

DECISIONS & DEVELOPMENTS

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

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MISREPRESENTATION TO PATENT OFFICE INVALIDATES OXYCONTIN PATENT

A patent can be rendered unenforceable based on misrepresentations in the patent. Purdue Pharma L.P. has three patents for the pain medicine OxyContin® and sued a generic drug manufacturer for patent infringement. The generic version of OxyContin® did infringe the patents but the patents themselves inferred that OxyContin® had been clinically tested when it had not and, worse, similar misrepresentations were made to the Patent Office during prosecution of the Purdue Pharma patents. On that basis, the trial court found the patents invalid. That holding was recently upheld on appeal. Purdue Pharma L.P. v. Endo Pharmaceuticals Inc., 410 F.3d 690 (CA Fed)

COPYRIGHT OFFICE MUST APPROVE REGISTRATION

Under the Copyright Act, a plaintiff must register a work with the Copyright Office in order to sue someone for infringing the copyright in the work. In a case concerning architectural drawings for town houses, the 10th Circuit resolved two conflicting interpretations of the Copyright Act: does registration occur when the copyright owner merely submits an application for registration of the work to the Copyright Office or, conversely, does registration only occur after the Copyright Office approves the application? According to 5th Circuit precedent, only a submission is required; according to 2nd and 11th Circuit precedent, the Copyright Office's approval is required. Based on the plain language of the statute, registration, said the 10th Circuit, means Copyright Office approval of the copyright application. Since an application for registering the copyright in the architectural drawings had been submitted but not yet approved, the jurisdictional prerequisite was not met and the complaint was properly dismissed. La Resolana Architects PA v. Clay Realtors Angel Fire, 75 USPQ2d 1496 (10th Cir.)

FDA PUBLISHES APPLICANT'S TRADE SECRETS

In another interesting drug case, the U.S. Court of Appeals for the District of Columbia allowed certain of Jerome Stevens Pharmaceuticals Inc.'s causes of action against the FDA to proceed. Jerome manufactures "Unithroid", a drug which treats thyroid diseases. When the FDA required Jerome to submit a new drug application or "NDA", Jerome complied and its NDA included Jerome's trade secret formulation and processing information. Ultimately, the FDA approved Unithroid and Jerome invested a significant amount of money in order to begin supplying the new drug. Meanwhile, the FDA posted, on its website, Jerome's trade secrets and also allowed other manufacturers to continue marketing unapproved competing drugs for a period up to two years.

Following that announcement, Abbott Laboratories flooded the retail market with its unapproved "Synthroid" drug. That competition forced Jerome to lay off half its work force and destroy excess Unithroid product worth up to \$30M. Jerome sued the FDA under the Federal Tort Claims Act based on the FDA's public disclosure of Jerome's trade secrets and also under the Administrative Procedure Act based on the FDA's actions of allowing Jerome's competitors to market unapproved competitive drugs. The District Court dismissed all of Jerome's claims. The Court of Appeals allowed Jerome's FTCA counts to proceed but agreed with the District Court that Jerome's APA count was properly dismissed since Jerome could not show the FDA abused its discretion in allowing others to continue marketing unapproved competing drugs. Jerome Stevens Pharmaceuticals Inc. v. Food & Drug Administration, 402 F. 3d 1249 (CADDC)

DEPRESSING DECISION FOR PATENT OWNER

The main ingredient in SmithKline Beecham Corp.'s patented antidepressant drug Paxil® is PHC hemihydrate. When Apotex Corp. sought to enter the market with a

generic form of Paxil®, SmithKline sued for patent infringement. Because PHC hemihydrate existed in trace amounts in prior formulations of PHC disclosed in a much earlier patent, SmithKline's Paxil® patent was held to be invalid in a controversial decision. A concurring Judge asserted that SmithKline's patent covered naturally occurring and thus unpatentable subject matter and therefore he would have invalidated the patent for that reason.

Another Judge, dissenting from an order declining rehearing en banc, reasoned that since PHC hemihydrate only previously existed in undetected, unisolated, and unknown amounts, the SmithKline patent should not have been invalidated and pointed out that the majority's holding calls into question the patentability of numerous antibiotics, hormones, antibodies, and the like. SmithKline Beecham Corp. v. Apotex Corp., 402 F. 3d 1331, 1328 (Fed. Cir.)

SUCKS.COM WOULD MAKE A DIFFERENCE

Glenn Harrison was unhappy with Leasecomm (aka Microfinancial, Inc.) and apparently so too was the FTC and several state attorney generals who investigated Leasecomm for violations of various consumer protection statutes. Harrison began operating a website at "leasecomm.org" dedicated to criticizing Leasecomm. Harrison lost an administrative action brought by Leasecomm and then sought relief in Boston's Federal District Court. Judge O'Toole agreed with the prior holding that Harrison would have to change his website address: the ".org" designation he chose does not signal that Harrison's website contained criticism of Leasecomm in the way a "sucks.com" address does. Harrison v. Microfinancial, Inc., 2005 WL 435255 (D. Mass.)

MODEL'S RIGHT OF PUBLICITY UPHELD

June Toney is a model whose face appeared on a hair care product called "Ultra Sheen Supreme". Ms. Toney allowed that use of her persona for a limited time but the manufacturer of the product continued to sell it with Ms. Toney's picture longer than was authorized. She sued under a state law right of publicity theory and the district court dismissed the complaint holding that the cause of action was preempted by the federal copyright laws. On appeal, the 7th Circuit reversed holding the copyright laws do not reach such claims and, in any case, a right of publicity claim requires an element of proof not found in the copyright laws. Toney v. L'Oreal USA, Inc., 406 F. 3d 905 (CA)

SO WHO WILL ENFORCE THE LAW?

The American Automobile Labeling Act requires vehicle manufacturers to affix country of origin labels to vehicles. The non-profit Made in the USA Foundation sued GM, Toyota, BMW, and others for showing cars at trade shows without country of origin stickers. The District of Colorado held the Made in USA Foundation lacked standing because its status as a real organization was in doubt, and moreover there was no private cause of action under the Labeling Act in any case. Made in the USA Foundation v. General Motors Corp., 2005 WL 1403311 (DDC)

COPYRIGHTS IN CLOTHING: YES AND NO

Chosun International, Inc. designed and manufactures animal-themed children's Halloween costumes which were allegedly copied by Chrisha Creations, Ltd. When Chosun sued for copyright infringement, the district court initially enjoined Chrisha but then later dismissed Chosun's complaint based on precedent holding that costumes were not copyrightable because they are "useful articles". The 2nd Circuit vacated that decision on June 30 since it is possible Chosun could establish copyright protection in certain design elements associated with the costumes. Chosun Intern., Inc. v. Chrisha Creations, Ltd., 413 F.3d 324 (CA). Gianna, Inc., a designer of Harrah's Casino's employee's uniforms, did not fare so well before the 5th Circuit. When Harrah's ordered the Gianna designed uniforms from Harrah's suppliers without permission from Gianna, Gianna sued. On summary judgment, the district court held Gianna's uniforms were not copyrightable. And the 5th Circuit agreed: the uniforms in question had no protectable artistic elements apart from their utilitarian function. Galiano v. Harrah's Operating Co. Inc., 416 F.3d 411 (CA)

PERMANENT INJUNCTION GREETES EX-EMPLOYEES

Employees of the Creative Card Company designed six different greeting cards and then left to work for Four Seasons Greetings, LLC where they designed six similar greeting cards. The assets of Creative, including the copyright in and to the original greeting cards, were later sold to Taylor Corp who sued Four Seasons for copyright infringement. The District Court found copyright infringement on the part of Four Seasons and issued a permanent injunction.

Four Seasons appealed to the 8th Circuit and asserted there was no substantial similarity as between its cards and the original cards of Taylor. A prima facie case of copyright infringement requires proof of ownership of a valid

copyright and copying either by direct evidence or, in the absence of such evidence, proof of access by the defendant to the copyrighted work and evidence of substantial similarity between the copyrighted work and the alleged infringing work.

The 8th Circuit had to decide on the appropriate standard of review for a trial court's findings of substantial similarity: de novo as per Second Circuit precedent, or a clearly erroneous standard as per the Third, Fourth, Fifth, Seventh, Ninth, and Eleventh Circuit precedent. The 8th Circuit found favor with the clearly erroneous standard and then easily upheld the District Court's ruling regarding substantial similarity. Taylor Corp. v. Four Seasons Greetings, LLC, 402 F. 3d 958 (CA)

COMMON SENTIMENT NOT PROTECTABLE

"You're The One" recorded by Sisters With Voices apparently was once at the top of the charts. Calvin Johnson alleged that song was plagiarized from his song and sued the record company. The district court granted the defendant's motion for summary judgment and Johnson appealed to the 1st Circuit which "discerning nothing off-key in the lower court's decision" affirmed. After dissecting both songs and finding that the only real similarity was the lyric "you're the one for me", the court held that sentiment was all too common and not in and of itself copyrightable. Johnson v. Gordon, 409 F. 3d 12 (CA)

PEOPLE NOT PATENTABLE

Home Depot, Starbucks, Wal-Mart, and others offer gift cards alleged to be infringed by a patent concerning vending machines which dispense prepaid debit cards. The patent in question failed to explain how the prepaid debit cards were dispensed other than by the merchant. Since a person cannot be a component in a patent claim, the patent was held invalid. Default Proof Credit Card System, Inc. v. Home Depot U.S.A., Inc., 412 F.3d 1291 (CA Fed)

EMPLOYER OWNS COPYRIGHTS IN EMPLOYEES WORKS

For over 20 years, John Forasté worked at Brown University as a photographer. He then sued Brown alleging he, not Brown owned the copyright in and to his photographs. Since Forasté was an employee, however, Brown owned the copyright notwithstanding a Brown policy that seemed to imply otherwise. The copyright laws require an express written agreement in order for the

copyright in an employee's works to vest in the employee instead of the employer. Forasté v. Brown University, 248 F. Supp. 2d 71 (DRI)

PATENT MUST CLAIM INVENTION DEFINITELY

Patent claims have to be sufficiently definite or otherwise the public will not know what the patentee can properly exclude from competition. In a case where a patent claim referred to an "aesthetically pleasing" kiosk interface, "aesthetically pleasing" was found to be subjective and therefore indefinite. As a result, the patent claim was held invalid. Datamize LLC v. Plumtree Software, Inc., 75 USPQ2d 1801 (Fed. Cir.)

RIBBON CURLING MACHINE WORTH \$9 MILLION: OR NOT

Group One Ltd. owns two patents for a ribbon curling machine and sued Hallmark Cards, Inc. on account of an allegedly infringing ribbon curling machine. A jury, in September of 2003, awarded Group One almost \$9M. The district court entered judgment in favor of Hallmark after finding both of Group One's patents invalid. Now the Court of Appeals has reversed, in part, that decision. On remand, the district court has to again decide the appropriate damages to be awarded Group One. Group One, Ltd. v. Hallmark Cards, Inc., 407 F. 3d 1297 (CA Fed)

SALE OF BOOK LINE IS NOT ROYALTY BEARING EVENT

"Partnership Taxation", written by Philip Postlewaite and John Pennell, was published by McGraw-Hill, Inc. Under the publishing contract, the authors received a royalty for each textbook sold (20% of the selling price) and also "20% of the publisher's gross receipts from the sale, assignment, or licensing others by the publisher of any rights to the work." McGraw then sold a line of books including "Partnership Taxation" to Thompson Legal Publishing for \$35M. The "Partner Ship Taxation" authors, citing the above-quoted portion of the publishing contract, asserted they were owed 20% of the \$35M. Good try but no: the sale of a line of books from one publisher to another is not a royalty generating event concerning "any rights to the work". Postlewaite v. McGraw-Hill, Inc., 413 F.3d 63 (CA)

DOWN BUT NOT OUT

“Electrosurgery” refers to cutting tissue with electricity. The benefit is less bleeding and trauma but there are some disadvantages: the high voltages applied can damage the patient especially when conductive cleaning solutions like saline are used by the surgeon. ArthroCare Corp. has three patents for electrosurgical probes wherein the electrically conducting fluid is controlled to provide a current path between the two electrodes of the probe.

Smith & Nephew, Inc., which entered the market with similar probes, was charged with patent infringement by ArthroCare and the jury agreed.

On appeal, Smith & Nephew asserted: a) the first ArthroCare patent was invalid based on a prior patent which discussed a probe with two electrodes and an electrically conducting fluid between them, b) the second patent was invalid based on the later correction to it, and c) the third patent was not infringed.

The appellate court agreed with Smith & Nephew on the first ArthroCare patent but held Smith & Nephew did not prove the second patent was invalid and that the jury was correct on the third ArthroCare patent. ArthroCare Corp. v. Smith & Nephew, Inc., 406 F. 3d 1365 (CA Fed)

MERE INFORMING IS NOT CHARGING INFRINGEMENT

The case of Holley Performance Products Inc. v. Barry Grant, Inc., WL 3119017 (N.D. Ill.) details how to charge a competitor with patent infringement without subjecting yourself to an action in a distant jurisdiction.

Barry Grant, Inc. has a patent on a carburetor fuel bowl with a fuel level indicator that determines the level of fuel in the carburetor bowl. Grant suspected Holley’s newest carburetor infringed the Grant patent and sent Holley a letter stating “it appears” that the Grant patent is infringed by the Holley carburetor. The letter also outlined the damages available to a patentee in an infringement action.

Holley, a Delaware corporation with a principle place of business in Kentucky then filed an action in Illinois based on this letter and, within a month, Grant, located in Georgia, filed suit there accusing Holley of patent infringement. The Illinois court held that even though Grant did indeed file suit, Grant’s letter to Holley did not expressly accuse Holley of patent infringement and therefore Holley should not have been apprehensive about a threat of legal action and, in any case, the convenience of the parties dictated that Grant’s Georgia action, not Holley’s Illinois action, continue.



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