



ideas on intellectual property law

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Better. Stronger. Faster.

New versions won't nullify an original invention

Some small business owners cringe when they hear of another Microsoft victory in court, but one of the latest Microsoft decisions actually benefits inventors of all sizes and encourages innovation. In *Eolas Technologies Inc. v. Microsoft Corp.*, the court ruled that creating an improved version of an invention doesn't constitute abandonment of the original invention.



JUST BROWSING

The *Eolas* case involves a patent (Patent 906) obtained by the University of California and licensed to Eolas for a Web browser that supports interactive objects embedded in a Web page. The browser lets a user open objects external to a Web page using other applications. So, for example, if a Web page links to a spreadsheet, the browser locates the appropriate application that will automatically allow viewing of the spreadsheet online.

The invention, developed by the University of California, had a difficult time during its patent prosecution. The examiner rejected it more than once for obviousness, based on several pieces of

prior art, including another Web browser. Once the University obtained the 906 patent, Eolas eventually brought an infringement suit against Microsoft, alleging that Microsoft's Internet Explorer violated Patent 906.

IF AT FIRST YOU DON'T SUCCEED

Microsoft countered that the patent was invalid — and thus was no infringement — because prior art anticipated the invention under Section 102 of the Patent Act or rendered it obvious under Section 103. Sec. 102(b) bars a patent for an invention that was in public use more than one year before the application date; Sec. 102(g) bars a patent when the invention was already made in the United States by another inventor who hadn't abandoned, suppressed or concealed it.

As prior art, Microsoft pointed to a browser known as DX34, which was developed by Pei-Yuan Wei and in use more than a year before the University filed its patent application. DX34 and its improved version, DX37, accomplished virtually the same thing as Patent 906. Wei had also demonstrated his browser for two engineers more than a year before the University's application, thus putting DX34 in the public domain.

But the district court held that DX34 was abandoned, suppressed or concealed by Wei under Sec. 102(g). It based its finding on the fact that Wei's only public disclosure was made to the two engineers, and DX34 was subsequently improved. The court extended this finding to the public use question under 102(b), ruling that the disclosure to the engineers couldn't qualify as public use because that version — DX34 — was abandoned.

With the prior art evidence excluded, the jury reached a \$521 million verdict for Eolas. Not surprisingly, Microsoft appealed, and the court of appeals disagreed with the district court on both counts.

Impact beyond Microsoft

Interestingly, this case could produce vast ripple effects beyond just Microsoft and Eolas. After the original jury verdict in 2003, Tim Berners-Lee, director of the World Wide Web Consortium and generally credited as the “inventor” of the Internet, sent a letter to the U.S. Patent and Trademark Office stating that he agreed with Microsoft that prior art made the University of California patent invalid.

His concerns, however, appear to have little to do with Microsoft’s welfare. Microsoft had stated publicly after the jury verdict that it intended to redesign Internet Explorer to avoid infringement. Berners-Lee wrote that the proposed redesign “would render millions of Web pages and many products of independent software developers incompatible with Microsoft’s product.” In his view, upholding the patent’s validity would prove disruptive to the future of the Web, because accessibility would be impaired by the discrepancy between existing standards and Microsoft’s new standard. According to Berners-Lee, “The Web functions only on the strength of its common standards.”

where the inventor kept tinkering to refine, perfect or improve the invention.

According to the court, creating an improved version of an invention doesn’t abandon the original invention. If improvements caused the loss of the original invention, the public would lose the benefit of efforts to produce a more useful product.

GOING PUBLIC — THERE’S NO GOING BACK

The appellate court then addressed the district court’s finding that there was no public use of DX34 that would disqualify the University’s invention for a patent. Sec. 102(b) defines public use of prior art that makes an invention ineligible for a

patent as “any use of the claimed invention by a person other than the inventor who is under no limitation, restriction or obligation of secrecy to the inventor.”

The Federal Circuit faulted the district court for concluding that public use of DX34 was precluded under 102(b) due to abandonment of the invention under 102(g). The court held that abandonment under 102(g) is irrelevant to the 102(b) inquiry. Further, public use cannot be undone by subsequent actions — such as an invention’s improvement. Once public use occurs, it becomes irrevocable.

ONE MORE TIME

With the Federal Circuit’s decision, Microsoft can now use Wei’s prior art to argue anticipation and obviousness in its defense against Eolas’s patent infringement suit. The Federal Circuit remanded the case to the district court for a new trial on several of Microsoft’s defenses. With such far-reaching implications tied up amongst Microsoft’s and Eolas’s interests, the final decision is sure to capture the attention of the media and others. 💡

NEW AND IMPROVED ... AND ABANDONED?

The Federal Circuit noted that Sec. 102(g) is invoked in only two circumstances:

1. When the inventor actively conceals the invention from the public with the intent of applying it indefinitely and exclusively for his or her own profit, or
2. When abandonment, suppression or concealment may be inferred based on the earlier inventor’s unreasonable delay in making the invention known.

Neither, the court said, applied here. Not only had Wei demonstrated DX34 to the engineers without a confidentiality agreement, but he had also posted the new version on a public Web site. On posting the new version DX37 — less than a month after disclosing DX34 — he notified another engineer that it was available for downloading. Clearly, then, Wei didn’t abandon or conceal his invention. And the court observed that it excuses delays “between the first reduction to practice and public disclosure”

No copyright for product part number

From auto supplies to computer codes to cuts of meats sold through a catalog, companies use numeric codes to represent a wide variety of products. But do these numbers qualify for copyright protection? In a decision that could affect many industries, the U.S. Court of Appeals for the Third Circuit held that copyright law doesn't extend protection to part numbers.

The case — *Southco Inc. v. Kanebridge Corp.* — marks a departure from earlier opinions finding that part numbers can qualify for copyright protection under some conditions. But the court wasn't in complete agreement: The en banc decision was the court's third ruling in the case, and, in addition to the 11-judge majority opinion, the case generated a three-judge concurrence and a dissent.

NUMBER CRUNCHING

Southco manufactures various products, including rivets, latches, handles and fasteners. It had developed a numbering identification system using nine digits, where

each digit or group of digits signified a relevant characteristic of the respective product. It published the product and part numbers in its annual handbooks, several of which were copyrighted.

The company sued Kanebridge — another manufacturer — for copyright infringement, based on Kanebridge's use of Southco's product numbers in comparative advertising pieces. Kanebridge argued that it

needed to use the part numbers to compete with Southco.

Southco sought an injunction against Kanebridge, asserting a copyright in the part numbers. At the district court level, Southco argued that the part numbers were actually an expression of its system, which it called "a unique, non-intuitive and highly complex expression of creative thought." The district court agreed.

MISSING THAT SPARK

But, four years and multiple decisions later, the Third Circuit held that the part numbers weren't entitled to copyright protection. It based its holding on two separate grounds:

1. Originality. Under federal law, copyright protection is granted only to "original works of authorship fixed in any tangible medium of expression." To qualify as "original," a work must show some creativity. In this case, the majority found that Southco's part numbers lacked creativity.

The court conceded that a certain degree of thought went into the development of the numbering system, but, once the rules of the system applicable to a particular product class were set, the numbers were generated by a mechanical application of the rules and didn't reflect a "spark of creativity." In fact, any creativity that seeped into the numbering process would defeat the system and render it meaningless. The court found Southco's numbers "purely functional," serving only to convey information about a few objective characteristics of mundane products.

2. Phrases. The Third Circuit found the part numbers analogous to short phrases or the titles of works and not protectable by copyright.



Dissent: The majority wouldn't recognize creativity if ...

In arguing that copyright protection was available for Southco's part numbers, the two-judge dissent focused primarily on the line that copyright law draws between an idea and an expression of an idea: The expression of an idea is eligible for copyright protection but the idea itself isn't.

According to the dissent, the majority defined Southco's idea as the use of predetermined numbers to portray a product's characteristics. But the dissent asserted that Southco's idea lay in the use of a code to describe its products. The particular numbers, in turn, were an expression of that idea. And Southco demonstrated sufficient creativity to constitute an original work in the numerous decisions it made in developing the numbering system and adapting it to apply to new products. Each decision over a particular part number became a creative choice about how to convey meaning. The dissent viewed the numbering rules as one of many potential expressions of the idea to use a code to describe products. Being the dissent, however, this view isn't legally binding.

Similar to short phrases and titles, "if a part number were copyrighted, any use of the number would potentially infringe the copyright." The court considered such a development a legitimate concern in light of the massive number of part and product numbers already in existence. Therefore, the court opted to give deference to the Copyright Office's longstanding practice of denying registration to short phrases and extended it to numbers.

AND ANOTHER THING

The concurring opinion disagreed with the majority holding equating the numbers with short phrases. It contended that the part numbers fall into a gray area between a short phrase and more extensive work, making deference inappropriate. But the concurrence also provided additional grounds for withholding copyright protection for the numbers.

The concurrence cited the concept of "scènes a faire," which holds that copyright doesn't protect elements of a work that are "standard, stock, or common to a particular topic or that necessarily follow from a common theme or setting." The theory is often employed in cases involving industry standards, such as those in computer-related applications.

In the case of Southco's part numbers, the concurrence observed that the characteristics chosen by Southco were dictated by industry standards, customer preferences or the objective characteristics of the product itself. This lack of creativity made the part numbers undeserving of copyright protection.

PROTECTING PART NUMBERS

As of now,

manufacturers shouldn't depend on copyright law to prevent their competitors from using their part numbers. But manufacturers may consider seeking trademark registrations for those numbers that qualify as trademarks. Unfair competition laws also may offer a remedy if the competitor's use of the part number violates the prohibitions against, for example, passing off a product as a competitor's. 💡



Who needs nationwide coverage?

Limiting trademark's abandonment defense

Parties accused of trademark infringement can base their defense on the trademark holder's alleged abandonment of the mark. But in a recent decision, an appellate court limited the abandonment defense, holding that the defense doesn't apply where a holder abandons its trademark in only certain locales.

HONESTY TAKES A TUMBLE

Tumblebus uses school buses retrofitted with gymnastic and athletic equipment to provide children's activities in the greater Louisville, Ky., area. Tumblebus also has sold more than 200 of these buses, allowing purchasers to use the Tumblebus name for marketing purposes. The company entered into written and oral contracts with a few purchasers limiting the geographic territory they could operate in. More often, there was no explicit agreement regarding territories.

Tara Pate bought one of the buses, hoping to operate in Lexington. Tumblebus, however, directed her to service a different area because two other operators already covered Lexington and also told her she couldn't expand into Louisville, where Tumblebus was located and did business. After having trouble obtaining customers in her assigned area, Pate began advertising in Louisville. She ultimately listed the bus for sale in a Louisville newspaper.

Meredith Cranmer purchased Pate's bus, having assured Tumblebus that she would operate the bus in Bloomington, Ind. Cranmer later started operating in Louisville under the name Tumblebus.

Tumblebus eventually brought an infringement suit against Cranmer, and the district court issued a preliminary injunction. On appeal, Cranmer claimed that Tumblebus had abandoned its trademark, thus precluding the possibility of infringement.

THE NAKED TRUTH

Under the Trademark Act, a mark is abandoned when an owner, through acts of omission or commission, causes the mark to become the generic name for the goods or services with which it is used or otherwise causes the mark to lose its significance. Two examples are "zipper" and "yo-yo."

Cranmer argued that Tumblebus had abandoned its rights to the mark through "naked licensing." Naked licensing occurs when a trademark owner fails to exercise reasonable control over the mark's use by a licensee. Because the licensee's goods or services aren't under the trademark owner's control, the mark loses its meaningful assurance of quality. In Cranmer's view, Tumblebus lost its trademark protection when it let purchasers use the mark, causing the mark to lose its significance in the Louisville area.

The court noted that the burden of proof for naked licensing is stringent and Cranmer didn't satisfy it. In fact, the court found it was unclear whether Tumblebus's agreements with its purchasers even constituted licenses.

GEOGRAPHY LESSONS

But the licensing question became moot when the court dismissed Cranmer's abandonment defense. It held that the defense failed because it relied on the mark's abandonment in other regions of the United States to effectuate forfeiture of Tumblebus's rights in the Louisville area.

As long as the mark retained its significance in Louisville, the court found no reason to foreclose Tumblebus from asserting its rights in the trademark in that market. The court cited considerable support for the concept that a trademark owner can abandon rights in a mark in some geographic areas

but not others. The court then noted that Cranmer's use of the name Tumblebus caused confusion in the Louisville area.

LOCAL SIGNIFICANCE

In the end, the court refused to conclude that, because trademark rights may extend beyond the particular geographic area in which a business operates, a trademark holder may also lose any

rights it has in a mark anywhere in the United States by abandoning the mark in one part of the country or by failing to establish a mark with national significance. With this decision, the court has given trademark owners greater protection from infringement, regardless of whether their mark establishes or maintains national significance. 🌱

Patent = Power: The danger of patents in antitrust suits

Intellectual property and antitrust law might not seem closely related, but a recent case demonstrates that intellectual property rights can prove pivotal to a finding of antitrust violations. In *Independent Ink v. Illinois Tool Works*, the court affirmed the arguably outdated rule that creates a rebuttable presumption of market power where a business owns a patent. The decision highlights the risk of increased litigation faced by the many patent holders who bundle or package their products.

The presumption at issue in *Independent Ink* arises in connection with “tying” cases brought under the Sherman Act. An antitrust tying violation occurs when the sale of the patented product is conditioned on the purchase of a second, less-desirable product.

The U.S. Supreme Court noted the market power presumption in dicta stating that, “if the government has granted the seller a patent or similar monopoly over a product, it is fair to presume that the inability to buy the product elsewhere gives the seller market power.” But some federal appellate courts have rejected this presumption, as have the Department of Justice and the Federal Trade Commission. The rejections recognize that patents don't necessarily ensure market power in today's economy. But the Supreme Court has clearly said that no proof of market power is necessary in patent and copyright tying cases. Market power is presumed, giving the plaintiff an enormous advantage.

Illinois Tool Works (ITW) manufactures patented printheads and ink containers, as well as nonpatented ink. ITW licenses its patented products to printer manufacturers as a package. The patent license agreement requires purchasers to buy their ink exclusively from the company.

Independent Ink is one of ITW's competitors in ink supplies. When it added an antitrust claim to its patent infringement action against ITW, alleging unlawful tying, the district court rejected the argument that ITW's patents created a presumption of market power. The Federal Circuit reluctantly reversed, noting an appellate court's duty to follow Supreme Court precedent, even when the precedent contains “infirmities” and rests on “wobbly moth-eaten foundations.”

In light of the court's findings, patent holders who bundle or link their sales of patented and nonpatented products have become more vulnerable to antitrust claims, particularly in the Federal Circuit. Note that Independent Ink appealed to that court — the exclusive forum for patent-related appeals — because it initially challenged the validity of ITW's patents, adding the antitrust claim later. Future plaintiffs may attempt the same strategy.