MASSBAR ASSOCIATION

# ComCom Quarterly

MBA COMPLEX COMMERCIAL LITIGATION SECTION NEWSLETTER SPRING 2015

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# JUDGE CHARLES J. HELY OF THE NORFOLK COUNTY SUPERIOR COURT DISCUSSES BUSINESS LITIGATION

*The Honorable Charles J. Hely serves as Associate Justice in the Norfolk County Superior Court in Brockton and has served on the Superior Court since he was appointed from the District Court by Governor Michael S. Dukakis in 1990. Judge Hely is the presiding judge for the Massachusetts Asbestos Litigation, and also manages a demanding criminal docket. He received a bachelor's degree from Colby College, a law degree from Boston College Law School, and a master of law degree from George Washington University. Judge Hely also served in the United States Marine Corps from 1971–74. He recently offered to answer some questions from ComCom member Michael Leard about litigating in the Superior Court.*

Hon. Charles J. Hely

## I. CONTACTING CHAMBERS

*1. Do you permit counsel to correspond directly with you? If so, under what circumstances?*

Generally, I expect counsel to contact my clerks, unless I initiate communication or request that counsel contact me directly. In the past six months, I have had particularly good experiences with email correspondence. In cases where I have initiated email communications with counsel, I have found email communication to be much more efficient than traditional forms of communication. For example, I have found email correspondence more efficient for adjusting hearing dates. I believe counsel also appreciate the opportunity to have a quick written response from the court as well as from opposing counsel.

*2. Do you permit communications between counsel and your clerk(s)? If so, under what circumstances?*

Yes, I would expect counsel to contact my clerks for reasonable and practical information about the docket, such as scheduling concerns. My clerks may be contacted by either telephone or email.

*3. Do you prefer, require or prohibit courtesy copies of pleadings, motions and memoranda to be sent directly to your chambers?*

I neither require nor prohibit courtesy copies; however, I do prefer to receive courtesy copies of particularly lengthy pleadings and/or motions.

The asbestos docket is unusual in the sense that the vast majority of filings are done electronically. However, I appreciate that counsel in the asbestos docket typically provide paper courtesy copies of motions. It is a great benefit to the court to have a paper copy on hand when preparing for a motion hearing.

As with my evolving practice with respect to email correspondence, I have recently begun to request that parties submit electronic courtesy copies, to be sent to both the court as well as opposing counsel.

## II. DIFFERENCES BETWEEN THE BUSINESS LITIGATION SESSION (BLS) AND THE TIMES STANDARD SESSION

*Under Rule 7 of the Uniform Rules on Impoundment Procedure, an order of impoundment may be issued only "for good cause shown," and the finding of good cause must be made by the Court, not by the parties or their attorneys. The judges of the BLS have issued "Formal Guidance Regarding Confidentiality Agreements," which states that "no Confidentiality Agreement will be approved by the BLS judges that asserts that documents identified as 'confidential' by the parties or their attorneys shall be impounded without the specific order of the Court, for good cause shown."*

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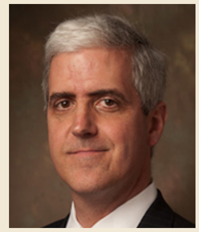
## THE TRADEMARK OWNER'S DILEMMA — VIGOROUS ENFORCEMENT OF RIGHTS OR BULLYING?

**BY THOMAS E. KENNEY, PIERCE & MANDELL PC**

Thomas Kenney is a shareholder of Pierce & Mandell PC in Boston, and dedicates his practice to commercial litigation, trademark and copyright protection, and intellectual property litigation.



A trademark or portfolio of trademarks is often among the most valuable assets of a business. A trademark serves as a fixed representation of a business' brand and its goodwill, and conveys a message to customers and potential customers of the quality of goods and services offered by the business. A trademark owner not only enjoys the exclusive right to use its marks in commerce, but also has the right (and in fact the obligation) to stop others from using similar marks in a manner that causes consumer confusion. Thus, vigorous enforcement of trademark rights is necessary in order to preserve those rights. However, a trademark owner is not permitted to misuse its trademark rights so as to intimidate another business into abandoning a mark that does not conflict with the trademark owner's mark. The question then becomes: where does vigorous enforcement end, and bullying begin?

It is well established that trademark rights do not grant one a complete monopoly on the use of a particular word, words, logo or symbol. Rather, trademark rights only extend to the goods and services in which the trademark owner has used the mark in commerce. As a result, ownership of a trademark does not permit one to stop all uses of similar or even identical marks. Although a few of the most famous marks — think Budweiser or Coca-Cola — are so strong that it is likely that no one else could use those marks for any goods or services, typically that is not the case. Even strong marks like Delta (Delta Airlines, Delta Faucets, Delta Dental), United (United Airlines, United Van Lines) and Columbia (Columbia Records, Columbia Sportswear), are shared by businesses in unrelated fields.

A trademark owner can only prevent others from using similar or even identical marks in a way that is likely to cause consumer confusion — i.e., will lead consumers to believe that the two marks come from the same source, that the sources of the marks are affiliated, or that one source sponsors or authorizes the other source's use of the mark. Thus, trademark rights are limited by the extent to which another's use of a similar mark is likely to cause confusion.

As a result of these competing principles of trademark law — a trademark owner is obligated to vigorously enforce its rights but at the same time must respect the fact that those rights are limited and not monopolistic — a trademark owner frequently is left in a quandary. What measure of enforcement is sufficient to protect its rights without crossing the line? Adding to that tension is the developing concept of "trademark bullying."

The United States Patent and Trademark Office (USPTO) has defined a trademark bully as a business that uses its trademark rights to "harass and intimidate" another business beyond what the law might be "reasonably interpreted to allow." A number of businesses — typically large, powerful businesses with robust trademark portfolios — have been accused of bullying smaller, less-heeled businesses into abandoning trademark rights that do not conflict with the rights of the larger businesses. These alleged "bullies" include such entities as Google, Coach and even the State of New York. Numerous articles in legal and technology journals have addressed the issue. The Trademark Technical and Conforming Amendment Act of 2010 mandates that the USPTO conduct a study on the extent to which trademark bullying has harmed small businesses and to report on the possible need for legislation and/or regulation to combat it.

To date, no law has been enacted or regulation implemented proscribing trademark bullying in trademark infringement actions in federal court or in proceedings before the USPTO. However, a federal statute, 15 U.S.C. § 1114 (2)(d)(iv), does provide for the awarding of damages to a domain name owner who is forced to defend a federal court lawsuit in which a trademark owner, in bad faith, seeks to force the domain holder to abandon a nonconflicting domain name. There is no similar remedy available to defendants in traditional federal court trademark infringement litigation, or in proceedings before the USPTO. Not surprisingly, few who feel bullied are willing to take their case all the way to verdict or judgment. In one such rare instance from 2013, *Already LLC v. Nike Inc.,* the U.S. Supreme

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## THE SUPREME COURT CONFIRMS THE ROLE OF JURIES IN DETERMINING THE APPLICATION OF THE TRADEMARK TACKING DEFENSE

**BY THOMAS E. KENNEY, PIERCE & MANDELL PC**

The United States Supreme Court recently affirmed the decision of the U.S. Court of Appeals for the Ninth Circuit, holding whether two trademarks may be tacked for purposes of determining priority is a jury question. The case is *Hana Financial Inc. v. Hana Bank et al.*, No. 13-1211 (January 21, 2015). The case involved a trademark dispute between financial services companies, both using trademarks that contain the term "Hana."

Hana Bank was established in 1971 as a Korean entity called Korea Investment Finance Corporation. In 1991, that entity changed its name to "Hana Bank" and began using that name in Korea. In 1994, it established a service called Hana Oversees Korean Club to provide financial services to Korean expatriates, and advertised that service in the United States. In 2000, the Hana Oversees Korean Club name was changed to "Hana World Center." In 2002, the Korean entity began operating a bank in the United States under the name "Hana Bank." This bank served as the Korean entity's first physical presence in the United States.

In contrast, Hana Financial was established in 1994 as a California corporation. It began using the "Hana Financial" name in commerce in 1995. In 1996, it obtained a federal trademark registration for a pyramid logo with the name "Hana Financial" for use in connection with financial services.

In 2007, Hana Financial sued Hana Bank for trademark infringement. Hana Bank denied infringement based, in part, on its assertion that it had priority based on the doctrine of "trademark tacking." That doctrine provides that, in limited circumstances, a party may clothe a new trademark with the priority position of an older mark where the two marks are "legal equivalents" in that they create the same, continuing commercial impression. A jury

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# UBER IS SHAKING UP BOSTON'S TAXI INDUSTRY (AND COURTHOUSES) ONE LAWSUIT AT A TIME

**BY JAIMESON E. PORTER**

Since the company's Boston launch in 2012, Uber has taken the city by storm, pelting the courts (and legislature) with a number of novel legal issues, as innovation invariably does. Waiting to be sorted out, as the law and innovation tangle, are the legal identity of Uber drivers, the fairness and propriety of the competition unleashed by Uber against more traditional taxi services and the adequacy of Uber's insurance program.

Uber is a transportation company that connects passengers with private drivers for-hire through the company's smartphone application. Uber's model, which has become known as "ride-sharing," allows drivers to provide taxi-like services with their own personal vehicles to nearby individuals who request a car through the app. Individuals looking for a ride simply open the app on their smartphone and order a vehicle. The app automatically informs the driver of the individual's location. It also allows the individual to view how far away the driver is via a map that charts the driver's progress en route. The app allows passengers to choose from a variety of different vehicles at different prices, including standard personal vehicles known as "UberX" cars, taxicabs, SUVs and black cars.

### I. LEGAL CLASSIFICATION OF UBER DRIVERS

At the forefront of these issues stands the classification of Uber's drivers, particularly for purposes of the Massachusetts Wage Act. The Wage Act provides for a private right of action for "employees" who are aggrieved by a wage violation. An "employee" for purposes of the Act is an individual who performs any service. However, exceptions to this definition exist for: a) individuals who are free from direction and control in the performance of their work; b) individuals who perform work outside the normal course of the employer's business; and c) individuals customarily engaged in an independently established trade, occupation, profession or business of the same nature as the service performed. The act devotes special protection to "service employees," who are defined as non-managerial employees who perform work (other than food or beverage service work) that customarily involves the receipt of tips or gratuities. Under M.G.L. c. 149 § 152A(d), an employer who collects "a service charge or tip" from work performed by a service employee is required to provide that employee with the full

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amount of the tip. The Massachusetts attorney general has offered interpretive guidance that lists taxi cab drivers as an example of service employees; other examples include hairdressers, baggage handlers and bellhops.

Despite the attorney general's guidance, driver classification and right to gratuity under the Act are still heavily debated. Drivers across Massachusetts (and nationwide) are calling into question the legality of Uber's gratuity practices: Uber drivers only receive 10 percent of the 20 percent "gratuity" fee Uber charges per ride; the other 10 percent is kept by Uber.

In January 2015, a Massachusetts Superior Court judge reviewed Uber's argument that Wage Act claims brought against it by drivers should be dismissed on the grounds that: a) Uber drivers are independent contractors and not "employees"; and b) that even if drivers are "employees" under the act, they are not "service employees" entitled to the full gratuity tipped by Uber riders. While the court did not decide such issues at the early stage of litigation, it concluded that the plaintiff's allegations were sufficient to survive Uber's argument that its drivers met all three prongs of the independent contractor test, or that they have managerial responsibilities or other functions that disqualify them from the act's definition of service employees. *Lavitman v. Uber Technologies Inc.*, No. SUCV201204490, 2015 WL 728187 (Mass. Sup. Ct. Jan. 26, 2015). Coincidentally, just two weeks prior to the *Lavitman* decision, on Jan. 8, 2015, the Supreme Judicial Court heard oral arguments on the proper employment classification of taxi drivers by taxi companies. *Sebago v. Tutunjian,* SJC-11757. On April 21, 2015, the SJC held in *Sebago* that licensed taxicab drivers in the city of Boston may be properly classified as independent contractors, rejecting the allegations of four Boston taxi drivers that they were misclassified as independent contractors and were

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# CLOSELY-HELD COMPETITION IN MASSACHUSETTS AND DELAWARE

**BY ALEC J. ZADEK AND DANIEL WOOFTER, MINTZ LEVIN COHN FERRIS GLOVSKY & POPEO PC**

Two recent decisions — one from Massachusetts and one from Delaware — address whether members of closely held businesses may compete with each other once their business relationship ends. The decisions reinforce the variation in non-compete law among states and the need for new business partners to take the time to hash out clear contractual obligations and restrictions at the outset of their relationship to ensure predictability and avoid surprises later.

In Massachusetts, it has been the law for many years that each member of a closely held business owes a duty of utmost good faith and loyalty to one another and to the company. *Donahue v. Rodd Electrotype Co. of New England Inc.,* 367 Mass. 578, 598 (1975). It is a high standard. Shareholders may not do anything to deprive their fellow shareholders of their reasonable expectation in the business, unless it is for a business purpose and performed in a manner that is the least harmful alternative to their fellow shareholders. As a result of the high fiduciary obligation, shareholders generally may not directly compete with their existing business unless the business is defunct.

In a recent decision, *Selmark Assoc. v. Ehrlich,* 467 Mass. 525, 552 (2014), the Massachusetts Supreme Judicial Court further established the parameters of a shareholder's duty not to compete. The SJC held that even when a shareholder has been wrongfully terminated from employment, barred from serving as a director or officer and otherwise frozen out of her closely-held business, she still may not compete with the business.

Delaware courts have explicitly rejected the *Donahue* standard of fiduciary duties in Massachusetts. Thus, by default, shareholders of closely-held Delaware companies do not owe a duty of utmost good faith and loyalty to their fellow shareholders. In a recent decision, *Touch of Italy Salumeria & Pasticceria LLC v. Bascio C.A.* No. 8602-VCG, 2014 Del. Ch. LEXIS 2, at *25 (Del. Ch. Jan. 13, 2014), the Dela-

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# THE FIRST CIRCUIT MAY 'ACTUALLY' BE THE BEST CHOICE OF BANKRUPTCY VENUE FOR INTELLECTUAL PROPERTY LICENSEES

**BY BENJAMIN LOVELAND AND JUSTIN KESSELMAN**

In October 2014, GT Advanced Technologies (GT), a Delaware corporation with a principal place of business in New Hampshire, filed a petition for relief under Chapter 11 of the Bankruptcy Code (Code) in the District of New Hampshire. The locus of the filing was somewhat of a surprise to many, given the steady migration of large Chapter 11 cases to the so-called "magnet" bankruptcy venues of Delaware and the Southern District of New York. Although GT's motivation for filing in New Hampshire is unclear, some of the advantages awaiting debtors that file in the First Circuit are apparent, particularly in the realm of intellectual property (IP) licensing. In-licensed IP rights — the right of a debtor as licensee to use IP owned by a third party — are often among the most valuable assets in a business bankruptcy case, but a debtor's ability to maximize that value may vary greatly depending on the venue where the bankruptcy petition is filed.

The starting point for examining this value variance is Code section 365, which authorizes a debtor to reject, assume, or assign executory contracts. Although the term "executory contract" is not defined by the Code, it is commonly understood to embrace a contract under which both parties have material unperformed obligations. Most IP licenses typically qualify as executory contracts because their standard terms usually create ongoing material obligations, such as the duty to maintain IP, covenants not to sue for infringement, territorial restrictions and the payment of royalties.[1]

Once it is clear that section 365 applies to a debtor's IP in-license, section 365(c) must be considered. That provision precludes a debtor from assuming or assigning an executory contract, i.e., keeping or transferring its license rights, where: (i) "applicable law" excuses the counterparty from accepting performance from or rendering performance to an entity other than the debtor; and (ii) the counterparty does not consent to the assumption or assignment. There is sharp disagreement over the proper interpretation of section 365(c) in a number of respects. Specifically, there is a divide with respect to whether a debtor can assume (keep for itself) an IP license without the consent of the licensor even where there is no intent to assign the license to a third party. A slim majority of federal appellate courts, including the Third Circuit Court of Appeals, interpret the plain language of section 365(c) as creating what has been dubbed a "hypothetical test," which evaluates a debtor's ability to assume based on whether applicable law would permit the debtor hypothetically to assign the license to a third party, even where no assignment is planned. *See, e.g., In re West Electronics Inc.,* 852 F.2d 79 (3d Cir. 1988). Importantly, federal patent, copyright and trademark laws — considered "applicable law" under section 365(c) — generally restrict a licensee's ability to transfer IP rights without the licensor's consent. Consequently, in jurisdictions such as the Third Circuit (which includes Delaware), an IP licensee may only assume a license if the licensor consents. In addition to express consent after the bankruptcy filing, consent may come in the form of advance consent granted in the license itself (although there could be a dispute as to how express that consent must be), and may be implied from notice and failure to object (subject to due process and similar concerns). In certain jurisdictions, other mechanisms may exist for retaining rights under a license absent formal assumption.

In contrast, other courts, including the First Circuit Court of Appeals, have adopted what has been called an "actual test" for determining whether a debtor licensee may assume an executory contract. Under that test, a court

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# $1.5 BILLION MISTAKE: INADVERTENT FILING OF UCC-3 TERMINATION STATEMENT LEAVES LENDERS UNSECURED IN GENERAL MOTORS' BANKRUPTCY

**BY TIMOTHY J. DURKEN, JAGER SMITH PC**

The mistaken filing of a UCC-3 termination statement left lenders that provided $1.5 billion in secured financing to General Motors (GM) unsecured in GM's 2009 bankruptcy, according to a recent Second Circuit decision. *In re Motors Liquidation Co.*, No. 13-2187, 2015 WL 252318 (2d Cir. Jan. 21, 2015) (reversing bankruptcy court decision, 486 B.R. 596 (Bankr. S.D.N.Y. 2013)).

The filing of a UCC-1 financing statement with the secretary of state of the state where the debtor resides (for an individual) or is incorporated (for a corporate entity) provides notice that a creditor has a security interest in personal property of the debtor and "perfects" the security interest, establishing priority of the security interest as to other creditors of the debtor. The filing of a UCC-3 financing statement amendment allows a creditor to terminate the effectiveness of the financing statement, continue its effectiveness for a continued period, assign the financing statement to another party or amend the financing statement.

A UCC-1 financing statement was filed in Delaware on behalf of the administrative agent JP Morgan to perfect the lenders' security interest in a large number of GM assets, including all of its equipment and fixtures at 42 U.S. facilities, in connection with the lenders' $1.5 billion loan to GM. In 2008, GM was repaying an unrelated $300 million synthetic lease financing when its counsel, Mayer Brown LLP, mistakenly identified the UCC-1 relating to the $1.5 billion loan for termination along with two UCC-1s relating to the synthetic lease. A partner assigned the work of preparing a closing checklist and drafting documents to unwind the synthetic lease to an associate, who delegated the task of searching for UCC-1 financing statements that JP Morgan had recorded

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## RULES OF CIVIL PROCEDURE

Effective April 1, the Supreme Judicial Court adopted several modernizing amendments to Massachusetts Rule of Civil Procedure 45. A party in litigation may now obtain documents from a non-party by serving a "documents only" subpoena on the non-party, so long as the non-party subpoena (particularly if ESI is sought) does not impose undue burden or expense on the non-party. Copies of the non-party subpoena and all subsequent objections and related motions must be served on all parties. For additional information on the changes, see www.mass.gov/courts/case-legal-res/rules-of-court/rule-changes-invitations-comment/amendments-rule-45-mass-rules-civil-procedure-040115.html.

## SUPERIOR COURT

The Superior Court has begun implementation of its Panel *Voir Dire* Pilot Project. The Project will generate data and experience to further the Court's ongoing evaluation of group or "panel" *voir dire* in jury selection, including questioning by attorneys pursuant to St. 2014, c. 254, § 2 and Superior Court Standing Order 1-15. Judges and sessions participating in the project are identified at www.mass.gov/courts/court-info/trial-court/sc/sc-voir-dire-participating-sessions-gen.html. For a copy of Standing Rule 1-15 on jury *voir dire*, see www.mass.gov/courts/case-legal-res/rules-of-court/superior/sup-orders/sup1-15.html

## SUPREME JUDICIAL COURT

The Supreme Judicial Court's Committee to Study the Code of Judicial Conduct has published the proposed new Massachusetts Code of Judicial Conduct at www.mass.gov/courts/case-legal-res/rules-of-court/rule-changes-invitations-comment/invitation-to-comment-proposed-new-code-of-judicial-conduct-031815.html. The committee will make its recommendations to the justices of the Supreme Judicial Court following receipt and review of public comments. Comments are due by Friday, May 22, and should be directed to the Committee to Study the Code of Judicial Conduct at CodeJudicialConductComm@sjc.state.ma.us. All comments will be made available to the public.

## APPEALS COURT

As part of the Appeals Court's outreach program, the court occasionally hears oral arguments in locations outside of Suffolk County. On May 1, the court will sit in Courtroom 22 of Worcester Regional Judicial Center. As in Boston, the court's sessions are open to the public with seating allotted on a first-come, first-served basis. A three judge panel generally hears six cases over a three-hour period. For the Worcester session, arguments begin at 10 a.m.

## U.S. DISTRICT COURT

On January 7, Allison D. Burroughs was sworn in as a U.S. District Judge for the District of Massachusetts. Judge Burroughs is a graduate of Middlebury College and the University of Pennsylvania Law School. Prior to joining the bench, she was a partner in the Boston law firm of Nutter McClennen & Fish LLP. And before entering private practice, Judge Burroughs served for 16 years in the Boston and Philadelphia offices of the U.S. Attorney's Office. Judge Burroughs will sit in Boston.

### JUDGE HELY
CONTINUED FROM P. 1

*1. What is your practice with respect to resolving disputes regarding the production of "confidential" material? What is your practice with respect to requests for impoundment?*

In ordinary contract disputes, I do not often see requests for impoundment.

More frequently, I hear disputes between the parties as to whether particular documents are to be deemed "confidential." I understand that parties often seek to keep particular documents "confidential" for legitimate business interests. Where the parties are unable to agree, I require the party seeking disclosure to explain the grounds for discoverability.

In determining whether a document is "confidential," I weigh the interest in disclosure for litigation purposes against the risk of (a) harm to the legitimate business interests of the disclosing party, and/or (b) embarrassment to the disclosing party. I also understand that disclosure may result in unfair competitive litigation pressures if abused by unscrupulous counsel.

*The judges of the BLS have issued a "Procedural Order Regarding Reply Memoranda," which grants blanket leave to litigants in the BLS to file reply briefs.*

*1. Do you require litigants in business disputes to seek leave to file reply briefs pursuant to Superior Court Rule 9A(b)(4)?*

Yes, counsel should request leave to file a reply according to the Rules of the Superior Court. I routinely grant leave to reply; however, I expect counsel not to regurgitate, in a reply brief, arguments previously asserted in the original motion.

*2. Would you consider granting blanket leave of court to file reply briefs if requested in the parties' pre-trial joint statement?*

I would consider granting blanket leave if jointly requested by the parties, but am concerned that blanket leave may lead to "over-litigating."

#### III. DISCOVERY

*1. Do you have a standard practice with respect to scheduling Rule 16 conferences at or near the outset of business litigation?*

I believe Rule 16 is a good management tool; however, typically the court's limited resources are devoted to trial, and, as such, time constraints often do not permit the scheduling of Rule 16 conferences in the civil session.

*2. Do you require the parties to request a Rule 16 conference?*

I would encourage the parties to request a Rule 16 conference should the parties believe it beneficial.

*3. Do you schedule Rule 16 conferences* sua sponte *in business litigation?*

I initiate a Rule 16 conference once I've deemed a case "problematic"; usually where a case is bogged down with discovery disputes or motion practice.

*4. If you require or allow Rule 16 conferences, do you require the parties to file a Joint Statement in advance of the conference?*

I do not require the parties to file a Joint Statement. I encourage the parties to file a Joint Statement in advance of a Rule 16 conference where the parties believe it would benefit the court.

*5. Do you have established guidelines for discovery of electronically stored information ("ESI")?*

I do not have established guidelines for the production of ESI. Should a dispute arise regarding the production of ESI, I will hear the dispute as I would any other discovery dispute.

#### IV. PRE-TRIAL PRACTICE

*1. Do you permit counsel to attend court appearances by telephone?*

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## KOREAN DELEGATION TRAINING PROGRAM

The Intellectual Property Practice Group of the Complex Commercial Litigation Section sponsored a mediation/arbitration training program on Feb. 19 for a Korean delegation through the International IP ADR Center of Seoul, Korea. The delegation included senior judges, business people and professors who are engaged in building ADR capacity for Korea.

### JUDGE HELY

CONTINUED FROM P. 5

I have, on rare occasions, initiated telephonic hearings with counsel. I would consider granting counsel leave to attend by telephone where a client would incur great expense for its counsel to attend in person. For example, I would consider granting leave to attend telephonically to an out-of-state *pro hac vice* counsel.

I am unlikely to grant counsel leave to attend a summary judgment hearing by telephone.

*2. Do you require counsel to request leave to attend by telephone via motion? Via letter?*

I would encourage counsel to contact my clerk.

*3. Do you have any requirements with respect to the submission of partial dispositive motions?*

I welcome the submission of meritorious partial dispositive motions. Parties have the right to bring legitimate partial dispositive motions to the court's attention and, in this way, protect themselves from unfair litigation costs.

I request that counsel include the term "Partial" in the title of the motion.

### V. TRIAL

The new Massachusetts *voir dire* law will allow for attorney-conducted questioning of potential jurors upon request by counsel. The law provides that "the court may impose reasonable limitations upon the questions and the time allowed during such examination, including, but not limited to, requiring pre-approval of the questions." Chapter 254 of the Acts of 2014, § 2.

*1. With respect to business disputes, will you permit panel* voir dire *or individual* voir dire*? Under what circumstances?*

As an initial matter, I would refer counsel to Standing Order 1-15, the purpose of which is to provide an interim procedure for the implementation of *voir dire* in the Superior Courts.

I plan to permit individual *voir dire* only.

I am not convinced that panel *voir dire* has any legitimate advantages that are not greatly outweighed by its disadvantages. I believe panel *voir dire* provides the limited benefit of an improved ability for counsel to screen for bias. However, I believe that panel *voir dire* presents the risks of greater opportunities for advocacy, delay and waste of judicial resources. Litigation is not a game; it should be a search for truth, not an opportunity for counsel to use the court's time and jurors' private information to gain tactical advantages with respect to the use of peremptory challenges.

That said, the new *voir dire* rule will provide a learning period for both the bench and the bar, during which the benefits of panel *voir dire* may become clearer.

*2. Will you permit counsel to give mini-opening statements during* voir dire*?*

No. I will give a brief introductory statement, consistent with Standing Order 1-15.

*3. Will you require counsel to submit their* voir dire *questions to you in advance for approval?*

Yes.

*4. Will you impose time limits on counsel? If so, how much time will you permit?*

I have no particular time limit in mind. I believe the pre-screening of counsels' questions will assist in reducing the time required for *voir dire*.

Additionally, based on my experience, I believe jurors may be more candid in response to questions from the court rather than from counsel. Accordingly, at the outset of the *voir dire* process, I will advise counsel that they may request that I ask potential jurors some or all of counsels' pre-screened questions.

CONTINUED ON P. 8

## TRADEMARK OWNERS
CONTINUED FROM P. 2

Court affirmed the dismissal of Already's counterclaim based on Nike's dismissal of its affirmative trademark claims and provision of a covenant not to sue Already. The Supreme Court rejected Already's argument that Nike was guilty of being a trademark bully and thus should face the prospect of having its marks cancelled despite its recently adopted willingness to drop its trademark claims. The Supreme Court's decision seems to leave open the "out" for trademark owners caught overstating their trademark rights — they can simply dismiss their trademark claims and agree not to pursue the other parties; effectively foreclosing any relief for the allegedly "bullied" parties.

At this point the biggest risk to a trademark owner who "crosses the line" through overly-aggressive enforcement tactics is social media backlash. A number of blogs, including techdirt.com, regularly report on the latest alleged instances of trademark bullying. Further, industry-based blogs and websites have erupted in protest when one industry member is seen as "bullying" another into abandoning trademark rights. Because, as set forth above, the power of a trademark lies in the perception of it (and the corresponding brand) by the consuming public, businesses are quite wary of the damage their brands can suffer as a result of the public airing of bullying accusations — especially on the Internet.

So, what is a responsible trademark owner to do? First of all, a trademark owner must resist the temptation to establish bright line rules for enforcing its rights. Standing directives to oppose every trademark application or demand the cessation of every use of a mark that is even remotely close to the trademark owner's mark is a sure-fire way to be labeled a "bully." Rather, a trademark owner must be flexible, and must be committed to investing the time and the money necessary to make a proper, reasonable decision with respect to each instance of third-party trademark use that arises.

In order to make a proper, reasonable decision, information is key. A trademark owner needs to have methods in place for identifying potentially harmful third-party trademark uses, investigating those uses and determining the proper response. A number of entities provide trademark watching services — they monitor the trademark office database and advise trademark owners when a potentially conflicting trademark application has been filed. These services are relatively inexpensive (several hundred dollars per year, per mark) and provide a good foundation for trademark enforcement. Additionally, a trademark owner should establish a protocol for regular Internet searches for uses of potentially-conflicting marks in the marketplace. While these searches could be conducted by the trademark attorney, the trademark owner would be better served by having the searches conducted by an in-house employee (preferably someone involved in marketing) who is most familiar with the trademark owner's brand and can identifying the third-party uses that are truly potentially problematic.

Armed with this information, the trademark owner is in a position to make an informed decision as to a course of action, in consultation with legal counsel as well as key in-house employees. In determining that course of action the trademark owner should consider more than the traditional options — sending a cease and desist letter, filing a lawsuit, or doing nothing — and should consider alternative strategies. Where the trademark owner does not consider the third party use a significant problem at the time, a letter placing the third-party on notice of the trademark owner's rights and advising that the trademark owner will be monitoring the third party's actions can be effective. In other circumstances, a frank and friendly conversation directly between principles of the two companies can often result in an agreement as to boundaries, an agreement that respects the rights of both parties and avoids expensive and time consuming legal proceedings, as well as the potential for a social media backlash. Whatever strategy is pursued, the trademark owner should seek to minimize such risks to the extent possible. ■

## TRADEMARK TACKING
CONTINUED FROM P. 2

in the district court returned a verdict for Hana Bank, finding that its "Hana Bank" mark was entitled to the priority date for its "Hana Oversees Korean Club" mark based on trademark tacking. The Ninth Circuit affirmed, and the Supreme Court granted certiorari to determine the question whether a judge or jury should decide whether tacking is available in a given case.

Writing for a unanimous Court, Justice Sotomayor noted that in order to establish tacking, the defendant must show that the two marks are "legal equivalents" — that is that the two marks "create the same, continuing commercial impression" so that consumers "consider both as the same mark." Thus, the Court reasoned that "[a]pplication of a test that relies upon an ordinary consumer's understanding of the impression that a mark conveys falls comfortably within the ken of a jury." Justice Sotomayor also referenced numerous examples where the Court has held that applying the "reasonable" person standard in a particular case is the job of the jury.

The Court summarily rejected Hana Financial's arguments that the tacking issue should be left for determination by the judge. Specifically, the Court determined that juries deciding tacking issues will not impermissibly create new law or deprive the trademark system of predictability. Rather, the Court found that tacking decisions typically involve the application of law to the facts, a task traditionally left to juries.

While the decision is limited to the rather narrow issue of trademark tacking, it may be a harbinger of a greater willingness by the Supreme Court to address the role of juries in trademark infringement litigation. In many such cases, judges have been taking an active role in deciding factual issues, such as secondary meaning, actual confusion, and even the ultimate issues of likelihood of confusion and damages. It will be interesting to see in future cases whether the Supreme Court ratifies the role of the jury in making these factually-intensive determinations. ■

JUDGE HELY
CONTINUED FROM P. 6

### VI. INTRODUCING CONFIDENTIAL DOCUMENTS

*1. Do you have any practices or take any precautions before allowing a party to introduce at trial confidential and/or proprietary documents of the opposing party?*

I have limited experience in the context of introducing proprietary commercial documents at trial; however, I regularly rule on the introduction of potentially inflammatory exhibits.

My practice with respect to potentially inflammatory exhibits is to instruct counsel to approach the bench prior to introduction. Counsel may not refer to the exhibit in his or her opening statement or otherwise refer to the exhibit until I have ordered that the exhibit be admitted. My practice with respect to inflammatory exhibits would likely inform my approach to proprietary documents.

### VII. SETTLEMENT

*1. What methods, if any, do you use to facilitate settlement?*

I commonly initiate discussions about settlement. Typically, I find that neither party wants to "break the ice" regarding settlement. As such, I believe the judge can be very helpful in initiating settlement discussions.

At the conclusion of a pre-trial conference, I will often advise counsel to initiate discussions outside of the courtroom, and then report back to me. ■

*Judicial interview conducted by Michael Leard, an attorney at Cetrulo LLP, whose practice focuses in the areas of commercial litigation, products liability, and pharmaceutical litigation. Leard serves on the board of directors for the Young Lawyers Division, and is a member of the Complex Commercial Litigation section of the Massachusetts Bar Association.*

### HOW TO SUBMIT ARTICLES

To inquire about submitting an article to the *ComCom Quarterly*, please contact Derek Domian (ddomian@goulstonstorrs.com) or Jim Harrington (jharrington@robinskaplan).

FIRST CIRCUIT
CONTINUED FROM P. 4

must determine whether the debtor actually intends to transfer the license, thereby forcing the licensor to accept performance from a third party. If so, the debtor is prevented under section 365(c)(1) from assuming the license. The actual test provides two significant advantages to debtors in the First Circuit. First, it increases flexibility in reorganizations by allowing debtors to use valuable licensing rights in their continuing business operations. Second, subject to certain limitations, debtors may be able to effect what some have referred to as "de facto assignments" of license rights through a stock sale. In the seminal case on this point, *Institut Pasteur v. Cambridge Biotech Corp.,* 104 F.3d 489 (1st Cir. 1996), the First Circuit held that a debtor's sale of all of its stock did not constitute an assignment of the debtor's patent license because, notwithstanding the change in stock ownership, the debtor remained the counterparty to the contract. In other words, because a corporation is distinct from its shareholders, a stock sale — as opposed to a merger — does not effect a transfer of title that would run afoul of federal patent law. Of course, the First Circuit indicated that a case-by-case analysis is required, and it seems unlikely that a court would permit a debtor simply to continue on in perpetuity as a shell for the enjoyment of IP rights by third parties.[2] The U.S. Supreme Court in 2009 recognized the importance of the circuit split on the actual vs. hypothetical test issue, but declined to take up the question in the context of the case it was deciding. A good case for Supreme Court review is likely to percolate at some point.

Notably, a different analysis is required — and venue matters in different ways, not necessarily highlighted in the First Circuit as of yet — where the debtor is a licensor. Although a bankrupt licensor is free to reject executory contracts, section 365(n) provides additional protections to licensees of "intellectual property." Interestingly, the Code's definition of intellectual property encompasses copyright and patent rights, but makes no mention of trademark rights. Consequently, the licensee of a rejected copyright or patent license agreement can elect to retain its rights under the agreement so long as it makes the required royalty payments, while the licensee of a trademark is at risk of losing its license. However, in recent years, courts have indicated an increased willingness to protect the rights of trademark licensees. For example, in the recent case of *In re Crumbs Bake Shop Inc.,* 522 B.R. 766 (Bankr. D.N.J. Nov. 3, 2014), the Bankruptcy Court held based on the plain language of section 365 and on equitable principles that a trademark licensee could retain its rights following rejection by the debtor. In reaching its decision, the Bankruptcy Court relied in part on the Seventh Circuit's decision in *Sunbeam Products Inc. v. Chicago Am. Mfg. LLC,* 686 F.3d 372 (7th Cir. 2012), in which the court held that rejection results only in a breach of the license agreement; it does not vitiate the licensee's rights to continue to use the licensed IP. While legislation is currently pending in Congress that would result in the express inclusion of trademarks in the Code's definition of "intellectual property," this remains an open issue in Massachusetts, and there is fertile ground for argument on each side.

Although this article merely scratches the surface of the interplay between IP rights and bankruptcy, it hopefully serves as a reminder of the importance of the subject and the role that bankruptcy venue can play in affecting the substantial rights of the parties to a license agreement. Understanding the distinctions in the treatment of IP in different venues presents planning opportunities at the outset of the licensing relationship. While "drafting around" the section 365 case law may or may not be respected in bankruptcy, and while venue remains a relatively open choice for parties filing bankruptcy petitions, it is certainly worth considering whether contractual language or structural changes may mitigate bankruptcy risks for license parties. This continues to be a developing area of the law and, whether one is representing a client contemplating bankruptcy, contemplating a license agreement or contemplating a bankruptcy litigation strategy, understanding the interplay between these two fields is essential. ■

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1. One caveat for licensors, however — particularly under exclusive licenses — is the risk that such agreements will be characterized as outright transfers rather than executory contracts. Debtor licensees have much to gain by characterizing IP agreements as installment sales rather than licenses, because, if successful, the debtor will be deemed the owner of the IP rights with no continuing obligations towards the licensor other than a (probably unsecured) claim for the balance owed.

2. Other "actual" test decisions, including those in the Southern District of New York and the Fifth Circuit, suggest other qualifications on assumption, for example, where a trustee has been appointed. There is also a complex set of issues surrounding "change of control" restrictions in in-licenses held by debtors in "actual test" jurisdictions.

UBER — CONTINUED FROM P. 3

actually "service employees" covered under the Massachusetts Wage Act. The court's holding and analysis in *Sebago* is significant, and promises to impact the ultimate outcome of cases like *Lavitman*.

## II. UNFAIR COMPETITION

Wage and classification concerns aren't the only legal issues plaguing Uber. Uber finds itself under fire not just from its drivers, but from the taxi cab industry it has re-imagined. On Jan. 26, 2015 — the same day as the *Lavitman* decision — a federal court judge decided that Boston Cab Dispatch also had viable claims against Uber, including claims of unfair competition in violation of M.G.L. c. 93A (which regulates business practices for consumer protection), common-law claims, and claims for violation of the Racketeer Influenced and Corrupt Organizations (RICO) Act. *Boston Cab Dispatch Inc. v. Uber Technologies Inc.*, No. 13–10769–NMG, 2015 WL 314131 (D. Mass. Jan. 26, 2015). The primary argument was that Uber has gained an unfair competitive advantage over traditional taxi companies by avoiding the substantial costs and burdens of compliance with the City of Boston's extensive rules and regulations imposed on taxicabs. The Boston Police Commissioner — pursuant to Boston Police Department Rule 403 — requires anyone who operates a taxi to possess an expensive taxicab "medallion," to meet certain standards for properly equipped taxicabs, to refrain from cell phone use while driving, to be affiliated with an approved dispatch service and to comply with many other regulations. Dispatch services are also heavily regulated under Rule 403: they must provide 24-hour service, use two-way radios, maintain service records, comply with specific city-approved colors and markings on the side of taxis, and offer discount reimbursements for elderly riders. Uber is subject to none of these regulations. In addition, while taxis are limited to a flat rate of $3.20 per mile, Uber charges a $1 fee and a 20 percent "gratuity" per ride in addition to the flat rate fares. In fact, final charges by Uber exceed the maximum that taxis are permitted to charge under Rule 403. Further, as mentioned above, Uber drivers only receive 10 percent of the 20 percent "gratuity" charged per ride — the other 10 percent is kept by Uber.

In evaluating the plaintiff's claims, the court apparently recognized and gave heavy deference to what seem like evolving notions of fundamental fairness in an effort to restore a level playing field. The court cited nothing other than "common economic sense" in rejecting Uber's argument that the plaintiff's unfair competition claims fail because their recent losses could have stemmed from competition with other medallioned taxis (and not Uber cars). Economic realities (probabilities?), the court maintains, can be used to analyze the existence of actual injury. The likelihood that Uber's rapid spread into the car service industry has affected the revenue of all Boston medallioned taxis that are subject to the burdens of Rule 403 is high, enough so that a causal connection could be shown at the pleadings stage between Uber's operations and plaintiff's losses, without having to negate all other possible causes of the revenue hit.

Meanwhile, the court also found that Uber's representation (or misrepresentation) to riders that drivers are tipped a 20 percent gratuity (when each driver really only gets 10 percent, and the other 10 percent goes to Uber), is sufficient to support a claim under the RICO statute. Uber, plaintiffs allege, through the use of its application, transmits false information about gratuities through interstate wires to "thousands of Massachusetts residents" who sign up for rides and tip their drivers. Uber then presumably reinvests this money to support the company's expanding operations. This, coupled with the allegation that Uber's expanding business has caused an industry of Boston taxi owners and operators to suffer lost revenue and reduction in medallion values, sufficiently demonstrated an allegation of unlawful "racketeering activity" to be evaluated at summary judgment. The driving factor in support of the surviving RICO claim was the plaintiffs' allegation that Uber's "use or investment of racketeering income, rather than the pattern of racketeering activity itself, was the proximate cause of the plaintiffs' injuries." *Boston Cab Dispatch*, 2015 WL 314131 at *8.

## III. UBER'S INSURANCE

More legal uncertainty is arising with regard to auto insurance companies. Uber and other ride-share drivers are essentially providing commercial services while operating under their personal auto insurance policies. Whether a driver's private insurance, or Uber's $1 million dollar third-party liability insurance policy, is responsible for driver accident coverage remains highly situational and a heavily debated gray area. The *Boston Globe* recently reported that state legislators are discussing proposals to crack down on the ride-sharing industry, with proposals for stricter insurance rules and increased regulation.

## IV. CONCLUSION

The excitement brought on by the entry of Uber into the Boston transportation market is an excellent example of the invariable legal uncertainty (and consequent legal challenges) that innovation can bring to a historically exclusive market. The extent to which Uber shakes up this market — and familiar legal doctrine — remains to be seen. ■

**$1.5 BILLION MISTAKE CONTINUED FROM P. 4**

against GM in Delaware to a paralegal who was unfamiliar with the transaction or the purpose of the request. The UCC-1 relating to the $1.5 billion loan was erroneously added to the list of financing statements to be terminated, and a UCC-3 termination statement was drafted. Both the list and draft UCC-3 termination statement were circulated to JP Morgan and its counsel, Simpson Thatcher & Bartlett LLP, which reviewed and assented to the payoff transaction and release of the security interests. When it was discovered during GM's bankruptcy that the UCC-3 termination statement had been inadvertently filed, JP Morgan argued that the filing was unauthorized and ineffective because it never intended to terminate the security interest or instructed anyone else to do so on its behalf.

In 2001, UCC Article 9 was amended to allow the filing of a UCC-3 termination statement if the secured party "authorizes the filing" pursuant to § 9-509(d)(1), eliminating the requirement of a secured party's signature. The Bankruptcy Court concluded that JP Morgan had not authorized the filing because the synthetic lease termination agreement did not authorize it, and none of the parties or their counsel intended such result. On appeal, the Second Circuit certified to the Delaware Supreme Court the question: "[I]s it enough that the secured lender review and knowingly approve for filing a UCC-3 purporting to extinguish the perfected security interest, or must the secured lender intend to terminate the particular security interest that is listed on the UCC-3?" *In re Motors Liquidation Company,* 755 F.3d 78 (2d Cir. 2014). The Delaware Supreme Court held that "it is enough that the secured party authorizes the filing to be made," recognizing that the UCC "contains no requirement that a secured party that authorizes a filing subjectively intends or otherwise understands the effect of the plain terms of its filing." *Official Committee of Unsecured Creditors of Motors Liquidation Company v. JPMorgan Chase Bank, N.A.*, 103 A.3d 1010 (Del. 2014). The court stated that its reading of the "unambiguous language" of the UCC promotes the "sound policy" that parties bear the burden of ensuring the accuracy of their financing statement filings. It further concluded that a contrary reading requiring an inquiry into the subjective understanding of the secured party would "disrupt and undermine the secured lending markets" and the UCC's notice system that "permit[s] parties to rely in good faith on the plain terms of authorized public filings."

Following the Delaware Supreme Court's certification opinion, the Second Circuit had to answer whether JP Morgan did, in fact, grant Mayer Brown authority to file the UCC-3 termination statement. JP Morgan maintained that it only authorized General Motors to terminate security interests relating to the synthetic lease and that it instructed Simpson Thatcher and Mayer Brown only to take actions to accomplish that objective. But the Second Circuit concluded that "[w]hat JP Morgan intended to accomplish … is a distinct question from what actions it authorized to be taken on its behalf." The closing checklist, draft UCC-3 termination statements and escrow agreement, all tainted with the erroneous termination of the UCC-1 perfecting the $1.5 billion security interest, had been sent to and reviewed by a managing director at JP Morgan and its counsel, Simpson Thatcher. Neither objected, and the Simpson Thatcher attorney affirmatively signed off on the documents allowing the payoff of the syndicated lease to close and the security interests to be released. The Second Circuit concluded that their "repeated manifestations" demonstrated that both JP Morgan and its counsel knew that, upon the closing of the synthetic lease, the UCC-3 would be filed that identified the UCC-1 for termination. The court emphasized that "[n]othing more is needed."

The result is that the lenders of the $1.5 billion loan will recover on par with other unsecured creditors in GM's bankruptcy. This case serves as an important reminder for counsel and secured parties to pay particular attention to UCC financing statement filings, to carefully oversee delegated assignments and to double-check their work. ■

**CLOSELY-HELD COMPETITION CONTINUED FROM P. 3**

ware chancery court held that a member did not breach his fiduciary duty to the company or his fellow members by quitting their business — a salumeria — and opening a competing salumeria on the same block. Importantly, the departing member properly notified his former members of his decision to quit and relinquished his ownership interest in accordance with the terms of their operating agreement.

*Selmark* and *Touch of Italy* serve as cautionary tales for prospective business partners regarding some of the pitfalls to be avoided when entering into their new venture. The good news for new business partners is that whether they choose to incorporate or operate their businesses in Massachusetts or Delaware, they generally may modify their fiduciary obligations by agreement. In Massachusetts, business partners may contract around the utmost duty of good faith and loyalty by explicitly limiting the rights and obligations of the members in their operating agreement or other contract. In Delaware, where the default duties are less stringent, business partners may impose greater (or lesser) restrictions on one another in their shareholder agreement or operating agreement, if not elsewhere.

When entering into a new venture, business partners should consult with legal counsel regarding the duties that will apply to their business relationship and carefully craft the contractual obligations and restrictions that will modify these duties so that their duties are aligned with their expectations. The idea of one day being frozen out of their business or quitting and starting a competing shop across the street will not be in the forefront of new business partners' minds, but good business planning allows for the possibility and creates predictability by dealing with these and other situations in the contractual documents executed at the outset of their relationship. It is a precaution that may save both the individuals and the business the considerable cost and expense of litigating these issues down the road. ■