



Intellectual Property News

Vimeo doesn't miss a beat in winning copyright battle

What are the parties arguing about?

Capitol Records and EMI (the Record Labels) sued the video-sharing platform, Vimeo, for copyright infringement.¹ The Record Labels alleged that Vimeo's website hosted videos containing their copyrighted music, the use of which was not authorized by the Record Labels. While Vimeo did not deny that their users uploaded videos containing copyrighted music, they argued that they are protected from liability under §512(c) of the Digital Millennium Copyright Act's (DMCA) safe harbor provisions. The Record Labels staunchly believed that Vimeo was not eligible for protection under those provisions.

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What is the DMCA?

The DMCA is a law that protects internet service providers (ISPs), like Vimeo, from liability when their users upload copyrighted content. Specifically, under §512(c), ISPs are required to remove any unauthorized content when either (1) they receive notice that there is infringing material on their site (e.g., a take-down notice); or (2) they become aware of infringing

What did the district court say?

Issue # 1: The district court held that §512(c) of the DMCA safe harbor provision does not apply to pre-1972 sound recordings because it only protects against liability under federal copyright law. Pre-1972 sound recordings were found to only have state copyright protection and, therefore, were not eligible for protection under §512(c).

users posting material protected by state copyright law “defeats the very purpose Congress sought to achieve in passing the statute,” which was to make the provision of internet services economically feasible while also expanding copyright protection through the notice-and-takedown provision. By not expanding §512(c)’s scope to protect pre-1972 recordings, ISPs would either incur a high financial burden to monitor

The court indicated that the mere fact that an employee of a service provider viewed a video posted by a user and that the video contained significant portions of a copyrighted song was not enough to make infringement obvious to an ordinary reasonable person who is not an expert in music or the law of copyright.

material or other circumstances that make infringement apparent.

What are the issues?

There are three primary issues relating to this lawsuit:

Issue # 1: Does §512(c) of the DMCA apply to pre-1972 sound recordings, which are protected under state, rather than federal law?

Issue # 2: Is evidence that Vimeo employees viewed some of the infringing videos enough to satisfy the standard that Vimeo had “red-flag knowledge” of the infringing content on their platform, which would make them ineligible for the DMCA §512(c) safe harbor provision?

Issue # 3: Does Vimeo’s policy encourage the company to be willfully blind to copyright infringement on its platform?

Issue # 2: The district court determined that there were triable issues of fact as to whether Vimeo had sufficient red flag knowledge of infringing videos based on evidence that its employees had viewed some of the infringing content.

Issue # 3: The district court rejected the Record Label’s argument that Vimeo should be held liable under a willful blindness theory.

What did the court of appeals say?

Issue # 1: The court of appeals held that §512(c) of the DMCA safe harbor provision does protect ISPs from liability for infringement relating to pre-1972 sound recordings. §512(c)’s scope is not limited to copyrights protected by federal law and it does, in fact, extend to those pre-1972 sound recordings protected by state copyright law. The court reasoned that construing §512(c) as leaving ISPs subject to liability for their

all uploaded content for pre-1972 sound recordings or risk significant liability under state copyright law—neither of which would be considered economically feasible for ISPs.

Issue # 2: The court of appeals determined that the Record Labels did not establish the necessary facts to prove that Vimeo had “red-flag knowledge” of the infringement. However, the court also held that this issue should be remanded to the district court for consideration in conformance with the standard for “red flag knowledge” it discussed. According to the court, “red-flag knowledge” turns on whether “the provider was subjectively aware of facts that would have made the specific infringement ‘objectively’ obvious to a reasonable person.” A “reasonable person,” in this instance, is someone who does not have specialized knowledge of music or copyright laws. The court indicated that the mere fact that an employee



of a service provider viewed a video posted by a user and that the video contained significant portions of a copyrighted song was not enough to make infringement obvious to an ordinary reasonable person who is not an expert in music or the law of copyright. While Vimeo has the burden to raise and prove the defense that it is entitled to the safe harbor provision outlined in 512(c), the Record Labels have to burden to prove that Vimeo had sufficient “red-flag knowledge” of hosting the specific infringing content on its site.

Issue # 3: The court of appeals held that the Record Label’s evidence was insufficient to make a determination that Vimeo was willfully blind to the

infringing content uploaded by its users. Primarily, this was because the evidence showed only a few instances of Vimeo employees encouraging Vimeo users to upload unauthorized content and that was not enough to demonstrate that Vimeo had a generalized policy of actively encouraging the posting of infringing material. Furthermore, the court indicated that actual and “red-flag knowledge” must relate to specific infringing material, and since the court views willful blindness as a proxy for knowledge, it too must relate to specific infringements. The Record Label’s evidence was not shown to relate to any of the videos at issue in this suit and was, therefore, insufficient to justify a

finding of “red-flag knowledge” and, thus, willful blindness.

And the winner is?

Vimeo and ISPs everywhere. The court of appeals ruled that Vimeo cannot be held liable for copyright infringement for unknowingly hosting music uploaded by its users, regardless of whether the infringement relates to copyrights protected by state or federal law.

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Endnotes

¹ *Capitol Records, LLC v. Vimeo, LLC*, No. 14-1048 (2d Cir. 2016).

Rapid Litigation Management v. CellzDirect: The Federal Circuit holds that a method for preserving hepatocytes is patent eligible subject matter

Introduction

In response to Rapid Litigation Management's patent infringement suit, CellzDirect moved for summary judgment of invalidity for ineligible subject matter under §101.¹ Laws of nature, natural phenomena and abstract ideas are the implicit exemptions to the scope of patentability. The '929 Patent, which is at issue, claims the advent of a technique that allows some hepatocytes to be frozen multiple times. Prior art only allowed cells to be frozen once and the thawed cells had to be used or discarded. This caused valuable losses for scientific studies about liver function and disease. The '929 Patent covers:

1. Subjecting previously frozen and thawed cells to density gradient fractionation to separate viable cells from non-viable ones;
2. Recovering the viable cells; and
3. Refreezing the viable cells.²

District court decision

The movant argued that the patent was natural law, and the district court agreed after applying the two-step framework articulated by the U.S. Supreme Court in *Mayo Collaborative Services v. Prometheus* and *Alice Corp. v. CLS Bank International*.³ The first step examines whether the patent is directed at a patent-eligible category. Here, the district court determined that the patent is directed at natural law.⁴ Since step one was answered in the affirmative, the next step is

to conclude whether the additional claim elements transform the nature of the claim into an "inventive concept." The district court answered that question in the negative.⁵

Federal Circuit Court of Appeals decision

On appeal, the Federal Circuit Court disagreed and found that the patent is not directed to a patent-ineligible natural law under step one of *Mayo* and *Alice*. The court agreed the discovery that some liver cells are able to survive multiple freeze-thaw cycles would not be sufficient, but the patent claimed a new method of preserving the cells for later use.⁶

The federal circuit clarified that in previous findings of patents directed to ineligible matter, the claims were mere observations or identifications of natural phenomena.⁷ Instead, the '929 Patent was equated with production of chemical compounds or techniques for treating disease.⁸ The mechanism of action of those treatments is related to natural physiological responses. The outcome of the application was an independent desired outcome.⁹ The federal circuit echoed *Mayo* in stating that "all inventions at some level embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas," and explained that "to preclude the patenting of an invention simply because it touches on something natural would 'eviscerate patent law.'"¹⁰

The analysis does not need to move to step two since the subject matter was found not to be directed at natural law. However, the court reasoned that even absent such a finding, the '929 Patent describe a process which allows for refreezing viable liver cells.¹¹ Therefore, the claims would transform the scope of the patent into an "inventive concept." The ability to freeze and thaw cells multiple times was concluded to be "far from routine and conventional."¹²

The Federal Circuit Court of Appeals introduced two additional points. First, the court added that "patent-eligibility does not turn on ease of execution or obviousness of application"¹³; and (2) "while pre-emption is not the test for determining patent-eligibility," the district court's findings that the patent "does not lock up the natural law in its entirety" and that "LTC has already managed to engineer around the patent" are in accord with the court's conclusion that "the patent is not 'directed to' a patent-ineligible building block of human ingenuity."¹⁴ As a result, the court vacated and remanded the summary judgment grant by the lower court.

Implications

This case clarified that a claim is not directed to a natural law or phenomenon just because it touches on a natural process. The court was quick to narrow the scope of ineligible subject matter to observations or identification of

natural phenomenon. A new and improved technique which results in a tangible and useful application is sufficient to transform the claim. The outcome echoes the common practice of protecting pharmaceuticals. The protection is on the use of the drugs to combat disease and not the response that results. Practitioners can avoid invalidity by emphasizing the tangible desired outcomes of application during drafting and differentiating the process from prior art.

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Endnotes

¹ *Rapid Litig. Mgmt. Ltd. v. CellzDirect, Inc.*, 827 F.3d 1042, 1046 (Fed. Cir. 2016).

² *Id.* at 1045.

³ *Mayo Collaborative Servs. v. Prometheus Labs, Inc.*, 132 S. Ct. 1289, 1294, 1296-98 (2012) and *Alice Corp. v. CLS Bank Int'l.*, 134 S. Ct. 2347, 2355 (2014).

⁴ *CellzDirect*, 827 F.3d at 1046.

⁵ *Id.*

⁶ *Id.* at 1050.

⁷ *Id.* at 1048.

⁸ *Id.* at 1048-1049.

⁹ *Id.* at 1048.

¹⁰ *Id.* at 1050.

¹¹ *Id.*

¹² *Id.* at 1051.

¹³ *Id.* at 1052.

¹⁴ *Id.*



Minutes: Intellectual Property Section Council Meeting

Oct. 1, 2016 | Ohio State Bar Association Headquarters | Columbus, Ohio

The meeting was held on Oct. 1, 2016, at the Ohio State Bar Association in Columbus. Chair Schonauer called the meeting to order at approximately 10 a.m.

The first order of business was to hear the legislative report from Todd Book, who was available via telephone. Mr. Book emphasized that we are currently experiencing a mild lame duck session. The Ohio Patent Troll bill, introduced by Rep. Roegner, has effectively died, as the primary businesses pushing the bill have backed off on their support of the bill. However, there is a possibility that there will be some changes made to the bill next session.

The conversation then pivoted to discuss the Trans-Pacific Partnership and the impacts that the pre-draft patent publication requirement would have on the patent process. The Trans-Pacific Partnership would get rid of the ability to keep the contents of a patent application secret. Ralph Jocke inquired how the section would be able to express opposition to that particular clause of the Trans-Pacific Partnership. Mr. Book suggested that the section draft a letter outlining the section's opposition to that particular provision.

It was noted that reports to the Counsel of Delegates are due by March 10, with the delegates meeting on April 28. The second order of business was to approve the meeting minutes from the April 2016 meeting. Bruce Wilson motioned to have the minutes approved, and the committee approved the minutes.

The third order of business was to hear from Ted Theofrastous discussing the IP Venture Clinic and the Patent Pro Bono Network. The IP Venture Clinic was started about four years ago with an emphasis on patent prosecution. The Patent Pro Bono Network was created to encourage more patent pro bono work at the behest of the White House. Mr. Theofrastous is seeking to engage bar associations and practitioners across the state to grow the network. Both programs are meant to serve qualified candidates, which go through a screening process to ensure that they are ready for the services. There may be some level of CLE credit for those interested in participating. However, the emphasis is really on making an investment in the local economy. There are currently 12 unmatched cases for which the organization is currently seeking practitioner matches. More information is available on the program's webpage at <http://law.case.edu/Academics/Academic-Centers/Law-Technology-the-Arts/IP-Venture-Clinic/USPTO-Patent-Pro-Bono-Program>.

Several questions were raised about the organization and the program:

1. How do practitioners manage and/or limit their responsibility for the case and potential for malpractice issues?

To address malpractice concerns, Mr. Theofrastous indicated that the clinic maintains insurance and most practitioners will have malpractice insurance through

their firms. To address concerns on practitioners managing and limiting their responsibility, Mr. Theofrastous indicated that they use engagement letters to limit representation, but representation would need to be actively managed.

2. What are the eligibility requirements for those looking to take advantage of the program?

Must meet three times the poverty level on a household level, which equals an income of about \$45,000 a year.

3. How is the USPTO acknowledging those who are actively participating in the pro bono program?

Primarily through recognition events.

4. How can younger attorneys get involved with the program?

Participating in the program provides great training opportunities for younger attorneys with coaching available for those not affiliated with firms.

However, the program is not able to extend its liability insurance coverage to those younger attorneys that are not covered through a firm or through independent insurance plans.

The fourth order of business was to discuss the IP Newsletter. The Fall 2016 edition was released prior to the fall meeting. Topics for the upcoming newsletter were released



with requests for volunteers to write for the Winter 2017 newsletter. Chair Schonauer indicated that he would send the topics out to the IP Section community in an attempt to recruit volunteers. The deadline to submit articles was Nov. 15, 2016. It was suggested that we include a write-up of Mr. Theofrastous' presentation on the IP Venture Clinic and the Patent Pro Bono Network in the newsletter so as to reach a wider audience. [Editor's note: the write-up has not been received.]

Additionally, there was a question as to whether to publish an article written by an individual who was not a member of OSBA. The final decision was to not publish the individual's article.

The fifth order of business was to discuss section finances and section membership. The section's current balance is \$21,000 in funds that we can use for events this year, and we are seeking suggestions for

programs to host this year that will help increase the connection with the IP Section community and focus on current events. The section would like to utilize the learning liaison in order to gather information from members about the types of programs or events they would like to see. Secretary Szalacinski suggested creating a monthly podcast that would help relaying new and interesting information to members.

However, Ralph Jocke expressed concerns about information overload and whether our members would find value in a podcast, especially if they can obtain information from a variety of sources. Chair Schonauer would like to take a poll of our members to see what would be beneficial to them since many do not practice in the IP field. Ken Brown suggested using connections with other specialty organizations across the state and having our members go speak at their events to broaden our exposure.

The sixth order of business was to discuss the All-Ohio Legal Forum, which will be held in August in Cleveland, and what topic we would like cover for the IP CLE. It was suggested to do a collaborative CLE event that focuses on the Defense of Trade Secret Act, which would expand the white-collar criminal law practice. The idea would be to collaborate with criminal law and labor and employment law sections/committees for a combined presentation. Chair Schonauer also requested topics ideas for webinars or live CLE programs.

The seventh order of business was to discuss other legislative issues concerning the intellectual property field. Below are the issues that were briefly discussed:

1. Potential patent and copyright changes as identified in a Law 360 article.

Specifically, HR 9 did not make it out of committee, but there are plans to try again with a new Congress.

2. Potential for low-level copyright infringements to be heard in small claims court.

Provide a procedure for small monetary claims.

3. Legislative solution to venue rules for patent prosecution.

Legislation meant to help reduce patent infringement cases and reduce the number of stays.

4. Questions relating to how long it takes to receive a copyright registration and how that relates to when an entity can sue for infringement.

Typically, an entity must wait to sue until registration is received, but registrations are slow coming.

5. Copyright office seeking to leave the Library of Congress—should it join the USPTO?

6. Appointing a Legislative Review Committee—Pat Walker and Bruce Wilson volunteered to join.

7. State trademark reform—Chair Schonauer would like to explore this area more and determine if we should be taking any action in this area.

Ralph Jocke indicated that the primary reason reform has not happened yet is because the Secretary of State does not want to give up the revenue received from state trademark applications.

Perhaps there is a way to balance both and force the Secretary of State to disclose what is and is not included in a state trademark.

A discussion ensued about whether the make up of the state legislature will change that may better allow for trademark reform to happen and from where support might come.

8. Questions were raised as to whether anything has been done to challenge the presence of Legal Zoom in Ohio.

The thought is that Legal Zoom is technically engaging in the unauthorized practice of law.

Treasurer Doug Duff indicated that Legal Zoom appears to be more of a referral service, but questioned whether there might be an issue with fee-sharing that violated Ohio's ethics rules.

The final order of business was to establish the date and time for the next meeting, which was held on Jan. 21, 2017, at 10 a.m. at the Ohio State Bar Association.

MESSAGE FROM THE CHAIR


As we look forward to spring here in Ohio, I would like to take the opportunity to thank everyone in the Section and at the OSBA for all of their hard work this past year. Our association continues to provide excellent resources and opportunities to its members, and connects practitioners from around

the state with fellow colleagues. I, for one, have been fortunate to meet many wonderful people since joining.

With spring comes new opportunities. I encourage everyone to invite others to join us at our next Section Council meeting on April 27, 2017 at 10 a.m., participate and meet new friends and colleagues.

Don't forget to renew your membership, and remind others of the new monthly option as well.

By Matthew J. Schonauer, Esq. is chair of the OSBA Intellectual Property Law Section and an attorney with Standley Law Group LLP in Dublin.



Join us for the next meeting.

Please join us for the next meeting of the Intellectual Property Law Section membership. Everyone is welcome.

The next meeting is April 27 at 10 a.m. by telephone only. Watch your email for the conference call telephone number information.

Have your article published here.

If you would like to contribute a case review or an article to the IP Newsletter, contact Patricia Walker or Ralph Jocke at Walker & Jocke Co., LPA, 231 South Broadway, Medina, Ohio 44256, by email at iplaw@walkerandjocke.com, or by phone at (330) 721-0000. Check out past Newsletters on the OSBA website for a guideline.

It will be great to see your contribution published in the next newsletter.

Patricia Walker and Ralph Jocke, Co-Editors, OSBA IP Section Newsletter

About Intellectual Property News

The Ohio State Bar Association Intellectual Property Law Section produces *Intellectual Property News*. For more information about *Intellectual Property News*, contact one of the co-editors Ralph Jocke or Patricia A. Walker, at Walker & Jocke, 231 South Broadway, Medina, OH 44256-2601, phone (330) 721-0000 or email at iplaw@walkerandjocke.com.

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