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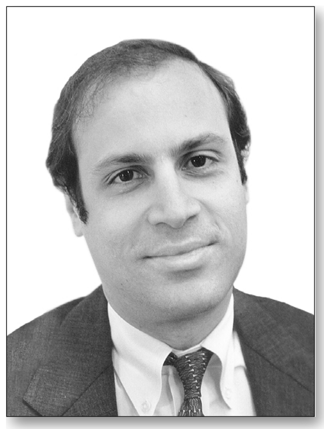
INTELLECTUAL PROPERTY LITIGATION

BY LEWIS R. CLAYTON

'Eldred': 20-Year Extension of Copyright Terms, Ongoing Debate

THE U.S. SUPREME Court's *Eldred* decision, as expected, upheld the constitutionality of the 20-year extension of copyright terms passed by Congress in 1998, but did not quiet the ongoing debate about the rights afforded copyright holders. In this column, we discuss *Eldred* and other significant copyright, trademark and patent cases of the past several months.



'Eldred v. Ashcroft'

On Jan. 15, the Supreme Court found, 7-2, that the Copyright Term Extension Act of 1998 (CTEA) — named after Sonny Bono, a congressman who, a dissent notes, wanted copyright protection to "last forever" — was a rational exercise of legislative power that did not transgress the Copyright Clause or the First Amendment. *Eldred v. Ashcroft*, 123 SCt 769 (Jan.15, 2003). Any other result would have been a shock — Congress has long been assumed to have broad discretion to determine the duration and scope of copyright protection. [*Disclosure: Our firm, Paul, Weiss, submitted an amicus brief in support of affirmance in the 'Eldred' case.*]

The first copyright law, passed by the First Congress in 1790, set a 14-year term, renewable for another 14 years if the author survived the first term. Congress extended the term in 1831, 1909 and 1976. Under the CTEA, the fourth major term extension, works created by natural persons are protected from creation until 70 years after the author's death; anonymous and pseudonymous works and works made for hire are protected for the earlier of 95 years from publication or 120 years from creation.

The most forceful attack on the statute focused on the term extension for existing, as opposed to future, works, arguing that extending those terms could not be justified by the purpose of copyright — in the words of the Copyright Clause, to "promote the Progress of Science." The challengers of the statute, individuals and businesses who use public domain works, contended that, once a work is published, no additional copyright protection is necessary as an incentive to creation. They described the copyright regime as a quid pro quo, exchanging copyright protection for creation and dissemination of creative work.

Writing for the majority, Justice Ruth Bader Ginsburg stressed that "history reveals an unbroken congressional purpose of granting to authors of works with existing copyrights the benefit of term extensions so that all under copyright protection will be governed evenhandedly under the same regime" — every copyright extension has applied equally to existing works. Against this background, "the author of a work created in the last 170 years would reasonably" expect "a copyright not only for the time in place when protection was gained, but also for any renewal or extension legislated during that time."

Applying a deferential standard of review, the Court went on to find that Congress rationally relied on several policy grounds in enacting the CTEA. Among them were: the need to harmonize United States and European law, so that American authors receive the same copyright protection in Europe as European authors; demographic, economic and technological changes affecting the value and commercial lifetime of works; and the argument that longer terms "would encourage copyright holders to invest in the restoration and public dis-

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tribution of their works." Copyright law, the Court noted, "celebrates the profit motive" to encourage "the proliferation of knowledge."

The majority's opinion was a little less bleak for the challengers on the First Amendment issues. The Court found that the United States Court of Appeals for the District of Columbia Circuit had spoken "too broadly when it declared copyrights 'categorically immune from challenges under the First Amendment.' But when, as in this case, Congress has not altered the traditional contours of copyright protection, further First Amendment scrutiny is unnecessary." The Court noted the copyright law's "built-in First Amendment accommodations," such as the fair use, and the lack of protection for ideas, concepts and facts. These words might be taken to mean that tinkering with these "built-in accommodations" could raise First Amendment issues.

Ten or 15 years ago, before the growth of the internet and digital technology, the *Eldred* ruling might not have been front-page news in the popular press. But today, it is part of what The Economist called "a nasty worldwide battle about the scope and enforcement of copyrights." Predictably, groups like the Electronic Frontier Foundation have denounced the decision, and one commentator dubbed it the "Dred Scott case for culture." But even mainstream groups and their congressional supporters are questioning whether the copyright law, particularly the recently passed Digital Millennium Copyright Act, grants copyright holders too much power. The Economist, for example, proposed going back to the 28-year renewable copyright term of the 18th century, in return for enacting tough laws inhibiting and punishing infringement. The debate is just getting under way.

Copyright

Deciding "an issue of first impression of great importance to the application of copyright law to the Internet," a federal district court upheld a subpoena served by the Recording Industry Association of America (RIAA) under the Digital Millennium Copyright Act (DMCA) on Internet service provider Verizon, requesting the identity of an individual user who downloaded copyrighted music files. *In re Verizon Internet Services, Inc.*, 2003 WL 141147 (D.D.C., Jan. 21, 2003). Section 512(h) of the DMCA allows a copyright owner to serve a subpoena on an Internet service provider seeking the identity of a user alleged to be infringing the owner's copyright, provided that the owner identifies the copyrighted work and supplies information enabling the provider to identify the infringing material. The RIAA subpoena to Verizon sought the name of a user who downloaded over 600 copyrighted songs in a single day, using the popular and controversial KaZaA peer-to-peer software. (Several RIAA members are now suing KaZaA for copyright infringement). The district court rejected Verizon's argument that §512(h) applies only when the infringing material is stored on the service provider's network. It found that the DMCA evidenced a legislative compromise, affording Internet service providers broad liability protections "in exchange for assisting copyright owners in identifying and dealing with infringers …." If upheld on appeal, this ruling may allow copyright owners to open a new front in preventing infringement through peer-to-peer file sharing.

A Massachusetts district court approved of a different procedural device to attack widespread infringement — certification of a defendant class action. *Tilley v. The TJX Companies, Inc.*, 2003 WL 40505 (D. Mass., Jan. 3, 2003). Plaintiff, a graphic artist, alleged that a wholesaler sold home décor items using her copyrighted wallpaper design to 557 retailers throughout the country. At the court's suggestion, she moved to certify a defendant class under Fed. R. Civ. P. 23. Approving its own idea, the court held certification appropriate under Rule 23(b)(1), finding, over the protests of the proposed defendant class representative, that the prosecution of separate actions would risk "substantial impairment of the interests of absent class members," because a judgment in an individual action would have stare decisis (but not res judicata) effect. The court also certified a defendant class under Rule 23(b)(2), for injunctive relief only.

Trademarks

Brother Records, Inc. v. Jardine, 2003 WL 192084 (9th Cir., Jan. 28, 2003), explored the abstruse and often confusing trademark doctrines the U.S. Court of Appeals for the Ninth Circuit called "classic" and "nominative" fair use. The court affirmed an injunction prohibiting Al Jardine, one of the original Beach Boys, from using the trademarks "THE BEACH BOYS" and "THE BEACH BOYS AND FRIENDS," but allowing him to refer to his past membership in the band "in a descriptive fashion."

"Classic" fair use applies where a defendant uses plaintiff's trademark in a descriptive sense, to describe defendant's own product; "nominative" fair use governs where defendant uses the mark to refer to plaintiff's product (for example, a car-repair shop named "Modern Volkswagen Service"). In a case like *Jardine*, where a mark identifies the plaintiff and describes the defendant, the distinction between the doctrines "often proves more frustrating than helpful." Moreover, neither doctrine will authorize use of plaintiff's mark if there is a likelihood of confusion. It was on that ground that the court affirmed the injunction — there was clear evidence of confusion resulting from Mr. Jardine's use of the "BEACH BOYS" mark. Given that both doctrines ultimately focus on confusion, there appears to be good reason to abandon them in most cases in favor of a standard likelihood-of-confusion analysis.

In *Profitness Physical Therapy Center v. Pro-Fit Orthopedic and Sports Physical Therapy P.C.*, 314 F3d 62 (2d Cir. 2002), the U.S. Court of Appeals for the Second Circuit reversed summary judgment for defendant, directing the trial court to look more closely at the doctrine of "progressive encroachment," which limits the defense of acquiescence. Plaintiff Pro- fitness Physical Therapy Center operated primarily in Manhattan. Defendant Pro-Fit Physical Therapy PC later opened an office in Queens. When plaintiff wrote a cease and desist letter in 1999, defendant offered to change its name to Pro-Fit Orthopedic and Sports Physical Therapy. Plaintiff remained silent for more than a year and then brought suit after defendant opened a Manhattan office. The Court of Appeals found that plaintiff's silence amounted to acquiescence in defendant's use of the mark in Queens. However, a question of fact remained concerning whether plaintiff had acquiesced to use in Manhattan. Under the doctrine of progressive encroachment, a plaintiff has "some leeway in the timing of his suit" and may wait "until the likelihood of confusion looms large." The case was remanded to allow the trial court to determine whether defendant's entry into Manhattan "redirected its business so that it more squarely competed with plaintiff and thereby increased the likelihood of public confusion of the marks."

A laches analysis came out differently in the same court in *Patsy's Brand, Inc. v. I.O.B. Realty, Inc.*, 317 F3d 209 (2d Cir. 2003). In 1933, the restaurant now owned by defendant, Patsy's Pizzeria, opened in East Harlem; in 1944, Patsy's Italian Restaurant was established in Midtown. The two coexisted peacefully for decades. In 1993, the owners of Patsy's Italian Restaurant formed the plaintiff-company and began to market pasta sauces under the Patsy's name; defendant began to sell its own Patsy's pasta sauce in 1999. Endorsing an injunction severely limiting defendant's use of the mark for pasta sauce, the Court of Appeals found that defendant could not argue that its prior use of the Patsy's mark for restaurant services prevented plaintiff from entering the sauce market, because of defendant's long acceptance of plaintiff's use of the mark in the restaurant business. The court held that, where a senior user tolerates a junior user of its mark in the market they both share, it loses any right to stop the junior user from entering related fields. "In such circumstances, protection for use of the common feature of the two names in the related field belongs to the first entrant into that field. When a senior user delays in enforcing its rights, a junior user may acquire a valid trademark in a related field, enforceable against even the senior user." Patsy's illustrates the heavy price a trademark owner may pay for tolerating infringing uses.

Patents

Micro Chemical, Inc. v. Lextron, Inc., 2003 WL 187273 (Fed. Cir., Jan. 29, 2003), illustrates an indulgent approach to the recovery of lost profits for patent infringement. To recover lost profits, a patentee must show that, but for infringement, it reasonably would have made the profits earned by the infringer. Under the "two-supplier" test, a patentee can show but-for causation by establishing that the relevant market has only two suppliers, and that it had the capacity to make additional sales. Reversing a trial court's dismissal of a lost profits claim, the U.S. Court of Appeals for the Federal Circuit reiterated the rule that, in determining the relevant market under the two-product test, products "with disparately different prices or significantly different characteristics" are disregarded. It did so despite record evidence that purchasers had actually switched from the patented product to products that the court nevertheless considered "significantly different." While the two-product test does not preclude a defendant from arguing that the availability of noninfringing "significantly different" products diminishes lost profits damages, a relevant market analysis under the antitrust laws — where a huge body of law addresses the issue — surely would include products that consumers view as substitutes, regardless of differences in price or physical characteristics.

In 1977, the Federal Circuit's predecessor wrote that "pioneer" patents, which disclose inventions "basic" to a field, "deserve broad claims to the broad concept." *In re Hogan*, 559 F2d 595, 606 (CCPA 1977). In *Plant Genetic Systems, N.V. v. DeKalb Genetics Corp.*, 315 F3d 1335 (Fed. Cir. 2003), the Federal Circuit found that the *Hogan* language is dicta and held that pioneer patents must meet the same standards of enablement as any other invention. In *DeKalb*, most of the claims in plaintiff's patent were held invalid, because the specification did not enable manufacture of genetically engineered monocot plants — the technology to modify monocots had not been perfected when the patent application was filed. The Court of Appeals held that, even in the case of a pioneer patent, an inventor may not "claim what was specifically desired but difficult to obtain at the time the application was filed, unless the patent discloses how to make and use it." The *Hogan* court arguably took a different view, writing that an infringer should not be able to attack a patent because it is not enabling with respect to a product "which first came into existence" after the patent was filed.