



Dear Colleague:

Below, please find our October edition of RMKB's IP Case Alerts. We hope you find them interesting and useful.

If you have any questions or comments, please feel free to contact us.

Best Regards,

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1. Nominal Fair Use Doctrine Bars Winchester Mystery House Trademark Infringement

Winchester Mystery House LLC v. Global Asylum, ____ Cal.App.4th ____ (Cal. 2012); 2012 DJDAR 14815

The owners of a popular tourist attraction, The Winchester Mystery House, filed a lawsuit for trademark infringement and unfair competition against a motion picture producer, Global Asylum, when it released its film "Haunting of Winchester House." On summary judgment, the trial court agreed that the first amendment as embodied in the nominal fair use doctrine barred the claim for trademark infringement. The Court of Appeals affirmed, holding that the Lanham Act should be construed to apply to artistic works only where the public interest in avoiding consumer confusion outweighs the public interest in free expression. Since there was no suggestion that the film was authorized, endorsed or produced by the Winchester Mystery House, there was no likelihood that the public would be confused. Accordingly, judgment in favor of the defendant was affirmed.



2. Fees Clause In Purchase Order And Invoice Entitled Fabric Wholesaler To Attorney's Fees For Claims Made By Clothing Manufacturer

Kandy Kiss v. Tex-ellent Inc., ____ Cal.App.4th ____ (Cal. 2012); 2012 DJDAR 13292.

Kandy Kiss, a clothing manufacturer, purchased a small fabric sample bearing a paisley print design from a fabric wholesaler, Paramount. Kandy Kiss eventually developed a garment line utilizing the print design and was later sued by the true owner of the paisley design copyright, LA Printext Industries. At trial, a federal jury determined that Kandy Kiss infringed LA Printext's copyright and awarded damages in the amount of \$175,000. Kandy Kiss then filed suit against Paramount in state court which Paramount moved to dismiss for lack of subject matter jurisdiction. The trial court agreed and dismissed the action, awarding Paramount \$3,462.65 in costs. Paramount then moved for attorney's fees pursuant to contract and the trial court ultimately awarded Paramount \$129,492.49 in attorney's fees. The Court of Appeals affirmed.

Attorney's fees are recoverable as costs under California Code of Civil Procedure section 1032 when authorized by contract. Moreover, when a contract allows recovery of attorney's fees by one party, California Civil Code section 1717 operates to provide that remedy to any prevailing party, whether specified in the contract or not. Here, both the purchase order and invoices exchanged between Paramount and Kandy Kiss contained attorney's fees provisions. Further, even though the state court action was dismissed on procedural grounds, the Court of Appeals held that the defendant was the "prevailing" party in that it was able to obtain a complete and final dismissal of the claims against it in state court. Accordingly, Paramount was entitled to its attorney's fees in the underlying litigation and the Court of Appeals remanded the matter to the trial court for a determination of attorney's fees reasonably incurred in litigating the appeal.



3. Latches Bars Copyright Infringement Action When The Suit Is Brought Ten Years After First Notice of Infringement

Evergreen Safety Counsel v. RSA Network Inc., ____ F.3d ____ (9th Cir. 2012); 2012 DJDAR 14357

RSA and Evergreen are competitors in the pilot escort vehicle industry. Pilot escort vehicles generally position themselves directly in front of, or behind, an escorted oversized vehicle. In 1991, RSA began drafting a manual to develop a certification program for pilot escort vehicle training. The manual was registered with the copyright

office in 1993. In 1999, RSA was sent a copy of a draft manual developed by Evergreen which allegedly contains portions of RSA's manual. RSA claimed it never looked at. In 2010 RSA asserted a claim for copyright infringement and moved for summary judgment that Evergreen had willfully infringed. The district court granted summary judgment dismissal to Evergreen on the basis of laches and the Court of Appeals affirmed. The Court held that the laches evaluation period began to run on the day when RSA received Evergreen's draft manual because that was the date on which RSA knew, or should have known, of the allegedly infringing content. The fact that RSA had the Evergreen draft manual in its possession in 1999, regardless of whether he actually read, demonstrated that he should have known of the infringement approximately ten years before it commenced this action.



4. Claims for Breach of Contract And Fraud Relating To Patent Licensing Contract Are Not Subject To Federal Jurisdiction Because They Do Not "Arise Under" Patent Law

Caldera Pharmaceuticals v. Regents of the University of California, ___ Cal.App.4th ___ (2012) 2012 DJDAR 5227

Caldera filed a complaint for fraud and breach of contract revolving around an exclusive patent licensing agreement executed with the regents of the University of California. The Regents possessed four patents related to a method for detecting binding constants using micro-x-ray fluorescents. The Regents filed a motion for judgment on the pleadings on the ground that exclusive jurisdiction resided in the federal courts because Caldera's action was ultimately about patent solicitations. The trial court agreed, but the Court of Appeals reversed. The Court of Appeals ruled that the nature of this contract action did not change because the contract was a patent license. The asserted failed contract obligation was the obligation to notify of patent infringement and share payment for infringement. Since these obligations did not "arise under" the patent law, jurisdiction was proper in state court.

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