DECISIONS & DEVELOPMENTS

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

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WEB SITE ORIGINATOR SUBJECT TO OUT-OF-STATE JURISDICTION

Nolan and Robinson are active Christian Scientists whose beliefs diverge in significant respects from those espoused and advanced by The First Church of Christ, Scientist. Nolan a resident of Arizona founded the University of Christian Science as an electronic campus on the world wide web which would allow others to study the teachings of Mary Baker Eddy and to exchange ideas.

Lacking the technical expertise necessary to create and maintain a web site Nolan obtained the assistance of Robinson of North Carolina. Nolan maintained close contact with Robinson and periodically sent revisions to the site's content which Robinson posted to the site. The Board of the First Church of Christ, Scientist filed a trademark infringement suit in North Carolina against both Robinson and Nolan for using marks which are the same or similar to those owned by the Board.

The fundamental issue on appeal was whether Nolan's contacts with North Carolina were sufficient to support the exercise of personal jurisdiction over him in the lawsuit brought there. The court decided they were.

Nolan had taken direct actions to create a connection with North Carolina by enlisting Robinson to download the web page design onto Robinson's domain located and maintained in North Carolina. Nolan then consistently sent information including solicitations for contributions and sales of merchandise to Robinson for use on the web site. There is no dispute that the material drafted and transmitted by Nolan formed the basis for the infringement and, finally, Nolan through Robinson had targeted the activities toward North Carolina. The web site was an interactive one engaged in the transaction of business within North Carolina. Nolan would have to defend the suit in North Carolina. <u>Christian Science Board of Directors of the First Church of Christ, Sciences v. Nolan</u>, 59 USPQ2d 1545 (4th Cir.)

GREETING CARD "LOOK AND FEEL" PROTECTED

Taylor brought suit against Four Seasons for copyright infringement of six of its greeting cards bearing original decorative designs. Four Seasons defends on the grounds among other things that the cards in dispute involve themes, techniques and concepts that are common in the industry and claims that Taylor cannot monopolize them. In particular Four Seasons asserts that the doctrines of merger and *scenes a faire* apply to negate Taylor's copyrights.

The merger doctrine is based on copyright statutory law which says that copyright protection for an original work of authorship does not extend to any idea. Thus, under the merger doctrine, copyright protection may be denied where the idea is inseparably tied to the expression of that idea. Under the *scenes a faire* doctrine, copyright protection may be precluded where the work contains features which are indispensable or standard for such a work.

To counter this charge Taylor demonstrated that the expression it seeks to protect on each of its greeting cards is only one of many ways to express the underlying idea. To establish this Taylor submitted an affidavit demonstrating from 10 to 33 different ways of expressing the idea contained in each of the six copyrighted card styles.

The ultimate question was whether the accused works had captured the total concept and feel of the copyrighted works. The court found that they did and held for Taylor granting its request for a preliminary injunction. <u>Taylor Corp. v. Four Seasons Greetings LLC</u>, 61 USPQ2d 1203 (DC Minn.)

NEW OFFERING

If you are attentive to technology law issues you are aware that "computer law" is growing exponentially in every dimension. One of those areas often overlooked is the criminal aspect of computer law from virus mongers to electronic embezzlers to privacy destroying hackers. Now in one book, 1,574 pages, <u>Computer and Intellectual Property</u>

Crime: Federal and State Law by A. Hugh Scott, there is a complete presentation beginning with the history and development of the law to the exposition of every federal law and the laws of all fifty states relating to criminal computer law. $275 Bureau of National Affairs, Washington, D.C.

BOOK REVIEW

It is not easy to understand the legalities of conducting on-line business on the Internet. But now there is available The Internet & E-Commerce Legal Handbook which provides guidance in critical areas including intellectual property in cyberspace, privacy and security, publishing on the Internet, and electronic contracts as well as advertising, marketing and distribution issues. Current laws and court decisions are used to explain the issues. There is included a generous number of useful legal forms. Scott W. Pink, Prima Publishing, Roseville, CA ($49.95)

PATENT ON-SALE BAR STRICTLY CONSTRUED UNDER BASIC CONTRACT LAW

When Linear sued Micrel for patent infringement Linear's patent was held invalid at the trial court because there had been an "offer for sale" more than one year before the patent application was filed.

On appeal, the appellate court reversed the holding of invalidity basically by adhering strictly to the basic contract law definition of "offer" and reinterpreting all of the acts of Linear that the lower court had held established an offer for sale.

In order to prevail in its defense, Micrel had to demonstrate that there was a definite offer for sale more than one year before the application had been filed. In order to invalidate the patent the invention must have been the subject of a commercial offer for sale and the invention must have been ready for patenting.

In order for an offer to exist it must constitute a manifestation communicated to the offeree so as to justify his understanding that by assenting a bargain would be concluded. Based on this precept the appellate court found that there was no on-sale bar offer for sale, constituted by the numerous advertising and promotional activities engaged in by Linear.

The court recited a litany of such activities: internal communications between Linear and sales representatives soliciting information on its pricing for the patented product did not constitute an offer for sale to a customer not privy to the communications; Linear's mere publication of preliminary data sheets and promotional information for the product communicated nothing to customers about Linear's intent thus could not be an offer for sale (those activities only indicated preparation to place the product on sale and preparation alone cannot give rise to an on-sale bar).

Even dissemination of advertising materials and other information about the product to customers was not sufficient to constitute an offer for sale. These materials, the court said, were designed to be informational in nature and were not intended as an offer for sale. They were presented so that the sales representatives and international distributors would identify them and *familiarize* themselves with customers *who might be able to use* the product. Even providing customers with preliminary datasheets on the product did not reveal the requisite "intent to be bound" which is the essence of an offer. And finally even the numerous requests for samples made by sales representatives in the days leading up to the release date did not constitute an offer for sale. The holding of invalidity was reversed. Linear Technology Corp. v. Micrel Inc., 61 USPQ2d 1225 (CAFC)

STREAMING MUSIC NOT EXEMPT FROM LICENSING FEES

A group of radio broadcasters challenged a rule made by the U.S. Copyright Office. The Office in its rule making considered whether an FCC-licensed AM or FM radio broadcaster who is now exempt from paying royalties to record producers and recording artists when it broadcasts a recording in its FCC-licensed geographic area, remains exempt when the same broadcast is transmitted digitally over the Internet, in a practice known as streaming.

The copyright law exempts non-subscription broadcast from the public performance right, 17 USC 114(d)(1)(A). The copyright law also sets out exemptions from the public performance right for making ephemeral copies of recordings for the limited purpose of effecting a transmission, 17 USC 112. Broadcasters claim that their practice of streaming AM/FM broadcasts over the Internet should be classified as a non-subscription broadcast and they should be entitled to make ephemeral copies of copyrighted recordings under section 112.

In its rulemaking, the Copyright Office determined to the contrary that AM/FM broadcast signals transmitted simultaneously over a digital communications network, such as the Internet, are not exempted by section 114(d)(1)(A) and thus are subject to the limited public performance right of sound recordings for which a special royalty payment will be due. On appeal this court agreed based on the ambiguity that emerged from the reading of the statute as well as the legislative history of the relevant law and in addition to the deference required to be shown to the reasonable determinations of government agencies. Bonneville International Corp. v. Peters, 59 USPQ2d 1622 (EDPa)

SALES FROM PATENTEE'S SUPPLIER INVALIDATE PATENT

Under §102(b) of the patent law a person is entitled to a patent unless the invention was sold or on sale more than one year before the application for the patent was filed.

OEA owns a patent which issued on an application filed on August 27, 1992 making the critical date for the "on sale" bar August 27, 1991. More than a year earlier however OEA began negotiating with a supplier, Coors Ceramics Company, which unlike OEA had the capacity to mass produce OEA's invention – an all-glass header relating to automobile airbags.

In April 1991 OEA sent Coors a proposal requesting that Coors manufacture at least half of OEA's needs for the commercial embodiment of the prospective patent. In May 1991, Coors accepted. In June 1991, OEA ordered 20,000 units of the claimed invention for delivery beginning in July 1991. That July, Coors also outlined the general terms for a requirements contract that would annually supply OEA with millions of units of its own invention and OEA agreed later that month.

OEA does not contest that its April 1991 proposal to Coors, its June 1991 order for 20,000 commercial units of its own invention, and Coors'and OEA's July 1991 agreement to a requirements contract each constituted an offer to sell for purposes of §102(b).

That would ordinarily end the matter but OEAasked that the court recognize a "supplier" exception to the on-sale bar: that is, since the sale was made from the patentee's supplier *to the patentee* it should be an exception to the 102(b) bar. The court refused.

The text of §102(b) itself makes no room for the supplier exception stating only that "a person shall be entitled to a patent unless... the invention was... on sale in this country, more than one year prior to the date of the application for patent in the United States." By phrasing the statutory bar in the passive voice, Congress indicated that it does not matter *who* places the invention "on sale"; it only matters that someone - inventor, *supplier* or other third party - placed it on sale. It is of no consequence that the sale was made by a third party to the inventor or a patentee. Special Devices Inc. v. OEA Inc., 60 USPQ2d 1537 (CAFC)

FEAR OF PACKAGE TAMPERING EQUALS TRADEMARK INFRINGEMENT?

Davidoff manufactures Davidoff Cool Water fragrance products and owns the U.S. trademark. PLD acquires Davidoff fragrances that are intended for overseas sale or that are sold in duty-free sales. PLD then distributes them to discount retail stores in the U.S.

At the time PLD acquires the product the original codes on the bottom of the boxes are covered by white stickers, and batch codes on the bottles themselves have been obliterated with an etching tool. The etching leaves a mark on the bottle near its base. The batch codes are removed to prevent Davidoff from discovering who sold the fragrances to PLD.

Davidoff filed suit and obtained a preliminary injunction against PLD for infringement of its trademark: distribution of Davidoff's fragrances with the batch codes removed and obliterated constituted infringement.

On appeal this court agreed. The resale of genuine trademarked goods generally does not constitute infringement. Under the "first sale" or "exhaustion" doctrine, the trademark protection is exhausted after the owner's first authorized sale of the product. The doctrine doesn't hold true, however, if the infringer sells trademarked goods that are materially different than those sold by the trademark owner. A material difference is one that the consumers consider relevant to a decision about whether to purchase a product. The resale of a trademarked product that has been altered, resulting in physical differences in the product, can create a likelihood of consumer confusion.

Etching the glass to remove the batch code degrades the appearance of the product and creates a likelihood of confusion. The etching may lead a consumer to think that the product had been harmed or tampered with. This alteration of the product adversely effects Davidoff's goodwill, creates a likelihood of consumer confusion, satisfies the material difference exception to the first sale doctrine, and constitutes a trademark infringement. Davidoff & Cie SA v. PLD International Corp., 60 USPQ2d 1046 (11th Cir.)

PUBLISHER'S COLLECTIVE COPYRIGHT DOESN'T PROTECT AUTHOR

Morris has written a series of articles under the name Mood News for a column in *Allure* magazine a monthly publication of The Condé Nast Publications Inc. Condé Nast was granted exclusive first worldwide publication rights for 90 days after their publication in *Allure* but Morris retained ownership of the copyright in the articles.

Condé Nast obtained copyright registrations for each issue of *Allure* in which Morris' articles were published. However, these registrations covered the issues as collective works. Morris did not register her own copyrights in the articles.

BCI publishes a newsletter which copied, essentially verbatim, 24 of Morris'"Mood News" articles.

Morris brought suit for copyright infringement. BCI moved for summary judgement on all claims arguing that Morris had not registered the copyright in the articles as was required to maintain an infringement action under the copyright law, 17 USC §411(a).

The issue then was: when an author has retained ownership of a copyright, can an exclusive licensee like Condé Nast be considered a "copyright owner" capable of satisfying the registration requirement under §411(a).

The court found in the negative. Unless the copyright owner of a collective work also owns all the rights in a constituent part a collective work registration will not extend to that constituent part.

Since the court found that Condé Nast was not a copyright owner of Morris' articles when it registered the issues of *Allure* as collective works, Morris' articles did not fall within Condé Nast's collective works registrations as constituent parts. Therefore the individual articles were not under copyright registration and Morris could not bring suit in Federal Court for infringement against Condé Nast. However Morris could certainly register the works now and bring suit against any future infringers. Morris v. Business Concepts Inc., 59 USPQ2d 1581 (2nd Cir.)

EARLIER INVENTION INVALIDATES PATENT

An earlier inventor need not have appreciated the inventiveness or even the patentability of his work in order for it to invalidate a patent obtained on a later made invention.

Plastic foam products may be made by using a blowing agent to expand a polystyrene, polyethylene, or other polymer resin. Prior to the middle 1980s foam manufacturers commonly used chlorofluoro-carbon (CFC) blowing agents to produce polyethylene foam but environmental concerns prompted the more environmentally sensitive blowing agents.

A non-party Japanese company JSP held a patent claiming the process for producing foam using non-CFC blowing agents. AVI became aware of the JSP patent and following its teachings it created a foam using isobutane as the non-CFC blowing agent on March 3, 1984. Within a few days thereafter AVI purchased a license to the JSP patent. AVI then developed a commercially viable process for producing foam using isobutane as the blowing agent. AVI began commercial production by September, 1986 and by October 13, 1986 had sold 190 rolls of the isobutane-blown polyethylene sheet foam.

Dr. Park, a scientist at Dow, also developed a process for producing isobutane-blown foam which resulted in three patents. He conceived the claimed inventions in late August of 1984, some five months after AVI's work.

When Dow sued AVI for patent infringement AVI defended on the grounds that the patent was invalid under §102(g) of the patent law because a person is not entitled to a patent if before that person's invention the invention was made by another inventor who had not abandoned, suppressed or concealed it.

Dow argued that §102(g) doesn't apply because no one at AVI qualified as an inventor since no one at AVI believed he invented anything, and it never occurred to them to take out a patent on something they had already licensed from JSP.

Dow's argument is that even if AVI reduced the Park invention to practice in 1984 AVI nevertheless failed to conceive that it was an invention and thus no one at AVI can be considered to be an inventor. In other words one cannot be an inventor according to Dow without recognizing or appreciating that he invented something.

The court disagreed. The date of conception or a prior inventor's invention under 102(g) is the date the inventor first appreciated the fact of what he made. The inventor need not be the first to appreciate the patentability of the invention. Dow Chemical Co. v. Astro-Valcour Inc. Co., 60 USPQ2d 1519 (CAFC)

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