

# Hot Topics in Tech Law 2022

Presented by  
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# *Epic v. Apple*

No. 4:20-cv-05640-YGR (N.D. Cal. Sept. 10, 2021)

*The District Court's Decision  
and Implications for App Providers*

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## **Education**

- J.D. – *honors*, University of Connecticut School of Law
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## **Admissions**

- Utah State Bar
- Connecticut State Bar



# Epic Games, Inc.



- Founded 1991
- Valued at \$28.7 billion
- Three significant business areas
  - Gaming software tools
  - Games (*Fortnite*)
  - Game distributor
- *Fortnite*
  - 400 million registered players
  - March 2018 to July 2020:
    - \$700 million via iOS
    - 100 million iOS accounts



- Introduced iPhone and iOS 2007
- 1,230+ patents & 550+ patents pending on iOS
- Started with 452 third-party apps
  - 131 game apps
- By 2019, > 300,000 game apps
- Required developers to use Apple's in-app purchases
  - Apple takes 30% commission for in-app digital purchases
  - Most revenue comes from in-app purchases

# Epic's Motivation & “Project Liberty”



Tim Sweeney,  
Epic Games CEO & Founder

- Epic pioneered cross-platform play for the gaming industry (Slip Op. 9.)
  - Sees *Fortnite* as a “metaverse”—virtual world to socialize w/ shared experiences
  - Sees platform fees as existential issue
- “Project Liberty”
  - Secretly updated *Fortnite* w/ direct payment method w/o telling Apple
  - Conceded breach of contract to bring challenge against Apple’s practices

# Legal Issues

- Is Apple (1) an antitrust monopolist or (2) engaging in unfair competition with respect to the App Store and its policies?
- (1) Antitrust:
  - Is the relevant market Apple's own systems and App Store or is it all digital video games?
- (2) Unfair competition:
  - Did Apple unfairly prevent developers from informing consumers about other payment options outside Apple?

# Court's Decision

- Is Apple (1) an antitrust monopolist or (2) engaging in unfair competition with respect to the App Store and its policies?
- Court:
  - (1) Antitrust: *relevant market is digital mobile gaming transactions*, not gaming generally and not Apple's iOS and App Store; Apple is very successful, but that is not illegal.
  - (2) Unfair competition: Apple's anti-steering provisions are anticompetitive & artificially increase market power by preventing developers from communicating about lower prices on other platforms



# Fallout

- Apple not an antitrust monopolist
  - Can continue to charge 30% commission on in-app purchases
- Apple cannot prohibit app makers from directing consumers to alternative methods of payment
  - Will consumers be willing to give their payment information to other sources outside Apple?
  - Several financial commentators stated that this would be a minor headwind for Apple.

# Appeal and Amici

No. 21-16506

IN THE  
UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

EPIC GAMES, INC.,  
*Plaintiff-counter-defendant-Appellant,*

v.

APPLE, INC.,  
*Defendant-counter-claimant-Appellee.*

On Appeal from the United States District Court for the  
Northern District of California  
No. 4:20-cv-05640-YGR  
Hon. Yvonne Gonzalez Rogers

**BRIEF OF UTAH AND 34 OTHER STATES AS  
AMICI CURIAE IN SUPPORT OF PLAINTIFF-  
COUNTER-DEFENDANT-APPELLANT  
AND REVERSAL**

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- Both parties have appealed
- Utah and 34 other states filed a brief in support of Epic, with Utah leading the charge:
- “Amici States . . . have a strong interest . . . so that they may effectively enforce antitrust laws in all aspects of the economy, including the smartphone industry which, with hardware, products, and services, is approaching a trillion dollars annually.”

# Takeaways

- Defer major changes until appeals court provides additional clarity.
- Presuming the decision is affirmed, app providers should be able to offer customers with alternative methods of payment that circumvent Apple's commissions and offer better deals for customers and the app provider.
  - Some customers may opt for the convenience and security of using the App Store
  - Cost-minded customers or volume costumers might be more inclined to use alternative methods of payment.

# Patent or Trade Secret

*How the Defend Trade Secrets Act  
Affects the Analysis*

# Patents and Trade Secrets



# Patents and Trade Secrets



- Must be subject matter eligible
- Must be new/novel
- Must be useful
- Must be non-obvious
- Must satisfy other requirements (§ 112 enablement, written description)
- Must be examined



- Must be “information” that:
  - Derives independent economic value from not being generally known to, and not readily ascertainable by proper means by others
  - Must use efforts reasonable to maintain secret

# Some Corresponding Pros & Cons\*

PATENTS			TRADE SECRETS
Restrictions on patent eligibility (e.g., no abstract ideas)	Con	Pro	Protects “information” without as many constraints
Patentability requirements: novel, non-obvious, useful	Con	Pro	Information merely needs to be valuable from being secret
Patent Office examination and approval required	Con	Pro	No application process or approval required
Protects against independent discovery, reverse engineering	Pro	Con	No protection from independent development
Term is limited to 20 years from filing	Con	Pro	Potentially unlimited term of protection
Examination process can be expensive	Con	Pro	Inexpensive to establish, but must spend to protect secret
Eliminates need to spend on maintaining secrecy	Pro	Con	Cost of maintaining secrecy could be high
Protection begins after issuance	Con	Pro	Protection can begin immediately
Can deter others from suing (threat of countersuit a shield)	Pro	Con	Minimal deterrent or defensive value
Must prove damages to recover	Con	Pro	Can recover based on unjust enrichment
Easier to license/monetize without risk of losing secrecy	Pro	Con	Can be difficult to license and ensure secrecy

\* Each case is unique; pros and cons have different weight depending on the circumstances

# The Defend Trade Secrets Act

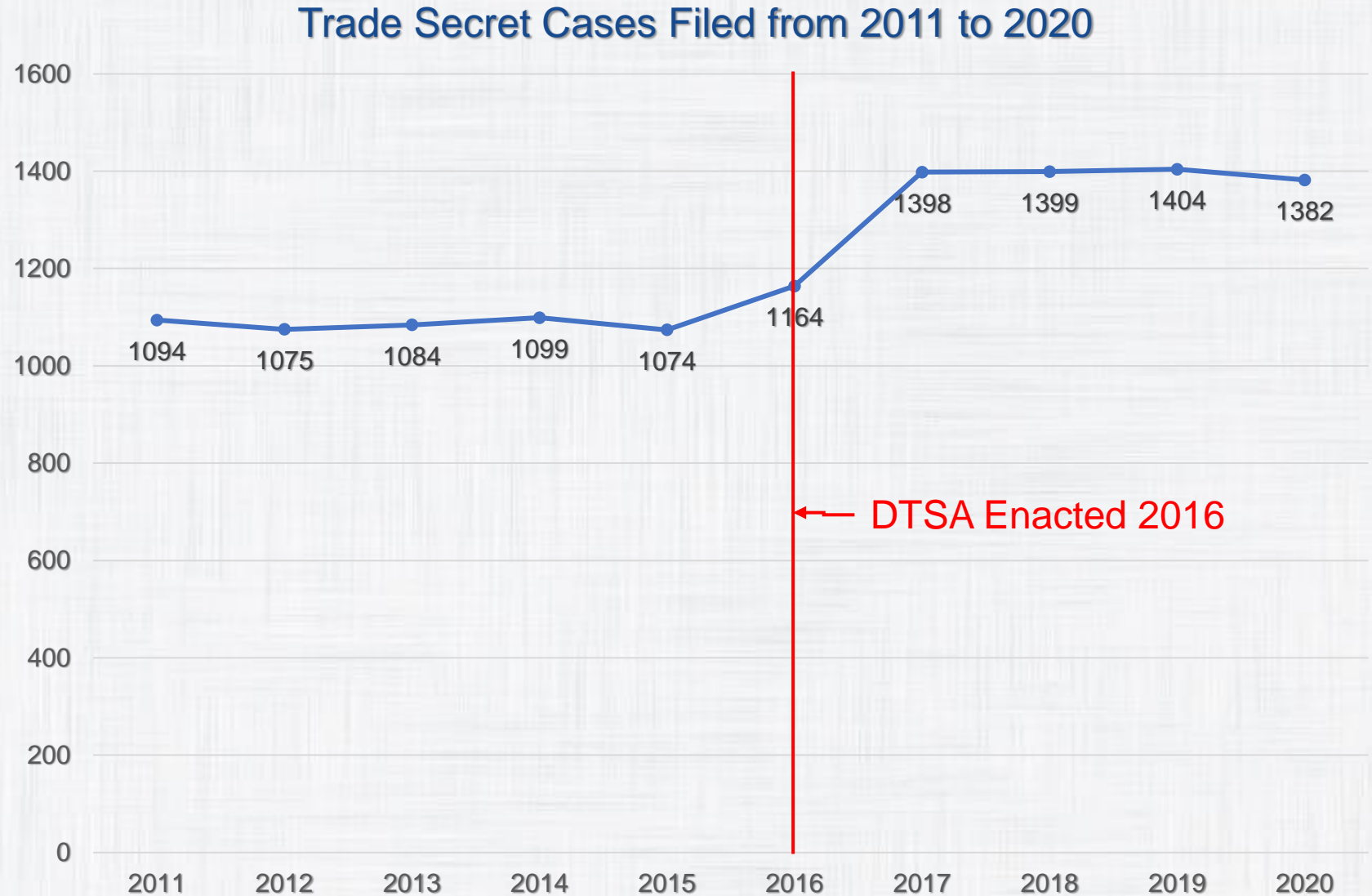
- Passed in 2016
- Co-drafted by Sen. Hatch
- Among other things, provided a federal, civil cause of action for trade secret misappropriation.
- Previously, most cases brought under state law, where 48 states have implemented a form of Uniform Trade Secrets Act (UTSA)





# The Defend Trade Secrets Act Statistics

- About 30% increase in cases after passage of DTSA
- Fairly steady since



# The Defend Trade Secrets Act Statistics

- Since enactment, cases without a DTSA claim going down
- Roughly 72% of all trade secret cases filed in 2019 and 2020 had a DTSA claim



# Takeaways

- Worth considering whether a technology for your company is best protected under patent or trade secret regimes
- DTSA offers a federal cause of action for trade secret misappropriation
- Most trade secret cases now involve DTSA claims

The background features a complex, abstract pattern of glowing particles. The particles are primarily blue and orange, with some yellow and white highlights. They are arranged in a way that suggests a dynamic, flowing structure, possibly representing data or a network. The overall effect is a vibrant, futuristic aesthetic.

# How Regulations Might Affect Utah Tech Companies in 2022

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## **Education**

- J.D. – The George Washington University Law School
- B.A. *summa cum laude* – Utah State University, Physics

## **Admissions**

- Utah State Bar
- US Patent and Trademark Office



# Overview

- ❑ **How Tech Regulations May Affect Utah Companies**
- ❑ **SME Discrepancies Between USPTO Guidelines and Federal Circuit Case Law**

# Tech Regulations

## Background:

“Techlash” has ushered in scrutiny of Silicon Valley and Silicon Slope companies

- Growing tech monopolies
- Misinformation and disinformation
- Data processing and security (GDPR in Europe, Data Protection Act in UK)
- Effects on mental health



# Tech Regulations

## Potential 2022 regulations:

Antitrust

FTC rulemaking

Social media



# Tech Regulations - Antitrust

## American Innovation and Choice Online Act

- ❑ Advanced 1/20/22 out of Senate Judiciary Committee
- ❑ Prohibits dominant platforms from discriminating against other business that rely on its services
- ❑ Prohibits discrimination against other business, aka “self-preferencing”



Amazon can't simply decide to list its own private label products higher in its search ranking than third-party rivals' listings

Apple and Google cannot unfairly rank their own apps higher than their rivals' apps in their own mobile app stores

# Tech Regulations - Antitrust

## American Innovation and Choice Online Act

- ❑ **Dominant platform:**
  - **More than 50M US monthly active users or 100K US monthly active business users**
  - **$\geq$ \$550B US net annual sales or market cap, OR  $\geq$ 1B worldwide monthly active users**
  - **Critical trading partner for sale/provision of product or service on the platform**
  
- ❑ **Path to approval depends on leadership making time for it**

# Tech Regulations – FTC Rulemaking

- ❑ May expand FTC power w/r/t privacy abuses and algorithmic discrimination by tech companies
- ❑ Nothing concrete here but likely a priority in 2022
- ❑ Privacy abuses
  - Rule aimed at digital platforms that either invasively track their users or allows others to do so
  - Rule would “curb lax security practices, limit privacy abuses, and ensure that algorithmic decision-making does not result in unlawful discrimination”



# Tech Regulations – FTC Rulemaking

## □ Privacy abuses

- If a nutrition label says a food is sugar-free but testing shows it has sugar, it is clearly false advertising.
- Suppose a social media company says that you “own your data”, but you can’t download it, prevent them from selling it, or completely delete it from their platform.  
Is that false advertising?



## □ FTC rule may need to be updated to include such practices

# Tech Regulations – FTC Rulemaking

## ❑ Algorithmic discrimination

- Can occur when an algorithm (e.g., machine learning algorithm) fed with badly configured data favors or disfavors a group of people based on a protected status like religion, race, gender.
- Example: Amazon tried to use AI to build a resume-screener. It built a screening algorithm using resumes the company had collected for a decade, but those resumes tended to come from men. In the end, the AI learned to discriminate against women and factored in proxies for gender, like whether the applicant went to a women's college.



# USPTO/Federal Circuit SME Discrepancies

- ❑ In 2019, the USPTO issued new guidance on subject matter eligibility to its examiners and judges
- ❑ The Federal Circuit has now addressed this guidance in a ~half-dozen decisions:
  - USPTO guidance “is not the law”
  - To the extent USPTO guidance “contradicts or does not fully accord with our caselaw,” the caselaw “must control.”

# USPTO/Federal Circuit SME Discrepancies

## Discrepancies Being Addressed:

- Information and data-display cases
- Fraud detection, claiming results, and mental steps

# USPTO/Fed. Circuit SME Discrepancies

## □ Information and data-display cases

- The guidance states that economic and business practices are within the “human activities” category of ineligible subject matter.
- Same with rules for playing games and voting.
- The guidance does not mention a series of Federal Circuit decisions holding that information cannot be claimed for that content that it conveys – i.e., based on how it is mentally processed by a person





# USPTO/Fed. Circuit SME Discrepancies

## □ Information and data-display cases

- The guidance does not incorporate Federal Circuit decisions invalidating claims to tailoring media content based on such things as the viewer's location, demographic data, viewing habits, or out-of-region status of the content
- Fed. Circ. has held that methods of displaying info in a way that helps a person understand or absorb it are not eligible for patenting



# USPTO/Fed. Circuit SME Discrepancies

## ❑ For Example:

The *Trading Technologies* case invalidated claims to an innovative GUI that helps commodities traders understand the market and decide whether to sell or hold.

The “invention makes the **trader** faster and more efficient, not the **computer**.”

The claims are ineligible because they are “focused on providing information more quickly,” rather than on improving the underlying technology.

- ❑ In similar cases, the Federal Circuit has invalidated claims to using an index or table to help a person find information, as well as systems of allowing a person to passively absorb information.

# USPTO/Fed. Circuit SME Discrepancies

## ❑ Fraud detection, claiming results, and mental steps

- Guidance does not mention line of cases holding that the “human activities” category of ineligibility includes techniques for detecting human fraud, including strategies for anticipating the tactics of computer hackers, spam-email senders, or thieves impersonating an account holder
- Guidance does not mention ineligibility of claims to detecting improper access to health information, identifying spam email, and systems of using pre-existing technology to authenticate the identify of an account holder
- Guidance misses numerous cases holding claims directed only to a function, effect, or result ineligible.

The background features a dynamic, abstract composition of blue and orange particles and light trails. The blue particles are more numerous and form a dense, swirling pattern, while the orange particles are sparser and appear as bright, glowing streaks and dots. The overall effect is reminiscent of a digital or data-driven environment.

# New Advances in Trademark Law & IP Considerations Around the Metaverse, NFTs, and Blockchain

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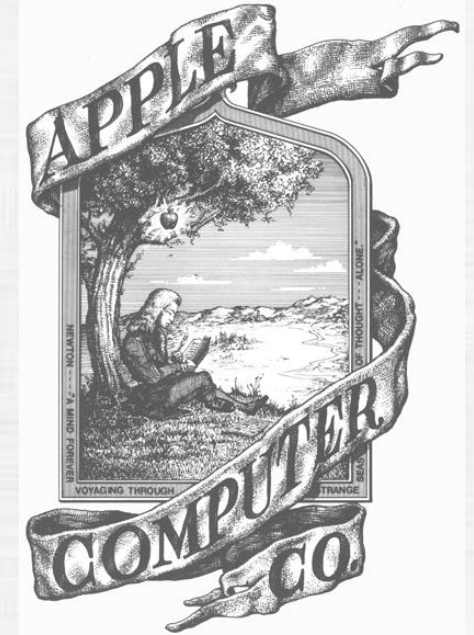
## **Education**

- J.D. – University of Utah, S.J. Quinney College of Law
- B.A. – University of Utah, Mechanical Engineering



# Trademarks

- ❑ Trademarks protect your brand
- ❑ Trademarks often become one of the most valuable assets of the company



# Trademark Modernization Act

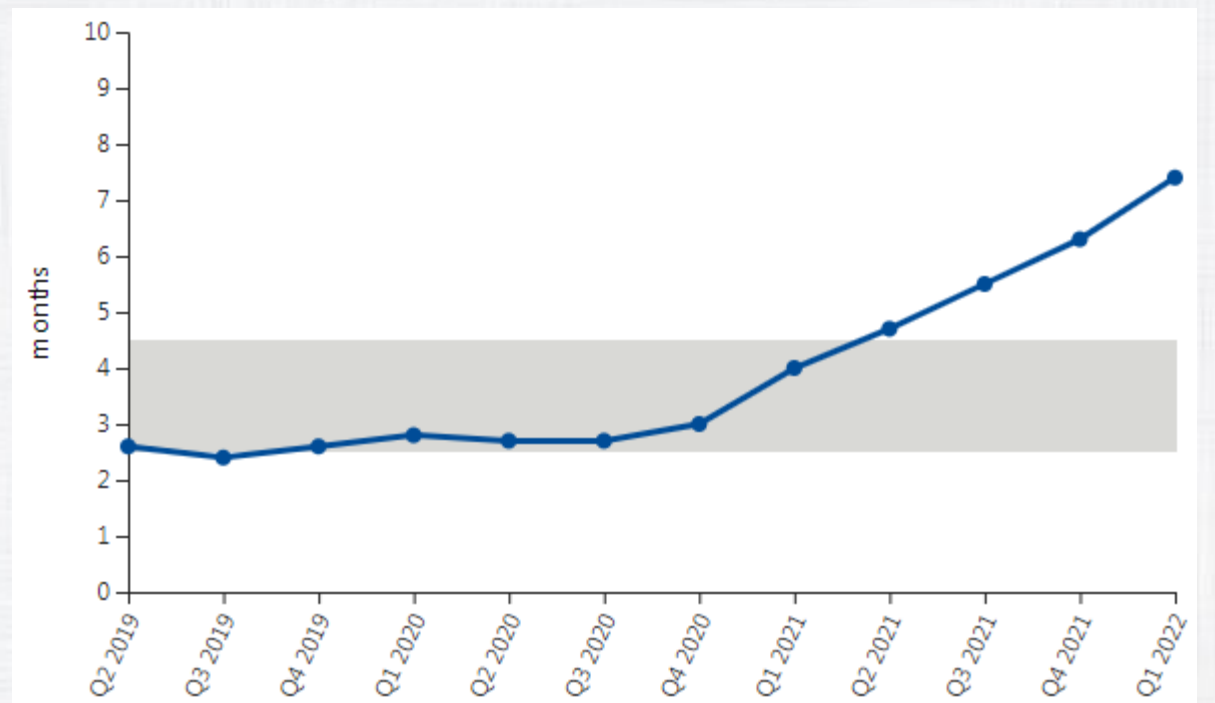
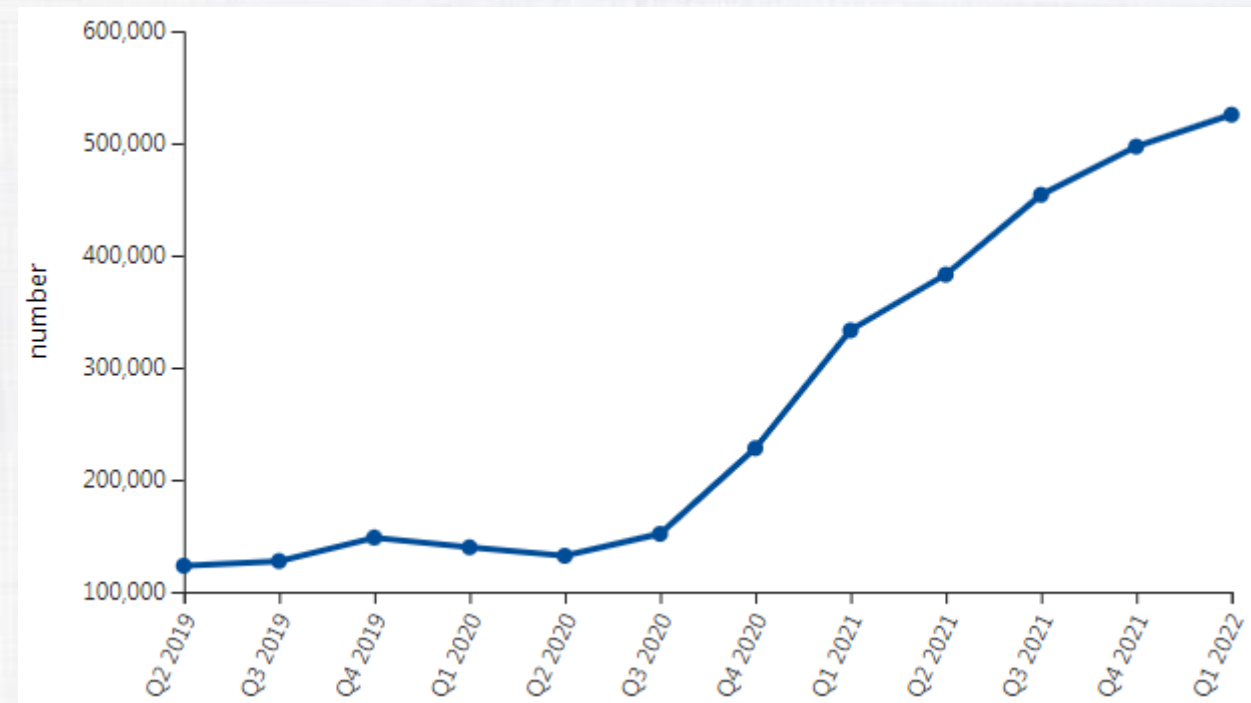
- ❑ Rules went into effect on December 18, 2021
- ❑ Rules relating to shortened trademark response periods to go into effect on December 1, 2022
- ❑ U.S. Patent and Trademark Office Identity Verification Postponed
  - Mandatory verification deadline was April 6, 2022

# Trademark Modernization Act

U.S. Patent and Trademark Office filings have increased dramatically in last 3 years

Applications Awaiting Examination

First Action Pendency

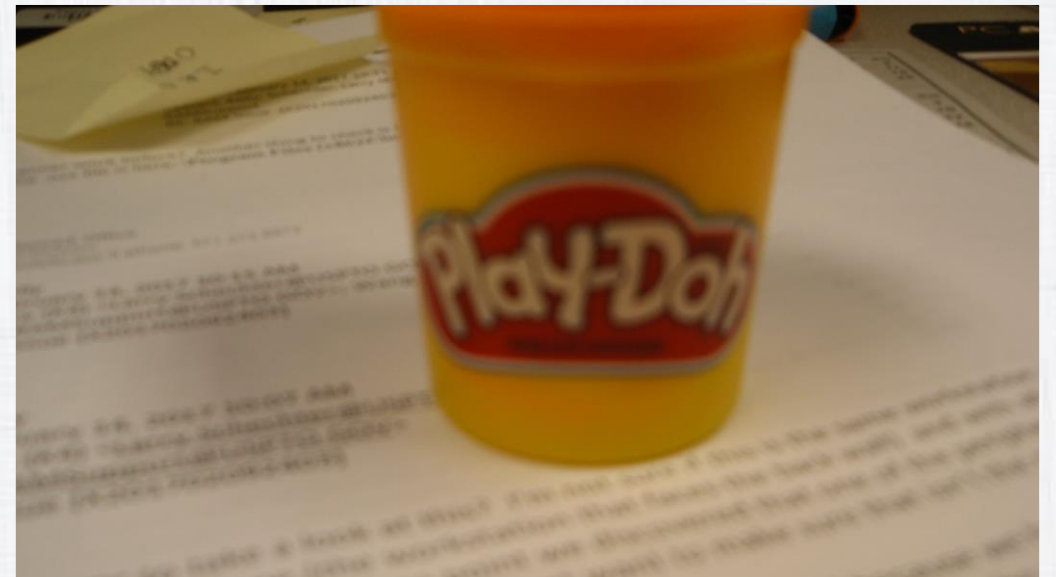




# Trademark Modernization Act

New methods to clear away unused registered trademarks

- U.S. requires proof of use – specimens, statement of use
  - i. Layout of an Apple store (reg. no. 4,277,914)
  - ii. Smell of PLAY-DOH (reg. no. 5,467.089)



# Trademark Modernization Act

## Speed up registration process

- a. Reduce time to respond to Office Actions
  - i. Office action response period reduced to 3 months
  - ii. Optional 3-month extension of time with a \$125 fee
- b. Clear out fraudulent registrations and unused marks
  - i. Digitally altered specimens
  - ii. Fake hangtags



# Expungement

1. Request filed between 3 and 10 years from the date of registration
2. Need evidence to show that the trademark was never used in commerce with some or all the goods/services in the registration
3. BUT – until December 27, 2023, the 10-year limit is waived
  - Any registration at least 3-years old may be subject to expungement
4. Alternative to petition for cancellation or district court action
  - Expungement petitions may cost less than petitions to cancel because the USPTO conducts the proceedings

# Reexamination

1. May be brought within the first 5 years of registration
2. Trademark was not used with some or all the goods/services on or before the relevant date [i.e., filing date, amendment to allege use]
3. Petitioner's identity may be confidential
  - But Director may require disclosure in some cases
4. Once instituted, the petitioner is no longer involved unless there was not sufficient evidence
  - Petitioner will have 30 days to remedy any deficiencies

# Evidence of Nonuse

1. What is a “reasonable investigation” of nonuse?
2. “Reasonable investigation” will be determined on a case-by-case basis
  - a) No definitive rule on the amount or type of evidence required
  - b) Simple internet search will not be sufficient

# Response to Expungement or Reexamination

1. Registrant has 3 months to respond
  - 30-day extension for \$125
2. No response = registration cancelled for goods/services asserted in the proceeding
3. Option to delete the goods/services for \$100 per class

# Petition for Cancellation

- New grounds for petition for cancellation
  - After 3 years from date of registration, can file a petition for cancellation on grounds that the mark was never used in commerce



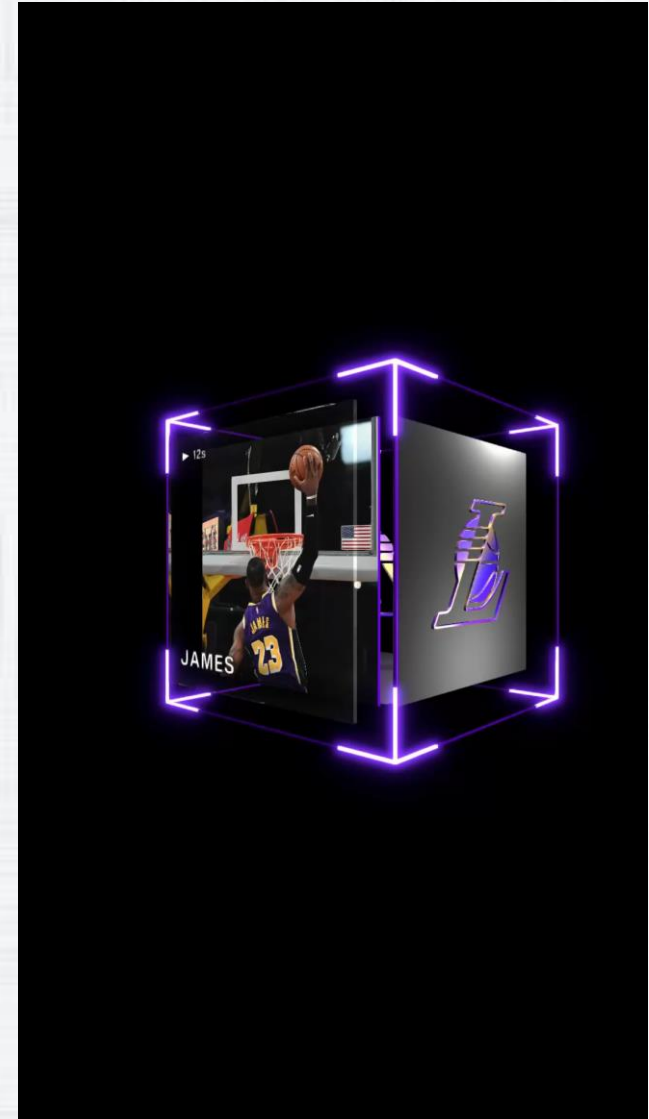
# Considerations

1. Consider filing expungement or reexamination proceeding rather than cancelation action
2. No limit on the number of reexaminations / expungements
3. Review your trademark portfolio to identify goods and/or services not currently used in commerce
4. Can a Declaration of Excusable Nonuse be filed?
5. Maintain evidence of use of the mark in U.S. commerce with all the goods/services listed in the registration



# Trademarks

1. Metaverse – digital or virtual world
  - a) Avatars
2. Are your goods/services going to be used in the metaverse?
3. Non-fungible tokens (NFTs)
  - a) \$40+ billion in NFT sales in 2021
  - b) NBA Top Shot – sold for over \$200,000 (1 of 49)



# What are Non-Fungible Tokens?

- ❑ By using the blockchain—a type of public database that anyone can access and everyone can (supposedly) trust—it is possible to create a chunk of data, known as a token, that is unique in the world, and cannot be reproduced
  - Wall Street Journal, February 22, 2022
- ❑ Hermès sued creator of “MetaBirkins” NFT for trademark infringement, trade dress infringement, and dilution
  - Are digital versions of the Birkin bag causing consumer confusion?



# What are NFTs?

- ❑ NFTs represent unique digital assets on a blockchain where each NFT has only one owner
  - Non-fungible – unique and cannot be replaced by something else
  - Token – a portion of a blockchain

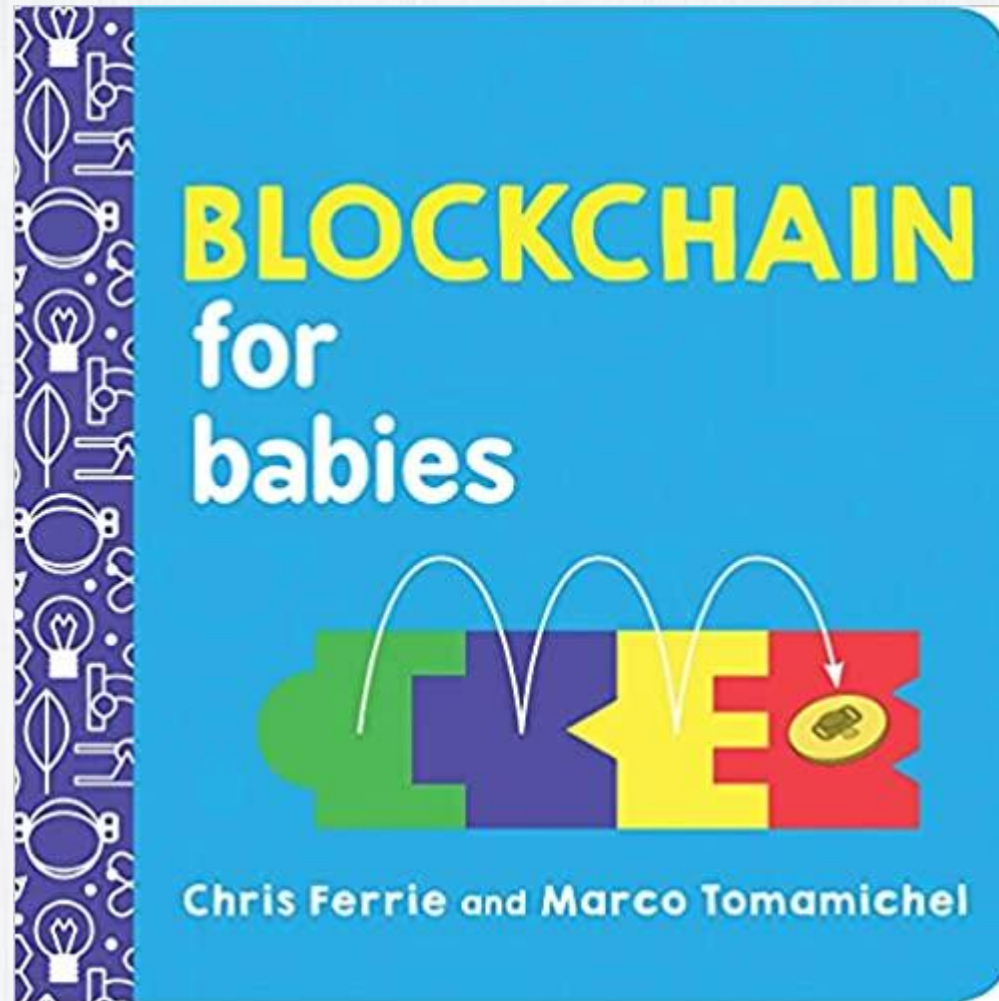
- ❑ Non-fungible examples



# What is Blockchain?

- ❑ Classic definition: “decentralized database that coordinates agreement on an append-only history of transactions across a peer-to-peer network”
  - ❑ Warburg, B.; Wagner, W.; Serres, T.; The Basics of Blockchain: A guide for building literacy in the economics, technology, and business of blockchain
- ❑ Decentralized database
  - No single repository for the data
  - “Digital ledger”
- ❑ Transactions – need two keys
  - Public key
  - Private key

# Blockchain



# IP Considerations

- ❑ NFT owner does not necessarily own the subject matter associated with the NFT
  - What IP rights are you acquiring?
- ❑ Nike v. StockX
  - StockX's NFTs are linked with name and picture of Nike sneakers
- ❑ Miramax v. Quentin Tarantino
  - ❑ NFTs for never released scenes from Pulp Fiction
  - ❑ Claims for trademark infringement, copyright infringement, and breach of contract



# Further Considerations

1. If the metaverse is on your horizon, consider filing trademark applications
  - a) Intent-to-use applications
  - b) Foreign trademark protection
  
2. Does purchase of NFT include rights beyond a portion of a blockchain?
  - a) NFTs do not inherently convey any intellectual property rights—there must be accompanying licenses
  
3. Consider using NFTs for authentication and marketing purposes
  
4. Consider other forms of IP protection
  - a) Licensing
  - b) Copyright
  - c) Smart Contracts

# Trademarks – Fun Facts

- Stella Artois logo is one of the oldest logos, dating back to 1366
- Runner Usain Bolt's "lightening bolt" victory move
- Trademarks that failed: "The" by The Ohio State University, sound of Harley-Davidson V-twin engine, the Cheerios yellow box





# Hot Topics in Tech Law 2022 Questions?

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