DECISIONS & DEVELOPMENTS

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

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THUMBNAIL PHOTOS NOT INFRINGEMENT: LINKS ARE

Kelly is a professional photographer who has copyrighted many of his images of the American West. Some of these images are located on Kelly's web site or other web sites with which Kelly has a license agreement. Arriba operates an internet search engine that displays its results in the form of small pictures or thumbnails. Kelly complains that this is a copying of his photos and constitutes copyright infringement. Kelly complains that a second infringement occurs when the thumbnail is clicked on because this causes the image to be imported from another web site and displayed as though it is a part of a current Arriba web page surrounded by its text and advertising. Viewers would not realize that this image was actually being viewed from the original web site and was not copied.

The court found for Arriba with respect to the thumbnails because despite the fact that Arriba made exact replications of Kelly's images, these thumbnails were much smaller, lower resolution images with an entirely different function then Kelly's original images. Users were unlikely to enlarge the thumbnails and use them for artistic purposes because they were of much lower resolution than the originals. Any enlargement would result in a significant loss of clarity of the image making it inappropriate as display material.

As to the linked images the court found in Kelly's favor. Arriba's inline linking to and framing on its own web page of Kelly's full size images does not entail copying them but rather importing them directly from Kelly's web site. Therefore, it cannot be copyright infringement based on the reproduction of copyrighted works as in the previous discussion. But by inline linking and framing Kelly's images, Arriba is showing Kelly's original works without his permission. And this use of Kelly's images infringes upon Kelly's exclusive right to display the copyrighted work publicly in violation of the copyright law. Kelly v. Arriba Soft Corp., 61 USPQ2d 1564 (9th Cir. CA).

TRADEMARK HELD ABANDONED FOR LACK OF QUALITY CONTROL

It is well established that a trademark owner may grant a license and remain protected only if quality control of the goods and services sold under the trademark by the licensee is maintained. Uncontrolled or naked licensing may result in the trademark ceasing to function as a symbol of quality and controlled source.

Consequently, when the licensor fails to exercise adequate quality control over the licensee, the court may find that the trademark owner has abandoned the trademark in which case the owner would be estopped from asserting rights to the trademark. Such abandonment is purely an involuntary forfeiture of trademark rights, for it need not be shown that the trademark owner had any subjective intent to abandon the mark.

When Barcamerica brought suit for trademark infringement against Tyfield, Tyfield countered with a claim that Barcamerica had abandoned its mark for failure to control the quality of a licensee's product.

The evidence shows that Barcamerica had entered into a license agreement with another party, Renaissance, giving it the right to use its mark Da Vinci for wines with no quality control provision in the agreement. A second, later license granted an exclusive license to use Da Vinci in the United States for wine or alcoholic beverages and again the agreement contained no quality control provisions. In fact, the only evidence in the record of any efforts by Barcamerica to exercise quality control over Renaissance's wines comprised of Barcamerica's principle George Barca's testimony that he occasionally, informally tasted the wine, and to Barca's testimony that he relied on the reputation of a world famous winemaker employed by Renaissance at the time that the agreements were signed. The winemaker in now deceased.

The court held that Barcamerica had engaged in naked licensing of the Leonardo Da Vinci mark and that by doing so had forfeited all of its rights in the mark. Barcamerica International USA Trust v. Tyfield Importers Inc., 62 USPQ 2nd 1673 (CA 9)

EXPERIMENTAL USE KEEPS DOCK INVENTION AFLOAT

When EZ Dock brought suit against Schafer Systems for infringing its patent on a floating dock Schafer moved for and obtained a summary judgment on the grounds that the patent was invalid because the dock had been on sale for more than a year before the patent application was filed. On appeal EZ Dock argued the sale was excused because it was involved in an experimental use that proved the viability of the invention. To prove experimental use the experiment must include tests needed to convince the inventor that the invention is capable of performing its intended purpose in its intended environment.

There was much evidence to show experimental use. When EZ Dock sold that first dock in question it was not yet selling any docks: it didn't have a "for sale" sign, a brochure or any other markings that indicate that the docks present in the office supply store were for sale. Further, the buyer was not charged full market price for the dock. Moreover, EZ Dock added free equipment and free installation to the price that they did charge which was approximately 75% of the retail price.

The inventors showed their sale was experimental rather than premature commercial exploitation by other actions as well. For instance, courts have often considered evidence of monitoring to discern the distinction between experimental and commercial sales. In this case the inventors both visited the dock on several occasions. Moreover, they made repairs for free. These facts show the inventors were still working to detect and correct flaws in their invention. Experimental use is particularly evident when the inventors are testing for claimed features of the invention. It is settled law that experimental use does not apply to experiments performed with respect to non-claimed features of the invention.

These floating docks by their nature must endure all kinds of water conditions including choppy water created by weather and boating. The waters at Bass Camp, the location of the buyers dock, were much rougher than the waters at the inventors' marina where they were testing other dock sections. The inventors testified that they sold the dock to this purchaser to test how it would hold up under these more turbulent water conditions. In other words the inventors testified that they sold the dock to determine whether it was capable of performing its intended purpose in its intended environment, a classic underpinning of experimental use evidence.

Moreover the dock that was purchased had rectangular shaped pylons. The inventors later changed the pylon shape of their dock design to frustoconical based on the results of their dock testing. It was this frustoconical shape that was actually claimed in one of the claims of the patent. When the inventor can show changes during experimentation that result in features later claimed in the patent application, this evidence is a strong indication the activities of the inventor negated any evidence of premature commercial exploitation of an invention ready for patenting.

The appeals court vacated the lower court's grant of summary judgment and remanded the case for trial. EZ Dock Inc. v. Schafer Systems Inc., 61 USPQ2d 1289 (CAFC).

SALE TO INVENTOR INVALIDATES PATENT

The patent law provides that a person is not entitled to a patent if the invention was sold or offered for sale in this country more than a year prior to the date of the application for patent in the United States. OEA owned a U.S. patent for an airbag initiator which sets off, or initiates, the explosion that results in the expansion of a vehicle's airbag. Special Devices filed suit to have the patent declared invalid because the invention was offered for sale more than a year before the patent was filed. The effective filing date of that patent was August 27, 1992. Therefore the critical date for purposes of invalidity under the patent law is August 27, 1991. If the sale or offer to sale occurred before that date, the patent would be invalid.

Initially, OEA set out to develop a header for an airbag initiator that it could manufacture at reduced cost. Contemplating that an all-glass header might be the way to go, OEA contacted Coors Ceramics Company and provided Coors a drawing containing specifications for that header. Coors delivered 100 pieces for OEA to test, on February 22, 1991, and the court held that it was not clear whether these 100 test units were delivered in exchange for consideration and thus it could not conclude as a matter of law that Coors provision of these 100 units did in fact constitute a sale.

However, based on the evaluation of those 100 test units, OEA decided that Coors was a suitable commercial vendor, and on April 19, 1991 sent Coors a proposal requesting Coors to manufacture at least 50% of OEA's commercial requirements. In a letter of May 2, 1991 Coors agreed to the proposal. On June 4, 1991, OEAordered two lots from Coors, totaling 20,000 units for delivery scheduled beginning mid- to late-July, 1991. On July 10, 1991, Coors proposed a general outline for an ongoing requirements contract for millions of units per year, and on July 23, 1991 OEAnotified Coors that the proposed terms were acceptable, and asked Coors to prepare a formal agreement.

In light of the foregoing undisputed facts, the court found as a matter of law that the letters from OEA to Coors on April 19 and June 4, 1991, as well as Coors'proposal of an ongoing requirements contract on July 10, 1991, constitute three separate commercial offers for sale, all of which occurred prior to the critical date of August 27, 1991.

OEA argued, among other things, that the sales should not be considered as commercial offers for sale because they were merely sales by a supplier to the inventor itself. The court disagreed. A transaction does not have to be made to the ultimate users of a product to constitute a violation of the sale bar. It is of no consequence that the sale was made by a third party, not the inventor, and it is irrelevant that the product was constructed and the sale made pursuant to the inventor's own directions. Based on this the court granted Special Devices' motion for a summary judgment invalidating certain claims of the patent. Special Devices Inc. v. OEA Inc., 56 USPQ2d 1627 (CD Ca).

BARNEY'S IMAGE PRESERVED

Lyons owns all the intellectual property rights to the character Barney the well-stuffed Tyrannosaurus Rex with a green chest and stomach, friendly mien, green spots on its back, and yellow toeballs. Barney is readily recognizable to young children, who repeatedly parrot his song, "I Love You," often testing the patience of nearby adults. Lyons does not license Barney costumes because of its inability to police the behavior of those who might appear in the costume.

Lyons brought suit for copyright and trademark infringement among other things against Morris who operated a retail costume rental establishment that rented out different forms of a "Duffy" costume to the public each of which looked like Barney.

In determining copyright infringement one of the things the court must do is to determine whether the works are intrinsically similar in the sense that they express similar ideas in a substantially similar manner from the perspective of the intended audience of the work. The court must inquire into the total concept and feel of the works but only as seen through the eyes of the ordinary observer who is a member of the intended audience for the work. The lower court found that the costumes were intrinsically similar to the Barney character because the average adult renter or purchaser of those costumes would not be confused. It found the impact on the children irrelevant because they were only able to view the costumes after an adult had obtained them.

On appeal the court disagreed. All the relevant evidence tended to show that the target for the costumes was an audience consisting of young children. Accordingly the economically important views are of those young children who watch Barney on television, wear T-shirts bearing his likeness, and desperately hope that the purple dinosaur will make an appearance at their birthday parties. Even if adults could easily distinguish between Barney and Duffy a child's belief that they are one and the same could deprive Barney's owners of profits in a manner that the Copyright Act deems impermissible.

The court said that it could only surmise the economic impact that will be felt by Lyons in its future sales of copyrighted materials if the people in the costumes mistaken by children for Barney were to conduct themselves in a manner that undermined the image that Lyons had created in Barney. The case was returned to the lower court for reconsideration of the issues. Lyons Partnership L.P. v. Morris Costumes Inc., 58 USPQ2d 1102 (CA 4)

ENGINE COMPUTER CHIP PROTECTED

Superchips makes and sells computer chips designed to enhance the performance of automobile engines. Automobile engines are controlled by on-board computers which need two things to function: a software program and data tables which contain predetermined, factory set values that the software program reads and acts upon to control the engine.

Superchips undertakes extensive dynamic testing of automobile engines to determine optimal performance characteristics unique to a specific engine or after-market products incorporated into the engine. Superchips downloads a factory set data table to its own computer, changes a number of values within the data table, uploads the modified data table to a computer chip, and places the chip inside the module designed to attach to engine computers. Superchips does not write a new executable source code, it only adjusts values in the data tables. The architecture of the underlying computer program controls and limits the nature and extent of any adjustments. When Street began offering a similar product Superchips brought suit for copyright infringement and misappropriation of trade secrets.

The court found that Superchips' act of changing numerical values in the factory data tables to achieve the aforementioned performance is not one which is so mechanical and routine as to require no creativity whatsoever. Accordingly Superchips' modifications were sufficiently original to support a valid copyright which was infringed by Street.

As to the trade secrets, the court said, the data derives independent economic value from not being generally known to Superchips competitors. The location of the data tables and the interrelationship between the data tables and engine performance are the factors not generally known to third parties who have not devoted substantial time and effort in the research and development. If a competitor could gain access to Superchips' codes, it would save months, if not years, of research and development and save hundreds of thousands of dollars.

In addition the court found that Superchips had exercised reasonable efforts to maintain the secrecy of its programs under the circumstances. Superchips encrypts its codes before they are made available to the public and seals the chip into a module to prevent direct copying. Superchips creates password protections on its bulletin board system to insure that only authorized distributors and dealers have access to the encrypted programs. The programs contain identifiers that limit the chip program to Superchips'own modules. Based on this the court entered a final judgment and a permanent injunction against Street. Superchips Inc. v. Street & Performance Electronics Inc., 61 USPQ2d 1589 (DC MFla).

BETTER PIZZAAND BETTER ADVERTISING?

Papa John's launched its first national ad campaign directed towards Pizza Hut and its "totally new pizza" campaign using a pair of TV ads featuring Pizza Hut's own co-founder, Frank Carney. Carney tells the superiority of Papa John's pizza over Pizza Hut's pizza. Although Carney had left the pizza business in the 1980's, he returned as a franchisee of Papa John's because he liked the taste of Papa John's pizza better than any other pizza on the market. This ad campaign was remarkably successful. Following this Papa John's launched a second series of ads telling the results of a taste test in which consumers were asked to compare Papa John's and Pizza Hut's pizzas. Papa John's won again.

Following the taste test ads Papa John's ran a series of ads comparing specific ingredients used in pizzas with those used by their competitors. Papa John's touted the superiority of its sauce and its dough asserting that its sauce was made from "fresh vine-ripened tomatoes" canned through a process called "fresh pack" while its competitors – including Pizza Hut – make their sauce from remanufactured tomato paste. Papa John's also stated that it used "clear filtered water" to make its pizza dough while the "biggest chain" uses "whatever comes out of the tap". Papa John's also asserted that it gives its yeast "several days to work its magic," while "some folks" use "frozen dough or dough made the same day." At or near the close of each of these ads Papa John's punctuated its ingredient comparisons with the slogan "Better Ingredients. Better Pizza."

Pizza Hut brought suit for false advertising under §43(a) of the Lanham Act. It did not contest the truth of the factual assertions in the ad but argued that its own taste tests and other scientific evidence established that there is no difference in the pizza dough or the sauce or the taste and that the combination of these statements and the slogan "Better Ingredients. Better Pizza." was false or misleading.

On appeal this court disagreed saying that it was not actionable opinion, merely puffery. The Court found that Papa John's sauce and dough ads were misleading but not false. When the slogan was used as a tag line in the sauce and dough ads it became misleading. Thus, the question was whether reasonable consumers would have a tendency to rely on this misleading statement of fact in making their purchasing decisions, and the Court decided this was not the case. Pizza Hut had failed to produce evidence establishing that the misleading statement of fact conveyed by the ads and the slogan was material to the consumers to which the slogan was directed. Consequently, there was no false advertising liability under the Lanham Act. Pizza Hut Inc. v. Papa John's International Inc., 56 USPQ2d 1246 (5th Cir.).

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