

***MAYER, BROWN, ROWE & MAW LLP'S***  
***SUPREME COURT DOCKET REPORT***  
**OCTOBER TERM, 2003 – NUMBER 7**

Today the Supreme Court granted certiorari in three cases of potential interest to the business community. Amicus briefs in support of the petitioners are due on Monday, February 23, 2004, and amicus briefs in support of the respondents are due on Wednesday, March 24, 2004. Any questions about these cases should be directed to Miriam Nemetz (202-263-3253) or Craig Canetti (202-263-3276) in our Washington office.

**1. *Environmental Law — CERCLA — Contribution.*** The Supreme Court granted certiorari in *Cooper Industries Inc. v. Aviall Services Inc.*, No. 02-1192, to decide whether a private party that is potentially liable under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), 42 U.S.C. § 9601 *et seq.*, for cleanup of property contaminated by hazardous substances, but has not been subject to any action under CERCLA, may nevertheless seek contribution under CERCLA from other jointly responsible parties to recover costs spent voluntarily to clean up contaminated properties.

CERCLA makes present and former owners and operators of contaminated waste sites, persons who disposed of waste at such sites, and certain transporters (“potentially responsible parties” or “PRPs”) responsible for the cost of cleaning up the contamination. The Environmental Protection Agency (EPA) may clean up hazardous sites itself (see 42 U.S.C. § 9604) or, under Section 106(a), may compel the responsible parties to undertake the necessary response actions. See 42 U.S.C. § 9606(a). Under either approach, the government may recover its response costs from responsible parties through a cost recovery action under Section 107. See 42 U.S.C. § 9607(a).

Section 113(f) of CERCLA provides that “[a]ny person may seek contribution from any other person who is liable or potentially liable under [Section 107(a)], during or following any civil action under Section 106] or under Section 107(a).” 42 U.S.C. 9613(f)(1). The last sentence of Section 113(f) provides that “nothing in this subsection shall diminish the right of any person to bring an action for contribution in the absence of a contribution under [Section 106] or [Section 107].”

Aviall Services, Inc. (“Aviall”) purchased an aircraft engine maintenance facility from Cooper Industries, Inc. (“Cooper”), but later discovered that the property was contaminated with hazardous substances. Aviall voluntarily cleaned up the site and then commenced an action for contribution against Cooper under Section 113(f). Both parties concede that they are PRPs as defined by CERCLA, but neither party has been compelled by the EPA to clean up the site or sued for response costs under Section 107(a). The district court granted summary judgment in favor of Cooper, holding that, under the plain language of Section 113(f), contribution is unavailable where the plaintiff “is not the subject of a prior or pending CERCLA enforcement

action.” 2000 WL 31730 (N.D. Tex. Jan. 14, 2000). It concluded that the last sentence of the provision was merely a savings clause, which only “ensure(s) that parties who cannot fulfill the prerequisites of § 113(f)(1) are not precluded from bringing contribution claims that are otherwise available, such as under state law.” *Id.*

A panel of the Fifth Circuit affirmed, but the full court granted rehearing *en banc* and reversed. 312 F.3d 677 (2002). Ruling that “a PRP may sue at any time for contribution under federal law to recover costs it has incurred for remediating a CERCLA site,” the court reasoned that

Section 113(f)(1) authorizes suits against PRPs in both its first and last sentence which states without qualification that “nothing” in the section shall “diminish” any person’s right to bring a contribution action in the absence of a section 106 or section 107(a) action.

312 F.3d at 681. Three judges dissented, however, concluding that “the plain language and statutory structure of CERCLA’s contribution provisions demonstrate that the contribution remedy in § 113(f)(1) requires a prior or pending § 106 or § 107 action.” 312 F.3d at 695.

This case is important to all businesses that are potentially responsible for the cleanup of hazardous sites under CERCLA.

**2. Trademark Infringement — Fair Use Defense — Likelihood of Consumer Confusion.** The Lanham Act allows the holder of a protectable trademark to hold liable any person who, without consent, “use[s] in commerce any \* \* \* registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services” which is likely to cause confusion. 15 U.S.C. § 1114(1)(a). The Act recognizes a fair use defense to a claim of trademark infringement if “the use of the name, term, or device charged to be a trademark is a use, otherwise than as a mark, \* \* \* of a term or device which is descriptive of and used fairly and good faith only to describe the goods or services” of the allegedly infringing party. *Id.*, § 1115(b). The Supreme Court granted certiorari in *KP Permanent Make-Up, Inc. v. Lasting Impression Inc.*, No. 03-409, to determine whether the party asserting the defense of fair use must demonstrate that there is no likelihood of consumer confusion, or whether fair use is an absolute defense whether or not confusion may result.

K.P. Permanent Make-Up, Inc. (“KP”) and Lasting Impression I, Inc. (“Lasting”) are competitors in the permanent makeup industry. Lasting began using “micro colors” commercially as a trademark for its line of permanent makeup pigments in April 1992 and, in 1993, registered a trademark consisting of the words “micro” and “colors” within a graphic design. KP also has long used the term “micro color” to describe its product on its bottles and in its marketing materials. In March 2000, after Lasting demanded that KP cease and desist its use of the term “micro color,” KP brought an action for declaratory relief against Lasting, asserting that the term was generic and incapable of receiving trademark protection. Lasting counterclaimed, alleging that KP’s use of the term “micro color” infringed Lasting’s incontestable registered mark. In an unreported decision, the district court granted summary

judgment in favor of KP, holding that KP’s use of the term was protected fair use under the Lanham Act.

The Ninth Circuit reversed. 328 F.3d 1061 (2003). According to the court of appeals, “the fair use analysis only complements the likelihood of confusion analysis” implicated by a claim of trademark infringement. *Id.* at 1072 (internal quotation marks omitted). It concluded that “KP can only benefit from the fair use defense if there is no likelihood of confusion between KP’s use of the term ‘micro color’ and Lasting’s mark.” *Id.* Concluding that there were genuine issues of material fact concerning the likelihood of confusion, the court ruled that KP was not entitled to summary judgment on fair use. In contrast to the Ninth Circuit, the Second Circuit has held that the fair use defense is available whether or not the defendant’s use causes consumer confusion. See *Cosmetically Sealed Indus., Inc. v. Cheesebrough-Pond’s USA Co.*, 125 F.3d 28 (2d Cir. 1997).

This case is of interest to businesses holding trademarks that include descriptive terms and businesses that describe their products using terms that may be used in other companies’ trademarks. If the Supreme Court upholds the Ninth Circuit’s decision, defendants in trademark infringement actions will have greater difficulty establishing the fair use defense at the summary judgment stage.

**3. Carriage of Goods by Sea Act — Limitations of Liability — Himalaya Clauses — Intermodal Transportation.** The Carriage of Goods by Sea Act (“COGSA”), 46 U.S.C. app. §§ 1300-1315, requires that every bill of lading for the shipping of goods by sea to or from the United States limit the carrier’s liability to \$500 per package of goods, unless the owner of the goods explicitly declares a higher value. See *id.*, § 1304(5). The Supreme Court granted certiorari in *Norfolk Southern Railway Company v. James N. Kirby, Pty Ltd.*, No. 02-1028, to determine the circumstances under which COGSA’s limitation of liability can be extended by contract to limit claims against the inland shipper of goods for damages that occur while the goods are in transit from a port in the United States to their ultimate inland destination.

James N. Kirby Pty Ltd. (“Kirby”), a company based in Sydney, Australia, contracted with International Cargo Control Pty Ltd. (“ICC”), an Australian freight forwarder, for the shipment of ten containers of machinery to a General Motors plant in Huntsville, Alabama. Kirby and ICC executed a standard “FBL” bill of lading that invoked COGSA’s limitation of liability and also contained a “Himalaya” clause, a contractual provision extending the carrier’s own defenses and limitations of liability to the carrier’s agents and contractors. Because it was not in the business of actually transporting goods, ICC subcontracted with Hamburg Sud, a German ocean shipping company, to transport the machinery from Sydney to Huntsville. Hamburg Sud issued its own bill of lading to ICC, which contained a Himalaya clause similar to that found in the Kirby/ICC bill.

Hamburg Sud carried the machinery on the ocean leg of the journey from Sydney to Savannah, Georgia. Inland transportation of the machinery from Savannah to Huntsville, Alabama was to be provided by the Norfolk Southern Railway Company, which had been hired by Hamburg Sud’s U.S. subsidiary. However, the train carrying the machinery derailed while en

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route to Huntsville, allegedly causing \$1.5 million in damages to the goods. Kirby and its insurer (which had reimbursed Kirby for its loss) thereafter filed suit against Norfolk Southern in the United States District Court for the Northern District of Georgia to recover the damages caused by the derailment, bringing claims for breach of contract and negligence.

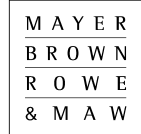
Norfolk Southern moved for partial summary judgment, arguing that its liability was limited by COGSA's \$500 per package limitation. The district court, in an unpublished opinion, granted the motion, concluding that Norfolk Southern came within the scope of the Himalaya clause in the ICC/Hamburg Sud bill of lading. At the joint request of the parties, the district court certified its decision for interlocutory appeal.

A divided panel of the Eleventh Circuit reversed. 300 F.3d 1300 (2002). The Eleventh Circuit held that, although Norfolk Southern plainly fell within the scope of the Himalaya clause of the ICC/Hamburg Sud bill of lading, Norfolk Southern could not rely on that bill to limit its liability to Kirby. *Id.* at 1307. This was because the court concluded that ICC was not acting as Kirby's agent when it entered into the contract with Hamburg Sud for the shipment of Kirby's machinery. Rather, under the terms of its bill with Hamburg Sud, ICC was acting as the carrier, and therefore as a principal. *Id.* at 1305-1307. Because neither Kirby nor its agent was a party to the ICC/Hamburg Sud bill of lading, the Eleventh Circuit held that Norfolk Southern could not limit its liability based on the terms of that bill. *Id.* at 1307.

The Eleventh Circuit also held that Norfolk Southern was not protected by the limitation of liability contained in the Kirby/ICC bill of lading, because it was not in privity of contract with Kirby. See *id.* at 1307, 1309. Applying Eleventh Circuit precedent, the court held that, because Norfolk Southern had been "engaged by" Hamburg Sud, not by Kirby, it could not be a beneficiary of the Himalaya clause contained in the Kirby/ICC bill of lading. See *id.* at 1308-09. This holding is in accord with Second Circuit case law, which also requires that the beneficiary of a Himalaya clause must stand in privity of contract with the shipper of goods. See *Mikinberg v. Baltic S.S. Co.*, 998 F.2d 327, 333 (2d Cir. 1993). The Ninth Circuit, however, has rejected that contention, focusing instead on comparing the nature of the services performed by the defendant who seeks to invoke the clause to the carrier's responsibility under the carriage contract. See *Akiyam Corp. of Am. v. M.V. Hanjin Marseilles*, 162 F.3d 571, 574 (9th Cir. 1998).

This case has important implications for any company involved at any stage of the intermodal transportation of goods to or from the United States by sea, as it could result in the substantial expansion of the potential liability to which such companies might be exposed for damage suffered by those goods while in transit.

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The Supreme Court requested the views of the Solicitor General in the following case of interest to the business community:

*Regal Cinemas, Inc. v. Stewmon*, No. 03-641: The question presented is whether, in order to comply with an Americans With Disabilities Act regulation requiring movie theaters with less than 300 seats to provide wheelchair areas having “lines of sight comparable to those of the general public,” 28 C.F.R. Pt. 36, App. A., § 4.33.3, stadium-style theaters must provide viewing angles for wheelchair seating within the range of angles offered to the general public.

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