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Technology Transactions: Stay Out of the Danger Zone

Deal or No Deal: Welcome to the Academy

November 17, 2022

Panel introduction

Michael Frank

Associate General Counsel,
Commercial Legal Team
Meta Platforms, Inc. – Silicon Valley

Daren Orzechowski

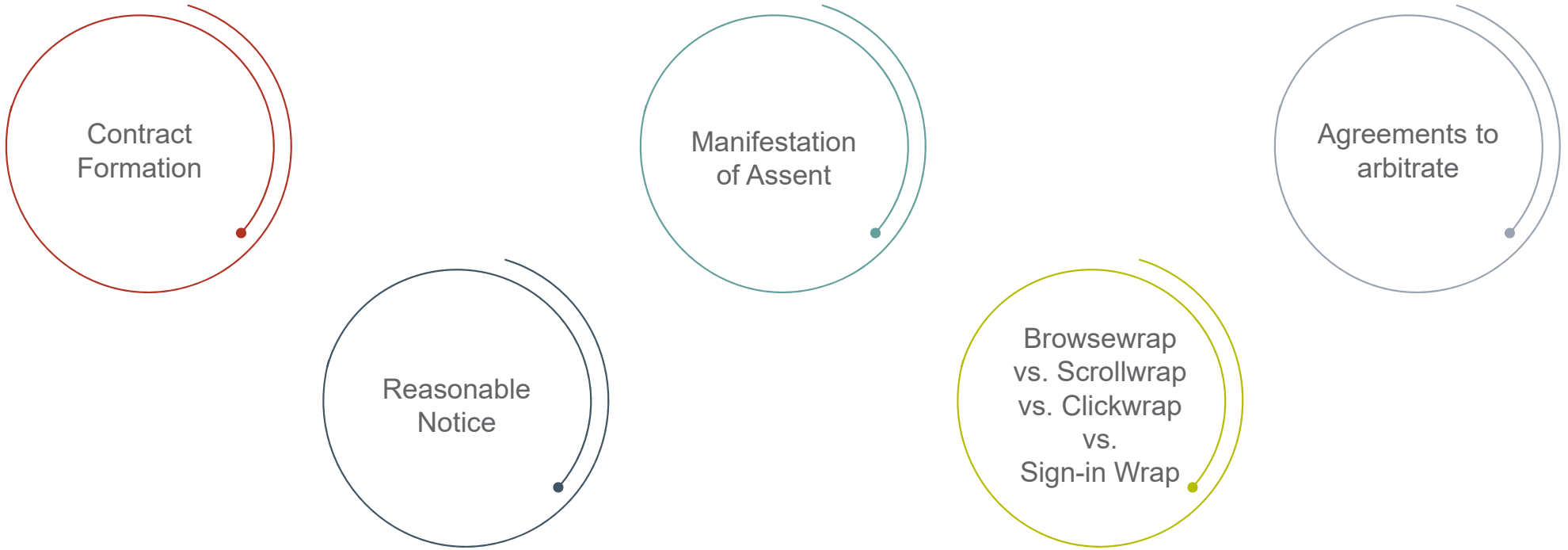
Global Co-Head of Technology, Partner,
Allen & Overy LLP – Silicon Valley

Overview

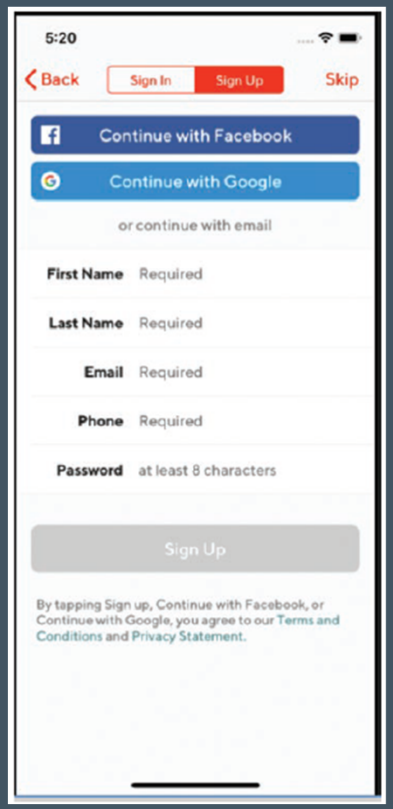
1. Online Contract Formation
2. Scraping
3. IP Related Drafting

Online Contract Formation

Online Contracts – Common Themes



Peter v. DoorDash, Inc. (N.D. Cal. 2020)

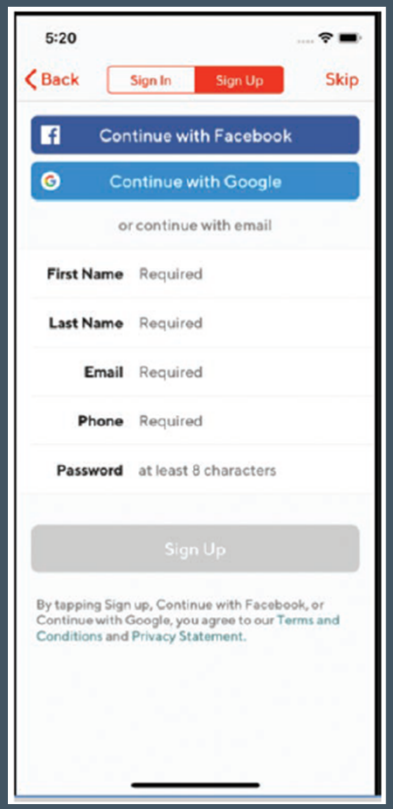


1. DoorDash customers brought suit alleging that DoorDash had engaged in deceptive tipping practices. DoorDash moved to compel arbitration per their T&Cs

2. Sign-in wrap: T&Cs hyperlinked – in blue text at sign up stage

3. Plaintiffs argued lack of reasonable notice of the T&Cs due to small, low contrast font

DoorDash: Holding



1

Court rejected the plaintiff's arguments
- Text is sufficiently close to the sign-up button and the page is "uncluttered"
- Found text to be plainly readable
- Emphasized that the hyperlinked terms should have been underlined

2

Similar design to the sign-in wrap that had been approved in Meyer v. Uber Technologies, Inc., F.3d 66 (2d Cir. 2017)

3

Inquiry notice established – motion to compel arbitration granted

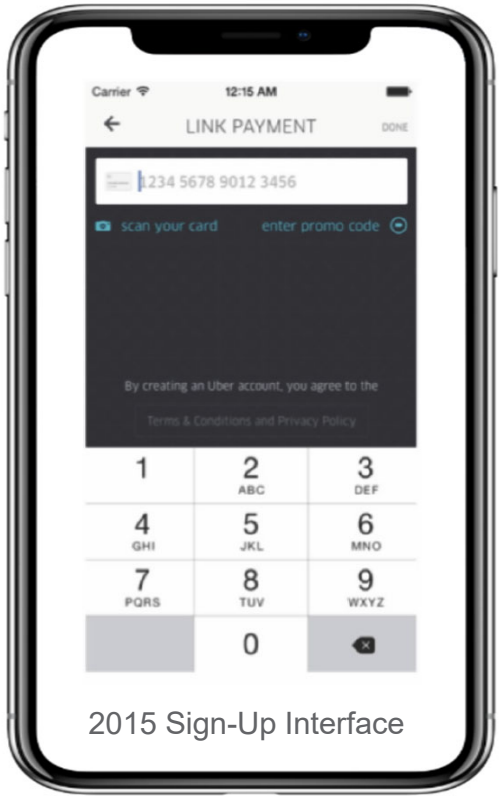
Sarchi v. Uber Technologies (Me. 2022)

1. Uber appealed to Supreme Judicial Court after Superior Court denied Uber's motion to compel

2. Question whether:
   – Reasonable notice of the Uber user terms
   – Reasonable manifestation of assent as required under Maine state law

Patricia Sarchi and Maine Human Rights Commission sued Uber alleging violation of Maine Human Rights Act after Uber driver refused Sarchi a ride because Sarchi was blind and accompanied by a guide dog

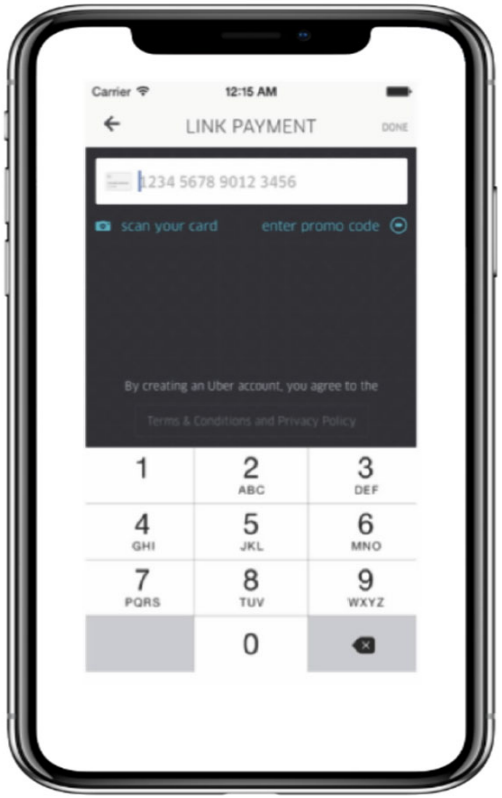
Sarchi: Notice



2015 Sign-Up Interface

1. Nature of transaction such that a user may not understand that they are entering into a contract
2. Page focused on payment – headline “Link Payment”
3. “By creating an Uber account, you agree to the” - not prominent enough
4. Hyperlinks to Terms and Conditions and Privacy Policy in small font and non-contrasting colors
5. Uber’s email to users setting out updated arbitration terms were ignored
6. No reminder of updated terms upon use of app after terms were updated

Sarchi: Manifestation of Assent



After inputting their payment information the user could register for the service and click “DONE” without clicking the link to the terms and conditions

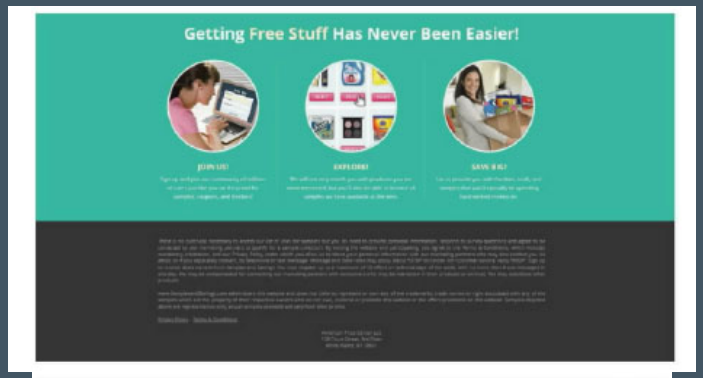
Court held that sign up process was not a reasonable manifestation of assent as the user never had to affirmatively state that they agreed to the terms and email went unnoticed by user

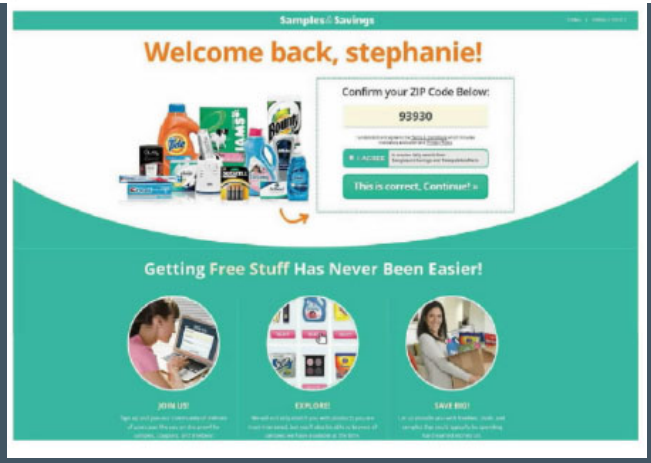
Berman v. Freedom Financial Network (9th Cir. 2022)

1. Plaintiffs sued defendant after Fluent, Inc., a digital marketing company that generates leads for its clients by collecting information about consumers who visit Fluent's websites, gathered plaintiff's information and conducted a telemarketing campaign without plaintiff's express consent

2. District Court in Northern District of California denied defendant's motion to compel arbitration citing no enforceable agreement to arbitrate ever existed

3. On appeal, judge noted that an enforceable contract compelling arbitration will be found based on an inquiry notice theory only if:
   - The website provides reasonably conspicuous notice of the terms to which the consumer will be bound
   - The consumer takes some action, such as clicking a button or checking a box, that unambiguously manifests his or her assent to those terms





Berman: Reasonably Conspicuous Notice – Plaintiff Hernandez

1

Lacking distinctiveness

– Hyperlinked language appeared in the same gray font as the rest of the sentence, rather than in traditional blue

2

"I understand and agree to the Terms & Conditions which includes mandatory arbitration and Privacy Policy"

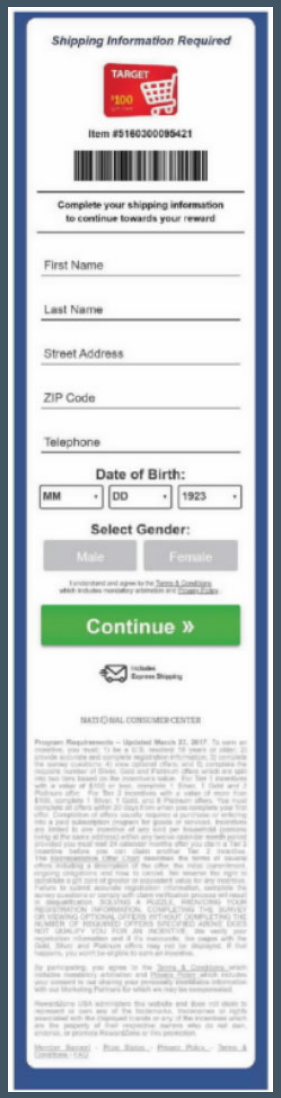
– Sandwiched between the comparatively large box displaying the zip code and the large green "Continue" button

3

A notice must be displayed in a font size and format such that the court can fairly assume that a reasonably prudent Internet user would have seen it

4

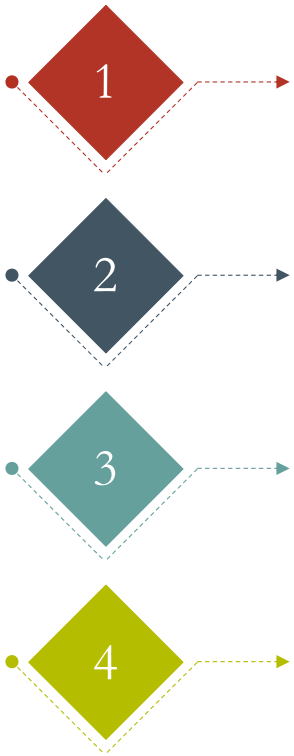
Far from meeting the requirement that a webpage must take steps "to capture the user's attention and secure her assent," the design and content of these webpages draw the user's attention away from the most important part of the page



Berman: Reasonably Conspicuous Notice – Plaintiff Russell

1. Mobile phone allowed registrants to receive a free gift card. "Shipping Information Required" on top of mobile sign-up page
2. Online providers have control over the design of their websites, and are responsible to put users on notice of terms to which they want to bind users
3. Proposed contractual terms should be prominently displayed, not buried in small font print
4. Web designer must do more than simply underline hyperlinked text in order to ensure that it is sufficiently "set apart" from surrounding text. Customary design elements: hyperlink with contrasting font color (typically blue) and use all capital letters

Berman: Unambiguous Manifestation of Assent



Act of clicking on the large green “continue” buttons as manifestation of assent not enough since “merely clicking on a button on a webpage, viewed in the abstract, does not signify a user’s agreement to anything”

“Unambiguous manifestation” of assent only if the user is explicitly advised that the act of clicking will constitute assent to the terms and conditions of an agreement

Close proximity of terms to the “continue” buttons not enough without notice that explicitly notifies user of legal significance of the action she must take to enter into contract

Text of the button itself gave no indication that it would bind plaintiffs to a set of terms and conditions

Takeaways: Summary

1

Always make sure links to the terms are conspicuous

- For example by making sure that the term hyperlinks are bolded, underlined, and **in contrasting colors**
- The language explaining that the user is bound to the applicable term also needs to be readable and in direct proximity with the terms

2

Actionable buttons should indicate assent when meant to bind users to legal terms

- "I Accept" or "I Agree"

3

Carefully evaluate the actionable buttons in a user interface

- Ensure that the user cannot click an actionable button without having seen the terms or the reference to the terms
- If a mobile interface, reference to terms should be above the actionable button in a prominent way to ensure that the user can't scroll down and click the actionable button without having to scroll past the terms

4

Scrollwrap agreements are generally enforceable.

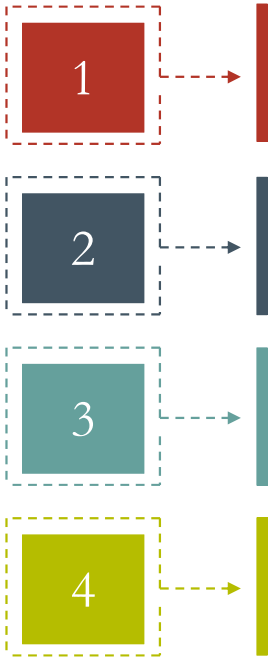
Clickwrap agreements are often enforced but can be held enforceable depending on the specific facts.

Sign-in wrap agreements can be enforced, but must be designed in an appropriate way.

Browsewrap agreements are generally not enforceable.

Scraping

hiQ Labs, Inc. v. LinkedIn Corporation (9th Cir. 2022)



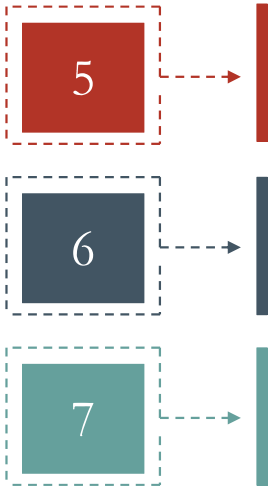
hiQ scraped information (name, job title, work history, and skills) that LinkedIn users had displayed on public LinkedIn profiles

hiQ used scraped information, along with a proprietary predictive algorithm, to yield “people analytics” which it sold to its business clients

LinkedIn issued cease and desist demand in 2017 regarding unauthorized data scraping and other violations of LinkedIn’s User Agreement

After not being able to reach a resolution amicably, LinkedIn declined to permit hiQ’s continued access

hiQ Labs v. LinkedIn (cont.)

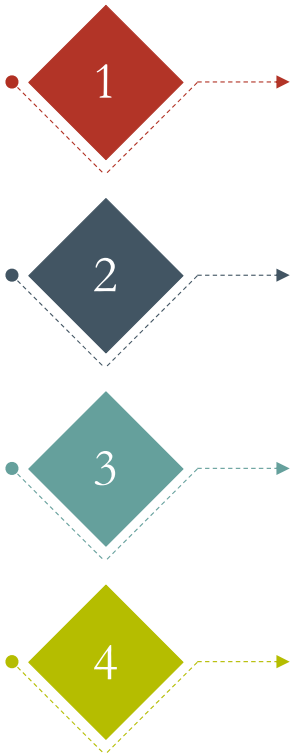


hiQ obtained a preliminary injunction later in 2017 forbidding LinkedIn from denying hiQ access to publicly available information

After various rounds of litigation, case remanded to Ninth Circuit by Supreme Court to rule on whether LinkedIn may invoke *"the Computer Fraud and Abuse Act ("CFAA") to preempt hiQ's possibly meritorious tortious interference claim"*

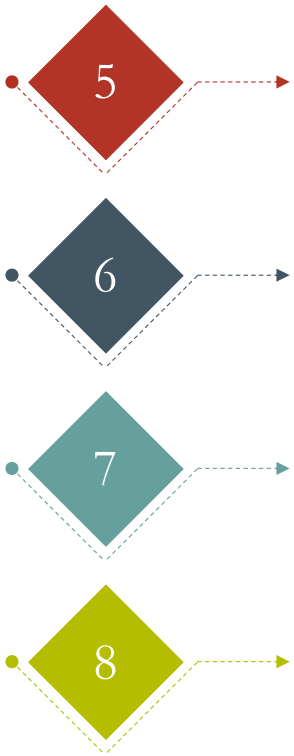
CFAA criminalizes *"intentionally access[ing] a computer without authorization or exceed[ing] authorized access, and thereby obtain[ing]... information from any protected computer"*

hiQ: Holding



1. Users' privacy interests argument by LinkedIn discounted due to prior LinkedIn comments that users should not expect privacy, and because product offering permits recruiters to follow users and export data from public profiles
2. The data hiQ accessed *"not owned by LinkedIn"* and not *"demarcated by LinkedIn as private using such an authorization system"*
3. When a computer network generally permits public access to its data, a user's accessing that publicly available data will not constitute access without authorization under the CFAA
4. Public websites and non-public/restricted websites (password-protected) are materially different

hiQ: Holding (cont.)



Notable public policy concerns: *"Giving companies like LinkedIn free rein to decide, on any basis, who can collect and use data—data that the companies do not own, that they otherwise make publicly available to viewers, and that the companies themselves collect and use—risks the possible creation of information monopolies that would disserve the public interest"*

hiQ raised "serious questions about whether LinkedIn's actions to ban hiQ's bots were taken in furtherance of LinkedIn's own plans to introduce a competing professional data analytics tool"

Affirmed an injunction prohibiting LinkedIn from blocking hiQ's data-scraping

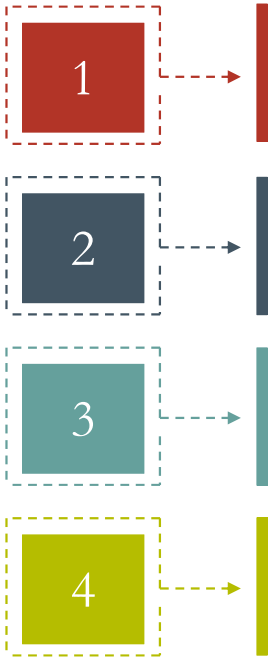
Future aggrieved party may have recourse available through avenues other than CFAA, including trespass to chattels, copyright infringement, conversion, breach of privacy, unjust enrichment, and breach of contract

HiQ: Takeaways

If factual information is publicly available, that information is susceptible to being copied

Courts showing reluctance to use CFAA, that intends to punish hackers, to address contract breach scenarios

Meta Platforms, Inc. v. BrandTotal Ltd. (N.D. Cal. 2022)



BrandTotal obtained user consent to install chrome browser extensions to gain access to their Facebook profile data

Among other information, logged ad information that Facebook transmitted to users

Data accessed by BrandTotal was not inherently public

Facebook successfully removed BrandTotal's app from Google Play store and then sued BrandTotal in late 2020

Meta Platforms, Inc. v. BrandTotal Ltd. (N.D. Cal. 2022) (cont.)

5

BrandTotal continued to utilize various programs installed on users' computers to actively collect data on password protected areas even after Facebook revoked its access to Facebook platforms

6

After various motions and submissions of claims, court had to decide on various Meta claims, including breach of contract (FB and Insta's ToU) and CFAA

7

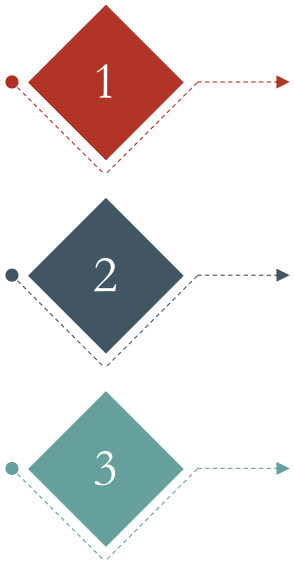
Section 3.2.3 of Meta's ToU for Facebook stated:

"You may not access or collect data from our Products using automated means (without our prior permission) or attempt to access data you do not have permission to access"

8

In the summary judgment motion, BrandTotal encouraged court to find against Meta's contract claim, proposing ToU's Section 3.2.3 violates public policy and was unconscionable

BrandTotal: Holding

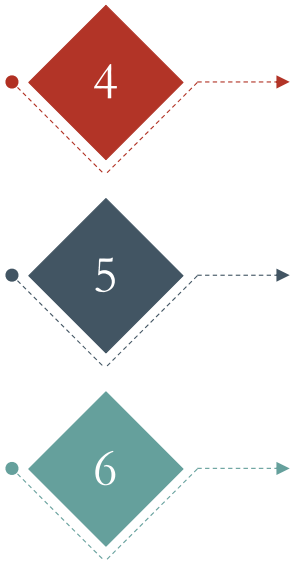


Meta has at least some interest in policing the manner in which users access data on its social networks—an interest that is at least to some degree shared by its users

Terms of use contract was not unenforceable as contrary to public policy or unconscionable

Users' automated and unauthorized access to social networks violated terms of use contract

BrandTotal: Holding (cont.)



CFAA “ambiguous as to whether it could encompass BrandTotal analyzing data on users’ computers that the users are authorized to access from Facebook”

Meta did not convince court that Brand Total’s new product (UpVoice 2021) was proactively “accessing” or “communicating with” Meta’s servers

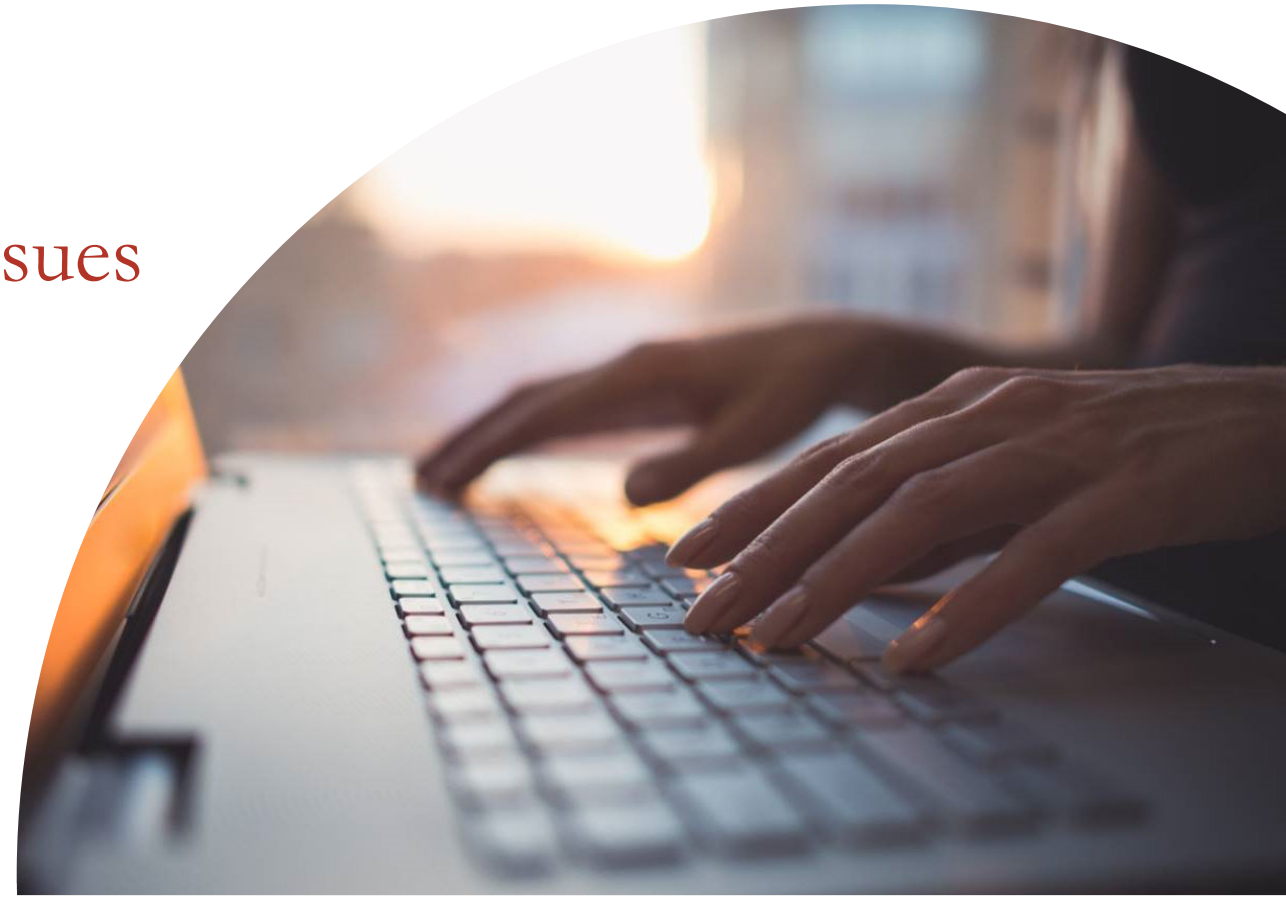
BrandTotal’s active data collection through legacy product even after Facebook revoked authorization was found to be a violation of CFAA

BrandTotal: Takeaways

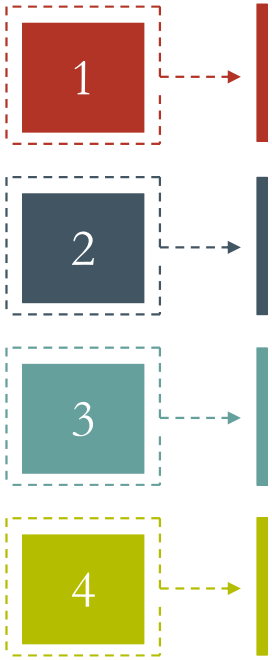
Third parties' conduct contrary to ToU not permitted if enabled by users' violation of the ToU

CFAA continues to be applied narrowly

IP Related Drafting Issues



AT&T v. VoIP-Pal.com, Inc. (N.D. Cal. 2021)



Lengthy litigation history by VoIP-Pal.com against AT&T claiming AT&T infringed on its patents

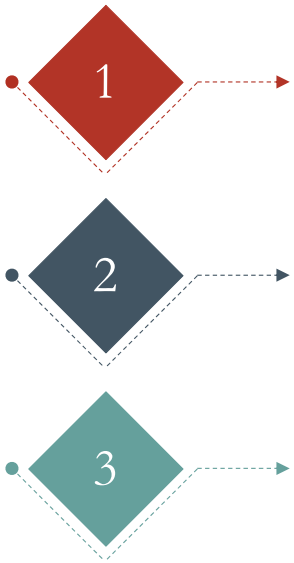
In turn, AT&T sought declaratory judgment of noninfringement and invalidity

VoIP-Pal.com, in attempting to prevent declaratory judgment from proceeding, filed a motion to dismiss that provided a covenant promising not to sue AT&T

"VoIP-Pal.com, Inc. unconditionally and irrevocably covenants not to sue AT&T, now or in the future, for infringement of any claim of U.S. Patent No. 10, 218, 606 based on any products and services that AT&T is currently making, using, selling, offering for sale, or importing as of the date of this covenant or any products and services that AT&T made, used, sold, offered for sale, or imported at any time before the date of this covenant"

VoIP-Pal.com sought dismissal based on covenant not to sue, noting that the covenant eliminated any actual controversy with AT&T

AT&T: Holding



1. Whether a covenant not to sue will divest the trial court of jurisdiction depends on what is covered by the covenant

2. Covenant did not address AT&T's customers (or bind future assignees of a patent) whom VoIP-Pal.com accused of infringing one of its patent in VoIP-Pal.com's separate infringement lawsuit in Waco, Texas

3. VoIP-Pal.com did not meet "formidable burden of showing that it could not reasonably be expected to resume its enforcement activities against the covenanted, accused infringer"

AT&T: Takeaways

The greater the ability to sue downstream, the greater the risk that declaratory judgment will be sought against a party

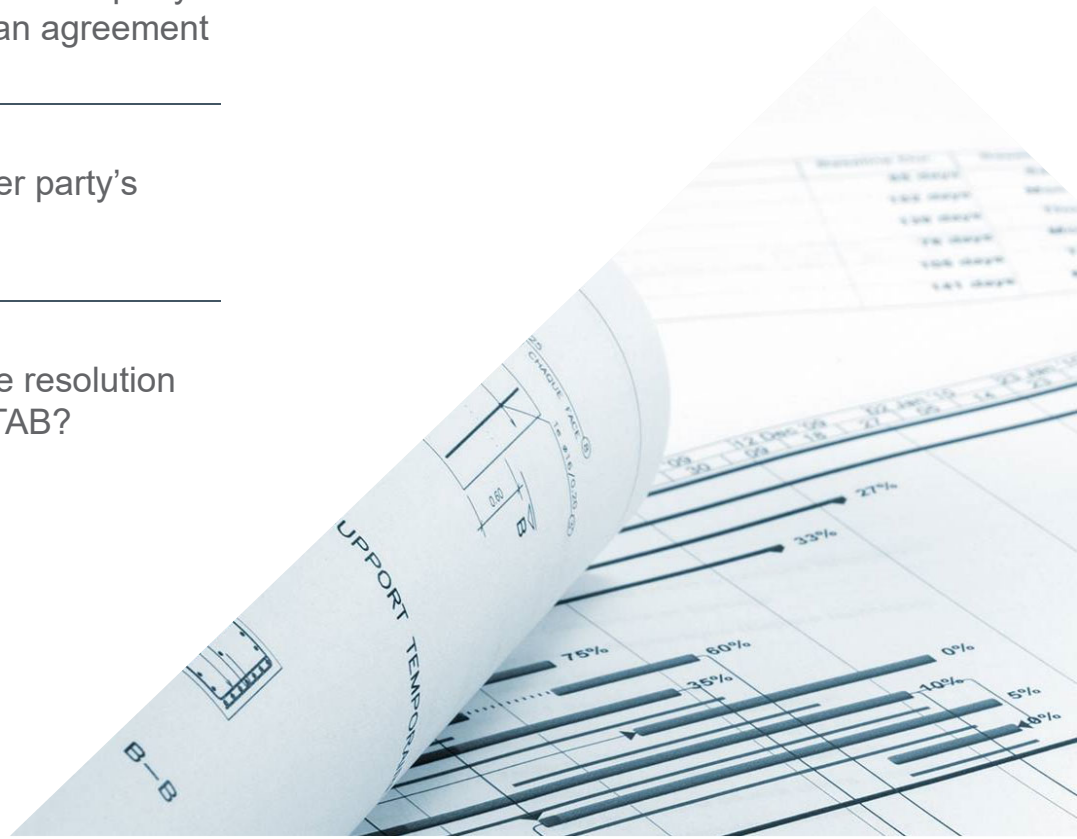
Consider carefully who and what conduct is covered in drafting agreements to settle/dismiss

Impact of Venue Clauses on the Ability of a Party to Pursue IPRs

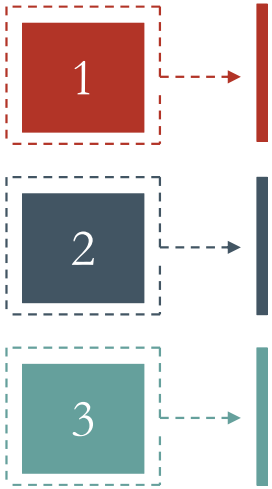
01 Parties may find themselves evaluating technology of another party or disclosing technology to the other party pursuant to an agreement

02 A party to an agreement may wish to challenge the other party's patent rights

03 How have exclusive venue clauses in relation to dispute resolution impacted ability of parties to pursue IPRs before the PTAB?



Kannuu Pty Ltd. v. Samsung Electronics Co. Ltd. (Fed. Cir. 2021)

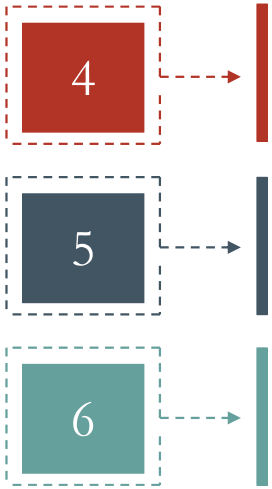


Kannuu disclosed technology to Samsung pursuant to an NDA in 2013 but no further business

No IP rights granted under NDA: nothing *"shall be deemed to grant to either party a license under the other party's...patents...or other intellectual property rights"*

Forum selection clause limited disputes *"arising out of or relating to [the] Agreement or the transactions contemplated hereby"* to courts of New York, NY

Kannuu Pty Ltd. v. Samsung Electronics Co. Ltd. (Fed. Cir. 2021) (cont.)

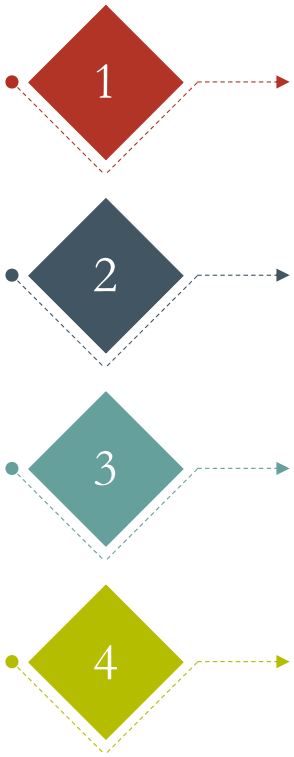


Kannuu filed suit in district court against Samsung in 2019, alleging patent infringement and breach of the NDA

Samsung pursued IPR proceedings in 2020 alleging asserted patents are unpatentable as obvious and not novel

Kannuu challenged Samsung’s ability to bring IPR proceedings in light of the NDA's forum selection clause

Kannuu: Holding



Relied on district court's interpretation for "arising out of" and "relating to" and found that the IPR proceedings did not relate to the Agreement itself

NDA did not identify disputes about intellectual property rights being subject to exclusive forum clause

NDA was found to implicate confidentiality and not the intellectual property rights of the parties

An invalidated patent or non-infringement determination does not change, disrupt, or otherwise impact the parties' NDA obligations

Dodocase VR, Inc. v. MerchSource, LLC (Fed. Cir. 2019)

Parties entered into a Master License Agreement ("MLA") in 2016 covering various patents

MLA included a forum selection clause

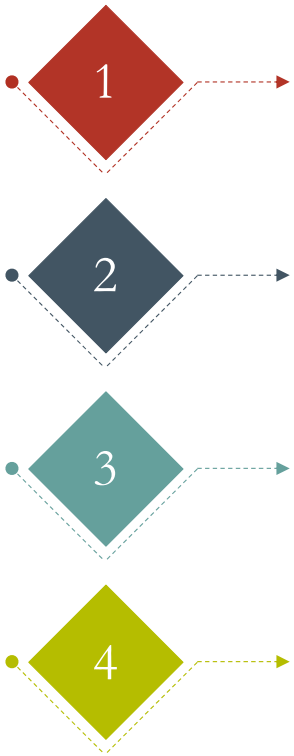
"laws of the State of California shall govern any dispute arising out of or under this Agreement…disputes shall be litigated before the courts in San Francisco County or Orange County, California"

MerchSource refused to pay royalties under the MLA in 2017 asserting all relevant patent claims were invalid; in 2018, filed IPR for one Dodocase patent and a post grant review for 2 others

District court, relying on forum selection clause restrictions, granted Dodocase a preliminary injunction preventing MechSource's PTAB petitions

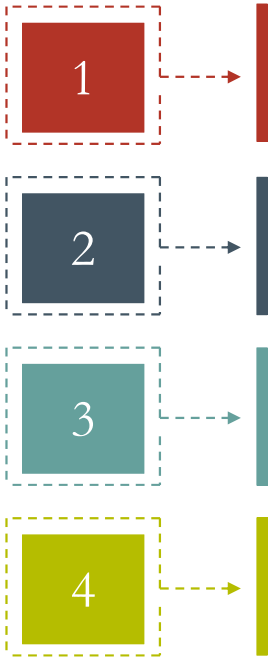
MerchSource obtained a stay order in district court against the injunction and the PTAB proceedings were allowed to continue

Dodocase: Holding



1. PTAB proceedings would be caught under the forum selection clause of the MLA which encompass all disputes “arising out of or under this Agreement”
2. Endorsed withdrawal of PTAB petition
3. Other third parties may still challenge the validity of the Dodocase patents through the PTAB, even if Defendants have bargained away their opportunity to do so
4. District courts are authorized to decide patent validity challenges

MaxPower Semiconductor, Inc., v. Rohm Semiconductor USA, LLC. (N.D. Cal. 2021)



Technology License Agreement ("TLA") entered into for transistors related technology by California licensor (MaxPower) and Rohm Co., Ltd., a Japanese corporation

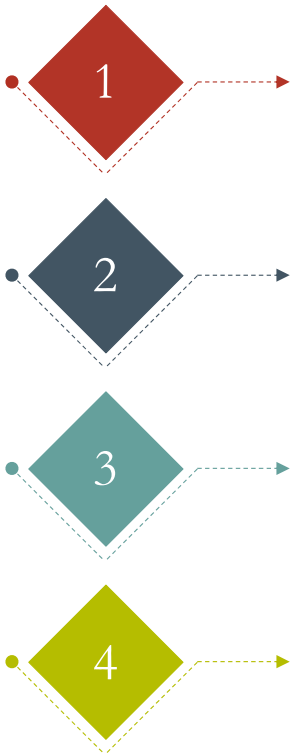
Dispute regarding royalties arose with Rohm

Rohm's US subsidiary pursued invalidity for MaxPower's patent before PTAB

TLA arbitration provision specifically referenced the California Code of Civil Procedure

"The arbitral tribunal may rule on its own jurisdiction, including ruling on any objections with respect to the existence or validity of the arbitration agreement...."

MaxPower: Holding



Court noted that Supreme Court has held that *"[w]hen parties agree to arbitrate all questions arising under a contract," there is no "distinction between judicial and administrative proceedings"— each infringes upon the parties' agreement to arbitrate"*

Whether the patent disputes before the PTAB fall within the scope of the arbitration agreement must be determined by the arbitrator in the first instance

In the event the arbitrator determines that the patent disputes between MaxPower and Rohm are not subject to arbitration, Rohm may resume its effort to seek invalidation of MaxPower's patents

Rohm ordered to seek a stay or dismissal of the PTAB proceedings while arbitration is pending

Takeaways on Forum Clauses' Impact on IPR

Forum selection clauses held to the spirit and the specific wording in the agreement and its stated scope

Consider subject matter expressly covered in agreement rather than making assumptions based on agreement title or type

Questions?

Daren Orzechowski
Allen & Overy LLP
550 High Street
Palo Alto, CA 94301
(650)388-1650
daren.orzechowski@allenovery.com