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Patents / Patent-Eligible Subject Matter

Can Genes Be Patented?

by William Gaede

It has long been held that inventions reflecting the “hand of man” may be patented. It has also long been established that products of nature, abstract principles, or natural phenomena may not be patented. Since the early 1980s, the United States Patent and Trademark Office (USPTO) has issued patents on isolated DNA sequences, but the issue of whether DNA sequence claims constituted patentable subject matter under 35 U.S.C. § 101 had not been tested fully in litigation. The U.S. Court of Appeals for the Federal Circuit has now concluded that while isolated DNA sequences may constitute patentable subject matter, a method that compares gene sequences does not.

Association for Molecular Pathology v. U. S. Patent and Trademark Office, Case No. 10-1406 (Fed. Cir., July 29, 2011) (Lourie, J.) (Moore, J., concurring-in-part) (Bryson, J., concurring-in-part and dissenting-in-part).

In May 2009 various individuals, medical researchers and organizations represented by the American Civil Liberties Union filed suit challenging gene patents held by Myriad Genetics. The patent claims at issue were directed to isolated DNA sequences, methods of detecting BRCA mutations and methods of using cells transformed with mutant BRCA to screen for potential drugs. In the ensuing litigation, the U.S. District Court for the Southern District of New York struck down Myriad's patent claims, finding that they constituted unpatentable subject matter under § 101. Specifically, the district court concluded that the claims directed to isolated DNA encoding the BRCA1 or BRCA2 proteins (or fragments thereof) were directed to unpatentable subject matter because they claimed a product of nature. In doing so, the district court observed that products isolated from nature must possess “markedly different characteristics” from the product in nature to constitute patentable subject matter. Further, the district court concluded that DNA is “distinct in its essential characteristics from any other chemical found in nature [and its] existence in an ‘isolated’ form alters neither this fundamental quality of DNA as it exists in the body nor the information it encodes.” The district court also found Myriad's method claims to be unpatentable abstract mental processes of comparing or analyzing two gene sequences and concluded that the claimed steps of analyzing and comparing failed to recite the specific transformative steps that are a hallmark of patentable subject matter. Finally, the district court found Myriad's cell-screening claims, which are directed to a method of identifying compounds useful in treating BRC-associated cancer by screening compounds against cells transformed with BRCA, also failed the transformation test because the transformative steps were mere data-gathering. Myriad appealed.

The Federal Circuit reversed-in-part and affirmed-in-part the district court ruling. Writing for the majority, Judge Lourie explained that, “[w]e reverse the district court's decision that Myriad's composition claims to ‘isolated’ DNA molecules cover patent-ineligible products of nature under §101 since the molecules as claimed do not exist in nature.” Based on a “markedly different characteristics” standard articulated in *Diamond v. Chakrabarty*, the Court

concluded that isolated DNA has “markedly different chemical characteristics” compared to corresponding native DNA.

In this case, the claimed isolated DNA molecules do not exist in nature within a physical mixture to be purified. They have to be chemically cleaved from their chemical combination with other genetic materials. In other words, in nature, an isolated DNA molecule is not a purified form of a natural material, but a distinct chemical entity. In fact, some forms of isolated DNA require no purification at all, because DNA can be chemically synthesized directly as isolated molecules.

As to the method claims, the Federal Circuit noted that in accordance with the Supreme Court’s *Bilski* decision, whether a claim includes transformation still remains an important and useful clue to patentability of method claims, and explained that “Myriad’s method claims directed to ‘comparing’ or ‘analyzing’ DNA sequences are patent ineligible; such claims include no transformative steps and cover only patent-ineligible abstract, mental steps.” The claims do not specify any action prior to the step of “comparing” or “analyzing” two sequences; the claims just recite the one step of “comparing” or “analyzing.” Moreover, those terms’ plain meaning does not include Myriad’s proposed sample-processing steps; neither comparing nor analyzing means or implies “extracting” or “sequencing” DNA or otherwise “processing” a human sample.

However, method claims directed to screening compounds with cells transformed with mutant BRCA were found to be patent eligible. Here, the Court found the necessary “transformation” in the claim’s steps of “growing a transformed eukaryotic host cell” and “determining the rate of growth of said host cell.”

Judge Moore filed a concurring opinion, distinguishing between sequence claims directed to isolated cDNA and isolated sequences that are identical to naturally occurring sequences, which she through would present a “much closer call.” Judge Bryson dissented in part as to shorter or longer sequences that were isolated from nature, stating that such sequences would not constitute patentable subject matter.

Practice Note: Given the outcome, the parties are likely to petition the full Federal Circuit for *en banc* review and may ultimately petition the Supreme Court for review of this important decision.

Patents / Reexamination / § 112 and Claim Construction

NTP Patents Revisited

by Hasan Rashid

In two opinions deciding eight reexamination appeals, the U.S. Court of Appeals for the Federal Circuit blessed the U.S. Patent and Trademark Office's (USPTO's) § 112 review of originally issued claims appurtenant to a review of a priority claim but vacated what it considered to be an overbroad claim construction even under the "broadest reasonable interpretation" standard. *In re NTP, Inc.*, Case Nos. 10-1243, -1254, -1263, -1274, -1275, -1276, -1278 (Fed. Cir., Aug. 1, 2011) (Moore J.); *In re NTP, Inc.*, Case No. 10-1277 (Fed. Cir. Aug. 1, 2011) (Gajarsa, J.).

In these cases, the Court revisited the patent family central to the infamous *NTP v. Research in Motion* litigation. During the litigation, Research in Motion (RIM) requested reexamination of eight patents. In one of the opinions, the Court affirmed the Board of Patent Appeals and Interferences' (BPAI's) decision regarding the propriety of undertaking a § 112 written descriptive review to analyze a patent owner's priority claim and, in the other, remanded the case for further proceedings at the USPTO in view of what it concluded was an overbroad claim construction.

In the opinion by Judge Gajarsa, the Court sanctioned a review to determine the priority date of the patent, which shares a common specification with its parent, based on §112 written description. After affirming the BPAI's construction of the claim term "destination processor," the scope of which was found to *not* be supported by the parent, the Court turned to the issue of whether the priority date to which that claim was entitled *could* be reviewed. Under 37 C.F.R. §§ 1.552(a) and 1.906(a), reexamining originally issued claims for § 112 compliance is improper. Here, NTP unsuccessfully argued that this impropriety barred a priority review, because priority implicates a § 112 compliance review. NTP also argued that the common specification must support the claims simply because the USPTO issued the claims.

Judge Gajarsa found nothing in the patent statute or regulations prohibiting a priority review during reexaminations, noting that a priority review includes a review of § 112 with respect to a parent of the present application. To hold otherwise would hamstring the USPTO any time a patentee claimed an earlier priority date.

Addressing NTP's other argument, the Court explained that verification of priority in the present application is not presumed simply because the Manual of Patent Examining Procedure (MPEP) requires it. Rather, for a presumption to apply, a factual inquiry into the issue must have been made in the parent application. NTP failed to show that the examiner considered priority or even reviewed the parent application during original prosecution.

In the opinion by Judge Moore, the Court vacated what it considered the BPAI's overbroad constructions of the terms "electronic mail," "electronic mail message" and "electronic mail system" as inconsistent with even the broadest responsible construction standard. As the Court explained, under *Phillips*, any claim construction, even one invoking the broadest reasonable interpretation, must begin with the claim language and rely on the specification to glean the understanding of one skilled in the art. As the Court explained, "[w]hile the board must give the terms their broadest

reasonable construction, that construction cannot be divorced from the specification and record evidence". Using these tools, the Court narrowed the USPTO's construction and remanded the case.

Practice Note: Even though originally issued claims are not subject to § 112 review in reexamination, a reexamination requester may obtain § 112 review by relying on prior art having a date that requires a patentee to rely on an earlier priority date.

Patents / Sanctions

Baseless Infringement Allegations (by an NPE) Warrants "Exceptional" Case

by Isaac Crum

Affirming the district court's finding that plaintiff, Eon-Net's, infringement claims were objectively baseless and made in bad faith, the U.S. Court of Appeals for the Federal Circuit upheld sanctions totaling over \$600,000 against Eon-Net and its attorneys. *Eon-Net LP v. Flagstar Bancorp*, Case No. 09-1308 (Fed. Cir., July 29, 2011) (Lourie, J.).

Eon-Net asserted that Flagstar Bancorp infringed three patents covering document processing systems that disclose a system and method for imputing information from a hard copy document, storing portions of the inputted information in memory and formatting the stored document information for use by a computer program. In pursuing its infringement claims against Flagstar, Eon-Net argued that Flagstar's processing of information entered on Flagstar's website infringed the asserted patents.

Flagstar filed a motion for summary judgment and a motion for sanctions—arguing that its website does not infringe, that Eon-Net's claims were baseless and that Eon-Net failed to investigate or identify allegedly infringing products. The district court granted both motions and held that the written description limited the asserted claims to processing information in hard copy documents. The district court also awarded Flagstar attorneys' fees and costs. After Eon-Net appealed this ruling, the Federal Circuit vacated and remanded the judgment "because the district court failed to afford Eon-Net notice and the opportunity to present its infringement and claim construction arguments during the briefing on the motions." The Federal Circuit held that "[w]ithout a full claim construction analysis, including a consideration of Eon-Net's claim construction arguments ... it was impossible to determine if Eon-Net's claim construction and infringement positions were without merit."

On remand, the district court permitted briefing and held a claim construction hearing. The district court then concluded that the key disputed terms were limited to information originating from a hard copy document. After the district court issued its claim construction, the parties entered into a stipulated order of non-infringement of the asserted patents. Afterward, the district court, finding the case "exceptional" under § 285 and finding that Eon-Net

and its attorneys violated F.R. Civ. P. 11, awarded Flagstar sanctions and attorneys' fees and costs totaling over \$600,000. Eon-Net and its attorneys appealed.

On appeal, the Federal Circuit affirmed the district court's claim construction limiting the scope of the asserted patents to information originating from hard copy documents. The Federal Circuit also affirmed the § 285 and Rule 11 sanctions, finding that the district court did not commit clear error in its exceptional case finding and did not abuse its discretion by imposing Rule 11 sanctions. The Court stated that "many varieties of misconduct can support a district court's exceptional case finding, including lodging frivolous filings and engaging in vexatious or unjustified litigation." The Court went on to find that the district court did not err in finding that Eon-Net brought the litigation in bad faith and that the litigation was objectively baseless—two requirements for sanctions under § 285 if there is no litigation misconduct or misconduct in securing the asserted patent. In so finding, the Federal Circuit agreed with the district court that Eon-Net's litigation tactics, its failure to engage in good faith in the claim construction process and the owner of Eon-Net's "lack of regard for the judicial system" all supported the district court's imposition of sanctions. In addition, the Federal Circuit, citing *iLOR v. Google*, found that because the "written description clearly refutes Eon-Net's claim construction, the district court did not clearly err in finding that Eon-Net pursued objectively baseless infringement claims." Finally, the Federal Circuit agreed with the district court's finding that Eon-Net's history of filing "nearly identical patent infringement complaints against a plethora of diverse defendants, where Eon-Net followed each filing with a demand for a quick settlement at a price far lower than the cost to defend the litigation" bore the "indicia of extortion." The Federal Circuit also agreed that Eon-Net acted in bad faith by "exploiting the high cost to defend complex litigation to extract a nuisance value settlement from Flagstar."

Patents / Licensing

Patent License Is Presumed to Cover Continuation Applications

by Babak Akhlaghi

The U.S. Court of Appeals for the Federal Circuit concluded that "where ... continuations issue from parent patents that previously have been licensed as to certain products, it may be presumed that, absent a clear indication of mutual intent to the contrary, those products are impliedly licensed under the continuations as well." *General Protecht Group, Inc. v. Leviton Manufacturing Co., Inc.*, Case No. 11-1115 (Fed. Cir., July 8, 2011) (Linn, J.).

In 2004 and 2005, Leviton Manufacturing sued General Protecht Group, Inc. (GPG) for infringement of two U.S. patents. In 2007 the parties settled their case. The settlement agreement included a covenant not to sue, stating that Leviton covenanted not to sue GPG for alleged infringement of the patents. The settlement agreement also included a dispute resolution forum selection clause specifying that any dispute arising out of or relating to the agreement should be decided in the U.S. District Court for the District of New Mexico.

Leviton continued prosecuting continuation applications of the patents from the prior suits after the settlement agreement, and new patents ultimately matured from these continuations. In 2010 Leviton sued GPG for infringement of the new patents in the U.S. District Court for the Northern District of California. GPG then filed its own suit in the district court of New Mexico, seeking an injunction against Leviton's continued litigation in the Northern District of California. GPG contended that it had a license to practice the asserted patents under the settlement agreement. The district court found that GPG enjoyed a likelihood of success on this issue and granted the preliminary injunction enforcing the forum selection clause. Leviton appealed.

In the appeal, Leviton asserted that the settlement agreement does not as a matter of law give GPG an implied license in the continuation patents. The Federal Circuit disagreed and affirmed the grant of injunction, relying on its earlier decision in *TransCore*. The Federal Circuit noted that "a patent licensor [is prohibited] from derogating from rights granted under the license by 'taking back in any extent that for which [it] has already received consideration.'" The Federal Circuit concluded that Leviton's actions derogate from previously granted rights for which it received consideration under settlement agreement by accusing the same product that was subject to the previous settlement agreement and asserting infringement of the same inventive subject matter as disclosed in the licensed patents. The Federal Circuit stated that if Leviton did not intend its license to encompass continuation applications, it had an obligation to make this intention clear:

"where, as here, continuations issue from parent patents that previously have been licensed as to certain products, it may be presumed that, absent clear indication of mutual intent to the contrary, those products are impliedly licensed under the continuations as well. If the parties intend otherwise, it is their burden to make such intent clear in the license."

Patents / Doctrine of Equivalents

Narrowing Claim Amendment Blocks Application of the Doctrine of Equivalents, Again

by Heather Morehouse Ettinger, Ph.D.

Addressing whether an amendment narrowing the claim scope during the prosecution limited the patentee's ability to capture a generic's different, but potentially equivalent, product as infringing, the U.S. Court of Appeals for the Federal Circuit affirmed a decision on summary judgment, finding that prosecution history estoppel applied and barred the application of the doctrine of equivalents (DOE). *Duramed Pharmaceuticals, Inc. (Teva Women's Health) v. Paddock Laboratories, Inc.*, Case No. 10-1419 (Fed. Cir., July 21, 2011 (Lourie, J.)).

In this Abbreviated New Drug Application (ANDA) litigation, to prevent Paddock from marketing a generic version of Duramed's (now Teva Women's Health) conjugated estrogen pharmaceutical composition (Cenestin) for hormone

replacement therapy, Duramed asserted a patent having claims directed to pharmaceutical compositions comprising conjugated estrogens in a solid dosage form coated with a moisture-barrier coating comprising ethylcellulose. Because Paddock's ANDA indicated that it planned on using conjugated estrogen pharmaceutical compositions with a barrier made of polyvinyl alcohol, rather than ethylcellulose, Duramed sued Paddock for patent infringement under the DOE. The district court granted Duramed's motion for summary judgment of non-infringement, finding that the narrowing of the claims to recite a particular moisture barrier coating in view of the prior art was substantially related to patentability and, therefore, under *Festo*, a presumption of prosecution history estoppel applied. The district court further found that Duramed had not overcome this presumption, and thus the DOE could not be applied, because the prior art illustrated that polyvinyl alcohol moisture barriers were foreseeable. Duramed appealed.

The Federal Circuit affirmed, agreeing with the district court that, under *Festo*, because Duramed narrowed the scope of the claims during prosecution, a presumption of prosecution history estoppel applied. The Federal Circuit also agreed with the district court that Duramed had failed to rebut this presumption. Specifically, the Court found Duramed's argument that foreseeability required that polyvinyl alcohol must have been known for use with conjugated estrogens unconvincing. Rather, citing its decision in *Schwarz*, the Court noted that "when the language of both the original and issued claims begins with the words '[a] pharmaceutical composition,' that language defines the field of the invention for purposes of determining foreseeability." Accordingly, the Court concluded that polyvinyl alcohols as a moisture barrier need only to have been known in the field of pharmaceutical compositions at the time of the amendment. Citing prior art submitted by Paddock disclosing the use of polyvinyl alcohol as a moisture-barrier coating in pharmaceutical compositions, the Court found that it was foreseeable by Duramed that this composition could have been used as a moisture barrier instead of ethylcellulose and, by amending the claims to require ethylcellulose, Duramed has surrendered this foreseeable equivalent.

Patents / Collateral Estoppel

Previous Litigation Results in Court Hanging Up on Plaintiff Based on Collateral Estoppel

by Mark R. Anderson

Sustaining a grant of summary judgment based on collateral estoppel, the U.S. Court of Appeals for the Federal Circuit held that the district court properly granted summary judgment that the patent owner had already litigated a similar case and the Federal Circuit had previously found that accessing a catalog website over the internet with a computer or cell phone did not infringe the asserted claims. *Furnace Brook LLC v. Aeropostale, Inc.*, Case No. 11-1025 (Fed. Cir., July 22, 2011) (Moore, J.) (O'Malley, J., dissenting).

Furnace Brook sued Aeropostale for infringing a patent related to an interactive computer catalog accessed by telephone that also has a communication link between the telephone and the computer. Furnace Brook had

previously asserted this patent against Overstock.com. In the prior litigation, the Federal Circuit construed the same patent claim to require “a dial-up connection to the catalog server” and that “the communication link be established over a telephone network by dialing the computer system directly.” In the Overstock.com case, the Federal Circuit found that accessing a website over the internet without directly dialing the computer system did not infringe the patent. The first Federal Circuit panel also found that Furnace Brook had not presented any evidence of infringement under the doctrine of equivalents. The district court granted Aeropostale’s motion for summary judgment of non-infringement based on collateral estoppel. Furnace Brook appealed.

The Federal Circuit began the analysis by reviewing the U.S. Court of Appeals for the Seventh Circuit’s standard for collateral estoppel, which it applied in this case. Furnace Brook argued that the prior litigation was not based on the “telephone terminal” limitation, but was instead based on the “selective communication link” element of the claim. Furnace Brook argued that it had never had the opportunity to litigate the “selective communication link” element of the claim and thus could not be collaterally estopped from litigating that element in this case. The Court disagreed and noted that the holding in the prior litigation was based on the “telephone terminal” element, and that Furnace Brook admitted that it had the opportunity to fully litigate that element. Therefore, since Furnace Brook had already been given the opportunity to litigate the dispositive claim element, collateral estoppel applied. The Court noted that even if they disagreed with the holding of the prior case, an earlier decision of the Federal Circuit is binding on a later panel. Therefore, the district court properly granted summary judgment.

Judge O’Malley dissented, writing that the majority had not properly considered the procedural history of the case.

Judge O’Malley found that since the Federal Circuit had changed the construction of the claims in the prior litigation and did not remand the case to the district court, Furnace Brook was not given an opportunity to fully litigate whether a “telephone terminal” could include a personal computer or a cellular phone. Judge O’Malley found that these issues were not in dispute in the previous case until after the Federal Circuit modified the claim construction, and therefore Furnace Brook had no reason to present evidence on the issue at the district court. Accordingly, Judge O’Malley found that Furnace Brook did not fully litigate the issue in the prior case.

Patents / Jurisdiction

Federal Circuit Jurisdiction over State-Law Tort Claim

by Adam A. Auchter

In a case in which the issue of jurisdiction was neither raised by the parties nor addressed by a prior panel, the U.S. Court of Appeals for the Fifth Circuit concluded that a state-law tort claim presented questions of patent law that involved a sufficiently substantial federal interest to permit federal jurisdiction over a state law tort. The court also

found that the law-of-the-case doctrine did not bar a lack of jurisdiction determination. *USPPS, Ltd. v. Avery Dennison Corp.*, Case No. 10-50612 (5th Cir., July 19, 2011) (Prado, J.).

USPPS' owner and founder Joe Pat Beasley filed a patent application in 1999 for an invention related to personalized postage stamps. While the application was pending, Beasley negotiated a contract for licensing and production with Avery. In 2001, the U.S. Patent and Trademark Office (USPTO) approved the application for issue upon payment of the required fees. Beasley and Avery entered into another agreement under which Avery would be responsible for prosecuting the application and paying all related fees and expenses. Beasley then revoked all prior powers of attorney and appointed Avery's law firm, Renner, to prosecute the patent application. USPPS claims that Renner never disclosed to Beasley or USPPS that the firm did not represent Beasley but was loyal to Avery.

Renner abandoned Beasley's original patent application to add additional claims and submitted a second application. USPPS and Avery then entered into a royalty agreement on the sales of the personalized postage stamps. After the USPTO subsequently rejected the second application, Renner notified Avery and USPPS that the applications had been abandoned. Afterward, Avery notified USPPS that it intended to sell personalized postage stamps without further payment of royalties after the royalty agreement expired.

USPPS filed claims for fraud and breach of fiduciary duty. The district court initially dismissed the suit as time-barred. The 5th Circuit reversed and remanded for further factual development on the grounds that the discovery rule or fraudulent-concealment doctrine might apply. No argument was made concerning jurisdiction on that appeal. The district court later granted Avery summary judgment and USPPS appealed.

The Fifth Circuit's *sua sponte* then questioned whether exclusive appellate jurisdiction rested in the Federal Circuit. The court performed a two-part inquiry, first determining whether the case required deciding an issue of patent law and second, whether the patent issue to be decided rises to the level of creating a substantial interest such that the Federal Circuit has exclusive jurisdiction.

The 5th Circuit looked to Federal Circuit case law, *Air Measurement Technologies* and *Immunocept*, which had concluded that § 1338 federal jurisdiction was proper over state-law claims of malpractice if the alleged malpractice required the court to construe a patent. In *Davis*, the Federal Circuit had extended this doctrine to cases where no patent had actually issued since the plaintiff had to prove that the patents would have been obtained but for the alleged attorney negligence. Like *Davis*, USPPS was required to prove the patentability of the invention in order to prove an element of its claims.

The 5th Circuit, however, had previously declined to follow or extend *Air Measurement Technologies* in *Singh*, a trademark case. The 5th Circuit differentiated this case by explaining that there is a strong federal interest in the

“removal [of] non-uniformity in the patent law” and that *Scherbatskoy*, a prior 5th Circuit case, implicitly recognized a special federal interest in patent law which was not present in a trademark case.

USPPS also contended that since the 5th Circuit failed to disclaim jurisdiction at the motion-to-dismiss stage, it was precluded from doing so under the law-of-the-case doctrine, which precludes reexamination of issues of law or fact decided on appeal. The court noted that the Supreme Court in *Steel Co.* rejected a prior decision that did not address jurisdiction as nonprecedential on the question of whether jurisdiction was proper. Since the issue of jurisdiction was not raised by the parties nor addressed by the prior panel, the current panel declined to defer to the prior exercise of jurisdiction “by implication.”

Since the court determined that the tort claim required deciding an issue of patent law, that the Federal Circuit has a substantial interest in deciding the patent issue and that the law-of the case doctrine did not bar the transfer, the case was ordered to be transferred to the U.S. Court of Appeals for the Federal Circuit.

Patents / Hatch-Waxman

Eastern District of Texas Gives Generics a Headache

by Natalie A. Bennett

The U.S. District Court for the Eastern District of Texas recently ruled against generic drug manufacturers, granting an injunction barring U.S. Food and Drug Administration (FDA) approval of three abbreviated new drug applications. *Pozen Inc. v. Par Pharmaceutical et al.*, No. 6:08-cv-437 (E.D. Tex., Aug. 5, 2011) (Davis, J.). The ruling, which is the first Hatch-Waxman Act patent case to go to trial in E.D. Texas adjudicated Pozen’s contentions that certain generic drug companies infringed various patents covering the migraine pharmaceutical sold as Treximet®. In a detailed decision, the district court weighed multiple non-infringement positions as well as invalidity defenses based on double patenting, obviousness, anticipation, and lack of written description and engaged in a *Therasense* analysis before dismissing allegations of inequitable conduct.

The migraine tablet combining therapeutic agents sumatriptan and naproxen sodium was brought to market by Pozen’s exclusive licensee GlaxoSmithKline (GSK), which was obligated to pay Pozen a royalty that would decrease by 70 percent once a generic version of the drug entered the market. After the defendants sought approval for generic versions of Treximet® under the Hatch-Waxman Act and certified that the three contested patents were invalid and/or would not be infringed, Pozen sued.

Judge Davis rejected the defendants’ non-infringement arguments based on impermissibly narrow claim construction that was not supported by the claim language, especially since the generic products were admittedly bioequivalent to

Treximet®. In connection with one of the asserted patents, the court delved into a function-way-result equivalence analysis that compared the architecture of the branded and generic tablets. In applying a claim construction that required identified percentages in formulating sumatriptan and naproxen into distinct tablet layers, the court accepted plaintiff's equivalence theory to broaden the specific numerical range provided in an earlier order. The court concluded that the function of achieving separate, distinct layers of each agent was achieved in substantially the same way in the generic product as in the claimed invention. Further, evaluating alleged disclaimers made by the patent owner during the course of the prosecution, Judge Davis concluded that the generic products could not avoid infringement through a characterization as "admixtures" that would obviate Pozen's infringement allegations.

Regarding validity, Judge Davis separately discussed each alleged invalidating prior art reference and, in doing so, considered the related expert testimony, declarations from the prior art author where in evidence and clinical records. The court ultimately concluded that there was insufficient evidence to overcome the presumption of validity. The defendant's written description arguments were also rejected, as the court concluded that the disclosure was adequate to inform one of skill in the art how to make and use the claimed invention.

The court found little merit in the defendants' contention that two pilot studies submitted to the U.S. Patent and Trademark Office (USPTO) skewed results for the sake of presenting advantageous, yet misleading data. Following Pozen's explanation at trial, Judge Davis was satisfied that the testing data and representations made to the USPTO were accurate and, furthermore, that there was no evidence indicating deceptive intent as required by the Federal Circuit's *Therasense* decision. (See [IP Update Vol. 14, No.6.](#))

In light of the licensing agreement between Pozen and its exclusive distributor GSK, Judge Davis found that the launch of a generic product would "devastate Pozen" and could even force the patentee out of business. He found that the reduction of revenue combined with decreased resources satisfied the *eBay* requirement for irreparable harm. Balancing the equities and finding that monetary damages could not compensate for the effects of the defendants' infringement, the court issued an injunction that blocked the generics from entering the market until the expiration of the asserted patents.

Practice Note: Generic drug cases are most typically filed in the district courts in Delaware, New Jersey and New York. This action was closely watched by commentators familiar with Hatch-Waxman litigation, especially after the Eastern District of Texas amended its local Rules in April 2011 to adopt provisions modeled after local Rules in New Jersey that facilitate early disclosures. So-called Hatch-Waxman. These disclosure requirements mandate that the defendants provide the entirety of the disputed Abbreviated New Drug Application, as well as invalidity and non-infringement contentions early in the case. Similarly, a name-brand drug company is required to disclose all infringement positions in chart form. As with all patent cases in the Eastern District of Texas, these disclosures

include the expectation that all accompanying documents and things will be produced without formal requests for production.

Antitrust / Standing

Second Circuit Dismisses \$500M Telecom Antitrust Suit

by James Buchanan Camden and William Diaz

The U.S. Court of Appeals for the Second Circuit upheld a district court's decision to dismiss Site-Sites.com, Inc.'s \$500 million antitrust suit against Verizon Communications and several other telecommunications companies for lack of standing. *Siti-Sites.Com, Inc., v. Verizon Communications, Inc. et al.*, Case No. 11-65 (2d Cir., July 5, 2011) (summary order).

Siti-Sites (Siti) alleged that Allied Security Trust, a patent holding company with members including Verizon Communications and Cisco Systems, conspired with the co-defendants to prevent non-practicing entities (NPE) from licensing or selling certain patents for 3G and 4G wireless products in which Siti had a financial interest. Pursuant to a 2006 settlement agreement with MLR, LLC, Siti was entitled to up to 40 percent of MLR's gross proceeds on the patents at issue. In its complaint, Siti stated that the defendants' alleged antitrust violations resulted in an 84 percent decrease in licensing frequency and its cash flow between March 2007 and March 2010.

In their motion to dismiss, the defendants argued that Siti lacked antitrust standing because "any alleged injury to Siti—that is, its alleged reduction in revenues—is indirect, and results only from a supposed downturn in MLR's business." The defendants also moved to dismiss on the grounds that Siti failed to allege any antitrust violation. The district court granted the defendants' motion to dismiss on standing alone. Siti appealed.

The 2d Circuit agreed that Siti lacked standing to sue for alleged antitrust violations regarding the MLR patents. The court concluded that Siti owned only the "contractual right to a percentage of MLR's gross proceeds," and therefore "any alleged antitrust injury Siti suffered [was] derivative" of an injury to MLR. Consequently, the court affirmed the district court's dismissal of Siti's complaint.

Practice Note: While the antitrust laws are a powerful tool for plaintiffs seeking to remedy competitive harm, the courts require such plaintiffs to meet the stringent requirements for antitrust standing. Plaintiffs who are too remote from the alleged anticompetitive conduct will face an uphill battle to proceed with their antitrust claims.

Trademarks / Functionality

Kimberly-Clark Finds a Soft Touch on Appeal

by Natalie A. Bennett

The U.S. Court of Appeals for the Seventh Circuit, on a *de novo* review of a district court grant of summary judgment in favor of defendant in an unfair competition and trademark infringement suit involving patterned toilet paper, disposed of plaintiff's claim using ironic and candid prose to explain its conclusions. *Georgia-Pacific v. Kimberly-Clark*, Case No. 10-3519 (7th Cir., July 28, 2011) (Evans, J.).

Georgia-Pacific sued Kimberly-Clark over the design similarity between *Quilted Northern* and *Cottonelle* toilet paper. Both brands bear diamond-shaped designs on the surface of the paper, and Georgia-Pacific asserted that the *Cottonelle* brand infringed its allegedly "incontestable" trademarks. Kimberly-Clark defended on the basis that the functionality of the design trumped any goodwill plaintiff may have made in promoting its mark to consumers. After Kimberly-Clark prevailed on its functionality defense, Georgia-Pacific appealed. In affirming the district court decision, the 7th Circuit agreed that the functionality of the quilted diamond designed used on *Quilted Northern* toilet paper precluded Georgia-Pacific from relying on the Lanham Act to protect its mark, in large part because the plaintiff already had opted to protect the quilted design through utility patents. The court was quick to point out that even where a mark has incontestable status under 15 U.S.C. § 1065, it does not make the mark "invincible."

In finding the pattern design embossed on the toilet paper was functional, the court focused its inquiry on post-*TraFFix* factors, assessing whether the design was "essential to the use or purpose of the article or it affects the cost or quality of the article." The relevant factors the court considered were the following: the existence of a utility patent, the utilitarian properties of any unpatented design elements, advertising that touted utilitarian advantages of the design elements, the feasibility of alternative designs to achieve the same purpose and the effect of the design feature on quality or cost.

In weighing the factors, the court's ultimate decision was heavily influenced by the fact that Georgia-Pacific already held utility patents disclosing the same lattice pattern it claimed as its trademark. After noting that while the embossed design on the accused product was indeed similar to the trademarked design, the court found the presence of the utility patents undercut Georgia-Pacific's right to trademark protection as it was not entitled to claims both patent protection and trademark protection on useful designs. The 7th Circuit cited Federal Circuit precedent explaining that utility patents (whether extant or expired) are strong evidence that the claimed features are functional. Here, since the "central advance" in the Georgia-Pacific utility patents claimed the same "essential feature" as was found in the Georgia-Pacific trademarks, the 7th Circuit concluded that the trademarks were invalid because it is

patent law that “protects useful designs from mimicry.” The court explained that having opted for patent protection, the plaintiff must “live with [its] choice” and was precluded from blocking innovation through trademarks.

Lanham Act / False Advertising

Lanham Act Attorneys’ Fees Awarded in the Absence of Damages

by Eric Levinrad

The U.S. Court of Appeals for the Ninth Circuit held that even in the absence of an award of damages on a Lanham Act false advertising claim, a party can recover attorneys’ fees after obtaining an injunction that confers substantial benefit to the public. *TrafficSchool.com, Inc. v. Edriver Inc.*, Case No. 08-56518; -56588; 09-55333 (9th Cir., July 28, 2011) (Kozinski, C.J.).

Defendant Edriver operates the website located at DMV.org, which serves as a repository of driving-related information. Edriver receive revenues from selling sponsored links and collecting fees for referring website visitors to other sponsored sites. The plaintiffs market and sell traffic school and drivers’ education courses. The plaintiffs brought claims against the defendants for false advertising under the Lanham Act and violation of California’s unfair competition statute, alleging that defendants actively fostered among consumers the false belief that the defendants’ DMV.org website is an official state website sponsored by the Department of Motor Vehicles or is affiliated with a state DMV. To support their claims, the plaintiffs introduced evidence of consumer communications to the defendants reflecting the mistaken belief that the consumers were communicating with an official state DMV. After a trial, the district court held that the defendants violated the Lanham Act but rejected the claim concerning California’s unfair competition statute. The district court issued a permanent injunction requiring the display of a splash screen warning users that the DMV.org site was not affiliated with any state DMV, but awarded no monetary damages to the plaintiffs and denied the plaintiffs’ request for an award of attorneys’ fees.

After ruling that the permanent injunction was overbroad and had to be modified, the 9th Circuit affirmed the district court’s denial of damages to the plaintiffs, explaining that “[t]he Lanham Act allows an award of profits only to the extent the award ‘shall constitute compensation and not a penalty.’” Noting that the advertising at issue did not directly compare the parties’ respective products, the court reasoned that, “the injury to plaintiff ‘may be a small fraction of the [defendants’] sales, profits or advertising expenses.” As a result, the court found that the plaintiffs had failed to produce “any proof of past injury or causation” and affirmed the district court’s ruling denying an award of damages.

Notwithstanding the denial of damages to the plaintiffs, the 9th Circuit reversed the district court's denial of attorneys' fees under the Lanham Act, which permits the recovery of fees in "exceptional cases." The court concluded that the district court had applied the incorrect standard by considering only the fact that the plaintiffs recovered no damages and by failing to consider the defendants' conduct. The court further explained that the district court should have considered the fact that the defendants' conduct was willful and that the plaintiffs obtained an injunction that conferred substantial benefit on the public by ending the confusion created by the DMV.org website. Accordingly, the court found it would be "inequitable to force plaintiffs to bear the entire cost of enjoining defendants' willful deception when the injunction confers substantial benefits on the public."

Practice Note: To support a claim for damages on a false advertising claim, a plaintiff cannot rely solely on evidence of the defendants' profits; evidence of past injury or causation is also required. Even if no damages are awarded, however, a request for attorneys' fees should be considered.

Trademarks / Licensing

Alleged Trademark Sublicense Assignable in Bankruptcy

by Shon Lo

Considering the fate to befall certain trademarks upon an owner's bankruptcy, the U.S. Court of Appeals for the Seventh Circuit Court determined that a trademark license is not assignable without the owner's express permission or in the absence of a clause explicitly authorizing assignment and a trademark license cannot be implied from a contract for services. *In re XMH Corp.*, Case No. 10-2596 (7th Cir. August 2, 2011) (Posner, J.).

XMH and its subsidiaries, including one called Simply Blue, filed for Chapter 11 bankruptcy relief. XMH sought to sell Blue's assets, including a contract for services between Simply Blue and Western Glove Works. The contract included a sublicense from Western Glove Works to Simply Blue of the trademark JAG JEANS used in connection with various items of apparel. The sublicense as originally executed only lasted for two weeks. The parties also executed a contract for services to be performed during the year after the expiration of the trademark sublicense, under which Simply Blue agreed to provide a variety of services related to the apparel sold under the JAG JEANS mark. Three months after the expiration of the sublicense, the parties extended it retroactively to last six months and also extended the services contract. Later the parties opted to renew the services portion of the contract for an additional four years and provide for further renewal options which, if exercised, would extend to 2021.

Whether or not the contract could be assigned during bankruptcy turned on whether the contract was a trademark license. Western Glove Works objected to the assignment of the contract under bankruptcy, arguing the contract was

a sublicense to Simply Blue of the JAG JEANS mark, which Western Glove Works itself had licensed from another company and which could not be assigned without its permission.

Judge Posner, writing for the court, recognized the “universal rule” that “a trademark license is not assignable without the owner’s express permission,” *i.e.*, “in the absence of a provision authorizing assignment.” This is because a trademark owner must exercise control over the quality of the trademarked goods. If a licensee were permitted to sublicense the trademark to a seller over whom the trademark owner, having no contract with the sublicense, has no control, the quality of the trademarked product could be degraded without notice, making the trademark deceptive. Because no provision in the Simply Blue-Western Glove Works contract authorized assignment, Simply Blue could not have assigned the trademark sublicense when it was in force.

Western Glove Works argued that the services provision of the contract which survived the expiration of the trademark sublicense was an implied sublicense, and therefore Simply Blue could not assign that portion of the contract either. The court disagreed, stating none of the provisions of the contract constituted “any sort of trademark license.” Further, the court instructed “[i]f Western wanted to prevent Blue from assigning the service contract to another firm without Western’s permission, all it had to do was get Blue to agree to designate the contract as a trademark sublicense, thus triggering the default rule.” Therefore, the 7th Circuit affirmed the district court’s reversal order, thus permitting assignment of the alleged trademark sublicense without the licensor’s consent.

Trademarks / Sovereign Immunity

Voluntarily Invoking Federal Jurisdiction Constitutes Waiver of Sovereign Immunity

by Ulrika E. Mattsson

The U.S. Court of Appeals for the Seventh Circuit concluded that Wisconsin waived its sovereign immunity from trademark infringement counterclaims when it filed a federal lawsuit seeking to overturn a ruling by the U.S. Trademark Trial and Appeal Board (TTAB) brought under 15 U.S.C. 1071(b). *Board of Regents of University of Wisconsin System v. Phoenix Int’l Software*, Case No. 08-4164 (7th Cir., Aug. 5, 2011) (Wood, J.).

Phoenix International Software is a small software developer and the owner of a trademark registration for “CONDOR,” used in connection with mainframe software that allows online programming. Phoenix filed a petition with the TTAB to cancel an identical trademark registration for “CONDOR,” owned by the Board of Regents of the University of Wisconsin System (Wisconsin), which is an arm of the state of Wisconsin, used in connection with a different kind of software that manages processing power across a network of computers. After the TTAB granted the cancellation petition, Wisconsin sued in the district court under 15 U.S.C. 1071(b) for review of the decision. Phoenix filed a counterclaim for trademark infringement.

The district court issued summary judgment for Wisconsin, thereby reversing the TTAB decision. The district court also dismissed the counterclaims filed against Wisconsin based on sovereign immunity. A 7th Circuit panel reversed the summary judgment on the TTAB review as requiring a trial on fact issues related to confusion. However it affirmed the dismissal of the infringement counterclaims based on sovereign immunity. Phoenix sought and was granted rehearing on the sovereign immunity issue.

In a unanimous panel, the 7th Circuit on rehearing reversed its prior ruling on sovereign immunity. In examining the types of litigation conduct by a state that will constitute a waiver, the panel noted that the key characteristic must be the voluntariness of invoking federal jurisdiction. In finding that Wisconsin waived sovereign immunity, the court explained that “to maximize its chances of reversing the agency’s decision, the state availed itself of the advantages of a fresh lawsuit, choosing that path over a number of others available. It would be anomalous if, after invoking federal jurisdiction, the state could declare that the federal court has no authority to consider related aspects of the case. Phoenix’s counterclaims are compulsory in nature and thus lie well within the scope of Wisconsin’s waiver of immunity.”

Wisconsin argued that it had no choice but to take the appeal that it did. However, the court found that Wisconsin could have taken a variety of alternatives to that action. The court explained that, among other things, Wisconsin could have simply accepted the TTAB ruling, brought a state court action against Phoenix before the cancellation proceedings began or appealed the TTAB decision directly to the Federal Circuit. The court concluded that Wisconsin voluntarily invoked federal jurisdiction and, hence, waived its sovereign immunity. Therefore, the court reversed the district court’s grant of summary judgment, reinstated Phoenix’s counterclaims and remanded for further proceedings.

Copyrights / Injunctive Relief

eBay Abrogates Presumption of Irreparable Harm in Copyright Cases in Ninth Circuit

by Rita Weeks

Considering the impact of the Supreme Court’s 2006 ruling in the patent infringement case *eBay Inc. v. MercExchange, L.L.C.* on copyright cases, the U.S. Court of Appeals for the Ninth Circuit Court held that irreparable harm may no longer be presumed upon showing a likelihood of success when seeking preliminary or permanent injunctive relief in copyright infringement cases. *Perfect 10 Inc. v. Google Inc.*, No. 10-56316 (9th Cir., Aug. 3, 2011) (Ikuta, J.)

Plaintiff Perfect 10 creates photographic images of nude models for commercial distribution. For several years, it featured its photographs in a now-defunct magazine *PERFECT 10*. More recently, it began offering them for viewing

at a paid-subscription website. The plaintiff earns virtually all of its revenue from monthly subscriptions to view the password-protected photographs at its website. Defendant internet search engine provider Google uses an automated software program to obtain copies of publically available webpages and images for use in Google's search index. Google also offers an internet blog service, Blogger. Blogger account holders may upload images from the internet onto Google's server in order to post them on their blogs or may use a hyperlink to images hosted on other servers. To obtain the "safe harbor" protections of the Digital Millennium Copyright Act, Google employs a copyright infringement notification policy for its search and blog services, including the designation of an agent to receive "takedown" notices from persons alleging copyright infringement. Google requires takedown notices to include, among other things, the URL for the infringing material. Google forwards takedown notices to the Chilling Effects website, a nonprofit, educational project run jointly by the Electronic Frontier Foundation and various law schools, which posts such notices on the internet. Accordingly, even if Google removes allegedly infringing images from its search results, internet users can still find the URL for the allegedly infringing images on the Chilling Effects website.

The plaintiff moved for a preliminary injunction against Google, arguing that Google's web and image search and related caching feature, its Blogger service and its practice of forwarding the plaintiff's takedown notices to the Chilling Effects website constituted copyright infringement. The district court denied the plaintiff's motion for a preliminary injunction, holding that the plaintiff had not shown that it was likely to suffer irreparable harm in the absence of such relief and that the plaintiff had failed to satisfy any of the other requirements to obtain a preliminary injunction. The district court also held that Google was entitled to safe harbor protection under the DMCA for its caching feature, its Blogger service and, in part, its web and image search.

On appeal, the 9th Circuit considered whether the district court erred in denying the plaintiff's motion for preliminary injunction. To obtain a preliminary injunction, a plaintiff must show that it is likely to succeed on the merits, it is likely to suffer irreparable harm in the absence of a preliminary injunction; the balance of equities tips in its favor and an injunction is in the public interest. On appeal, the plaintiff argued primarily that because it had shown that it was likely to succeed on its copyright infringement claims, the court must presume irreparable harm. The 9th Circuit rejected this argument in light of the Supreme Court's 2006 ruling in *eBay Inc. v. MercExchange, L.L.C.*, a patent case that held that an injunction may issue only in accordance with "traditional equitable principles," and effectively overruled the Federal Circuit's practice to issue a permanent injunction nearly automatically once a plaintiff shows infringement and validity. The 9th Circuit agreed with the U.S. Court of Appeals for the Second Circuit that nothing in the Copyright Act indicates congressional intent to authorize a "major departure" from the traditional four-factor test for injunctive relief to justify a presumption of irreparable harm. Therefore, the 9th Circuit explained, its "long standing rule" to presume irreparable harm upon a showing of likelihood of success in a copyright infringement case is "effectively overruled," both for preliminary and permanent injunctions. After concluding that the plaintiff had not

made a sufficient independent showing of irreparable harm, the 9th Circuit affirmed the district court's denial of the preliminary injunction.

Practice Note: While the 9th Circuit mentioned one of its post-*eBay* trademark decisions in a footnote to the *Perfect 10* decision, the court did not determine whether the 9th Circuit's traditional presumption of irreparable harm in trademark cases is abrogated by *eBay*. Therefore, whether irreparable harm may still be presumed in trademark infringement cases involving injunctive relief in light of *eBay* remains undecided in the 9th Circuit.

Copyright Infringement / Substantial Similarity

Ninth Circuit Adopts Lower Court's Use of Its Own "Blades of Chaos" to Filter Out the Unprotectable Elements of a Plaintiff's Copyright Infringement Claim

by Gene Folgo

The U.S. Court of Appeals for the Ninth Circuit adopted and affirmed the trial court's decision that no reasonable juror could conclude that Sony's *God of War* videogame contained substantially similar ideas and expression to any of the protectable elements contained in the plaintiffs' works. *Dath v. Sony Computer Entm't Am., Inc.*, Case No. 10-15783 (9th Cir., July 29, 2011) (*per curiam*).

Plaintiffs Jennifer B. Dath and Jonathan Bissoon-Dath sued Sony alleging that Sony's *God of War* video game infringed their copyrights pertaining to two treatments, two screenplays and an illustrated map. To prevail on their claim, the plaintiffs were required to show that Sony had copied *protected elements* of that work. To establish copying, the plaintiffs had to show that Sony had access to the plaintiffs' works and that Sony's *God of War* game is substantially similar to the plaintiffs' copyrighted works.

To determine whether the works in question are substantially similar, the court applied an extrinsic test examining articulable similarities between the plot, themes, dialogue, mood, settings, pace, characters and sequence of events. In this analysis, non-protectable elements are filtered out and disregarded because copyright law protects only a writer's expression of ideas and not the ideas themselves. Non-protectable elements include general plot ideas, the scenes that flow naturally from them (*scènes à faire*), stock characters, historical events and clichéd dialogue.

In the works at issue, the court determined that the plot, dialogue, characters and settings were only similar as to non-protectable elements. Concerning alleged plot similarities, the similarities in the parties' works related to non-protectable elements such as a questing hero acting in accord with a divine power, antagonism between Greek gods and fighting between Athens and Sparta. Concerning alleged similar dialogue, the court determined that the only similar dialogue in the parties' works was not protectable—the clichéd phrases "knew no bounds" and "none has/have

returned.” Concerning alleged character similarities, the plaintiffs alleged similarities in characters such as Greek gods such as Ares, Zeus and Athena. The court determined that such characters were stock figures common not only in many contemporary stories, movies and video games, but also of the Western collective unconscious. While the court acknowledged that the parties’ shared settings of Greece, Athens, Mount Olympus, Sparta and the Underworld did establish some similarity between the parties’ works, the settings were generic and clichéd for stories involving ancient Greece and Greek gods.

Considering protectable elements of the parties’ works, the district court held that the themes, mood and sequence of events in the works are not similar. For example, Sony’s *God of War* game employed themes of violence, the search for divine forgiveness and the continuation of war, whereas plaintiffs’ works employed the themes of democracy and achieving an era of peace and prosperity. The plaintiffs’ works generally evoked a light-hearted mood with elements of romance and comedy, whereas Sony’s work was dark and extremely violent. Sony’s game contained virtually no light-hearted or comic moments, which began with the protagonist attempting suicide, repeatedly referenced his memories of and guilt over his past violent deeds and ended with violent images of World War II and Vietnam. Concerning style of storyline, the plaintiffs’ works were all told in a linear, narrative fashion with scenes occurring one after another in logical sequence. Sony’s game opened with what would ultimately be the second-to-last scene and is told through discordant flashbacks.

Based upon the similarities in unprotectable expression and lack of similarities in protectable expression between the parties’ works, the district court concluded that no reasonable trier of fact could conclude that Sony’s game *God of War* is substantially similar to any of plaintiffs’ works to find infringement. Further, the plaintiffs pointed to no persuasive similarity in dialogue or narration that would suggest actual copying. Recognizing that the particular sequence in which an author strings a significant number of unprotectable elements can itself be a protectable element, the court concluded that the sequences of elements and the relationships between the elements were entirely dissimilar between the parties’ works.

The 9th Circuit affirmed the district court’s “well-reasoned” decision in a one-sentence order.

Copyrights / Statute of Limitations

Copyright Infringement Suit Survives Dismissal Based on Proposed Amended Complaint

by Lauren Nelson

Addressing for the first time the issue of whether a plaintiff can amend a copyright infringement complaint to add additional facts and obviate a statutory limitations defense, the U.S. Court of Appeals for the Fifth Circuit reversed in

part the district court's judgment denying the plaintiff leave to amend the complaint. *Jaso v. The Coca Cola Co.*, Case Nos. 10-20786; -2423 (5th Cir., Aug. 1, 2011) (*per curiam*).

Plaintiff Omar Jaso alleged that he composed a musical work entitled "El Juego." Jaso further alleged that in 1994, he learned that The Coca Cola Company was using the song "Always Coca-Cola" in an advertising campaign. Jaso alleged that Coca Cola derived its advertising jingle from his song without his permission. Plaintiff Jaso then sued Coca Cola and the advertising agency that created the advertisement for copyright infringement.

The defendants moved to dismiss Jaso's complaint, arguing that the plaintiff's claim for copyright infringement was facially barred by the Copyright Act's three-year statute of limitations. Jaso's claim should fail, the defendants argued, because Jaso was aware of his infringement claim in 1994 and Coca Cola stopped using the "Always Coca-Cola" song in its marketing efforts in 2000. Plaintiff moved to amend his complaint to provide additional details concerning his claims. To support their assertion that Coca Cola stopped using the "Always" song in 2000, the defendants provided the district court with a print-out of a webpage entitled "Highlights in the History of Coca-Cola Advertising" taken from the Library of Congress's website, which stated that Coca Cola stopped using the song in 2000. The defendants' counsel also stated on the record that Coca Cola stopped using the song in 2000. The district court ultimately dismissed Jaso's complaint, finding it to be barred by the statute of limitations.

On appeal, the 5th Circuit determined that the relevant test for dismissing a claim based on the statute of limitations defense is whether the plaintiff's response to the defense is foreclosed by allegations made in the original complaint. Accordingly, the court evaluated the allegations made in Jaso's proposed amended complaint to determine whether it alleged infringement within the limitations period. Because the plaintiff's proposed amended complaint contained an allegation that the defendants distributed the allegedly infringing song "from 1994 to the present," the court found that language sufficient to survive the defendants' motion to dismiss, as it alleged that the defendants committed some act of copyright infringement within the limitations period. In reversing the dismissal by the district court, the 5th Circuit declined to take judicial notice of the fact that Coca Cola stopped using the "Always" song in 2000 based on the print-out and statements made by counsel.

Trade Secret Misappropriation / Personal Jurisdiction

Personal Jurisdiction in Trade Secret Cases

by Amol Parikh

Addressing the proper application of the due process clause, the U.S. Court of Appeals for the Eighth Circuit revived the plaintiff's case for trade secret misappropriation, finding that a Spanish company's contacts with Missouri were

such that it should have reasonably anticipated being sued in Missouri. *K-V Pharma. Co. v. J. Uriach & CIA, S.A.*, Case No. 10-3403 (8th Cir., August 3, 2011) (Gilman, J.) (*sitting by designation*).

K-V is a Delaware corporation with its principle place of business in St. Louis, Missouri. Uriach is a Spanish corporation with its principle place of business in Barcelona, Spain. In 1993, K-V and Uriach entered into a contract to develop, manufacture and sell an antifungal cream with an ingredient developed by Uriach and a drug-delivery system developed by K-V. Pursuant to the contract, Uriach was to sell the antifungal cream throughout the world, except for the United States, Canada and Mexico. K-V and Uriach amended the contract twice—in 1998 and again in 2002. In 2005, K-V terminated the contract. After the termination, Uriach allegedly failed to return certain trade secrets and confidential information to K-V and later began marketing and selling a cream that allegedly used K-V's drug delivery system. K-V sued Uriach in Missouri for breach of contract and misappropriation of trade secrets, seeking damages and an injunction to prevent Uriach from selling the antifungal cream.

Uriach filed a motion to dismiss for lack of personal jurisdiction. In granting the motion, the district court found that Uriach's only contact with Missouri were letters, telephone calls, one meeting and a Missouri choice of law provision in the contract. The court held that these contacts were insufficient to establish personal jurisdiction. The district court also noted that the contract's contemplated future consequences would not occur in Missouri because Uriach agreed to do tasks that excluded the United States, Canada and Mexico. K-V appealed.

That issue on appeal centered on whether the district court has personal jurisdiction over Uriach. Reviewing the jurisdictional issue *de novo*, the 8th Circuit noted that Missouri's long-arm statute authorizes personal jurisdiction to the full extent permitted by the due-process clause. The due-process clause requires that a defendant purposefully establish "minimum contacts" in the forum state, such that asserting personal jurisdiction and maintaining a lawsuit against a defendant does not offend "traditional conceptions of fair play and substantial justice." Based on these principles, the court identified five factors that must be considered in determining whether sufficient minimum contacts exist: the nature and quality of contacts with the forum state; the quantity of contacts; the relationship of the cause of action to the contacts; the interest of the forum state in providing forum for its residents; the convenience or inconvenience to the parties. After noting that the first three factors are primary factors and the remaining two factors are secondary, the court addressed each factor in turn.

With regard to the first and second factors, the Court noted that Uriach had actual contacts with Missouri, including its officials coming to Missouri in 2001 to renegotiate the contract with K-V, paying money to K-V as agreed to in the contract and exchanging many letters, emails and telephone calls with K-V throughout the 12 years that the contract was in existence. In addition, Uriach anticipated having even more extensive contacts with Missouri, including selling and shipping the antifungal agent to Missouri so K-V could make the cream and sell it, as well as receiving payment from K-V within 30 days. The court concluded that these considerations tip the scales in favor of the forum state.

The court also held that the third factor (relationship between the cause of action and the contacts) favors finding jurisdiction because K-V's breach of contract and misappropriation claims are related to the contacts Uriach had with Missouri. If the companies had not been involved in a long-term contractual relationship with one another, Uriach would not have had access to the trade secrets. Regarding the fourth factor, the court held that Missouri has an interest in providing a forum for its resident corporations. Finally, addressing the fifth factor, the court concluded that this factor largely balances out because a trial in Spain would be just as inconvenient for K-V as a trial in Missouri would be for Uriach. In sum, the court concluded that proper application of the five-factor test supports hearing the case in Missouri.

The Court also rejected Uriach alternative argument that K-V's complaint should be dismissed based on *forum non conveniens*. Under the doctrine of *forum non conveniens*, a court may decline to exercise jurisdiction and dismiss a case where that case would be more appropriately brought in a foreign jurisdiction. Such a determination is made based on the private interest of the litigants and the public interest. In connection with the private interest, Uriach argued factors such as location of evidence, including witnesses and documents in Spain, favors litigating in Spain. However, the court noted that part of K-V's claims will require it to establish that its delivery system includes protectable trade secrets and that will require evidence from Missouri. Thus, the court concluded that these private-interest factors were neutral. Uriach also argued that the public-interest factor favors litigating in Spain because K-V is seeking an injunction that, if granted would deprive Spanish women of an important medical treatment. Uriach argued that Spanish courts are better equipped to address such sensitive health-policy related issues. The Court rejected Uriach's argument and concluded that, if such evidence existed, a U.S. court could consider such evidence just as well as a Spanish court. As a result, because there were no exceptional circumstances necessary to invoke *forum non conveniens*, the Court denied Uriach's motion to dismiss.

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