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BRINGING SUBMARINE PATENTS TO THE SURFACE

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Bringing Submarine Patents To The Surface

Patent law has historically been a compromise between competing interests and policies—large companies versus small inventors; the right to keep innovations confidential as trade secrets versus the policy of encouraging public disclosure of patentable inventions; the goal of harmonizing the Patent Act with foreign law versus the desire to preserve the traditional rights of U.S. inventors. All of those opposing forces are on display in the Intellectual Property and Communications Omnibus Reform Act of 1999, Pub. L. No. 106-113, 113 Stat. 1501 (1999). By signing the bill into law on November 29, President Clinton initiated the most significant changes in patent law since the passage of the Patent Act in 1952. Among other changes, the Reform Act provides for publication of some patent applications after 18 months, creates an unprecedented but limited “first inventor” defense, and expands the rights of third parties to challenge patents in reexaminations.

The United States is unique among major countries in processing patent applications in secret, a practice that is claimed to protect backyard inventors. But many critics believe that this process encourages “submarine” patents, which emerge after years of examination to surprise an unsuspecting industry. In response to these criticisms, the Reform Act provides for publication of applications within 18 months, unless the applicant agrees not to seek protection in foreign jurisdictions that require pre-publication of applications. The applicant therefore can choose to keep the application confidential at the price of foregoing foreign patent protection. If publication occurs and a patent that is substantially identical to the application ultimately issues, the patentee can collect royalties back to the publication date from infringers with actual notice of the publication.

The act’s “first inventor” defense takes a first step toward preventing infringement claims against persons who make an invention prior to the patentee and then use it confidentially. The defense provides a shield for accused infringers who establish that they independently invented a patented business method more than a year prior to the filing of the patent application and have not abandoned the invention. A showing of public use or knowledge is unnecessary. Significantly, the defense applies only to a patented “method of doing or conducting business,” a concept the statute does not define. A successful defense does not invalidate the patent, or create a property right or license that can be transferred by the accused infringer. If the defense is established, however, the accused infringer may increase the volume of its production and improve the invention, as long as those improvements do not infringe other claims in the patent.

The new law also helps to open up the reexamination process to non-patentees, bringing U.S. practice closer to that followed abroad. Under the prior procedure, a third party could request reexamination and file papers in support of that request, but could not participate in the proceedings. Under the act, a third party will now be permitted to respond to each submission made by the patentee during the proceedings, and will have the right to appeal an adverse finding to the Board of Patent Appeals and Interferences, but not to challenge board decisions in court. This participation, however, comes at a price—third parties will be estopped in later litigation from disputing facts determined in the

reexamination unless new evidence comes to light or those determinations are clearly erroneous.

One proposal that was not enacted would have required a study of the controversial subject of business method patents. The study was opposed by Internet and financial services companies, which, according to the U.S. Patent and Trademark Office, have filed “hundreds” of business method applications since the U.S. Court of Appeals for the Federal Circuit’s 1998 decision in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998). *State Street* upheld the validity of such patents. For now, at least, there is no consensus in favor of limiting the ability to patent a business method.

All things considered, the new law is a significant—but cautious—step towards patent reform.

Patents

Chip Fight

Integraph Corp. v. Intel Corp.

No. 98-1308, 1999 WL 1000717
(Fed. Cir. Nov. 5, 1999)

An Alabama federal court made headlines last year by ordering the giant chipmaker Intel to continue to provide products and confidential product development information to Integraph Corporation, a small manufacturer of computer workstations. Integraph alleged that Intel had stopped providing products and information in retaliation for Integraph’s patent infringement suit against Intel.

On November 5, 1999, the U.S. Court of Appeals for the Federal Circuit reversed, finding insufficient evidence that Intel’s actions threatened harm to competition. Rejecting Integraph’s argument that Intel had misused its monopoly power, the court stressed that Intel and Integraph were not direct competitors and found that Intel had the right to withhold patented technology and proprietary information, even in an attempt to force settlement of a patent dispute. The court found that “commercial negotiations to trade patent property rights for other consideration in order to settle a patent dispute”—conduct the district court called “hardball” tactics did not violate the Sherman Act.

Unsettling Settlements

*TM Patents, L.P. v. International Business Machines Corp.**

*Life Technologies, Inc. v. Promega Corp.***

*No. 97 Civ. 1529 (CM), 1999 WL 1033777 (S.D.N.Y. Nov. 8, 1999)

**No. Civ.A. AW-94-2776, 1999 WL 1016960 (D. Md. Nov. 4, 1999).

These cases considered novel questions concerning agreements to settle patent litigation. In *TM Patents*, TM brought an action in New York alleging infringement of a patent concerning the detection and correction of errors in computer data. In a prior litigation TM had brought in Massachusetts against another party, the judge construed certain terms in the patent after a two-day pretrial Markman hearing, and the parties settled during the trial itself. Resolving an issue of first impression, the New York district court held that the Massachusetts claim construction ruling was sufficiently final to operate as collateral estoppel, even though it had never been appealed. The court specifically noted that the Markman rulings were not vacated as part of the settlement—something a settling patentee should seriously consider if it is dissatisfied with a court’s claim construction findings.

In the second case, the Maryland district court vacated a consent order enjoining infringement of a patent. The court did so after finding in a later case between the patentee and a third party that the patent was unenforceable because of inequitable conduct. Applying Fourth Circuit law, the court found that Federal Rule 60(b)(5) gives a trial court discretionary power to vacate an injunction where “a significant change of circumstances warrants revision of the decree.” In view of its finding of inequitable conduct, the court found that it would be unfair to continue to prohibit defendant from practicing the patent. The court rejected the patentee’s arguments that it would be inequitable to allow the defendant to alter the terms of a settlement to which it had agreed, and that, at the least, the injunction should not be vacated pending the patentee’s appeal of the inequitable conduct ruling.

How Do You Define “Include”?

Toro Co. v. White Consolidated Industries, Inc.

No. 98-1334, 1999 WL 1178973 (Fed. Cir. Dec. 10, 1999).

This decision shows how elusive seemingly straightforward issues of claim interpretation can be. In *Toro*, a Federal Circuit panel split on the issue of whether the term “including” in a patent claiming a hand-held convertible vacuum/blower means that the “included” part of a structure must be “permanently attached” to the apparatus. Judge Pauline Newman, writing for the majority, held that one skilled in the art would not rely “solely” on a dictionary definition of this common term, but instead “understand the claims in light of the specification and the prior art, guided by the prosecution history and experience in the technologic field.” The structure illustrated in the specification and

drawings showed a permanent attachment. Dissenting judge Randall Rader emphasized that the “ordinary meaning” of “including—as expressed in dictionaries and patent drafting manuals—does not require physical attachment.”

Trademarks

Cybersquatters Beware

The new Anticybersquatting Consumer Protection Act permits suits against those who “traffic in” or use domain names that use a name or word that is a registered mark, are “confusingly similar” to a distinctive mark or dilutive of a famous mark. Plaintiff must show that the defendant acted in “bad faith” with the intent to extract a profit. “Bad faith” is determined by evaluating several factors including the registrant’s history of selling domain names and whether the registered domain name is used to provide bona fide goods or services. Where personal jurisdiction cannot be established against the registrant, the statute permits an in rem action to cancel the domain name in the district where suit may be brought against the domain name registrar.

What Were They Drinking?

National Football League v. Coors Brewing Co.

No. 99-7921, 1999 U.S. App. LEXIS 32547 (2d Cir. Dec. 15, 1999).

The U.S. Court of Appeals for the Second Circuit affirmed a preliminary injunction preventing Coors and the NFL Players Association from using the phrase “Official Beer of the NFL Players” to promote Coors’ products. As had the district court, the Second Circuit rejected the defendants’ fair use defense, finding that the term “NFL Players” was not used in a descriptive sense “and otherwise than as a mark,” as required under 15 U.S.C. § 1115(b)(4), “nor undertaken in good faith.” The court found that Coors wanted to capitalize on the goodwill inherent in the NFL trademark. The court also rejected a laches defense on the ground, among others, that “laches is not a defense against injunctive relief when the defendant intended the infringement.”

NSI Off The Hook

Lockheed Martin Corp. v. Network Solutions, Inc.

No. 97-56734, 1999 WL 965618 (9th Cir. Oct. 25, 1999).

The U.S. Court of Appeals for the Ninth Circuit turned aside an attempt to hold Network Solutions, Inc.—the organization that registers and routes domain names on the Internet—liable for contributory trademark infringement. Lockheed argued that NSI engaged in contributory infringement when it continued to provide services to registrants of infringing domain names after Lockheed put NSI on notice of the infringement. Analogizing

it to the U.S. Post Office, the court found that NSI could not be liable for contributory infringement because NSI merely “translates the domain-name combination to the registrant’s IP address and routes the information or command to the corresponding computer,” and does not exercise sufficient control over use of the mark.

Rappers Win Rosa Parks Case

Parks v. Laface Records

No. 99-CV-60256-AA, 1999 WL 1131972 (E.D. Mich. Nov. 18, 1999).

A Michigan district court reluctantly held that the use of Rosa Parks’s name in the title of a rap song did not violate the Lanham Act or her common law rights of publicity. Parks—well known for her role in a 1955 boycott of segregated buses in Montgomery—objected to use of her name in the title of a song she characterized as containing “profanity, racial slurs, and derogatory language directed at women.” The song’s lyrics do not refer directly to Parks, but a chorus, repeated ten times, includes the words “hush that fuss. Everybody move to the back of the bus.” The court held that the song was unmistakably an expressive work and that its content—the reference to the bus—was not “wholly unrelated” to the use of Parks’s name in the title. Parks’s claims under the Lanham Act were therefore barred under the First Amendment.

Copyright

Don’t Copy That Story

Tasini v. New York Times Co., Inc.

1999 WL 753966 (2d Cir. Sept. 24, 1999).

In hard-fought litigation, the U.S. Court of Appeals for the Second Circuit held that section 201(c) of the Copyright Act does not permit publishers of “collective works,” such as newspapers, to license to searchable databases, such as Nexis, articles in which the authors retain copyright rights. Section 201(c) gives publishers of collective works a privilege to distribute individual works in “any revision of that collective work” or in “any later collective work in the same series.”

The court found that searchable, electronic databases like Nexis were not “revisions” within the meaning of the statute, emphasizing that articles can be retrieved from the database individually, rather than in the context of the “selection, coordination, and arrangement” of the original collective work. The court noted that the privilege would not permit a publisher to “sell a hard copy of an author’s article directly to the public even if the publisher also offered for individual sale all of the other articles from the particular edition.” In the wake of this ruling, the National Writers Union has proposed a “Publication Rights Clearinghouse,” modeled after ASCAP and BMI, to issue blanket licenses to freelance

works. The publishers involved in the suit have so far rejected that option, and plan to require freelancers to sign assignments of republication rights in the future.

I Have A Trial

Estate of Martin Luther King, Jr., Inc. v. CBS, Inc.

194 F.3d 1211 (11th Cir. 1999).

A divided U.S. Court of Appeals for the Eleventh Circuit remanded for trial the issue of whether Martin Luther King, Jr.'s delivery of his famous "I Have a Dream" speech during the 1963 civil rights March on Washington constituted a "general publication" of the work under the Copyright Act of 1909 and therefore placed the speech in the public domain. King did not seek copyright protection for the speech until a month after it was delivered. The King estate sued for copyright infringement after CBS broadcast a documentary including film footage of about 60 percent of the speech.

Reversing summary judgment for CBS entered by the trial court, the Eleventh Circuit held that, under the case law, notwithstanding the huge audience who heard the speech and release of the text to the news media, restrictions on copying sufficient to defeat general publication could be inferred. Senior Judge Paul Roney dissented, concluding that the district court was correct in finding that the widespread dissemination of the speech constituted general publication.

Sunken Claims

Lindsay v. The Wrecked and Abandoned Vessel R.M.S. Titanic

52 U.S.P.Q.2d 1609, No. 97 Civ. 9248 (HB), 1999 WL 816163 (S.D.N.Y. Oct. 13, 1999) (upholding lower court).

A New York district court disagreed twice with the defendant in a case concerning competing claims to the copyright in a film documenting a 1996 salvage expedition to the Titanic. The court rejected the defendant's motion to dismiss even though the plaintiff did not actually film the sequences at issue. Plaintiff's alleged "high degree of control over [the] film operation," including the creation of detailed story boards and specific directions concerning underwater light towers and angles from which to shoot the wreck, was sufficient to support a claim of authorship. The court also rejected defendant's claim of joint ownership of the work, finding that plaintiff's alleged "veto" over creative decisions was inconsistent with joint ownership under section 101 of the Copyright Act.

The Internet

Prodigy Escapes Liability

Lunney v. Prodigy Services Co.

1999 N.Y. Slip Op. 10292,
1999 WL 1082126 (N.Y. Dec. 2, 1999).

The New York Court of Appeals dismissed an action that sought to hold an Internet service provider liable for the actions of a member. In *Lunney*, an unidentified person opened several accounts with Prodigy, an online service, using without authorization the name of plaintiff's teenaged son.

Through those accounts, the unidentified individual posted vulgar, profane and threatening messages.

New York's highest court held that Prodigy could not be held liable for defamation or negligence. Comparing e-mail to telephone service, the court held that an internet service provider plays only a "passive" role in transmitting e-mails it handles and is therefore not liable for their content. The court was unmoved by plaintiff's argument that Prodigy should be held liable because it reserved the right to exercise editorial control over e-mail messages posted to online bulletin boards. The court wrote that "even if Prodigy exercised the power to exclude certain vulgarities from the text of certain [bulletin board] messages, this would not alter its passive character in the millions of other messages in whose transmission it did not participate."