

PAUL, WEISS, RIFKIND, WHARTON & GARRISON

U.S. SUPREME COURT TO RULE ON PATENT
DOCTRINE OF EQUIVALENTS

LEWIS R. CLAYTON

PUBLISHED IN *THE NEW YORK LAW JOURNAL*

JUNE 29, 2001



This column reports on significant developments in intellectual property litigation over the past two months. Before discussing the areas of copyright, trademark and patent law, we highlight one of the more important developments of the past few weeks — the Supreme Court’s decision to review the federal circuit’s en banc ruling construing the patent doctrine of equivalents issued in *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 234 F.3d 558 (Fed. Cir. 2000) (en banc).

The ‘Festo’ Case

Supreme Court to Review ‘Festo’ Decision. Under the doctrine of equivalents, a patent holder may sue even when the defendant has not literally infringed the patent, as long as the differences between the allegedly infringing device and the patent claims are only “insubstantial.” Otherwise, as the Supreme Court said in *Graver Tank & Mfg. Co., Inc. v. Linde Air Prods. Co.*, 339 U.S. 605, 607 (1950), “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.” One important limitation on the doctrine is “prosecution history estoppel,” which provides that a patentee who takes the position before the Patent Office that its claim does not cover certain subject matter — for example, by amending a claim — is estopped from later arguing that the relinquished subject matter is an equivalent to the claimed invention.

In *Festo*, a sharply divided Federal Circuit held that, whenever a claim element is amended for any reason having to do with patentability, no range of equivalents will be recognized for that element. The court was concerned that, without such limits, the notoriously vague doctrine of equivalents would be impossible to apply, leaving practitioners unable to advise clients about the scope of issued patents or predict the outcome of litigation.

Since it was issued last November, *Festo* has met with a mixed reception. Industrial giants such as IBM, Kodak and Ford have supported the decision and opposed Supreme Court review. Critics have argued, however, that *Festo* upsets the settled expectations of owners of hundreds of thousands of patents. One outspoken district court noted criticism of the Federal Circuit for “fact-finding and other forms of hyperactive judging.” *Control Res., Inc. v. Delta Electronics, Inc.*, 133 F. Supp. 2d 121, 123 (D. Mass. 2001).

Critics also argue that a claim that has never been amended is no less likely to create uncertainty than one that has been amended. In fact, because some subject matter has been surrendered, an amended claim is arguably less confusing. And *Festo* itself has engendered uncertainty, as district courts struggle to define just what the term “element” means in the context of the decision. See *Aclara Biosciences, Inc. v. Caliper Techs. Corp.*, 125 F. Supp. 2d 291 (N.D. Ca. 2000).

**This article has been reprinted with permission
from the June 29, 2001 issue of
the *New York Law Journal*. ©2001 NLP IP Company.**

While the Supreme Court often defers to the Federal Circuit on patent issues, *Festo* may well be an exception to that rule.

Copyright

Acting in one of the most highly publicized copyright cases in years, the Eleventh Circuit vacated a preliminary injunction that had prohibited publication of *The Wind Done Gone*, a novel by Alice Randall that tells the story of Margaret Mitchell's *Gone With the Wind* from the perspective of blacks who lived on the plantation that is the setting for Ms. Mitchell's best-selling novel. *Suntrust Bank v. Houghton Mifflin Co.*, 2001 WL 567706 (11th Cir. May 25, 2001). Finding that Ms. Randall's book was "unabated piracy," incorporating "the characters, character traits, settings, plot lines, title and other elements" of *Gone With the Wind*, the District Court held that Ms. Randall could not assert a fair use defense. In a per curiam order issued immediately after oral argument on an expedited appeal, the Court of Appeals wrote: "It is manifest" that entry of a preliminary injunction "was an abuse of discretion in that it represents an unlawful prior restraint in violation of the First Amendment." The appellate court promised a "comprehensive opinion" to follow.

Two New York courts held that graphic works failed to meet even the low standard for originality necessary for copyright protection. In *Earth Flag, Ltd. v. Alamo Flag Co.*, 2001 WL 527429 (S.D.N.Y. May 17, 2001), plaintiff had copyrighted the "Earth Flag," a public domain NASA photo of the earth viewed from space, mounted on dark blue fabric, which has become associated with the environmental movement. Dismissing the complaint on summary judgment, the court found that plaintiff's work did not demonstrate the slight degree of "true artistic skill" required under the act. In *Oriental Art Printing, Inc. v. Goldstar Printing Corp.*, 2001 WL 460950 (S.D.N.Y. May 2, 2001), the court denied a motion for a preliminary injunction based on a copyrighted Chinese restaurant menu design. The design featured photographs of the "most common" Chinese take-out dishes, which lacked the "creative or expressive elements" necessary for copyright protection. While plaintiffs had a valid copyright in the overall design of the menus (as opposed to the photographs themselves), they failed to show that defendants copied the original elements of that design.

In *Foley v. Luster*, 249 F.3d 1281 (11th Cir. 2001), the Eleventh Circuit Court of Appeals held that a common-law claim for indemnification is not preempted by the Copyright Act. Cross-defendant Luster was a videographer who produced videos for a group of Amway distributors, which included unlicensed copyrighted musical works. After the distributors settled with the copyright holders, they sought indemnification from Luster. Affirming an award against Luster, the appellate court found that the broad preemption provisions of § 301 of the Copyright Act were inapplicable, because an indemnity claim does not "concern the rights of a copyright holder," but instead the "allocation of responsibility between copyright infringers." Nor, the court found, would recognizing an indemnity claim interfere with any of the purposes or objectives of the Copyright Act.

Trademark

The Second Circuit Court of Appeals rejected a novel trademark claim in *Oliveira v. Frito-Lay, Inc.*, 251 F.3d 56 (2d Cir. 2001). Plaintiff, known professionally as the singer Astrud Gilberto, recorded the world-famous “Girl From Ipanema” in 1965 and has been identified with the song ever since. After obtaining licenses from the songwriters and the record company that owns the master recording, Frito-Lay included the recording in a commercial for Baked Lays potato chips. Lacking copyright protection (no federal copyright in sound recordings was recognized in 1965), Ms. Gilberto brought a trademark claim. Affirming dismissal of that claim, the Court of Appeals held that a performing artist cannot acquire a trademark in a recording of her “signature performance,” and that recognition of such a right “would be profoundly disruptive to commerce.” The court noted, however, that a musical composition can serve as a trademark or service mark (“See the U.S.A. in Your Chevrolet,” “You Deserve A Break Today — at McDonald’s”). Ms. Gilberto’s claims of violation of the right of publicity, unfair competition and unjust enrichment were remanded to state court.

Intentional Misspellings

Ruling in a case of first impression in its court, the Third Circuit Court of Appeals held that registering domain names that are intentional misspellings of distinctive or famous names is unlawful under the Anticybersquatting Consumer Protection Act (ACPA). *Shields v. Zuccarini*, 2001 WL 671607 (3rd Cir. June 15, 2001). Joseph Shields is an artist who markets popular animated cartoons (“Frog Blender” and “Micro-Gerbil” among them) under the “Joe Cartoon” label and using the domain name joecartoon.com. Mr. Zuccarini registered domain names including joescartoon.com, joecarton.com and cartoonjoe.com, where he operated Web sites including advertisements. Visitors to those sites were unable to leave without clicking on several ads, and Mr. Zuccarini received a payment for each such click. Affirming an award of statutory damages of \$10,000 per Web site and attorney’s fees, the appellate court found that Mr. Zuccarini’s conduct, which he dubbed “typosquatting,” comes squarely within the ACPA. The statute prohibits the use of domain names that are confusingly similar to distinctive or famous trademarks, with the “bad faith intent” of profiting from the confusion.

The Eleventh Circuit turned aside an attempt to use the Paris Convention for the Protection of Industrial Property, to which the U.S. is a signatory, as a source of jurisdiction over a dispute about use of a trademark in Lebanon. *International Café, S.A.L. v. Hard Rock Café International (U.S.A.) Inc.*, 2001 WL 585702 (11th Cir. May 31, 2001). Plaintiff sued Hard Rock Café International, a Florida corporation, claiming that Hard Rock had violated plaintiff’s exclusive rights to operate a Hard Rock Café in Beirut. Affirming the trial court’s dismissal of the complaint, the Court of Appeals held that the Paris Convention is not a source of jurisdictional power, and does no more than guarantee “national treatment” — meaning that foreign nationals are to be given the same treatment in the United States as that accorded U.S. citizens. The court then found that jurisdiction was lacking under the Lanham Act because plaintiff had not shown that the dispute had substantial effects on commerce in the United States.

Can the “overall image” of a pool hall qualify as trade dress protectible under the Lanham Act? Reversing a trial court’s grant of summary judgment, the Ninth Circuit Court of Appeals answered yes in *Clicks Billiards, Inc. v. Sixshooters, Inc.*, 2001 WL 585527 (9th Cir. June 1, 2001). Applying the test of *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992), which concerned the trade dress of a Mexican restaurant, the Court of Appeals found that plaintiff Clicks had presented sufficient evidence that nonfunctional elements of its design — such as the size and placement of the pool tables, the lighting and color combinations, cue racks, neon beer signs and wall and floor coverings — taken together could amount to protectible trade dress. Responses to a consumer survey and evidence that defendant Sixshooters had intentionally copied the design, were sufficient to create issues of fact on secondary meaning and likelihood of confusion.

Patents

Ruling in a high-stakes litigation that began in 1996, a panel of the Federal Circuit Court of Appeals held that a claim in an Eli Lilly patent covering the administration of its hugely successful antidepressant Prozac is invalid under the doctrine of “obviousness-type double patenting.” *Eli Lilly and Co. v. Barr Laboratories, Inc.*, 2001 WL 578859 (Fed. Cir. May 30, 2001). The double patenting rule prohibits a patentee from extending its exclusive rights to an invention by obtaining a later patent that is not “patentably distinct” — patentable in its own right — over the prior patent. In December 1986, Lilly obtained a patent for a method of blocking the uptake of serotonin in animals by administering Prozac; in May 1986, it obtained a patent on a method of treating anxiety in humans by administering the same drug. The appellate court found that the earlier patent anticipated the later one, because Prozac works by inhibiting serotonin uptake and humans are a species of animals. Therefore, no patentable distinction existed between the two.

Affirming a \$47.8 million award for infringement of a patent on a plate for surgical implantation in a patient’s spinal column, the Federal Circuit found that a machinist who had helped to produce the plate had not meaningfully contributed to the conception of the device and therefore could not be considered an inventor. *Acromed Corp. v. Sofamor Danek Group, Inc.*, 2001 WL 631334 (Fed. Cir. June 8, 2001). Rejecting Sofamor’s defense that the patent was invalid for failure to name the machinist, the appellate court found that Sofamor had failed to corroborate the machinist’s testimony that he had conceived of the entire invention. Without corroboration, such testimony could not amount to the clear and convincing evidence necessary to invalidate a patent. While the patentee conceded that the machinist had assisted in producing the device, that assistance did not rise beyond the “exercise of the normal skill expected of an ordinary” machinist.

Under § 102(b) of the Patent Act, a patent is invalid under the “on-sale bar” if the claimed invention was “on sale in this country” more than a year prior to filing of the patent application. In *Group One, Ltd. v. Hallmark Cards, Inc.*, 2001 WL 668549 (Fed. Cir. June 15, 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. To trigger the bar, an offer must be “one which the other party could make into a binding contract by simple acceptance” With that holding, the

Court of Appeals laid to rest its own dictum in *RCA Corp. v. Data General Corp.*, 887 F.2d 1056 (Fed. Cir. 1989), to the effect that activity that “does not rise to the level of a formal ‘offer’ under contract law principles” could be sufficient to invalidate a patent. Applying the correct standard to the case before it, the *Group One* Court reversed a district court’s grant of summary judgment invalidating the patent.

Broad Jurisdiction

Two decisions illustrate the broad reach of the Federal Circuit’s jurisdiction over any appeal in a case where district court jurisdiction is based “in whole or in part” on the patent laws. *Breed v. Hughes Aircraft Co.*, 2001 WL 664240 (9th Cir. June 14, 2001), in the words of that court, “serves as a reminder that pleading a patent claim in the complaint will, in all likelihood, put the case on the path to the Federal Circuit. . . .” Mr. Breed’s complaint alleged 13 state law claims, joined with a single claim requesting an order directing that he be added as an inventor to a Hughes patent. That was enough to place appellate jurisdiction in the Federal Circuit, even if the patent claim had not been actively pursued in the trial court. Similarly, in *McCook Metals, LLC v. Alcoa, Inc.*, 249 F.3d 330 (4th Cir. 2001), McCook filed an ancillary proceeding in federal court in Virginia, to enforce a third-party subpoena issued in connection with a case it had filed in an Illinois federal court. When the district court upheld the third party’s privilege claim, McCook appealed to the Fourth Circuit. That Court held that it lacked appellate jurisdiction because the Illinois case included a patent claim. The appeals in *Breed* and *McCook*, were each transferred to the Federal Circuit.

* * *

Lewis R. Clayton is a partner in the New York office of Paul, Weiss, Rifkind, Wharton & Garrison.