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# July 2022 Webinar

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This Month in  
**Intelle©tual  
P®roperty**

This Month in Intellectual Property

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# *H&R Block, Inc., v. Block, Inc. (W.D. Mo. 2022)*

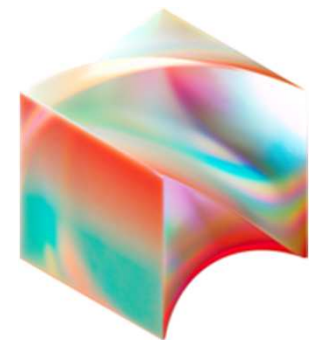
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## Background Facts

- In 2020, Square, Inc. acquired Credit Karma Tax.
- In December 2021, Square, Inc. announced name change to Block, Inc.
- Credit Karma Tax was integrated into Square's existing product, Cash App, to create Cash App Taxes, sharing Cash App's green square logo.
- On December 1, 2021, Block filed an application with the USPTO to register "Block" as a trademark along with the twisted cube logo.

## On December 16, 2021, H&R Block sued for trademark infringement and unfair competition.

- H&R Block alleged use of "Block" and a green square logo in connection with tax and financial services is likely to cause consumer confusion.
- On December 21, 2021, H&R Block moved for a preliminary injunction against Block, Inc.



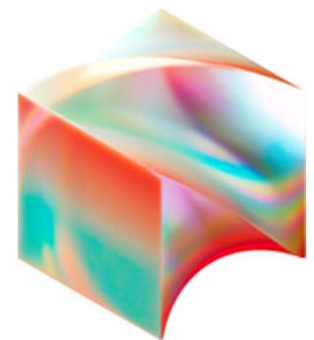
**BLOCK**

# H&R Block, Inc., v. Block, Inc. (W.D. Mo. 2022)

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## Court Grants Motion for Preliminary Injunction

- On April 28, 2022, District Court Judge Nanette K. Laughrey granted H&R Block's motion for a preliminary injunction.
- The court found a substantial risk of consumer confusion given the overlapping markets and similarity of names and green logos.
  - Initial interest confusion: Consumers may be interested in Cash App's tax services believing an affiliation with H&R Block.
  - Point-of-purchase confusion: Consumers may use Cash App Taxes believing the service is offered by H&R Block.
  - Reverse confusion: Consumers may believe H&R Block is now affiliated with Block, Inc. brands.



**BLOCK**

## Block, Inc. enjoined from:

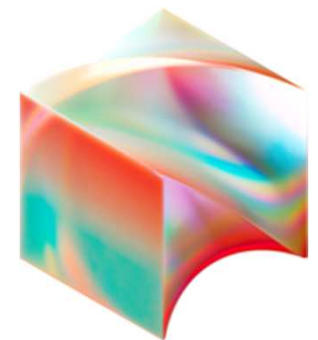
- using "Block" in connection with Cash App Taxes;
- operating Cash App Taxes as a feature of Cash App; or
- being linked to Cash App "through a separate application so long as Cash App also refers to Block Inc."

# H&R Block, Inc., v. Block, Inc. (W.D. Mo. 2022)

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On May 6, 2022, Block, Inc. moved to stay injunction pending appeal to the Eighth Circuit.

- Block, Inc. argued that the terms of the injunction could force it to either extract the tax services from the Cash App — which it argued would take time not provided under the injunction and harm consumers — or require a change to the ownership structure of Cash App.
- The court found the preliminary injunction was drafted narrowly and allowed Block, Inc. to determine “the least burdensome way to proceed.”
- “[T]he Court has not ordered Block, Inc. to spend millions of dollars, it has ordered Block, Inc. to stop violating H&R Block’s trademark rights.”
- The court did grant Block, Inc.’s motion for an administrative stay, allowing a temporary stay on prohibition of use of “Block” until the Eighth Circuit can resolve Block’s renewed motion to stay.
- Block remains enjoined from “communicating its connection to Cash App Taxes in certain ways” under Section 2.



**BLOCK**

# USPTO Responds to Nike's Metaverse Trademark Applications

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In October 2021, Nike filed intent-to-use applications for its name, Swoosh logo, “JUST DO IT” and Jordan marks for use in the metaverse.

- Applications were for:
  - “downloadable virtual goods” (Class 9);
  - “retail store services featuring virtual goods” (Class 35); and
  - “entertainment services, namely, providing on-line, non-downloadable virtual footwear, clothing, headwear, eyewear, sports bags, backpacks, sports equipment, art, toys and accessories for use in virtual environments.” (Class 41)
- On June 24, 2022, the USPTO issued office action requiring Nike to clarify its “indefinite” identification of goods/services.
  - “[P]recise nature of the goods and services is unclear.”
  - Nike was alerted as to potentially conflicting applications previously filed.



# USPTO Responds to Nike's Metaverse Trademark Applications

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## Looking Ahead

- Nike is likely to argue that it has superior rights to the Nike marks.
- Other recognizable companies likely will follow trend of filing applications for “real world” marks on virtual goods and services.
  - Examples: Gucci, Louis Vuitton
- However, *Metabirkins* case suggests that brands may not need TM registrations for use in the metaverse.
  - They may not even need to be using marks in metaverse to claim infringement for third-party virtual uses.





## **Background Facts and Procedural History**

- Plaintiff Pyrotechnics sued fireTEK for copyright infringement based on communication protocol used to control fireworks displays.
- Pyrotechnics' system includes:
  - a control panel that creates and converts digital messages to analog signals; and
  - field module that decodes the signals and performs the assigned task.
- fireTEK reverse-engineered Pyrotechnics' hardware to learn communication protocol and developed competing router to replace control panel.
- District court granted preliminary injunction against fireTEK finding that Pyrotechnics's digital messages are protected by copyright.





**Third Circuit lifted preliminary injunction against fireTEK that prevented it from selling its allegedly infringing fireworks control router.**

### **17 U.S.C. § 102(b): Subject matter of copyright**

- Copyright protection is only available for “original works of authorship fixed in a tangible medium of expression.”
- Copyright protection cannot be extended to “any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described”
- In *Whelan Associates v. Jaslow Dental Laboratory*, the Third Circuit clarified the line between idea and expression.
  - A work’s idea is its “purpose or function.”
  - Anything not necessary to achieve the purpose or function is protectable expression.



# ***Pyrotechnics Management Inc. v. XFX Pyrotechnics LLC* (3rd Cir. 2022)**

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**Third Circuit finds district court erred in relying on non-copyrightable elements to determine copyrightability.**

- Digital Message Format is an uncopyrightable idea.
  - Pyrotechnics’ message format is an uncopyrightable mechanical system.
  - Digital message format is necessary for communication between devices.
- Individual Digital Messages lack sufficient originality to qualify for copyright protection.
  - Digital message format “provides rules for constructing messages with particular meanings.”
    - » Individual messages are “generated by applying those rules mechanically.”
    - » Mechanically produced messages lack “even a spark of creativity.”
  - Any creativity in individual messages themselves is de minimis.

## **TAKEAWAYS**

- **Policy: Copyright protection may not be found where doing so will limit functional way to share information.**
  - Importance of deposit material in copyright registration
  - Potential impact on other forms of converting and communicating information

# New Guidance for PTAB re: Discretionary Denial Under *Fintiv v. Apple*

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## Background

- AIA post-grant proceedings were enacted to provide a “quick and cost-effective alternative” to resolve patent infringement litigation.
- The PTAB has authority to deny institution when a parallel district court case involving the same patent would conflict w/ that objective.
- The PTAB exercised such authority in *Fintiv v. Apple*, IPR2020-00019, Paper 11 (Mar. 20, 2020), which was later designated as precedential.
- Under *Fintiv*, the board denies institution if its interest in a speedy, efficient, less-costly resolution won’t be served. This generally arises when the same issues in a petition are also being litigated in a parallel district court proceeding. In such cases, the PTAB would risk duplicating costly efforts.
- It applies a multifactored test.



# New Guidance for PTAB re: Discretionary Denial Under *Fintiv v. Apple*

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## *Fintiv* Factors

1. whether the ***court granted a stay*** or evidence exists that one may be granted if a proceeding is instituted;
2. proximity of the ***court's trial date*** to the board's projected statutory deadline for a final written decision;
3. ***investment*** in the parallel proceeding by the court and the parties;
4. ***overlap between issues*** raised in the petition and in the parallel proceeding;
5. whether the petitioner and the defendant in the parallel proceeding are the ***same party***; and
6. other circumstances that impact the board's exercise of discretion, including the ***merits***.



## Problems With Application of *Fintiv*

- Too little weight placed on factor 6, which considers the **merits** of the petition.
  - Strong petitions on the merits were being denied.
- Frequent denial of institution in **ITC cases**, which proceed at an accelerated pace.
- Too much weight placed on factor 4, which considers the **overlap of issues** between PTAB and district court proceedings.
  - Concern of inconsistent outcomes is too high.
- Too much weight placed on **district court trial date** (factor 6) because schedules change frequently and trial dates routinely get pushed out.



# New Guidance for PTAB re: Discretionary Denial Under *Fintiv v. Apple*

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## PTO Director Issues New Guidance

- ***Compelling, meritorious*** petitions will proceed notwithstanding a parallel district court case.
  - “the evidence, if unrebutted in trial, would plainly lead to a conclusion that one or more claims are unpatenable by a preponderance of the evidence”
  - More than the statutory threshold of “reasonable likelihood” (IPR) or “more likely than not” (PGR) of prevailing on one claim.
- *Fintiv* will not apply to ***ITC investigations*** because the ITC lacks authority to invalidate a patent.
- Avoid *Fintiv* with ***stipulation*** to not raise same challenges (or challenges that reasonably could have been raised) in parallel proceeding.
  - IPR estoppel only attaches at final written decision.
- Board should additionally consider ***median time to trial for the district***.
  - Board will also consider (1) number of cases before the judge, and (2) speed and availability of other case dispositions.



# New Guidance for PTAB re: Discretionary Denial under *Fintiv v. Apple*

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## Key Takeaways

- *Fintiv* does not apply:
  - to cases where the petition presents **a compelling case of unpatentability**;
  - to **ITC cases** — it applies to parallel district court litigation only; or
  - when the petitioner **stipulates to not pursue the same grounds of invalidity** (or any grounds that reasonably could have been raised before the PTAB) in the parallel proceeding.
- Moving forward, the **trial date** on a district court case schedule carries much less weight. The board will now additionally consider median-time-to-trial data for a given district.
- This is good for petitioners and bad for patent owners.





## Discretionary Denial re: *Fintiv*

- Bill seeks to prevent denial of otherwise meritorious petitions based on factor 2: timing of related litigation.
  - *Fintiv* rulings “often rely on inaccurate timelines.”
  - Denial of petitions based solely on concurrent litigation is at odds with PTAB intent to offer a cost-effective litigation replacement.
  - Claims added to a patent after an infringement suit is filed should not be bound to the suit’s original deadline.



## Sanctioning Gamesmanship

- The bill would codify an existing USPTO practice of denying institution of “serial petitions.”
  - *General Plastic v. Canon Kabushiki Kaisha*, IPR2016-01357, Paper 19 (Sep. 6, 2017) (precedential)
- Deny institution when petition contains one or more of the same claims previously challenged by the same petitioner.
- Sanctions for petitioners who “weaponize” the PTAB process as a litigation strategy.
  - Petitioners who act in bad faith or who deliberately delay or lose an instituted proceeding (or offer to do same) in exchange for consideration may be sanctioned.



# Lessons From the Seventh Circuit — Trade Secrets

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## *CCC Intelligent Solutions v. Tractable* (7th Cir. Jun. 6, 2022)

"Tractable does not claim to be a third-party beneficiary of the contract between CCC and JA Appraisal; the contract's language would defeat such an assertion. Instead, Tractable asserts that it is JA Appraisal ... Asked at oral argument whether CCC could have discovered that Tractable uses the name "JA Appraisal," counsel for Tractable acknowledged that this was not possible."

"Tractable is not a party to this contract, so it cannot demand arbitration."



## Lessons From the Seventh Circuit — Trade Secrets

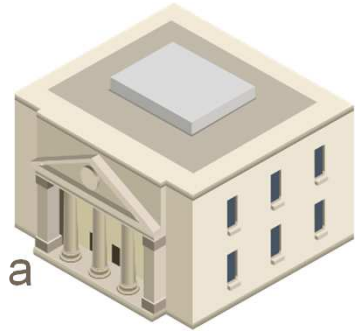
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***State Farm Mut. Automobile Ins. Co. v. Campbell***  
538 U.S. 408 (2003)

“We have instructed courts to determine the reprehensibility of a defendant by considering whether: the harm caused was physical as opposed to economic; the tortious conduct evinced an indifference to or a reckless disregard of the health or safety of others; the target of the conduct had financial vulnerability; the conduct involved repeated actions or was an isolated incident; and the harm was the result of intentional malice, trickery, or deceit, or mere accident.”

See also:

*BMW of North America, Inc. v. Gore*, 517 U.S. 559 (1996)



### ***Epic Systems v. Tata Consultancy Services et al.*** (7th Cir. 2020)

"The facts and circumstances of this case do not justify awarding \$280 million in punitive damages. As noted above, three of the five reprehensibility factors weigh against the reprehensibility of TCS's conduct. TCS's conduct was reprehensible, but not to an extreme degree ... And although TCS's actions did harm Epic, that harm does not support the size of the punitive damages award ... We therefore conclude that a 2:1 ratio exceeds the outermost limit of the due process guarantee in this case ... Instead, the ratio relative to the \$140 million compensatory award should not exceed 1:1 in this case."



### ***Epic Systems v. Tata Consultancy Services et al.*** Case No. 14-cv-748 (W.D. Wis. July 1, 2022)

"However, this court is again left with little to no principled basis to reduce the jury's original punitive damage award below the 1:1 ratio recognized as constitutionally sound by the Seventh Circuit."



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