The patentee focused mainly on whether the temperature/pressure limitations qualified as result-effective variables and whether the temperature range unexpectedly increased the yield of the final product.

Reversing the board's decision on the former issue, the Federal Circuit noted that the "result-effective" label merely requires the prior art to "recognize that the variable affects the relevant property or result" and "need not provide the exact method of optimization."

The Federal Circuit then cited facts demonstrating that temperature and pressure affect reaction rate. With respect to unexpected results, the it held that it could not rule out that other variables, such as catalyst concentration and reaction time, were responsible for the enhanced yields.

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Further, the alleged unexpected results were not commensurate in scope with the claims because only a single pressure of 4.2 bars was tested. WJ

NOTES

[1] 906 F.3d 1031 (Fed. Cir. 2018).

[2] *Id. at 1036.*

[3] *Id. at 1037.*

[4] *Id. at 1039.*

[5] Brief for Petitioner-Appellant at 34, 54, *Yeda Research v. Mylan Pharm.*, 906 F.3d 1031 (Fed. Cir. June 6, 2017) (No. 17-1594).

[6] *Merck KGaA v. Integra Lifesciences I Ltd.*, 545 U.S. 193, 202 (2005).

[7] 903 F.3d 1310 (Fed. Cir. 2018).

[8] *Acorda Therapeutics Inc. v. Roxane Labs. Inc.*, No. 14-cv-882, 2017 WL 1199767 (D. Del. Mar. 31, 2017).

[9] 894 F.3d 1374 (Fed. Cir. 2018).

[10] *Endo Pharm. Solutions v. Custopharm Inc.*, 234 F. Supp. 3d 587 (D. Del. 2017).

[11] 773 F.3d 1186 (Fed. Cir. 2014).

[12] *Id. at 1381-82* ("Custopharm has not demonstrated that a skilled artisan could extrapolate the vehicle formulation used in the Articles from pharmacokinetic performance data. Custopharm's own opening brief does not argue that the pharmacokinetic performance reported in the Articles can only be attributed to the claimed vehicle formulation.").

[13] 904 F.3d 996 (Fed. Cir. 2018).

[14] *Dynamic Drinkware LLC v. Nat'l Graphics Inc.*, 800 F.3d 1375 (Fed. Cir. 2015); *In re Magnum Oil Tools Int'l Ltd.*, 829 F.3d 1364 (Fed. Cir. 2016).

[15] *See, e.g., In re Aller,* 220 F.2d 454, 456 (C.C.P.A. 1955); *In re Geisler,* 116 F.3d 1465, 1469-70 (Fed. Cir. 1997); *In re Woodruff,* 919 F.2d 1575, 1578 (Fed. Cir. 1990); *Galderma Labs. v. Tolmar Inc.*, 737 F.3d 731, 737–38 (Fed. Cir. 2013); *In re Peterson,* 315 F.3d 1325 (Fed. Cir. 2003); *Iron Grip Barbell v. USA Sports,* 392 F.3d 1317, 1322 (Fed. Cir. 2004).

[16] *DuPont,* 904 F.3d 996 at 1008.

WORLD IP DAY

Sports is the topic of this year's World IP Day

By Patrick H.J. Hughes

The World Intellectual Property Organization has chosen sports as the theme of this year's World Intellectual Property Day.

This year's campaign, "Reach for the Gold," encourages educational and government offices around the world to host sports IP-centric events.

Geneva-based WIPO said it chose the theme because patent protection incentivizes the development of technologies such as those used in athletic shoes and helmets, as well as new ways for fans to engage with professional sports through social media and interactive devices.

Trademarks and branding are often used to generate revenue for sports organizations, with the Olympic Games one of the most effective international marketing platforms in the world, WIPO said.

And copyright law enhances people's relationship with sports, especially through broadcasting and media rights, both of whose value has skyrocketed in recent years, WIPO said.

The celebration happens each year around April 26, the date when WIPO was established in 1970.

WORLD IP DAY EVENTS

The U.S. Copyright Office is hosting an event April 25 at its Washington headquarters, featuring prominent sports industry speakers.

On April 26, also in Washington, the Copyright Alliance and the Creative Rights Caucus present "Steal bases, not creativity: Why copyright is a home run for sports," a panel discussion on the importance of copyright and other IP protections for sports leagues, broadcasters and video game companies.

Philadelphia law firm Duane Morris LLP will be hosting a panel discussion on April 25 examining sports betting "from a variety of legal angles," focusing on emerging issues in newly legalized betting, employment law and other related issues.

WIPO's Japan office will be hosting an event April 26 featuring the relationship between sports and IP from Japan's perspective as host of the 2020 Tokyo Olympic Games and the Paralympic Games.

On April 26 in Brussels, the American Chamber of Commerce to the European Union, the Federation of the European Sporting Goods Industry and the U.S. Mission to the European Union will host an event about the role of IP as an incentive for sports-related advancements, as well as IP enforcement challenges in sports.

And on April 27, the Instituto Nacional da Propriedade Industrial, IP asset management firm Leão Intellectual Property and a team called the Armada Lions are hosting an event exploring the IP involved in bringing American-style football games to a public park in Porto Alegre, Brazil.

WIPO's "events map," available at https://bit.ly/2Z9Wtmu, provides locations, titles and times of more than 100 events related to the celebration. WJ

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U.S. Supreme Court rejects Allergan bid to use tribe to shield drug patents

(Reuters) – The U.S. Supreme Court on April 15 cast aside pharmaceutical company Allergan PLC's unorthodox bid to shield patents from a federal administrative court's review by transferring them to a Native American tribe.

Saint Regis Mohawk Tribe et al. v. Mylan Pharmaceuticals Inc. et al., No. 18-899, cert. denied, 2019 WL 1590253 (U.S. Apr. 15, 2019).

The justices left in place a lower court ruling upholding the authority of a U.S. Patent and Trademark Office tribunal to decide the validity of patents covering Allergan's dry eye drug Restasis, refusing to hear the company's appeal. Allergan had argued that the tribe's sovereign status under federal law made the patents immune from administrative review by the agency.

Generic drug company Mylan NV, seeking to sell its own lower-cost version of Restasis, in 2016 asked the agency's Patent Trial and Appeal Board to invalidate the Allergan patents on the grounds that they described obvious ideas.

Allergan, which has its headquarters in Dublin, in September 2017 transferred the patents to New York's Saint Regis Mohawk Tribe, which took legal ownership of the patents and then licensed them back to Allergan in exchange for ongoing payments.

Allergan said it was protecting itself from the patent court, which it called a flawed and biased forum. The company said it did not object to the validity of its patents being reviewed by federal judges but took issue with the administrative court.

U.S. lawmakers from both political parties have called Allergan's deal with the tribe a sham.

The patent tribunal in February 2018 rejected Allergan's maneuver, saying tribal sovereign immunity does not apply to its patent review proceedings. The U.S. Court of Appeals for the Federal Circuit, which specializes in patent law, affirmed that decision five months later. *Saint Regis Mohawk Tribe v. Mylan Pharms. Inc.*, 896 F.3d 1322 (Fed. Cir. 2018).

Separate from the current court fight, the Restasis patents already have been invalidated. In October 2017, a federal judge in Texas took that step instead of waiting for the patent board to rule, a decision that was upheld on appeal. Mylan and Teva Pharmaceutical Industries Ltd. have sought approval from U.S. regulators to sell generic versions of Restasis. WJ

(Reporting by Lawrence Hurley and Jan Wolfe)

Related Filings:
Order denying certiorari: 2019 WL 1590253
Federal Circuit opinion: 896 F.3d 1322



WESTLAW JOURNAL

WHITE COLLAR CRIME

This publication contains articles written by practitioners, including attorneys and professors, concerning current developments in white-collar criminal law. Each issue contains brief articles on recent white-collar crime cases across the country, including new filings in the federal courts. Topics include securities fraud, embezzlement, search and seizure, attorney-client privilege, government contract fraud, forfeiture, bank fraud, money laundering, foreign corrupt practices, health care fraud, and trade secrets.

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Apple hit with East Texas patent case over iPhone payments technology

(Reuters) – A New York-based patent monetization company on April 12 hit Apple Inc. with an infringement case relating to the iPhone's payments technology. The case, filed in the Eastern District of Texas, arrived just as Apple was shutting down the two retail stores that have led to it facing patent litigation in the plaintiff-friendly forum.

Quest Nettech Corp. v. Apple Inc., No. 19-cv-118, complaint filed (E.D. Tex. Apr. 12, 2019).

Quest Patent Research Corp., through its subsidiary Quest Nettech Corp., sued Apple in U.S. District Court in Marshall, Texas.

The complaint alleged Apple Pay for the iPhone, which allows users to link credit cards to their smartphone, infringed a patent describing an "electronic credit card" system.

Apple did not immediately respond to a request for comment.

The asserted patent was first issued to a California inventor in California in 1999, and then reissued with additional claims in 2003. The inventor transferred the patent to Quest.

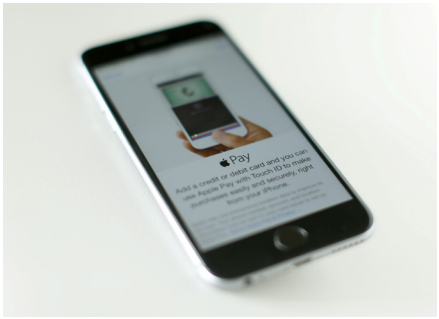
Quest said in its complaint that Apple can be sued in the Eastern District of Texas because of two retail stores within the judicial district, known as Apple Willow Bend in Plano, Texas, and Apple Stonebriar in Frisco, Texas.

Both stores closed permanently April 12 in what is reported to be a bid to avoid patent litigation in East Texas. Patent owners have long preferred to file cases in that district, where judges are less likely to dismiss cases before trial, inducing settlement pressure on defendants.

East Texas has seen a major drop in patent litigation since *TC Heartland LLC v. Kraft Foods Group Brands LLC*, 137 S. Ct. 1514 (2017), a May 2017 decision from the U.S. Supreme Court. The justices ruled that patent infringement cases can only be filed in the judicial district where the defendant is incorporated, or where it has a "regular and established" place of business, such as a retail store.

Apple has continued to face infringement cases in the plaintiff-friendly forum because of the two retail stores.

Apple announced in February that it was closing the two stores in the district, without giving a reason. Employees of the two stores were offered jobs in nearby stores, Apple said in its statement.



REUTERS/Mike Blake

A new lawsuit alleges Apple Pay for the iPhone, which allows users to link credit cards to their smartphone, infringes a patent describing an "electronic credit card" system.

MacRumors, which first reported the store closures, called the maneuver unprecedented and said it was a bid to avoid patent litigation, citing sources familiar with the matter. WJ

(Reporting by Jan Wolfe)

Supreme Court asked to revive MS treatment patents

By Patrick H.J. Hughes

Acorda Therapeutics Inc. says the patents used in Ampyra, the pharmaceutical company's treatment for helping multiple sclerosis patients walk, were unfairly invalidated by a "blocking patent," and it is asking the U.S. Supreme Court to revive them.

Acorda Therapeutics Inc. v. Roxane Laboratories Inc. et al., No. 18-1280, petition for cert. filed, 2019 WL 1532026 (U.S. Apr. 4, 2019).

In its April 4 certiorari petition, Acorda calls the blocking-patent doctrine, which prohibits patenting of an invention if the inventor depended on another patent to develop it, a "rigid, legally flawed doctrine" that conflicts with high court precedent.

Acorda says the U.S. Court of Appeals for the Federal Circuit expanded the doctrine too far when it discounted objective indicia of nonobviousness. *Acorda Therapeutics Inc. v. Roxane Labs Inc.*, 903 F.3d 1310 (Fed. Cir. 2018).

The Federal Circuit should have significantly considered those indicia — including evidence of commercial success, unmet needs and others' failures — before finding Acorda's patents too obvious, the petition says.

A split Federal Circuit panel not only found those patents should have been "blocked" but also required Acorda "to prove that blocking did not occur," the petition says.

Acorda asks the Supreme Court if those challenging a patent must prove blocking before invalidating that patent for obviousness under Section 103 of the Patent Act, 35 U.S.C.A. § 103.

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FINDING AMPYRA PATENTS OBVIOUS

A collection of drugmakers challenged Acorda's patents related to Ampyra, a medication for helping MS patients walk using a sustained-release drug formula.

The Federal Circuit described the treatment as working in conjunction with another patent, owned by Elan Corp., which licensed its research to Acorda for the development of a treatment that eventually became Ampyra.

When Acorda obtained the patent in 1998, Elan said it was "no longer interested in pursuing or supporting" its own research, and Acorda said it wanted to take over that work, according to the Federal Circuit's opinion.

The Federal Circuit said Elan's method was a blocking patent that made Acorda's treatment possible.

"The existence of such a blocking patent may deter nonowners and nonlicensees from investing the resources needed to make, develop, and market such a later, 'blocked' invention, because of the risk of infringement liability and associated monetary or injunctive remedies," U.S. Circuit Judge Richard Taranto wrote for the majority.

With Elan's patent, developing the technology for Ampyra would have been obvious to skilled artisans at the time of invention, the Federal Circuit ruled.

U.S. Circuit Judge Pauline Newman dissented, saying Ampyra would not have been as commercially successful as it had been if it was obvious to develop.

"Had the court's approach to the law of obviousness been in effect when Acorda took up the study ... after decades of failures by others, it is questionable whether this new treatment for multiple sclerosis would have been discovered and pursued," she said. "The loser is the afflicted public."

> "The blocking-patent doctrine poses a serious threat to pharmaceutical innovation and is certain to deter the development of new treatments for debilitating diseases that have long confounded researchers," the petition says.

'SERIOUS THREAT TO PHARMACEUTICAL INNOVATION'

In its certiorari petition, Acorda agrees with Judge Newman's sentiment about the public's loss.

"The blocking-patent doctrine poses a serious threat to pharmaceutical innovation and is certain to deter the development of new treatments for debilitating diseases that have long confounded researchers," the petition says.

Rather than promoting innovation, the Federal Circuit is inhibiting advancements, but this has not always been the case, the petition says.

The Supreme Court emphasized in *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1 (1966), that secondary considerations such as commercial success and unmet needs should be weighed heavily before a patent is invalidated on obviousness grounds, Acorda notes.

Since that decision, *Graham* was correctly applied in all circuits, including the Federal Circuit, "at least initially," the petition says.

The Federal Circuit "departed sharply" from *Graham* when it developed the blocking-patent doctrine in *Merck & Co. v. Teva Pharmaceuticals USA Inc.*, 395 F.3d 1364 (Fed. Cir. 2005), the petition says.

By invalidating Acorda's patents, the appeals court did so again, the petition says.

SWITCHING THE BURDEN OF PROOF

Under Section 282(a) of the Patent Act, 35 U.S.C.A. § 282(a), all patents are "presumed valid," Acorda notes.

Yet the Federal Circuit ignored this provision when it failed to require the opposing parties to prove by clear and convincing evidence that Acorda's patents had been "blocked" and that the objective indicia of nonobviousness should be ignored, the petition says.

The Federal Circuit said that "a blocking patent may deter nonowners" without citing any evidence that anyone was deterred by Elan's patent, it says.

"Under the Federal Circuit's upside-down approach, patentees bear the potentially insurmountable burden of demonstrating the absence of 'blocking' years after the relevant research window," the petition says. WJ

Attorneys:
Petitioner: Jane G. Wasman and Anthony Michael, Acorda Therapeutics Inc., Ardsley, NY; Bruce M. Wexler, Paul Hastings LLP, New York, NY; Theodore B. Olson, Thomas G. Hungar, Amir C. Tayrani and Jessica L. Wagner, Gibson, Dunn & Crutcher, Washington, DC; Stephen B. Kinnaird sand Igor V. Timofeyev, Paul Hastings LLP, Washington, DC

Related Filings:
Petition for certiorari: 2019 WL 1532026
Federal Circuit opinion: 2018 WL 4288982
District Court opinion: 2017 WL 1199767
PTAB decision: 2017 WL 950736

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Avoiding licensing fees not grounds for vicarious liability in copyright infringement case

(Reuters) - A federal appeals court on April 16 overturned a jury's verdicts of vicarious and willful copyright infringement against a financial services consultant whose website developer uploaded three photos without obtaining a license for them.

Erickson Productions Inc. et al. v. Kast, No. 15-16801, 2019 WL 160566 (9th Cir. Apr. 16, 2019).

Deciding a question of first impression for all the circuits, the 9th U.S. Circuit Court of Appeals held that avoidance of licensing fees does not establish the "direct financial benefit" required for a finding of vicarious copyright infringement.

The panel drew a distinction between appellant Kraig Rudinger Kast and the website developer he had hired in 2010, which had uploaded the three photographs by Jim Erickson of Erickson Productions.

The website developer "surely owed Erickson a licensing fee, and saved money by failing to pay it"; however, that did not establish any benefit to Kast, Circuit Judge Michael Daly Hawkins wrote for the appeals court. He was joined by Chief Judge Sidney Thomas and Circuit Judge M. Margaret McKeown.

The panel affirmed a separate finding of contributory infringement against Kast but remanded the case to the U.S. District Court in San Jose, California, for a new willfulness determination that could cut the statutory damage award of $450,000 down to $90,000.

Christopher Cariello of Orrick Herrington & Sutcliffe, who was appointed by the 9th Circuit to represent Kast on the vicarious infringement and willfulness issues, said he was gratified by the court's decision on both issues.

The question of what constitutes a financial benefit "is enormously significant in the context of the internet," Cariello wrote in an email April 16. "And the court's ruling on willfulness overturns a deeply unfair damages award, while guaranteeing that the standard for willfulness remains a meaningful one in future cases."

Attorneys for Erickson Productions did not immediately respond to requests for comment.

According to the 9th Circuit, Kast had hired a firm called Only Websites in 2010 to revamp the website for his real estate wealth investment firm, Atherton Trust. Kast closely supervised the website design and at various points told the developer that he liked the logo and photos used on Wells Fargo Private Bank's website.

Three photos from Wells Fargo's site wound up on Atherton Trust's website in January 2011, although there was conflicting evidence about how that had happened.

Erickson, who had licensed the photos to Wells Fargo, discovered them on Kast's site and sent a take-down notice and demand for payment in July 2011. Kast removed the photos the following day but refused the payment demand.

Erickson filed suit in 2013 against Kast and Only Websites. It sought statutory damages for infringement, which the Copyright Act limited to $30,000 per work, or $150,000 per work for willful infringement.

Erickson obtained a default judgment against Only Websites and the case against Kast went to trial in 2015. The trial judge instructed the jury that it could find Kast acted willfully if he "should have known" he was contributing to copyright infringement. However, that is a negligence standard, the April 16 opinion noted.

"We have never held merely negligent conduct to be willful, and we decline to do so now," the court concluded. WJ

(Reporting by Barbara Grzincic)

Related Filings:
9th Circuit opinion: 2019 WL 160566

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Patagonia sues Anheuser-Busch over use of name for new beer

(Reuters) – Sportswear maker Patagonia has filed suit against Anheuser-Busch, accusing the beer company of trademark infringement for copying its name and logo for a new brand of beer it recently launched at Colorado ski resorts.

Patagonia Inc. et al. v. Anheuser-Busch LLC, No. 19-cv-2702, complaint filed, 2019 WL 1557326 (C.D. Cal. Apr. 9, 2019).

Filed April 9 in Los Angeles federal court, the lawsuit says the beer company is clearly taking advantage of Patagonia's famous brand to confuse consumers into believing that the beer is a Patagonia product.

A spokesman for Anheuser-Busch could not immediately be reached for comment.

Based in St. Louis, Anheuser-Busch is part of Belgium-based Anheuser-Busch InBev, the world's largest brewer. The company sells more than 100 brands in the United States, including Budweiser, Busch and Stella Artois.

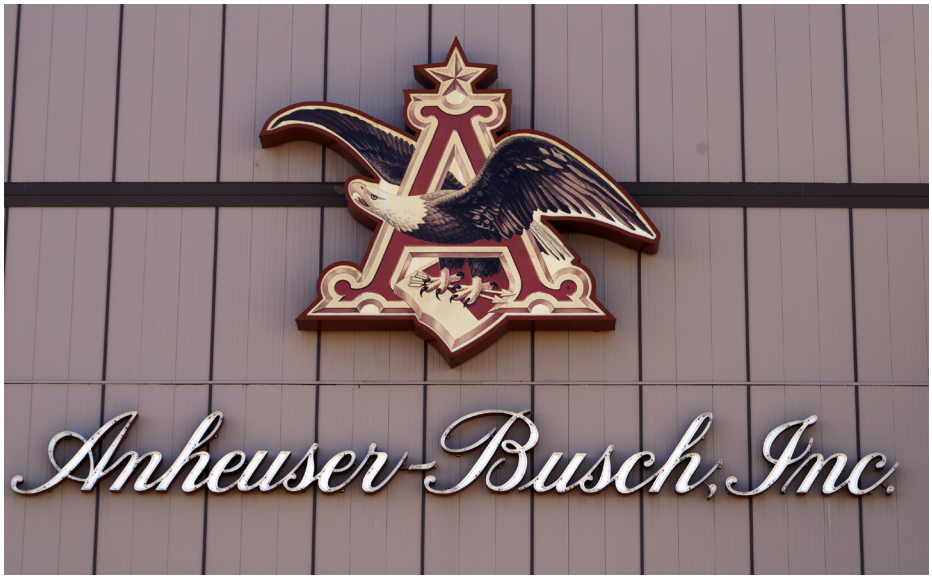
Ventura, California-based Patagonia sells outdoor clothing and gear for skiing, climbing and snowboarding. Founded in the 1960s, it has used a mountain silhouette for its logo since at least 1973, according to its lawsuit.

Both the Patagonia name and the mountain silhouette logo are registered trademarks, the company's lawsuit said.

In an attempt to pass itself off as Patagonia, Anheuser-Busch is also using a mountain silhouette logo on its beer labels, as well as on billboards, signs and advertisements for its beer, the April 9 lawsuit said.

The beer company launched the brand in late 2018 in various U.S. markets, according to the lawsuit.

The company has also dressed its sales people in black down jackets with Patagonia labels and handed out T-shirts and scarves bearing that name, the lawsuit said. Using the Patagonia name on apparel intentionally creates an impression that the brewer is affiliated with Patagonia, the company said.



REUTERS/Rick Wilking

Patagonia is seeking damages to be determined at trial and an order barring Anheuser-Busch from using the Patagonia name and logo. It alleges violations of the Lanham Act and a similar California law.

Patagonia is one of the most identifiable brands in the world, but its goodwill is being usurped by Anheuser-Busch's use of its name and logo, the company said.

Anheuser has also attempted to connect its beer with environmental conservation, a cause long supported by Patagonia, by offering to plant a tree for every case of beer it sells, Patagonia alleged.

Anheuser-Bush's efforts to mimic Patagonia are all the more confusing to consumers because Patagonia started a food business in 2012 called Patagonia Provisions, which has sold its own beer since 2016, the company's lawsuit said.

Anheuser-Busch has a trademark registration for its Patagonia beer, but the sportswear company is seeking a court order canceling it. The trademark was purportedly assigned to Anheuser-Busch from another beer company, Warsteiner Imports Agency, but the assignment was not valid and the company never made use of the trademark, Patagonia alleged.

A trademark cannot be assigned unless the company owning it is sold, and no part of the Warsteiner was sold to Anheuser-Busch, Patagonia said. WJ

(Reporting by Dena Aubin)

Related Filings:
Complaint: 2019 WL 1557326

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Calvin Klein collects kalvinklein.com domain name

By Patrick H.J. Hughes

Calvin Klein has convinced the World Intellectual Property Organization to give it the domain name kalvinklein.com, which the fashion giant said resolved to a website with links to "potentially dangerous content."

Calvin Klein Trademark Trust et al. v. Domain Administrator, Fundacion Privacy Services Ltd., No. D2019-332, 2019 WL 1437571 (WIPO Arb. Mar. 27, 2019).

The slight alteration of the name Calvin Klein did little to differentiate the disputed domain name from the clothing company's trademark, the WIPO Arbitration and Mediation Center said in a March 27 decision.

Calvin Klein Inc. and its trademark holding company, Calvin Klein Trademark Trust, in February asked the domain's anonymous Panama City-based registrant for a voluntary transfer, according to the decision.

The slight alteration of the name Calvin Klein did little to differentiate the disputed domain name from the clothing company's trademark, WIPO said.

When the registrant failed to respond, Calvin Klein sought arbitration with WIPO, complaining that the domain name resolved to a website with a Google Chrome extension download page that contained links to various webpages, some of which Calvin Klein said could be dangerous.

The sole WIPO panelist said having a domain that resolves to a website with pay-per-click links to third-party webpages is not necessarily forbidden. In this case, however, the registrant was trying to lure unsuspecting internet users by implying the domain was legitimately associated with the global fashion brand, the panel said.

'WELL-KNOWN MARK IN THE FASHION SECTOR'

For domain disputes, WIPO adheres to the rules set by the Uniform Domain Name Dispute Resolution Policy, or UDRP.

The UDRP requires a complainant to show it has priority rights to a trademark that is confusingly similar to the disputed domain.

The complainant then must show that the registrant has no rights or legitimate interests in that domain name and that it has been used in bad faith.

The Panamanian registrant has owned the disputed domain name since 2005, but Calvin Klein has held U.S. registrations for Calvin Klein marks going back to 1978, the decision said.

The panel said it was clear the marks were confusingly similar, nearly identical except that their first letters differed. Because the fashion house had superior rights, Calvin Klein met the first UDRP factor.

When a trademark holder makes a prima facie case that the registrant lacks a legitimate interest in a disputed domain, that registrant must come forward with evidence to dispute the argument, the panel said.

Because the registrant in this case remained silent and Calvin Klein showed the registrant has no license to use the company's trademarks, the complainant met its burden to establish that the registrant had no legitimate rights to the domain, the panel said.

To further its argument, Calvin Klein referred to *Calvin Klein Trademark Trust v. Walters*, No. D2018-1107, 2018 WL 3971961 (WIPO Arb. Aug. 6, 2018), in which a WIPO panel said the Calvin Klein trademark had "acquired an extensive and worldwide reputation and is to be regarded as being well known."

The panel said it appeared the registrant was incorporating Calvin Klein's "well-known mark in the fashion sector" for the purpose of commercial gain.

Registering a domain name with the intention of creating confusion with a well-known trademark for commercial purposes demonstrates bad faith, the panel said.

Finding the complainant had met all three UDRP requirements, the panel ordered kalvinklein.com transferred to Calvin Klein. WJ

Related Filings:
Decision: 2019 WL 1437571

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Japanese anime trade show booth's trade dress infringed, suit says

By Patrick H.J. Hughes

A Japanese-style animation memorabilia merchant says the trade dress of the booths it uses at conventions is being infringed by a disgruntled former employee selling similar products at the same events.

Happy Sun Enterprises Inc. v. Anime Crew LLC et al., No. 19-cv-1521, complaint filed, 2019 WL 1504101 (N.D. Ga. Apr. 4, 2019).

Happy Sun Enterprises Inc. says in its complaint, filed April 4 in the U.S. District Court for the Northern District of Georgia, that consumers who attend Japanese anime conventions are being confused by former employee Jae Seok Park's "copycat booth."

Anime, the Japanese short form for animation, consists of hand-drawn or computer-animated TV and film series, many of which are geared toward adults.

Japanese anime trade show merchants often display elaborate booths at conventions to sell books, trading cards, stuffed animals and other merchandise based on the characters in the anime.

Duluth, Georgia-based Happy Sun names Park and his company, The Anime Crew LLC, headquartered in Marietta, Georgia, as defendants.

The defendants are liable under Section 43(a) of the Lanham Act, 15 U.S.C.A. § 1125(a), and for violating common law unfair competition law and Georgia's Deceptive Trade Practices Act, Ga. Code Ann. § 10-1-370, the complaint says.

'TOTAL VISUAL IMAGE'

Happy Sun says it has been selling Japanese anime memorabilia at conventions since 2005, attending the same 50-60 conventions every year.

According to the complaint, Happy Sun hired Park as an intern in 2015, at which point he began to familiarize himself with Happy Sun's work and its booth designs.

After Happy Sun fired him for insubordination, Park became head of The Anime Crew, the suit says.

The complaint describes Happy Sun's booths as unique, with 15-foot wall scrolls, tied together with rubber bands, that hang on hooks and electrical pipes.

Anime convention attendees have come to identify Happy Sun from the "total visual image" of its booth, an image that differentiates the company from all other convention exhibitors except for the defendants, the complaint says.

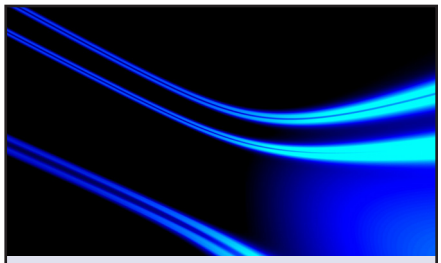
The Anime Crew's products are also "nearly identical" to Happy Sun's merchandise, and, because those products are inexpensive, consumers do not carefully discern between what the two companies sell, the suit says.

Park also plants his company's booth near Happy Sun's spot at the conventions, where he tries to "snatch" up other Happy Sun employees, the complaint says.

Happy Sun says the infringement is willful and will continue to cause irreparable damage unless the court issues an injunction stopping Park and his company from committing further acts that may confuse consumers. WJ

Attorneys:
Plaintiff: David M. Lilenfeld, Robin L. Gentry and Kennington R. Groff, Lilenfeld PC, Atlanta, GA

Related Filings:
Complaint: 2019 WL 1504101



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DERIVATIVES

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Hallmark supplier wins trade secret suit against ex-employee

By Dave Embree

A foil and laminate products supplier for the greeting card industry has won its lawsuit against a former employee for trade secret theft after he sent confidential documents to his personal account and kept them after he quit to work for a competitor.

API Americas Inc. v. Miller, No. 17-cv-2617, 2019 WL 1506955 (D. Kan. Apr. 5, 2019).

U.S. District Judge Holly L. Teeter of the District of Kansas on April 5 granted API Americas Inc. summary judgment on its state and federal trade secret misappropriation claims against former sales manager Paul W. Miller.

API is an international manufacturer and distributor of "hot stamping foils," used primarily in the greeting card and gift wrap industries, according to the company's complaint.

Miller worked for API at its Lawrence, Kansas, facility from June 2007 to September 2017, ultimately as the account manager for Hallmark Cards Inc., one of the firm's largest clients, the complaint says.

Miller entered into an employment agreement with nondisclosure, nonsolicitation and noncompetition provisions, the suit says.

In August 2017 Miller forwarded to his personal email account several confidential documents related to API's response to Hallmark's request for a quote, the complaint says.

Miller unexpectedly resigned the next month, according to the complaint.

A few days later he told API that Hallmark would be delaying its decision on the quote for a month, the suit says.

Miller began working for a direct competitor, Univacco Foils Corp., in October, retaining the confidential documents he had sent to himself, according to the complaint.

Shortly afterward, he visited Hallmark's Lawrence facility on behalf of Univacco to test its foil products, the complaint says.

API sued Miller in Kansas federal court in October 2017 for breaching his employment agreement.

The suit also accused Miller of violating the Defend Trade Secrets Act, 18 U.S.C.A. § 1836, and the Kansas Uniform Trade Secrets Act, Kan. Stat. Ann. § 60-3320.

API sought to enjoin Miller from further using or disclosing its confidential information and to refrain from soliciting Hallmark for one year.

API WINS PARTIAL SUMMARY JUDGMENT

The parties filed cross-motions for summary judgment in November 2018.

Miller argued each of API's claims fell short because the complaint failed to demonstrate any actual damages stemming from his allegedly unlawful actions.

API sought summary judgment on its trade secret claims, saying Miller knowingly used its confidential information without consent.

The company also asked the court for reasonable attorney fees on the basis that Miller misappropriated its trade secrets "willfully" and "maliciously."

Judge Teeter granted API's summary judgment motion but denied its request for attorney fees.

Because the suit sought injunctive relief, the company was not required to prove it suffered monetary damages, according to the judge.

"Indeed, the nature of the harm plaintiff alleges here — loss of customers, loss of good will, loss of competitive advantage and the like — are viewed as sources of irreparable harm justifying injunctive relief because of the difficulty in measuring those losses in monetary terms," Judge Teeter wrote.

However, the judge ruled that API's request for attorney fees was inappropriate for summary judgment because the stipulated facts did not establish that Miller had acted maliciously. WJ

Attorneys:
Plaintiff: Jennifer M. Hannah, Lathrop Gage LLP, Kansas City, MO; Mark A. Samsel, Lathrop Gage LLP, Overland Park, KS

Defendant: Richard W. Martin Jr., Martin & Wallentine, Olathe, KS

Related Filings:
Order: 2019 WL 1506955
Plaintiff's motion for summary judgment: 2018 WL 7982227
Defendant's motion for summary judgment: 2018 WL 7982228
Complaint: 2017 WL 11025389

See Document Section B (P. 37) for the order.

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Anonymous Reddit users targeted in New York defamation suit

By Dave Embree

A New York City entertainer has filed a defamation suit against a group of anonymous Reddit users, saying they published more than 30,000 negative, harassing and often false comments about him on the message board-style social network.

Symon v. Does, No. 24072/2019, complaint filed, 2019 WL 1526974 (N.Y. Sup. Ct., Bronx Cty. Apr. 4, 2019).

The suit, filed April 4 in the Bronx County Supreme Court, says the allegedly defamatory statements have cost the plaintiff his job as a school musical director and have prompted his agent to drop him.

Plaintiff Joe Symon is an actor and musician who gained a large internet following on Periscope, a social media app that allows users to livestream videos, according to the suit.

In April 2017 the anonymous defendants began posting false and defamatory statements about Symon on Reddit claiming he was a pedophile and a heavy drug user and unlawfully "doxxing" his internet followers, the suit says.

Doxxing refers to maliciously publishing private or identifying information about a person online.

The defendants contacted Symon's employer, children's acting studio A Class Act NY, and made allegations that resulted in the school firing him as its musical director, according to the complaint.

Additionally, the defendants sent threatening messages to Symon's agent at Apex Talent Group, who subsequently stopped representing him, the complaint says.

Symon's lawsuit accuses the defendants of libel, trade libel, intentional infliction of emotional distress and tortious interference with contractual relationships.

"The defendants' claims, which blanket the internet and Google searches of plaintiff's name, have reverberated throughout the entertainment community in New York and beyond, causing Mr. Symon lasting damage," the suit says.

In addition to actual damages, the complaint seeks punitive damages, litigation costs and attorney fees.

The case has been assigned to Justice Robert T. Johnson. WJ

Attorney:
Plaintiff: Cali P. Madia and Daniel Szalkiewicz, Daniel Szalkiewicz & Associates, New York, NY

Related Filings:
Complaint: 2019 WL 1526974



WESTLAW JOURNAL

PHARMACEUTICAL

This publication provides up-to-date information on developments in litigation, legislation, and regulation involving the pharmaceutical industry, with reproductions of the leading court opinions, complaints, briefs, and responses. The lawsuits covered range from product liability suits to patent infringement, and from wrongful death to FDA approval. This publication is critical to anyone who needs to keep up-to-date on FDA regulation, negligence and standards of care, generic competition, Daubert issues, trade secrets, and wrongful death.

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CONTINUED FROM PAGE 1

AFTER *TAM*

The April 15 oral argument comes two years after the Supreme Court's decision in *Matal v. Tam*, 137 S. Ct. 1744 (2017), which struck down the Lanham Act's bar on disparaging marks as an unconstitutional restriction on offensive speech.

The current controversy stems from the PTO's reliance on Section 2(a) to deny Brunetti's application to register a "Fuct" mark. Brunetti appealed to the U.S. Court of Appeals for the Federal Circuit.



Pryor Cashman attorney Dyan Finguerra-DuCharme saw Brunetti as "just closing the loop left open by *Matal v. Tam*."

Basing its decision on *Tam*, the Federal Circuit held that the prohibition on scandalous marks, and therefore the PTO decision, violated the First Amendment. *In re Brunetti*, 877 F.3d 1330 (Fed. Cir. 2017).

Dyan Finguerra-DuCharme, an attorney at Pryor Cashman, saw *Brunetti* as "just closing the loop left open by *Matal v. Tam*." She was an author on the New York Intellectual Property Association's amicus brief supporting neither party in the dispute.

Sterne Kessler attorney Dana N. Justus, who is not involved in the Fuct dispute, agreed, predicting the Supreme Court "will strike down Section 2(a)'s prohibition on the registration of scandalous trademarks as overly broad and unable to justify the burden on free speech."

In contrast, Foley & Lardner attorney Jonathan E. Moskin, also not involved in the case, found a distinction between the prohibitions of disparaging and scandalous marks.



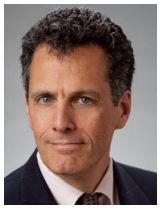
Sterne Kessler attorney Dana N. Justus predicted the Supreme Court "will strike down Section 2(a)'s prohibition on the registration of scandalous trademarks as overly broad and unable to justify the burden on free speech."

"Because the statutory provision does not bar offensive ideas, but merely how they are expressed, the statutory provision is more nearly viewpoint-neutral, and hence more likely to withstand scrutiny," he said.

SCOPE AND APPLICATION

Justice Sonia Sotomayor questioned the breadth of the Lanham Act's prohibition. Justice Ruth Bader Ginsburg asked how the PTO is able to determine what a substantial composite of the public would find shocking.

Justice Brett Kavanaugh asked about the problems that could arise if people could not predict when trademark applications are going to be approved.



"Because the statutory provision does not bar offensive ideas, but merely how they are expressed, the statutory provision is more nearly viewpoint-neutral, and hence more likely to withstand scrutiny," Foley & Lardner attorney Jonathan E. Moskin said.

Justice Neil Gorsuch demonstrated similar concerns and wanted to know why the PTO had granted registration for some trademarks that referenced certain offensive words yet denied others that were "remarkably similar."

"How is a reasonable citizen supposed to know? What notice do they have about how the government's going to treat their mark?" Justice Gorsuch asked.

Justice Samuel Alito and Justice Sotomayor tried to pin down Stewart's view of what government interest underlay the scandalous-mark provision, asking him why a government disinclination to associate



"Justice Stephen Breyer worked hard to explore scientific ways to distinguish marks that affected the public in such a way to exclude them from speech that cannot be regulated," Michael Best & Friedrich attorney Marshall Schmitt said.

itself with profanity or sexually explicit terms would not suffice.

Stewart emphasized a government interest in protecting unwilling viewers from unsavory material, but he admitted that the absence of a registration certificate would not keep profane trademarks out of the public eye.

He said that, going forward, the PTO planned to focus only on whether the mode of expression — not the content — was scandalous or immoral, and not on the offensiveness of any views expressed.

Also, the PTO has used context to determine which potentially offensive terms would be denied registration, he said.

Chief Justice John Roberts asked how trademark registration would be affected if the court struck down Section 2(a). "So if ... the entire provision is struck down," he

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"Given the diversity of viewpoints on what trademarks are 'scandalous or immoral,' it's difficult to argue that such a ban is viewpoint neutral, and therefore permissible under the Constitution," Neal Gerber & Eisenberg attorney Michael Kelber said.

said "the government would not be able to restrict trademarks that are obscene?"

And, as Michael Best & Friedrich partner Marshall Schmitt, who is not involved in the case, noted, "Justice Stephen Breyer worked hard to explore scientific ways to distinguish marks that affected the public in such a way to exclude them from speech that cannot be regulated."

Justice Breyer remarked several times that studies had shown that certain words, including the word Brunetti's Fuct mark references and America's most notorious racial slur, have a physiological effect on the brain and body. This effect causes the hearer to retain the expression, he said.

CONTENT AND VIEWPOINT

Brunetti's attorney Sommer argued the PTO impermissibly used the content of the Fuct mark as reason to deny registration through viewpoint discrimination. The mark expressed a viewpoint of rebellion against authority, he said.

Chief Justice Roberts, Justice Alito and Justice Elena Kagan pointed out that a trademark registration system is necessarily content-based.

The PTO has to evaluate content to determine whether a mark is functional or descriptive, Chief Justice Roberts said.

And Justice Alito wondered how to determine likelihood of confusion without looking at the content of a trademark.

Under close questioning, Sommer struggled to explain why some uses of a profane or obscene word expressed a viewpoint and others did not.

Neal Gerber & Eisenberg attorney Michael Kelber, who is not involved in the case, said, "Given the diversity of viewpoints on what trademarks are 'scandalous or immoral,' it's difficult to argue that such a ban is viewpoint neutral, and therefore permissible under the Constitution." WJ

Attorneys:
Petitioner: Malcolm L. Stewart, U.S. Dept. of Justice, Washington, DC

Respondent: John R. Sommer, Stussy Inc., Irvine, CA

Related Filings:
Oral argument: 2019 WL 1598074
Federal Circuit opinion: 877 F.3d 1330

See Document Section A (P. 19) for the argument.

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BRUNETTI

2019 WL 1598074 (U.S.) (Oral Argument)

Supreme Court of the United States.

Andrei IANCU, Under Secretary of Commerce for Intellectual Property and Director, Patent and Trademark Office, Petitioner,

v.

Erik BRUNETTI, Respondent.

No. 18-302.

April 15, 2019.

Oral Argument

Appearances:

Malcolm L. Stewart, Deputy Solicitor General, Department of Justice, Washington, D.C.; on behalf of the Petitioner.John R. Sommer, Esq., Irvine, California; on behalf of the Respondent.

***1** The above-entitled matter came on for oral argument before the Supreme Court of the United States at 10:07 a.m.

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***3** PROCEEDINGS

(10:07 a.m.)

CHIEF JUSTICE ROBERTS: We'll hear argument first this morning in Case 18-302, Iancu versus Brunetti.

Mr. Stewart.

ORAL ARGUMENT OF MALCOLM L. STEWART ON BEHALF OF THE PETITIONER

MR. STEWART: Thank you, Mr. Chief Justice, and may it please the Court:

The Lanham Act's ban on federal registration of scandalous trademarks is not a restriction on speech but a valid condition on participation in a federal program. On its face, and as applied here, the provision is -- is viewpoint-neutral.

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The scandalous marks provision is one of many content-based criteria for federal trademark registration, and consideration of a mark's content is essential --

JUSTICE SOTOMAYOR: Could you please tell me how you're defining "scandalous mark"? From your brief, I thought you were giving it a different definition than has been used by the agency for a while.

***4** MR. STEWART: Well, the -- the term -- the adjectives that have sometimes been used as synonyms for "scandalous" by the agency are terms like "shocking," "disgraceful," "offensive," and "disreputable." I think --

JUSTICE SOTOMAYOR: Well, if you use all those adjectives, you run head-on to Tam.

MR. STEWART: I think one sense in which we have -- the -- I think this is has been at the core of the prohibition, but I think Tam has led us to focus more on limiting the scope of those adjectives. That is, on their face, those adjectives could encompass material that is offensive or shocking because of the outrageous views that it expresses. And we know from Tam that that's --

JUSTICE SOTOMAYOR: But that's viewpoint discrimination.

MR. STEWART: That's viewpoint discrimination. It's not a valid basis for denial of federal registration of a trademark. So I think it has always been the PTO's focus, but from here on, I believe it will be the exclusive focus on marks that are shocking, offensive -- or offensive because of the mode ***5** of expression, not because of the ideas --

JUSTICE GINSBURG: How is -- how is that determined, that a substantial composite of the general public would find the -- the mark shocking or offensive? I mean, if -- considering what's involved in this case, if you were to take a -- a composite of, say, 20-year-olds, do you think that that answer would be they would find it shocking?

MR. STEWART: I -- I think not -- I think there are certainly some segments of society that are more likely to find particular marks shocking than others. I -- the -- the PTO, it -- its initial determination was that this mark would be perceived by a substantial segment of the public as the equivalent of the profane past participle form of a well-known word of profanity and perhaps the paradigmatic word of profanity in our language.

JUSTICE SOTOMAYOR: So why are you using a subjective standard? Why not just something like obscene, vulgar, even profane? But, once you get to shockingly offensive, you get to viewpoint. One way or another, it's always subjective. I -- I -- I can deal with a ***6** limiting principle that has its own substance, like obscenity.

MR. STEWART: I -- I would agree that if you just looked at the words like "shocking" and "offensive" on their face and gave them their ordinary meanings, that they could easily encompass material that was shocking because it expressed an outrageous point of view or a point of view that most members --

JUSTICE KAGAN: Well, Mr. Stewart, if -- if you agree with that, I mean, what are we supposed to be doing here? Are we supposed to be looking at the statutory words? Are we supposed to be looking at the fuller standard that the Federal Circuit gave to explain those words? Or are we supposed to be looking just at your commitments as to what you're doing going forward?

I mean, if you take the statutory words, they're very broad. They do include things that are offensive because of the ideas they express. So why isn't that just the end of the matter? And if -- if -- if Congress wants to pass a statute that's narrower, that's focused on vulgarity or profanity, then ***7** Congress can do that.

MR. STEWART: Well, I think typically the Court would attempt to construe a federal statute in a way that would render it constitutional rather than unconstitutional. And I think the scandalous marks provision is, at the very least, susceptible of a reading that would render it constitutional.

If the focus is on profanity, vulgarity -- and we're not just talking about words; we're also talking about images, that trademarks can include images as well as words -- and if the scandalous marks provision were struck down, then applicants would be free to obtain registration of sexually explicit images.

CHIEF JUSTICE ROBERTS: Is it -- your -- this is a facial challenge, right?

MR. STEWART: That's correct.

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CHIEF JUSTICE ROBERTS: So it's not simply enough to determine that this particular trademark is scandalous, right?

MR. STEWART: That's -- that's correct.

CHIEF JUSTICE ROBERTS: Well, I didn't ***8** understand you in your brief to make much of an argument about that.

MR. STEWART: Well, in part -- in part because, once you -- if you accept the PTO's initial determination that this mark would be perceived as the equivalent of the past participle form of the -- the paradigmatic profane word in our culture, once you accept that, it's hard to see what would be covered if this is not.

But I certainly -- we certainly agree with your point that it's a facial challenge. The question is whether it is susceptible of constitutional application. We think that Mr. Brunetti's mark was --

CHIEF JUSTICE ROBERTS: Whether the -- whether the provision itself is susceptible?

MR. STEWART: Of constitutional application.

CHIEF JUSTICE ROBERTS: Right. And this provision covers obscenity?

MR. STEWART: It would cover obscenity. Now --

CHIEF JUSTICE ROBERTS: So if it's -- what would happen if we agreed with the ***9** Respondents? Would the whole provision be struck down?

MR. STEWART: I -- the Respondents -- I -- the Respondents might say that the provision on its face is so substantial -- that if the only legitimate applications were to obscene materials, the Respondent might say it is so substantially broad, overbroad on its face, covers so much more than that, that it can't be sustained even --

CHIEF JUSTICE ROBERTS: So if this is -- the entire provision is struck down, the government would not be able to restrict trademarks that are obscene?

MR. STEWART: We -- I mean, the government could restrict -- without regard to federal registration, the government could restrict the sale of goods in commerce that -- that -- on which were emblazoned obscene trademarks or the -- the mailing of such goods. I think, for that reason, to limit it in that fashion wouldn't really accomplish much.

We -- we agree that it should be limited so that it isn't viewpoint discriminatory, but to limit it to obscene ***10** words, both would render it a virtual nullity, and there's also no good reason that the standard for determining whether a particular mark can be placed on goods that are out in the public marketplace should be the same as --

CHIEF JUSTICE ROBERTS: Let me --

MR. STEWART: -- the standard for determining whether the goods can be sent through the mail to a willing buyer.

CHIEF JUSTICE ROBERTS: Let me just be a little more precise. If -- if you lose this case, do you think the trademark office would be able to deny registration to marks on the grounds that they're obscene?

MR. STEWART: Well, I -- I -- I think there are certainly ways -- if the Court struck down the statute on its face on the ground that it was substantially overbroad, then, no, I don't think that there is any other provision of the -- of the Trademark Act. It -- it seems --

CHIEF JUSTICE ROBERTS: Well, and this is -- as we've established, this is a facial challenge?

MR. STEWART: Right.

***11** CHIEF JUSTICE ROBERTS: Okay. So, if you lose, then you would not be able to restrict trademarks on the ground that they're obscene?

MR. STEWART: I -- I think that's -- I think that's correct.

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JUSTICE KAGAN: And -- and just so I could understand, you're asking us to narrow this statute to exactly what?

MR. STEWART: To marks that are offensive, shocking to a substantial segment of the public because of their mode of expression, independent of any views that they may express. And --

JUSTICE GINSBURG: Suppose -- suppose in the niche market that these goods are targeting, the -- the name is -- the word is mainstream. These -- these goods, as I understand it, are meant to attract a particular market, and if we concentrate on that market, from their perception, the word is mainstream.

MR. STEWART: I don't think that would be an appropriate means of proceeding, and -- and let me explain why if I may.

***12** If you look, for instance, at George Carlin's filthy words monologue, the monologue that was at issue in Pacifica, that's a paradigmatic example of profane copyrightable expression.

Now our society has reached a good accommodation where people who find the Carlin monologue funny or thought-provoking can buy the CDs, they can buy the DVDs; when Carlin was alive, they could watch live performances. All that can be done without forcing the profanity upon anybody who finds it offensive.

JUSTICE ALITO: But what is the standard that you're looking to, at bottom, and this is framed by Justice Ginsburg's question, is -- what is Congress's interest?

Is it -- does it have an independent interest in not having the federal government associated with certain words? Or is it just an interest in following whatever the population thinks is offensive or scandalous or immoral at a particular point in time?

MR. STEWART: It is some of --

JUSTICE ALITO: Those are not necessarily the same.

***13** MR. STEWART: It is some of both, but, with respect to the second interest, we would emphasize the interest is in protecting unwilling viewers from material that they find offensive. And the point I was making about the Carlin monologue is we -- there are ways in which that can be made readily available to people who want to see it or who want to listen to it without forcing it upon others.

Trademarks can't work that way because the whole point of a trademark is to serve as a source identifier. It is --

JUSTICE ALITO: Well, I -- I don't see how the second interest is implicated much at all, because this -- this word and all sorts of other words can be used in connection with the sale of goods. Even if you're right, they just can't be registered trademarks. So why isn't it exclusively the first interest?

MR. STEWART: Well, it's -- it -- it's partly the first interest, but it's partly the second because, even though the government cannot prohibit the use of a mark like this on the clothing, it can attempt to disincentivize it or it can attempt to remove the creation -- ***14** to avoid the creation of artificial incentives to its use by providing the benefits that are associated with federal trademark registration.

And the point I --

JUSTICE SOTOMAYOR: Why are you resisting Justice Alito? Why can't the government's interest in not being associated with sexually explicit activity or words be enough?

MR. STEWART: We think that it is enough, but we don't want to abandon the -- the first interest either because we do think --

JUSTICE SOTOMAYOR: Why?

MR. STEWART: Because we --

JUSTICE SOTOMAYOR: I'm -- I'm -- I'm curious because Justice Alito is right, trademarks can be used with or without registration. You get certain statutory benefits, which is part of your government program argument.

MR. STEWART: Right.

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JUSTICE SOTOMAYOR: All right. But -- but I'm -- I'm just not quite sure why that's more compelling for you.

MR. STEWART: I -- I --

***15** JUSTICE SOTOMAYOR: You're defending it in a way that suggests that I'm missing something.

MR. STEWART: I wouldn't say that it's more compelling, but I would say that the government has an independent interest in protecting unwilling viewers to the extent possible from materials that they find --

JUSTICE SOTOMAYOR: But that falls -- that falls prey to what Justice Alito said, which is now the government is moving with public morals rather than with freedom of speech and the idea that morals can and should change.

MR. STEWART: Well, we -- I mean, we do have -- in a traditional subsidy program, for instance, if the government was handing out grants for aspiring artists, grants to help them -- them create art, the government obviously couldn't prohibit artists from creating vulgar, profane art, art that a substantial segment of the population would find offensive, but it might still have an interest in encouraging the creation of art that would be accessible and welcome to all ***16** segments of the community, including to -- to children.

And, again, the point I was making about source identifiers is the reason that it's not feasible to restrict source inspection of source identifiers to people who want the product is source identifiers are -- they're not the expression that you get once you have decided to buy the product. They are one of the clues that you look at in deciding whether to buy the product.

And so a trademark that you only saw after you'd bought the package and opened it would fail entirely to serve its intended purpose. The federal registration program is intended to encourage and incentivize the use of distinctive words and symbols that will be made available for inspection by prospective buyers, by members --

JUSTICE KAVANAUGH: How -- how do you -- excuse me, how do you deal with the problem of erratic or inconsistent enforcement, which seems inevitable with a test of the kind you're articulating?

MR. STEWART: Well, I think some of it ***17** is -- some of it will be resolved by Tam; that is, to the extent that the PTO had previously taken into account whether the views expressed were shocking or offensive, that won't be done any longer.

The second thing I would say is more -- more leeway is given in situations -- in terms of vagueness in situations where the government is not prohibiting speech but is simply declining to provide a benefit.

Here -- here, the consequence of the determination that Mr. Brunetti's mark was scandalous was not that he was subjected to any penalty, he could continue to market his goods and commerce with the -- the trademark he had been using.

JUSTICE KAGAN: But, if I understand what you're saying, Mr. Stewart, you're essentially saying we should uphold the statute on the basis of various commitments that the government is now making to apply this statute to only a small subset of the things that it could apply to, if you look at it on its face as to just the words used.

And -- and that's a strange thing for ***18** us to do, isn't it, to basically, you know, take your commitment that, look, these are very broad words, but we're going to pretend that they say something much narrower than they do?

MR. STEWART: Well, I think even up to this point, the core of the provision as the PTO has applied it has been profane, vulgar, vulgar words, sexually explicit images, offensive excretory references, things that were regarded as offensive.

JUSTICE GINSBURG: How can -- how can one say that when many of these marks have been refused registration on dual grounds, and one ground is that they're scandalous and the other ground is that they resemble a mark that is already registered, so if the mark is already registered, then it's not scandalous.

MR. STEWART: I -- I think it's anomalous at first glance, but I don't think that there's a logical contradiction because the Lanham Act doesn't simply prohibit registration of marks that are identical to a -- an existing mark. As you say, it prohibits registration of marks that are confusingly similar to existing marks.

***19** And it's -- it's logically possible to have two marks, one of which falls -- both of which fall very close to the line --

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JUSTICE GORSUCH: Well, but Mister --

MR. STEWART: -- one of which is barely scandalous --

JUSTICE GORSUCH: -- but Mister --

JUSTICE ALITO: But this is -- if this --

MR. STEWART: -- the other --

JUSTICE GORSUCH: Mr. Stewart, though --

JUSTICE ALITO: Go ahead.

JUSTICE GORSUCH: Justice Ginsburg's point takes us back to Justice Kavanaugh's, I think, which is you look at the -- the seven words at the end of the red brief and there are shocking numbers of ones granted and ones refused that -- that do look remarkably similar.

How is a reasonable citizen supposed to know? What notice do they have about how the government's going to treat their mark?

MR. STEWART: Well, I -- I think one of the -- I think the notice is in -- in part ***20** the -- based on the PTO decisions, but, obviously, whatever the Court says, if it upheld the provision, the Court can say what it wants to say about the permissible --

JUSTICE GORSUCH: No, no, but let me -- we -- we can fix your problem for you, I got that. But -- but -- but the government, presumably, the PTO is supposed to be doing this itself and without our interference.

And it's allowed a lot of marks with these words, and it's refused a lot of marks without these words. I could not myself see a rational line through that chart at the end of the red brief.

Is there one that the government's aware of or --

MR. STEWART: Well, I think, in part, the PTO looks to context. And a -- a lot of the examples that are given of confusing -- of similar marks, one of which is refused registration, one of which is granted registration, are marks in which people will use a slightly different combination of letters that phonetically evokes an existing profane word.

***21** So you have marks that use the letters P-H-U-C -- and the PTO will, in part, examine context in order to determine is that mark intended -- will it be --

JUSTICE GORSUCH: I don't want to -- I don't want to go through the examples. I really don't want to do that.

(Laughter.)

JUSTICE GORSUCH: But I can come up with several that are granted that -- that have -- have phonetics along the lines you've described and a couple that have been denied. And what's the rational line? How is a person -- a person who wants to get a mark supposed to tell what the PTO is going to do? Is it a flip of the coin?

MR. STEWART: I guess the two things I would say are, first, the PTO looks to context. And so, if a phonetic word like the one I described appears in a sentence or in a phrase in which the profane word would commonly appear, the PTO is more likely to conclude that a substantial segment of the public will regard that as the equivalent of the profane mark because it is being used in the way that the ***22** profane mark is often used.

JUSTICE ALITO: What's going to -- if this is held to be unconstitutional, what is going to happen with whatever list of really dirty words still exist and all of their variations?

There's going to be a mad scramble by people to register these marks. And the ones who get there first are going to have exclusive -- they're not unlimited. What's going to -- there's going to be -- those who get there first are going to be the ones who have these.

MR. STEWART: I mean, there -- there are other barriers to trademark registration. That is, it's not the case that any non-scandalous word could be trademarked. It has to be the -- the sort of word or the sort of phrase, if it's -- if it's verbal, that consumers would perceive as identifying the source.

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And so short phrases or slogans are often refused registration on the grounds that they would be seen by consumers as communicating a thought, not as identifying the ***23** source of goods.

And there is also the requirement that people who want to register their trademarks be using the mark in commerce, a person can't simply register a mark and sit back and wait for people to pay license fees in order to -- people who want to actually use it in commerce, to pay license fees. It is a prerequisite that they be using the mark in commerce.

So there are some limitations, but, yes, you would think the natural result of allowing these marks to be registered is that there would be an increased flow of registration applications. And, again, this is not just for words, this is for visual depictions that are intended to signify the source of a product.

JUSTICE BREYER: What about racial slurs?

MR. STEWART: I think, in general, racial slurs are taken off the table by Tam, because it is the --

JUSTICE BREYER: Because I -- I've looked into a little, and there are certain ones that have exactly the same physiological ***24** effect on a person, if any, as the word we're using here, and there is a physiological effect.

MR. STEWART: I --

JUSTICE BREYER: There is a -- it's stored in a different place in the brain. It leads to retention of the word. There are lots of physiological effect with very few words.

It's not too hard --

MR. STEWART: I --

JUSTICE BREYER: -- to think of a racial slur that has exactly the same effect.

MR. STEWART: Agreed. I think there is one racial slur in particular that would be a close call even under our basic framework of you can't deny registration based on the views expressed, but you can deny it based on the mode of expression.

You could say this particular racial slur is considered uniquely offensive, even as compared to other racist speech, and, therefore, it could be denied registration on the ground that it was an impermissible mode of expressing a racist -- racist thought.

On the other hand, you could argue, at ***25** bottom, the reason that this slur is regarded as so offensive is that it is -- has historically been linked to virulent racist attitudes, and for that reason, it all comes down to viewpoint. We think that would be an -- an authentically close case even under the -- the framework that we've established.

But, again, there's -- there's no sense in which the mark that is at issue here could be considered offensive because of any view it has expressed, that really -- really the argument on the other side is more it isn't offensive at all, not it is offensive because it is perceived as communicating a particular message.

CHIEF JUSTICE ROBERTS: What about Mr. Brunetti's argument that the use of the word expresses a viewpoint precisely because of its offensiveness? You know, it's edgy, it expresses a non-conformist attitude, all of that?

MR. STEWART: I -- I don't deny that that might be a reason that people would use profanity in certain circumstances, but I think if that were treated as a form of viewpoint ***26** discrimination, it would really cast doubt on a lot of other practices.

For example, we've -- we've indicated in -- in our brief that, under Mr. Brunetti's theory, if the government had -- if -- if a municipal government operated buses and rented out advertising on the buses but precluded the use of profanity on the advertisements, if the use -- if an applicant could say, as Mr. Brunetti is saying, I want to use profanity because it communicates an edgy message, and I think the government legitimately should be able to say that may or may not be so, but we don't want profanity on our buses where they're visible to unconsenting adults and children, we don't want that word on our buses regardless of the message that you intend to convey.

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And we think that would be sufficient to make the -- the provision viewpoint-neutral.

JUSTICE SOTOMAYOR: Well, you keep talking about this as a government program --

MR. STEWART: Uh-huh.

JUSTICE SOTOMAYOR: -- and Tam addresses this and says it's an odd government program because people are paying you to give ***27** the service; you're not giving them much of anything except legal rights, which are not unimportant. But I'm not sure how to differentiate this from a limited public forum, as we recognized in Cornelius, because, as in Cornelius, registrants can go out and use the trademark, they could have sought donations from whomever they wanted in Cornelius, and yet we talked and we held that the list of -- of -- of organizations was the forum.

You haven't argued very forcefully that this is a limited public forum. Why?

MR. STEWART: I mean, I think -- I do think we don't regard it as a limited public forum because the registration program gives significant commercial benefits to registrants, but getting the mark on the PTO's principal or supplemental register is not the way in which Mr. Brunetti would want to communicate with his potential customers.

The -- the way in which he would communicate with his potential customers is by advertisements, promotional materials, placing the goods on shelves --

JUSTICE SOTOMAYOR: Oh, but that's not ***28** true. It puts the world on notice of his mark.

MR. STEWART: It does and it --

JUSTICE SOTOMAYOR: And -- and it gives him the legal protections that come from that notice. Without it, he can't enforce any federal rights. So he needs registration to be able to do what he wants to do.

MR. STEWART: And we think essentially the same legal standard should apply to the restrictions at issue here as would apply to a limited public forum. Our only point -- the reason we haven't argued that it actually is a limited public forum is that the -- the register communicates not so much with Mr. Brunetti's customers but with potential infringers, people who might otherwise be tempted to -- to use the same mark on their goods.

Now a couple of other things that I'd like to -- to say about the registration program. You're right that people pay a fee to register, but the PTO still devotes substantial resources to examining the trademarks, to publishing them. There are periodic -- there's a periodic reexamination to see whether the -- ***29** the applicant is still using the mark in commerce. And the advantages -- the commercial advantages that registrants get are directly attributable to the efforts that PTO has put in.

For example, the reason that it makes sense to treat trademark registration as prima facie evidence of the trademark's validity and the registrant's ownership is that the PTO has examined the materials and has made that determination.

The reason it makes sense for the trademark to become incontestable after five years is that the PTO has published the trademark, anyone who thinks that there might be a problem with it has an opportunity to see that the mark has been claimed and to raise an objection, and so, if a person doesn't so -- doesn't do so within five years, it's fair to -- to treat the mark as incontestable.

If I may, I'd like to reserve the balance of my time.

CHIEF JUSTICE ROBERTS: Thank you, counsel.

Mr. Sommer.

***30 ORAL ARGUMENT OF JOHN R. SOMMER ON BEHALF OF THE RESPONDENT**

MR. SOMMER: Mr. -- Mr. Chief Justice, and may it please the Court:

There's two important points to be made. First, the government does not defend the plain language of the statute. Nor does it defend how it's been consistently interpreted for the last 70 years. Rather, it asks this Court to validate a hypothetical statute not enacted.

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The second point is that a substantial number of Americans think that gambling, drinking, eating some types of meat, eating meat at all is immoral. A substantial number of Americans, as to abortion, gun control, immigration, our two political parties, a substantial number think that those are -- the con is immoral, and a substantial number think that the pro is immoral. There's no -- simply no way to make a -- a sensible determination between those that come in and those must stay out.

JUSTICE BREYER: But there are books and scientists' reports and so forth, I don't ***31** know how -- I haven't seen them contested, that say take six or seven words, and today -- in the past, they might have been religious, but today they do include the word at issue and they do include racial slurs. Of certain words.

And they have a different physiological effect on the brain. They're stored in a different place. They make a difference in the conductivity of your skin, which shows emotion, and above all, they are remembered.

And, therefore, take that set. Now, as -- if it's in a context where it has that effect, for most people, why isn't that a pretty clear distinction from what you're talking about and why doesn't the government have a right to say, this is a commercial matter, purely commercial, it is totally free to use any word you want right next to this registered trademark; we just don't want to be associated with it?

MR. SOMMER: Well, if you're asking about the government association, the Tam Court dealt with that already.

***32** JUSTICE BREYER: I wasn't. I was asking --

MR. SOMMER: Okay. Well --

JUSTICE BREYER: -- primarily about, there is a way of distinguishing these matters, I think.

MR. SOMMER: Well --

JUSTICE BREYER: And I wouldn't ask you if I were certain of the answer.

MR. SOMMER: Well, if you're suggesting that there's a content-neutral way of deciding which marks are too scandalous to register by doing a test of -- the test on the body --

JUSTICE BREYER: You don't have to do -- it's not too tough, you know. I mean, most people know what words we're talking about. And, of course, you could come in and show they're all wrong on this, but they probably aren't.

MR. SOMMER: But that -- that avoids the issue about whether this is viewpoint. And even if it's not viewpoint, it's still content.

So if this statute clearly covers -- the government does not seem to dispute that at ***33** least many or some of the marks that are both granted and refused express viewpoint. Then the statute is overbroad.

JUSTICE KAGAN: Well, suppose the statute didn't say what it said, but suppose the statute, in fact, said what Mr. Stewart says the PTO is going to do going forward. In other words, the PTO is not going to touch ideas that are offensive or scandalous or immoral or anything like that, it's just going to focus on modes of speech and, essentially, what that means, let's just -- is it won't allow trademarks that are profane.

MR. SOMMER: Well, the first quest --

JUSTICE KAGAN: Is that viewpoint-based?

MR. SOMMER: Yes, because, if you want to have a statute that prohibits profanity, obscenity, that would be constitutional. In fact, I'd like to sort of answer one of the previous questions, is -- is even if this statute is struck down, the PTO still can refuse obscene trademarks because Section 1 requires that the trademark needs to be used in commerce. And that's always been determined to ***34** be legally used in commerce.

JUSTICE KAGAN: Well, our -- our standard for obscenity is so high, I can't believe that many trademarks would really qualify as -- as obscene, but I -- but let's say that the government has a real interest in preventing a certain kind of just profanity, vulgarity, nothing to do with the viewpoints of speakers but something to do with the way they express those viewpoints.

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I guess that that a little bit stacks the deck in terms of the question, but why -- why would that be viewpoint-based?

MR. SOMMER: Well, if you're talking about the mode of expression argument, that is a misreading of Cohen, because Cohen could have said fooey on the draft, and that's what the government says he should have done, and if he said something else, he should have been arrested and his conviction should have been affirmed, but we know his conviction was reversed. So the mode of expression argument is incorrect.

JUSTICE ALITO: Well, it's -- it's -- Cohen rejected it in that context, where ***35** somebody was being punished for -- for saying the words, but is it a little -- isn't it -- is it exactly the same here?

MR. SOMMER: I think so.

JUSTICE ALITO: The government is not saying, you can't use this phrase, this word, we just won't register it.

MR. SOMMER: Well, there -- if you're -- if -- basically, the question seems to be is can we prohibit the seven dirty words. You know, if the government had a list of seven dirty words, would that be constitutional?

And the answer is it would be not for two reasons. First, because you have seen in the briefs some marks that have the F word and racism and cancer. Those clearly express viewpoints.

And the second thing is, even if you had a list of five words, that wouldn't preclude Mr. Brunetti's mark because it isn't exactly one of the seven dirty words.

JUSTICE ALITO: Oh, come on. You know, come on.

MR. SOMMER: Well, I agree with --

JUSTICE ALITO: Be serious. We know ***36** what -- you know, what he's trying to say.

MR. SOMMER: That's --

JUSTICE ALITO: So it's -- you have the seven dirty words and anything that -- you know, any clever way of trying to say it in a different way, using different letters.

MR. SOMMER: But that's my point, because FCUK is granted and FVCK is granted --

JUSTICE ALITO: Okay. It's been --

MR. SOMMER: -- and the only reason --

JUSTICE ALITO: -- it's been inconsistently applied, but let's say we're going forward and there's a list of words and you just can't use those. And your position is that would be unconstitutional?

MR. SOMMER: I think so. If Congress were to pass that, we'd be here again in a few years to determine whether that's true.

JUSTICE BREYER: Well, but you -- you -- your -- your -- your basic point, and this is where I'm having a harder time, I think we're in a period where swear words -- and that's what they are, swear words -- where their content is changing so that younger people feel that these racial slurs are just as ***37** bad, if not worse.

So suppose that you can pick that out. Sometimes it will be used to convey a message. I grant you that. But this is business. And it's not only business, it is business that has a function of identifying the manufacturer and it is the kind of use that doesn't forbid anybody from using that word, except to get registration, and you can put it right next to it.

So it's very different than Carlin. It's very different. Now I want your response to as much of this question as you can give me.

MR. SOMMER: Of -- I'm sorry, I don't really know where to start. It --

JUSTICE BREYER: I didn't think you necessarily would --

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MR. SOMMER: Yeah.

JUSTICE BREYER: -- because there are several things mixed up there.

MR. SOMMER: Yeah.

JUSTICE BREYER: And I want in my mind this straightened out.

MR. SOMMER: Well, I -- I -- as I think you agree, that it's viewpoint because ***38** I'm not looking at it from the viewpoint --

JUSTICE BREYER: No, I don't agree with it's viewpoint. I think that very often the word involved in your case and the racial slur is not viewpoint. It is used to insult somebody, rather like fighting words, or it's used to call attention to yourself. That's the purpose of the slur. That isn't viewpoint.

Fighting words isn't viewpoint. Or, if it is, it's overcome.

MR. SOMMER: Well, Mr. Brunetti's viewpoint is, as already pointed out, I can be offensive, I don't have to obey the authority. And that's viewpoint.

CHIEF JUSTICE ROBERTS: I don't want to distract you in that, but that's completely circular. It's like saying my protest is that I want to use words prohibited by, you know, not given trademark protection, and because I have that viewpoint, you have to give them trademark protection. That -- that's totally circular.

MR. SOMMER: Well, if we look -- we're doing -- have a facial challenge here, so the question is, is it overbroad? And it doesn't ***39** matter if Mr. Brunetti's mark should be granted or not. It's the statute as written and as applied, without exception, covers a fair amount of clearly core speech, of high-value speech. And you're saying that this one --

JUSTICE BREYER: Do -- that's a different argument. And I -- I -- I see that argument. I'm not asking about that because I think I understand the argument.

But I am -- what I am worried about is the viewpoint, as you say, but I'm also worried about the -- the racial slur we all know about, okay, suddenly, in certain places in the United States, appearing as a product name, appearing on every bus where it's advertised, appearing on news stands in Times Square where it wouldn't be, but it might be in some other city, and where children and others see it.

Now that's the interest that they're talking about at the same time as they point out this doesn't stop anybody from saying, it does stop them from claiming it's a registered trademark, i.e., product source recognized by the government.

Now that's what I'd like you to deal ***40** with directly.

MR. SOMMER: Well, just granting federal registration doesn't require that anyone use a trademark. And my client's goods are not going to be a target at Wal-Mart.

JUSTICE GORSUCH: Well, I'm not sure that's an answer to Justice Breyer's question. Why isn't it a government benefit and why can't the people choose to withhold the benefit on the basis that there are certain words that are profane and that we, as a matter of civility in our culture, would like to see less of rather than more of, and you can use -- you're free to use them.

Cohen can have his T-shirt, but we are not going to trademark them, and we've held just last year that a patent is a public benefit that can be withdrawn without a judge. Why isn't this also similarly a public benefit rather than a private right?

MR. SOMMER: Well, I would respond with 44 Liquormart, because the government doesn't have to grant the benefit. For example, the government doesn't have to have a fire department, but it can't go to a church ***41** and say, we're not going to protect your church unless you drop your Santeria beliefs because we find that offensive, and I think that's a good analogy.

JUSTICE SOTOMAYOR: That's viewpoint. Why is it that the government can't say, as it does with every registration system, you can register your marriage, but we don't permit people to declare their love in their marriage license. We just ask for their name, their address, who were the witnesses, and where the marriage happened.

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The same things with a deed to a house. We don't permit you to have commercial advertisements in that deed telling people how wonderful your house is. We -- metes and bounds. The day of the purchase price and that's it.

So why can't the government, just like with a patent, say, we will give you this benefit to these things but not to others?

MR. SOMMER: Well --

JUSTICE SOTOMAYOR: And we don't want profane words, no matter how you use them.

MR. SOMMER: Well, I think there's two ***42** --

JUSTICE SOTOMAYOR: Whether it's pro or con, any idea, we don't want vulgar, profane, sexually explicit or other words.

Now we've got a separate problem with the lack of consistent application by the government. We'll put that aside. But let's deal with the basic question.

Why can't the government say, no, we're not going to give you space on our public registry for words that we find are not acceptable?

MR. SOMMER: Well, I think you've explained why it's not a public forum. It's not a forum at all. And, in fact, would the government be allowed to refuse registration of ownership of property because it's bought by a church with a name that's considered offensive? Could the Coast Guard refuse to register a boat because they think the name of the boat is a little bit salacious?

JUSTICE SOTOMAYOR: Actually, you're right.

CHIEF JUSTICE ROBERTS: Maybe, but, I mean, the government's interests, you --

***43** JUSTICE SOTOMAYOR: I think they do.

CHIEF JUSTICE ROBERTS: -- you say that, you know, this product's not going to be in Wal-Mart, right?

MR. SOMMER: Correct.

CHIEF JUSTICE ROBERTS: But it is going to be on people walking down through the mall. And, you know, for parents who are trying to teach their children not to use those kinds of words, they're going to look at that and say, well, look at that, and then, you know, they're going to see the little trademark thing and say, well, it's registered trademark. Well, they won't say that, but --

(Laughter.)

CHIEF JUSTICE ROBERTS: -- but you -- but you -- you understand my point, is that the government's registration of it will facilitate its use in commerce, not necessarily speech, but as a commercial product, and that has consequences beyond -- regardless of where the product is sold?

MR. SOMMER: Well, I think that's where the government has a -- a conundrum, because the government can -- has a -- assuming ***44** even if it's only intermediate scrutiny, doesn't have a compelling interest if it can't stop people from using it.

And so people -- Mr. Brunetti can still use his mark regardless of whether it's registered or not.

CHIEF JUSTICE ROBERTS: Yeah, I know, but the whole point is that the federal registration increases the exposure. You're going to have more commercial -- the theory anyway is you're going to have more commercial opportunities and markets and -- if you do use -- if you are under the federal registration system.

I mean, that's the government's argument. You can do whatever you want with it; you're just not going to get the benefit of the government's participation in promotion of vulgarity.

MR. SOMMER: Well, that gets back to why the statute was unconstitutional from the beginning, because the legislative intent shows that we -- the Congress recognized it couldn't prohibit use of vulgar marks, but its -- the legislative history says that, well, we can ***45** deny registration and that will prevent them from using it.

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JUSTICE KAVANAUGH: What -- what is your answer to Justice Breyer's comment that insult -- insulting someone is not a viewpoint?

MR. SOMMER: Well, I would agree that all the traditional exceptions to the free speech, such as fighting words, is not expressing a viewpoint, but, as to insulting someone being viewpoint, you decided that unanimously in Tam.

JUSTICE BREYER: Tam was a word -- Tam, they were using a word that doesn't have -- for whatever reasons, it doesn't have this tremendous retentive power that would lead someone to try as quickly as possible to get his brand registered with that name in order to grab attention. And there are such people. And that is not a word in Tam. That is not that kind of a word. It was used ironically. It was used ironically for, perhaps, a politically oriented purpose.

Now I don't know that I've just articulated much of a distinction --

MR. SOMMER: Well, the trademark --

***46** JUSTICE BREYER: -- but there may be something there. And I, again, want to hear your response.

MR. SOMMER: Well, since Tam, the trademark office has taken the position that it cannot refuse any racial slur. And, in fact, it is approving them. But even before Tam, there were variations on that racial slur registered.

JUSTICE KAVANAUGH: What about Mr. Stewart's comment about public buses' ad space that he says would not be able to be regulated if you were to prevail here?

MR. SOMMER: Well, I guess sort of -- I hope this isn't too flippant, but you -- you have considered whether to grant cert on that question.

But I don't think the profanity always expresses viewpoint. View -- in a trademark context --

JUSTICE KAVANAUGH: When does it not?

MR. SOMMER: Well, fleeting expletives and I think when it's used without any relevance to the subject matter, such as in high school speech, and, of course, there still ***47** can be --

JUSTICE SOTOMAYOR: Some -- some of us would say that a vulgar word with relationship to selling clothes is sort of irrelevant?

MR. SOMMER: Well, it's not irrelevant because, as Justice Ginsburg pointed out, the audience that Mr. Brunetti is appealing to is young men who want to be rebels. And this is how they do it.

CHIEF JUSTICE ROBERTS: Well, that may be the audience he's targeting, but that's not the only audience he reaches.

MR. SOMMER: Agreed.

CHIEF JUSTICE ROBERTS: Well, I mean, but that sort of gets to the government interest in whether or not it wants to be association -- associated with facilitating this type of vulgarity with -- which reaches -- and the whole -- I mean, I guess you would say the whole point is to reach beyond the targeted audience to offend people.

MR. SOMMER: Well, as under your jurisprudence, under the Court's jurisprudence, if this is strict scrutiny or even if it's content regulation, that's not a compelling ***48** government interest. And that sort of falls afoul of Reno versus ACLU, that says we can't take our level of discussion in our diverse society that includes, for example, a rapper --

CHIEF JUSTICE ROBERTS: Well, but everything -- the whole --

MR. SOMMER: -- to the --

CHIEF JUSTICE ROBERTS: I'm sorry, go ahead.

MR. SOMMER: To -- to, you know, the lowest common denominator, the most squeamish among us.

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CHIEF JUSTICE ROBERTS: Yeah, but the point -- this is a different type of program. The whole point of this program is to regulate content. You have to look at it and decide, is it, for example, functional or descriptive, in which case it doesn't get protection. Is it something that's been granted before, so it doesn't get protection?

MR. SOMMER: Well --

CHIEF JUSTICE ROBERTS: The fact that it's -- it is, I'll -- I'll concede, it's completely content-based, but it's the nature of the program.

***49** MR. SOMMER: Well, it's not a program; it's a registration scheme, and it is not content-based on most grounds. Likelihood of confusion deals -- and the deception clause deals with confusion and fraud, basically, which is --

JUSTICE KAGAN: You would agree that there are other content restrictions, wouldn't you? You know, the flag one or -- you know, there are a number, yes?

MR. SOMMER: Well, I think that 2(b), which deals with flag -- flags and symbols, and 2(c), with using people's names, could under certain circumstances raise constitutional issues. I think 2(e), which deals with things that aren't trademarks because they're generic or functional, I don't think that's called into question.

JUSTICE ALITO: You think likelihood of confusion is not content-based?

MR. SOMMER: I think --

JUSTICE ALITO: How do you determine whether something is likely to confuse without looking at the content of it?

MR. SOMMER: Well, I would say not ***50** only content-based, but I'd also say that that is the traditional exception of preventing confusion, because the whole point of refusing a new application is it's likely to be confused with the other one.

But you're actually not -- it's almost like a secondary meaning case like City of Renton, because you're looking at applied mark A and registered mark B, and you're not looking at the content. That's really irrelevant. You're only looking at the likelihood of confusion, the similarity.

JUSTICE KAVANAUGH: With respect to words and letters, as opposed to images, is there any combination of words or letters that you think can be barred --

MR. SOMMER: Well, I think it only --

JUSTICE KAVANAUGH: -- under the scandalous/immoral provision?

MR. SOMMER: Well, I think, constitutionally, only obscenity can be barred. And it would be --

JUSTICE KAVANAUGH: And what -- what would you -- with respect to words and letters, how would you define obscenity in this context?

***51** MR. SOMMER: Well, I would just use Miller versus California because the government basically is arguing here we should ignore Miller versus California or modify it or create a new exception to the First Amendment for vulgar.

So a picture I can see can be obscene. And I can see if you had a long sentence that said some things, which I don't need to give you an example, but you could imagine a sentence or two that could be prurient interest and --

JUSTICE KAVANAUGH: But that gets to the question of how do you draw a line between this and that.

MR. SOMMER: Well, the Court has been satisfied with the obscenity standard since 1970 whatever, Miller versus California, and I think that's a good standard. I think that's settled jurisprudence.

JUSTICE GORSUCH: But what do we do about the fact this is a facial challenge, and so at least some of this material would presumably be okay even under your test for the -- for the trademark office to refuse?

***52** MR. SOMMER: Only -- I'm -- I'm contending that only obscenity could be refused properly.

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JUSTICE GORSUCH: Well, but isn't -- in a facial challenge, your -- your obligation is to prove that the -- that the statute's unconstitutional in all of its application or almost all of it.

MR. SOMMER: Well, for vagueness, but for overbreadth, I believe it's only necessary to show that it covers a substantial amount of speech.

JUSTICE GORSUCH: Well, but a very substantial amount of speech. Where is the line here?

MR. SOMMER: Well, that's why it's unconstitutional, because it covers religious speech -- I've given you an example of religious controversial marks that were refused. I've given you an example of political marks that has been refused, as well as -- as profanity. And the government can't even get that right because --

JUSTICE GORSUCH: Well, but assuming profanity is borderline, right, and some of it ***53** might be okay for the -- for the government to regulate and some of it might not be. Just -- just assume that. Have you met your burden?

MR. SOMMER: I believe so, because I have shown that there's a substantial amount of speech that is improperly refused under this provision.

And the provision is so incredibly overbroad, because if it's taken at its word -- at its -- on its face, Steak'n Shake can't be registered because some people believe you -- a substantial portion of Americans believe that eating beef is immoral. And so now that's unconstitutional -- that's invalid, that registration.

JUSTICE KAVANAUGH: I'm not sure you answered my bus question, so I want to get it one more time. If we rule for you in this case, is there a principled ground on which we could distinguish public bus ad space?

MR. SOMMER: Definitely, because that is a public forum. And I think that the -- probably the clearest way is as public disruption, but I do see --

JUSTICE KAVANAUGH: Public?

***54** MR. SOMMER: Disruption.

JUSTICE KAVANAUGH: Because people see a word and all of a sudden --

MR. SOMMER: And then there's --

JUSTICE KAVANAUGH: -- can't handle themselves?

MR. SOMMER: And then there's --

JUSTICE KAVANAUGH: I don't understand that.

MR. SOMMER: And there's also a case that involves where bus -- affirming standards for taking ads because the purpose of the bus program is revenue. And I -- I think it's from Massachusetts, but I can't remember the name of the case.

JUSTICE KAVANAUGH: Can you explain the disruption point more?

MR. SOMMER: Well, I'm not sure -- at least in the high school context, like Bethel School, I think that there is disruption.

JUSTICE KAVANAUGH: On a public -- on a public bus, how would this --

MR. SOMMER: Okay. I -- I -- I'll withdraw that. I think that might be hard to -- to draw a line there.

***55** JUSTICE KAVANAUGH: Okay.

MR. SOMMER: Well, if there's no further questions, I would simply say --

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JUSTICE ALITO: Well, what about where -- if -- there may be words that are almost never used, actually, to express what the word literally means. They -- and the word your client wants to use is number one on the list. Like, 99 percent of the time or 95 percent of the time, it's not used to express what the word literally means. It's just used to say, I'm mad, I want to get attention. It's like shouting.

Can it be -- can that be distinguished on that ground, that -- that it doesn't express any sort of viewpoint? All it expresses is an emotion, a way of -- of expressing something.

MR. SOMMER: Well, I think two -- two responses. One, I think you've already decided that issue in Tam by unanimously holding the giving offense's viewpoint.

JUSTICE ALITO: No. Well, Tam involved the expression of an idea, and -- and so there was viewpoint discrimination.

MR. SOMMER: Well, because of your ***56** decision in Tam, the -- the provision in the whole is invalid. And so all those racial slurs are coming in.

JUSTICE BREYER: So what exactly is the harm to the First Amendment speech interest here? I mean, this is, after all, simply not forbidding use of any word in any place, but you can't put a little R next to it.

It doesn't stop you. The registration, non-registration makes it more difficult for you later to prove a trademark case, a trademark case being about the source of a product, not about speech.

So what precisely is the harm? I'm not saying there isn't one. I just want to get your words of what the harm to the interests, the First Amendment interest, is.

MR. SOMMER: Because people who want to -- like Mr. Brunetti, who want to have a somewhat undefined viewpoint, or people with a more defined viewpoint, like in the cancer and the racism case, they have a viewpoint that they want to make.

And as the Court already held in Tam, denial of registration -- if denial of ***57** registration in Tam is a sufficient burden to raise constitutional --

JUSTICE BREYER: I -- I understand your Tam.

MR. SOMMER: Okay.

JUSTICE BREYER: That's why I wanted to get your articulation in best words, since the statute books of the federal government, as well as every state, are filled with prohibitions against saying all kinds of things in areas of commerce, securities, you name it. I mean, all kinds of things.

So what I want your words for is to distinguish this case in terms of harm to First Amendment interests. All I want is your phrase on that.

MR. SOMMER: I would say --

JUSTICE BREYER: And I'm -- and I'm -- I'm not saying you don't have one. I just want to get it in my head.

MR. SOMMER: I would say Brunetti cannot express his viewpoint --

JUSTICE BREYER: Okay.

MR. SOMMER: -- without an unconstitutional burden.

***58** CHIEF JUSTICE ROBERTS: See, I take it that the -- a correct spelling of the vulgar word at the heart of the case, that can't be trademarked, right?

MR. SOMMER: The -- the -- the bad word itself?

CHIEF JUSTICE ROBERTS: Yeah.

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MR. SOMMER: It could be. Someone could register that if they used it as a source identifier, like as a label in the neck. That would be a source identifier because the one thing I think maybe is being confused is as the use on the front isn't a trademark use. That's considered ornamental.

Trademark use is as a use on a neck label or, as the government likes to ignore, on blogs, like say if you want to say dump the governor, except we can have other examples that would fall under this.

CHIEF JUSTICE ROBERTS: Right, but I guess I don't understand. A mark on the neck?

MR. SOMMER: The trademark is on the neck label. And the statute says any word or symbol can be a trademark unless there's a disqualifying condition. But trademarks also ***59** are more than just the neck label.

Because people use it for political parties, for charitable groups, for providing information about candidates for public offices, this is not -- trademarks and service marks are not purely commercial anymore.

They were back when Paul Revere put his name on silverware, but if it was nowadays, Paul Revere would say, I ride for freedom, and that would be viewpoint.

Well, if the Court has no further questions, the government doesn't dispute, I think, that some marks are viewpoint. It doesn't dispute that it's content regulation. And the government does not dispute that statute doesn't survive strict scrutiny.

And, therefore, I submit, the statute is facially unconstitutional.

JUSTICE SOTOMAYOR: You're -- you're conceding to the Chief Justice that anyone who uses the words on goods to sell them can use any profane word and register it?

MR. SOMMER: Well, there's two questions there. Can they use it? Because all the words about descriptive use, non-trademark ***60** use, apply.

So people can use -- let's say someone has the word apple registered for clothing, but they still -- someone else could use an apple on the front of the clothing. And so that's non-trademark use. And so all those rules that are --

JUSTICE SOTOMAYOR: But the word that the Chief asked you about you say can be registered --

MR. SOMMER: I believe it can be --

JUSTICE SOTOMAYOR: -- if it's on the neck?

MR. SOMMER: Yes, I believe so.

JUSTICE SOTOMAYOR: I think I understand your difference, but --

MR. SOMMER: All right. Thank you.

CHIEF JUSTICE ROBERTS: Thank you, counsel.

Four minutes, Mr. Stewart.

REBUTTAL ARGUMENT OF MALCOLM L. STEWART ON BEHALF OF THE PETITIONER

MR. STEWART: Thank you, Mr. Chief Justice.

I'd like to make one factual ***61** clarification and then three quick legal points.

First, as to the PTO's current practice with respect to racial slurs, in general, the PTO views Tam as prohibiting a denial of registration for racial slurs, but, with respect to the single-most offensive racial slur, the PTO is currently holding in abeyance applications that incorporate that word, pending this Court's decision on -- leave open the possibility that that word might be viewed as scandalous.

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Second, with respect to Cohen, Cohen simply illustrates the difference between a prohibition on speech and on content-based restrictions on speech that are used to prohibit and content-based criteria for government benefits.

The reason that the law in Cohen was held to be invalid was that it entirely prohibited the use of the word in a public space. Here, we're not doing that.

The -- the second thing I wanted to say -- and this follows up on questions from the Chief Justice and Justice Alito -- that ***62** content-based distinctions are really ubiquitous in the registration program.

We look to see whether marks are descriptive, whether they're generic, whether they are confusingly similar to existing marks, and often the words that we find to be descriptive, generic, confusingly similar are incorporated into what could be viewed as messages.

And in response to any allegation of viewpoint discrimination, we would say we're not denying registration because it is being used to convey this message. We're denying registration to -- because it is descriptive, generic, et cetera.

And we simply want to be able to follow the same approach with respect to profanity. Profane words can be used as part of a larger message, but we're not denying registration because of the message, it's because of the profanity.

And the last thing I'd say about whether it matters, obviously, the reason Mr. Brunetti cares about this enough to apply for federal -- for trademark registration and ***63** appeal to the Federal Circuit is that he believes that federal registration will convey commercial advantages.

And within the context of a program that is intended to facilitate and strengthen trademarks, Congress can legitimately decide that it wants to disincentivize the use of trademarks that substantial numbers of people would find offensive and to disassociate the government from those trademarks. Thank you.

CHIEF JUSTICE ROBERTS: Thank you, counsel. The case is submitted.

(Whereupon, at 11:03 a.m., the case was submitted.)

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API

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v.

Paul W. MILLER, Defendant.

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Signed 04/05/2019

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MEMORANDUM AND ORDER

HOLLY L. TEETER, UNITED STATES DISTRICT JUDGE

***1** Plaintiff API Americas Inc. filed this action alleging that a former employee, Defendant Paul Miller, misappropriated its trade secrets in an attempt to lure away business to a direct competitor. Currently before the Court are the parties' dueling motions for summary judgment. Plaintiff seeks summary judgment on two counts—Count V for violation of the federal Defend Trade Secrets Act of 2016, 18 U.S.C. § 1836 ("DTSA"), and Count VI for violation of the Kansas Uniform Trade Secrets Act, K.S.A. §§ 60-3320, *et seq.* ("KUTSA")—and on its prayer for attorney's fees under these statutes. Doc. 47. Defendant, in turn, moves for summary judgment on all twelve claims asserted by Plaintiff in this action.[1] Doc. 50.

The majority of the facts in this case are stipulated by the parties and, for the following reasons, the Court finds those facts entitle Plaintiff to relief on its claims for liability under the DTSA and the KUTSA. However, the Court finds a genuine issue of fact exists regarding whether Defendant "willfully" and "maliciously" misappropriated Plaintiff's trade secrets and, accordingly, denies Plaintiff's request for summary judgment on its statutory fee claim. The Court further denies Defendant's competing motion for summary judgment.

I. BACKGROUND[2]

A. Defendant's Employment with Plaintiff

Plaintiff is a global designer, manufacturer, and distributor of "hot stamping foils" and other products. Doc. 46 at ¶¶ 2-3. Plaintiff's products are used across a variety of industries, although the greeting card and gift wrap industries traditionally comprise one of Plaintiff's largest customer bases. *Id.* at ¶¶ 3-4.

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Defendant started working for Plaintiff in June 2007 as a Customer Service Representative and, at the time of his resignation in September 2017, held the position of Technical Service and Account Manager. *Id.* at ¶ 9. Although based at Plaintiff's facility in Lawrence, Kansas, Defendant had VPN access to Plaintiff's network enabling him to work from home. *Id.* at ¶ 6; Doc. 48 at 11 ¶ 50; Doc. 57 at 11 ¶ 50. In his role as a Technical Service and Account Manager, Defendant both provided technical knowledge of Plaintiff's products—by supplying information regarding how the foil is applied and assisting with quality control—and interfaced with Plaintiff's clients by managing outflow of trial samples, evaluating complaints and coordinating follow up, and assisting at trade shows. Doc. 46 at ¶ 9. Defendant therefore admits that, through his position with Plaintiff, he gained:

***2** • Access and knowledge concerning Plaintiff's quality information related to testing and customers;

• Access and knowledge concerning the software used by Plaintiff to store and maintain customer information;

• Access and knowledge concerning customer sales history and personal sales results;

• Access and knowledge concerning Plaintiff's base price list and guidelines for all existing and prospective customers;

• Access and knowledge concerning relative profitability of Plaintiff's product lines;

• Access and knowledge stemming from his participation in meetings in which strategies were discussed and evaluated including sales and operations functions; and

• Access and knowledge concerning Plaintiff's future investments for current and prospective projects.

Id. at ¶ 10. Defendant further admits this information constitutes significant confidential and proprietary information and trade secrets of Plaintiff. *Id.*

As such, during his employment, Defendant entered into a written Employee Confidentiality, Non-Solicitation and Non-Competition Agreement ("Agreement") with Plaintiff governing the use and disclosure of such information. *Id.* at ¶ 11. Pursuant to the Agreement, Defendant manifested his understanding that Plaintiff's business "depends on its unique technology, manufacturing processes, marketing strategies, customer and prospective customer relationships, and products, potential products and its business models and strategies" and that Plaintiff "spends substantial time, money and effort in identifying its customers, learning their business needs, and designing[,] manufacturing and distributing products to meet those needs." *Id.* at ¶ 12. Defendant further acknowledged that, through his employment, he would gain valuable information and knowledge concerning Plaintiff's business and the business of its customers and, were he to use that information and knowledge to compete with Plaintiff, Plaintiff would be "severely and irreparably injured." *Id.* The issues raised in this action primarily implicate three components of the Agreement: (1) the non-disclosure provisions, (2) the non-competition provisions, and (3) the non-solicitation provisions.

1. Non-Disclosure Provisions

Section 1 of the Agreement governs the disclosure of so-called "confidential information" and "confidential documents"—i.e., information and documents in which Plaintiff or, sometimes, its customers have a proprietary interest. *Id.* at ¶¶ 15-17. Pursuant to Section 1(b) of the Agreement, Defendant agreed, in pertinent part, that he would not disclose, use, or provide any of the confidential information or documents—either during his employment or at any time thereafter—for his own benefit or for the benefit of any third party. *Id.* at ¶ 20. Under Section 1(c) of the Agreement, Defendant further agreed that he would not remove confidential information or documents from Plaintiff's premises without prior consent. *Id.* at ¶ 21. Defendant also agreed that, immediately upon termination of his employment, he would return all confidential information and documents to Plaintiff. *Id.* at ¶ 22.

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2. Non-Competition Provisions

***3** Section 2 comprises the Agreement's non-competition provisions. Pursuant to Section 2(a), Defendant agreed that, during his employment, he would not, without express prior written consent of Plaintiff, "compete or make preparations to compete in any way, directly or indirectly," with Plaintiff in the hot stamping foils business. *Id.* at ¶ 23. Defendant also agreed he would not "consult with ... any business[,] firm, partnership[,] corporation, or other entity ... which competes with [Plaintiff], in any way, directly or indirectly, in the hot stamping foils business or any other business in which [Plaintiff] is engaged." *Id.* This non-competition provision was also extended one year beyond the date of termination of Defendant's employment by virtue of Section 2(c), which further provides that Defendant "will not consult with, provide services to, be employed by or have any interest in any business, firm, partnership, corporation or other entity" that competes with Plaintiff. *Id.* at ¶ 24.

3. Non-Solicitation Provisions

Finally, Section 3 contains the Agreement's non-solicitation provisions. Pursuant to these provisions, Defendant agreed in pertinent part that, for one year following the date of his termination of employment with Plaintiff, he would not "directly or indirectly contact, induce, entice or in any way attempt to solicit the hot stamping foils business of any of [Plaintiff's] customers." *Id.* at ¶ 25. Defendant agreed this prohibition is "reasonable and necessary to protect the legitimate interests of [Plaintiff]" and, further, "that his violation of any of these covenants will result in immediate, irreparable and substantial harm to [Plaintiff] and its business." *Id.* at ¶ 27. To that end, Defendant further agreed Plaintiff is entitled to preliminary and permanent injunctive relief and any other remedies available to enforce the non-solicitation provisions and recover damages for their breach. *Id.*

B. Hallmark RFQ

In May 2017, Hallmark Cards, Inc. ("Hallmark")—one of Plaintiff's largest existing customers—notified Plaintiff it was seeking Request for Quote ("RFQ") proposals for its folio business, which business Plaintiff had previously provided. *Id.* at ¶¶ 5, 29. Via email dated May 12, 2017, Hallmark notified Plaintiff that responses to its RFQ would be due on August 15, 2017, with a decision made by September 15, 2017. *Id.* at ¶ 30. Defendant, who was serving as Plaintiff's Account Manager for Hallmark at the time, was copied on the email. *Id.* Defendant subsequently participated in a strategy meeting with Plaintiff's management to review the RFQ. *Id.* at ¶ 31. On August 15, 2017, Bob Almer—Plaintiff's Vice President of Sales and Defendant's direct manager—submitted Plaintiff's response to the RFQ. *Id.* at ¶ 32. Almer copied Defendant on the response, and Defendant had contributed to the response in his capacity as manager of the Hallmark account. *Id.*

In the weeks following the submission of Plaintiff's RFQ response, Defendant proceeded to send himself—from his business email account to his personal email account—several emails containing Plaintiff's business information:

- On August 15, 2017, Defendant forwarded from his business email account to his personal email account the email with Plaintiff's RFQ response and corresponding attachments. *Id.* at ¶ 33.

- On August 16, 2017, Defendant sent from his business email account to his personal email account "Quality" documents from Plaintiff. *Id.* at ¶ 34.

- On August 31, 2017, Defendant sent from his business email account to his personal email account a "Customer Information Query" from Plaintiff. *Id.* at ¶ 35.

Defendant concedes that each of these emails and corresponding attachments contained confidential and proprietary information of Plaintiff. *Id.* at ¶¶ 33-35.

On September 7, 2017, Plaintiff presented Hallmark with a Quality Improvement Plan that Defendant helped prepare to address application issues with some of Plaintiff's foils. *Id.* at ¶ 36. And, on September 8, 2017, Defendant organized and managed a meeting with Hallmark executives and Plaintiff's management to follow up on Plaintiff's response to the RFQ, provide a plant tour, and review open quality and product development activities. *Id.* at ¶ 37. During this meeting, the parties discussed Plaintiff's plans for the future of its Lawrence, Kansas operations and improvements for the foil applications at Hallmark. *Id.*

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C. Defendant's Resignation and Employment with Univacco

***4** On September 11, 2017, Defendant unexpectedly emailed Plaintiff his notice of resignation. *Id.* at ¶ 38. Two days after he tendered his resignation, on September 13, 2017, Defendant advised Mr. Almer that Hallmark would be delaying the results of its RFQ process by one month. *Id.* at ¶ 39. Defendant indicated the reason for the delay was so Hallmark could "test other foils." *Id.* The next day, Defendant spoke with Plaintiff's Human Resources Manager, Leslie Smith, and asked if he had a non-compete agreement with Plaintiff. *Id.* at ¶ 40. Ms. Smith advised that he did and showed him a copy of the Agreement. *Id.*

On September 21, 2017, Mr. Almer emailed Hallmark's purchasing manager to advise her that Defendant was resigning from employment with Plaintiff. *Id.* at ¶ 41. Defendant's last day with Plaintiff was September 22, 2017. *Id.* at ¶ 42. When Defendant left, he did not return any of the documents or information he previously sent to his personal email account. *Id.* at ¶ 43. Defendant subsequently accepted employment with UNIVACCO Foils Corporation ("Univacco") on or before October 12, 2017, as its Midwest Sales Manager. *Id.* at ¶ 44. Univacco—which, like Plaintiff, is a global foils manufacturer—is a direct competitor of Plaintiff. *Id.* at ¶ 7. On or about October 16, 2017, while employed by Univacco, Defendant visited Hallmark's facility in Lawrence, Kansas, to test Univacco's foils with Hallmark. *Id.* at ¶ 46. Defendant later produced a report for Univacco to provide to Hallmark. *Id.*

D. The Dispute

On October 18, 2017, Plaintiff sent a letter to Defendant demanding written assurance that he had not taken "employment with a direct competitor" of Plaintiff or, if he had, that he would resign from that position immediately. *Id.* at ¶ 47. After Defendant failed to respond to the letter by the stated deadline, Plaintiff filed this action on October 23, 2017, asserting claims for: (1) breach of contract (related to the non-disclosure provisions); (2) breach of contract (related to the non-competition provisions); (3) breach of contract (related to the non-solicitation provisions); (4) breach of the duty of good faith and fair dealing; (5) violation of the DTSA; (6) violation of the KUTSA; (7) violation of the federal Computer Fraud and Abuse Act; (8) injunctive relief; (9) accounting; (10) conversion; (11) tortious interference with existing contractual relations; and (12) tortious interference with business expectancy. Doc. 1; Doc. 46 at ¶ 48.

Shortly after filing its complaint, Plaintiff also sought a temporary restraining order against Defendant, and the Court entered a TRO on November 7, 2017. Doc. 5; Doc. 18; Doc. 46 at ¶ 49.[3] The parties have now filed competing motions for summary judgment. Docs. 47, 50.

II. STANDARD

Summary judgment is appropriate where the moving party demonstrates that "there is no genuine dispute as to any material fact" and it is "entitled to judgment as a matter of law." FED. R. CIV. P. 56(a). In applying this standard, courts must view the facts and any reasonable inferences that might be drawn therefrom in the light most favorable to the non-moving party. *Henderson v. Inter-Chem Coal Co.*, 41 F.3d 567, 569 (10th Cir. 1994). "There is no genuine issue of material fact unless the evidence, construed in the light most favorable to the non-moving party, is such that a reasonable jury could return a verdict for the non-moving party." *Bones v. Honeywell Int'l, Inc.*, 366 F.3d 869, 875 (10th Cir. 2004) (citing *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986)).

III. ANALYSIS

A. Plaintiff's Motion for Partial Summary Judgment (Doc. 47)

***5** Plaintiff seeks summary judgment on Count V for violation of the DTSA, Count VI for violation of the KUTSA, and its request for reasonable attorney's fees pursuant to those statutes. Doc. 47. The Court addresses the parties' arguments with respect to each of these claims as follows.

1. Violation of the DTSA and the KUTSA (Counts V and VI)

Plaintiff moves for summary judgment on two of its substantive claims in this action: Counts V and VI, which allege Defendant misappropriated Plaintiff's trade secrets in violation of the federal DTSA and its state-law counterpart, the KUTSA. In support of its request for summary judgment, Plaintiff argues simply that the uncontroverted facts (the majority of which were stipulated by the parties in the pretrial order) establish, as a matter of law, all necessary elements of its misappropriation claims. Doc. 48 at 14-20.

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In response, Defendant argues he did not misappropriate Plaintiff's trade secrets because: (1) Plaintiff consented to Defendant's "arrangement" of sending confidential information and documents from his business email account to his personal account and, therefore, Defendant did not acquire any trade secrets by improper means; (2) Defendant did not disclose Plaintiff's trade secrets to any third party; and (3) Defendant did not use Plaintiff's trade secrets for his personal benefit to the detriment of Plaintiff. Doc. 57 at 14. For the following reasons, the Court finds there is no genuine issue of material fact that Defendant misappropriated Plaintiff's trade secrets in violation of the DTSA and the KUTSA. The Court therefore grants Plaintiff's request for summary judgment on Counts V and VI.

The DTSA and the KUTSA provide a private cause of action for misappropriation of a trade secret. *See* 18 U.S.C. § 1836(b)(1); K.S.A. § 60-3321. The elements required to establish a claim for misappropriation are essentially the same under both the DTSA and the KUTSA. To establish such a claim, a plaintiff must show: (1) the existence of a trade secret;[4] (2) the acquisition, use, or disclosure of the trade secret without consent; and (3) that the individual acquiring, using, or disclosing the trade secret knew or should have known the trade secret was acquired by improper means. *See, e.g., Video Gaming Techs., Inc. v. Castle Hill Studios LLC*, 2018 WL 3437083, at *4 (N.D. Okla. 2018) (listing elements of misappropriation claim under the DTSA); *Arctic Energy Servs., LLC v. Neal*, 2018 WL 1010939, at *2 (D. Colo. 2018) (same); *Chris-Leef Gen. Agency, Inc. v. Rising Star Ins. Inc.*, 2011 WL 5039141, at *4 (D. Kan. 2011) (listing elements of KUTSA misappropriation claim (citing K.S.A. § 60-3320)).[5]

***6** For purposes of the first element, the DTSA defines "trade secret" broadly to include "all forms and types of financial, business, scientific, technical, economic, or engineering information" so long as (1) the owner of the trade secret has taken "reasonable measures to keep such information secret" and (2) such information "derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by," another person. 18 U.S.C. § 1839(3). The KUTSA's definition of "trade secret" closely mirrors that of the DTSA. *See* K.S.A. § 60-3320(4) (defining "trade secret" as information (1) that "derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use," and (2) that "is the subject of efforts that are reasonable under the circumstances to maintain its secrecy").

Both the DTSA and the KUTSA also authorize courts to enter injunctive relief in cases of actual or threatened misappropriation. *See* 18 U.S.C. § 1836(b)(3)(A) (authorizing a court to "grant an injunction ... to prevent any actual or threatened misappropriation"); K.S.A. § 60-3321(a) (providing that "[a]ctual or threatened misappropriation may be enjoined").

The Court finds the uncontroverted facts show that Plaintiff has established each element of its claims for misappropriation under the DTSA and the KUTSA. First, Plaintiff has established the existence of a trade secret. Plaintiff identifies several categories of confidential and proprietary information that it contends constitute trade secrets—and which are included within in its response to the Hallmark RFQ—such as information related to quality control, customer strategies, and pricing. Doc. 46 at ¶ 10. The uncontroverted evidence shows this information meets the standard to qualify as "trade secrets" of Plaintiff. Plaintiff has taken reasonable measures to keep this information secret by requiring employees (such as Defendant) to sign the Agreement, which contains non-disclosure and non-competition language ostensibly preventing employees from disclosing and using such information without consent. *Id.* at ¶ 11; Doc. 48 at 12 ¶ 52; Doc. 57 at 12 ¶ 52. Such information also derives value from not being generally known to, and not being readily ascertainable through proper means by, other persons. Doc. 48 at 12 ¶¶ 53-55; Doc. 57 at 12 ¶¶ 53-55. Plaintiff asserts—and Defendant does not contest—that it derives independent economic value from keeping information regarding customer lists, sales results, and product lines secret. Doc. 48 at 12 ¶ 55; Doc. 57 at 12 ¶ 55. The Court therefore finds that the first element of Plaintiff's misappropriation claims is satisfied. Indeed, Defendant himself stipulates that this information constitutes trade secrets of Plaintiff. Doc. 46 at ¶ 10.

Second, the uncontroverted evidence shows that Defendant used or disclosed documents containing these trade secrets without Plaintiff's consent. Through his position with Plaintiff, Defendant admits he gained knowledge of and access to Plaintiff's trade secrets. *Id.* In August 2017, in the weeks following the submission of Plaintiff's response to an RFQ from one of its largest customers (Hallmark) and shortly before his voluntary resignation, Defendant transmitted multiple emails containing Plaintiff's trade secrets from his business email account to his personal account, without Plaintiff's permission. *Id.* at ¶¶ 33-35. Specifically, these emails included Plaintiff's response to the Hallmark RFQ, which included information regarding Plaintiff's strategies and pricing, which, as discussed above, constitutes Plaintiff's trade secrets. *Id.* at ¶ 33; Doc. 53. Defendant did not return the emails and associated documents when he left Plaintiff's employment until ordered to do so by the Court. Doc. 46 at ¶ 43.

***7** In his opposition, Defendant argues he had Plaintiff's consent to send these materials to his personal email account because Plaintiff knew he worked from home and sent documents from his work email account to his personal account to facilitate this arrangement. Doc. 57 at 14. As an initial point, this argument does not account for Defendant's continued use and disclosure of these documents to his personal email account after his resignation. Defendant does not contend—or provide any evidence to suggest—Plaintiff consented to this continued disclosure after his employment ceased and, indeed, the Agreement expressly prohibits such retention. And, regardless, the only evidence Defendant presents to support this consent argument while employed by Plaintiff is his affidavit, which provides the following details about Defendant's work-from-home arrangement: that Plaintiff permitted Defendant to work from home during his

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employment; that Defendant corresponded with Plaintiff about confidential information, documents, and trade secrets while working from home and sent such information, documents, and trade secrets to and from his personal email account "frequently"; and that Plaintiff knew about this arrangement and permitted it. Doc. 57-1 at 1 ¶¶ 3-4. Defendant provides no further detail—such as the exact frequency with which he worked from home—nor does he explain why he sent these particular documents to his personal account. Defendant also does not explain the timing surrounding the transmission. The record shows the documents were sent after Plaintiff's response to the RFQ was submitted—yet Defendant provides no explanation as to why he needed access to these documents, at home, after work on the RFQ response had concluded and the response had been submitted to Hallmark for consideration.

Meanwhile, the uncontroverted evidence weighs against Defendant's arguments, showing that Defendant was able to access Plaintiff's network remotely in the event he worked from home, thereby obviating any need to transmit messages and documents containing Plaintiff's trade secret information to his personal account. Doc. 48 at 11 ¶ 50; Doc. 57 at 11 ¶ 50. Defendant may not use his self-serving affidavit to create a fact issue precluding summary judgment. *See Hall v. Bellmon*, 935 F.2d 1106, 1111 (10th Cir. 1991) (although "[m]aterial factual disputes cannot be resolved at summary judgment based on conflicting affidavits ... [t]o come within the protection of this rule ... the nonmovant's affidavits must be based upon personal knowledge and set forth facts that would be admissible in evidence; conclusory and self-serving affidavits are not sufficient" (emphasis added)). For the foregoing reasons, the Court finds Plaintiff has met the second element of its claims for misappropriation.

Third, the context of Defendant's actions (as evidenced by the uncontroverted facts) makes it clear he knew—or at the very least should have known—that the circumstances of his disclosure and use of Plaintiff's trade secrets were improper. On September 11, 2017, less than one month after sending the above-referenced documents and information to his personal email account, Defendant unexpectedly emailed Plaintiff his notice of resignation. Doc. 46 at ¶ 38. Two days later, Defendant advised his manager that Hallmark would be delaying the results of its RFQ process by one month so it could test other foils. *Id.* at ¶ 39. And the very next day, Defendant spoke with Plaintiff's Human Resources Manager (Ms. Smith) and asked if he had a non-compete agreement with Plaintiff. *Id.* at ¶ 40. Ms. Smith advised that he did and showed him a copy of the Agreement. *Id.* Pursuant to that Agreement, Defendant agreed he would not disclose, use, or provide any of Plaintiff's confidential information or documents—either during his employment or at any time thereafter—for his own benefit or for the benefit of any third party. *Id.* at ¶ 20. Defendant further agreed he would not remove such materials from Plaintiff's premises without prior consent. *Id.* at ¶ 21. Defendant also agreed that, immediately upon termination of his employment, he would return all confidential information and documents to Plaintiff. *Id.* at ¶ 22.

Nevertheless, that is exactly what the uncontroverted evidence shows that Defendant did. As set forth above, when Defendant left Plaintiff's employment, he did not return any of the documents or information he sent to his personal email account. *Id.* at ¶ 43. Less than a month after his last day with Plaintiff, Defendant accepted employment with Plaintiff's direct competitor, Univacco, and met with Hallmark to test Univacco's foils. *Id.* at ¶¶ 42, 44, 46. And Defendant later produced a report for Univacco to provide to Hallmark. *Id.* at ¶ 46.

Based on the foregoing, it is uncontroverted that Defendant knew, or should have known, his disclosure and use of Plaintiff's trade secrets was improper. Plaintiff has therefore satisfied the final element of its misappropriation claims. The Court accordingly finds that the uncontroverted facts establish Defendant is liable for violation of the DTSA and the KUTSA.

2. Attorney's Fees

***8** Having found Defendant liable under the DTSA and the KUTSA for misappropriating Plaintiff's trade secrets, the Court turns to Plaintiff's request for summary judgment on its prayer for reasonable attorney's fees.

In a civil action for misappropriation under the DTSA or the KUTSA, a prevailing party may recover attorney's fees if the court finds the trade secret was "willfully" and "maliciously" misappropriated. *See* 18 U.S.C. § 1836(b)(3)(D) (a court has discretion to award reasonable attorney's fees to the prevailing party where it finds the trade secret was "willfully and maliciously misappropriated"); K.S.A. § 60-3323 (where "willful and malicious misappropriation exists, the court may award reasonable attorney's fees to the prevailing party").[6] In support of its request for summary judgment on its statutory fee claim, Plaintiff therefore argues the uncontroverted facts establish, as a matter of law, that Defendant acted willfully and maliciously in his misappropriation of its trade secrets. Doc. 48 at 20-21.

In response, Defendant contends he did not willfully and maliciously misappropriate Plaintiff's trade secrets because (1) he believed he had permission to send the information and documents to his personal email address pursuant to the aforementioned work-from-home arrangement, (2) he did not intend his actions to injure Plaintiff, and (3) he never actually caused Plaintiff any such injury. Doc. 57 at 14. For the following reasons, the Court finds a genuine issue of material fact exists regarding whether Defendant "willfully and maliciously" misappropriated Plaintiff's trade secrets, precluding summary judgment.

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It appears neither the legislature nor the courts have defined what constitutes "willful" or "malicious" conduct in the context of reasonable attorney's fees under either the DTSA or the KUTSA. In its motion, Plaintiff advances the argument that "willful" misappropriation means "done with actual or constructive knowledge of its probable consequences" and "malicious" misappropriation means "done with intent to cause injury." Doc. 48 at 21 (citing 1 MILGRIM ON TRADE SECRETS § 1.01 (2018)). The plaintiff bears the burden of establishing willful and malicious misappropriation. 1 MILGRIM ON TRADE SECRETS § 1.01 (2018).

Plaintiff contends Defendant acted "willfully" because he had actual and constructive knowledge of the probable consequences of his actions, given the RFQ from Hallmark and his role as Plaintiff's manager for the Hallmark account Doc. 48 at 21. And in support of its argument that Defendant's actions were also malicious, Plaintiff simply concludes that the stipulated facts show, as a matter of law, that Defendant "consciously disregarded [Plaintiff's] rights in [its] trade secrets for his own personal gain and to the direct detriment and injury to [Plaintiff]." *Id.* But Plaintiff does not identify the stipulated facts it contends show such an intent. Indeed, the Court disagrees that the uncontroverted evidence establishes Defendant acted with "intent to cause injury" to Plaintiff in misappropriating its trade secrets.

***9** For these reasons, the Court therefore finds that whether Defendant acted willfully and maliciously in misappropriating Plaintiff's trade secrets raises a question of fact and is inappropriate for summary judgment. Accordingly, the Court denies Plaintiff's request for summary judgment on its statutory fee claim.

B. Defendant's Motion for Summary Judgment (Doc. 50)

In its opposition, Plaintiff makes clear it only seeks relief under Counts I through VI of the complaint.[7] Doc. 56 at 4-5. Therefore, the Court addresses Defendant's arguments in favor of summary judgment only with respect to those claims Plaintiff continues to pursue: Count I (breach of contract related to the non-disclosure provisions), Count II (breach of contract related to the non-competition provisions), Count III (breach of contract related to the non-solicitation provisions), Count IV (breach of the duty of good faith and fair dealing), Count V (violation of the DTSA), and Count VI (violation of the KUTSA).

Defendant attacks these claims primarily on the basis that Plaintiff cannot prove any actual damages, which he contends are necessary to show an entitlement to relief. The Court first analyzes Defendant's arguments in favor of summary judgment on Counts I through III—the breach of contract claims.

1. Breach of Contract Claims (Counts I, II, and III)

As discussed above, Defendant moves for summary judgment on each of Plaintiff's breach of contract claims: its claim for breach of the Agreement's non-disclosure provisions, its claim for breach of the Agreement's non-competition provisions, and its claim for breach of the Agreement's non-solicitation provisions.

Under Kansas law, "[t]he elements of a breach of contract claim are: (1) the existence of a contract between the parties; (2) sufficient consideration to support the contract; (3) the plaintiff's performance or willingness to perform in compliance with the contract; (4) the defendant's breach of the contract; and (5) damages to the plaintiff caused by the breach." *Stechschulte v. Jennings*, 298 P.3d 1083, 1098 (Kan. 2013).[8] Defendant's summary judgment argument is premised entirely on the fifth element (damages). Doc. 51 at 10-11. Defendant argues each of the breach of contract claims fails because Plaintiff has sustained no actual damages, which he contends are required to satisfy this final element of Plaintiff's prima facie case. *Id.* In response, Plaintiff argues it was not required to prove monetary damages to prevail on its breach of contract claims and, rather, injunctive relief is a proper remedy regardless of whether actual damages are sought. Doc. 56 at 25-26.

***10** The Court agrees with Plaintiff. Although the "classic remedy" for breach of contract is an award of monetary damages, "if damages at law cannot adequately compensate the injury sustained from the breach or cannot be reasonably measured, then the remedy at law is inadequate and injunctive relief ... may be appropriate because of irreparable injury." *Tri-State Generation & Transmission Ass'n v. Shoshone River Power, Inc.*, 874 F.2d 1346, 1353-54 (10th Cir. 1989). Plaintiff is thus not required to prove monetary damages to establish its breach of contract claims. Rather, it may—as it has—seek injunctive relief for the alleged breach. Indeed, the nature of the harm Plaintiff alleges here—loss of customers, loss of good will, loss of competitive advantage, and the like—are viewed as sources of irreparable harm justifying injunctive relief because of the difficulty in measuring those losses in monetary terms and in "regaining the business of customers who are being, and will be, induced away or lost." *Inter-Collegiate Press, Inc. v. Myers*, 519 F. Supp. 765, 770 (D. Kan. 1981); *see also Heatron, Inc. v. Shackelford*, 898 F. Supp. 1491, 1502 (D. Kan. 1995) (finding irreparable harm where "it would be impossible to precisely calculate the amount of damages [the plaintiff] would suffer because of the inherent difficulty in quantifying the loss of [the plaintiff's] competitive advantage in the marketplace, and the damages resulting from loss of customers and good

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will"); *Sizewise Rentals, Inc. v. Mediq/PRN Life Support Servs., Inc.*, 87 F. Supp. 2d 1194, 1200 (D. Kan. 2000) (holding that the damages to plaintiff's "interests in good will, brand recognition, customer contacts, and referral sources cannot be measured in numerical or monetary terms"). The Court accordingly denies Defendant's request for summary judgment on Counts I, II, and III for breach of contract.

2. Breach of the Duty of Good Faith and Fair Dealing (Count IV)

In Count IV, Plaintiff asserts Defendant further breached the Agreement by violating the inherent duty of good faith and fair dealing. Defendant argues it is entitled to summary judgment on Count IV for two reasons: (1) as with Plaintiff's breach of contract claims, Plaintiff has sustained no damages from any alleged breach; and (2) employment-at-will contracts, such as Defendant's contract with Plaintiff, are excepted from the good-faith obligation in Kansas. Doc. 51 at 11.[9] For the following reasons, the Court denies Defendant's request for summary judgment on Count IV.

First, the Court rejects Defendant's damages argument for the same reasons discussed in Part III.B.1 above. Second, the Court likewise rejects Defendant's argument that the Agreement is excepted from the good-faith obligation as an employment-at-will contract. The duty of good faith and fair dealing generally requires that each party to the contract refrain from intentionally and purposely doing anything that will destroy or injure the right of the other party to "receive the fruits of the contract." *Waste Connections of Kan., Inc. v. Ritchie Corp.*, 298 P.3d 250, 266 (Kan. 2013) (quoting *Bonanza, Inc. v. McLean*, 747 P.2d 792, 801 (Kan. 1987)). Defendant is correct that, although Kansas courts imply a duty of good faith and fair dealing in every contract, employment-at-will contracts are excepted from this requirement. *See Daniels v. Army Nat'l Bank*, 822 P.2d 39, 43 (Kan. 1991); *Ritchie*, 298 P.3d at 265.

Although the contract containing the non-disclosure, non-competition, and non-solicitation provisions that Plaintiff alleges were breached—i.e., the Agreement—contains "employment-at-will" language, it is not, as Plaintiff points out in its opposition, merely an employment-at-will contract. Therefore, it carries the implied obligation of good faith and fair dealing. Defendant has not demonstrated that this claim fails as a matter of law. And whether this duty has been violated generally raises a question of fact. *Ritchie*, 298 P.3d at 265. The Court therefore denies Defendant's request for summary judgment on Plaintiff's claim for breach of the duty of good faith and fair dealing.

3. Violation of the DTSA (Count V)

Defendant next argues he is entitled to summary judgment on Plaintiff's claim under the DTSA. As with Plaintiff's claims for breach of contract and breach of the duty of good faith and fair dealing, Defendant primarily attacks Plaintiff's DTSA claim on the basis of damages. Specifically, Defendant first argues that only specific categories of monetary damages are authorized under the DTSA and, because Plaintiff has abandoned any claim for monetary damages (except attorney's fees), Plaintiff's DTSA claim necessarily fails. Doc. 51 at 4-5. Second, Defendant argues that Plaintiff is not entitled to attorney's fees because Plaintiff cannot show Defendant willfully and maliciously misappropriated Plaintiff's trade secrets. *Id.* at 5. Third, Defendant contends Plaintiff cannot establish that a trade secret, as defined under the DTSA, has been misappropriated. *Id.*

***11** The law relevant to Plaintiff's DTSA claim is set forth fully in Part III.A.1, *supra.* But—because particularly pertinent to its analysis of Defendant's request for summary judgment on this claim—the Court reiterates that injunctive relief is available as a remedy under the DTSA. *See* 18 U.S.C. § 1836(b)(3)(A)-(B) (authorizing a court to "grant an injunction ... to prevent any actual or threatened misappropriation" or to award "damages for actual loss caused by the misappropriation of the trade secret"). Put differently, monetary damages are not the only form of relief authorized by the DTSA.

For these reasons, the Court rejects Defendant's first argument—that Plaintiff's DTSA claim fails as a matter of law because Plaintiff does not seek monetary damages. Plaintiff is entitled to seek injunctive relief for Defendant's misappropriation, which it has done. This also disposes of Defendant's second argument in favor of summary judgment (that Plaintiff cannot recover on its DTSA claim because it cannot establish an entitlement to attorney's fees). Finally, consistent with its reasoning and holding in connection with Plaintiff's motion for summary judgment (*see supra* Part III.A.1), the Court rejects Defendant's third argument that Plaintiff cannot show misappropriation of a trade secret so as to establish its claim under the DTSA. The Court therefore denies Defendant's request for summary judgment on Count V for violation of the DTSA and, for the reasons set forth in Part III.A.1, *supra*, finds Plaintiff is entitled to summary judgment on this claim.

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4. Violation of the KUTSA (Count VI)

Finally, the Court addresses Defendant's request for summary judgment on Plaintiff's KUTSA claim. Defendant's arguments largely mirror his arguments with respect to Plaintiff's DTSA claim—in other words, Defendant primarily contends Plaintiff's KUTSA claim fails because Plaintiff has not sustained any actual damages as a result of the misappropriation. Doc. 51 at 7-8.

The Court's analysis here likewise mirrors its analysis of Defendant's request for summary judgment on Plaintiff's DTSA claim. Like the DTSA, the KUTSA expressly authorizes injunctive relief as a remedy in cases of actual or threatened misappropriation. *See* K.S.A. § 60-3321(a) (providing that "[a]ctual or threatened misappropriation may be enjoined"). Contrary to Defendant's contentions, a showing of monetary damages is not required. The Court therefore denies Defendant's request for summary judgment on Count VI for violation of the KUTSA and, rather, for the reasons set forth in Part III.A.1, *supra*, enters summary judgment in Plaintiff's favor on this claim.

IV. CONCLUSION

THE COURT THEREFORE ORDERS that Plaintiff's Motion for Partial Summary Judgment (Doc. 47) is GRANTED IN PART and DENIED IN PART as set forth in Part III.A, *supra.*

THE COURT FURTHER ORDERS that Defendant's Motion for Summary Judgment (Doc. 50) is DENIED.

THE COURT FURTHER ORDERS that the parties submit an amended pretrial order reflecting Plaintiff's voluntary dismissal of Count VII and its abandonment of Counts VIII through XIII within seven days of the date of this order.

IT IS SO ORDERED.

All Citations

Slip Copy, 2019 WL 1506955

Footnotes

1 For purposes of clarity, the Court notes that, although the complaint begins with Count I and ends with Count XIII, Plaintiff (presumably inadvertently) omitted "Count IX." Therefore, the complaint only asserted twelve claims for relief. However, as discussed more fully in Part III.B, *infra*, Plaintiff has now abandoned several of its claims. Specifically, Plaintiff has made clear it is only seeking relief on Counts I through VI. Doc. 56 at 4-5. The Court therefore focuses its analysis of Defendant's motion for summary judgment only on his arguments with respect to those remaining claims.

2 For purposes of summary judgment, the following facts are uncontroverted or recited in the light most favorable to the nonmoving party. The Court further notes that the parties stipulated to the overwhelming majority of these facts in the pretrial order (Doc. 46).

3 Following entry of the TRO, Defendant returned to Plaintiff the documents and information he had emailed to his personal email account during his employment. Doc. 46 at ¶ 43.

4 Under the DTSA, the trade secret must also "relate[ ] to a product or service used in, or intended for use in, interstate or foreign commerce." 18 U.S.C. § 1836(b)(1); *see also Video Gaming Techs., Inc. v. Castle Hill Studios LLC*, 2018 WL 3437083, at *4 (N.D. Okla. 2018); *Arctic Energy Servs., LLC v. Neal*, 2018 WL 1010939, at *2 (D. Colo. 2018).

5 As noted by Plaintiff in its motion for summary judgment (Doc. 48 at 15), there does not appear to be any controlling decision regarding the elements required to establish a misappropriation claim under the recently-enacted DTSA. The Court therefore looks to the decisions of other district courts in this Circuit for guidance.

6 The Court notes that, although it previously found that Defendant's misappropriation was improper, it does not necessarily follow that the misappropriation was willful and malicious.

7 Plaintiff originally asserted twelve causes of action (*see supra* note 1 and accompanying text). However, Plaintiff states that, during the pretrial conference, it abandoned all but Counts I through VII of the complaint. Doc. 56 at 4. Plaintiff now further agrees to voluntarily dismiss Count VII for violations of the federal Computer Fraud and Abuse Act. *Id.* at 4-5. This leaves only Counts I through VI for disposition.

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[8] Although stipulating that New Jersey law applies for purposes of "analysis and interpretation" of the Agreement (Doc. 46 at ¶ 13), in their briefing the parties exclusively cite Kansas law to provide the elements of, and relevant law concerning, Plaintiff's breach of contract claims. The Court therefore looks to Kansas to supply the applicable law. But to the extent there is any dispute regarding this issue, the Court has found no pertinent difference between the applicable breach of contract principles under New Jersey and Kansas law.

[9] It is axiomatic that the Court is limited to the arguments raised by the parties.

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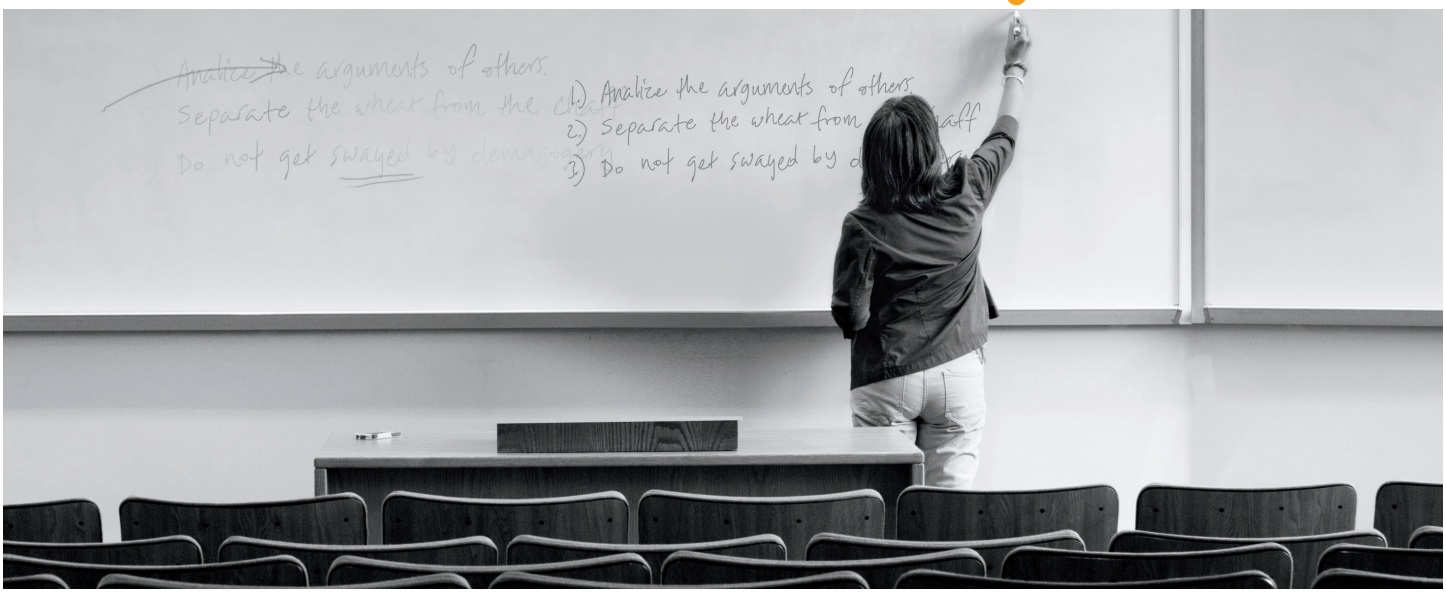
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