



same design patent.

On October 25, 1994, Revson and L&N signed a License Agreement ("L&N Agreement") that was effective "[a]s of February 11, 1993." Revson represented and warranted in the L&N Agreement that she had "the right and power to enter into [the] Agreement and that she [was] the owner of the entire right, title and interest in and to" U.S. Design Patent 292,030. The L&N Agreement subsequently granted to L&N and its subsidiaries and affiliates, inter alia, "The Exclusive License to make, have made, use and sell stretch ponytail holders covered by the '030 Patent in the Exclusive Territory" as defined by the Agreement, and "The Non-Exclusive License to make, have made, use and sell stretch ponytail holders covered by the '030 Patent in the Non-Exclusive Territory" as defined by the Agreement. The L&N Agreement was to remain in full force and effect for the life of the '030 Patent unless terminated under the provisions set forth in the Agreement.

In 1994, Tyco Industries, Inc.<sup>2</sup> approached Revson for a license under the '030 Patent for a product called "Scrunch 'n Wear." Scrunch 'n Wear has been referred to by both L&N and Mattel as a craft kit which enables children to construct and assemble hair accessories. The product identifies itself on the cover of its box as a "Hairwear Making Set," whereby children as

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<sup>2</sup>Tyco Industries, Inc. originally dealt with Revson and entered into a License Agreement with her. However, Tyco subsequently merged with defendant Mattel and the two will be collectively referred to as "Mattel."

young as six years old can "Make Super-Size Hair Scrunches!" The box further proclaims that the kit "Makes 13 Scrunch Hair Accessories!"

In November 1994, Mattel and Revson entered into a License Agreement ("Mattel Agreement"). The Mattel Agreement indicated that Mattel was "desirous of obtaining the right to manufacture, distribute and sell a child's CRAFT SET which allows the child to make hair accessories, including ornamental hair bands, such as the one protected by US Design Patent No. 292,030." (capitalization in original). Consequently, the Agreement granted Mattel the "right to manufacture, to have manufactured for it, to use, distribute and to sell the CRAFT SET worldwide." In addition, paragraph 12 of the Mattel Agreement warranted that Revson was "the sole and exclusive owner of all rights to US Design Patent No. 292,030," and that she had "the right and the ability to give and grant the License . . . to the LICENSOR." (capitalization in original).

Beginning in 1995, Mattel marketed its Scrunch 'n Wear crafts kits and they became very successful products for the company at least through 1997. In 1996, subsequent to the introduction of Scrunch 'n Wear to the market, Rose Art Industries, Inc. introduced a competing product called "Super Scrunchtastic." In January 1997, Tyco Industries, Inc. and Rommy Hunt Revson filed a Complaint in the District Court in New Jersey against Rose Art Industries, Inc. for unfair competition in the nature of trade dress infringement, false representations and

false advertising, and for patent infringement. Mattel eventually settled the claims against Rose Art pursuant to a non-monetary settlement agreement in which Rose Art promised to change its packaging.

In 1996, upon learning of her license with Mattel, L&N complained to Revson that it considered the manufacture and sale of the Mattel craft kits an infringement of L&N's rights under the '030 Patent. In June 1996, that question was submitted along with other issues to arbitration before the American Arbitration Association as provided in the L&N Agreement. Mattel was not a party to the arbitration. An arbitration award was entered on January 13, 1999, whereby the arbitrators held that Revson had "no right to grant a license under the '030 Patent" to Mattel and ordered that she turn over to L&N the royalties she had received from Mattel.

On February 2, 1999, Revson and L&N entered into a settlement agreement ("L&N Settlement Agreement") which incorporated many of the arbitrators' findings. Specifically, paragraph 2(A)-(B) stated in relevant part:

It is the intention of the parties . . . not to in any way modify, change, affect or limit the [Arbitration] Award as to Revson's breach of contract and/or inducement to infringe relating to [Mattel]. The findings of the Award that Revson "has no right to grant a license under the [']030 [P]atent to [Mattel] and such grant constitutes a breach of the subject Agreement" and that such action by Revson constituted a "breach of contract and/or inducement to infringe" remain in full force and effect, although Revson does not agree with the Arbitrators' ruling.

The L&N Settlement Agreement also amended several sections of the

original L&N Agreement, including, paragraph 1.a. of Section C entitled "GRANT OF LICENSE", which was amended to read as follows: "The Exclusive License to make, have made, use and sell stretch ponytail holders, including craft sets which allow the user to make hair accessories including ornamental hair bands such as those covered by the '030 Patent, throughout the United States, its territories and possessions."

Plaintiffs L&N and Revson have now brought this patent infringement suit seeking to recover the substantial profits defendants have allegedly enjoyed from their knowing and willful sales of stretch ponytail holders in craft kits that infringe L&N's rights as the exclusive licensee of the '030 Patent.

Defendants Mattel and Toys "R" Us have now filed a Motion for Summary Judgment on two grounds: (1) Mattel had a valid license under the '030 Patent from Revson, and its actions with respect to selling the Scrunch 'n Wear craft kits therefore could not constitute patent infringement; and (2) the '030 Patent is invalid because the claimed design was anticipated and rendered obvious by the prior art Ribbonbands, Silkies, and Stretchies.

**A. 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 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).

## **II. DISCUSSION**

### **A. VALIDITY OF THE MATTEL AGREEMENT**

Mattel argues that it did not infringe the '030 Patent because it had a valid license from Revson to market its Scrunch 'n Wear products. The parties dispute the scope of Revson's license to L&N, and so this Court must first determine the nature and scope of the L&N Agreement in order to assess the validity of the Mattel Agreement and whether Mattel has infringed the '030 Patent.

#### **1. INTERPRETATION OF THE L&N AGREEMENT**

Mattel contends that its License Agreement is valid because Revson granted it rights to the '030 Patent that legitimately belonged to her. Mattel argues that the L&N Agreement, in clear and unambiguous terms, grants L&N rights only to assembled "stretch ponytail holders" and specifically excludes products such as Scrunch 'n Wear craft kits that are not marketed primarily as ponytail holders.

L&N counters Mattel's arguments by positing that its license from Revson granted it all of the significant rights that Revson had in the patent - the rights to exclude others from making, using and selling products embodying the design depicted in the patent drawing. L&N contends that the plain language of the L&N Agreement shows that the scope of L&N's license was co-extensive with the scope of the '030 Patent, and not just limited to assembled stretch ponytail holders. L&N argues, therefore, that Revson assigned her entire bundle rights under the '030 Patent to L&N, had no subsequent rights to grant to Mattel, and thereby rendered the Mattel Agreement invalid. L&N further maintains that Mattel's craft kits are stretch ponytail holders, or more precisely a means for making stretch ponytail holders comprising an annulus fabric tube surrounding an interior elastic band; and as such, the Scrunch 'n Wear product falls within the scope of the license granted to L&N.

A patent license agreement is essentially nothing more than a commercial contract between private parties. See Power Lift, Inc. v. Weatherford Nipple-Up Sys., Inc., 871 F.2d 1082, 1085 (Fed. Cir. 1989) (explaining that a license agreement is a contract governed by ordinary principles of state contract law). Cf. Kiwanis Int'l v. Ridgewood Kiwanis Club, 806 F.2d 468, 472 n. 8 (3d Cir. 1986) (explaining that trademark license agreement is a contract to be interpreted under state law). Accordingly, the Third Circuit Court of Appeals instructs that "[t]he construction of contracts is usually a matter of state, not federal, common

law." General Eng'g Corp. v. Martin Marietta Alumina, Inc., 783 F.2d 352, 356 (3d Cir. 1986). Therefore, "[t]he general rules of construction for contracts are applicable to the construction of patent licenses." Pfizer, Inc. v. Elan Pharmaceutical Research Corp., 812 F.Supp. 1352, 1359 (D. Del. 1993) (quoting Amgen, Inc. v. Chugai Pharmaceutical Co., 808 F.Supp. 894, 901 n.9 (D. Mass. 1992)).

As a matter of law, the terms of an unambiguous contract are to be construed by the court. The goal of contract interpretation, which is to ascertain and give effect to the parties' intent, must guide the Court's construction; and the parties' intent must be ascertained from the language of the written contract. Gallagher v. Fidelcor, Inc., 657 A.2d 31, 33 (Pa. Super. 1995). The Pennsylvania Superior Court has explained ambiguities in contracts as follows:

Ambiguity within a contract may be latent or patent. A patent ambiguity appears on the face of the contract and is a result of defective or obscure language. A latent ambiguity arises from collateral facts which make the meaning of the contract uncertain, although the language appears clear on the face of the contract.

Krizovensky v. Krizovensky, 624 A.2d 638, 642-43 (Pa. Super. 1993) (citations omitted). A contract is ambiguous if "it is reasonably or fairly susceptible of different constructions and is capable of being understood in more senses than one and is obscure in meaning through indefiniteness of expression or has a double meaning." Samuel Rappaport Family Partnership v. Meridian Bank, 657 A.2d 17, 21-22 (Pa. Super. 1994). However, a contract

is not rendered ambiguous by the mere fact that the parties do not agree on the proper construction. Krizovensky, 624 A.2d at 642.

This Court rejects many of the arguments posited by both parties in their attempts to augment or alter the plain and unambiguous language set forth in the L&N Agreement with regards to the scope and definition of L&N's license and rights under the '030 Patent. The laws governing contract interpretation compel this Court to honor the intentions of the parties from the language of the written contract. Here, the literal written language is unambiguous and states that L&N shall have the rights to make, have made, use and sell "stretch ponytail holders", and not anything else, covered by the '030 Patent.

The Court agrees with L&N that as the owner of the '030 Patent, Revson held the exclusive right to make, have made, use and sell, as well as preclude others from making, having made, using and selling, products with the stretch ponytail holder design depicted in the '030 Patent. However, Revson did not grant L&N her rights to any or all products with the "stretch ponytail holder design depicted in the '030 Patent." Rather, the L&N Agreement specifically grants rights for just "stretch ponytail holders covered by the '030 Patent."

It is clear that products with the stretch ponytail holder design are not synonymous with actual stretch ponytail holders. There are numerous products, arguably including Mattel's product at issue here, that may embody the stretch

ponytail holder design depicted in the '030 Patent, but simply are not stretch ponytail holders. Therefore, while the L&N Agreement could have granted L&N broader rights for any or all products covered by the '030 Patent, it failed to do so. The parties chose, instead, to use the specific words "stretch ponytail holders" and effectively limited the license to grant rights only to those products marketed and predominantly used to hold the hair of women, girls, children or babies in a ponytail.

Section K.1., regarding "Competitive Products, Competition," affirms a strict reading of the license's scope and the fact that Revson retained certain rights for herself under the '030 Patent. The section reads:

L&N has not been granted any rights with respect to any product design or products of Revson, except as specifically provided herein. Such other product designs or products nay [sic] be used by Revson and licensed to others by Revson, in any manner she sees fit within her sole discretion . . . . Unless specifically permitted by this Agreement, Revson shall not . . . sell, license or authorize others to sell . . . stretch ponytail holders which are confusingly similar in appearance to the products sold by L&N under the '030 Patent . . . the intent of the parties being that Revson will not . . . compete against L&N . . . with torus shaped ruffled stretch ponytail holders.

Undeniably, the L&N Agreement specifically provides for the granting of rights only for "stretch ponytail holders," and not for any other products covered by the stretch ponytail holder design depicted in the '030 Patent. Moreover, Section K points to the parties' specific intentions to not compete over torus shaped ruffled stretch ponytail holders, permitting Revson to do

as she sees fit with other products covered by the '030 Patent.<sup>3</sup>

Therefore, upon consideration of the L&N Agreement for the purposes of the instant Motion,<sup>4</sup> this Court determines that the scope of L&N's license was limited to the rights to make, have made, use and sell only "stretch ponytail holders covered by the '030 Patent" as explicitly set forth in Section C.1.a-b and as defined throughout the Agreement. Furthermore, the '030 Patent is defined by the design depicted in the Patent's drawings. In addition, as outlined in Section J of the L&N Agreement, the Patent's scope includes but is not limited to "any stretch ponytail holder comprising a fabric annular tube with an interior annular elastic band, regardless of either the extent of ruffling or the relative width to thickness of the annular fabric tube or their relative sizes compared to the center hole." Finally, "stretch ponytail holders" are defined throughout the L&N Agreement, but most tellingly in Section A.9., as:

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<sup>3</sup>L&N argues that Section J confirms that the scope of the '030 Patent was co-extensive with the scope of L&N's license and that the term "stretch ponytail holder" was intended to be synonymous with the scope of the Patent. Section J in relevant part provides that "the scope of the '030 Patent shall be construed as including any stretch ponytail holder comprising a fabric annular tube with an interior annular elastic band . . . ." The Court dismisses the argument, noting that the provision simply indicates that the Patent includes such ponytail holders, not that such ponytail holders are co-extensive or synonymous with the entire scope of the Patent.

<sup>4</sup>The L&N Agreement also grants to L&N the rights to make, have made, use and sell stretch ponytail holders covered by the '226 Patent, Rommy III, and the Canadian Patent, as those patents are defined in the Agreement, but they have no bearing on the merits of the instant Motion.

an elastic means covered by fabric for holding a ponytail in place, and which is marketed and predominantly used to hold the hair of women, girls, children or babies in a ponytail and shall include articles which may have other incidental uses. An article that is marketed for use other than as a ponytail holder for hair shall not be considered a stretch ponytail holder for hair, even if such article has an incidental use as a ponytail holder for hair.<sup>5</sup>

The Court rejects L&N's objections to using the language in Section A.9. to define the term "stretch ponytail holders" and specifically the portion of the provision that limits stretch ponytail holders to those products marketed as ponytail holders. L&N argues that defendants misread the L&N Agreement by ignoring the undisputed background and purpose of

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<sup>5</sup>Mattel relies on several provisions of the L&N Agreement that refer to "torus shaped ruffled stretch ponytail holders," "fabric annular tube[s] with [] interior annular elastic band[s]," "elastic means covered by fabric for holding a ponytail in place," and "center hole[s]" to argue that its craft kits do not fall under the definition of stretch ponytail holders under the L&N Agreement. Mattel contends that only assembled stretch ponytail holders are of "annular" shape and have "center" holes, and that the Scrunch 'n Wear sets do not embody such characteristics.

With respect to defendants' attempts to limit the definition of stretch ponytail holders to include only torus annular shape and with center holes, the Court agrees that the design depicted in the '030 Patent limits the scope of the patent to those products that are torus and annular in shape. However, it appears to this Court that the most determining factors in the L&N Agreement defining stretch ponytail holders and the L&N license are the predominant uses of a product and the manner in which a certain product is marketed.

Moreover, the Court is not convinced that Mattel's product escapes the torus and annular characteristics depicted in the '030 Patent. Among other reasons, one of the product's main selling points is the ease with which torus and annular hair products can be made. This Court will not permit Mattel to circumvent the torus and annular characteristics of the '030 Patent, if the appropriate factfinder determines that the craft kits were marketed as ponytail holders, with a simple procedure that even 6 year old children are capable of following.

the "New Product" provision to argue that within the definition of "New Product" the term "stretch ponytail holder" was defined for the entire Agreement to mean only products that are marketed for use as ponytail holders for hair.

The Court understands that the "New Product" provision was intended to define terms related to a non-compete provision that granted L&N a right of first refusal for any new products that Revson would conceive or reduce to practice. However, the "New Product" provision also delineates those products over which L&N believed it had a license and those products it felt Revson retained rights under the '030 Patent. Clearly, all new products determined to be stretch ponytail holders for the hair of women, girls, children or babies fall within the scope of L&N's license. At the same time, however, the unambiguous language of the provision permits Revson to retain the rights to any products that are not deemed stretch ponytail holders for hair, even if such products have incidental uses as a ponytail holder for hair.

In addition, contrary to plaintiffs' argument, it only makes sense that a clear definition of stretch ponytail holders would include the characteristic of being marketed as ponytail holders. Conversely, and logically, products marketed for other uses are not deemed ponytail holders for hair. Consequently, the Court finds that the definitions provided in Section A.9. are crucial to interpreting the parties' intentions and understandings as to the scope of L&N's license.

## **2. SCRUNCH 'n WEAR AS A "STRETCH PONYTAIL**

## **HOLDER"**

While the Court acknowledges that Revson retained certain rights under the '030 Patent and that she had the power, therefore, to license to others those products not marketed as ponytail holders for hair, it cannot determine as a matter of law that Mattel's Scrunch 'n Wear craft kits elude the definition of "stretch ponytail holders" as set forth in the L&N Agreement.

In support of showing that the Scrunch 'n Wear kits were marketed as stretch ponytail holders, plaintiffs have produced evidence that shows, among other things: (1) that Mattel considered "'[a]ctual hair accessories' (the real thing)" as one of several main competitive items of its craft sets; (2) that Mattel's research determined the following as "Consumer Hot Buttons" or as "most important features" - "Makes real hair accessories . . . like magic!," "Make the most popular girls hair accessories;" (3) that Mattel's marketing positioning included "Fashion Magic Scrunch & Wear makes real hair scrunches like magic;" and (4) the packaging for the kits displays assembled ponytail holders as opposed to the creation of them or the activity.

When viewed in the light most favorable to plaintiffs, plaintiffs' evidence presents sufficient disagreement as to whether Mattel's product was a stretch ponytail holder marketed as a ponytail holder for hair and requires submission to the jury. Therefore, the Court finds that plaintiffs have produced sufficient evidence to raise genuine issues of material facts,

and reserves the issue of the validity of the Mattel Agreement for trial. Accordingly, defendants Motion as to the validity of the Mattel Agreement is denied.

**B. '030 PATENT VALIDITY**

Defendants also argue that the '030 Patent is invalid because the claimed design was anticipated by several products called "Ribbonbands," "Silkies," and "Stretchies" that were sold in the early to mid-1980s, and because the design is obvious in light of the prior art. Plaintiffs counter defendants contentions by asserting that Mattel is judicially estopped<sup>6</sup> from asserting patent invalidity, barred by assignor estoppel<sup>7</sup> from asserting patent invalidity, and that defendants fall short of demonstrating the invalidity of the '030 Patent by clear and

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<sup>6</sup>Judicial estoppel does not apply to Mattel here for a variety of reasons. Among other things, the Rose Art litigation was resolved through a settlement agreement, and so Mattel's contentions cannot be considered to have been successfully maintained. Associated Hospital Service of Philadelphia v. Pustilnik, 439 A.2d 1149 (1981). Moreover, while Mattel's position in the current legal proceeding arguably contradicts or is inconsistent with a previously asserted position, there is insufficient evidence to show that Mattel asserted either or both inconsistent positions in bad faith. Ryan Operations G.P. v. Santiam-Midwest Lumber Co., 81 F.3d 355, 361 (3d Cir. 1996).

Moreover, the Court agrees that even if Mattel is barred from raising a claim for invalidity, Toys "R" Us is not.

<sup>7</sup>While assignor estoppel historically has applied to invalidity challenges based on "novelty, utility, patentable invention, anticipatory matter, and state of the art" Diamond Scientific Co. v. Ambico, Inc., 848 F.2d 1220, 1224 (Fed. Cir. 1988) (citations omitted), it does not apply here because it is not an assignor of a patent attacking the validity of the patent here. Assignor estoppel is an equitable doctrine that prevents one who has assigned rights to a patent from later contending that what was assigned is a nullity.

convincing evidence.

A design patent may be issued for "any new, original and ornamental design for an article of manufacture." 35 U.S.C. § 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

Both parties dispute the construction of the '030 Patent, which compels the Court to 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)).

In the instant case, the patent claim limits Revson's patent rights to "The ornamental design for an ornamental hairband or similar article, substantially as shown and described." The drawing of the patent is depicted in four figures, which represent various perspective views of the

hairband and different uses of the article as a hairband and ornamental bracelet. The patent description indicates the specific view and embodiment contained in each of the drawings.

The parties specifically disagree over the '030 Patent's point of novelty. Defendants argue that the patent drawings, the prior art, and the statements of Revson's prosecuting attorney in distinguishing the prior art all strongly suggest that the "novelty" Revson claimed in her '030 design was a "very full pleated floppy or fluffy look" as compared to the less full appearance of the "Ribbonbands," which were described by the prosecuting attorney as "devoid of . . . large floppy pleats." Defendants claim that this intrinsic evidence unambiguously demonstrates that the claim of the design, properly construed, is directed to its full, pleated floppy or fluffy look. L&N identifies the '030 Patent's point of novelty as an irregular donut-like overall shaped hairband, having a body height less than body width, a body opening similar to the body width, and generally radially extending fluffy folds.

The Court disagrees with defendants, to the extent that their representation of Revson's prosecuting attorney's description is less than fully accurate. In comparing Revson's product with the "Ribbonbands" product, Revson's prosecuting attorney noted that "the width of the cloth tube is small as compared with the diameter of the annulus whereby to render the prior product of the large floppy pleats of [Revson's] band. It is this aesthetic quality among others that sets [Revson's] band

aesthetically apart from [the Ribbonbands] product . . . .”  
(emphasis added).

After considering the patent document in conjunction with the prosecution history, the Court construes 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. ANTICIPATION BY PRIOR ART

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)).

Defendants have produced written declarations and deposition testimony of six witnesses who corroborate that various elasticized hair accessories were made and sold in the early to mid-1980s by The Body Shop, a California company that

sold personal care items, including hair care items such as hair clips, pins, and ponytail holders called Ribbonbands, Silkies, and Stretchies. Defendants have also produced photographs of actual specimens of these ponytail holders, maintaining that they sufficiently invalidate the '30 Patent, based on grounds of either anticipation or obviousness.

L&N contends that Mattel cannot rely on Ribbonbands as prior art because Revson already disclosed and described them to the PTO when she filed her application in December 1986. L&N also posits that Silkies were made by reverse-engineering a Ribbonbands product, and therefore were simply copies of Ribbonbands and cannot invalidate the '030 Patent. Finally, L&N asserts that there is no clear and convincing evidence that Stretchies were sold or available more than one year prior to the '030 Patent application, and therefore, defendants' evidence is insufficient to invalidate the '030 Patent.<sup>8</sup> In the alternative, L&N points to expert testimony that suggests there are distinct differences between Stretchies and the '030 Patent design.

Defendants' evidence regarding the manufacture and marketing of the anticipating ponytail holders specifically includes: (1) the written declaration and deposition testimony of Elen Pass Brandt, a former employee and buyer for The Body Shop; (2) the written declaration and deposition testimony of Colleen

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<sup>8</sup>Stretchies apparently have been discovered recently and have not been disclosed or described as prior art to any court or the PTO until the instant case.

Larkin, who created, manufactured, and sold fabric covered elastic ponytail holders called Ribbonbands during the period 1980-1984; (3) the deposition testimony of Manda Heron, who has worked at The Body Shop (which was started by her mother and aunt) since 1971 and currently owns Body Time (formerly The Body Shop); (4) the written declaration of Colyne Kiefer-Elmore, a former employee of The Body Shop; (5) the written declaration of Chong Sook You, an employee of The Body Shop from 1976 to 1992 who manufactured the Silkies and Stretchies for the store; (6) the written declaration of Maria Barra, an employee of Body Time and former employee of The Body Shop; and (7) various photographs of samples of Ribbonbands, Silkies, and Stretchies. While defendants have produced evidence to suggest that Stretchies and other products may have existed prior to the '030 Patent, it is true that said evidence consists of only affidavits and photographs, without any corroborating documentary evidence.<sup>9</sup>

The Court, however, has no reason to doubt the uncontroverted evidence produced by defendants that The Body Shop developed ponytail holders from Ribbonbands to Silkies to Stretchies. Each of the declarations and depositions were submitted under penalty of perjury. Furthermore, none of defendants' witnesses who testified to the existence of the

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<sup>9</sup>The Court does find, however, that there is sufficient documentary evidence that Colleen Larkin created, manufactured, and sold Ribbonbands. It is namely the Stretchies product whose existence, and more importantly, whose period of existence, is at issue.

Ribbonbands, Silkies, and Stretchies have an interest in the current litigation. While Ms. Larkin admits to being compensated for her testimony, Ms. Brandt and Ms. Heron specifically testified that they were testifying voluntarily, without compensation, and that they had no interest in the instant litigation. Regardless, in deference to the opinion outlined in Finnigan and in consideration of the drastic nature of invalidating an existing patent, the Court refrains at the present time from making any rulings on the factual issue of anticipation and determines that judging the credibility of the undocumented evidence is better reserved as a matter for the factfinder.

In addition, L&N has produced rebuttal expert testimony from Cooper C. Woodring, an industrial designer, that suggests the Stretchies product "is a hairband having body height similar to body width, in contrast to the '030 design's body height being less than body width," and "[t]herefore, the '030 design is not the same as the design of Stretchies and was not anticipated by Stretchies, as the '030 design has at least one novel feature not taught by Stretchies." Said evidence, among other things, when read in the light most favorable to plaintiffs, presents a triable issue of material fact as to anticipation. Accordingly, the Court denies the Motion for Summary Judgment as to whether defendants' evidence is clear and convincing to show that the '030 Patent design was anticipated by prior art.

## **2. 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).

**a. SCOPE AND CONTENT OF PRIOR ART**

Defendants have produced several examples of ponytail holders that arguably constitute prior art sufficient to invalidate the '030 Patent on grounds of obviousness. The Court

reiterates its opinion that defendants' evidence strongly underscores a progression in the prior art from Ribbonbands to Silkies to Stretchies. To the extent, however, that the Court has reserved for the jury the issue of the credibility of the witnesses and evidence with respect to the existence and sale of Stretchies in determining anticipation, the Court will do the same for obviousness and the factual inquiry of the scope and content of the prior art.

**b. DIFFERENCES BETWEEN CLAIMS AND PRIOR ART**

As noted above, L&N counters defendants' arguments with evidence that suggests that there are distinct differences between Stretchies and the '030 Patent design. Cooper Woodring opines that "the '030 design is not the same as the design of Stretchies and would not have been obvious to one of ordinary skill in the art, as the appearance of the '030 design and the Stretchies design are not basically the same. They differ by at least one novel design feature, requiring new, original, non-obvious, creative and ornamental design."

This Court found in construing the '030 Patent claim above that the "side elevational view show[s] a thickness that appears less than the width of the ring's body." On the other hand, it also appeared to the Court that the perspective view, in a position of use whereby the article is wrapped around an arm, revealed that "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." While L&N's expert testimony, when read in

the light most favorable to plaintiffs, is enough to present a triable issue of material fact for the purposes of the instant Motion, this Court is not entirely convinced that there are any differences between the '030 Patent claims and the alleged prior art - i.e. the Stretchies products. Defendants have made a strong case for invalidity based on obviousness, to the extent that The Body Shop's Stretchies look uncannily similar to both the hair products produced by plaintiffs as well as the design depicted in the '030 Patent.

Nevertheless, based on the factors discussed above, among others, the Court cannot conclude by clear and convincing evidence at this time that the "Stretchies" product was sufficient prior art and whether there were differences between the '030 Patent claims and the product that would render the '030 Patent design obvious. Therefore defendants' Motion for Summary Judgment is denied as to obviousness.<sup>10</sup> However, the Court notes that it is also not concluding at this time that the '030 Patent is not invalid, and will, if necessary, revisit this issue at trial.

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Clarence C. Newcomer, S.J.

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<sup>10</sup>The Court declines to discuss the remaining issues concerning obviousness, and rather reserves such issues for trial.

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

THE NEW L&N SALES AND, : CIVIL ACTION  
MARKETING, INC., :  
Plaintiff / :  
Counterclaim :  
Defendant :  
v. :  
MATTEL, INC. and TOYS 'R' US, :  
INC., :  
Defendants / :  
Counterclaim :  
Plaintiffs : NO. 99-590

O R D E R

AND NOW, this day of May, 2000, upon consideration of defendants' Motion for Summary Judgment, plaintiffs' Response thereto, and defendants' Reply thereto, it is hereby ORDERED that said Motion is DENIED.

AND IT IS SO ORDERED.

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Clarence C. Newcomer, S.J.