Intellectual Property

2012 SPRING BULLETIN

Supreme Court Allows Generic Manufacturers to Challenge Overbroad Use Codes

BY DAVID TELLEKSON AND EWA M. DAVISON, PH.D.

The United States Supreme Court ruled unanimously on April 17, 2012 that a generic drug manufacturer may file a counterclaim to force correction of an overbroad use code that encompasses unclaimed methods of using the drug at issue. In interpreting the text of 21 U.S.C. § 355(j)(5)(C)(ii)(I), the Court in *Caraco Pharmaceutical Laboratories, Ltd. v. Novo Nordisk A/S*, No. 10-844, 132 S.Ct. 1670 (2012), gave substantial weight to ensuring that the Food and Drug Administration fulfills its statutory duty to approve non-infringing generics in accord with Congressional intent. Brand manufacturers are advised to review active use codes to ensure that they reasonably reflect the scope of any claimed methods of use.

Statutory and Regulatory Framework

When a brand manufacturer seeks to market a new drug, it must file a New Drug Application (NDA) with the FDA detailing clinical studies of the drug's safety and efficacy. As part of this process, the brand manufacturer must identify all patents that claim the drug or any methods of using that drug. 21 U.S.C. § 355(b)(1), (c)(2). For any patent claiming a method of use, the FDA also requires that the brand manufacturer describe the claimed methods, a description commonly referred to as the "use code." 21 C.F.R. § 314.53(c)(2)(ii)(P)(3), (e). The FDA does not verify the accuracy of use codes, instead viewing its role as purely ministerial.

To facilitate generic drug approval, and thus hasten availability of less expensive prescription drugs, the Hatch-Waxman Amendments allow generic manufacturers to bypass clinical testing by relying, in an Abbreviated New Drug Application (ANDA), on the brand manufacturer's original safety and efficacy studies. An ANDA filer seeking to market a generic equivalent prior to the expiration of a patent covering either the brand-name drug, or a method of use for that drug, then has two choices.

First, the generic manufacturer can assert that these patents are invalid or will not be infringed. Such a Paragraph IV certification is considered an act of infringement, and the brand manufacturer has 45 days from its filing to initiate litigation against the generic manufacturer. FDA approval is stayed pending the earlier resolution of the litigation, expiration of the patent, or thirty months.

Alternatively, the generic manufacturer can seek FDA approval for a use not covered by the patents by making a "section viii statement" and submitting a proposed label to the FDA omitting the patented method of use. This alternative route is typically used when the patent on the drug itself has expired, but method-of-use patents remain. The FDA can only approve a section viii statement, however, if there is no overlap between the proposed carve-out label and the use code for the brand-name drug.

Following reports that brand manufacturers were exploiting the framework established by the Hatch-Waxman Amendments in order to prevent or delay competition from generic drugs, Congress created a mechanism for generic manufacturers engaged in Paragraph

In This Bulletin

Supreme Court Allows Generic Manufacturers to Challenge Overbroad Use Codes ____ 1

Patent Reform: The Public Speaks ____ 3

Quick Updates ____ 5

Criminal Liability for Cloud Storage Service Providers? ____ 5

Patent Litigation Settlement Negotiations Are Discoverable ____ 6

Federal Courts Address Question of Employer-Employee Ownership of Business-Related Social Media Accounts ____ 7

IV litigation to challenge the accuracy of the patent information submitted by brand manufacturers to the FDA:

> [The ANDA] applicant may assert a counterclaim seeking an order requiring the [NDA] holder to correct or delete the patent information submitted by the holder under subsection (b) or (c) [of this section] on the ground that the patent does not claim either —
>
> (aa) the drug for which the application was approved; or
>
> (bb) an approved method of using the drug.

21 U.S.C. § 355(j)(5)(C)(ii)(I). At issue in this case was whether a generic manufacturer has the right to bring such a counterclaim to correct an overbroad use code.

Background of the Case

Novo Nordisk filed suit against Caraco in 2005 alleging infringement of U.S. Patent No. 6,677,358 after Caraco filed an ANDA for generic repaglinide with a Paragraph IV certification. Repaglinide is approved for three uses with respect to improvement of glycemic control in Type 2 diabetic adults: (1) Repaglinide by itself; (2) Repaglinide in combination with metformin; and (3) Repaglinide in combination with thiazolidinediones. The '358 patent is the sole unexpired Novo Nordisk patent relating to repaglinide, and claims only repaglinide-metformin combination therapy.

In 2008, Caraco filed a section viii statement seeking FDA approval for a label omitting use of repaglinide in combination with metformin. Although the original use code for the '358 patent was limited to the claimed repaglinide-metformin combination therapy, Novo Nordisk subsequently amended the use code to broadly encompass "[a] method for improving glycemic control in adults with type 2 diabetes mellitus." This new use code thus encompassed all three FDA-approved uses, causing the FDA to decline Caraco's proposed carve-out label.

Caraco sought to force Novo Nordisk to reinstate the original use code by filing a counterclaim pursuant to 21 U.S.C. § 355(j)(5)(C)(ii)(I) in the ongoing Paragraph IV litigation. The district court entered an injunction ordering Novo Nordisk to request that the FDA reinstate the original use code. On appeal, however, the U.S. Court of Appeals for the Federal Circuit vacated the injunction, finding that Caraco did not have a statutory basis to request such relief.

The Supreme Court's Decision

In reversing the Federal Circuit and adopting a sweeping construction of the counterclaim provision to encompass challenges to overbroad use codes, the Supreme Court considered three key phrases in the governing statute. First, the Court interpreted "on the ground that the patent does not claim . . . *an* approved method of using the drug" to mean "on the ground that the patent does not claim . . . *a particular* method of using the drug" — not, as the Federal Circuit had held, "on the ground that the patent does not claim . . . *any* approved method of using the drug." Second, the Court interpreted "patent information submitted by the holder under [21 U.S.C. § 355(b) or (c)]" to include not only the information specified in those statutory subsections — namely, the patent number and expiration date of any patent claiming the drug or its method of use — but also any patent information, including use codes, required by regulations implemented pursuant to § 355. Third, the Court observed that the counterclaim provision provides two independent remedies — deletion and correction — and that its reading gives effect to both. If, on the other hand, the counterclaim only applied to patent numbers and expiration dates, the term "correct" would be effectively read out of the statute. Having dispensed with textual interpretation, the Court also rejected the contention that a narrow construction of the counterclaim provision was mandated by its drafting history. Throughout its analysis, the Court returned repeatedly to congressional intent to defend its broad interpretation of the counterclaim provision.

Not until the end of its opinion did the Court touch on what likely motivated its sweeping interpretation of the counterclaim — the lack of an effective forum for addressing overbroad use codes were it to reach a contrary holding. Because a Paragraph IV certification requires that the generic drug be labeled in the same way as the brand drug, no carve-out label can be devised in light of an overbroad use code, and infringement would be unavoidable. The Court thus concluded that "the counterclaim offers the *only* route to bring the generic drug to market for non-infringing uses."

Justice Sotomayor filed a concurring opinion emphasizing the deficiencies of the "remarkably opaque" regulatory framework governing generic drug approval, in effect requesting that Congress and the FDA strengthen and clarify the mechanism by which generic manufacturers challenge overbroad use codes.

Implications

It remains to be seen whether either Congress or the FDA will act upon Justice Sotomayor's challenge. In the meantime, it seems likely that counterclaims alleging overbroad use codes will be raised more frequently in Paragraph IV litigation where a use code does not precisely reflect a claimed method of use. Such situations may be more common than expected given the FDA's 240-word limit for use codes. In addition, buried within a footnote in the Supreme Court's opinion is an explicit rejection of Novo Nordisk's contention that a use code may describe either an approved method of use or indication. Brand manufacturers are thus advised to review active use codes to ensure that they reasonably reflect the scope of any claimed methods of use.

Might brand manufacturers respond to this increased threat from use code counterclaims by opting to forgo Paragraph IV litigation in favor of filing a patent infringement action upon introduction of generic drugs into the marketplace? While this scenario appears to be of significant concern to Justice Sotomayor, it seems unlikely that brand manufacturers would also be willing to forgo the stay of FDA approval that accompanies Paragraph IV litigation. Even if a generic manufacturer successfully brings a counterclaim and thus ultimately gains FDA approval for a carve-out label, the brand manufacturer reaps a substantial monetary benefit through exclusion of the generic drug from the marketplace until the Paragraph IV litigation is resolved. In standard patent infringement litigation, by contrast, the brand manufacturer could obtain a similar result only by seeking a preliminary injunction, certainly not a foregone conclusion.

Patent Reform: The Public Speaks

BY STUART P. MEYER

On September 16, 2011, President Obama signed into law the Leahy-Smith America Invents Act (AIA). Hailed as the most significant patent reform in half a century, the AIA made a number of important changes to our patent system. Notably, however, Congress enacted such reforms using a very broad brush, and many of the details were left to the U.S. Patent and Trademark Office (PTO) to implement via regulations. The PTO issued proposed rulemaking in over a dozen different areas early this year, opening the proposed rules for public comments. When the comment period for most of these rules closed in April, the PTO had received over 250 comments in all of these areas. The comments indicated that the rules are thought to be tremendously important for the future of our patent system, and that they are expected to impact a wide range of industries.

The PTO rulemaking in early 2012 was divided into two general stages. The first stage was considered by many to be more procedural than substantive. These rules involved such issues as the manner in which paperwork can be submitted with patent applications to streamline the number of documents inventors need to sign. There were also some substantive rules, such as detailing a process, a "derivation proceeding," by which parties can determine which of two purported inventors deserves a patent, and "supplemental examination" proceedings in which the PTO can take a second look at issued patents in certain situations. Comments on those proposed rules were due by late winter. While the public response was not great in terms of quantity of comments submitted, PTO Director David Kappos stated that they did in fact influence changes to the rules, and those changes will be reflected in final rulemaking.

The second stage of PTO rulemaking has been considered much more significant by commentators, as it involves "contested cases" and deals with moving a great deal of patent dispute resolution from Article III courts to the PTO. Below is a sampling of the comments received in this second stage of rulemaking.

Fees

Section 10 of the AIA is devoted to fees that the PTO charges for its services. This is a highly controversial section of the law for several reasons. First, the PTO has long suffered from fee diversion. Although the PTO is supposed to be self-funding, Congress has for decades siphoned off a portion of the PTO's fees for other purposes. Second, the AIA requires the PTO to match fees, wherever possible, with the costs for providing services. As a result, the PTO's fee schedule in its proposed rulemaking has caused severe sticker shock to many who use the PTO's services.

Numerous comments found the proposed fees to be quite high and suggested that they could be reduced by streamlining procedures. Several comments sought to base fees not on the number of claims being reviewed, as proposed, but on the number of grounds proposed for rejection. Thus, if a large number of claims are sought to be rejected for the same reason, the cost does not increase. One comment observed that the fees as proposed, would, combined with attorney fees, begin to approach the cost of infringement litigation in court.

That said, not all commentators disliked the high fees. The Business Software Alliance, for instance, praised the PTO for setting the fees so high, stating that not only will such high fees allow for full cost recovery by the PTO, but also that they will ensure that "these procedures are utilized only where a significant business dispute warrants such an expenditure." Cummins Allison went even further, asserting that the rules should explicitly include indexing to adjust for inflation.

Patent Trial and Appeal Board

The AIA requires the PTO to undertake dispute resolution regarding patent validity in a manner much more extensive than previously existed. Therefore, per § 7 of the AIA, the PTO proposed a set of procedural rules for such activities. Some of these have important ramifications for practical use of the new AIA-mandated proceedings. For example, traditionally, only registered practitioners who have the requisite technical or scientific background and who have passed the PTO's registration examination are permitted to represent parties before the PTO. Many successful patent trial lawyers do not have such qualifications, and many registered patent prosecutors do not have the trial advocacy skills often needed for adversarial proceedings such as will now take place in the PTO. A joint committee appointed by the ABA's Section of Intellectual Property Law, the American Intellectual Property Law Association, and the Intellectual Property Owners Association urged that such *pro hac vice* appearances not be "routinely granted" and possibly be conditioned on association with co-counsel of record "who is an experienced registered practitioner."

Many commentators suggested tweaks to the way PTAB patent trials should be run. Genentech proposed various changes, in part, to prevent "procedural gamesmanship" that would otherwise be enabled. Intel took issue with those advocating depositions be required to take place in Washington D.C., unless the parties otherwise agree. Microsoft and a number of other parties submitting comments did not think that a two-month preliminary response period for a patentee, as set forth in the proposed rules, would be sufficient to locate appropriate counsel and "conduct a comprehensive analysis of the petition or to formulate rebuttal arguments." As Novo Nordisk put it, such preliminary response "is not like an answer in district court litigation, where the answer simply confirms or denies each individual allegation in the complaint."

Several companies urged that PTAB proceedings should be even more front-loaded than currently proposed, with petitioners being required to present the entirety of their case and with patent owners provided a full opportunity to present evidence at a preliminary stage. A related issue raised in many of the comments was that the PTO's proposed page limits for PTAB proceedings would not be workable (particularly if such front-loading were to be allowed).

Some parties were worried that the protective orders provided by the proposed rules were not strong enough, and were not timed appropriately, to protect confidential information of the parties during discovery. Intellectual Ventures was concerned that the proposed rules, under which motions for claim amendments could be procedurally denied, should instead allow amendments to be accepted and substantively examined to determine whether they should be rejected.

Novartis suggested that allowing patentees additional opportunities to amend claims, for instance in early stages of proceedings and through presentation of alternative claim sets, would help to streamline proceedings. Another comment, however, suggested that to be a true alternative to litigation, post-grant review should *not* permit a patent owner to fix problems via amendments, since there is no such opportunity in litigation.

***Inter Partes* and Post-Grant Review Proceedings**

The current *inter partes* reexamination proceedings under which parties can call upon the PTO to give a second look to issued patents is, under § 6 of the AIA, to be revised to allow a broad post-grant review for the first nine months of a patent's life and a narrower *inter partes* review thereafter.

Comments relating to these proceedings were numerous. One area in which there were frequent comments involved the PTO's proposed rule for routine discovery. The proposed mandatory submission of information "inconsistent with a position advanced by the patent owner or Petitioner" was argued by the Association of Corporate Counsel to "go well beyond" the existing duty of candor and impose a heavy ethical and cost burden on the submitting party.

The International Federation of Intellectual Property Attorneys (the U.S. Section of "FICPI") argued that since the new proceedings were intended to be an alternative to litigation, they should use the same standards of claim construction as in courts, rather than the "broadest reasonable construction" standard used by the PTO in examination, as the PTO proposed to use for post grant review proceedings.

IBM complained that the new standard for institution of an *inter partes* review, namely a "reasonable likelihood of prevailing," was insufficiently defined in the proposed rule and associated documentation, and that other portions of the proposed rules likewise lacked clarity.

Several parties thought that the PTO needed to give more thought to the procedures that should be employed when parties reach settlement, and that the PTO is not authorized to disapprove a settlement and continue the proceedings.

Business Method Patent Review

Congress decided that certain types of patents, particularly in the financial services industries, deserve closer scrutiny than others, and thus included in § 18 of the AIA a requirement that these patents be subject to a broad post-grant review not only for the initial months after grant, but on an ongoing basis. Part of this section excluded "technological inventions" from such scrutiny and called on the PTO to define this term. Numerous comments railed at the PTO's proposed definition, which was considered circular because it used the term "technical" or "technological" three times within the definition.

The IEEE-USA not only suggested a new definition for "technological invention" but also provided, in great detail, the concepts of administrative rulemaking that should be followed, including distinctions between rules that are substantive as opposed to procedural and legislative as opposed to interpretive. IEEE-USA argued that the PTO mischaracterized its task and therefore omitted required steps, thereby running the risk that the new rules will be invalid or unenforceable under various federal laws.

The Semiconductor Industry Association urged the PTO to focus more on the subject matter and not require the PTO to make a preliminary patentability analysis to determine whether an invention is subject to this section. Other parties, however, applauded the PTO's approach as flexible and allowing that mere recitation of a computer should not necessarily render a claim a technological invention.

Senator Charles Schumer of New York, a sponsor of the statutory provision to allow additional review of business method patents, submitted a strongly worded letter criticizing those who suggested a broad definition of "technological invention" and, accordingly, a narrow view of which patents should be subject to this enhanced review. He argued that "this would be directly at odds with our intent at drafting." However, a number of other parties pointed out that Senator Schumer's position was not the only one evident in the legislative history, and other statements, such as those from Senator Dick Durbin of Illinois, did not support as broad a definition of "covered business method patents."

Conclusion

The PTO was vocal in its request for comments on its AIA proposed rulemaking, and the public certainly delivered. Although many of the comments received were result-oriented, a large number of the comments also provided well thought-out suggestions for increasing efficiency, providing flexibility, and reducing confusion that will be helpful to all stakeholders. The PTO is scheduled to issue its final rules in August, and some will begin to have effect as early as September.

Quick Updates

Criminal Liability for Cloud Storage Service Providers?

On January 18, 2012, Megaupload.com was ostensibly a successful cloud storage service, with a large public presence and numerous celebrity endorsements, claiming 180 million registered users and 4 percent of total internet traffic. On January 19, the Department of Justice and the FBI shut down the website, seizing over 1,000 servers and $50 million in assets, executing 20 search warrants in various countries, and arresting four of the site's officers. An indictment unsealed that day disclosed criminal charges against the site, its officers, and backing companies – referred to in the indictment as members of "Mega Conspiracy, a worldwide criminal organization."

According to the indictment, Megaupload, while purporting to act as a legitimate file storage service, encouraged and permitted its users to upload unauthorized content to its servers and provided those users with links to the content, which could then be shared with others for downloading. Ultimately, the indictment charged Megaupload and its officers with two substantive counts of criminal copyright infringement, aiding and abetting thereof, and conspiracies to commit copyright infringement, racketeering, and money laundering.

The breadth and severity of the charges seem to reflect careful strategizing on the part of the government for a specific obstacle that it knew the prosecution would encounter: how to make criminal copyright charges apply

to a file-sharing service which would typically have been characterized as a "contributory infringer." And this is a significant obstacle, because "contributory criminal copyright infringement" (arguably) does not exist.

In the civil context, it is well-established that a party can be secondarily liable for the direct copyright infringements of another. However, federal *crimes* — such as criminal copyright infringement — must be based on statutes, and there is no specific statutory basis for criminal contributory copyright infringement.

In *United States v. Puerto 80 Projects*, the U.S. Immigration and Customs Enforcement agency seized domains that allegedly were being used to commit criminal copyright infringement. Yet the government did not charge the site operator with direct infringement. Thus, one of the issues raised on appeal is whether there exists a form of criminal contributory copyright infringement upon which the seizure could have been justified.

Regardless of the outcome of that appeal, the prosecution in Megaupload has sought to circumvent any challenges that might arise from the technical non-existence of "criminal contributory infringement." For starters, the government has introduced "conspiracy" and "aiding and abetting" charges – both of which approximate secondary liability but are based on federal statutes. These theories, however, may be harder to prove than contributory infringement. Additionally, both theories would still require underlying acts of *criminal* copyright infringement.

The prosecution has also addressed *direct* criminal copyright infringement, by alleging that the Megaupload officers personally engaged in uploading that amounted to criminal violations. Such instances of alleged uploading, however, appear isolated compared to the purported scale of unauthorized uploading. And a finding of criminal liability based solely upon those isolated instances could constitute a very limited victory for the prosecution, in light of the vast criminality that it hoped to expose in this case. This will be one to watch.

Patent Litigation Settlement Negotiations Are Discoverable

Your settlement negotiations may be discoverable according to a recent Federal Circuit decision. Parties often use settlement agreements in patent litigation to help determine one form of damages: reasonable royalty. A reasonable royalty is the amount that an infringer of a patent would have paid to obtain a license to that patent. In determining the royalty rate, courts look to a plethora of factors, one of which is license fees for similar patents, including the patents at issue in the litigation. As settlement agreements in patent litigation often contain patent licenses, courts have long held that signed settlement agreements are discoverable. However, district court opinions have been split on whether evidence pertaining to the negotiations that underlie settlement agreements is also discoverable.

The Federal Circuit's decision in *In re MSTG, Inc.* resolves that split, holding that communications related to reasonable royalties and damages are not privileged. Misc. Dkt No. 996, 102 U.S.P.Q.2D (BNA) 1321 (Apr. 9, 2012). MSTG sued a number of companies in the 3G cell phone industry for infringing MSTG's patents. Eventually, all defendants settled save one: AT&T. MSTG relied upon the settlement agreements with the other defendants in its calculation of what a reasonable royalty should be. While MSTG produced the settlement agreements, it refused to produce to AT&T communications about the underlying negotiations. The district court ordered MSTG to produce documents pertaining to the underlying negotiations. MSTG appealed to the Federal Circuit, which held that settlement negotiations related to reasonable royalties and damage calculations are not protected by a settlement negotiation privilege. After examining a variety of factors, including policy decisions of states and congressional consideration of the issue, the Federal Circuit declined to "fashion a new privilege in patent cases that would prevent discovery of litigation settlement negotiations related to reasonable royalties and damages." The court did not address, however, whether evidence pertaining to the settlement negotiations is admissible at trial.

In re MSTG may influence parties' behavior in settlement negotiations since the content in those discussions may be discovered by others. Settlement discussions often involve the disclosure of sensitive information, including financial data. While the negotiations will often be produced under a protective order, knowing that communications can be discovered may make parties reticent to disclose such sensitive information. Some parties may choose to conduct settlement negotiations in person or over the phone, rather than by email or letter. While oral communications are discoverable, practical reasons make their discovery less likely. Lastly, although settlement discussions are now generally discoverable, the Court recognized that settlement discussions made during mediation are protected from discovery. Parties wishing to disclose sensitive information may voluntarily

enter mediation solely to protect any communications leading up to a signed settlement agreement.

Federal Courts Address Question of Employer-Employee Ownership of Business-Related Social Media Accounts

The question of whether an employer is entitled to trade secret protection over social media accounts used for business purposes is unfolding in several well-publicized cases currently pending in federal courts throughout the country. On July 15, 2011, PhoneDog LLC filed suit in the Northern District of California against a former employee, Noah Kravitz, who refused to relinquish access and discontinue use of his Twitter account, @PhoneDog_Noah, when he resigned from the company in October 2010. *PhoneDog v. Kravitz,* No. C 11-03474 MEJ, 2011 U.S. Dist. LEXIS 129229 (N.D. Cal., Nov. 8, 2011). Kravitz had used the Twitter account while working as an online product reviewer for PhoneDog, during which time he acquired over 17,000 followers. Rather than complying with PhoneDog's request to discontinue use of the account, he simply changed the Twitter handle to @noahkravitz. PhoneDog brought several causes of action against Kravitz, including a claim for misappropriation of trade secrets alleging that the Twitter account password and followers were protectable trade secrets of PhoneDog. Kravitz filed a motion to dismiss the action, arguing that there was no "trade secret" information, because the followers of the account are not secret and are publicly discernible. The court denied Kravitz's motion to dismiss the trade secret claim, concluding that PhoneDog had pled its claim with sufficient particularity to move forward with its case.

Meanwhile, in *Christou v. Beatport, LLC*, No. 10-cv-02912-RBJ-KMT, 2012 U.S. Dist. LEXIS 34307 (D. Colo. March 14, 2012), a federal district court in Colorado denied a nightclub owner's motion to dismiss a trade secret case brought against him by a former business partner alleging that he had misappropriated the partnership's MySpace page login credentials and friend connections when he left to form a competing nightclub business. According to the plaintiff's complaint, the partnership's MySpace pages each had over 10,000 "friends." After leaving to start his own competing club, the defendant used the login credentials to post updates to his new competing night club. As in *PhoneDog*, the court denied the defendant's motion to dismiss, reasoning that the MySpace login credentials and "friend" connections could constitute protectable trade secrets. The court noted that the MySpace pages were password protected and that the "friend" connections for the clubs' MySpace pages were more than just lists of potential customers—they also provided personal information about the "friends" and their preferences— and that the clubs' lists of "friends" could not be duplicated without a substantial amount of effort and expense.

In *Eagle v. Morgan*, No. 11-4303, 2011 U.S. Dist. LEXIS 147247 (E.D. Pa., Dec. 22, 2011), a federal court in Philadelphia denied a motion to dismiss a suit involving an employee's LinkedIn account. The employee, Dr. Eagle, had established a LinkedIn account to promote her company's banking education services as well as to build her own professional and social relationships. Company personnel helped her to maintain the LinkedIn account and had access to her password information. Dr. Eagle was denied access to the account after being terminated by the company, and sued her former employer alleging ownership over the account. The employer countersued Dr. Eagle, alleging that she had improperly stolen LinkedIn account connections that were valuable to the company's competitive position. Dr. Eagle moved to dismiss, arguing that the LinkedIn account connections could not qualify as trade secrets, because they were either generally known in the wider business community or capable of being easily derived from public information. Although the court agreed with Dr. Eagle that the LinkedIn connections could not give rise to a claim for trade secret misappropriation under Pennsylvania law, it held that the company could proceed against Dr. Eagle on a theory of misappropriation of an *idea* – under Pennsylvania law, this tort merely requires a showing that the plaintiff had an idea that was novel and concrete and that the defendant misappropriated it. In reaching this decision, the court noted that the company had developed the LinkedIn accounts and maintained the connections. It further noted that the company policy had required employees to use their company email addresses, a specific template created by the company for their corporate descriptions and work histories, and a company-approved template for replying to individuals via their LinkedIn accounts.

Although each of the employers in the above-cited cases was allowed to proceed with its claims against the former employee, surviving a motion to dismiss is merely an initial hurdle; each now faces the prospect of expensive discovery and litigation, with no guarantee that their claims will ultimately prevail. A carefully drafted agreement between the employer and employee, delineating ownership of business-related social media accounts, could have spared these parties significant time and expense.

Fenwick

FENWICK & WEST LLP

Fenwick & West's Intellectual Property Group offers comprehensive, integrated advice regarding all aspects of the protection and exploitation of intellectual property. From providing legal defense in precedent-setting user interface copyright lawsuits and prosecuting software patents to crafting user distribution arrangements on behalf of high-technology companies and implementing penetrating intellectual property audits, our attorneys' technical skills enable the Firm to render sophisticated legal advice.

Offices

801 California Street
Mountain View, CA 94041
Tel: 650.988.8500

555 California Street, 12th floor
San Francisco, CA 94104
Tel: 415.875.2300

1191 Second Avenue, 10th Floor
Seattle, WA 98101
Tel: 206.389.4510

www.fenwick.com

We appreciate your feedback!

If you have questions, comments, or suggestions for the editors of the IPB, you can email them to IPB@fenwick.com.

For subscription requests and address changes, please email IPB@fenwick.com.