

DECISIONS & DEVELOPMENTS

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Patents • Trademarks • Copyrights • Trade Secrets • Antitrust • Government Contracts • Licensing • Litigation

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WEB HACKERS ONE, MOVIE ENCRYPTORS ZERO

Publication and dissemination on the Web of software which defeats an encryption code or protective code cannot be prevented under trade secret law; it is protected under the fundamental right of free speech.

Motion pictures stored on DVDs are protected from unauthorized use by means of encryption using a content scramble system (CSS). CSS is designed to restrict the playback of an encrypted DVD to a CSS equipped DVD player or DV drive which is capable of decrypting the DVD. DVDCCA a trade association of businesses in the movie industry controls the rights to CSS and licenses the CSS decryption technology to manufacturers of hardware and software for playing DVDs.

In October of 1999 a computer program entitled DeCSS was posted on the Internet allegedly by Jon Johansen a 15 year-old resident of Norway. DeCSS consists of computer source code which enables playing the encrypted DVD on a non-CSS equipped DVD player or drive. Soon after its initial publication on the Internet, DeCSS appeared on numerous web sites throughout the world, including the web site of Andrew Bunner. In addition many individuals provided on their web sites links to copies of DeCSS on other web sites without republishing DeCSS themselves.

DVDCCA brought suit under trade secret law against Bunner and numerous other named and unnamed individuals. DVD alleged that it protected its proprietary information by limiting its disclosure to only those who would sign licensing agreements prohibiting disclosure to others. DVDCCA alleged that the proprietary information contained in DeCSS had been obtained by willfully hacking and/or improperly reverse engineering CSS software.

DVDCCA sought and obtained an injunction restraining Bunner and the others from making any further use or otherwise disclosing or distributing or linking to other web sites which disclose distribute or link to any

proprietary property or trade secret relating to the CSS technology.

Bunner provided a variety of evidence and arguments concluding that what Johansen had done was perfectly permissible in fact encouraged under Norwegian law and also that Bunner was unaware that any trade secret rights had been violated or that Mr. Johansen had violated any agreements or laws or that any of DVDCCA's licensees had violated any agreements or laws resulting in the generation of Johansen's thesis.

Despite various defenses and arguments the court's focus was on the right of free speech. While trade secret law is broad beyond the mere enforcement of contractual non-disclosure obligations it does not override the protection of free speech offered by the First Amendment. DVDCCA's statutory right to protect its economically valuable trade secret is not an interest that is more fundamental than the First Amendment right to freedom of speech. The order granting a preliminary injunction was reversed. DVD Copy Control Association v. Bunner, 60 USPQ2d 1803 (CA Ct. App. 6th Distr.)

"SLEAZY TALENT AGENT" NOT ORIGINAL

The Court observed that the phrase "Sleazy Talent Agent" might be redundant. At least no one could reasonably claim a copyright in a concept of a sleazy talent agent. The question is what degree of detail must an author add to such a well-recognized character in order to obtain copyright protection.

Willis prepared an outline for a television situation comedy, known in the trade as a treatment, that proposed a series to be called "Schmoozers" that lampoons the lives of two smarmy east coast agents. Willis' treatment somehow found its way into the files of an employee at HBO which sometime thereafter produced a popular series entitled Arli\$\$, whose central character is a smarmy west coast sports agent.

Willis brought suit for copyright infringement and HBO defended on the grounds that the common subject matter of the two shows was insufficiently original to be copyright protected. The court agreed. After reviewing a substantial number of similarities and dissimilarities the court found that the strongest similarity between the two works at issue is that they both involve talent agents who operate in a “bottom-dwelling ethical nether world where lying is an art form; insincerity, a science, and personal convictions are as commonplace as nose rings”.

This concept, said the court, is not original or protectible under the copyright law. It does not strain the concept of judicial notice to observe that books, movies and television series are full of such unethical men and women in a variety of businesses and, as noted above, this is a not uncommon perception of talent agents. Willis v. Home Box Office, 60 USPQ2d 1916 (SDNY)

DRUG SCREENING PATENT NOT INFRINGED BY IMPORTATION

Under the patent law 35 U.S.C. §271(g) whoever without authority imports into the U.S. or offers to sell, sells or uses within the United States a product which is made by a process patented in the United States will be liable as an infringer. A product which is made by a patented process will for purposes of the patent law not be considered to be so if it has been materially changed by subsequent processes or it becomes a trivial and nonessential component of an other product.

Housey claims that its patents each entitled “Method of Screening for Protein Inhibitors and Activators” were infringed by Bayer. The patents generally relate to research methods used by pharmaceutical companies for discovering drugs. The patented methods enable companies to screen substances for active compounds that indicate a potential for development as pharmaceuticals.

Housey charges that Bayer infringes the patents when Bayer (1) sells in the United States a drug that was determined to be an inhibitor or activator of a target protein using the patented methods; and (2) when Bayer imports into or uses in the United States knowledge and information reflecting the identification or characterization of a drug acquired from using the patented methods.

The court agreed with Bayer and dismissed the infringement complaint. The court found that upon a plain reading of the statute §271(g) addresses only products that derive from patented manufacturing processes, i.e., methods of *actually making or creating a product* as opposed to methods of gathering information about, or identifying, a substance worthy of further development.

Here the method claims of the patents describe processes for recognizing substances with the potential for

development into pharmaceuticals. These processes of identification and generation of data are not steps in the manufacture of final drug products. Thus §271(g) is not applicable to the process claims in the patents and Howsey’s claims under §271 must be dismissed. Bayer AG v. Housey Pharmaceuticals Inc., 61 USPQ2d 1051 (DC Del.)

NEW OFFERING

Trade Secrets Protection and Exploitation is not only a major reference for businessmen and their lawyer-advisors but may well be one of the best teaching aids for business schools trying to educate in the post .com world. It goes well beyond the traditional defining of the nature of trade secrets and expanding on the applicable law. It deals with the practical and pressing problems which have arisen in parallel with the technology explosion. It teaches the use and content of trade secret protection programs and the use of covenants not to compete along with corporate raiding issues. Foreclosing on trade secret value through enforcement and licensing as well their effect in collaborative relationships is covered. Also covered are the domestic regulations of trade secrets and international considerations. A full Appendix of check lists and applicable laws is also included. Cohen and Gutterman, 2000 Supplement plus main volume \$195, Supplement only \$165. Bureau of National Affairs, Washington, D.C.

FIRM NEWS

On the Thursday before Christmas, partner Kirk Teska received a notice for a hearing the next morning, seeking a Temporary Restraining Order (TRO) against a client, BlackFin Research Co., and seven individual defendants by their former employer Fechter, Detwiler & Co., Inc. At issue were several trademarks and allegations of misappropriating Fechter’s trade secrets. After working well into the night with Iandiorio & Teska associate Roy Coleman and others, Kirk defeated Fechter’s bid for a TRO after the judge agreed that the trademarks at issue were not protectable and that the trade secrets at issue were not misappropriated.

\$50 MILLION PUNITIVE DAMAGE AWARD FOR FRAUD IN INDUCING LICENSE

Patent licensing is not a game of one-upmanship: it requires honesty and openness.

DeKalb and RPA were involved in a program to determine whether RPA’s patent technology could produce a corn which was so tolerant to herbicides that an

entire field could be soaked in herbicide to thoroughly kill all the weeds and yet not affect the corn. Further into this program DeKalb had carried out a number of tests which it duly reported to RPA. However the final test, a field test which proved the viability of the new herbicide resistant corn strain, was not reported to RPA. Without this knowledge RPA entered into a license agreement under RPA's technology which was very favorable to DeKalb.

When the relationship failed and litigation resulted, one of the claims by RPA was that it was fraudulently induced to enter into the license agreement.

Based on the failure to disclose those final results coupled with the less than credible testimony of the DeKalb employee who failed to report those results the jury found against DeKalb in the amount of \$15 million in damages for unjust enrichment and a dramatic \$50 million in punitive damages. Rhône-Poulenc Agro SA v. DeKalb Genetics Corp., 60 USPQ2d 1769 (CAFC)

PLANTS PATENTABLE EITHER WAY

Pioneer holds seventeen utility patents covering the manufacture, use, sale, and offer for sale, of its inbred and highbred corn seed products. When Pioneer brought suit for patent infringement Farm Advantage defended on the ground that the patents were invalid because the Plant Patent Act of 1930 (PPA) and the Plant Variety Protection Act (PVPA) set forth the exclusive statutory means for protecting plant life: these statutes are more specific than the utility patent law and thus each carves out a subject matter from the utility patent law for special treatment.

The question was, then, whether utility patents may be issued for plants. The question reached the U.S. Supreme Court after being answered affirmatively by both lower courts. The Supreme Court recognized over twenty years ago in *Chakrabarty* that the language of the patent law is extremely broad. In choosing such expansive terms as manufacture and composition of matter modified by the comprehensive "any", Congress, the Court said, plainly contemplated that the patent laws would be given wide scope. The Court thus concluded in *Chakrabarty* that living things are patentable and held that a man made microorganism fell within the scope of the statute. The relevant distinction was not between living and inanimate things but between products of nature whether living or not and human made inventions.

The infringers did not allege that Pioneer's patents were invalid for failure to meet the requirements for a utility patent. Nor did they dispute that plants otherwise fall within the terms of the utility patent's broad language that includes manufacture or composition of

matter. Rather they argued that the PPA and the PVPA provide the exclusive means of protecting new varieties of plants and so awarding utility patents for plants upsets the scheme contemplated by Congress.

The U.S. Supreme Court disagreed considering the two plant specific statutes in turn, they found that neither forecloses utility patent coverage for plants. J.E.M. Ag Supply Inc. v. Pioneer Hi-Bred International Inc., 60 USPQ2d 1865 (USSC)

SURF(ER)S UP

Abercrombie & Fitch is an outfitter catering to young people. In addition to sales in its over 200 stores, Abercrombie also sells merchandise through its catalog, the "Quarterly". The spring Quarterly had as its theme surfing and so contained a number of articles and pictures regarding the sport and history of surfing. On one of the pages there was a photograph showing a number of famous surfing greats, the "surfers".

The surfers objected and brought suit against Abercrombie on a number of grounds including misappropriation of their names and likenesses in violation of their right of publicity.

The lower court concluded that Abercrombie's use of the photographs constituted an expression protected under the First Amendment. On appeal this court disagreed.

The right of privacy or publicity protects a person's name and likeness against appropriation by others for their advantage. Under the California Civil Code any person who knowingly uses another's name, voice, signature, photograph, or likeness, in any manner for purposes of advertising without the person's prior consent is liable for damages. However no cause of action will lie for the publication of matters in the public interest, which rests on the right of the public to know and the freedom of the press to tell it. This First Amendment defense extends not only to reporting of recent events but also to publications about people who, by their accomplishments, mode of living, professional standing or calling, create a legitimate and widespread attention to their activities.

Although the theme of Abercrombie's catalog was surfing and surf culture, a matter of public interest, the use of the surfers' names and pictures was not to further that purpose. Abercrombie used the surfers' photographs essentially as window-dressing to advance the catalog's surf-theme. The court concluded that the illustrative use of the surfers' photograph did not contribute significantly to a matter of public interest and that Abercrombie cannot avail itself of the First Amendment defense. Downing v. Abercrombie & Fitch, 60 USPQ2d 1184 (9th Cir.)

FRAUD ON THE COURT IS NOT EQUAL TO FRAUD ON THE PATENT OFFICE

Litigation misconduct while serving as a basis to dismiss the wrongful litigant, does not effect the original grant of the property right. The doctrine of unclean hands does not reach out to extinguish a property right based on misconduct during litigation to enforce the right.

The governing principal is that whenever a *party* who seeks to set the judiciary machinery in motion and obtain some remedy, has violated conscience, good faith, or any other equitable principle, in *his* prior conduct, then the doors of the court will be shut against *him*; the court will refuse to interfere on *his* behalf, to acknowledge *his* right, or to award *him* any remedy.

In contrast inequitable conduct in the process of procuring a patent taints the property right itself. This theory regarding inequitable conduct furthers the paramount interest of insuring that patents issue from backgrounds free from fraud or other inequitable conduct. Upon a showing of inequitable conduct during acquisition of the patent, courts declare the patent unenforceable because the property right is tainted *ab initio*.

Thus, the remedies for litigation misconduct differ from the remedies for misconduct in acquisition of a property right. While inequitable conduct before the Patent Office renders the patent unenforceable by *any* party, the unclean hands doctrine bars only the offending party.

When Aptix brought suit for patent infringement based on its U.S. Patent No. 5,544,069 the trial court dismissed the patent infringement complaint after ruling the patent was unenforceable because Aptix submitted falsified engineering notebooks to the court.

Dr. Amr Mohsen, the founder, chairman, and chief executive officer of Aptix, is the sole inventor of U.S. Patent No. 5,544,069.

The trial record amply supports that Dr. Mohsen submitted 17 pages of his 1989 notebook to the court after adding new material to the signed and dated pages. Moreover, after Dr. Mohsen invoked his Fifth Amendment privilege and refused to testify about the forgery, disappearance, and reappearance of the notebooks, the trial court was free to make adverse inferences against him.

The trial court's finding of litigation misconduct fully justified its decision to invoke the unclean hands doctrine and dismiss Aptix from the suit but the further relief granted by the trial court namely the holding of the patent as unenforceable was not proper.

The trial court had broad discretionary power to fashion appropriate relief including denying any and all relief to Aptix, and ordering Aptix to pay reasonable attorneys fees and costs. However, under the law the record does not support a judgment rendering the patent unenforceable. Aptix Corp. v. Quickturn Design Systems Inc., 60 USPQ2d 1705 (CAFC)



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