

# DECISIONS & DEVELOPMENTS

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

VOLUME 26, NUMBER 3

May 2005

## OF COWS AND COMPUTERS

Gateway sells computers and computer products, peripherals and accessories. Black-and-white cows and black-and-white cow spots are Gateway's company symbol.

CPI sells stuffed animals trademarked as stretch pets which have animal's heads and an elastic body that can wrap around the edges of computer monitors, computer cases, or televisions. One of CPI's top selling products is a black-and-white cow that CPI identifies as "Cody Cow". Litigation ensued, the court made a judgment for Gateway and CPI appeals.

On appeal this court included that CPI's Cody Cow is likely to be confused with Gateway's computer products. In the field of computer products, black-and-white cow spots are clearly identified with Gateway. Gateway's extensive, ten-year advertising campaign to raise the public's recognition of Gateway's mark resulted in consumers associating the black-and-white cow spots with Gateway's computer products. From 1991 to 2001 Gateway spent over \$1.3 billion worldwide and over \$1 billion in the United States on advertising and promotional items.

Gateway Country stores across the nation are painted in a black-and-white cow spotted pattern. Gateway imprints its trademark on a variety of computer accessories and promotional products, including mouse pads and supports, CD binders and sleeves, and screen savers. It sells these products through its catalogs and stores. Gateway ships its computer products in black-and-white cow spotted boxes. The spots on Cody Cow—while not identical to Gateway's cow spots—are nonetheless quite similar. Gateway Inc. v. Companion Products Inc., 72 USPQ2d 1591 (CA 8)

## NO QUESTION: THE ATTORNEY-CLIENT PRIVILEGE APPLIES IN PATENT CASES

The Court of Appeals for the Federal Circuit has held unequivocally that a special rule affecting attorney-client

relations in patent cases is not warranted.

"An adverse inference that a legal opinion was or would have been unfavorable shall not be drawn from invocation of the attorney-client and/or work product privileges or from failure to consult with counsel. Contrary holdings and suggestions of precedent are overruled."

Knorr-Bremse brought suit for patent infringement against Dana and won. There were no actual damages. However, the court found willful infringement on the part of Dana and found that the case was exceptional and awarded Knorr-Bremse its attorneys' fees.

Haldex, a co-defendant with Dana told the court that it had consulted European and United States counsel concerning Knorr-Bremse's patents, but declined to produce any legal opinion or to disclose the advice received, asserting the attorney-client privilege. Dana stated that it did not itself consult counsel, but relied on Haldex. Applying precedent, the lower court found that it was reasonable to conclude that the opinions were unfavorable and further concluded that the totality of the circumstances compels the conclusion that Dana and Haldex's infringement amounted to willful infringement.

The Appeals Court relied on the opinions of the Supreme Court describing the attorney-client privilege as the oldest of the privileges for confidential communications known to common law:

"...to encourage full and frank communication between attorneys and their clients and thereby promote broader public interests in the observance of law and administration of justice. The privilege recognizes that sound legal advice or advocacy serves public ends and that such advice or advocacy depends upon the lawyer's being fully informed by the client."

and on Professor Wigmore's elaboration:

"The lawyer must have the whole of his client's case, or he cannot pretend to give any useful advice.... That the whole will not be told to counsel unless the privilege is confidential, is perfectly clear. A man who seeks advice, seeks it because

he believes that he may do so safely; he will rarely make disclosure which may be used against him; rather than create an adverse witness in his lawyer, he will refuse all private arbitration, and take the chance of a trial.

The CAFC said there should be no risk of liability in disclosures to and from counsel in patent matters; such risk can intrude upon full communication and ultimately the public interest in encouraging open and confident relationships between client and attorney. The court included that a special rule affecting attorney-client relationships in patent cases was not warranted. Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp., 72 USPQ2d 1560 (CA FC)

### VIAGRA vs. TRIAGRA

When Pfizer found Y2K marketing an herbal erectile dysfunction remedy under the name Triagra it brought suit for trademark dilution and false advertising, among other things and it won on both counts. Pfizer is one of the world's leading pharmaceutical companies. In 1998 Pfizer introduced Viagra, the first oral therapy approved by the FDA for erectile dysfunction. Since it was first introduced Viagra has received extensive media coverage and Pfizer has spent millions of dollars in advertising, promoting and maintaining a website that offers information about Viagra which has generated millions of dollars in sales revenue.

In 1999 Y2K created the Triagra mark and began to sell, promote and advertise Triagra as an effective treatment for erectile dysfunction in national newspapers, magazines, on the radio and on their website.

The court found that Y2K's Triagra mark was likely to blur Pfizer's famous Viagra mark and that Viagra was therefore entitled to summary judgment on its trademark dilution claim. The court also found that Y2K provided no evidence on their claims that their product Triagra had clinically proven efficacy and a 100 percent success rate, nor that it was approved by the FDA and granted Pfizer summary judgment on its false advertising claim. Pfizer Inc. v. Y2K Shipping & Trading Inc., 70 USPQ2d 1592 (DC ENY)

### BOOK REVIEWS

After being boosted from obscurity and ambivalence by the dot.com revolution software patents are one of the sought after and fought over types of intellectual property along with biotech. It all begins with the patent property and Electronic and Software Patents, Lundberg *et al.*, teach how to search, draft and craft broad claims and legally sufficient specifications for software inventions. Beyond that, U.S. and foreign prosecution and managing the patent assets, as well as enforceability, validity and infringement are explored. Of particular interest is the forward looking

Chapter 16 dealing with the patentability of business systems and design patents for computer software. BNA Books, Washington, DC, 741 pp, \$415.00 with Supplemental, \$210.00 Supplemental only.

### WHEN IS A MANNEQUIN A WORK OF ART?

When Passage decided to develop a mannequin that would imitate the "hungry look" of high-fashion, runway models it hired a German artist named Heerlein to create an original sculpture of a female human head which they named Mara. Mara was a great success and was used, for example, by beauty students to practice hair styling and facial makeup skills. When Charlene Products displayed its own Liza mannequin which was very close in appearance to Mara, Passage brought suit for copyright infringement.

The primary issue in the case was the fundamental copyrightability of the mannequin. The copyright law provides that although sculptural works are copyrightable if they are embodying a useful article, they will not be considered copyrightable unless the sculptural work can be identified separately from and is capable of existing independently of the utilitarian aspects of the article.

The lower court found that Mara was a sculpture but that it served utilitarian ends. Students in beauty schools practice styling hair on Mara's head and may practice other skills by applying makeup to Mara's eyes, lips, and cheeks.

One approach to determine whether the material can be identified separately is obviously to rely on the capacity of the artistic material to be severed physically from the industrial design. The protection of the copyright statute can also be secured when a conceptual separability exists between the material sought to be copyrighted and the utilitarian design in which that material is incorporated.

On appeal, this court disagreed. It applied the so called Denicola test which states that if design elements reflect the merger of aesthetic and functional considerations, the artistic aspects of the work cannot be said to be conceptually separable from the utilitarian elements. Conversely, where design elements can be identified as reflecting the designer's artistic judgement exercised independently of functional influences, conceptual separability exists.

Applying this test to the Mara mannequin this court found that the Mara face is entitled to copyright protection. Certainly, said the court, it is not difficult to conceptualize a human face independent of all of Mara's specific facial features. One is not only able to conceive of a different face than that portrayed on the Mara mannequin, but one easily can conceive of another visage that portrays the hungry look of a highfashion runway model. The artist Heerlein is entitled to have his expression of the hungry look protected from copying.

Mara can be conceptualized as existing independent

from its use in hair display or make-up training because it is the product of Heerlein's artistic judgment. Passage did not provide Heerlein with specific dimensions or measurements. Passage did not require, for example, that the sculpture's eyes be a certain width to accommodate standard-sized eyelashes, that the brow be arched at a certain angle to facilitate easy make-up application. Such considerations, had they be present, would weigh against a determination that Mara was purely the product of an artistic effort. But quite the contrary, after Passage met with Heerlein to discuss Passage's idea for a hungry look model, Heerlein had carte blanche to implement that vision as he saw fit.

Because Mara was a product of a creative process unfettered by functional concerns, its sculptural features can be identified separately from, and are capable of existing independently of its utilitarian aspects. It therefore meets the requirements for conceptual separability and is subject to copyright protection. Pivot Point International Inc. v. Charlene Products Inc., 71 USPQ2d 1225 (CA 7)

### SUPPLYING INSTRUCTIONS IS NOT ENOUGH

The U.S. patent law, §271(f)(1) states that whoever without authority *supplies or causes to be supplied* in or from the United States all or a substantial portion of the components of a patented invention, where such components are uncombined in whole or in part, in such a manner as to actively induce the combination of such components outside the United States in a manner that would infringe the patent if such combination occurred within the United States shall be liable as an infringer.

Analog Devices develops and fabricates integrated circuit chips, including a line of chips called "ADMC" chips. The ADMC chips are manufactured exclusively outside of the United States and are sold and shipped to customers outside the United States.

Pellegrini brought suit against Analog arguing that because Analog's headquarters are located in the United States and instructions for the production and disposition of the ADMC chips emanate from the United States the chips are really regarded as having been "supplied or caused to be supplied in or from the United States" and Analog should be liable as an infringer.

The court agreed with Analog. The law applies only where components of a patented invention are physically present in the United States and then either sold or exported in such a manner as to actively induce the combination of such components outside the United States in a manner that would infringe the patent if such combination occurred within the United States.

Clearly, Analog does not make, use, sell, or offer to sell ADMC products in the United States, and it does not import ADMC products into the United States. Analog also does not supply ADMC chips in or from the United

States, and does not cause ADMC chips to be supplied in or from the United States.

The language "supplying or causing to be supplied" clearly refers to, the court said, the physical supply of components, not simply to the supply of instructions or corporate oversight.

In other words, although Analog may be giving instructions from the United States that cause the components of the patented invention to be supplied, it is undisputed that those components are not being supplied in or from the United States and the law does not apply. Pellegrini v. Analog Devices Inc., 71 USPQ2d 1630 (CA FC)

### PLAYBOY WINS ANOTHER ROUND

"Initial interest confusion" involving a trademark is customer confusion that creates initial interest in the competitor's product. Although dispelled before an actual sale occurs, initial interest confusion impermissibly capitalizes on the goodwill associated with a mark and is therefore actionable trademark infringement. When Playboy brought suit for trademark infringement against Netscape, Netscape moved for a summary judgment in its favor and won. Playboy appeals and this court found in Playboy's favor.

Netscape uses "keying" on their Internet search engines. Keying allows advertisers to target individuals with certain interests by linking advertisements to pre-identified terms. Thus, a seed company might pay to have its advertisement displayed whenever searchers entered terms related to gardening. Advertisements appearing on search result pages in response are called "banner ads" because they run along the top or side of a page much like a banner.

Netscape has various lists of terms to which they key advertisers' banner ads. Among them are "playboy" and "playmate" for which Playboy holds the trademarks. When the user types in "playboy" or "playmate" or one of the other listed terms, those companies' banner ads appear on the search results page. These banner ads are often graphic in nature and are confusingly labeled or not labeled at all. When a user clicks on the banner ad, the search results page disappears, and the user finds himself at the advertiser's website.

Playboy claims that Netscape in conjunction with advertisers has misappropriated the goodwill of Playboy's marks by leading Internet users to competitors' websites. Some consumers initially seeking Playboy's sites may initially believe that unlabeled banner advertisements are links to Playboy's sites or the sites affiliated with Playboy. Once they follow the instructions to "click here" and they access the site, they may well realize that they are not at a Playboy sponsored site. However, they may be perfectly happy and remain on the competitor's site. The Internet

user will have reached the competitor's site because of Netscape's use of Playboy's marks, such use is actionable. Playboy Enterprises Inc. v. Netscape Communications Corp., 69 USPQ2d 1417 (CA 9)

## INFRINGEMENT SETTLEMENT COVERS PAST AND PRESENT, NOT FUTURE

Unova owns several patents that relate to "smart battery" management technology for notebook computers. Unova and Compaq entered into a settlement agreement to resolve cross-claims for infringement of Unova's smart battery patents and various Compaq patents.

The settlement agreement released Compaq and its parents from liability for infringement of the smart battery patents. It provided that Unova would not sue Compaq or its parents for infringement of the smart battery patents and it granted Compaq and its parents a non-exclusive license for Compaq Products under the smart battery patents.

Nearly a year later Hewlett-Packard acquired 100% of the capital stock of Compaq and thus became Compaq's parent.

A few days later Unova filed suit against Hewlett-Packard for infringement of its smart battery patents. Hewlett-Packard won a summary judgment motion on the grounds that the settlement agreement with Compaq absolved Hewlett-Packard as its parent of all infringement charges. The settlement agreement nowhere limited the phrase to Compaq's parents at the time of the agreement.

Unova appealed and the appeals court reversed agreeing with Unova. Reading the settlement agreement as a whole, the court said, it can only conclude that Unova

and Compaq did not intend to release Hewlett-Packard from liability for infringement arising from events that occurred before it became Compaq's parent.

Hewlett-Packard argues that interpreting the term "parents" to include only Compaq's parents at the time of the settlement agreement would render the term a nullity because Compaq did not have any parents at that time. Be that as it may, the court said, that the release provision is written in the present tense, and refers to acts of past infringement. Thus, it most naturally does not refer to Compaq's future parents. Moreover, Unova and Compaq elsewhere referred to future entities, such as "past, present, and future officers, directors, shareholders..." when they so intended, and the fact that they did not similarly modify the term "parents" suggests that they did not seek to release Compaq's future parents.

Hewlett-Packard must defend the infringement suit. Unova Inc. v. Acer Inc., 70 USPQ2d 1464 (CA FC)



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