



## THE NEW YORK PATENT, TRADEMARK AND COPYRIGHT LAW ASSOCIATION

# NYPTC BULLETIN

Volume 29

May/June 1989

Number 5

## PRESIDENT'S CORNER

This association plays an active role in the development of intellectual property rules, laws and treaties. For example, ours is probably the only regional organization to regularly participate in meetings of the World Intellectual Property Organization's committees of experts which develop multilateral treaties. In recent years, we have participated in WIPO's international studies of trademark counterfeiting, and patent and trademark law harmonization. Our representatives bring to these meetings a depth of knowledge regarding the practical and theoretical aspects of U.S. and international practice. That is especially important because the majority of attendees are from official delegations, many are unexperienced in intellectual property law, and the U.S. experience and point of view is not always understood.

### WIPO MEETING PARTICIPATION

One of the reasons why our Association's participation has been appreciated is our thorough preparation before the WIPO meetings. In late April, for example, our association was represented at WIPO meetings in Geneva by the chairman of our Special Committee on Harmonization of Patent Laws, Bill Brunet. That committee, which includes leaders of our U.S. and foreign patent law committees, studied WIPO proposals for a patent law harmonization treaty and made recommendations to our Board. Based on these recommendations, the Board adopted a resolution on 12 major points at its April 18th meeting. Thus, Bill was in a position to express our considered views and to transmit our suggestions on the specific issues discussed. Having previously represented our Association at a WIPO meeting, I know that such prepara-

tion and formal action enhances the credibility of our positions.

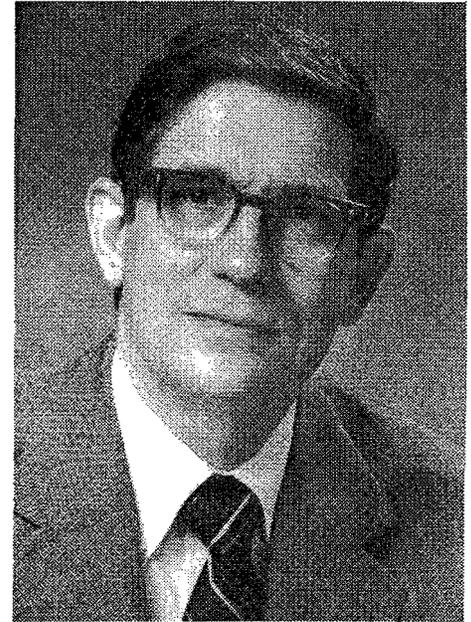
NYPTC is one of the largest intellectual property organizations to rely solely upon volunteers. That is both a weakness and a strength. We have no executive director or staff to prod us on, or to provide continuity and organizational expertise. We are always at risk of flagging interest as we compete for the time of our members. But when we undertake a project, we can bring to it the direct participation and drive of some of the finest intellectual property lawyers.

### COMMITTEE WORK

Our Association's work is based on its committees. They need your support. You will be rewarded by greater knowledge of a field of law and increased contacts within our field.

I call your special attention to the new committees, and to those other than the patent, trademark, copyright and litigation committees. The Design Protection Committee needs members interested in the

current legislative activity in its field. The Admissions, CLE, Meetings and Publications committees are vital to our activities. A number of our Association's leaders rose through these committees. Persons active in the management of their depart-



*John B. Pegram,  
President of the NYPTC*

## CALENDAR OF EVENTS

- |                  |   |
|------------------|---|
| May 18, 1989     | Annual Meeting of the Association<br>Grand Hyatt Hotel<br>New York City (5:00 pm)   |
| May 19, 1989     | Luncheon Meeting, Daniel M. Rosen of<br>Rosen, Dainow & Jacobs on<br>Recent Developments in the Protection of<br>Computer Software<br>(Williams Club, 12:15 pm) |
| June 11-14, 1989 | U.S.T.A.: Fundamentals of Trademark Law<br>(Washington, D.C.)   |
| June 25-28, 1989 | Association of Corporate Patent Counsel<br>(Napa, California)   |

ment or firm should consider participation in the Economic Matters or Employment Committee.

Several of our committees reach out to others or seek to improve our relationships with them. These include the Incentives for Innovation and Public Information Committees. We expect that the Legal Aid Committee will investigate and make available a range of volunteer opportunities for our members. An important topic to be considered this year by the License to Practice Requirements Committee is the possibility of mandatory continuing legal education requirement in New York.

Committee assignments will be made in the near future. If you have not returned a Committee Preference Sheet, please do so now. ■

John B. Pegram, President 1989-90

## HAVE YOU FILED YOUR CERTIFICATE?

Are you one of the many New York Attorneys who did not file a certificate of compliance with your Appellate Division's fiduciary responsibility rule in January 1989? Nearly half of the attorneys in the state reported failed to make a timely filing as required by the amended rules effective November 30, 1988.

A copy of the certificate form for the First Department is enclosed with this issue of the Bulletin, along with First Department rule 603.15. Subsection (e) requires annual filing of the certificate. The Second Department rule is similar except that its number is 691.12 and it refers to the Grievance Committee of the Second Judicial Department rather than to the First Department's Departmental Disciplinary Committee. The enclosed First Department form can be modified for use in the Second Department by changing the department and section numbers in the caption, and the section number in the first paragraph.

Disciplinary Rule DR 9-102, which is referred to in the Appellate Division Rules and the certificate, is set forth below:

### DR 9-102 Preserving Identity of Funds and Property of a Client

(A) All funds of clients paid to a lawyer or law firm, other than advances for costs and expenses, shall be deposited in one or more identifiable bank accounts maintained in the state in which the law office is situated and no funds belonging to the lawyer or law firm shall be deposited therein except as follows:

(1) Funds reasonably sufficient to pay bank charges may be deposited therein.

(2) Funds belonging in part to a client and in part presently or potentially to the lawyer or law firm must be deposited therein, but the portion belonging to the lawyer or law firm may be withdrawn when due unless the right of the lawyer or law firm to receive it is disputed by the client, in which event the disputed portion shall not be withdrawn until the dispute is finally resolved.

(B) A lawyer shall:

(1) Promptly notify a client of the receipt of his funds, securities, or other properties.

(2) Identify and label securities and properties of a client promptly upon receipt and place them in a safe deposit box or other place of safekeeping as soon as practicable.

(3) Maintain complete records of all funds, securities, and other properties of a client coming into the possession of the lawyer and render appropriate accounts to his client regarding them.

(4) Promptly pay or deliver to the client as requested by a client the funds, securities, or other properties in the possession of the lawyer which the client is entitled to receive. ■

## REMARKS OF JUDGE WILFRED FEINBERG AT JUDGE'S DINNER

I thought of this funny — but true — observation about the disparity between perception and reality a month or two ago, when the dispute over a pay raise for federal officials was very much in the news.

I imagine you are all familiar with what happened, so I will summarize it

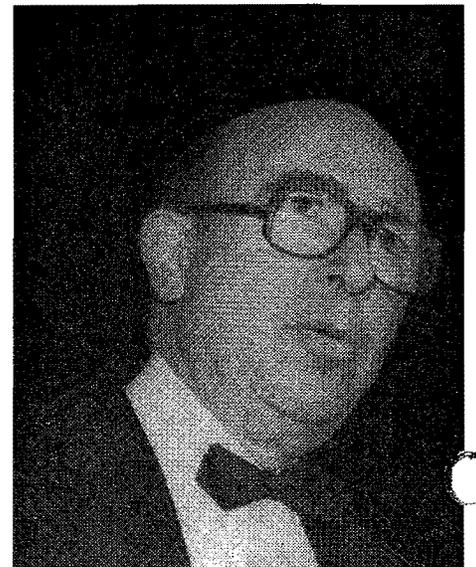
only briefly. A distinguished commission, after much study, recommended pay increases of roughly 50% for Congress, the federal judiciary and the top officials of the executive branch to make up for the failure to give annual cost-of-living increases in past years when all other government employees received them. The proposal was voted down the day before the increases would have gone into effect had no action been taken.

This was a terrible blow to the federal judges, and I will discuss that in a few moments. But, there is one aspect of the controversy that deserves special comment. I refer to the criticism made that the pay increase for federal judges generally would also go to some senior judges who allegedly do little or no work. I thought it would be helpful to set the record straight regarding senior judges, about whom the public — and even lawyers — seem to know little.

### SENIOR JUDGES

What is a senior judge? Briefly, a senior federal judge is a judge who remains on the federal bench but is no longer expected to work full time.

The status of senior judges stems from two provisions of the United States Constitution, both in Article III, which deals with the judiciary. One provision states that the compensation of federal judges "shall not be diminished during their continuance in office." The purpose of the provision is obvious — it is designed to preserve the independence of the



Judge Wilfred Feinberg

judiciary. If the legislature could cut a judge's pay because of an unpopular decision, the way would be open to intolerable pressure and efforts to intimidate.

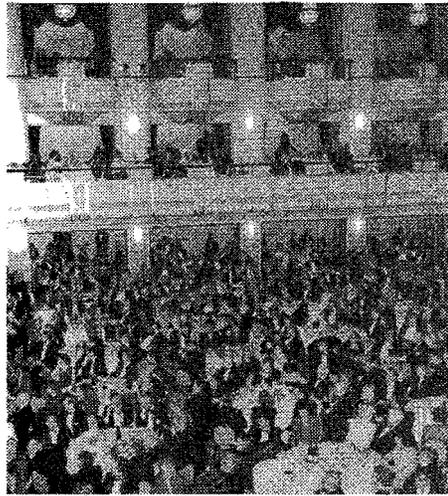
The other Constitutional provision guarantees lifetime tenure. The Constitution says that Federal judges "shall hold their offices during good behavior," which means that they can only be removed by impeachment. This, too, is an effort to create and preserve an independent judiciary. The Constitution contemplates a judiciary that serves for life. It therefore encourages a lifetime commitment by federal judges by guaranteeing tenure and pay for life.

The combination of these two provisions, which have governed the federal judiciary for 200 years, is salutary. Yet, from time to time they led to unfortunate results. As just indicated, there could be a compulsory retirement provision for federal judges — as there are, for example, for state judges. And federal judges could not be removed from office except by impeachment. Nevertheless, judges — like all human beings — become older. Their mental and physical abilities diminish, and they cannot do quite the work they did before. And some, of course, become ill.

The problem arose of what to do about this dilemma caused by the effects of the Constitution and nature. To resolve it, Congress devised the system of senior judges. After a specified age, for example age 65, if the judge has served on the bench for 15 years, the judge may — but does not have to — take senior status and work thereafter at a pace commensurate with increased age, provided that the Chief Judge of the Circuit or the Circuit Council periodically designates the judge as "willing and able" to do so. If — as the years go by — a senior judge is unwilling or unable to work, the judge will not be so designated and will not be entitled, for example, to staff at government expense. The judge will, however, continue to receive his pay for life since under the Constitution it cannot be diminished.

### PACE OF SENIOR JUDGES

This idea has evolved over the years since 1919, when the senior judge system was introduced. It has been a tremendous success and serves the country well. When a judge takes senior status, there is



*Attendees crowded the large hall to hear Judge Feinberg's remarks.*

an immediate vacancy even though the judge continues to work — as most do. This means that a younger judge will be appointed to fill that spot. If the senior judge works half-time — and most do at least that — the court in question then has a young and vigorous new judge and the assistance of an experienced senior working half-time, an increase in judgepower of 50%.

And — equally important — the senior judges can work at a pace that allows them still to provide much needed service. Senior judges, by definition, are the most experienced. With their accumulated insight and wisdom, they are a valuable national resource, furnishing available judgepower in all kinds of situations. One of the less attractive aspects of American society in general — and industry, in particular — is that men and women of great talent, and still in good health, are turned out to pasture when they reach a specified age, even though they have much to offer. The federal judicial system does not work that way. And it is the good fortune of all of us that it does not. We would have lost much if Henry J. Friendly had not been able to work at his own pace, as a senior, until he died at age 82. And my colleague, J. Edward Lumbard, who took senior status in 1971, is still going strong, sitting with us quite frequently, at age 87.

So this is the group we are talking about — senior judges. As of this month, there are some 300 of them, both district and circuit judges. In addition, there are about 700 district and circuit court judges of the usual kind. They are called active judges. The senior judges, it must be re-

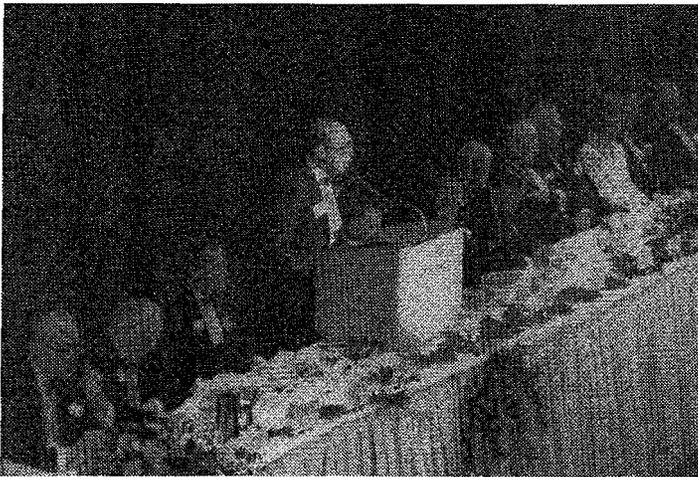
membered, have been persuaded to become seniors — by the system created by Congress many decades ago — to make room for younger, new active judges. Because they are guaranteed their pay for life (like all federal judges), when the senior work — whether it be three-quarters of the time or half-time, or even less — they literally work for nothing because they could sit at home and do nothing and still get paid. And senior judges, unlike judges who have resigned and left the bench, cannot practice law whether or not they perform judicial duties.

Senior judges carry a significant portion of the workload of the federal judiciary, participating in about 13% of the appeals and conducting about the same percentage of trials. In many circuits and districts, the work of senior judges has been indispensable to the proper conduct of judicial business. In my first years as Chief Judge of the Second Circuit, we had four vacancies out of an authorized 11 judgeships. And some of the vacancies continued for quite a while. At the same time, our caseload had just surged, surprisingly, from 2,000 to 3,000 appeals a year. Were it not for the available senior judgepower, we would have had a disastrous build-up of backlogs. Instead, we were able to continue with our record of being absolutely correct.

Without the efforts of senior judges, the judiciary would need an additional 80 judges — at a cost of approximately \$45 million, to compensate for the loss. Many, as I have indicated, perform much appreciated judicial work well into their 80's. And some, of course, are unable to perform further work because of advanced age or ill health.

This is the group that came under scrutiny during the recent pay controversy. It was said that some senior judges — perhaps one out of six or a total of about 50 — do little or no work but would get the benefit of a pay increase. It was not said, as I recall, that most members of this small group of judges had probably worked until they were unable to work any longer, even into their 70's and 80's.

Now was it said, as I recall, that five out of six of the senior judges — that is, the remaining 250 or so — were continuing year after year literally to work for nothing despite the unavoidable ailments and loss of energy that advancing years



inflict upon us all. Nor was it said, as I recall, that encouraging federal judges to take senior status to make way of younger judges has been a sensible national policy for seven decades that should be continued. And, finally, it was not said, as I recall, that if federal judges become fearful of taking senior status for any reason, the judicial system and therefore the nation will be the worse for it.

Before I conclude, I do want to say a few words about the failure to enact a pay increase. I do not intend to examine the subject in depth.

### JUDGES' COMPENSATION

The annual compensation of a federal district judge today is \$89,500 and of a circuit judge \$95,000. Obviously, this is far too low. When these figures are compared to the unbelievable starting salaries of associates in large big-city law firms, a federal judge's pay is ridiculous. Every single lawyer in this room knows this to be so.

It is true that federal judges have always understood that by going to the bench, they will earn less than they could at the bar. They take the job because of the intangible benefits: prestige, fascinating work, the excitement of public service and so on — what the economists call psychic income. But when a judge knows that his 25-year-old law clerk will receive more money from his or her employer next year than the judge will, this is not psychic income but psychic loss, if not psychic insult. The symbolism is apparent to all.

I speak not for myself tonight, even though I did get a fortune cookie at lunch

year-old trial judge with two or three children should be able to send them to the colleges of their choice.

Not too long ago, I heard a prominent journalist say that if a federal judge can't get along on the salary, the judge could always quit after five years. And, it was frequently pointed out in the recent debate, there is no shortage of people interested in the job of federal judge. Both comments are correct, but miss the point. The problem is not simply to attract people. It is to attract the best people, and to keep them on the bench for the lifetime tenure that the Constitution contemplates and guarantees because of the independence that flows from it. A federal judgeship was not meant to be a revolving door. Yet 50 federal judges resigned between 1976 and March of this year and 31 of them in the last five years alone. Not long ago, such resignations were extremely rare.

I submit that you do not want, and the nation should not have, a federal bench peopled mainly by the wealthy, by those who no longer have or never have had the obligation to support and educate children, by the zealots of the right or of the left whose aim in life is to remake the law as they think it should be and are willing to sacrifice unduly to achieve that goal, by the inexperienced or those for whom the salary would be an improvement, or by those, in time to come, who will simply regard the federal bench as a mere stepping stone or way station before going back to practice or on to greener pastures.

I am sure that you all would agree that the federal judiciary is a national resource that should not be dissipated or diminished. I ask you to keep that from happening. ■

not too long ago containing the message "you would be a good lawyer." After over 27 years on the bench, I speak for the judges to come who, I hope, will also be able to stay on the bench after they join it. No one suggests that a federal judge should be paid what he could command at the bar. But a 48-

## FEDERAL BAR HOLDS REGIONAL MEETING TO DISCUSS PATENT LAW CHANGES

The Federal Circuit Bar Association held a regional meeting in New York on Friday, March 31, 1989 at the Grand Hyatt Hotel. The morning session on patents was chaired by Lawrence G. Kastriner of Union Carbide.

The session was devoted to considering significant changes of the 1980's that have affected patent practice. Mr. Kastriner opened the session by discussing the impetus behind the legislative developments. He referred to a change in the public perception of patents as beneficial in attaining the objective of making the United States more competitive internationally and in stimulating investment in technological innovation.

He then presented the three speakers: Beverly B. Goodwin of Darby & Darby who spoke on changes resulting from decisions of the Federal Circuit; David J. Lee of Fish & Neave, who spoke on changes in the patent laws effected by legislation; and Joseph M. Fitzpatrick of Fitzpatrick, Cella, Harper & Scinto who spoke on the new patent misuse provisions. The session was attended by the Federal Circuit's Chief Judge Howard Markey and Judges Giles Rich and Pauline Newman.

### PATENT INFRINGEMENT LITIGATION

The first speaker, Beverly Goodwin, spoke about the changes in patent infringement litigation wrought by the Federal Circuit since 1982 which have significantly increased the economic power of patents. Ms. Goodwin remarked that the purpose of the Federal Circuit, to bring uniformity to the way the various regional circuits applied the patent laws, had been accomplished beyond question.

The Federal Circuit has had a major impact on all aspects of patent litigation. The number of patents withstanding a validity challenge has been vastly increased

by the uniform application of the statutory presumption of validity and the objective non-obviousness criteria. Remedies have also been affected. Now that the Federal Circuit has addressed various damages issues, damages in the hundreds of millions of dollars have been awarded. And it is no longer necessary to proceed on a theory of lost profits to obtain a large award. Today a reasonable royalty award may amount to the infringer's profits. Damage awards may also include compensation for lost sales of auxiliary items and for foreign sales (as a form of consequential damages). Prejudgment interest is the rule and preliminary injunctions are no longer an impossibility. Significant awards based on findings of willfulness have encouraged the interested public to seek advice of competent counsel prior to commencing potentially infringing activities.

Ms. Goodwin identified three important areas where patentees may have a heightened responsibility; laches and estoppel, "on sale" activities and disclosure of best mode. Patentees may also have to pay the accused infringer's attorney fees under the "exceptional case" provisions.

Major areas still in flux are the doctrine of equivalents and inequitable conduct. Equivalence, as interpreted in *Hughes*<sup>1</sup>, *Pennwalt*<sup>2</sup> and recently, *Corning*<sup>3</sup>, may call for an element-by-element analysis but, on the other hand, "elements" are not the same as "components."

Last, Ms. Goodwin noted that more and more of the Federal Circuit's decisions are fact specific, with the "totality of circumstances" determining the outcome on a variety of issues. Ms. Goodwin concluded that the best advice to give to a client is still to try to "design around" the patent. This will help achieve the goals of the patent system and will help us be more competitive in world markets.

### CHANGES IN PATENT LAWS

David J. Lee of Fish & Neave spoke next. Mr. Lee began by reviewing some of the factors that inspired recent changes in the patent laws, including inadequate protection of U.S. intellectual property abroad in the face of escalating efforts by foreign companies to obtain U.S. patent protection. He noted that in 1988 almost half of the U.S. patents granted were assigned to foreign companies. And only

two of the top ten recipients of patents were U.S. companies (G.E. and IBM).

Significant legislation of the 1980's created the Federal Circuit and the patent term extension provisions, first enacted for human drugs in 1984 and extended in 1988 to animal drugs. The most significant legislative changes of 1988 were in the Trade Bill. These included new process patent legislation, changes to the ITC procedure under Section 337 of the Tariff Act of 1930 — eliminating the injury requirement for owners of U.S. patents, and the "Super 301" legislation.

The process patent protection brings the U.S. into line with other countries, protecting products made abroad by a patented process. Mr. Lee discussed some of the features of the process patent legislation, including the different classes of infringers, the "request for disclosure" procedure, and the complicated rules for notice of infringement.

Mr. Lee next noted that Section 337 is under attack in GATT. Akzo, a respondent in an ITC proceeding brought by DuPont, complained to GATT (through the European Community) that Section 337 discriminated against foreign companies. A GATT disputes panel was convened. Early this year the panel concluded that Akzo's claim was justified. The U.S. is now in a difficult position: it wants to preserve the ITC procedures — and it can effectively veto the holding of discrimination — but it does not want to undermine GATT as a viable mechanism for resolving trade disputes, as might well happen if other GATT participants conclude that the U.S. will abide by GATT only when GATT benefits the U.S. GATT is scheduled to consider the matter at its April meeting.\*

The Trade Bill provision that may have the most far-reaching impact on how U.S. companies compete here and abroad is the new "Super 301" provision for identifying countries that do not adequately protect U.S. intellectual property rights. One major controversy of the moment is whether to name Japan to the Super 301 list. A presidential panel has advised against it, and U.S. Trade Rep. Carla Hills has testified before Congress on the subject.

Mr. Lee then turned to what are likely to be the significant legislative developments of the future. Perhaps the most

important area to watch is the trend toward international harmonization of patent laws. Three different international organizations are working on harmonization — the Uruguay Round of GATT, WIPO (the World Intellectual Property Organization in Geneva) and the Trilateral Conference (also known as the Club of 15).

Mr. Lee also summarized some of the areas of controversy in the harmonization context. The U.S. is now the only country with a first-to-invent rule; the rest of the world uses first-to-file. Other areas of controversy include the ability to obtain broadened claims via reissue, the *In re Hilmer*<sup>4</sup> rule for dating a foreign patent cited as a reference, and the best mode requirement.

### PATENT MISUSE

Joseph Fitzpatrick was the last speaker and he addressed the topic of patent misuse. He noted that the new misuse provisions were tacked onto a Patent Office appropriations bill at the end of the 100th Congress and passed without much fanfare and with little legislative history.

Two new paragraphs were added to §271(d). New paragraph (4) codified the case law that said a refusal to license is not misuse. (See *Dawson v. Rohm & Haas*<sup>5</sup> and *Continental Paper Bag*<sup>6</sup>.) New paragraph (5) allows tying a patent license to the acquisition of another patent license or purchase of another product unless the patent owner has "market power" in the relevant market for the patent on which the license or sale is conditioned. The concept of "staple article" is irrelevant under this paragraph, and Congress deliberately left it to the courts to construe "market power" under this new provision. Mr. Fitzpatrick also referred to Justice O'Connor's concurrence in the *Jefferson Parish*<sup>7</sup>, suggesting that merely having a patent does not confer market power.

Mr. Fitzpatrick reviewed the major patent antitrust cases, starting with *A.B. Dick*<sup>8</sup>, the *Motion Picture* case<sup>9</sup>, and the Clayton Act. He noted that Section 271 of the 1952 Patent Act, which was drafted by a group including Judge Rich, was designed to stem the tide of cases like *Merco*<sup>10</sup>, where the antitrust laws were used against patentees. Mr. Fitzpatrick noted that the Federal Circuit has recognized the

different between misuse "tying" and antitrust "tying" in its *Senza Gel* opinion<sup>11</sup>.

Mr. Fitzpatrick observed that one effect of the new legislation permitting tying absent market power, may be extended trials on "relevant market." He mentioned the lengthy trials of this issue in *Digidyne v. Data General*<sup>12</sup> and *U.S. v. DuPont*. He also reminisced about his days at the U.S. Department of Justice Antitrust Division and the work at that time by Giles Rich on the 1952 Patent Act.

Following the speeches, Mr. Kastriner invited the Federal Circuit judges to comment. Judge Rich commented on the need for Federal Circuit judges with a patent law background. Judge Newman remarked that the so-called new developments in damages and preliminary injunctions were in fact just a matter of the Court bringing patent law into line with the rest of the law.

The Federal Circuit Bar Association's next meeting will be in Washington on June 23, the day before the Judicial Conference. A regional meeting in Annapolis, Maryland is planned for the fall ■

## FOOTNOTES

[1] *Hughes Aircraft Co. v. United States*, 717 F. 2d 1351 (Fed.Cir. 1983)

[2] *Pennwalt Corp. v. Durand-Wayland, Inc.*, 833 F.2d 931 (Fed.Cir. 1987).

[3] *Corning Glass Works v. Sumitomo Electric*, \_\_\_ F.2d \_\_\_ 9 USPQ2d 1962 (Fed. Cir. 1989).

[4] *In re Hülmer*, 424 F.2d 1108 (CCPA 1970).

[5] *Dawson Chemical Co. v. Rohm & Haas Co.*, 448 U.S. 176 (1980).

[6] Paper Bag Patent Case [*Continental Paper Bag Company v. Eastern Paper Bag Company*], 210 U.S. 405 (1908).

[7] *Jefferson Parish Hospital Dist. No. 2 v. Hyde*, 466 U.S. 2 (1984).

[8] *Henry v. Dick Co.*, 224 U.S. 1 (1912).

[9] *Motion Picture Co. v. University Film Co.*, 243 U.S. 502 (1917)

[10] *Mercoid Corp. v. Mid-Continent Co.*, 320 U.S. 661 (1944).

[11] *Senza-Gel Corp. v. Seiffhart*, 803 F.2d 661 (Fed.Cir. 1986).

[12] *Digidyne Corp. v. Data General Corp.*, 734 F.2d 1336 (9th Cir. 1984).

# NEWS FROM THE PTO

By George Kaplan

## PATENT STATISTICS: FOREIGN PATENTS

The percentage of patents granted to foreigners by the U.S. Patent and Trademark Office has increased from 46.6% in 1987 to 47.1% in 1988, continuing a trend over the past twenty years. Of 84,272 patents issued by the U.S. Patent and Trademark office in 1988, 39,702 patents were granted to foreigners, with Japan accounting for the largest number, 16,984, which was slightly lower than the 17,288 patents granted to Japanese inventors in 1987. United States inventors were granted 44,570 patents by the U.S. Patent and Trademark Office in 1988, with California inventors receiving the most patents, 6,875. New York inventors received the next largest number of patents from the U.S. Patent and Trademark Office in 1988, namely 3,647, which was slightly lower than the 3,937 patents granted to New York inventors in 1987. New Jersey inventors received 2,777 patents from the U.S. Patent and Trademark Office in 1988, while other states having inventors receiving large number of patents include Illinois (2,612 patents), Pennsylvania (2,560 patents), Texas (2,540 patents), Ohio (2,376 patents), Michigan (2,312 patents), Florida (1,508 patents), and Connecticut (1,492 patents).

In the past 25 years, the percentage of U.S. patents obtained by foreigners has more than doubled. This percentage was 18.6% in 1963, reached the 20% level in 1966, and has steadily increased every year since. If patent grants for plans and designs are excluded, then the 1988 percentage of patents granted to foreign inventors is even higher, totalling 48%. After Japan, inventors from the Federal Republic of Germany received the second largest number of patents, namely 7,501 patents in 1988. Japan replaced the Federal Republic of Germany as the leader among foreign patentees in 1975, and has since maintained this lead. Other countries in which inventors have received a large number of U.S. patents in 1988, include France (2,792 patents), the United

Kingdom (2,756 patents), Canada (1,642 patents), Switzerland (1,2989 patents), and Italy (1,172 patents).

According to Patents and Trademark Commissioner Donald J. Quigg, the Patent and Trademark Office is attempting to counter this increasing trend of patents granted to foreign inventors, through the Project XL outreach program which is aimed at teaching students to think analytically.

## PTO GEARS UP FOR CHANGES

The U.S. Patent and Trademark Office is gearing up for the new regulations coming into effect on November 16, 1989, making it easier for United States residents to register a trademark. As a result of the new procedures to be implemented, a 10% to 30% increase in the number of trademark applications filed is expected by the trademark examining staff. Some 900 computer programs will have to be reviewed and a number of these rewritten, because of required changes in record keeping, while more filing space will have to be provided along with hiring of additional staff. Under the new changes which were signed into law by President Reagan on November 16, 1988 as the Trademark Law Revision Act, filing of trademarks which are *intended* for use in interstate or foreign commerce is allowed. Previously, an application for trademark registration could be filed *only* if the trademark had already been used in such commerce. Furthermore, the term of registrations will be shortened from 20 to 10 years, in an attempt to purge the register of marks which are no longer used. Under these new procedures, a trademark which meets the basic criteria must be used within six months from the date the U.S. Patent and Trademark Office grants preliminary approval. Such period may be extended in six-month intervals up to a total of 2 1/2 years. Once proof has been furnished that a trademark has been so used in commerce, the trademark may be registered.

According to the Patent and Trademark Office Commissioner Donald J. Quigg, these revisions are the most significant changes in more than forty years in the laws governing federal registration of trademarks. A total of 76,813 applications for trademark registration were filed

June, 1989

Dear Association Member:

Re: NYPTC Bulletin Advertising

The Board of directors of the New York Patent Trademark Copyright Law Association (NYPTC) has now endorsed the concept of accepting limited and dignified classified and space advertising in this and future issues of the Bulletin.

The Publications Committee believes that the addition of selected advertising will not only provide a valuable service to our members, but will also generate additional revenue to permit further expansion of this and other NYPTC publications

We are attaching Advertising Guidelines and a rate schedule which have been approved by the NYPTC Board of directors as well as Insertion Sheets for use in placing both space and classified advertising.

We hope that you take the opportunity to use this valuable feature. If you have any questions, please don't hesitate to contact the undersigned.

Gregory J. Battersby  
Chairman, NYPTC Publications  
Committee  
(203) 324-2828

# NYPTC Advertising Guidelines

1. All advertising is subject to the approval of the NYPTC. The NYPTC reserves the right to reject advertising for any individual, firm, or company and will reject any advertising determined not to be in keeping with the standards of the NYPTC Bulletin.

2. Advertisements carried in the NYPTC Bulletin should be informative, useful, and of value to NYPTC members.

3. The NYPTC will accept employment advertising only as classified advertisements, i.e., positions available. Employment advertising will only be accepted from members for employment with their organizations. No third party advertisements will be accepted.

4. All other categories of advertisements shall be as either classified advertisements or display advertisements and these must be related to the practice of law or the operation of a law office. Such advertisements may include, but are not necessarily limited to, the following:

- A) Books or other law office equipment.
- B) Office space.
- C) The availability of technical, marketing, or economic experts.
- D) Investigating services.
- E) Information retrieval.
- F) Computer services.
- G) Patent, trademark and copyright searching services.
- H) Messenger services.
- I) Record keeping services.
- J) Abstract services.
- K) Publications.
- L) Insurance.
- M) Translation services.
- N) Reporting services.
- O) Drafting or drawing services.
- P) Stenographic services.

5) Except for professional employment advertising, the NYPTC will not accept advertisements by U.S. or foreign attorneys or agents.

6) Advertising by which the advertiser violates or enables another to violate the Code of Professional Responsibility shall not be accepted.

# APPELLATE DIVISION

## First Department

The Justices of the Appellate Division, First Judicial Department, do hereby amend Part 603 of the Rules of this Court by rescinding section 603.15 and by substituting therefor the following section '03.15 effective November 30, 1988:

### Sec. 603.15. Fiduciary Responsibility; Maintenance of Bank Accounts; Recordkeeping; Examination of Records

#### (a) Prohibition Against Commingling.

An attorney in possession of any funds or other property belonging to another person, where such possession is incident to his or her practice of law, is a fiduciary, and must not commingle such property with his or her own.

#### (b) Separate Accounts.

Every attorney subject to this Court's rules, who is in possession of funds belonging to another person incident to the attorney's practice of law, shall maintain in a bank or trust company within the State of New York in the attorney's own name, or in the name of a firm of attorneys of which he or she is a member, or in the name of the attorney or firm of attorneys by whom he or she is employed, a special account or accounts, separate from any business or personal accounts of the attorney or attorney's firm, and separate from any accounts which the attorney may maintain as executor, guardian, trustee or receiver, or in any other such fiduciary capacity, into which special account or accounts all funds held in escrow or otherwise entrusted to the attorney or firm shall be deposited.

Other than accounts maintained by an attorney as executor, guardian, trustee or receiver, or in any other such fiduciary capacity, all special accounts as well as all deposit slips relating to and checks drawn upon such special accounts, shall be designated in a manner sufficient to distinguish them from all other bank accounts maintained by the attorney or the attorney's firm.

#### (c) Required Bookkeeping Records.

All attorneys subject to this section shall maintain for seven years after the events which they record:

(1) the records of all deposits in and withdrawals from the accounts specified in subdivision (b) of this section and of any other bank account which concerns or affects their practice of law. These records shall specifically identify the date, source and description of each item deposited, as well as the date, payee and purpose of each withdrawal or disbursement;

(2) a record for special accounts, showing the source of all funds deposited in such accounts, the names of all persons for whom the funds are or were held, the amount of such funds, the description and amounts, and the names of all persons to whom such funds were disbursed;

(3) copies of all retainer and compensation agreements with clients;

(4) copies of all statements to clients or other persons showing the disbursement of funds to them or on their behalf;

(5) copies of all bills rendered to clients;

(6) copies of all records showing payments to attorneys, investigators or other persons, not in their regular employ, for services rendered or performed;

(7) copies of all retainer and closing statements filed with the Office of Court Administration; and

(8) all checkbooks and checkstubs, bank statements, prenumbered cancelled checks and duplicate deposit slips.

All such attorneys shall make accurate entries of all financial transactions in their records of receipts and disbursements, in their special accounts, in their ledger books or similar records, and in any other books of account kept by them in the regular course of their practice, which entries shall be made at or near the time of the act, condition or event recorded.

#### (d) Authorized Signatories.

All special account withdrawals shall be made only by authorized intrastate or interstate bank transfer or by check payable to a named payee and not to cash. Only an attorney admitted to practice law in New York State shall be an authorized signatory of a special account.

#### (e) Availability of Bookkeeping Records; Random Review and Audit.

The financial records required by this section shall be located at the principal New York State office of the attorneys subject hereto. Such records shall be available, at that location, for inspection, copying and determination of compliance with this section, to a duly authorized representative of the court pursuant to the issuance, on a randomly selected basis, of a notice or subpoena by this Court or the Departmental Disciplinary Committee.

#### (f) Confidentiality.

All matters, records and proceedings relating to compliance with this section, including the selection of an attorney for review hereunder, shall be kept confidential in accordance with applicable law, as and to the extent required of matters relating to professional discipline.

#### (g) Regulations and Procedures for Random Review and Audit.

Prior to the issuance of any notice or subpoena in connection with the random review and audit program established by this section, the Departmental Disciplinary Committee shall propose regulations and procedures for the proper administration of the program. The Court shall approve such of the regulations and procedures of the Departmental Disciplinary Committee as it may deem appropriate, and only such regulations and procedures as have been approved by the Court shall become effective.

#### (h) Missing Clients.

Whenever any sum of money is payable to a client and the attorney is unable to locate the client, the attorney shall apply to the court in which the action was brought, or, if no action was commenced, to the Supreme Court in the county in which the attorney has his or her office, for an order directing payment to the attorney of his or her fee and disbursements and to the clerk of the court of the balance due to the client.

#### (i) Dissolution of a Firm.

Upon the dissolution of any firm of attorneys, the former partners or members shall make appropriate arrangements for the maintenance by one of them or by a successor firm of the records specified in subdivision (c) of this section.

#### (j) Records Subject to Production in Disciplinary Investigations and Proceedings.

Notwithstanding any other provisions of this section, records required to be kept by this section shall be produced in response to a notice or subpoena duces tecum issued in connection with a complaint before or any investigation by the Departmental Disciplinary Committee, or shall be produced at the direction of this Court before any person designated by it for review or audit in connection with any plan of review or audit other than that provided by subdivision (e). All books and records produced pursuant to this subdivision shall be kept confidential, except for the purpose of the particular proceeding and their contents shall not be disclosed by anyone in violation of the attorney-client privilege.

#### (k) Disciplinary Action.

Any attorney who does not maintain and keep the accounts and records as specified and required by this section, or who does not produce any such records pursuant to this Part, shall be deemed in violation of these rules and shall be subject to disciplinary proceedings.

#### (l) Annual Certification of Compliance.

During the month of January but not later than Jan. 31 of each year, any attorney subject to this Court's jurisdiction shall file an affidavit with the Clerk of the Court certifying, for the prior year, that the attorney is in compliance with this section. The certification shall be in the following form and shall be available at all times to the Departmental Disciplinary Committee:

State of New York )

County of \_\_\_\_\_ )

(type name) \_\_\_\_\_, being duly sworn, deposes and says:

I am familiar with DR 9-102 of the Lawyer's Code of Professional Responsibility, as adopted by the New York State Bar Association, effective Jan. 1, 1970 as amended, and with section 603.15 of the Court's Rules Governing the Conduct of Attorneys, which requires an attorney to preserve the identity of funds and property entrusted to him or her and to maintain certain records relating thereto.

I certify to this court that I am in compliance with the above provisions of the Lawyer's Code of Professional Responsibility and this court's Rules.

Signature of Attorney \_\_\_\_\_

Signature of Attorney \_\_\_\_\_

Attorney

Firm name \_\_\_\_\_

Office & P.O. address \_\_\_\_\_

Office telephone number \_\_\_\_\_

Home address \_\_\_\_\_

Home telephone number \_\_\_\_\_

Sworn to before me this day of \_\_\_\_\_

ENTER FOR THE COURT

Francis T. Murphy,  
Presiding Justice



# NYPTC Advertising Rates — 1989-1990

## Display Ads

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	1 issue (each ad)	2 issues (each ad)	3 or more issues (each ad)
1 Page:	\$375.00	\$350.00	\$325.00
1/2 Page:	200.00	185.00	170.00
1/3 Page:	150.00	135.00	120.00
1/6 page:	100.00	85.00	70.00

Ads placed for one year receive an additional 20% discount. The ad placement form must accompany the initial ad.

**Note: These ad rates are Agency non-commissionable.**

Mechanical requirements for camera ready copy:

1 Page: 7.5 inches wide by 9.75 inches tall.

1/2 page: 7.5 inches wide by 4.875 inches tall.

1/3 page: 4.875 inches wide by 4.875 inches tall.

1/6 page: 2.25 inches wide by 4.875 inches tall.

Larger sizes in any category will not be accepted. All advertisements must be pre-paid. Advertisers must supply camera ready copy. Photocopies will not be accepted.

## Classified Ads

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.25¢ per word, prepaid minimum charge of \$10.00. Copy must be single spaced on 8 1/2 by 11 inch plain white paper, or the text may be typed, justified, in the space provided for on the following page.

# NYPTC Advertising Insertion Form

Advertiser's Firm or Company Name: \_\_\_\_\_

Address: (Street, Box, Suite Number, City, State, Zip, Country, Foreign Country Mailing Code)

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Telephone, Fax and Telex Numbers:**

Tel: ( ) \_\_\_\_\_ Fax: ( ) \_\_\_\_\_ Telex: \_\_\_\_\_

Contact: \_\_\_\_\_

**Issues you wish advertisement to appear:**

- |  |                                       |
|--|---------------------------------------|
| <input type="checkbox"/> May/June 1989 | <input type="checkbox"/> Nov/Dec 1989 |
| <input type="checkbox"/> July/Aug 1989 | <input type="checkbox"/> Jan/Feb 1989 |
| <input type="checkbox"/> Sept/Oct 1989 | <input type="checkbox"/> March/April  |

**Size:**

**Space Ad (Camera Ready Ad Attached):**

- 1 Page: 7.5 inches wide by 9.75 inches tall.
- 1/2 page: 7.5 inches wide by 4.875 inches tall.
- 1/3 page: 4.875 inches wide by 4.875 inches tall.
- 1/6 page: 2.25 inches wide by 4.875 inches tall.
- Classified Ad.** Please type text below in the space provided, or attach a typed sheet of plain 8-1/2 x 11 paper; photocopies will *not* be accepted. The fee is .25¢ per word, with a \$5.00 minimum: please be sure you have enclosed the correct amount.

Classified Ad Text

Enclosed is our prepayment of \$ \_\_\_\_\_ .00 U.S. Dollars by check drawn on a U.S. Bank  
Authorized Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**Send To:**

Gregory J. Battersby, Editor  
NYPTC Bulletin,  
P.O.Box 1311,  
Stamford, CT 06904

in fiscal year 1988, with 52,461 registrations being granted in that year. Average time to obtain a trademark registration was 13.3 months from the time the application was initially filed.

### NEW AUTOMATED SEARCH SYSTEMS TO BE MADE AVAILABLE THIS SPRING

Brand new automated search systems will be made available by the U.S. Patent and Trademark Office to the public this spring, for providing faster and more accurate information about patents and trademarks, ensuring that more complete files will be available to the public. A limited number of electronic data terminals for viewing information contained in patent and trademark documents, will be available in the U.S. Patent and Trademark office search room in Crystal City, Virginia. Free classes on how to use such terminals are now being offered, with training slots being allocated through a lottery-type drawing.

The information which will be available to the public, will be the same information that is now being used by examiners at the U.S. Patent and Trademark Office. For example, information from all registered trademarks, pending trademark applications, and the text of patents dating from 1975, will be available by way of this automated system. Work is presently under way on a related system to include the drawings and text of *all* U.S. patents dating back to the year 1790! These new systems are part of an extensive program to automate the files of the U.S. Patent and Trademark Office so that both the staff and the general public can deal with the more than 28 million documents filed at the U.S. Patent and Trademark Office.

Previously, users of the public search rooms at the U.S. Patent and Trademark Office in Crystal City, Virginia, have had to depend on traditional paper copies of both patents and trademarks, to determine what patents have been issued in a particular field of technology, and concomitantly what trademarks have been registered. Thus, the new automated systems are clearly a tremendous improvement. ■

## PENDING LEGISLATION

By David J. Lee and Edward P. Kelly

### PATENT BILLS Experimental Testing of Patented Medical Devices

The Drug Price Competition and Patent Term Restoration Act of 1984 amended the patent laws to permit term extensions for patents on pharmaceutical drugs. Congress did so because drugs often required years of FDA testing before they could be commercialized.

The 1984 Act also amended 35 U.S.C. 271(e) to provide that a manufacturer of a generic drug, corresponding to a patented drug, would not infringe a patent on that drug if he began FDA testing of the generic drug prior to the expiration of the patent. A head start in the FDA approval process avoids a delay in introducing the generic drug into the marketplace once the corresponding drug patent has expired.

A recent decision in the Eastern District of Pennsylvania (*Eli Lilly & Co. v. Medtronic, Inc.*, 5 USPQ2d 1760 (E.D.Pa. 1987)), held that the infringement exemption provided by Section 271(e) for FDA testing did not apply to medical devices. In response to this decision, Senator DeConcini (D-Ariz.) introduced the "Medical Technology Competition Act of 1989" (S. 622). This bill would amend Section 271(e) to exempt from infringement the testing of medical devices for FDA purposes. DeConcini stated that his bill would clarify the law with respect to medical devices and balance the rights of patent holders with the public benefit of increased competition immediately upon expiration of the patent. (See Cong.Rec. 3/16/89 p.S2861) DeConcini also stressed that the amendment would have an immediate effect on use of the medical devices by physicians:

Even more alarming than the evident legal unfairness with the state of the law at this point is its apparent effect of prohibiting physicians from conducting clinical evaluations of state-of-the-art experimental medical devices that are desperately needed to treat serious heart conditions. A number of well-respected physicians at this country's leading hospitals and medical institutions have told me of seriously ill

patients in need of an experimental medical device that cannot be used because it infringes the patent of a device already on the market. These physicians are, in effect, being blocked from practicing medicine to the best of their ability. The patients are immediate losers in this situation. We should also realize that, to a degree, we all are losers—because technological innovation is hampered, because medical progress is slowed, and because free competition and the ability to experiment are obstructed. (See Cong.Rec. 3/16/89, p.S2861)

Senator DeConcini's bill was referred to the Senate Committee on the Judiciary for hearings in April. Prior to the hearing date, however, the Federal Circuit reversed the *Medtronic* decision. (*Eli Lilly & Co. v. Medtronic, Inc.*, 10 USPQ2d 1304 (Fed.Cir. 1989).) The Judiciary hearings were not held as scheduled and it appears questionable whether further action will be taken on the bill in light of the Federal Circuit's decision.

### Animal Patenting Update

Genetically altered animals are currently considered useful for two purposes: (1) as animal models with traits desirable for studying human beings and (2) as more productive agricultural animals. In April 1987, the PTO stated that it intended to issue patents on genetically altered animals (other than humans). To date, the PTO has issued one animal patent — covering a mouse genetically engineered to be susceptible to carcinomas. The Office of Technology Assessment (OTA) recently reported that 44 other animal patent applications are pending.

The PTO's action on animal patents touched off a debate during the last Congress as to whether patents should issue on animals. Support for animal patents came from the Administration, medical organizations (i.e., The National Coalition for Cancer Research among others), private industry, (i.e., the Industrial Biotechnology Association among others), and the legal community, including the ABA and the AIPLA. Opposition on ethical grounds was raised from animal rights groups such as the Animal Legal Defense Fund and the ASPCA. Small farmers also opposed animal patenting because they anticipated that use of patented animals in the ordinary course of farming would expose them to liability for infringement.

In the last Congress, Representative Kastenmeier (D-Wis.) introduced two bills in support of the PTO's decision to allow animal patenting (H.R. 4970 and H.R. 4971). H.R. 4970 would continue to allow the patenting of transgenic animals. The bill defines a transgenic animal as an animal whose germ cells contain genetic material originally derived from another animal other than its parent. The bill would amend 35 U.S.C. 271 to provide an infringement exemption for small farmers using, selling or breeding transgenic farm animals. The bill would also clarify that humans are not patentable and amend Section 112 to provide that the Commission could accept a deposit of biological material to satisfy the enablement requirement of Section 112.

H.R. 4971 would create a Biotechnology Science Coordinating Committee within the Office of Science and Technology Policy in the Executive Office of the President to coordinate and develop policy on animal patenting. The bill also provides for government regulation of genetically altered animals used in biomedical research and of the release of altered animals into the wild.

Representative Kastenmeier recently introduced identical legislation (H.R. 1556 and H.R. 1557). Both bills have been referred to the House Judiciary Committee.

### Patent Licensing Update

In the last Congress, the Senate approved a bill (S. 438) that would prohibit courts from holding intellectual property licensing arrangements *per se* violations of the antitrust laws. The bill also would eliminate the judicially created doctrine of patent misuse, except in those instances where the licensing arrangement violated the anti-trust laws. The law ultimately enacted, however, only declared that two types of licensing arrangements would not be deemed to constitute patent misuse. See NYPTC March/April 1989 at 2.

The Senate recently approved a bill (S. 270) identical to S.438. The debate on licensing apparently will continue in this Congress.

## TRADEMARK BILLS

### Gray Market Update

A gray market good is manufactured abroad and bears a legitimate foreign trademark identical to a legitimate domestic trademark. Federal laws currently prohibit the importation and sale in the United States of gray market goods. Until recently, however, a Customs Service regulation allowed the importation of certain gray market goods. The regulation allowed the gray market good to be imported if the domestic and foreign trademarks were owned by the same or affiliated companies or if the domestic trademark owners had authorized the foreign importer to use the mark. A Supreme Court decision subsequently struck down the regulation to the extent that it allowed importation based upon the authorized use of the mark. See NYPTC January/February 1989 at 3.

Last year, the House and Senate extensively debated the propriety of allowing gray market importations. The first bill (H.R. 771) introduced this year by Representative Chandler (R-Wash.) favored gray market importation. See NYPTC March/April 1989 at 2.

Senator Hatch (R-Utah) recently introduced the "Trademark Protection Act of 1989" (S. 626). This bill would prohibit the importation of all gray market goods. The bill is identical to a bill (S. 2903) introduced by Senator Hatch last October.

### Hollywood Law

In 1986, the Hollywood Chamber of Commerce attempted to register the name "Hollywood." The purpose behind the registration apparently was to use the mark to raise revenues. The application was temporarily abandoned when the City of Hollywood, Florida strenuously objected.

Representative Lawrence Smith (D-Fla.) recently introduced legislation (H.R. 1172) that would amend the trademark laws to prohibit the registration of the name of a municipality or other political subdivision of any State of the United States. The bill would amend Section 2 of the Trademark Act of 1946. It has been referred to the House Judiciary Committee.

## COPYRIGHT BILLS

### State Immunity from Copyright Infringement Suits

The Eleventh Amendment grants States immunity from damage suits in federal courts. Congress may abrogate this immunity through legislation. In 1985, the Supreme Court adopted a strict test for determining whether Congress intended to eliminate State immunity. The party arguing against immunity must demonstrate that the Congressional intent to eliminate immunity is unmistakably clear in the language of the statute.

The First, Fourth and Ninth Circuits, as well as some district courts, have held that the Eleventh Amendment bars a copyright infringement action against a State. These decisions held that Congress did not make its intention to eliminate State immunity unmistakably clear in the Copyright Act. The Supreme Court recently denied *certiorari* of the Fourth and Ninth Circuit decisions (see *Richard Anderson Photography v. Radford University*, 853 F.2d 114 (4th Cir. 1988), cert. denied U.S.Sup.Ct. No. 8-651 2/21/89; see *B.V. Engineering v. University of California, Los Angeles*, 868 F.2d 1394 (9th Cir. 1988), cert. denied No. 88-1099. Since the Copyright Act grants the federal courts exclusive jurisdiction over copyrights, these decisions mean that States cannot be sued for copyright infringement.

Critics of these decisions argue that State immunity impairs creative incentive and business investments in copyright industries. The critics urge that immunity injures educational publishers who can sue private universities for infringement, but cannot sue state owned universities.

Last June, Representative Kastenmeier (D-Wis.) asked the Copyright Office to study the effect of Eleventh Amendment immunity on copyright enforcement. The report concluded that Congress intended to eliminate State immunity for copyright infringement. The report also concluded that were States not held liable for copyright infringement, there would be immediate harm to copyright owners and authors, especially in the area of state educational publishing. The report recommended that Congress amend Section 501(a) and 901(a) of the Copyright Act to state, clearly, that States

are liable for copyright infringement. The report recommended in the alternative, an amendment to 28 U.S.C. 1338(a) to provide for copyright infringement suits in State courts.

In response to the Copyright Office report, Representative Kastenmeier and Senator DeConcini (D-Ariz.) recently introduced identical bills in the House (H.R. 1131) and Senate (S. 497) that would amend the Copyright Act to clearly state Congress' intent to eliminate State immunity from copyright infringement actions. The bills, both entitled "The Copyright Remedy Clarification Act", would amend Sections 501(a) and 901(a) to provide that the term "anyone" includes

"any state or thought encompassed not only the Federal government but also state and local government. Until the recent application of the Supreme Court's strict test of 11th amendment abrogation, it seemed clear that the language and history of the 1976 statute reflected Congress' intent to hold states responsible under the Federal copyright law. See Cong. Rec. 2/27/89, P.E24."

The House Subcommittee on Courts, Intellectual Property and the Administration of Justice recently held hearings on H.R. 1131. Ralph Oman, Register of the Copyright Office, testified in support of the bill, reiterating the Copyright Office's findings. In his opening remarks, Representative Kastenmeier noted that the Supreme Court recently heard oral argument in a case that challenged Congress' power to eliminate State immunity through legislation. (See *United States v. Union Gas* 832 F.2d 1343 (3rd Cir. 1987), cert. granted *Pennsylvania v. Union Gas Co.*, 56 USLW 3647. Kastenmeier stated that he is awaiting his decision for guidance on the extent of Congress' power with respect to the Eleventh Amendment.

### COPYRIGHT REGISTRATION FEES

Ralph Oman, Register of Copyrights, recommended an amendment to the Copyright Act that would double the current copyright fee schedule. Testifying before the House Subcommittee on Courts, Intellectual Property and the Administration of Justice, Oman stated that inflation has cut the real price of fees by 50 percent.

In response to this recommendation, Representative Kastenmeier (D.Wis.), the head of the Subcommittee, recently intro-

duced legislation (H.R. 1621 and H.R. 1622) to amend Title 17 to raise copyright fees, raising the fee from the current \$10.00 to \$20.00. The bill also contains a provision for increasing the fees every five years to compensate for inflation. The first increase would not occur until 1995.

H.R. 1621 relates to the number of Commissioners serving on the Copyright Royalty Tribunal. The Tribunal is composed of five Commissioners but only three Commissioners are currently employed. Representative Kastenmeier's bill would conform the Tribunal to its current working number, by amending Section 802(a) of the Copyright Act to provide for three Commissioners. ■

## NEWS FROM THE BOARD OF DIRECTORS

By Howard B. Barnaby

At its February 21, 1989 meeting, the Board received the report of the Nominating Committee as follows:

#### Officers:

President: John B. Pegram  
President-Elect: Frank F. Scheck  
1st Vice President: Peter Saxon  
2nd Vice President: M. Andrea Ryan  
Treasurer: Howard B. Barnaby  
Secretary: Pasquale A. Razzano

#### Additional Board Members:

Martin E. Goldstein  
Thomas L. Creel  
Stanley J. Silverberg

The Board next considered the subject of advertising in the Bulletin and a proposal by the Publications Committee as to the guidelines for such advertising. The general consensus of the Board was to accept advertising in the Bulletin, and the Committee was directed to prepare specific guidelines and an advertising rate sheet for consideration at the next Board meeting.

The Board devoted the remainder of the meeting to a discussion of the committee structure for the coming year. Consideration was given to formation of new committees directed to federal practice, antitrust and legislative oversight. The meeting closed with committee status reports from

the respective Board liaisons.

At the March 21, 1989 Board meeting, a report was given on the status of the NYPTC's Bicentennial Patent Exhibit. The exhibit is presently in the Eastern District of Pennsylvania and consideration was given to moving the exhibit to the Eastern District of New York. The Foundation for Creative America had also requested the exhibit for its Bicentennial celebration from May 8-11, 1990. The Board authorized allocation of funds for moving the exhibit to the Eastern District of New York and asked that consideration be given to finding a permanent home for the exhibit.

The Board next considered a report on the candidates for the 1989 Inventor of the Year Award. The Board decided to vote on the candidates at its next meeting.

The report was then given on the WIPO Harmonization Meeting scheduled for April 24, 1989. It was agreed that the Harmonization Committee would meet and provide a proposed resolution for the Board's consideration at its next meeting.

The Board next considered the issue of advertising in the Bulletin. The Board unanimously endorsed the concept of limited advertising at the back of the Bulletin in accordance with the guidelines proposed by the Publications Committee. ■

## USES AND MISUSES OF SURVEY RESEARCH IN LITIGATION

By Robert C. Sorenson, Ph.D.

Dr. Robert C. Sorenson is President of Sorenson Marketing/Management Corporation in New York City and Professor of Marketing at Rider College in Lawrenceville, New Jersey. He has testified concerning his own research and others in dozens of cases. The following are excerpts from the talk he gave on February 24, 1989 at the New York Patent, Trademark and Copyright Lawyers Association.

Survey research is becoming a greater responsibility than ever for lawyers in litigation. It has not only become increasingly acceptable to the Courts in trademark litigation, but it is finding wider applications than ever — with potential uses in certain copyright and patent disputes as well. For

example, the uses of content analysis in genericism and plagiarism cases no longer seems as far fetched as it did to some when my brother and I first proposed assessing the probability or chance occurrence of one communication copying another. (See Robert D. Sorenson and Theodore C. Sorenson, "Re-Examining the Traditional Legal Test of Literacy Similarity," *Cornell (University) Law Quarterly*, Vol. 37, No. 4, 1952).

And the uses of survey research, differently focused and more specifically worded, also apply to studying the question of obviousness in patent infringement cases.

But one growing responsibility for lawyers in using survey research experts involves the uses and misuses of research evidence. The major misuses of research is to apply it to an undertaking in which it proves to be unworkable. Better to use research experimentally in modest fashion early on in order to learn whether or not a meaningful universe (population) can be defined, whether questions can be asked that respondents and interviewers understand, whether questions can be used without bias or at least with a minimum of bias, and whether or not information can be gathered that is relevant to the case and of some use to the lawyer in pressing ahead with one's case. If the answer early emerges as "No" at any one of these stages, it is better to concede that research is not the alternative way and that the expert either testify from a marketing perspective or not be asked to design evidence at all.

It is the absence of experimental research that frequently causes the attorney to rely on his survey research expert at trial without the expert having developed a sound reason for the attorney's doing so. Under these circumstances research is very likely to be misused once the results of an ill-planned project begin to reflect faulty methodology, absence of adequate research conceptualization, or the use of one or more faulty questions that are misleading or otherwise biased.

### SAMPLE TECHNIQUE & SIZE

A second problem emerging in marketing research evidence proffered in the Courts is sample technique, sample size and the claims that are frequently being made about the worth of a sample. I offer

these four propositions:

1. A sample is *not* a probability sample unless the population is defined in such a way, *and* unless the sample is drawn in such a way, that every member of the population has an equal or known chance of being included in the sample.

2. The absence of a probability sample, regardless of other considerations, means that the results of a survey cannot validly be statistically projected to the entire population with any degree of certainty, including the prediction of sampling error.

3. In an intercept survey or convenience sample whereby a particular population is intercepted in some manner, no statistical projection can be made validly to the population of relevant people patronizing mall shopping centers. In other words, the results cannot be statistically projected beyond the people who were interviewed.

4. Certainly marketing interference can be made from the survey results to other groups concerning results were other groups to be asked the same questions. However, these interferences are not demonstrably valid and their correctness depends on the acumen of the person making the inference, the nature of the generalization being made, and available knowledge about the relevant perceptions and behavior of those to whom the generalizations are extended.

This not a veto of intercept surveys or convenience samples and a vote for probability samples, both of which I use. Business and the Courts both make strong use of the intercept survey. Moreover, the probability sample survey often suffers problems in achieving a meaningful completion rate. The salient requirement for use of the probability sample, as previously mentioned, is that every member of the defined population have an equal or known (calculable) chance of being included in the sample. Categories of people are sometimes substantially underrepresented for reasons that may have a bearing on what they would have said in reply to the surveyor's questions. If we do not know who is missing, i.e., who possessing certain attributes are lost to our probability sample selection and whose resulting perceptions are in turn lost to our findings, we shall not know what we have lost. Such attributes as these are impossible to weight for, because we cannot always identify the people or

preditor-attributes they stand for.

Obvious problems of probability sample completion rates today are characterized by inaccessible numbers of people who are constantly moving, institutionalized, unwilling to answer their doors, guarded by gatemen, doormen, security guards, secretaries, and walls or housing developments for the rich and for the poor. When the telephone is used instead of the visit to the household, the telephone cannot yet be used to show people a package or a product or an advertisement.

### THE CONTROL

More use needs to be made of the "control," a research device used to identify findings that are *not* relevant to the issue at hand. Typical research still utilized in today's litigation assumes that the results of presenting a respondent with a stimulus are unique only to that stimulus. But I have found in confusion cases, for example, that people can confuse other brands with the same sources, not just the accused single brand of my client. The first means of controlling for "noise," i.e., factors that cause people to reach conclusions or have perceptions that are irrelevant to the problems at issue in a legal case, is to inquire of people what causes them to say what they do. Lawyers are sometimes fearful of asking this question of "What causes you to say that?" because they do not know what the response will be. On the other hand, if the only reason a person gives for attributing the source of one brand of another is "They make all soft drinks" or "I have never heard of anyone else," nothing about the appearance of the item causes them to identify it with the source they named. A requirement that a person give a reason concerning the item's appearance for his/her identification, or say "I don't know," will remedy the matter.

A second, more demanding form of control is to learn, again for example in a confusion survey, whether or not people will be similarly confused by a brand with respect to source even when the brand does not share the key attribute in question. Consider a case in which a brand is accused of being designed so that it would seem to come from another source. A survey can be done of people's response to still a third brand that has not been accused of having

confusing characteristics. I have done this and found that the third item that I used in my survey was frequently confused with the source in question almost as often as my client's product in a plaintiff's survey. Accordingly, my survey raised serious questions about whether it was legitimate to say that my client's product was confusing, particularly if the same reasons are offered by the survey respondents. What I did was to utilize a split group control device whether two like groups had been presented with different stimuli in order to determine whether or not their mistaken source perceptions existed and, if so, were similar or different and for what reasons.

Finally, it is important to utilize controls such as reason-questioning or the introduction of a new stimulus in order to see whether or not the confusion in question is actionable or not. Should evidence of guessing be actionable confusion under the Lanham Act if the guess is not attributable to a particular characteristic of the mark? What if a person simply misunderstands an advertising message? Or does not see it clearly? Or confuses a non-functional characteristic? Are these examples of actionable confusion or examples of confusion that are not relevant to the issues at hand.

Apart from time and money considerations which of course can be persuasive, the attorney's major fear is discovery. Consideration should be given to providing experimental research with a clear label of attorney work product so that the survey expert's experimental work, competent or bungling, need not always be exposed and subject to the sporting theory of cross examination that says every technique not used and every finding not introduced must somehow detract from the legitimacy and validity of research evidence that is offered.

These and many other issues of research use and misuse in surveys for litigation are not easy to fathom or resolve. Such issues are why many lawyers prefer the utterly simplistic questionnaire which reveals little and, in fact, generates results that are not productive. I, for one, believe we must continue to experiment with survey questions that enable us to drive for meaningful survey answers. ■

## RECENT DECISIONS OF INTEREST

By Thomas A. O'Rourke

### PATENTS—INEQUITABLE CONDUCT

The patent in *Merck & Co. v. Danbury Pharmacal, Inc.*, 38 BNA PTCJ 13 (Fed. Cir. 1989), was held to be unenforceable because of inequitable conduct even though the patent was non-obvious. The district court found that while the patent was non-obvious in view of the prior art drug amitriptyline, Merck had intentionally withheld the prior art compound and misrepresented the side effects of the patented drug to the Patent Office in distinguishing the prior art.

Merck argued that the district court's holding of non-obviousness and the conclusion that the prior art drug was material were inconsistent. The Federal Circuit rejected the argument and held that even though the patented drug may be superior in certain aspects over the prior art this does not render the prior art cumulative or even make it immaterial.

Merck also argued that misrepresentation about the drug's drowsiness side effects were immaterial. Merck contended that the fact the patented drug had side effects were immaterial to the drug's overall ability to relax muscles without reducing their tone. Merck argued that since the Examiner did not reply on the misrepresentation, there was no inequitable conduct. In rejecting the argument the Federal Circuit stated:

"To be material, a misrepresentation need not be relied on by the examiner in deciding to allow the patent. The matter misrepresented need only be within a reasonable examiner's realm of comprehension."

### PATENTS—BENEFIT OF FOREIGN FILING DATE

In order to obtain the benefit of the foreign filing date to avoid a prior art reference and establish an earlier effective filing date, the foreign patent must support the claims in the manner required by §112. This was the conclusion reached by the Federal Circuit in *In re Gosteli*, 37 BNA

PTCJ 665 (Fed. Cir. 1989), where the Court held that under §119 the claims of a U.S. application are entitled to the earlier filing date only if the foreign priority application supports the claims. In reaching this conclusion, the Federal Circuit stated:

"The reference to the 'invention' in section 119 clearly refers to what the claims define, not what is disclosed in the foreign application. \* \* \* Section 119 provides that a foreign application 'shall have the same effect' as if it had been filed in the United States. \* \* \* Accordingly, if the effective filing date of what is claimed in a United States application is at issue, \* \* \* the foreign priority application must be examined to ascertain if it supports, within the meaning of section 112, ¶1, what is claimed in the United States application."

### PATENTS—STIPULATION OF DISMISSAL

In a suit involving a patent, *Hartley v. Minnesota Mining & Manufacturing Co.*, 222 USPQ 590 (C.D. Calif. 1983), the court found that the patent was invalid under 102(b) for being unsafe. The parties negotiated a settlement and entered into a stipulated judgment dismissing the infringement claim with prejudice.

The patent owner brought a subsequent action against another infringer. The infringer defended on the ground that plaintiff was precluded from relitigating the issue of patent validity and the district court granted summary judgments.

The Federal Circuit in *Hartley v. Mentor Co.*, 37 BNA PCJ 563 (Fed. Cir. 1989), affirmed the grant of summary judgment and held that the preclusive effect of the ruling of invalidity survives a later stipulated judgment. The court noted that entry of the stipulation does not remove the effect of the court's determination of specific issues in the litigation. According to Federal Circuit, Hartley should have had the Court in the 3M action vacate its order in order to avoid a ruling of collateral estoppel in a later action. ■

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The New York Patent, Trademark and  
Copyright Law Association, Inc.  
May/June Volume 29 Number 5

The BULLETIN is published periodically for the members of the New York Patent, Trademark and Copyright Law Association. Annual Non-Member Subscription is \$15.00/yr. Single copies \$2.00. Correspondence may be directed to the Bulletin Editor, Gregory J. Battersby, P.O. Box 1311, 184 Atlantic Street, Stamford, CT 06904-1311. Telephone No. (203) 324-2828.

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