

INTELLECTUAL PROPERTY LITIGATION

BY LEWIS R. CLAYTON

Recent Case Law and the 'Doctrine of Equivalents'

OVER 50 YEARS ago, the Supreme Court reaffirmed a traditional rule, then a hundred years old, "that to permit imitation of a patented invention which does not copy every literal detail would be to convert the protection of a patent grant into a hollow and useless thing." *Graver Tank & Mfg. Co. v. Linde Air Prods. Co.*, 339 U.S. 605, 607 (1950). That protection against "imitation" is the doctrine of equivalents, which permits an infringement claim against a defendant who has not literally infringed a patent, if the differences between the infringing device and the patent claims are only "insubstantial."

Doctrine of Equivalents

While protecting patentees against what the Graver Court called the "unscrupulous copyist," the doctrine of equivalents has proven notoriously difficult to apply, particularly for practitioners advising clients. Determining whether a product or method "performs substantially the same function in substantially the same way to obtain the same result" — a popular test under the doctrine — is often difficult to do with precision.

In its controversial en banc decision in *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 234 F.3d 558 (Fed. Cir. 2000), cert. granted, 533 U.S. 915 (U.S. 2001), the Court of Appeals for the Federal Circuit significantly cut back on the doctrine, holding that no range of equivalents is available where an element of a claim has been amended for any reason related to patentability. On March 28, again acting en banc, the Federal Circuit in *Johnson & Johnston Assoc. v. R.E. Service Co., Inc.*, 2002 WL 466547 (Fed. Cir. March 28,



2002). Nos. 99-1076, 99-1179, 99-1180, launched what a dissenting judge called "yet another assault on the doctrine of equivalents." *Johnson* holds that subject matter disclosed in the patent specification, but not made a part of the claims, is "dedicated to the public" and, therefore, may not be the basis of an infringement claim under the doctrine.

The patent in *Johnson* claimed a laminate for use in making circuit boards, which combined copper and aluminum sheets to make the material easier to handle. The defendant used a laminate that combined copper with steel, instead of aluminum. Although the patent's claims were limited to aluminum, the specification stated that, while aluminum is "preferred," other metals could be used.

Stressing (as the *Festo* court did) that "the claims, not the specification, provide the measure of the patentee's right to exclude," the Federal Circuit held that *Johnson* was barred from claiming steel as an equivalent to aluminum. "Application of the doctrine of equivalents to recapture subject matter deliberately left unclaimed would 'conflict with the primacy of the claims in defining the scope of the patentee's exclusive right.'" (quoting *Sage Prods. Inc. v. Devon Indus. Inc.*, 126 F.3d 1420, 1424 (Fed. Cir. 1997)). The court overruled *YBM Magnex, Inc. v. Int'l Trade Comm.*, 145 F.3d 1317 (Fed. Cir. 1998), which refused to recognize a "blanket rule that everything disclosed but not claimed is barred from access to the doctrine of equivalents."

In announcing what appears to be a *per se* rule, *Johnson* rejected the position of amici including the American Intellectual Property Law Association and the American Bar Association, who urged a flexible rule providing that "the preclusion of the doctrine of equivalents" should be limited to situations in which "the patentee's failure to claim disclosed subject matter would indicate to the public that such subject matter was disclaimed or dedicated to the public." Those amici, joined by one dissenting judge, warned that the majority's rule would penalize the disclosure of information in a patent, making the specification less useful to the public.

Johnson illustrates the Federal Circuit's continuing skepticism about the doctrine of equivalents. Moreover, it may not be a coincidence that the *Johnson* decision comes at a time of mounting criticism of allegedly overzealous patent protection for business methods and computer software, and the commencement of FTC hearings on the impact of broad patent rights on competition in the American market.

Copyrights

Kelly v. Arriba Soft Corp., 280 F.3d 934 (9th Cir. 2002) considered novel questions of fair use on the Internet. Defendant Arriba operates a visual search engine. Rather than providing a list of Web sites in response to a query, Arriba's service displays thumbnail and full-size images taken from other Internet sites, corresponding to search terms entered by a user. Included among those images were photographs taken by plaintiff Kelly, which appear on Kelly's Web site. The Court of Appeals held that Arriba's use of thumbnail images of Kelly's photos qualified as fair use. The use was "transformative," because the search engine "functions as a tool to help index and improve access to images on the Internet and their related Web sites" and because the thumbnails are too crude to substitute for the full-scale work. Arriba's display of full-size images, however,

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was not fair use, because it was not transformative, and was likely to harm the market for Kelly's work by reducing visitors to his Web site and allowing downloads without payment of a license fee.

Resolving what it described as an issue of first impression under the 1976 Copyright Act, the Ninth Circuit held that an exclusive licensee does not have the right to transfer its rights without the consent of the licensor. *Gardner v. Nike, Inc.*, 279 F.3d 774 (9th Cir. 2002). In 1992, Nike signed an agreement giving Sony the exclusive right to use a cartoon character in connection with sound recordings and associated promotional activity. After Sony assigned its rights to Gardner, Nike challenged Gardner's use of the material, and Gardner sued Nike for a declaration that Sony's transfer of rights was valid. The Court of Appeals affirmed a district court order finding that Gardner, as a licensee, lacked standing to sue. The court found that, under §201(d)(2) of the 1976 Act, an exclusive licensee is entitled to the "protection and remedies" afforded by the act, but not to rights of "ownership," such as the right to transfer. Moreover, affording an exclusive licensee the right to transfer, the court wrote, would jeopardize the licensor's right to monitor use of the copyright.

In a case involving "the intersection of the motion picture and video retailing industries, and the emerging commercial enterprise of Internet sales," a district court enjoined the production of short trailers used to advertise movies on the web sites of video retailers. *Video Pipeline, Inc. v. Buena Vista Home Entertainment, Inc.*, 2002 WL 484910 (D. N.J., March 28, 2002), Civ. No. 00-5236.. Video Pipeline produces two-minute trailers of copyrighted movies, which are "streamed" (made available for viewing but not downloading) on the Web sites of its clients, who rent and sell videos. Granting a preliminary injunction motion filed by movie studios who own copyrights in the advertised films, the court found that the trailers were unauthorized derivative works and that streaming them amounted to unauthorized public display and performance of the works. The court also found that streaming was not protected under the first sale doctrine, and that Video Pipeline could not invoke a fair use defense.

Trademarks

The First Circuit Court of Appeals ruled

that attorney's fees may be awarded in a trademark action under the Lanham Act where the defendant acted willfully, even if there is no finding of bad faith or fraud. *Tamko Roofing Products, Inc. v. Ideal Roofing Co., Ltd.*, 282 F.3d 23 (1st Cir. 2002). With that holding, it aligned itself with the Eighth and Tenth Circuits, and against the Second, Fourth and Fifth. Section 35(a) of the Lanham Act, 15 U.S.C. §1117(a), allows for a fee award in "exceptional" cases. The court found that the legislative history of the act indicates that "deliberate" and "willful" conduct may make a case "exceptional." In the case before it, a fee award was justified because defendant failed to perform a trademark search, used the mark after notice from the plaintiff, and continued that use even after entry of a preliminary injunction prohibiting infringement.

Having selected plaintiff Terri Welles as its 1981 Playmate of the Year, Playboy Enterprises failed in its attempt to prevent her from using its trademarks on her Web site. *Playboy Enterprises, Inc. v. Welles*, 279 F.3d 796 (9th Cir. 2002). The Ninth Circuit held that Ms. Welles' use of *Playboy* marks in headlines and banner advertisements and in metatags (keywords used by search engines to identify Web sites) were proper, "nominative" uses. The court applied a three-part test for nominative use: that the product or service is not "readily identifiable" without use of the trademark, that only so much of the mark as is reasonably necessary to identify the product or service is used, and that the user do nothing to suggest "sponsorship or endorsement by the trademark holder." The court held that nominative uses is a defense not only to claims of trademark infringement, but dilution as well. Ms. Welles' use of a *Playboy* mark as part of the background "wallpaper" of the site, however, did not satisfy this test and therefore was not protected from a claim of infringement or dilution.

Construing the doctrine of "functionality," the Sixth Circuit Court of Appeals affirmed summary judgment dismissing trade dress infringement claims brought by clothing retailer Abercrombie & Fitch against its rival *American Eagle Outfitters*. *Abercrombie & Fitch Stores, Inc., v. American Eagle Outfitters, Inc.*, 280 F.3d 619 (6th Cir. 2002). The court found that Abercrombie's clothing designs and in-store presentation — which *American Eagle* admittedly copied — were functional, and therefore not pro-

tectable. While those features were not functional in the "traditional sense," in that they are not essential to the use or purpose of the goods and do not affect their cost or quality, they were functional because prohibiting their use would impose a "significant non-reputation-related disadvantage" on *American Eagle*. Denying competitors access to elements of the claimed trade dress, which included use of words such as "performance" and "outdoor" and certain primary color combinations, would "prevent effective competition in the market."

Patents

Acting en banc, the Court of Appeals for the Federal Circuit held that the bona fide purchaser defense to patent infringement is not available to non-exclusive licensees. *Rhone-Poulenc Agro, S.A. v. DeKalb Genetics Corp.*, 2002 WL 459887 (Fed. Cir., March 27, 2002). Rhone-Poulenc sued Monsanto for infringement, arguing that a non-exclusive license to practice the patent Monsanto received had been procured by fraud. The Court of Appeals first found that, because of the importance of national uniformity, the bona fide purchaser defense must be governed by federal law. Looking for guidance to §261 of the Patent Act, which concerns the recording of assignments and conveyances, the court found a congressional policy limiting the protections of the bona fide purchaser rule to licenses that are exclusive, or transfer "all substantial rights" in the patent.

Tate Access Floors, Inc. v. Interface Architectural Resources, Inc., 279 F.3d 1357 (Fed. Cir. 2002) firmly rejected the argument that there is a "practicing the prior art" defense to literal infringement. Defendant Interface challenged a preliminary injunction by arguing that its accused product, flooring tiles, simply practiced prior art to Tate's patent. The Court of Appeals responded that "literal infringement is determined by construing the claims and comparing them to the accused device, not by comparing the accused device to the prior art." While prior art may establish the invalidity of the claims, "accused infringers are not free to flout the requirement of proving invalidity by clear and convincing evidence by asserting a 'practicing prior art' defense to literal infringement under the less stringent preponderance of the evidence standard."