

Recent Developments in DMCA, Patent and Scraping/Database Access Law Affecting Rakuten's Business Practices

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Today's Panelists



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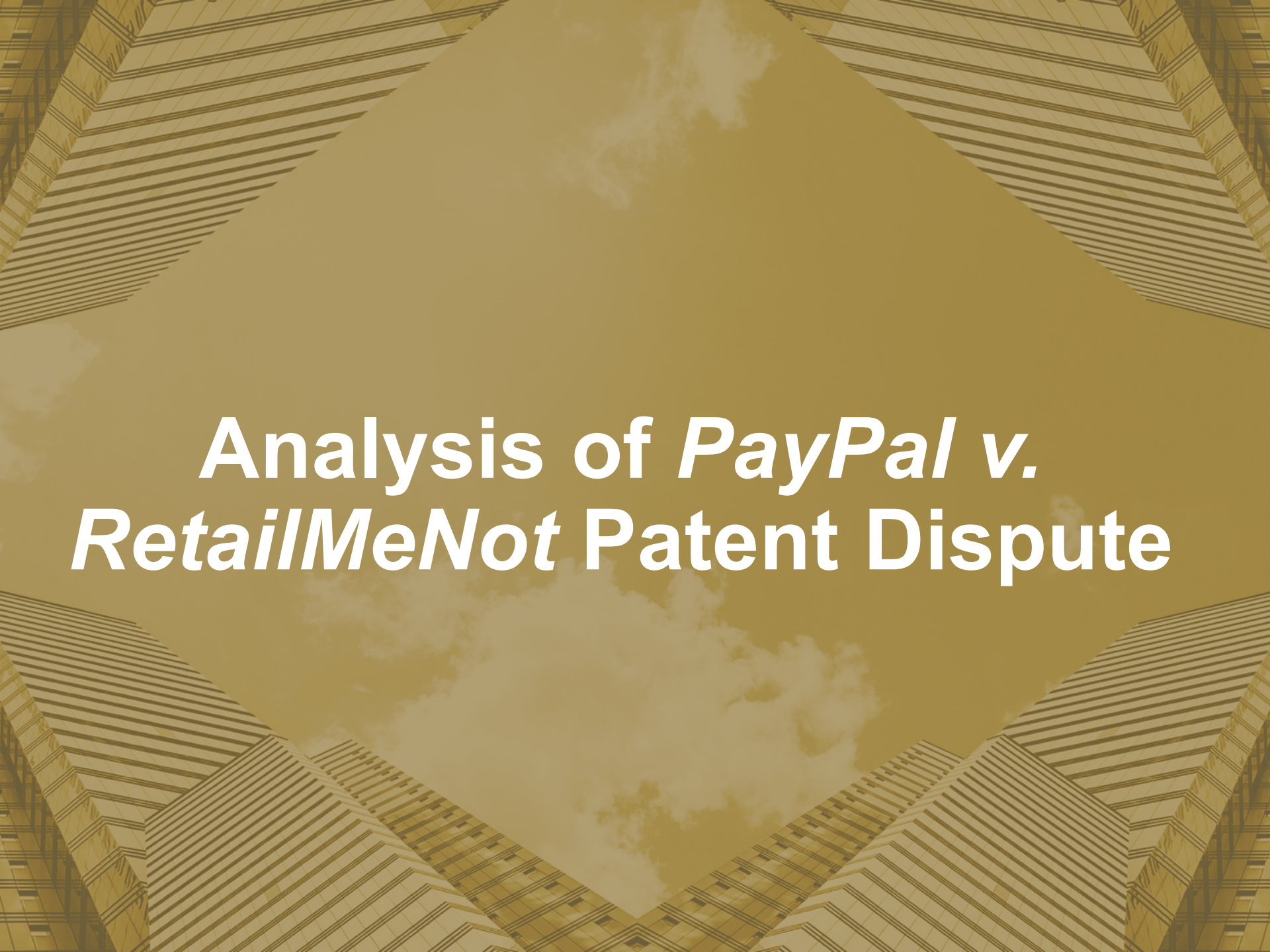


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Webinar Agenda

- Analysis of *PayPal v. RetailMeNot* Patent Dispute
- The status of scraping in light of *Van Buren v. United States*
- DMCA Safe Harbor Law and Process

The background of the slide features a stylized, low-angle view of a city skyline. The buildings are represented by a series of parallel lines that create a sense of depth and perspective, converging towards the top of the frame. The sky is a solid, warm yellowish-brown color, with some faint, wispy white clouds visible in the upper and lower portions. The overall aesthetic is modern and professional.

Analysis of *PayPal v. RetailMeNot* Patent Dispute

Today's Discussion



- Overview of *PayPal, Inc. v. RetailMeNot, Inc.*, No. 6:20-cv-339 (W.D. Tex.)
- Litigation Landscape for Rewards Websites
- Mitigating Rakuten's Risk

Today's Discussion



- Overview of *PayPal, Inc. v. RetailMeNot, Inc.*, No. 6:20-cv-339 (W.D. Tex.)
- Litigation Landscape for Rewards Websites
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The Parties



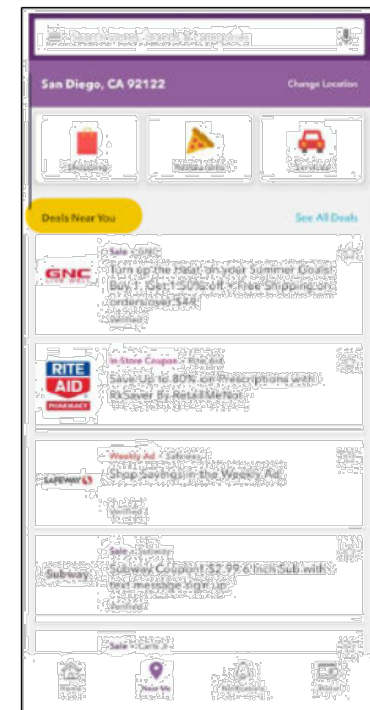
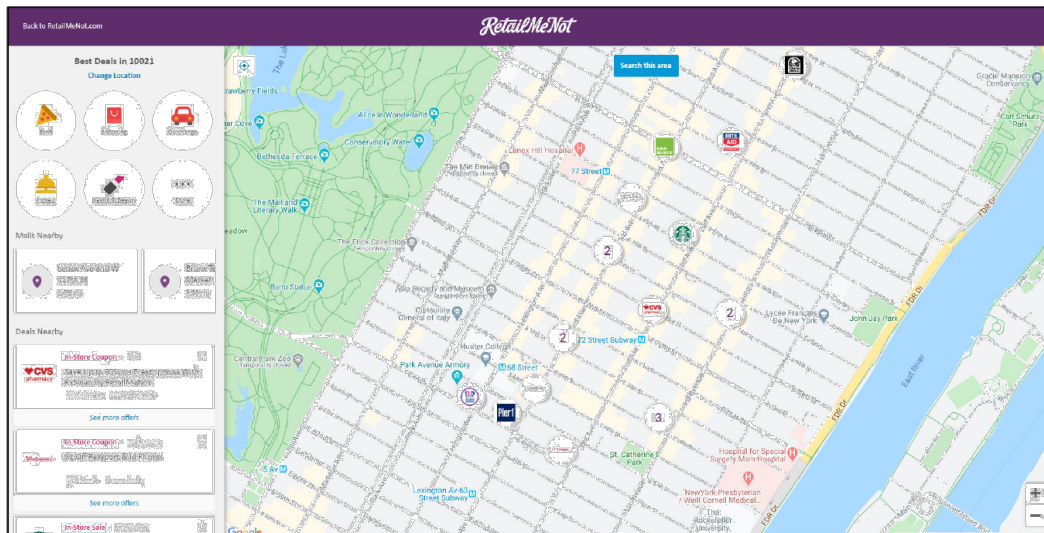
- PayPal, Inc. digital and mobile payments platform
 - Acquired Honey Science Corp. in November 2019, which is a coupon/deal-finding extension for Internet browsers
 - Owns over 1600 U.S. Patents
- RetailMeNot, Inc.
 - Coupon, rewards, and deal-finding business model
 - Partners with retailers and consumers
 - Including affiliate networks (e.g., Rakuten)

PayPal's Patent Infringement Claims

- PayPal accuses RetailMeNot of *directly infringing* and *inducing infringement* of 7 patents
 - U.S. Patent Nos. 9,654,923, 8,909,248, 7,659,905, 6,917,961, 7,693,937, 9,053,514, and 9,082,153
- Patents-in-suit are directed to:
 - Geofencing
 - Prefetching webpages
 - Modifying content on a webpage
 - Management of promotions

Accused Product/Technology

- **Geofencing:** modifying content of website or mobile application when mobile device is located within “geofence” ('923 and '248 patents)



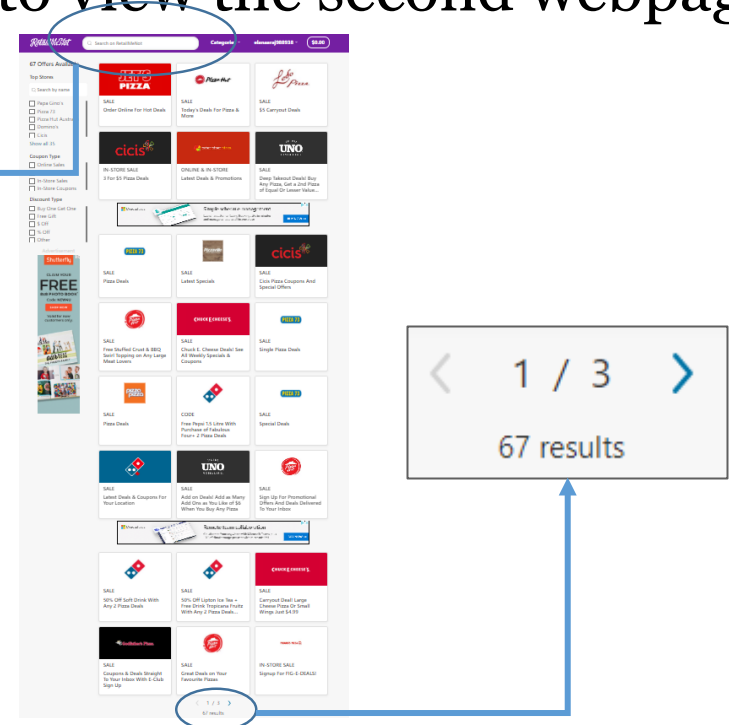
“Near Me” feature on website and mobile application

Accused Product/Technology

- **Prefetching data:** displaying a first webpage based on a user request and storing a related second webpage for the user before a request is received to view the second webpage ('905 patent)

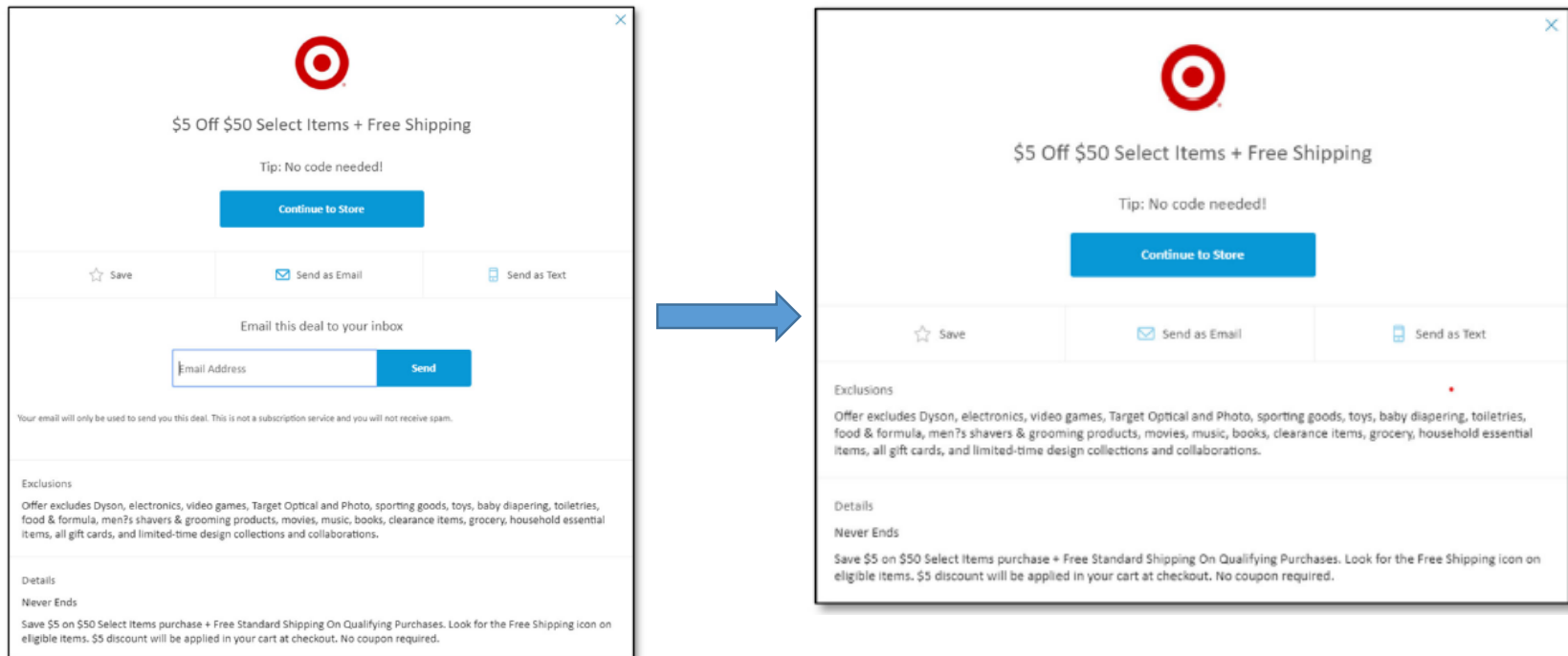


“[W]hen a user searches for ‘pizza deals’ on RetailMeNot’s Website, the Website returns the results across three pages with up to 24 offers per page.” Complaint, ¶73.



Accused Product/Technology

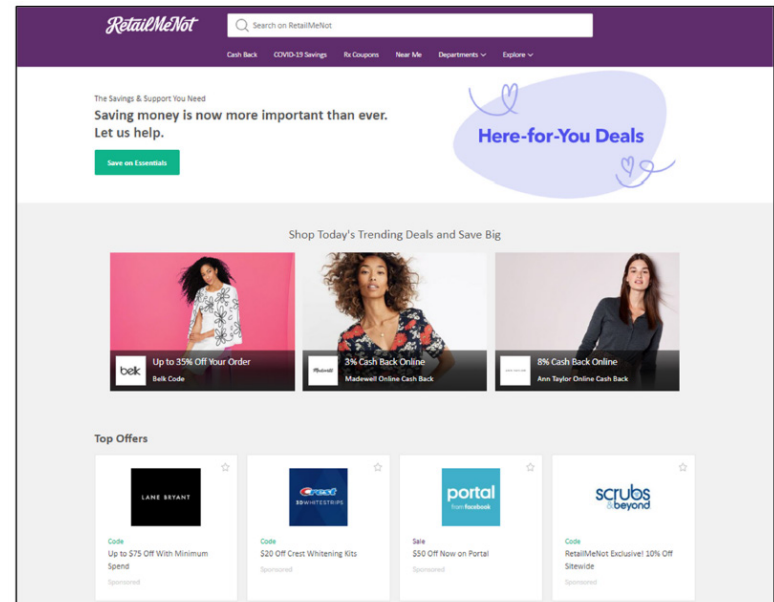
- **Modifying content on a webpage:** Changing content that is displayed on a portion of a webpage without reloading the webpage ('961 patent and '937 patent)



Accused Product/Technology

- **Management of promotions:** providing (i) an interface for promotion submissions, (ii) a backend system to aggregate promotions from submissions and other websites, and (iii) an interface to provide promotions to buyers ('514 and '153 patents)

The screenshot shows the 'Submit a coupon and help millions save!' form on the RetailMeNot website. The form includes fields for 'Store Website' (with an example 'e.g., storewebsite.com'), 'Select an Offer Type' (with options for 'Online Code', 'In-Store Coupon', and 'Online Sale or Tip'), 'Code', 'Discount Description' (with a prompt 'Tell us more about the offer'), and 'Expiration Date (optional)' (with a date format 'MM/DD/YYYY'). A 'Submit Offer' button is at the bottom. Below the form, there is a disclaimer: 'Please only submit publicly available coupon codes and not private or internal company codes. When in doubt, please obtain permission from the merchant first. See our Terms and Conditions for more information regarding user generated content. Thank you very much!'. At the very bottom, there is a 'Subscribe' button and a note 'Never miss another deal. Get the top deals from 100s of retailers in the Best of RetailMeNot emails.'



Today's Discussion



- Overview of *PayPal, Inc. v. RetailMeNot, Inc.*, No. 6:20-cv-339 (W.D. Tex.)
- **Litigation Landscape for Rewards Websites**
- Mitigating Rakuten's Risks

Other Patent Litigations

- *RetailMeNot, Inc. v. Honey Science Corp.*, No. 1:18-cv-937 (D. Del.)
- *72LUX, Inc. d/b/a Shoppable.com v. Honey Science Corp. et al.*, No. 2:19-cv-4544 (C.D. Cal.)
- *Karetek Holdings LLC v. RetailMeNot, Inc.*, No. 1:20-cv-467 (W.D. Tex.)
- 4 IPRs filed by RetailMeNot with respect to patents owned by Honey

Today's Discussion



- Overview of *PayPal, Inc. v. RetailMeNot, Inc.*, No. 6:20-cv-339 (W.D. Tex.)
- Litigation Landscape for Deal-Finding Websites
- Mitigating Rakuten's Risks

Mitigating Damages With Freedom-to-Operate (“FTO”) Opinions

- “The subjective willfulness of a patent infringer, intentional or knowing, may warrant enhanced damages, without regard to whether his infringement was objectively reckless.” *Halo Elec., Inc. v. Pulse Elec., Inc.*, 136 S.Ct. 1923, 1933 (2016).
- “Proof of an objectively reasonable litigation-inspired defense to infringement is no longer a defense to willful infringement.” *WBPI, LLC v. Kohler Co.*, 829 F.3d 1317, 1340 (Fed. Cir. 2016) (affirming award of enhanced damage because “[defendant] cannot insulate itself from liability for enhanced damages by creating an . . . Invalidity defense for trial after engaging in the culpable conduct . . . prior to litigation.”)

Enhanced Damages Awarded When FTO Was Not Obtained

- Defendant had knowledge of the patent(s)-in-suit prior to the litigation and no FTO opinion was obtained:
 - *Georgetown Rail Equip. Co. v. Holland L.P.*, 867 F.3d 1229, 1245 (Fed. Cir. 2017) (affirming district court’s finding that defendant did not form “a good faith belief of noninfringement or invalidity.”)
 - *Arctic Cat Inc. v. Bombardier Recreational Prod. Inc.*, 876 F.3d 1350, 1371 (Fed. Cir. 2017) (“The jury’s willfulness finding is supported by substantial evidence. . . [defendant] knew about the patents before they issued, conducted only a cursory analysis of the patents, waited years before seeking advice of qualified and competent counsel, and unsuccessfully tried to buy the asserted patents through a third party.”)

FTO Opinion Prior To Litigation Resulted In No Enhanced Damages

- Defendant had knowledge of the patent(s)-in-suit prior to the litigation but FTO opinion was obtained:
 - *Greatbatch Ltd. v. AVX Corp.*, 2016 WL 7217625, at *2 (D. Del. Dec. 13, 2016) (“Here, by contrast, [defendant] sought and obtained invalidity and non-infringement opinions of counsel **before** litigation . . .” (emphasis in original)).
 - *Loggerhead Tools, LLC v. Sears Holding Corp.*, 2016 WL 6778881, at *2 (N.D. Ill. Nov. 15, 2016) (“And patent counsel issued a noninfringement opinion before this litigation began.”).

Best Practices For FTO Opinions

- Obtain an FTO opinion when you are aware of a patent and believe there may be a risk of litigation.
- The FTO opinion should include both non-infringement and invalidity positions, where possible.
- Be cognizant of attorney-client privilege:
 - Reliance on an opinion of counsel during litigation waives attorney-client privilege with respect to the subject(s) of the opinion
 - Avoid unnecessary written communications
 - Limit the issues raised in any written communications to only those relating to the subject(s) of the opinion

Mitigating Induced Infringement: Instructions v. Information

- To establish induced infringement, “the inducer must have an affirmative intent to cause direct infringement” by a third party. *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1306 (Fed. Cir. 2006).
- Evidence of inducement can include: (1) advertising an infringing use; (2) instructions to use a product in an infringing manner; and (3) directing vendors to manufacture and/or develop infringing products.
- But, technical information about a product, that “do[es] not contain instructions to customers of how to use [the product] in an infringing manner . . . cannot support an inference of intent to induce infringement.” *Skyworks Solutions, Inc. v. Kinetic Techn., Inc.*, 2015 WL 881670, at *9 (N.D. Cal. Mar. 2, 2015).

Mitigating Induced Infringement: Instructions v. Information

- PayPal's induced infringement allegations:

85. Furthermore, upon information and belief, RetailMeNot has induced infringement of the aforementioned claims of the '961 Patent pursuant to 35 U.S.C. § 271(b), by actively and knowingly inducing, directing, causing, and encouraging others, including, but not limited to, their affiliates, merchant customers, consumer end users, and/or software developers, to directly infringe the '961 Patent through making, using, selling, and/or offering to sell in the United States, and/or importing into the United States, RetailMeNot's Accused Products, with the specific intent to encourage such infringement, and knowing that the induced acts constitute patent infringement. RetailMeNot's inducement includes, among other things, providing instructions, manuals, and technical assistance relating to the installation, use, sign up, set up, operation, maintenance, and other support of RetailMeNot's Accused Products that induce its affiliates, merchant customers, consumer end users, and/or software developers to directly infringe the '961 Patent. RetailMeNot also induces acts of infringement through its social media pages, such as on Instagram, Facebook, Twitter, and Pinterest. RetailMeNot has actual knowledge of the '961 Patent at least as of service of this Complaint. Upon information and belief, RetailMeNot's inducement of infringement pursuant to 35 U.S.C. § 271(b) is ongoing.

Best Practices for Mitigating Induced Infringement

- Technical information about a product is ok.
- Limit instructions regarding **how to use** web and mobile applications.
- If a product can be operated in multiple ways, provide **all ways to use** the product to the customer. *See AstraZeneca LP v. Apotex, Inc.*, 633 F. 3d 1042, 1059 (Fed. Cir. 2010) (“where a product has substantial noninfringing uses, intent to induce infringement cannot be inferred . . .”)

Design-Arounds



- Determine whether Rakuten is likely infringing a patent.
- Consider potential re-designs of Rakuten's website and/or mobile application to avoid infringing the patent.
- Re-design considerations:
 - Likelihood of infringement
 - Cost of redesign
 - Effect of redesign on consumers (e.g., would it eliminate a feature that is important to consumers)

Evidence of Attempted Design-Around (Even if Unsuccessful) May Mitigate Willful Infringement

- ***i4i Ltd. Partnership v. Microsoft Corp.*, 598 F.3d 831, 860 (Fed. Cir. 2010)** (“Despite this highly similar functionality, there is no evidence Microsoft took any remedial action, even though Microsoft knew of the ’449 patent as early as April 2001, before any work had begun on Word’s custom XML editor. For example, Microsoft did not cease its infringing activity or attempt to design around.”)

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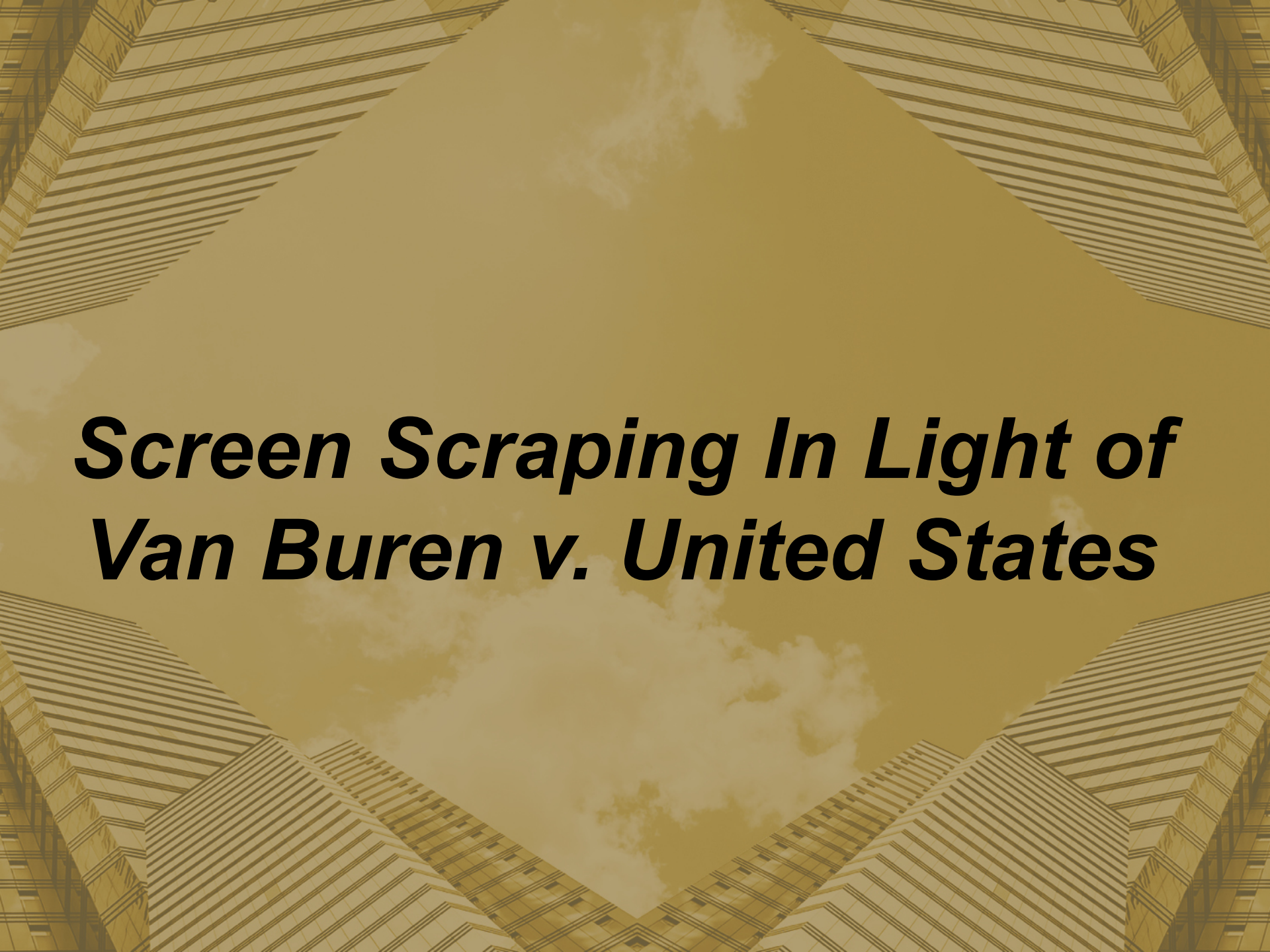
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The revised and updated edition of this comprehensive work provides you with a complete legal authority on e-commerce and Internet law, covering business-to-business and business-to-customer issues, regulatory issues, and emerging trends. It includes practice tips and forms and its unique organization facilitates finding quick answers to your questions. This valuable resource on Internet and e-commerce issues contains nearly 10,000 detailed footnotes, plus references to hundreds of unpublished court decisions, many of which are not available anywhere else.

BUY NOW



Screen Scraping In Light of Van Buren v. United States

United States v. Van Buren, 940 F.3d 1192 (11th Cir. 2019),
cert. granted, 2020 WL 1906566 (2020)

- ▣ Van Buren, a police officer, was convicted of “exceeding authorized access” under the Computer Fraud and Abuse Act for accessing the Georgia Crime Information Center database (which he was otherwise authorized to access) to run a license plate check for money to determine if someone was a police officer
- ▣ Accessing a database that you are authorized to access, for improper reasons, may constitute “exceeding authorized access” under the CFAA
- ▣ Circuit split
- ▣ Cert. granted March 2020
- ▣ USSCT - Issue presented: Whether a person who is authorized to access information on a computer for certain purposes violates Section 1030(a)(2) of the Computer Fraud and Abuse Act if he accesses the same information for an improper purpose
- ▣ Practical implications
 - Can a ToS or employee policy violation constitute a CFAA violation?

Computer Fraud and Abuse Act – In Context

- ❑ Computer Fraud & Abuse Act - 18 U.S.C. § 1030
- ❑ \$5,000 minimum injury
 - Bose v. Interclick, Inc., No. 10 Civ. 9183, 2011 WL 4343517 (S.D.N.Y. Aug. 17, 2011)
- ❑ Access vs. Use restrictions
 - United States v. Nosal, 676 F.3d 854 (9th Cir. 2012) (*en banc*) (the prohibition on exceeding authorized access under the CFAA applies to access restrictions, not use restrictions such as violating TOU or employment policies)
 - United States v. Nosal, 828 F.3d 865 (9th Cir. 2016) (conviction upheld – no authorization)
 - Facebook, Inc. v. Power Ventures, Inc., 828 F.3d 1068 (9th Cir. 2016) (C&D letter revoked assent–accessing website thereafter was unauthorized; personal liability imposed on ceo)
 - WEC Carolina Energy Solutions LLC v. Miller, 687 F.3d 199 (4th Cir. 2012) (CFAA fails to provide a remedy for misappropriation of trade secrets or violation of a use policy where authorization has not been rescinded), cert. dismissed, 133 S. Ct. 831 (2013)
 - U.S. v. Valle, 807 F.3d 508 (2d Cir. 2015) (no violation for using authorized account for personal use)
 - But see
 - United States v. Van Buren, 940 F.3d 1192 (11th Cir. 2019), cert. granted, 2020 WL 1906566 (2020)
 - U.S. v. John, 597 F.3d 263, 271 (5th Cir. 2010) (holding that an employee of Citigroup exceeded her authorized access when she accessed confidential customer information in violation of her employer's computer use restrictions and used that information to commit fraud, writing that a violation occurs "at least when the user knows or reasonably should know that he or she is not authorized to access a computer and information obtainable from that access in furtherance of or to perpetrate a crime . . .")
 - U.S. v. Rodriguez, 628 F.3d 1258, 1263 (11th Cir. 2011) (holding that a Social Security Administration employee exceeded authorized access by obtaining information about former girlfriends and potential paramours to send flowers to their houses, where the Administration told the defendant that he was not authorized to obtain personal information for nonbusiness reasons)
 - International Airport Centers, LLC v. Citrin, 440 F.3d 418, 420-21 (7th Cir. 2006) (reversing dismissal of a claim against an employee who accessed plaintiff's network and caused transmission of a program that caused damage to a protected computer where the court held that an employee who had decided to quit and violate his employment agreement by destroying data breached his duty of loyalty to his employer and therefore terminated the agency relationship, making his conduct unauthorized (or exceeding authorized access))
- ❑ Screen Scraping
 - Fidlar Technologies v. LPS Real Estate Data Solutions, Inc., 810 F.3d 1075 (7th Cir. 2016) (use of a web harvesting tool did not evidence intent to defraud and did not cause damage; "Fidlar attempts to convert its failure to prohibit LPS's action by contract into an allegation of criminal conduct.")
 - EF Cultural Travel BV v. Explorica, Inc., 274 F.3d 577 (1st Cir. 2001) (finding authorization to access a website exceeded)
 - hiQ Labs, Inc. v. LinkedIn Corp., 938 F.3d 985 (9th Cir. 2019)
 - Affirming entry of an injunction prohibiting LinkedIn from blocking hiQ's access, copying or use of public profiles on LinkedIn's website (information which LinkedIn members had designated as public) or blocking or putting in place technical or legal mechanisms to block hiQ's access to these public profiles, in response to a C&D letter sent by LinkedIn
 - Injunction issued prohibiting LinkedIn from blocking hiQ's access, copying or use of public profiles on LinkedIn's website (information which LinkedIn members had designated as public) or blocking or putting in place technical or legal mechanisms to block hiQ's access to these public profiles, in response to a C&D letter sent by LinkedIn
 - The CFAA "was not intended to police traffic to publicly available websites on the Internet . . ."

Screen Scraping/ Database Protection - Overview

- Contract/TOU/PP restrictions
 - Assent, contract formation, damages
- Copyright protection
 - Facts vs creative expression
 - Feist Publications, Inc. v. Rural Telephone Service Co., 499 U.S. 340, 350 (1991)
 - Reed Elsevier, Inc. v. Muchnick, 559 U.S. 154 (2010)
 - Protection for compilations if originality in the selection, arrangement or organization of a database
 - Even if protectable, a database may be entitled to only thin protection
 - Data mining as a transformative fair use : Author's Guild, Inc. v. HathiTrust, 755 F.3d 87 (2d Cir. 2014)
 - Fox News Network LLC v. TVEyes Inc., 883 F.3d 169 (2d Cir. 2018) (use of Fox News clips for a searchable database not a fair use)
 - VHT, Inc. v. Zillow Group, Inc., 918 F.3d 723 (9th Cir. 2019) (search function not a fair use)
- Common law claims, such as misappropriation to the extent not preempted
 - Copyright preemption – 17 U.S.C. § 301
 - International News Service v. Associated Press, 248 U.S. 215 (1918)
 - National Basketball Ass'n v. Motorola, Inc., 105 F.3d 841 (2d Cir. 1997)
- Interference with contract or prospective economic advantage
- Unfair competition
- Trespass and Conversion
 - trespass to chattels may be based on unauthorized access (plus damage)
 - Intel Corp. v. Hamidi, 30 Cal. 4th 1342, 1 Cal. Rptr. 3d 32 (2003)
 - conversion usually requires a showing of dispossession or at least substantial interference
- Computer Fraud and Abuse Act
 - Federal anti-trespass computer crimes statute
 - Must establish \$5,000 in damages to sue
 - Split of authority on whether exceeding authorized access could be based on an access contract (*Van Buren*)
 - hiQ Labs, Inc. v. LinkedIn Corp., 938 F.3d 985 (9th Cir. 2019)
 - Affirming entry of an injunction prohibiting LinkedIn from blocking hiQ's access, copying or use of public profiles on LinkedIn's website (information which LinkedIn members had designated as public) or blocking or putting in place technical or legal mechanisms to block hiQ's access to these public profiles, in response to a C&D letter
- Anti-circumvention provisions of the DMCA, 17 U.S.C. §§ 1201 *et seq.*
- Removing, altering or falsifying copyright management information (CMI) - 17 U.S.C. § 1202

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DMCA Safe Harbors

DMCA Overview

- ▣ 4 safe harbors and 1 exemption
 - 512(a) (transmission)
 - 512(b) (caching)
 - 512(c) (material stored at the direction of a user)
 - 512(d) (information location tools; links)
- ▣ Counter notifications
- ▣ Threshold requirements for the safe harbors
 - ▣ Adopt a policy providing for the termination of “repeat infringers” “in appropriate circumstances”
 - ▣ Inform subscribers and account holders of the policy
 - ▣ The policy must be “reasonably implemented”
 - ▣ The policy must accommodate and not interfere with “standard technical measures”
 - ▣ BMG Rights Mgmt (US) LLC v. Cox Communications Inc., 881 F.3d 293 (4th Cir. 2018)

DMCA Service Provider Liability Limitations

- User Storage
 - Must respond expeditiously upon receipt of a notification to disable access to or remove allegedly infringing material
 - Copyright owners, not service providers, have the burden of searching for infringing material
 - But service providers must disable access to material in response to a DMCA notice (or knowledge or awareness)
 - Service provider must not “receive a financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity . . .”
 - To lose safe harbor protection, a service provider must have both a financial interest and the right and ability to control
 - Right and ability to control is judged by an objective and subjective component – “something more” than the ability to block and remove content, without respect to knowledge. Viacom Int'l, Inc. v. YouTube, Inc., 676 F.3d 19, 41 (2d Cir. 2012)
 - UMG Recordings, Inc. v. Shelter Capital Partners LLC, 718 F.3d 1006 (9th Cir. 2013)
 - Columbia Pictures Indus. v. Fung, 710 F.3d 1020 (9th Cir. 2013): ineligible because Fung was aware of facts and circumstances from which infringing activity was apparent and had a financial interest and the right and ability to control (inducement)
 - Financial interest
 - Limited case law
 - Ninth Circuit test: The “infringing activity constitutes a draw for subscribers, not just an added benefit”
 - Confusion because courts say they are merely codifying the “common law standard” – but that standard was broader than the articulated test
 - **Shifting burden of proof** – Capital Records, LLC v. Vimeo, LLC, 826 F.3d 78, 87-93 (2d Cir. 2016)
 - May not have “actual knowledge” or be “aware of facts or circumstances from which infringing activity is apparent . . .” or, upon obtaining such knowledge, act expeditiously to remove or disable (Red Flag)
 - Knowledge of specific files or activity, not generalized knowledge (Viacom v. YouTube; Shelter Partners)
 - Perfect 10, Inc. v. ccBill, 488 F.3d 1102 (9th Cir.), cert. denied, 552 U.S. 1062 (2007)
 - Willful blindness:
 - Columbia Pictures Indus. v. Fung, 710 F.3d 1020 (9th Cir. 2013) (ineligible)
 - Viacom v. YouTube: turning a blind eye to infringement/ willful ignorance is inconsistent with the red flag requirement

Comparative Liability and Safe Harbors for User Conduct & Content

- Copyright and the Digital Millennium Copyright Act
 - The DMCA insulates “Service Providers” from liability for material “stored at the direction of a user”
 - *But for analysis: UMG Recordings, Inc. v. Shelter Capital Partners LLC*, 718 F.3d 1006 (9th Cir. 2013)
 - Shifting burdens of proof: *Capitol Records, LLC v. Vimeo, LLC*, 826 F.3d 78 (2d Cir. 2016)
 - What is user storage?
 - *Mavrix Photographs, LLC v. LiveJournal, Inc.*, 853 F.3d 1020 (9th Cir. 2017)
 - Agency principles re volunteer moderators
 - Compare: *BWP Media USA, Inc. v. Clarity Digital Group, LLC*, 820 F.3d 1175 (10th Cir. 2016)
 - Fact question re whether the material was stored at the direction of a user because posted by moderators (misreads the plain terms of the statute– stored *at the direction* of the user, not *by* the user)
 - *Ventura Content, Ltd. v. Motherless, Inc.*, 885 F.3d 597 (9th Cir. 2018)
 - Affirmed SJ for a UGC porn site
 - Reviewing for legal compliance is different from making discretionary decisions about what to post
 - Suggests that *LiveJournal* only applies where a site or service picks and chooses what to post
 - Compare – some pre-upload review but not all: shifting burdens of proof would apply
 - *BWP Media USA, Inc. v. Polyvore, Inc.*, 922 F.3d 42 (2d Cir. 2019) (is storage *solely* to facilitate access)
 - Copyright Office Section 512 Study (2020)
- Trademark Law
 - No DMTA or *Sony* safe harbor but increasing *de facto* recognition for notice and takedown
 - *Tiffany (NJ) Inc. v. eBay, Inc.*, 600 F.3d 93 (2d Cir.), *cert. denied*, 131 S. Ct. 647 (2010)
 - Publishers exemption - 15 U.S.C. § 1114(2)(B)-(C)
 - Print-on-Demand: *Ohio State University v. Redbubble, Inc.*, 369 F. Supp. 3d 840 (S.D. Ohio 2019) (intermediary is not a seller)
- patent law
 - *Blazer v. eBay, Inc.*, 2017 WL 1047572 (N.D. Ala. 2017)
 - *Milo & Gabby LLC v. Amazon.com, Inc.*, 693 F. App'x 879 (Fed. Cir. 2017)

Questions for Our Panelists?



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