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TRADEMARK REGISTRATION

Justices agree, mostly, that ban on 'immoral,' 'scandalous' trademarks violates free speech

By Kteba Dunlap, Esq.

All nine U.S. Supreme Court justices have agreed that denying federal registration to "immoral" trademarks violates the First Amendment, but only six voted to completely strike down the law that bars registration of both immoral and "scandalous" marks.

Iancu v. Brunetti, No. 18-302, 2019 WL 2570622 (U.S. June 24, 2019).

Justice Elena Kagan, leading a 6-3 majority, on June 24 said the Patent and Trademark Office's refusal to register clothing designer Erik Brunetti's "Fuct" trademark was prohibited viewpoint discrimination.

"There are a great many immoral and scandalous ideas in the world (even more than there are swearwords), and the Lanham Act covers them all. It therefore violates the First Amendment," she wrote.

The high court affirmed a 2017 decision of the U.S. Court of Appeals for the Federal Circuit. *In re Brunetti*, 877 F.3d 1330 (Fed. Cir. 2017).

The Federal Circuit panel struck down the prohibition of immoral and scandalous marks found in Section 2(a) of the Lanham Act, 15 U.S.C.A. § 1052(a), which had given the PTO leeway to approve registrations that promote traditionally popular ideas and to reject trademarks likely to offend many people.

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REUTERS/Patrick T. Fallon

Erik Brunetti, designer of the streetwear brand Fuct, poses for a portrait in Los Angeles on April 7. The Supreme Court on June 24 ruled the Patent and Trademark Office's refusal to register his "Fuct" trademark was prohibited viewpoint discrimination.

EXPERT INTERVIEW

Q&A: Global patent strategist Scott Alter on patent eligibility Senate hearings

Michael Best & Friedrich attorney Scott Alter discusses recent Senate hearings over proposed changes to U.S. patent law.

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Q&A: Global patent strategist Scott Alter on patent eligibility Senate hearings

By Patrick H.J. Hughes

Thomson Reuters: The U.S. Senate Judiciary Subcommittee on Intellectual Property heard arguments June 4, 5 and 11 about proposed changes to the language of the Patent Act. What changes are being proposed and who is proposing them?

Scott Alter: It's important to note that this is a work in progress. In May Sens. Thom Tillis [R-N.C.] and Chris Coons [D-Del.] released proposed language for a bill that would, in principle, significantly broaden the scope of subject matter that qualified as patent-eligible.

In particular, the proposed language would specifically disallow courts from using certain arguments in holding that patents are ineligible in view of their subject matter. These arguments included the use of judicially created exceptions to eligibility, asserting that claim elements are "well-known, conventional or routine" and pulling concepts relating to prior art provisions into the eligibility analysis.

However, after hearing arguments at the June 11 hearing, I understand that Sen. Tillis was persuaded that additional limitations on patent eligibility were needed in the bill, as well as perhaps limitations on the use of functional language. I also understand that he did quickly want to introduce a bill with these changes. Thus, the process is still very much ongoing.

TR: Why are legislators concerned about amending Section 101 of the Patent Act, 35 U.S.C.A. § 101?

SA: In my view, it's a combination of several factors. In general, it's currently very difficult to predict with much certainty what any given court would deem patent-eligible. For example, at the Federal Circuit, the judges have widely disparate views and use very different rationales for addressing patent eligibility. Even the views of certain Federal Circuit judges have, as of late, been in flux for reasons that remain somewhat of a mystery.

"It appears the comments of those who arguably were not in favor of a broader eligibility standard were influential."

Also, as an increasing number of innovations viewed as important/innovative are held patent-ineligible, a heightened awareness has emerged that perhaps the courts have swung too far in the ineligibility direction. As pointed out by others, this may be having the effect of encouraging investment in the affected technical areas to move overseas and out of the U.S.

TR: It has been five years since the Supreme Court established a two-part patent-eligibility test for computer-related inventions in *Alice Corp. Pty. Ltd. v. CLS Bank International*, 573 U.S. 208 (2014). How will changes to the legislation affect the precedent set by this holding?

SA: This will depend greatly on the final language of the legislation, which, as mentioned previously, is still in flux. Of course, even once a bill is signed into law,

it will remain to be seen how courts will interpret its language.

TR: Why did it take so long for Congress to propose changes to Section 101 since the 2014 *Alice* ruling?

SA: Part of the reason for the *Alice* ruling in the first place is there was (and still is) an outcry from certain companies and industry groups that nonpracticing entities were

using "frivolous" patents that should never have issued to exact large sums of money from these companies and groups.

Patent ineligibility is seen as a more cost-efficient method for invalidating such patents than, e.g., proving lack novelty and non-obviousness. Thus, those companies and groups continued (and still continue) to maintain/lobby that the *Alice* ruling and its effects should be maintained and that no changes to Section 101 are necessary.

TR: Will patents that courts rejected under the *Alice* test have a chance of being revived under new legislation?

SA: It appears that this is being considered.

TR: The hearing panels have been described as decidedly "pro-patent." Would you agree? Why is that?

SA: Clearly, this is a matter of perspective. However, even some of those who do not want changes in the current standard of patent eligibility may be "pro-patent" in the sense that they may generally be in favor of our current patent system. If one asks whether the majority of those at the hearing sought a broader standard of patent eligibility, though, then in my view that did seem to be the case.

However, Sen. Tillis remarked that the hearings made him realize that the current draft language needed additional limitations on eligibility, as mentioned above. Thus,



Scott Alter is an intellectual property attorney based in the Denver office of **Michael Best & Friedrich**. His practice focuses on software, electronics, internet, telecommunications, cloud computing, medical devices, and financial and semiconductor technologies. He has expertise in patent eligibility, joint and indirect infringement, and indefiniteness matters. He can be reached at smalter@michaelbest.com.

it appears the comments of those who arguably were not in favor of a broader eligibility standard were influential.

TR: How might changes to Section 101 affect Fortune 500 companies? How about smaller companies?

SA: This varies according to which Fortune 500 company and small company one is

speaking about, as well as what the final changes will actually look like. For example, there are certain companies that may benefit from the types of changes in the draft [Section] 101 language as it may strengthen the validity of their overall portfolio, which in turn would invigorate their licensing programs.

Other companies that are less concerned with the benefits of their own patents and are more concerned with being sued may be affected adversely by such legislation. Again, much will come down to what's in the final language of the legislation. **WJ**

PATENT REVIEW

SCOTUS to clarify if PTAB time-bar rulings are appealable

(Reuters) – The U.S. Supreme Court on June 24 agreed to clarify whether there can be appeals of Patent Trial and Appeal Board decisions on the timeliness of requests for inter partes review.

Dex Media Inc. v. Click-To-Call et al., No. 18-916, cert. granted, 2019 WL 234884 (U.S. June 24, 2019).

The high court granted a petition filed by marketing firm DexYP arguing that the U.S. Court of Appeals for the Federal Circuit has erred in ruling it can review PTAB decisions on timeliness.

Adam Charnes of Kilpatrick Townsend & Stockton, who represents Dex, did not immediately respond to a request for comment.

Daniel Geyser of Geyser PC, who represents plaintiff Click-To-Call, said in a statement that Dex's position was "extraordinary" because it would limit the Federal Circuit's ability to review PTAB decisions.

"If Congress truly wished to erase all judicial review over the IPR statutory framework, it would have made that unusual intention unmistakably clear," Geyser said.

In 2012, Click-To-Call sued a predecessor to Dex, Ingenio LLC, alleging infringement of a patent on a method of establishing anonymous telephone communication.

The PTAB reviewed the patent at Ingenio's request and in 2014 ruled several key claims in it invalid. *Oracle Corp. v. Click-To-Call Techs.*, 2014 WL 5490583 (P.T.A.B. Oct. 28, 2014).

Click-To-Call appealed to the Federal Circuit, arguing the PTAB should have never reviewed its patent in the first place.

Under the America Invents Act, the law that created the PTAB and the IPR process, an IPR cannot be instituted if the petitioner has been served with a complaint alleging infringement of the patent more than one year before filing its petition.

Back in 2001, a previous owner of Click-To-Call's patent had sued a predecessor to Dex for allegedly infringing it. Click-To-Call argued that this complaint had triggered the one-year time bar, even though it was voluntarily dismissed without prejudice.

In an August 2018 decision, the Federal Circuit sided with Click-To-Call and reversed the PTAB. *Click-To-Call Techs. LP v. Ingenio Inc.*, 899 F.3d 1321 (Fed. Cir. 2018).

Dex urged the high court to take the case, saying it was an ideal vehicle for addressing

two important questions: whether the AIA permits an appeal of the PTAB's time-bar determinations; and whether a prior patent infringement complaint that was dismissed without prejudice triggers the one-year time bar.

The high court said June 24 that it would hear the case, but that this grant was "limited to Question 1 presented by the petition." **WJ**

(Reporting by Jan Wolfe)

Attorneys:

Petitioner: Adam H. Charnes, Kilpatrick Townsend & Stockton, Dallas, TX; Mitchell G. Stockwell and Amanda N. Brouillette, Kilpatrick Townsend & Stockton, Atlanta, GA

Respondents: Daniel L. Geyser, Geyser PC, Dallas, TX; Peter J. Ayers, Law Office of Peter J. Ayers, Austin, TX; Thomas W. Krause, Molly R. Silfen, Sarah E. Craven and Farheena Y. Rasheed, U.S. Patent and Trademark Office, Alexandria, VA

Related Filings:

Order granting certiorari: 2019 WL 234884\
Reply brief: 2019 WL 2176290
Federal respondent's brief: 2019 WL 1972722
Respondent's brief: 2019 WL 2068018
Certiorari petition: 2019 WL 211480
Federal Circuit opinion: 899 F.3d 1321
PTAB opinion: 2014 WL 5490583

Federal Circuit: No state sovereign immunity in PTAB litigation

(Reuters) – State sovereign immunity cannot be invoked as a defense in inter partes review proceedings at the Patent Trial and Appeal Board, the U.S. Court of Appeals for the Federal Circuit said June 14.

***Regents of the University of Minnesota v. LSI Corp. et al.*, Nos. 2018-1559, 2018-1560, 2018-1561, 2018-1562, 2018-1563, 2018-1564 and 2018-1565, 2019 WL 2479596 (Fed. Cir. June 14, 2019).**

The appeals court upheld rulings by the PTAB that it had the authority to review the validity of patents the University of Minnesota had accused companies including AT&T Inc. and Gilead Sciences Inc. of infringing.

The university had argued that, because it is an instrumentality of the state of Minnesota, it could not be brought into PTAB proceedings without its consent under the 11th Amendment of the U.S. Constitution, which restricts the ability of persons to sue state governments.

The ruling builds on a July 2018 Federal Circuit decision, *Saint Regis Mohawk Tribe v. Mylan Pharmaceuticals Inc.*, 896 F.3d 1322 (Fed. Cir. 2018), which held that tribal sovereign immunity cannot be invoked in IPRs but left “for another day the question of whether there is any reason to treat state sovereign immunity differently.”

Michael Albert of Wolf Greenfield & Sacks, who represented the University of Minnesota, did not respond to a request for comment. Representatives of Ericsson and Gilead did not respond to requests for comment.

In 2014, the university filed lawsuits in its home state against a group of major wireless carriers, including AT&T, alleging they infringed patents assigned to the university by one of its professors relating to wireless communications networks.

Ericsson intervened in those cases because the carriers were accused of infringing the patents through their use of the Swedish company's equipment.

Ericsson asked the PTAB to review the validity of the patents the university was asserting. The university moved to dismiss those IPRs arguing that under the doctrine of state sovereign immunity it could not be dragged into PTAB litigation.

In 2017, the PTAB said that state sovereign immunity could be a valid defense in an IPR, but that in this instance the university had waived its immunity by filing suit in federal court. *Ericsson Inc. v. Regents of the Univ. of Minn.*, Nos. IPR2017-01197, -01200, -01213, -01214 and -01219, 2017 WL 6517563 (P.T.A.B. Dec. 19, 2017).

While the *Ericsson* litigation was pending, the university filed other, unrelated infringement cases, including one in 2016 alleging Gilead's hepatitis C treatments infringe a patent assigned to the school by one of its chemistry professors.

Like Ericsson, Gilead responded by asking the PTAB to review the university's patent claims. Gilead intervened in the university's appeal to the Federal Circuit of the PTAB's ruling in the *Ericsson* litigation because of the similarity of issues raised.

At the Federal Circuit, the University of Minnesota argued that IPRs are adversarial proceedings, just like district court cases, and that the Constitution prohibits the federal government from forcing a state government to defend itself in such an adjudicative proceeding.

It also sought to distinguish its case from the facts in *Saint Regis Mohawk Tribe*.

“State sovereign immunity is a constitutional limit on federal authority that was established when the States joined the union,” the university said. “Tribal immunity is a common-law doctrine whose scope is subject to Congress' plenary control.”

A three-judge Federal Circuit panel rejected those arguments in the June 14 decision, going further than the PTAB and ruling that there is no state sovereign immunity at the tribunal.

The panel said that IPRs are a way for the government to reconsider its initial patent grant, and that state sovereign immunity was not intended to apply to such proceedings.

“*Saint Regis* concluded that IPR was an agency reconsideration proceeding to which sovereign immunity does not apply in the first instance. This reasoning applies equally to states as it does to tribes,” U.S. Circuit Judge Timothy Dyk wrote on behalf of a panel that also included Evan Wallach and Todd Hughes. [WJ](#)

(Reporting by Jan Wolfe)

Attorneys:

Appellant: Michael A. Albert, Stuart D. Smith, Richard Giunta, Gerald B. Hryczyszyn and Charles T. Steenburg, Wolf, Greenfield & Sacks, Boston, MA

Appellees: Kristopher L. Reed, Edward J. Mayle and David E. Sipiora, Kilpatrick Townsend & Stockton, Denver, CO

Related Filings:

Federal Circuit opinion: 2019 WL 2479596
PTAB opinion: 2017 WL 6517563

Justices asked to clarify ‘volitional conduct’ in copyright suit against Zillow

By Patrick H.J. Hughes

A real estate photography company seeking increased damages in a copyright suit against real estate website operator Zillow is asking the U.S. Supreme Court to set the standard for the “volitional conduct” requirement for direct infringement rulings.

VHT Inc. v. Zillow Group Inc. et al., No. 18-1540, petition for cert. filed, 2019 WL 2484567 (U.S. June 13, 2019).

VHT Inc.’s June 13 certiorari petition says the 9th U.S. Circuit Court of Appeals erred by letting Zillow Group Inc. off the hook merely because it designed a system that infringes copyrighted photos instead of instructing human beings to do so. *VHT Inc. v. Zillow Grp. Inc.*, 918 F.3d 723 (9th Cir. 2019).

Even if VHT’s photos were placed on Zillow’s website through an automated process, the company is still liable for copying and sometimes altering those photos under a direct infringement theory, the petition says.

Zillow’s actions cannot be excused by the argument that it was not the “proximate cause” of the infringement, VHT says.

By defining volitional conduct as “proximate causation,” the 9th Circuit set a standard that “insulates broad swaths of otherwise infringing online activity, so long as the operator chooses to automate that activity,” the petition says.

ZILLOW MADE IMAGES ‘SEARCHABLE,’ VHT SAYS

The controversy stems from a lawsuit VHT filed against Seattle-based Zillow in 2015 in the U.S. District Court for the Western District of Washington.

Rosemont, Illinois-based VHT accused Zillow, which owns and hosts a real estate website and app, of violating copyright law by allowing access to more than 28,000 VHT photos.

The suit said virtually all the photos were used on Zillow’s “Digs” web page, a content area dedicated to home improvement and interior design.

At trial VHT presented evidence of real estate brokers and others acting as “moderators”

in providing photos to the Digs page, where Zillow “tagged and thereby made searchable” some of the images, according to court documents.

After a jury found Zillow liable for directly infringing the photos, U.S. District Judge James L. Robart granted Zillow’s motion for judgment notwithstanding the verdict. *VHT Inc. v. Zillow Grp. Inc.* No. 15-cv-1096, 2017 WL 2654583 (W.D. Wash. June 20, 2017).

The judge reduced the damages the jury awarded to VHT from over \$8 million to

caching VHT’s photos are insufficiently volitional to establish that Zillow directly infringed VHT’s reproduction and adaption rights in these non-searchable photos,” U.S. Circuit Judge Margaret McKeown wrote for the three-judge panel.

CONFLICTS CITED

Rather than try to differentiate the circumstances in VHT’s case with those in *Giganews*, the certiorari petition takes issue

Zillow’s actions cannot be excused by the argument that it was not the “proximate cause” of the infringement, petitioner VHT Inc. says.

about \$4 million, in part on the ground that Zillow employees did not place the real estate photos on the system, where many were available but had not been displayed.

“Direct copyright infringement has a causation component, often referred to as ‘volitional conduct,’ that a plaintiff must prove,” the judge said, citing *Perfect 10 Inc. v. Giganews Inc.*, 847 F.3d 657 (9th Cir. 2017).

The 9th Circuit in *Giganews* said there had to be a “causal link” between infringement and financial benefit to an online company for that company to be found liable.

On appeal, VHT argued that Zillow knew when it created Digs that the online home design feature would generate “tens of millions of dollars” for the company.

Further, Zillow was not a mere “passive conduit” on the online platform, VHT said, distinguishing Zillow’s actions from those at issue in *Giganews*.

The 9th Circuit rejected these arguments.

“Following *Giganews*, we conclude that Zillow’s automated processes storing or

with the volitional-conduct standard the 9th Circuit applied in both cases.

VHT says the standard conflicts with the U.S. Copyright Act, Supreme Court precedent and decisions by six federal appeals court.

The petition explains that Congress in 1998, during the “dawn of the internet age,” provided certain safe harbors for otherwise infringing activities by enacting the Digital Millennium Copyright Act, 17 U.S.C.A. § 512.

Establishing these safe harbors for “purely passive” actors holding infringing works implies that Congress recognized that automated behavior is not immune to infringement claims, VHT says.

The standard also conflicts with *ABC Inc. v. Aereo Inc.*, 573 U.S. 431 (2014), in which the Supreme Court said the volitional-conduct requirement was not intended to “excuse defendants from accountability.”

Since the *Aereo* decision, the circuit split over volitional conduct has “intensified,” VHT says.

The 3rd, 4th and 5th circuits, for instance, have rejected a proximate cause analysis in favor of invoking a lesser “causation standard” that simply asks whether an accused infringer did something more than host a forum where infringing works had been found, VHT says.

Other circuits have used a “classic” approach to direct infringement liability that only asks

whether a defendant acted with authority over infringing actions, VHT says.

At least one circuit has “manifested confusion” over the standard, giving rise to another reason for high court guidance, VHT says.

“These conflicting approaches can be outcome-determinative on matters that should have a uniform federal rule,” VHT says. [WJ](#)

Attorneys:

Petitioner: Stephen M. Rummage and Max B. Hensley, Davis Wright Tremaine LLP, Seattle, WA; Marcia B. Paul, Davis Wright Tremaine LLP, New York, NY

Related Filings:

Certiorari petition: 2019 WL 2484567

9th Circuit opinion: 918 F.3d 723

District Court opinion: 2017 WL 2654583

See Document Section A (P. 17) for the certiorari petition.

VIDEO GAMES

Activision Blizzard slays competitor’s patent at Federal Circuit

(Reuters) – A federal appeals court on June 21 upheld the invalidation of a patent on “gamvatars” in interactive e-games that Activision Blizzard’s World of Warcraft and Diablo III and Riot Games’ League of Legends were accused of infringing.

Game and Technology Co. Ltd. v. Activision Blizzard Inc. et al., No. 2018-1981, 2019 WL 2553517 (Fed. Cir. June 21, 2019).

The U.S. Court of Appeals for the Federal Circuit affirmed a 2018 ruling by the Patent Trial and Appeal Board, holding that all claims of the patent asserted by Games and Technology Co. Ltd. of South Korea were obvious in light of the user manual that came with Blizzard’s Diablo II back in 2000.

GAT’s patent, issued in South Korea in 2004 and the U.S. in 2012, describes a method and system of using graphic layers to customize the appearance of avatars, to supply them with items they can hold and use in the game, and to take away items as they are used or destroyed.

“The Diablo II manual describes multiple layers used within the game,” U.S. Circuit Judge Evan Wallach wrote for the three-judge panel, which also included Chief Circuit Judge Sharon Prost and Circuit Judge Alan Lourie.

“Similarly, the Diablo II manual provides that there are ‘numerous weapons available to those who wish to keep their limbs intact, some better than others for dealing with threats,’” and showed when the items were used up, Judge Wallach wrote.

Joseph Zito of DNL Zito Castellano, counsel for GAT, described the company as a

Korean-based game developer but otherwise declined to comment.

Attorneys for Activision and Riot Games, both based in Santa Monica, California, did not immediately respond to requests for comment.

GAT sued Riot Games and Blizzard Entertainment, a subsidiary of Activision, in separate actions in federal court in Texas in 2015, claiming that the wildly popular League of Legends, World of Warcraft and Diablo III infringed its patent.

Those cases were consolidated with others GAT had filed against other game makers and transferred to U.S. district court in Los Angeles. The litigation was stayed in 2016 after the companies filed their petitions for inter partes review with the PTAB.

In 2018, the PTAB ruled that the user manual for Diablo II disclosed all 11 claims of GAT’s patent, either alone or in combination with a 2005 patent application filed by California inventor Lawrence Rogers. *Activision Blizzard Inc. v. Game and Tech. Co.*, No. IPR2016-01885, 2018 WL 1358661 (P.T.A.B. Mar. 14, 2018).

GAT appealed to the Federal Circuit, arguing that the PTAB had ignored features of its “claimed gamvatar” by treating it like a common avatar, and had misconstrued the term “layers” by applying it to graphics found

anywhere on the screen rather than those attached to the gamvatar.

The Federal Circuit found the PTAB’s interpretations were supported by the evidence and the language of the patent itself.

GAT also challenged the PTAB’s conclusion that a patent could be found obvious in light of Diablo II alone. Under patent law, a finding of obviousness generally requires a finding that the invention combines elements of different works, it said.

GAT was “wrong as a matter of law” on that point, Judge Wallach wrote. Quoting from the Federal Circuit’s 2016 decision in *Arendi SARL v. Apple Inc.*, 832 F.3d 1355 (Fed. Cir. 2016), the court said a patent “can be obvious in light of a single prior art reference if it would have been obvious to modify that reference to arrive at the patented invention.” [WJ](#)

(Reporting by Barbara Grzincic)

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Appellant: Richard A. Castellano and Joseph J. Zito, DNL Zito, Washington, DC

Appellees: Sharon A. Israel, Shook, Hardy & Bacon, Houston, TX; Tanya L. Chaney, David Morehan and John D. Garretson, Shook, Hardy & Bacon, Kansas City, MO

Related Filings:

Federal Circuit opinion: 2019 WL 2553517

PTAB opinion: 2018 WL 1358661

Carrie Underwood and NFL stole 'Sunday Night Football' theme, lawsuit says

(Reuters) – Country music superstar Carrie Underwood, the National Football League and NBC were sued June 19 for allegedly copying the “Game On” theme song used in 2018 for “Sunday Night Football” from an identically titled song recorded two years earlier.

Merrill et al. v. Underwood et al., No. 19-cv-5722, complaint filed, 2019 WL 2521312 (S.D.N.Y. June 19, 2019).

Heidi Merrill, who said she uploaded her “Game On” to Google’s YouTube in March 2017, said her copyright was infringed after Underwood’s producer Mark Bright rejected her August 2017 pitch at a conference in Nashville to use the song for “Sunday Night Football.”

In their complaint, Merrill and her co-writers said Underwood’s “Game On” is “substantially — even strikingly — similar, if not identical” to their song, including in title, tempo, meter, time signature, rhythmic and melodic contours and patterns, note and chord progressions, and hooks.

Bright and music publishing affiliates of Sony Corp. and Warner Music Group are among the nine defendants named in the lawsuit, which was filed in Manhattan federal court.

A spokesman for Underwood did not immediately respond to requests for comment. Spokesmen for the NFL and Sony declined to comment. NBC, which is owned by Comcast Corp., and the publisher Warner/Chappell Music had no immediate comment.

Underwood has performed theme songs for “Sunday Night Football” since 2013.

Tim Foster, a lawyer at Sam P. Israel PC representing the plaintiffs, said the lawsuit followed the rejection by several defendants of his clients’ effort to negotiate a resolution.

“Ms. Underwood recorded a song that was substantially similar to the original song submitted through her producer, without giving credit or compensation of any kind to the original songwriters,” Foster said in an interview. “We assume that there will be significant damages.”

Underwood, 36, became famous by winning the fourth season of “American Idol” in 2005.



REUTERS/Mario Anzuoni

Carrie Underwood performs at the 54th Academy of Country Music Awards on April 7.

She has since won dozens of country music awards and seven Grammy awards. **WJ**

(Reporting by Jonathan Stempel)

Attorneys:

Plaintiffs: Sam P. Israel and Timothy L. Foster, Sam P. Israel PC, New York, NY

Related Filings:

Complaint: 2019 WL 2521312

WESTLAW JOURNAL **PRODUCT LIABILITY**



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Texas real estate firm's online offerings warrant new venue for trademark fight

By Patrick H.J. Hughes

A federal judge has ordered the transfer of a trademark dispute between two "Rex"-titled real estate firms from a Texas venue to one whose residents can purchase or sell homes through the defendant's online interactive features.

Rex Real Estate I LP v. Rex Real Estate Exchange Inc., No. 18-cv-371, 2019 WL 2524830 (E.D. Tex. June 19, 2019).

Rex Real Estate I LLP filed its trademark lawsuit against Rex Real Estate Exchange Inc. in the Eastern District of Texas, but U.S. District Judge Amos L. Mazzant III said in his June 19 opinion that the defendant's website was not designed for people in that part of the state.

The California-based defendant offers its services to home sellers and buyers in the areas around Austin, Houston and San Antonio, which are in Texas' Western District.

The defendant might reach residents in the Eastern District through its universally accessible website, as well as through newspaper and radio ads, but the defendant is not targeting those residents for business, the judge said, transferring the case to the Western District.

REX TRADEMARKS

Plaintiff Rex Real Estate is a real estate brokerage and investment service based in the Dallas area.

It filed suit in May 2018, accusing Rex Real Estate Exchange of trademark infringement and dilution, along with unfair competition.

The plaintiff owns federally registered "Rex" and "Rex Real Estate" trademarks, claiming first use of the marks in commerce more than 30 years ago. The company also operates a website at rexrealestate.com.

The complaint says the defendant is causing consumer confusion by advertising the sale of its real estate brokerage services and its real estate computer software.

The defendant's advertisements appear, among other places, on its website at rexchange.com, which according to the opinion allows users to list homes for sale and uses an algorithm to help potential buyers discover the right homes for purchase.

After the plaintiff filed the suit, the defendant asked the court to either dismiss it or transfer it to a venue in the state's Western District.

WESTERN DISTRICT 'MIGHT BE MORE CONVENIENT'

The plaintiff countered that the defendant's website invites those outside of the Western District to secure a referral for an agent.

The defendant's advertisements in newspapers and on the radio may originate in the Western District, but consumers outside of that area can be exposed to those ads, too, the plaintiff said.

The plaintiff even offered evidence showing the defendant communicated 240 times with people from Texas' Eastern District, arguing that the defendant availed itself of the forum.

Judge Mazzant rejected the plaintiff's arguments.

The defendant submitted evidence that showed its referral program had not led to a single referral relationship with anyone from the Eastern District, the judge noted.

Even if the consumers outside Texas' Western District had access to the website, it is aimed at people outside the Eastern District, the judge said.

People from outside the Western District might come in contact with a newspaper or radio ad, but the defendant cannot control where a newspaper might end up or how people might hear "fringe" radio signals, the judge said.

Finally, the judge noted that the 240 transmissions, which make up less than 1% of the company's communications, consisted of people reaching out to the defendant, which in turn told them that the company could not list a home outside the defendant's three service areas.

"This is hardly the type of communication that signals purposeful contact with the forum," the judge said.

Finding for the defendant, Judge Mazzant said he could dismiss the suit, which the plaintiff could amend, but he wished to avoid delay and ordered it transferred to the Western District, where it "might be more convenient for the parties anyway." [WJ](#)

Attorneys:

Plaintiff: Charles E. Phipps, Mark R. Backofen, Robert E. Nail and Sarah S. Williamson, Locke Lord LLP, Dallas, TX; Daniel Solitro, Locke Lord LLP, Los Angeles, CA; Charles G. Shamoun, Shamoun & Norman, Farmers Branch, TX

Defendant: Eric H. Findlay and Roger B. Craft, Findlay Craft PC, Tyler, TX; Holly Pranger and Scott Lonardo, Pranger Law, San Francisco, CA

Related Filings:

Opinion: 2019 WL 2524830

Boeing ordered to turn over technical documents to supplier

By Dave Embree

Boeing Co. must comply with a third-party subpoena from one of its aerospace parts suppliers that is involved in a suit accusing two former executives of stealing trade secrets to compete for Boeing's business, according to a federal judge.

SPS Technologies LLC v. Boeing Co., No. 19-cv-3365, 2019 WL 2409601 (N.D. Ill. June 7, 2019).

U.S. Magistrate Judge Sunil R. Harjani of the Northern District of Illinois ruled June 7 that complying with the supplier's subpoena would not impose an undue burden on Boeing, despite its estimate that searching for and reviewing the documents would cost \$140,000.

Portland, Oregon-based SPS Technologies LLC, which does business as PB Fasteners, manufactures and sells tapered bolts and sleeves that are used in Boeing's 787 and 777X aircraft, according to Judge Harjani's opinion.

Chicago-based Boeing, a multinational aircraft maker, is SPS Technologies' primary customer for those products and has agreed to purchase 90% of its total requirements for the 787 aircraft through December 2021, the opinion said.

To facilitate Boeing's inspection, approval and assembly process, SPS Technologies gave the aircraft manufacturer its proprietary information for the bolts and sleeves, the opinion said.

The underlying dispute arose after SPS Technologies accused a competitor, Briles Aerospace Inc., founded in 2012 by two former executives, of misappropriating SPS Technologies' trade secrets for the bolts and sleeves to sell to Boeing.

SPS Technologies also claimed that Briles worked with Boeing to get the necessary qualifications to produce the products, the opinion said.

Briles subsequently won a contract to provide Boeing the tapered bolts and began deliveries in late 2018, the opinion said.

SPS Technologies sued Briles and its co-founders, Michael and Robert Briles, in the U.S. District Court for the Central District of California in November 2018.

The complaint accuses the Briles defendants of violating the Defend Trade Secrets Act, 18 U.S.C.A. § 1836; the Lanham Act, 15 U.S.C.A. § 1051; and several California statutes.

The suit also accuses Michael and Robert Briles of breaching their employment contracts by retaining confidential company data after leaving to start their own firm.

Boeing has not been named as a defendant in the California lawsuit.

THIRD-PARTY SUBPOENA

In March SPS Technologies served Boeing with a third-party subpoena seeking certain technical and transactional documents related to its purchases of tapered bolts from Briles.

The subpoena also sought copies of all communications between Boeing and Briles' lawyer starting in January 2017.

After meeting and conferring with Boeing several times, SPS Technologies filed a motion to enforce the subpoena in Chicago federal court.

Boeing responded that the subpoena was overly broad and should be limited to results that include the terms "Briles" or "@brilesaerospace.com."

Even with the narrowed terms, searching for and reviewing relevant information would cost about \$70,000, which would double if the court does not modify the original document request, Boeing said.

Additionally, Boeing argued that attorney-client privilege shielded its communications with Briles' lawyer under the "common



interest" doctrine, which protects statements made to further a "common legal interest."

Judge Harjani on June 7 ordered Boeing to comply with the subpoena's original search terms.

Although Boeing would experience "some burden" processing the requested documents, it would not be undue given "the alleged central role Boeing played in the events at issue in the litigation," Judge Harjani wrote.

However, the judge did agree to limit SPS Technologies' request for communications between Boeing and Briles' lawyer to documents created before the California lawsuit began.

"Ordering review and production of communications post-complaint runs the risk of including too many irrelevant documents being swept into review," Judge Harjani wrote. [WJ](#)

Attorneys:

Plaintiff: Edward C. Reddington and William B. Snyderwine, Williams & Connolly, Washington, DC; Frederic R. Klein, Goldbard Kohn Ltd., Chicago, IL

Defendant: Bates M. Larson and Keith G. Klein, Perkins Coie LLP, Chicago, IL

Related Filings:

Opinion: 2019 WL 2409601
Boeing's opposition to motion: 2019 WL 2415967
Motion to enforce subpoena: 2019 WL 2416018
Complaint in underlying suit: 2018 WL 8518981

Strip club owed no coverage for photo misappropriation claims, insurer says

By Jason Schossler

An adult entertainment club's insurer is asking an Ohio federal court to rule it owes no coverage for a lawsuit accusing the club of illegally using the images of several models in its advertising campaigns.

Scottsdale Surplus Lines Insurance Co. v. PSG Foods LLC et al., No. 19-cv-1341, complaint filed, 2019 WL 2427966 (N.D. Ohio June 10, 2019).

Scottsdale Surplus Lines Insurance Co. says in a declaratory judgment complaint filed June 10 in the U.S. District Court for the Northern District of Ohio that PSG Foods LLC, doing business as Platinum Showgirls, is on its own for the underlying suit because its alleged conduct predated the inception of its insurance policies.

IMAGE-USE CLAIMS

The Toledo, Ohio, club is a defendant in a lawsuit brought by seven professional models and an actress in the Northern District of Ohio. *Koren v. PSG Foods LLC*, No. 18-cv-2356, *first amended complaint filed* (N.D. Ohio Nov. 14, 2018).

The plaintiffs in the underlying suit include TV actress Eva Pepaj and model Jessica Burciaga, who was featured as Playboy magazine's "Playmate of the Month" in February 2009.

According to the models' suit, the club used their images and likenesses, without their consent, to promote its business on its

website and on Facebook, Twitter and other online platforms between September 2012 and October 2014.

The suit also says the defendant used Burciaga's image on signage on the façade of the club's building even though she never worked at the club.

The defendant engaged in this conduct to create the false impression that the plaintiffs were affiliated with or performed at its club, the suit says.

The suit asserts claims for invasion of privacy by appropriation, negligence, unjust enrichment, and violations of Section 43(a) of the Lanham Act, 15 U.S.C.A. § 1125(a), and the Ohio Deceptive Trade Practices Act, Ohio Rev. Code § 4165.02(A)(2) and (3).

The plaintiffs seek injunctive relief requiring the defendant to remove their images from its signage and social media accounts. They also seek disgorgement of profits, plus unspecified compensatory, treble and punitive damages.

COVERAGE AT ISSUE

According to Scottsdale's complaint, it issued a series of annual commercial

general liability policies to PSG Foods that ran from Feb. 5, 2016, to Feb. 5, 2019. Each policy provided coverage for "personal and advertising injury," the insurer says.

But Scottsdale alleges the club is owed no coverage for the underlying suit because of an exclusion for publication of material that first took place before the inception of the policies.

"PSG's alleged wrongful publication of claimants' images occurred between September 12, 2012, and October 10, 2014, thereby predating the policies by several years," the insurer says.

The club's first use of Burciaga's image on its signage also allegedly predates the inception of its policies, according to Scottsdale.

The insurer seeks a ruling that it has no duty to defend or indemnify PSG in the underlying suit. [WJ](#)

Attorneys:

Plaintiff: Jonathan L. Schwartz, Goldberg Segalla LLP, Buffalo, NY

Related Filings:

Complaint: 2019 WL 2427966



WESTLAW JOURNAL

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IMAGE MISAPPROPRIATION

Models say Manhattan club used their images without permission

By Amy Mattson, Esq.

Eight professional models have sued the operator and owner of New York City nightclub Sky Room, claiming the company wrongfully used their images to promote the restaurant and dance lounge on social media.

Fritts et al. v. Sky Bar Times Square Inc. & PM Hospitality et al., No. 653076/2019, complaint filed, 2019 WL 2233765 (N.Y. Sup. Ct., N.Y. Cty. May 23, 2019).

The models filed a complaint May 23 in the New York County Supreme Court alleging Sky Bar Times Square Inc. & PM Hospitality caused “irreparable harm” by ascribing “the strip-club lifestyle and activities at Sky Room” to them on Facebook and other social media. The unauthorized use of their photos has injured their brands, reputations and careers, the models say.

The plaintiffs include former Playboy Playmates Sara Underwood and Heather Rae Young, as well as Claudia Sampedro, partner of former NFL defensive end Julius Peppers.

Sky Bar Times Square or its owner, Norbert Gehr, misappropriated and intentionally altered each plaintiff’s image to give the appearance that the model was employed by or endorsed Sky Room, the complaint says. None of the plaintiffs is currently employed by or was ever hired to endorse Sky Room, according to the complaint.

The suit alleges the defendants are liable for false association and false and misleading advertising under Section 43 of the Lanham Act, 15 U.S.C.A. § 1125, by using the images to

promote the business without compensating the models or obtaining their consent.

Use of the models’ photos has the potential to confuse actual and prospective patrons of the nightclub by misleading them as to the quality of the club’s employees and guests, the complaint says.

Additionally, Sky Bar’s publication of the images constitutes common law trademark infringement and unfair competition, the lawsuit says.

The models have valid trademarks on their likenesses and personas, and Sky Bar’s use of their images “constitutes a bad faith misappropriation of ... the time, effort, and expenditure” the plaintiffs have devoted to their careers, the complaint says.

The suit also alleges deceptive trade practices and unfair competition under state law, N.Y. Gen. Bus. Law §§ 349 and 360, as well as violations of the models’ right to privacy and publicity under N.Y. Civ. Rights Law §§ 50 and 51.

The models are seeking unspecified damages and a court order barring Sky Bar from using their images. [WJ](#)

Attorneys:

Plaintiff: John V. Golaszewski, Casas Law Firm, New York, NY

Related Filings:

Complaint: 2019 WL 2233765

Free speech

CONTINUED FROM PAGE 1

After the Federal Circuit decision, the PTO appealed to the high court, arguing the Lanham Act provision “does not prohibit any speech, proscribe any conduct or restrict the use of any trademark.”

The main opinion was joined by Justices Samuel Alito, Ruth Bader Ginsburg, Neil Gorsuch, Brett Kavanaugh and Clarence Thomas.

Chief Justice John Roberts and Justices Stephen Breyer and Sonia Sotomayor each wrote separate dissents agreeing that barring registration for immoral marks was unconstitutional, but they said they would have narrowly construed the scandalous-mark ban and allowed it to stand.



The opinion, concurrence and three dissents are a “fascinating study in how the justices understand the First Amendment,” Michael Best & Friedrich attorney Marshall Schmitt said.

MATAL SETS THE STAGE

The ruling comes two years after the Supreme Court in *Matal v. Tam*, 137 S. Ct. 1744 (2017), struck down Section 2(a)’s bar on disparaging marks as an unconstitutional restriction on offensive speech.

The current controversy stemmed from the PTO’s reliance on the same Lanham Act provision to deny Brunetti’s application to register a “Fuct” mark.

Basing its decision on *Tam*, the Federal Circuit held that the prohibition on scandalous marks, and therefore the PTO decision, violated the First Amendment.

The Supreme Court agreed, saying of Section 2(a), “We hold that this provision infringes the First Amendment for the same reason: It too disfavors certain ideas.”

PTO’S APPLICATION OF SECTION 2(A)

Justice Kagan noted the PTO applied the bar to “immoral” and “scandalous” marks as a unitary provision, meaning it did not treat the two adjectives separately.



Hogan Lovells attorney Julia Matheson said Justice Samuel Alito’s description of the term “Fuct” was “worthy of its own discussion.”

The agency interpreted Section 2(a) to mean that a mark that was “disgraceful,” “offensive,” “vulgar” or “shocking to the sense of truth, decency or propriety” could not be registered, according to the opinion.

For example, the government in applying Section 2(a) could approve registration for “Love rules” but deny “Hate rules,” Justice Kagan said.

However, even without the PTO’s interpretation, the law discriminates based on viewpoint, Justice Kagan said, looking to dictionary definitions of “immoral” and “scandalous.”

“The statute, on its face, distinguishes between two opposed sets of ideas: those aligned with conventional moral standards and those hostile to them; those inducing societal nods of approval and those provoking offense and condemnation,” she wrote.

The government realized this, as shown by the solution it proposed during oral argument, Justice Kagan said.

The government said the PTO would apply the statute narrowly, focusing only on whether the mark’s mode of expression — independent of the views expressed — was scandalous or immoral, and not on the offensiveness of any views expressed.

The court could construe Section 2(a) narrowly as well, the government proposed.

NO NARROW CONSTRUCTION

The court may interpret an ambiguous statute, Justice Kagan said, but it cannot rewrite a law to fit constitutional requirements if there is no basis for the desired interpretation.

It is possible that denying registration to lewd, sexually explicit or profane marks — those whose mode of expression would be offensive — might be permissible, but Section 2(a) as written is extremely overbroad and does not refer to the government’s proposed test, she said.

“So even assuming the government’s reading would eliminate First Amendment problems, we may adopt it only if we can see it in the statutory language. And we cannot,” Justice Kagan wrote.

‘FREE SPEECH IS UNDER ATTACK’

Michael Best & Friedrich attorney Marshall Schmitt, who was not involved in the case,



“It will be interesting to see whether Congress will now move to enact a narrower prohibition against registration of marks that are lewd, obscene or profane,” Robins Kaplan LLP attorney Christopher Larus said.

remarked that the opinion, concurrence and three dissents are a “fascinating study in how the justices understand the First Amendment is to be interpreted and applied in our society and how traditional conservative and liberal labels frequently lose meaning with such constitutional issues.”

In a brief concurrence, Justice Alito said, “The term suggested by that mark is not needed to express any idea and, in fact, as commonly used today, generally signifies nothing except emotion and a severely limited vocabulary.”

At the same time he emphasized the need to protect First Amendment rights “at a time when free speech is under attack.”

Hogan Lovells attorney Julia Matheson, who was not involved in the case, said Justice

Alito's description of the term was "worthy of its own discussion — since whether one agrees with his point is likely largely determined based upon one's place in today's society and level of education."

"I can see a very interesting societal debate on this point and whether this reflects an implicit bias," she said.

SEVERAL JUDICIAL VOICES

Justice Sotomayor, joined by Justice Breyer, predicted "unfortunate results" from the majority decision.



Greenberg Glusker attorney Douglas Mirell said "lesser known brand owners may no longer view such marks as sufficiently edgy."

"The government will have no statutory basis to refuse (and thus no choice but to begin) registering marks containing the most vulgar, profane or obscene words and images imaginable," she wrote in a dissent nearly twice the length of the opinion.

She agreed with striking the ban on "immoral" marks but said the provision on "scandalous" marks could and should be narrowly construed to bar only obscene, vulgar or profane trademarks.

"Such a narrowing construction would save that duly enacted legislative text by rendering it a reasonable, viewpoint-neutral restriction on speech that is permissible in the context of a beneficial governmental initiative like the trademark-registration system," she wrote.

The terms "immoral" and "scandalous" should be interpreted separately, according

to Justice Sotomayor. "Scandalous" can be construed to cover only marks that are offensive because of their mode of expression, she said.

Federal trademark registration is helpful for owners to defend their marks, Justice Sotomayor said, but it is not necessary, because trademark rights do not derive from registration.

Chief Justice Roberts agreed with Justice Sotomayor on narrowing "scandalous" to apply to obscene, vulgar or profane marks. In his view, this would not violate the First Amendment.

"No speech is being restricted; no one is being punished," he said, and the government has an interest in not associating with those types of marks.

Justice Breyer argued that applying rigid categories such as "content discrimination" or "viewpoint discrimination" to possible First Amendment violations led to the elimination of laws that did little harm. A better framework would be to compare the speech-related harm to the governmental interest in suppressing the speech, he said.

LEGAL PREDICTIONS

"It will be interesting to see whether Congress will now move to enact a narrower prohibition against registration of marks that are lewd, obscene or profane," Robins Kaplan LLP attorney Christopher Larus said.

"The court strongly signaled that it would uphold such a narrower restriction," according to Larus, who was not involved in the case.

Douglas Mirell of Greenberg Glusker, also not involved in the case, had a different view.

"It is not at all clear that any attempt by Congress to rewrite the law to replace the term 'scandalous' with the words 'obscene, vulgar or profane' would survive constitutional scrutiny by a majority of the Supreme Court," he said.

As for the effect of the decision, Mirell said "once the taboo against registering such trademarks is removed, lesser known brand owners may no longer view such marks as sufficiently edgy."

Lucy Jewett Wheatley of McGuireWoods said there are numerous pending applications for "popular four-letter words," and the decision might lead to even more.

"The ruling may also result in a flurry of inter partes litigation at the PTO between various applicants for common curse words regarding



Lucy Jewett Wheatley of McGuireWoods said there are numerous pending applications for "popular four-letter words," and the decision might lead to even more.

who was the first to use in commerce, and who therefore should be entitled to a trademark registration in this space, which is sure to involve some entertaining briefing," according to Wheatley, who was not involved in the case. **WJ**

Attorneys:

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

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

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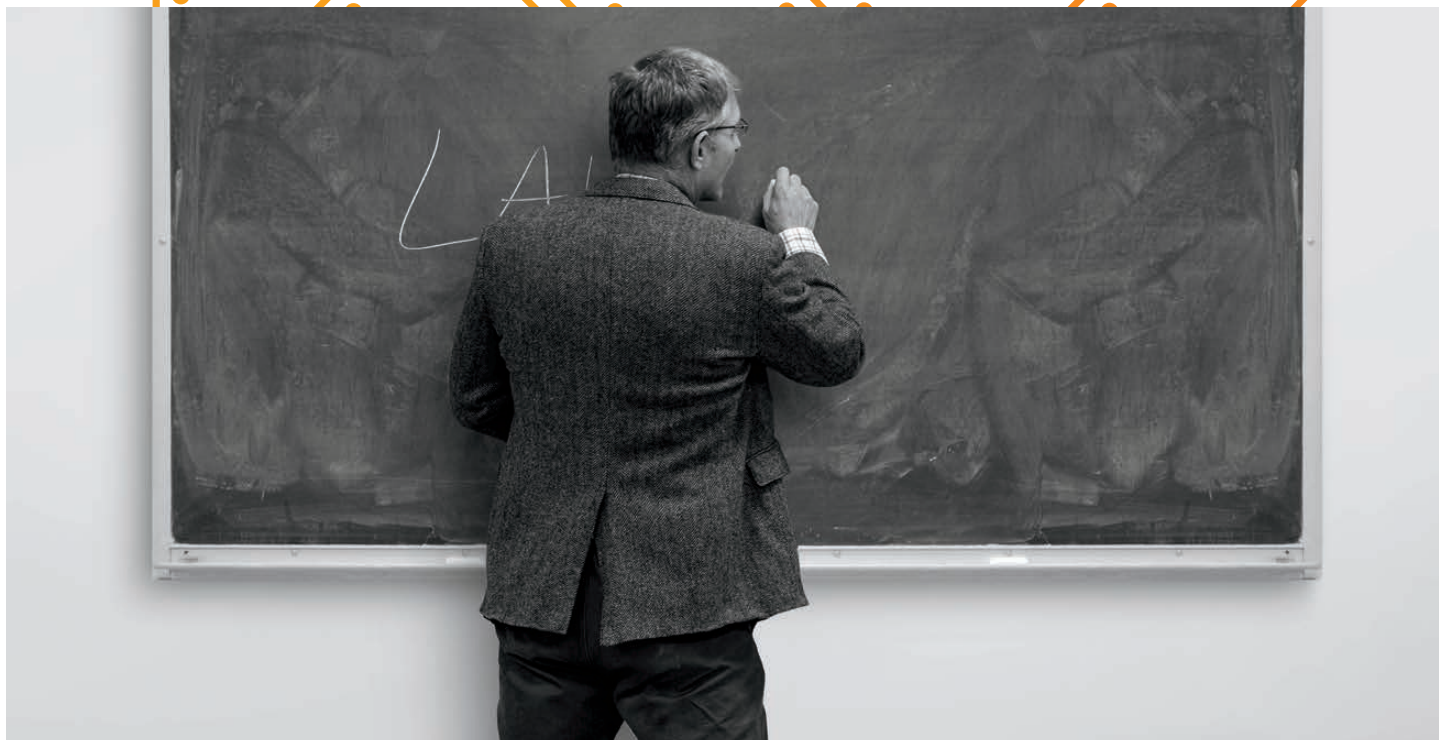
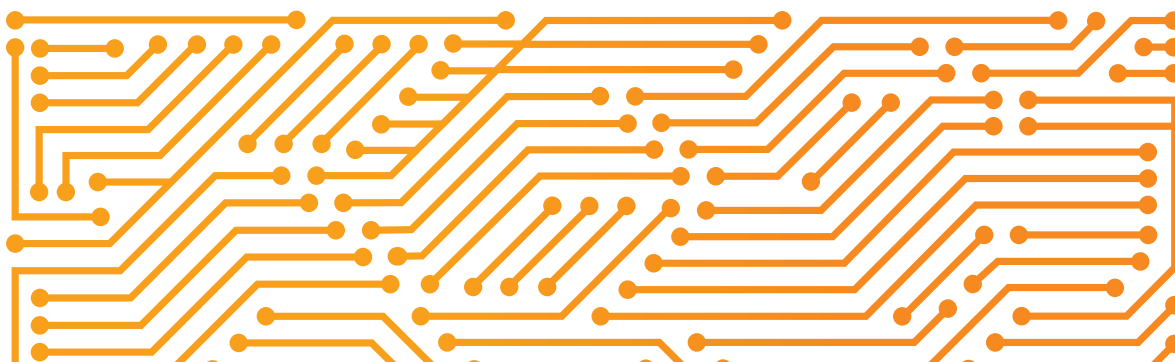
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VHT

2019 WL 2484567 (U.S.) (Appellate Petition, Motion and Filing)

Supreme Court of the United States.

VHT, INC., Petitioner,

v.

ZILLOW GROUP, INC., and Zillow, Inc., Respondents.

No. 18-1540.

June 13, 2019.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

Petition for a Writ of Certiorari

Stephen M. Rummage, Max B. Hensley, Davis Wright Tremaine, LLP 920 Fifth Avenue, Suite 3300, Seattle, WA 98104, (206) 622-3150, steverummage@dwt.com.

Marcia B. Paul, Davis Wright Tremaine LI, 1251 Ave. of the Americas, 21st Floor, New York, NY 10020, (212) 489-8230, for petitioner VHT, Inc.

***I QUESTIONS PRESENTED**

The owner of a copyright holds the exclusive rights of reproduction, distribution, public display, and adaptation in his or her work. 17 U.S.C. § 106. Where a plaintiff establishes ownership of a work, any other party who violates those exclusive rights in the work has infringed the plaintiff's copyright. 17 U.S.C. § 501(a). This case asks the Court to resolve the following questions, which determine when a party may be held liable for direct infringements:

1. Whether a plaintiff must prove that a defendant engaged in some form of volitional conduct in order to prove direct copyright infringement, as described in Justice Scalia's dissenting opinion in *American Broadcasting Companies v. Aereo, Inc.*, 573 U.S. 431 (2014).
2. If so, whether that requirement is properly understood as (1) identical to common-law proximate causation, as the Ninth Circuit held here and as one member of the panel opined in *BWP Media USA Inc. v. Polyvore, Inc.*, 922 F.3d 42 (2d Cir. 2019), or (2) a less demanding causation standard, as the Third, Fourth, and Fifth Circuits have held, or (3) requiring only an affirmative act with a meaningful connection to the infringement, as suggested by other members of the Second Circuit panel in *Polyvore*.
3. Whether a volitional conduct requirement insulates from liability for direct infringement defendants who create and maintain automated systems for making copies of content not requested by users, as the Ninth Circuit held, in conflict with this Court's decision in *Aereo* and opinions of the D.C. and Second Circuits.

***II PARTIES TO THE PROCEEDING**

The parties named in the caption are the only parties to this proceeding. The petitioner, VHT, Inc., is a for-profit corporation. The respondents are Zillow Group, Inc. and Zillow Inc.

RULE 29.6 STATEMENT

Petitioner VHT, Inc., does not have a parent corporation and no publicly held corporation owns 10% or more of VHT's stock.

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***1 PETITION FOR A WRIT OF CERTIORARI**

Petitioner VHT, Inc., respectfully petitions for a writ of certiorari to review the judgment of the U.S. Court of Appeals for the Ninth Circuit in Nos. 17-35587 and 17-35588.

Since this Court's decision in *American Broadcasting Companies v. Aereo, Inc.*, 573 U.S. 431 (2014), a split has intensified among the circuits as to whether a plaintiff seeking recovery for direct infringement of a copyright must prove the infringement resulted from the defendant's volitional conduct and, if so, what that proof entails. The Ninth Circuit stands alone in defining volitional conduct as proximate causation, a formulation that results in sweeping insulation of internet service providers ("ISPs") from liability for infringements they facilitate on their websites. Further, the Ninth Circuit's reasoning in adopting the proximate cause requirement runs counter to both the plain text of the Copyright Act and this Court's decisions. By contrast, six sister Courts of Appeals have adopted different formulations for direct infringement liability, leading to deepening confusion over the circumstances in which ISPs face direct copyright liability for content on their websites.

These conflicting approaches can be outcome-determinative on matters that should have a uniform federal rule. In fact, the Ninth Circuit's application of a proximate cause requirement to the undisputed facts in this case resulted in a holding directly contrary to a holding by the Second Circuit on materially identical facts handed down just weeks later.

***2** This Court should grant the writ, resolve the split among the circuits, and reverse.

OPINIONS BELOW

The Court of Appeals' opinion, App. 1a-48a, is reported at *VHT, Inc. v. Zillow Group, Inc.*, 918 F.3d 723 (9th Cir. 2019). The District Court's order on the parties' summary judgment and other motions, App. 49a-58a, was not reported. The District Court's order on the parties' post-trial motions, App. 59a-72a, was not reported.

JURISDICTION

The court of appeals entered its judgment on March 15, 2019. This Court has jurisdiction under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

The Copyright Act provides, in relevant part:

[T]he owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

- (1) to reproduce the copyrighted work in copies ...;
- (2) to prepare derivative works based upon the copyrighted work;
- (3) to distribute copies ... of the copyrighted work to the public ...;
- *3** (5) in the case of ... pictorial ... works, ... to display the copyrighted work publicly;...

17 U.S.C. § 106. The Copyright Act also provides, in relevant part, as follows:

Anyone who violates any of the exclusive rights of the copyright owner as provided by section[] 106 ... is an infringer of the copyright....

17 U.S.C. § 501(a).

STATEMENT OF THE CASE

A. Statutory Framework

The Copyright Act of 1976 gives copyright owners the exclusive right to reproduce, adapt, distribute, and publicly display their works. 17 U.S.C. § 106. “Anyone who violates any of the exclusive rights of the copyright owner ... is an infringer of the copyright[.]” 17 U.S.C. § 501(a). This Court has recognized that a party is liable for direct copyright infringement “when an actor personally engages in infringing conduct.” *Am. Broad. Cos. v. Aereo*, 573 U.S. at 452.

B. Factual Background

Petitioner VHT is the largest professional real estate photography studio in the country. App. 5a. Real estate brokers, listing services, and agents hire VHT and its trained network of photographers to capture high-quality photographs of properties listed for sale or rent. *Id.* The photographers send the ***4** images to VHT’s central office, where VHT selects a set for delivery (often after enhancing them in its studio) and then transmits them to the hiring broker, listing service, or agent. *Id.* VHT retains ownership of the copyrights in these photographs, although it grants limited licenses to its clients for the use of the photographs solely in the sale or marketing of the properties they depict. *Id.*

Respondents Zillow Group, Inc., and Zillow, Inc. (collectively, “Zillow”), operate the leading online real estate sales and rental marketplace in the country. *Id.* Zillow allows users to browse property listings in its online database where they can check property values, research rental and sales listings, and view property photographs. *Id.* Two separate elements of Zillow’s diversified business are at issue here: the Listing Platform and Digs.¹ The Listing Platform contains information and photographs of properties, some of which are for sale or rent, others of which are not. *Id.* Digs was a separate set of websites linked to the main Listing Platform which used exceptional photographs, selected from the Listing Platform by both automated and human review and from other sources, to enable Zillow to market home improvement and remodeling services and supplies. *Id.*

Zillow receives the photographs it displays on its Listing Platform primarily through feeds from real estate agents, brokers, and Multiple Listing Services (collectively, “feed providers”). App. 5a. Zillow contracts with each feed provider for the use of the images and information on these feeds. App. 10a. Zillow makes fourteen copies of each photo it receives ***5** from feed providers. In many cases, however, none of the copies of a photo are ever displayed on the Listing Platform.

Some feed providers purport to grant Zillow the right to continue displaying photographs after the property they depict is no longer on the market (“evergreen rights”); others do not. Zillow designed its automated system so that when it stops displaying photos for which it lacks evergreen rights, the system searches other copies of that same photograph in Zillow’s possession, seeking one received from a feed that purports to permit post-sale display. If it finds a copy purporting to have evergreen rights, it then publicly displays that copy. App. 12a; App. 55a-57a.

Zillow launched Digs several years after it launched its Listing Platform. It added photographs to Digs using three primary methods. First, Zillow's human moderators chose sets of images from the Listing Platform for display on Digs. App. 65a-69a. Second, Zillow encouraged users of the Listing Platform to add images from that site to Digs. *Id.* Third, when a Listing Platform user selected an image and began to add it to Digs but failed to complete that process, Zillow nonetheless added it to Digs. *Id.* Users could also upload images to Digs from outside of the Listing Platform. *Id.* Zillow placed every "evergreen" image on Digs in a moderation queue. *Id.* Zillow's moderators - first human, and then automated - added tags to the highest-quality images to describe their contents (including the design style, estimated cost, and the identity of certain products shown) and made those images searchable. *Id.*

Zillow programmed its system so that every time an image was added to Digs - regardless of whether *6 Zillow or a user selected the image, regardless of whether Zillow tagged that image for search, and regardless of whether Zillow purported to have evergreen rights in that image - it created sixteen copies of that photograph, some of which have no connection to any use known to or intended by the user, and some of which were altered to fit Zillow's own intended uses. App. 66a.

C. Proceedings Below

VHT filed its complaint for copyright infringement against Zillow in the United States District Court for the Western District of Washington on July 9, 2015. The district court had jurisdiction under 28 U.S.C. § 1331. By the close of discovery, VHT alleged that Zillow directly infringed (a) 54,257 VHT images by displaying them on its Listing Site after the property they depict was no longer on the market, (b) 28,124 images by reproducing, altering, and displaying them on Digs, and (c) one image by distributing it on a blog post. App. 10a; App. 15a. VHT argued that Zillow had treated these images as if it had evergreen rights when, in fact, VHT had granted only a limited license.

Zillow moved for summary judgment on direct infringement, arguing the infringements did not result from its volitional conduct. The district court granted that motion in part and denied it in part. It dismissed the direct infringement claims relating to the use of VHT's copyrighted photographs on the Listing Platform, finding no volitional conduct. App. 54a-56a. But the district court denied Zillow's similar motion with respect to direct infringements on Digs, finding sufficient evidence to send the issue of volitional conduct to the jury for claims relating to the Digs platform. App. 56a-58a.

*7 After trial, the jury rendered a unanimous verdict for VHT on each of the 28,124 VHT photographs on Digs, plus the one photograph Zillow distributed in a blog post. The jury found that Zillow had infringed VHT's display, reproduction, and adaptation rights, both directly and secondarily; rejected Zillow's implied license defense; rejected Zillow's fair use defense; found that each photograph had independent economic value; and found that Zillow's conduct was willful with respect to 3,373 photographs and innocent with respect to the remainder. VHT elected statutory damages for eligible photographs and actual damages for the remainder, for a total award of \$8.27 million.

The district court largely rejected the jury's verdict. In a decision and order dated June 20, 2017, it granted in part and denied in part Zillow's motions for judgment as a matter of law and/or a new trial. App. 59a-60a. It granted Zillow judgment on 24,402 photographs, reversing the jury's factual determination that these photographs had been displayed on Digs and that Zillow was the cause of direct infringement of their copyrights. App. 61a-71a. The district court further rejected the jury's verdict on VHT's secondary liability claims as to all but 114 photographs, but accepted the jury's determinations that Zillow's actions did not constitute fair use and that Zillow's infringements were willful as to the searchable photographs.

Both parties timely appealed to the Ninth Circuit. A panel of that court (1) affirmed the district court's ruling that Zillow did not directly infringe the Listing Platform photos, App. 14a; (2) affirmed the district court's ruling that Zillow did not directly infringe as to the non-searchable Digs photos, App. 22a; (3) affirmed *8 the district court's ruling that Zillow's actions to make Digs photos searchable did not constitute fair use, App. 35a; (4) affirmed the district court's ruling that Zillow did not secondarily infringe as to the Digs photos, App. 40a-41a; (5) remanded the case for further proceedings as to whether the remaining photographs in dispute were a single work for statutory damages purposes as a compilation, App. 43a; and (6) reversed the district court's ruling, and vacated the jury's finding, that Zillow willfully infringed with respect to the searchable photographs, App. 47a.

In holding that Zillow did not engage in "volitional conduct" sufficient to make it liable for direct infringement as to either the Listing Platform or the non-searchable Digs photographs, the Ninth Circuit followed its decision in *Perfect 10, Inc. v. Giganews, Inc.*, 847 F.3d 657 (9th Cir.), *cert denied*, 138 S. Ct. 504 (2017). Relying on *Giganews*, the Ninth Circuit found that a defendant could be liable for direct infringement only if the infringement resulted from its "volitional conduct." The court described the requirement as "'simply stand[ing] for the unremarkable proposition that proximate causation historically underlines copyright infringement liability no less than other torts.' Stated differently, 'direct liability must be premised on conduct that can reasonably be described as the *direct cause* of the infringement.'" App. 8a (quoting *Giganews*, 847 F.3d at 666). The court concluded that Zillow's conduct was not "volitional"

even though Zillow designed its automated system to reproduce multiple copies of each image and alter some images for each of the Listing Platform and for Digs. According to the court, the conduct was “based on *user actions*,” even though Zillow’s creation and *9 alteration of multiple copies was for Zillow’s own purposes and not requested by any user. App. 21a (Digs); App. 12a (Listing Platform).

The Ninth Circuit remanded the matter to the district court to establish the number of statutory damage awards VHT may recover for the 3,921 copyrighted VHT images for which the Ninth Circuit affirmed Zillow’s direct liability, and to determine the amount of the damage award. App. 41a-47a.

REASONS FOR GRANTING THE WRIT

I. The Ninth Circuit’s Ruling Has Entrenched a Circuit Split.

The Ninth Circuit stands alone in holding that a copyright holder seeking to prove direct infringement must show the infringer’s conduct to be the proximate cause of the infringement. According to the Ninth Circuit, a plaintiff pursuing a direct infringement claim must prove not only ownership and copying - the traditional elements of a copyright claim - but “must also establish causation, which is commonly referred to as the ‘volitional-conduct requirement.’” App. 8a. “[I]n this context,” the Ninth Circuit’s requirement is equal to “proximate causation.” *Id.* (quoting *Giganews*, 847 F.3d at 666).

As explained below, the Ninth Circuit’s interpretation of the volitional conduct requirement conflicts with holdings from the District of Columbia, First, Second, Third, Fourth, and Fifth Circuits - all of which have considered this issue and reached different (and largely irreconcilable) conclusions. The variations among the circuits have the pernicious effect of making the outcome of direct infringement claims under the Copyright Act depend on the circuit *10 in which they are brought. Indeed, just weeks after the Ninth Circuit released its opinion in this case, the Second Circuit reached the opposite result on facts virtually indistinguishable from the facts here.

A. The Third, Fourth, and Fifth Circuits Reject Proximate Cause Analysis in Favor of a Lesser Causation Standard.

To provide context, we briefly review the development of the law of direct infringement as applied to website operators. Courts have long recognized that copyright infringement is a strict liability tort. *See, e.g., Shapiro, Bernstein & Co. v. H. L. Green Co.*, 316 F.2d 304, 308 (2d Cir. 1963). Since the dawn of the Internet age, however, courts have struggled with that principle when confronting infringements resulting from user posts to purely passive ISPs. In an oft-cited decision, *Religious Technology Center v. Netcom On-Line Communication Services Inc.*, 907 F. Supp. 1361 (N.D. Cal. 1995), the district court read into the Copyright Act an implicit requirement that an ISP could be liable for direct infringement *only* if it took some affirmative, volitional step to infringe. *Netcom*, 907 F. Supp. at 1370. According to that court, a defendant can be liable for direct infringement only on a showing of either “volition or causation.” *Id.* (emphasis added).²

*11 In response to these efforts to cabin liability for an ISP’s purely passive hosting conduct, Congress in 1998 enacted the Digital Millennium Copyright Act, 17 U.S.C. § 501 *et seq.* (“DMCA”). The DMCA implicitly recognized that the Copyright Act did not require a plaintiff suing for infringement to prove anything more than ownership and copying - the traditional touchstones of an infringement claim - to prevail against an ISP for user posts. *See Feist Publ’ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361 (1991) (“To establish infringement, two elements must be proven: (1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original.”). But the DMCA provided safe harbors protecting ISPs from liability if they satisfied certain statutory requirements. 17 U.S.C. § 512. Through the DMCA, Congress thus largely redressed the inequity of applying strict liability to purely passive ISPs.

After passage of the DMCA, courts considered whether the statute had fully addressed the problem identified in *Netcom* - or if volitional conduct remained relevant in assessing an ISP’s liability. In *CoStar Group, Inc. v. LoopNet, Inc.*, 373 F.3d 544 (4th Cir. 2004), the Fourth Circuit found that volitional conduct still had a place in infringement analysis, despite the DMCA’s passage. In *CoStar*, the Fourth Circuit held that defendant, a subscription-based commercial real estate website, did not infringe plaintiffs copyrights in photographs because it was a purely passive actor. Brokers uploaded photographs of properties to the LoopNet’s site, which were then *12 “cursorily” reviewed by LoopNet employees, and then its system tagged each photo to associate it with the web page for the property depicted. The Fourth Circuit found liability could attach only if the plaintiff showed “some aspect of volition and meaningful causation.” 373 F.3d at 550. But the Court did not define that element as “proximate causation.” Rather, it concluded that volitional conduct means only that the infringer must have caused “in some meaningful way” an infringement, requiring a plaintiff to show “actual infringing conduct with a nexus sufficiently close and causal to the illegal copying that one could conclude that the machine owner himself trespassed on the exclusive domain of the copyright owner.” *Id.*

Other courts continue to follow *CoStar's* lead. The Third Circuit in *Leonard v. Stemtech International Inc.*, 834 F.3d 376 (3rd Cir. 2016), *cert. denied*, 138 S. Ct. 975 (2018), for example, held that to establish direct copyright infringement, a plaintiff must show that the defendant “engaged in volitional conduct,” which it defined *not* as proximate causation but, instead, as *CoStar* defined it: “Volitional conduct occurs when a party engages in ‘the act constituting infringement.’” *Id.* at 386-87 (quoting *CoStar*, 373 F.3d at 551).³ And the Fifth Circuit likewise followed *CoStar* in *BWP Media USA, Inc. v. T & S Software Associates*, 852 F.3d 436 (5th Cir.), *cert. denied*, 138 S. Ct. 236 (2017). That court acknowledged the Ninth ***13** Circuit’s proximate cause test as stated in *Giganews. Id.* at 440 n.l. But in deciding the case, the Fifth Circuit followed *CoStar*, holding that the ISP defendant in that case escaped liability because “[i]t cannot be said that [the ISP’s] conduct ‘cause[d] in some meaningful way an infringement.’” *Id.* at 442 (quoting *CoStar*, 373 F.3d at 549).

In short, the Third, Fourth, and Fifth Circuits do not make liability for direct infringement depend on a showing of proximate causation. Instead, these Courts simply ask whether the defendant did something more than merely “host[ing] the forum on which infringing content was posted.” *T & S Software*, 852 F.3d at 442. This standard differs significantly from the Ninth Circuit’s proximate causation approach and would have produced a different result here. Here, the court of appeals required VHT to show more than that Zillow merely engaged in “the act constituting infringement.” *Leonard*, 834 F.3d at 387 (quoting *CoStar*, 373 F.3d at 551). Rather, while acknowledging that Zillow copied and altered images for its own purposes, App. 21a-22a, the court concluded that “[a]ny volitional conduct with respect to these photos was taken by the users, not Zillow,” App. 21a.

B. The First and District of Columbia Circuits Apply Traditional Copyright Analysis to Determine the Scope of Direct Liability

Aside from the confusion associated with the definition of volitional conduct, two Circuits have considered and declined to adopt a volitional conduct requirement for direct copyright infringement.

***14** In *Society of Holy Transfiguration Monastery, Inc. v. Gregory*, 689 F.3d 29 (1st Cir. 2012), the defendant admitted the plaintiffs copyrighted works were available on his website but argued he was not liable because “he himself did not volitionally copy or post” them, relying on *CoStar. Id.* at 54. The First Circuit rejected this proposition. According to that Court, “because the [defendant] held authority and control over the Website, and ... knew of and assented to [his agent’s] postings of the copyrighted works, he could be held liable “regardless of whether the law mandates a showing of volitional conduct to establish direct infringement.” *Id.* at 56-57. It was enough that the defendant “engaged in sufficient acts of authority and control over the server and material actually posted” to warrant liability for direct infringement. *Id.* at 57.

The First Circuit’s approach embodies the classic approach to direct infringement liability, which asks only whether the defendant committed some act of infringement. As the Second Circuit explained nearly a century ago: “It is established that the one who prints an infringing work is an infringer. So is the publisher. As likewise is the vendor.” *Am. Code Co. v. Bensinger*, 282 F. 829, 834 (2d Cir. 1922) (citations omitted). Until the Internet age, this doctrine was sufficiently uncontroversial to pass without explicit discussion. *Compare Princeton Univ. Press v. Mich. Doc. Servs., Inc.*, 99 F.3d 1381, 1384 (6th Cir. 1996) (direct liability for copy shop which reproduced materials selected by university professors); *Columbia Pictures Indus., Inc. v. Redd Home, Inc.*, 749 F.2d 154, 157 (3d Cir. 1984) (direct liability for video store that displayed movies selected by its patrons). In this case, Zillow had authority and control over the servers at issue, and determined what material could be posted ***15** to both its Listing Site and Digs. Zillow would be liable under the First Circuit standard applied in *Gregory*.

Similarly, the District of Columbia Circuit in *Spanski Enterprises, Inc. v. Telewizja Polska, S.A.*, 883 F.3d 904 (D.C. Cir. 2018), considered a direct infringement claim against a Polish video-on-demand service that failed to geoblock its internet broadcasts of copyrighted television episodes to prevent display beyond the geographic scope of its license. The broadcaster sought to absolve itself by arguing that volitional conduct is a necessary precondition for direct liability, and that a website owner which “operates an automatic content delivery system” by which “the user ... selects the content it will view or receive and actuates the delivery system, and the user request is not processed by [the website owner’s] employees” did not engage in volitional conduct. *Id.* at 910 (second alteration in original). The Court rejected that argument, holding that it “cannot be squared with the text of the Copyright Act.” *Id.* “Nowhere does the Act state that a work so shown is performed only if a third-party end user plays no role in the showing.” *Id.*

Spanski considered both the *CoStar* line of cases, *id.* at 912 (quoting *CoStar*, 373 F.3d at 555 and *T&S Software*, 852 F.3d at 439), and the Ninth Circuit’s proximate cause analysis, *id.* (quoting *Giganews*, 847 F.3d at 668), and declined to follow either path. Instead, it concluded that, while it “has yet to decide whether to read ... a volitional conduct or proximate cause requirement into the Copyright Act,” the act of operating equipment to allow the distribution of copyrighted television programs “constitutes infringement under *Aereo’s* binding authority, ***16** whatever the scope of any such [volitional conduct] requirement might otherwise be.” *Id.* at 912.

Zillow would face certain liability under this rule. The Ninth Circuit found Zillow insulated from direct liability because it provides users with “an Internetbased facility on which to post materials, but the materials posted are of a type and kind selected by the user and at a time initiated by the user.” App. 22a (internal quotation marks and alterations omitted). But, like the broadcaster in *Spanski*, Zillow operated the equipment and designed the system that made the infringement possible. Under the D.C. Circuit’s analysis in *Spanski*, VHTs claims for infringement on both the Listing Site and Digs would have survived.

C. The Second Circuit Has Manifested Confusion Over Volitional Conduct, Even While Finding Direct Liability in Circumstances Materially Identical to the Facts Here.

Nothing more clearly manifests the disarray in the circuits on this recurring federal issue than the Second Circuit’s three opinions in *BWP Media USA Inc. v. Polyvore, Inc.*, 922 F.3d 42 (2d Cir. 2019). In *Polyvore*, the Second Circuit issued a brief per curiam opinion reversing a grant of summary judgment in favor of an ISP for lack of volitional conduct, finding an issue of material fact as to whether the defendant made multiple copies of the disputed photographs for its own purposes. 922 F.3d at 44. But the three judges on the panel then each wrote separately to explain their views on the meaning of volitional conduct. Each judge’s analysis departs from the Ninth Circuit’s proximate cause formulation - and would lead to a different outcome in this case.

***17** The judges in *Polyvore* wrote against the backdrop of binding Second Circuit decisions adopting a volitional conduct standard. See *EMI Christian Music Grp., Inc. v. MP3tunes, LLC*, 844 F.3d 79, 96 (2d Cir. 2016), *cert. denied sub. nom. Robertson v. EMI Christian Music Grp., Inc.*, 137 S. Ct. 2269 (2017); *WNET, Thirteen v. Aereo, Inc.*, 712 F.3d 676 (2d Cir. 2013), *rev’d sub nom. Aereo*, 573 U.S. 431; *Cartoon Network LP, LLLP v. CSC Holdings, Inc.*, 536 F.3d 121, 131 (2d Cir. 2008). In the earliest of these cases, *Cartoon Network*, the Second Circuit held that “volitional conduct is an important element of direct liability,” but limited its decision to the facts of that case: “We need not decide today whether one’s contribution to the creation of an infringing copy may be so great that it warrants holding that party directly liable for the infringement, even though another party has actually made the copy.” 536 F.3d at 131, 133. Eight years later, in *EMI*, the court found that a defendant who operated a system designed to retrieve cover art when a user uploaded a song engaged in volitional conduct. 844 F.3d at 96. The court rejected the argument that because the program automatically retrieved the cover art “at the direction of the user when the user selected a song,” the defendant did not engage in any volitional acts which caused the copying. According to the court: “[T]he system retrieved a copyrighted item that a user did not request, frequently without the user’s knowledge of the copyrighted nature of the item. [That] constituted enough evidence, in our view, that copying of the cover art was directed by” the defendant. *Id.*

But *Polyvore* shows that, even assuming the existence of a volitional conduct requirement, the courts desperately need guidance from this Court as to ***18** what it entails. Each of three concurring opinions in *Polyvore* assumes a volitional conduct requirement, but argues in favor of a different standard for establishing it. Judge Walker argued that “volition is *choosing* to engage in an act that causes infringement,” noting that “although a volition analysis may under certain circumstances require an explicit causation analysis ... volition is not the same thing as causation.” 922 F.3d at 52 (citation & internal quotation marks omitted). As Judge Walker explained, “volition has textual underpinnings in the Copyright Act, whereas proximate causation does not.” *Id.* at 53. But Judge Newman concluded that volition “is best understood to mean a concept essentially reflecting tort law causation” and that requires a “tort law ‘proximate cause’” analysis. *Id.* at 62. Finally, Judge Pooler concluded that regardless of whether volitional conduct is characterized as causation, the controlling question is whether a defendant is “sufficiently tied to the act of copying”. *Id.* at 69. At the same time, Judge Pooler declined to “conceptualiz[e] volitional conduct in such a way that an ISP does not act volitionally when it automatically makes one, but not more than one, unrequested copy in response to a user’s request[.]” *Id.*

Even accounting for the three different opinions, the result in *Polyvore* shows how far the Ninth Circuit’s test has strayed from the law elsewhere. The defendant in that case, Polyvore, operated a website to which users uploaded photographs, including certain of plaintiffs celebrity photographs. *Id.* at 45 (Walker, J., concurring). Like Zillow, Polyvore had in place “a series of automatic technical processes” triggered by user input. *Id.* Like Zillow, Polyvore designed its automated system to copy each image *multiple* times ***19** regardless of user input. *Id.* at 51. But unlike Zillow, Polyvore did not prevail. The Second Circuit reversed, finding a disputed issue of material fact as to whether the defendant “created multiple copies of [plaintiffs] photos that were not requested by Polyvore users.” *Id.* at 44; *id.* at 50-51 (Walker, J.) (“ISPs that provide additional unrequested copies of copyrighted material in response to a user’s request for a single copy, however, may be liable for direct infringement.”); *id.* at 65 (Newman, J.) (volitional conduct requirement does not “preclude infringement liability for all developers or operators of systems that automatically make copies upon an individual’s command”); *id.* at 69 (Pooler, J.) (number of copies made is irrelevant to volitional conduct). Thus, within a few weeks of the Ninth Circuit’s decision below, the Second Circuit reached precisely the opposite result on substantially similar facts under three different analyses, all of which are inconsistent with the Ninth Circuit’s proximate cause test.

Given the treatment of volitional conduct across the nation, the three opinions in *Polyvore* cannot be chalked up to a mere intra-circuit division of opinion. Rather, they reflect the federal judiciary's struggle to adapt the Copyright Act to the Internet age - a struggle compounded by the ambiguity inherent in Judge Scalia's articulation of the volitional conduct standard in the context of his dissent. *Aereo*, 573 U.S. at 454. Only this Court can resolve these issues, which daily become more urgent.

II. The Ninth Circuit's Ruling Cannot Be Reconciled with This Court's Precedent.

The Ninth Circuit succinctly stated its reasoning for concluding that the volitional conduct doctrine bars ***20** liability for Zillow's reproduction and alteration of VHT's works on Digs as follows:

Unlike photos that Zillow curated, selected, and tagged for searchable functionality - activities that amount to volitional conduct establishing direct liability - these ... photos were copied ... based on *user* actions, not the conduct of Zillow or its moderators. [¶] Any volitional conduct with respect to these photos was taken by the users, not Zillow. Users, not Zillow, "selecte[d]" images to add to their personal boards and "instigate [d]" the automatic caching process by saving a particular image.

App. 21a (citation omitted); *see also* App. 12a (on the Listing Platform, rejecting direct liability for displays where "the content of the Listing Platform is populated with data submitted by third-party sources" [feed providers rather than users of the site] which provided the information on which Zillow relied to justify its continued display after the properties' sale). This conclusion - that automated systems cannot be liable for direct infringement where users initiate their operation - runs afoul of this Court's precedent, which has never endorsed a volitional conduct requirement, let alone a volitional conduct requirement that places liability for direct infringement *exclusively* on the user, as the Ninth Circuit has done.

In *Aereo*, this Court found a fully automated and user-activated subscription service allowing users to view copyrighted television broadcasts liable for direct infringement of the performance right. *See* ***21** 573 U.S. at 436. In so doing, this Court explicitly recognized what the Ninth Circuit did not: An automated service *and* its user can both engage in directly infringing conduct. *Id.* at 441. The *Aereo* Court held that "a user's involvement in the operation of the provider's equipment and selection of the content transmitted may well bear on whether the provider performs within the meaning of the Act." *Id.* at 444; *see also* *Spanski*, 883 F.3d at 910-11 (recognizing that *Aereo* held that an "intermediary ... publicly performs even where its conduct consists only of capturing and retransmitting a broadcast 'in automatic response' to an end user's request" (quoting *Aereo*, 573 U.S. at 443)). In contrast, the Ninth Circuit's rule transforms the user into a break in the causal chain, so an ISP escapes direct infringer liability if a user plays an active role in conduct comprising an infringement - making only the *user* liable for direct infringement.

We need not guess whether this result runs afoul of this Court's jurisprudence: Justice Scalia made the same argument in his *Aereo* dissent, and the majority rejected it. To Justice Scalia, the *Aereo* subscription service was akin to a passive "copy shop" that rents copiers on a per-use basis and cannot be liable for the reproduction of infringing content:

The key point is that subscribers call all the shots: *Aereo's* automated system does not relay any program, copyrighted or not, until a subscriber selects the program and tells *Aereo* to relay it. *Aereo's* operation of that system is a volitional act and a but-for cause of the resulting performances, but, as in the case of the copy shop, that degree of ***22** involvement is not enough for direct liability.

573 U.S. at 456. The majority, however, rejected Justice Scalia's approach and recognized that the fact that a user triggered an automated system was not enough to insulate the operator (and designer) of that system from liability. *Id.* at 444. The result below allows Zillow to hide behind the same technological curtain that the *Aereo* majority rightly pulled back.

Nor is *Aereo* the only time this Court has rejected efforts to shield automated systems from liability for direct infringement on the ground that user input triggers the infringement. In *New York Times Co. v. Tasini*, 533 U.S. 483 (2001), the dissent argued that "[i]t is up to the user in each instance to decide whether to employ" the online LEXIS/NEXIS database of copyrighted news articles "in a manner that infringes either the publisher's or the author's copyright," and where the user opts to use the system to view and

distribute copyrighted materials, “such infringing third-party behavior should not be attributed to the database.” *Id.* at 518 (Stevens, J., dissenting). The majority disagreed and assigned liability to defendants for direct infringement - even though users, not the service, initiated the infringement. *Id.* at 506.

The reasoning in both *Aereo* and *Tasini* cannot be squared with the Ninth Circuit’s holding.

III. The Ninth Circuit’s Rule Is Wrong As a Matter of Statutory Construction and as a Matter of Policy.

By applying and extending the holding in *Giganeews* in this case, the Ninth Circuit has doubled ***23** down on an untenable position that insulates broad swaths of otherwise infringing online activity, so long as the operator chooses to automate that activity. In addition to being irreconcilable with this Court’s precedent, it is wrong as a matter of statutory construction and policy.

To begin, a volitional conduct requirement for direct infringement - regardless of which version of the requirement applies - has no basis in the Copyright Act itself. *Spanski*, 883 F.3d at 910. Such a requirement makes even less sense when considered in the context of the DMCA, which amended the Copyright Act to provide safe harbors for enumerated categories of automated conduct. 17 U.S.C. § 512.

The DMCA’s inclusion of safe harbors to avoid liability necessarily implies congressional recognition that automated behavior is *not* immune from direct infringement claims, as the Ninth Circuit’s analysis would suggest. Indeed, if the Ninth Circuit were correct that automated caching processes triggered by an initial user’s input cannot constitute volitional conduct (as it found both here and in *Giganeews*), then the DMCA safe harbor regime need not exist at all, as there would be no need to enact such protections. Interpreting the Copyright Act as the Ninth Circuit did below thus violates the fundamental precept of statutory construction that “[w]hen Congress acts to amend a statute, we presume it intends its amendment to have real and substantial effect.” *Stone v. I.N.S.*, 514 U.S. 386, 397 (1995). In addition, the Ninth Circuit’s proximate cause test protects *more* online activity than the statute, and thus upsets the DMCA’s carefully calibrated “complex ... compromise” between copyright owners and internet service ***24** providers.⁴ *Capitol Records LLC v. Vimeo, LLC*, 826 F.3d 78, 82 (2d Cir. 2016).

Second, the Ninth Circuit’s volitional conduct formulation is untethered from this Court’s guidance, basic legal principles, and common sense. This Court has never endorsed any version of the volitional conduct requirement. Indeed, Justice Scalia’s dissent in *Aereo* (cited by the Ninth Circuit) presciently predicted that a volitional conduct requirement would prevent direct liability for “automated, user-controlled system[s].” 573 U.S. at 454. The majority, however, declined to adopt Justice Scalia’s approach precisely because it “makes too much out of too little.” *Id.* at 443. Indeed, application of Justice Scalia’s copy shop analogy to the present case illustrates just how far afield Zillow’s conduct really is. Justice Scalia wrote of a copy shop where “*the customer* chooses the content and activates the copying function; the photocopier does nothing except in response to the customer’s commands.” *Id.* at 455. But here, instead of a user coming to Zillow with her own handful of printed materials and making exactly the number and manner of copies she elects, Zillow makes *multiple* copies of all of the photographs it receives from feed providers; decides which of those photos to make available for display to users; invites users to select certain of those photos for Digs; and then makes - through an automated system it designed and operated - additional copies of each of them, altered in some cases to meet Zillow’s needs, totally independent of the user’s wishes or needs.

***25** The Ninth Circuit’s holding virtually immunizes *all* similar online industries from direct infringement liability, including websites containing video, photo, and audio content. ISPs in the Ninth Circuit (where the technology industry is concentrated) could completely shield themselves from copyright liability simply by implementing automated systems to reproduce, alter, or display infringing content in any way the ISP wants and for whatever purpose, as long as the ISP designs the system so that users trigger it. Allowing such free rein to website operators would devastate the business models of parties - like Petitioner VHT - who create and license high-quality copyrighted content, because it would deprive them of royalties and licensing fees for virtually all online use.

It would simultaneously and perversely create an artificial distinction between websites that elect to use human reviewers rather than designing a sophisticated automated system to process user content. Websites using human reviewers could be subject to direct liability for user posts absent a DMCA safe harbor; those who automate would not. To the extent cost concerns drive the decision not to automate, this would disfavor small competitors and favor larger automated systems - already a growing concern. *See, e.g., Google, Facebook, Apple, Amazon face U.S. anti-trust probe*, BBC News, <https://www.bbc.com/news/technology-48513328> (last visited June 12, 2019). The Ninth Circuit’s imposition of a proximate cause standard thus threatens to sacrifice both content creators and legitimate Internet competition, in favor of large, automated ISPs.

***26 IV. The Question Presented Is Recurring and Important.**

This Court denied a petition for writ of certiorari seeking review of the Ninth Circuit's proximate cause analysis in *Perfect 10, Inc. v. Giganews*, 138 S. Ct. 504 (2017). But since that denial eighteen months ago, three Circuits have reached three different conclusions about the existence and scope of the volitional conduct doctrine. In *Spanski*, the District of Columbia Circuit declined to recognize the doctrine and implicitly rejected the notion that, even if it exists, it would immunize automated online infringements. 883 F.3d at 910-13. In its opinion here, the Ninth Circuit in effect expanded the reach of its more demanding proximate causation standard to insulate automated conduct. App. 7a-16a. And finally, in *Polyvore*, a single panel of the Second Circuit offered three different interpretations of volitional conduct, agreeing only that automated infringements which go beyond the scope of user requests (like the infringements here) cannot be protected from direct infringement liability. 922 F.3d at 44.

Given the absence of firm direction from this Court, this proliferation of views is predictable - and likely to continue. More than a decade ago, this Court recognized that the "probable scope of copyright infringement" on peer-to-peer networks is "staggering." *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 923 (2005). Since then, the reach of the internet and the sophistication of online providers has mushroomed, making online infringement an ever-growing problem. Finding the right standard for volitional conduct (or determining that no volitional conduct requirement exists) will be ***27** outcome-determinative in a growing number of copyright cases involving automated systems, ranging from websites like those run by Zillow, T&S Software, and Polyvore, to content-delivery systems like those in *Spanski* and *Aereo*.

Because the internet is globally accessible, users and website operators can infringe copyrighted material in an instant in nearly every jurisdiction. But whether that infringement can be redressed under federal copyright law now depends, in a real sense, on the forum in which it brings suit. Only this Court can bring uniformity to this crucial question of federal law.

CONCLUSION

The Court should grant the petition for a writ of certiorari.

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Footnotes

- ¹ Digs is no longer an operational website.
- ² See also *Sega Enters. Ltd. v. MAPHIA*, 948 F. Supp. 923, 932 (N.D. Cal. 1996) (operator of online bulletin board not liable for direct copyright infringement because plaintiff did not show he “directly caused the copying”); *Playboy Enters., Inc. v. Russ Hardenburgh, Inc.*, 982 F. Supp. 503, 513 (N.D. Ohio 1997) (encouraging upload and screening posts “transform[ed] Defendants from passive providers of a space in which infringing activities happened to occur to active participants in the process of copyright infringement”).
- ³ Another panel of that court had previously reached the same conclusion, with similarly limited analysis, in an unpublished decision. *Parker v. Google*, 242 F. App’x 833, 836 (3d Cir. 2007) (affirming determination that plaintiff “failed to allege any volitional conduct on the part of Google in archiving USENET posts”).
- ⁴ Notably, Zillow did not assert that it was entitled to a DMCA defense either at trial or on appeal.

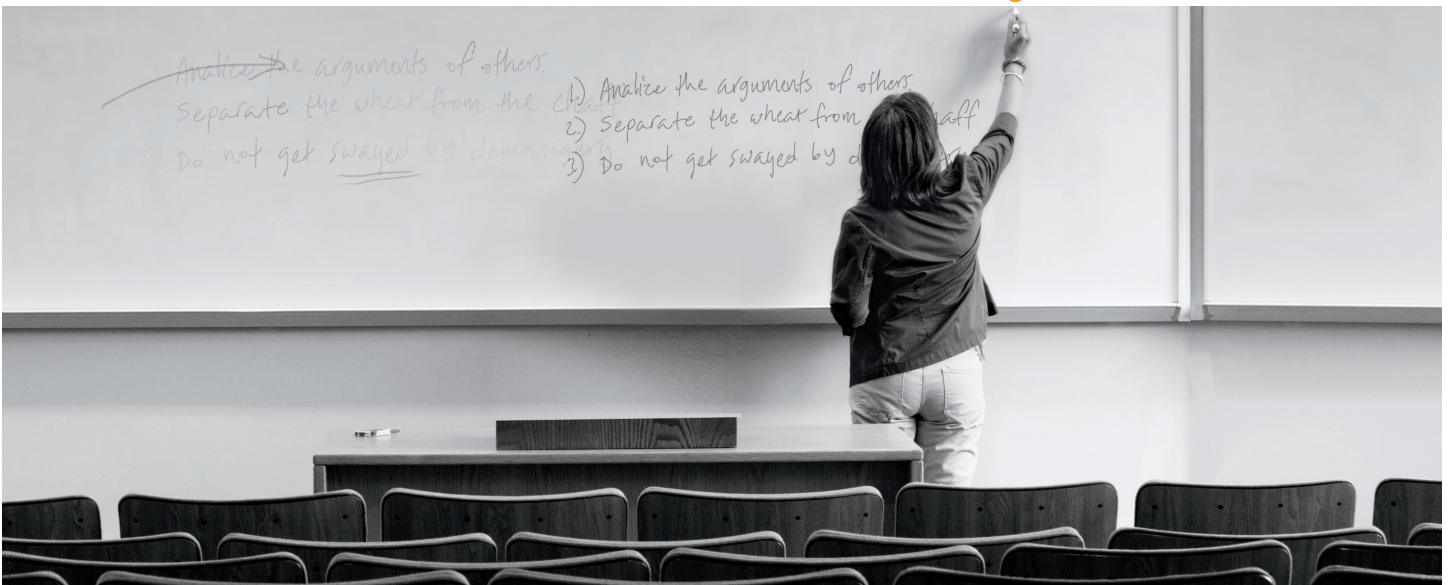
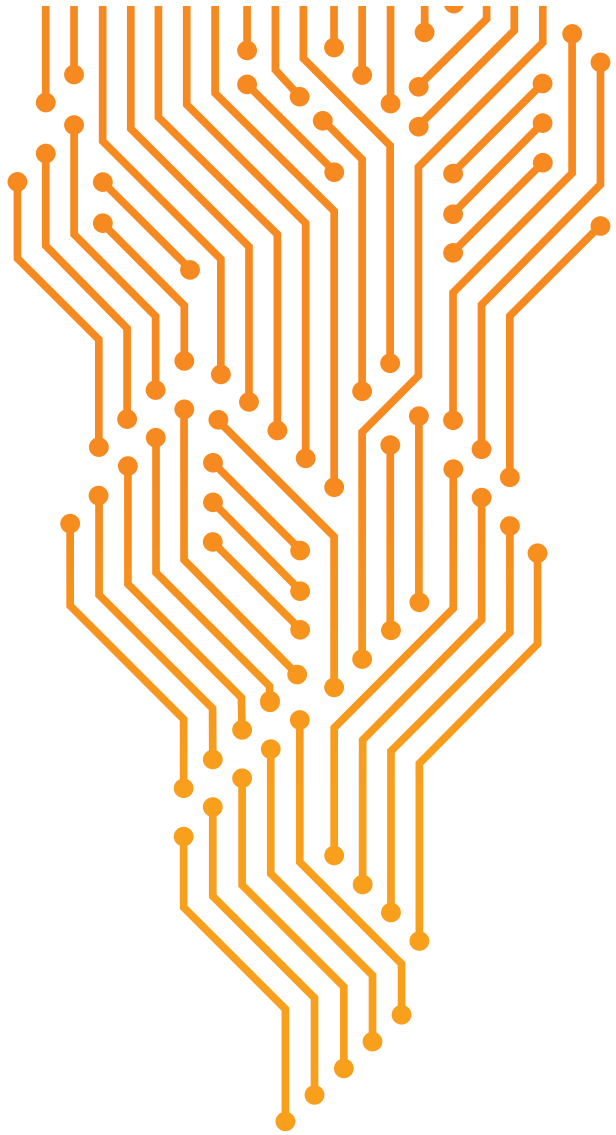
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