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Protecting Trade or Trade Secrets: How Intellectual Property Issues Affect Trade Dispute Between United States and China

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Ongoing trade tensions between the United States and China have both dominated mainstream news headlines and thrust debates about intellectual property laws squarely into public focus. The recent developments involving tariffs on certain goods from China grew out of an investigation by the United States Trade Representative (USTR) into concern about "violations of intellectual property rights and other unfair technology transfers [that] potentially threaten United States firms by undermining their ability to compete fairly in the global market."[1] The USTR issued its full report on this investigation on March 22, 2018, which concluded that "a key part of China's technology drive involves the acquisition of foreign technologies through acts, policies, and practices by the Chinese government that are unreasonable or discriminatory and burden or restrict U.S. commerce."[2] This article highlights the key intellectual property issues discussed in the USTR report.

As public debate about potential tariffs continues, it is important to understand what Chinese intellectual property policies are at issue. The USTR March 2018 Report provides a useful guide to specific intellectual property policies driving U.S. concerns; however, it is admittedly difficult to determine the extent to which the report is intended to reach an objective conclusion on Chinese intellectual property policies. In any event, the USTR findings must be understood within their proper context, and in comparison, with conclusions from contemporary academic investigations.

According to a notice in the Federal Register, the USTR investigation focused on four types of alleged misconduct by the Chinese government:

(1) using administrative approvals, joint ventures, foreign investment requirements, and other mechanisms to pressure U.S. companies into transferring technology and intellectual property to Chinese companies;
(2) requiring nonmarket licensing terms in negotiations between U.S. and Chinese companies, such as terms for the ownership of future technology improvements;
(3) directing systematic investment in U.S. companies to obtain technology and intellectual property; and
(4) supporting cyber theft of intellectual property.[3]

The USTR also invited interested parties to submit "information on other acts, policies and practices of China relating to technology transfer, intellectual property, and innovation for potential inclusion in this investigation or to be addressed through other applicable mechanisms."[4]

On their face, the four categories of allegations differ substantially as to the degree that the challenged conduct would be a direct intellectual property law violation, at least under existing U.S. law. China's alleged support of cyber theft would likely be a violation of U.S. intellectual property laws such as misappropriation of trade secrets. In contrast, it is unlikely that targeted investments in companies for their intellectual property rights could run afoul of U.S. intellectual property laws. Similarly, outside of potential antitrust concerns, commercially pressuring companies to transfer intellectual property rights would not necessarily present a legal problem in the United States. Imposing mandatory undesirable license terms has some surface similarity to licensing disputes in the context of standards essential patents

(SEP). But, this analogy is limited: disputes about SEP licenses traditionally deal with what terms can be required by the licensors of intellectual property (here, the U.S. companies seeking to do business in China), not what the licensees can require (here, Chinese companies).

Whether or not the conduct raised in the USTR March 2018 Report is a direct violation of U.S. intellectual property rights, the alleged conduct could still affect intellectual property rights for U.S. companies. For example, one central allegation from the report is that China has failed to abide by prior commitments to refrain from conditioning the approval of foreign investments or imports on the transfer of technology and intellectual property to a Chinese entity.[5] These technology transfer requirements are often imposed through a joint venture between the foreign company and a Chinese partner.[6] The USTR notes that U.S. companies entering these joint ventures often experience problems with Chinese partners wrongly disseminating trade secrets from the joint venture.[7] Thus, a key factor in evaluating these Chinese policies is the legal recourse available in China to a U.S. company for a violation of the company's intellectual property.[8]

Concerns still remain about the viability of a U.S. company pursuing intellectual property litigation in China.[9] For example, as summarized in the USTR March 2018 Report, the American Bar Association (ABA) Intellectual Property Law (IPL) section noted several deficiencies in Chinese intellectual property law such as "a lack of trade secret protections" and "copyright laws that fall short of international norms."[10] The ABA IPL section did note that recent changes passed by the Chinese government have enhanced patent protection in China.[11] In particular, the introduction of specialist courts for IP cases in China has generated "more interest in the part of U.S. companies to file patent infringement cases in China."[12] However, the ABA IPL section also noted that more improvements were needed still to "meaningfully protect the rights of patent holders."[13] For example, damages awards remain generally low in Chinese patent infringement suits, and compulsory license rules in China undermine the ability of patent holders to exclude others from using patented inventions.[14]

Recent academic surveys of patent litigation in China appear to suggest that protections for foreign companies under Chinese intellectual property law may be improving. A survey of 471 patent litigation cases in China from between 2006 and 2011 concluded that "foreign companies perform as well, if not better, than Chinese firms in patent suits."[15] Another recent survey of over 1,600 decisions found that foreign plaintiffs win patent infringement cases in Chinese courts at a slightly higher rate than domestic plaintiffs (84.35 percent compared to 79.84 percent).[16] The relative success of foreign companies enforcing patents in China appears to contradict some assumptions about protectionism in the Chinese system.[17] However, these numbers do not speak to the specific concerns noted by the ABA IPL section about weak protections for copyrights and trade secrets.

Recently, China has continued to signal its intent to pursue meaningful intellectual property reform. In a speech on April 10, 2018, Chinese President Xi Jinping made comments apparently intended to help ease trade tensions with the United States, including a statement that China will strengthen its intellectual property laws.[18] Although these renewed commitments could be an important step—particularly given the very real prospect of extensive U.S. tariffs—it is worth noting that USTR March 2018 report repeatedly indicates that China has failed to abide by similar prior commitments in these areas.[19]

Despite some signs of improvement, a degree of skepticism remains for U.S. companies needing to protect intellectual property in China—as demonstrated in part by the entities that voiced such concerns during the USTR investigation.[20] In turn, skepticism in the Chinese system may aggravate concerns about Chinese policies pushing intellectual property into the possession of Chinese entities. The question going forward is whether this current skepticism is justified, or whether the recent positive signs in the Chinese system accurately reflect a movement to real change. The USTR March 2018 report clearly lands on the side of skepticism in this regard, and it remains to be seen whether recent steps by China to placate these concerns will be sufficient to ward off the potential tariffs.

1. *See https://ustr.gov/about-us/policy-offices/press-office/press-releases/2017/august/ustr-announces-initiation-section*, last visited April 7, 2018.
2. *Findings of the Investigation into China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation Under Section 301 of the Trade Act of 1974,* Office of the United States Trade Representative, Executive Office of The President, March 22, 2018 (USTR March 2018 report) at 17.
3. *Initiation of Section 301 Investigation; Hearing; and Request for Public Comments: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*, 82 Fed. Reg. 40,213, 40,214 (August 24, 2017).

4. USTR March 2018 report at 6 (quoting *Federal Register* announcement, *supra*)
5. USTR March 2018 report at 19–20.
6. *Id*. at 23–24.
7. *Id*. at 28.
8. *See id*. (noting submission by Intellectual Property Law Section of the American Bar Association that many U.S. Companies have ended up suing Chinese joint venture partners in Chinese courts for misappropriation of trade secrets); *id*. at App'x C, 1 (summarizing ABA IPL section submission)
9. *See* USTR March 2018 Report at 179–180.
10. USTR March 2018 Report Appendix C at 1.
11. *Id*.
12. *Section 301 Investigation and Hearing: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*, October 10, 2017, Hearing Transcript at 137:1–139:2; *see also* 128:18–129:21.
13. USTR March 2018 report Appendix C at 1.
14. October 10, 2017 Hearing Transcript, *supra*, at 116:13–117:7.
15. Brian J. Love, Christian Helmers and Markus Eberhard, *Patent Litigation in China: Protecting Rights or the Local Economy?* 18 Vanderbilt J. Ent. Tech. L. 713, 738 (2016).
16. Bian, Renjun, *Many Things You Know about Patent Infringement Litigation in China Are Wrong*, at 44 (October 1, 2017). Available at SSRN: *https://ssrn.com/abstract=3063566* or *http://dx.doi.org/10.2139/ssrn.3063566*
17. *See* Love et al., *supra*, at 718–721.
18. Michael Martina, "UPDATE 2-China's Xi Renews Pledges to Open Economy, Cut Tariffs This Year", Reuters (available at *https://www.reuters.com/article/usa-trade-china/update-2-chinas-xi-renews-pledges-to-open-economy-cut-tariffs-this-year-idUSL3N1RN1GT*, last visited April 17, 2018).
19. *See*, *for example*, USTR March 2018 report at 6–8 (listing prior commitments), 19–20 (indicating joint venture requirements are imposed informally to avoid breaching prior WTO commitments).
20. USTR March 2018 report at 179–180; *see also* Appendix C.

The Fate of the Linguistic Commons and the Future of Comic Con

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Jury trials over genericness are scarce as hen's teeth. In *San Diego Comic Convention v. Dan Farr Productions, LLC, et al.*, No. 14-cv-1865 (S.D. Cal.), however, a jury was asked to decide whether COMIC-CON is a proprietary mark owned by San Diego Comic Convention, producer of Comic Con International: San Diego (SDCC)—or whether instead it is generic for "comic convention," as alleged by the producers of FanX Salt Lake Comic Convention née Salt Lake Comic Con (SLCC). The jury found in favor of SDCC and against SLCC.[1]

Various *in limine* rulings shaped the trial and, thus, the jury's verdict. One sharply circumscribed SLCC's genericness evidence by forbidding SLCC to introduce any evidence relating to the use of "comic con," in any form (including the hyphenated form "comic-con" and the concatenated form "comicon"), before 1970, because that is when SDCC claimed to have begun using it.[2] Another forbade SLCC from arguing or presenting evidence about the "greater good" aspect of the parties' dispute.[3]

Those two rulings might seem disconnected. Instructively, however, courts in the Fourth Circuit call generic terms part of the "linguistic commons."[4] In addition to *sounding* better than the technical label "generic"—which can seem a dismissive putdown: in general usage, after all, "generic" connotes blandness; even in trademark law, it identifies the lowest rung on the ladder of conceptual strength—saying that generic terms belong to the linguistic commons highlights the public interest in "protect[ing] [them] for public use" and "denying to any one competitor a right to corner those words and phrases."[5] So, a proponent of genericness is, simultaneously, a defender of the linguistic commons.

And it is not just the *linguistic* commons. "Trademark rights protect goodwill,"[6] and goodwill can attach to products as well as producers. "Sharing in the goodwill" of the *product*, as opposed to the *producer*, "is the exercise of a right possessed by all—and in the free exercise of which the consuming public is deeply interested."[7] By denying protection to generic "marks," the law protects the linguistic commons in order to prevent monopolization of the goodwill enjoyed by the corresponding types of goods and services.

Finally, because words and phrases removed from the linguistic commons can be privately regulated, a dispute over genericness can spill over from words and even goodwill to the things themselves: one who owns the words can, through selective licensure, shape the direction (or at least try to) in which a cultural phenomenon like comic con evolves. This article briefly explores how those threads—the relevance of origins to the genericness inquiry, the public interest, and the use of private licensing to shape a cultural movement—came together in the comic con case and are playing out in its aftermath. The organization is generally chronological.

In the Beginning …

"[C]omics fandom," with its characteristic terminology and events, "began to coalesce into a recognizable phenomenon" by 1961.[8] From the beginning, its earliest leaders included science fiction fans who adapted to comics what they knew and loved from that older fandom. SDCC's own event, for example, "began in 1970 when a group of comics, movie, and science fiction fans … banded together to put on the first comic book convention in southern California."[9]

"The idea of fans getting together to share their interests wasn't new; science fiction fan conventions started in the late 1930s"—and thus the term "con," now widely used to refer to a convention, was born.

As the relevant entry for "con" in the *Oxford English Dictionary* explains:

> Esp. among enthusiasts of science fiction and roleplaying games: a convention, an organized gathering of people with a shared interest. Freq. as the final element in the names of such events.

To illustrate, the *OED* quotes this from a 1940 issue of *Astonishing Stories*: "'*Chicon*': fan argot for 'Chicago Science Fiction Convention of 1940.'"

Cons and the word "con" migrated from science fiction to comics through another inheritance. Even before science fiction fans began holding cons, they "had been publishing … fanzines."[10] Fanzines are "amateur publications" "to spread … enthusiasm and generate support."[11] As noted above, science fiction cons "started in the *late* 1930s"; but science fiction fans "had been publishing their fanzines since the *mid*-1930s."[12]

Comic fandom followed the same course. The first (and probably most important) comic fanzine, *Alter Ego*, began in 1961.[13] Those fanzines put the idea of comic cons and the term "comic con" into circulation throughout comic fandom. In 1963, for example, editor Ronn Foss of *The Comicollector*[14] reported on what he called his "traveling comicon"—a Greyhound Bus trip from California to Ohio, featuring meetings with other comic fans along the way. Foss reported that as he "left the White's [in Columbia, Missouri] … we were already planning the next get-together, possibly at some form of Comicon"; and then, reflecting on a visit with another fan in Indianapolis, Indiana, "I'm quite sure a comicon is inevitable."[15]

Then, "[i]n July of 1964 … Bernie Bubnis organized the New York Comicon," which "has traditionally been considered the first real comicon."[16] SDCC started its comic con 7 years later, in 1970.[17] By 1973, SDCC had grown in size and prominence to the point it could boast: "we're #2, following close on the heels of the New York comic con."[18]

Note how well the *OED*'s definition of "con" fits its use in "comic con": a comic con is "an organized gathering of people with a shared interest"; and frequently, "con" is "the final element in the names of such events"—as in "San Diego Comic-Con" and "Salt Lake Comic Con," for example.

In his *Democracy in America*, Alexis de Toqueville wrote that Americans are distinguished by a penchant for voluntary associations through which individuals from diverse backgrounds pursue common interests. "Comic con" was coined by individuals who shared a passion for the comic arts, and who developed a shared language around that passion to refer to a type of forum in which they could come together for a shared purpose.

SDCC Stakes its Claim to the Commons

SDCC—or rather, a loosely organized and unincorporated association: SDCC itself, the chartered nonprofit corporation, did not come into existence until 1975—called its first convention "San Diego's Golden State Comic-Minicon" and its first multi-day convention "San Diego's Golden State Comic-Con"; by 1973, the name had shrunk to "San Diego Comic-Con."[19] A decade later, SDCC developed this toucan logo, which became its first registered trademark[20]:

By 1995, SDCC had developed aspirations beyond San Diego. So, it renamed its event "Comic Con International"[21] and applied to register the word mark COMIC CON—not COMIC-CON (note the hyphen), the registration that would eventually be asserted against SLCC, but COMIC [space, not hyphen] CON.[22]

SDCC was, however, not then and never had been the only comic con, or even the only one to call itself "comic con": there were others before SDCC and throughout its existence SDCC has continued to share the space with an ever-expanding set of "competitors." SDCC's application to monopolize the name "comic con" drew the attention of one of the largest and oldest of SDCC's peers, Chicago Comicon. Chicago Comicon, Inc. had been operating its own convention since 1976 and owned its own registration for the word mark CHICAGO COMICON.[23] When SDCC's application was published, Chicago Comicon filed an opposition. In addition to relying on its own registration, Chicago pointed out that a single issue of the *Comic Buyer's Guide* (one of the longest-running fanzines) listed over 20 conventions using "comic con" in cities around the country.

SDCC and Chicago issued dueling press releases. SDCC claimed self-defense: "we do not have any intention to attack Chicago Comicon or their mark

Chicago Comicon. We merely wish to take the recommended steps to prevent others from attacking our name." Chicago positioned itself as the defender of larger fandom's linguistic commons:

> San Diego was correct in their release when they stated they would allow us to use our registered mark. But nothing in their press release, or any documents we've seen, mentions any other comicons across the country. My partners and I, in all good conscience, could not and would not accept a separate peace in this matter.[24]

Ultimately, SDCC abandoned its application for unqualified COMIC [space] CON[25] and settled for registration of COMIC CON INTERNATIONAL.[26]

In 2005, newcomer Reed Exhibitions announced a New York Comic-Con (NYCC) to be held in February 2006.[27] This brought comic con back to New York: the original New York Comicon had dwindled through the 1980s; the last was held in 1989. On September 15, 2005, a few months after Reed's announcement, SDCC applied to register COMIC-CON (note the hyphen).[28] By this time, Chicago Comicon had become one of the several events owned by Wizard World and was no longer independent; Chicago's new owner did not oppose; and the application was granted—i.e., SDCC obtained a registration for COMIC-CON—on March 20, 2007.[29]

Reed's 2006 show went forward as New York Comic-Con (again, note the hyphen); that spring, however, NYCC posted a disclaimer on its Web site of any affiliation with other comic cons and every year since, the event has gone forward, without public complaint by SDCC, as "New York Comic [space, not hyphen] Con." "In 2014, NYCC's attendance reached 151,000, surpassing SDCC to become the largest comic book convention in North America."[30] In 2016, NYCC reported over 180,000 attendees.[31]

Battle Is Joined

Third-party uses of "comic con" and its variants continued to proliferate, both in the United States and worldwide, even after SDCC obtained its registration. SDCC, however, undertook no known enforcement actions based on its COMIC-CON registration until after it became incontestable, on April 18, 2012.

SLCC was launched the next year, in 2013. Because it was the first major con in Utah, one of its primary business needs and objectives was to educate Utahns about what a comic con *is*.[32] The job was done well, making the launch one of the most successful in comic-con history. Among the 70,000 attendees was David Glanzer, one of SDCC's senior executives. In his trip report, he acknowledged that "about 90 percent" of those in attendance "had never been to a show like this before."[33]

By way of criticism, Glanzer also wrote that there were "two Coors refrigerated trucks that served beer" and "an Air Force bus that had some video games"; "Cost[c]o was selling memberships"; and "[i]t was big on autograph signers. Very similar to a wizard [i.e., Wizard World] show."[34] The comparison with autograph shows like Wizard World was not intended as a compliment: SDCC prides itself on being an educational event focused on the art form, in contrast to "autograph shows" trying to profit from sold access to celebrities. Still, SDCC displayed no signs of aggression toward SLCC that first year. Why should it? It had tolerated Wizard World—which acquired Chicago Comicon in 1997 and has been expanding into new markets ever since, and now boasts dozens of shows throughout the United States named according to the formula "Wizard World Comic Con [City]"[35]—for years.

The next year SLCC, however, wrapped a car with "Salt Lake Comic Con" logos and took it to San Diego, as SDCC was winding down its convention. SLCC knew that several of the stars it had booked for its show in September were gathered at SDCC's show in July, so SLCC saw an opportunity to get publicity photos with the lot of them at the same time. SLCC did not anticipate a problem because it knew San Diego was filled with people hawking their related wares during SDCC's convention, including other convention organizers. Perhaps SDCC was already looking for someone to sue, and SLCC made itself a target; perhaps SDCC thought SLCC's wrapped car crossed some redline (testimony at trial suggested SLCC's primary offense was not paying a sponsorship fee for the privilege of driving and parking on *public* streets[36]); whatever the reason, SDCC sued SLCC a week later.

Legal Framework

The case started with SDCC accusing SLCC of infringing four registered marks, three of which were incontestable.[37] Before trial, SDCC dropped the only mark that was not incontestably registered. Although SDCC went to trial on three registrations, "COMIC-CON is the real ballgame here."[38] And at trial, the

validity issue regarding *that* registration was whether "comic con" is generic.

"A 'generic' term is one that refers, or has come to be understood as referring, to the genus of which the particular product or service is a species."[39] The test is "the primary significance of the term in the minds of the consuming public"[40]: if the primary significance "is as the name for a particular type of good or service irrespective of its source"[41] then the term is generic. To call a term generic is, however, to speak loosely: to be precise, "generic" describes how a term relates to certain goods or services, rather than any feature inherent in the words. "Apple," for example, is generic as to fruit but not as to electronics.

Courts generally divide genericness into two types: "A descriptive term may be generic for a designation ab initio"—i.e., from the beginning, from its first use by the putative markholder—"or it may become generic over time through common usage."[42] A term that *becomes* generic, instead of starting out that way, is said to suffer genericide.[43]

By statute, genericness is a defense to a registered mark, even if the registration is incontestable[44]; and the date of first use claimed in a registration has no evidentiary significance.[45] Based on the incontestability of SDCC's registration, however, the district court ruled that COMIC-CON would be conclusively presumed *not* to be generic as of the first date of use claimed by SDCC in its registration or at any time prior thereto,[46] and therefore evidence of third-party use prior to that date would be excluded. Thus the only theory SLCC was allowed to take to trial was genericide.

A Disappearing Patch of the Commons?

In a case about breakfast cereal, the Supreme Court found a *deep* public interest in the right to share "in the goodwill of the article" (at least where the article is not otherwise proprietary).[47] In that case Nabisco, as successor-in-interest to the inventor of the once-patented machine for *making* shredded wheat, asserted exclusive rights in the *name* "shredded wheat" after the patent expired.[48] The Court held:

> Kellogg Company is undoubtedly sharing in the goodwill of the article known as "Shredded Wheat"; and thus is sharing in a market which was created by the skill and judgment of plaintiff's predecessor and has been widely extended by vast expenditures in advertising persistently made. But that is not unfair. Sharing in the goodwill of an article unprotected by patent or trade-mark is the exercise of a right possessed by all—and in the free exercise of which the consuming public is deeply interested.[49]

The acquisition and consumption of a box of breakfast cereal are a private affair—as was its invention, at least in that case (the patent for shredded wheat had a single named inventor). Comic con, in contrast, is an event category evolved over decades by hundreds of producers of hundreds of idiosyncratic events; indeed each particular comic con is "consumed"—and largely produced—through the public interaction of thousands. Surely one might reasonably argue that there is an even deeper public interest in the right to share the goodwill associated with comic cons than to share the goodwill associated with shredded wheat.

The court trying the comic con case, however, denied that the case had any public interest dimension. That carried over into its ruling excluding pre-1970 evidence, which might have shown comic con—the words, the event category, and the associated goodwill—to have been the product of communal effort by comic fandom as a whole rather than SDCC's invention.

SDCC seems now to be carrying that negation of communal effort into practical operation through a selective enforcement campaign and licensing program begun after suing SLCC. There are plenty of targets to choose from because "comic cons are held in nearly every state of the United States" and "over 100 competitors us[e] the unhyphenated form" COMIC CON.[50] Among those, the largest real-world, commercial threats to SDCC's putative trademark rights are Wizard World, which as noted above puts on dozens of "infringing" shows, and Reed, which puts on the largest;[51] but for now, at least, SDCC seems unwilling to take on the legal risk of tangling with another of the industry giants.

Instead, SDCC has been focusing on smaller and younger shows—those with smaller "warchests" and who are less likely to be able to mount effective laches defenses to SDCC's belated enforcement. Specifically, between suing SLCC and taking that case to trial, SDCC licensed four such shows: Palm Springs Comic Con, Long Beach Comic Con, Rose City Comic Con (in Portland, Oregon), and Dallas Comic Con. The terms are standardized. The basic exchange is that the licensee, instead of paying cash,[52] assigns its

own trademark to SDCC.[53] SDCC is collecting marks through its licensing program.

SDCC was helped to victory in its first trademark litigation by *in limine* rulings that prevented the jury from hearing the *historical* basis for finding a communal interest in the name and goodwill that SDCC claimed as its own. *Now*, some members of the community, at least, are severally surrendering to SDCC whatever rights they might otherwise have had in the collective commons. At a practical level, if the portfolio of acquired marks grows large enough then SDCC might someday be able to credibly claim that "comic con" denotes a mark *family* owned by SDCC, which could help it drive out any remaining holdouts by bolstering both its defense and its enforcement of the core COMIC-CON registration.[54]

Finally, having, to some extent, escaped any historical claim of public right, SDCC is using its licensing program to try to shape the future of comic cons to its own liking. SDCC includes in its licenses standard provisions that give it some degree of control over the licensees' operations; on top of that, SDCC says it only offers licenses to show that share its vision of what a comic con should be[55]—and SDCC does not believe SLCC shares that vision.[56] SDCC seems resigned to sharing the space with Reed and Wizard World—to whom SDCC's own David Glanzer compared SLCC—but otherwise seems intent on purifying the industry, or at least the roster of "comic cons," of nonconformists.

Conclusion

The stakes in genericness litigation are never purely private because genericness is simultaneously an assertion that a putative markholder *lacks* rights and also, at the same time, a claim that the public *has* rights—that the "mark" asserted by the plaintiff in fact belongs to the linguistic commons. A claim of genericness *ab initio*, in particular, carries with it a further claim that the right is part of the public's heritage—rather than an involuntary transfer, which genericide might be.

Rightly or wrongly, the comic-con case was tried with a blind eye to those features of a genericness defense. SDCC, having benefited from that framing of the trial, is now pursuing a licensing program apparently designed to perfect its dominion over comic con—not only the name inherited from others and the goodwill concurrently developed by hundreds of shows in hundreds of venues, but even the future of the event itself.

1. Citations to ECF Documents are to documents on docket. The jury's December 8, 2017 verdict is ECF Doc. 395.
2. *See* November 14, 2017 Tr. at 36:15–19.
3. *See* November 14, 2017 Tr. at 114:18–115:4.
4. *See, for example, America Online, Inc. v. AT & T Corp.*, 243 F.3d 812, 821 (4th Cir. 2001).
5. *See America Online*, 243 F.3d at 821.
6. *Raxton Corp. v. Anania Associates, Inc.*, 668 F.2d 622, 625 (1st Cir. 1982).
7. *See Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 122 (1938). With more context: "Kellogg Company is undoubtedly sharing in the goodwill of the article known as 'Shredded Wheat'; and thus is sharing in a market which was created by the skill and judgment of plaintiff's predecessor and has been widely extended by vast expenditures in advertising persistently made. But that is not unfair. Sharing in the goodwill of an article unprotected by patent or trade-mark is the exercise of a right possessed by all—and in the free exercise of which the consuming public is deeply interested."
8. *See Comic-Con Annual: 2011 Edition* 37. (Can it be that 50 years have passed since comics fandom as we know it began to coalesce into a recognizable phenomenon?)
9. *See https://www.comic-con.org/about*.
10. *See Comic-Con Annual: 2011 Edition* 37.
11. *See Comic-Con Annual: 2011 Edition* 37.
12. *See Comic-Con Annual: 2011 Edition* 37.
13. *See Comic-Con Annual: 2011 Edition* 37.
14. In 1964, *The Comicollector* would merge with *The Rocket's Blast* and go on to become "the premiere advertising fanzine of the '60s." *See Comic-Con Annual: 2011 Edition* 37.
15. *See The Comicollector* 4 (March–April 1963).
16. *Comic-Con: 40 Years of Artists, Writers, Fans and Friends* 41 (2009) (in part quoting Bill Schelly, *The Golden Age of Comic Fandom* 74 (1995)).
17. *See https://www.comic-con.org/about*.
18. *San Diego Comic-Con: 1973* 2.
19. *See https://www.comic-con.org/toucan/friday-flashback-006-history-of-comic-con-and-then-some-through-logos*.
20. *See* U.S. Trademark Reg. No. 1,675,405.
21. *See* Declaration of Fae Desmond in Support of Response to Office Action, U.S. Trademark App. No. 75/288,062 (July 13, 1998).
22. *See* U.S. Trademark App. No. 74/706,192.
23. *See* Notice of Opposition, *Chicago Comic, Inc. v. San Diego Comic Con, Inc.*, No. 91/101,992 (T.T.A.B. May 21, 1996).
24. *See Comic Buyer's Guide # 1194* 8 (October 4, 1996).
25. *See* Order, *Chicago Comic, Inc. v. San Diego Comic Con, Inc.*, No. 91/101,992 (T.T.A.B. April 19, 1999).
26. *See* U.S. Trademark Reg. No. 2,218,236.
27. *See generally https://en.wikipedia.org/wiki/New_York_Comic_Con*.
28. *See* U.S. Trademark Reg. No. 3,219,568.
29. *See* U.S. Trademark Reg. No. 3,219,568.
30. *See https://en.wikipedia.org/wiki/New_York_Comic_Con*.
31. "New York Comic Con 2016 Had A Record Attendance Of Over 180,000," *Bleeding Cool*, retrieved from *https://www.bleedingcool.com/2016/10/09/new-york-comic-con-2016-had-a-record-attendance-of-over-180000/*, last viewed May 9, 2018.
32. ECF Doc. 397 (December 4, 2017 a.m. transcript) at 42:3–11, 50:15–16, 53:8–16, 55:5–8.
33. ECF Doc. 382 (November 29, 2017 p.m. transcript) at 12:9–13.
34. *See* ECF Doc. 382 (November 29, 2017 p.m. transcript) at 10:1–24.
35. Wizard World's news page currently has announcements for Wizard World Comic Con New Orleans, Wizard World Comic Con St. Louis, Wizard World Comic Con Austin, Wizard World Comic Con Oklahoma City, Wizard World Comic Con Nashville, Wizard World Comic Con Chicago, Wizard World Comic Con Columbus, Wizard World Comic Con Sacramento, Wizard World Comic Con Philadelphia, Wizard World Comic Con Des Moines, Wizard World Comic Con Minneapolis, and Wizard World Comic Con Cleveland. *See https://wizardworld.com/* news, accessed on May 9, 2018.
36. ECF Doc. 397 (December 4, 2017 a.m. transcript) at 77:25–78:1.
37. *See* ECF Doc. 1.
38. ECF Doc. 403 (December 7, 2017 a.m. transcript) at 111:1–2. The other two registrations are for the word mark COMIC CON INTERNATIONAL and a logo.
39. *Surgicenters*, 601 F.2d at 1014.
40. *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 118 (1938).
41. *Elliott v. Google, Inc.*, 860 F.3d 1151, 1156 (9th Cir. 2017).
42. *BellSouth Corp. v. DataNational Corp.*, 60 F.3d 1565, 1569–70 (Fed. Cir. 1995).

43. *See Elliott*, 860 F.3d at 1155–56.
44. *See* 15 U.S.C. § 1065(4) (no incontestable right shall be acquired in a mark which is the generic name for the goods or services or a portion thereof, for which it is registered).
45. *See* 37 C.F.R. § 2.122(b); *MPC Franchises, LLC v. Tarntino*, 19 F. Supp. 3d 456, 483 (W.D.N.Y. 2014) (citing authorities).
46. *See* ECF Doc. 373 (November 30, 2017 a.m. transcript) at 85:25–86:6; ECF Doc. 403 (December 7, 2017 a.m. transcript) at 108:23–24.
47. *See Kellogg*, 305 U.S. at 113–15.
48. *See Kellogg*, 305 U.S. at 113–15.
49. *See Kellogg*, 305 U.S. at 113–15.
50. *See In re Dan Farr Productions*, 874 F.3d 590, 592 n. 1 (9th Cir. 2017).
51. In addition to putting on New York Comic Con, the largest "infringing" show, Reed has begun expanding—with a new show in Philadelphia, called Keystone Comic Con, and by acquiring Seattle's Emerald City Comicon.
52. *See* ECF Doc. 375 (November 30, 2017 p.m. transcript) at 37:18–25.
53. *See* ECF Doc. 375 (November 30, 2017 p.m. transcript) at 38:17–39:12.
54. *See generally J & J Snack Foods Corp. v. McDonald's Corp.*, 932 F.2d 1460, 1462 (Fed. Cir. 1991).
55. *See* ECF Doc. 375 (November 30, 2017 p.m. transcript) at 48:11–23.
56. *See* ECF Doc. 415 (November 28, 2017 p.m. transcript) at 21:19–22:8

Digital Transformation: Managing IP Rights through the Blockchain

Lutz Riede and Laura Adriana Grinschgl

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Introduction

Blockchain technology is the most prominent distributed ledger technology and one of the key emerging trends in recent years. In its basic form, it is an open ledger that is maintained simultaneously across a network of computers and contains information on the complete chain of transactions performed by its members. Blockchain-based technologies enable new business models based on direct peer-to-peer exchanges without the need for centralized platforms or intermediaries as the integrity of the ledger is ensured by crowdsourcing oversight.

This has sparked interest not only from private enterprises, but also by governmental organizations trying to explore potential use scenarios for distributed ledger technology. The European Union (EU) Commission, together with the EU parliament, launched an EU Blockchain Observatory and Forum, with the goal of mapping relevant blockchain initiatives, sharing experiences, and pooling relevant expertise. In its press release,[1] the management of intellectual property (IP) rights is highlighted as one of the possible applications benefitting from the traceability and security offered by blockchain technology.

IP Management Through the Blockchain?

In a digitally connected environment, it has become more difficult for rights owners to assert their ownership and to prove the authenticity and novelty of their works. This is particularly true for creative content that is protected by copyright: Contrary to registered IP rights, such as a patents, designs, or trademarks, copyrighted works are not stored in any publicly available register that could be used as (prima facie) evidence for the holder's ownership and the content's authenticity. This is where blockchain-based technology comes into play.

Proof of Ownership and Origin Through Blockchain Registries

Blockchain technology may allow creators to safely store their works in a secure ledger. Once the information is stored, it cannot (or, at least not with reasonable efforts) be destroyed or manipulated. As a result, a "digital certificate of authenticity" becomes available, which makes blockchain a safe and efficient way of cataloguing intangible works, providing an indisputable record of filing for IP rights, easily accessible on a global scale. Blockchain-based registries for IP rights could thus be a practicable method for IP owners to exercise more control over their (otherwise unregistered) content. Especially owners of copyrighted content would be provided with a tamper-proof evidence of ownership and able to catalogue and store their works. Blockchain registries would deliver visibility of the complete chain of ownership of a work and, therefore, give clarity to copyright owners and users.

Additionally, such registries could be used to protect trade secrets by storing them on the "unhackable" ledger, which could serve as a kind of unofficial registration and eventually be used as proof in court.

Further Possible Applications

The distributed ledger technology can further be used for providing evidence of genuine and/or first use in trade and commerce as well as for authentication purposes in the detection of counterfeit or stolen goods. Adding blockchain connected tags to products could play an important role in fighting counterfeits and will aid brand owners and custom authorities as well as give reassurance to consumers.[2]

Smart Contracts: A Revolutionary Way to Exploit Intangible Assets?

The technology behind the cryptocurrency Bitcoin, the platform Ethereum and other cryptocurrencies

has also paved the way toward smart contracts and related applications: A Smart contract—a computer code with predefined terms that can certify and facilitate a transaction and thereby allow a legal contract to self-perform—promises to reduce transactional costs and dependence on the parties' performance. A smart contract is verifiable and traceable through the blockchain and executed automatically, without the need for intermediaries or third-party validation. Given the broad range of possible application for smart contracts—for example, for insurance policies, supply chain and logistics services, and entertainment industry—this technology promises to revolutionize the way business is conducted across industry sectors.

Also, IP registries based on the blockchain could incorporate smart contract functionality, thereby offering a secure, automated, and cost-efficient way for rights owners to exploit, and for users to access and use, IP-protected content. "Smart" registries could include the information required for potential licensees (*inter alia* the license fee and the conditions and limitations of use) and could provide for an option to enter into a smart (licensing) contract that is automatically executed—including the payment of the license fee and the recordal of the license in the registry. The same applies to other types of transactions, such as assignments of rights or the creation of encumbrances. Digital time stamps attached to each transaction would ensure full traceability and verifiability.

Potential Drawbacks

As with all blockchain-based applications, the technology is not perfect: The blockchain currently requires a vast amount of resources in processing power and, thus, energy. Set-up costs are considerable. Only a limited number of transactions per hour can be processed. One of the blockchain's strengths, the tamper-proof design, also causes problems for applications such as IP management.

It is virtually impossible to make corrections in the system, but, in some cases, such corrections may be necessary, for example, in the wake of an ownership dispute. It will be challenging to design feasible ways for rights owners and other stake holders that allow modifications to the blockchain-based registers in accordance with applicable laws.

Last but not the least, whereas blockchain technologies promise a revolutionary way for copyrighted content to be catalogued and commercialized, the case for blockchain-based technologies may be weaker with regard to registered IP rights, such as patents, designs, or trademarks: The public registers for these IP rights are, by their nature, centralized and administered by a public authority (e.g., a patent and trademark office), and the set-up and process surrounding such registers is determined by law. It remains to be seen whether and how such registers could profit from a decentralized blockchain-based structure.

Existing Initiatives

The idea behind easy-to-use copyright licenses is not a new one. Long before the advent of blockchain technology, the Creative Commons[3] initiative (founded in 2001) has been developing a set of standardized licenses alongside a web application platform to help creators license their works free of charge for certain uses or even dedicate them to the public domain.

Blockchain technology is now used to pursue similar concepts, for example, by providers like Binded or ascribe which offer tools allowing artists to create a permanent link between them and their creative work by uploading it on a (blockchain-based) platform and providing them with visibility on how the work spreads on the Internet and enable them to transfer, consign, or loan their digital, at the same time preserving the integrity of the work and its attribution to the artist.

Munich-based start-up Bernstein offers blockchain-based solutions for IP management, allowing companies to create a digital trail of records of their innovation processes using blockchain technology and to register their inventions and designs to obtain blockchain certificates proving ownership, existence, and integrity of any IP asset. Thanks to a unique cryptographic layer, they can even assure that all notarized information will remain strictly private.

The IPChain database offers the possibility to "register" trade secrets via secure digital publication on the blockchain and has specifically been developed to satisfy the needs of scientists, inventors, and artists.

Even old-economy photo pioneer KODAK launched a rights management platform and a cryptocurrency to empower photographers to take greater control in the protection of their works and generate new revenue streams.

What About the Legal Side?

New applications for the management of IP rights will have to "fit" into existing regimes. This will raise many legal questions:

1. The technological promise of securing the authenticity and integrity of creative works in digital form touches in particular upon copyright owners' "moral rights" which are provided for in many jurisdictions, that is, the right to claim authorship, be credited as the author and to preserve the integrity of the work. The protection of moral rights in the digital environment has long been neglected; blockchain-based technologies could have the potential to change this.
2. IP rights management systems using blockchain technology may also be regarded as digital rights management (DRM) systems, which have been promising rights holders a more effective protection of their works in the digital environment for a long time, but so far have largely failed to deliver on their promise. However, most jurisdictions have provisions in place to protect rights owners against the circumvention or tampering of DRM technology under certain circumstances.

   Article 6(1) of the InfoSoc Directive which manifests the Digital Rights Management provision and existed long before blockchain technology was part of the discussion, requires Member States to "provide legal protection against acts of circumvention of any effective technology measures."[4] With Article 6 the EU legislators have, therefore, already adopted a far-reaching prohibition on circumvention-related activities that can be adopted for IP right management based on blockchain technology.

   Similarly relevant for creators who chose to manage their rights over blockchain registries or platforms is Article 7 InfoSoc Directive which lays out the Member States obligations concerning rights-management information. This includes adequate legal protection against "any person knowingly performing without authority any acts of removing or altering any rights-management information" as well as the obligation to make illegal "the making available of copyrighted works from which electronic rights-management information has been removed or altered without authority."

   These provisions have their origin in Articles 11 and 12 of the WIPO Copyright Treaty—a special agreement under the Berne Convention that deals with the protection of works and the rights of their authors in the digital environment. The WIPO Copyright Treaty has been ratified 96 member states, who have implemented the provisions for protection and remedies against circumvention of effective technological measures, respectively. For instance, in the United States, the DRM protection was implemented in the Digital Millennium Copyright Act (DMCA).

   These provisions will probably apply also to blockchain-based systems and may provide some incentive and comfort for rights owners to use such systems.
3. Depending on whether such applications are being introduced by private or public entities, the legal quality, effect, and implications of digital registries based on distributed ledger technology will have to be assessed: Can the public rely on the information stored in such registries? How can it be challenged by rights owners or users? Is a title recorded on the blockchain ledger enforceable?

   It could be argued that a blockchain ledger is a record of evidence providing every transaction with a time-stamp and storing all information irrevocably—thereby providing *prima facie* evidence that the recorded content is authentic. For instance, the European "eIDAS Regulation" on electronic identification and trust services for electronic transactions provides that a document bearing an e-signature is a *prima facie* evidence that the document is authentic. A similar argument could be made for IP rights recorded in the blockchain, where a complete digital audit trail of the transaction can be provided.
4. Automated licensing transactions raise questions about contractual remedies in case of fault, infringement, warranty issues, or other circumstances. Rights owners and users will need to have adequate tools to challenge such transactions and protect their rights, including the right to terminate a licensing arrangement.
5. The option to exploit works without intermediaries challenges not only the role of publishers and labels, but also raises difficult questions for collective societies, whose justification largely builds on the common view that large-scale exploitation of works is, for most rights owners, not possible or commercially feasible. Blockchain technology could alter this view and, in the long run, bring the current system of collective rights management into question.

A Look into the Future

The idea to create a more efficient real-time system for the management (and monetization) of IP rights is still a nascent vision, but new applications continue to pop-up with remarkable frequency. Undoubtedly, there is great potential for

such applications, as the digitally connected world has made it challenging for stakeholders to manage, protect, and exploit their IP online. Aside from the practical issues (such as the required processing power), many legal issues are to be solved and blockchain-based IP management solutions will have to be aligned with applicable laws. Then again, this is not something new for copyright law, which has been continuously evolving in line with new technologies for many decades now.

1. European Commission launches the EU Blockchain Observatory and Forum, Brussels, 1 February 2018 at *http://europa.eu/rapid/press-release_IP-18-521_en.htm*
2. Birgit Clark, 'Blockchain and IP law: a match made in crypto heaven?' WIPO Magazine (2018).
3. *https://creativecommons.org/*
4. Full text of the Directive can be found at *https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32001L0029&from=DE*

Conversant v ZTE: *England "Clearly the Most Appropriate Forum" for FRAND Dispute*

Tristan Sherliker

Tristan Sherliker acts in high-complexity IP and technology disputes at Bird & Bird in London. Patent cases he has worked on involve every major brand in the smartphone space, including several high-profile FRAND licensing disputes in the United Kingdom and overseas.

A UK court recently addressed the subject of jurisdiction in patent portfolio disputes in a major telecoms licensing dispute, *Conversant v ZTE* [2018] EWHC 808 (Pat). In the ruling, Mr Justice Henry Carr rejected the defendants' jurisdiction challenge, instead finding that Conversant "has a good arguable case for a FRAND injunction" and that England is "clearly and distinctly the most appropriate forum" for the FRAND dispute. The defendants had sought to challenge jurisdiction, arguing that the case should be convened in China and that the United Kingdom was an inappropriate forum. They had also argued that the court was wrong to find that there was an arguable case for Conversant to claim an injunction—but on the facts before him, the judge found that there was a good arguable case.

The judge also considered the conduct of parties in negotiations, providing useful guidance for how the conduct of FRAND negotiations will be viewed by the English courts.

Background of the Case

This decision comes 1 year after Mr. Justice Birss delivered his judgment in *Unwired Planet v. Huawei* [2017] EWHC 2988. He found that the English High Court did have jurisdiction not only to award a licence rate for a global patent portfolio, but also to order an injunction in respect of unlicensed infringements for standard-essential patents. Awarding Unwired Planet a global royalty rate for its portfolio of 4G, 3G, and 2G patents, he paved the way for other patent owners to settle their disputes before the UK courts.

Weeks later, in July 2017, Luxembourg company Conversant Wireless took advantage of the favourable landscape and issued proceedings against two Chinese Defendants—ZTE and Huawei—for infringement of four standard-essential patents. These four patents represent a selection from a global portfolio, and Conversant later amended its claim to add an Unwired-Planet-style request for injunction.

Jurisdiction Challenge

The defendants challenged jurisdiction on two main heads: that the English Courts did not have jurisdiction; and that the United Kingdom was *forum non conveniens* (i.e., an inappropriate place to hear the case). Both of these challenges were rejected.

Importantly, both defendants are "China-centric" businesses; that is, they are Chinese companies, and that is also their major sales market and where they manufacture. Since most profits are generated in China, they said that the Chinese patents in Conversant's global portfolio are disproportionately significant in value compared with the UK elements. They argued that, in asking for a licence fee for a global portfolio, Conversant's claim amounted to an allegation of infringement of a wide range of foreign patents, and a request for relief in respect of those. Since the jurisdiction of the English courts is, however, limited to deciding on validity and infringement of UK patents, they said that there was no jurisdiction to hear such a claim.

Carr J applied the *"simple and compelling"* analysis of Birss J at [567] of the Unwired Planet decision, where a similar issue was considered and dispensed with. Moreover, since legal justice is jurisdictional by nature, he considered the same arguments of the defendants could in practice be raised in any court in the world, which would require Conversant to seek per-country licences in each worldwide market—a consequence that would not be FRAND.

In addressing the jurisdiction challenges, Carr J remarked on the way that the Defendants had

presented their arguments. Their applications characterized Conversant's case as a claim for infringement of foreign patents (and worldwide royalty claims), which the judge found to be inaccurate. He said:

> In my judgment, the characterisation of these claims as foreign portfolio infringement claims, or worldwide royalty claims, is inaccurate. They are claims for infringement of four United Kingdom patents, and the English court is clearly the appropriate forum in which these cases should be tried. … As in Unwired Planet, the global FRAND licence sought by Conversant sets different royalty rates for different territories, and it makes no difference where the bulk of the sales occur.

As to the *forum non conveniens* challenge, the two UK Defendants have also responded to Conversant with proceedings of their own in China. They said that the proceedings before the Chinese courts dealt with identical or similar issues, and the Chinese courts were, therefore, more competent than the English courts to adjudicate on the dispute between the parties.

The response from Conversant was (and the judge agreed) that there was no clear evidence that the Chinese court would accept jurisdiction over the determination of a global licence. He found that the totality of the evidence established that the Chinese courts do not have jurisdiction to determine essentiality or infringement of non-Chinese patents, nor do they have jurisdiction to determine FRAND rates in respect of non-Chinese patents without agreement from both parties. In summary, China "plainly is not the natural forum" for the case.

FRAND Conduct and Service Out

There was an additional dispute about service on the facts of the case. Conversant had served on two UK companies of the Defendants' groups, on the basis that they were acting as UK offices for the main head company. Both Defendants submitted evidence to dispute this; and in both cases, the judge accepted Conversant's criticisms that the evidence submitted was deficient in some ways. However, absent cross-examination, he was not prepared to dismiss the evidence and, therefore, accepted it, finding that service on the UK companies was not valid service on the Chinese counterparts.

In considering whether to allow Conversant permission to serve out of the jurisdiction, the judge looked at the parties' negotiation history. The defining issue for this purpose was Conversant's claim to an injunction, which (if accepted) would draw into it all the surrounding issues as being closely related to the main substance, for the purposes of CPR 6B PD 3.1(4)(a). He assessed the conduct of negotiations and highlighted key issues that, he said, supported Conversant's case for an injunction. In particular, he referred to the following points, which will provide further guidance from the courts about how negotiations might be handled in a FRANDly manner:

- the length of negotiations (several years) had not led to much progress;
- the fact that no interim royalty payments had been made;
- Huawei's position that they would not take a global portfolio licence; and
- that the Defendants did not acknowledge (when requested) that they were willing to take a licence, or that their willingness was unconditional.

Accepting that the story was not one-sided, the judge, nevertheless, considered that on the facts that there was a good arguable basis for injunction. He, therefore, gave permission to serve out within CPR 6B PD 3.1(2).

Summary

The Patents Court has made clear that it will accept jurisdiction of patent portfolio disputes where it is tied to justiciable issues in the United Kingdom, such as the infringement of UK patents; and that once charged with a case it will not relinquish jurisdiction lightly without very clear indications that another forum is more appropriate. Finally, it has also provided helpful guidance for the proper conduct of FRAND negotiations.

Licensing Markets

Patent Licensing

Kendall Loebbaka and Baraa Kahf

Metaswitch Networks Ordered to Pay Over $8 Million and Ongoing Royalties to Genband for Voice Over IP Technology

On March 22, 2018, a Texas federal court awarded patent infringement damages totaling over $8 million and ongoing royalties in a case involving multiple patents related to voice over IP technology (*Genband US LLC v. Metaswitch Networks Corp., et al.*, Civil Action No. 14-cv-00033 (E.D. Tex.)). The damages award is based on a jury trial that was conducted in January 2016, where the jury found Metaswitch Networks liable for infringing Genband's seven patents. During trial, Genband requested $9,076,000 in damages based on past sales. In contrast, Metaswitch argued that if infringement was found, damages should be $2,084,024. Additionally, Metaswitch argued that it was entitled to a royalty-free license as five of the patents were part of a royalty-free pool. Genband prevailed and the jury awarded $8,168,400, which is exactly 90 percent of Genband's request. After an appeal to the Court of Appeals for the Federal Circuit, Judge Gilstrap was again asked to consider the damages award. Genband requested that the court determine a royalty rate for (1) products sold for the few months before the jury verdict as no sales data were available at trial; (2) products sold post-verdict and pre-final judgment; and (3) in lieu of a permanent injunction (which was denied), for the court to set an ongoing royalty rate for continued infringement of products in categories (1) and (2) above. Genband requested an ongoing royalty rate 2.5 times the implied jury awarded rate of 90 percent of Genband's requested rate. Although the court declined to increase the rate by that amount, the court noted some facts that supported increasing the ongoing royalty rate, including the increased market share of Metaswitch and Metaswitch's status as Genband's biggest competitor. The court awarded an ongoing royalty 1.5 times the implied jury rate. See detailed chart below.

	Genband's requested royalty rate at trial	Royalty rate for 4 months of sales pre-verdict	Royalty rate from jury verdict to final judgment	Ongoing royalty rate
Patent 1	$5,900 (per server)	$5,310 (per server)	$5,310(per server)	$7,965 (per server)
Patent 2	$1.00 (subscriber license)	$0.90 (subscriber license)	$0.90 (subscriber license)	$1.35 (subscriber license)
Patents 3 and 4	$0.60 (call jump subscriber license)	$0.54 (call jump subscriber license)	$0.54 (call jump subscriber license)	$0.81 (call jump subscriber license)
	$.060 (click-to-dial subscriber license)	$.054 (click-to-dial subscriber license)	$.054 (click-to-dial subscriber license)	$.081 (click-to-dial subscriber license)
Patent 5	$300,000 (per protocol)	$270,000 (per protocol)	$270,000 (per protocol)	$405,000 (per protocol)
	$0.22 (per subscriber)	$0.20 (per subscriber)	$0.20 (per subscriber)	$0.30 (per subscriber)
Patents 6 and 7	$1.50	$1.35	$1.35	$2.03

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Trademark Licensing

Chantal Koller

Setting the Strategy for Proper IP Management

Corporate approaches to IP management have varied considerably over the years, driven in part by changes to business structures and practices, as well as to stakeholder understanding of the role and value of intangible assets. Although I could lead you through a long list of recommendations, of "do's" and "don'ts," and of lessons learned over this time, it is arguably more valuable to look forward: to take a look at how businesses operate today and the challenges they are likely to face in the future.

We are living at a time in which wealth is driven by IP rights rather than tangible goods. Indeed, in its recent study, "Intangible Capital in Global Value Chains," WIPO estimates that more than a third of the value of manufactured products sold around the world comes from "intangible capital," such as branding, design, and technology. This is twice the value of tangible capital, such as buildings and machinery, underscoring the growing role of IP in the world's economy. Clearly, if a business wishes to thrive, locally or globally, it needs to identify, protect, and export its IP.

Building a Trademark Strategy to Support Business Goals

To develop a trademark management program that is not only fit-for-purpose, but also fit-for-the-future, the following basic requirements first need to be met:

1. Business alignment—First, there must be alignment with the business, and this requires stakeholders to
   - Define goals in terms both of corporate identity and product development, so that the IP strategy is, as closely as possible, in line with the company's business plan over the coming 5–7 years;
   - Set priorities in terms of the material and geographical scope of anticipated business development, such as defining a top 20 of countries of interest for key brands, as well as toward competitors and their IP strategies;
   - Assign adequate budget; and
   - Endorse the strategy throughout the business (the so-called top-down approach).
2. Product alignment, namely
   - Alignment with the marketing and communication team on branding elements;
   - Prioritization of activity in terms of product campaigns;
   - Trademark protection that supports the geographic scope/market for each product; and
   - Trademark protection that supports the evolution of the product over time.

Trademark protection is unlimited in time and not subject to secrecy. Take the time you need to define a phased-out protection strategy and registration program. It is also important not to lose sight of the other "soft IP" family of rights that are also at your disposal. What cannot (or does not need to) be protected by trademarks may be protectable through other IP rights. Industrial designs, copyright, and domain names should also be used to create a network of legal protection.

Future Challenges

Although it is important to identify, protect, and enforce the IP rights that already exist in your business; it is just as crucial to identify those rights that will become important in the future, even if the law often seems to be lagging some way behind when it comes to facilitating their protection.

Nontraditional trademarks are a good example of this. As services rise in importance over traditional goods/products, ways of communication naturally change. Even traditional businesses, such as banks or department stores, are calling on once unusual forms of branding, such as colors, smells, and jingles, to differentiate themselves from their competitors. As a result, so-called nontraditional trademarks have risen in importance, and need to be taken into consideration when building an IP strategy.

In the luxury and the fast-moving consumer goods (FMCG) sectors, anti-counterfeiting efforts also need to be stepped up, as the trade in fake continues to explode online. If companies are to avoid spending all their time and efforts fruitlessly chasing infringers online, they need to revisit their anti-counterfeiting strategy and invest in online enforcement. Image search and data clustering tools, as well as technology to capture and track infringing information, will become key in years to come.

Key Geographies for Trademark Attention

Geographically, three main jurisdictions should attract most companies' attention in addition to their local markets: the People's Republic of China, the United States, and the European Union (EU)—not forgetting Brexit.

The People's Republic of China is too important a market for most businesses to overlook, and anyone wanting to penetrate this market needs to adapt. Overconfidence in their brand equity has wrong-footed a number of luxury companies, who paid the price for not transliterating Latin names into Chinese script (the dispute between Michael Jordan and Qiodan Sports Company illustrates the importance of transliteration). Companies also need to watch out for counterfeiting, particularly by Chinese manufacturers and intermediaries, although progress is being made in terms of challenging bad faith trademark filings in the country.

On the other side of the globe, any IP strategy needs to address the United States separately. U.S. national rules and practices are like no others in the world and deserve not only attention but also a specific budget for overcoming hurdles such as the need to adapt the specification of goods/services to the local practice; to provide the correct evidence of use to obtain registration; and/or to file adequate and timely declaration of uses for keeping a trademark registration alive.

In Europe, the final provisions of the EU's trademark reform came into effect on October 1 of this year. Alongside reform targeted at bringing more uniformity to IP practices across the EU, the EUIPO also introduced several important initiatives, namely (1) changes to the rules for graphical representation, which should give nontraditional trademarks a real chance to thrive; and (2) the creation of a certification mark registration system, which will be of particular interest to industries where consumers are increasingly concentrating on quality, environmental and ethical issues.

Finally, it is impossible to consider trademarks in the EU without mentioning Brexit. However, although there are many questions being raised at this point, there are absolutely no certainties, and this puts companies in a regrettably difficult position.

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Trade Secret Licensing

Marie Fillon

Trade Secrets in the Life Sciences Sector

The European Union (EU) trade secrets directive relates to the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use, and disclosure. The purpose of the directive is to provide effective and comparative legal means for protecting and defending trade secrets throughout the EU. The objectives are notably to encourage innovation-related cross-border activity within the EU and to protect the confidentiality of litigated trade secrets in the course of legal proceedings instituted for their defense.

Behind every patent there is a trade secret. This secrecy is interesting in a sector in which companies are among the most research-intensive companies in the world. Furthermore, part of the data resulting from research and development is not patentable or, in some cases, patents are difficult to file or to enforce. And, of course, patent protection is limited in time. Because of the significant time, energy, and funding expended in research and development, trade secrets should be part of a balanced intellectual property (IP) portfolio.

Examples of data that should be considered and protected as trade secrets include strategic business plans, data resulting from early-stage research, chemical formulae, clinical trial data (methods, results, etc.), bioprocesses to manufacture biologic or biosimilar, analytical software, and proprietary biological databases.

Crucial Trade Secret Issues in the Life Sciences

Many pharmaceutical and biotechnology companies outsource some of their R&D and/or manufacturing, which requires the transfer of sensitive information which may qualify as trade secrets. Likewise, in the context of strategic deals (collaborations, joint ventures, licensing, and acquisitions), trade secrets may be shared during the diligence process or the implementation of the deal.

Therefore, it is crucial that the exchanges of such information are appropriately controlled, especially when the deal fails or when a collaboration lasts for years and is not successful.

What Is at Stake for the Life Sciences Sector?

First, the EU directive provides that alleged unauthorized disclosure of a trade secret shall be exempted from civil remedies (in other words, authorized), if the use or disclosure of the trade secret was carried out for exercising the right of freedom of expression and information or for revealing misconduct, wrongdoing, or illegal activity in the name of public interest. This exemption is included within the French law proposal. One of the main issue here is to determine whether clinical trial data (especially negative data) would fall into that scope of exemption. One can also hope that the European Medicines Agency and national medicines agencies will take a safe course of action in their interpretation of what constitutes a commercially confidential information and become less inclined to disclose information—such as clinical trial data—that is in the public interest.

Second, within the context of collaboration between pharmaceutical or biotechnology companies and universities or research centers, and beyond the collaboration agreement entered into by the parties, the directive should ensure that a researcher cannot use or publish any information provided or generated by the company under the research collaboration. This greater protection should have a positive impact on research and innovation.

Conclusion and Recommendations

Internally, especially in case of high staff-turnover or partnership for research and/or production processes: be vigilant and proactive about maintaining secrecy of your trade secrets, strengthen the measures protecting all information considered as trade secrets in order to increase the chances to obtain the qualification of unlawful for acquisition, use, and disclosure of your trade secrets by employees or partners.

When negotiating collaboration agreements: precisely identify all parties' trade secrets and their authorized holders.

When performing collaboration agreements: be cautious

about overstepping the boundaries and making yourselves the targets of misappropriation accusations. Implementation of firewalls and/or clear rooms could help to ensure that those with knowledge of the partner's trade secrets are not tasked with developing substantially similar products.

Finally, even though the directive provides for legal means to protect trade secrets in the course of legal proceedings, include an arbitration clause in your strategic deals and agreements.

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Software Licensing

Oscar Björkman Possne and Nina Kajsdottir

Compensation for Unauthorized Use of Software and Passive Storage

Corporations, private companies, authorities, county councils, and municipalities are all highly dependent on IT systems to operate efficiently. IT systems and accompanying software packages are integral to almost every aspect of day-to-day and long-term business. But what happens if a new IT system is procured by an entity and the previous supplier terminates the agreement before a new IT system has been implemented? This is what happened to the city of Malmö, Sweden, when it procured a new healthcare IT system. The compensation that the City of Malmö is liable to pay the IT supplier for the use of the supplier's software has now been subject to court proceedings for almost 4 years. The case has been appealed all the way to the Swedish Supreme Court, which is to consider the issue of whether passive storage of software constitutes copyright infringement and if so, how to determine reasonable compensation payable to the copyright holder.

Background of the Case

The city of Malmö licensed the copyrighted software, Origo, from the company Alfa Kommun & Landsting AB (Alfa). After a few years it became obvious to the IT department that Origo would not be able to handle the city's future requirements, so a new procurement for a healthcare IT system was initiated. Alfa then terminated the agreement with the city with an effective date of December 31, 2013. In a letter to Alfa, the city of Malmö commented on the termination of the agreement stating that it believed that it had acquired the copyright to the Origo software and therefore had a continued right to use the software. Consequently, the city of Malmö continued to use Origo even after termination of the agreement.

In December 2013, the city of Malmö filed an application for summons with the Malmö District Court asserting that the city held the copyright to the software or had at least acquired a perpetual license to the software. Alfa disputed the claim and submitted a counterclaim seeking compensation for copyright infringement due to unauthorized use of the software.

The fact that the software was subject to copyright and that the agreement between the parties had been terminated on December 31, 2013, was undisputed in the case. It was also clear that the city of Malmö had continued to use Origo up until January 12, 2015, when the application server was shut down. Furthermore, Malmö still had a copy of Origo on its backup system up until September 28, 2015, when it was finally deleted. The District Court concluded that the city of Malmö had neither acquired the copyright for Origo nor a perpetual license. Therefore, the key issue in the case was whether the Malmö had infringed the copyright and, if so, how to calculate the reasonable compensation to Alfa for the infringement.

Swedish Courts Considers "Passive" Storage of Software

Under Swedish copyright law, reasonable compensation must be paid for any unauthorized use of copyrighted works. Reasonable compensation is generally determined by what constitutes the standard license fee for the right of use in question, thus the commercial and correct compensation that should have been paid if a license on market terms had been granted for the unauthorized use.

It, furthermore, follows from copyright law that anyone who has the right to use software also has the right to make a backup copy of the software, if this is necessary. However, unless otherwise agreed, such backup copies may not be used for other purposes or continue to be used once the right to use the software has expired. One of the issues considered by the District Court and the Court of Appeal was whether passive storage of backup copies and user copies of a licensed software constitutes unauthorized "use" of the software after the expiry of the license. The Court of Appeal concluded that the passive storage of the software by the Malmö was an unauthorized use and, therefore, constituted copyright infringement. The District Court came to the opposite conclusion.

The Appeals Court Calculates Reasonable Compensation for Infringement

In terms of calculating reasonable compensation, the Court of Appeal stated the following. In 2013, which was the last year for which there was a valid license agreement, the City of Malmö paid SEK 2.3 million excluding VAT for the use of Origo. The Court of Appeal considered that there were no grounds for assuming that a voluntary and commercial license for 2014 would cost less.

When the Court of Appeal determined what the reasonable compensation for the use of Origo for 2014 would be, consideration was given to the fact that the software had been developed specifically for the city of Malmö and that it was of considerable importance. Furthermore, the city of Malmö "urgently needed to continue its use as the new system had yet to be implemented". Furthermore, according to information from Alfa, which the Court of Appeal appears to have accepted, the price for Origo had been set low in order to be "in a good position" for any future procurement. Therefore, Alfa's negotiating position was very good. On the basis of this, the Court of Appeal concluded that the reasonable compensation for the use of Origo during 2014 should be set at SEK 3.6 million excluding VAT. Thus, over 50 percent more than the compensation paid by the city for the use of Origo the year before.

However, the Court of Appeal deemed that reasonable compensation for the passive storage should be considerably lower than the license fee for the active use. Given this, the Court of Appeal decided that the compensation for 2015 should be SEK 960,000 excluding VAT. If the compensation was allocated based on an active use of 12 days in 2015 and passive storage for the remaining period from 12 January up to and including 28 September, the reasonable compensation for the passive storage totals approximately SEK 1,150,000 excluding VAT per year. This is equivalent to approximately half the compensation paid by the city of Malmö for its use of Origo in 2013.

In summary, the Court of Appeal judgment shows that, first, the continued use of an old software which is of considerable importance in the implementation of a new IT system that has not been completed can be costly and, secondly, that the passive storage of such software has a fairly high value. It remains to be seen what the Supreme Court will conclude with respect to passive storage and compensation for this. However, it is clear that it is important to consider and regulate what happens in the procurement of an IT system if the previous supplier terminates the agreement before the new IT system has been implemented, and what the options should be for storing backup copies in such situations. There are also grounds for considering so-called exit/sunset provisions for IT licenses or support for IT systems—that is, the ability for the licensee to extend agreements for an additional period of time once agreements have been terminated to create stability. Furthermore, it might be worth considering negotiating perpetual software licenses and payment of an annual fee for support/maintenance. This would offer some degree of certainty to the licensees who could then continue to use old versions of the software, at least for a transition period.

The Supreme Court is expected to hand down its judgment in the beginning of the summer.

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Event Licensing

Alistair Watson

Technology in Sports Arenas: Live Sport and Beyond

The limited use of sports arenas for game-day sports is almost now long gone, a part of history. That thinking has been replaced with the inventive use of sports arenas for a wide variety of experiences and events beyond sports. In fact, long-term and multi-functional use is now regarded as an essential element of the business plan when deciding on and designing a new stadium. In order to meet the demands of a more varied audience and experience, stadium owners and managers must find ways to enhance the user experience, leverage sponsorship opportunities, and offer new forms of interaction with users and new uses for the stadium. Underpinning much of this strategy for maximum utilization of the space is the use of technology to further business objectives and create more exciting experiences for audiences.

Overview

A new stadium needs to engage with the immediate fan base and have appeal to the wider audience—to allow both commercial companies and spectators and users of stadium space to understand that a new stadium will bring about as many successful events and memories as the previous stadium. While the number of seats, the circulation space, the bars and restaurants, and parking spaces are all essential parts of the design of a new scheme, the developer and the club/occupier also needs to understand the broadcasting and interactive technology, media, e-commerce and Internet activity, and playing rights, together with sponsorship, merchandising, endorsement, brand management, ambush marketing, player image rights, and representation that will all go into the game day and non-game day activities. With that in mind, the stadium developer and manager will need to consider the following sorts of agreements and issues.

Technology and Communications Agreement

Fans and stadium users are increasingly expecting better connectivity at grounds, as well as the opportunity to engage with their teams or clubs, vendors, and one another via technology. Realizing the potential to drive revenue and to build stronger relationships with their fans and stadium users, it is no surprise that it is also a priority for stadium developers and clubs/occupiers.

In the United Kingdom, sports clubs have been considerably slower than their U.S. counterparts to recognize (or, at least, deliver) the potential of in-arena technology. For example, it was not until 2014 that a Premier League football club, Manchester City, was able to offer free Wi-Fi throughout its stadium. Wembley Stadium followed in 2015 with a roll out of 4G+. Although other UK clubs have followed, take-up and success have not been uniform. Nonetheless, with 5G on the horizon—it already having been deployed commercially at the 2018 Winter Olympics in South Korea—as well as the option of stadium beacons, it is surely only a matter of time before UK arenas catch-up with U.S. facilities.

Implementing new technology will drive new forms of interaction and new revenue streams for clubs. One way in which this will be achieved is through cutting-edge apps. To date, sports apps have tended to focus on news, analysis, statistics, stadium facilities, and other relatively straightforward forms of fan engagement such as photo and video sharing. The Wembley Stadium app, for example, provides the latest ticket and event information, the view

from each seat, an interactive stadium map, and journey planner.

However, going forward, the potential for apps to enhance the user experience are multi-fold, with the possibility of access to instant replays and live feeds from multiple camera angles around the ground. Some have even suggested the use of chest cameras on players to give users a first-person experience of the match/game. There is also obvious potential for the use of augmented and virtual reality, both for those in the arenas and those at home. For example, technology to allow those at home to experience the match as though they are in the stadium itself or to experience the play as a 3D hologram is already being used on a trial basis. Add in the use of technology in other areas of stadia, for example, to facilitate self-service kiosks, HDTV concourse systems and paperless tickets, and the fans of tomorrow will be consuming sport and content like never before.

Ensuring that arenas are prepared for these technological advances is crucial. It results in the need for a range of technologies and capabilities, from significant Wi-Fi capacity and investment in hardware at the stadium through to data processing, hosting, payment processing, and application development capabilities. There will be significant advantages in appointing a single provider to deliver and integrate the entire solution, rather than contracting with multiple suppliers of the technology involved. Even then, the significant financial investment involved is likely to be a limiting factor for all but the richest of clubs and sports teams. Add in the fact that many clubs are bound by reasonably lengthy digital rights agreements that limit their ability to monetize content across digital platforms, and we might still be waiting some time for UK stadia to realize the full potential afforded by technology.

Naming Rights

In the last 10 or so years, there has been increasing acceptance of commercial sponsorships of sports arenas. For sponsors, it gives increased brand awareness, particularly if they wish to establish themselves in the market or challenge more established competitors, as well as the opportunity to project a community-minded image. For clubs and teams, it gives significant revenue, in some cases helping to fund the building of new stadia.

Significant thought needs to be given to the structure of a competitive bidding process between potential sponsors and the commercial terms and benefits which would be offered in return for a sponsorship agreement. Those terms need to reflect the worth of the stadium, the team, the TV rights, what exposure is being offered and whether or not the sponsorship is purely financial or involves the provision of goods and services by the sponsor as well.

Increasingly, it is common for sponsorship agreements to include retail opportunities at the stadium and access to data (for marketing purposes) for the sponsor. These sorts of agreements, therefore, raise numerous legal issues from rights protection through to reputation management and data protection.

Betting Agreements

Betting agreements would need to relate to the appointment of an official betting partner of the stadium that would cover a number of areas, including betting kiosks present at the stadium together with the promotion inventory—perimeter of the field, even the stadia itself and wider advertisements, joint promotional activities, social media campaigns, and obligations to involve players in promotional activities.

Increasingly, offerings not only involve in-arena betting but also hardware and software solutions for betting and sponsorship activation. In recent years, we have also seen increasing use of partnerships in the betting sphere, with companies such as BD Stadia handling in-stadia stores, staff, logistics and marketing, giving their partners, such as William Hill, an easier way to access customers.

Stadium Use Agreements

The "original" use will be for the sport itself. Moving beyond that and thinking about nonmatch days and the off-season months, there is a need for the stadium to have built into it the ability to accommodate music and other events, with the real future being the ability to host such things as live gaming and esports events with the necessary IT, Wi-Fi and AV kit that can allow gaming to occur on large screens to a packed stadium.

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Tax Tips

Nicholas Terrell
and Lilian Ficht

Feeling the Tax Pinch? IP Can Help You Get More Credit for Your R&D

Outside of restaurants, most of us try to avoid leaving money on the table, but not taking full advantage of Research and Experimentation Tax Credits (R&D tax credits) can leave money on the table at tax time—even when all appropriate deductions for R&D are already claimed. Fully leveraging your intellectual property (IP) can help you maximize the amount of your R&D tax credit.

The R&D tax credit is a tax incentive provided by the U.S. Federal Government since 1981 to encourage businesses to invest in new or improved qualified research and experimentation activities. Some states also offer state-level R&D tax credits. In many circumstances, R&D tax credits may be claimed in addition to R&D tax deductions.

Over the past few years, the applicability of R&D tax credits has expanded significantly. In December 2015, the PATH Act made the R&D tax credit permanent and allowed for the application of R&D tax credits against alternative minimum tax liability or against FICA payroll taxes in some instances. In addition, the IRS subsequently issued favorable regulations regarding qualifying software. Because R&D tax credits are potentially worth approximately four times as much as corresponding deductions for R&D, companies that are able to leverage these favorable developments regarding R&D tax credits can achieve significant tax savings.

What Does This Have to Do with IP?

Cooperation between IP and tax professionals can help overcome two primary reasons companies often struggle to capture the full value of R&D tax credits: (1) difficulty identifying creditable R&D expenditures outside of ordinary channels and (2) uncertainty regarding applicability of the R&D tax credit.

Nontraditional R&D Expenditures

IP counsel (both in-house and outside IP counsel) can help identify nontraditional R&D activities that may hold potential for R&D tax credits that might otherwise be missed. Most companies capture a fair amount of qualifying tax credits associated with their main-line R&D, but other sources may be overlooked, particularly in the development of software tools used for R&D activities and for other company processes. In-house IP counsel are well positioned to identify potential R&D tax credit expenditures when assessing projects and disclosures for possible IP protection. This is particularly true for projects that may not be able to be (or are chosen to not be) protected by IP, due to a time bar, subject matter, or other reasons. Often, invention disclosures (whether pursued or not) are a rich source of qualifying expenditures for R&D tax credits.

Applicable IP Costs

IP protections can significantly reduce the uncertainty around the extent of R&D tax credits that can be claimed. The patent safe harbor of 26 C.F.R. § 41-4(a)(3)(iii) states that issuance of a utility patent "is conclusive evidence that a taxpayer has discovered information that is technological in nature that is intended to eliminate uncertainty concerning the development or improvement of a business component." Thus, the issuance of a patent removes certain challenges to the validity of related R&D tax credits. Even without issuance, pending patent applications can be persuasive during review of the validity of related R&D tax credits. Moreover, information collected for purposes of preparing and prosecuting a patent application is frequently useful in establishing a record to support R&D tax credits. Consequently, some of the IP costs that are incurred by a company may be able to be recovered by corresponding R&D tax credits.

Although IP counsel need not be experts in tax law (just as we are not tax experts, and the foregoing is not tax advice), it is, nonetheless, useful to recognize the overlap between IP professionals and tax professionals in identifying and claiming R&D tax credits. In-house IP counsel can often

spot potential R&D tax credits that tax professionals cannot, while review of R&D for tax purposes can often uncover potential IP to be protected. Outside IP counsel can assist by identifying and protecting IP related to R&D. When both IP and tax professionals are involved in identifying potential credits, significant value can be generated.

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Video Games

Alan L. Friel and Holly A. Melton

Pokémon Go Producers Attacked by Strange Plaintiff-Beasts

Remember Pokémon Go? We ask because it is been nearly 2 years since it was released. Back in 2016, the game was a huge fad, and many people still play it. If you were not part of the craze, or have since forgotten because it seems as though a hundred years of events have occurred in the months since its release, here is a refresher.

In the original Pokémon video gaming franchise, players (also called trainers) attempt to catch and collect Pokémon, the sometimes-mostly-cute fantasy creatures from which the franchise name is derived. They then use Pokémon from their collections to have creature-to-creature battles with other players.

The added twist Pokémon Go put on the franchise is that the hunt for the creatures takes place in real life. Pokémon Go is a smartphone application; when a player comes close to a real-world location determined by Niantic, the games' developer, he or she receives an alert that a Pokémon is nearby. The phone's camera display then depicts the Pokémon as part of the real-life environment. Players use the app to try to pursue and catch the Pokémon.

Class Action Targets Niantic, Nintendo for Encouraging Gameplay Trespass

Sure, the game was a smash success, boasting 750 million downloads by the first anniversary of its release. But its popularity unleashed hordes of Pokémon-obsessed players on the real world, where before they had been safely tied to a gaming console or a passive, purely virtual gaming app.

Because Pokémon and Pokémon training centers—Pokéstops—were placed in environments with high concentrations of gamers, players were tracking down their quarry in inappropriate locations—not just in innocuous streets, parks, and fields. There were complaints about Pokémon players congregating in the National Holocaust Museum, the National September 11 Memorial and other culturally sensitive locations. Players gathered in dangerous spots too—railway tracks, for instance.

Shortly after the release of the application, Jeffrey Marder, a resident of West Orange, New Jersey, filed a class action in the Northern District of California. *Jeffrey Marder v. Niantic, Inc., The Pokémon Company, and Nintendo Co. Ltd.,* Case 3:16-cv-04300-JD, Filed July 25, 2016. Pokémon players, he claimed, had appeared at his front door, asking for access to his backyard so that they could

catch Pokémon that had been placed there. Because he had not given the game developers permission to use his physical address in connection with the game, he sued Niantic, Nintendo (the franchise owner) and The Pokémon Co. (the franchise's marketer and licenser).

Marder, citing similar cases across the country, argued that the companies' conduct gave rise to claims for nuisance and unjust enrichment; his case was merged with several other plaintiffs' cases alleging similar circumstances, some arguing that the defendants' actions gave rise to trespass claims.

Conclusion

Niantic and its co-defendants fired back with a motion to dismiss, maintaining that the plaintiffs' trespass claims failed because virtual Pokémon game assets do not actually intrude onto real property. Moreover, the defendants specifically "required players to promise they would not trespass before they could play" through their terms of service. The defendants also argued that a nuisance claim was not stated because the plaintiffs failed to establish that Niantic was the "legal or proximate" cause of the players' behavior. This approach to liability, the motion argued, would leave innumerable online services open to legal attack.

Despite the motion, the case will continue. The court denied the defendants' motion to dismiss, noting that the idea of "virtual trespassing" was novel enough that it should not be decided at the motion to dismiss stage. The court also indicated that defendants' arguments were really about issues of fact and were, therefore, more appropriate for determination following summary judgment. Video game developers and marketers should take caution as the nature of the games and platforms become more and more interactive.

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