



IDEAS ON INTELLECTUAL PROPERTY LAW

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Don't copy that

Software code arrangement is protectable

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Lack of proper documentation dooms trademark registration



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Source: Ant-Like Persistence blog

Don't copy that

Software code arrangement is protectable

Although an individual musical note isn't copyrightable, an arrangement of notes may be. Does the same reasoning apply to source code for software? The U.S. Court of Appeals for the Eleventh Circuit recently weighed in on this very question.

SOURCE OF THE DISPUTE

Compulife created software that used its proprietary and encrypted database of insurance rates to generate life insurance quotes. It works by looking up information in the database to compile a quote.

The software has different blocks of code that correspond to different areas of the database. The major code components (for example, state, birth month, smoking status and insurance type) are arranged in a specific order. The software must be arranged in exactly that order for it to work with the database.

While some of the insurance rates the software relies on are independently available, the entire compilation isn't, and it includes some rates that aren't publicly available. Compulife both licenses its software to

customers and has an online version that public users can access to generate quotes.

A former insurance agent, who was permanently barred from the profession, created several websites that used the software without a license. He accessed the software by misleading Compulife into thinking he worked with someone with a license. His son allowed him to conduct these insurance activities with his agent number.

The former agent and a colleague who owned one of the websites directed an employee to supervise a "scraping attack" of Compulife's website to acquire many millions of quotes generated by the site. They then used the quotes for their own websites, causing Compulife's sales to decline. (See "Scraping public website constitutes trade secret theft," below for more on scraping.)

Compulife sued the former agent, his colleague, his son and the employee for copyright infringement. After a few rounds of litigation, the trial court ruled that the defendants didn't infringe the software, finding that most of the code wasn't protectable. Compulife appealed.

SCRAPING PUBLIC WEBSITE CONSTITUTES TRADE SECRET THEFT

In *Compulife* (see main article), the trial court ruled the defendants misappropriated the plaintiff's trade secret when they obtained part of the plaintiff's database by "scraping" its website to extract data. The U.S. Court of Appeals for the Eleventh Circuit affirmed this ruling. Notably, the appeals court acknowledged that scraping and related technologies like crawling may be "perfectly legitimate" — but actions can be improper for trade secret purposes even if they're independently lawful.

Here, though, the defendants didn't just take screenshots of a publicly available site. Rather, they copied the order of Compulife's copyrighted code and used it to conduct a scraping attack that acquired millions of variable-dependent insurance quotes, "far more than a human could ever physically obtain."

The court found this "deceptive behavior" resembled the unlawful acquisition of a trade secret through surreptitious aerial photography. And, because the defendants took so much of the database that they posed a competitive threat to Compulife, the appellate court affirmed the trial court's misappropriation finding.



POLICY OF PROTECTION

There was no question that the defendants, as a factual matter, copied some of the software. So the appeal turned on so-called “legal copying.” This occurs when the elements of the copyrighted work that have been copied are protected expression and so important to the work that the copying is actionable.

The trial court found no legal copying. According to the appellate court, though, the trial court came to that conclusion after slightly erring in its application of the relevant standard, known as the abstraction-filtration-comparison test.

Under the test, a court must break down the allegedly infringed program into its constituent structural parts. It then should sift out all nonprotectable material and compare the protected material with the copycat work. When evaluating the literal elements of a program, such as source code, a plaintiff must establish only a “sufficient similarity” between the two works. The appellate court found that the trial court erred in the first step, abstraction.

Courts have generally held that the arrangement of elements in a program may be protectable. Compulife argued that the arrangement of its various

components of source code constituted a constituent part of its program that was creative, and therefore protectable. The court agreed.

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The trial court, it said, should have abstracted the arrangement as something to be analyzed in the filtration step. Although it did consider the selection and arrangement of code to some degree, it never identified the entire arrangement of variables in the code as a component of the code. For example, it evaluated the arrangement of the birth month, birthday and birth year variables before filtering, but not the arrangement of all the variables together.

PENDING CLAIM

Ultimately, the appeals court found that Compulife’s code arrangement *may be* protectable — which would merit filtering. But it drew no conclusion on whether it *was* protectable. Instead, it sent the case back to the trial court to determine the matter. □

When private sales don't count as public disclosure of prior art

So-called “prior art” that makes an invention obvious can lead to a patent being found invalid. But what seems like prior art may not be. The U.S. Court of Appeals for the Federal Circuit recently explored an exception to the rule and whether a private sale of an invention would qualify.

CHALLENGER CONNECTS

Sanho Corporation owns a patent for a port extension apparatus designed to enhance connectivity of end-user devices (for example, laptops) with other devices (for instance, printers). Kaijet Technology sought inter partes review (IPR) to challenge the patent's validity.

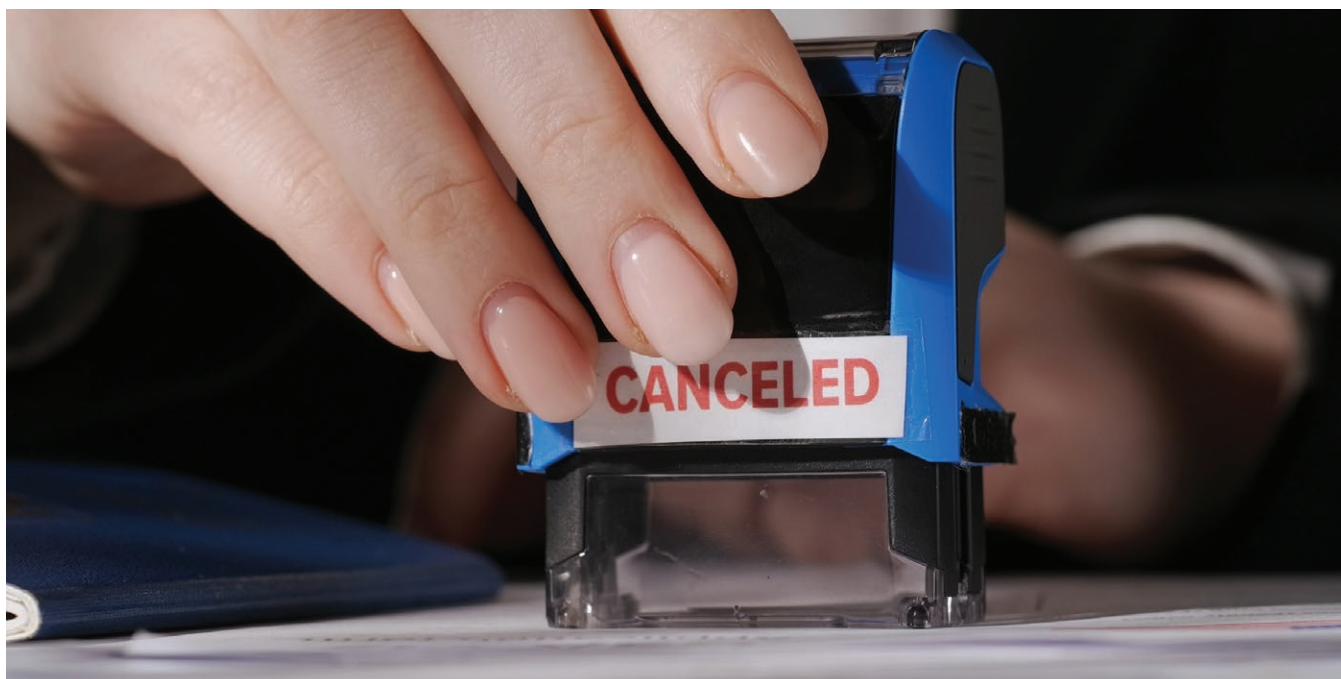
Under IPR, the Patent Trial and Appeal Board (PTAB) can reconsider and cancel an already-issued patent based on certain types of prior art. The PTAB in this case found that prior art rendered the relevant claims unpatentable. Sanho appealed the decision to the Federal Circuit, which hears IPR appeals.

COURT UNPLUGS PATENTEE'S ARGUMENT

The prior art at issue was an earlier patent filing known as “Kuo.” Kuo ordinarily would have been prior art because its effective filing date was before the filing date of Sanho's patent. But an exception in federal patent law provides that a disclosure isn't prior art if the subject matter disclosed had been “publicly disclosed” by the inventor. Sanho contended that, before Kuo's effective filing date, Kuo's inventor publicly disclosed the invention through the private sale of a device that allegedly embodied the invention. As a result, it argued, the invention wasn't prior art.

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Sanho claimed that the plain meaning of “publicly disclosed” in the statutory exception is the same as the definition of the term “disclosed” used elsewhere



in the same section of the patent law. This definition includes situations where the invention was “on sale.” Therefore, placing something on sale would mean the invention it embodied was necessarily publicly disclosed for purposes of the exception.

But the court found that the use of the two different terms suggests that Congress intended them to have different meanings. In its view, the addition of the word “publicly” indicated that the types of disclosures that qualify for the exception are a narrower subset of “disclosures.” In other words, the exception applies only to “disclosures” that result in the subject matter of the invention being “publicly disclosed.” Moreover, the legislative history for the exception explicitly stated that “public disclosure” requires that the invention be made available to the public.

The Federal Circuit also noted that Sanho’s interpretation ran contrary to the exception’s purpose. It’s intended to encourage the public disclosure of new inventions by protecting inventors who do so from

forfeiting patent rights because of subsequent disclosures made by others. The court said it would be unfair, for example, to deny a patent to the original inventor because another inventor filed a patent application appropriating the invention after public disclosure.

Turning to the facts before it, the court held that the sale alleged by Sanho didn’t publicly disclose the relevant invention. The fact that the sale included no confidentiality or nondisclosure agreement was beside the point, as the only evidence was of a private sale between two individuals arranged via private messages.

STILL TO BE DETERMINED

It’s worth noting that the court only affirmed the PTAB’s ruling that Kuo qualified as prior art, making the patent’s claims obvious and unpatentable. It didn’t articulate what’s necessary to demonstrate that a sale publicly disclosed an invention. □

Does First Amendment bar trademark infringement liability?

Where does the First Amendment end and federal trademark law begin? That was the question in a case before the U.S. Court of Appeals for the Sixth Circuit involving the alleged infringement of a political party’s trademark. The court’s decision provides some valuable insight on the far-reaching impact of a 2023 ruling by the U.S. Supreme Court regarding infringement liability under the Lanham Act.

PARTY BRAWL

In 2022, two top officers resigned from the Libertarian Party of Michigan over concerns about a shift in the ideology among leadership. The subsequent ascent of an unpopular acting Chair

caused a dispute over the identity of the Michigan affiliate’s rightful leadership.

A group of dissenting members voted to remove the acting Chair and were then elected to committee positions themselves. The organization’s Judicial Committee, however, found the election violated bylaws and reinstated the dethroned acting Chair, voiding the defendants’ appointments.

The Libertarian National Committee (LNC) sided with the Judicial Committee and the acting Chair. It informed one defendant that his representation of himself as the Chair of the Michigan affiliate was “patently false” and directed him to stop using the



LNC’s trademarks to promote the offshoot political party and an unauthorized convention.

Despite receiving a cease-and-desist letter, the defendants continued to use the LNC’s registered trademark to hold themselves out as the official Libertarian Party of Michigan. They used the mark in connection with soliciting donations; filing campaign finance paperwork; and promulgating platform positions, endorsements and commentary criticizing the actual Michigan affiliate.

The LNC sued for trademark infringement and obtained a preliminary injunction blocking the defendants from continuing to use its mark. The defendants turned to the appellate court for relief.

DEFENSE CAMPAIGN LOSES

On appeal, the defendants argued that they didn’t use the trademark in connection with the sale or advertising of any goods or services, as required by the Lanham Act. Because the law regulates trademark infringement only in commercial speech, as defined in the First Amendment context, they asserted that their use of the mark in the course of political speech was outside its reach.

The appeals court began its analysis by noting the Supreme Court’s recent finding that, when a defendant uses a trademark as a source identifier, the trademark law generally prevails over the First

Amendment. The use of a trademark in such a way undermines trademark law’s primary function — preventing misinformation about who’s responsible for a product or service.

And that’s the case even when the defendant’s use of the mark also includes an expressive message. In these circumstances, the Supreme Court said, the Lanham Act’s likelihood-of-confusion test “does enough work to account for the interest in free expression.”

Applying this reasoning, the appellate court found that the defendants’ use of the LNC mark to designate the source of their political services as affiliated with the LNC implicated “the core concerns of trademark law.” It acknowledged that speech related to the provision of political services typically constitutes political speech that receives heightened protection. But, when a defendant uses the trademark as a source identifier, the Lanham Act doesn’t “offend the First Amendment by imposing liability in the political arena.”

NOT A TOTAL DEFEAT

The appellate court affirmed the preliminary injunction, except in one circumstance: when the defendants used the mark to solicit donations on their website. There, they displayed a disclaimer alerting potential donors to the identity of the donation recipient. The disclaimer, the court said, reduced the confusion the Lanham Act seeks to prevent. ▣

Lack of proper documentation dooms trademark registration

Registering certain trademarks requires including a specific kind of example use, or “specimen,” as part of the application. A new decision from the Trademark Trial and Appeal Board (TTAB) highlights the importance of submitting the correct specimen.

EXAMINER WANTS RECEIPTS

Gail Weiss applied to register the mark GABBY’S TABLE for “computerized online retail store services” for food- and cooking-related items, based on her intent to use it in commerce. Trademark applicants who base their application on “use in commerce” must provide a specimen at the time of filing, and “intent to use” filings have to provide a specimen during a later application phase, but still prior to registration.

For services, a specimen should show the trademark as it’s actually used in commerce with the applicant’s existing services, in a way that directly associates the mark with the services. A specimen for services could be, for example, an advertisement, brochure, website printout or other promotional material showing the trademark used for the services.

Weiss’s specimen was a copy of a webpage showing a list of items available for purchase, with “Buy Now” buttons that took users to third-party sellers, such as Amazon and Cuisinart. The U.S. Patent and Trademark Office’s examining attorney refused registration, finding that the specimen failed to show the mark in use in commerce in connection with the identified services. Weiss appealed to the TTAB.

TTAB CHECKS OUT SPECIMEN

On review, the TTAB explained that, if an applicant submits an advertisement showing the mark as a specimen, it must both:

1. Include a reference to the service, and
2. Use the mark to identify the service and its source.

A specimen that shows only the mark, with no reference to or association with the identified services, doesn’t show service mark usage.



The board concluded that Weiss’s specimen didn’t show a direct association between the proposed mark GABBY’S TABLE and “computerized online retail store services” in the various fields cited in her application. It didn’t include, for example, a virtual “shopping cart,” pricing or shipping information, or any other indicia of online retail store services. Such indicia do, however, appear on the third-party sites to which potential purchasers are redirected after hitting the “Buy Now” button.

Despite the presence of “Buy Now” buttons on the specimen and her webpage, Weiss doesn’t herself sell the products she recommends. Rather, the TTAB found, she provides referrals and recommendations of food- and cooking-related products offered for sale by third parties.

The finding was reinforced with evidence regarding her status as an Amazon Associate, which showed her “Amazon affiliate store” is a referral service and not an online store. Merely calling the service an “affiliate store” didn’t change her referrals into online retail store services, the TTAB said.

A RECOMMENDATION

In the end, the TTAB affirmed the examining attorney’s refusal to register the proposed mark because the specimen failed to show the proposed mark in use in commerce in connection with the services. The TTAB’s rejection illustrates how critical it is to understand and satisfy the applicable trademark registration requirements. ▣

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