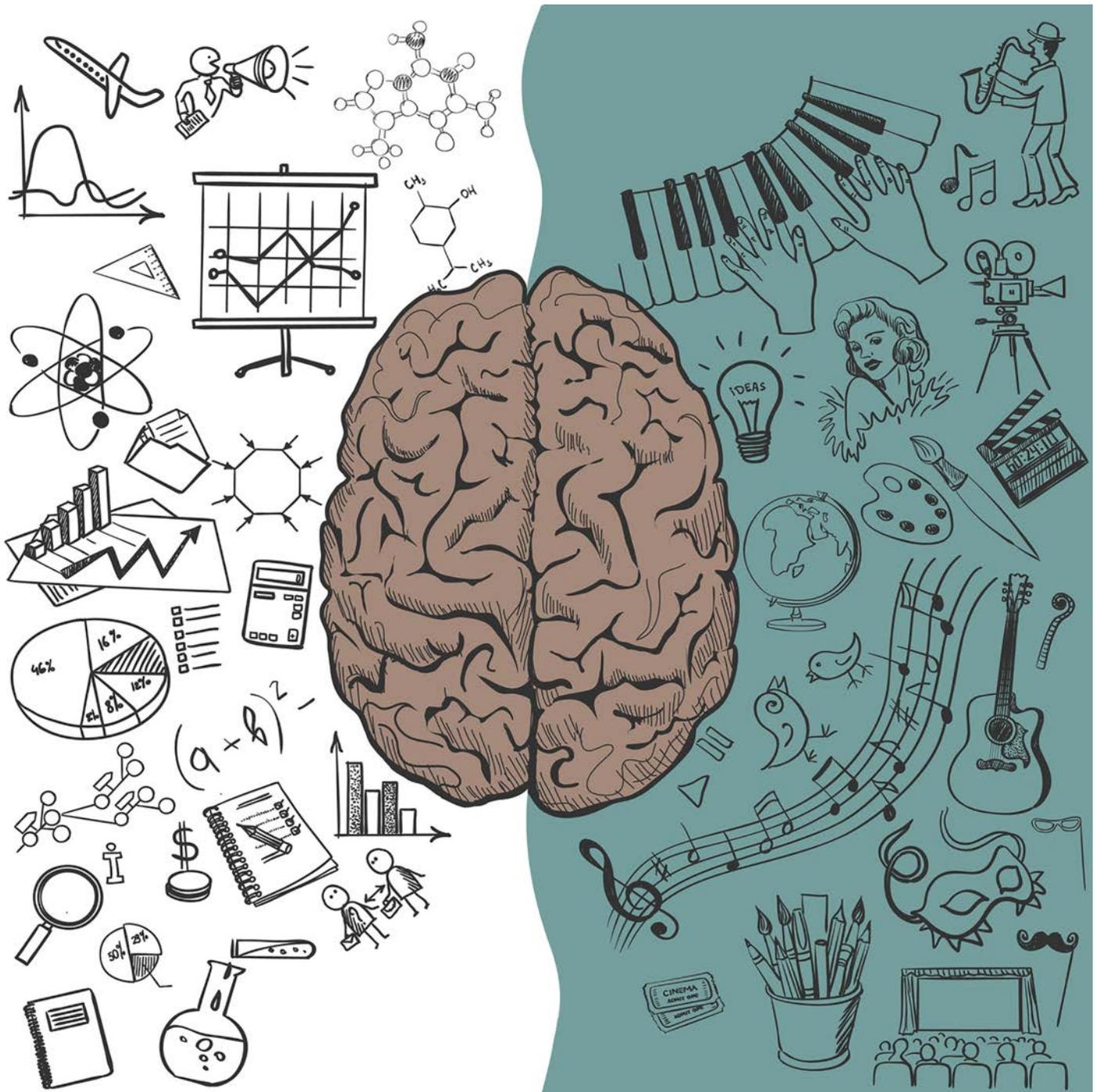


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## Introduction

### Let's Help New Mexico Be a Place of Creativity and Innovation

The Intellectual Property Law Section wants you and your clients to know about Intellectual Property (IP) so that our community can be a place of creativity and innovation. Many creatives, innovators and business people don't know where to start or even to think about IP in the first place. This is where you, a member of the State Bar, can help. Keep yourself informed about IP and discuss it with your clients. This may very well make or break your client's business.

The Intellectual Property Law Section is committed to improving the health of IP in New Mexico. On **Saturday, Nov. 10** we are partnering with the UNM Law School to host the first **Pro Bono IP Fair** at UNM Law School to provide **free IP and other business legal advice** to individuals, start-up businesses and entrepreneurs. Tell your clients and friends about the Pro Bono IP Fair! Or better yet, come volunteer! Details and the public flyer are available on our section website.

In the articles that follow we touch upon some of the hot IP issues of the year and address the state of IP in New Mexico.

# Actions to rotect Private Information and How "Terms and Conditions" are Sometimes Designed to Thwart the Law

by Jeffrey Albright



We have seen the headlines: "Facebook handed maximum data breach fine for role in Cambridge Analytica Scandal"; "Google's Gmail controversy is everything people hate about Silicon Valley"; "Yes, your phone is spying on you and these researchers proved it"; "Telecom companies say they won't share your location data—any more." And we have all done it. We have signed up for a service or we are staying at a hotel or shop at particular stores and we "accept" the terms and conditions of being a "rewards"

member or to obtain "access" to the Internet, without really reading the terms and conditions.

All too often, those terms and conditions allow information to be shared with affiliates or third party vendors, or they are sold to advertisers or aggregators. In some cases, acceptance of terms and conditions by an individual means that in the event of a dispute about who is or who is not using the information, you agree to accept jurisdiction and the law of Canada (or another country) because that is where the

parent company is located.

This article provides examples of trends in both federal and state law in the domain of information privacy in an ever increasing world of integrated technology. It also analyzes some examples of the terms and conditions and the potential impact of granting access to your personal information (other than medical, certain employment, and data such as social security information), and provides an overview of the ramifications of what it means to "accept" the terms and conditions of major companies and an overview of the interpretation of the non-disclosure provisions of some major technology companies. The article concludes with a discussion of some of the apparent competing requirements in New Mexico that pit the desire for privacy in technology with the right of the public to have access to individuals' personal information held in public records—and some actions that individuals might take to protect their privacy.

#### **Customer Proprietary Network Information and *Carpenter v. United States***

Customer Proprietary Network Information is the data collected by telecommunications companies about a consumer's telephone calls. It includes the time, date, duration and destination number of each call, the type of network

a consumer subscribes to and any other information that appears on the consumer's telephone bill. The Telecommunications Act of 1996 granted the Federal Communications Commission authority to regulate how CPNI can be used to enforce related consumer information privacy provisions. Rules in the 2007 CPNI FCC Order:

- Limit the information which carriers may provide to third-party marketing firms without first securing the affirmative consent of their customers;
- Define when and how customer service representatives may share call details;
- Create new notification and reporting obligations for carriers (including identity verification procedures); and (among other things)
- Verify the process must match what is shown with the company placing the call.

It must be noted that as long as an affiliate is "communications" related, the FCC has ruled that CPNI is under an opt-out system. That is, it can be shared without your explicit permission, and a phone company is permitted to sell all information that they have about you, such as numbers you call, when you called them, where you were when you called them or any other personally identifying information—as long as there is an affiliated relationship AND you have not advised the company "not to" do so. This allows the company to share such information as websites you visit when you use the wireless service, the location of your device and your use of applications and features of the phone service.

In June, 2018, in *Carpenter v. United States*,<sup>1</sup> the U.S. Supreme Court (in a 5-4 decision) held that the federal government generally needs a warrant to access historical cell phone location records, reasoning that the location data deserves more stringent protection than other customer information held by a company. In so concluding, the Court determined that there was a reasonable expectation of Fourth Amendment protection in light of the "unique nature of cell phone location information." Of interest is that companies such as Google, Microsoft, Twitter, Verizon, Facebook and Apple along with many privacy advocates and shareholders of those major companies advocated for the requirement that search warrants should



be needed by the government before attempting to obtain the information.

### California Passes Strict Online Privacy Law on June 28, 2018

On June 28, 2018, shortly after *Carpenter* was filed, Gov. Jerry Brown signed the California Consumer Privacy Act of 2018 (CCPA). The CCPA was passed unanimously by the State Assembly and Senate. The law takes effect in 2020. It grants consumers broad control over their personal data and:

- applies to any company that does business in the State of California; or
- has annual gross revenue in excess of \$25 million; and
- grants the consumer the right to know what information companies like Facebook and Google are collecting, including: why they are collecting it and with whom it is being shared;
- enables consumers to bar tech companies from selling their data and the requirement for the business to delete information upon receipt of a verified request; and
- requires children under 16 to opt into allowing tech companies to even collect information at all.

On Sept. 23, 2018, Gov. Brown signed into law SB-1121, amending certain provisions of the CCPA. Among the numerous amendments were changes to include that a private cause of action exists only for data breaches and only if prior to initiating any action for statutory damages, a consumer provides a business 30 days written notice and an opportunity to cure any violation; removal of a requirement for a consumer to provide notice of a private cause of action to the attorney general; incorporation of a provision that businesses, services providers, or persons

who violate the CCPA and fail to cure such violation within 30 days of written notice shall be liable—in an action brought by the state attorney general—for a civil penalty of not more than \$2500 for each violation or \$7500 for each intentional violation.

These actions follow on the heels of the European General Data Protection Regulation that imposed strong penalties on companies that violate data privacy.<sup>2</sup> See also "Facebook handed maximum data breach fine for role in Cambridge Analytica scandal" in which Facebook was fined £ 500,000 fine.<sup>3</sup>

Ironically, just a few months after the CCPA was enacted, Amazon.com, Inc. began an investigation into employees that are said to have offered sellers on its e-commerce program with an advantage by providing confidential internal data on customers' buying habits for a fee. Allegedly, Amazon employees had been selling information on sales and searches to independent merchants that operate on the site. This included assisting certain companies by deleting negative reviews and offering "higher search results" in that process.

### Protection of New Mexico Consumer Information Faces Mixed Results in New Mexico

The New Mexico Inspection of Public Records Act (IPRA) states that "[e]very person has a right to inspect public records of this state, except" for records that fall within 12 defined exceptions. The stated purpose of the IPRA is that all persons are entitled to the "greatest possible information regarding the affairs of government." The New Mexico Supreme Court, interpreting IPRA, has held that "there is strong public policy favoring access to public records."<sup>4</sup> Trade secrets are exempt from disclosure under IPRA pursuant to the "as otherwise provided by law" exception in subsection 12.

Where does that leave consumers who wish *not* to disclose their telephone information to third parties? Do the federal rules under CPNI or other non-disclosure provisions apply? The rulings are not clear. Where address, name and e-mail information was made available to a mutual domestic water association, the

*continued on page 7*

# Til Divorce Do You P(Art)

by Breanna Contreras



Picture this: Your artist client Arthur (Art for short) comes to you with a sad tune about his *achy breaky heart*.<sup>1</sup> Art's musician wife told him, “we are never ever, ever getting back together.” Art is beside himself. He's getting divorced and needs your advice. For an artist who makes it big—and finds himself in divorce court—New Mexico's status as a community property state can cause more than a drag on his finances.

So what happens to Art's copyrights when it comes time for him to *put everything he owns in a box to the left*? While the answer is unclear in New Mexico, where community property rules apply (no appellate court has considered the issue), other community property states that have considered the matter provide important guidance.

Whether you haven't studied family law since you took the bar exam, or you don't even know what a copyright is, read on to find out why, in Neil Sedaka's words, *breakin' up (copyrights) is hard to do*.

## What Is a Copyright and What Rights Does a Copyright Owner Have?

Under federal copyright law, when a new work of art is created, a copyright comes into being automatically at the moment

of that work's creation. 17 U.S.C. § 302(a). For a painting, book, film, musical composition, or other work, the copyright in the work is distinct and separate from the physical work itself. 17 U.S.C. § 202.

Buying a book at the bookstore does not give a purchaser the right to copy the book and sell 20 more—this is a right reserved only to the author (unless there is an agreement that provides otherwise). Likewise, when an artist sells her painting, the purchaser owns the physical object but the artist continues to own the copyright in the painting and can use that copyright to make prints or postcards. The owner of the copyright has the exclusive right to copy, perform, display and distribute the work, and make derivative works. 17 U.S.C. § 106.

## New Mexico's Presumption of Community Property

In New Mexico, if a married person makes a painting or writes a book, the copyright in the painting or book is co-owned by the spouses. This is because New Mexico is one of a handful of states that follows a community property regime. In New Mexico, the presumption is that property acquired—or created—during marriage by either spouse is community property. This presumption is codified in New

Mexico statute, NMSA 1978, § 40-3-12(A). “Underlying this presumption is an understanding that the fruit of a spouse's labor during marriage is community property.” *Arnold v. Arnold* 2003-NMCA-114, ¶ 8, 134 N.M. 381. The New Mexico Supreme Court makes this rule clear in *Hughes v. Hughes*, 1978-NMSC-002, ¶ 26, 91 N.M. 339:

Under community property law no distinction is made between husband and wife in respect to the right each has in the community property. The husband receives no higher or better title than does the wife. The plain public policy that this law expresses is that the wife shall have equal rights and equal dignity and shall be an equal benefactor in the matrimonial gain.

## How Do Community Property Statutes Converge with the Copyright Act?

Both federal copyright and state community property regimes have a long history in the U.S., dating back to the late 1700s and early 1800s. Despite more than 200 years of history for both regimes, it is only relatively recently that copyright law appears to have intersected with state community property statutes.

Two community property states to have considered this issue both agree that the spouses co-own any copyrights created during marriage, but take different approaches to how these rights are divided.

While the Copyright Act provides that a copyright “vests initially in the author or authors of the work,” the Act also provides that copyrights may be transferred “by any means of conveyance or by operation of law,” including the operation of community property law. 17 U.S.C. § 201(a), (d)(1). This is the interpretation of the Copyright Act that one court in California adopted in the case *In re Marriage of Worth*, 195 Cal. App. 3d 768 (Ct. App. 1987).

During his marriage to Susan Worth, Frederick Worth authored several books, including two encyclopedias on trivia. The divorcing spouses agreed that the royalties from Fred's books would be divided equally. Later, Fred filed a separate lawsuit against the producers of the board



When famous Peanuts comic strip creator Charles M. Schulz divorced his wife Joyce Halverson after more than 20 years of marriage, the divorcing spouses reportedly agreed that Halverson would share in the revenues Schulz received from the comic strip starting from 27% and declining to 15% over the course of ten years. Halverson and Schulz divorced in 1972, nearly five decades ago; if this issue were contested and needed to be resolved by a New Mexico court today, the matter would likely be resolved very differently. It is quite possible that the court would determine that the non-creator spouse co-owns the copyrights and all royalties from them on equal terms with the creator-spouse. For this reason, it is more important than ever to evaluate what copyrightable works (and other intangible property rights) created during marriage exist, and which have the likelihood of generating future income, including license fees and royalties.



### The Lawsuit that Was A *Trivial Pursuit*

By the time Fred Worth filed his lawsuit against the creators of Trivial Pursuit in 1984, sales revenue for the game had already reached \$256 million. Fred Worth's case was wildly unsuccessful. Some might even say it was a trivial pursuit. In *Worth v. Selchow & Righter Co.*, 827 F.2d 569 (1987), the original creators of the game did not deny that they consulted Mr. Worth's books in developing the board game, but argued in a motion for summary judgment that using Mr. Worth's books did not constitute copyright infringement. The federal district court granted defendants' motion, and the Ninth Circuit affirmed, ruling that the facts in Mr. Worth's books are, like ideas, never protected by copyright law. The Court, quoting *Nimmer*, reasoned that "the discovery of a fact, regardless of the quantum of labor and expense, is simply not the work of an author." Finding otherwise "would effectively grant a copyright in the work's nonprotectible ideas." Mr. Worth appealed, but the Supreme Court denied certiorari.

game Trivial Pursuit for copyright infringement. He claimed they copied his Super Trivia Encyclopedia in making the board game.<sup>2</sup> Susan sued Fred seeking an order declaring she would be entitled to one-half of any proceeds from his lawsuit against the producers of Trivial Pursuit.



of community property." *Id.* at 74. The Copyright Act, the *Worth* Court reasoned, could be read harmoniously with California's community property statutes, and the two thus co-owned the copyrights in the books and any proceeds derived from them.

Like New Mexico, the California Court in *Worth* recognized that the "principles of community property law do not require joint or qualitatively equal spousal efforts or contributions in acquiring the property." It did not matter that only one of the spouses wrote the Super Trivia Encyclopedia books. "It is enough that the skill and effort of one spouse expended during the marriage resulted in the creation or acquisition of a property interest."



The *Worth* court decided that the Copyright Act's language allowing transfer "by operation of law" meant that "the copyright is automatically transferred to both spouses by operation of the California law

In Louisiana, also a community property state, the Fifth Circuit confronted a similar issue in *Rodrigue v. Rodrigue*, 218 F.3d 432 (5th Cir. 2000). George Rodrigue became a highly successful and prolific painter during his marriage to Veronica, most

notably for his Blue Dog Series, which he modeled after the family pet.<sup>3</sup> Following George's divorce from Veronica, George continued to create Blue Dog paintings and filed an action in federal court seeking a declaration that he was the sole owner of the intellectual property rights in all his paintings. Veronica counterclaimed for a declaration that she owned an undivided one-half interest in all intellectual property rights created by George, and she even asked that she be declared a co-owner of any derivative works created by George after the parties divorced. Both George and Veronica filed cross motions for summary judgment. The trial court ruled in George's favor, concluding that the Copyright Act conflicted with Louisiana community property law and therefore, the state community property law was preempted by federal law.

The Fifth Circuit reversed the trial court, concluding that the Copyright Act does not preempt Louisiana's community property statutes, and that the married couple were co-owners of the copyrights. The way in which the Court reached this conclusion was distinct from the straightforward analysis in *Worth*—it rested on the conclusion that "an author-spouse in whom a copyright vests maintains exclusive managerial control of the copyright" and that the economic benefits of the copyright work belong to the spouses jointly. *Id.* at 435. The way it reached this conclusion was by splitting up the "bundles" of property rights in the artwork into three groups under Louisiana's unique civil law system: the *usus*—the right to use or possess; the *abusus*—the right to transfer, lease, or

encumber the property; and the *fructus*—the right to the economic fruits of the property. *Id.* at 436-37.

### Why do *Worth* and *Rodrigue* matter?

No New Mexico appellate court has squarely dealt with the issue of the community property division of copyrights created during marriage. In the 1999 Court of Appeals case *Boutz v. Donaldson*, the Court touched on this issue in *dicta*, recognizing that the case before it involved only the propriety of including the income the father received from books he authored as part of his overall income for purposes of calculating child support. 1999-NMCA-131, 128 N.M. 232. The matter did not involve the community property division of the copyrights, but the Court signaled a willingness to entertain

the issue in the future, citing both *Worth* and *Rodrigue* as support.

It is only a matter of time before this issue comes back before the state's appellate courts, making it more critical than ever for attorneys to be up to speed on what types of intangible property might need to be dealt with in divorce proceedings. Part of that analysis necessarily includes evaluating the possibility of future income streams from intellectual property rights, which can be extremely difficult. If your client *lost that lovin' feelin', whoa, that lovin' feelin'*, make sure you have the tools to advise her about the ways in which New Mexico's community property laws may affect her intangible rights before the couple says "*Baby, bye, bye, bye.*"

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### Endnotes

<sup>1</sup>See how many cheesy references to popular oldies and contemporary breakup songs you can find.

<sup>2</sup>Fred Worth's *The Complete Unabridged Super Trivia Encyclopedia* is available for sale on Amazon.

<sup>3</sup>To see the Blue Dog series, visit George Rodrigue's website at <https://georgerodrigue.com/>.

### About the Author

Breanna Contreras is a graduate of Notre Dame Law School and practices with Bardacke Allison LLP in Santa Fe where she represents a variety of clients in brand strategy, trademark and copyright registration and licensing, and enforcement of intellectual property rights. She serves on the Board of Directors of the Intellectual Property Law Section.

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## Actions to Protect Private Information and How "Terms and Conditions" are Sometimes Designed to Thwart the Law

*continued from page 4*

New Mexico attorney general in late 2017 said that as a quasi-government entity, this information had to be disclosed to a third party by the mutual domestic water users association, even over the objection of the individual. The consumer could protect the information from being disclosed by the national carrier, but could not prevent it from being disclosed if requested by a third party to the mutual domestic. The Attorney General stated that private information that can be protected *does not include* addresses and phone numbers—even though the mutual domestic had passed a resolution that the information should be provided confidential treatment.

### What Are the Options for an Individual to Protect Private Information?

Given the concerns over private misuse of one's private information by companies or organizations, one can take the following action to safeguard personal and private information:

- Opt out. Take a look at the language in agreements with your telephone carrier, your credit card companies, your internet service provider or even your insurance carriers and credit unions. Look for language, or periodic notifications, that say how the company is using your information. Notifications from Chase, for example, include reasons why they share your data. Such things as: for our everyday business purposes; for our marketing purposes; for joint marketing with

other financial companies; for our affiliates' everyday business purposes; for our affiliates to market to you; and even for nonaffiliates to market to you.

- When you download an application on your mobile device, check to see what conditions/disclosures come with placing that app on your mobile device. It might not be worth its convenience. You might also be able to find a different app that serves the same purpose but with fewer strings attached.
- In June, the four major wireless carriers agreed to "choke off" data aggregators such as LocationSmart and Zumibo.<sup>5</sup>
- When signing up for reward programs at your supermarket or with an online service, check to see with whom the information is being shared or what other affiliates are going to have access to the information.
- If you join an association or some quasi-governmental entity, check with them so the extent that your personal information is being shared is only to the degree with which you are comfortable.

And finally, read the fine print. It takes time, but at least you will have firsthand knowledge about your potential vulnerability and will be able to make an informed decision as to whether you want to risk exposure/disclosure of personal data.

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### Endnotes

<sup>1</sup> *Carpenter v. United States*, 138 S.Ct. 2206, 201 L.Ed.2d 507 (2018).

<sup>2</sup> See Jackson Lewis, PC, *California Consumer Privacy Act Amendment Signed Into Law*, JD SUPRA (Sept. 26, 2018), <https://www.jdsupra.com/legalnews/california-consumer-privacy-act-35099/>.

<sup>3</sup> See Margi Murphy, *Facebook Handed Maximum Data Breach Fine for Role in Cambridge Analytica Scandal*, THE TELEGRAPH, (July 11, 2018), <https://www.telegraph.co.uk/technology/2018/07/10/facebook-handed-maximum-data-breach-fine-role-cambridge-analytica/>. Note: had the breach occurred after May 2018, under the new data protection law, a maximum of four percent of global turnover or £18 million could have been imposed.

<sup>4</sup> *City of Las Cruces v. Pub. Employee Labor Relations Bd.*, 1996-NMSC-024, ¶ 8, 121 N.M. 688, 917 P.2d 451.

<sup>5</sup> Sara A. O'Brien, *Telecom Companies Say They Won't Share Your Location Data Anymore*, CNN (June 19, 2018), <https://money.cnn.com/2018/06/19/technology/telecom-location-data/index.html>.

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# Public or Private:

## The Implications of the *Oil States* Decision

by Kevin Soules

In 2011, Congress enacted the most sweeping changes to patent law in 50 years. One important feature of the America Invents Act (AIA) is a revision of the means by which a patent can be reviewed after it has issued. New post-grant procedures expand the reexamination proceedings available to challenge a patent. Among the new procedures, the most common, and arguably controversial, is *inter partes* review (IPR).

The introduction of *inter partes* review was intended to address growing concern over the assertion of what some considered to be “low quality patents”.<sup>1</sup> Many saw the increasing number of vexatious patent lawsuits by “patent trolls” as a serious burden on both business and the judicial system. The “patent troll” model works something like this:

The troll acquires one or more patents covering a common (usually electronic or software related) process. The troll then asserts these patents against multiple unwitting defendants, demanding a settlement. The defendants are then left with two options: risk bankruptcy defending the lawsuit, or pay the troll’s demands and move on.

Enter the *inter partes* review. An IPR gives the defendant a chance to challenge the validity of the asserted patent before a panel of Patent Trial and Appeal Board judges (an arm of the Patent Office), at a fraction of the cost of full blown litigation. If the defendant is successful in invalidating the patent, the defendant is saved from defending a lawsuit in Federal Court.



Beyond curtailing patent trolls, IPR procedures were justified by a number of other seemingly valuable improvements to the patent system. For example, the Patent Office (PTO) specializes in patents, making it arguably better suited than Federal Courts to review patent validity. Likewise, the director of the Patent Office has wide latitude over the administration of IPR proceedings. This was expected to allow the Office to quickly adjust and/or adapt the IPR process as circumstances dictated. The Patent Trial and Appeal Board (PTAB) even highlights the relatively expeditious disposition of its docket (two years or less in most cases), a relative sprint compared to the slog of patent litigation in Federal Court.

While IPRs were meant to limit the financial burden and expedite the process of patent infringement litigation, some contend the opposite has happened. Specifically, *inter partes* review has become the de facto first step in defending patent infringement lawsuits. The process itself is quasi-judicial, and mirrors standard litigation procedure. Limited discovery is

permitted, each party is invited to present arguments and testimony, including expert opinions, and the ultimate decision is made by PTAB judges. However, the Patent Office is an administrative body and the director has significant discretion in establishing how *inter partes* reviews are conducted. For example, if a panel of PTAB judges reaches a decision the director views with disfavor, the director can unilaterally call for an expanded panel to review the case again.

The IPR process has become an astonishingly effective tool for striking down patents. Indeed, as of February 2018, in 81% of instituted cases, some or all of the challenged claims were invalidated.<sup>2</sup> The magnitude of this point is striking. In 81% of instituted cases, the very office that initially issued the patent later concluded the patent was, at least partially, issued incorrectly. As a result, the IPR process has arguably undermined the integrity of the entire patent system at a foundational level. If a patent can be invalidated in an IPR proceeding, even after issuance through the standard arduous process,

many creators of intellectual property will understandably find it difficult to justify the effort and expense of pursuing a patent in the first place.

Not surprisingly, a number of challenges to the IPR process have been mounted. In 2018, the Supreme Court addressed the constitutionality of *inter partes* review in *Oil States Energy Services, LLC v. Greene's Energy Group, LLC, et al.*<sup>3</sup>

The patent holder, Oil States, acquired a patent related to well-head equipment for hydraulic fracturing. Oil States asserted the patent against the defendant, Greens Energy Group, who duly challenged the validity of the patent via IPR. The Patent Trial and Appeal Board found Oil States claims unpatentable. Oil States challenged the PTAB decision in Federal District Court, most importantly challenging the constitutionality of *inter partes* review. Oil States asserted that patent rights could not be extinguished outside an Article III court, and that patent invalidation at the PTAB violated the Seventh Amendment right to trial by jury.

The heart of the Oil States decision is centered on the fundamental nature of a patent. Specifically, the decision rested on a determination of whether a patent is a private property right, and therefore not extinguishable outside an Article III court and jury trial, or if a patent is a public franchise governed by the public rights doctrine. In a 7-2 decision, the Supreme Court found:

*Inter partes* review falls squarely within the public-rights doctrine. The decision to grant a patent is a matter involving public rights. *Inter partes* review is simply a reconsideration of that grant, and Congress has permissibly reserved the PTO's authority to conduct that reconsideration.<sup>4</sup>

The modern public rights doctrine is a topic unto itself, deserving review. The doctrine was established by a line of cases starting at *Murray's Lessee*<sup>5</sup> and most recently revisited in *Stern v. Marshall*.<sup>6</sup> Originally, the public rights doctrine was



developed to resolve cases involving the government. However, over time, the doctrine has evolved into a means for adjudicating statutorily-created rights stemming from the government as well.

The modern public rights doctrine has changed significantly from the decision in *Murray's Lessee*. In the landmark *Atlas Roofing* decision, the Supreme Court held:

At least in cases in which "public rights" are being litigated - e.g., cases in which the Government sues in its sovereign capacity to enforce public rights created by statutes within the power of Congress to enact -- the Seventh Amendment does not prohibit Congress from assigning the factfinding function and initial adjudication to an administrative forum with which the jury would be incompatible.<sup>7</sup>

The doctrine was further extended in *Granfinanciera, S. A. v. Nordberg*.<sup>8</sup> In that case, the Supreme Court held:

Congress, acting for a valid legislative purpose pursuant to its constitutional powers under Article I, [has] created a seemingly 'private' right that is so closely integrated into a public regulatory scheme as to be a matter appropriate for agency resolution with limited involvement by the Article III judiciary.<sup>9</sup>

Thus, the public rights doctrine essentially holds that if a statutory right is not closely intertwined with a federal regulatory program, and if that right neither belongs

to, nor exists against, the Federal Government, then it must be adjudicated by an Article III court. If the right is legal in nature, then it carries with it the Seventh Amendment's guarantee of a jury trial. However, in cases where the right is created by statute, Congress is free to assign certain functions, including adjudication, to an administrative body.

Thus, in *Oil States*, when faced with the determination of the constitutionality of patent invalidity via IPR, the Supreme Court held:

Our precedents have recognized that the doctrine covers matters "which arise between the Government and persons subject to its authority in connection with the performance of the constitutional functions of the executive or legislative departments." *Crowell v. Benson*, 285 U. S. 22, 50 (1932). In other words, the public-rights doctrine applies to matters "arising between the government and others, which from their nature do not require judicial determination and yet are susceptible of it." *Ibid.* (quoting *Ex parte Bakelite Corp.*, 279 U. S. 438, 451 (1929)). *Inter partes* review involves one such matter: reconsideration of the Government's decision to grant a public franchise.<sup>10</sup>

In a particularly interesting analogy, the Court likens a patent right to a public franchise, explaining, "Congress can grant a franchise that permits a company to erect a toll bridge, but qualify the grant by reserving its authority to revoke or amend the franchise."<sup>11</sup>

The Court further dismissed precedential decisions such as *McCormick Harvesting Machine Co.*<sup>12</sup> and *American Bell Telephone Co.*<sup>13</sup> where the Court previously held "[t]he only authority competent to set a patent aside, or to annul it, or to correct it for any reason whatever, is vested in the courts of the United States, and not in the department which issued the patent." The Court found these rules, vestiges of a since abandoned patent statute, not applicable to the provisions of the newly promulgated America Invents Act.

Justice Gorsuch offers a dissent that is fairly well summarized in his first paragraph:

After much hard work and no little investment you devise something you think truly novel. Then you endure the further cost and effort of applying for a patent, devoting maybe \$30,000 and two years to that process alone. At the end of it all, the Patent Office agrees your invention is novel and issues a patent. The patent affords you exclusive rights to the fruits of your labor for two decades. But what happens if someone later emerges from the woodwork, arguing that it was all a mistake and your patent should be canceled? Can a political appointee and his administrative agents, instead of an independent judge, resolve the dispute? The Court says yes. Respectfully, I disagree.<sup>14</sup>

While the Court suggests that their decision is to be narrowly construed, it is

likely to have profound and lasting effects on the patent system. The uncertainty associated with a public franchise right that can be freely revoked by an administrative agency makes the time, effort, and expense of patent acquisition much less palatable. The patent system is meant to encourage innovation by rewarding those that contribute to the general storehouse of knowledge upon which future innovations are built. It will be interesting to see if the characterization of patent rights as a franchise, governed by the public rights doctrine, as opposed to a private property right, serves to promote or frustrate that purpose.

#### Endnotes

<sup>1</sup> The term “low quality patent” is itself controversial. A detailed review of this point is beyond the scope of this discussion.

<sup>2</sup> See [https://www.uspto.gov/sites/default/files/documents/trial\\_statistics\\_20180228.pdf](https://www.uspto.gov/sites/default/files/documents/trial_statistics_20180228.pdf)

<sup>3</sup> *Oil States Energy Services, LLC v. Greene's*

*Energy Group, LLC*, 584 U.S. \_\_\_\_ (2018).

<sup>4</sup> *Id.*

<sup>5</sup> *Murray's Lessee v. Hoboken Land & Improvement Co.*, 59 U.S. 272 (1856).

<sup>6</sup> *Stern v. Marshall*, 131 S. Ct. 2594, 2620 (2011).

<sup>7</sup> *Atlas Roofing Co. v. Occupational Safety & Health Review Commission*, 430 U.S. 442, 450, 51 L. Ed. 2d 464, 97 S. Ct. 1261 (1977)

<sup>8</sup> *Granfinanciera, S. A. v. Nordberg*, 492 U.S. 33, 54-55, 106 L. Ed. 2d 26, 109 S. Ct. 2782 (1989)

<sup>9</sup> *Id.*

<sup>10</sup> *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*, 584 U.S. \_\_\_\_ (2018).

<sup>11</sup> *Id.*

<sup>12</sup> *McCormick Harvesting Machine Co. v. Aultman*, 169 U. S. 606, 609.

<sup>13</sup> *United States v. American Bell Telephone Co.*, 128 U. S. 315, 370

<sup>14</sup> *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*, 584 U.S. \_\_\_\_ (2018).

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# THE STATE OF *Innovation and Creativity* IN NEW MEXICO

by Justin Muehlmeier

One need not look into bygone eras for examples of innovation and creativity in New Mexico: last year, the pioneering art-park Meow Wolf generated \$8.8 Million in revenue in its second year in existence, employed more than 100 creatives and launched an equity crowdfunding campaign to help it expand into other states. The campaign closed in record time, making it the fastest known regulation equity investment crowdfund since SEC regulations permitted such equity crowdfunding in January 2016 as part of the JOBS Act of 2015.<sup>1</sup>

But how innovative and creative is New Mexico actually? To help us wrap our mind around this complex question, we looked at intellectual property statistics that are available for New Mexico. Here are six things we learned.

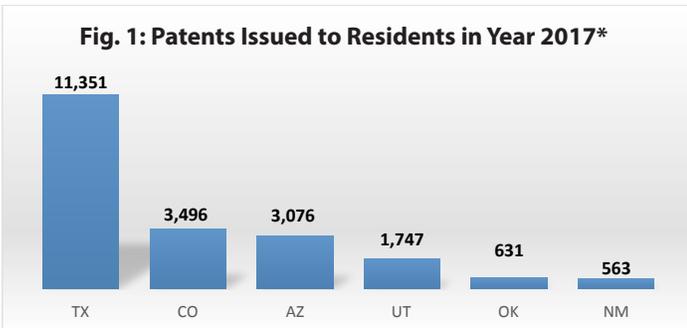
## 1. Of all of New Mexico's neighbors, New Mexico residents were issued the fewest number of patents in 2017.

If we are looking to understand the “innovative health” of a community, stats about patents and who owns them may tell us something. Patent applications are costly and time-consuming endeavors that reflect the applicant’s belief that their invention has value. **New Mexico residents apply for between 900 and 1,000 patents a year:**

Year	2013	2014	2015	2016	2017
Patent Apps Filed*:	929	984	982	951	NA

\*includes utility, plant, design and reissue patents. Data: USPTO, Performance & Accountability Report FY 17, Table 7: Patent Applications Filed by Residents of the United States, New Mexico, pg. 172 (2017), available at <https://www.uspto.gov/sites/default/files/documents/USPTOFY17PAR.pdf>.

An issued patent represents the U.S. Patent & Trademark Office’s (USPTO) judgment that what is claimed is novel and not an obvious variation of anything done ever before (at least, as determined by a single examiner after performing a search). In 2017, **New Mexico residents were issued the fewest number of patents (of any kind) of all its neighbors:**



\*Data: USPTO, Performance & Accountability Report FY 17, Table 8: Patents Issued to Residents of the United States, pg. 173 (2017), available at <https://www.uspto.gov/sites/default/files/documents/USPTOFY17PAR.pdf>

Calculating the number of patents issued per capita tells a more interesting story; while New Mexico packs more “innovative punch” than Oklahoma despite Oklahoma having nearly twice the population, New Mexico clearly lags behind its neighbors in patents being issued to residents, and Colorado takes a drastic lead in the region even over more populous Texas:

State	Population*	“Innovative Punch” (Issued Patents per Capita)
CO	5,607,154	.000623
UT	3,101,833	.000563
AZ	7,016,270	.000438
TX	28,304,596	.000401
NM	2,088,070	.000270
OK	3,930,864	.000161

\*Data: U.S. Census Bureau, Table 1 Annual Estimates of the Resident Population for the United States, Regions, States, and Puerto Rick: April 1, 2010 to July 1, 2017, population estimate of 2017 (accessed July 23, 2018), available at [https://www.census.gov/data/tables/2017/demo/pepest/state-total.html#par\\_textimage\\_1574439295](https://www.census.gov/data/tables/2017/demo/pepest/state-total.html#par_textimage_1574439295)

## 2. Less than a third of inventors in New Mexico independently own their invention.

A patent, like all personal property, can be assigned to someone else. An independent inventor is an inventor listed on a patent that is unassigned or is assigned only to individuals at the time the patent is granted. The number of independent inventors may roughly reflect those individuals that have yet to commercialize their invention, but this would be a rough indication because some individual inventors license their patent to a commercializing person or entity without assigning it. The number of independent inventors may also indicate that the inventor is paying out of their personal pocket book for the legal services. **Between a quarter and a third of inventors residing in New Mexico listed on issued patents are independent inventors:**

Year:	2010	2011	2012	2013	2014	2015
Patents Issued to NM*:	455	412	444	471	445	455
Independent Inventor**:	128	116	119	136	97	120
% Independent Inventor:	28%	28%	27%	29%	22%	26%

\*The number of utility patents, design patents, plant patents, reissue patents with the residence of the first-named inventor being in New Mexico. Data: USPTO, Patent Country, State, and Year – All Patent Types (December 2015), available at [https://www.uspto.gov/web/offices/ac/ido/oeip/taf/reports.htm#by\\_geog](https://www.uspto.gov/web/offices/ac/ido/oeip/taf/reports.htm#by_geog).

\*\*The number of times inventors from New Mexico are named on unassigned patents or on patents assigned to individuals, patents being utility patents, design patents, plant patents, reissue patents. Data: USPTO, Independent Inventors By State By Year All Patent Types Report January 1977-December 2015, available at [https://www.uspto.gov/web/offices/ac/ido/oeip/taf/reports.htm#by\\_geog](https://www.uspto.gov/web/offices/ac/ido/oeip/taf/reports.htm#by_geog).

Compared with its neighbors for 2015, the most recent year of data, New Mexico had a similar proportion of independent inventors as Oklahoma and Utah, while Texas and Colorado had the lowest proportion of independent inventors in the region:

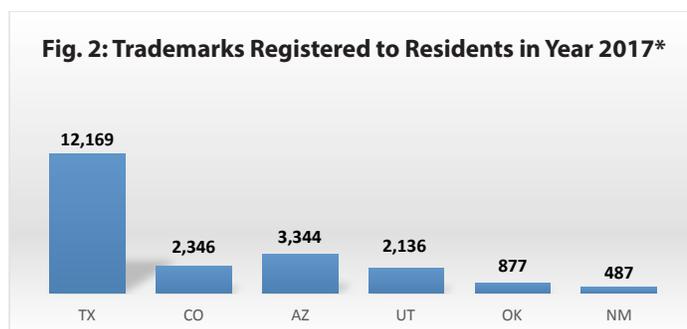
	% of Patents Issued to Independent Inventor*
OK	28%
NM	26%
UT	25%
AZ	21%
TX	16%
CO	16%

\*Data: Patents Issued to New Mexicans: USPTO, Patent Country, State, and Year – All Patent Types (December 2015), available at [https://www.uspto.gov/web/offices/ac/ido/oeip/taf/reports.htm#by\\_geog](https://www.uspto.gov/web/offices/ac/ido/oeip/taf/reports.htm#by_geog); USPTO, Independent Inventors By State By Year All Patent Types Report January 1977-December 2015, available at [https://www.uspto.gov/web/offices/ac/ido/oeip/taf/reports.htm#by\\_geog](https://www.uspto.gov/web/offices/ac/ido/oeip/taf/reports.htm#by_geog).

## 3. Of all of New Mexico's neighbors, New Mexico residents registered the fewest number of federal trademarks in 2017.<sup>2</sup>

The filing of a trademark registration application with the USPTO reflects that its owner has either used the mark to sell goods and services or intends to do so. New Mexico residents applied for **1,038 trademark registrations** in 2017.

A trademark that is registered with the USPTO indicates that the trademark is actually being used in commerce Congress can regulate (e.g., interstate commerce) and that the trademark is capable of distinguishing the source of the goods and services associated with the trademark (i.e., it is an identifiable brand). A registrant has likely invested time, effort and money in building and protecting its brand. In 2017, New Mexico residents registered the fewest number of trademarks of all its neighbors:



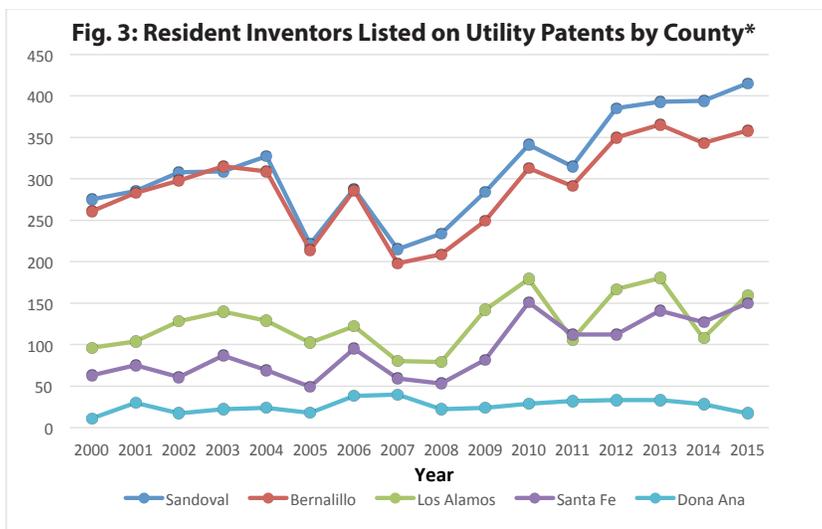
\*Data: USPTO, Performance & Accountability Report FY 17, Table 20: Trademarks Registered to Residents of the United States, pg. 186 (2017), available at <https://www.uspto.gov/sites/default/files/documents/USPTOFY17PAR.pdf>.

Of those States, the number of registrations per capita suggests that Utah residents appear to care the most about registering their trademarks, with New Mexico and Oklahoma falling well behind the others:

State	Registered Trademarks per Capita
UT	0.00069
AZ	0.00048
TX	0.00043
CO	0.00042
NM	0.00023
OK	0.00022

#### 4. Sandoval County is home to the most inventors in New Mexico.

Every patent has at least one inventor and many patents have more than one inventor. Fig. 2 shows the number of times a resident of a New Mexico county was named on a utility patent issued any given year since year 2000 for those five counties with the highest number. Sandoval and Bernalillo Counties have the most inventors, Sandoval County taking a clear lead since 2007, with the general trend of the top two counties moving upward:



\*Data: USPTO, U.S. Resident Inventors and Their Utility Patents Breakout by State Regional Component, Count of 2000-2015 Inventors and Their Patents As Distributed by Calendar Year of Patent Grant, available at <https://www.uspto.gov/web/offices/ac/ido/oeip/taf/reports.htm>.

#### 5. New Mexicans patent a wide variety of technologies and no particular technology dominates all others, but here are the top ten technologies.

Every patent is assigned a primary technology class. For the years 2011-2015, a total of 2,099 patents were issued with the first-named inventor being a New Mexico resident. The top ten classes of technologies of those patents were:

Primary Technology Class	# of NM Patents
Drug, Bio-Affecting and Body Treating Compositions	60
Semiconductor Device Manufacturing Processes	55
Radiant Energy	54
Measuring and Testing	52
Data Processing for Vehicles, Navigation and Relative Location	49

Primary Technology Class	# of NM Patents
Active Solid-State Devices	46
Optics: Measuring and Testing	45
Image Analysis	44
Molecular Biology and Microbiology	43
Optical: Systems and Elements	35
Other	1616

\*Data: USPTO, Patenting By Geographic Region, Breakout by Technology Class, Count of 2011-2015 Utility Patent Grants, New Mexico, available at <https://www.uspto.gov/web/offices/ac/ido/oeip/taf/reports.htm>.

**6. Intellectual Property litigation is incredibly rare in New Mexico and the 2017 changes to patent venue have so far not changed the number of patent cases in New Mexico.**

Cases involving a patent or copyright are the exclusive jurisdiction of federal courts. *See* 28 U.S.C. § 1338(a). Cases involving a trademark can be the jurisdiction of either federal or state courts. *See* 15 U.S.C. § 1121; NMSA 1978 § 57-3B-16. Cases filed in the U.S. District Court for the District of New Mexico involving a patent, trademark and copyright are incredibly rare:

	2016	2017	Through Sept. 2018
Patent	2	2	1
Trademark	6	4	5
Copyright	3	2	5

\*Based on a search in PACER for all open and/or closed cases in the District of New Mexico.

The United States Supreme Court’s May 2017 opinion in *TC Heartland* refocused patent venue to exist only where the alleged infringer is either incorporated or has a “regular and established place of business,” rather than anywhere the alleged infringer would be subject to personal jurisdiction under the general venue statute. *See TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514, 1516-17 (May 22, 2017). In September 2017, the Court of Appeals for the Federal Circuit narrowed what a “regular and established place of business” is such that it is much more likely that infringers will only be sued where the infringer itself has a permanent location transacting business. *See In re Cray Inc.*, 871 F.3d 1355, 1361 (Sept. 21, 2017). While patent case filing trends have “responded dramatically” to the change in venue law in other jurisdictions,<sup>3</sup> New Mexico does not appear to have experienced any change.

**Conclusion**

Per capita, New Mexico residents are issued a relatively low number of patents and trademark registrations, and IP is rarely enforced in New Mexico courts. While the number of inventors residing in Sandoval and Bernalillo Counties is gradually increasing, these statistics indicate that New Mexico’s IP health is weak relative to its neighbors. This state could be caused by several things: (1) the benefits of IP are not well known in New Mexico; (2) New Mexican businesses do not consider IP worth the expense of securing or cannot afford it; and/or (3) New Mexico businesses do not sell goods and services in the type of commerce (such as interstate commerce) required to qualify for federal registration and/or do not produce technologies they consider patentable.

As members of the State Bar, we can all help make New Mexico a land of creativity and innovation. All members of the bar, whether practicing IP or not, should discuss IP and the value of registering IP with clients. While the cost of securing IP, particularly patents, may be prohibitive of some businesses, it is difficult to imagine how any business with a revenue that depends on its brand recognition would not be able to afford the cost to at least attempt to register their trademark – the benefits of which would make or break their business should infringers piggy-back off their brand.

Endnotes

<sup>1</sup> See Meow Wolf WeFunder Page at: <https://wefunder.com/meow.wolf> and Meow Wolf Press Release at: <https://meowwolf.com/wp-content/uploads/2017/08/Meow-Wolf-Concludes-Crowdfunder-Offering-In-Record-Time-17-July-17.pdf>

<sup>2</sup> USPTO, Performance & Accountability Report FY 17, Table 19: Trademark Applications Filed by Residents of the United States, pg. 186 (2017), available at <https://www.uspto.gov/sites/default/files/documents/USPTOFY17PAR.pdf>.

<sup>3</sup> See Lex Machina Q4 2017 End of the Year Litigation Update, available at <https://lexmachina.com/lex-machina-q4-litigation-update/>.

**About the Author**

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