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Despite Covid19 Lockdown, the Wheels of Justice Keep Turning: An Update on Arbitration Developments

The COVID 19 pandemic continues to disrupt the world and the environment as we used to know it. It has also had a significant impact on the administration of justice and the conduct of proceedings including arbitrations. Yet, resilience and swift adjustment has ensured that the wheels of justice continue to turn, despite the world-wide lockdowns and challenges that the current climate might pose.

Notably the International Chamber of Commerce (the "ICC") published a Guidance Note on 9 April 2020 on possible measures that could be taken to mitigate the effects of the COVID-19 Pandemic. (ICC Guidance Note on Possible Measures Aimed at Mitigating the Effects of the COVID-19 Pandemic, available at <https://iccwbo.org/content/uploads/sites/3/2020/04/guidance-note-possible-measures-mitigating-effect-covid-19-english.pdf>).

The Guidance is aimed not only at tribunals but parties and counsel alike in order to provide a variety of suggested ways to progress ongoing proceedings. It is also aimed at providing reassurance to parties that wished to bring fresh proceedings and facilitates the means for them to do so.

The ICC has made clear that they are fully operational in these times and that their Guidance is aimed at ensuring that proceedings already underway continue to progress. Specific reference is made to Article 22(1) of the ICC Arbitration Rules (the "Rules"), that the tribunal and parties have a duty "to conduct the arbitration in an expeditious and cost-effective manner." Further, tribunals are reminded that pursuant to Article 25(1) of the Rules, they have an additional duty to ensure that the proceedings are conducted within as short a timeframe as possible whilst giving the parties a fair opportunity to be heard. This restates the purpose and aim of providing an effective and speedy method of dispute resolution during unprecedented and highly uncertain times.

The Practical Implications: What Measures Are Permitted?

Many parties may have hearings scheduled during the next few months and will now need to make adjustments within the confines of the Rules. The Guidance Note serves as a reminder that incorporating a virtual or remote element is not a new concept in

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Kevin Hardy Has Joined the Firm as an Intellectual Property Partner in the DC Office

Quinn welcomes Intellectual Property partner Kevin Hardy to the DC Office. Kevin has two decades of experience litigating high-profile patent disputes in district courts, the International Trade Commission, and in international arbitrations, with an emphasis on cases that involve the intersection of IP and antitrust issues. He has served as lead trial counsel in some of the most significant disputes regarding patents that have been declared essential to wireless communication standards, and he also has represented pharmaceutical clients in so-called "pay for delay" cases involving the settlement of Hatch-Waxman litigation. Kevin earned his JD from Columbia Law School in 1999, where he was a Harlan Fiske Stone Scholar and Special Issue Chair of the Law Review. He clerked for Judge Stapleton on the Third Circuit, after which he joined Williams & Connolly, where he eventually was named Co-Chair of the firm's Patent Litigation practice. 

international arbitration proceedings where for example, there are practical challenges in getting all relevant individuals physically in one room to conduct the hearing.

The ICC has always made provision for the deployment of techniques and the use of technology which allowed for a proceeding to be conducted in a fair and efficient manner. (Note to Parties and Arbitral Tribunals on the Conduct of the Arbitration under the ICC Rules of Arbitration, *available at* <https://iccwbo.org/content/uploads/sites/3/2017/03/icc-note-to-parties-and-arbitral-tribunals-on-the-conduct-of-arbitration.pdf>). Measures that are adopted, should be considered on a case by case basis to achieve the most appropriate way forward in the proceeding.

The starting point is Article 22(2), which permits a tribunal to adopt any measures it deems necessary to effectively arbitrate the proceeding.

The Tribunal is required pursuant to Article 24, to convene a case management conference (the "CMC") at the earliest opportunity, the first meeting in which a Tribunal, the parties and their counsel get an opportunity to meet and set out the framework for the conduct of the proceeding.

CMCs have to date been conducted in a variety of ways, and have not always taken place in person. Tribunals have employed telephone conferencing, email exchanges and video conferences to conduct CMCs. These methods satisfy Article 22(2) and ensure that the tribunal's obligation under Article 24 of the Rules is discharged. It should therefore not be too difficult to charter into familiar territory for holding a CMC, albeit from a workstation at home.

Particular Constraints and Possible Solutions:

The Rules do have some constraints. They prohibit a mere determination on paper of substantive issues. The tribunal is required to ensure that the parties each have a reasonable opportunity to present their case and meet the other party's case (Art. 25).

There is some debate as to how one can fulfil the obligations under Articles 25(2) and 25(6), which should be read in conjunction with one another. The Articles require that the hearing take place with the parties together *in person* (if any of the parties so request).

The difficulty arises in relation to substantive hearings, which require the tribunal's consideration of factual evidence, the presentation of legal argument and expert opinion.

However, Article 24(3) of the Rules provides the tribunal with the power to adopt appropriate procedural measures and/or modify the procedural timetable with the consultation of the parties. A range of measures are

suggested by the Guidance including (among others):

- Disposing expeditiously of certain claims or defences as provided in paragraphs 74-79 of the Note to Parties and Arbitral Tribunals on the Conduct of the Arbitration under the ICC Rules of Arbitration (*available at* <https://iccwbo.org/content/uploads/sites/3/2017/03/icc-note-to-parties-and-arbitral-tribunals-on-the-conduct-of-arbitration.pdf>) within the remit of Article 22 of the Rules. This sets out that summary judgment applications could be made for expeditious determination of one or more claims or defences, on the grounds that those claims or defences are manifestly meritless or fall manifestly outside the jurisdiction of the arbitral tribunal. The application would be considered as a primary issue, with both parties being provided an opportunity to present their case and being heard at a hearing if appropriate. Thus, ultimately narrowing the issues in dispute;
- Resolving the issues in dispute in stages, i.e. bifurcating the proceedings if certain issues can be dealt with primarily, rather than leaving all issues to a final hearing if doing so would result in a more efficient resolution of the case for example disputes on jurisdiction and issues of merit could be taken in stages;
- Identifying whether the entirety of the dispute or discrete issues may be resolved on the basis of documents only and so on the papers, with no evidentiary hearing;
- Identifying issues that may be resolved by agreement between the parties, as the case may be with the assistance of their experts and thus narrowing down the issues in dispute;
- The tribunal request that the parties establish an agreed chronology of facts, a joint list of issues in dispute or other similar jointly produced documents that help define and narrow the range of issues in dispute;
- Organising mid-stream CMCs in order to assess with the parties a way in which to focus the dispute;
- Giving consideration to whether potentially dispositive issues can be decided without a document production/discovery phase, or with a limited, more narrow and focused production of documents considered material to the issue(s) to be decided;
- Identifying issues that may be resolved without witness and/or expert evidence, or on the basis of written questions from the opposite party or the tribunal and the provision of written answers/responses from the witness or expert;
- Considering whether site visits or inspections by

experts can be replaced by video presentations or joint reports of experts;

- Considering whether the employment of a tribunal-appointed expert as opposed to party-appointed experts is appropriate;
- Using audioconference or videoconference for CMCs and hearings where possible and appropriate;
- Considering whether and how the number and size of submissions can be limited; and
- Considering whether the parties would agree to opt-in to the ICC Expedited Rules Provisions.

Other Arbitration Institutions

Other arbitration institutions around the world have likewise been adjusting to the new circumstances by publishing guidance on remote hearings and by supporting the progression of cases in the online world. The London Court of International Arbitration (LCIA), the Singapore International Arbitration Centre (SIAC), the Arbitration Institute at the Stockholm Chamber of Commerce (SCC) and the Swiss Chambers' Arbitration Institution, for example, all remain operational and have been undertaking various efforts to support online hearings. In May 2020, Quinn Emmanuel participated as counsel in the first-ever online hearing with witness examinations at the International Centre for Settlement of Disputes (ICSID) in *Alverley Investments Limited and Germen Properties Ltd v. Romania* (ICSID Case No. ARB/18/30). The tribunal members and hearing participants were all in differing locations, spanning five countries and seven time zones. Despite the challenges, the ICSID Secretariat proved adept at supporting the tribunal and other hearing participants in getting comfortable with ICSID's online platform (ICSID uses Webex exclusively due its security features), and the hearing progressed efficiently and with no significant hitches.

What Technology Is Required?

At a recent conference, members of the ICC suggested that technologies including (but not limited to) Zoom, Skype for Business, Webex, BlueJeans and the like, should be explored, including whether each individual attending the hearing has sufficient arrangements in place and whether the technology is workable to conduct the proceeding efficiently.

Suggestions included giving consideration to the equipment that each individual had access to; the possibility of utilizing a suite in an arbitration hearing centre for a tribunal member or counsel if certain technology was unworkable from home, the investment or renting of equipment, and testing to be conducted in the lead up to the hearing.

The Guidance acknowledges that there may be some differing opinions as to the meaning of 'in person' in the context of hearings. However resolved, it is ultimately at the discretion of the arbitral tribunal as to how they construe Article 25(2) as requiring a face-to-face hearing, or whether the use of teleconferencing or videoconferencing technologies would meet the requirement.

The Guidance also lists various considerations that need to be made prior to the commencement of a hearing. These should not come as a surprise given that many are not limited to virtual hearings but in fact need to be made in face-to-face hearings also, including logistical arrangements, technical considerations, confidentiality, privacy and security, etiquette and presentation of evidence and examination of witnesses of fact and experts.

Face-to-face hearings have always had the advantage of maintaining confidentiality of the proceeding with all relevant individuals situated in one room. A primary concern of security arises where hackers may potentially access a virtual hearing which is otherwise intended to be confidential. Added security measures are required to be given consideration to such as use of passwords/passcodes and platforms/technology with added layers of security.

Any Difficulties or Changes Needed in Preparing Remotely?

Counsel will be required to place more reliance on the use of technologies such as those mentioned above, in conferring with their teams and also in interviewing witnesses and experts in the course of presenting the case, either for the purposes of the written presentation of the case or oral presentation at a hearing.

Whilst post-hearing considerations remain with the tribunal, who should be able to continue to draft awards and consult with their fellow tribunal members remotely, parties should give special consideration to any particular rules as to the seat of the arbitration and location of signature requirements that may be applicable.

Methods of Communication and the Transmission of Submissions

Following the Secretariat's communication of 17 March 2020, all new requests for arbitration (including supporting documents) should be filed with the Secretariat in electronic form.

The ICC additionally encourages electronic transmission of documents, for example Terms of Reference are encouraged to be signed electronically in counterparts.

The Guidance also suggests that hard copies in

the current circumstances should be dispensed with, with the tribunal encouraging electronic transmission of communications, submissions and supporting documents. Communications with the Secretariat are already expressly required to take place electronically.

What Next?

This is not the final word. It is not the end, but in fact the beginning of the adjustment and redevelopment of the way in which proceedings will be conducted, as standard practice beyond the current COVID-19 pandemic. Quinn Emanuel remains at the forefront of testing these new measures. 

NOTED WITH INTEREST

Facebook, Cookies and Data Privacy: A Watershed Moment?

Data privacy issues continue to make headlines. A recent challenge concerned Facebook's use of plug-ins to track users' browsing histories when they visit third party websites. These browsing histories are compiled into personal profiles. Facebook then sells these personal profiles to advertisers. On April 9, 2020 in the matter of *In re Facebook, Inc. Internet Tracking Litigation* (20 Cal. Daily Op. Serv. 3227), the Ninth Circuit upheld an appeal allowing users to pursue a putative class action against Facebook for alleged common law and statutory privacy violations when it tracked their browsing histories after they had logged out of Facebook. The Ninth Circuit's decision is noteworthy on two fronts. First, it signals a green light for other data privacy class action cases by reinforcing the premise that privacy violations are concrete injuries. Second, by excluding certain user tracking techniques from the 'party exception' to the Wiretap Act (18 U.S.C., §2510), internet companies that use these techniques are susceptible to liability under the Wiretap Act.

Background

Facebook's cookies are attached to a user's browser when visiting third-party websites featuring Facebook plug-ins. The plug-ins, such as the Facebook 'Like' button, contain codes which are embedded into third-party websites to facilitate tracking. When a Facebook user visits a third-party website with a Facebook plug-in, the code is able to duplicate and send the user's data back to Facebook in a separate, but simultaneous communication that is undetectable by the user.

The information in the separate-undetectable communication includes a Uniform Resource Locator (URL). A URL can provide the users identity, the web server, the website name and the search terms used to locate the page. The URL, once collected, is referred to as a "referrer header."

The Facebook cookies on the user's browser enable the

collected personal headers to be compiled into personal user profiles. Facebook then sells the information on to advertisers to generate revenue. Allegedly, between May 27, 2010 and September 26, 2011, the Facebook cookies continued to track users in this way when they were logged out of the Facebook application.

The plaintiffs filed a consolidated complaint on behalf of themselves and a putative class of Facebook account holders during the period in question, asserting violations of the federal Stored Communications Act (SCA) (18 U.S.C. § 2701), the Wiretap Act, and the California Invasion of Privacy Act (CIPA) (Cal. Pen. Code § 631(a)), together with common law privacy claims and other complaints.

After rounds of amended pleadings, the District Court ultimately granted Facebook's motion to dismiss. First on the basis that the plaintiffs lacked standing, and second, for failure to state a claim.

The Ninth Circuit Decision

By reversing the District Court in part, the Ninth Circuit found that the plaintiffs had standing under Article III (U.S. Const. art. III) to bring all claims. However, it concluded that only the Wiretap Act, the CIPA and the common law privacy claims were sufficient to overcome Facebook's Rule 12(b)(6) motion to dismiss (Fed. R. Civ. P. 12(b)(6)).

Article III Standing

According to *Spokeo v Robins*, Article III standing requires a plaintiff to have "(1) suffered an injury in fact, (2) that is fairly traceable to the challenged conduct of the defendant, and (3) that is likely to be redressed by a favorable judicial decision" (136 S. Ct. 1540 (2016)).

Turning first to the privacy claims, the Ninth Circuit focused on whether the plaintiffs had suffered a "concrete" and "particularized" injury, generally characterized by economic or physical harm, as opposed to an "abstract"

or “purely procedural” injury. The absence of economic or physical harm can be a common feature in data privacy cases.

The Ninth Circuit, however, concluded that the first prong of the *Spokeo* test can still be satisfied, where there has been a violation of a law in which there was legislative intent to protect a concrete interest “akin to a historical common law interest.”

Here the Ninth Circuit found that the invasion of privacy allegations constituted concrete and particularized injuries for purposes of Article III standing. This is because the Ninth Circuit’s August 2019 decision in *Patel v. Facebook* already acknowledged a historical common law interest in the right to privacy, and legislative history indicated that the Wiretap Act and CIPA were “intended to protect these historical privacy rights.”

Next, the Ninth Circuit turned to other claims for fraud, larceny, trespass to chattels, and California’s Computer Data Access and Fraud Act. In particular, the plaintiffs alleged that Facebook was “unjustly enriched” when it sold their personal profiles to advertisers to generate revenue. Facebook argued that these profits did not create a tangible plaintiff injury for purposes of Article III standing.

On this issue, the Ninth Circuit first emphasized the principle that “state law can create interests that support standing in federal courts.” Then, using the concept of disgorgement of profits from unjust enrichment conferred through California state law, the Ninth Circuit found that in this case, unjust enrichment constitutes a concrete injury – even though the plaintiffs suffered no economic loss themselves: thereby finding that the plaintiffs had standing to bring their claims.

Failure to State a Claim – Rule 12(b)(6)

To survive a motion to dismiss for failure to state a claim, the court must be satisfied that the facts, as alleged, give rise to an entitlement to relief. In this context, the Ninth Circuit upheld the District Court’s decision that the plaintiffs failed to state a claim with respect to the non-privacy related claims, including the breach of contract and SCA claims, but considered the common law privacy, CIPA and Wiretap Act claims sufficient to survive Facebook’s Rule 12(b)(6) motion to dismiss.

The contract related claims failed because the Ninth Circuit found there was no contract between the parties. As such, it rejected plaintiffs’ claims that Facebook’s September 2011 Data Use Policy contained “an explicit promise not to track logged out users.”

Plaintiffs’ URL based SCA claims were also rejected by the Court. It concluded that URLs are not within the ambit of the SCA because they are not “communications” electronically stored “incident to transmission” (such as

emails). The Ninth Circuit went on to note that even if the URLs were “communications”, Facebook had not accessed the plaintiffs’ “stored” browser histories.

As to the plaintiffs’ invasion of privacy claims, California law requires the plaintiffs to have had a “reasonable expectation of privacy”, and that Facebook’s intrusion was “highly offensive.” Here the Ninth Circuit Court determined that the plaintiffs had a reasonable expectation of privacy. This is because Facebook made “affirmative statements” in its Statement of Rights and Responsibilities and Data Use Policies that it would not collect data while users were logged out of Facebook. Here the plaintiffs were “logged-out” of Facebook during the alleged intrusion. The Ninth Circuit concluded that it was more appropriate for the District Court to make a finding after the pleading stage as to whether Facebook’s intrusion was “highly offensive,” since the analysis involved social norms and broader policy considerations.

Finally, Facebook sought to invoke the “party” exemption in support of its motion to dismiss the plaintiffs’ CIPA and Wiretap Act claims. The term “party”, however, is undefined in both statutes, and the Circuit Courts are split as to who qualifies as a “party” to a communication for purposes of the exemption in the Wiretap Act. Ultimately, the Ninth Circuit sided with the First and Seventh Circuit Courts’ interpretation by finding that Facebook was not a “party” to a communication in instances where it generated and sent back to itself an undetectable copy of user’s communications. In doing so, the Ninth Circuit rejected the Third Circuit’s view that these tracking practices create a discreet second channel of communication to which the internet tracking company is the intended “party” (*see In re Google Cookies*, 806 F.3d 125 (2015)). The Third Circuit’s interpretation places these types of tracking techniques outside the ambit of the Wiretap Act, by distinguishing them from simple “interceptions.”

Takeaway

Internet and advertising companies should carefully consider how they collect user data, and in particular those companies that use cookie-based browser tracking. Until the Supreme Court settles the Ninth Circuit split with respect to the scope of the “party exemption” to the Wiretap Act, companies may need to alter their targeted advertising tracking techniques. Furthermore, companies that profit from the sale of user data should be on notice that the decision in *In re Facebook, Inc. Internet Tracking Litigation* may well be a watershed for data privacy lawsuits in this area. 

Trademark & Copyright Litigation Update

Ninth Circuit Sinks Plaintiff's Spirit Like a Lead Balloon: Some Copyright Protections Have Died, And Not Gone to Heaven

When filed in 2014, *Skidmore vs. Led Zeppelin* threatened to publicly humiliate the members of Led Zeppelin. The plaintiff accused them of stealing his work for what became among the best-known rock music ever recorded: the opening acoustic section of *Stairway to Heaven*. Led Zeppelin's guitarist, Jimmy Page, had written the music. But when the case ended in March, the Ninth Circuit delivered a landmark en banc decision, written by Judge Margaret McKeown. That brought an end to the case and, in the process, changed how courts across the country are handling copyright infringement cases and will do so for years to come.

Gone is the Ninth Circuit's decades-long use of the "inverse ratio rule." This rule provided that, as the evidence of the defendant's access increases, the plaintiff's burden to demonstrate substantial similarity decreases. For music cases, unless the alleged infringer copied something contained in the deposit copy, the claim is without merit on arrival. Even then, if the alleged similarity is in a common selection or arrangement of musical notes, a district court is not likely to let the case get to a jury.

For those unfamiliar with the dispute, music anthropologists had for many years questioned the eerie similarity between the first half of the iconic 1971 Led Zeppelin anthem *Stairway to Heaven*—the so-called acoustic half—and a lesser-known 1968 song, *Taurus*, by the band Spirit. The reader can weigh that on many comparison videos, such as <https://www.youtube.com/watch?v=deVNnuf24w>. The song was written by Spirit's Randy Wolfe, who Jimi Hendrix had famously renamed "Randy California."

At the time, Wolfe had no interest in filing a lawsuit. As the years passed, and after Wolfe died, the industry assumed the claim had long-since become time-barred. But in 2014, in a case involving the motion picture *Raging Bull*, the Supreme Court ruled that no matter when a defendant's infringement of a work began, if the infringement were on-going, such as through the continued distribution of an unauthorized derivative work, the copyright owner could sue for infringement and at least obtain damages for activity occurring in the prior three years. Given the enduring presence of *Stairway to Heaven* on radio playlists and in on-line stores, Wolfe's heirs promptly sued Led Zeppelin and its record company.

Unfortunately for Wolfe, in 1968, United States copyright law was governed by a statute that had taken

effect in 1909. Protection for music extended only to the musical composition—the notes and lyrics—and did not extend also to the recording of a performance of that composition. Thus, no matter how striking the similarities between *Stairway to Heaven* and Spirit's **recording** of *Taurus* might be, the lawsuit was to be confined to similarities found in Wolfe's underlying composition. And in 1968, the Copyright Office did not accept recordings as a form of the required deposit copy of the work being registered. Only the sheet music was accepted. Record companies and music publishers often saved money by submitting only a "lead sheet," i.e., a condensed version of the composition in which the melody is written in music notation, the lyric is written below the staff, and the harmony is noted with chord symbols above the staff. That was the case with *Taurus*.

Based on these principles, the district court ruled that the jury would not be allowed to listen to Spirit's recording of *Taurus*, limiting plaintiff to Wolfe's deposit copy. The jury returned a verdict in favor of Led Zeppelin. Plaintiff appealed.

In June 2019, two of the three Ninth Circuit judges sitting on the panel that heard the appeal decided that, although the scope of protection for an unpublished musical work is defined by what the author deposited with the Copyright Office, it was nevertheless error not to have allowed the jury to hear the *Taurus* sound recording. According to the panel, the jury should have been allowed to watch Mr. Page's reaction while listening to the recording, which would, somehow, bear on their determination of his credibility on the issue of whether he had accessed the work before writing *Stairway to Heaven*. Given Page's admissions that he owned the Spirit album that included *Taurus*, and testimony that Spirit played *Taurus* while on tour in the United States with Led Zeppelin before they wrote *Stairway to Heaven*, and given that Page would not be hearing *Taurus* in front of the jury for the first time, the probative value seemed far outweighed by the prejudice caused by the risk that the jury would be unable to forget any similarities between the recordings when deciding the issue of substantial similarity of the underlying composition. (Apparently, no one thought to fix the problem by having Page listen to *Taurus* on headphones, while the jury watched for supposed facial indications that any denial of his having heard the song nearly 50 years earlier, when he wrote *Stairway to Heaven*, was not to be believed. But Quinn Emanuel was not there to point this out.)

The ruling was puzzling. And short-lived. The Ninth Circuit decided to rehear the case en banc. It affirmed the jury verdict. It ruled that the district court committed no error in not letting the jury hear the *Taurus* recording. As noted above, it used the en banc opportunity to establish

principles for all copyright cases, not just music cases, to overturn any further use of the inverse ratio rule, limit the plaintiff's work to what it had deposited at the time of registration, and clarify the extent to which the selection and arrangement of unprotectable elements, such as notes, could be protected nonetheless, collectively.

Death of the Inverse Ratio Rule in the Ninth Circuit

Before this case, the Inverse Ratio Rule enabled a plaintiff to lower its burden on the extent to which the defendant's work was substantial similar to the plaintiff's: the higher the degree of access, the lower the bar for substantial similarity. Commentators had criticized its logic and the absence of any statutory foundation to support it. Some circuits, including the Second, had declined to follow the rule.

After the *Stairway to Heaven* decision, access is no longer relevant in the Ninth Circuit to the determination of substantial similarity. As Judge McKeown wrote: "The constellation of problems and inconsistencies in the application of the inverse ratio rule prompts us to abrogate the rule. Access does not obviate the requirement that the plaintiff must demonstrate that the defendant actually copied the work. By rejecting the inverse ratio rule, we are not suggesting that access cannot serve as circumstantial evidence of actual copying in all cases; access, however, in no way can prove substantial similarity." *Skidmore v. Zeppelin*, 952 F.3d 1051, 1069 (9th Cir. 2020).

Only Claims That Allege Copy from the Deposit Can Survive

Much can be said about the social implications of a requirement that an artist be capable of reading and composing music in traditional notation to protect their work. But the limitations of this holding are even more obvious: the composer's expression of the song's "feel" cannot so easily be transcribed, at least not by lead sheets. Nor can tone or timbre. To give artists and record companies protection against bootlegging of sound recordings, Congress updated the 1909 Act in 1974 to allow sound recordings to be copyrighted. A related consequence is that composers became able to submit recordings of their songs as the form of deposit copy of the composition. They no longer needed to submit lead sheets or sheet music. Plaintiffs suing to protect musical works that were so registered, or that will be in the future, should have a much easier time than did the plaintiff in the *Stairway to Heaven* case getting the jury to hear the recorded performance of their composition. That is the only pro-plaintiff aspect of the decision.

The Ninth Circuit's *Stairway to Heaven* decision provides no protection to composers whose works were

submitted in only written form. This principle was applied in *Williams v. Gaye*, also known as the *Blurred Lines* case, where the plaintiff was not allowed to play an audio recording of Marvin Gaye's hit *Got To Give It Up* and had to rely instead on the written deposit copy alone. Nonetheless, the plaintiff prevailed.

It did not take long for the *Stairway to Heaven* decision to affect other cases. Just two weeks later, on March 25, a judge in the U.S. District Court for the Southern District of New York followed the Ninth Circuit's decision in a case filed against singer-songwriter Ed Sheeran over his song, *Thinking Out Loud*. The judge ruled in his favor to limit the scope of the plaintiff's copyright claim by not allowing the jury to hear Marvin Gaye's recording of *Let's Get It On*, limiting the claim to the elements in the written deposit copy.

A Heightened Standard for Proving Originality

The Ninth Circuit also clarified the law on the issue of originality, namely, whether a sequence consisting of only a few notes could be protectable at all. In their ruling on the originality jury instructions, Judge McKeown wrote that "copyright does require at least a modicum of creativity and does not protect every aspect of a work; ideas, concepts, and common elements are excluded Nor does copyright extend to 'common or trite' musical elements" such as "building blocks" like "descending chromatic scales, arpeggios or short sequences of three notes." *Id.* at 1082. Those were the types of similarities the plaintiff had alleged that *Stairway to Heaven* borrowed from *Taurus*. Those similarities are no longer sufficient.

Ten days later, a judge in the Central District of California threw out a jury's finding of copyright infringement in a case brought against Katy Perry for her song, *Dark Horse*. The judge held that the plaintiff's eight note sequence was not protectable. He went further than Judge McKeown: "Many if not most of the elements that appear in popular music are not individually protectable" because popular music, more than any other work of art, "borrows, and must necessarily borrow, and use much which was well known and used before." *Gray v. Perry*, No. 2-15-CV-05642 CAS, 2020 WL 1275221 (C.D. Cal. Mar. 16, 2020), at *4.

As a result, plaintiffs are going to find it harder and harder to persuade a court to find such combinations of common elements to constitute protectable copyright subject matter, as opposed to common tools and building blocks for the composition of music. 📌

Patent Litigation Update

Federal Circuit Weighs in on Applicability of Prosecution History Estoppel in View of Statements Made During Co-pending IPR

In *Galderma Laboratories, L.P. v. Amneal Pharmaceuticals LLC*, No. 19-1021, 806 F. App'x 1007 (Fed. Cir. 2020) [hereinafter “Op.”], the Federal Circuit recently revisited the issue of whether arguments during proceedings before the Patent Trial and Appeal Board (PTAB) can result in a surrender of claim scope in district court proceedings. The court’s rationale in holding that Galderma was not estopped due to unsuccessful arguments made during *inter partes* review (IPR) proceedings provides helpful guidance for parties in the common position of facing actions both in district court and before the PTAB.

Amneal’s Unsuccessful IPR Challenges to the Chang Patents

In 2011, Amneal filed an Abbreviated New Drug Application (ANDA) for its generic version of Oracea, an orally administered medication (in pill form) for treating acne. *Galderma Labs., L.P. v. Amneal Pharms. LLC*, No. 1:16-cv-00207-LPS, Compl. ¶ 42 (D. Del.). In June 2013, Amneal filed IPR petitions against three Galderma patents related to Oracea (the “Chang Patents”). Appellant’s Opening Br. 14 & n.3; J.A. 17018. The Chang Patents are all directed to particular formulations of Oracea in which one portion of the pill (30 mg) is an “immediate release” component, and another portion (10 mg) is a “delayed release” component. Op. 3.

Amneal sought to invalidate the Chang Patents in view of a combination based primarily on U.S. Patent No. 5,348,748 (“Sheth”). *Id.* at 3–4. Galderma responded by attempting to distinguish Sheth on the grounds that the claim term “delayed release (DR) portion” requires that there be no “substantial release” until after the pill passed through the stomach and upper gastrointestinal tract. *Id.* By contrast, Galderma argued, Sheth disclosed formulations where the alleged delayed release portion (the “secondary loading’ portion”) was intentionally designed to “leak” in the stomach. *Id.* at 4.

The PTAB disagreed with Galderma’s proposed construction, instead concluding that “delayed release” (under a “broadest reasonable interpretation standard”) was more properly construed as requiring release only “at a time *other than immediately* following oral administration.” *Id.* at 5 (emphasis added). However, because Sheth disclosed water-soluble coatings permitting at least some release immediately after administration, the PTAB found that, under the appropriate construction, Amneal had failed to prove unpatentability. *See id.* at 4–5; J.A. 17029.

District Court’s Finding of No Prosecution History Estoppel

After prevailing before the PTAB, Galderma filed suit against Amneal in district court alleging infringement of several of the Chang Patents by Amneal’s generic version of Oracea. Op. 5. During claim construction proceedings, Galderma proposed the same broad construction of “delayed release” that the PTAB had adopted during IPR, *i.e.*, “release of a drug at a time other than immediately following oral administration.” J.A. 3163. Applying this construction, Galderma asserted infringement under the doctrine of equivalents, arguing that the 2 mg delayed-release portions of generic Oracea were equivalent to the claimed 10 mg “delayed release” portions of the Chang Patents. J.A. 4963.

Amneal moved *in limine* to preclude Galderma from asserting that formulations that begin release in the stomach could be found to meet the claimed “delayed release” limitation under the doctrine of equivalents in view of Galderma’s statements during IPR. J.A. 4964–65. In particular, Amneal asked the court to exclude evidence at trial that a formulation that does not fall within the court’s construction of “delayed release” could nonetheless be equivalent to it, given the patent owner’s representations to the PTAB which Amneal characterized as having “surrendered” “any such equivalents.” J.A. 5228.

The district court denied Amneal’s motion *in limine*, as well as its post-trial arguments to defeat infringement on the same basis, finding no clear disavowals of claim scope by the patent owner. J.A. 70. Following a bench trial, the court held that Amneal’s 2-mg “delayed release” formulation infringed under the doctrine of equivalents. J.A. 71–81. Amneal then appealed, arguing that the district court erred in holding that Amneal’s formulations that allegedly had the “same features as the prior art that Galderma said in IPR proceedings was ‘substantially different’ from the claims,” could be found equivalent to the claimed “delayed release . . . portion comprising 10 mg doxycycline.” Op. 3.

The Federal Circuit Affirms Finding of No Prosecution History Estoppel

Relying on *American Piledriving Equipment, Inc. v. Geoquip, Inc.*, 637 F.3d 1324 (Fed. Cir. 2011), Amneal argued on appeal that, “even though ‘the [PTAB] explicitly disagreed with’ the patentee’s argument,” the court should nevertheless have found a disclaimer based on Galderma’s express statements in those PTAB proceedings. Appellant’s Reply 12 (quoting *American Piledriving*, 637 F.3d at 1336). However, in affirming the district court’s holding that prosecution history estoppel did not apply, the Federal Circuit rejected a

dogmatic approach that would bind the patent owner to any arguments made in IPR proceedings.

Instead, the court re-emphasized that a patent owner's statements "are not considered in a vacuum," but must be viewed in the context of "the record as a whole." Op. 6. The court observed, in finding no "clear and unmistakable" disavowal of Galderma's infringement theory under the doctrine of equivalents, that the PTAB had rejected the patent owner's argument that "delayed release" required no substantial release in the stomach. *Id.* at 6–7. In other words, the best source of notice regarding the meaning of the asserted claims was the PTAB's ultimate construction of "delayed release," not the earlier patent-owner arguments that the PTAB "clearly and expressly rejected." *Id.*

In reaching its conclusion, the Federal Circuit distinguished its prior holding in *American Piledriving* on the grounds that that case did not involve prosecution history disclaimer, but rather the ancillary question of whether statements by a patent owner before the Patent Office could inform claim construction. The Federal Circuit further observed that, in *American Piledriving*, the claim language and specification fully supported

the construction adopted by the court, so the patentee's consistent statements made during reexamination proceedings were given limited weight, serving only to "remove[] all doubt" as to the correct construction. *Id.* at 8; *see also Krippelz v. Ford Motor Co.*, 667 F.3d 1261, 1266 (Fed. Cir. 2012) (citing *American Piledriving*, 637 F.3d at 1336, for the rule that a "patentee's statements during reexamination can be considered during claim construction, in keeping with the doctrine of prosecution disclaimer")

For future litigants, an important takeaway from these decisions is that courts will consider a patent owner's statements before the Patent Office in resolving both estoppel and claim construction, but the weight accorded will depend on the full context in which they are made. For example, where the Patent Office has clearly rejected a patent owner's arguments in administrative proceedings, defendants may face an uphill battle in attempting to establish estoppel. Where rejected arguments are fully consistent with the claims and specification, however, a district court may find they simply provide confirmatory weight for adopting a particular construction. 🟡

VICTORIES

***Amicus* Brief Supports Historic Title VII Victory for LGBT Workers**

The U.S. Supreme Court recently issued a historic decision in *Bostock v. Clayton County, Georgia*, ruling that Title VII of the Civil Rights Act of 1964, which prohibits employment discrimination “because of ... sex,” necessarily prohibits discrimination against lesbian, gay, bisexual and transgender employees. The decision was a win for gay and transgender individuals who had challenged their terminations under Title VII in a trio of cases, and settled the question that had divided lower courts and the EEOC about whether discrimination based on sexual orientation or transgender status is a form of sex discrimination.

In support of the LGBT employees, Quinn Emanuel filed an *amicus* brief on behalf of over 200 corporations, ranging from classic companies like AIG, American Express, Cisco, Coca-Cola, Gucci, IBM, Morgan Stanley, Nike, Pfizer, Starbucks and Xerox to newer companies like Airbnb, Citrix, eBay, Google, PayPal, Salesforce and Vimeo. The corporations signing the brief collectively employ over 7 million employees and produce over \$5 trillion in annual revenue.

The corporations informed the Supreme Court that ending sexual orientation and gender identity discrimination in the workplace is good for business, employees and the U.S. economy as a whole. The brief argued that no one should be passed over for a job, paid less, fired or subjected to harassment or any other form of employment discrimination based on their sexual orientation or gender identity, and emphasized the benefits of a uniform federal civil rights law against such discrimination, especially for businesses that necessarily work across state lines.

The *amicus* brief was singled out by the *New York Times* for its notable and influential role in the case. As veteran Supreme Court commentator Linda Greenhouse observed, “More than 200 major employers told the justices in a brief they filed on behalf of the gay and transgender plaintiffs that a quiet revolution is taking place with the stamp of approval of the establishment of which they are a part.”

In the June 15, 2020 decision authored by Justice Gorsuch and joined by Chief Justice Roberts and Justices Ginsburg, Breyer, Sotomayor and Kagan, the Supreme Court ruled that Title VII’s use of the word “sex” necessarily includes sexual orientation and gender identity in its scope. In the Court’s words, “it is impossible to discriminate against a person for being homosexual or transgender without discriminating against that individual based on sex.” The Court therefore concluded: “An employer who fires an individual merely

for being gay or transgender defies the law.”

The Supreme Court’s ruling makes discrimination against LGBT persons by employers covered by Title VII illegal across the nation, and may have beneficial implications for LGBT rights in other contexts such as healthcare, housing and education, where multiple federal laws also prohibit sex discrimination.

Victory for Piedmont Capital in Dispute over Picasso Works of Art

The firm recently secured a victory for boutique investment firm Piedmont Capital LLC and related parties in a federal RICO action brought by Alejandro Domingo Malvar Egerique involving competing claims to a work of art by Pablo Picasso. In 2017, Piedmont lent money to an art dealer in exchange for a promise to repay, a finance charge, and several works of art pledged as collateral, including Picasso’s *Le Gueridon*. On month later, the art dealer defaulted on the loan and purported to transfer ownership of the collateral to Piedmont. It was later revealed that the art dealer had falsely represented to Piedmont that he was the record owner of the Picasso when, in fact, he merely held the work on consignment—one of several criminal fraud schemes to which the dealer ultimately pled guilty and for which he was sentenced to 18 months in prison. Mr. Malvar, the consignor of the Picasso, sued the art dealer along with Piedmont and related parties—including Piedmont’s owner, his wife, his father-in-law, and his father-in-law’s art gallery—alleging that they had conspired to defraud him of the artwork and were liable for various RICO violations and state law claims.

Quinn Emanuel moved to dismiss the complaint based on numerous pleading deficiencies and jurisdictional arguments, including lack of a domestic injury under RICO and failure to plead a sufficient pattern of racketeering activity. The firm also filed a Rule 11 sanctions motion against opposing counsel, asserting that he recklessly filed his meritless complaint against innocent parties and should be held accountable. On April 24, 2020, the U.S. District Court for the Southern District of New York dismissed every claim against Piedmont and related defendants except for a replevin/conversion claim premised on the inaccurate allegation that Piedmont possesses the work. The Court also granted Piedmont’s motion for Rule 11 sanctions and ordered opposing counsel to pay monetary sanctions based on the recklessness of certain factual allegations in the complaint—notwithstanding opposing counsel’s argument that the motion was merely a bullying tactic, citing Quinn Emanuel’s reputation as “Most Feared” law firm in the world.

This victory follows on a previous win for Piedmont approximately one year earlier, on April 2, 2019, when the U.S. District Court for the Southern District of New York denied the government’s motion to dismiss Piedmont’s petition in forfeiture proceedings following the art dealer’s criminal conviction, in which Piedmont asserted an interest in a second artwork by Picasso that the art dealer had pledged as collateral. The original owners had consigned the work to the art dealer, who subsequently sold the work to a third party, resulting in a transfer of title to the third party under the UCC’s entrustment doctrine. Quinn Emanuel advanced the novel argument that when the third party later sold the work back to the art dealer, it transferred clear title to the work and the right of possession. As a result, the art dealer owned the work outright at that point and could post the work as collateral and transfer title. The Court accepted Quinn Emanuel’s novel argument and denied the government’s motion to dismiss.

Appellate Victory for OMERS Pension Fund in Delaware Supreme Court

The firm obtained a recent appellate victory in the Delaware Supreme Court on behalf of Canadian pension fund OMERS, which represents Ontario’s firemen, paramedics, and other municipal employees. The dispute concerned the right to purchase a minority stake in OMERS’ joint venture in a Texas utility, Oncor.

In 2008, OMERS partnered with Singapore’s sovereign wealth fund, GIC, to purchase a 20% stake in Oncor. OMERS’ entities Borealis Power Holdings Inc. and BPC Health Corporation (collectively, “Borealis”), and GIC’s entity Cheyne Walk, would each own 49.5% of the joint venture, Texas Transmission Holdings Corporation (“TTHC”). The remaining 1% of TTHC was held by Hunt Consolidated. The three owners of TTHC executed a shareholders agreement which provided each with a right of first offer (“ROFO”) over any sales of shares in TTHC.

TTHC is the sole owner of Texas Transmission Investment LLC (“TTI”), which in turn owned a 20% stake in Oncor. The remaining 80% of Oncor is owned by energy giant Sempra. Sempra and TTI, as co-owners of Oncor, also have a shareholders agreement. That agreement provides Sempra with a right of first refusal (“ROFR”) over TTI’s 20% stake in Oncor.

In 2019, Hunt sought to sell its 1% stake in TTHC to Sempra. While Cheyne Walk declined to exercise its ROFO, Borealis invoked its rights and sought to purchase the stake. When Sempra and Hunt sought to close their transaction, Borealis sued in Delaware Chancery Court to enforce its superior purchase rights.

Quinn Emanuel argued at trial that Sempra’s ROFR, which by its plain language applied only to transfers of Oncor LLC units made by TTI, did not apply to a transfer by Hunt of its minority stake in TTHC. Hunt’s sale of its equity in TTHC could not constitute a transfer by TTHC’s subsidiary TTI, nor were any Oncor LLC units being transferred. Despite the plain language, however, Vice Chancellor Glasscock found that Sempra’s ROFR applied, and ordered that the sale of Hunt’s stake to Sempra be completed.

Borealis and Cheyne Walk appealed the decision, and on May 22, 2020, the Delaware Supreme Court reversed. Although the Chancery Court is rarely overturned, here the Delaware Supreme Court issued a 5-0 ruling in favor of OMERS. In an *en banc* opinion, the Delaware Supreme Court explained that by the plain language, Sempra’s ROFR applied only to sales *by TTI* and that “[t]o hold otherwise would be to impute the contractual intentions of a minority member of a company’s controller to the company itself—a result that runs contrary to settled corporate-law principles.” [Q](#)

business litigation report**quinn emanuel urquhart & sullivan, llp**

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