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## Intellectual Property Law

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# INTELLECTUAL PROPERTY LAW

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## I. INTRODUCTION

THIS article surveys the most significant changes in intellectual property law in the past year.<sup>1</sup> The article considers only those decisions that are precedential in Texas. Thus, this article limits the cases cited to decisions of the U.S. Supreme Court and the U.S. Courts of Appeals for the Fifth and the federal circuit. For developments in trademark and copyright law, the Fifth Circuit's authority is binding. Because all cases concerning a substantive patent law-issue are appealed to the U.S. Court of Appeals for the Federal Circuit, this article also includes decisions from the Federal Circuit during the Survey period.<sup>2</sup>

Of particular interest to the patent practitioner are three Supreme Court decisions that could significantly impact the manner in which attorneys conduct patent prosecution and litigation in the future. As this article goes to publication, the Supreme Court has not yet ruled in a case that considers the scope of valid method claims.<sup>3</sup> But the Court has ruled on the availability of permanent injunctions to patent holding companies and the presumption of market power in product tying cases.

## II. PATENT UPDATE

Since the creation of the U.S. Court of Appeals for the Federal Circuit in 1983, all appeals in patent law cases have gone directly to that court rather than the regional circuit courts. This change has eliminated the possibility of circuit splits on patent-law issues and thus reduced the need for intervention by the Supreme Court. However, in its 2005-2006 term, the Supreme Court did grant certiorari in three cases involving substantive patent-law issues, including issues related to market power, the availability of permanent injunctions, and the validity of method claims. Also, during the Survey period, the Federal Circuit issued a number of important decisions affecting (1) claim construction, (2) the written description requirement, (3) the extraterritorial reach of United States patent law, and (4) the waiver of attorney-client privilege if pleading an advice-of-counsel defense.

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1. The views expressed in this article are the views of the individual authors and not those of Haynes and Boone, LLP.

2. 28 U.S.C. § 1291 (2006); *see also* Deprenyl Animal Health, Inc. v. Univ. of Toronto Innovations Found., 297 F.3d 1343, 1348-49 (Fed. Cir. 2002).

3. *See* Lab. Corp. of Am. Holdings v. Metabolite Lab., Inc., 126 S. Ct. 601 (2005) (granting certiorari).

A. FS: ONE PATENT, SLIGHTLY USED \$10MIL OBO:  
*EBAY, INC. v. MERCExchange, L.L.C.*

A unanimous Supreme Court held that victorious patent holders are not entitled to automatic injunctive relief against infringers; rather they must satisfy the same four-factor test applicable to non-patent-related requests for permanent injunctions.<sup>4</sup> The Court discredited the “general rule” adopted by the Federal Circuit in the case: “that courts will issue permanent injunctions against patent infringement absent exceptional circumstances.”<sup>5</sup> Rather, the Court held that the availability of injunctive relief in patent cases is no different than other equitable cases, and the plaintiff must demonstrate four factors for the court to grant an injunction:

(1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.<sup>6</sup>

While the Court unanimously decided that courts must decide permanent injunctions in patent cases using these four factors, there was a clear disagreement among the justices as to the proper application of these factors to cases, such as *Ebay*, in which the plaintiff does not exploit the patent directly. Chief Justice Roberts, writing in concurrence, indicated that courts should continue to grant injunctive relief in patent cases almost as a matter of course.<sup>7</sup> He stressed that since “at least the early 19th century, courts have granted injunctive relief . . . in the vast majority of patent cases.”<sup>8</sup> Believing that *Ebay I* should change virtually nothing about the granting of injunctive relief, Chief Justice Roberts quoted Justice Holmes for the proposition that “a page of history is worth a volume of logic.”<sup>9</sup> While Chief Justice Roberts did not go so far as the Federal Circuit did—to presume that an injunction should be issued in patent cases—he stated that renewing the emphasis on the four-factor test is different from “writing on an entirely clean slate,”<sup>10</sup> and therefore, the decision in *Ebay I* should have little impact on the ultimate availability of injunctive relief.

On the other side of the debate was Justice Kennedy, writing a concurrence joined by three other justices. While Kennedy also affirmed the use of the four-factor test and supported the use of history as a guide in applying that test, he believed that changes in the patent marketplace

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4. 126 S. Ct. 1837, 1839 (2006) [hereinafter *Ebay I*].

5. 401 F.3d 1323, 1339 (2005) [hereinafter *Ebay II*].

6. *Ebay I*, 126 S. Ct. at 1839.

7. *Id.* at 1841-42.

8. *Id.*

9. *Id.* at 1842 (citing *New York Trust Co. v. Bigner*, 256 U.S. 345, 349 (1921)).

10. *Id.* at 1841.

may dictate less frequent granting of permanent injunctions.<sup>11</sup> In cases such as *Ebay I*, “the nature of the patent being enforced and the economic function of the patent holder present considerations quite unlike earlier cases.”<sup>12</sup> Kennedy feared that patent-holding companies will use the threat of an injunction to extract “exorbitant fees” from manufacturers that are producing and selling goods.<sup>13</sup>

Although it is still too early to gage *Ebay*'s impact at the district-court level, the authors believe that it will likely diminish the patent-holding companies' bargaining. Since such companies only license their patents—rather than produce protected products—they will have difficulty showing that other remedies (e.g., monetary damages) are insufficient and that the balance of equities is in their favor. *Ebay* may also lead to increased litigation, as alleged infringers will have less fear of litigating the claims of infringement. If the infringer loses at trial, he will likely be forced into a court-ordered licensing agreement rather than have his production line shut down.

B. MORE INK SPILLED ON PRODUCT TYING: *ILLINOIS TOOL WORKS INC. v. INDEPENDENT INK, INC.*

In another unanimous decision, the Supreme Court held that, in evaluating allegations of antitrust violations through the use of product tying arrangements, the court will not presume that a patent holder has market power.<sup>14</sup> In *Illinois Tool Works, Inc. v. Independent Ink, Inc.*, Illinois Tool Works (“ITW”) sold patented-ink jet printer parts and required its customers to purchase unpatented ink exclusively from ITW. Independent Ink manufactured and sold ink compatible with ITW products. Independent brought suit against ITW, alleging *inter alia* illegal tying and monopolization in violation of the Sherman Act.<sup>15</sup>

Previously, Congress legislatively did away with the presumption of market power under the patent-misuse doctrine. Unless the patent holder actually had market power in the tied product, the patent-misuse doctrine permitted patent holders to use product-tying arrangements without fear of losing their patent rights.<sup>16</sup> Although Congress' modification of the patent code did not necessarily imply a change to antitrust law, the Court found it an instructive guide.<sup>17</sup> The Court also noted that the opinion of “the vast majority of academic literature on the subject”<sup>18</sup> favored requiring actual proof of market power rather than presuming it from patent ownership. Accordingly, the Court brought antitrust law in line with the patent-misuse doctrine by allowing product tying absent

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11. *Id.* at 1842.

12. *Id.*

13. *Id.*

14. *Ill. Tool Works, Inc. v. Indep. Ink, Inc.*, 126 S. Ct. 1281, 1284 (2006).

15. *Id.* at 1284-85.

16. *See* 35 U.S.C. § 271(d)(5) (2006).

17. *Ill. Tool Works*, 126 S. Ct. at 1290-91.

18. *Id.* at 1291 n.4.

proof of actual market power.<sup>19</sup>

C. A METHOD FOR AVOIDING METHOD PATENT INFRINGEMENT:  
*NTP, INC. v. RESEARCH IN MOTION, LTD.*

The “BlackBerry” infringement case received wide attention in news media during the past year. NTP accused Research In Motion (“RIM”), the maker of and service provider for the popular BlackBerry communications device, of infringing on NTP’s patents for the wireless delivery of email. RIM’s BlackBerry devices redirect a subscriber’s incoming email (either through software loaded on the subscriber’s desktop computer or on an enterprise-level email server) to RIM’s central relay station in Canada. The relay station then sends the email to a nationwide wireless network, which transmits the message to the subscriber’s wireless BlackBerry device. After losing a jury trial, RIM appealed numerous trial-court rulings, including the definition of various terms and the applicability of the infringement statute to its Canada-based system.<sup>20</sup> This article will only summarize the Federal Circuit’s rulings on the extraterritorial reach of United States patent law.

The Federal Circuit held that if one or more components of a patented system are outside the United States, the system is used at the location where “the system as a whole is put into service, i.e., the place where control of the system is exercised and beneficial use of the system obtained.”<sup>21</sup> The court ruled that RIM’s wireless email system is controlled from the customers’ BlackBerry devices in the United States.<sup>22</sup> Because “the situs of the ‘use’ of RIM’s system by RIM’s United States customers . . . is the United States,” the location of RIM’s relay station in Canada did not preclude a finding of infringement of the system claims.<sup>23</sup>

However, the court also found out that NTP’s method claims were not infringed by RIM’s processes for redirecting email to BlackBerry devices.<sup>24</sup> “[A] process cannot be used ‘within’ the United States . . . unless each of the steps is performed within this country.”<sup>25</sup> Because RIM performed part of the patented method in Canada, RIM did not use the patented method in the United States, and therefore, did not infringe NTP’s method claims.<sup>26</sup>

The Federal Circuit also considered, as a matter of first impression, whether the “sale of a claimed method can occur in the United States, even though the contemplated performance of that method would not be wholly within the United States.”<sup>27</sup> Interestingly, the court did not reaf-

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19. *Id.* at 1294.

20. 418 F.3d 1282, 1287-92 (Fed. Cir. 2005).

21. *Id.* at 1317.

22. *Id.*

23. *Id.*

24. *Id.*

25. *Id.* at 1318.

26. *Id.*

27. *Id.*

firm its prior holding that “[a] method claim is *directly* infringed only by one practicing the patented method.”<sup>28</sup> The Federal Circuit had previously held that a method claim could not be infringed through a sale because a sale requires the transfer of a *thing* between the parties, and with a method, there is no “*thing* capable of being transferred.”<sup>29</sup> Thus, there was no such concept as “infringed-by-sale” for method claims. Distancing itself from that bright-line rule, the court held only that the sale of Blackberry devices—which were used to perform some steps of the claimed method in the United States—was insufficient to establish infringement-by-sale.<sup>30</sup> Given the case’s novel extraterritorial aspect, the court left open the possibility that a sale might infringe on a method claim.<sup>31</sup>

D. NORTHERN DISCLOSURE: *BRUCKELMYER*  
V. *GROUND HEATERS, INC.*

In *Bruckelmyer v. Ground Heaters, Inc.*,<sup>32</sup> the Federal Circuit held that a canceled matter in a foreign patent’s prosecution history is a printed publication that may be cited as prior art against a patent.<sup>33</sup> Bruckelmyer claimed that Ground Heaters infringed his patents for a novel method of thawing frozen ground in preparation for laying concrete. Ground Heaters counterclaimed that Bruckelmyer’s patents were invalid because they were anticipated by Canadian Patent No. 1,158,119 granted thirteen years earlier (“the ‘119 patent”). The ‘119 patent, as published, failed to disclose all of the features of Bruckelmyer’s invention. Two drawings in the original application, however, disclosed the missing features. The drawings were canceled during prosecution, and therefore, were not published with the patent. On appeal, the issue was narrowed to whether the application drawings were “printed publications” under section 102(b).<sup>34</sup>

To be considered a printed publication, the prior art reference must be “publicly accessible.”<sup>35</sup> The question of accessibility generally turns on the ability of interested persons to locate the reference, that is, the availability of an index or catalogue to lead the reasonably diligent person to the reference.<sup>36</sup> The Federal Circuit previously held that an Australian

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28. *Id.* at 1319 (quoting *Joy Techs., Inc. v. Flakt, Inc.*, 6 F.3d 770, 775 (Fed. Cir. 1993)).

29. *Id.* (emphasis added).

30. *Id.* at 1321. For the same reasons, the court held that RIM could not have infringed the method claims by importation. *Id.*

31. If a sale does not infringe a method claim, and a method claim is not infringed through use unless all its steps are performed within the United States, then a competitor could completely eviscerate the value of the claimed method by performing one or more steps outside the United States.

32. 445 F.3d 1374 (Fed. Cir. 2006).

33. *Id.* at 1375.

34. *Id.*; see also 35 U.S.C. § 102(b) (2006) (An applicant is entitled to a patent unless “the invention was patented or described in a printed publication in this or a foreign country . . . more than one year prior to the date of the application for patent in the United States.”).

35. *Bruckelmyer*, 445 F.3d at 1377.

36. *Id.*

patent abstract was a sufficient roadmap to an abandoned patent application.<sup>37</sup> The court extended that concept, holding that the published patent itself would lead the reasonably diligent person to inspect and review the prosecution history and thus find the canceled drawings.<sup>38</sup>

Although not announced as a per se rule that all papers in patent applications are “printed publications,” the court’s holding could have broad implications for prior art searches. The cataloging or indexing of the application is irrelevant so long as the issued patent is indexed and can serve as a “research aid.”<sup>39</sup>

#### E. FEDERAL CIRCUIT Baffles Patent Bar with Bait-and-Switch: *Phillips v. AWH Corp.*

In *Phillips v. AWH Corp.*,<sup>40</sup> the patent in issue claimed a wall structure useful for increasing load-bearing strength, insulating against noise and fire, and deflecting projectiles. The Federal Circuit addressed whether the claim term “baffles” included or excluded structures that extend from the wall surface at a 90-degree angle. In construing “baffles,” the Federal Circuit reiterated the importance of general and technical dictionaries in the claim-construction process. However, it backed away from the “dictionaries first” approach it had endorsed three years earlier.<sup>41</sup> One should use patent specification as the primary reference for determining the meaning of claim terms, but should be careful not to read a limitation from the specification into the claims.<sup>42</sup> To prevent such misuse of the specification, one should read the specification as a teaching guide to using the invention.<sup>43</sup> Unless the patentee intends for the claims and the specification to be coextensive, the specification merely provides concrete examples of—and not limitations on—the invention claims.<sup>44</sup>

Although the patent specification did not disclose any baffle structure at a 90-degree angle, the court held that “baffle” should not limit structures to only acute-angle structures.<sup>45</sup> The court noted that other claims not in issue included express limitations on baffle angles, making it illogical to read the term “baffle” as inherently including an angle restriction.<sup>46</sup> Although AWH argued that only acutely angled baffles can deflect projectiles, the court noted that the patent disclosed other possible uses for the invention that did not require an acute baffle angle.<sup>47</sup> Thus, reading the term “baffle” to include structures at a 90-degree angle, the court

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37. See *In re Wyer*, 655 F.2d 221, 226 (C.C.P.A. 1981).

38. *Bruckelmyer*, 445 F.3d at 1377-78.

39. *Id.* at 1379.

40. 415 F.3d 1303 (Fed. Cir. 2005).

41. *Id.* at 1320; see also *Tex. Digital Sys., Inc. v. Telegenix, Inc.*, 308 F.3d 1193, 1202 (Fed. Cir. 2002).

42. *Phillips*, 415 F.3d at 1323.

43. *Id.*

44. *Id.*

45. *Id.* at 1327.

46. *Id.* at 1324.

47. *Id.* at 1326-27.



reversed the grant of summary judgment and remanded for further proceedings.<sup>48</sup>

The patent bar waited anxiously for the *en banc* decision in *Phillips* because the Federal Circuit indicated that it might reconsider its prior holding that, as a matter of law, courts may review claim construction *de novo* on appeal.<sup>49</sup> The court sought briefing from numerous amici on whether the Federal Circuit should “accord any deference to any aspect of trial court claim construction rulings.”<sup>50</sup> Although the court granted review of an issue that could have radically changed *Markman* hearings and their subsequent appeal, the court ultimately declined to address that question and left the state of the law unchanged.<sup>51</sup>

F. AND WHEN I SAID “ABOUT,” I MEANT “EXACTLY:” *MERCK & CO., INC. v. TEVA PHARMACEUTICALS USA, INC.*

In *Merck & Co., Inc. v. Teva Pharmaceuticals USA, Inc.*,<sup>52</sup> the Federal Circuit held that Merck’s patent for treating osteoporosis did not specify with sufficient clarity an intent to provide a patent-specific definition of the word “about.”<sup>53</sup> Therefore, the court applied the ordinary and accepted meaning of “about” to invalidate Merck’s claims in suit as being anticipated by prior publications.<sup>54</sup> Merck owned a patent for a method of treating osteoporosis by “administering *about 70 mg* of alendronate monosodium trihydrate, on an alendronic acid basis.”<sup>55</sup> Teva, a manufacturer of generic drugs, sought to defend against an infringement claim by invalidating the patent as anticipated by two publications that taught the treatment of osteoporosis by administering 40 mg or 80 mg of alendronate monosodium trihydrate. In order to preserve the novelty and nonobviousness of the treatment method, Merck argued that its patent provided a patent-specific definition of “about” that meant “exactly.” Merck claimed that the following excerpt from the patent specification provided a controlling definition of “about:”

Because of the mixed nomenclature currently in use by those [of] ordinary skill in the art, reference to a specific weight or percentage of bisphosphonate compound in the present invention is on an active weight basis unless otherwise indicated herein. For example the phrase “about 70 mg of bone resorption inhibiting bisphosphonate selected from the group consisting of alendronate, pharmaceutically acceptable salts thereof and mixtures thereof, on an alendronic acid weight basis” means that the amount of bisphosphonate compound selected is calculated based on 70 mg of alendronic acid.<sup>56</sup>

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48. *Id.* at 1328.

49. *Id.*; see also *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1451 (Fed. Cir. 1998).

50. *Phillips*, 415 F.3d at 1328.

51. *Id.*

52. 395 F.3d 1364 (Fed. Cir. 2005).

53. *Id.*

54. *Id.* at 1366.

55. *Id.*

56. *Id.* at 1369.

Thus, Merck argued that “about 70 mg” meant sufficient compound to deliver the equivalent of *exactly* 70 mg of alendronic acid.<sup>57</sup>

The Federal Circuit found that Merck’s patent did not clearly express the intent to redefine “about” to mean “exactly.”<sup>58</sup> “When a patentee acts as his own lexicographer in redefining the meaning of particular claim terms away from their ordinary meaning, he must clearly express that intent in the written description.”<sup>59</sup> The patents must make the language sufficiently clear to put a person reasonably skilled in the art on notice that the term has a specific definition.<sup>60</sup> The court held that the more logical reading of the above-quoted specification language defined the phrase “on an alendronic acid weight basis,” not the term “about.”<sup>61</sup> Concluding that “about” should have its ordinary meaning of “approximately,” the court found that the patent claims for treating osteoporosis with 70 mg of alendronate monosodium trihydrate were invalid as anticipated by prior art references that recommended using 80 mg of the same drug.<sup>62</sup>

G. CAN YOU SEE THE VASE AND THE TWO FACES AT THE SAME TIME?: *LIZARDTECH, INC. v. EARTH RESOURCE MAPPING, INC. AND JWV ENTERPRISES, INC. v. INTERACT ACCESSORIES, INC.*

In *Lizardtech, Inc. v. Earth Resource Mapping, Inc.*,<sup>63</sup> the Federal Circuit invalidated Lizardtech’s patent on a “method of selectively viewing areas of an image at multiple resolutions in a computer”<sup>64</sup> because a single disclosed method of accomplishing a task is insufficient to support a patent claiming that task generically. Lizardtech’s patent covered a method of compressing and restoring image data using a discrete wavelet transform (“DWT”). Prior art taught that if an image is broken into smaller tiles for piecemeal processing, the DWT process creates image defects along the tile seams. Lizardtech’s patent taught a method of applying a seamless DWT to image tiles that would not result in image defects. As each image tile is processed, DWT information needed for adjacent tiles is calculated, temporarily stored, then summed together with the DWT information during the primary processing of the adjacent tile.<sup>65</sup>

Lizardtech claimed that Earth Resource Mapping (“ERM”) infringed on its seamless DWT patent. ERM claimed that the patent was invalid because the specification failed to support the claim. Patent claim 21 ge-

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57. *Id.* at 1366-67.

58. *Id.* at 1370.

59. *Id.*

60. *Id.*

61. *Id.* at 1370-71.

62. *Id.* at 1371.

63. 424 F.3d 1336 (Fed. Cir. 2005).

64. *Id.* at 1340.

65. *Id.* at 1339.

nerically claimed a method of creating a seamless DWT, but the specification disclosed only a single sum-and-store technique for achieving a seamless DWT.<sup>66</sup>

The court held that Lizardtech's claim for a method of creating a seamless DWT was invalid because the patent failed to provide a written description sufficient to enable one skilled in the art to use the method without undue experimentation.<sup>67</sup> The court likened the broad claim to a patent for a fuel-efficient engine that disclosed only a single embodiment for achieving fuel efficiency.<sup>68</sup> Because there may be many ways to achieve fuel efficiency, disclosure of a single means does not entitle the patentee to claim all such means. A patentee may hold a broader claim than the embodiments disclosed in the specification only when the disclosure can "enable one of ordinary skill to practice the full scope of the claimed invention."<sup>69</sup> Lizardtech disclosed only a single means of obtaining a seamless DWT, and that disclosure did not enable every possible means of creating a seamless DWT. Finding that the specification did not support the broad claims, the Federal Circuit affirmed the finding of claim invalidity.<sup>70</sup>

In contrast to *Lizardtech*, the Federal Circuit held in *JVW Enterprises, Inc. v. Interact Accessories, Inc.*<sup>71</sup> that a means-plus-function claim was not constrained to the disclosed structures for accomplishing the recited function, but also included any similar structure that achieved the function in a similar way.<sup>72</sup> Thus, the patent in issue, granted in the 1980s on a video-game accessory for holding an Atari joystick, encompassed a steering-wheel controller used with car-racing games. The critical language recited a "means for lockably receiving a video game controller in fixed position."<sup>73</sup> The patent disclosed only the use of four L-shaped resilient prongs to grip an Atari controller, whereas the accused devices used either clips to engage detents in the steering column or donut-shaped plates with projections that engaged a mounting member.<sup>74</sup>

Citing to *Phillips*, the court held that claims should not limit the scope to the disclosed embodiments unless "the specification makes clear that 'the patentee . . . intends for the claims and the embodiments in the specification to be strictly coextensive.'"<sup>75</sup> Applying this principle, the court found that the race wheel that used clips to engage detents infringed on JVW's patent as a matter of law.<sup>76</sup> The race wheel using donut-shaped

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66. *Id.* at 1343-44.

67. *Id.* at 1345.

68. *Id.* at 1346.

69. *Id.* (citations omitted).

70. *Id.* at 1346-47.

71. 424 F.3d 1324 (Fed. Cir. 2005).

72. *Id.* at 1332.

73. *Id.* at 1327.

74. *Id.* at 1326-28.

75. *Id.* at 1335 (citing *Phillips v. AWH Corp.*, 415 F.3d 1303, 1323 (Fed. Cir. 2005) (en banc)).

76. *Id.* at 1334.

plates, however, did not infringe on the patent because it performed the function in a manner distinguishable from that claimed; that is, the controller was locked in place by preventing rotational, as opposed to linear, movement.<sup>77</sup>

The Federal Circuit voted against an *en banc* rehearing of *Lizardtech*, but in a strong dissent from the denial of rehearing, Judge Rader expressed dismay over the apparent inconsistency between *JVW* and *Lizardtech*.<sup>78</sup> In *Lizardtech*, the court invalidated a patent claim because it exceeded the disclosed embodiment's scope.<sup>79</sup> In *JVW*, however, the court upheld a broad claim because the patentee did not intend to limit his claim to the disclosed embodiment.<sup>80</sup> Judge Rader blamed the apparently inconsistent holdings on the "court's evolving written description doctrine."<sup>81</sup> Rader believes that the court has strayed from the proper purpose of the written description requirement: to prevent the introduction of new matter during prosecution.<sup>82</sup> Whereas before, a written-description analysis would compare an amendment to the original disclosure to ensure that the inventor had been "in possession" of the invention-as-amended at the time of the original filing, the new written description doctrine compares one part of a specification to another part, both filed at the same time.<sup>83</sup> Judge Rader thus disparages the *Lizardtech* opinion as confusing the written-description and enablement requirements.<sup>84</sup>

Writing in support of the *en banc* denial, Judge Lourie found the holdings of *Lizardtech* and *JVW* "clear and consistent."<sup>85</sup> "Whatever inconsistencies may exist in the application of the law lie in the different fact situations"<sup>86</sup> presented by each case.

#### H. COUNSEL ADVISES AGAINST ADVICE-OF-COUNSEL DEFENSE: *IN RE ECHOSTAR COMMUNICATIONS CORP.*

The Federal Circuit granted to EchoStar partial mandamus relief from a discovery-production order on all of its outside counsel's work product relating to an infringement opinion letter.<sup>87</sup> EchoStar's in-house counsel advised that its products did not infringe a patent owned by TiVo. When TiVo later sued EchoStar, EchoStar sought additional advice from outside counsel Merchant & Gould P.C. and raised the advice-of-counsel defense against claims of willful infringement. The district court found

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77. *Id.* at 1335.

78. *Lizardtech, Inc. v. Earth Res. Mapping, Inc.*, 433 F.3d 1373 (Fed. Cir. 2005) (denying *en banc* rehearing).

79. *Lizardtech*, 424 F.3d at 1344.

80. *JVW*, 424 F.3d at 1335.

81. *Lizardtech*, 433 F.3d at 1377 (Rader, J., dissenting).

82. *Id.* at 1378.

83. *Id.*

84. *Id.* at 1380.

85. *Id.* at 1375 (Lourie, J., concurring).

86. *Id.*

87. 448 F.3d 1294, 1296 (2006).

that EchoStar's defense waived its attorney-client privilege and attorney work-product privilege such that all documents relating to the opinion letter, whether in the possession of EchoStar or its outside counsel, were discoverable.<sup>88</sup>

The Federal Circuit, applying its own law rather than regional circuit law,<sup>89</sup> sustained the district court's discovery order in part and vacated it in part.<sup>90</sup> The court divided the documents subject to the district court's original order into three categories: 1) communications between attorney and client; 2) documents created and retained by the attorney; and 3) documents retained by the attorney but that reference an attorney-client communication.<sup>91</sup>

The court agreed that the advice-of-counsel defense waives attorney-client privilege to prevent a litigant from using the privilege as "both a sword . . . and a shield,"<sup>92</sup> that is, by waiving the privilege as to favorable opinions and asserting it as to damaging communications.<sup>93</sup> But the attorney work-product privilege, which exists for different reasons and is generally granted greater protection, is not inherently waived.<sup>94</sup> The work-product privilege promotes efficient rendering of legal services by allowing attorneys to record their mental thoughts without fear that their opponents "will rob them of the fruits of their labor."<sup>95</sup>

As to the third category—documents retained by counsel but reference an attorney-client communication, such as a telephone call—the court held that litigants may discover such documents because they help to create a full picture of the communications between attorney and client that are relevant to the claim of willful infringement.<sup>96</sup> The discoverability of such documents "protect[s] against intentional or unintentional withholding of attorney-client communications."<sup>97</sup> If a document in the third category also includes legal analysis that falls in the second category, the court should produce the document with the privileged portions redacted.<sup>98</sup>

EchoStar argued that the timing of the communications should be relevant to their discoverability: that communications after the filing of the lawsuit, presumably done in preparation for and in response to the litigation, should remain privileged.<sup>99</sup> EchoStar did not avail with this argu-

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88. *Id.* at 1297-98.

89. "Federal Circuit law applies when deciding whether particular written or other materials are discoverable in a patent case, if those materials relate to an issue of substantive patent law." *Id.* at 1298 (quoting *Advanced Cardiovascular Sys. v. Medtronic, Inc.*, 265 F.3d 1294, 1307 (Fed. Cir. 2001)).

90. *Id.* at 1296.

91. *Id.* at 1302.

92. *Id.* at 1303.

93. *Id.*

94. *Id.* at 1301.

95. *Id.* (quoting *Hickman v. Taylor*, 329 U.S. 495, 511 (1947) (Jackson, J. concurring)).

96. *Id.* at 1304.

97. *Id.*

98. *Id.*

99. *Id.* at 1303 n.4.

ment, at least in part because, throughout the litigation period EchoStar continued to engage in the alleged infringing conduct, and thus, the ongoing advice was relevant to claims of ongoing willful infringement.<sup>100</sup>

I. SETTLEMENT CLOSED THE DOOR TO DECLARATORY JUDGMENT:  
*MICROCHIP TECHNOLOGY INC. v.*  
*CHAMBERLAIN GROUP, INC.*

The Federal Circuit held that a manufacturer's apprehension of its customers being sued for patent infringement is insufficient to allow the manufacturer to bring a declaratory-judgment action if there is no reasonable apprehension of the manufacturer itself being sued.<sup>101</sup> Microchip, a manufacturer of microprocessors, originally sued Chamberlain, a maker of garage-door openers ("GDOs"), for infringement of a patent for programming transmitter codes. Chamberlain settled that suit by obtaining a license to the Microchip patent and agreeing not to sue Microchip over its patents that use the technology in GDOs. Critically, the agreement remained silent as to Chamberlain's right to enforce its patents against others, including Microchip's customers. Two years later, Microchip sought a declaratory judgment to invalidate Chamberlain's GDO patents and, alternatively, to declare that Chamberlain could not enforce the patents against Microchip customers because of the patent-exhaustion doctrine.<sup>102</sup>

In a declaratory-judgment action, the declaratory plaintiff must establish that an actual controversy exists by showing (1) a reasonable apprehension of defending against a patent-infringement suit and (2) conduct by the declaratory plaintiff that could constitute patent infringement.<sup>103</sup> The court held that because the patents in suit strictly focused on garage door openers (which Microchip does not manufacture) and because Chamberlain already agreed not to sue Microchip over the patents, Microchip had no reasonable apprehension of Chamberlain suing for patent infringement.<sup>104</sup> Thus, no actual controversy existed between the parties, and the district court lacked jurisdiction over the matter.<sup>105</sup> Microchip's concern that its customers would be sued was only an "adverse economic interest[,] . . . not a legally cognizable interest sufficient to confer declaratory judgment jurisdiction."<sup>106</sup> In dicta, the court strongly indicated that Microchip would have had a legal interest if it had agreed to indemnify its customers against any liability for their infringement of the patents in suit.<sup>107</sup> But because Microchip's interest in the action remained purely economic (and not legal), the Federal Circuit remanded

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100. *Id.*

101. 441 F.3d 936, 944-45 (Fed. Cir. 2006).

102. *Id.* at 938-40.

103. *Id.* at 942.

104. *Id.* at 944-45.

105. *Id.* at 945.

106. *Id.* at 943.

107. *Id.* at 944.

the case for an order to dismiss Microchip's complaint for lack of jurisdiction.<sup>108</sup>

### III. TRADEMARK UPDATE

#### A. JOHN DEERE HARVESTS A PICKLE: *BOURDEAU BROTHERS, INC. v. INTERNATIONAL TRADE COMMISSION*

In *Bourdeau Brothers, Inc. v. International Trade Commission*,<sup>109</sup> the Federal Circuit held that, in seeking to stop the importation of gray-market goods,<sup>110</sup> the plaintiff bears the burden of showing in its prima facie case, by a preponderance of the evidence, that all or substantially all of its authorized sales include material differences between the domestic- and foreign-market goods.<sup>111</sup> Bourdeau participated in selling John Deere forage harvesters designed for the European market in the United States. Some of the harvesters were made in the United States; others were made in Germany. John Deere filed a complaint with the ITC alleging that its European models differed from its United States models such that the importation of European-model harvesters constituted trademark infringement. The ITC investigated and issued an order to Bourdeau to cease and desist.<sup>112</sup>

The Lanham Act allows a trademark owner to prohibit the importation of infringing goods.<sup>113</sup> Infringing goods include "gray market goods" that the legitimate trademark owner produced or consented to its production, but that were intended for a foreign market.<sup>114</sup> In this case, the Federal Circuit clarified that "gray market goods" may include goods manufactured within the United States.<sup>115</sup> The Federal Circuit emphasized that the critical distinction is the target market of the goods, not the place of manufacture.<sup>116</sup> The court also held that the threshold for showing "material differences" between U.S. and foreign-market goods is low.<sup>117</sup> John Deere enumerated many differences that the court deemed material, including differences in the language of the warning labels and operator's manuals, differences in hitch mechanisms, and differences in warranty and maintenance services.<sup>118</sup>

Despite these strong showings by Deere, the court remanded the case to determine whether Deere had met its burden of showing that all or

108. *Id.* at 945.

109. 444 F.3d 1317 (Fed. Cir. 2006).

110. Gray market goods are "products that were 'produced by the owner of the United States trademark or with its consent, but not authorized for sale in the United States.'" *Id.* at 1320. (quoting *Gamut Trading Co. v. Int'l Trade Comm'n*, 200 F.3d 775, 777 (Fed. Cir. 1999)).

111. *Id.* at 1327.

112. *Id.* at 1320.

113. 19 U.S.C. § 1337(a)(1)(c) (2006).

114. *Bourdeau*, 444 F.3d at 1320.

115. *Id.* at 1323.

116. *Id.*

117. *Id.*

118. *Id.* at 1324.

substantially all of Deere's sales in the United States included the claimed material differences.<sup>119</sup> Specifically, Bourdeau and the other appellants alleged that they had purchased as many as fifty European harvesters from authorized Deere dealers and that such dealers had purchased more than ten European harvesters from them.<sup>120</sup> Bourdeau raised the issue of Deere's alleged sales of European-model harvesters in the United States as both an affirmative defense ("unclean hands" and estoppel) and as a failure by Deere to establish its prima facie case.<sup>121</sup> As an affirmative defense, Bourdeau holds the burden to show that Deere had authorized the sale of European harvesters within the United States.<sup>122</sup> But because Deere, in establishing its prima facie case, bears the burden of showing that all or substantially all of its authorized U.S. sales included material differences, Deere must, as a threshold matter, show that either the alleged sales of European harvesters did not occur or that they were not authorized.<sup>123</sup> If Deere cannot rebut the presumption that it authorized all sales by its authorized dealers, then it must show that the number of sales of European harvesters was insubstantially small.<sup>124</sup> Because the ITC had not properly burdened Deere with establishing its entire prima facie case, the court remanded the case.<sup>125</sup>

B. COME ON, MOM, CAN'T I GET BACK IN THE POOL YET?:  
*TEST MASTERS EDUCATION SERVICES INC. V. SINGH*

The Fifth Circuit held that a significant factual change must occur before the preclusive effects of a prior litigation are so eroded that renewed litigation over secondary meaning in a descriptive trademark is appropriate.<sup>126</sup> Singh, operating an exam-preparation company based in California, previously litigated his claims to the TESTMASTERS mark with Texas-based Test Masters Education Services ("TES"). In the first litigation, a jury found that Singh was the senior user and that the mark had acquired secondary meaning. The appellate court, however, vacated these findings on appeal and canceled Singh's federal registration. Two days after that appellate ruling, Singh filed a new registration with the Patent and Trademark Office for the TESTMASTERS mark. Singh then renewed litigation over the TESTMASTERS mark, asserting that the mark had acquired secondary meaning in the intervening period. The district court dismissed his complaint as barred by *res judicata*.<sup>127</sup>

The Fifth Circuit declared that the application of *res judicata* was inappropriate because Singh's complaint made factual allegations arising after

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119. *Id.* at 1327.

120. *Id.* at 1325.

121. *Id.* at 1326.

122. *Id.*

123. *Id.* at 1327.

124. *Id.*

125. *Id.*

126. 428 F.3d 559, 575 (5th Cir. 2005).

127. *Id.* at 565-70.



the entry of final judgment in the first litigation.<sup>128</sup> Thus, *res judicata*, which requires that the claims be based on the same operative facts, was inappropriate.<sup>129</sup> However, the Fifth Circuit did find that collateral estoppel, which requires that the same *issue* be in contention, barred Singh's claims.<sup>130</sup> The Fifth Circuit acknowledged that a narrow exception to collateral estoppel exists, which allows a trademark claimant, in the later proceeding, to show secondary meaning in a descriptive mark.<sup>131</sup> Noting that case law does not "expressly demarcate a minimum time"<sup>132</sup> required before relitigation, and without defining how the elapsed time period should be calculated,<sup>133</sup> the Fifth Circuit held only that Singh failed to allege "any significant intervening factual change."<sup>134</sup> As a result, the Fifth Circuit precluded Singh from relitigating the issue of secondary meaning in the TESTMASTERS mark.<sup>135</sup>

#### IV. COPYRIGHT UPDATE

##### A. USEFUL EXPRESSIONS NEED NOT APPLY: *GALIANO v. HARRAH'S OPERATING COMPANY, INC.*

In *Galiano v. Harrah's Operating Co., Inc.*,<sup>136</sup> the Fifth Circuit adopted the "likelihood-of-marketability" standard for extending copyright protections to garment designs. Harrah's Casino contracted with Galiano to design uniforms for its casino employees. After the contract period expired, Harrah's continued to use Galiano's designs for its employees' uniforms and costumes. Galiano sought and received federal copyright registration for her uniform design sketches and then brought suit against Harrah's for copyright infringement.<sup>137</sup>

Because uniforms and costumes are "useful articles" (as wearable apparel), they are not ordinarily copyrightable subject matter.<sup>138</sup> Clothing is included in the concept of "pictorial, graphic, and sculptural works,"<sup>139</sup> which by statute are protected by copyright "insofar as their form but not their mechanical or utilitarian aspects are concerned."<sup>140</sup> The Fifth Circuit declined to apply the "conceptual separability test" adopted by the Seventh Circuit, under which works are protected only when they "can be 'conceptualized as existing independently of their utilitarian func-

128. *Id.* at 571.

129. *Id.*

130. *Id.* at 574.

131. *Id.* at 573.

132. *Id.* at 574.

133. TES pointed to the *two days* that elapsed between the appeal decision in the first case and Singh's second registration filing. Singh noted that *ten years* had passed between his first registration (which was canceled for lacking secondary meaning at the time of registration) and his second registration. *Id.* n.4.

134. *Id.* at 575.

135. *Id.*

136. 416 F.3d 411 (5th Cir. 2005).

137. *Id.* at 413-14.

138. *Id.* at 417.

139. *Id.* at 416 (quoting 17 U.S.C. § 102(a) (2005)).

140. *Id.* n.10 (quoting 17 U.S.C. § 101).

tion.”<sup>141</sup> Unpersuaded by “the alleged ‘elegance’”<sup>142</sup> of that rule, the Fifth Circuit instead chose to extend copyright protection to those useful articles that are marketable as art.<sup>143</sup> Because Galiano’s pieces were marketable only as casino uniform, and not as stand-alone works of art, the court affirmed the district court’s ruling that they were not protected by copyright.<sup>144</sup>

B. IF A TREE FALLS IN A FOREST . . . : *LYRICK STUDIOS, INC.*  
*v. BIG IDEA PRODUCTIONS, INC.*

The Fifth Circuit affirmed that the signed writing required by section 204 of the Copyright Act<sup>145</sup> for a transfer of copyright ownership to be valid is not satisfied by an internal memorandum that was not given to the alleged transferee until trial discovery.<sup>146</sup> Big Idea Productions, creator of the VeggieTales animated cartoons, negotiated with Lyrick Studios to provide broader market distribution of the popular series. Although the companies sent several faxes containing various contract-term proposals, they never signed a final agreement on the terms of the distributorship. Nevertheless, Lyrick began distributing VeggieTales videos while negotiations continued. When the corporate relationship later soured, Lyrick brought suit, claiming that Big Idea breached their exclusive licensing and distributorship contract.<sup>147</sup>

The most contentious aspect of the case stemmed from the effect of an internal memorandum written by Big Idea’s vice president of licensing and development that stated, “I would say that we have an agreement in force.”<sup>148</sup> Lyrick claimed that the memo, combined with the agreed-upon terms in the fax communications, constituted a signed writing sufficient to satisfy section 204.<sup>149</sup> The Fifth Circuit held that the faxes alone did not satisfy section 204 because they lacked indications of finality: the faxes contained language such as, “[N]o contract will exist until both parties have executed a formal agreement.”<sup>150</sup> In considering the internal memorandum, the Fifth Circuit held that the memo was “not the kind of memorandum of transfer envisioned by § 204(a).”<sup>151</sup> Recognizing the internal memo as a transfer of copyright ownership “would not further the copyright goals of predictability of ownership.”<sup>152</sup> Finding that Lyrick had failed to adduce evidence of its ownership of copyrights in the Veg-

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141. *Id.* at 418 (quoting *Pivot Point Intern, Inc. v. Charlene Prods., Inc.*, 372 F.3d 913, 931 (7th Cir. 2004)).

142. *Id.* at 421.

143. *Id.*

144. *Id.* at 422.

145. See 17 U.S.C. § 204 (2006).

146. 420 F.3d 388, 390 (5th Cir. 2005).

147. *Id.* at 390-91.

148. *Id.* at 393.

149. *Id.*

150. *Id.*

151. *Id.* at 396.

152. *Id.*

gieTales videos, the court reversed the trial court's entry of judgment for Lyrick.<sup>153</sup>

## V. CONCLUSION

Several cases in the past year, and especially the *NTP v. RIM* "BlackBerry" case, have provoked discussion about the proper role and extent of patent protection—including questions about what should be patentable subject matter and whether patent-holding companies should be eligible for injunctive relief. While the BlackBerry parties ultimately settled the case without any service disruption and discussions about patent reform have fallen out of the popular media, Congress continues to work on a substantive update to the patent laws. Among the more significant changes proposed is abandoning the first-to-invent standard in favor of the first-to-file process used throughout the rest of the world.

In addition to watching the legislative patent reforms, patent practitioners will be interested in several cases being considered by the Supreme Court. In the near term, we await a decision from the Supreme Court on the validity of method claims that recite little more than using a mathematical formula or observing a natural phenomenon.<sup>154</sup> In two other cases, the Court has not yet decided whether to grant certiorari. The first case deals with the validity of a combination patent that is alleged to be obvious because it merely combines various elements known to the prior art.<sup>155</sup> Although the Supreme Court had previously set a higher threshold for nonobviousness in combination patents,<sup>156</sup> the Federal Circuit has not adhered to that standard.<sup>157</sup>

The second case to watch involves a reverse settlement, in which a pharmaceutical patent holder paid money to a potential competitor to drop a challenge to the patent's validity and to delay the introduction of a generic equivalent.<sup>158</sup> At issue is whether such settlements violate antitrust law. The court is expected to grant certiorari to resolve a split among the circuit courts. The Eleventh Circuit has held that reverse settlements are a legitimate, enforceable resolution to a patent dispute,<sup>159</sup> but the Sixth Circuit has held them to be per se antitrust violations.<sup>160</sup> Given the stark disparity between these holdings, the authors hope that the Supreme Court will grant certiorari.

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153. *Id.* at 397.

154. *See* Lab. Corp. of Am. Holdings v. Metabolite Labs., Inc., 126 S. Ct. 601 (2005) (granting certiorari).

155. *See* Teleflex, Inc. v. KSR Int'l Co., 119 Fed. App'x 282, 286-87 (Fed. Cir. 2005).

156. *See* Sakraida v. Ag Pro, Inc., 425 U.S. 273, 282 (1976). When each combined element performs the same function as was known to prior art, it is merely "the work of the skillful mechanic, not that of the inventor." *Id.* (quoting *Hotchkiss v. Greenwood*, 52 U.S. 248, 267 (1851)).

157. *Teleflex*, 119 Fed. App'x at 290 (invention is obvious only if there is a "teaching, suggestion, or motivation to combine prior art teachings in the particular manner claimed by the patent at issue").

158. *See* Schering-Plough Corp. v. F.T.C., 402 F.3d 1056 (11th Cir. 2005).

159. *Id.* at 1075.

160. *See In re Cardizem CD Antitrust Litig.*, 332 F.3d 896, 908 (6th Cir. 2003).