

DECISIONS & DEVELOPMENTS

By Joseph S. Iandiorio, Patent Attorney • 260 Bear Hill Road, Waltham, MA 02451 • Rte 128 near Mass. Pike • (781) 890-5678

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

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FREE SPEECH NOT SO FREE

On or around October 1996 the electronic and print media began reporting that in the factories where Nike products are made in China, Vietnam and Indonesia workers are paid less than the applicable local minimum wage; required to work overtime; allowed and encouraged to work more overtime hours than applicable local laws allowed; subjected to physical, verbal and sexual abuse; exposed to toxic chemicals, noise, heat and dust without adequate safety equipment in violation of applicable local occupational health and safety regulations.

In response to this adverse publicity and for the purpose of maintaining and increasing its sales and profits Nike and some of its employees made statements to the consuming public proclaiming that workers who make Nike products are protected from physical and sexual abuse, that they are paid in accordance with applicable local laws and regulations governing wages and hours, that they are paid on average double the applicable local minimum wage, that they receive a living wage, that they receive free meals and healthcare, that their working conditions are in compliance with applicable local laws and regulations governing occupational health and safety. Group of individuals, consumers in California brought suit claiming that these statements by Nike were false and misleading and seeking restitution requiring Nike to disgorge all monies acquired by means of any act found to be an unlawful and unfair business practice.

The lower court dismissed the action but on appeal the California Supreme Court reinstated it. The issue, said the court, was whether Nike's allegedly false and misleading statements were commercial speech or non-commercial speech for analyzing the protections afforded by the first amendment of the Constitution.

It has been established that false and misleading speech has no constitutional value in itself as protected

only in circumstances and to the extent necessary to give breathing room for the free debate of public issues under the First Amendment. Commercial speech however can be effectively regulated to suppress false and actually or inherently misleading messages without undue risk of chilling the public debate function.

With these basic principles in mind the California Supreme Court concluded that when a corporation, to maintain and increase its sales and profits, makes public statements defending labor practices and working conditions at factories where its products are made, those public statements are commercial speech that may be regulated to prevent consumer deception.

A strong dissent sought to make a distinction between speech which was unrelated to the characteristics of the product or service and more generally the right of a business to comment on public issues especially in debates initiated by others. Kasky v. Nike Inc., 65 USPQ2d 1262 (Calif SupCt).

M&Ms DON'T MELT

When Masterfoods brought suit seeking a preliminary injunction for infringement of the trade dress of its m&m candy packages it had to prove a likelihood of success on a number of issues. First, that the trade dress was protectable because it was either inherently distinctive or it had acquired distinctiveness through secondary meaning, and second, that the alleged infringer Arcor's trade dress has caused or is likely to cause consumer confusion. In addition, the trade dress must be shown to be non-functional. Functionality is defined as a quality essential to the product's purpose.

The court found in favor of Mars and m&m's in each instance and granted the preliminary injunction. The fact that as Arcor alleges that the background colors of the packaging brown for chocolate and yellow for peanut based m&m's was instructive does not constitute

functionality. And m&m's trade dress was determined to be inherently distinctive, arbitrary and fanciful. Further through advertising the m&m trade dress had more than likely acquired a secondary meaning because the overall trade dress for m&m's packages allows the consumer to quickly identify those m&m products among dozens of other packages of candy. Masterfoods USA v. Arcor USA Inc., 65 USPQ2d 1342 (DC WNY).

TIGER BY THE TAIL

When Celebration found that Chosun was making tiger costumes similar to its own copyrighted costume, they brought suit for copyright infringement and sought a preliminary injunction.

The first hurdle that Celebration had to clear was whether the tiger costume was protected by copyright at all. Copyright does not cover useful articles. Copyright in the design of a useful article may be claimed only if and only to the extent that the design incorporates pictorial, graphic or sculptural features that can be identified separately from and are capable of existing independently of the utilitarian aspects of the article. Costumes, like clothing garments, clearly have a utilitarian aspect because they cover the wearer's body and protect the wearer from the elements. Celebration cleared this hurdle: the court found the sculptural aspects of the tiger costume were both physically and conceptually separable from the utilitarian function and so it was copyrightable.

Celebration also showed Chosun had access to its designs which is an element of copyright infringement. However, what it didn't know was that Chosun could show that the design of its tiger costume had been derived from its own stuffed animals which were shown in its own catalogs not from Celebration's costume. Having established this earlier independent creation Chosun thereby overcame the proof of substantial similarity and access previously offered by Celebration resulting in the court's denial of Celebration's application for a preliminary injunction. Celebration International Inc. v. Chosun International Inc., 65 USPQ2d 1504 (DC SInd).

NEW OFFERINGS

Trademark & Copyright Disputes, Litigation Forms and Analysis by Battersby and Grimes means exactly what it says. From cease and desist letter to appeals and petitions for certiorari. This work is truly focused on litigation. There are over sixty documents and forms covering every phase of litigation including

practice tips, checklists and drafting guidelines. The careful crafting of complaints of infringements for federally registered trademarks and infringements of unregistered trademarks, cancellations, oppositions, copyright infringement, false designation of origin, trade dress infringement, and even WIPO complaints for disputed domain names are covered. A full treatment of motion practice including preliminary injunctions for both copyright and trademark, and ancillary seizure orders, memorandums of law in support of and opposition to preliminary injunctions are covered as well as summary judgment motions, motions for attorney fees and default judgments. Each category of discovery: documents, interrogatories, admissions and depositions are fully treated as are trial practice, orders and motions including proposed jury instructions, trial briefs, and settlement agreements. One volume, \$180.00, Aspen Publishers, New York, NY.

MERCEDES' NUMBERS UP

Bloom became part owner of a Mercedes dealership and acquired the toll-free telephone number 1-800-637-2333 one possible alpha-numeric translation of which is 1-800-MERCEDES.

Mercedes made several attempts to acquire the number from Bloom but the negotiations failed. Then Mercedes sent Bloom a cease and desist letter stating that he could no longer use the number because such use violated his Dealer Agreement. In the same letter Mercedes informed Bloom that his continued possession and use of that number interfered with Mercedes' plan to use that number for its Client Assistance Center (CAC).

Subsequently Bloom formed MBZ, an independent telecommunications company specializing in the use of vanity phone numbers. MBZ managed the shared use of the MERCEDES phone number with other Mercedes dealers throughout the country. It licensed the number to six Mercedes dealers and granted them exclusive use of the telephone within an area. MBZ provided call pattern analysis and other marketing services to the licensee dealers in exchange for payment. The licensees then marketed the phone number in the agreed to areas.

Mercedes terminated its Dealer Agreement with Bloom and filed action against him for trademark infringement, dilution and unfair competition. Summary judgement was granted in Bloom's favor and Mercedes appealed and lost.

There was no dispute that MBZ only licensed the phone number but did not advertise or promote Mercedes' protective marks. Mercedes nevertheless argued that MBZ can be liable even though MBZ did not promote the marks because it passed off its services for those of Mercedes.

The court disagreed. The passing off claim had no merit. Passing off only occurs where a company sells its goods or services under the pretense that they are the goods or services of another and that is not the case here.

Mercedes also argued that the licensee dealers' promotion of the vanity number should be imputed to MBZ. The court disagreed with this contention too. The licensee dealers are entitled to use the marks under their Dealer Agreements and if Mercedes was truly concerned about dilution and/or infringement it could easily prevent its dealers from wrongfully using the marks.

The licensing is a toll-free number, without more, it is not a use within the meaning of the Lanham Act trademark law, even where one possible alphanumeric translation of the number might spell out a protected mark. Without use there can be no action for trademark infringement. DaimlerChrysler AG v. Bloom, 65 USPQ2d 1359 (CA 8).

CAREFUL WITH THOSE FORUM SELECTION CLAUSES

When BMW a German company backed out of a development deal with K&V a corporation of New Mexico K&V brought suit in federal court in New Mexico claiming among other things breach of confidential disclosure and confidentiality agreements. BMW successfully moved for dismissal on the grounds that there was a clause in the contract which required any agreement to be litigated in Munich, Germany. K&V appealed.

The clause stated "jurisdiction for any and all disputes arising out of or in connection with this agreement is Munich. All and any disputes arising out of or in connection with this agreement are subject to the laws of the Federal Republic of Germany."

Sounds pretty positive but that wasn't the end of the issue. The language of the clause contained no reference to the venue, no language designated courts of Munich exclusively, and no language indicating that suit elsewhere is impermissible.

The issue was whether the clause was mandatory or permissive. K&V contends that the forum selection clause at issue is permissive rather than mandatory and therefore does not require litigation in Munich. Forum selection clauses are either mandatory or permissive. Mandatory forum selection clauses contain clear language showing that the jurisdiction is appropriate only in the designated forum. In contrast, permissive forum section clauses authorize jurisdiction in a designated forum, but do not prohibit litigation elsewhere.

On appeal this court reversed and remanded the case stating where venue is specified with mandatory or obligatory language the clause will be enforced; where only jurisdiction is specified the clause will generally not be enforced unless there is some further language indicating the parties intent to make venue exclusive. K&V Scientific Co. v. Bayerische Motoren Werke Aktiengesellschaft, 65 USPQ2d 1298 (CA 10).

PRE-EMERGENT PRELIMINARY INJUNCTION WON'T GERMINATE

Chemical crabgrass-control products are most effective when applied to pre-emerging crabgrass which has yet to sprout. The products are also effective on early post-emerging crabgrass but are ineffective when applied to mature crabgrass plants. Scotts didn't like Vigoro's advertisements on its packaging which Scotts thought was misleading about the timely effectiveness of the crabgrass killer.

Vigoro presented on its package in fairly large font the phrase "Stops Crabgrass And Many Other Grassy & Broad Leaf Weeds Before They Start".... Just to the left of this text block is a realistic rendering of a mature crabgrass plant and positioned directly under that is the text: "Prevents Crabgrass Up To 4 Weeks After Germination" in slightly smaller font. Scotts brought suit arguing that the illustration of a mature crabgrass plant falsely suggested that Vigoro could kill mature crabgrass and they obtained a preliminary injunction against Vigoro's further advertising in that form.

On appeal this court felt differently.

Scotts contended that even though the stopping-crabgrass-before-it-starts message would be objectionable standing alone the packaging conveys another message that is literally false. Juxtaposing a picture of mature crabgrass with the words "prevents after-germination" suggested that Vigoro can stop, retard and eliminate mature crabgrass once growth has occurred.

The court disagreed. It could not conclude that the Vigoro packaging makes any literally false claims and so the question became whether Scotts can establish if the package makes any impliedly false claims. After reviewing only evidence including focus group inputs the court could find no clear implied faults either.

The court determined that the Vigoro packaging makes no literally false claims and so Scotts must therefore present evidence of consumer confusion to succeed on its false advertising claims. Because the evidence presented by Scotts is insufficient to show a likelihood of consumer confusion the preliminary injunction should not have been granted. The court vacated the

injunction and remanded to the lower court for further proceedings. Scotts Co. v. United Industries Corp., 65 USPQ2d 1161 (CA 4).

ATTORNEY'S WORK PRODUCT AS WELL AS ATTORNEY-CLIENT COMMUNICATIONS ARE REVEALED

Novartis brought action against Eon charging among other things that Eon had willfully infringed Novartis' U.S. patent on pharmacological agents. As a defense to Novartis' charge of willful infringement Eon relied on a written opinion it received from its patent counsel, Thomas Pontani. Mr. Pontani's lawfirm, Cohen, Pontani also represents Eon as trial counsel in the litigation.

During discovery Novartis requested that Eon produce all written and oral legal advice it received from Cohen, Pontani with respect to the infringement, invalidity and unenforceability of the patent including all documents underlying that advice.

In response Eon produced only Mr. Pontani's non-infringement opinion letter and the documents related to the communications between Eon and Mr. Pontani concerning that opinion.

Novartis pressed on requesting again that Eon supplement its production with all the documents and communications that were considered by Cohen, Pontani in rendering its advice to Eon. Pontani and Eon refused to produce any work product materials utilized by Mr. Pontani but not communicated to Eon.

When an opinion of a counsel is asserted as a defense to a charge of willful infringement the courts pretty generally agree that communications between the attorney and his client are discoverable. Not so clear is whether the attorney's work product is discoverable.

Here the court found that because Eon relied on the advice of counsel defense, Eon has waived any privilege that may pertain to those documents and communications related in *any way* to its counsel's opinion. The court therefore granted Novartis' request to the extent it seeks the production of all documents relied upon in forming Mr. Pontani's opinion.

But the court went further. It also compelled Eon to produce all legal advice it received from *any* member of the Cohen Pontani lawfirm with regard to the subject matter of the Pontani opinion. Eon has not only elected to engage in the unconventional and risky arrangement of having opinion and trial counsel from the same law firm, the court said, but Eon's opinion counsel, Mr. Pontani, has actually entered an appearance in this matter. The court granted Novartis' motion compelling production of all legal advice received from the Cohen Pontani law firm relating to the subject matter of Pontani's opinion. Novartis Pharmaceuticals Corp. v. Eon Labs Manufacturing Inc., 65 USPQ2d 1216 (DC Del).



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