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Patent Cases

Fed Cir - Insufficient evidence supported finding of inventive contribution.
Eli Lilly and Co. v. Aradigm Corp. (7/20/04) **Full Summary Decision**
The trial court entered final judgment in favor of Lilly insofar as it ordered the PTO to add one of Lilly's scientists (DiMarchi) as an inventor. The Federal Circuit concluded that there was insufficient evidence in the record to support the jury's finding of clear and convincing evidence to demonstrate DiMarchi's inventive contribution to claim 6. Lilly could not prove that DiMarchi communicated to Aradigm's scientists that aerosolized lispro might be used to produce a relative bioavailability greater than twice that seen after the inhalation of a similar amount of human insulin. The Federal Circuit rejected Aradigm's challenges to the jury instructions and affirmed the trial court's judgment on the state law claims.

ND Ill - Fact issues existed as to question of infringement.
RTC Industries, Inc. v. William Merit & Assoc., Inc. (7/15/04) **Full Summary Decision**
The court denied Merit's motion for partial summary judgment of non-infringement, which asserted that claims 1 through 8 were not infringed by the Glide-Trak systems. Merit contended that its Glide-Trak systems did not infringe the '201 patent because three elements found in claims 1 through 8 were not found in the Glide-Trak systems. However, fact issue

existed as to the question of infringement, thereby precluding summary judgment. For instance, a fact issues existed as to whether the dividing member of Model 1 was located within the space or limits of the mounting member. It was also unclear whether the accused systems' pusher members contained pairs of flanges that engaged the rails. Top

Trademark Cases

5th Cir - Utah court's judgment was entitled to res judicata effect.
The Procter & Gamble Co. v. Amway Corp. (7/19/04) **Full Summary Decision**
On summary judgment, the trial court gave res judicata effect to a judgment issued by the District of Utah. While Procter argued that this was improper, the 5th Circuit concluded that the Utah court's judgment was entitled to res judicata effect. Specifically, the 5th Circuit held that the judgment entered against Procter in the District of Utah had res judicata effect on Procter's unfair competition claims brought in the Southern District of Texas. The application of res judicata in this case did not conflict with this court's rulings or mandates on the merits of Procter's claims. Rather, it barred them a priori and as a result, the trial court properly dismissed Procter's claims.

ND Ill - Physical differences existed between domestic and parallel goods.
R.J. Reynolds Co. v. Premium Tobacco Stores, Inc. (7/16/04) **Full Summary Decision**
RJR prevailed at a trial of the severed trademark claims. The court denied Premium's JMOL motions, its motion for a new trial, and its motion to reduce the jury verdict. Premium insisted that RJR could not have shown infringement of its trademarks because the parallel market cigarettes were manufactured by RJR. However, RJR produced evidence as to each brand that physical differences were present between the domestic and parallel cigarettes. Further, RJR presented a significant amount of evidence to show that the differences between the domestic and parallel market products were significant to U.S. consumers. Concerning the dilution claim, RJR presented ample evidence establishing the relevant factors. The court concluded that Premium waived its argument concerning the issue of willfulness, but in any event, there was sufficient evidence to show willfulness.

D Kan - Complaint failed to state a claim under reverse passing off theory.
Larkin Group, Inc. v. Aquatic Design Consultants (7/8/04) **Full Summary Decision**
The court granted in part defendants' motion to dismiss Larkin's Lanham Act claim. Specifically, the court granted the motion insofar as Larkin's claim was based on a reverse passing off theory and denied the motion insofar as the claim was based on a false advertising theory. The court was not persuaded that the proposals submitted by defendants to the various cities constituted tangible goods or services that were offered for sale. Even if the proposals were considered goods or services offered for sale within the meaning of *Dastar*, there was no allegation that Larkin actually produced those proposals. Instead, Larkin alleged that defendants took its materials and incorporated them into defendants' proposals without attributing any credit to Larkin. Thus, the "origin" of the proposals was actually defendants, not Larkin. Top

UDRP Decisions

NAF - Parties' dispute was outside the scope of the policy.
Consumer InfoMedia v. Anastasia (6/30/04) **Full Summary Decision**
This dispute involved a business deal between a domain name holder that transferred its domain name registration for valuable consideration that was represented as paid, but was

never actually paid, to the original domain name holder. As such, the dispute was outside the scope of the policy. Even if this dispute did fall within the purview of the policy, InfoMedia failed to establish all three required elements. Specifically, InfoMedia had not established that it had rights in the "GoShopping" mark; some serious questions existed as to the generic nature of the claimed mark. Further, there was no showing that InfoMedia ever conducted business using the disputed domain name. Top

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Eli Lilly and Co. v. Aradigm Corp. (Fed Cir 7/20/04) **Decision Short Summary**
Lilly sued Aradigm seeking to have two of its scientists recognized as joint inventors on Aradigm's '477 patent and also sought to recover damages on contract and unjust enrichment claims. Lilly prevailed on the inventorship claim as to one of its scientists and Aradigm prevailed on the unjust enrichment claim. Lilly prevailed on the contract claim, but was awarded only nominal damages. The Federal Circuit affirmed in part and reversed in part.

Lilly, a pharmaceutical company, holds the '646 patent, which claims the insulin analog lispro. The '646 patent lists DiMarchi as an inventor. Aradigm's business focuses on drug delivery through the inhalation of aerosols. In 1995 and 1996, Lilly held four meetings to discuss a possible collaboration that would take advantage of Lilly's expertise in insulin compounds and Aradigm's expertise in aerosolized drug delivery. Lilly insisted that two of its scientists, Harrison and DiMarchi, conveyed to Aradigm during these meetings the specific advantages to be expected from using lispro instead of regular insulin in an aerosol delivery device. In 1997, several Aradigm scientists filed a patent application that eventually issued as the '477 patent, which claims methods of aerosolized administration of lispro and other insulin analogs. The jury found that DiMarchi only was a co-inventor of the invention set forth in claim 6 of the '477 patent.

Aradigm asserted that the jury instructions on the inventorship issue were erroneous. Specifically, Aradigm argued that the trial court erred by not construing claim 6 before sending the inventorship issue to the jury. However, Aradigm never requested that the trial court construe any terms in claim 6 and never offered its own construction. As a result, Aradigm waived its right to request a construction of claim 6 and thereby implicitly conceded that the meanings of the terms were clear. Next, Aradigm argued that the relevant instructions were error because the description of the invention prejudicially paraphrased the actual language of claim 6. But Aradigm's objection below was not sufficiently specific to preserve this argument on appeal. In any event, the jury instructions were not erroneous as a whole because there was little difference between the claim language and the language used in the verdict form. The Federal Circuit, however, agreed that there was insufficient evidence in the record to satisfy Lilly's burden to demonstrate by clear and convincing evidence that DiMarchi was a joint inventor of claim 6 of the '477 patent. Lilly failed to prove that DiMarchi communicated to Aradigm's scientists that aerosolized lispro might be used to produce a relative bioavailability greater than twice that seen after the inhalation of a similar amount of human insulin. Evidence that DiMarchi merely suggested that Aradigm try lispro in its aerosol delivery devices was insufficient to support the jury's verdict on claim 6 by clear and convincing evidence. The Federal Circuit rejected Lilly's argument that it need only satisfy a preponderance of the evidence standard with regard to the inventorship claim. Finally, the Federal Circuit found that the trial court did not abuse its discretion in denying Lilly's belated request for a new form of relief (injunctive) based on breach of contract or in concluding that the findings in Lilly's favor were insufficient to support an unjust enrichment claim. Top

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RTC Indus., Inc. v. William Merit & Assoc. (ND Ill 7/15/04) **Decision Short Summary**
RTC sued Merit for patent infringement. The court denied Merit's motion for partial summary judgment.

RTC and Merit produce spring-loaded, product-pushing shelf divider systems that are sold to retail stores. RTC holds the '201 patent, which covers such a system. Merit produces a shelf divider system sold under the name "Glide-Trak," which comes in Model 1 (now discontinued) and Model 2 versions. In its motion, Merit contended that claims 1 through 8 of the '201 patent were not infringed by its Glide-Trak systems.

Merit argued that its systems did not infringe because three elements found in claim 1 through 8 of the '201 patent were not found in the Glide-Trak systems. First, Merit argued that its systems did not infringe because they did not contain a "divider member slidably received in said mounting member." The front of the '201 divider contains a "depending tongue" that extends downward in the direction of the shelf's surface, while the Glide-Trak systems' dividers have downward facing C-shaped hooks attached to their front ends. According to Merit, because the Glide-Trak dividers attached to their mounting members by securing the C-hooks around the mounting member's raised tubes, the Glide-Trak dividers were not "in" the mounting members. As to Model 1, the mounting member's tube sat atop the base of the member, which itself rested directly atop the store shelf. Because the C-hook could be attached to the mounting member's tube by lining up the C-hooks and running the tube through them, a reasonable juror could find that the divider could be received by the mounting members in a slidable fashion. Since a portion of the C-hook was within the physical boundaries of the mounting member as it slid over the tube, one could find that the C-hook was receivable "in" the mounting member. As to Model 2, when the divider member was attached to the mounting member, the C-hook rested almost entirely within the trough's boundaries, creating a question of fact as to whether the divider member was slidably receivable "in" a mounting member. Neither could the court hold as a matter of law that the accused systems did not contain "track means on said divider member comprising a pair of elongated rails." A reasonable juror could conclude that there were two matched plastic bars that ran horizontally and were intended to guide the pusher members down the length of the divider members. Finally, a reasonable juror could conclude that the pusher members contained pairs of flanges that engaged the rails. Top

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Procter & Gamble Co. v. Amway Corp. (5th Cir 7/19/04) **Decision Short Summary**
Procter and an affiliate sued Amway and others for violations of the Lanham Act and related claims. The 5th Circuit affirmed the trial court's grant of summary judgment in favor of Amway.

Procter has long been the subject of rumors linking it to Satanism and has attempted to identify Amway and its distributors as the source of those rumors. In 1995, Procter sued Amway and others in the District of Utah, which alleged claims for unfair competition, violations of the Utah Truth in Advertising Act, and related claims. The Utah court granted Amway's motion to dismiss. Meanwhile, Procter filed this suit in the Southern District of Texas, alleging unfair competition, business disparagement, violations of the Lanham Act, and related claims. In 1999, the Utah court entered a final judgment dismissing all of Procter's claims. At the close of the trial in the Texas case, Amway moved for JMOL. The Texas court granted the motion and dismissed the Lanham Act claim on the basis of res judicata effect of the Utah court's judgment. The Texas court also dismissed the remaining claims on the merits. After judgment was entered, but before the 5th Circuit heard the appeal, the 10th Circuit remanded the Utah court's judgment. In the prior appeal, the 5th Circuit affirmed in part and reversed in part, concluding that there was no res judicata effect from the Utah case at the time. While dismissal had been proper when granted, the 10th Circuit's subsequent reversal and remand eliminated any res judicata bar occasioned by the reversed and remanded judgment. On remand, the Utah court dismissed Procter's claims.

Procter contended that the trial court erred in according the Utah court's judgment res judicata effect, primarily arguing that it was improperly based on the res judicata effect of the later-reversed opinion of the Texas court in *P&G I* and that it was based on incorrect legal conclusions. Procter's arguments amounted to the contention that the Utah court decided the case wrongly, or at least differently from how the Texas court would have done so under this circuit's law. As to the former, the proper remedy for an allegedly erroneous judgment was direct appeal to the proper court, not an attempt to avoid the res judicata effect of that judgment in another suit against the same party for the same cause of action. Procter argued that in according the Utah judgment res judicata effect, the Texas court improperly disregarded the law of the case as established by this court and slighted the mandate in *P&G I*. But nothing in this court's prior rulings established that a valid judgment from the Utah court should not be given res judicata effect by the Texas court. On the contrary, the 5th Circuit previously stated that the Texas court's invocation of res judicata was proper but for the fact that the Utah court's decision was later reversed and remanded. The application of res judicata in this case did not conflict with this court's rulings on the merits of Procter's claims. Rather, it barred them a priori. Top

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R.J. Reynolds Co. v. Premium Tobacco (ND Ill 7/16/04) **Decision Short Summary**
RJR and GMB, Inc. sued Premium and others for trademark infringement and related claims. RJR prevailed at a trial of the severed trademark claims. The court denied Premium's JMOL motions, its motion for a new trial, and its motion to reduce the jury verdict. The court also denied RJR's summary judgment motion (concerning the severed antitrust counterclaims), but granted in part its motion to bar certain damages testimony.

RJR is a tobacco company that manufactures Camel, Winston, and Salem cigarettes, while Premium is a discount cigarette retailer owned and operated by the Roscoe family. In the 1990s, Premium began purchasing parallel market cigarettes (from overseas, duty-free shops, and military bases) and selling them at its stores within the domestic market. RJR sued alleging that Premium's practices amounted to unfair competition, trademark infringement, and dilution of the Camel, Winston, and Salem trademarks. In response, Premium counterclaimed for antitrust violations. At the first trial, a mistrial was declared, but not before the court ruled on several motions in limine. Thereafter, RJR filed a summary judgment motion as to Premium's counterclaims. Before the second trial commenced, the trademark and antitrust claims were severed. The trademark portion went to trial and resulted in a verdict in RJR's favor.

Premium insisted that RJR could not have shown infringement of its marks because the parallel market cigarettes were made by RJR. However, RJR produced evidence as to each brand that physical differences were present between domestic and parallel cigarettes, including the lack of "loyalty program" materials in the latter. Even if the court were to follow the 9th Circuit's lead on the issue of when goods were "genuine," it was not persuaded that this reasoning would result in a victory for Premium. In this case, RJR highlighted enough physical differences between the domestic and parallel products to allow a conclusion that the latter were not "genuine" goods for purposes of an infringement claim. Premium argued that if differences were shown, they were not material to the purchasing consumer. RJR presented a significant amount of evidence showing that the differences between the domestic and parallel products were significant to U.S. consumers. Examples included consumer complaints in phone calls or letters to RJR, as well as a survey of Camel smokers, which confirmed the importance of the loyalty materials. Premium also averred that the jury's verdict on dilution could not stand because the marks in question were not famous and there was no blurring of the marks. But RJR presented ample evidence to establish the fame of its marks and it was clear that the blurring that resulted from placing the domestic and parallel products side by side could not be discounted by Premium's argument that both products originated with RJR. As to Premium's contention that the jury's finding of willfulness was not supported by the evidence, Premium waived this argument by failing to include it in the pre-verdict JMOL motions. Even if the issue had been preserved, there was abundant evidence that Premium obtained the parallel product intending to lure customers via their brand loyalty. As for Premium's motion for a new trial, based on the pretrial in limine rulings, the court was not convinced that any of the rulings were in error or that the excluded evidence would have significantly affected the jury's decision. Top

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Larkin Group v. Aquatic Design Consult. (D Kan 7/8/04) **Decision Short Summary**
Larkin sued ADC, Spiker, McElyea, and Flanigan (collectively "ADC") for Lanham Act violations and related claims. The court granted in part and denied in part ADC's motion to dismiss.

Larkin specializes in aquatic center planning and design. The individual defendants were formerly employed by Larkin as engineers. Flanigan allegedly took from Larkin a proposal and layouts pertaining to the city of Bonner Springs. ADC, a company formed by the individual defendants, then used these materials in proposals submitted to third parties that ADC knew were considering aquatic design proposals from Larkin, including the city of Republic. ADC was ultimately chosen to provide aquatic design services to the city of Republic. ADC moved to dismiss Larkin's Lanham Act claim on the grounds that the complaint failed to state a claim for reverse passing off or false advertising.

The court agreed that Larkin's complaint failed to state a claim under a reverse passing off theory in light of the Supreme Court's decision in *Dastar*. The complaint alleged that ADC misrepresented Larkin's goods or services as its own. Essentially, Larkin was claiming that ADC took its ideas and concepts, edited and repackaged them, and passed them off as its own without attributing any credit to Larkin. As a threshold matter, the court was not persuaded that the proposals submitted by ADC to the various cities constituted tangible goods or services offered for sale within the meaning of *Dastar*. Even assuming that they were, Larkin did not allege that it actually produced the proposals. Instead, Larkin alleged that ADC took Larkin's materials and incorporated them into the proposals without attributing any credit to Larkin. Thus, the "origin" of the proposals was actually ADC, not Larkin. As a result, the court granted the motion to dismiss insofar as Larkin's Lanham Act claim was based on a reverse passing off theory. However, the court was unable to conclude that Larkin could not prove any set of facts entitling it to relief on a false advertising theory. The complaint did not provide enough information for the court to ascertain the extent and nature of the relevant purchasing public for the aquatic design services industry. Moreover, it could be reasonably inferred that the customer base was limited and that proposals like the ones at issue here were a common method of promoting aquatic design services. Top

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Consumer InfoMedia v. Anastasia (NAF 6/30/04) **Decision Short Summary**
InfoMedia claimed that it had owned the domain name "goshopping.com" for eight years with the intent of using it to set up a website to promote sales via contracts with shopping malls. Before use of the domain name, however, InfoMedia transferred the domain name to Anastasia for what it believed would be valuable consideration through an online transaction verification service. According to InfoMedia, Anastasia falsely represented to the verification service that payment to InfoMedia had been made. As a result, Anastasia acquired the subject domain name, which resolves to a website that is under construction.

The panel concluded that this dispute involved a business deal between a domain name holder that transferred its domain name registration for valuable consideration that was represented as paid, but was never actually paid, to the original domain name holder. As a result, this dispute was outside the scope of the policy. Even assuming that this dispute fell within the purview of the policy, InfoMedia failed to prove that it had rights in the "GoShopping" mark. Some serious questions existed as to the generic nature of the claimed mark. Moreover, while InfoMedia owned the registration for eight years, it never used the domain name for its intended purpose. There was no showing that InfoMedia had ever conducted business using the subject domain name. Since this dispute was clearly outside the scope of the policy and due to the fact that InfoMedia had failed to establish the first element of its claim, it was unnecessary for the panel to address the remaining elements. Top

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