

DECISIONS & DEVELOPMENTS

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

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TIED PATENTS

Studios cannot force “block-booking” wherein movie theaters must show inferior films if they want the premier films – that was held illegal by the U.S. Supreme Court in 1948. Similarly, patent holders cannot tie a patent license for a patented product to the purchase of separate non-patented product. But, can a patent owner tie patents together? U.S. Philips Corp. has numerous patents on compact disc technology and required its licensees under a “patent package license” to pay a uniform fee for both patents needed in order to manufacture CDs and also for patents the licensees didn’t actually need in order to manufacture the CDs. Unlike the illegal block-booking practice, however, the licensee wasn’t forced to actually use the non-needed patents. And, no non-patented technology was tied to the packaged patent licenses. The International Trade Commission’s ruling that the Phillips patents were unenforceable because of patent misuse was thus reversed by the Federal Circuit in U.S. Philips Corp. v. Int’l Trade Comm’n, 424 F.3d 1179 (Fed. Cir.).

AMS NOT GENERIC

Massachusetts resident Rob Scanlan advertised himself as an accredited marine surveyor using the acronym “AMS” to the chagrin of the Society of Accredited Marine Surveyors (SAMS) which alleged it owned the certification mark “AMS”. SAMS sued Scanlan in Florida and a U.S. District Court there found Scanlan in default. SAMS then tried to enforce the judgment in Massachusetts before Judge O’Toole. Judge O’Toole held SAMS failed to provide proof of proper service in the Florida action. On the merits, Scanlan counter-claimed to cancel the “AMS” mark. Judge O’Toole granted SAMS summary judgment on that issue since Scanlan failed to prove “AMS” was generic. Soc’y of Accredited Marine Surveyors, Inc. v. Scanlan, 2005 WL 670541 (D. Mass.).

DOMAIN NAME KEEP AWAY

In an *in rem* action under the Anticybersquatting Consumer Protection Act (15 U.S.C. §1125 (d)(2)), AOL won a court order mandating that Online NIC, a domain name registrar located in China, transfer the domain name aol.org to AOL. Instead, however, Online NIC transferred aol.org to a new registrar, Netpia located in South Korea. When AOL sought an amendment to the court order to cover Netpia, the Eastern District of Virginia noted the case

well illustrates the difficulties frequently encountered by trademark owners who prevail in *in rem* ACPA cases and then seek to enforce court domain name transfer orders against foreign registrars and registrants. Here, it appears the domain name at issue has been shuttled through three foreign registrants and two foreign registrars in succession, rather like a children’s game of “keep away”.

America Online, Inc. v. Aol.Org, 259 F.Supp.2d 449 at 452. Still, the court found the ACPA covered such situations and had no problem amending the prior court order to direct Netpia and any other registrar that may become involved to transfer aol.org to AOL.

ONE BAD APPLE DOESN'T SPOIL THE WHOLE BUNCH

Patent applications can be related in a tree like fashion to include grandparents, parents, and children under a patent application filing practice called “continuation” applications. In a case involving two linked patents for a glaucoma treatment, one patent was held invalid based on inequitable conduct by the patent owner which misled the U.S. Patent and Trademark Office. The question is whether the second linked patent was also invalid based on the misrepresentations made in the first. Under an unclean hands theory, that question might have been answered in the affirmative but in Pharmacia

Corp. v. Par Pharm., Inc., 417 F.3d 1369 (Fed. Cir.), Par failed to raise an unclean hands defense. And, given the individuality of the two patents in question, even though they are related and tied together via a terminal disclaimer, inequitable conduct in one patent was held not to extend to the other patent that was not acquired through culpable conduct.

BOOK REVIEW

Filing a patent application is only the first step in the patenting process. What follows is "patent prosecution" where inevitably, an examiner at the U.S. Patent and Trademark Office conducts a prior art search and rejects the patent application claims in an "Office Action". Your patent attorney must then respond to the Office Action. The seminal reference for patent prosecution is Patent Prosecution: Law, Practice and Procedure by Irah H. Donner. The new fourth edition of this valuable reference addresses various significant changes in U.S. patent law as a result of recent decisions and statutory amendments, including Patent Office procedure that a non-publication request requires affirmative intent by the applicant that the application will not be the subject of a foreign application requiring 18-month publication: Phillips v AWH Corp., in which the Federal Circuit retreated from decisions placing significant importance on the use of dictionaries to interpret the ordinary meaning of claim terms; The Toro Company, White Consolidated Industries, Inc., in which the Federal Circuit held that the disclosure-dedication rule is a question of law to be determined by a court and not a jury, and that subjective intent by the patentee is irrelevant; Campbell Plastics Engineering & Mfg., Inc. v Brownlee, in which the Federal Circuit held that Campbell Plastics failed to comply with the Federal Acquisition Regulations ("FARs") invention disclosure provisions under the Bayh-Dole Act, and therefore forfeited title to the invention; and more.

BUST DAT COPYRIGHT

Drug companies don't usually face copyright infringement actions involving musical compositions but Pfizer, Inc. did when its advertisement for the Celebrex arthritis medicine featured music alleged to infringe the song "Bust Dat Groove". Pfizer moved for summary judgment alleging "Bust Dat Groove" lacked sufficient originality for copyright protection. The Southern District of New York denied Pfizer's motion. Stay tuned. Vargas v. Pfizer, Inc., 2005 WL 2766784 (S. D. N. Y.).

TESTING NOT CONTROLLED MEANS INVALID PATENTS

A U.S. patent application for invention can only be filed within one year after the invention is first placed on sale. The

sale of the invention to test it, however, is sometimes an exception to this "on sale" bar. After in-house testing of new bearings used in locomotive engines, the Electromotive Division of General Motors (EMD) installed the bearings in locomotives it sold to various railroads for field testing. The sales took place more than one year prior to the filing of a patent application for the bearings and when EMD later sued General Electric for patent infringement, the issue was whether the field testing of the bearings constituted an allowed exception to the on sale bar. Because EMD did not adequately control the field testing, because the purchasers were not obligated to provide feedback, and because they were not even aware of the field testing, the "experimental use" exception to the on sale bar did not apply and the EMD patents were declared invalid. Electromotive Div. of Gen. Motors Corp. v. The Transp. Sys. Div. of Gen. Elec., 417 F.3d 1203 (Fed. Cir.). In another on-sale bar case, Enzo Biochem, Inc. developed a DNA probe to detect gonorrhea and in December of 1984 transferred the probe to its partner Ortho Diagnostics Systems pursuant to a June 1982 Research and Development Agreement. More than a year after the probe was sent to Ortho, Enzo filed a patent application for the probe. Since the Research and Development Agreement included commercial obligations requiring probe purchases and since the probe sent to Ortho was "ready for patenting", the Federal Circuit held Enzo's patent was invalid in Enzo Biochem, Inc. v. Gen-Probe, Inc., 424 F.3d 1276 (Fed. Cir.).

MY PATENT IS NARROW!

Counter to what seems logical, sometimes patent owners are forced to assert their patents provide only limited coverage. Cross Medical Products, Inc. owns a patent covering a spine fixation system employing bone screws and sued Medtronic for patent infringement. Two types of screws can be used, monoaxial and polyaxial. Interestingly, Medtronic asserted the Cross patent covered either type of screw because Cross marked both types of screws with the Cross patent number. "Marking estoppel", argued Medtronic, prevented Cross from asserting its patent only covered the polyaxial type screws used by Medtronic. Why would the alleged patent infringer make an argument that the patent is broad and why would the patent owner make a counter argument that the patent is narrow? Stay with me here. The answer lies in the fact that prior patents disclosed monoaxial screws, which argued Medtronic, would have rendered the Cross patents, were they more broadly construed, invalid. In any event, the Federal Circuit held Cross' patent referred only to polyaxial screws and the Medtronic's marking estoppel argument failed. Cross Med. Prods, Inc. v. Medtronic Sofamor Danek, Inc., 424 F.3d 1293 (Fed. Cir.).

TIVO OK

TiVo, Inc. now appears in the clear after the Federal Circuit upheld the District of Massachusetts' April 7th entry of summary judgment in favor of TiVo which faced a patent infringement claim by Pause Technology, LLC. Pause Technology asserted the District Court construed two portions of its patent claims incorrectly but the Federal Circuit held the District Court correctly construed the Pause Technology patent claim limitations in context and in light of the prosecution of the claims before the Patent Office. Pause Tech. LLC v. TiVo, Inc., 419 F.3d 1326 (Fed. Cir.).

TAXMAN COMMETH

Do different types of intellectual property transactions have different tax consequences? You bet. A transfer of substantially all the rights in a patent, a trade secret, or a trade name is typically a sale of a capital asset subject to capital gains treatment under the Internal Revenue Code. License revenue, in contrast, is treated as ordinary income. Vision Information Services, LLC and FoxVideo entered into a distribution agreement concerning a software package which tracks product shipment, purchases, replenishment, and consumer returns. Vision licensed Fox the software for \$10 million which Vision represented as a "sale of exclusive rights and know-how" to be treated as a long term capital gain. The IRS was not convinced and determined the money Vision received from Fox was "license fee income". On appeal, the 6th circuit held the Vision/Fox agreement was clearly a license and, even if it were held to be a sale of trade secrets or know-how, no capital gains treatment would be available due to restrictions in the agreement that rendered the deal a transaction involving less than "substantially all" of Vision's rights. Vision Info. Serv., LLC v. C. I. R., 419 F.3d 554 (6th Cir.).

NO JURY

When are you entitled to a jury? In intellectual property law cases, it's sometimes tricky. Technology Licensing Corp. sued Videotek, Inc. for patent infringement and Videotek then sued its supplier Gennum Corp. seeking indemnification. In response, Gennum filed a DJ action against TLC asserting its patents were invalid. TLC counter-claimed alleging Gennum was liable for patent infringement. TLC and Videotek ultimately settled. In the Gennum action, TLC discovered its claims for damages would be fairly limited and so TLC decided to seek only injunctive relief. Gennum then withdrew its request for a jury trial. TLC asserted Gennum's DJ action gave TLC a right to a trial by jury but the magistrate judge ruled otherwise. TLC then filed a writ of mandamus with the Federal Circuit which found precedent to the effect that in an action for patent infringe-

ment when the plaintiff seeks only injunctive relief, even if a defendant raises the affirmative defense of patent invalidity, there is no right to a jury trial. But, this case was a little different because Gennum filed a claim for patent invalidity, not merely an affirmative defense. Still, a suit for patent invalidity could not historically be brought at common law and thus TLC had no right to a jury trial. The dissent, in contrast, asserted patent validity claims were indeed common law actions in 18th century England called Scire Facias which, under the 7th Amendment jurisprudence, means TLC should have been entitled to a jury verdict. In re Tech. Licensing Corp., 423 F.3d 1286 (Fed. Cir.).

BUSINESS METHOD PATENTS CONTINUE IN BUSINESS

In a business method patent opinion sure to be controversial, the Patent Office Board of Appeals has overturned a patent Examiner's rejection of a patent application directed to a method of "compensating a business manager". One dissenting board member would have affirmed the rejection because the method claimed was not tied to any known science or technology. Another dissenting board member would have affirmed the rejection of the claimed method because it did not produce a concrete and tangible result. But, the majority held the method for determining the salary of an executive constituted patentable subject matter. Ex parte Lundgren, 2004 WL 3561262 (BdPatApp&Int).

GENERAL USE NOT GOOD ENOUGH?

In what's sure to be another controversial opinion, the Federal Circuit has denied a patent to Monsanto covering an innovation in biotechnology. To be patentable, an invention has to be useful which is not a very high standard, usually. Monsanto sought to patent certain purified nucleic acid sequences called ESTs and asserted in the patent application that the ESTs were useful, inter alia, as molecular markers, identifiers, and to provide information about gene expression. Like the microscope, the ESTs are a valuable research tool. But, all ESTs are generically useful in those ways and the ESTs claimed in the patent application had no specific uses. Thus, despite the commercial success of the ESTs, a panel of the Federal Circuit in a 2:1 decision affirmed the patent Office's rejection of the Monsanto patent application. In re Fisher, 421 F.3d 1365 (Fed. Cir.).

MIND CONTROL

Jamie Drews sued the FBI, President Bush, the CIA, the Department of Justice, a radio station, and even Bruce Willis for copyright infringement after alleging she was subjected to a "L.I.D.A. machine" used for mind control and war tactics.

Who among us hasn't experienced the exact same thing? Anyway, the Western District of Wisconsin found a case of controversy lacking and dismissed Drews' complaint. Drews v. WJJO 94.1, 2005 WL 1812898 (W. D. Wis.).

STARBUCKS FOR BEER?

When Rex Wayne Bell sold "Starbock Beer", Starbucks was not amused. Because, inter alia, a survey indicated potential consumer confusion, the Southern District of Texas found trademark infringement and dilution and enjoined all uses of Bell's mark. Bell v. Starbucks U.S. Brands Corp., 389 F.Supp.2d 766 (S. D. Tex.).

NAKED LICENSE = NO TRADEMARK

It's not easy to license a trade or service mark correctly and if the proper precautions are not taken, the mark might be worthless. Halo Management LLC, owner of the mark Halo® for internet-based services discovered this when it sued Interland, Inc. for trademark infringement after Interland began using "blue halo" also for internet-based services. Problem was, Halo Management had licensed Halo® to a third party via a two page license agreement devoid of any quality control provisions. Such a "naked license" constitutes abandonment of a mark so licensed. Accordingly, Halo Management had no case against Interland. Halo Mgmt, LLC v. Interland, Inc., 2004 WL 1781013 (N. D. Cal.).

FIRM NEWS

Iandiorio & Teska partner, Kirk Teska's recently published articles include "The Story Behind the Blackberry Case" (IEEE Spectrum Online, March 2006); "Does 4 include 3?" (Mechanical Engineering Magazine, January 2006); and "IP Missteps in Government Contracts" (Contract Management Magazine, March 2006).

For copies of these articles and/or Mr. Teska's regular columns "Patent Watch" (Mass High Tech) and "IP Litigation Watch" (Lawyers Weekly), contact Kirk or his assistant Olga.



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