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SUPREME COURT NARROWS PRODUCT DESIGN PROTECTION

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Trademark, copyright, and patent law share at least one theme—while recognizable trademarks, useful inventions, and original expressions are protectable, ideas themselves are not. That principle was on display in the U.S. Supreme Court's long-awaited March 22, 2000, decision in *Wal-Mart Stores, Inc.* v. *Samara Brothers, Inc.*, 120 S. Ct. 1339 (2000), which held that a product's design cannot be "inherently distinctive" under the Lanham Act. Under this rule, trademark protection will extend only to product designs that have acquired "secondary meaning"—that is, where a consumer would understand the design to identify a particular producer of the product. Designs that consumers consider simply to be product features, and not to identify a specific product, lack secondary meaning.

Product design has long been a controversial area of trademark law. Indeed, prior to the Samara decision, some argued that product design should not be protectable at all under the trademark laws. Because designs can be patented, a design trademark, under this view, would effectively allow the corresponding patent to last indefinitely, rather than for the limited statutory term.

While rejecting that view, the Samara court refused to give product design the same scope of protection as ordinary trademarks and trade dress. These can be inherently distinctive and protectable without a showing of secondary meaning.

In reaching that result, the court chose between the different approaches used in two of its recent trademark decisions: *Qualitex Co.* v. *Jacobson*, 514 U.S. 159 (1995), which held that colors can never be inherently distinctive when used as trademarks, and *Two Pesos, Inc.* v. *Taco Cabana, Inc.*, 505 U.S. 763 (1992), holding that trade dress can be inherently distinctive. The Court found that product design is more like a color, because no presumption can be made that consumers identify a design with a particular product source. "In the case of product design, as in the case of color we think consumer predisposition to equate the feature with the source does not exist."

Consumers are aware of the reality that, almost invariably, even the most unusual of design—such as a cocktail shaker shaped like a penguin—is intended not to identify the source, but to render the product itself more useful or more appealing." Thus, the court separated the unprotectable idea—the design of the product itself—from the identification of product source, which is protected.

In the wake of *Samara*, trademark plaintiffs will attempt to argue that their marks are not product designs, but instead product packaging or trade dress. In many cases, the line will be difficult to draw. For example, the product packing in *Two Pesos* was "a festive eating atmosphere having interior dining and patio areas decorated with artifacts, bright colors, paintings, and murals."

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The product in *Samara* was children's clothes, and the "product design" was "a line of spring/summer one-piece seersucker outfits decorated with appliques of hearts, flowers, fruits, and the like." It is not difficult to imagine a court holding that the restaurant decor in *Two Pesos* was product design, and that the appliques in *Samara* were product packaging.

Where a marketer is unable to characterize a trademark as product packaging instead of product design, it will have to show secondary meaning. That will not be easy in the case of successful new products—a popular design is likely to be imitated by competitors, so that the connection between the design and the source quickly will be blurred. The marketer may also have a difficult time seeking equivalent protection under the patent or copyright laws. Patent protection is limited to novel and nonobvious designs, and runs for a limited term.

Moreover, it can take as long as two years to secure a design patent, during which time competitors are free to exploit the design. Copyright protection can be difficult to obtain for a product design (although the plaintiff in *Samara* did copyright elements of its clothing line), and the substantial similarity test for copyright infringement may be more difficult to meet than the Lanham Act's likelihood of confusion standard.

All in all, the Supreme Court has significantly narrowed the scope of protection accorded to product design, and benefited those, like defendant Wal-Mart in the Samara case, who knock off successful designs. Product design will continue to be a focus of Lanham Act litigation.

Copyright

COURT UNWRAPS "RESALE" PRACTICE

Adobe Systems Inc. v. *One Stop Micro, Inc.*
84 F. Supp. 2d 1086 (N.D. Ca. 2000)

Adobe Systems produces popular desktop publishing software. Like many software companies, it price discriminates, selling versions of this software to the educational market at reduced cost. In this case, defendant One Stop freely admitted that it took these educational versions, unwrapped them to remove any indication that they were for educational use only, and sold them to non-educational customers. One Stop moved to dismiss Adobe's copyright claims, arguing that its conduct was protected under the "first sale doctrine," under which the lawful purchaser of a "copy or phonorecord" may resell that copy without permission of the copyright holder. The district court rejected that defense, and granted summary judgment for Adobe. The court began by analyzing the terms of the argument between Adobe and the distributor from whom One Stop had bought the software. Looking at the significant restrictions imposed by that agreement, and evidence that software companies typically license (rather than sell) their products, the court concluded that the distributor had not purchased the software, but only acquired it pursuant to a limited license that restricted resale. While One Stop had not signed this agreement, the court held that, by purchasing from the distributor, it was nevertheless bound by it. As a result, One Stop had not "purchased" the software and the "first sale doctrine" did not apply. A contrary finding would have called into question distribution practices that are basic to the software industry.

WHEN IS A PHOTO NO LONGER A PHOTO?

Mendler v. *Winterland Production, Ltd.*
Civ. No. 98-16061, 2000 WL 271890
(9th Cir. Mar. 14, 2000)

This court answered the existential question, when is a photograph no longer a photograph? The case involved a copyright license between a photographer—the plaintiff—and a T-shirt maker, which permitted the T-shirt maker to use the plaintiff's photographs as a "guide," "model" or "example" to make T-shirt "illustrations." The license did not, however, permit photographic reproductions of plaintiff's work. The defendant electronically scanned one of plaintiff's photographs of a sail ship which it then altered by flipping the ship horizontally, changing the color of the sky, digitally adding a tip of sail which had been cut off in the original and "posterizing" the whole to create a washed-out tone. The U.S. Court of Appeals for the Ninth Circuit—over a dissent—held that defendant's changes were not adequate to change the photograph into an "illustration." The court acknowledged that, had an artist painted a photo-realistic image of the photograph, the end result would not be a photograph. But the T-shirt image, despite the alterations, was essentially a "photographic reproduction" that exceeded the scope of the license. Plaintiff's copyright claim, dismissed by the district court after a bench trial, was reinstated.

COURT DEEP-SIXES DEEP LINKING CLAIM

Ticketmaster Corp. v. *Tickets.com, Inc.*
No. CV99-7654 HLH (BQRx) (C.D. Ca. March 27, 2000)

The Court rejected a claim that "deep linking"—a link from one Web site to a page within another Web site, bypassing the home page—violated the copyright laws. Defendant Tickets.com, an online ticket service, provided a hyperlink from its Web site to Ticketmaster's Web site, to allow visitors to the Tickets.com site to buy tickets to events handled exclusively by Ticketmaster. The links went directly to an interior Ticketmaster Web page, but users were clearly informed that they were dealing with a different online broker. The district court found that hyperlinking alone does not violate the Copyright Act because "no copying is involved." The court left open the possibility that Ticketmaster could state other claims against Tickets.com.

A GUITAR NO LONGER KNOWN AS PICKETT

Pickett v. *Prince*
Civ. No 99-2770, 99-2843, 2000 WL 273993 (7th Cir. Mar. 14, 2000)

Several years ago, the Artist Formerly Known as Prince adopted an unpronounceable symbol—reminiscent of an Egyptian *ankh*—in place of his name and obtained a copyright in the symbol. The plaintiff in this case was an individual who was inspired by the artist to design a guitar in the shape of the symbol. He conceded that the design was a derivative work under the Copyright Act. When the artist then began to use a similar guitar, plaintiff sued for copyright infringement.

The U.S. Court of Appeals for the Seventh Circuit, in an opinion by Judge Richard Posner, upheld dismissal of the claim, holding that "the owner of the copyright [has] the exclusive right to prepare derivative works based upon the copyrighted work." The plaintiff, therefore, "could not make a derivative work based on the Prince symbol without Prince's authorization even if [plaintiff's] guitar had a smidgen of originality."

Given this holding, the Artist's pending claim that the plaintiff's symbol-shaped guitar infringes the Artist's copyright sounds like trouble for plaintiff.

Trademarks

TONY THE TIGER WAS TIMELY

Kellogg Co. v. *Exxon Corp.*
Civ. No. 98-6237, 98-6360, 2000 WL 352371 (6th Cir. Apr. 6, 2000)

Is it too late for the Frosted Flakes Tony the Tiger to sue Exxon's Tiger in Your Tank for trademark infringement? No, said the US. Court of Appeals for the Sixth Circuit. In 1952, Kellogg began using a cartoon tiger in association with Frosted Flakes cereal and registered its Tony the Tiger trademark. Exxon (then Standard Oil) began using a tiger to promote gasoline, and in 1965 registered its "Whimsical Tiger" without opposition from Kellogg. In 1984, Exxon opened its first convenience stores selling food products. In 1996, Kellogg sued for an injunction prohibiting Exxon's continued use of the tiger in connection with food, beverages and convenience stores. Noting the 31-year delay after Exxon's registration, the district court dismissed the claim. Reversing, the Sixth Circuit held, as a matter of law, that Kellogg's delay did not bar injunctive relief. It measured Kellogg's delay not from the 1965 registration, but from 1984, when Exxon entered the nonpetroleum market and first gave Kellogg grounds for an infringement claim. While Kellogg's 12-year delay in bringing suit might support a laches defense barring monetary relief, it did not constitute acquiescence barring injunctive relief. A trademark owner does not "acquiesce" unless it evidences "active consent," or engages in "affirmative conduct" amounting to an estoppel or abandonment of the mark. This standard, the court ruled, was not satisfied even by a dozen years of inaction.

CONSUMER SURVEYS SURVIVE CHALLENGE

Bacardi & Co. Ltd. v. *New York Lighter Co., Inc.*
Civ. No. 97-CV-7140, 2000 WL 298915 (E.D.N.Y. Mar. 15, 2000)

Major trademark cases typically feature consumer surveys introduced for the pur-pose of showing likelihood of confusion among consumers. In this case, the court considered the applicability of the U.S. Supreme Court's most recent decisions on the admissibility of expert testimony—*Daubert* v. *Merrell Dow Pharmaceuticals, Inc.*, 509 U.S. 579 (1993) and *Kumho Tire Co.* v. *Carmichael*, 526 U.S. 137 (1999)—to consumer studies in trademark cases and expert testimony critiquing them. *Daubert* and *Kumho* require a court to determine whether expert testimony is based on theories and techniques that have been validated and accepted in the relevant scientific community. The Bacardi court found that the criticisms of the survey in question went to the weight of the evidence, rather than admissibility. It also admitted, over a Daubert objection, the testimony of an expert retained to criticize the survey, but who had performed no survey of his own. The Bacardi holding indicates that *Daubert* and *Kumho* will not be practical obstacles to the admission of consumer survey evidence, as long as there has been a good faith attempt to comply with traditional survey practice.

PROPER TV CREDIT: A "HARSH REALM"

Paquette v. *Twentieth Century Fox Film Corp.*
Civ. No. 99 Civ. 10592, 2000 WL 235133 (S.D.N.Y. Feb. 29, 2000)

Writing against the background of the arcane agreements concerning who gets credit for what on a television show, the US. District Court for the Southern District of New York held that failure to give pooper credit can violate the Lanham Act. In *Paquette*, the producers of a comic strip called *Harsh Realm*—in which characters enter a virtual world where they have life and death struggles—sued the producer of a television series called *Harsh Realm*—in which characters enter a virtual world where they have life and death struggles—for failure to recognize adequately their contribution to the show. Twentieth Century Fox had licensed the idea and name for the show from the plaintiffs, but under a contract with the Writer's Guild of America, the series gave credit solely to Chris Carter (a well known writer and producer and a named defendant) as creator. The district court held that the facts supported a false designation of origin claim under the Lanham Act because the failure to give plaintiffs proper credit could mislead the public. The judge ruled that the plaintiffs would suffer irreparable harm if the show continued to air without correction. After finding that plaintiffs were likely to succeed on the merits, the court ordered preliminary relief. It rejected Twentieth Century Fox's compromise offer of an "Inspired By" credit at the end of the show and ordered instead that an "Inspired By" credit be aired at the start of the show and in proximity to the "Created By" credit. The court did not address the question of whether the nature of the credit is in any way material to viewers of the show.

CAESARS WORLD HITS JURISDICTION JACKPOT

Caesars World, Inc. v. *Caesars-Palace.com.*
Civ. No. 99-550-A, 2000 U.S. Dist. LEXIS 2671, (E.D. Va. Mar. 3, 2000)

The recently enacted Anticybersquatting Consumer Protection Act (ACPA) faced down a constitutional challenge to one of its key jurisdictional provisions. Under the ACPA, a court sitting in a district in which a domain name is registered has in rem jurisdiction over that domain name. Defendants argued that there nonetheless must also be minimum contacts between the owner of the domain name and the jurisdiction. The district court rejected thus argument, noting that, while such minimal contacts may be necessary for in rem actions where the underlying suit does not involve the property, under the ACPA, the subject of the suit is the domain name itself. The court also found that, assuming such contacts are needed, registration of the mark in Virginia sufficed to provide them, particularly in light of the limited nature of the relief—cancellation of the registration—afforded by the ACPA. the court's holding leaves intact one of the significant changes to preexisting rules enacted by the ACPA.

Patents

COURT UPHOLDS REFUSAL TO SELL

Independent Service Organizations Antitrust Litigation
203 F.3d 1322 (Fed. Cir. 2000)

Patent law grants monopolies; the antitrust laws abhor them The Federal Circuit held that a patent holder's intent in refusing to sell or license a patented invention is irrelevant to antitrust liability. Plaintiff, a firm that serviced copiers, challenged Xerox's refusal to sell the plaintiff patented copier parts. In affirming summary judgment dismissing the claim, the Federal Circuit determined that, “in the absence of any indication of illegal tying, fraud in the [patent office], or sham litigation, the patent holder may enforce the statutory right to exclude others from making, using, or selling the claimed invention free from liability under the antitrust laws.” Significantly, the court explicitly declined to follow what it described as the holding of the Ninth Circuit Court of Appeals in *Image Technical Services* v. *Eastman Kodak Co.*, 125 F.3d 1195 (9th Cir. 1997), to the effect that a patentee's subjective motivation for refusing to sell or license an invention must be evaluated in considering an antitrust claim. The Federal Circuit similarly held that Xerox's motivation was irrelevant to the validity of its refusal to license to plaintiff copyrighted manuals and diagnostic software.

GENERAL DESCRIPTIONS ARE OKAY

Union Oil Company of California v. *Atlantic Richfield Co.*
Civ. No. 99-1066, 2000 WL 329594 (Fed. Cir. Mar. 29, 2000)

A dividend Federal Circuit panel considered the “written description” requirement of section 112 of the Patent Act, which demands that the specification describe an invention in terms that clearly show persons skilled in the art that the applicant actually invented what is claimed. After 49 trial days and 13 days of deliberation, the jury upheld the validity of a Unocal patent covering low-emission automotive gasoline. Stressing that written description questions are “intensely factual,” the panel majority held that the patentee's general description of ranges of chemical properties that produce desired effects was sufficient. Noting that none of the 41 issued claims were in the original application, the dissent found that the application's description of general characteristics of particular components of a fuel mixture did not show that the applicant had invented the particular combinations claimed. *Union Oil* shows that, even where wholesale changes are made in claims after filing, it will continue to be difficult for challengers to use the written description requirement to invalidate patents.

COUNSEL SANCTIONED UNDER RULE 11

View Engineering, Inc. v. *Robotic Vision Systems, Inc.*
Civ. No. 99-1399, 2000 WL 335544 (Fed. Cir. Mar. 29, 2000)

Emphasizing responsibilities under Fed. R. Civ. P. 11 whenever a claim of patent infringement is filed, this decision affirmed a Rule 11 sanction of nearly $98,000 against a patentee's law firm. After being sued for a declaratory judgment of invalidity and noninfringement on one of its patents, Robotic counterclaimed for infringement of several other patents, all covering three-dimensional vision technology. The counterclaim—which was dismissed on summary judgment—was founded solely on the views of a Robotic executive about Robotic's patents, a review of the alleged infringer's customer advertising and the executive's understanding of the technology in the field. The appeals court found that Robotic's counsel had violated Rule 11 by failing to make a detailed pre-filing assessment of the basis of each infringement claim. It rejected the firm's argument that the alleged infringer had not been sufficiently cooperative in providing discovery, finding that Robotic had no right to "prelitigation discovery," and noting that there had been no failure to allow discovery "approved by the court."

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