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## PATENT

## SCOTUS to review medical patent dispute to see if 'assignor estoppel is dead'

By Patrick H.J. Hughes

Assignor estoppel, a doctrine that prohibits inventors from challenging the validity of patents they created, is at the center of a dispute before the U.S. Supreme Court between two companies that provide devices for the treatment of abnormal uterine bleeding.

***Minerva Surgical Inc. v. Hologic Inc. et al.*, No. 20-440, cert. granted, 2021 WL 77248 (U.S. Jan. 8, 2021).**

The high court granted certiorari Jan. 8, agreeing to answer the question posed by *Minerva Surgical Inc.*: whether to abandon or limit assignor estoppel.

The dispute is part of *Minerva's* patent battle with *Hologic Inc.*, a large medical device company that provides a variety of surgical instruments and imaging technologies.

*Minerva* says *Hologic* should not benefit from the assignor estoppel doctrine in their infringement dispute because Section 282(b) of the Patent Act, 35 U.S.C.A. § 282(b), says invalidity can be



REUTERS/Will Dunham

**The U.S. Supreme Court building.**

offered as a defense to "any action involving the validity or infringement of a patent."

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## EXPERT ANALYSIS

## 5 trends to watch in 2021 for trademark &amp; brand management

Greenberg Traurig attorneys Susan L. Heller, Joel Feldman, Candice E. Kim and Stephen Baird offer their predictions of what 2021 holds for trademark practitioners.

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## EXPERT ANALYSIS

## Use of fake identities found deceitful in commercial email — why not elsewhere on the Internet?

Thompson Coburn LLP attorney Mark Sableman discusses the recent 3rd Circuit decision in *Rad v. Attorney General* and how it may affect anonymous and pseudonymous Internet speakers.

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# 5 trends to watch in 2021 for trademark & brand management

By Susan L. Heller, Esq., Joel Feldman, Esq., Candice E. Kim, Esq., and Stephen Baird, Esq.  
Greenberg Traurig LLP

## 1. TRADEMARK MODERNIZATION ACT

The bipartisan Trademark Modernization Act of 2020, passed by Congress on December 21, 2020, is intended to bolster the United States Patent and Trademark Office's (USPTO) initiatives to ensure the accuracy and integrity of the Trademark Register.

All eyes will be on the USPTO's and federal court system's implementation of the new Act and the efficacy of the new procedures.

## 2. U.S. TRADEMARK APPLICATIONS FILED BY CHINESE APPLICANTS

According to reports, nearly half of new U.S. trademark applications are filed by Chinese

Trademark practitioners will closely follow the USPTO's procedural efforts to accept bona fide China-based applications, reject fraudulent China-based applications, and minimize disruption to U.S. applicants.

## 3. MARIJUANA AND CBD BRAND MANAGEMENT STRATEGY

Notwithstanding the proliferation of legal marijuana and CBD products being sold within many states and the growing value of associated brand names, the USPTO has consistently refused to register brands used for marijuana products (under the Controlled Substances Act) and brands used for ingestible CBD products (under the Federal Food, Drug, and Cosmetic Act).

In 2021, the pressure will grow on the USPTO to delicately balance the lawful commerce requirement for federal registration with the consumer protection goals of the Lanham Act.

## 4. IMPACT OF CONSUMER PERCEPTION ON TRADEMARK REGISTRABILITY

On June 30, 2020, the U.S. Supreme Court held that Booking.com B.V. was entitled to

In 2021, the pressure will grow on the USPTO to delicately balance the lawful commerce requirement for federal registration with the consumer protection goals of the Lanham Act.

The Act invites interested parties to scrutinize use claims within trademark applications and registrations through an augmented letter of protest procedure and two new types of post-registration challenge — ex parte expungement proceedings (after the third anniversary of the registration date) and petitions for re-examination. The Act also resolves a circuit split regarding the requisite irreparable harm showing necessary for trademark-related injunctive relief by codifying a rebuttable presumption of irreparable harm for trademark violations.

applicants, and an appreciable number of these applications are believed to rely on doctored photographs to demonstrate actual use of the applied-for mark.

While the USPTO has enacted procedures to combat specious use claims, some of these procedures have proven onerous on U.S.-based applicants as well. Likewise, the high volume of China-based applications has lengthened examination times and created obstacles to the bona fide adoption and registration of marks by U.S.-based applicants.



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register BOOKING.COM as a service mark for travel accommodations even though BOOKING was a generic term, because consumers perceived BOOKING.COM in its entirety as a trademark, not as a generic designation.

Owners of similar marks are now incentivized to seek or re-seek registration of their marks, and will be watching how the USPTO, including the Trademark Trial and Appeal Board, implements the Supreme Court's decision and evaluates new applications for generic-dot-com marks.

Creative trademark counsel will also be looking for opportunities to apply the Supreme Court's emphasis on consumer

perception in the *U.S. Patent and Trademark Office v. Booking.com*, 140 S. Ct. 2298 (2020), decision to attempt to reverse the USPTO's growing trend of issuing and affirming failure-to-function registration refusals without an underlying examination record of genericness.

#### **5. THE U.S. SUPREME COURT'S FORTHCOMING ARTHREX DECISION AND THE EFFECT, IF ANY, ON THE TRADEMARK TRIAL AND APPEAL BOARD (TTAB)**

Most trademark registration disputes (either between an applicant and an examiner or an applicant and an interested third party) are

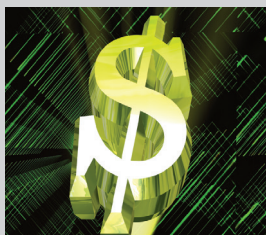
resolved by the Trademark Trial and Appeal Board (TTAB), which describes itself as "a neutral body that functions like a court for trademark matters at the USPTO."

In 2021, the U.S. Supreme Court will decide whether the Patent Trial and Appeal Board's (PTAB) judges may continue to be appointed by the Secretary of Commerce rather than appointed by the President with the advice and consent of the Senate.

If the Supreme Court holds that the PTAB's judges have been improperly appointed, that may lead to a challenge of the TTAB's judges as well, which would have a seismic effect on proceedings related to trademark registration. **WJ**

## WESTLAW JOURNAL **BANK & LENDER LIABILITY**

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## Use of fake identities found deceitful in commercial email — why not elsewhere on the Internet?

By **Mark Sableman, Esq.**  
**Thompson Coburn LLP**

The Third Circuit Court of Appeals recently had to decide a sensitive and difficult issue: Can you use a false identity to deceive someone when you are selling something by email? After careful deliberation, the court held that under the federal CAN-SPAM Act, such conduct was both criminal and deceitful.

his expulsion order). This forced the Third Circuit to examine certain provisions of CAN-SPAM, the federal law regulating unsolicited commercial email.

Rad was convicted of conspiracies based on his sending of “misleading spam emails,” and, more specifically, using false email

anonymity only for dissidents and minorities who legitimately feared retaliation for participation in public debate, the Supreme Court suggested that everyone has a right, in all cases, to cloak his or her identity.

That statement was “dictum” — a statement that goes beyond the determinative issue of the case, as distinguished from the “holding” that was essential to the court’s ruling. Dictum isn’t precedent and needn’t be followed by other courts.

But the *McIntyre* dictum has been followed as if it were sacred scripture. And while the dictum came from a pre-Internet (1985) ruling, it has been applied extensively in the Internet era, to significantly shield anonymous and pseudonymous Internet speakers.

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The most interesting part of the *Rad* ruling is what it would mean if the court’s basic insight — that use of fake names can be deceitful — were more widely recognized.

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Not a big deal. Deceit has always been unlawful. Of course you can criminalize deceit. But why was the decision so sensitive and difficult? Because it involved modern talismanic concepts: use of anonymity and false identities on the Internet.

name headers, and false references to his own domain. Essentially, he sent emails that falsely identified their origin, presumably to make his operation look more credible than it was. His crime, under CAN-SPAM, was, essentially, using false identities.

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The elephant in the Third Circuit courtroom was the widespread use of anonymity and false identities in social media and message boards to spread disinformation and change the course of events.

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Many people today believe that everyone has an absolute right to cloak his or her identity on the Internet. Thus, the judges on the Third Circuit panel, in *Rad v. Attorney General*,<sup>1</sup> felt they had to tread carefully in burdening the use of anonymity or false identities on the Internet, because of “troubling constitutional and practical consequences.”

The court was concerned because of the extensive use of anonymity and false identities on the Internet, and judicial protection of such uses, all based on a U.S. Supreme Court decision, *McIntyre v. Ohio Elections Commission*.<sup>2</sup>

That is why the Third Circuit tiptoed so carefully around interfering with customary Internet anonymity or pseudonymity. In many situations, people regularly use pseudonyms or even false names. Email addresses, for example, often use nicknames, allusions, jokes, abstractions, or other non-legal names.

In *Rad*, a non-U.S. citizen who had been convicted of violating the CAN-SPAM Act in connection with a penny stock scheme was ordered expelled from the country. He challenged this ruling, claiming that his conviction didn’t involve fraud or deceit (the justification, under immigration laws, for

In that decision, breaking with past decisions that recognized a First Amendment right of

Similarly, domain names rarely use a person or company’s full legal name, and many domain name owners even hide their identity through proxy registrants.

So the Third Circuit asked whether Rad’s false email identification was any different from typical Internet naming techniques (like using shorthand phrases on emails and domain names) and practices (like using proxy domain registrants).

The court found that CAN-SPAM doesn’t impose a blanket prohibition on all names



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that are different from the sender's legal name. Rather, it prohibits "materially falsified" header information, which means names altered or concealed in a manner that would deceive the recipient (specifically, by impairing the recipient's ability to identify the true sender).

For that reason, the court found that CAN-SPAM didn't interfere with "longstanding norms," such as shorthand or nickname email addresses. It addressed instead truly misleading and deceitful falsifications, in situations where the truthful information would have made a difference.

Presumably, in the *Rad* case, investors would not have trusted Rad's emails if they had been labeled with his name rather than the falsified names he used.

Ultimately, the court found that Rad was properly expelled from the country, since his CAN-SPAM crime, of falsifying his identity in the emails he sent out, was one of fraud and deceit.

The most interesting part of the *Rad* ruling is what it would mean if the court's basic insight — that use of fake names can be deceitful — were more widely recognized.

The elephant in the Third Circuit courtroom was the widespread use of anonymity and false identities in social media and message boards to spread disinformation and change the course of events.

This extensive use of anonymous and false identities is, on the whole, just as deceitful

as the conduct at issue in *Rad*, and has far greater consequences. (As just one example, we covered the impact of disinformation on the election process during our "Muting Misinformation" blog series<sup>3</sup> this past summer.)

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The current ethos is so strong that all anonymity and false identities must be protected, that many people believe that even deliberate disinformation, powered by deceitful false identities, is constitutionally protected.

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While some of those who shield their identities on the Internet do so for the reasons that were protected even before *McIntyre* (because they are minorities or dissidents who have important things to express and a legitimate fear of retaliation), false identities are often used for outright deceit, similar to what occurred in the *Rad* case.

Disinformation machines, domestic as well as foreign, use false identities, quite successfully, to deceive customers, citizens, and voters. Russian disinformation in the 2016 election, for example, was notably successful with its social media posts using fake domestic identities, thereby deceiving voters into accepting views that they felt came from their neighbors, or, alternatively, rejecting views that they thought came from other Americans.

Yet, the current ethos is so strong that all anonymity and false identities must be protected, that many people believe that even deliberate disinformation, powered by

deceitful false identities, is constitutionally protected. We saw that, for example, when one of the consultants to the Senate Intelligence Committee actually stated in a report, "we respect the privacy of fake people."

The Third Circuit's decision in *Rad* reminds us that deceit is bad. Deceitful use of false identities, or concealment of true identities, is a form of fraud and deceit. Deceit is not a form of free speech; it is a misuse of speech. It should be punished, not celebrated or protected.

Rather than start from the overbroad presumption in *McIntyre* that all anonymity and false identities are allowable, future cases involving use of fake identities in social media and in disinformation campaigns should start from the simple and unarguable holding of *Rad*, that material and harmful deceit can and should be prohibited and prosecuted. **WJ**

## NOTES

<sup>1</sup> <https://bit.ly/394gfpn>

<sup>2</sup> <http://bit.ly/3nU2e0>

<sup>3</sup> <http://bit.ly/3ompg3k>

# U.S. Supreme Court rebuffs Merck appeal in hepatitis C patent fight with Gilead

(Reuters) – The U.S. Supreme Court on Jan. 19 rejected Merck & Co. Inc.’s bid to revive a \$2.54 billion jury verdict it won against rival drugmaker Gilead Sciences Inc. for infringing a patent in a dispute over a blockbuster hepatitis C treatment.

***Idenix Pharmaceuticals LLC et al. v. Gilead Sciences Inc., No. 20-380, cert. denied, 2021 WL 161021 (U.S. Jan. 19, 2021).***

The justices declined to take up Merck’s appeal of a lower court’s ruling that overturned the massive damages verdict after finding that Merck’s patent was invalid.

The case concerns a new generation of highly effective drugs for hepatitis C, a viral infection that can cause serious liver damage, able to cure more than 90% of patients, with few side effects.

New Jersey-based Merck’s Idenix Pharmaceuticals Inc. in 2013 accused California-based Gilead of infringing its patent for a family of compounds with the same basic chemical structure that is effective against the hepatitis C virus.

After a federal court trial in 2016, a jury sided with Idenix, awarding \$2.54 billion for

Gilead’s infringement with its drugs Sovaldi and Harvoni.

The Washington-based U.S. Court of Appeals for the Federal Circuit, a specialized patent court, invalidated the patent in 2019 after determining that its claims on the family of compounds were overly broad, in violation of U.S. patent law. *Idenix Pharms. LLC v. Gilead Scis. Inc.*, 941 F.3d 1149 (Fed. Cir. 2019).

In its appeal to the Supreme Court, Merck said that the Federal Circuit’s ruling undermined biotechnology breakthroughs in which discoveries often begin with a family of compounds that share a particular property.

A group of intellectual property scholars backed Merck in a written brief, telling the justices that the Federal Circuit ruling made it “unreasonably difficult for a pharmaceutical company that comes up with an innovative new class of drugs to protect that class against imitation. That result threatens innovation.”



REUTERS/Brendan McDermid

Anthony M. Insogna of Jones Day filed the petition for certiorari on behalf of Idenix.

E. Joshua Rosenkranz of Orrick, Herrington & Sutcliffe LLP is representing Gilead. [WJ](#)

*(Reporting by Andrew Chung)*

**Related Filings:**

- Opinion denying certiorari: 2021 WL 161021
- Amicus brief: 2020 WL 6814723
- Certiorari petition: 2020 WL 5751271
- Federal Circuit opinion: 941 F.3d 1149

## WESTLAW JOURNAL **AUTOMOTIVE**



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# Patent suit against Gallo Winery isn't a case of sour grapes, judge says

By John Fitzgerald

E. & J. Gallo Winery will have to face infringement claims after it failed to persuade a federal judge in Fresno, California, to invalidate a pair of patents that use sensors to aid grapevine growth.

***Vineyard Investigations v. E. & J. Gallo Winery, No. 19-cv-1482, 2021 WL 22497 (E.D. Cal. Jan. 4, 2021).***

U.S. District Judge Sheila K. Oberto of the Eastern District of California on Jan. 4 denied Gallo's motion to dismiss Vineyard Investigations' patent suit on the grounds that the wine conglomerate did not meet the U.S. Supreme Court's threshold for showing the patents were invalid as abstract.

## GALLO'S GRAPEVINE CONUNDRUM

Modesto, California-based Gallo is one of the largest wine distributors in the country.

The patents Gallo has been accused of infringing were invented by soil scientist Paul Skinner.

Skinner developed an automated irrigation system that could increase grapevine production by using sensors to determine factors such as soil nutrition, moisture levels, canopy vigor, insect infestation and disease. The system would then deliver proper water, nutrients and pesticides to each vine.

The Patent and Trademark Office granted two patents covering elements of Skinner's system that use sensors to collect data from grapevines: U.S. Patent No. 6,947,810, granted in 2005, and U.S. Patent No. 8,528,834, granted in 2013.

Skinner's company, Vineyard Investigations, says it contacted Gallo executives several times between 2010 and 2018 about licensing the patents. The company allegedly received some interest but no follow-up. Instead, Gallo partnered with IBM to create

its own sensor-managed irrigation system, according to Vineyard Investigations' complaint.

Vineyard Investigations filed its patent infringement suit against Gallo in October 2019, seeking damages, future royalties, attorney fees and costs.

Gallo moved to dismiss the suit in December 2019, arguing that Skinner's inventions were ineligible for patenting under Section 101 of the Patent Act, 35 U.S.C.A. § 101.

## JUDGE USES 'ALICE/MAYO' TEST

In its motion to dismiss, Gallo claimed that Skinner's patents involve abstract ideas: "Delivering water and chemicals to a plant as needed — an activity humans have performed for a long time."

Gallo argued that the '810 and '834 patents failed the U.S. Supreme Court's two-part "Alice/Mayo" test for determining patent eligibility.

The Supreme Court developed the test through two of its opinions: *Alice Corp. v. CLS Bank International*, 573 U.S. 208 (2014), and *Mayo Collaborative Services v. Prometheus Laboratories Inc.*, 566 U.S. 66 (2012).

Judge Oberto said she found the defendant's arguments unconvincing, so the patents passed the two-part test, which asks whether a patent covers an abstract idea and, if it does, whether it transforms that idea through an inventive concept.

Gallo oversimplified the process described in the patents, Judge Oberto wrote.

"The asserted patents here ... are directed to improve a system and method for the precise dispensing of water, fungicide, pesticide and other chemicals to individual plants, in different areas of agricultural fields, in ways that were previously unavailable," she said.

Because Gallo failed step one of the *Alice/Mayo* test, there was no reason to go to step two, Judge Oberto wrote.

Even though this was enough to deny the motion to dismiss, the judge noted that Gallo's arguments also failed step two of the test.

"Accepting plaintiff's allegations as true, as the court must on a motion to dismiss, the complaint and the patent claims, considered as a whole, sufficiently state an inventive concept," the judge concluded.

Skinner is represented by Corey A. Johanningmeier of Bunsow De Mory of Redwood City, California. Gallo is represented by Darryl M. Woo of Goodwin Procter of Redwood City and Shane G. Smith and Timothy J. Buchanan of McCormick Barstow Sheppard Wayte & Carruth of Fresno. [WJ](#)

### Attorneys:

**Plaintiff:** Corey A. Johanningmeier, Brenda H. Entzminger and Denise M. De Mory, Bunsow De Mory LLP, Redwood City, CA

**Defendant:** Darryl M. Woo, Elizabeth J. Low, Julius J. Jefferson and Sanjeet J. Dutta, Goodwin Procter LLP, Redwood City, CA; Shane G. Smith and Timothy J. Buchanan, McCormick Barstow Sheppard Wayte & Carruth LLP, Fresno, CA

### Related Filings:

Order: 2021 WL 22497

Complaint: 2019 WL 5319196

**See Document Section A (P. 17) for the order.**



# Supreme Court should overhaul patent judge appointments to help 'small inventors,' briefs say

By Patrick H.J. Hughes

Several inventor groups backing medical device company Arthrex Inc. in its Supreme Court dispute with Smith & Nephew Inc. say a change in the way administrative patent judges are appointed would result in a fairer forum for inventors.

***United States v. Arthrex Inc. et al., Nos. 19-1434, 19-1452 and 19-1458, amicus brief filed, 2021 WL 51545 (U.S. Dec. 30, 2020).***

***United States v. Arthrex Inc. et al., Nos. 19-1434, 19-1452 and 19-1458, amicus brief filed, 2020 WL 7890792 (U.S. Dec. 30, 2020).***

***United States v. Arthrex Inc. et al., Nos. 19-1434, 19-1452 and 19-1458, amicus brief filed, 2020 WL 7890791 (U.S. Dec. 30, 2020).***

The Fair Inventing Fund, US Inventor Inc. and "39 Aggrieved Inventors" filed friend-of-the-court briefs Dec. 30 asking the justices to require APJs to be appointed by the president with the advice and consent of the Senate.

The U.S. government, which has intervened in the dispute, is seeking to overturn *Arthrex Inc. v. Smith & Nephew Inc.*, 941 F.3d 1320 (Fed. Cir. 2019), in which the U.S. Court of Appeals for the Federal Circuit found the designation of APJs violated the appointments clause of the Constitution, U.S. Const., art. II, § 2, cl. 2.

The government says Patent Trial and Appeal Board judges are "inferior officers" properly appointed by the secretary of Commerce.

The inventors' briefs argue that making the APJs "principal officers" appointed by the president would make the judges more independent of the Patent and Trademark Office.

Independence is an important concern because the PTAB reviews the same patents that the PTO grants, the inventors say.

"An independent PTAB will ensure that small, noncorporate inventors generally, and minority inventors specifically, will be protected from the undue influence of large corporations," the Fair Inventing Fund's brief says.

## TO HELP THE 'LITTLE GUY'

US Inventor, a Seattle nonprofit representing 10,000 inventors, says it was formed to help inventors who have been "harmed by unintended consequences of policies from the past."

Its brief says having the president appoint APJs ensures the judges represent the "finest talent," as political figures must be accountable for hires that go through a nomination and confirmation process. Furthermore, the judges would gain credibility for being independent and unbiased, the brief says.

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Having the president appoint APJs ensures the judges represent the "finest talent," US Inventor Inc. says.

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In contrast, judges appointed by the U.S. Department of Commerce, the PTO's parent, are pressured to grant requests for patent review proceedings because the institution of such proceedings results in more funding for the PTO, the brief says.

The outcome is a bias toward big companies that petition for patent review procedures at the expense of "little guy" inventors who often must struggle to defend their inventions, the brief says.

## 'ACCOUNTABLE TO NO ONE'

The self-described aggrieved inventors take issue with the PTAB's formation through the 2011 Leahy-Smith America Invents Act, or AIA, which the group says has given large companies "drastically" more chances to invalidate patents.

The PTAB judges have no reason to change their bias against small companies because APJ appointments are not presented to the

public, so "they are accountable to no one," the brief says.

The Fair Inventing Fund, an inventors' advocacy group that was founded in 2020 to provide "equal protection and due process standards of review in the patent process," says the negative impact from treating APJs as inferior officers hurts not only small businesses but also minority inventors from underrepresented communities.

The group's brief provides excerpts from PTO studies that show substantial disparities in the way patents are granted to Black,

Hispanic and female inventors, as opposed to white, male inventors.

The AIA was intended to resolve such disparities when the PTAB was created, through the institution of a patent ombudsman program, in addition to other measures. Such programs were designed not only to support "small inventors," but also to "protect them from bias," the brief says.

"Placing the appointment of APJs squarely under the political oversight of the Senate will ensure the accountability of the PTAB and satisfy Congress' stated goals of equity and inclusion," it says.

The justices are scheduled to hear oral argument in the dispute March 1.

Mathew B. Tully of Tully Rinckey PLLC filed the amicus brief on behalf of the Fair Inventing Fund.

Robert Greenspoon of Flachsbart & Greenspoon LLC filed a brief on behalf of US Inventor Inc.

Bridget A. Smith and Kenneth J. Weatherwax of Lowenstein & Weatherwax LLP filed a brief on behalf of the 39 aggrieved inventors. [WJ](#)

**Attorneys:**

*Amicus (Fair Inventing Fund):* Mathew B. Tully, Michael W. Macomber, Allen A. Shoikhetbrod, Cheri L. Cannon, Michael C. Fallings, Gregory J. Melus, John Gniadek and Philip B. Banaszek, Tully Rinckey PLLC, Washington, DC

*Amicus (US Inventor Inc.):* Robert Greenspoon, Flachsbart & Greenspoon LLC, Chicago, IL

*Amici (39 aggrieved inventors):* Bridget A. Smith and Kenneth J. Weatherwax, Lowenstein & Weatherwax LLP, Los Angeles, CA

**Related Filings:**

Amicus brief (Fair Inventing Fund): 2021 WL 51545

Amicus brief (US Inventor Inc.): 2020 WL 7890792

Amicus brief (39 aggrieved inventors): 2020 WL 7890791

Certiorari petition: 2020 WL 3545866

Federal Circuit opinion: 941 F.3d 1320

PTAB opinion: 2018 WL 2084866

## COPYRIGHT

# Supreme Court not in the mood to review ‘Moodsters’ copyright issues

By Patrick H.J. Hughes

The Walt Disney Co. has persuaded the U.S. Supreme Court to leave in place a federal appeals court ruling that found animated “Moodsters” characters were not protected by copyright law, so they could not have been infringed by the movie “Inside Out.”

***Moodsters Co. v. Walt Disney Co. et al., No. 20-132, cert. denied, 2021 WL 78089 (U.S. Jan. 11, 2021).***

The high court on Jan. 11 refused to entertain Moodsters creator Denise Daniels’ certiorari petition calling for a universal standard for the protection of a “character copyright,” a standard she said varied among the circuits.

“Whatever the standard, this court should also address whether character copyrightability — or copyrightability of any work — is a question of fact or law,” her petition said.

Disney did not dispute that the TV show that featured the Moodsters was copyrightable. Instead, it said the characters themselves were underdeveloped, so there was no reason to compare them to the characters of “Joy,” “Sadness” and others in the popular Disney film.

Disney also argued that the notion that a character’s copyrightability was a question of fact that could only be decided by a jury was too “radical,” saying that judges often need to decide such issues to keep copyright disputes manageable.

## CIRCUIT SPLITS?

Beginning in 2005, Daniels, an expert on children’s emotional development, designed five color-coded characters for an animated

show that she said was to help children deal with loss and trauma.

When Disney’s Pixar studios released “Inside Out” in 2015, the film’s producers announced that they had consulted with psychology experts to create the five emotion-based characters in the movie.

Daniels and her firm Moodsters Co. filed infringement allegations in 2018 against several Disney entities.

After months of litigation, the 9th U.S. Circuit Court of Appeals declared Daniels’ characters to be unworthy of copyright protection. *Daniels v. Walt Disney Co.*, 952 F.3d 1149 (9th Cir. 2020).

Characters must be “delineated” and “especially distinctive,” U.S. Circuit Judge M. Margaret McKeown wrote for the unanimous panel. The Moodsters were too “lightly sketched” to meet this standard, the panel said.

While Daniels argued in her petition to the Supreme Court that her characters met the 9th Circuit’s standard, she also said that, even if that were not true, the standard differed from those of other circuits, creating “chaos.”

The 7th Circuit, for instance, applies a much lower originality threshold for copyright disputes, she argued.

Disney, in contrast, said there was “striking coherence and comity among the circuits” over the copyright issue, evidenced by the fact that courts in different circuits freely cite each other’s decisions.

Furthermore, there has been no circuit split over the issue of whether a judge can decide a question of copyrightability, Disney said. “If a court can never decide whether or not a character is independently protectable ... a jury verdict of copyright infringement could never be overturned on appeal.”

Patrick M. Arenz of Robins Kaplan LLP filed the certiorari petition on behalf of Daniels.

Mark R. Yohalem of Munger, Tolles & Olson LLP filed the opposition brief on behalf of Disney. [WJ](#)

**Attorneys:**

*Petitioner:* Patrick M. Arenz, Ronald J. Schutz and Brenda L. Joly, Robins Kaplan LLP, Minneapolis, MN

*Respondents:* Mark R. Yohalem, Erin J. Cox and Anne K. Conley, Munger, Tolles & Olson LLP, Los Angeles, CA

**Related Filings:**

Opinion denying certiorari: 2021 WL 78089

Opposition brief: 2020 WL 6787111

Certiorari petition: 2020 WL 4589156

9th Circuit opinion: 952 F.3d 1149

District Court opinion: 2018 WL 3533363

## Apple loses copyright claims in lawsuit against U.S. security bug startup

(Reuters) – A federal judge in Florida on Dec. 29 dismissed Apple Inc.’s copyright infringement claims against a Florida startup whose software helps security researchers find vulnerabilities in Apple products including the iPhone.

**Apple Inc. v. Corellium LLC, No. 19-cv-81160, order issued (S.D. Fla. Dec. 29, 2020).**

U.S. District Judge Rodney Smith of the Southern District of Florida ruled in favor of Corellium LLC, saying its software emulating the iOS operating system that runs on the iPhone and iPad amounted to “fair use” because it was “transformative” and helped developers find security flaws.

Apple accused Corellium of essentially replicating iOS to create “virtual” iOS-operated devices, whose “sole function” was to run unauthorized copies of the system on non-Apple hardware.

But the Fort Lauderdale-based judge said Corellium “adds something new to iOS” by letting users see and halt running processes, take live snapshots and conduct other operations.

“Corellium’s profit motivation does not undermine its fair use defense, particularly considering the public benefit of the product,” Judge Smith wrote.

The judge also rejected Apple’s argument that the Delray Beach startup acted in bad faith by selling its product indiscriminately, including potentially to hackers, and by not requiring users to report bugs to Apple.

He said that argument appeared “puzzling, if not disingenuous,” saying Cupertino, California-based Apple did not impose a reporting requirement under its own Bug Bounty Program.

Apple did not immediately respond to requests for comment.

Corellium has denied wrongdoing. Justin Levine, one of its lawyers, said in an email the decision made “proper findings in connection with fair use.”



REUTERS/Mike Segar

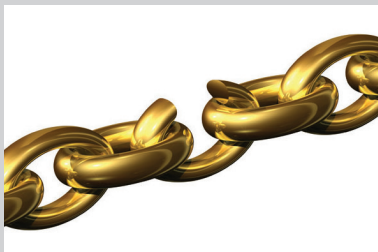
Judge Smith said Apple may still pursue a separate federal law claim that Corellium circumvented its security measures when creating its software.

Corellium was founded in August 2017. According to court records, Apple tried to buy Corellium starting in January 2018, but talks had broken down by summer. Apple sued Corellium in August 2019. [WJ](#)

*(Reporting by Jonathan Stempel)*

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## TRADEMARK

# Ford 'imposter' found typosquatting, ordered to transfer f0rd.com

By Patrick H.J. Hughes

Ford Motor Co., claiming an imposter posing as a Ford employee used phony email addresses to try to pilfer money from an automotive supplier, has persuaded the World Intellectual Property Organization to transfer two domain names involved in the incidents.

***Ford Motor Co. v. WholsGuard Protected et al., No. D2020-2500, 2020 WL 7695614 (WIPO Arb. Dec. 18, 2020).***

The WIPO Arbitration and Mediation Center, in a Dec. 18 decision to transfer f0rd.com and us-ford.com to the automaker, said the registrant of the domain names was "typosquatting," a form of cybersquatting in which someone registers a domain that appears to be a typo.

While the domains were registered to different Whols entities, the circumstances surrounding Ford's complaint indicated those domains were being used by the same "imposter," according to the WIPO panel's decision.

### 2 DOMAINS, 1 GRAB FOR CASH

Ford filed its complaint with WIPO in September, saying one of its suppliers had received a message from an email address containing an "@us-ford.com" domain.

According to Ford, the supplier continued to communicate with this address until the responses started to come from another address with an "@f0rd.com" domain.

The messages asked the supplier for a large amount of cash and, to effectuate the transfer, furnished documents that the supplier suspected were forgeries.

Ford sought a transfer of both domain names, saying the two domains were under common control.

### UDRP FACTORS

The Uniform Domain Name Dispute Resolution Policy, commonly called UDRP, is the legal framework established by the Internet Corp. for Assigned Names and Numbers for the resolution of domain name registration disputes.

To succeed under the UDRP rules, a complainant must prove possession of rights to a trademark that is identical or confusingly similar to the disputed domain name.

The complainant must then show the registrant has no rights or legitimate interests in the domain name and that the name was registered in bad faith.

Both domains are confusingly similar to Ford's internationally recognized trademark, WIPO panelist Robert A. Badgley of Locke Lord Bissell & Liddell LLP said.

For the f0rd.com domain, replacement of the letter "o" with a zero does not distinguish it, the panelist said. He explained that the characters are "routinely confused," look similar and are adjacent to each other on the QWERTY keyboard.

As to the us-ford.com domain, the addition of the geographic descriptor "us" and a hyphen did nothing to distinguish it from the Ford trademark, Badgley said.

The panelist also said the registrant was clearly trying to create confusion with Ford, a bad-faith purpose.

The registrant had no legitimate interest in the domains, evidenced by the "clear attempt at typosquatting," the panelist said.

"Using the domain names to host fraudulent email addresses in aid of a phishing scam cannot be considered a legitimate reason for registering the domain names," Badgley said.

Ford was represented by Phillips Ryther & Winchester LLC. [WJ](#)

#### Related Filings:

Decision: 2020 WL 7695614

**See Document Section B (P. 30) for the decision.**

## Merck-adjacent company gets no insurance coverage in trademark suit

By Kteba Dunlap, Esq.

A distant corporate relative of Merck & Co. is not owed a defense against a suit brought by the pharmaceutical giant for trademark infringement claims, a Boston federal judge has ruled, dismissing a coverage suit.

***EMD Millipore Corp. et al. v. HDI-Gerling America Insurance Co., No. 20-cv-10244, 2021 WL 66441 (D. Mass. Jan. 7, 2021).***

Merck KGAA, Darmstadt, Germany, and its supplier-subsiary EMD Millipore Corp. failed to show that the suit's allegations that MKDG intentionally confused customers about its relationship to Merck & Co. are covered by its commercial policy carried by HDI-Gerling America Insurance Co., U.S. District Judge Allison Burroughs of the District of Massachusetts said Jan. 7.

EMD was represented by McKool Smith PC. Littleton Park Joyce Ughetta & Kelly LLP and Day Pitney LLP represented HDI.

### 'MERCK' IN THE U.S. AND CANADA

According to Judge Burroughs' order, Merck & Co. and MKDG originated from the same company but have been unrelated entities for more than a century. The two companies are parties to coexistence agreements, which govern the use of the mark "Merck" in different jurisdictions.

MKDG can use "Merck" in the U.S. or Canada only within the phrase "E. Merck, Darmstadt, Germany," the order said.

Merck & Co. sued MKDG in the U.S. District Court for the District of New Jersey, alleging that MKDG has used "Merck KGaA" and has referenced itself as "Merck" so much that the terms have unlawfully functioned as trademarks in the U.S. and Canada.

Specifically, along with other alleged violations, MKDG has used the terms in EMD's website and in the promotion and sale of certain products, and launched marketing campaigns describing MKDG as the "Original" Merck and Merck & Co. as the "younger brother/sister," the underlying suit says.

MKDG has also asserted that it has been in the U.S for 125 years, even though the company has been reestablished in the country only since 1971, the underlying complaint alleges.

### COVERAGE DENIED

EMD sought coverage for itself and MKDG as a named insured under the personal-and-advertising injury provisions in two commercial policies with HDI, but the insurer declined.

The two companies sued HDI in the District of Massachusetts, seeking a declaratory judgment and alleging unfair claims practices in violation of Massachusetts law. HDI moved to dismiss and the two plaintiffs moved for partial summary judgment on the duty to defend.

### NO ADVERTISING INJURY

The HDI policy's personal-and-advertising injury clauses covered allegations that an

insured used another party's advertising idea or published material disparaging its products, EMD and MKDG said, therefore their claims were covered.

According to the two insureds, Merck & Co.'s allegations concerning the "Original" and "125 Years" campaigns describe a misuse of an advertising idea and disparage the company by implying that it is not original and has not been around for 125 years.

Judge Burroughs rejected this argument.

There was no evidence that Merck & Co. had used marketing campaigns based on the idea of being "original" or 125 years old, she said, so MKDG could not have misused an idea that did not exist.

Also, Merck & Co.'s complaint was "devoid of any allegation that MKDG wrote or said anything disparaging about Merck," the judge said. [WJ](#)

#### Attorneys:

*Plaintiff:* Adam S. Ziffer, Michael J. Miguel, Robin L. Cohen and Radu Lelutiu, McKool Smith PC, New York, NY

*Defendant:* Byron L. Friedman and Robert L. Joyce, Littleton Park Joyce Ughetta & Kelly LLP, Purchase, NY; Joseph K. Scully, Day Pitney LLP, Hartford, CT

#### Related Filings:

Order: 2021 WL 66441

**See Document Section C (P. 34) for the order.**



## PATENTS BEHIND THE PRINCIPLES

Minerva offers a system for the removal of moisture from a uterus to prevent embolisms or burning that can result from endometrial ablation, a procedure for reducing menstrual flow.

Minerva's device was invented by Csaba Truckai, a company founder who years earlier invented a similar system with a different heat source. He patented that earlier system and assigned it to the predecessor of Hologic, which Truckai says made billions of dollars from his invention.

of assignor estoppel in this instance. *Hologic Inc. v. Minerva Surgical Inc.*, 957 F.3d 1256 (Fed. Cir. 2020).

The panel said the public should encourage people to challenge potentially invalid patents, but other issues outweighed that policy concern. These issues included fairness and preventing an inventor from "benefiting from his own wrong."

However, the panel noted that assignor estoppel does not prohibit an alleged infringer from offering other defenses.

### WHY GRANT CERTIORARI?

At the end of the Federal Circuit's opinion, U.S. Circuit Judge Kara Fernandez Stoll said

"Assignor estoppel has no more of a place in district court litigation than it does in inter partes reviews," the petition said. "It is time for this court to declare that assignor estoppel is dead."

Hologic, in its brief opposing certiorari, argued that the dispute was a poor venue for defining the assignor estoppel doctrine, precisely because of the issue decided in the *Arista* case.

Minerva had petitioned for an IPR of the '348 patent, but the PTAB refused. *Minerva Surgical Inc. v. Hologic Inc.*, No. IPR2016-00685, 2016 WL 5369483 (P.T.A.B. Sept. 12, 2016).

Vera M. Elson of Wilson Sonsini Goodrich & Rosati PC filed the petition for certiorari on behalf of Minerva.

Matthew M. Wolf of Arnold & Porter Kaye Scholer LLP filed the opposition brief on behalf of Hologic. [WJ](#)

#### Attorneys:

*Petitioner:* Vera M. Elson, Wilson Sonsini Goodrich & Rosati PC, Palo Alto, CA; Edward G. Poplawski and Olivia M. Kim, Wilson Sonsini Goodrich & Rosati PC, Los Angeles, CA; Robert N. Hochman and Caroline A. Wong, Sidley Austin LLP, Chicago, IL; Jillian Sheridan Stonecipher, Sidley Austin LLP, Washington, DC

*Respondents:* Matthew M. Wolf, Marc A. Cohn, Jennifer A. Sklenar, R. Stanton Jones, William C. Perdue and Sean A. Mirski, Arnold & Porter Kaye Scholer LLP, Washington, DC

#### Related Filings:

Opinion granting certiorari: 2021 WL 77248  
Reply brief: 2020 WL 7081666  
Opposition brief: 2020 WL 6699926  
Certiorari petition: 2020 WL 5947901  
Federal Circuit opinion: 957 F.3d 1256  
District Court opinion: 325 F. Supp. 3d 507  
PTAB opinion: 2016 WL 5369483

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"Assignor estoppel has no more of a place in district court litigation than it does in inter partes reviews," the petitioner said.

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In 2015 the Patent and Trademark Office granted Hologic U.S. Patent No. 9,095,348, a continuation patent built upon Truckai's original technology. Truckai is listed as one inventor of the '348 patent.

Later that year, Hologic sued Minerva in the U.S. District Court for the District of Delaware, alleging its Truckai-created device infringed the '348 patent.

U.S. District Judge Joseph F. Bataillon ruled that Minerva was in privity with Truckai, and as such was barred from claiming the '348 patent was invalid. *Hologic Inc. v. Minerva Surgical Inc.*, 325 F. Supp. 3d 507 (D. Del. 2018).

The U.S. Court of Appeals for the Federal Circuit agreed and affirmed the application

the assignor estoppel dispute created an "odd circumstance."

About two years earlier, the appeals court ruled in *Arista Networks Inc. v. Cisco Systems Inc.*, 908 F.3d 792 (Fed. Cir. 2018), that an assignor may file a petition with the Patent Trial and Appeal Board to have his or her patent subjected to an inter partes review, which can result in invalidation.

Judge Stoll then rhetorically asked why the principles underlying the assignor estoppel doctrine apply in district court and not at the PTAB.

Minerva's certiorari petition said it wants to resolve the apparent inconsistency.

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# VINEYARD INVESTIGATIONS

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2021 WL 22497

Only the Westlaw citation is currently available.

United States District Court, E.D. California.

VINEYARD INVESTIGATIONS, Plaintiff,

v.

E. & J. GALLO WINERY, Defendant.

No. 1:19-cv-01482-NONE-SKO

|

01/04/2021

UNITED STATES DISTRICT JUDGE

ORDER DENYING DEFENDANT'S MOTION TO DISMISS (Doc. No. 13)

## INTRODUCTION

\*1 Plaintiff Vineyard Investigations initiated this action by filing a complaint on October 18, 2019 against defendant E. & J. Gallo Winery. (Doc. No. 1.) Therein, plaintiff alleges that defendant infringes upon U.S. Patent Nos. 8,528,834 (“834 Patent”) and 6,947,810 (“810 Patent”) (collectively, the “Asserted Patents”) relating to the “intelligent monitoring and management of crops such as grapevines.” (*Id.* ¶ 33.)

Plaintiff seeks: 1) judgment that the Asserted Patents have been and continue to be infringed by defendant; 2) an accounting of damages resulting from defendant’s infringing acts; 3) a finding that defendant’s infringement is willful and enhancement of damages under 35 U.S.C. § 284; 4) a mandatory future royalty on each and every future sale by defendant of grapes grown using technology that is found to infringe one or more of plaintiff’s patents; 5) attorney’s fees; 6) costs; and 7) any further relief the court deems proper. (*Id.* at 43–44.)

On December 27, 2019, defendant filed a motion to dismiss on the grounds that the Asserted Patents are patent-ineligible under 35 U.S.C. § 101 (“§ 101”). (Doc. No. 13.) Plaintiff filed its opposition on January 24, 2020. (Doc. No. 17.) Defendant filed its reply on February 7, 2020. (Doc. No. 19.)

The court has determined the motion to dismiss is suitable for decision based on the papers under Local Rule 230(g) and, for the reasons explained below, will deny defendant’s motion to dismiss.<sup>1</sup>

## BACKGROUND

### A. The Parties

Plaintiff is a corporation organized under California law with its principal place of business in St. Helena, California. (Doc. No. 1 ¶ 4.) Dr. Paul W. Skinner founded plaintiff Vineyard Investigations, a consulting company formerly known as Terra Spase, Inc. (*Id.* ¶ 13.) Plaintiff “provides consulting and scientific expertise to the wine industry in California and worldwide” on matters relating to “soil management, irrigation requirements, canopy management, crop load, and fruit and wine quality management.” (*Id.* ¶ 5.) Plaintiff “owns a portfolio of patents [including the Asserted Patents] and patent applications claiming inventions of Dr. Skinner in the field of intelligent automated monitoring and maintenance of growing crops.” (*Id.* ¶¶ 6, 22.)

Each of plaintiff’s patents and applications, including the Asserted Patents, “derives from, and shares patent specification disclosures with, parent United States Patent No. 6,874,707, which was filed on May 31, 2001 and was issued by the USPTO [United States Patent and Trademark Office] on April 5, 2005.” (*Id.* ¶ 23.)

\*2 Defendant is a corporation organized under California law with its principal place of business in Modesto, California. (*Id.* ¶ 7.) “Defendant grows and sells grapes for use in its own and in others’ wines, in vineyards in California and in the Eastern District of California.” (*Id.*)

### B. The Idea

In 2000, while on a cross-country flight, Dr. Skinner arrived at an idea to design an automated system to “supply every vine with exactly what it needed from a nutrition, water, canopy vigor, and insect and disease prevention standpoint.” (*Id.* ¶ 20.) “He began to develop a ‘smart’ drip irrigation system that would be controlled by an advanced system of sensing technology, along with vine growth and disease risk models, to apply water and potentially multiple other chemicals to individual vines when and where they needed them.” (*Id.*) “On that flight, Dr. Skinner began sketching his ideas for this automated vineyard management system, creating drawings and initial notes of the invention.” (*Id.*) “Dr. Skinner’s original sketches contained core ideas that would eventually make up his invented system, including...various sources for sensor and external data inputs on plant growth characteristics used to control the system.” (*Id.*) “Dr. Skinner’s contemplated data sources included sensors for soil moisture, soil N (nitrogen) and K (potassium) status, soil pH, as well as vine canopy density (sun/shaded area, *i.e.*, NDVI), vine evapo-transpiration (ET<sub>o</sub>), vine microclimate (*e.g.*, temperature, relative humidity), vine insect populations, cluster volume, growing degree days (GDD), yield and harvest forecasts.” (*Id.*)

### C. The ‘834 Patent

The ‘834 Patent is entitled “Plant Growing System Using External Data and Having Sensors Associated with Plants.” (*Id.* ¶ 24.) Plaintiff alleges the ‘834 Patent “was duly and lawfully issued by the USPTO on September 10, 2013.” (*Id.*) Plaintiff avers it is the owner of all right, title, and interest in the ‘834 Patent. (*Id.*)

The ‘834 Patent claims a “‘system for monitoring and managing plant growth’ in which:

‘Combinations of data from sensors local to a vineyard, and from optional remote stations and sensors, is combined with a control system to accurately control the dispensing of water and chemicals such as insecticides, disease prevention fungicides and fertilizers.’” (*Id.* ¶ 25 (citing ‘834 Patent at Abstract, 1:15–17, 3:9–15).)

Plaintiff alleges that while the innovative systems of the ‘834 Patent could be applied to many different crops, “some applications of the system are particularly adapted to improve the growing of grapevines in a vineyard.” (*Id.* (citing ‘834 Patent at Abstract, 3:9–10, 3:52–55).) “The systems and methods disclosed and claimed in the ‘834 patent provide significant advantages in such an environment, where smart automation reduces the high cost of vine growth management, and where soil and vine growth variability need to be addressed to improve yield and fruit quality.” (*Id.* (citing ‘834 Patent at Abstract, 6:19–26).)

An example configuration of the ‘834 Patent “contains various types of in-field sensors ...and emitters...for dispensing water and other materials. *In addition to real-time data from the in-field sensors, the controller [ ] of the example system also can receive and utilize*



*external data from a number of sources.” (Id. ¶ 26 (emphasis added).) The “external data” in the invented system can include “remotely sensed weather data, evapo-transpiration coefficients, crop development data, and other information.” (Id. (citing ‘834 Patent at Abstract, 5:1–9).) “Sensor and external data can be processed through a number of advanced modeling techniques described in the patent.” (Id. (citing ‘834 Patent at Abstract, 5:10–35).) “This data and modeling are then used as inputs into the automated, fine-grained control of the variable rate irrigation and nutrient application system.” (Id. at Figure 1.)*

**\*3** Claim 1 of the ‘834 Patent recites:

1. An apparatus for dispensing materials to vegetation, the apparatus comprising:

a conduit having a channel, wherein the channel is positioned in proximity to the vegetation;

an outlet coupled to the channel for conveying a material from the channel to the vegetation under the control of a central controller, wherein the central controller is responsive to external data for controlling material dispersing from one or more emitters in fixed proximity to the vegetation;

one or more sensors in fixed proximity to the vegetation, wherein each sensor is associated with one or more particular

plan[t]<sup>2</sup> in the vegetation, wherein signals from me [sic] sensors are transmitted to a central control system and are used to control conveyance of the material to the vegetation.

‘834 Patent at 8:62–9:10.

Claim 15 of the ‘834 Patent recites:

15. A method for dispensing materials to vegetation, wherein one or more sensors for sensing a growth condition of the one or more plants are in fixed proximity to the one or more plants, wherein each sensor is associated with one or more particular plan[t] in the vegetation, the method comprising:

obtaining external data for controlling material dispensing;

using a controller to receive signals from at least one of the sensors; and

using the controller to control dispensing of a material via the one or more emitters in response to the external data.

*Id.* at 10:16–26.

Plaintiff alleges that the inventions of the ‘834 Patent presented an “important advance from existing vineyard drip irrigation systems at the time, which were manually controlled or were automated in simplistic ways with a timer or computer.” (*Id.* ¶ 27 (citing ‘834 Patent at 1:29–38).) The existing systems “did not ‘provide a high level of automation’ like the systems of the [‘834 Patent], and did not address soil variability problems by ‘selectively provid[ing] different amounts of water to different plants’ or plant areas.” (*Id.* (citing ‘834 Patent at 1:39–44).) Moreover, plaintiff contends the ‘834 Patent provided “new and unconventional ways to automatically integrate ‘sophisticated information’ about plant sizes, weather conditions and forecasts, and soil conditions—which previously had only been used in the growing process, if at all, via ‘human intervention’ that was ‘prone to errors and inefficiencies.’ ” (*Id.* (citing ‘834 Patent at 1:44–57).) Plaintiff avers that “Dr. Skinner’s patented innovations advanced the field and solves these and other problems in the prior art—including through his use of real-time sensor and external data, processed according to various agricultural models, as control inputs to a variable rate irrigation system.” (*Id.* (citing ‘834 Patent at 8:13–22).)

\*4 Plaintiff asserts that Dr. Skinner understood at the time he developed his inventions that the “sophisticated sensor and external data to automate vineyard management would have significant positive effects and would be extremely valuable to growers.” (*Id.* ¶ 28.) For example, “Dr. Skinner knew that properly adjusting water and chemical application in response to weather data, soil moisture data, and other information can prevent crop failure, improve crop quality and yield, and save growing and harvesting costs.” (*Id.* (internal citation omitted).) Additionally, the “patented systems and methods provide the benefit that ‘delivery of materials can be more precisely directed to where it is needed,’ ” resulting in improvements in yield and grape quality because “each vine receives a more accurate and effective application of nutrients,” further resulting in the ability to grow and sell more grapes at higher prices for those high quality grapes. (*Id.* ¶¶ 28–29.) Plaintiff contends this invention was particularly valuable in “drought-prone growing regions where water costs are a significant factor to profitability.” (*Id.* ¶ 30.)

#### D. The ‘810 Patent

The ‘810 Patent is entitled “System for Automated Monitoring and Maintenance of Crops Including Sensors and Emitters Associated with Plants.” (*Id.* ¶ 31.) Plaintiff alleges the ‘810 Patent “was duly and lawfully issued by the USPTO on September 20, 2005.” (*Id.*) Plaintiff asserts it is the owner of all right, title, and interest in the ‘810 Patent. (*Id.*)

The ‘810 Patent claims inventions relate to the overall system described in the ‘834 Patent and “includes specific claims relating to use of in-field sensors providing inputs to the smart automated control system.” (*Id.* ¶ 32 (citing ‘810 Patent at 9:28–41 (claim 2)).) “These in-field sensors can be attached to the conduit providing water and/or other nutrients.” (*Id.* (citing ‘810 Patent at 3:24–31).) “They can also be placed at other locations in the vineyard, such as for soil nutrient and moisture monitoring sensors that may need ground contact.” (*Id.* (citing ‘810 Patent at 5:46–51).) “The [‘810 Patent] also discloses that the control for the system can be centralized or distributed, and that control can be associated with individuals or groups of sensors and emitters in order to assess and respond to variability in the vineyard.” (*Id.* (citing ‘810 Patent at 5:52–67).)

Claim 2 of the ‘810 Patent recites:

2. A system for application of a material to a plurality of plants, the system comprising:

a plurality of sensors, wherein each sensor is associated with, and in fixed proximity to, one of the plants;

a control system coupled to one or more of the sensors for receiving a signal from the sensors;

emitters for emitting the material to a plant, wherein each emitter is associated with, and in fixed proximity to, one of the plants;  
and

a control system for controlling emission of the material to a particular plant via the particular plant’s associated emitter in response to a signal from the particular plant’s associated sensor.

‘810 Patent at 9:28–41.

According to plaintiff, the inventions claimed in the ‘810 Patent “improved on the prior art and provided the same benefits as discussed above with respect to the ‘834 Patent.” (*Id.* ¶ 33.) Plaintiff alleges that “[i]ndividually and together, the claimed inventions provide new and unconventional techniques for intelligent monitoring and management of crops such as grapevines—and do so by enabling the system to variably and ‘accurately control the dispensing of water’ and other chemicals and nutrients.” (*Id.* (citing ‘810 Patent at Abstract).)

#### E. The Alleged Theft

At an unspecified time after plaintiff obtained patents on Dr. Skinner’s inventions, plaintiff and Dr. Skinner discussed and advertised the benefits of the inventions to winemaking professionals, including defendant’s executives and viticulturists. (*Id.* ¶ 34.) Plaintiff alleges that defendant then began infringing the Asserted Patents as early as 2013. (*Id.* ¶ 47.)

## LEGAL STANDARDS

### A. General Patent Concepts

A patent must “describe the exact scope of an invention and its manufacture to secure to [the patentee] all to which he is entitled, [and] to apprise the public of what is still open to them.” See *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 373 (1996) (internal quotation marks and citation omitted). A patent application must contain a “specification” and at least one drawing. 35 U.S.C. § 111. There are two distinct parts of a patent specification. The first is a detailed “written description of the invention and of the manner and process of making and using it,” set forth “in such full, clear, concise, and exact terms as to enable any person skilled in the art ...to make and use the same.” 35 U.S.C. § 112(a). The written description also “shall set forth the best mode contemplated by the inventor or joint inventor of carrying out the invention.” *Id.* Second, a patent “specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the inventor or a joint inventor regards as his invention.” 35 U.S.C. § 112(b). The claims define the scope of a patent grant, *Markman*, 517 U.S. at 372, but “do not set forth the invention in all of the detail required by the written description.” *Lava Trading, Inc. v. Sonic Trading Mgmt., LLC*, No. 03 CIV. 842 (TPG), 2004 WL 1145833, at \*3 (S.D.N.Y. May 20, 2004).

### B. Motions to Dismiss for Patent Eligibility

**\*5** Under Rule 12(b)(6) of the Federal Rules of Civil Procedure, a defendant may move to dismiss a cause of action where the plaintiff has failed to “state a claim upon which relief can be granted.” Fed. R. Civ. P. 12(b)(6); see also *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555 (2007). In deciding a Rule 12(b)(6) motion, the court must assume the truth of all non-conclusory, factual allegations made in the complaint and draw all reasonable inferences in favor of the plaintiff. *Ashcroft v. Iqbal*, 556 U.S. 662, 679–80 (2009). Next, the court must determine whether the complaint is “plausible on its face,” allowing the court to “draw the reasonable inference that the defendant is liable for the misconduct alleged.” *Id.* “The plausibility standard is not akin to a ‘probability requirement,’ but it asks for more than a sheer possibility that a defendant has acted unlawfully.” *Id.*

Pursuant to statute, “[a] patent shall be presumed valid.” 35 U.S.C. § 282. Generally, “[a] party seeking to establish that particular claims are invalid must overcome the presumption of validity in 35 U.S.C. § 282 by clear and convincing evidence.” *State Contracting & Eng’g Corp. v. Condotte Am., Inc.*, 346 F.3d 1057, 1067 (Fed. Cir. 2003). Courts within the Ninth Circuit are split regarding the applicability of the clear and convincing standard in the context of a motion to dismiss brought in this context. Compare *Modern Telecom Sys. LLC v. Earthlink, Inc.*, No. CV14-0347-DOC, 2015 WL 1239992, at \*7–8 (C.D. Cal. Mar. 17, 2015) (noting clear and convincing evidence standard does not apply in motion to dismiss but holding defendant “still bear[s] the burden of establishing that the claims are patent-ineligible under § 101”); *Timeplay, Inc. v. Audience Entm’t LLC*, No. CV 15-05202-SJO (JCx), 2015 WL 9695321, at \*5 (C.D. Cal. Nov. 10, 2015) (same), with *Genetic Techs. Ltd. v. Agilent Techs., Inc.*, 24 F. Supp. 3d 922 (N.D. Cal. 2014) (“The affirmative defense of patent ineligibility...must be established by clear and convincing evidence, because every patent is presumed to be properly issued.”); *Wolf v. Capstone Photography, Inc.*, No. 2:13-CV-09573, 2014 WL 7639820, at \*5 (C.D. Cal. Oct. 28, 2014) (holding that the clear and convincing standard should be applied to motions to dismiss under § 101). Unsurprisingly, the parties here also disagree as to whether the moving party must prove invalidity by clear and convincing evidence at this stage of the litigation.

Assuming without holding that the heightened clear and convincing standard does not apply, “[d]efendant’s burden in seeking to dismiss plaintiff’s claims based on patent ineligibility is high because of the Patent’s presumptive validity.” *Boar’s Head Corp. v. DirectApps, Inc.*, No. 2:14-cv-01927-KJM-KJN, at \*3 (E.D. Cal. July 28, 2015) (citing *CLS Bank Int’l v. Alice Corp. Pty.*, 717 F.3d 1269, 1304 (Fed. Cir.), *aff’d* 573 U.S. 208 (2014)); *Timeplay*, 2015 WL 9695321, at \*5; *Earthlink*, 2015 WL 1239992, at \*8). “Additionally, in applying § 101 jurisprudence at the pleading stage, the Court construes the patent claims in a manner most favorable to Plaintiff.” *Timeplay*, 2015 WL 9695321, at \*5.

### C. Section 101

“Section 101 defines the subject matter that may be patented under the Patent Act.” *Bilski v. Kappos*, 561 U.S. 593, 601 (2010). “Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor.” 35 U.S.C. § 101; see also *Fort Properties, Inc. v. American Master Lease, LLC*, 671 F.3d 1317, 1320 (Fed. Cir. 2012). However, § 101 specifically excludes from patent eligibility laws of nature, natural phenomena, and

abstract ideas. *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 569 U.S. 576, 589 (2013); *Fort Properties, Inc.*, 671 F.3d at 1320. Without this exception, "there would be considerable danger that the grant of patents would 'tie up' the use of such tools and thereby 'inhibit future innovation premised upon them.'" *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 86 (2012); *American Axle & Manufacturing, Inc. v. Neapco Holdings LLC*, 967 F.3d 1285, 1292 (Fed. Cir. 2020). "This would be at odds with the very point of patents, which exist to promote creation." *Myriad*, 569 U.S. at 589 (citing *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980)).

**\*6** However, the Supreme Court has also recognized that because "all inventions at some level embody, use, reflect, rest upon, or apply...abstract ideas," this exclusionary principle cannot be so broad as to make something un-patentable simply because it involves, at some level, an abstract concept. *Mayo*, 566 U.S. at 71; see also *Neochloris, Inc. v. Emerson Process Management LLLP*, 140 F. Supp. 3d 763, 769 (N.D. Ill. 2015). If the concept has been applied to "a new and useful end," transforming the abstract idea into an actual invention, the result may be eligible for patent protection. *Alice Corp. v. CLS Bank*, 573 U.S. 208, 217 (2014) (quoting *Gottschalk v. Benson*, 409 U.S. 63, 67 (1972)); see also *XY, LLC v. Trans Ova Genetics, LC*, 968 F.3d 1323, 1330 (Fed. Cir. 2020).

## DISCUSSION

In moving to dismiss the complaint in this action, defendant argues that the claims in the Asserted Patents are not patent-eligible under 35 U.S.C. § 101. Defendant argues that the claims are directed to an abstract idea and lack an inventive concept. (Doc. No. 13 at 10.) Defendant also contends that the "abstract idea is delivering water and chemicals to a plant as needed—an activity humans have performed for a long time...." (*Id.* at 10, 16.) Defendant further argues that the claims "lack an inventive concept because the claims merely automate the abstract idea using generic computers and conventional irrigation equipment components, and do not claim or disclose any improvements in the computer itself or those components." (*Id.*) In other words, defendant argues that the "patents simply use a generic computer (*i.e.*, control system) and known equipment working conventionally (*i.e.*, sensors and emitters) to automate routine irrigation tasks humans have been performing for decades, if not centuries." (*Id.* at 14.) Defendant also asserts that Claim 2 of the '810 Patent is representative of all the claims in the Asserted Patents.

Plaintiff counters by arguing that defendant has failed to meet its burden of proving patent-ineligibility by clear and convincing evidence. (Doc. No. 17 at 4.) Specifically, plaintiff contends: 1) patents are presumptively valid (*id.* at 4–6); 2) improved agricultural systems, including the ones at issue here, are routinely found to be patent eligible (*id.* at 12–15); 3) whether claimed inventions are unconventional is a question of law inappropriate for resolution by way of motion to dismiss brought pursuant to Rule 12(b)(6) (*id.* at 15–18); 4) defendant failed to meet its burden proving that Claim 2 of the '810 patent is representative of all the Asserted Claims (*id.* at 18–20); 5) defendant has ignored the requirement to consider the claims as ordered combinations (*id.* at 20–21); 6) defendant has failed to show claim construction is unnecessary (*id.* at 21–23); and 7) the Asserted Patents are patent-eligible (*id.* at 23–31).

### A. Claim Construction

As a threshold matter, the court must determine whether a claim construction hearing is necessary in connection with the pending motion. The purpose of claim construction is to determine the meaning and scope of the patent claims asserted to be infringed. *Oplus Techs., Ltd. v. Sears Holding Corp.*, No. 12-cv-5707-MRP, 2013 WL 11521845, at \*2 (C.D. Cal. Jan. 14, 2013). "In some cases, the ordinary meaning of claim language as understood by a person of skill in the art may be readily apparent even to lay judges, and claim construction in such cases involves little more than the application of the widely accepted meaning of commonly understood words." *Phillips v. AWH Corp.*, 415 F.3d 1303, 1314 (Fed. Cir. 2005) (citation omitted).

**\*7** "Patent eligibility under § 101 is a question of law that may, in appropriate cases, be decided on the pleadings without the benefit of a claims construction hearing." *Earthlink*, 2015 WL 1239992, at \*6 (citing *Content Extraction & Transmission LLC v. Wells Fargo Bank, Nat. Ass'n*, 776 F.3d 1343, 1349 (Fed. Cir. 2014) (affirming the grant of a motion to dismiss based on patent-ineligible subject matter under § 101 where no claim construction hearing was held)). However, it may be "desirable—and often necessary—to resolve claim construction disputes prior to a § 101 analysis, for the determination of patent eligibility requires a full understanding of the basic character of the claimed subject matter." *Bancorp Servs., L.L.C. v. Sun Life Assurance Co. Can. (U.S.)*, 687 F.3d 1266, 1273–74 (Fed. Cir. 2012). *But see Content Extraction*, 776 F.3d at 1349 ("Although the determination of patent eligibility requires a full understanding of the basic character of the claimed subject matter, claim construction is not an inviolable prerequisite to a validity determination under § 101.").

Based on the undersigned's review of the claims at issue in this case, the Asserted Patents concern the relatively non-technical concepts of sensors, external data sources, control systems, and emitters, which do not appear to be so "opaque such that claim construction would be necessary to flush out [their] contours" before determining whether the claims are patent eligible. See *Lumen View Tech. v. Findthebest.com, Inc.*, 984 F. Supp. 2d 189, 205 (S.D.N.Y. 2013) (finding a claim construction hearing unnecessary before analyzing claims under § 101); (Doc. No. 17 at 7 (describing the Asserted Claims, as a whole, as directed to an improved "system for monitoring and managing plant growth" in which "[c]ombinations of data from sensors local to a vineyard, and from optional remote [external] stations and sensors, is combined with a control system to accurately control the dispensing of water and chemicals such as insecticides, disease prevention fungicides and fertilizers.") (citing '834 Patent at Abstract, 3:9–15, 8:62–9:10).) As such, the court concludes that a claim construction hearing is unnecessary in this case for a determination of the patent eligibility of the Asserted Patents.

## B. The *Alice/Mayo* Two-Part Test

The Supreme Court has established a two-step process for resolving § 101 patent eligibility issues. *Alice*, 573 U.S. at 217–18 (citing *Mayo*, 566 U.S. at 77–78). First, a court must "determine whether the claims at issue are directed to one of those patent-ineligible concepts," such as an abstract idea. *Id.* at 217 (citing *Mayo*, 566 U.S. at 77–78). If so, then the court must ask "[w]hat else is there in the claims," which requires consideration of "the elements of each claim both individually and as an ordered combination to determine whether the additional elements transform the nature of the claim into a patent-eligible application." *Timeplay, Inc.*, 2015 WL 9695321, at \*3 (internal citations and quotation marks omitted). "In this second step, the court must 'search for an inventive concept'—i.e., an element or combination of elements that is 'sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.'" *Id.* (quotation marks omitted). Courts have recognized that "the two steps of the *Alice/Mayo* test are easier to separate in recitation than in application." *Id.* (citing *Ameranth, Inc. v. Genesis Gaming Sols., Inc.*, No. CV 11-00189-AG, 2014 WL 7012391, at \*2 (C.D. Cal. Nov. 12, 2014)); see also *Elec. Power Grp., LLC v. Alstom S.A.*, 830 F.3d 1350, 1353 (Fed. Cir. 2016). Indeed, as one district court has observed "the proper application of the Supreme Court's *Alice* standard is an evolving and sometimes hazy area of law." *United Cannabis Corp. v. Pure Hemp Collective Inc.*, No. 18-cv-1922-WJM, 2019 WL 1651846, at \*5 (D. Colo. Apr. 17, 2019).

\*8 The Supreme Court "has not established a definitive rule to determine what constitutes an 'abstract idea' sufficient to satisfy the first step of the *Mayo/Alice* inquiry." *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1334 (Fed. Cir. 2016). "Rather, the Supreme Court and the Federal Circuit 'have found it sufficient to compare claims at issue to those claims already found to be directed to an abstract idea in previous cases.'" *Iron Gate Security, Inc. v. Lowe's Cos., Inc.*, No. 15-cv-8814-KBF, 2016 WL 4146140, at \*6 (S.D.N.Y. Aug. 3, 2016) (quoting *Enfish*, 822 F.3d at 1334). Courts often examine the purpose of a challenged claim to determine whether it is abstract. See *Cal. Inst. Tech., v. Hughes Commc'ns, Inc.*, 59 F. Supp. 3d 974, 991 (C.D. Cal. 2014) (concluding that the court should "identify the purpose of the claim—in other words, what the claimed invention is trying to achieve—and ask whether that purpose is abstract," making the *Alice/Mayo* step one "a sort of 'quick look' test, the object of which is to identify a risk of preemption and ineligibility"); *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1258–59 (Fed. Cir. 2014). The court considers the patent's claims as a whole to determine what their focus is. See *Diamond v. Diehr*, 450 U.S. 175, 188 (1981).

## C. Patent Eligibility Under § 101

### 1. Step One of the *Alice/Mayo* Test

Under the first step of the *Alice/Mayo* test, the court must determine whether the claim at issue is directed to a "patent-ineligible concept," including an abstract idea. See *Alice*, 573 U.S. at 217. When engaging in the first step analysis, courts should not "oversimplif[y]" key inventive concepts or "downplay" an invention's benefits. *Enfish*, 822 F.3d at 1337–38; see also *McRO, Inc. v. Bandai Namco Games Am. Inc.*, 837 F.3d 1299, 1313 (Fed. Cir. 2016) ("courts 'must be careful to avoid oversimplifying the claims' by looking at them generally and failing to account for the specific requirements of the claims.") (quoting *In re TLI Commc'ns*, 823 F.3d at 611).

Defendant cites the following language from the Asserted Patents: the invention "automat[es] the growing of crops, such as grapevines," using "data from sensors local to a vineyard...combined with a control system to accurately control the dispensing of water and chemicals such as insecticides, disease prevention materials and fertilizers." (Doc. No. 13 at 18 (quoting '810 Patent at 3:16–22; '834 Patent at 3:7–15).) Defendant argues that this language represents an abstract idea because it is directed to both a



“longstanding activity (humans for centuries have been adjusting the amounts of water and fertilizer provided to plants based on seeing how well they are growing or the weather) and a fundamental business practice (collecting, processing, and analyzing data), automated using only generic components.” (Doc. No. 13 at 18–19 (citing *Valmont Indus., Inc. v. Lindsay Corp.*, No. 15-42-LPS, 2018 WL 5962469, at \*6 (D. Del. Nov. 14, 2018)); *BSG Tech LLC v. Buycseasons, Inc.*, 899 F.3d 1281, 1285 (Fed. Cir. 2018); *Intellectual Ventures I LLC v. Symantec Corp.*, 838 F.3d 1307, 1318 (Fed. Cir. 2016); *Smart Sys. Innovations, LLC v. Chicago Transit Auth.*, 873 F.3d 1364, 1368 (Fed. Cir. 2017); *Content Extraction*, 776 F.3d at 1347; *In re TLI Commc’ns*, 823 F.3d at 613).)

In opposition to defendant’s contention in this regard, plaintiff argues that improved agricultural systems much like the ones plaintiff asserts here are routinely held to be patent eligible and are not directed to an abstract idea. (Doc. No. 17 at 12–15, 19–28 (citing *Capstan AG Sys. v. Raven Indus., Inc.*, 228 F. Supp. 3d 1235, 1244–45 (D. Kan. 2017); *Agri-Labs Holding LLC v. Taplogic, LLC*, 304 F. Supp. 3d 773, 785 (N.D. Ind. 2018).)

The court finds defendant’s argument unpersuasive because it is based on an oversimplification of the Asserted Patents. In *Capstan AG*, the asserted patents were “directed to an improved system and method for dispensing controlled amounts of liquid agricultural product through a plurality of valves that [were] individually controlled or controlled in groups.” *Capstan AG*, 228 F. Supp. at 1241. In other words, the two asserted patents aimed to “improve agrochemical spraying technology by allowing users to control each sprayer nozzle, either individually or by groups of nozzles.” *Id.* Analyzing step one of the *Alice/Mayo* test, the court held in *Capstan AG* that the asserted patents “set out to solve a problem that is itself patent-eligible: lack of precision in agrochemical spraying caused by the inability to control sprayer nozzles individually.” *Id.* at 1244. While the asserted patents in *Capstan AG* utilized a mathematical formula, the court nevertheless concluded that the formula was used to improve an existing technological process—one where no system or method previously existed for controlling the flow rate of individual nozzles in agrochemical spraying systems—and therefore that the asserted patents were directed to patent-eligible subject matter. *Id.* at 1245–46.

\*9 In *Agri-Labs*, the asserted patent involved a method and system for soil sampling to determine nutrient levels across various areas in fields. *See Agri-Labs*, 304 F. Supp. 3d at 781. After the samples were collected and tested for nutritional deficiencies, the results would be transferred to a fertilizer applicator, which would then adjust the flow of nutrients according to recorded geographic positions. *See id.* Previously, a farmer who wanted to evaluate the nutritional needs of soil would be required to collect samples from various places and mark them with individual identifiers to memorialize the precise geographic position from which each sample was collected, a method that was both time-consuming and prone to errors. *See id.* At the summary judgment stage of the litigation in that case, the district court held that the asserted patent was not directed to an abstract idea but instead was “directed to a specific technique regarding soil sampling...[that] purport[ed] to solve issues associated with existing techniques by coming to the end result more efficiently and accurately.” *Id.* at 785–86. The court concluded that the invention embodied in the asserted patent “improve[d] the technological process of soil sampling and the manner in which soil sample containers [were] tracked and associated with the geographic location in the field from where the samples [were] obtained,” which was a method and system that accomplished something the industry had not been previously able to accomplish and resolved a particular problem related to collecting soil samples. *Id.* at 786.

Here, the ‘834 Patent contains various types of in-field sensors and emitters for dispensing water, fungicide, pesticide, and other materials to one or more plants while using real-time data from in-field sensors and external data sources. (‘834 Patent at Fig. 1; 5:1–9, 5:10–35.) Both the localized sensor and external data can be processed through advanced modeling techniques described in the patent.<sup>3</sup> (*See id.* at 5:10–35.) “The data and modeling are then used as inputs into the automated, fine-grained control of the variable rate irrigation and nutrient application system.” (*See e.g., id.* at Fig. 1, 5:42–57 (“This is useful where different parts of a vineyard need different degrees of irrigation”), 3:9–15 (“Combinations of data from sensors local to a vineyard, and from optional remote stations and sensors, is combined with a control system, to accurately control the dispensing of water and chemicals such as insecticides, disease prevention materials, and fertilizers”); Doc. No. 1 ¶ 26.)

The Asserted Patents claim that they made specific improvements to the existing vineyard drip irrigation systems that existed at the time, which were manually controlled or automated with timers or computers. (*See* ‘834 Patent at 1:29–38, 42–44 (“it is difficult to selectively provide different amounts of water to different plants, or even plant rows or areas”).) As plaintiff argues, “[s]uch prior systems did not ‘provide a high level of automation’ like the systems of the patented invention, and did not address soil variability problems by ‘selectively provid[ing] different amounts of water to different plants’ or plant areas.” (Doc. No. 17 at 25 (citing ‘834 Patent at 1:39–44; Doc. No. 1 ¶ 27).) Accepting the claims as true, the Asserted Patents here, like those in *Capstan AG* and *Agri-Labs*, are directed to improve a system and method for the precise dispensing of water, fungicide, pesticide, and other chemicals to individual plants, in different areas of agricultural fields, in ways that were previously unavailable. *See Capstan AG*, 228 F. Supp. at 1239, 1241, 1244–46; *Agri-Labs*, 304 F. Supp. 3d at 781, 785–86.

The court has reviewed the cases that defendant relies upon in support of its argument and finds that they are distinguishable. In *Valmont*, for instance, the district court held that the asserted patent which involved the use of a hand-held portable device to remotely display and control irrigation systems was patent-ineligible. *Valmont*, 2018 WL 5962469, at \*7. At step one, the court held that the invention was directed to the abstract idea of “remotely monitoring and controlling irrigation equipment.” *Id.* at \*6. Here, however, the Asserted Patents do not simply remotely monitor and do not require human intervention to control the irrigation equipment. Rather, the Asserted Patents appear to improve upon the prior art which did not “provide a high level of automation” or “address soil variability problems ‘by selectively provid[ing] different amounts of water to different plants’ or plant areas.” (Doc. No. 17 at 25 (citing ‘834 Patent at 1:39–44; Doc. No. 1 ¶ 27).) The Asserted Patents utilize various types of in-field sensors and emitters for dispensing water, fungicide, pesticide, and other materials to one or more plants while using real-time data from in-field sensors and external data sources, including weather data, crop growth models, growing degree days, evapo-transpiration coefficients, degree day insect models, disease risk models, irrigation requirements, crop nutrition requirements, and crop development data. (‘834 Patent at Fig. 1; 5:1–35.) Using that real-time data from both in-field sensors *and* external data sources, the Asserted Patents then deliver precise amounts of water and specific chemicals to the individual plants as necessary, as “different parts of a vineyard need different degrees of irrigation,” and where “[s]ome plants may be exposed to insects or disease and not others.” (See *id.* at Fig. 1, 5:42–57, 3:9–15; Doc. No. 1 ¶ 26.) Moreover, “[w]ind and weather sensors can be used to prevent dispensing of harmful chemicals when a chance of unwanted high dispersion is likely,” and application can be immediately stopped “[s]hould a high wind come up during application of chemicals.” (‘834 Patent at 8:27–33.) As plaintiff argues, this results in greater efficiency, higher yield and higher equality grapes, and less human error that existed with the prior art. (*Id.* at 1:50–57, 6:19–26.) The court therefore finds the decision in *Valmont* to be distinguishable from the present case.

**\*10** In *BSG Tech*, the Federal Circuit held that patents related to systems and methods for indexing information stored in “wide access” databases were patent-ineligible, reasoning that “methods of organizing human activity” are abstract. 899 F.3d at 1283, 1285–86. However, *BSG Tech* is readily distinguishable from this case. The asserted claims in *BSG Tech* purported to overcome shortcomings in the way data is organized and categorized by, among other things, suggesting to database users ways in which to categorize and describe information based on historical usage. See *id.* at 1286. As the Federal Circuit explained there:

[The claimed invention] amounts to having users consider previous item descriptions before they describe items to achieve more consistent item descriptions. Whether labeled as a fundamental, long-prevalent practice or a well-established method of organizing activity, this qualifies as an abstract idea. See also *CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366, 1372–73 (Fed. Cir.

2011) (holding that a claim whose “steps can be performed in the human mind, or by a human using a pen and paper” is directed to an “unpatentable mental process[ ]”).

*Id.*

Here, however, the Asserted Patents do more than merely perform steps that could be accomplished within the human mind or by a human using pen and paper. The Asserted Patents include elements of physical technology, including the use real-time in-field sensors and external data sources to provide the precise delivery of water and certain chemicals to individual plants in different areas of fields as they require. (See *id.* at Fig. 1, 5:42–57, 3:9–15; Doc. No. 1 ¶ 26.) As such, *BSG Tech* does not support defendant’s motion to dismiss in this case.

In *Smart System Innovations*, the Federal Circuit held that patent claims related to a computerized mass transit payment system were patent ineligible. 873 F.3d at 1368. The court reasoned that because the claims were directed to the “formation of financial transactions in mass transit and data collection related to such transactions,” these were merely directed to the abstract idea of “collection, storage, and recognition of data” that did not “provide a method for processing data that improve[d] existing technological processes.” *Id.* at 1372. Here, however, the Asserted Patents claim to make specific improvements to the existing vineyard drip irrigation systems that existed at the time, which were manually controlled or automated only with timers or computers. (See ‘834 Patent at 1:29–38, 42–44.) As plaintiff argues, “[s]uch prior systems did not ‘provide a high level of automation’ like the systems of the patented invention, and did not address soil variability problems by ‘selectively provid[ing] different amounts of water to different plants’ or plant areas.” (Doc. No. 17 at 25 (citing ‘834 Patent at 1:39–44; Doc. No. 1 ¶ 27).)

For these same reasons, the court finds the decisions in *Content Extraction* and *In re TLI Communications*, relied upon by defendant, to be distinguishable from this case. See *Content Extraction*, 776 F.3d at 1347 (holding that claims involving collection, recognition, and

storage of data were directed to abstract idea); *In re TLI Commc'ns*, 823 F.3d at 613 (holding that a patent was directed to an abstract idea where it related to the method and system for taking, transmitting, and organizing digital images). Defendant has therefore not met its burden under § 101 at step one of the *Alice/Mayo* test in moving to dismiss plaintiff's complaint. The court could end its analysis at step one and deny defendant's motion to dismiss on that basis alone. Nevertheless, in an abundance of caution, the court will examine the second step below.

## 2. Step Two of the *Alice/Mayo* Test

**\*11** Even assuming, arguendo, that the '834 Patent is directed to an abstract idea, the undersigned concludes that in moving to dismiss the complaint defendant has not met its burden of establishing that the elements of the '834 Patent, alone *or in combination*, do not contain an "inventive concept" sufficient to "transform the nature of the claim" from a purported abstract idea into a patent-eligible application. *Alice*, 573 U.S. at 221 (citing *Mayo*, 566 U.S. at 72, 79–80); *Bascom v. AT&T Mobility LLC*, 827 F.3d 1341, 1349–50 (Fed. Cir. 2016) (holding that an ordered combination of claim limitations revealed an inventive concept that transformed an abstract idea of filtering content into a patent-eligible invention where the prior art filters were susceptible to hacking and the filter implementation was alleged to be versatile enough to adapt to many users' preferences while also installed remotely) (citing *Alice*, 572 U.S. at 217); *Cellspin Soft, Inc. v. Fitbit, Inc.*, 927 F.3d 1306, 1316–19 (Fed. Cir. 2019) (holding that claims setting forth a method of connecting data capture device to a mobile device allowing users to automatically publish content from a data capture device to a website revealed inventive concept sufficient to transform an abstract idea into patent-eligible subject matter).

"The second step of the *Alice* test is satisfied when the claim limitations involve more than performance of well-understood, routine, [and] conventional activities previously known to the industry." *Berkheimer v. HP, Inc.*, 881 F.3d 1360, 1367 (Fed. Cir. 2018) (quoting *Content Extraction*, 776 F.3d at 1347–48) (internal quotation marks omitted); *see also Aatrix Software, Inc. v. Green Shades Software, Inc.*, 882 F.3d 1121, 1128 (Fed. Cir. 2018) ("If the elements involve 'well-understood, routine, [and] conventional activity previously engaged in by researchers in the field,' they do not constitute an 'inventive concept.'") (quoting *Mayo*, 566 U.S. at 73). "The question of whether a claim element or combination of elements is well-understood, routine and conventional to a skilled artisan in the relevant field is a question of fact...that...must be proven by clear and convincing evidence." *Berkheimer*, 881 F.3d at 1367; *Cellspin Soft, Inc. v. Fitbit, Inc.*, 927 F.3d 1306, 1317–18 (Fed. Cir. 2019) ("We have no basis, at the pleadings stage, to say that these claimed techniques [of employing a hypertext transfer protocol at a specific location using an intermediary mobile device] were well-known or conventional as a matter of law").

Defendant argues that the Asserted Claims fail step two for the following reasons: 1) the Asserted Claims do not provide an inventive concept because the claim elements "merely automate a process otherwise performed by humans, using only generic or functionally described generic components operating conventionally" (Doc. No. 13-1 at 17); 2) the "control system" limitations fail to supply an inventive concept because they are simply generic computer components (essentially akin to processors, interfaces, memory, and data that perform basic computing functions without describing any specialized or innovative hardware or software (*id.* at 18–20); 3) the "sensor" limitations fail to supply an inventive concept because they are merely generic sensors operating conventionally and do not comprise technological improvements over known sensors, citing three other patents (*id.* at 20–24); 4) the "sensor" limitations further fail to supply an inventive concept because the specifications contain no details of how the sensors can be implemented (*id.* at 23); and 5) the "emitter" limitations fail to supply an inventive concept because they are merely generic emitters operating conventionally (*id.* at 24–25).

In response, plaintiff argues that: 1) defendant fails to consider plaintiff's claims "as a whole" in light of their claimed advances and specific improvements over existing systems; 2) defendant's arguments raise questions of fact unsuitable for resolution a motion to dismiss; and 3) use of the external data inputs were inventive and helped solve problems in the prior art. (Doc. No. 17 at 29.)

**\*12** The court agrees that the question of whether each of the claim elements of the Asserted Patents (including the control systems, sensors, or emitters), were well-understood, routine, and conventional at the time of the invention, is a question of fact that is not suitable for resolution by way of a motion to dismiss. This is particularly true where plaintiff's complaint (including the Patents themselves), plausibly alleges facts that would satisfy the second step of *Alice*.<sup>4</sup> *See Cellspin Soft, Inc.*, 927 F.3d at 1317–18 ("We have no basis, at the pleadings stage, to say that these claimed techniques were well-known or conventional as a matter of law"); *Berkheimer*, 881 F.3d at 1369–70 (vacating an order granting summary judgment in part as to certain claims because "[w]hether something is well-understood, routine, and conventional to a skilled artisan at the time of the patent is a factual determination."); *Vaporstream, Inc. v. Snap Inc.*, No. 2:17-cv-00220-MLH, 2018 WL 1116530, at \*6 (S.D. Cal. Feb. 27, 2018) (denying defendant's motion for summary judgment, finding that questions of fact existed where plaintiff offered competing expert testimony indicating the claim elements of the patents-in-suit, including the separate displays, separate transmissions, and display-based keyboard, were well-understood, routine, and conventional at the time of the invention).

In any event, the court finds merit in plaintiff's argument that defendant has failed to adequately acknowledge that each claim in the '834 patent incorporates external data and appears to use that data, in combination with the in-field sensors, to provide precise watering, pesticide,

and other chemicals to the individual plants based on their needs.<sup>5</sup> At the pleadings stage, plaintiff's plausible assertion that such improvements were not available in the prior art is sufficient. (Doc. No. 17 at 29–31; *see also* Doc. No. 1 ¶ 33.) For example, the '834 Patent states: "While such irrigation systems have been proven effective, they do not provide a high level of automation" and "require[ ] much human participation and [are] prone to errors and inefficiencies."<sup>6</sup> ('834 Patent at 1:29–57.) Moreover, the "invention provides more accurate timing of applications and better coverage of the vines, resulting in better disease management— one of the primary factors of quality and yield." ('834 Patent at 6:19–27; *see also* Doc. No. 1 ¶ 33.) The '834 Patent further provides:

By using the system of the present invention, efficiencies not possible in the prior art can be realized. The control system can accurately measure the pressure and volume of delivery of water and chemicals. The delivery of materials can be more precisely directed to where it is needed. The delivery is also performed as needed so care of the crops is more accurate and effective and there is less waste. No human intervention is necessary. Heavy mechanical devices are eliminated at a concomitant savings in fuel and maintenance costs.

('834 Patent at 8:13–22.) Accepting plaintiff's allegations as true, as the court must on a motion to dismiss, the complaint and the patent claims, considered as a whole, sufficiently state an inventive concept. Defendant's motion to dismiss the complaint therefore fails step two of the *Alice/Mayo* test as well.

### 3. Representative Claims

**\*13** Defendant's arguments mainly relate to the patent ineligibility of Claim 2 of the '810 Patent, which defendant argues is "representative" of the Asserted Claims. (Doc. No. 13-1 at 10 n.2.) Plaintiff disputes the representativeness of Claim 2. (Doc. No. 17 at 18–20.)

A court "need not expressly address each asserted claim where the court concludes that particular claims are representative because all the claims are 'substantially similar and linked to the same abstract idea.'" *Voip-pal.com, Inc. v. Apple Inc.*, 411 F. Supp. 3d 926, 941 (N.D. Cal. 2019) (quoting *Content Extraction*, 776 F.3d at 1348 (quotation marks omitted); *Mortg. Grader, Inc. v. First Choice Loan Servs. Inc.*, 811 F.3d 1314, 1324 n.6 (finding that the district court did not err by discussing only one claim where the claims did not "differ in any manner that is material to the patent-eligibility inquiry"); *Alice*, 573 U.S. at 224–25). Here, however, the court will deny defendant's motion to dismiss on the merits. Therefore, it is not necessary to determine at this stage of the litigation whether the specific claim defendant has directly, but unsuccessfully, attacked is representative of other claims in the disputed patents.<sup>7</sup>

## CONCLUSION

For the reasons set forth above, defendant's motion to dismiss (Doc. No. 13) is denied. IT IS SO ORDERED.

Dated: **December 30, 2020**

UNITED STATES DISTRICT JUDGE

## All Citations

Slip Copy, 2021 WL 22497

## Footnotes

- <sup>1</sup> The undersigned apologizes for the excessive delay in the issuance of this order. This court's overwhelming caseload has been well publicized and the long-standing lack of judicial resources in this district has reached crisis proportion. Unfortunately, that situation sometimes results in the court not being able to issue orders in submitted civil matters within an acceptable period of time. This situation is frustrating to the court, which fully realizes how incredibly frustrating it is to the parties and their counsel.
- <sup>2</sup> Based upon a review of the '834 Patent and '810 Patents, the court assumes the use of the term "plan" in Claim 2 of the '834 Patent was a typographical error and that the Patent intended to use the term "plant." The same apparent typographical error occurs in Claim 15 of the '834 Patent in a similar context. However, Claim 2 of the '810 Patent references "a plurality of sensors, wherein each sensor is associated with, and in fixed proximity to, one of the plants." The language in the '810 Patent strongly suggest that the drafter(s) intended to use the term "plant" in the '834 Patents. Even if the court is incorrect in this assumption, the distinction does not appear to be material to resolution of the pending motion.
- <sup>3</sup> Plaintiff provides several examples of the modeling techniques, including through entering external data manually, receiving external data automatically via a communication link or a network such as the Internet, and using sensor data in combination with methods that are described in certain academic papers regarding the control of irrigation and application of other chemicals and materials. (See '834 Patent at 5:10–35.)
- <sup>4</sup> Defendant argues that the sensors were conventional at the time of the invention, citing the Hall, Douglas, and Reusch patents (see Doc. No. 13-1 at 22 n.6). While the court may take judicial notice of the patents as matters of public records, see *Advanced Steel Recovery, LLC v. X- Body Equipment, Inc.*, No. 2:16-cv-00148-KJM-EFB, 2016 WL 4192439, at \*3 (E.D. Cal. Aug. 9, 2016), the court will not on a motion to dismiss determine whether the sensors were conventional at the time of the invention based on the Hall, Douglas, and Reusch patents. See *Berkheimer*, 881 F.3d at 1369 ("Whether a particular technology is well-understood, routine, and conventional goes beyond what was simply known in the prior art. There mere fact that something is disclosed in a piece of prior art, for example, does not mean it was well-understood, routine, and conventional.").
- <sup>5</sup> For this same reason, the court finds the decision in *Neochloris, Inc. v. Emerson Process Mgmt. LLLP*, 140 F. Supp. 3d 763 (N.D. Ill. 2015), to be distinguishable from the present case. In *Neochloris*, the court held that a patent that described the process of collecting and monitoring water data was directed to an abstract idea and the system's ability to reduce human error was not an inventive concept sufficient to transform the abstract idea into a patent-eligible invention. *Id.* at 771–75. However, in the instant matter plaintiff's patent involves more than "computer and software [that] simply make routine calculations to monitor and analyze water data." See *id.* at 772. Rather, plaintiff has made a sufficient showing in opposition to the pending motion to dismiss that the combination of the external data and data from the in-field sensors transform the idea into an inventive concept. See *Alice*, 573 U.S. at 217 ("we consider the elements of each claim both individually and 'as an ordered combination' to determine whether the additional elements 'transform the nature of the claim' into a patent-eligible application.") (quoting *Mayo*, 566 U.S. at 78–79).



- <sup>6</sup> “[P]lausible and specific factual allegations [in the complaint] that aspects of the claims are inventive are sufficient” for purposes of a motion to dismiss. *Cellspin Soft Inc.*, 927 F.3d at 1317–18 (holding that plaintiff “made specific, plausible factual allegations about why aspects of its claimed inventions were not conventional, *e.g.*, its two-step, two-device structure requiring a connection before data is transmitted” and district court erred by not accepting those allegations as true) (citing *Aatrix*, 882 F.3d at 1128 (“There are concrete allegations in the second amended complaint that individual elements and the claimed combination are not well-understood, routine, or conventional activity.”)).
- <sup>7</sup> “Erroneously determining that a claim is representative has constitutional consequences.” *Nice Ltd. v. Callminer, Inc.*, No. 18-2024-RGA-SRF, 2020 WL 529709, at \*4 (D. Del. Feb. 3, 2020), *R. & R. adopted by* 2020 WL 1502290 (D. Del. Mar. 30, 2020) (citing *PPS Data, LLC v. Jack Henry & Assocs., Inc.*, 404 F. Supp. 3d 1021, 1033 (E.D. Tex. 2019)). “In contrast, an erroneous determination that a claim is not sufficiently representative ‘presents no comparable counterweight’ because ‘incremental increases in judicial economy...should never come at the cost of constitutionally secured rights.’ ” *Id.*

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# FORD

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2020 WL 7695614 (UDRP-ARB Dec.)

FORD MOTOR COMPANY v. WHOISGUARD PROTECTED, WHOISGUARD, INC./ DOMAIN ADMIN, WHOIS PRIVACY CORP.  
AND TREE INC

WIPO Arbitration and Mediation Center

ADMINISTRATIVE PANEL DECISION

FORD MOTOR COMPANY v. WHOISGUARD PROTECTED, WHOISGUARD, INC./ DOMAIN ADMIN, WHOIS PRIVACY CORP.  
AND TREE INC

Case No. D2020-2500

\*1 Doman Name: f0rd.com

## Case Type: Domain Name

## Award Amount: Equitable

\*5 Award Date: December 18, 2020

Arbitrator: Robert A. Badgley

### 1. The Parties

Complainant is Ford Motor Company, United States of America ('United States'), represented by Phillips Ryther & Winchester, United States.

Respondents are Whoisguard Protected, WhoisGuard, Inc., Panama/ Domain Admin, Whois Privacy Corp., Bahamas and Tree Inc, United States.

### 2. The Domain Names and Registrars

The disputed domain name <f0rd.com> is registered with Internet Domain Service BS Corp and the disputed domain name <us-ford.com> is registered with NameCheap, Inc. (the 'Registrars'). The disputed domain names are hereinafter referred to as the 'Domain Names.'

### 3. Procedural History

The Complaint was filed with the WIPO Arbitration and Mediation Center (the 'Center') on September 25, 2020. On September 28, 2020, the Center transmitted by email to the Registrars a request for registrar verification in connection with the Domain Names. On September 28, 2020, and September 29, 2020, the Registrars transmitted by email to the Center their verification response disclosing registrant and contact information for the Domain Name which differed from the named Respondent and contact information in the Complaint.

The Complaint also related to the domain name <ford-us.com>. Further to the Center's communication dated October 2, 2020, Complainant confirmed that it has contacted the registrar and registered the domain name <ford-us.com> on October 15, 2020. On

October 20, 2020, Complainant filed an amended Complaint removing the domain name <ford-us.com> from the Complaint and on October 22, 2020, the Center confirmed it shall not proceed in this case with respect to the domain name <ford-us.com>.

The Center sent an email communication to Complainant on October 22, 2020 providing the registrant and contact information disclosed by the Registrars, and requesting Complainant to amend the Complaint adding the Registrar-disclosed registrants as formal Respondents and provide relevant arguments or evidence demonstrating that all named Respondents are, in fact, the same entity and/or that all domain names are under common control; and/or file a separate complaint for any domain name(s) for which it is not possible to demonstrate that all named Respondents are in fact the same entity and/or that all domain names are under common control and indicate (by short amendment or reply email) which domain name(s) will no longer be included in the current Complaint. Complainant filed an amendment to the amended Complaint on October 26, 2020.

On November 4, 2020, the Center noted that there appears to be at least *prima facie* grounds sufficient to warrant accepting the Complaint for the Panel's final determination of the consolidation request on appointment.

**\*2** The Center verified that the Complaint together with the amended Complaint and the amendment to the amended Complaint satisfied the formal requirements of the Uniform Domain Name Dispute Resolution Policy (the 'Policy' or 'UDRP'), the Rules for Uniform Domain Name Dispute Resolution Policy (the 'Rules'), and the WIPO Supplemental Rules for Uniform Domain Name Dispute Resolution Policy (the 'Supplemental Rules').

In accordance with the Rules, paragraphs 2 and 4, the Center formally notified Respondent of the Complaint, and the proceedings commenced on November 4, 2020. In accordance with the Rules, paragraph 5, the due date for Response was November 24, 2020. Respondent did not submit any response. Accordingly, the Center notified Respondent's default on November 25, 2020.

The Center appointed Robert A. Badgley as the sole panelist in this matter on December 4, 2020. The Panel finds that it was properly constituted. The Panel has submitted the Statement of Acceptance and Declaration of Impartiality and Independence, as required by the Center to ensure compliance with the Rules, paragraph 7.

#### **4. Factual Background**

Complainant has been one of the world's leading automobile manufacturers for more than a century, and Complainant has used the FORD trademark for more than a century. The FORD mark is registered in most countries, including United States Patent and Trademark Office Reg. No. 74,530, registered on July 20, 1909 for 'automobiles and their parts.' The FORD trademark has been recognized in various media sources as one of the 100 most valuable brands in the world.

The Domain Name <f0rd.com> was registered on June 28, 2017, and the Domain Name <us-ford.com> was registered on July 1, 2020. The Whois contact information for the two Domain Names differs, but, according to Complainant, the two Domain Names are owned by the same person or entity. Complainant alleges that, on July 1, 2020, both Domain Names were used to impersonate the same Ford employee by creating false email addresses. One of Complainant's suppliers received a fake email from the '@us-ford.com' email address, and responded to that fake email. The supplier then received a reply to his response from the '@f0rd.com' email address. The supplier communicated with the imposter for several days until the imposter, posing as a Ford employee, asked the supplier to transfer a large sum of money and furnished documents to effectuate the transfer which the supplier suspected were forgeries. According to Complainant, the fact that the imposter used both Domain Names in his communications with the supplier indicates that the two Domain Names are under common control, such that, notwithstanding the different Whois registrant information, the owners of the Domain Names are in fact one and the same Respondent.

The foregoing allegations are not disputed by either named Respondent. The Panel concludes that there is in fact a single Respondent in this proceeding, and will refer hereafter to Respondent as a single person or entity.

#### **5. Parties' Contentions**

##### **\*3 A. Complainant**

Complainant contends that it has satisfied each of the elements required under the Policy for a transfer of the Domain Name.

##### **B. Respondent**

Respondent did not reply to Complainant's contentions.

## 6. Discussion and Findings

Paragraph 4(a) of the Policy lists the three elements which Complainant must satisfy with respect to each of the Domain Names:

(i) the Domain Name is identical or confusingly similar to a trademark or service mark in which Complainant has rights; and (ii) Respondent has no rights or legitimate interests in respect of the Domain Name; and (iii) the Domain Name has been registered and is being used in bad faith.

### A. Identical or Confusingly Similar

The Panel concludes that Complainant has rights in the trademark FORD through longstanding registration and use demonstrated in the record. The Panel also concludes that the Domain Names are confusingly similar to that mark. For one of the Domain Names, the only difference is that the Domain Name replaces the letter 'o' with the number '0.' The fact that the letter 'o' and the number '0' are routinely confused, look very similar, and are adjacent to each other on the QWERTY keyboard make the Domain Name confusingly similar to the FORD mark. For the other Domain Name, it incorporates the FORD mark and merely adds the geographic descriptor 'US' and a hyphen. Once again, the FORD mark is clearly recognizable within the Domain Name.

Complainant has established Policy paragraph 4(a)(i).

### B. Rights or Legitimate Interests

For each of the Domain Names, pursuant to paragraph 4(c) of the Policy, Respondent may establish its rights or legitimate interests, among other circumstances, by showing any of the following elements:

(i) before any notice to you [Respondent] of the dispute, your use of, or demonstrable preparations to use, the Domain Name or a name corresponding to the Domain Name in connection with a *bona fide* offering of goods or services; or

(ii) you [Respondent] (as an individual, business, or other organization) have been commonly known by the Domain Name, even if you have acquired no trademark or service mark rights; or

(iii) you [Respondent] are making a legitimate noncommercial or fair use of the Domain Name, without intent for commercial gain to misleadingly divert consumers or to tarnish the trademark or service mark at issue.

The Panel concludes that Respondent lacks rights or legitimate interests in respect of the Domain Names. Respondent has not come forward in this proceeding to articulate or prove his *bona fides* vis-à-vis the Domain Names. On the record before the Panel, it is undisputed that Complainant has had no relationship with Respondent, and has never authorized Respondent to use its FORD trademark in a domain name or otherwise.

Further, given the fame of the FORD mark and the fact that one of the Domain Names appears to be a deliberate misspelling of that mark, *i.e.*, a clear attempt at typosquatting, the Panel can conceive of no legitimate basis upon which this Domain Name could have been registered by Respondent.

**\*4** Moreover, using the Domain Names to host fraudulent email addresses in aid of a phishing scam cannot be considered a legitimate reason for registering the Domain Names. As set forth in section 2.13.1 of WIPO Overview of WIPO Panel Views on Selected UDRP Questions, Third Edition ('WIPO Overview 3.0'): 'Panels have categorically held that the use of a domain name for illegal activity (e.g., the sale of counterfeit goods or illegal pharmaceuticals, phishing, distributing malware, unauthorized account access/hacking, impersonation/passing off, or other types of fraud) can never confer rights or legitimate interests on a respondent.' See *also BTWN Exhibits, LLC v. Registration Private, Domains By Proxy, LLC/Ahmed Fawzy, ASM Marketing*, WIPO Case No. D2020-0036 ('[t]he use of the Domain Name for an illegal activity such as constructing an email composition containing the Domain Name for deceiving purposes can never confer rights or legitimate interests on Respondent').

Complainant has established Policy paragraph 4(a)(ii).

### C. Registered or Used in Bad Faith

For each of the Domain Names, paragraph 4(b) of the Policy provides that the following circumstances, 'in particular but without limitation,' are evidence of the registration and use of the Domain Name in 'bad faith':

(i) circumstances indicating that Respondent has registered or has acquired the Domain Name primarily for the purpose of selling, renting, or otherwise transferring the Domain Name registration to Complainant who is the owner of the trademark or service mark or to a competitor of that Complainant, for valuable consideration in excess of its documented out of pocket costs directly related to the Domain Name; or

(ii) that Respondent has registered the Domain Name in order to prevent the owner of the trademark or service mark from reflecting the mark in a corresponding domain name, provided that Respondent has engaged in a pattern of such conduct; or

(iii) that Respondent has registered the Domain Name primarily for the purpose of disrupting the business of a competitor; or

(iv) that by using the Domain Name, Respondent has intentionally attempted to attract, for commercial gain, Internet users to Respondent's website or other online location, by creating a likelihood of confusion with Complainant's mark as to the source, sponsorship, affiliation, or endorsement of Respondent's website or location or of a product or service on Respondent's website or location.

The Panel concludes that Respondent registered and used the Domain Names in bad faith. Respondent clearly had Complainant and its famous FORD trademark in mind when registering the Domain Names. This is apparent by the use to which Respondent has put the Domain Names, including as fake email addresses used in a fraudulent phishing scam attempted on at least one of Complainant's suppliers. This phishing scam is clearly a fraudulent and bad faith use of the Domain Names.

Complainant has established Policy paragraph 4(a)(iii).

## 7. Decision

For the foregoing reasons, in accordance with paragraphs 4(i) of the Policy and 15 of the Rules, the Panel orders that the Domain Names <f0rd.com> and <us-ford.com> be transferred to Complainant.

Date: December 18, 2020

**Arbitrator: Robert A. Badgley**

Sole Panelist

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2020 WL 7695614 (UDRP-ARB Dec.)

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# EMD MILLIPORE CORP.

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2021 WL 66441

Only the Westlaw citation is currently available.

United States District Court, D. Massachusetts.

EMD MILLIPORE CORPORATION and MERCK KGAA, DARMSTADT, GERMANY, Plaintiffs,

v.

HDI-GERLING AMERICA INSURANCE COMPANY, Defendant.

Civil Action No. 20-cv-10244-ADB

|

Filed 01/07/2021

## MEMORANDUM AND ORDER ON DEFENDANT'S MOTION TO DISMISS AND PLAINTIFFS' CROSS-MOTION FOR SUMMARY JUDGMENT

ALLISON D. BURROUGHS U.S. DISTRICT JUDGE

\*1 Plaintiffs EMD Millipore Corporation ("EMD") and Merck KGAA, Darmstadt, Germany ("MKDG," and together with EMD, "Plaintiffs") bring this action against Defendant HDI-Gerling America Insurance Company ("HDI"), their liability insurer, alleging that under their insurance policies, HDI is obligated to pay for MKDG's defense costs in another litigation. See generally [ECF No. 1 ("Compl.")]. Plaintiffs seek (1) a declaratory judgment that HDI has a contractual duty to defend MKDG in that litigation, and (2) damages arising from HDI's alleged "unfair claims settlement practices" in violation of Massachusetts law. [Id. at 12]. Currently before the Court is HDI's motion to dismiss the Complaint in its entirety, [ECF No. 9], and Plaintiffs' cross-motion for partial summary judgment on the issue of HDI's duty to defend, [ECF No. 19]. For the reasons set forth below, HDI's motion to dismiss, [ECF No. 9], is GRANTED, and Plaintiffs' motion for partial summary judgment, [ECF No. 19], is DENIED.

### I. BACKGROUND

The parties do not dispute the material facts which the Court draws from the complaint and the documents attached to the parties' filings, including the insurance policies and the complaint in the underlying litigation against MKDG.

#### A. The Parties

EMD is a Massachusetts corporation with its principal place of business in Burlington, Massachusetts. [Compl. ¶ 7]. It is a supplier for companies that research, develop, and produce biotechnology and pharmaceutical drug therapies. [Id.]. MKDG is a German multinational pharmaceutical, chemical, and life sciences company that indirectly owns EMD and has its principal place of business in Darmstadt, Germany. [Id.]. HDI is an Illinois corporation with its principal place of business in Illinois. [Id. ¶ 8]. Among other things, HDI provides commercial insurance policies. See [id. ¶ 11].

## B. The Policies

EMD purchased two claims-made commercial general liability insurance policies from HDI: a primary policy and an umbrella policy. See [ECF Nos. 1-3 (primary), 1-4 (umbrella)]. Each policy covers claims made between January 1, 2016 and January 1, 2017, and, for present purposes, provides identical coverage.<sup>1</sup> See [ECF Nos. 1-3 (primary), 1-4 (umbrella)]; [ECF No. 24 at 2 (HDI admitting that the relevant provisions in the two policies are identical)]. Although EMD is the policyholder, MKDG is a named insured under each policy.<sup>2</sup> See [ECF No. 1-3 at 27; ECF No. 1-4 at 59].

The policies cover a number of risks. Under the policies, HDI is obligated to pay, among other things, “those sums that the insured becomes legally obligated to pay as damages because of ‘personal and advertising injury’ to which this insurance applies” and “ha[s] the right and duty to defend the insured against any ‘suit’ seeking those damages.”<sup>3</sup> [ECF No. 1-3 at 13]. “[P]ersonal and advertising injury” is defined as “injury, including consequential ‘bodily injury,’ arising out of one or more” of the listed “offenses.” [Id. at 23]. The offenses include, among others, “[o]ral or written publication, in any manner, of material that slanders or libels a person or organization or disparages a person’s or organization’s goods, products or services” and “[t]he use of another’s advertising idea in [an insured’s] ‘advertisement.’” [Id. at 23–24]. The policies do not define “disparage” or “advertising idea.” See [id. at 21–25].

**\*2** The policies include multiple exclusions from the personal and advertising injury coverage. See [ECF No. 1-3 at 13–15]. The parties point to two as being potentially relevant here. First, the “Breach of Contract” exclusion excludes liability for “‘personal and advertising injury’ arising out of a breach of contract, except an implied contract to use another’s advertising idea in [an insured’s] ‘advertisement.’” [Id. at 14]. Second, the “Infringement of Copyright, Patent, Trademark or Trade Secret” exclusion (the “IP Exclusion”) excludes liability for “‘personal and advertising injury’ arising out of the infringement of copyright, patent, trademark, trade secret or other intellectual property rights.” [Id.]. The IP Exclusion further states that “such other intellectual property rights do not include the use of another’s advertising idea in [an insured’s] ‘advertisement,’” and that the exclusion “does not apply to infringement, in [an insured’s] ‘advertisement,’ of copyright, trade dress or slogan.” [Id.].

## C. The New Jersey Litigation

On January 15, 2016, Merck & Co., Inc. and Merck Sharp & Dohme Corp. (collectively, “Merck”)<sup>4</sup> sued MKDG in the United States District Court for the District of New Jersey (the “NJ Litigation”). See [ECF No. 1-5 (“NJ Litig. Compl.”)]. Merck’s complaint asserts federal claims for trademark infringement, trademark dilution, unfair competition, false advertising, and cybersquatting, and New Jersey state law claims for trademark infringement, trademark dilution, unfair competition, deceptive trade practices, and breach of contract. [Id. ¶¶ 86–159]. Because Merck’s allegations in the NJ Litigation are relevant to the parties’ coverage dispute in the instant case, the Court summarizes them here.

Despite their common heritage, Merck and MKDG have been unrelated entities for longer than a century.<sup>5</sup> [NJ Litig. Compl. ¶¶ 10–11]. To fairly navigate the global marketplace with their shared name, the two companies have entered into coexistence agreements, which govern what each company can and cannot do in various jurisdictions around the world regarding the use of “MERCK.” [Id. ¶¶ 11–12]. Pursuant to these coexistence agreements, MKDG cannot use the trademark “MERCK,” or attempt to acquire rights in any trademark containing “MERCK,” in the United States or Canada. [Id. ¶ 13]. Over the years, both via litigation and informally, Merck and MKDG have disputed their respective uses, on the internet and otherwise, of “MERCK” in multiple jurisdictions. [Id. ¶ 14]. Until recently, they had not resolved the extent to which MKDG would use “MERCK” in the United States because MKDG had not directed the “MERCK” name to the United States and had not used it in connection with business activities in direct competition with Merck in the United States. [Id. ¶¶ 16–17].

In the United States, Merck has expended resources building the “MERCK” brand and has acquired goodwill in the “MERCK” trademark and trade name, and other trademarks and trade names containing the word “MERCK.”<sup>6</sup> [NJ Litig. Compl. ¶ 27]. Merck and its affiliates have used these trademarks and trade names in the United States for more than a century and continue to use them. [Id. ¶¶ 28–31]. These trademarks and trade names are well-known in the United States because of Merck’s sales and promotional efforts with respect to Merck’s medicines, vaccines, and animal health products. [Id. ¶ 32].

**\*3** Pursuant to the coexistence agreements, MKDG is permitted to use the word “Merck” as part of a firm or corporate name in the United States but only in the phrase “E. Merck, Darmstadt, Germany,” and only if the four words are given equal prominence. [NJ Litig. Compl. ¶ 36]. Nevertheless, MKDG has used the trade names “MERCK,” “Merck KGaA,” and “Merck KGaA, Darmstadt, Germany” in the United States. [Id. ¶ 37]. Moreover, Merck alleges that MKDG’s use of the designation “Merck KGaA” and its reference to itself as

“MERCK” are so prominent and widespread that they function as a trademark. [Id. ¶ 39]. In sum, according to Merck, MKDG “holds itself out to be ‘MERCK’ ... thereby infringing and diluting the distinctive quality of the MERCK Mark and Trade Names.” [Id. ¶ 40].

In the NJ Litigation, Merck’s factual allegations fit into three broad categories.

First, Merck identifies roughly a dozen examples of MKDG’s allegedly improper use of the “MERCK” trademark or trade name in the United States, including but not limited to: (1) MKDG’s use of “Merck” or “Merck KGaA Darmstadt, Germany” in various places on EMD’s website, [NJ Litig. Compl. at ¶¶ 43–47]; (2) MKDG’s promotion and sale of its products “SedalMerck®,” “Merckognost®,” and “MRCKβ Protein” on EMD’s website, [id. ¶¶ 48, 60]; (3) MKDG’s use of the name “MERCK” on its Facebook and Twitter pages and YouTube channel, [id. ¶¶ 50, 59]; (4) MKDG’s issuance of various press releases using “Merck,” [id. ¶¶ 51–54]; and (5) MKDG’s use of “Merck” and “U.S. Merck” on signage at its kiosks at multiple industry conferences, [id. ¶¶ 55–58].

Second, Merck alleges that MKDG has advanced two marketing campaigns specifically intended to confuse consumers as to MKDG’s history. As part of MKDG’s “Original” campaign, company employees have referred to MKDG as “the Original Merck” and have referred to Merck as MKDG’s “younger brother/sister.” [NJ Litig. Compl. ¶¶ 61–63]. Merck asserts that this campaign is an attempt by MKDG to (1) associate its goods and services with the “MERCK” trademark and (2) “dilute the distinctive quality of the MERCK trademark in the United States.” [Id. ¶ 64]. MKDG also launched the “125 Years” campaign in which it highlighted the fact that it has been in the United States for 125 years, even though, in reality, MKDG has been re-established in the United States only since 1971. [Id. ¶¶ 65–66, 68–69]. According to Merck, this campaign is “likely to deceive consumers as to [MKDG]’s history in the United States and trades off of the good will associated with Merck, through lessening such good will and its association with Merck.” [Id. ¶ 67].

Third, Merck alleges that MKDG registered a number of website domain names that are virtually identical to Merck’s trademark registration for “THE MERCK MANUAL.” [NJ Litig. Compl. ¶ 70]. When users access those websites, they are redirected to MKDG’s website. [Id. ¶¶ 70, 72].

Merck points to evidence suggesting that MKDG’s actions have already confused people and therefore harmed Merck. Merck asserts, among other things, that: (1) a researcher in the United States emailed [goi\\_emdserono@merckgroup.com](mailto:goi_emdserono@merckgroup.com), believing she was communicating with Merck, although she was actually communicating with MKDG, [NJ Litig. Compl. ¶ 74]; (2) a Twitter user attributed one of MKDG’s initiatives to Merck, [id. ¶ 75]; and (3) multiple media sources reporting on MKDG’s activity referred to MKDG as Merck and/or otherwise attributed MKDG’s performance (e.g., negative results in drug trials) to Merck, even using Merck’s New York Stock Exchange ticker symbol (MRK) and corporate logo, [id. ¶¶ 76–80].

## D. Procedural Background

After being sued by Merck, MKDG promptly tendered its defense to HDI. [Compl. ¶ 28]. HDI refused to defend, maintaining that because the NJ Litigation does not implicate the policies, it has no duty to defend MKDG. [Id. ¶¶ 4–5, 29; ECF No. 1-6 (letter from HDI refusing to defend MKDG)]. On February 7, 2020, Plaintiffs filed their Complaint in this action. [Compl.]. HDI moved to dismiss for failure to state a claim on April 2, 2020, [ECF No. 9], and on May 14, 2020, Plaintiffs simultaneously opposed that motion and moved for partial summary judgment as to HDI’s duty to defend, [ECF No. 19]. On June 4, 2020, HDI filed a reply on its motion to dismiss and opposed Plaintiffs’ motion for partial summary judgment. [ECF No. 23]. Plaintiffs filed a reply in support of their partial summary judgment motion on June 18, 2020, [ECF No. 27], and HDI filed a sur-reply on June 24, 2020, [ECF No. 33].

## II. DISCUSSION

\*4 The parties agree that Massachusetts law governs, see [ECF No. 10 at 12; ECF No. 20 at 13–14], and the Court will therefore apply it. *Borden v. Paul Revere Life Ins. Co.*, 935 F.2d 370, 375 (1st Cir. 1991) (“Where, however, the parties have agreed about what law governs, a federal court sitting in diversity is free, if it chooses, to forgo independent analysis and accept the parties’ agreement.”). Under Massachusetts law, “the interpretation of an insurance policy typically embodies a question of law for the court.” *Vt. Mut. Ins. Co. v. Zamsky*, 732 F.3d 37, 42 (1st Cir. 2013).

The law regarding an insurer’s duty to defend is well-settled in Massachusetts. The duty to defend is broader than the duty to indemnify. In order to determine whether an insurer has a duty to defend, a comparison must be made of the facts alleged in the

underlying complaint with the insurance policy provisions. If the allegations of the complaint are reasonably susceptible of an interpretation that they state or adumbrate a claim covered by the policy terms, the insurer has a duty to defend. In sum, [t]he obligation of an insurer to defend is not, and cannot be, determined by reference to the facts proven at trial. Rather, the duty to defend is based on the facts alleged in the complaint and those facts which are known by the insurer. [I]nformation derived from outside the complaint may not serve to negate the duty to defend.

Determining the existence *vel non* of the duty to defend requires a court to consider what kind of losses may be proved as lying within the range of the allegations of the complaint, and then see whether any such loss fits the expectation of protective insurance reasonably generated by the terms of the policy. Put differently, we ask what an objectively reasonable insured, reading the relevant policy language, would expect to be covered.

The insured initially bears the burden of showing that the allegations in the underlying complaint fit within the covered risks in the policy. Once the insured has satisfied this burden, it falls to the insurer to prove the applicability of one or more separate and distinct exclusionary provisions. Both determinations—whether an allegation creates the possibility of a covered claim, and whether an exclusion applies to relieve an insurer of its duty to defend—depend on whether the insured would have reasonably understood the exclusion to bar coverage.

*Essex Ins. Co. v. BloomSouth Flooring Corp.*, 562 F.3d 399, 403–04 (1st Cir. 2009) (second alteration in original) (internal citations and quotation marks omitted). “Courts look to ‘the source from which the [underlying litigation] plaintiff’s [ ] injury originates rather than specific theories of liability alleged in the complaint’ to determine whether the policy covers the claims under this standard.” *Scottsdale Ins. Co. v. Byrne*, 913 F.3d 221, 228 (1st Cir. 2019) (quoting *Bagley v. Monticello Ins. Co.*, 720 N.E.2d 813, 817 (Mass. 1999)). Further, Massachusetts applies the “in for one, in for all” approach, meaning that “where an insurer is obligated to defend an insured on one of the counts alleged against it, the insurer must defend the insured on all counts, including those that are not covered.” *Mount Vernon Fire Ins. Co. v. Visionaid, Inc.*, 76 N.E.3d 204, 210–11 (Mass. 2017).

Because the interpretation of an insurance policy is a question of law, the Court’s task is to compare the allegations in the NJ Litigation complaint with the language of the policies to determine whether HDI has a duty to defend. If there is a duty to defend, the Court will grant Plaintiffs’ motion and deny HDI’s, and if not, the Court will grant HDI’s motion and deny Plaintiffs’.

### A. Merck’s Allegations Do Not Trigger HDI’s Duty to Defend

\*5 HDI is obligated to defend MKDG in “suits” seeking damages for “personal and advertising injury” covered by the policies. [ECF No. 1-3 at 13]. The parties do not dispute that the NJ Litigation qualifies as a “suit.” They do, however, contest whether, in that suit, Merck seeks damages for “personal and advertising injury” covered by the policies. Accordingly, the Court must decide whether, in the NJ Litigation, Merck seeks damages for an injury “arising out of” one of the policies’ enumerated offenses. It is Plaintiffs’ burden to demonstrate that Merck’s allegations are reasonably susceptible of an interpretation that places any of the claims against MKDG within the risks covered by the policies. *Essex Ins.*, 562 F.3d at 403–04.

Plaintiffs argue that two grants of coverage apply to Merck’s claims against MKDG in the NJ Litigation: (1) the grant of coverage for personal and advertising injury arising out of MKDG’s alleged use of Merck’s advertising idea, see [ECF No. 20 at 15–17], and (2) the grant of coverage for personal and advertising injury arising out of MKDG’s alleged publication of material that disparages Merck’s goods, products, or services, [id. at 17–20]. HDI maintains that neither grant of coverage is applicable to Merck’s claims against MKDG in the NJ Litigation because Merck did not accuse MKDG of stealing its advertising idea, [ECF No. 10 at 20–22; ECF No. 23 at 17–20], or of disparaging it, [ECF No. 10 at 14–19; ECF No. 23 at 20–24].

The relevant policy provisions state:

Personal and advertising injury means injury, including consequential ‘bodily injury’, arising out of one or more of the following offenses: ... Oral or written publication, in any manner, of material that slanders or libels a person or organization or disparages a person’s or organization’s goods, products or services; [or] ... The use of another’s advertising idea in [an insured’s] ‘advertisement’

....

[ECF No. 1-3 at 23]. The policies do not define “disparage” or “advertising idea.” See generally [id. at 21–25].

### 1. Use of Another’s Advertising Idea

Here, the relevant question is whether Merck’s factual allegations in the NJ Litigation can reasonably be interpreted as alleging an injury arising out of MKDG’s use of Merck’s advertising idea. *Scottsdale Ins. Co.*, 913 F.3d at 228. “Under Massachusetts law, ‘arising out of’ indicates a wide range of causation ... [and] ‘is generally understood to mean ‘originating from,’ ‘growing out of,’ ‘flowing from,’ ‘incident to,’ or ‘having connection with.’” *Sterngold Dental, LLC v. HDI Glob. Ins. Co.*, 929 F.3d 1, 8 (1st Cir. 2019) (quoting *Brazas Sporting Arms, Inc. v. Am. Empire Surplus Lines Ins. Co.*, 220 F.3d 1, 7 (1st Cir. 2000)). Because the policies do not define “advertising idea,” the Court must “interpret the words in light of their plain meaning, ... giving full effect to the document as a whole[,] ... consider[ing] what an objectively reasonable insured, reading the relevant policy language, would expect to be covered ... [and] interpret[ing] the provision of the standard policy in a manner consistent with the statutory and regulatory scheme that governs such policies.” *Holyoke Mut. Ins. Co. in Salem v. Vibram USA, Inc.*, 106 N.E.3d 572, 577 (Mass. 2018) (alterations in original) (internal quotation marks omitted).

In *Holyoke*, the Supreme Judicial Court (“SJC”) interpreted the phrase “advertising idea” in an insurance coverage dispute.<sup>8</sup> 106 N.E.3d at 578–81. In that case, the insured was a “producer of minimalistic shoes that simulate walking and running barefoot.” *Id.* at 575. The living heirs of Abebe Bikila, a famed Olympic barefoot marathoner, sued the insured, alleging that it had misused the Bikila name in advertising and promoting a shoe designed to simulate the sensation of running barefoot, which it called the “Bikila model” shoe. *Id.* The Bikila family further claimed that they operated a sporting goods store called “Abebe Bikila,” published a book about Abebe Bikila’s history and marathon career, had the right to and had authorized the use of Abebe Bikila’s name and life rights in a commercial and a film, and operated a website containing information regarding Abebe Bikila’s life and legacy. *Id.* The insured argued that the Bikila family’s claims against it triggered the insurers’ duty to defend under the policy, which covered claims for “use of another’s advertising idea,” because the Bikila family alleged that they advertised their commercial ventures by intentionally associating with Abebe Bikila’s name and legacy, and further, that the insured used the same advertising tactics. *Id.* at 577. The SJC agreed. *Id.* After noting that the Third Circuit defined the term “advertising idea” broadly and surveying cases finding a “wide variety of concepts, methods, and activities related to calling the public’s attention to a business, product, or service constitute advertising ideas,” see *id.* at 578, the SJC concluded that the “Bikila family’s advertising idea was using the name ‘Bikila,’ and the legacy that name conveyed, to attract business to each of their ventures.” *Id.* at 580. The SJC further held that because the Bikila family alleged that the insured had used “Bikila” to advertise its products, the Bikila family’s claims against the insured triggered the duty to defend because they were based on the insured’s use of their advertising idea. *Id.*

**\*6** Plaintiffs argue that the SJC’s decision in *Holyoke* is directly on point and necessarily leads to the conclusion that Merck alleges injury arising out of, at least in part, MKDG’s use of Merck’s advertising idea in its advertisements. [ECF No. 20 at 15–17]. According to Plaintiffs, the advertising idea is using the “MERCK” name, in connection with the “Original” and “125 Years” campaigns, to draw attention to the business and attract customers. [id. at 16–17]. HDI counters by arguing that Merck did not allege that *it* had used either “Original” or “125 Years” as a way of drawing attention or attracting customers and therefore, the advertising idea that MKDG is alleged to have used is not “another’s.” [ECF No. 23 at 17–18].<sup>9</sup>

In the NJ Litigation, Merck alleges the following facts: (1) it uses various “MERCK” names with various pharmaceutical products, as well as related goods and services, [NJ Litig. Compl. ¶ 31]; (2) it has undertaken “extensive and widespread sales and promotional efforts in relation to the products and services offered in association with these marks and names,” [id. ¶ 32]; (3) “[a]s a result of Merck’s continuous use, advertising and promotion, *inter alia*, the MERCK Marks and Trade Names have acquired significant goodwill in the United States and, indeed, are famous,” [id. ¶ 34]; (4) MKDG “has encouraged employees ... to promote [MKDG] as the ‘Original,’ ” [id. ¶ 61]; (5) senior MKDG personnel have referred to MKDG as “the Original Merck” during “presentations and interviews,” [id. ¶ 62]; (6) at a 2015 Bio-Pharma Sustainability Conference, MKDG personnel introduced the company as “the Original Merck” and then referred to Merck as MKDG’s “younger brother/sister,” [id. ¶ 63]; (7) MKDG has an advertising campaign premised on MKDG’s “125 Years in the U.S.,” [id. ¶ 65]; (8) MKDG ran a “125 Years” advertisement at the 2015 BIO International Convention in Philadelphia, [id. ¶ 68]; and (9) MKDG ran a “125 Years” advertisement in the *Washington Post*, [id. ¶ 69].

Even considering the lenient standard for assessing an insurer’s duty to defend, see *Essex Ins.*, 562 F.3d at 403 (“If the allegations of the complaint are ‘reasonably susceptible’ of an interpretation that they state or adumbrate a claim covered by the policy terms, the insurer has a duty to defend”), Merck’s complaint does not trigger HDI’s duty to defend because Merck plainly does not allege an



injury arising out of MKDG's use of Merck's advertising idea. More specifically, Merck does not allege that it engaged in advertising campaigns similar to MKDG's "Original" or "125 Years" campaigns or that it advertised based on its status as the original MERCK entity in the United States or as the entity that has continuously operated here the longest. To the contrary, the few allegations in the NJ Litigation complaint about Merck's advertising efforts are so vague that it is impossible to divine anything about the content of its advertisements or the style, manner, or method in which it advertises. See [NJ Litig. Compl. ¶ 32 ("The MERCK Marks and Trade Names are well-known in the United States as a result of extensive and widespread sales and promotional efforts in relation to the various innovative medicines, vaccines, and animal health products, and other products and services offered in association with these marks and names."); id. ¶ 34 ("As a result of Merck's continuous use, advertising and promotion, *inter alia*, the MERCK Marks and Trade Names have acquired significant goodwill in the United States and, indeed, are famous.")]. This lack of detail leaves the Court unable to identify which "advertising idea" of Merck's MKDG is alleged to have used. For this reason, an "objectively reasonable insured" in MKDG's position would not expect Merck's claims against it to be covered under this particular grant of coverage. See *Essex Ins.*, 562 F.3d at 404.

**\*7** Notwithstanding Plaintiffs' arguments, the SJC's decision in Holyoke does not dictate a different result.<sup>10</sup> In Holyoke, the Bikila family made specific factual allegations about their advertising efforts, centered around the name "Bikila" and its legacy. See *Holyoke*, 106 N.E.3d 572 at 579–80 (listing specific methods of advertising and promotions). Here, Merck has alleged nothing about its advertisements except that they exist. Put differently, though Merck has alleged that MKDG used an advertising idea (i.e., attempting to attract customers by heralding MKDG's history and longstanding ties to the United States), as distinguished from the Bikila family, Merck has not alleged that MKDG used *its* advertising idea.

Accordingly, after comparing the allegations in Merck's NJ Litigation complaint to the language of the policies, the Court finds that the allegations cannot be reasonably interpreted as stating a claim that fits within the "use of another's advertising idea" risk covered by the policies.

## 2. Publication of Material that Disparages an Organization's Goods, Products, or Services

Here, the relevant question is whether, in the NJ Litigation, Merck alleges an injury that can be reasonably interpreted as arising out of MKDG's publication of material that disparages Merck's goods, products, or services. See *Scottsdale Ins. Co.*, 913 at 228; *Essex Ins.*, 562 F.3d at 403. As noted above, "arising out of" is construed broadly, *Sterngold Dental*, 929 F.3d at 8, and because the policies do not define "disparage," the Court must "interpret the word[ ] in light of [its] plain meaning, ... giving full effect to the document as a whole[,] ... consider[ing] what an objectively reasonable insured, reading the relevant policy language, would expect to be covered ... [and] interpret[ing] the provision of the standard policy in a manner consistent with the statutory and regulatory scheme that governs such policies." *Holyoke* 106 N.E.3d at 577.

As a starting point, the Court looks to relevant authority to determine the meaning of the term "disparage." The SJC decided an insurance dispute regarding a policy containing the similar, albeit not identical, term "other defamatory or disparaging material." *Bos. Symphony Orchestra, Inc. v. Com. Union Ins. Co.*, 545 N.E.2d 1156 (Mass. 1989). In that case, the SJC observed that "[d]isparage means, among other things, 'to lower in rank and estimation by actions or words,' or 'to speak slightly of.'" *Id.* at 1159 (quoting *Webster's New International Dictionary of the English Language* 750 (2d ed. 1959)). Consistent with that, both legal and general-use dictionaries define "disparage" to mean speaking or writing about another in a derogatory manner. See, e.g., *Disparage*, *Black's Law Dictionary* (11th ed. 2019) ("To speak slightly of; to criticize (someone or something) in a way showing that one considers the subject of discussion neither good nor important."); *Disparage*, *Merriam-Webster*, <https://www.merriam-webster.com/dictionary/disparage> (last visited January 7, 2021) ("to depreciate by indirect means (such as invidious comparison): speak slightly about"); *Disparage*, *Cambridge Dictionary*, <https://dictionary.cambridge.org/us/dictionary/english/disparage> (last visited January 7, 2021) ("to criticize someone or something in a way that shows you do not respect or value him, her, or it"). Although the policies use the term "disparage," not "disparagement," it is also instructive to examine the tort of disparagement. Under Massachusetts law, to state a claim for commercial disparagement, the plaintiff must show, among other things, that a defendant "published a false statement ... 'of and concerning' the plaintiff's products or services." *HipSaver, Inc. v. Kiel*, 984 N.E.2d 755, 763 (Mass. 2013).

**\*8** Plaintiffs argue that Merck's allegations concerning the "Original" and "125 Years" campaigns are sufficient to sketch out a claim for disparagement because the statements made in those campaigns are false and function as statements about Merck and its products by implication (i.e., that Merck is not the original "MERCK" entity and that MKDG has been operating in the United States longer than Merck has). [ECF No. 20 at 18–20]. HDI maintains that Merck does not allege an injury arising out of disparaging

material because it does not identify any statement by MKDG disparaging Merck or otherwise portraying it in a negative light. [ECF No. 10 at 14–19; ECF No. 23 at 20–24]. Rather, Merck asserts that MKDG has undertaken efforts to emulate and/or associate itself with Merck, which is the opposite of disparagement. [ECF No. 10 at 16–17; ECF No. 23 at 20–21].

Plaintiffs have the burden of showing that Merck’s allegations can be reasonably interpreted to state a claim that fits within the covered risks in the policies, *Essex Ins.*, 562 F.3d at 404, and they have failed to do so. The NJ Litigation complaint is devoid of any allegation that MKDG wrote or said anything disparaging about Merck. First, most of the statements that Plaintiffs identify as disparaging are about MKDG, not Merck (i.e., that MKDG is “Original” and that MKDG has been operating in the United States for 125 years). That Merck and MKDG share a name does not render all statements by MKDG about itself disparaging statements as to Merck (even if those statements have the alleged effect of diminishing Merck’s standing in the eyes of consumers). Plaintiffs have identified no case where a court construed a company’s statements about itself to be disparaging of another company under similar circumstances. See generally [ECF No. 20 at 17–20; ECF No. 27 at 12–14]. Were courts to interpret “disparage” as broadly as Plaintiffs suggest, nearly any form of advertising would be disparaging. For instance, if a restaurant advertised its offerings as “fresh” and “delicious,” those labels could, in theory, be viewed as implicitly stating that its competitors’ offerings are “stale” and “unpalatable.”

Moreover, the policies define “personal and advertising injury” with reference to seven specific offenses, see [ECF No. 1-3 at 23], indicating that injuries arising out of non-enumerated offenses may exist but are not covered. Had the parties intended for claims such as Merck’s to be covered, they could have included false advertising or the publication of material adversely affecting an organization’s reputation among the enumerated offenses in the policies’ definition of “personal and advertising injury.” Instead, they included “oral or written publication ... of material that ... disparages a person’s or organization’s goods, products or services,” [id.], which is a narrower injury and a definition that connotes a negative or critical bent. The Court must respect the plain language of the policy. *Fidelity Coop. Bank v. Nova Cas. Co.*, 726 F.3d 31, 36–37 (1st Cir. 2013).

Second, the single statement that Plaintiffs identify that is explicitly about Merck (i.e., that Merck is MKDG’s “younger brother/sister”) is not a pejorative statement about Merck’s goods, products, or services. Even assuming that “younger” is a pejorative term, the statement does not reference any specific good, product, or service of Merck’s.<sup>11</sup>

**\*9** As HDI points out, the thrust of Merck’s assertion is that MKDG attempted to improve its own reputation by associating itself with Merck, not that MKDG attempted to sully Merck’s reputation by badmouthing its goods or services. See [NJ Litig. Compl. ¶ 40 (“[MKDG] holds itself out to be MERCK”; id. ¶ 63 (alleging that MKDG “referred to Merck as [MKDG]’s ‘younger brother/sister’ suggesting some affiliation where there is none”); id. ¶ 64 (alleging that MKDG’s acts evidence an “attempt to not only confuse consumers into believing that [MKDG] and its goods and services are produced by or otherwise associated with Merck”); id. ¶ 67 (alleging that the “125 Years” campaign “trades off of the good will associated with Merck”); ¶ 83 (“consumers are likely to erroneously believe that Merck sponsors or is somehow affiliated with [MKDG]”)]. While harm resulting from badmouthing would be an injury covered by the policies, harm resulting from falsely implying an affiliation is not.

In sum, even viewed under the insured-friendly standard governing the Court’s consideration of the duty to defend, see *Essex Ins.*, 562 F.3d at 403, Merck’s allegations cannot be reasonably interpreted as stating a claim for an injury arising out of MKDG’s publication of material that “disparages” Merck’s “goods, products or services,” [ECF No. 1-3 at 23]. Here, where Merck does not accuse MKDG of criticizing its goods, products, or services, an objectively reasonable insured in MKDG’s position would not expect Merck’s claims against it to be covered under the grant of coverage for injuries arising out of the publication of disparaging material. See *Essex Ins.*, 562 F.3d at 404.

### 3. Summary

Merck’s allegations in the NJ Litigation are not reasonably susceptible of an interpretation that they state a claim covered by either grant of coverage relied upon by Plaintiffs. Accordingly, HDI has no duty to defend MKDG in that suit. See *Sterngold Dental*, 929 F.3d at 10–11 (observing that because there was no coverage under the relevant policy, insurer had no duty to defend). Given this determination, the Court need not consider the exclusions that HDI has identified as potentially applicable. *Somerset Sav. Bank v. Chi. Title Ins. Co.*, 649 N.E.2d 1123, 1128 (Mass. 1995) (noting that once a court has found that a claim is not covered under a policy, it need not consider exclusions).

## B. Unfair Claims Settlement Practices

As to Plaintiffs' Chapter 93A and 176D claims for unfair claims settlement practices, see [Compl. ¶¶ 50–56], because the Court has concluded that HDI has no duty to defend MKDG in its suit against Merck, Plaintiffs' claims fail as a matter of law. *Home Ins. Co. v. Liberty Mut. Fire Ins. Co.*, 830 N.E.2d 186, 192 (Mass. 2005) ("An insurer does not commit a violation of G.L. c. 93A when it rightfully declines to defend a claim that is not covered by its policy." (citing *Risshitelli v. Safety Ins. Co.*, 671 N.E.2d 1243, 1244 (Mass. 1996))); *N. Assurance Co. of Am. v. Keefe*, 845 F. Supp. 2d 406, 422 (D. Mass. 2012) ("Without a wrongful denial of coverage, [the insured] cannot show that [the insurer] ... violated G.L. c. 93A, or engaged in an unfair insurance claim settlement practice in violation of G.L. c. 176D:").

## III. CONCLUSION

For the reasons noted above, HDI has no duty to defend, and its motion to dismiss, [ECF No. 9], is therefore GRANTED. For the same reasons, Plaintiffs' motion for partial summary judgment, [ECF No. 19], is DENIED.

**SO ORDERED.**

### All Citations

Slip Copy, 2021 WL 66441

### Footnotes

- <sup>1</sup> Given that the relevant policy provisions are identical, when citing specific provisions, the Court will cite only to the primary policy.
- <sup>2</sup> Accordingly, when interpreting policy language, MKDG qualifies as an "insured."
- <sup>3</sup> The policies define "suit" as a "civil proceeding in which damages because of 'bodily injury,' 'property damage' or 'personal and advertising injury' to which this insurance applies are alleged." [ECF No. 1-3 at 24].
- <sup>4</sup> Merck Sharp & Dohme Corp., a New Jersey corporation that manufactures and sells pharmaceutical products, is Merck & Co., Inc.'s wholly owned subsidiary. [NJ Litig. Compl. ¶¶ 2–3].
- <sup>5</sup> In the seventeenth century, members of the Merck family formed a business in Germany that would later expand to the United States. That U.S. business was organized in 1891 as a subsidiary of the German business. During the First World War, the U.S. government seized the U.S. company stock owned by German interests and sold it to a U.S. citizen, severing the two companies. See [NJ Litig. Compl. ¶¶ 10–11].
- <sup>6</sup> These trademarks and tradenames include "MERCK," "MERCK & Design," "MERCK ACADEMY," "THE MERCK MANUAL," "MERCK ONCALL," and "MERCKVACCINES.COM." [NJ Litig. Compl. ¶ 29].

- <sup>7</sup> In connection with their reply in further support of their motion for partial summary judgment, Plaintiffs filed a transcript excerpt from the June 20, 2018 deposition of Gerard Devlin, Merck's Federal Rule of Civil Procedure 30(b)(6) corporate designee in the NJ Litigation, during which Mr. Devlin characterized Merck's claims against MKDG. [ECF No. 29-1 (deposition excerpt); ECF No. 29 ¶ 6 (affidavit providing background)]. "[T]he duty to defend is based on the facts alleged in the complaint [filed in the underlying litigation] and those facts which are known by the insurer." *Bos. Symphony Orchestra v. Com. Union Ins. Co.*, 545 N.E.2d 1156, 1158 (Mass. 1989); see also *Open Software Found., Inc. v. U.S. Fidelity and Guar. Co.*, 307 F.3d 11, 15 (1st Cir. 2002) (noting that insurers should examine "facts that it knows or readily should know in order to determine whether coverage exists"). Here, Plaintiffs have not averred, let alone provided any support for the notion, that HDI knew, or should have known about, Mr. Devlin's testimony, which came two years after Merck initiated the NJ Litigation and HDI refused to defend MKDG. As such, Mr. Devlin's testimony cannot form the basis for HDI's duty to defend. Accordingly, in assessing HDI's duty to defend, the Court will not consider Mr. Devlin's deposition testimony characterizing Merck's claims against MKDG and will instead rely only on Merck's allegations as they are set forth in the NJ complaint.
- <sup>8</sup> The relevant policy language at issue in Holyoke is identical to the policy language here. Compare Holyoke, 106 N.E.3d at 575 ("[t]he use of another's advertising idea in your 'advertisement.'"), with [ECF No. 1-3 at 23 ("[t]he use of another's advertising idea in your 'advertisement'").
- <sup>9</sup> HID also distinguishes Holyoke based on the fact that the "Bikila" name was not a trademark, whereas "MERCK" is, and cites to the First Circuit's decision in *Sterngold Dental*. [ECF No. 23 at 19]. In *Sterngold Dental*, however, the First Circuit expressly avoided deciding whether the underlying litigation involved a claim for an injury arising out of "use of another's advertising idea." 929 F.3d at 7–8.
- <sup>10</sup> The other cases that Plaintiffs cite are non-binding and/or can be factually distinguished. See, e.g., *Native Am. Arts, Inc. v. Hartford Cas. Ins. Co.*, 435 F.3d 729 (7th Cir. 2006) (insured mimicked its competitor's advertisements by placing similar focus on the authenticity of goods); *Am. Simmental Ass'n v. Coregis Ins. Co.*, 282 F.3d 582, 587 (8th Cir. 2002) (competitor, who used the term "fullblood" to describe its cattle, accused the insured of doing the same).
- <sup>11</sup> Similarly, even if MKDG's description of itself as the "Original" implies that Merck is not the "Original," or if MKDG's description of itself as having operated in the United States for 125 years implies that Merck has not been operating in the United States for 125 years, neither statement is specifically about goods, products, or services. Thus, even assuming the statements are about Merck, each statement is about Merck's history and/or identity rather than its goods, products, or services.





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