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Recent Development

RECENT DEVELOPMENTS IN MISCELLANEOUS RELEVANT LAW

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I. Recent Federal Developments

A. The Notice of Appeal

Davis v. Loesch,¹ considered whether a notice of appeal from a decision of the Board of Patent Appeals and Interferences which did not bear the names of both co-inventors (Davis and Granger), but rather was captioned “Davis, et al.” was sufficient to preserve jurisdiction on appeal. The Federal Circuit concluded, with “no difficulty,” that it had jurisdiction.²

By way of background, Rule 3(c) of the Federal Rules of Appellate Procedure then stated, *inter alia*, that “[t]he notice of appeal shall specify the party or parties taking the appeal”³ In *Torres v. Oakland Scavenger Co.*,⁴ the United States Supreme Court held that the failure specifically to name a prospective appellant in a notice of appeal was a jurisdictional bar to the appeal. Moreover, it concluded, the use of the phrase “et al.” in the notice of appeal did not overcome that fatal defect.⁵

Petitioner Torres was one of 16 plaintiffs who had intervened in an employment discrimination suit after receiving notice of the action pursuant to a settlement agreement between their employer and the original plaintiffs. The district court dismissed the intervenors’ complaint for failure to state a claim warranting relief.⁶ A notice of appeal was filed. The court of appeals thereafter reversed the district court’s dismissal and remanded the case for further proceedings. Both the notice of appeal and the order *176 of the court of appeals omitted Torres’ name.⁷ On remand, the employer moved for partial summary judgment on the ground that the prior judgment of dismissal was final as to Torres by virtue of his failure to appeal. The district court granted that motion, and was affirmed by the appellate court. This, in turn, was affirmed by the Supreme Court.⁸

The *Torres* court explained that the purpose of the specificity requirement of Rule 3(c) of the Federal Rules of Appellate Procedure is to provide notice both to the opposition and to the court of the identity of the appellant or appellants. The use of the phrase “et al.,” it explained, “utterly fails to provide such notice to either intended recipient.”⁹ Permitting such vague designation would leave the appellee and the court “unable to determine with certitude whether a losing party not named in

the notice of appeal should be bound by an adverse judgment or held liable for costs or sanctions.⁷¹⁰ Accordingly, the court concluded, the specificity requirement of Rule 3(c) is met only by some designation that gives fair notice of the specific individual or entity seeking to appeal.¹¹

At the outset, in *Davis*, the Federal Circuit noted that the appeal in question involved Federal Rule of Appellate Procedure Rule 15 which addresses the review of orders of administrative agencies, boards, and commissions.¹² It recognized that the language of Rules 3 and 15 “is very similar” and that the rationale of *Torres* “would seem to apply in a Rule 15 context.”¹³ The appellate court thus assumed that the *Torres* reasoning applies generally to appeals under Rule 15. The appellate court concluded, however, that *Torres* did not govern that particular case.¹⁴

In the interference proceeding, the reviewing court opined, *Davis* and Granger were deemed to be a single party designated “*Davis, et al.*” The three opposing co-inventors were also deemed to be a single party designated “*Loesch, et al.*” They each were a single party, the Federal Circuit explained, because in interference practice joint inventors are deemed to constitute a single party,¹⁵ citing *Manny v. Garlick*¹⁶. Thus, there were only two parties in the interference: on one side “*Davis, et al.*,” on the other side “*Loesch, et al.*” Because the words “*Davis, et al.*” stood for a single party and that single party was appealing, the notice of appeal was held to comply with Federal Rule of Appellate Procedure 15(a). In *Torres*, on the other hand, there had been multiple appellants, and it was not possible to determine from the notice which of them was appealing.¹⁷

Rules 3 and 15 of the Federal Rules of Appellate Procedure were amended effective December 1, 1993. As before, Rule 3(c) states that a “notice of appeal must specify the party or parties taking the appeal.”¹⁸ However, it now also states that “[a]n attorney representing more than one party may fulfill this requirement by describing those parties with such terms as ‘all plaintiffs,’ ‘the defendants,’ ‘the plaintiffs A, B, et al.,’ or ‘all defendants except X.’”¹⁹ The rule continues to state that an appeal “will *177 not be dismissed for informality of form or title of the notice of appeal.”²⁰ New Rule 3(c) further states that an appeal will not be dismissed “for failure to name a party whose intent to appeal is otherwise clear from the notice.”²¹ Interestingly, new Rule 15 states, in part, that “[u]se of such terms as ‘et al.’, or ‘petitioners’ or ‘respondents’ is not effective to name the parties.”²² Whether the *Davis* approach -- defining there to be only a single party appellant -- survives this change, remains to be seen.

B. Trial Amendments

BIC Leisure Products, Inc. v. Windsurfing International, Inc.,²³ involved, among other things, a trial amendment under Rule 15(b) of the Federal Rules of Civil Procedure. That rule provides:

If evidence is objected to at the trial on the ground that it is not within the issues made by the pleadings, the court may allow the pleadings to be amended and shall do so freely when the presentation of the merits of the action will be subserved thereby and the objecting party fails to satisfy the court that admission of such evidence would prejudice the party²⁴

Failure actually to amend the pleadings, though, “does not affect the result of the trial of these issues.”²⁵ (Rule 15(b) was unaffected by the recent amendments to the Federal Rules of Civil Procedure.)

Patentee *Windsurfing* challenged in this appeal the district court’s recognition of intervening rights as a limitation on damages because infringer *BIC* had neither litigated this issue during the liability phase of the litigation nor pled it as a defense.²⁶ By way of background, an accused infringer may raise the defense of intervening rights only when none of the infringed claims of the reissue patent were present in the original patent.²⁷ In this case, the reviewing court explained that the prerequisite was met. Then the appellate court looked at 35 U.S.C. § 252, paragraph 2,²⁸ which provides for two separate and distinct defenses: (1) absolute intervening rights and (2) equitable intervening rights.²⁹

The first defense provides an absolute right to use or sell a product that was made, used or purchased before the grant of the reissue patent, so long as the activity in issue does not infringe a claim of the reissue patent that was in the original patent. This absolute right extends only to things made, purchased or used before the grant of the reissue patent. The second defense, of equitable intervening rights, authorizes the trial court to permit “the continued manufacture, use or sale of additional products covered by the reissue patent when the accused [infringer] made, purchased or used identical products, or made substantial preparations to make, use or sell identical products, before the reissue date.”³⁰ However, this second defense is not automatic. The court “may provide for the continued manufacture, use or sale . . . to the extent and under such terms as the court deems equitable for the protection of investments made or business commenced”³¹

*178 A previous interlocutory appeal challenged the district court’s liability holding and permanent injunction.³² One ground for reversal asserted in that prior appeal was that the district court had not considered a defense of intervening rights. The

Federal Circuit ruled that during the trial on liability the defense of intervening rights had been abandoned. The appellate court did not distinguish in that prior holding between equitable and absolute intervening rights. On remand, the district court had concluded that the abandonment was only as to equitable intervening rights.³³ It was appropriate to wait to assert absolute intervening rights until the damage phase of this bifurcated action, according to the trial court, because the effect of the defense, if established, would be to reduce the amount of damages.³⁴

On the instant appeal, the Federal Circuit agreed that the defense of absolute intervening rights addresses a damage issue, something which did not arise until the patentee secured a liability judgment. The accused infringer, however, had not pled that defense. Nevertheless, the district court was deemed to have properly admitted intervening rights evidence under Federal Rule of Civil Procedure 15(b).³⁵ The district court had found that the accused infringer provided the patentee with ample notice of its intent to prove intervening rights.³⁶ The trial court also had found that the patentee was fully aware of the infringer's position through its deposition of a designated intervening rights witness. According to the appellate court, the patentee "challenges none of these findings."³⁷ No error was committed by the district court in considering the absolute intervening rights defense.³⁸

The appellate court also considered, and rejected, the assertion that the district court was precluded from applying this defense on remand under the doctrine of law of the case.³⁹ The doctrine of law of the case "posits that when a court decides upon a rule of law, that decision should continue to govern the same issues in subsequent stages of the same case."⁴⁰ In the prior *Windsurfing* appeal, the Federal Circuit explained, it was presented only with the issue of waiver of an equitable intervening rights defense. Accordingly, law of the case did not preclude consideration of the absolute intervening rights defense.⁴¹

C. Amendments to the Federal Rules of Procedure

As intimated above, the Federal Rules of Procedure (Civil, Appellate and Criminal) were amended as of December 1, 1993. Numerous changes have been made; the following discussion touches upon some of them. It is not intended to be a substitute for reading the new rules.

Rule 4 is now titled "Summons" instead of "Process."⁴² New Rule 4.1 is entitled "Service of Other Process."⁴³ Rule 4(d)(2) imposes upon defendants a duty to avoid unnecessary costs of serving the summons.⁴⁴ It provides an informal alternative and requires a trial court to impose costs upon a *179 defendant who fails to agree to waive service of summons.⁴⁵ Rule 5(e) has been amended to provide that papers may be filed by "other electronic means if such means are authorized by and consistent with standards established by the judicial conference of the United States."⁴⁶

Rule 11 now explicitly states that by presenting to the court (whether by signing, filing, submitting or later advocating) a pleading, written motion or other paper, an attorney is certifying to four specific things "to the best of the person's knowledge, information and belief, formed after an inquiry reasonable under the circumstances. . . ."⁴⁷ Sanctions may be sought for violation of those representations, either upon motion or by the court on its own initiative.⁴⁸ The new Rule 11 does not, however, apply to disclosures and discovery requests, responses, objections and motions that are subject to the provisions of Rules 26-37.⁴⁹

Rule 26 has been amended in several significant respects. First, new Rule 26(a) requires initial disclosures prior to service of any discovery requests. The disclosure obligations relate to fact witnesses, documents and damage calculations.⁵⁰ New Rule 26(f) requires parties to meet to work on a proposed discovery plan, and consider the possibilities for prompt settlement or resolution.⁵¹ Traditional discovery is then available as to "additional matter."⁵² Except to the extent altered by order or local rule, the amended Federal Rules impose limitations on the number of depositions and interrogatories. Plaintiffs or defendants or third-party defendants, each as a group, may take no more than ten depositions without leave of court or written stipulation of the parties.⁵³ A person who has already been deposed in the case may not be re-deposed without written stipulation of the parties or court order.⁵⁴ Disclosure of experts and expert reports is made mandatory, as is exchange of witness lists and exhibits.⁵⁵ Without leave of court or written stipulation, interrogatories may not exceed 25 in number,⁵⁶ including all discrete subparts and, as touched upon above, without leave of court or written stipulation, interrogatories, requests for production of documents and requests for admissions may not be served before the parties have met and conferred.⁵⁷

New Rule 30 requires that the party taking a deposition state in the notice the method by which the testimony shall be recorded. Unless the court orders otherwise, it may be recorded by sound, sound-and-visual, or stenographic means.⁵⁸ Any other party, with prior notice, may designate another method to record the deponent's testimony in addition to the method specified by the person taking the *180 deposition.⁵⁹ Rule 37 has also been revised. It adds sanctions for failure to comply with the initial disclosure duties, including prohibiting, in some circumstances, use of witnesses or information not voluntarily disclosed and authorizing divulgement to the jury of the failure to disclose.⁶⁰

The changes discussed above are a few of the more apparent ones. The Federal Rules of Appellate Procedure (and the Federal Rules of Criminal Procedure) have also been revised. Further complicating the situation is the ability of individual judges, by order, and judicial district, by local rule, to opt out of some or all of the discovery changes. As of early December, for example, the United States District Court for the Northern District of Texas had temporarily opted out, pending further investigation. The United States District Court for the Southern District of Texas had adopted the new rules, leaving to each judge the decision of whether and how to opt out. The United States District Courts for the Eastern and Western Districts of Texas had not yet announced what they intended to do.

II. Recent State Developments

A. Misappropriation

United States Sporting Products, Inc. v. Johnny Stewart Game Calls, Inc.,⁶¹ although subject to revision or withdrawal because it has not been released for publication in the permanent law reports, is sufficiently noteworthy to discuss in its tentative form.

Johnny Stewart Game Calls, Inc. (“Game Calls”) sold animal sound tapes. “The recording process itself was long and labor intensive.”⁶² Its president, Mr. Stewart, traveled extensively to gather a variety of sounds. United States Sporting Products, Inc. (“Sporting Products”) allegedly copied sounds from 19 of Game Calls’ tapes and marketed them in competition. Suit was filed against Sporting Products and its president for misappropriation. After trial, a jury assessed \$209,000 in actual damages and \$482,125 in exemplary damages.⁶³

The appellate court’s discussion on the Texas tort of misappropriation is of particular interest. The first point of error raised by Sporting Goods was that the facts as described above failed to state a claim for misappropriation in Texas.⁶⁴ The appellate court rejected this contention.⁶⁵ It noted a difference between unfair competition as a general area of law and the specific causes of action that it subsumes.⁶⁶ According to the reviewing court, the doctrine of misappropriation is a branch of the tort of unfair competition “which involves the appropriation and use by the defendant, in competition with the plaintiff, of a unique pecuniary interest created by the plaintiff through the expenditure of labor, skill and money.”⁶⁷ The tort of misappropriation, the appellate court explained, stems from *International News Service v. Associated Press*.⁶⁸ It then defined the elements of this tort as: “(i) the creation of plaintiff’s product through extensive time, labor, skill and money, (ii) the defendant’s use of that product in competition with the plaintiff, thereby gaining a special advantage in that competition, (i.e., a “free ride”) *181 because defendant is burdened with little or none of the expense incurred by the plaintiff, and (iii) damage to the plaintiff.”⁶⁹

Sporting Products relied on *Suchart & Associates et al v. Solo Serve Corp.*⁷⁰ for the proposition that Texas courts have not expressly embraced a cause of action for misappropriation. The appellate court disagreed.⁷¹ It explained that *Suchart* confused misappropriation as an independent cause of action with the tort of misappropriation of a trade secret by breach of confidence.⁷² Publication was rejected as a defense by the appellate court as well.⁷³ The circuit court, moreover, refused to limit the tort of misappropriation to matters with “time value” such as news items. “[A] complainant has a protectable property interest in the product of his labor, regardless of the subject matter, so long as that matter confers on him a commercial advantage.”⁷⁴

B. Vacating Appellate Opinions After Settlement

In *Houston Cable T.V., Inc. v. Inwood West Civic Ass’n*,⁷⁵ the Texas Supreme Court ruled that it is improper to vacate an appellate opinion after a party files an application for writ of error and thereafter agrees to settlement. A jury verdict was affirmed on appeal. While the application for writ of error was pending, the parties settled. One of the terms of settlement was that the appellate judgment and opinion be vacated. Based on public policy grounds, the Supreme Court granted the application to effectuate the settlement, but refused to allow the appellate opinion to be vacated.⁷⁶

The procedure it announced was that upon joint motion, the Texas Supreme Court will grant an application for writ of error without reference to the merits, and set aside the judgments of the court of appeals and trial court, also without reference to the merits. The cause will be remanded to the trial court for entry of judgment in accordance with the settlement agreement of the parties. However, the appellate opinion will not be vacated.⁷⁷ The precedential authority of such an opinion is equivalent to a “writ dismissed” case.⁷⁸

Footnotes

a1 Vinson & Elkins L.L.P., Dallas, Texas.

1 998 F.2d 963, 27 U.S.P.Q.2d (BNA) 1440 (Fed. Cir. 1993).

2 *Davis*, 998 F.2d at 996.

3 FED. R. APP. P. 3(c).

4 487 U.S. 312 (1988).

5 *Id.* at 317.

6 FED. R. CIV. P. 12.

7 It was undisputed that the omission in the notice of appeal was due to a clerical error on the part of the secretary employed by counsel for Torres.

8 *Torres*, 487 U.S. at 313-14.

9 *Id.* at 318.

10 *Id.*

11 *Id.*

12 FED. R. APP. P. 15.

13 *Davis*, 998 F.2d at 966.

14 *Id.*

15 *Id.*

16 135 F.2d 757 (C.C.P.A. 1943).

17 *Id.*

18 FED. R. APP. P. 3(c).

19 *Id.*

20 *Id.*

21 *Id.*

22 FED. R. APP. P. 15.

23 1 F.3d 1214, 27 U.S.P.Q.2d (BNA) 1671 (Fed. Cir. 1993).

24 FED. R. CIV. P. 15(b).

25 *Id.*

26 *BIC Leisure*, 1 F.3d at 1221.

27 35 U.S.C. § 252.

28 35 U.S.C. § 252 (Supp. 1992).

29 *BIC Leisure*, 1 F.3d at 1221.

30 *Id.*

31 35 U.S.C. § 252 (Supp. 1992).

32 *BIC Leisure*, 1 F.3d at 1221.

33 *Id.*

34 The trial court cited *Windsurfing Int'l, Inc. v. Fred Ostermann GmbH*, 655 F. Supp. 408, 2 U.S.P.Q.2d (BNA) 1318, 1319 (S.D.N.Y. 1987).

35 *BIC Leisure*, 1 F.3d at 1221.

36 *Id.* at 1222.

37 *Id.*

38 *Id.*

39 *Id.*

40 *Id.* at 1222, quoting *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 816 (1988).

41 *BIC Leisure*, 1 F.3d at 1222.

42 FED. R. CIV. P. 4.

43 FED. R. CIV. P. 4.1.

44 FED. R. CIV. P. 4(d)(2).

45 Moreover, “costs” is defined to include reasonable attorney fees incurred in a motion for costs. FED. R. CIV. P. 4(d)(5). Rule 12(a) has been amended to provide an extended time to respond if service of summons has been timely waived as provided in new Rule 4(d). FED. R. CIV. P. 12(a)(1)(B).

46 FED. R. CIV. P. 5(c).

47 FED. R. CIV. P. 11(b). The four are that (1) it is not being presented for an improper purpose, (2) any theories are warranted by existing law or a nonfrivolous extension thereof, (3) factual allegations have evidentiary basis (or specifically identified facts will have basis) and (4) denials of facts are warranted. A right to withdraw an offending document, without penalty, is provided.

48 FED. R. CIV. P. 11(d). The range of sanctions is described in some degree of detail, although apparently not exhaustively.

49 *Id.*

50 FED. R. CIV. P. 26(a).

51 Such requirements previously have been imposed by local rule or court order. However, it now takes a local rule or court order not to comport with them. FED. R. CIV. P. 26(f).

52 FED. R. CIV. P. 26(a)(5).

53 FED. R. CIV. P. 30(a)(2)(A), FED. R. CIV. P. 31(a)(2)(A).

54 FED. R. CIV. P. 30(a)(2)(B), FED. R. CIV. P. 31(a)(2)(B).

55 FED. R. CIV. P. 26(a).

56 FED. R. CIV. P. 33(a).

57 FED. R. CIV. P. 26(f).

58 FED. R. CIV. P. 30(b)(2).

59 FED. R. CIV. P. 30(b)(3).

60 FED. R. CIV. P. 37(c)(1).

61 865 S.W.2d 214 (Tex. App.--Waco 1993, writ requested).

62 *Id.* at 216.

63 *Id.*

64 *Id.*

65 *Id.* at 216-17.

66 *Id.* at 216.

67 *Id.* at 217.

68 248 U.S. 215 (1918). Though not noted by the appellate court, the INS case has been rejected as a basis for copyrightability. *Feist Publications, Inc. v. Rural Telephone Serv. Co.*, 499 U.S. 340, 353-54 (1991).

69 *Sporting Prods.*, 865 S.W.2d at 218.

70 540 F. Supp. 928, 944, 217 U.S.P.Q. (BNA) 1227 (W.D. Tex. 1982).

71 *Sporting Prods.*, 865 S.W.2d at 217-18.

72 *Id.* at 217.

73 *Id.* at 218-19.

74 *Id.* at 219.

75 860 S.W.2d 72 (Tex. 1993).

76 *Id.* at 73.

77 *Id.*

78 *Id.* at 73 n.3.