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INTELLECTUAL PROPERTY LITIGATION

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ISPs, Drawn to Scale, Domain Names, Composite Products

Acting in an otherwise obscure case about a patent covering “vandalism-resistant building modules” designed for jails, the en banc U.S. Court of Appeals for the Federal Circuit has set itself the task of reviewing basic principles of the law of patent claim construction — perhaps the most important single issue raised in appeals to the Federal Circuit.

Claim Construction

Eight years ago, in *Markman v. Westview Instruments, Inc.*, 517 US 370 (1996), the Supreme Court established that claim construction — the determination of the precise meaning of the words of a patent claims “exclusively within the province of the court,” and not to be determined by the jury. Claim construction is vital because it defines the coverage of the claims — and thus the scope of an infringement cause of action — and determines what prior art may be used to invalidate the patent. One of the motivations for the Supreme Court’s decision was “the importance of uniformity” in the treatment of a given patent.

In April 2004, a split Federal Circuit panel considered the meaning of the term “baffle” in Edward Phillips’ patent on vandalism-resistant building modules. *Phillips v. AWH Corp.*, 363 F3d 1207 (Fed Cir 2004). Parsing the specification, the majority concluded that “the patentee regarded his invention as panels providing impact or projectile resistance [that is, protection against bullets and bombs] and that the baffles must be ori-



ented at angles other than 90°” to the walls.

On July 21, 2004, the Federal Circuit vacated the opinion of the *Phillips* panel and granted en banc rehearing. 2004 WL 1627271. The rehearing order, however, did not limit itself to the issue that had divided the *Phillips* court. Instead, it slated for en banc consideration a wide range of other claim construction issues — in a way, a checklist of the Federal Circuit’s concerns about claim construction.

Among the issues to be reviewed are:

- Whether the “primary source” for claim interpretation should be “the patentee’s use of the term in the specification,” or instead technical and general purpose dictionaries? How should the court treat multiple dictionary definitions of the same term?

- When, “if ever” should claim language be narrowly construed for the sole purpose of avoiding invalidity?

- What role should “prosecution history and expert testimony by one of ordinary skill in the art play in determining the meaning of the disputed claim terms?”

Significantly, the en banc court will also consider whether it is appropriate for the Federal Circuit “to accord any deference to any aspect of trial court claim construction rulings.” At least one Federal Circuit judge has advocated that some deference be given in cases involving complex technology,

where the trial court can hear and question technical experts. See *Cybor Corp. v. FAS Technologies, Inc.*, 138 F3d 1448, 1477 (Fed Cir 1998) (en banc) (Mayer, concurring).

In addition to the parties, the Court invited amici — in particular, the Patent and Trademark Office — to submit briefs by late September. Argument has not yet been scheduled. Stay tuned.

Copyright

Few copyright issues can be more difficult to resolve than determining whether two works are “substantially similar,” particularly under the U.S. Court of Appeals for the Ninth Circuit’s idiosyncratic “extrinsic test,” which evaluates whether two works “share a similarity of ideas and expression as measured by external, objective criteria.” While conceding that its extrinsic test “provides an awkward framework” when applied to “music or art objects,” the Ninth Circuit reversed summary judgment dismissing a claim that Mariah Carey’s “Thank God I Found You” infringed plaintiff’s copyright. *Swirsky v. Carey*, 2004 WL 1562930 (9th Cir, July 12, 2004). It found that the trial court erred in limiting its extrinsic analysis to a “measure by measure comparison of melodic note sequences,” rather than looking at other elements of a musical composition, such as timbre, tone, combinations, and new technological sounds. The extrinsic test is satisfied if plaintiff presents expert testimony that supports substantial similarity by reference to “some or all of these elements.” Under this analysis, it will often be quite difficult to prevent even weak copyright claims based on musical works from reaching a jury.

In *CoStar Group, Inc. v. LoopNet, Inc.*, 373 F3d 544 (4th Cir. 2004), the U.S. Court of Appeals for the Fourth Circuit became the first appellate court to rule definitively that an internet service provider (ISP) who passively and innocently posts infringing material received from its users is not liable

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for direct copyright infringement, even if it fails to qualify for the safe harbor of the Digital Millennium Copyright Act. The act's safe harbor applies where an ISP has no knowledge of infringing activity and takes specified action to remove infringing material after receiving notice from the copyright holder. The Fourth Circuit held that, even if the safe harbor isn't satisfied, an ISP is not a direct infringer unless it takes a volitional act to cause infringement, not merely because it automatically copies infringing material submitted by a subscriber. "While the Copyright Act does not require that the infringer know that he is infringing ... it nonetheless requires *conduct* by a person who causes in some meaningful way an infringement." (Emphasis in original.) The holding does not affect claims for contributory or vicarious infringement.

In a case addressing the requirement in Section 112 of the Patent Act that an applicant disclose the "best mode" for practice of an invention, the Federal Circuit reversed a summary judgment of invalidity. *High Concrete Structures, Inc. v. New Enterprise Stone and Lime Co.*, 2004 WL 1689152 (Fed Cir July 29, 2004). High Concrete's patent claimed a device for adjusting the orientation of heavy and bulky cargo, and the specification emphasized that, using the invention, these loads could be rotated manually without heavy equipment. The inventors testified at deposition, however, that heavy cargo is typically loaded using a crane, not manually. Finding no violation of the best mode requirement, the Court of Appeals noted that use of a crane was concededly "well known" in the art, and was not "essential to the practice of the invention." "Known ways of performing a known operation cannot be deemed intentionally concealed absent evidence of an intent to deliberately withhold that information," and no such evidence was offered.

Deciding an issue of "first impression," the Federal Circuit held that the manufacture of components outside the United States, which are never shipped to or from this country, cannot constitute infringement under Section 271(f) of the Patent Act, even where the manufacturing and sales activity is directed and controlled from the United States by an American corporation. *Pellegrini v. Analog Devices, Inc.*, 2004 WL 1516921 (Fed Cir July 8, 2004). Section 271(f) imposes infringement liability where a defendant "supplies or causes to be supplied in or from the United States all or a substantial portion of the components of a patented invention ... as to actively induce the combination of such components" outside the country in a

manner that would infringe a patent. The statute was passed in order to prevent manufacturers from evading U.S. patents by making components here for assembly abroad. The court found that the statutory language applies only where components of a patented invention are "physically present" in the United States, regardless of the deep involvement of a domestic corporation. Paradoxically, this interpretation provides an incentive for U.S. businesses to move manufacturing activity outside the country.

In *Nystrom v. Trex Co., Inc.*, 374 F3d 1105 (Fed. Cir. 2004), the Federal Circuit reaffirmed the rule that, unless the specification provides otherwise, patent drawings are not drawn to scale and may not be relied upon to show the dimensions of elements of an invention. The district court entered summary judgment based on defendant's mathematical model that used drawings in a prior art patent to show that the prior art product anticipated the dimensions claimed in plaintiff's patent. Reversing, the court stressed that "arguments based on drawings not explicitly made to scale in issued patents are unavailing."

Ruling in a long-running litigation brought by Nissan Motor Company, the Ninth Circuit reversed an injunction preventing the operator of a "nissan.com" Web site from hosting links to content that disparages Nissan Motor. *Nissan Motor Co. v. Nissan Computer Corp.*, 2004 WL 1753289 (9th Cir. Aug. 6, 2004).

Trademarks

Defendant Uzi Nissan established a computer business called Nissan Computer Corp. and three years later registered the domain name nissan.com for that business. Nissan Motor sued for trademark infringement and dilution, and defendant responded to the suit by establishing links to content that criticized Nissan Motor. The district court entered an injunction prohibiting commercial use of the site and barring defendant from posting or linking to content that criticizes or disparages Nissan Motor. Upholding the district court's ruling that defendant's hosting of automobile advertising on the site constituted infringement, the Court of Appeals nevertheless reversed the ban on disparaging content, holding that such content-based restrictions on non-commercial speech violate the First Amendment.

The Ninth Circuit also reversed the trial court's summary judgment of dilution because that court erred in determining that Nissan Motor's mark was famous at the time

the nissan.com web site was established, not the earlier date when defendant first used a mark that contained the word Nissan. The Dilution Act, the Court of Appeals found, requires a showing that plaintiff's mark was famous at the time of the first arguably diluting use.

The Trademark Counterfeiting Act, 15 U.S.C. §1116(d), allows a victim of counterfeiting to obtain the powerful remedy of an ex parte seizure order. Upholding a district court's refusal to issue a seizure order, the Third Circuit endorsed a strict reading of the Act's requirements. *Lorillard Tobacco Co. v. Bisan Food Corp.*, 2004 WL 1682766 (3d Cir, July 28, 2004). The trial court was within its discretion in finding that Lorillard had failed to show that defendants — small retailers found in possession of apparently counterfeit cigarettes — would destroy or hide the counterfeit materials if they were given notice of a court proceeding. The Court of Appeals noted that presumptions that might fit itinerant street vendors should not be mechanically applied to store owners.

Finally, may the manufacturer of a composite product — one that includes several components — use the trademark of a component to "announce the existence of that component in the finished work?" That was the question considered by a New York district court in the context of a dispute over tuna salad. *Bumble Bee Seafoods, LLC v. UFS Industries, Inc.*, 2004 WL 1637017 (SDNY July 20, 2004). Defendant Sally Sherman Foods distributed five-pound tubs of tuna salad to delicatessens and supermarkets. The tub lids accurately stated that the product was "Made with Bumble Bee Tuna."

Relying on the venerable precedent of *Prestonettes, Inc. v. Coty*, 264 US 359 (1924), the district court held that Sally Sherman is entitled to use the mark as long as it does not lead consumers to believe that "Bumble Bee is the source of Sally Sherman's tuna salad or endorses this tuna salad." (Emphasis in original.) Stressing the sophistication of Sally Sherman's customers, who can distinguish between tuna and tuna salad, and holding that "Bumble Bee has no trademark right to control the quality of composite products down stream in the market," the court found no confusion and denied a preliminary injunction.

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