

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

THE NEW L&N SALES AND, MARKETING, INC., Plaintiff	: : : : : : :	CIVIL ACTION
v.	:	
BIG M, INC., Defendant	: :	NO. 00-4488

Newcomer, S.J. February , 2001

M E M O R A N D U M

Presently before this Court are Motions for Summary Judgment filed by both parties and the parties' respective Responses thereto. For the following reasons, plaintiff's Motion will be DENIED in part and GRANTED in part, and oral arguments will be heard on defendant's Motion for Summary Judgment and plaintiff's Motion for Summary Judgment on defendant's second affirmative defense.

I. BACKGROUND

In this patent infringement case, Plaintiff The New L&N Sales and Marketing has asserted that Defendant Big M, Inc. has sold substantial quantities of fabric-covered elastic ponytail holders that infringe L&N's exclusive rights under U.S. Patent No. 292,030 ("030 Patent").

Both parties have moved this Court for summary judgment on numerous grounds. Defendant argues: (1) L&N's claims are barred under the doctrine of laches; and (2) L&N's claims are barred under the doctrine of equitable estoppel. Plaintiff

asserts that it is entitled to summary judgment on its claim for patent infringement, as well as the following affirmative defenses raised by defendant: (1) that L&N's claims are barred by undue delay, laches, waiver and/or estoppel; (2) that the '030 Patent is void and invalid because its design is dictated by functional considerations; (3) that the '030 Patent was anticipated by prior art; and (4) that the '030 Patent is invalid because its design was obvious in light of prior art.¹

II. SUMMARY JUDGMENT STANDARD

A reviewing court may enter summary judgment where there are no genuine issues as to any material fact and one party is entitled to judgment as a matter of law. White v. Westinghouse Elec. Co., 862 F.2d 56, 59 (3d Cir. 1988). The evidence presented must be viewed in the light most favorable to the non-moving party. Id. "The inquiry is whether the evidence presents a sufficient disagreement to require submission to the jury or whether it is so one sided that one party must, as a matter of law, prevail over the other." Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 249 (1986). In deciding the motion for summary judgment, it is not the function of the Court to

¹Although plaintiff also contends that it is entitled to summary judgment on defendant's first and third affirmative defenses, claiming that L&N failed to state a claim upon which relief can be granted and that L&N's claims are barred by the statute of limitations, defendant has represented that it withdrew its first and third affirmative defenses on January 12, 2001.

decide disputed questions of fact, but only to determine whether genuine issues of fact exist. Id. at 248-49. An issue is only "genuine" if there is sufficient evidence with which a reasonable jury could find for the non-moving party. See id. at 249. Furthermore, bearing in mind that all uncertainties are to be resolved in favor of the non-moving party, a factual dispute is only "material" if it might affect the outcome of the suit under governing law. See id. at 248.

The moving party has the initial burden of identifying evidence which it believes shows an absence of a genuine issue of material fact. Celotex Corp. v. Catrett, 477 U.S. 317, 324 (1986); Childers v. Joseph, 842 F.2d 689, 694 (3d Cir. 1988). The moving party's burden may be discharged by demonstrating that there is an absence of evidence to support the nonmoving party's case. Celotex, 477 U.S. at 325. Once the moving party satisfies its burden, the burden shifts to the nonmoving party, who must go beyond its pleadings and designate specific facts, by use of affidavits, depositions, admissions, or answers to interrogatories, showing that there is a genuine issue for trial. Id. at 324. Moreover, when the nonmoving party bears the burden of proof, it must "make a showing sufficient to establish the existence of [every] element essential to that party's case." Equimark Commercial Fin. Co. v. C.I.T. Fin. Servs. Corp., 812 F.2d 141, 144 (3d Cir. 1987) (quoting Celotex, 477 U.S. at 322).

Summary judgment must be granted "against a party who fails to make a showing sufficient to establish the existence of an element essential to that party's case, and on which that party will bear the burden of proof at trial." White, 862 F.2d at 59 (quoting Celotex, 477 U.S. at 322).

III. DISCUSSION

A. LEGAL STANDARD: LACHES AND EQUITABLE ESTOPPEL

In A.C. Aukerman Co. v. R.L. Chaides Const. Co., 960 F.2d 1020 (Fed.Cir. 1992), the Federal Circuit Court of Appeals clarified and applied the principles of laches and equitable estoppel when those doctrines are raised as defenses in a patent infringement suit. As to laches, the Court held, inter alia, that:

1. Laches is cognizable under 35 U.S.C. § 282 as an equitable defense to a claim for patent infringement.
2. Where the defense of laches is established, the patentee's claim for damages prior to suit may be barred.
3. Two elements underlie the defense of laches:
 - (a) The patentee's delay in bringing suit was unreasonable and inexcusable.
 - (b) The alleged infringer suffered material prejudice attributable to the delay laches. The district court should consider these factors and all of the evidence and other circumstances to determine whether equity should intercede to bar pre-filing damages.
4. A presumption of laches arises where a patentee delays bringing suit for more than six years after the date the patentee knew or should have known of the alleged

infringer's activity.

5. A presumption has the effect of shifting the burden of going forward with evidence, not the burden of persuasion.

Aukerman, 960 F.2d at 1028. As to equitable estoppel against a patent infringement claim, the Court in Aukerman held:

1. Equitable estoppel is cognizable under 35 U.S.C. § 282 as an equitable defense to a claim for patent infringement.
2. Where an alleged infringer establishes the defense of equitable estoppel, the patentee's claim may be entirely barred.
3. Three elements must be established to bar a patentee's suit by reason of equitable estoppel:
 - (a) The patentee, through misleading conduct, leads the alleged infringer to reasonably infer that the patentee does not intend to enforce its patent against the alleged infringer. "Conduct" may include specific statements, action, inaction, or silence where there was an obligation to speak.
 - (b) The alleged infringer relies on that conduct.
 - (c) Due to its reliance, the alleged infringer will be materially prejudiced if the patentee is allowed to proceed with its claim.
4. No presumption is applicable to the defense of equitable estoppel.

Id. The Court went on to note that as equitable defenses, laches and equitable estoppel are matters committed to the sound discretion of the trial judge, and the trial judge's decision is reviewed by the appellate courts under the abuse of discretion standard. Id.

1. LACHES

In the instant case, Big M has demonstrated evidence of the two elements of laches, that is, that Rommy Revson, the '030 Patent holder, and L&N may have delayed in bringing suit, and that Big M suffered material prejudice because of said delay. Specifically, Big M has produced evidence that in 1990 and 1992 Revson and her counsel wrote cease and desist letters to Big M threatening to bring suit against it for its alleged patent infringement. Big M has also shown that L&N knew in the early 1990s of Big M's allegedly infringing activities. Nevertheless, neither Revson nor L&N brought suit until September 2000.

This Court determines that there is a presumption of laches in the instant case, since a presumption of laches arises where a patentee delays bringing suit for more than six years after the date the patentee knew or should have known of the alleged infringer's activity. Plaintiff, however, counters defendant's claim for laches by arguing that its delay was excusable because in 1993 defendant began purchasing its ponytail holders from Danel Accessories, a sub-division of L&N, which led L&N to believe Big M had decided to purchase from a licensed vendor. Allegedly, it was not until 1997, when Big M switched back to purchasing its ponytail holders from unlicensed suppliers, that L&N again became aware of Big M's alleged patent infringement.

The Court determines that it does not have enough evidence to render a decision on the issue of laches at this time. Accordingly, the Court will order oral arguments with the right of counsel to present evidence on the issue of laches.

2. EQUITABLE ESTOPPEL

The Court also determines that Big M has produced sufficient evidence to make out a prima facie case for equitable estoppel. Defendant asserts that Revson and L&N, by their inaction and failure to bring suit against Big M for years after threatening to do so in the 1990 and 1992 cease and desist letters, led Big M to reasonably infer that the patentee did not intend to enforce the '030 Patent against Big M. Big M also claims to have relied on L&N's conduct, which will materially prejudice Big M if L&N is allowed to proceed with its claim because Big M incurred numerous costs in believing plaintiff was not intending to enforce the '030 Patent.

Again, plaintiff relies on Big M's alleged temporary compliance with L&N's rights to argue that: (1) Big M knew or should have known that L&N was not abandoning its claim for patent infringement and that L&N would take action as soon as it learned of Big M's subsequent infringement; and (2) there was no reliance or prejudice on Big M's part because there was no conduct directed at Big M by L&N that would mislead it into believing that any continued infringement was condoned or

approved.

As with defendant's claim for laches, the Court determines that there is a need to hear oral arguments on the issue of equitable estoppel before making its ruling here. Accordingly, the Court will order oral arguments with the right of counsel to present evidence on the issue of equitable estoppel as well.

B. VALIDITY OF THE '030 PATENT

Plaintiff's requests for summary judgment on defendant's fourth, fifth, and sixth affirmative defenses attack defendant's claim that the '030 Patent is invalid. Specifically, defendant posits that the '030 Patent is invalid because its design is dictated by functional considerations, it was anticipated by prior art, and because its design was obvious in light of prior art. Although defendant's Response to plaintiff's Motion is not very clear, it appears to this Court that defendant relies on certain products, namely those called "Ribbonbands" and invented by Colleen Larkin, as prior art that anticipated the '030 Patent as well as rendered the '030 Patent design obvious.

A design patent may be issued for "any new, original and ornamental design for an article of manufacture." 35 U.S.C. S 171. In order to be valid, a design patent "must disclose a design that is new, original and ornamental, unanticipated and inventive in character, and beyond the skill of the ordinary

designer or draftsman . . . A design patent cannot be obtained to protect a mechanical function or cover an article whose configuration affects its utility alone." Spaulding v. Guardian Light Co., 267 F.2d 111, 112 (7th Cir. 1959) (citations omitted).

In addition, patents are presumed valid by statute, see 35 U.S.C. § 282 (1994), and "[t]he burden is on the party asserting invalidity to prove it with facts supported by clear and convincing evidence." SSIH Equip., S.A. v. United States Int'l Trade Comm'n, 718 F.2d 365, 375 (Fed. Cir. 1983). The burden of showing, by clear and convincing evidence, the invalidity of patent claims is especially difficult when the prior art was before the PTO examiner during the prosecution of the application. Hewlett-Packard Co. v. Bausch & Lomb, Inc., 909 F.2d 1464, 1467 (Fed. Cir. 1990). Where there is "no PTO view . . . on obviousness in view of [the asserted] references[,] the burden of proof . . . is more easily carried." EWP Corp. v. Reliance Universal, Inc., 755 F.2d 898, 905 (Fed. Cir. 1985). Regardless, the burden of proof on invalidity remains with the party challenging the patent. See Hybritech, Inc. v. Monoclonal Antibodies, Inc., 802 F.2d 1367, 1375 (Fed. Cir. 1986).

1. CLAIM CONSTRUCTION

The Court must begin its analysis of validity by construing the meaning and scope of the Patent. Elmer v. ICC Fabricating, Inc., 67 F.3d 1571, 1574 (Fed. Cir. 1995). Claim

construction is a matter of law for the courts to decide. See Markman v. Westview Instruments, Inc., 52 F.3d 967, 970-71 (Fed. Cir. 1995) (en banc), aff'd, 517 U.S. 370 (1996). Claim construction must be based on intrinsic evidence of record, i.e., the patent claim, its description or specification and, if in evidence, the prosecution history. Bell & Howell Document Mgmt. Prds. Co. v. Altek Sys., 132 F.3d 701, 705 (Fed. Cir. 1997). The prosecution history - the "undisputed public record" of proceedings in the PTO - is of primary significance in understanding the claims. Markman, 52 F.3d at 980. "The requirement that the court construe disputed claim language, as applied to design patents, must be adapted to the practice that a patented design is claimed as shown in its drawing. There is usually no description of the design in words." Goodyear Tire & Rubber Co. v. Hercules Tire & Rubber Co., 162 F.3d 1113, 1116 (Fed. Cir. 1998) (citing 37 C.F.R. § 1.153(a)).

This Court previously outlined the '030 Patent's claim construction in a Memorandum Opinion in an earlier case, The New L&N Sales and Marketing, Inc. v. Mattel, Inc., CIV.A. No. 99-590 (E.D.Pa. June 6, 2000), involving the very same '030 Patent at issue in this action. After considering the patent document in conjunction with the prosecution history, this Court construed the scope of the '030 Patent claim to include the overall ornamental visual impression of the following: (1) an overall

annular, ring-like, and torus shape; (2) a top plan view showing an open center with a diameter approximately equal to the surrounding width of the ring's body; (3) a side elevational view showing a thickness that appears less than the width of the ring's body; (4) a perspective view in a position of use whereby the article is wrapped around an arm and the thickness of the article does not appear to be as less than the width of the ring's body as it did from the side elevational view; and (5) a wrinkled, uneven look to the surface of the ring consisting of pleats and folds.

2. FUNCTIONALITY

"Invalidity due to functionality is an affirmative defense to a claim of infringement of a design patent, and must be proved by the party asserting the defense." L.A. Gear, Inc. v. Thom McAn Shoe Co., 988 F.2d 1117, 1123 (Fed.Cir. 1993). The Court in L.A. Gear noted that a design patent is directed to the appearance of an article of manufacture; and because an article of manufacture necessarily serves a utilitarian purpose, the design of a useful article is deemed to be functional when the appearance of the claimed design is "dictated by" the use or purpose of the article. Id. (citations omitted). In other words, if the particular design is essential to the use of the article, it cannot be the subject of a design patent. Id. It addition, the presumption of validity for a design patent

includes a presumption that the design is not functional. See Power Control Corp. v. Hybrinetics, Inc., 806 F.2d 234, 240 (Fed.Cir. 1986).

In the instant case, defendant does not provide any evidence to support their defense that the '030 Patent is invalid due to functionality. The presumption is that the '030 Patent is not functional, and this Court finds that defendant has failed to refute said presumption with any evidence. Accordingly, summary judgment will be granted in favor of plaintiff on defendant's fourth affirmative defense.

3. ANTICIPATION

Patent invalidity based on anticipation is a question of fact. See Glaverbel Societe Anonyme v. Northlake Mktg. & Supply, Inc., 45 F.3d 1550, 1554 (Fed. Cir. 1995). Anticipation is established if every element of a properly construed claim is present in a single prior art reference. See id. "There must be no difference between the claimed invention and the reference disclosure, as viewed by a person of ordinary skill in the field of the invention." Scripps Clinic & Research Found., 927 F.2d at 1576. It has also been held that:

In determining whether a patented invention is anticipated, the claims are read in the context of the patent specification in which they arise and in which the invention is described. If needed to impart clarity or avoid ambiguity, the prosecution history and the prior art may also be consulted in order to ascertain whether the patentee's invention is novel or was previously known to the art.

Glaverbel, 45 F.3d at 1554. The basic test for anticipation is: "that which infringes, if later, anticipates, if earlier." Polaroid Corp. v. Eastman Kodak Co., 789 F.2d 1556, 1573 (Fed. Cir. 1986), cert. denied, 479 U.S. 850 (1986)(commas added to reflect the original quote from Peters v. Active Mfg. Co., 129 U.S. 530, 537 (1889)).

In Finnigan Corp. v. Int'l Trade Common, 180 F.3d 1354 (Fed. Cir. 1999), the Federal Circuit Court described how courts have long looked with disfavor upon invalidating patents on the basis of mere testimonial evidence absent other evidence that corroborates that testimony. Id. at 1366. "The Supreme Court recognized over one hundred years ago that testimony concerning invalidating activities can be 'unsatisfactory' due to 'the forgetfulness of witnesses, their liability to mistakes, their proneness to recollect things as the party calling them would have them recollect them, aside from the temptation to actual perjury.'" Id. (quoting The Barbed-Wire Patent, 143 U.S. 275, 284 (1892)). The Court in Finnigan also clarified that corroboration is required of any witness whose testimony alone is asserted to invalidate a patent, regardless of his or her level of interest. See id. at 1369.

Defendant argues that the "Ribbonbands" product anticipate the '030 Patent because they are identical in all relevant aspects. Furthermore, defendant claims in its

Memorandum in Opposition to Plaintiff's Motion for Summary Judgment that "more than a single witness is available to testify about the manufacture and sale of fabric-covered elastic hairbands prior to 1986." Defendant also contends that it has other corroborating evidence of well-documented sales of products that allegedly anticipate the '030 Patent. Although defendant does not produce any exhibits demonstrating these documented sales, or other examples of corroborating evidence, the Court feels that this may be attributed more to defendant's carelessness in responding to defendant's instant Motion than the fact that it does not have such evidence ready to be presented at trial. Therefore, because there appears to be genuine issues of material fact concerning the defense of anticipation, the Court will preserve the issue of anticipation for the fact-finder.

4. OBVIOUSNESS

A patent is invalid for obviousness under 35 U.S.C. § 103 "if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains." The ultimate determination of obviousness is a question of law based on underlying factual inquiries. See Richardson-Vicks, Inc. v. UpJohn Co., 122 F.3d 1476, 1479 (Fed. Cir. 1997). The factual inquiries involve

consideration of the four so-called Graham factors: (1) the scope and content of the prior art; (2) the differences between the claims and the prior art; (3) the level of ordinary skill in the pertinent art; and (4) any secondary considerations of nonobviousness, such as commercial success. See Graham v. John Deere Co. of Kansas City, 383 U.S. 1, 17-18 (1966). The factfinder must evaluate the invention, "not through the eyes of the inventor, who may have been of exceptional skill, but as by one of 'ordinary skill.'" Interconnect Planning Corp. v. Feil, 774 F.2d 1132, 1138 (Fed. Cir. 1985). In the context of design patents, an obviousness analysis examines whether the teachings of the prior art suggest the overall appearance of the claimed design. In re Sung Nam Cho, 813 F.2d 378, 382 (Fed. Cir. 1987).

Defendant contends that the obviousness of the '030 Patent is clear from visual observation. The Court concludes that it cannot determine at this time whether the '030 Patent was not obvious, and that the issue of obviousness should be resolved by the fact-finder. Therefore defendants' Motion for Summary Judgment will be denied as to obviousness.

C. PATENT INFRINGEMENT

A patent holder bears the burden of proving infringement by a preponderance of the evidence. Lee v. Dayton-Hudson Corp., 838 F.2d 1186, 1187 (Fed.Cir. 1988). To prove infringement of a design patent, the patent holder must

establish two elements. First, it must show that "in the eye of an ordinary observer giving such attention as a purchaser usually gives, [the] two designs are substantially the same [and] the resemblance is such as to deceive such an observer, inducing him to purchase one supposing it to be the other," Avia Group Int'l, Inc. v. L.A. Gear California, Inc., 853 F.2d 1557, 1565 (Fed.Cir. 1988) (quoting Gorham Co. v. White, 81 U.S. 511, 528 (1871)). Second, the patent holder must prove that the accused infringing design appropriates the point of novelty in the patented design that distinguishes the design from the prior art. Id.

In the present case, the Court declines to grant summary judgment to plaintiff on the issue of infringement, rather reserving such a determination for the jury. Accordingly, plaintiff's Motion for Summary Judgment with regards to patent infringement will be denied.

An appropriate Order will follow.

Clarence C. Newcomer, S.J.

additional briefs on the issues by 2:00 PM, Monday, February 5, 2001. Said briefs shall not exceed 15 pages.

(3) Plaintiff's Motion to Preclude Big M from Taking the Deposition of Colleen Larkin is DENIED.

(4) Defendant's Motion to Bifurcate and for a Partial Continuance of Trial (Paper #17) is DENIED. The parties shall be prepared to select a jury in this action at 2:00 PM, Tuesday, February 6, 2001.

AND IT IS SO ORDERED.

Clarence C. Newcomer, S.J.