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THE BALANCE BETWEEN ANTITRUST AND
INTELLECTUAL PROPERTY LAW

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Antitrust and intellectual property law have traditionally been antagonistic forces. While each doctrine is supposedly designed to foster innovation and economic efficiency, they approach those issues from opposite poles — antitrust attacks market power and intellectual property rights often create it. Some observers believe that the rapid expansion of the intellectual property rights over the last decade has altered the balance between the two doctrines. That issue is at the heart of the announcement that the FTC and the Department of Justice Antitrust Division will conduct hearings on “Competition and Intellectual Property Law and Policy in the Knowledge-Based Economy.”

In a Nov. 15, 2001 speech announcing the hearing, FTC Chairman Timothy Muris quoted “observers” who argue that “overly broad grants, interpretations, or applications of intellectual property rights may unduly limit competition.” (Timothy J. Muris, “Competition and Intellectual Property Policy: The Way Ahead,” prepared remarks before the ABA Antitrust Section Fall Forum, Nov. 15, 2001, available at www.ftc.gov/speeches/muris/intellectual) He sketched out an extremely broad agenda, most of it aimed squarely at the agencies and courts that grant and enforce patents. Among other issues, the hearings will address:

- “Patent proliferation” — Why has the rate at which patents are issued grown so quickly? Have we become more inventive or are patents granted too easily?
- Whether the Federal Circuit Court of Appeals has expanded its jurisdiction over patent cases that include antitrust issues in a way that harms competition policy? The FTC is particularly concerned over cases such as *Independent Service Organizations Antitrust Litigation*, 203 F.3d 1322 (Fed. Cir. 2000), *cert. denied*, 121 S. Ct. 1077 (2001), which holds that a patentee has broad rights to refuse to license competitors to practice a patent.
- The incorporation of patents or other intellectual property rights in industry standards. *See Dell Computer Corp.*, 121 F.T.C. 616 (1996).
- The use of patent protection to block the introduction of generic drugs. *See In re Abbott Laboratories and Geneva Pharmaceuticals, Inc.*, No. C-3945, 2000 WL 681848 (FTC May 22, 2000).

As Chairman Muris acknowledges, many of these issues “cannot be addressed solely by enforcing the antitrust laws.” Any significant change in intellectual property policy will be resisted by intellectual property holders and require a broad public and congressional consensus. Regardless of how these hearings turn out, they will outline the current tensions between antitrust and intellectual property.

Copyright

Universal City Studios, Inc. v. Corley, 273 F.3d 429 (2d Cir. 2001), upheld the constitutionality of the anti-circumvention and anti-trafficking provisions of

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the Digital Millennium Copyright Act (“DMCA”), which are the cornerstone of the movie industry’s efforts to prevent copyright infringement. Section 1201 of the DMCA, 17 U.S.C. § 1201, prohibits circumvention of technological measures that control access to or prevent copying of a copyrighted work and trafficking in technology or devices designed for circumvention. Relying on the statute, the District Court enjoined defendant Eric Corley, a computer hacker, from disseminating computer code designed to decode Digital Versatile Disks (“DVDs”) distributed by the plaintiff movie studios. The injunction also prohibited “knowingly linking” to another site containing the decoding software. Tackling novel constitutional questions, the Court of Appeals held that computer code is entitled to First Amendment protection, but that such protection is limited because code combines both “nonspeech and speech elements, i.e., functional and expressive elements.” The Court found that the DMCA is concerned only with the “nonspeech” element of computer code and is therefore content-neutral regulation. On that basis, it passes constitutional muster because it serves a substantial governmental interest unrelated to the suppression of free expression and does not “burden substantially more speech than is necessary to further that interest.”

In *Boisson v. Banian, Ltd.*, 273 F.3d 263 (2d Cir. 2001), the Court of Appeals reversed as clearly erroneous a district court’s finding after a bench trial that plaintiff’s copyright in an alphabet quilt design was not infringed. While elements of plaintiff’s design — such as the alphabet itself — were in the public domain, plaintiff’s choice of a layout and color scheme were sufficiently original to merit copyright protection. The fact that the design may have been identical to an older work was not material, because there was no evidence that plaintiff had copied that work. “Absent evidence of copying, an author is entitled to copyright protection for an independently produced original work despite its identical nature to a prior work, because it is independent creation, and not novelty that is required.”

Addressing an issue left open by the Supreme Court in *Mazer v. Stein*, 347 U.S. 201 (1954), a district court held that a copyright may be obtained for a work that is also covered by a design patent. *Dam Things from Denmark v. Russ Berrie Co., Inc.*, 173 F. Supp. 2d 277 (D.N.J. 2001). The court found that “design patent and copyright protect different aspects of a work” and rejected the “election doctrine” that would force a choice between patent and copyright. The ruling came in the course of a decision granting a preliminary injunction against infringement of plaintiff’s copyrighted Good Luck Troll designs.

Trademark

Considering an issue of “first impression,” the First Circuit Court of Appeals held that an Internet domain name registrant who has lost use of the domain in a World Intellectual Property Organization (“WIPO”) dispute resolution proceeding may sue in federal court under the Anticybersquatting Consumer Protection Act (“ACPA”) for an order blocking transfer of the domain. *Sallen v. Corinthians Licenciamentos LTDA*, 273 F.3d 14 (1st Cir. 2001). A WIPO panel found that plaintiff Sallen had registered corinthians.com in bad faith and directed transfer of the name to defendant, the licensee

of the well-known Brazilian soccer team Corinthians. Reversing the district court, the Court of Appeals determined that the ACPA grants a registrant “an affirmative cause of action to recover domain names” lost in a dispute resolution proceeding conducted under a registration agreement. Without addressing the issue, the opinion appears to assume that a district court will consider the issues *de novo*, without deference to the panel’s findings. Under *Sallen*, a WIPO decision may be the beginning, not the end, of a cybersquatting controversy, a factor victims of cybersquatting should consider in deciding between a WIPO proceeding and a federal court action.

“Marvel Enterprises”

Twentieth Century Fox Film Corp. v. Marvel Enterprises, Inc., No. 01-7983, 2002 WL 46950 (2d Cir., Jan. 14, 2002), held that a trademark licensee may not maintain a claim of false designation of origin under § 43(a) of the Lanham Act against its licensor. Fox licensed the right to produce theatrical motion pictures using the characters and storylines of Marvel’s popular “X-Men” comic book series. Marvel reserved the television rights, subject to the agreement not to produce any “live-action motion picture.” When Marvel began production of a TV series based on the characters, shortly after Fox released a successful X-Men film, Fox sued for breach of contract, false designation of origin and false advertising under the Lanham Act. Dismissal of the false designation of origin claim was affirmed because the “‘origin’ of the series (and the film) within the meaning of trademark law (i.e., the source of the goodwill inhering in the trademarks that Marvel licensed to Fox) is Marvel, the owner of the marks.” As a licensee, Fox gained no trademark rights in the property. Fox was allowed, however, to proceed on its contract and false advertising claims.

The Lanham Act was amended in 1999 to provide that opposition and cancellation proceedings brought before the Patent and Trademark Office may be based on claims of dilution. (*See* 15 U.S.C. §§ 1063(a) and 1064) In *The Toro Company v. Torohead, Inc.*, No. 114061, 2001 WL 1605716 (T.T.A.B., Dec. 12, 2001), the Trademark Trial and Appeal Board adopted an extremely conservative approach to dilution. Toro, the maker of lawn mowers, irrigation systems, work vehicles and other products, opposed registration of the mark ToroMR for computer disk drive reading and writing heads. Dismissing the opposition, the board found that Toro’s marks were not sufficiently famous to merit protection under the Dilution Act. Although Toro has over \$1.3 billion in annual sales and spends \$35 billion to \$40 million a year in advertising, it had not shown that its advertising had succeeded in making a “significant impression on the public in general” as opposed to only in its particular niche. Calling dilution an “extraordinary remedy,” the board declared that, “unlike in likelihood of confusion cases, we will not resolve doubts in favor of the party claiming dilution.” In light of the *Toro* decision, trademark owners may wish to assert dilution claims in federal court instead of filing a cancellation or opposition proceeding before the board.

While hacker Eric Corley lost to the record industry in *Universal City Studios*, discussed above, he was able to defeat trademark claims filed by Ford Motor Company. *Ford Motor Company v. 2600 Enterprises*, No. 00-CV-71685-DT, 2001

WL 1661587 (E.D. Mich., Dec. 20, 2001). Describing himself as an “artist and social critic,” Corley established the domain name “fuckgeneralmotors.com,” which linked directly to the Ford Web site. Ford argued that the use of the Ford name to create the link diluted its famous mark and constituted trademark infringement. Denying Ford’s motion for a preliminary injunction, the court found that Corley’s use of the FORD mark was not “commercial,” as required by the Federal Dilution Act, and was not “in connection with any goods or services,” as required for an infringement or unfair competition claim under §§ 32 and 43 of the Lanham Act.

In *J.E.M. AG Supply, Inc. v. Pioneer Hi-Bred International, Inc.*, 122 S. Ct. 593 (2001), the Supreme Court resolved an issue of importance to the agribusiness industry — whether utility patents may be issued for plants under § 101 of the Patent Act. In 1930, Congress enacted the Plant Patent Act (“PPA”), conferring patent protection on plants produced asexually (through grafting or budding) but not through sexual reproduction. The Plant Variety Protection Act (“PVPA”), passed in 1970, extended protection to sexually reproduced plants, but contains exemptions for research and allowing farmers to use seed produced by plants grown from patented seed. Utility patents under § 101 have no such restrictions. Following *Diamond v. Chakrabarty*, 447 U.S. 303 (1980), which emphasized the broad reach of § 101, the Court held that utility patents can be granted for plants. It emphasized that, while the scope of exclusive rights under the PPA and PVPA is more limited than that granted by § 101, the PPA and PVPA have less-stringent requirements for protection.

Last year, in *Group One, Ltd., v. Hallmark Cards, Inc.*, 254 F.3d 1041 (Fed. Cir. 2001), the Federal Circuit held that only an offer that “rises to the level of a commercial offer for sale” within the meaning of the Uniform Commercial Code, will invoke the “on-sale bar” of § 102(b) of the Patent Act. Under the bar, a patent is invalid if the claimed invention was “on sale” more than a year before filing of the patent application. Applying that test, *Linear Technology Corp. v. Micrel Inc.*, 275 F.3d 1040 (Fed. Cir. 2001), reversed a judgment of invalidity. The *Linear Technology* court found that activity including the distribution of promotional information and data sheets and the receipt of purchase orders was insufficient to give rise to the bar. The court stressed that, instead of providing a conventional confirmation of the purchase orders, potential customers were told that the orders had been received but “not booked.” A reasonable purchaser, the court found, would not consider this communication as acceptance of the customer’s offer to buy the plaintiff’s product.

More Case Law

Several recent Federal Circuit decisions considered issues arising out of the controversial decision in *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 234 F.3d 558 (Fed. Cir. 2000) (*en banc*), *cert. granted*, 121 S. Ct. 2519 (2001), which held that when a claim has been amended for a reason relating to patentability, no range of equivalents is available for the amended claim limitation. In *Intermatic Inc. v. The Lamson & Sessions Co.*, 273 F.3d 1355 (Fed. Cir. 2001), one of 19 claims was amended on re-examination to overcome prior art by adding a limitation that was already present in

several other, unamended claims. The court held that no range of equivalents was available under *Festo* for that limitation, in both amended and unamended claims. In both *Interactive Pictures Corp. v. Infinite Pictures, Inc.*, 274 F.3d 1371 (Fed. Cir. 2001) and *Bose Corp. v. JBL, Inc.*, 274 F.3d 1354 (Fed. Cir. 2001), the Federal Circuit held that the amendments at issue did not narrow the original claim, but instead simply expressed what was inherent in the unamended claim. Therefore, the full range of equivalents was available. Of course, if the Supreme Court reverses *Festo*, many of these issues will be purely academic.