

ideas on

INTELLECTUAL PROPERTY LAW

Current issues on patents, trademarks and copyrights

States Generally Immune From Patent Infringement

Waiver Must Be Clear

Suppose you have a patent product and one of the 50 states begins manufacturing or marketing a product that patent covers. You sue the state for patent infringement, right? Wrong. Bringing patent infringement cases against states is not that easy.

State Immunity

The doctrine of sovereign immunity says that governmental entities are immune from suit unless they waive that immunity. The U.S. government, for example, would not be subject to suit, except that it has enacted statutes expressly consenting to be sued under certain circumstances.

In the context of our federal system, the 50 states have a form of sovereign immunity under the Constitution's 11th Amendment, which has been interpreted to forbid suits against states in federal courts. This effectively prevents suits against states for patent infringement, because the federal courts have exclusive jurisdiction over patent infringement litigation.

A few years ago, Congress attempted to remedy this situation by adopting legislation making states subject to suit for patent infringement in federal courts. But the U.S. Supreme Court later declared that law violated the 11th Amendment. This decision effectively restored the states' immunity from patent suits.

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A state, however, may voluntarily waive its 11th Amendment immunity. Some cases have held that if a state brings an action for a declaratory judgment of patent invalidity or noninfringement, this constitutes an implied waiver of immunity. Why? Because the state itself has asked the court to adjudicate a patent controversy, thus voluntarily negating its right to avoid such an adjudication.

The Question of Waiver

In the case of *State Contracting & Engineering Corp. v. Florida*, it was argued that such a waiver had occurred. State Contracting sued Florida for patent infringement in the U.S. District Court for Southern Florida; the state responded by filing a counterclaim for a declaration of patent invalidity and noninfringement. State Contracting then argued that the counterclaim constituted a waiver of Florida's 11th Amendment immunity. But the trial court rejected that argument.

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On appeal, the U.S. Court of Appeals for the Federal Circuit, which hears all patent-related appeals from the federal trial courts, agreed. The Federal Circuit reasoned that, because



Florida's patent counterclaim was filed when Congress had apparently taken away the state's patent infringement immunity, Florida could not have reasonably expected to prevail on its sovereign immunity defense until later — after the Supreme Court changed the law. The counterclaim's filing while the state was unsure about the availability of an immunity defense was not a voluntary waiver of immunity, because at that time Florida reasonably believed that it had no immunity to waive. Moreover, Florida took no further action on the counterclaim after the Supreme Court's decision restoring its immunity. Accordingly, the court held that Florida's counterclaim filing was not a voluntary waiver.

The only remaining question was whether Florida's subsequent failure to withdraw the counterclaim after the Supreme Court's decision constituted a waiver of sovereign immunity. The court held that it did not, since a mere lack of action was not an affirmative act indicating a willingness to litigate the patent infringement claim.

Patent Cases Today

Once again, there is no ambiguity: A state may not be sued for patent infringement without a waiver of its sovereign immunity. Thus, issues of waiver will be important in any patent case involving a state. ☉

Page Turner

How E-Books Differ From Print — And Why It Matters

Random House publishes traditional books — the kind with paper pages. In doing so, it obtains the exclusive right to publish books by various authors. Thus, Random House protested when those authors subsequently granted to Rosetta Books the right to republish the same works as “e-books.” In *Random House Inc. v. Rosetta Books LLC*, Random House sued Rosetta for copyright infringement and interference with contracts and asked the U.S. District Court in New York City for a preliminary injunction to stop Rosetta’s activities.

The contracts between Random House and the authors all had similar language, conveying the exclusive right to “print, publish and sell the work[s] in book form.” But the court refused to grant Random House an injunction, holding that the authors remained free to transfer the e-book rights to Rosetta. In effect, the court held that the right to publish a “book” did not include the right to publish an “e-book.”

What Is an E-Book?

E-books are created by converting digitized text into a format readable by computer software. Readers can view the text on a desktop or laptop computer, personal digital assistant, or handheld dedicated e-book reading device.

Included in a Rosetta e-book is a cover page, title page, copyright page and “e-foreword” all created

by Rosetta Books. Although the e-book’s text exactly matches the original work, the electronic version contains various features that take advantage of its digital format.

For example:

- ⦿ *Rosetta’s e-books contain security features to prevent users from printing, e-mailing or otherwise distributing the text.*
- ⦿ *Users can search the work electronically to find specific words and phrases, and access the definition of any word. One version of Rosetta’s software even pronounces words aloud.*
- ⦿ *Readers can highlight and bookmark selected text. “Highlighting” is done by marking digital text in a transparent color. In “bookmarking” flagged text enables a user to jump directly to that text later on. Readers can automatically index bookmarks and access them through hyperlinks.*



- ◎ *Hyperlinks in the table of contents can jump to specific chapters. Users can also type electronic notes and attach them to related text — notes that can be automatically indexed, sorted and filed.*
- ◎ *Users can change the font size and text style to accommodate personal preferences. Thus, an electronic screen of text may contain more words, fewer words, or the same number of words as a page of the original published book.*

The Law As It Existed

Some of the applicable precedents didn't look auspicious for Rosetta. For instance, the U.S. Court of Appeals for the 2nd Circuit, which has appellate authority over this trial court, had previously held that a grant of movie rights carried with it the right to display the movie on television 28 years later. In another case it held that a grant by composer Igor Stravinsky of the right to use his composition "The Rite of Spring" in the movie "Fantasia" carried with it the right to release "Fantasia" on video 52 years later.

In the court's mind, the need for software to interact with the data to make it usable, as well as the need for hardware that enables viewing, further distinguished printed formats from digital formats.

The "new" technologies — television and video — involved in those earlier cases had not even been envisioned as commercially viable media by the drafters of those grants of movie rights. One of the policy objectives explicitly adopted by the court in deciding the "Fantasia" case was encouraging the development of new technologies. The court thought that the original music rights grantee, i.e., "Fantasia's" producer, was more likely to push the movie into the new realm of video than some hypothetical new grantee starting over with a new production.



Why E-Books Are Different

In the Random House case also, it may be safely assumed that, when the original contracts conveying the publishing rights were written, e-books were not contemplated as a viable commercial medium. So why the different result in this case?

Here the court distinguished the two earlier cases. It noted that in those cases, the grant's language evinced an intent to convey all rights that the author or composer had that were relevant to movies and any related media, even media not yet contemplated. In the present case, however, the grant seemed calculated to convey rights for book purposes only.

But why isn't an e-book simply a new type of book — and therefore within the scope of the grant — even though not originally contemplated? After all, conceded the court, e-books

contain the same text as the printed books. But in this case, said the court, the new use — electronic digital publishing — is a different medium from the original use: printed words on paper. E-books take advantage of the digital medium's ability to manipulate data in new ways. In the court's mind, the need for software to interact with the data to make it usable, as well as the need for hardware that enables viewing, further distinguished printed formats from digital formats.

Therefore, concluded the court, the two earlier cases, which applied to new uses "within the same medium," did not control this case. An e-book is not simply a new kind of book, the court reasoned, but rather a distinct and new commercial opportunity for authors.

Furthermore, said the court, in this case the policy of encouraging new technology development is at least as well-served by finding that the authors retain the e-book rights to their works. It reasoned that licensees — in this case



the print book publishers — are experts in traditional technologies such as print publishing and movie producing. They are not necessarily more likely to make advances in digital technology than startups in new technological fields, such as e-book publishing.

Protecting Future Rights

The Random House case clearly puts publishers on notice: It is safer if contracts specifically address e-book rights. Book contracts with no mention of electronic rights may leave the publisher with no recourse when the author decides to publish his or her book in a medium other than print. ©

Trademark Board Strikes Out Applicant

The One Mark Per Application Rule

In the last few years, a number of federal trademark applicants have attempted to push the envelope with respect to the subject matter that can be registered. In one such case, Elvis Presley Enterprises filed an application

to register the image of Elvis Presley in all possible permutations, without limitation as to age, pose, dress or the like. But the Trademark Trial and Appeal Board (Board) rejected that application on the ground that it constituted

Stealing Home

Is there any other purpose for which the other manufacturers might want to affix holograms to their trading cards? You bet there is: Holograms are a popular security device used to deter counterfeiting of trading cards, among other products. Granting the trademark registration sought by Upper Deck would therefore give it a monopoly over that functionality, not just over a trade identity symbol. In response to this objection, Upper Deck said that other anti-counterfeiting techniques were available to its competitors. But trademark law's role does not extend to the monopolization of functional features.

an attempt to register a multiplicity of different marks. These marks included an infinite number of representations of Mr. Presley at different ages, in different poses, in different forms of dress, and the like. The law, however, permits each applicant to register only one trademark per application. Elvis Presley Enterprises was free to register as many different representations of its namesake as it wished, but it had to file that many different applications.

Subsequently, International Flavors & Fragrances attempted to register as a trademark LIVING XXXXXX FLAVORS, in which the X's could represent any one of a number of specific herbs, fruits, plants or vegetables. Here, too, the trademark applicant ran afoul of the one mark per application rule. Why? Because the application covered as many different specific trademarks as the number of specific herb, fruit, plant or vegetable names that the surrogate "X" term could represent.

Batter Up

But Upper Deck Co., a trading-cards manufacturer, was not deterred by these two cases. It applied to register "a hologram device which is applied to ... trading cards. ... Neither the size nor the shape of the hologram device, nor any content which may be represented within the hologram device, nor the positioning of the hologram device on the trading card are claimed as features of the mark."

In other words, Upper Deck wanted to register as a trademark trading cards containing any hologram whatsoever — regardless of what it depicted, its size or shape, or its position on the cards — so long as the hologram was physically affixed to the trading cards. In the case of *In re Upper Deck Co.*, the Board found this application objectionable for so many different reasons that it hardly knew where to begin.

Strike One

For one thing, this application violated the "one mark per application" rule. It covered holograms incorporating numerous different pictorial representations, of numerous different sizes and shapes, and located at various places on the trading cards. Therefore, said the Board, the Trademark Examiner was not apprised of what mark to search. And if the application were allowed, the public would not be given any notice as to what mark was protected. The Board cited both the *Presley* case and the *International Flavors & Fragrances* case to support its conclusion.

Upper Deck, however, put up a good fight. It argued that, unlike the *International Flavors & Fragrances* case, its mark did not involve any missing elements. It also maintained that the mark was a single device — namely a hologram — and that variability did not matter because “[p]erception of the recognizable physical and visual properties of a hologram is not dependent upon the size or shape of the hologram, or by the particular place where the hologram is affixed to the goods.” Upper Deck claimed its mark was like a single color, scent or sound, all of which have previously been held registrable as trademarks. As far as searching was concerned, the company argued that in this case the Trademark Examiner had already conducted a trademark search with no difficulty.

Strike Two

But the Board balked at all these arguments. The content, size, shape and location of Upper Deck’s hologram were indeed missing elements, said the Board, because they were unspecified. As to the Examiner’s search, that had been limited to the specific baseball field design actually incorporated into the trademark specimens’ holograms that Upper Deck had filed with the Patent and Trademark Office. These were the same to which the Examiner thought the application should have been limited. Moreover, said the Board: “A hologram is not the same as a color, or a sound, or a scent. Each of the latter, as registered, is further defined, e.g., a particular color or hue (a green-gold color in [one] case); a particular sound (the sound made by a Ship’s Bell Clock in [another case]); a particular scent (a floral fragrance reminiscent of Plumeria blossoms in [another case]).”

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Strike Three

Perhaps most importantly, the Board said “allowance of such a mark would effectively grant [Upper Deck] a monopoly to bar anyone else from using a hologram as a mark on a trading card.” Such a monopoly would cut off an entire class of objects (holograms of every description affixed to trading cards) from legitimate use as trademarks by other card manufacturers. Even if they affixed holograms to their trading cards for some purpose other than as a trademark, they would still risk infringing Upper Deck’s trademark registration.

Finally, the Board noted that the presence of any hologram at all, as opposed to a specific hologram, would not inherently be perceived by customers as a trade identity symbol; and Upper Deck had failed to offer convincing evidence that holograms had acquired, through extensive advertising and promotion, such significance.

The New Season

The lesson of this case is that, while a trademark applicant might be able to register a specific hologram, it can’t register all of them. The one mark per application rule is still batting a thousand. ©

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In This Issue

- *States Generally Immune From Patent Infringement
Waiver Must Be Clear*
- *Page Turner
How E-Books Differ From Print — And Why It Matters*
- *Trademark Board Strikes Out Applicant
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