

**BASIC ISSUES OF JURISDICTION AND PROCEDURE IN  
INTELLECTUAL PROPERTY LITIGATION**

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**I. Jurisdiction: The intertwining of federal and state court systems.**

**A. Patent litigation.**

1. Patent cases arise in the United States District Courts and jurisdiction is exclusive. 28 U.S.C. § 1338. This exclusive jurisdiction covers any issue which deals with the enforcement of a patent, validity, injunction against infringement, or infringement. A state court may entertain issues which relate to a patent including lawsuits over agreements to share ownership under a contract, tort claims of misappropriation, and other state law claims which are not primarily designed to determine the validity of or enforce the patent itself. Kleinerman v. Snitzer, 754 F. Supp. 1 (D. Mass. 1990). Thus, a state court in a contract action has jurisdiction to determine a defense raising patent issues. Lear, Inc. v. Adkins, 395 U.S. 653, 676 (1969) Questions of patent ownership based on contract or equitable principles such as unjust enrichment, (as opposed to equitable principles like fraud on the PTO or misconduct in pursuing the application), may be heard in state courts. Am. Telephone & Telegraph Co. v. Integrated Network Corp., 972 F.2d 1321 (Fed. Cir. 1992).

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2. Venue in patent infringement cases belongs in the district where the defendant resides or in any district where infringement allegedly occurred and the defendant has a regular and established place of business. 28 U.S.C. § 1400(b).
3. Appeals in all patent cases go to the Federal Circuit Court of Appeals in Washington, D.C. 28 U.S.C. §§ 1292(c)(2) and 1295.

B. Copyright litigation.

1. Copyright validity and infringement litigation, like patent litigation, is in the exclusive original jurisdiction of the United States District Courts. 28 U.S.C. § 1338(a); Van Dusen v. Southeast first Nat'l Bank, 478 So.2d 82 (Fla. App. 1985). The Copyright Act preempts any state remedy, civil or criminal, which is based on the elements of copyright infringement. Rosciszewski v. Arete Assocs., Inc., 1 F.3d 225, 27 U.S.P.Q.2d 1678 (4th Cir. 1993). However, as with patents, a claim of copyright ownership based on contract or equitable rights may be decided by a state court. Forry, Inc. v. Neundorfer, Inc., 837 F.2d 259, 5 U.S.P.Q.2d 1510, 113 A.L.R. Fed. 857 (6th Cir. 1988); Cresci v. Music Publishers Holding Corp., 210 F. Supp. 253, 135 U.S.P.Q. 18 (S.D.N.Y. 1962).
2. Venue in copyright cases belongs to the district where the defendant or his agent resides or may be found. 28 U.S.C. § 1400(a). This venue provision is much broader than the patent provision as the agent of the infringer will often be anyone selling or distributing the infringing material. The courts have broadly applied the "may be found" language to hold defendants subject to venue in any district where there is personal jurisdiction. Linzer v. EMI

Blackwood Music, Inc., 904 F. Supp. 207, 215 (S.D.N.Y. 1995); but see, Blue Compass Corp. v. Polish Masters of America, 777 F. Supp. 4 (D. Vt. 1991) (Refusing to apply this broad standard to a non-corporate defendant).

3. Copyright appeals are to the circuit which embraces the district court. 28 U.S.C. § 1294.

C. Trademark litigation.

1. The federal district courts have original jurisdiction over trademark cases, but this jurisdiction is concurrent with state courts. 28 U.S.C. § 1338(a); 15 U.S.C. § 1121. Thus, as the enforcing party you must make the call as to whether state or federal court is the preferable forum.
2. In federal actions for trademark infringement, venue follows the general venue statute 28 U.S.C. § 1391.
3. Trademark appeals are to the circuit which embraces the district court.

D. Unfair competition litigation.

Two provisions allow federal courts general jurisdiction of unfair competition claims.

1. Whenever a claim of unfair competition is joined with a substantial issue of patent, copyright or federal trademark law, then jurisdiction over it in federal district court is appropriate. 28 U.S.C. § 1338(b).
2. Section 43(a) of the Lanham Act (15 U.S.C. § 1125(a)), was amended in 1988 to make actionable misrepresentations about the goods or services of another as well as about your own goods or services. This section applies to unregistered marks, passing off, fraudulent advertising, and many other areas typically within the common law of unfair competition. See, C. McKenney & G. Long, III, Federal Unfair Competition: Lanham Act § 43(a), §§ 1.03 and

1.05 (Clark, Boardman & Callaghan 1995 revision). Thus, there is an option of bringing what may have been traditional state law unfair competition in federal court with specified statutory remedies which should be reviewed.

- E. Depending on the potential infringer's conduct, proceedings in the PTO may sometimes provide an effective alternative to litigation. A patent application interference proceeding, a trademark application objection, or a trademark cancellation proceeding may provide the needed relief or settlement leverage at lower cost.

## II. Choosing your claims.

- A. Once you have decided which court you prefer, if you have a choice, you must select the claims. Any case of intellectual property infringement will often have aspects of common law unfair competition, conversion, breach of fiduciary duty or other torts. If you are in federal court pendent jurisdiction is appropriate over such claims. Gilbert/Robinson, Inc. v. Carrie Beverage-Missouri, Inc., 989 F.2d 985 (8th Cir. 1993), cert denied, 114 S.Ct. 338 (1993).
- B. Remedies will be discussed elsewhere, but remember that the Copyright Act, Lanham Act, patent law, and state statutory provisions grant extraordinary remedies such as injunction, seizure or destruction of infringing goods, statutory damages, exemplary damages, and/or attorneys' fees. These need to be pleaded. Defendants should note that most attorneys' fees statutes today are interpreted to award them to successful defendants as well under appropriate circumstances. Fogerty v. Fantasy, Inc., 114 S.Ct. 1023 (1994) (Allowing copyright defendants attorneys' fees on the same basis as plaintiffs).

- C. In addition to evaluating your state common law claims, do not forget state statutory laws. The fifty states and District of Columbia all have their own parallel trademark registration schemes, many of which also offer special remedies for enforcement of state registered or common law marks. See, e.g., S.C. Code Ann. §§ 39-15-1105 to -1190 (Cum. Supp. 1995).
- a. Many state trademark statutes contain an additional remedy for dilution of a famous mark. These anti-dilution statutes provide a powerful weapon to the holders of well known marks when another party's actions dilute the strength of the mark. The relief is injunctive unless the violation is intentional. S.C. Code Ann. § 39-15-1165.
  - b. Many states have also enacted the Uniform Trade Secrets Act or similar legislation which can be useful in protecting intellectual property. See, e.g., S.C. Code Ann. §§ 39-8-1 to -11 (Cum. Supp. 1995).
  - c. Unfair Trade Practices laws can also be useful in intellectual property litigation.

### **III. Preliminary Relief.**

Each form of intellectual property litigation allows a plaintiff making a sufficient preliminary showing temporary relief during the pendency of the litigation. Federal courts generally face issues of preliminary injunction, seizure and impound, and import prohibition (not truly a pre-trial remedy but an independent right under 17 U.S.C. § 603 in copyright cases), more frequently than state courts. Indeed, state courts do not have authority to prevent importation of infringing articles.

- A. A preliminary or temporary injunction creates tremendous leverage on the defendant. However, failure in seeking one can prejudice the case. Preliminary injunction materials must be thoroughly prepared and researched. Such a motion cannot be delayed for too long, the lack of urgency in bringing the motion weighs against the existence of irreparable harm.
- B. If a defendant has a counterclaim, he should also consider preliminary pre-trial relief.

#### **IV. Counterclaims.**

Where there is a dispute over infringement or ownership there is almost always a counterclaim. The defendant should consider that the best defense includes a good offense. Bring the counterclaim and seek all appropriate remedies.

#### **V. Affirmative defenses.**

Intellectual property and unfair competition litigation lends itself to certain unusual affirmative defenses.

- A. Patent Cases: Fraud on the office; inventorship; misuse; failure of one of the elements of patentability; functionality in the case of a design patent.
- B. Copyright Cases: License; misuse; inequitable conduct—misrepresentations to the Copyright Office; unclean hands directly related to the right being enforced; laches; estoppel; fair use (17 U.S.C. § 107), and innocent intent (not a complete defense but may negate damages).
- C. Trademark Cases: Misuse of registered symbol; abandonment; limitation of claims in registration application; fraud on the PTO; inequitable conduct associated with the use of the mark; functionality in the case of trade dress; and lack of one or more of the elements of registrability.

## **VI. Summary Judgment.**

Often a useful tool for both parties as many of the elements of an action and affirmative defenses can be determined as a matter of law.

While much of the procedure in intellectual property litigation parallels other litigation, the unique statutory structures and the purposes of common law unfair competition provide many nuances uncommon in other forms of litigation.

## Suggested Sources:

"The IP Litigator", C. Grimes & G. Battersby, eds. (Kent Press, published every other month)

R. Dorr & C. Munch, Protecting Trade Secrets, Patents, Copyrights and Trademarks (John Wiley & Sons, 2d ed. 1995)

P. Goldstein, Copyright (Little Brown & Co., 2d ed. 1996)

H. Perritt, Jr., Trade Secrets: A Practitioner's Guide (PLI 1994)

USTA, State Trademark and Unfair Competition Law (Clark Boardman 1995)

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J. T. McCarthy, McCarthy on Trademarks and Unfair Competition (Clark, Boardman, Callaghan, 3d ed. 1992)

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