

to defeat its infringement claim against NOK based on invalidity of the '621 patent. After oral argument, this court ordered the parties to file supplemental briefs on that issue. Dana was required to address "its position that collateral estoppel should not be applied to this case and the related question of the propriety of this court, in the first instance, making that determination."

In response to this order, Dana filed a supplemental brief arguing only that "*Blonder-Tongue* does not apply to appeals." As to whether a remand is necessary, Dana answered: "No. . . . There was not, and is not, any estoppel issue for the trial court." Dana did allege, however, that "the NOK record differs materially from the findings of this court that led to the IPC reversal" and that "the differences between the NOK record and this court's IPC findings lead to different results."

"*Res judicata* and collateral estoppel are affirmative defenses that must be pleaded. Fed. Rule Civ. Proc. 8(c)." *Blonder-Tongue*, 402 U.S. at 350, 169 USPQ at 527. A remand is unnecessary here, however, because Dana does not seek to "supplement the record with any evidence showing why an estoppel should not be imposed in this case[.]" *id.*, 169 USPQ at 528; indeed, it asserts that there is no "estoppel issue for the trial court."

Even assuming that the NOK and IPC records differ materially, this alone will not defeat the application of collateral estoppel. The party opposing a plea of estoppel must establish that it did not have a full and fair opportunity to litigate; it must demonstrate that "without fault of his own the patentee was deprived of crucial evidence or witnesses in the first litigation." 402 U.S. at 333, 169 USPQ at 521. The most Dana has asserted here is that it had evidence to rebut or counter the evidence on which invalidity was based but that this evidence was not presented by Dana in the IPC litigation. There is no indication that such evidence was then not in existence or was otherwise not available to Dana through no fault of its own.<sup>2</sup> Accordingly, Dana cannot argue that it did not have

<sup>2</sup> In fact, such a showing would be difficult in this case. The evidence Dana alleges to be different in the NOK case appears to have always been within its control and readily available at the time of the IPC trial. For example, Dana points to a report of its employee, Mr. Wilson, the inventor of the '621 patent, and an internal transmittal letter explaining that the patent application meets with Mr. Wilson's approval. Further, the same counsel appears to have represented Dana in the trial of both cases.

a full and fair opportunity to litigate the validity of the '621 patent in the IPC case.

Because we hold that the defense of collateral estoppel is applicable in this case in favor of NOK, we need not address NOK's contentions of error by the district court with respect to the other grounds of invalidity and noninfringement.

## II

NOK contends that the '621 patent is unenforceable for inequitable conduct before the Patent Office. Because we have concluded the '621 patent is invalid, we need not address its unenforceability. However, the issue of inequitable conduct has relevance to NOK's request for attorney fees. The district court considered the materiality aspect of inequitable conduct and concluded "that the [information and data] was not material." Thus, it was unnecessary for the court to consider the intent element of inequitable conduct. See *Kingsdown Medical Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 872, 9 USPQ2d 1384, 1389 (Fed. Cir. 1988), *cert. denied*, 109 S.Ct. 2068 (1989).

What was withheld from the Patent Office, but deemed not material by the district court, however, was delineated in *IPC* as contributing significantly to our holding that the best mode was not disclosed in the '621 patent. The materiality of the withheld material is evident from the *IPC* decision.

We remand this case to the district court to reconsider its inequitable conduct determination. On remand, the district court must determine whether the conduct of Dana amounts to inequitable conduct. See *Kingsdown*, 863 F.2d at 872-76, 9 USPQ2d at 1389-92.

## COSTS

Costs to NOK.

**REVERSED AND REMANDED**

District Court, S.D. New York

Architemps Inc. v. Architemps Ltd.

No. 88 Civ. 5152 (RO)

Decided April 14, 1989

## TRADEMARKS AND UNFAIR COMPETITION

1. Acquisition, assignment, and maintenance of marks — Scope of trademark —

**Expansion of goods/territory  
(\$305.0206)**

**REMEDIES**

**Non-monetary and injunctive — Equitable relief — Preliminary injunctions — Trademarks and unfair trade practices (\$505.0707.09)**

Plaintiff which has registered its mark "Architemps," for service of supplying temporary workers for architecture and design firms, and which seeks to limit defendant's use of identical term for identical services, has superior rights to mark, absent any evidence of bad faith, in any area into which neither it nor defendant has expanded, even though defendant is senior user of mark, since defendant's common law rights are limited to those areas in which it established itself prior to plaintiff's registration, and thus extension of preliminary injunction, which initially prohibited defendant's use of "Architemps" mark in California, is warranted to also preclude defendant's use of mark in Washington, D.C.

Action by Architemps Inc. against Architemps Ltd. for trademark infringement. On plaintiff's motion to extend terms of preliminary injunction and defendant's cross motion to enjoin plaintiff's use of mark "Architemps" in Washington, D.C.; on plaintiff's motion to dissolve stipulation; and on plaintiff's motion for contempt against non-party deponent. Motion to extend injunction granted; other motions denied.

Prior decision: 9 USPQ2d 1826.

Jane Shay Wald, Amy B. Goldsmith, and George Gottlieb, of Gottlieb, Rackman & Reisman, New York, N.Y.; Daniel L. Kegan and Esther O. Kegan, of Kegan & Kegan, Chicago, Ill., for plaintiff.

Edward H. Rosenthal, of Frankfurt, Garbus, Klein & Selz, New York, for defendants.

**Owen, J.**

Plaintiff, a Chicago-based architectural placement firm, moves to extend the terms of a preliminary injunction entered by this Court on November 2, 1988, which prohibits defendant, a New York-based architectural placement firm from expanding its business in California. As discussed more fully in the prior opinion, defendant's use of the service mark "Architemps" predates that of plain-

tiff, but plaintiff, the junior user, has obtained federal trademark registration. Plaintiff, claiming superior rights by virtue of its registered trademark and its allegedly having taken significant steps towards expanding its business into Washington, D.C., now seeks to prevent defendant from operating in that area. Defendant, in turn, contends that it was the first of the two to establish a presence in the Washington, D.C. area, and relies on actual use of the mark as the controlling factor on this motion; it cross moves to enjoin plaintiff's use of the mark there.

Defendant also asks the Court to dissolve the stipulation entered into by plaintiff and defendant's prior counsel staying defendant's opposition proceedings before the TTAB. In addition, plaintiff moves for contempt against a non-party deponent and her attorney for deponent's alleged failure to appear for a scheduled deposition and for failure to produce certain subpoenaed documents.

Both businesses have been quite successful in their local areas and are currently seeking to expand their operations. It is apparent, however, based on the evidence presented on the current motion, that neither party has as yet established its presence to date in the Washington, D.C. area. Neither of plaintiff's principals visited Washington for years prior to this motion; plaintiff received a certificate entitling it to do business there very recently; and its advertising efforts for an office manager position have been minimal. Despite its somewhat greater advertising efforts in the Washington area, defendant, like its opponent, has just begun its activities there; even when viewed in its most positive light, defendant's having placed two individuals in Washington-area architecture and design firms, when combined with its minimal presence in other respects, does not amount to use of its mark in that area. On the record before the Court, it appears that use of the Architemps mark by either party in Washington has been minimal.

Deposition testimony by Alice Rudolph, one of plaintiff's principals, reveals that she and Charles Poskonka intend to expand nationally. Although Rudolph testified that her firm has clients in Indiana and, as developed on the prior motion, plaintiff recently opened an office in California, national expansion plans are otherwise in the formative stages. Nevertheless, plaintiff's registration of the mark is "prima facie evidence of registrant's exclusive right to use the registered mark in commerce. . . , but shall not preclude an opposing party from proving any legal or equitable defense or defect which might have been asserted if such mark had not been

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registered." 15 U.S.C. §1115(a). In cases such as this one, in which the junior user is the first to register the mark, "[t]he winner of the race for [virgin territory], according to our system of federal registration, is the senior user at least in those instances where he is also the first to apply for a federal registration." *Weiner King, Inc. v. Wiener King Corp.*, 615 F.2d 512, 523 [204 USPQ 820, 829-830] (C.C.P.A. 1980), quoting *Giant Foods, Inc. v. Malone & Hyde, Inc.*, 522 F.2d 1386, 1396 [187 USPQ 374, 382-383] (C.C.P.A. 1975). This result stems from "a policy of encouraging prompt registration of marks by rewarding those who first seek registration under the Lanham Act." *Id.* *Accord Spartan Food Systems, Inc. v. HFS Corp.*, 813 F.2d 1279, 1281-83 [2 USPQ2d 1063, 1064-1066] (4th Cir. 1987); *In re Beatrice Foods Co.*, 429 F.2d 466, 474 n. 13 [166 USPQ 431, 436-437] (C.C.P.A. 1970). Therefore, Architemps-Chicago, despite its status as a junior user with a contestable trademark registration, has superior rights to any area into which neither it nor Architemps-New York has yet expanded. As noted in this Court's prior opinion, defendant's common-law rights are limited to those areas in which it established itself prior to plaintiff's registration. See *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90 (1918); *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403 (1916). See also *Weiner King*, 615 F.2d at 523 [204 USPQ at 829-830]. Since Architemps-New York clearly did not establish itself in Washington, D.C. prior to plaintiff's trademark registration, plaintiff's expansion efforts prevail.

Plaintiff's superior rights, however, are premised on its good faith adoption of the Architemps mark, see 15 U.S.C. §1115(a). Defendant argues that Alice Rudolph's deposition testimony that she heard of Architemps-New York during the pendency of Architemps-Chicago's trademark registration and her failure to investigate further, see Rudolph deposition at C50-53, constitute bad faith on plaintiff's part. However, the Second Circuit recently stated that mere knowledge of the existence of a prior user does not constitute bad faith. 815 *Tonawanda Street Corp. v. Fay's Drug Co., Inc.*, 842 F.2d 643, 650 [6 USPQ2d 1284, 1289-1290] (2d Cir. 1988). In *Weiner King, supra*, 615 F.2d at 522 [204 USPQ at 829], the court stated: "While an attempt to 'palm off,' or a motive to 'box in' a prior user by cutting into its probable area of expansion, each necessarily flowing from knowledge of the existence of the prior user, might be sufficient to support a finding of bad faith, mere knowledge of the existence of the prior

user should not, by itself, constitute bad faith." *Id.* Here, in the absence of any evidence that plaintiff attempted to capitalize on the previously established reputation of Architemps-New York at the time of registration or during the pendency of the registration (or at the time it sought to expand into Washington), the Court concludes that plaintiff did not act in bad faith. See also *Mushroom Makers, Inc. v. R.G. Barry Corp.*, 441 F.Supp. 1220, 1230 [196 USPQ 471, 480-481] (S.D.N.Y. 1977) (Weinfeld, J.) (despite junior user's actual and constructive notice of senior user, no bad faith when junior's use "is not attributable to intent to obtain a free ride" and senior's mark was not well known), *aff'd*, 580 F.2d 44, 48 [199 USPQ 65, 67-68] (2d Cir. 1978); *accord Procter & Gamble Co. v. Johnson & Johnson Inc.*, 485 F.Supp. 1188, 1201 [205 USPQ 697, 711] (S.D.N.Y. 1979), *aff'd mem.*, 636 F.2d 1203 (2d Cir. 1980). The Court therefore rejects defendant's argument that plaintiff has proceeded in bad faith in its adoption and continued use of the Architemps mark once it learned of defendant's existence.

[1] As a result of its superior rights as a federal registrant plaintiff Architemps-Chicago demonstrates a likelihood of success on the merits and a balance of the hardships tipping in its favor on the issue of its expansion into the Washington area. Accordingly, plaintiff's motion to expand the scope of the previously entered injunction against defendant's activities to cover Washington, D.C. is granted, and defendant's cross motion to enjoin plaintiff's business activities in Washington, D.C. is denied. The Court also denies defendant's motion to dissolve the parties' stipulation staying cancellation proceedings before the TTAB pending the outcome of the instant litigation. See *Goya Foods, Inc. v. Tropicana Products, Inc.*, 846 F.2d 848, 853 [6 USPQ2d 1950, 1953-1954] (2d Cir. 1988) (noting "inclination against according excessive deference to pending Patent and Trademark Office proceedings" and de novo review of Patent and Trademark Office registration decisions in district court); *Sonora Cosmetics, Inc. v. L'Oreal S.A.*, 631 F.Supp. 626, 629 [229 USPQ 927, 928-929] (S.D.N.Y.) (preferable for TTAB to stay its own proceedings when there is parallel litigation in district court), *aff'd mem.*, 795 F.2d 1005 (2d Cir. 1986).

Finally, plaintiff's motion for contempt against a non-party deponent and her attorney is denied. At the time the deposition was scheduled, the deponent was in the process of completing a job for one of her clients and her time was quite limited. She offered to be

deposed for a limited period of time at her office in Manhattan instead of traveling to plaintiff's attorney's Manhattan office for a deposition of unlimited duration. To this point contempt is not that apparent, and accordingly the motion is denied.  
So ordered.

**Court of Appeals, Federal Circuit**

Micro Motion Inc. v. Exac Corp.

No. 88-1643

Decided June 1, 1989

**JUDICIAL PRACTICE AND PROCEDURE**

**1. Procedure — Discovery — In general (§410.4001)**

**Procedure — Judicial review — Appealability (§410.4603)**

Federal district court order entered in ancillary proceeding, denying motion to quash filed by non-party from whom patent infringement plaintiff is attempting to subpoena business information regarding non-party's competing product, is not appealable absent showing of finality in district court's ruling, grounds for mandamus, or certification of legal question by district court pursuant to 28 USC 1292(b).

Appeal from the U.S. District Court for the District of South Carolina, Andersen, J.

Action for patent infringement brought by Micro Motion Inc. against Exac Corp. in the U.S. District Court for the Northern District of California. From order entered in the U.S. District Court for the District of South Carolina denying Neptune Measurement Co.'s motion to quash subpoena of Micro Motion Inc. or for protective order prohibiting discovery, Neptune appeals. Appellant ordered to show cause why appeal should not be dismissed for lack of jurisdiction.

Concurrent decision: 11 USPQ2d 1070.

Jesse J. Jenner, of Fish & Neave (David J. Lee, Christa Hildebrand, and John O. Tramontine, with him on brief), New York, N.Y., for Micro Motion Inc.

Seymour Rothstein, Daniel A. Boehnen, and Robert H. Resis, of Allegretti & Witcoff, Chicago, Ill., for Exac Corp.

Ivan S. Kavrukov, of Cooper & Dunham, New York (Dale Gaudier, Atlanta, Ga.; Jules P. Kirsch, New York, of counsel), for Neptune Measurement Co.

Before Nichols, senior circuit judge, and Nies and Archer, circuit judges.

Nies, J.

For reasons more fully explicated in the decision in the related proceeding captioned *Micro Motion Incorporated v. Exac Corporation v. Smith Meter, Incorporated*, Appeal No. 89-1099 [11 USPQ2d 1070], issued concurrently, Neptune Measurement Company is ordered to show cause why this appeal should not be dismissed for lack of jurisdiction.

Neptune is another competitor of Micro Motion in the Coriolis mass flowmeter market. Neptune also has been subpoenaed to disclose its confidential business information and trade secrets in connection with Micro Motion's patent infringement suit against Exac in the Northern District of California. Neptune, like Smith Meter, asserts that it has not been charged with infringement and is unrelated to either party. Neptune moved the district court for the district of South Carolina to quash the subpoena or for a protective order prohibiting discovery of its trade secret and other confidential and privileged information on the ground that no relevance or need was established. Micro Motion responded with arguments that, whether or not Neptune infringed its patents, it was entitled to the information from Neptune in connection with proving recoverable damages against Exac. According to Micro Motion:

In the damages phase of the main action, Micro Motion intends to prove that it is entitled to its lost profits on all Exac infringing sales of Coriolis mass flowmeters. Accordingly, Micro Motion will have to prove that the Coriolis mass flowmeter that Neptune has been marketing was not an alternative to Exac's meter, or was not an acceptable alternative, or was an acceptable alternative but an infringement of the Micro Motion patent.

Micro Motion asserted that this court, in *Truswal Systems Corp. v. Hydro-Air Engineering, Inc.*, 813 F.2d 1207, 2 USPQ2d 1034 (Fed. Cir. 1987), approved the disclosure of the type of information it sought, subject to an appropriate protective order. Micro Motion proposed that Neptune's confidential information be made subject to the protective order which had been entered by the California court in the main action.

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