



# IDEAS ON INTELLECTUAL PROPERTY LAW



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Basketball legend taking a shot at grocery store's ad campaign

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# MJ scores again

## *Basketball legend taking a shot at grocery store's ad campaign*

In September 2009, legendary Chicago Bulls player Michael Jordan was inducted into the Basketball Hall of Fame. His induction speech drew some attention for its rather vengeful tone toward certain figures in the superstar's past. But, as it turns out, the speech wasn't MJ's only lane for settling scores.

Jordan turned to the legal system when he believed a Chicago-area grocery store chain wrongly used his identity in its advertising campaign. Earlier this year, in *Jordan v. Jewel Food Stores, Inc. and SuperValu Inc.*, the U.S. Court of Appeals for the Seventh Circuit made the call as to whether the case could proceed.

### **Taking it to the hoop**

To commemorate Jordan's Hall of Fame induction, Time Inc. produced a special issue of *Sports Illustrated* devoted exclusively to his career. Jewel Food Stores Inc., a chain of 175 supermarkets in the Chicago area, was offered free advertising space in the issue in exchange for stocking the publication in its stores.

Jewel ran a full-page ad congratulating Jordan on his induction. The ad ran on the inside back cover of the issue and prominently included Jewel's logo and marketing slogan.

Jordan responded with a \$5 million lawsuit alleging violations of the federal trademark law (the Lanham Act), the Illinois Right of Publicity Act, the Illinois deceptive practices statute and the common law of unfair competition. Jewel claimed the ad was non-commercial speech protected by the First Amendment. The district court agreed, dismissing the case before trial. Jordan appealed.

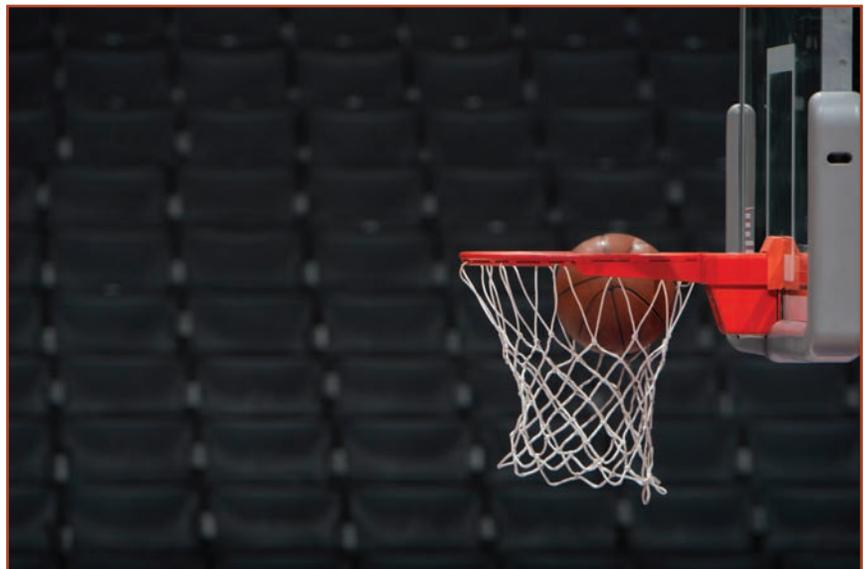
### **Posting up some guidance**

On appeal, the Seventh Circuit noted that the U.S. Supreme Court has defined commercial speech as speech that proposes a commercial transaction. The appellate court pointed out, though, that this definition is only a "starting point."

Other communications may also constitute commercial speech notwithstanding the fact that they contain discussion of public issues as well. The Supreme Court has made clear that advertising that links a product to a current public debate isn't, thereby, entitled to the constitutional protection provided noncommercial speech.

The Seventh Circuit cited three "guideposts" for classifying speech that contains both commercial and noncommercial elements:

- Is the speech an advertisement?
- Does the speech refer to a specific product?
- Does the speaker have an economic motivation for the speech?



## Court clarifies “inextricably intertwined” doctrine

In *Jordan v. Jewel Food Stores, Inc. and SuperValu Inc.* (see main article), the U.S. Court of Appeals for the Seventh Circuit took the opportunity to clarify the proper use of the “inextricably intertwined” doctrine. It holds that, when commercial and noncommercial speech are so intertwined, the speech as a whole will be classified commercial *or* noncommercial. Thus, if the speech as a whole is characterized as noncommercial, both the noncommercial and commercial aspects are protected by the First Amendment.

The court explained that the central inquiry, however, isn’t just whether the speech combines commercial and noncommercial elements. Rather, the question is whether it was legally or practically impossible for the speaker to separate them. Simply combining commercial and noncommercial elements in a single presentation doesn’t transform the whole into noncommercial speech.

In *Jordan*, the court said, the commercial and noncommercial elements in the ad weren’t inextricably intertwined: “No law of man or nature compelled Jewel to combine commercial and noncommercial messages as it did here.”

No single factor is determinative, but all must be answered in the affirmative for hybrid speech to be deemed commercial.

## The Supreme Court has made clear that advertising that links a product to a current public debate isn’t entitled to the constitutional protection provided noncommercial speech.

### Boxing out the defense

Before considering the guideposts, however, the Seventh Circuit weighed Jewel’s argument, accepted by the district court, that its ad didn’t propose a commercial transaction. The appellate court acknowledged that the ad’s textual focus was a congratulatory salute to Jordan. “If the literal import of the words were all that mattered,” the Seventh Circuit said, “this celebratory tribute would be noncommercial.” But the text must be evaluated in its context — particularly in the world of modern commercial advertising — where the commercial

message is often general and implicit rather than specific and explicit.

According to the court, an ad is no less “commercial” because it promotes brand awareness or loyalty rather than explicitly proposing a transaction. Although Jewel’s ad congratulated Jordan, it also served the “unmistakable commercial function” of enhancing Jewel’s brand in consumers’ minds. The court noted that modern commercial advertising is enormously varied in form and style.

The Seventh Circuit acknowledged that the failure to reference a specific product is a relevant factor in the commercial speech determination. But the court found the factor “far from dispositive, especially where ‘image’ or brand advertising rather than product advertising is concerned.” And here, it concluded, the ad’s commercial nature was “readily apparent.”

### Slam-dunking the decision

The Seventh Circuit found its conclusion was confirmed by applying the three guideposts. First, the ad qualified as an advertisement because the page promoted Jewel’s stores to potential buyers and was easily distinguished from the magazine’s editorial content. As to the second element, though the ad

didn't promote a specific product or service, it promoted patronage at Jewel stores.

Finally, the court said, there was no question that the ad served an economic purpose. While Jewel's tribute was in a certain sense public-spirited, the grocer also had something to gain by joining the chorus of congratulations on Jordan's induction: valuable brand enhancement. Accordingly, the Seventh Circuit ruled that Jordan's case could proceed because the ad at issue wasn't constitutionally protected non-commercial speech.

### **Making a point**

The outcome of this case is likely good news for athletes, actors, celebrities and other trademark holders seeking to protect the use of their identities or marks. As the court observed, classifying so-called image advertising as constitutionally immune noncommercial speech would allow advertisers to misappropriate the identity of athletes and other celebrities and well-known trademarks with impunity. ○

# **Watch out, copyright holders!**

## *Release of conference call transcript deemed not infringement*

The fair use defense to copyright infringement has always had its limits. These limits became a little more defined earlier this year, when the U.S. Court of Appeals for the Second Circuit ruled for the defendant in the case of *The Swatch Group Management Services Ltd. v. Bloomberg L.P.*

### **Sounding the alarm**

Several hours after Swiss watchmaker The Swatch Group released its 2010 earnings report, it held a conference call with a group of financial analysts

(as permitted by Swiss law). It had invited 333 analysts, and about 132 joined the call. No journalists or press organizations were invited, and the analysts were informed that no recordings for publication were permitted.

Nonetheless, within several minutes of the call's conclusion, financial information provider Bloomberg obtained a recording and transcript of it. Bloomberg made both available, without alteration or editorial commentary, to subscribers to its online financial research service.



Swatch sued Bloomberg, alleging infringement of Swatch's copyright in the recording. Bloomberg claimed that its copying and dissemination of the call was fair use. The district court agreed and dismissed the case before trial. Swatch appealed.

### **Ticking off fair use factors**

The federal Copyright Act provides that "the fair use of a copyrighted work ... for purposes such as criticism, comments,

news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright.” The following nonexclusive factors are considered in a fair use analysis:

- Purpose and character of the use, including whether it’s of a commercial nature,
- Nature of the copyrighted work,
- Amount and substantiality of the portion used in relation to the copyrighted work as a whole, and
- Effect of the use on the potential for or value of the copyrighted work.

Defendants don’t need to establish that each factor weighs in its favor.

### Facing off in court

The Second Circuit determined that three of the four factors favored a finding of fair use, with the fourth factor being neutral. The court’s findings were as follows:

**Purpose and character of the use.** The Second Circuit conceded that Bloomberg’s use was commercial, which typically weighs against fair use. Further, it wasn’t “transformative” because Bloomberg disseminated exact copies.

**The court noted the call was of a “manifestly factual nature,” and factual words tend to be afforded a narrower scope of copyright protection.**

But the court found that Bloomberg’s purpose in disseminating the recording was to make important financial information available to American investors and analysts. Such use, the court said, is very closely analogous to “news reporting.” And in light of the independent informational value inherent in an exact recording of an earnings call, the lack of



transformation didn’t preclude a finding that the purpose and character of the use favored fair use.

**Nature of the work.** Although the recording wasn’t “published” within the meaning of the Copyright Act, which generally weighs against fair use, Swatch invited hundreds of analysts to the call. So the watchmaker wasn’t deprived of the ability to control its first public appearance. The court also noted the call was of a “manifestly factual nature.” Factual words tend to be afforded a narrower scope of copyright protection.

**Amount and substantiality.** The Second Circuit deemed this factor neutral. Bloomberg used all of the work, but its use was reasonable in light of the company’s purpose of distributing important financial information.

**Effect on the market or value.** The court pointed out that the value of earnings calls lies in disseminating financial information to investors and analysts. Bloomberg’s use only furthered this goal.

### Handing out a victory

The Second Circuit’s ruling hands a victory to news and similar organizations. Now, they can redistribute and sell earnings call information to their customers and the public without fear of infringement liability. And if they’re sued, such parties can simply claim protection under the fair use defense, as Bloomberg did. ○

# Expert testimony needed on patent indefiniteness claims

When a district court finds that expert evidence is unnecessary to supporting a patent invalidity argument, most plaintiffs would probably think they're off the hook. In *Elcommerce.com v. SAP AG*, however, the U.S. Court of Appeals for the Federal Circuit found that expert testimony was indeed necessary for determining infringement liability — and the court revived claims against software multinational SAP AG.

## Invalid indefiniteness

Elcommerce.com owns a patent on a system for monitoring a supply chain of components. It sued SAP for patent infringement, and SAP filed a counterclaim for a declaratory judgment that the patent was invalid, unenforceable and not infringed.

Despite the lack of evidence of how an expert in the field would view the patent's description of "structure, materials, or acts" for performing several functions claimed in the patent, the district court found the patent's system claims invalid for indefiniteness. Elcommerce.com appealed.

## Insufficient argument

The system claims at issue were "means-plus-function" claims. The federal Patent Act states that a patent claim can be expressed as a means of performing a specified function without indicating the associated structure or material. The claim will be interpreted to cover the corresponding structure, material or acts described in the patent specification and their equivalents.

As the Federal Circuit explained, a means-plus-function claim is indefinite if a skilled person in the relevant field (in other words, a technical expert) would be unable to recognize the

structure in the patent specification and associate it with the corresponding function in the claim. Elcommerce.com argued that determining the adequacy of the supporting structure must be made from the perspective of experts in the relevant field. It further argued that evidence of how such persons would view the description in the patent specification is also necessary.

According to the Federal Circuit, the district court "persistently" requested such evidence from SAP. But SAP insisted that Federal Circuit precedent didn't require evidence of how an expert would view the patent, presenting only attorney argument concerning the patent's structure and acts.

To the contrary, the appellate court said, SAP bore the burden to prove that experts in the field wouldn't be able to recognize supporting structure in the written description and associate it with the corresponding claim function. It can't be assumed that judges are experts in all technological arts. Findings as to what is known, understood and sufficient must be based on evidence.

The Federal Circuit was careful not to hold that expert testimony is *always* necessary. It did find, however, that the absence of evidence from technical experts in this case meant that SAP had failed to overcome the presumption of patent validity.

## Strong reminder

The court's ruling is a strong reminder that attorney argument won't suffice when evidence is necessary. As the Federal Circuit noted, it can't be assumed that, without evidence, a general purpose judge can ascertain the view of experts in the field. ○



# Forewarned is forearmed?

## Doctrine of equivalents tested

The doctrine of equivalents prevents would-be infringers from avoiding liability by making only minor changes to a patented invention. But what if a so-called equivalent was foreseeable at the time of the patent application, and the patentee still didn't include it in the patent? This question was answered by the U.S. Court of Appeals for the Federal Circuit in *Ring & Pinion Service Inc. v. ARB Corporation*.

### Agreements made

ARB Corporation holds a patent for an improved automobile locking differential for wheels. Ring & Pinion Service (R&P) sought a declaratory judgment that its Ziplocker product didn't infringe ARB's patent.

To expedite the litigation, the two companies agreed (or "stipulated") before the district court's ruling that the Ziplocker duplicated the patented product except for a cylinder, but that the Ziplocker included an "equivalent" cylinder. The parties also agreed that the Ziplocker cylinder would have been *foreseeable* to a person having ordinary skill in the relevant field at the time the patent application was filed.

### Argument flattened

The district court held that foreseeability didn't preclude the application of the doctrine of equivalents, which allows a finding of infringement as long as the accused product contains elements identical or equivalent to each patented element. The court nonetheless granted judgment of noninfringement. It concluded that a finding of infringement would "vitiate" the cylinder claim in the patent, meaning no reasonable jury could find the patented cylinder to be equivalent to the Ziplocker cylinder.



On ARB's appeal, the Federal Circuit rejected R&P's contention that the doctrine of equivalents doesn't apply to equivalents that were foreseeable at the time of the patent application. The court said, "There is not, nor has there ever been, a foreseeability limitation on the application of the doctrine of equivalents." In fact, the court went on to say, it has long been clear that known interchangeability of an element not included in the patent for one that is actually in the patent weighs in favor of finding infringement under the doctrine.

### Ruling rolled over

Although the appellate court agreed with the district court on the foreseeability question, it parted ways on the finding of noninfringement. Given the parties' stipulation that the cylinder elements were equivalent, the Federal Circuit stated, the conclusion that foreseeability doesn't bar the doctrine of equivalents should have resolved the case with the district court entering a judgment of infringement. ○

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