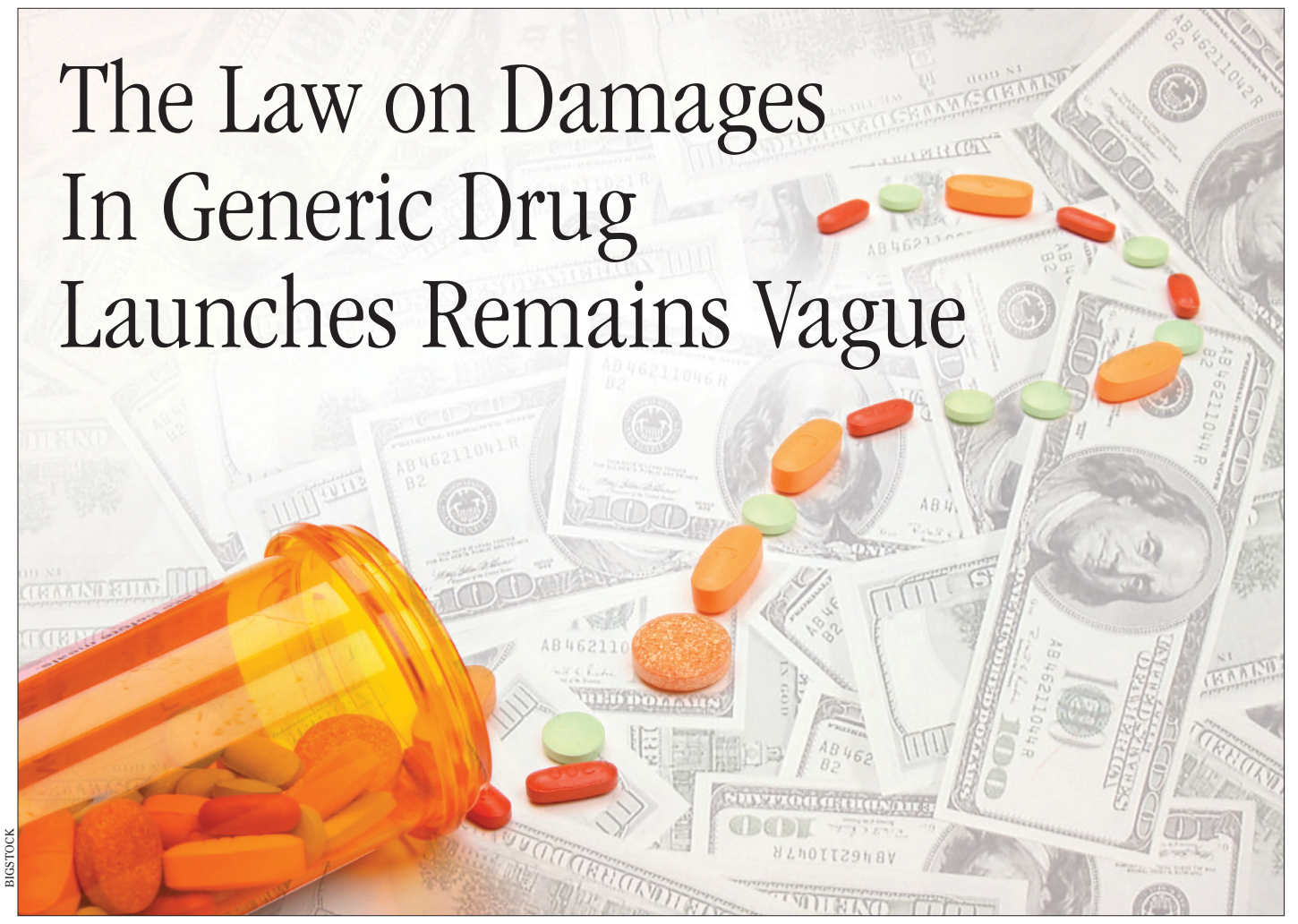
Intellectual Property



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The Law on Damages In Generic Drug Launches Remains Vague

BY DAVID MANSPEIZER

It was a stunning number, purportedly the largest patent settlement in history. During trial, defendants Teva ($1.6 billion) and Sun ($550 million) agreed to pay plaintiffs Wyeth and Nycomed a combined $2.15 billion to settle litigation stemming from their "at-risk" launches of generic versions of Wyeth and Nycomed's Protonix product.

At-risk launches have become a popular tactic by generic companies over the last 10 years. As a result, counsel for branded and generic companies are increasingly litigating highly complex damages issues. However, the law on patent damages as applied to the interactions between generic and branded products in the pharmaceutical marketplace remains largely undeveloped.

Before 2002, the idea that a generic company would begin selling its product before a favorable decision from the U.S. Court of Appeals for the Federal Circuit seemed only a theoretical possibility. The risk that a product launch would result in damages exceeding its profits, together with the purpose of the Hatch-Waxman Act itself, appeared to mean that no generic company would launch before such certainty (generic drugs are typically sold at a substantial discount to the brand). That changed in June 2002, when Geneva Pharmaceuticals began selling a generic version of the popular antibiotic Augmentin after winning summary judgment of patent invalidity. Geneva's decision provided a new paradigm for generic companies, one that quickly morphed. Soon, generic companies were no longer waiting for even a district court victory to begin selling. Rather, they were actively positioning their cases to be in a position to launch at the end of the Hatch-Waxman imposed "30-month stay" on FDA's approval of a generic drug. Aided by the Federal Circuit's shifting standard for preliminary injunction,[1] the threat was reinforced in settlement negotiations. Faced with the potential sudden loss of a large chunk of revenue, many cases were settled. But, at least 26 times since Geneva's actions, generic companies have followed through on the threat. Until Protonix, only three had gone to trial, and none yielded any significant case law guidance for some of the unique issues presented by patent damages in the pharmaceutical marketplace. Settlement likely disappointed those seeking more clarity on potential measures of patent damages, including lost profits and reasonable royalty.

> A patentee must also prove the **quantum of profit** it would have received "but for" the infringing sales, typically relying on **actual historical sales and forecasts** of future sales for this proof.

To recover lost profits, a patentee must show it would have received that profit "but for" the infringement.[2] The lost profits analysis typically includes four *Panduit* factors: proof of demand for the patented product or feature, an absence of acceptable non-infringing alternatives meeting that demand, the ability of the patentee to satisfy the demand, and the quantum of lost profits.[3] Showing demand for the patented product seems not to be an issue, to date, in such cases. After all, the branded product's sales show that demand and probably the ability to satisfy demand as well. However, any history of manufacturing issues affecting the ability to supply the market will likely be cited as evidence of an inability to meet demand.

Determining if there are acceptable non-infringing alternatives first requires defining the marketplace. No case law answers that question definitively for this unique market. The patentee will likely seek to confine the market to that branded product itself. It will argue that the generic copy is a direct substitute for the brand, and that this defines the market—when a prescription is written for Prozac, the pharmacist cannot substitute another anti-depressant absent the doctor's permission. Because most states mandate generic substitution, generics can quickly capture up to 90 percent of branded sales. The patentee will also point to the defendant's business model, a model based on substitution for specific brands. Finally, the patentee will cite the Hatch-Waxman statute, and argue that there can be no non-infringing alternatives under its framework. On the other hand, the generic defendant will argue for a broader marketplace, in which, by definition, non-infringing alternatives exist. Thus, for a drug like Protonix, defendants may argue that the marketplace is all proton pump inhibitors, or even all anti-ulcer medicines. While the presence of non-infringing alternatives does not completely deny the availability of lost profits, it can consign the patentee to a damages award based on market share.[4] Under a market-share theory, a product with 20 percent market share would capture 20 percent of the generic's sales. The plaintiff might thus receive a lost profits award limited to only 20 percent of the infringing sales—even though the generic captured 90 percent of branded sales. Existing law has not yet addressed the equities of this scenario.

Branded companies sometimes respond to an at-risk launch by selling an "authorized generic" version of the drug, competing with the infringing generic product on somewhat even grounds, and mitigating loss to some degree. But the generic defendant may argue that the patentee's authorized generic version of the drug is a non-infringing substitute. The grant of a patent license to a third party, which then sells a product covered by the same patent, can create a non-infringing alternative in the marketplace.[5] It is unknown, however, whether the Federal Circuit would apply that case law to this particular market. A defendant may also argue that the "authorized generic," although launched in response to the defendant's actions, has accelerated the loss of brand sales, and that it should not be responsible for such self-inflicted harms. The response by the patentee: "But for your infringement, I would not have launched my own generic product, and I would have continued to sell at least at prior levels and prices."

A patentee must also prove the quantum of profit it would have received "but for" the infringing sales, typically relying on actual historical sales and forecasts of future sales for this proof. Of course, the historical accuracy of the forecasts will be contested. But the issues go far beyond. For example, an infringer may point to factors outside of the brand-generic interplay, attempting to place blame for loss of sales elsewhere. It might argue that sales would have declined anyway because a competitor brand » Page 11

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The Evolving Hurdle of Patentable Subject Matter

Decisions bring uncertainty to financial services, software and data processing industries.

BY SCOTT D. LOCKE

Last spring, in the much publicized and much criticized case, *CLS Bank International v. Alice*,[1] the Court of Appeals for the Federal Circuit set out to resolve how to apply the standard of patentable subject matter to claims that were directed to certain methods for conducting business, and computer-readable media and systems that implement these methods.

However, rather than providing clarity, the Federal Circuit introduced more uncertainty into what was already a murky area of patent law, rendering five separate opinions, none of which were signed by a majority of judges. When read is combination, the five opinions suggest that inventors and practitioners who counsel them should be prepared for there to be a hurdle of increased height with respect to the patent eligibility requirement of the patent law.

Shortly after deciding *CLS*, the Federal Circuit issued *Ultramercial v. Hulu*,[2] in which it appeared to shrink the shadow cast by *CLS*, adopting the reasoning of a minority opinion from that case. However, refusing to embrace the precedent of *Ultramercial*, this fall the Federal Circuit perpetuated the ambiguity in this area of the law, when in its decision, *Accenture Global Services v. Guidewire Software*,[3] it embraced the sentiments of a different opinion from *CLS* than the *Ultramercial* panel did. These three cases form a trilogy that highlights the degree to which the patent system was ill-prepared to confront inventions of the Information Age, and unfortunately have left innovators, particularly those within the financial services, software and data processing industries with challenges when trying to protect their creativity.

Background

The heyday of the Information Age began in the 1990s. Consistent with society's celebration of innovation relating to ways by which to process and analyze data, in a pair of now abrogated cases, *State Street Bank & Trust v. Signature Financial Group*[4] and *AT&T v. Excel Communications*,[5] the Federal Circuit fully embraced a policy in which there was in effect almost no limit to the types of inventions that were patent eligible. In the decade that ensued, applicants increased the rate at which they filed for patent protection with the U.S. Patent and Trademark Office (USPTO), and the USPTO continued to issue patents that were directed to methods for processing data, as well as to systems and the media on which they were processed.

As the number of these types of patents increased, so too did the number of parties that could infringe them, and this gave rise to the increased prominence of the non-practicing » Page 11

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Copyright Trends: Substantial Similarity in the Age Of Electronic Music

BY MICHAEL R. GRAIF AND JASON GOTTLIEB

Driven by technical advances in electronic music production, an increasing amount of popular music lacks several traditional markers that courts use to determine whether one song is "substantially similar" to another: melody, harmony, rhythm, and lyrics.

Instead, the creativity inherent in electronic music centers on the "texture" of the sound being produced. But can a sound texture be protected by copyright? This article provides a road map for lawyers and judges alike to navigate substantial similarity in non-traditional forms of music, with a particular focus on electronic music.

The Traditional Framework

To establish copyright infringement, a plaintiff must demonstrate access to, and copying of, the elements of the work that are original.[1] When a court compares works with both protectible and unprotectible elements, the court's inspection will be "more discerning," and the court will ask "whether the *protectible elements, standing alone*, are substantially similar."[2]

> When a court compares works with both **protectible and** unprotectible **elements**, the court's inspection will be "more discerning," and the court will ask "whether the **protectible elements, standing alone**, are substantially similar."

The ground rules for evaluating substantial similarity in traditional music are familiar. From Bach through Britney Spears, Western musical compositions traditionally embodied a limited set of features. As Nimmer on Copyright put it: "It has been said that a musical work consists of rhythm, harmony and melody—and that the requisite creativity must adhere in one of these three."[3] Courts expanding beyond that limited ambit do so rarely and tentatively, and focus on traditional elements of musical composition: "melody, motifs, melodic contours, tonality, pitch emphasis, bass line, tempo, generic style, rhythm, ornamentation, harmony and lyrics."[4] Courts will also examine combinations of these elements: the same melody line in the same rhythm,[5] or a similar melody with similar words.[6]

Not all of those elements are necessarily copyrightable. Unprotectible aspects of a song include a common motif in the particular idiom,[7] a clichéd lyric or a simplistic melodic line,[8] or a common key signature and rhythm.[9]

The commonality of many songs follows from the structure of Western music. There are only 12 notes in a chromatic scale (i.e., each note on a piano, which repeat every 12 notes).[10] As a result, there are only 12 major and 12 minor keys, and a limited number of possible melodies or chord progressions within each key. Thus, most Western songs have used "tonal-functional harmony at their core, and have a traditional songlike melody."[11] Courts are "mindful of the limited number of notes and chords available to composers and the resulting fact that common themes frequently reappear in various compositions, especially in popular music."[12] The limited nature of traditional Western music (particularly commercially-oriented music) thus favors the party seeking to copy it.

How Electronic Music Differs

While much electronically produced music contains traditional elements of music, an increasing (and increasingly popular) amount uses those elements sparingly, or not at all. Yet only the stodgiest would deny that it is music, or that electronic music is a "work of authorship" under the Copyright Act.[13] Indeed, courts have made this same point about music in other styles. "For the uninitiated, much of rock music sounds the same, and a hasty comparison…could result in a finding of superficial similarity."[14]

The Copyright Act does not define "music." At base, music is simply a collection of sound waves arranged in a particular manner. When an object is vibrated, that vibration displaces molecules, which produces sound. The molecules travel in waves, until the energy created by the vibration dissipates.[15] The sound takes a particular waveform, depending on its volume, frequency (i.e., pitch), and timbre (i.e., the character of the sound). Differing timbres are critical to music: Such differences allow a listener to distinguish between a violin and a trumpet playing the exact same pitch.[16] » Page 12

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Inside

Can Jurisdiction Over Infringers Be Manufactured?

ISTOCK/NYLJ

BY PAUL I. PERLMAN, CYNTHIA GIGANTI LUDWIG AND MELISSA N. SUBJECK

It's 4:30 on a Friday afternoon. Your phone rings. It is your biggest client, a New York company that makes widgets. "Help," your client pleads, "there is a California company that is copying our widgets! You can see them on the company's website."

You go on the website to check things out. You find the infringing widgets but notice that the website is not interactive. You cannot make a purchase through the website, rather you must call, email, or visit the infringer to purchase the infringing widget. "We want to sue them right away for infringement—and we want to sue them here, in New York," your client says. "Let's think about this," you say. "This is a pretty savvy infringer. By disabling any interactivity on the website, this infringer is clearly trying to avoid getting sued in New York, or any other foreign jurisdiction for that matter." "I don't understand," says the client. "Why should we have to go to California to enforce our rights that this company is clearly infringing?" You put your thinking cap on. "I have an idea," you say. "We will call this California company and order an infringing widget to be shipped to New York." Done! Jurisdiction in New York obtained! Or maybe not….

The New Trend: Deactivate That Website. Today, virtually anything can be purchased from your computer, tablet, smartphone, or personal mobile device. As online shopping has become increasingly popular, companies have expanded their use of the Internet to reach customers located far and wide. Companies can market and sell just about anything online—to customers located just about anywhere—including clothing, household appliances, life insurance, and travel packages. This, unfortunately, also gives infringers or counterfeiters a potentially unlimited geographic reach.

For a time, companies were largely unaware that they could be haled into court in a foreign jurisdiction—where they maintain no physical presence or direct any purposeful activity—based *solely* on their Internet activities. But questions of personal jurisdiction with respect to internet-related activities have been litigated for over a decade, now. And while the courts continue to diverge on this issue, the general rule remains that courts are most likely to find personal jurisdiction over a foreign company whose website is interactive, meaning that customers can complete transactions through the website.[1] With this as their guidepost, potential infringers have found creative ways to minimize their exposure to lawsuits in foreign jurisdictions.

The recent trend, undoubtedly fueled by case law finding jurisdiction based on Internet activity, is for a company to deactivate portions of its website in order make it less apparent that the website is directing itself to customers located in other states. The easiest way to accomplish this is by prohibiting customers from completing transactions through the website. For example, a company's website may provide all the promotional materials and local contact information necessary to consummate a sale, but stop just short of allowing potential customers to purchase the desired goods or services online. In that instance, the customer must call, email, or visit the company to purchase the goods or services. Not only does this effort allow the company to exercise discretion in selling its goods or services, but it removes the company from the "highly interactive" category of Internet activity. Stated differently, if, for example, a California company is selling goods or services that may infringe a New York company's intellectual property, by deleting the interactive portions of its website, the California company will likely be able to avoid any infringing sales—and any resulting lawsuit—in New York.

To counteract this trend, it has become common practice for plaintiffs to "manufacture" a sale in their home states before filing a lawsuit. But assuming there are no other known contacts or transactions in New York, is the single, manufactured sale sufficient to achieve personal jurisdiction over the infringing non-New York defendant? While the law continues to develop on this issue, courts are increasingly wary of plaintiffs' attempts to engineer personal jurisdiction. Practitioners should be aware of the recent case law refusing to recognize manufactured contacts for jurisdictional purposes.

Long-Arm Jurisdiction and Due Process. New York's long-arm statute permits a court to exercise personal jurisdiction over an out-of-state defendant in two circumstances that are relevant to this analysis: (1) where the defendant "transacts any business within the state or contracts anywhere to supply goods or services in the state"[2] and the plaintiff's claim "results from that transaction;"[3] or (2) where the defendant "commits a tortious act without the state causing injury to person or property within the state" and the defendant "expects or should reasonably expect the act to have consequences in the state and derives substantial revenue from interstate or international commerce."[4]

> Section 302 is a "single-act statute," which means that *one transaction may suffice to confer jurisdiction*…. But that transaction must have been purposefully entered into, and there must be a "substantial nexus" between the transacted business and the cause of action.[5]

Because a website is equally accessible anywhere, a party does not subject itself to jurisdiction simply because it maintains a website that residents of the forum state may access. Courts have thus developed a "sliding scale" or "spectrum of interactivity" analysis where jurisdiction is premised on the use of a website by residents of a forum state:

> [a]t one end [of the spectrum] are "passive" websites—i.e., those that merely make information available to viewers. Such websites have been analogized to an advertisement in a nationally-available magazine or newspaper, and [do] not without more justify the exercise of jurisdiction over the defendant. At the other end of the spectrum are "interactive" websites—i.e., those that knowingly transmit goods or services to users in other states. Where an "interactive" website is not only available but also purposefully directs activity into [the] forum state—for example, by making sales of goods or services to New York residents—those activities can be sufficient to trigger jurisdiction under [§302].[6]

In the middle of the spectrum are "cases in which the defendant maintains an interactive website that permits the exchange of information between users in another state and the defendant, which depending on the level and nature of the exchange may be a basis for jurisdiction."[7] Courts considering these "middle ground" websites "distinguish between those with significant commercial elements, which typically are found to constitute transaction of business, and those lacking significant commercial elements, which typically are not."[8]

> The **recent trend**, undoubtedly fueled by case law finding jurisdiction based on Internet activity, is for a company to **deactivate portions of its website** in order make it less apparent that the website is directing itself to customers located in other states.

Assuming a plaintiff can meet the requirements for establishing personal jurisdiction over the infringing defendant in New York, the inquiry then shifts to whether jurisdiction satisfies Due Process. To do so, a plaintiff must show both: (1) minimum contacts; and (2) reasonableness.[9] The minimum contacts analysis requires the court to look to the totality of defendant's contacts with the forum[10] to "determine whether the defendant purposefully availed itself of the privilege of doing business in the forum state and could reasonably anticipate being haled into court there."[11] Similarly, a court must assess whether it is "reasonable under the circumstances of the particular case" to exercise personal jurisdiction over the non-resident defendant.[12]

'Manufactured' Contacts in the State of New York. The Second Circuit has not yet resolved the issue of whether "manufactured" contacts (i.e., the sale of an infringing item to a plaintiff's agent) is sufficient on its own to confer jurisdiction, and there is conflicting precedent from the district courts.[13] This issue has been addressed recently by the Southern District of New York and, interestingly, the decisions have been inconsistent. It is clear, however, that the district court is becoming increasingly wary of manufactured jurisdiction.

The issue of manufactured contacts was first addressed by the Southern District of New York over a decade ago in *Mattel v. Adventure Apparel*, 2001 U.S. Dist. LEXIS 3179 (S.D.N.Y. March 22, 2001). *Mattel* involved allegations of trademark dilution and infringement, as well as cybersquatting by the Arizona defendant, Adventure. Adventure operated a website that, although listed as "not open for business," made one sale in New York—to Mattel's investigator. After determining that Adventure's interactive website was sufficient to bring Adventure into the category of "transacting business" via the Internet, the court turned to the issue of whether personal jurisdiction could be maintained on a single sale made to the plaintiff's investigator solely for purposes of the litigation. The court had no concerns and held that "[t]he fact that the sale was made to an agent of Mattel is irrelevant" and "[t]he fact that there was only one transaction did not vitiate personal jurisdiction" because Adventure's activities were purposeful and there was a substantial relationship between the transaction and the claim asserted."[14]

The Southern District of New York followed the Mattel court's lead when faced with the issue in *Cartier v. Seah*, 598 F. Supp. 2d 422 (S.D.N.Y. 2009). Cartier commenced a lawsuit against the Florida company Seah, Seah's managing member, and Skymall alleging trade dress infringement of its Pasha de Cartier line of watches. Seah advertised its allegedly infringing products in a Skymall catalog that was distributed through airlines throughout the United States and on a Skymall website. Seah did not operate its own website. Seah made one sale in New York—to a paralegal employed by Cartier's counsel. The court held that the one New York sale was sufficient to confer personal jurisdiction over the Florida defendants and stated that "the fact that the purchaser happened to be an investigator in plaintiffs' employ does not go to the question whether Seah purposefully availed itself of the privilege of doing business in New York."[15]

The Southern District of New York, however, has become increasingly hostile towards finding jurisdiction where the plaintiff instigated the lone New York activity. In *Buccellati Holding Italia SPA v. Laura Buccellati*, 935 F. Supp. 2d 615 (S.D.N.Y. 2013), the district court dismissed the upscale jeweler's trademark infringement lawsuit for lack of personal jurisdiction. In that case, the single sale of merchandise to a New York customer, made only days before the action was commenced, was to plaintiff's investigator. The defendant's website was "unusual" in the sense that it was extant for several years, but made only that single sale instigated by the plaintiff. In order to justify filing the lawsuit in New York, the plaintiff argued that the defendant operated a website "capable" of serving a New York customer. But the district court was unpersuaded, finding that there was nothing about the defendant's website that "demonstrate[d] an attempt to 'serve the New York market.'"[16] Rather, the defendant offered uncontradicted evidence that its business was conducted through private parties, by word of mouth, and through trunk shows at retailers and homes—none of which had taken place in New York. Relying on the "well established" principle that "one does not subject himself to the jurisdiction of the courts of another state simply because he maintains a web site which residents of that state visit," the court held that the single act "instigated by a plaintiff" was insufficient to justify the court's jurisdiction over the defendants.[17]

The Southern District of New York was presented with the same issue in *Richtone Design Group v. Live Art*, 2013 U.S. Dist. LEXIS 157781 (S.D.N.Y. Nov. 4, 2013). The defendant in *Richtone* sold one infringing pilates manual to plaintiff's counsel in New York. The court noted that most New York courts would find that the plaintiff's manufactured sale was insufficient to create jurisdiction because defendant's activities were "not purposeful." But the defendant also sold 10 similar, but noninfringing, items to New York customers in 2010 and 2012 through its online newsletter. While the court specifically noted that "[c]ourts are reluctant to find personal jurisdiction unless the website specifically targets New Yorkers, or is aimed at New York users," it nevertheless found that the de minimus activity sufficed to confer long-arm jurisdiction over the defendants pursuant to CPLR 302(a)(i).[18] Ultimately, however, the district court held that the exercise of personal jurisdiction would be unreasonable as a matter of due process and dismissed the complaint.[19] In arriving at this decision, the court noted the de minimus complained-of conduct, as well as the plaintiff's questionable motive in commencing the lawsuit against a disabled California woman that made a very small amount of money mailing out photocopies of an old pilates manual. Under such circumstances, the court found it was "hard pressed to identify any substantive social policy furthered by continued litigation in this matter in the Southern District of New York."[20]

Conclusion

While the courts have opened the door for personal jurisdiction to be found where the alleged infringer operates an interactive website and has shipped even a single infringing item into New York, they have become increasingly wary of plaintiffs' attempts to manufacture that single sale. The hesitance by the courts to recognize these engineered sales, along with the increased efforts by potential infringers to deactivate their websites, have made it more difficult for intellectual property owners to sue in their home state. With this in mind, to obtain personal jurisdiction over a non-domicilliary infringer, plaintiffs will need to rely on the infringer's other "contacts" in New York, which may include marketing attempts directed at New York customers, attending trade shows in New York, or sales of unrelated products in New York (even of a de minimus nature). But in the absence of these contacts, practitioners must counsel their clients that even where the alleged infringer's website is available for viewing by New York customers, this—while harmful to the clients—may be insufficient to maintain the lawsuit in their home state.

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1. See *Zippo Mfg. v. Zippo Dot Com*, 952 F. Supp. 1119 (W.D. Pa. 1997). *Zippo* is the seminal Internet jurisdiction case, and established the "sliding scale" test for interactivity. See id. at 1123-24. Paul I. Perlman, coauthor of this article, was counsel to Zippo Manufacturing in that case.
2. N.Y. C.P.L.R. §302(a)(1) (McKinney 2013).
3. *Richtone Design Grp. v. Live Art*, 2013 U.S. Dist. LEXIS 157781, at *8 (S.D.N.Y. Nov. 4, 2013).
4. N.Y. C.P.L.R. §302(a)(3)(ii). See also *Penguin Grp. (USA) v. American Buddha*, 16 N.Y.3d 295, 300 (2011).
5. *Richtone Design Grp.*, 2013 U.S. Dist. LEXIS 157781, at *6 (citations omitted; emphasis added). See also *Chloe v. Queen Bee of Beverly Hills*, 616 F.3d 158, 170 (2d Cir. 2010) (recognizing that "proof of one transaction in New York is sufficient to invoke jurisdiction, even though the defendant never enters New York").
6. *Royalty Network v. Dishant.com*, 638 F. Supp. 2d 410, 418-19 (S.D.N.Y. 2009) (internal citations omitted); see also *Best Van Lines v. Walker*, 490 F.3d 239, 251 (2d Cir. 2007).
7. *Royalty Network*, 638 F. Supp. 2d at 419 (internal quotation marks and citation omitted).
8. *Rescuecom v. Hyams*, 477 F. Supp. 2d 522, 529 (N.D.N.Y. 2006).
9. See, e.g., *Chloe*, 616 F.3d at 164.
10. See id.
11. *Richtone Design Grp.*, 2013 U.S. Dist. LEXIS 157781, at *22 (internal quotation marks and citations omitted).
12. Id. at *23 (internal quotation marks and citation omitted).
13. Compare *ISI Brands v. KCC Int'l*, 458 F. Supp. 2d 81, 88-89 (E.D.N.Y. 2006) (motion to dismiss for lack of personal jurisdiction *granted* where plaintiff placed two orders with defendant after the lawsuit was commenced, because those sales were "nothing more than an attempt by plaintiff to manufacture a contact with this forum … . It was the acts of [plaintiff] that brought the infringing product into the forum, not [defendant's] promotion, advertising, or sales activities") (internal quotation marks and citations omitted), with *Steuben Foods v. Shibuya Hoppmann*, 2011 U.S. Dist. LEXIS 90497, at *11-15 (W.D.N.Y. Aug. 15, 2011) (motion to dismiss for lack of personal jurisdiction *denied* where defendant's website did not specifically target New York customers and lacked the ability to complete a transaction online, but defendant admitted to "occasional sales" in New York and attended trade shows in New York City).
14. *Mattel*, 2001 U.S. Dist. LEXIS 3179, at *9-10. See also *Mattel v. Procount Bus. Servs.*, 2004 U.S. Dist. LEXIS 3895, at *6-7 (March 17, 2004) ("The fact that this sale was to Mattel's investigator is irrelevant. Personal jurisdiction is proper as Defendants solicited sales over the Internet, accepted an order from a resident of this state, and shipped goods into this state to fill that order") (citation omitted).
15. *Seah*, 598 F. Supp. 2d at 425. While the court noted that the single manufactured sale was sufficient, it also made note of the copies of the catalog containing Seah's advertisement that were foreseeably distributed to airline locations in New York state for placement on flights originating from the state. Id.
16. *Buccellati*, 935 F. Supp. 2d at 627.
17. Id. at 622-23, & n.3. See also *North Jersey Media Grp. v. Nunn*, 2013 U.S. Dist. LEXIS 134972, at *8 (S.D.N.Y. Sept. 20, 2013) (granting defendant's motion to dismiss the complaint for lack of personal jurisdiction because the single sale to plaintiff's counsel in New York was "insufficient to satisfy the minimum contacts element of the Due Process analysis").
18. *Richtone Design Grp.*, 2013 U.S. Dist. LEXIS 157781, at *11-12 (alteration in original).
19. Id. at *25.
20. Id.

Subject Matter

« Continued from page 9

entities, who more pejoratively have been referred to as patent trolls. Non-practicing entities possess patent rights, but they themselves typically do not engage in any business other than licensing patents and enforcing them. Not long after *State Street* and *AT&T* were decided, and while the non-practicing entities industry was growing, both the USPTO and the courts began to question whether the scope of inventions that were patent eligible went too far. Consequently, they began to formulate and to reformulate rubrics under which to determine the bounds of what is patentable subject matter.

The combination of: (1) the changing standards under which to determine whether inventions relating to the processing of information and methods of conducting business were patent eligible; (2) the public's perception that the USPTO was issuing too many patents related to the processing of information and methods of conducting business; and (3) the increased dissatisfaction of the success of NPEs set the stage for *Bilski v. Kappos*,[6] which was the U.S. Supreme Court's first time visiting the issue of patentable subject matter in approximately 40 years.

'Bilski'

Bilski provided the opportunity for the court to introduce clarity into how to apply the patent law to inventions created in the Information Age. The court recognized the challenge before it, noting that the Information Age allowed more people to become inventors thereby requiring society to reevaluate how it strikes the balance between protecting inventors and not granting monopolies over procedures that other inventors would discover by independent creative application of general principles.[7] Unfortunately, the court did nothing to assist in determining how this balance should be struck.

The invention at issue was directed to how buyers and sellers of commodities in the energy market could protect or hedge against the risk of price changes. In deciding *Bilski*, the court repeated long-standing maxims of patent law, including a perfunctory acknowledgement that Congress intended that the patent laws would be given wide scope, and that the patent statute intentionally recited that patent rights were available for any new and useful process, machine, manufacture or composition of matter, because it wanted ingenuity to receive liberal encouragement. The court then reiterated the three exceptions to patent eligibility that it had previously recognized: laws of nature, physical phenomena and abstract ideas. The third exception is the one that is of most importance to industries that rely primarily on technologies of the Information Age.

Throughout the opinion, the court reemphasized the policy of a broad scope of what is eligible for patent protection. However, the court also implied not so subtly that it seeks to usher in a new era in which fewer inventions related to the processing of information and methods of conducting business would receive broad if any patent protection. For example, it wrote: "[W]hile [35 U.S.C.] §273 appears to leave open the possibility of some business method patents, it does not suggest broad patentability of such claimed invention."[8] The court, also paraded what it believed would be the parade of horrors should too many business method patents be issued, including issues of vagueness, suspect validity, and inundation of the USPTO and courts, thereby chilling creative endeavors and dynamic change.

In searching for a solution to the problem that it identified, the court focused on the exception to patentability of abstract ideas. Under this exception, the court concluded that the claimed processes explained the basic concept of hedging or protecting against risk, and that to allow the petitioners to patent risk hedging would preempt uses of the approach in all fields, thereby granting a monopoly over an abstract idea.

The only guidance that the Bilski court provided in determining when an invention related to the processing of information and methods of conducting business is an abstract idea, was: (1) it cannot preempt a field; (2) neither limitations to a particular technological environment nor post-solution activity will alone transform an abstract idea into patent eligible subject matter; and (3) an application of an abstract idea might be patent eligible. In the wake of *Bilski*, the Federal Circuit, the USPTO, inventors and investors were no more informed as to what degree their inventions were patent eligible than before the case was decided. In 2013, the Federal Circuit applied *Bilski* in a trilogy of cases and introduced even more confusion.

'CLS Bank International'

CLS was heard by an en banc panel of the Federal Circuit. The patents at issue related to a computerized trading platform for conducting financial transactions in which a third party settles obligations between a first and a second party, thereby eliminating counterparty or settlement risk. The court issued five different opinions, and on no individual opinion did a majority of judges agree on the analytic framework under which to analyze the issues of patent eligibility.

The judges agreed in large part with the guiding principles as set forth by the Supreme Court. Unfortunately, they could not reach a consensus as to how to apply these guiding principles or how to set up a framework in which to apply the abstract idea exception to the patent eligibility requirement of 35 U.S.C. §101. Consequently, *CLS* does not have precedential value. Instead, it merely outlined the degree of disagreement among the judges and set the stage for different groupings of three judge panels to apply whichever portions of *CLS* that they wanted in future cases. As a practical matter, inventors and patent holders were and continue to be left with the possibility that the broadest exception will become the standard that is adopted by the USPTO and the courts.

> The recent trilogy of abstract idea cases that the Federal Circuit decided has sent courts, the USPTO and applicants on **a mission to find the meaningful limitations** that will cause a claim not to be deemed directed to an abstract idea.

The patent holder in *CLS* petitioned for certiorari, and on Dec. 6, 2013, the Supreme Court granted the petition.

'Ultramercial'

Approximately six weeks after *CLS* was issued, a three judge panel issued an opinion in *Ultramercial*. Notably, *Ultramercial* was before Judges Randall R. Rader, Alan D. Lourie and Kathleen M. O'Malley, only one of whom signed on to the plurality opinion in *CLS*. The invention was directed to a method for monetizing and distributing copyrighted products over the Internet.

The majority opinion, which Lourie did not sign, went to great lengths to emphasize the breadth of what is patent eligible subject matter, implicitly indicating that it knew that its opinion would not be the last word on the abstract idea exception to patent eligibility. In teeing up the issue, Rader in large part repeated the analytic framework that he proposed in his opinion in *CLS*. However, now his framework became precedential.

Under *Ultramercial*, when considering whether the abstract idea exception applies, one must consider whether a claim has "meaningful limitations," which begs the question as to what does it mean for a limitation to be meaningful? In order to provide further guidance, Rader highlighted guideposts for assessing whether computer related inventions are directed to abstract ideas. Among the important points are that although not being determinative, limiting a claim to a computer related invention suggests patent eligibility because a machine moves away from being an abstract idea and by being tied to an abstract idea, there is a decreased likelihood of preemption of all practical applications of an idea. Thus, the court held that meaningful limitations may include the computer: (1) being part of the solution to a problem; (2) being integral to performance of the method; or (3) containing an improvement in computer technology.

In addressing the claim before it, the court contrasted the abstract idea of using advertising as a form of currency with the claimed method, which provided a particular Internet and computer-based method for monetizing copyrighted products and required 10 specific steps. Additionally, and more importantly, the court emphasized the precedent of *In re Alappat*,[9] which held that "programming creates a new machine, because a general purpose computer in effect becomes a special purpose computer once it is programmed to perform particular functions pursuant to instructions from program software." Finally, the court also emphasized the detail and complexity of the specification. Lourie concurred in the outcome, but did not join the majority opinion.

The accused infringer in *Ultramercial* petitioned for certiorari on Aug. 23, 2013.

'Accenture'

Accenture is the third of the trilogy of abstract idea cases for which the Federal Circuit issued opinions in 2013, and both Rader and Judge Lourie were again on the panel. However, rather than being joined by Judge O'Malley, the third member of the panel was Judge Jimme V. Reyna, who had signed on to Lourie's plurality opinion in *CLS*. This allowed the Accenture court to adopt the analytic framework of *CLS*'s plurality and not the framework of *Ultramercial*. In *Accenture*, the Federal Circuit asked: (1) Does the claimed invention fit within any of the four statutory classes of §101?; (2) Do any of the judicially recognized exceptions to subject matter eligibility apply, such as being directed to an abstract idea?; and (3) If the abstract idea exception is applicable, does the claim pose any risk of preempting the abstract idea?

The third prong requires an identification of the fundamental concept that is wrapped up in the claims and then determining what additional or substantive limitations narrow, confine or otherwise tie down the claim so that as a matter of practicality it does not cover the full abstract idea. This focus on additional or substantive limitations does not sound very different from Rader's focus on "meaningful limitations" in *Ultramercial*. However, in contrast to *Ultramercial*, there is an implicit tone in this opinion that suggests applying a critical eye to these types of inventions as opposed to a presumption of patent eligibility.

The invention at issue was directed to the generation of tasks to be performed in an insurance organization. Both method and systems claims were before the lower court, but after a finding of invalidity of both types of claims, the patent holder only appealed the system claims.

The Federal Circuit determined that the system claims were invalid for two reasons. First, although the system claims associated certain computer components with some of the method steps, none of the recited hardware offered a meaningful limitation beyond general linking the use of the method to a particular technological environment. Thus, they fell with the non-appealed method claims. Second, the system claims failed to include limitations that set them apart from the abstract idea of handling insurance related information.

Thus, in contrast to the analysis in *Ultramercial*, here the Federal Circuit, held that the limitations of a computer environment and being within a specific industry would not convert the claims from being directed to an abstract idea to being patent eligible. Further, with regard to the detail of the specification, the Federal Circuit in this opinion implicitly rejected the weight that the majority in *Ultramercial* put on it, noting that only the claim language was important.

In an attempt to distinguish the holding of *Ultramercial*, the Federal Circuit in *Accenture* held that whereas in *Ultramercial*, the claims contained limitations such as limiting the transaction to an Internet website, offering free access conditioned on viewing a sponsor message and only applying to a media product, the claims at issue in *Accenture* only contained limitations such as a data storage unit and a general purpose computer that received transactions, adjusted variables in the data storage unit and generated instructions. The Federal Circuit also tried to distinguish the cases by their posture, noting that *Ultramercial* was decided in response to a motion to dismiss, while *Accenture* was decided in response to a motion for summary judgment.

Not surprisingly, Rader, who holds a narrower view as to the reach of the abstract idea exception, dissented. He both would have required separate analysis of the method claims and the system claims, and would have held the claims patent eligible because there were a number of meaningful limitations and there were a number of systems that would not have been preempted by the claims.

Looking Ahead

The recent trilogy of abstract idea cases that the Federal Circuit decided provides a number of insights. First, and foremost, these cases have sent courts, the USPTO and applicants on a mission to find the meaningful limitations that will cause a claim not to be deemed directed to an abstract idea. Second, the different approaches in *Ultramercial* and *Accenture* demonstrate that who is on a Federal Circuit panel matters. With the three most recently appointed judges to the Federal Circuit, Judges Richard G. Taranto, Raymond T. Chen and Todd M. Hughes, not having had an opportunity to weigh in in any of these cases, one cannot predict how the next en banc panel would approach the issue. Finally, with the type of confusion that these cases carry, one cannot be surprised that in the CLS case, the Supreme Court granted certiorari. One can only hope that when the Supreme Court does again weigh in on this issue, it will introduce clarity rather than uncertainty as it has done in the past.

1. 717 F.3d 1269 (Fed. Cir. 2013) (en banc).
2. 722 F.3d 1335 (Fed. Cir. 2013).
3. 728 F.3d 1336 (Fed. Cir. 2013).
4. 149 F.3d 1368 (Fed. Cir. 1998) abrogated by *Bilski v. Kappos*, 130 S. Ct. 3219 (2010).
5. 173 F.3d 1352 (Fed. Cir. 1999) abrogated by *Bilski v. Kappos*, 130 S. Ct. 3219 (2010).
6. 130 S. Ct. 3218 (2010).
7. Id. at 3228.
8. Id. at 3229.
9. 33 F.3d 1526, 1545 (Fed. Cir. 1994) (en banc).

Generic Drug

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(or a generic to that brand) has already been capturing sales. Or a defendant may argue that at least some of its sales represent an expansion of the market that the brand would therefore not have made, and thus are sales for which lost profits damages are not available. Little guidance from the courts addresses these particular issues directly.

A patentee may also argue that it is entitled to lost profits damages based on price erosion. Yet the sales price of a branded product often facially increases following generic entry. That, however, does not account for rebates and/or discounts given to customers. This may require a customer-by-customer analysis. Where the patentee responds to a generic threat by selling an authorized generic, the patentee may also seek price erosion damages for that product. But the generic may argue that as a separate product no price erosion damages are available. The generic may also argue that authorized generic sales actually caused price erosion—the entry of multiple generic products can cause a steeper price erosion curve than a single entrant—and that, at a minimum, they should not be held responsible for such additional erosion. No case law definitively provides an answer.

Where lost profits damages are not available, a patentee is entitled to receive a "reasonable royalty" as compensation for infringement. On its face, the formula is simple. Determine the royalty base—number of infringing units sold (for which lost profits are not available) and sales price, i.e., sales revenue—and multiply by the royalty rate. But determining the royalty rate is not so simple: What royalty rate would a willing licensor and licensee agree to in a hypothetical negotiation held at the time infringement began. This hypothetical analysis is informed by as many as 15 Georgia-Pacific factors.[6]

Because of the uniqueness of the Hatch-Waxman law, however, it is unclear when infringement can be said to begin—and thus the date on which the hypothetical negotiation occurs. Under that statute, the filing of an application with the FDA to market a generic version of a branded drug with a certain type of patent certification is a technical act of patent infringement designed to vest the courts with jurisdiction.[7] Thus, the hypothetical negotiation could occur that early. But because of the statutory 30-month stay on FDA approval, actual commercial infringement begins several years thereafter. The hypothetical negotiation date matters, at least in part, because relative bargaining power can shift over time as between the parties. To date, there is no conclusive answer on when infringement begins for this purpose.

One of the most important Georgia-Pacific factors is a party's own licensing history for the same patents or comparable technology/patents. Such licenses can be used as evidence of a party's willingness to license its patents and the rates it demands or is willing to pay for such technology. The Federal Circuit has taken a keen interest in comparability of technology and license agreements,[8] and experts routinely battle over which licenses are "comparable." Hatch-Waxman cases are no different. Consider an extended release drug for the treatment of type-2 diabetes containing drug X as its active ingredient. Comparable technology or patents could include at least those for any product containing drug X; those for extended release drugs generally; those for the treatment of type-2 diabetes; or subsets or combinations of each. Disputes regarding the comparability of technology often first arise during discovery, leading to costly litigation maneuvering in an attempt to gain, or prevent disclosure of, license agreements.

> One of the most important Georgia-Pacific factors is a party's **own licensing history** for the same patents or comparable technology/patents.

Patent licenses between innovator pharmaceutical and generic companies are generally uncommon—except in the context of settling patent litigation. The Federal Circuit has held, though not in the context of Hatch-Waxman litigation, that patent licenses entered into in settlement of litigation can be the most relevant evidence in appropriate cases.[9] Parties to Hatch-Waxman litigation often dispute discoverability of such agreements, as well as their probative value as evidence of a royalty rate to which a willing licensor and licensee would agree. Unlike many patent licenses, the innovator-brand license agreement is typically not driven by royalty rate. Rather, the date on which a generic company may begin selling its product is often the most significant factor during negotiations. Value for the branded plaintiff is driven by the length of time during which it enjoys exclusivity without generic competition. Parties bargain hard over this date, the generic seeking the earliest possible entry date, the patentee the latest. Therefore, settlement agreements in Hatch-Waxman litigation may not fairly represent an appropriate royalty rate for these purposes. Yet, generic defendants will continue to point to licenses bearing low royalty rates and patentees will debate the probative value of such agreements. Alternatively, a patentee may argue that the time element to such licenses is where the value truly lies, and attempt to place a monetary value on that time element. In any event, there is little case law directly addressing these particular issues.

In addition to lost profits and/or reasonable royalty damages, a patentee may also be entitled to other consequential damages. Where a generic company launches at-risk, the branded pharmaceutical manufacturer may be forced to close facilities and lay off employees. It may lose discounts for bulk purchases of raw materials, suffer from reduced production efficiencies, bear increased financing-related costs and lose investment opportunities due to a reduction in revenues resulting from generic sales. Damages for similar harms have been affirmed by the Federal Circuit in other contexts.[10] Whether the branded-generic context poses a unique fact scenario rendering such precedent inapplicable remains an open question.

Assuming the generic defendant is enjoined from further infringing sales, the patentee may also continue to suffer harm from the at-risk launch long after the infringing product is removed from the market. For example, it may be unable to recover its former sales levels, market share, or pricing levels. Damages for such harms are recoverable if the patentee can prove future economic harm by providing sound economic proof of the nature of the market and likely outcomes, with infringement factored out of the economic picture.[11] Speculative recoveries are not permitted. Undoubtedly, the generic defendant will argue that with its product removed from the market, the brand will fully recapture prior sales levels, and profitability. The patentee, however, may provide evidence showing that the generic entry has permanently altered the marketplace. The branded manufacturer may have been forced to increase its discounts and rebates to maintain drug formulary coverage or placement. It is unlikely to be able to retreat from such discounts after the generic product is removed from the market. Or the branded product may have been placed in a less preferred "tier" by one or more formularies, as a result of the generic entry. If so, the brand may find it difficult to recapture its prior position. In any event, claims for future damages are sure to be hotly contested, again, with a lack of precedent specific to the industry.

Those within the pharmaceutical industry had hoped that the Protonix litigation might provide some guidance to those litigating in this area. And maybe it did, even without Federal Circuit review.[12] At trial, the plaintiffs informed the jury they were seeking about $2.7 billion in damages from the two defendants ($1.9 billion from Teva, $838 million from Sun), as a combination of lost profits and reasonable royalty damages. The settlement with Teva ($1.6 billion) represented only about a 16 percent discount from the amount plaintiff sought, perhaps reflecting the relative strengths of the parties' legal arguments.

1. See e.g., *Abbott Labs. v. Sandoz*, 544 F.3d 1341 (Fed. Cir. 2008).
2. See, e.g., *King Instruments v. Perrigo*, 65 F.3d 941 (Fed. Cir. 1995).
3. See *Panduit v. Stahlin Bros. Fibre Works*, 575 F.2d 1152 (6th Cir. 1978).
4. See, e.g., *State Indus. v. Mor-Flo Indus.*, 883 F.2d 1573 (Fed. Cir. 1989).
5. See, e.g., *Pall v. Micron Separations*, 66 F.3d 1211 (Fed. Cir. 1995).
6. *Georgia-Pacific v. U.S. Plywood-Champion Papers*, 318 F. Supp. 1116 (S.D.N.Y. 1970), modified sub nom. *Georgia-Pac. v. U.S. Plywood-Champion Papers*, 446 F.2d 295 (2d Cir. 1971).
7. See 35 U.S.C. §271(e)(2)(A).
8. See, e.g., *ResQNet.com v. Lansa*, 594 F.3d 860 (Fed. Cir. 2010).
9. See, e.g., *ResQNet.com*, 594 F.3d at 869-72. No settlement negotiation privilege applies to "settlement negotiations related to reasonable royalties and damage calculations." *In re MSTG*, 675 F.3d 1377, 1348 (Fed. Cir. 2012).
10. See, e.g., *Mach. v. Magna-Graphics*, 745 F.2d 11, 22 (Fed. Cir. 1984) (award compensating patentee for its decreasing marginal cost of producing goods); *LAM v. Johns-Manville*, 718 F.2d 1056, 1065 (Fed. Cir. 1983) (award compensating for increased promotional expenses).
11. *Grain Processing v. Am. Maize-Prods.*, 185 F.3d 1341, 1350 (Fed. Cir. 1999); see also *Oiness v. Walgreen*, 88 F.3d 1025 (Fed. Cir. 1996); *Water Technologies v. Calco*, 850 F.2d 660 (Fed. Cir. 1988); *LAM*, 718 F.2d at 1065 (Fed. Cir. 1983).
12. Infringement and validity had already been decided by another jury in 2010. Appeal on those issues presumably also awaited judgment on damages.

Music

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After several hundred years of music made by a limited set of instruments, any sound can now be created with little more than a laptop and software. Modern electronic synthesizers can manipulate waveforms to recreate traditional instruments, alter them, or create virtually any other kind of sound wave imaginable. The waveforms can take on other characteristics as well, depending on their amplitudes, frequency, phase, and other features, all of which combine to make the particular soundwave that a listener hears.[17] The versatility of music software is such that a modern-day musician can apply a multitude of different types of effects (chorus, reverb, delay, compression, distortion, modulation, etc.) to existing sounds, and in the process create an entirely new sound.

Not all synthesized sounds are original, but even unoriginal sounds can be adapted into original works. Music production software comes with a wide array of pre-created, license-free "sample" sounds. Electronic musicians often mix and match these samples, or combine them with other sounds, to create original musical compositions.[18] They may also alter the samples significantly so as to create entirely new sounds, also forming original musical compositions.

A composition that results from such a creative endeavor may not have the traditional elements of melody, harmony, chord progressions, or lyrics. But it represents a creative effort, the likes of which the Copyright Act is designed to protect. A court attuned only to the traditional elements of music may miss what makes electronic music protectible.

Towards a New Framework

Successful prosecution or defense of an electronic music copyright case depends on understanding electronic music—both its method of creation and the commonly used expressions of the genre.

Plaintiffs must be aware of the characteristics comprising electronic music beyond the traditional markers: synthesizer settings and combinations; timbre; tonality; rhythmic disruptions; and other computerized effects.

Defendants should consider the common or unoriginal elements of the music. Most producers use one of a limited number of digital audio workstations or commercially-available sound sets.[19] As a result, many sounds used in modern electronic music contain (or simply are) those "presets." Two songs may sound similar, but only because their creators used the same unoriginal license-free presets, or a similar method of creating the song.[20]

Both sides should encourage their clients to articulate the creative process behind their respective work, the legal relevance of which even the artist may not fully appreciate. The creative process in electronic music is not just knob-twiddling or pressing computer buttons. The computer is a musical instrument, and the process of composing can be used to explain why the resulting composition is protectible.

Particularly given the "newness" of electronic music, artists should exercise diligence in protecting their copyrights. After all, *someone* was the first person to chant "it's your birthday" in a hip-hop song, and someone was the second. Once the hundredth person uses it, it is an unprotectible part of the idiom,[21] but the *second* person was arguably violating a copyright that could have been protected by the first. Authors of original electronic music should protect and enforce their copyrights before their work becomes an unprotectible cliché.

Courts, for their part, must be willing to consider non-traditional elements of music beyond melody and rhythm, particularly when it comes to expert assistance. Courts analyzing substantial similarity frequently hear experts in musicology and score analysis explain similarities in the written representation of the musical work. But problems abound in analyzing sound through written means.[22] Traditional music has a traditional notation, with agreed-upon symbologies. Most electronic music cannot be written out like the score for a Beethoven sonata, as there is no agreed way to represent timbre in writing. Thus, an expert might be called on to examine not sheet music, but instead the method of producing the sounds in the piece, or even the actual waveforms.

Courts also should allow a greater tolerance for experts outside the traditionally qualified senior professor with a long list of publications, professional accomplishments, and experience with expert testimony. While there are professors who teach modern electronic music, the phenomenon is new enough that there are relatively fewer senior academics. Some courts have recognized the necessity of practical experience in a particular style. One district court considering two rap songs accepted as an expert an ethnomusicologist, rather than a more traditional professor of composition or music theory.[23] That expert, however, was also a full professor at the University of Toronto Faculty of Music, trained in musical analysis and transcription, and had previously served as an expert witness in music copyright cases—so not much of a stretch.[24]

The Daubert standard[25] and Federal Rule of Evidence 702 need not be relaxed, just reconsidered. The world's foremost expert to analyze synthesized sounds for similarity may not be a tenured professor in a prestigious music department, but instead a 28-year old DJ or producer who may not be able to read sheet music. Courts should be cautious not to disqualify experts for a lack of academic status or publications. Practical expertise in the field is key.

Particularly given the "newness" of electronic music, artists should **exercise diligence** in protecting their copyrights. After all, **someone was the first person** to chant "it's your birthday" in a hip-hop song, and someone was the second.

Conclusion

It is a cliché that parents believe the music that their teenagers enjoy to be "just noise." Certainly, music that avoids centuries of fundamental composition techniques may well be mistaken as such. But courts should not dismiss the creativity inherent in these works, particularly when, as several circuit courts have noted, substantial similarity analysis takes into account the particular audience for whom the work is intended.[26]

Senior lawyers and judges, perhaps not the target audience for electronic music, might not immediately appreciate its original, and protectible, elements. But a particular composition should not be unprotectible just because it does not conform to the typical guideposts for assessing substantial similarity.

Courts examining only traditional elements such as melody, harmony, chord progressions, and lyrics in evaluating the substantial similarity of electronic music compositions could potentially undermine this thriving area of the musical arts. At best, courts would find no substantial similarity between two electronic compositions, because both lack any traditional elements to compare, and at worst, courts may find no protectible elements at all. As a result, electronic music would be easier to copy, and more difficult to protect, undermining the fundamental, constitutional purpose of copyright law.

It is therefore incumbent upon courts and scholars alike, when analyzing and comparing modern-day music, to depart from traditional comparisons of melodies and lyrics largely absent in electronic music, and instead focus on elements such as timbre and texture that make this evolving musical art original and protectible.

1. *Feist Publ'ns v. Rural Tel. Serv.*, 499 U.S. 340, 361 (1991). A plaintiff can prove musical copying without evidence of access to the original work by showing that the compositions are "strikingly similar," such that copying is the only plausible explanation of the similarities. See *Fogerty v. MGM Grp. Holdings*, 379 F.3d 348, 351 (6th Cir. 2004); *Three Boys Music v. Bolton*, 212 F. 3d 477 (9th Cir. 2000).

2. *Knitwaves v. Lollytogs*, 71 F.3d 996, 1002 (2d Cir. 1995) (citations omitted).

3. 1 Melville B. Nimmer & David Nimmer, Nimmer on Copyright (hereinafter Nimmer) §2.05[D] (Matthew Bender, Rel. 83 Pub. 485 2010).

4. Sergiu Gherman, "Harmony and its Functionality: A Gloss on the Substantial Similarity Test in Music Copyrights," Fordham Intellectual Property, Media and Entertainment L.J. 19:2 (2008) (hereinafter Gherman) at 487. See also, e.g., *Three Boys*, 212 F.3d at 485 (analyzing lyrics, rhythm, pitch, cadences, instrumental figures, the verse/chorus relationship, and a "fade" ending); *Ellis v. Diffie*, 177 F.2d 503, 506 (6th Cir. 1999) (phraseology, lyrics, rhythms, chord progressions, "melodic contours," structures, and melodies); *Cottrill v. Spears*, No. 02-3646, 2003 WL 21223846, at *9 (E.D. Pa. May 22, 2003) (pitch, chord progression, meter, and lyrics); *Tisi v. Patrick*, 97 F. Supp. 2d 539, 543 (S.D.N.Y. 2000) (structure, melody, harmony, and rhythm); *McKinley v. Raye*, No. 3:96-CV-2231-P, 1998 WL 119540, at *5 (N.D. Tex. March 10, 1998) (lyrics, melodies, and song structure); *Intersong-USA v. CBS*, 757 F. Supp. 274, 280 (S.D.N.Y. 1991) (chord progress, structure, pitch, and harmony).

5. *Bright Tunes Music v. Harrisongs Music*, 420 F. Supp. 177 (S.D.N.Y. 1976).

6. *Three Boys Music*, 212 F.3d at 477.

7. See *Lil' Joe Wein Music v. Jackson*, 245 Fed. Appx. 873, 878 (11th Cir. 2007) (hip-hop phrase "Go [name], it's your birthday," not protectible because it was a "common hip-hop chant"); *Currin v. Arista Records*, 724 F. Supp. 2d 286 (D. Conn. 2010) (Pharrell and the Neptunes "I'm Frontin'" had no similarity to another song called "Frontin'" other than the name and an unprotectible "hip hop idiom").

8. *Johnson v. Gordon*, 409 F.3d 12, 21-22 (1st Cir. 2005) (the lyric "You're the One" an unprotectible cliché; the "life is but a dream" melody from "Row, Row, Row Your Boat" also would not be protectible).

9. *Cottrill*, 2003 WL 21223846 (Britney Spears' "What U See Is What U Get" did not share substantially common elements with a song called "What You See Is What You Get," outside the very common A-minor key signature and 4/4 rhythm, and the clichéd title).

10. This generalization excludes music employing microtonalities, or tones whose frequency is "between" the notes on a piano, a technique employed rarely.

11. Gherman at 509.

12. *Gaste v. Kaiserman*, 863 F.2d 1061, 1068 (2d Cir. 1988); see also *Tisi*, 97 F. Supp. 2d at 548 ("The striking similarity test…is applied with particular stringency in cases…involving popular music").

13. 17 U.S.C. 102.

14. *Tisi*, 97 F. Supp. 2d at 543; see also *Lil' Joe Music*, 245 Fed. Appx. at 880 n.7 (same point regarding hip-hop music).

15. See, e.g., The Physical Principles of Sound, available at http://www.jiscdigitalmedia.ac.uk/guide/the-physical-principles-of-sound.

16. See also American National Standards Institute, "USA Standard Acoustical Terminology," S1.1-1994 (R1999) ("Timbre is that attribute of auditory sensation in terms of which a listener can judge that two sounds similarly presented and having the same loudness and pitch are dissimilar").

17. Id.

18. For example, one particular synthesizer sound (often called "Hoover" or "Dominator") appears on numerous electronic songs with minimal, if any, alteration. See, e.g., http://www.synthmania.com/Famous%20Sounds.htm (including samples of three such songs).

19. http://www.musicradar.com/us/tuition/tech/the-15-best-daw-software-apps-in-the-world-today-238905/.

20. See, e.g., *Watt v. Butler*, 744 F. Supp. 2d 1315, 1323 (N.D. Ga. 2010) (granting summary judgment for defendants; the creator of the allegedly infringing song testified that "[t]he keys on the [computer] keyboard were right beside each other. And that's how the tune came about") (alteration in original).

21. *Lil' Joe Wein Music*, 245 Fed. Appx. at 878.

22. See, e.g., *ZZ Top v. Chrysler*, 54 F. Supp. 2d 983, 986 (W.D. Wash. 1999) ("While the reduced version of the riff may…be an appropriate representation of 'how the music actually sounds' or is 'perceived,' it is not an accurate representation of the written notes that are subject to copyright protection").

23. *Watt*, 744 F. Supp. 2d at 1320.

24. Id.

25. *Daubert v. Merrell Dow Pharms.*, 509 U.S. 579 (1993).

26. See, e.g., *Kohus v. Mariol*, 328 F.3d 848, 858 (6th Cir. 2003); *Lyons P'ship v. Morris Costumes*, 243 F.3d 789 (4th Cir. 2001); *Whelan Assocs. v. Jaslow Dental Lab.*, 797 F.2d 1222, 1233 (3d Cir. 1986); *Atari Games v. Nintendo of Am.*, 975 F.2d 832, 844 (Fed. Cir. 1992); *Computer Assocs. Int'l v. Altai*, 982 F.2d 693, 713 (2d Cir. 1992).