

ideas on intellectual property law

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Eisenhower's war memoir ruled a work-for-hire

It might be hard to think of a former Allied Supreme Commander and U.S. president as an independent contractor, but that's exactly what the Ninth Circuit has held Dwight Eisenhower was when he agreed to write a memoir. A court recently had to determine who owned the book's copyright after a company created a video documentary using excerpts from it. The court ruled that Eisenhower's book constituted a work-for-hire to which he held no copyright. But this didn't help the defendant.

WAR OF WORDS

After the end of World War II, numerous publishers approached Eisenhower about writing a memoir. He didn't write it until Doubleday persuaded him, although evidence indicated he had previously considered the idea.

Eisenhower and his attorney met with representatives from Doubleday in December 1947 and accepted an offer to publish his memoir. Before that meeting, Doubleday had suggested to Eisenhower that he could potentially avoid the transaction being taxed as ordinary income. Eisenhower then consulted with the IRS and learned he could obtain more favorable capital gains treatment of his memoir's proceeds if he kept the completed manuscript for six months before selling his "right, title and interest" in the book.

Eisenhower began writing after the December 1947 meeting. Doubleday supplied secretaries, researchers and other support; supervised much of the work; and paid for the creation of maps and photographs for the book. The Doubleday editorial board met with him on several occasions and provided extensive comments on the work in progress.

On Oct. 1, 1948, just over six months after he'd finished, Eisenhower entered a written contract to sell the manuscript to Doubleday. The publisher subsequently sold television rights to the

work to Twentieth Century Fox and registered copyrights to it. Doubleday renewed the copyright in 1975.

Twentieth Century Fox eventually brought suit against Dastar Corp., alleging the defendant's 1995 video documentary infringed Eisenhower's book by using large sections of it for narration. The

Who held the copyright? The dissent likes Ike

One judge didn't agree with the majority that Eisenhower and Doubleday had intended the memoir to be a work-for-hire. She found that Eisenhower was selling a product, not his services.

Regardless, the dissenting judge thought the manuscript wasn't written at Doubleday's instance. The judge cited evidence that Eisenhower had sought a publisher before meeting with Doubleday, that other publishers had offered to purchase a manuscript, and that Eisenhower had made initial attempts at writing his memoir before meeting with Doubleday. And, in 1947, Eisenhower had written his wife to convey his papers if he died, revealing that Eisenhower had contemplated that his writings might be lucrative.

The manuscript's *sale* expressly provided for the sale of publication rights, contradicting the notion that the book had been *created* for hire. According to the dissent, if the book were a work-for-hire, the copyright would have vested with Doubleday from its creation.

The dissent warned that under the majority's standard almost any work produced with the publisher's financial and logistical support could be considered a work-for-hire.

defendant argued that Doubleday's 1975 renewal was invalid because the memoir wasn't a work-for-hire, and, under the Copyright Act, only the author or his or her heirs could renew the copyright.

RULES OF ENGAGEMENT

The copyright law doesn't define "work-for-hire," providing only that "the word 'author' shall include an employer in the case of works made for hire." Courts have expanded the work-for-hire concept over the years, applying it not only to traditional employer-employee relationships between the hiring party and the creator of a work, but also to less traditional relationships where the hiring party retained the "right to control or supervise the artist's work."

Ninth Circuit case law holds that, in the absence of an express contractual reservation of copyright for the creator, a presumption arises that the parties intended the copyright to rest with "the person at whose instance and expense the work is done" — even if the creator is an independent contractor. The court focused on two words:

1. **"Instance."** The test for "instance" requires inquiry into whether the employer who induced the creation was the motivating factor in the work's production. The court will look at the degree of control the hiring party had over the work.

The Ninth Circuit described Eisenhower's case as "the prototypical situation" where an employer's inducement motivated a work's production. Eisenhower, it found, was "a reluctant author who historically had refused to engage in the creative process [but began] to write voraciously after being persuaded by a publisher."

Further, the court noted that the greater degree of supervision and control a hiring party has over an independent contractor, the more likely the work was created at the hiring party's instance. Doubleday's degree of in-person supervision was greater than usual, reinforcing the court's conclusion that Eisenhower wouldn't have written his memoir without Doubleday's urging.

2. **"Expense."** The court found little doubt that the book was written at Doubleday's expense. The publisher took all of the financial risk for the book's success and paid for the staffing, maps and photos. The court found no evidence that Eisenhower paid for a single expense.

D-DAY FOR DOUBLEDAY

So the Ninth Circuit affirmed the district court's finding of infringement against the defendant, holding that Doubleday did indeed own the rights to Eisenhower's memoir. Because the facts differ in every case, courts will determine whether a work is a work-for-hire on a case-by-case basis. 💡

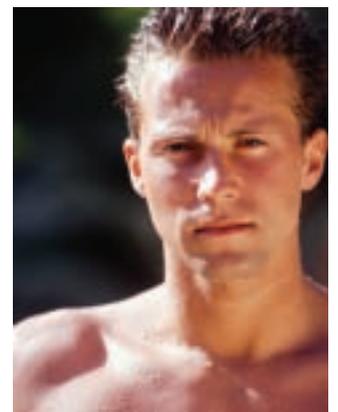
How close is too close?

Federal Circuit explores double patenting and inherent anticipation

Unless you claim a new nonobvious use, you can't obtain a patent for an invention that already exists. But this issue becomes more complicated when inventions are essentially duplicative but not identical. In such cases, patentees can find their patents challenged on the basis of "obviousness-type double patenting" or "inherent anticipation." The Federal Circuit recently expounded on both of these concepts in *Perricone v. Medicis Pharm. Corp.*, a case involving sunburn and skin treatments.

FEELING THE BURN

Perricone held patents on methods of treating and preventing sunburns (the '693 patent) and methods of treating skin damage and disorders (the '063 patent). Both patents disclosed the same subject matter — the treatment or prevention of various forms of skin damage



through the topical application of Vitamin C in a fat-soluble form.

Perricone sued Medicis, alleging the company infringed both patents with its line of prescription skin products. Medicis defended itself on the ground that the patents' claims were invalid on the basis of double patenting or anticipation. The district court found in favor of Medicis and Perricone appealed.

OBVIOUSNESS DOUBLE PATENTING: TOO CLOSE FOR COMFORT

The double patenting doctrine prevents a patentee from receiving two patents for the same invention. This legal doctrine takes two forms: statutory and nonstatutory. The latter was at issue in *Perricone*.

Nonstatutory (also known as “obviousness-type”) double patenting was created by courts to prevent claims in separate applications or patents that don't recite the same invention but claim inventions so alike that granting exclusive rights to both would effectively extend patent protection for the first invention. The district court found a claim in the '063 patent invalid because of obviousness-type double patenting of a claim in the '693 patent.

The Federal Circuit agreed, holding that sunburn is a species of skin damage. But it noted that a double patenting rejection could be overcome by the filing of a terminal disclaimer, which would make the second patent expire at the same time as the first, even after the second patent is issued. The court found no evidence of a disclaimer here but stated that Perricone could still file one. It didn't determine the retrospective effect of a terminal disclaimer in this case.

ANTICIPATION: A NATURAL RESULT (OR NOT)

As the court observed, prior art (any relevant knowledge, art and patents that predate the invention) that doesn't expressly

reference another patent can still inherently anticipate an invention. Part or all of an invention is inherent if it's the natural result flowing from the prior art's disclosure.

The district court ruled that an earlier patent — referred to as “Pereira” — anticipated claims of Perricone's '063 and '693 patents. Pereira covers a

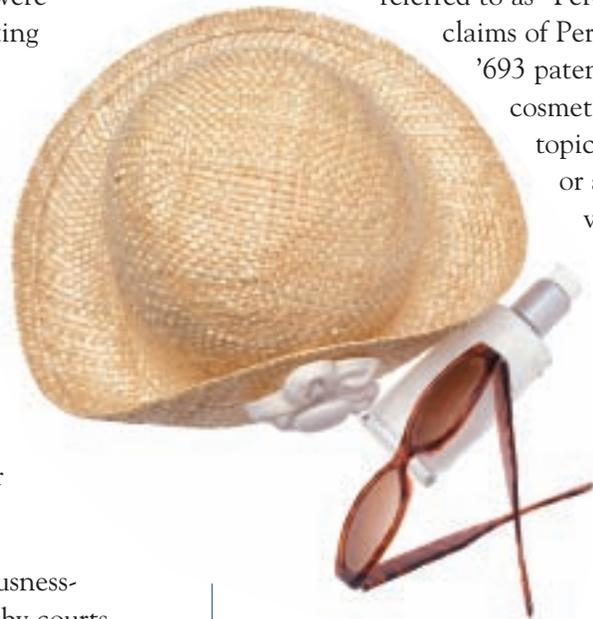
cosmetic composition for topical application to hair or skin and discloses various ingredients, including eight compositions that comprised all the various ingredients in Perricone's concentrations. The district court concluded the topical application of Pereira's compositions would

necessarily yield Perricone's claimed skin benefits.

But the Federal Circuit disagreed. In its view, the issue wasn't whether Pereira's lotion if applied to sunburn would inherently treat that damage, but whether Pereira discloses the application of its composition to sunburn. The court found that Pereira discloses only “topical application,” not application to sunburn. Pereira makes no reference to sunburn prevention or treatment benefits, and new uses of existing products or processes are patentable. But when the inherent property corresponds to a claimed new benefit of an invention found in prior art, the new realization alone doesn't render the earlier invention patentable.

SUNNY DELIGHT?

The Federal Circuit threw Perricone a potential life preserver on the double patenting issue and reversed the district court on its flawed anticipation analysis. It sent the case back to the district court for further proceedings, so Perricone may yet end up on the sunny side of the street. 💡



Losing home turf advantage

RFP process leaves patentee with mixed results

Is it fair play for a patent owner to persuade a potential customer to incorporate its patented features in the customer's request for proposal (RFP)? The Federal Circuit says it is. But the court also offered the patentee's competitors some protection, ruling that infringement doesn't result when RFPs cite the patentee's specifications in their proposals.

A FAILED GAME PLAN

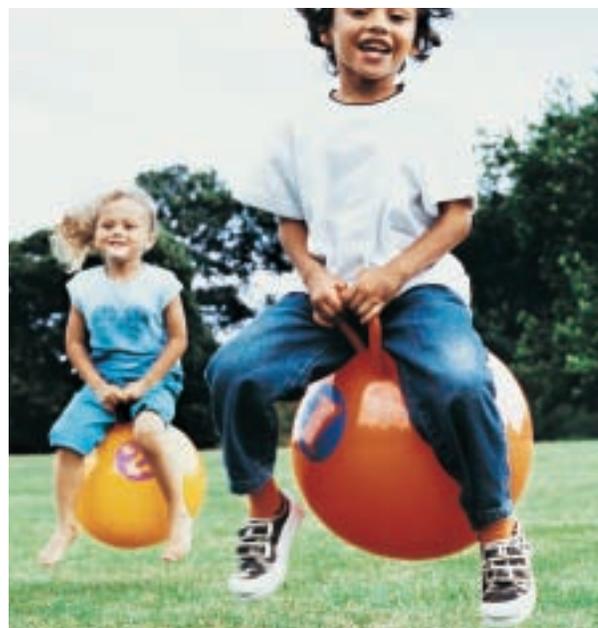
FieldTurf encouraged a California school district to include the specifications for FieldTurf's patented synthetic grass system or an "approved equal" in its RFP for a sports playing field. SportFields complained to the school district that the RFP cited only FieldTurf's product. A SportFields representative also met with the school district to discuss and demonstrate its own product, which didn't satisfy all of the original RFP specifications. The district eventually revised the specifications.

*A product specified
in an RFP is a
traditional offer to sell.*

The school district's amended RFP included elements of FieldTurf's patent, but removed references to FieldTurf itself. It required a bidder to state that the bid product didn't violate any other manufacturer's patent, and it allowed substitutions, with express approval. SportFields came in with the lowest bid but didn't identify a substitution or request a departure from the specifications, and it made no statement about patent infringement.

FieldTurf objected, asserting that SportFields's bid was an infringing "offer to sell" FieldTurf's patented invention. The school district responded by rejecting all bids, withdrawing the RFP, and making more changes to the RFP, including one that departed from the FieldTurf patent. It ultimately awarded the project to SportFields.

FieldTurf dropped out of the bidding but pursued its infringement claim, among others, in court. SportFields counterclaimed for intentional interference with prospective economic advantage and unfair competition.



THE COURT CALLS IT A DRAW

FieldTurf argued that, even if SportFields intended to change the product after winning the bid, infringement still existed because SportFields made an unqualified offer of sale of FieldTurf's patented product. And SportFields's bid didn't contain the required statement that its bid product differed from the school district's specifications. It further argued that the court shouldn't consider the actual product SportFields intended to provide in determining whether the offer constituted infringement, but should only look to the unambiguous written RFP.

The Federal Circuit acknowledged that a product specified in an RFP is a traditional offer to sell. But it pointed out that school district representatives knew SportFields's product differed from FieldTurf's. And it held that the court could consider SportFields's intent to install its own product.

SportFields fared no better. The court found that commercial entities' efforts to achieve specifications directed to their patented product aren't tortious, absent fraud or deception. A claim for intentional interference with prospective economic advantage requires, among other elements, conduct that is wrongful by some legal measure beyond the mere existence of interference. The court also declared that it isn't unfair competition for a patentee to enforce its patent against a competitor. A patentee has the right to exclude others. Here, FieldTurf could reasonably have

believed SportFields was offering an infringing product.

IT'S A LIVE BALL

Even though both parties lost the game, the court's decision does seem to give businesses some cover from interference claims when pushing their patented inventions as standards in RFPs. But a patent owner cannot call foul when its competitors submit proposals citing patented specifications. 💡



The wonderful words of Disney

The Eighth Circuit Court of Appeals has ruled in favor of the Walt Disney Company in a trademark infringement claim over its use in a movie of a villainous computer company named Earth Protectors. The name "Earth Protector" is trademarked by an environmentalist group for books, pamphlets and other printed materials.

The "core element" of trademark infringement law is whether an alleged trademark infringer's use of a mark creates a likelihood that the consuming public will be confused as to who makes what. To determine likelihood of confusion under the Lanham Act, the court applied a six-factor test:

- 1. Strength of the mark.** The court noted that "Earth Protector" is a descriptive mark — the weakest protectable mark. Thus, the factor favored Disney.
- 2. Similarity between the marks.** Disney's use of the term (Earth Protectors) was almost identical to "Earth Protector," tilting the factor in favor of the plaintiff.
- 3. Competitive proximity of the goods.** Wholly unrelated products weigh against a finding that confusion is likely. So the pendulum swung back to Disney.
- 4. Intent to confuse.** The court found no evidence of intent to confuse. While bad intent isn't a requirement, the court considered its absence. This factor favored Disney.
- 5. Degree of care expected of consumers.** Because the mark wasn't included in the movie's title or marketing, the court ruled this factor assisted neither party. Consumers wouldn't even know about the mark's use unless they watched the movie.
- 6. Evidence of actual confusion.** The court recognized some evidence of confusion, although the weight of the evidence was questionable. Nonetheless, the confusion favored a finding for the plaintiff.

In the end, the court stated that evidence of actual confusion isn't conclusive. Disney didn't affix the appellants' mark to any physical copies of the movie. Nor did it use the mark in promoting the film. It was clear to the court that consumers wouldn't be confused as to the film's source. So, in this case, Disney does rule the Earth.

The bark and the byte

Civil claims under the Computer Fraud and Abuse Act

The Third Circuit Court of Appeals has left no doubt that the federal Computer Fraud and Abuse Act (CFAA) allows more than criminal penalties. It recently ruled that the CFAA permits wronged parties to pursue civil suits and injunctive relief — and not only in cases where unauthorized computer access causes *actual* damage.

AN UNINVITED GUEST

A group of Party City franchisees and their operations manager (PCC) sought to enjoin two former high-level PCC employees who had formed their own party goods company from competing with them using supposedly confidential information. The plaintiffs brought their claim under the CFAA, alleging that one of the defendants had accessed the PCC computer system without authorization and used the information for marketing decisions at their new company. They claimed that the unauthorized access resulted in financial damages and gave defendants an unfair competitive advantage.

The district court found that the plaintiffs had failed to prove that the defendants had taken any unauthorized information or would succeed on the merits of their case. It also expressed skepticism that the CFAA provided civil relief. The plaintiffs appealed.

MORE THAN PARTY CRASHING REQUIRED

The Third Circuit began by denying injunctive relief, agreeing with the district court that the plaintiffs had failed to demonstrate that any information had been viewed, stolen or used by the defendants. One of the elements of a successful CFAA claim is the intent to defraud. The plaintiffs urged the court to draw inferences of intent from the mere fact that they could show unauthorized access. But access alone doesn't support an inference that a defendant obtained information. Access can be accidental, or a defendant can view data without taking or using it.



Without evidence of some taking or use, a plaintiff will find it difficult to prove intent to defraud. The court provided examples of the “something more” that was needed, including evidence of identical merchandise code numbers in stores or contact with vendors in close time proximity to the access. In the end, the court found that the plaintiff couldn't show an intent to defraud.

IT'S NOT JUST CRIMINAL

But the appellate court parted ways with the district court on the issue of the availability of civil relief under the CFAA, admittedly a criminal statute. It observed that the CFAA's scope has expanded over the past two decades and concluded that case law and the statute's plain language “militate in favor” of civil remedies, including injunctive relief.

It also held that the statute doesn't make civil remedies available only for intentional damage to a computer. Rather, under the CFAA, civil remedies are also available where access causes financial losses totaling at least \$5,000 in a one-year period; medical or physical injury; a public health or safety threat; or damage affecting certain governmental computer systems.

THE PARTY'S OVER

As a result of the court's decision, businesses may have one more weapon for fighting suspected hackers. At the very least, a business can pursue injunctive relief under the CFAA to prevent the use of illegally obtained information. 💡

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