

Flash Drive Design May Support Copyright Infringement Claim

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Addressing claims of copyright infringement and misappropriation of trade secrets, the US Court of Appeals for the Ninth Circuit affirmed in part and reversed in part the district court's summary judgment in favor of the defendant finding that the shape of a flash drive lacked originality as a derivative work, and that the alleged trade secrets lacked "independent economic value." *Direct Technologies, LLC v. Electronic Arts, Inc.*, Case Nos. 14-56266; -56745 (9th Cir., Sept. 6, 2016) (Gould, J).

The dispute between Direct Technologies (DT) and Electronic Arts (EA) arose in connection with a prototype of a USB flash drive that DT created at EA's request for distribution with the release of version three of *The Sims*, EA's popular life simulation computer game. DT designed the flash drive prototype to resemble *The Sims*' "Plumbob," a gem-shaped icon that appears over the head of a game character as it moves throughout the game. After EA sent DT's Plumbob flash drive prototype to a company in China for reproduction, DT sued for copyright infringement and misappropriation of trade secrets.

The district court granted summary judgment to EA on the federal copyright claim stating that the flash drive was not sufficiently original to qualify for protection under the Copyright Act. The district court also granted summary judgment in favor of EA with regard to claims brought under the California Uniform Trade Secrets Act (CUTSA), holding that DT did not take "reasonable efforts" to keep the prototype design confidential. DT appealed both claims.

The Federal Copyright Claim

EA created the Plumbob icon as it appears in *The Sims* game and therefore holds a copyright in the original two-dimensional design of the Plumbob. Accordingly, in order to determine whether DT could sustain a claim of copyright infringement, the Ninth Circuit examined whether DT's 3D version of the Plumbob-shaped flash drive was entitled to protection as a derivative work.

The Ninth Circuit outlined its two-step inquiry for determining whether a derivative work is original enough to receive copyright protection. Step one looks at whether any aspects of the derivative work are purely functional or utilitarian. Step two is an application of the Second Circuit's two *Durham* factors, namely, (1) whether the original aspects of the derivative work are more than

“trivial,” and (2) whether the scope of copyright protection in the preexisting work is in any way affected by the original aspects of the derivative work.

On the question of functionality, the Court held that there was a genuine issue of material fact regarding whether the “cut away” manner in which the flash drive stick fit into the Plumbob design was merely utilitarian. The Court cited the sworn declaration of DT’s flash drive designer, who explained that the design was chosen from at least four other design options for “aesthetic reasons.” Thus, based on the evidence of record, the Court determined that a reasonable jury could potentially answer the question of whether the design was merely utilitarian or functional in either party’s favor.

The Ninth Circuit then examined the originality inquiry and explained that if a jury were to find that the “cut away” fit of the flash drive was indeed artistic and non-functional, such a determination would inevitably raise a genuine issue of material fact as to whether DT’s design was sufficiently original to warrant copyright protection. However, the Court was quick to clarify that any such copyright protection would extend only to the artistic “cut away” fit design and not the Plumbob itself.

The Court also dismissed EA’s alternative argument claiming that DT was not a joint author of the derivative work, and held that there was a genuine issue of material fact as to whether DT was “sufficiently in control of its artistic contribution” to the flash drive to qualify as a joint author. Finally, the Court further rejected EA’s argument that DT assigned away its copyright interest via a third-party vendor agreement, and ultimately reversed the district court’s grant of summary judgment on the copyright claim.

The Trade Secret Claim Under CUTSA

The Ninth Circuit affirmed the district court’s grant of summary judgment for EA with regard to misappropriation of trade secrets, but on different grounds. Instead of holding that DT did not maintain the secrecy of its prototype—noting a potential “implied confidential relationship” between the relevant parties—the Court turned to the language of CUTSA, which defines a trade secret as having “independent economic value . . . from not being generally known to the public or to other persons who can obtain economic value from its disclosure.” In this regard, the court determined that DT had not presented any evidence to show that there was value in the secrecy of its design. In particular, since the Plumbob flash drive was uniquely applicable to EA’s game and its original Plumbob design, the Court agreed that DT had not shown any actual or potential value in its design outside of EA’s project.

The Court denied EA’s request for attorneys’ fees on the trade secrets claim, finding that DT’s claim was not “objectively specious” nor brought in bad faith. Thus, the Ninth Circuit affirmed the district court’s grant of summary judgment as to misappropriation of trade secrets and remanded the action for further proceedings with regard to the copyright claim.

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National Law Review, Volume VI, Number 303

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