



THE NEW YORK PATENT, TRADEMARK AND
COPYRIGHT LAW ASSOCIATION

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PRESIDENT'S CORNER

GATT AND A PROPOSED PATENT COURT

As a member of the General Agreement on Tariffs and Trade (GATT), the United States is obliged to treat imported products no less favorable than products of domestic origin. The European Community complained that section 337 of our Tariff Act, providing special patent dispute procedures and remedies before the U.S. International Trade Commission for imported products, was inconsistent with GATT. A three member panel established by GATT reported in November 1988 that section 337 was inconsistent with GATT in several respects because it accords less favorable treatment to imported products challenged as infringing United States patents than U.S. law accords to similarly challenged products of U.S. origin.

After stalling for about a year, the United States permitted the GATT report to become final in late 1989 and began exploring changes in our law to comply with GATT. Carla A. Hills, the U.S. Trade Representative (a Cabinet Rank position), was assigned to lead this effort. The schedule calls for establishment of a position by this summer, negotiation of its acceptability as part of the Uruguay Round of negotiations on Trade-Related aspects of Intellectual Property (TRIPs) this fall and enactment of legislation on a mandated fast schedule in early 1991.

PATENT TRIAL COURT PROPOSED

In January 1990, the Trade Representative proposed five alternative ways of addressing the GATT panel objections to our section 337 procedure. (39 PTCJ 259, 271). First on the list, and reportedly first in the Trade Representative's mind, would be

the establishment of a specialized trial level Patent Court to hear all patent litigation including patent-based section 337 investigations and cases now tried in the district courts. The other proposals include establishment in Washington of a patent division of the Court of International Trade (CIT) to handle section 37 patent-based actions and counter claims, and three different proposals for transfer of part or all of the proceedings from the ITC to a district court or CIT division either at the outset of proceedings, or after the preliminary relief stage, or after and adjudication of violation.

NYPTC TASK FORCE

Your Association has established a Task Force including representatives of the

Litigation and U.S. Patent Law committees, and the Board of Directors to draft a response to the Trade Representative's request for comments. The Board will take a position on this important subject at its March 20th meeting.

The reactions that I have received to date from our members have been uniformly opposed to establishment of a Patent Court at the trial level and to letting the pressure of a need to reform the procedure in perhaps 20 ITC cases per year adversely affect the over 1200 patent infringement actions filed each year. Please let your officers and directors and the Trade Representative know your opinion on this important subject.

John Pegram, President

CALENDAR OF EVENTS

April 4-5, 1990

ABA-PTC: Annual Spring Educational Program (Arlington, Virginia)

April 19, 1990

NYPTC: Luncheon Meeting (Tentative)

April 25-28, 1990

USTA: Annual Meeting (Nashville, Tennessee)

May 6, 1990

NYPTC: Annual Meeting (Tentative)

May 8-11, 1990

Celebration of the Bicentennial of the Patent and Copyright Law (Washington, D.C.)

May 10, 1990

IPO and U.S. P.T.O.: Annual Conference for Inventors & Entrepreneurs (Washington, D.C.)

IPO: Inventor of the Year Award Ceremony (Washington, D.C.)

May 11-13, 1990

Williamsburg Congress: Virginia State Bar Assoc. (Williamsburg, VA)

May 31, 1990

Annual Judicial Conference for the Court of Appeals for the Federal Circuit (Washington, D. C.)

INTELLECTUAL PROPERTY DEVELOPMENTS: TRADEMARKS

PART TWO OF A TWO PART REPORT BY THE FOREIGN TRADE MARK LAW AND PRACTICE COMMITTEE

COMMENTARY

Article 9 provides that the proprietor of a registered (or, in certain circumstances, unregistered) trade mark may lose his right to prevent the use of a later similar or identical trade mark under Article 5 or to oppose or attempt to invalidate the registration of a later trade mark, where he has acquiesced, for a period of five successive years, in the use of the later trade mark in question. The period of five years commences upon the proprietor becoming aware of the infringement. The introduction of a fixed period of acquiescence represents a departure from the laws of most Member States (with the exception, in particular, of West Germany and Italy), some of whom recognize the concept of acquiescence but have no definite time limits (e.g., the U.K., Benelux and Denmark) and some of whom (e.g., France) do not recognize the concept at all.

Article 9 (2) allows for the above laws of acquiescence to apply to some of the situations mentioned in Article 4 (iv). The rights lost through acquiescence would thereby include the right to prohibit the registration of a subsequent trade mark in circumstances where the right which arises is other than that which a proprietor of a similar or identical registered trade mark would have.

ARTICLE 10 USE OF TRADE MARKS

1. If, within a period of five years following the date of the completion of the registration procedure, the proprietor has not put the trade mark to genuine use in the Member State in connection with the goods or services in respect of which it is registered,

or if such use has been suspended during an uninterrupted period of five years, the trade mark shall be subject to the sanctions provided for in this Directive, unless there are proper reasons for non-use.

2. The following shall also constitute use within the meaning of paragraph 1:

a) Use of the trade mark in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered;

b) affixing of the trade mark to goods or to the packaging thereof in the Member State concerned solely for export purposes.

3. Use of the trade mark with the consent of the proprietor (or by any person who has authority to use a collective mark or a guarantee or certification mark) shall be deemed to constitute use by the proprietor.

4. In relation to trade marks registered before the date on which the provisions necessary to comply with this Directive enter into force in the Member State concerned:

a) where a provision in force prior to that date attaches sanctions to non-use of a trade mark during an uninterrupted period, the relevant period of five years mentioned in paragraph 1 shall be deemed to have begun to run at the same time as any period of non-use which is already running at that date;

b) where there is no provision in force prior to that date, the periods of five years mentioned in paragraph 1 shall be deemed to run from that date at the earliest.

COMMENTARY:

Paragraph 1 represents the typical use requirement found in most European trade mark statutes: A registration can be revoked if the mark is not in "genuine use" during any period of five years.

Notice that the language of Paragraph 1 appears to make it an absolute requirement that use be started within the first five years following registration, e.g., "... if such use (made during those years) is suspended..." The suggestion is that if there is no use during those first five years, use commenced subsequently will not "cure" the previous non-use. This provision could make any registration of a mark which was not used within the first five years follow-

ing registration perpetually vulnerable to revocation.

However, Article 12 of the Directive entitled "Grounds for Revocation," provides that the sanction of revocation is not available if use is commenced or resumed prior to initiation of an action to revoke. Thus, in practice use can cure non-use. An exception, however, is if the commencement or resumption of use is less than three months prior to start of the revocation proceeding and "... preparations for (such use) occur only after the proprietor becomes aware that ... revocation may be filed."

The basic question here is what is "genuine use," especially if started only shortly prior to an action for revocation? What constitutes "awareness" and "preparations," for use? What are "proper reasons for non-use?" These questions are presumably left for the courts to decide.

Although non-use during the initial five-year period can be cured, it appears that registrants would be well-advised to begin at least some use within the initial five year period. Use within the first five year period would presumably preclude issues about the proprietor's being "aware" and his "preparations."

Paragraph 2 provides some latitude on what constitutes "use." A mark need not be used precisely in the form as registered; it is sufficient to affix the mark to goods in a Member State if its "distinctive character" is used. Also, applying the mark is good use in the Member State concerned (i.e., country of registration) even if all of the goods bearing the mark are exported.

Paragraph 3 provides that "use" by a licensee or related company shall be deemed to constitute use by the registrant: "Use of the trademark with consent of the proprietor [or by any person who has authority to use a collective mark or a guarantee or certification mark] shall be deemed to constitute use by the proprietor." (Emphasis added.)

However, registrants should take care to observe national licensing requirements, e.g., formal registered users as required in the U.K., versus an informal or even oral license which may be sufficient in France.

Paragraph 4 is designed to avoid prejudice, vis-a-vis required use, with respect to registrations existing at the effective date of the new legislation required by the Directive. If at that date any period has started to

run when use must be made, then the five-year period of Article 10 shall be deemed to be started at the same time. If there is no such period under the prior law, then the periods of Article 10 will not begin earlier than the effective date.

If a registered mark is not in use as to all of the goods for which a mark is registered, then Article 13 allows for partial revocation under Article 12 as to the goods for which the mark is not being used.

From a comparative viewpoint, the Member State which will most radically have to change its present law in this area is Denmark, since it currently makes no provision for revocation because of non-use. The Directive does, however, adopt the most popular period for non-use among the Member States. No mention is made in Article 10 of "associated" marks which apply in the U.K., Ireland and, to a certain extent, Greece. In those countries, use of one "associated" mark simultaneously constitutes use of the other trade marks "associated" with it, for the purposes of statutory non-use provisions. Whether these special provisions will still be allowed to apply after the date set for implementation of the Directive remains to be seen.

One of the most significant points in Article 10 is that existing registrants are given a grace period of five years in which to make or resume making genuine use of the registered mark.

Submitted by Garo A. Partoyan, Esq., Mars, Inc. with additional comments by John R. Olsen, Esq.

ARTICLE 11

SANCTIONS FOR NON-USE OF A TRADE MARK IN LEGAL OR ADMINISTRATIVE PROCEEDINGS

1. A trade mark may not be declared invalid on the ground that there is an earlier conflicting trade mark if the latter does not fulfill the requirements of use set out of Article 10(1), (2) and (3) or in Article 10(4), as the case may be.

Any Member State may provide that registration of a trade mark may not be refused on the ground that there is an earlier conflicting trade mark if the latter does not

fulfill the requirements of use set out in Article 10(1), (2) and (3) or in the Article 10(4), as the case may be.

3. Without prejudice to the application of Article 12, where a counterclaim for revocation is made, any Member State may provide that a trade mark may not be successfully invoked in infringement proceedings if it is established as a result of a plea that the trade mark could be revoked pursuant to Article 12(1).

4. If the earlier trade mark has been used in relation to part only of the goods or services for which it is registered, it shall, for purposes of applying paragraphs 1, 2 and 3, be deemed to be registered in respect only of that part of the goods or services.

COMMENTARY

This Article contains four sections dealing with the effect of an earlier identical or confusingly similar "trade mark," (which is understood to mean "registered trade mark") that might be cited in *inter partes* actions or during examination of an application for registration.

A general principle underlying Article 11 is that a prior registration of a conflicting trade mark cannot be raised if there has been "genuine use" of the mark in the Member State for a period of five years, as defined in Article 10.

Section 1 apparently applies to *inter partes* proceedings conducted by the examining authority and precludes reliance on a prior registration that has not been "used" (as defined in Article 10) to invalidate the subject trade mark.

Section 2 applies to *ex parte* examination and authorizes the Member States to preclude refusal of registration based on an earlier cited registration of a conflicting mark that has not been "used" as (defined in Article 10).

Section 3 authorizes the Member States to provide that a registration that is subject to revocation under Article 12 (1) for non-use might not be relied on in an infringement action.

Section 4 provides that a mark used on fewer than all of the goods or services for which it was registered shall be deemed registered for only those on which it is used for the purposes of applying sections 1, 2 and 3 of this Article.

It is not clear from Article 11, or the Directive, how the examining authority will determine whether the owner of the prior registration has made "genuine use" of the mark on all or some of the goods. A regulatory scheme like that of the U.S. which permits initiation of a cancellation proceeding during *ex parte* or *inter partes* examination could be adopted.

In any event, these sections provide a long-needed reform in those jurisdictions which still permit third parties to assert prior registrations of defensive marks. This Article should lead to the removal of "deadwood" from the registers of many Member States.

Submitted by Thomas E. Spath, Esq. Davis, Hoxie, Faithful & Hapgood

ARTICLE 12

GROUND FOR REVOCATION

1. A trade mark shall be liable to revocation if, within a continuous period of five years, it has not been put to genuine use in the Member State in connection with the goods or services in respect of which it is registered, and there are no proper reasons for non-use; however, no person may claim that the proprietor's rights in a trade mark should be revoked where, during the interval between expiry of the five-year period and filing of the application for revocation, genuine use of the trade mark has been started or resumed; the commencement or resumption of use within a period of three months preceding the filing of the application for revocation which began at the earliest on expiry of the continuous period of five years of non-use, shall, however, be disregarded where preparations for the commencement or resumption occur only after the proprietor becomes aware that the application for revocation may be filed.

2. A trade mark shall also be liable to revocation if, after the date on which it was registered,

a) in consequence of acts or inactivity of the proprietor, it has become the common name in the trade for a product or service in respect of which it is registered;

b) in consequence of the use made of it by the proprietor of the trade mark or with his consent in respect of the goods or serv-

ices for which it is registered, it is liable to mislead the public, particularly as to the nature, quality or geographical origin of those goods or services.

COMMENTARY:

This article specifies the conditions under which revocation can be obtained, including non-use, genericness and misleading of the public.

Section 1 provides for revocation of a trade mark registration upon expiration of five years of unexcused non-use, so long as the owner has not resumed or started use after such period. However, preparations or resumption of use three months before institution of the revocation proceeding shall be disregarded, if the owner was aware that the revocation might be filed.

Section 2 provides for revocation where:

- a) the mark has become the common trade name for the goods or services through the acts or inaction of the owner; and
- b) the owner's use of the mark is liable to mislead the public, e.g., as to the nature, quality or geographical origin of the goods or services.

These sections provide formally stated grounds for revocation that do not now exist in the national laws of some jurisdictions. Providing a uniform grace period between the first contact by the interested party and the time by which the revocation proceeding must be initiated should ease contacts between applicants and owners of prior registrations and lead to the prompt resolution of the issues with a greater degree of certainty.

Conclusion:

Both Articles 11 and 12 should be viewed as amelioratory by most U.S. applicants. They bring the EC practice more in line with principles applied under U.S. law.

Article 12 could adversely affect U.S. companies that apply for registration in the U.S. and abroad simultaneously, but do not commence use in the EC within the five year term in the EC.

Submitted by Thomas E. Spath, Esq., Davis, Hoxie, Faithful & Hapgood

ARTICLE 13

GROUNDS FOR REFUSAL OR REVOCATION OR INVALIDITY RELATING TO ONLY SOME OF THE GOODS OR SERVICES

Where grounds for refusal of registration or for revocation or invalidity of a trade mark exist in respect of only some of the goods or services for which that trade mark has been applied or registered, refusal of registration or revocation or invalidity shall cover those goods or services only.

COMMENTARY:

A general principle underlying Article 13 is that a trade mark may be non-registrable, revocable or found invalid on various grounds.

Article 13 limits non-registrability, revocability and invalidity to only those goods or services which grounds for revocation/invalidity specifically relate. For example, the failure to use a registered mark for over five years on some but not all of the goods for which it is registered might lead to a revocation of the registered trade mark with respect to some but not all of the goods for which it is registered.

This Article does not appear to involve serious dilution of trade mark owners' rights. Other articles of the Directive, such as Article 4(3), provide for non-registrability or invalidity, where an earlier Community trade mark has a reputation in the Community, and the use of the later trade mark without due cause would take advantage of, or be damaging to, the distinctive character or repute of the earlier trade mark. Meanwhile, Article 13 clears deadwood off the national registers to make room for additional marks.

Whilst it is correct for the draft report to state that serious dilution of Community Trade Marks which have a "reputation" within a particular Member State, unless that Member State has introduced an equivalent national provision as it is permitted to do under Article 4(4)(a).

It should also be noted that, as with Article 10, no account is taken in Article 13 of "associated" trade marks which, in the relevant jurisdictions, are protected from revocation or invalidity by sufficient use of one of the "associated" trade marks.

Submitted by Joseph B. Taphorn, Esq., IBM Corporation with additional comments by John R. Olsen, Esq., Clifford Chance

ARTICLE 14

ESTABLISHMENT A POSTERIORI OF INVALIDITY OR REVOCATION OF A TRADE MARK

Where the seniority of an earlier trade mark which has been surrendered or allowed to lapse is claimed for a Community trade mark, the invalidity or revocation of the earlier trade mark may be established *a posteriori*.

COMMENTARY:

A general principle underlying Article 14, is that in accordance with the Regulation on the Community Trade Mark, Community trade marks may claim seniority from a national trade mark.

Article 14 provides that where an earlier national trade mark has been surrendered or allowed to lapse, the invalidity or revocation of the earlier trade mark may be established *a posteriori* in a Community Trade Mark proceeding.

Putting aside the issue of whether such a provision belongs in a Directive to harmonize the trade mark laws of the Member States, it appears fair that a Community trade mark based on a surrendered or lapsed national trade mark be vulnerable for those reasons.

One question which perhaps should have been addressed by this Article but appears not to have been, is whether the *potential* invalidity or revocation, as well as the *actual* invalidity or revocation, of the earlier trade mark may be established in a Community trade mark proceeding.

Submitted by Joseph B. Taphorn, Esq., IBM Corporation with additional comments by John R. Olsen, Esq.

ARTICLE 15

SPECIAL PROVISIONS IN RESPECT OF COLLECTIVE MARKS, GUARANTEE MARKS AND CERTIFICATION MARKS

1. Without prejudice to Article 4, member States whose laws authorize the registration of collective marks or of guarantee or certification marks may provide that such marks shall not be registered, or shall be revoked or declared invalid, on grounds additional to those specified in Articles 3 and 12 where the function of those marks so requires.

2. By way of derogation from Article 3(1) (c), Member States may provide that signs or indications which may serve in trade to designate the geographical origin of the goods or services, may constitute collective, guarantee or certification marks. Such a mark does not entitle the proprietor to prohibit a third party from using in the course of trade such signs or indications, provided he uses them in accordance with honest practices in industrial or commercial matters; in particular, such a mark may not be invoked against a third party who is entitled to use a geographical name.

COMMENTARY:

Articles 4 and 12 set forth grounds for non-registrability, invalidity or revocability.

Section 1 would allow member states who have been registering collective, guarantee or certification marks, to provide for non-registrability, revocability or invalidity of such marks, on grounds additional to those of Article 4 and 12, where the function of those marks so requires.

Articles 3, 4 and 12, set forth the grounds for the refusal, revoking or invalidity of a mark. This Section allows a member state to provide for new additional grounds for not-registering, revoking, or invalidating collective, guarantee or certification marks.

Section 2 would allow member states to provide that marks designating geographical origin may be collective, guarantee or certification mark, despite Article 3(1)(c) declaration of the invalidity of geographical marks. However, the mark could not be invoked against a third party

honestly entitled to use a geographical name.

The section accommodates member state laws, such as that of France, providing for geographic area wine marks. But a non-association wine maker growing grapes in the area would still be able to use the area name.

Article 15 reflects compromise on various member state laws, facilitating gradual conversion over time towards EC conformity, or adjustment to preclude injury by accommodated interests. Harm to American trade mark owners would not seem pronounced.

CONCLUSION

Articles 13, 14 and 15 too should be viewed as amelioratory by most U.S. trade mark owners. Article 13 may burden U.S. applicants to prove their trade mark has a reputation in the EC to preclude use of their mark on other goods of the same class.

Article 14 constitutes an exposure since the seniority of a Community mark may be affected by the surrender or lapsing of an earlier mark.

Article 15 indicates that collective, guarantee, or certification marks will not be overly favored.

ARTICLE 16

NATIONAL PROVISIONS TO BE ADOPTED PURSUANT TO THIS DIRECTIVE

1. Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive not later than.⁴. They shall forthwith inform the Commission thereof.

2. Acting on a proposal from the Commission, the Council, acting by a qualified majority, may defer the date referred to in paragraph 1 until December 31, 1992, at the latest.

3. Member States shall communicate to the Commission the text of the main provisions of national law which they adopt in the field governed by this Directive.

COMMENTARY:

Associates in each EC Member State were contacted to determine the extent to which local legislation conforming to the Directive is in existence or pending. The actions taken to date by each country are as follows:

BENELUX: No action is currently being taken. The 3 year user requirement will probably be changed to 5 years.

FRANCE: The proposed new trade mark statute has been held up because of political considerations. However, if the new statute is enacted, it should be quite comprehensive in its revamping of French trade mark law and furthering harmonization.

DENMARK: No action is currently being taken. The Danish government is awaiting the outcome of the June 1989 Diplomatic Conference for the Conclusion of a Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks at WIPO Geneva. If Denmark adopts the Protocol and joins the Madrid Arrangement, this will affect the amendments to the law. Ultimately, Denmark will probably include user requirements in its amendments.

WEST GERMANY: No action is currently being taken.

GREECE: No action is currently being taken. However, a committee of experts is forming to draft the amendments needed.

IRELAND: The Irish Patents Office is currently drafting amendments to the Irish Trade Marks Act, 1963 to permit service mark registration and harmonizing Irish trade mark law pursuant to the EC Directive. It is reported to us, however, that it is unlikely that these amendments will be introduced into the Dail Eireann before 1990 at the earliest.

ITALY: No action is currently being taken.

PORTUGAL: Portugal has taken considerable steps in 1980, 1984 and 1987 to modernize its laws. No action is currently being taken to take the last few steps toward harmonization, although at least one recent court decision recognizes that the Directives provisions will shortly become part of Portuguese national law.

SPAIN: Spain has just enacted a new trade mark statute which will come into force on May 12, 1989. This new statute has as one of its specific aims, harmonization pursu-

ant to the EC Directive. The highlights of the new statute are the shortening of the registration term from 20 years to 10 years and introduction of the need to prove use upon renewal.

UNITED KINGDOM: No action is currently being taken. Possible areas of future action for harmonization are elimination of A and Part B as well as introduction of registration of three dimensional marks (e.g., product or container configuration).

Accordingly, some concrete action is being taken to harmonize Community national trade mark laws, the most important example being Spain. Since the Directive was just officially published in February 1989, and other important diplomatic developments are upcoming (e.g., the June 1989 WIPO conference), we can expect more action in the upcoming months. The interrelationship between the amended national laws, Madrid Arrangement and the Community Trademark is yet to be developed.

[4] Three (3) years from the date of notification of the Directive to the member states.

NEWS FROM THE BOARD OF DIRECTORS

by Howard B. Barnaby

At its December 12, 1989 meeting, the Board authorized the Treasurer to open a new commercial, interest-bearing checking account with Citibank and to continue to explore other banking alternatives as may be necessary.

MOHONK A FISCAL SUCCESS

The Board next heard a report from CLE Chair Edward Filardi on the CLE Weekend at Mohonk. Mr. Filardi reported that the CLE Program had resulted in a net profit of \$5,000. He indicated that the Association had booked Mohonk for a CLE Weekend in November 9-11, 1990. Mr. Filardi also reported that the one-day

patent seminar will be held at the Penta Hotel on May 4, 1990. The Board approved Mr. Filardi's proposal for a repeat in New York City of the "Intent to Use" trademark program given at Mohonk.

John Pegram next reported on the WIPO Patent Harmonization meetings and on the involvement of the NYPTC in these meetings. Mr. Pegram also reported on the status of the Judges Dinner. He announced that Judge Oakes had accepted an invitation to speak. The Board then discussed the charge for the dinner and revisions in the list of invited honored guests.

The Board next considered a proposal by the New York State Bar Association to form a new Intellectual Property Committee. Based on a prior history of unsuccessful attempts to launch such a committee, the Board decided to take no action on this matter.

Mr. Pegram reported on the formation of a new Trade Secrets Committee to be chaired by Mel Garner. Martin Goldstein will serve as Board Liaison. Mr. Pegram also reported on recent conflicting decisions by the EPO and a German Federal Court. The Board decided to await a full report on this matter from the appropriate committee.

The Board again met on January 16, 1990. The Treasurer reported that by mailing out dues notices earlier than in past years, the Association was able to collect \$23,000 more at an earlier date than in past years. He expected that this could help to avoid cash flow problems encountered last year.

The Board next considered maintenance of the Association mailing list. It was agreed that the Secretary should have computer access to the mailing list to facilitate changes.

WIPO HARMONIZATION MEETING

William Brunet next reported on the November WIPO Harmonization Meeting. The NYPTC was represented at various times during the meeting by Mr. Brunet, Michael Meller and Sam Helfgot. Mr. Brunet reported that the proposed treaty appears to be going forward, subject to the U.S. position on first-to-file, publication of applications within 18 months and the *In re Hilmer* doctrine. He further reported that the Association proposal to permit amend-

ments to claims after filing resulted in the insertion of a new provision in the proposed treaty. Mr. Brunet also indicated that the AIPLA planned to run a seminar in New York in the spring dealing with harmonization. An ad hoc committee of Dale Carlson, Evelyn Sommer, Martin Goldstein and Leonard Mackey and chaired by Andrea Ryan was formed to attend a meeting with an AIPLA representative at the AIPLA mid-winter meeting.

Peter Saxon reported on the Judges' Dinner. He indicated that the Waldorf had provided the Association with another "satellite" room, but that this was the last room available.

U.S.P.T.O. NEWS

by George Kaplan

AUTOMATED PATENT SYSTEM IMPROVING AT U.S.P.T.O.

Reversing earlier criticism, private sector experts have acknowledged that computerized storing and searching of patent information has sharply improved over the past 18 months at the U.S. Patent and Trademark Office. This observation was included in a report of an Industry Review Advisory Committee formed a year ago March to examine progress of the automated patent system (APS) being created at the U.S. Patent and Trademark Office.

The eight-member panel has noted that:

Dramatic improvements have been made in the APS over the last 18 months. The Patent and Trademark Office has aggressively taken the key steps that can be done quickly and that bring the largest improvements. Top management has acted more swiftly than is usual in such cases and is to be commended.

This advisory panel succeeds an earlier group which was convened in 1987 by the U.S. Patent and Trademark Office to review the automated patent system and which was critical in a 1988 report of what was viewed as weaknesses in management

of the automated patent system and the technical expertise associated therewith. The new committee included all but one member of the original panel.

In its latest report, the advisory committee observed that among the improvements instituted by the U.S. Patent and Trademark Office, was the recruitment of several managers who have provided strong, experienced leadership for the automated patent system since 1988. It was noted that the U.S. Patent and Trademark Office has also renegotiated the development contract for the automated patent system, in addition to evaluating different alternatives and adopting a recommended "mini-waterfall" development approach.

However, the most recent report cautioned that several essential and more difficult improvements still remain to be instituted, including software changes to permit utilization of lower cost computer hardware and software. The panel also recommended that the U.S. Patent and Trademark Office consider delaying extension of public access to the automated patent system, until it is certain that the automated patent system possesses sufficient reserve capacity.

The U.S. Patent and Trademark Office has been working since 1982 to automate operations in order to cope with a growing volume of paper documents, now totalling about 27 million. The automated patent system was first begun on a trial basis by the U.S. Patent and Trademark Office in 1986. Members of the advisory panel include Professor John Gosden of New York University; John L. Jones, retired executive vice president of Norfolk Southern Corporation; Paul P. Kaigan of Corroon and Black Corporation; George C. Kenney II of O'Connor Associates; Joseph G. Penarczyk of Janus Systems, Inc.; Carl H. Reynolds, retired vice president of Hughes Aircraft Corporation; Louis H. Sharpe II of Picture Elements Consultants; and Frederic G. Withington, an independent consultant.

INVENTOR EXHIBITS AT THE U.S.P.T.O.

The 200th Anniversary celebration of the U.S. Patent and Trademark Office was started by the opening of an exhibit honoring women and minorities at the U.S. Pat-

ent and Trademark Office in Arlington, Virginia on January 21, 1990. The event was moderated by Ann Kelly, Event Chair and Director, Office of National and International Applications Review, with keynote speakers including Acting Commissioner of Patents and Trademarks, Jeffrey M. Samuels; Patricia Ives, Chair, Minority Exhibit; Charlene Drew Jarvis, District of Columbia Council member; Dr. Tung Tsang, inventor; Professor Fred Amran, Women's Exhibit Curator; and Stephanie Kwolek, inventor.

The exhibit, which is entitled "A Women's Place is in the Patent Office," features almost 100 inventors ranging from very young girls to sophisticated scientists. Inventions developed by women have been steadily increasing since 1954, when 1.5% of U.S. patents were issued to women, with women receiving 5% of all U.S. patents granted in 1988. Patents have been granted to women in a number of various fields, such as kitchen aids, high technology, fashion and space travel.

The display honoring minorities incorporates an abridged version of the exhibit "The Real McCoy: African American Inventors and Innovations 1619-1930," which is on loan from the Smithsonian Institution, and which features such inventors as Elijah McCoy and Jan Matzeliger. The exhibit also features the creative genius of other minority groups including Asian-Americans, Hispanic-Americans, Native-Americans and Pacific Islanders.

The exhibit will be open to the public until May 30, 1990, Monday through Friday from 8:00 a.m. to 8:00 p.m. in the lobbies of Crystal Plaza Buildings 3 and 4, on either side of the Public Search Room, 2021 Jefferson Davis Highway, Arlington, Virginia.

RECENT APPOINTMENTS

Jay Plager was installed as a Judge of the Federal Circuit Court of Appeals on January 23, 1990, while the President has nominated Dr. Alan Lourie of Pennsylvania and Raymond C. Clevenger III of Washington, D.C. to fill two of the present vacancies on the Federal Circuit Court of Appeals. Two additional vacancies still remain to be filled. Dr. Lourie is Patent Counsel for SmithKline Beckman Corporation, and has a B.S. in chemistry from the University of Wisconsin, a Ph.D from the

University of Pennsylvania, and a law degree from Temple University.

Mr. Clevenger, originally from Kansas, received undergraduate and law degrees from Yale University and served as a law clerk to Justice Byron C. White of the Supreme Court. Since 1974, Mr. Clevenger has been a partner in the Washington, D.C. law firm of Wilner, Cutler and Pickering, with a practice ranging from securities to international acquisitions.

JUDGES REMEMBERED

Judges Jean Galloway Bissell and Philip Nichols, Jr. of the Federal Circuit Court of Appeals passed away this winter. Judge Bissell, who was appointed to the Federal Circuit in 1984, died on February 4, 1990. Previously, Judge Bissell was engaged in private practice in Columbia, South Carolina before becoming general counsel to the South Carolina National Bank and subsequently vice chairman of the bank's holding company. Judge Nichols, who died on January 26, 1990, served as Commissioner of Customs, after being engaged in private practice and serving with the Department of Justice. Judge Nichols was appointed to the U. S. Customs Court which is now the Court of International Trade, and was subsequently elevated to the U.S. Court of Claims, continuing to serve after this court was merged into the Federal Circuit Court of Appeals in 1982, and remaining active until 1983 when he accepted senior status. ■

RECENT DECISIONS OF INTEREST

by Thomas A. O'Rourke

PATENTS - DECLARATORY JUDGMENT

The Court of Appeals for the Federal Circuit decided that a patentee may bring a declaratory judgment action against threatened infringement, provided the requirement for an actual controversy is met.

In *Lang v. Pacific Marine Supply Co.*, 39 BNA PTCJ 285 (Fed. Cir. 1990) plaintiff patent owner sued claiming that a hull structure for a vessel to be completed infringed or threatened the infringement of his patents. The district court dismissed the complaint for lack of subject matter jurisdiction and/or failure to state a claim.

The Court of Appeals held that a patentee could seek a declaration against future infringement. The Court rejected arguments that a declaratory judgment was inappropriate because the infringer may alter its activity prior to completion of the hull. The Federal Court, however, held that the complaint was properly dismissed because there was no actual controversy. The Court focused on the fact that the ship was about nine months away from being completed at the time the complaint was filed. The Court also relied on the fact that there had been no sales literature distributed and the accused infringers were not prepared to solicit orders and did not engage in any conduct indicating that the ship would soon be ready for sea.

Since §271 of the Patent statute "cannot be interpreted to cover acts other than an actual making, using or selling of the patented invention" the CAFC concluded that plaintiff was not entitled to an injunction against threatened patent infringement since the hull was nine months away from being completed.

PATENTS - CORROBORATION

In order for a prior invention under 102(g) to be a bar, the inventor's notebook must be corroborated by someone other than the inventor. In *Dentsply Research & Development Corp. v. Cadco Dental Products Inc.*, 39 BNA PTCJ 291 (C.D. Calif. 1989) plaintiff brought an action for patent infringement which Cadco defended on the ground of prior invention under 102(g). Cadco contended that records concerning a laboratory batch of the patented alginate corroborated the inventor's notebooks.

Dentsply argued that there was no independent corroboration. The district court agreed with Dentsply and held that because the laboratory batch was made by the claimed inventor who was also the author of the notebook pages relied upon by Cadco, there was no independent corroboration which would support Cadco's 102(g) defense to Dentsply patent.

COPYRIGHT - PUBLICATION

Filing of architectural plans with a local governmental body without the copyright notice was insufficient to constitute a publication under 17 USC §401(a) according to the court in *East/West Venture v. Warmfeld Associates P.C.* 39 BNA PTCJ 292 (S.D.N.Y. 1989)

PATENTS - APPEAL TO CAFC

Where the complaint in the district court contains no patent claims, but a compulsory counterclaim filed by the defendant included counts for patent infringement, an appeal to the Court of Appeals for the Federal Circuit was proper. In *Aeroject-General Corp. v. Machine Tool Works, Orelikon-Buehrle Ltd.*, 39 BNA PTCJ 260 (Fed. Cir. 1990) the plaintiff brought an action for unfair competition, interference with a prospective advantage and false representation. Machine Tool Works counterclaimed for breach of contract, false representation and patent infringement.

The district court stayed the proceedings and ordered arbitration of all the claims. Aeroject appealed. The Court of Appeals for the Federal Circuit limited the applicability of the decision to cover only suits in which there is a non-frivolous compulsory counterclaim for patent infringement filed in an action properly in the federal courts.

The Federal Circuit distinguished the Supreme Court's decision in *Christianson v. Colt*, U.S. 108 S. Ct 2166 (1988) because in *Christianson* there were no patent claims in either the complaint or any of the counterclaims. Since the compulsory counterclaim contained a claim for patent infringement the court concluded it had jurisdiction to hear the appeal. The court noted that it would be incongruous that a complaint for patent infringement could be appealed to the Federal Circuit but the identical claim as a counterclaim could not be so appealed.

LEGISLATION: PROPOSED AND PENDING

by David J. Lee and Edward P. Kelly

A number of significant bills relating to intellectual property are pending in Congress. Also significant are proposals for legislation that would affect the jurisdiction of the International Trade Commission and the United States District Courts over patent matters.

PATENTS

Jurisdiction

In January of last year, a dispute settlement panel established by the GATT Council held that certain procedures authorized by Section 337 of the Tariff Act of 1930 are violative of the GATT. In particular, the panel found that Section 337 caused imported products to be treated less favorably than domestic products in five specific respects:

1. A patent owner may choose either the ITC or a District Court where foreign goods are in issue, but only a District Court where domestic goods are involved.

2. A patent owner may choose both the ITC and a District Court where foreign goods are in issue, but only a District Court where domestic goods are involved.

3. The ITC can issue general exclusion orders as well as exclusion orders directed to specific respondents, but District Court orders can be directed only to defendants.

4. ITC proceedings are subject to statutory time limits, but District Court actions are not.

5. Counterclaims cannot be asserted in ITC proceedings, but can be in District Court actions.

The panel recommended that the members of GATT "request the United States to bring its procedures applied in patent infringement cases bearing on imported products into conformity with its obligations under the General Agreement." The panel report was adopted by the GATT Council in November of last year.

The version of Section 337 considered by the GATT panel was the version in force

State Immunity

in 1987. The law was substantially strengthened in 1988, and at least one bill is now pending in Congress that would render Section 337 even more effective (S. 1529). This Congressional activity reflects widespread concern among domestic patent owners that inventions made in this country are not protected abroad to the extent that inventions made abroad are protected in this country. Any modification of Section 337 will have to satisfy not only GATT, but also Congress and domestic patent owners.

The United States Trade Representative would like to meet the criticisms of Section 337 while maintaining the advantages conferred on domestic patent owners by Section 337 — speed and exclusionary remedies and enhancing those advantages by making available in one proceeding the remedies not separately offered by District Courts (damages) and by the ITC (exclusion orders). Five solutions have been proposed:

1. Formation of a new Article III patent trial court with exclusive jurisdiction of actions for patent infringement, whether based on Section 337 or United States patent law.

2. Formation of a new trial division of the Court of International Trade having exclusive jurisdiction of all actions based on Section 337.

3. Provision to a respondent in an ITC action of a right to transfer the action to a District Court or the new ITC division mentioned above.

4. Provision to an ITC respondent of a right to transfer after completion of preliminary relief proceedings in the ITC.

5. Provision to an ITC respondent of a right to transfer after completion of full violation proceedings in the ITC.

The Trade Representative is rumored to favor the proposal for a central Article III patent trial court. The Trade Representative has asked for comments on all proposals by March 26, 1990.

GATT talks now in progress (the Uruguay Round) are expected to conclude in December 1990. They will be followed two months later by an Administration bill; Congress will have to consider this under tight time constraints.

Biotechnology Patents

The Court of Appeals for the Federal Circuit has held that the use of a novel

starting material does not render an otherwise obvious chemical process patentable. *In re Durden*, 763 F.2d 1406 (Fed. Cir. 1985). The effect of *In re Durden* may be that the Patent Office will not allow process claims for biological products where the starting material is novel but an otherwise known process is used to make the final product.

The biotechnology industry considers this result unfair. They believe that significant investments in biotechnological processes should be protected. They also point out that patents are granted in Europe and Japan on biotechnological processes that would be rejected in the United States Patent Office.

In response to these concerns, Representative Rick Boucher (D-Va.) and Carlos Moorehead (D-Ca.) recently introduced the "Biotechnology Patent Protection Act of 1990" (H.R. 3957). The bill would amend Section 103 of the patent law to provide that "a process of making a product shall not be considered obvious under this section if an essential material used in the process is novel under Section 102, and otherwise non-obvious under Section 103."

The protection of biotechnological processes is further exacerbated by the nature of the jurisdiction afforded to the ITC. Last year, Congress amended Section 337 of the Tariff Act of 1930 to remove obstacles to the enforcement of United States patents against foreign competitors. Among other things, the amendments allowed the ITC to exclude products manufactured abroad by a process patented in the United States.

Foreign competitors that use a patented biotechnological intermediate in a process cannot be stopped from exporting the product into the United States when no process claims exist here. The bill would deal with this by amending Section 337 to allow the ITC to exclude imported products that "are made, produced or processed under or by means of, the use of a biotechnological material. . . covered by a valid and enforceable United States patent."

Section 271(h) of the patent law also would be amended to allow recovery in the District Court.

H.R. 3957 has been referred to the House Judiciary and Ways and Means Committee.

The Eleventh Amendment grants a State immunity from suit in Federal Court. Judicial decisions have upheld this immunity in copyright infringement suits on the ground that Congress did not express an intent to eliminate the immunity when it enacted the Copyright Act of 1976. In response, bills were introduced last year that would amend the Copyright Act expressly to recite Congress' intent to eliminate State immunity for copyright infringement.

Like the Copyright Act, the legislative history of the Patent Act does not reflect an intent on the part of Congress to eliminate State immunity from suit for patent infringement. In 1990, the Court of Appeals for the Federal Circuit affirmed a District Court decision that California was immune from suit for patent infringement under the Eleventh Amendment. *Chew v. California*. 13 USPQ 2d 1393 (Fed.Cir. 1990).

In response, Representatives Kastenmeier (D.-Wis.) and Moorehead (R.-Ca.) recently introduced legislation that would make States liable for patent infringement. This "Patent Remedy Clarification Act" (H.R. 3886) would add a new Section 271(h) to the Patent Act. It would define infringers to include "any State, any instrumentality of a State, any officer or employee of a State or instrumentality of a State acting in his or her official capacity." The bill also would add a new Section 296 expressly abrogating a State's Eleventh Amendment immunity from suit for patent infringement. In introducing this legislation, Representative Kastenmeier stated that it has the strong support of the Patent Office, the American Bar Association and the patent bar. Hearings were held on the bill in February before the House Subcommittee on Courts, Intellectual Property and the Administration of Justice. The bill has now been referred to the House Judiciary Committee.

Senator Dennis DeConcini recently introduced a similar bill in the Senate (S. 2193). The bill has been referred to the Senate Judiciary Committee.

Animal Patenting Update

Ten years ago the Supreme Court held that living things are patentable subject matter. See *Diamond v. Chakrabarty*. 447 U.S. 303 (1980). Advances in genetic engineering have made it possible to create an animal

whose germ cells contain genetic material originally derived from another animal other than its parent. This is called a transgenic animal. In 1988, the Patent Office issued the first animal patent.

The right to patent animal life and the type of patent protection to be afforded have been debated in the House and Senate during the last two years. Early proposals by Representative Benjamin Cardin (D-Md.) and Senator Mark Hatfield (R.Ore.) to place a two-year moratorium on animal patenting failed. The debate then moved on to the problems of royalties and exemptions to any patent protection afforded to an animal.

Last year, Representative Kastenmeier (D-Wis.) introduced the "Transgenic Animal Patenting Reform Act" (H.R. 1556) that would recognize the Patent Office's authority to issue patents on animals (except human animals). Opposition to the bill came from farm organizations who fear that animal patents will restrict their right to use and sell farm animals in the normal operation of a farm. Representative Kastenmeier's bill would grant farmers an exemption from infringement. The bill provides that:

it shall not be an act of infringement for a person whose occupation is farming to reproduce a patented transgenic farm animal through breeding, use such animal in the farming operation or sell such animal or the offspring of such animal.

Hearings were held on the bill in the House Subcommittee on Courts, Intellectual Property and the Administration of Justice last October.

Citing a lack of progress and consensus on the animal patent issue, Senator Hatfield recently resurrected the moratorium proposal and introduced a bill (S. 2169) that would impose a five year moratorium on granting patents on genetically altered animals. The bill would create a new Section 105(a) of Title 35 to providing that:

during the 5 year period beginning on the date of the enactment of this section, any vertebrate or invertebrate animal that is modified, altered or in any way changed through genetic engineering technology shall not considered patentable subject matter under this title.

In introducing his bill, Senator Hatfield stated:

This legislation is not an attempt to halt the promising field of genetic engineering. I want to be very clear on this point. The various techniques of biotechnology, when used responsibly, have enormous potential in a number of areas including pharmaceutical and agricultural products. However, genetic engineering now allows us to take human genetic traits and insert them into the permanent genetic code of animals. We are also gaining the increased ability to mix and match the genetic traits of animals, insects, and plants, creating new and different species. To suddenly and unconditionally grant patents for the development of any and all of these genetic creations is irresponsible and imprudent.

(Cong. Rec. 2/26/90 p. 21611). S. 2169 has been referred to the Senate Judiciary Committee. Hearings have not yet been scheduled.

Space

Companies involved in development of technology used aboard United States spacecraft have long been concerned that inventions developed in or for use in space will not receive adequate protection under United States patent law as currently constituted. There has been fear that infringement in space may not be actionable under United States law. Similarly, there has been fear that reduction to practice in space would be considered a reduction to practice outside the United States, placing an inventor in space at a disadvantage in a priority contest with an inventor on earth.

Last year, Representative Roe (D.N.J.) introduced the "Patents In Space Act" in response to these concerns. This bill (H.R. 352) would create a new Section 105 of the patent law. Any invention made, used or sold on a space vehicle would be under the jurisdiction or control of the United States. Senator Gore (D.Tenn.) introduced a similar bill in the Senate (S. 459). The Senate Subcommittee on Patents, Copyrights and Trademarks recently approved the bill and

sent it to the full Judiciary Committee.

Another bill on this issue was introduced late last year in the House by Representative Robert Kastenmeier (D-Wis.) (H.R. 2946). This bill is similar to the Roe bill. NASA, the Patent Office, the State Department and legal experts all testified in support of the bill in hearings before the House Subcommittee on Courts, Intellectual Property and the Administration of Justice. The House Space Science and Applications Committee recently approved H.R. 2946.

COPYRIGHTS

Digital Audio Tape Recording

Digital audio tape (DAT) recorders are capable of recording the signals encoded in a compact disc. DAT copies made from the disc (or DAT copies of the disc) have the same quality as the original recording, regardless of whether they are the first or the thousandth generation. Some perceive DAT as an unprecedented opportunity for copyright infringement.

The advent of conventional blank tape (analog) cassettes ten years ago also presented opportunities for unauthorized copying. But when copies of analog tapes were made from copies, quality progressively deteriorated, unlike the case with DAT. Copyright owners of recorded works are deeply concerned that DAT could lend to their economic ruin.

Technology is available that can prevent digital copying. The technology is known as the Serial Copy Management System (SCMS). It allows first generation digital copies to be made from compact discs, prerecorded DAT cassettes or digital broadcasts, while preventing further digital to digital copies.

In response to recording industry concerns, Representative Henry Waxman (D-Calif.) recently introduced the Digital Audio Tape Recording Act. The bill (H.R. 4096) would prohibit the distribution of digital audio tape machines that do not conform to the SCMS specifications. The bill has been referred to the Energy and Commerce Committee. Although no hearings have yet been held, the bill has already been criticized by copyright owners because it contains no royalty provision for the first DAT copy made from a compact disc.

Protection Of Architectural Work

The Berne Convention requires member countries to afford copyright protection to architectural works. Last year, Congress passed broad legislation enabling the United States to become a Signatory to the Berne Convention. The revised law contained no specific provision relating to the protection of architectural work.

Congress did not ignore this issue last year. Rather, based on expert testimony that the creation of a separate statutory protection for works of architecture was not required to enact Berne requirements, Congress asked the Copyright Office to conduct a study of the issue of copyright protection for architectural works. The Copyright Office completed that study last June. The Office recommended that the Copyright Act be amended expressly to provide for copyright protection of architectural works.

Representative Kastenmeier (D.Wis.) recently introduced a bill that would create protection for architectural works. The "Architectural Works Copyright Act" (H.R. 3390) would amend Section 102 of copyright law to add "architectural works" as a new category of protected subject matter. An "architectural work" is defined as "the design of a building or other three-dimensional structure, as embodied in that building or structure." The copyright would not include the right to prevent the making, distribution or public display of pictures, paintings, photographs or other pictorial representations of any building located in a public place. Nor would the copyright entitle its owner to enjoin construction of an infringing building once construction had substantially begun or to have an infringing building seized or demolished. Furthermore, the owner of a protected building would be authorized to make "minor alterations . . . for any purpose" and necessary repairs.

In introducing his bill, Representative Kastenmeier stated that the protected "design" encompasses the overall shape of the structure as well as protectable individual elements and that there is only one protectable "architectural work" per structure. He further stated that functionality should not be ignored in evaluating the copyright in architectural work:

A two-step process is envisioned. First, an architectural work should

be examined to determine whether there are original, artistic elements present, including overall shape. If so, a second step is reached to examine whether the original, artistic elements are functionally required. If the elements are not absolutely functionally required, the work is protectable. The proper scope of protection is a different matter; functional considerations may, for example, determine only particular design elements. In such a case, protection would be denied for the functionally determined components, but would be available for nonfunctionally determined design elements. The court must be free to develop their own applications of these principles, free from the separability debate raging for pictorial, graphic, and sculptural works embodied in useful article.

Representative Kastenmeier also introduced an alternative to H.R. 3390 (H.R. 3391). This bill is entitled the "Unique Architectural Structures Copyright Act of 1990." It would achieve protection of architectural works without creating a new category subject to copyright protection. Rather, it would amend the definition of "useful article" in Section 101 of the Copyright Law--a definition of material not subject to copyright--to exclude "one-of-a-kind buildings and other three dimensional structures that possess a unique artistic character."

Representative Kastenmeier introduced this alternative "in order to stimulate debate." He noted that the alternative would inject into the Copyright Law concepts that Congress and the courts have historically rejected: "a requirement of uniqueness and a subjective determination of artistic character."

Both H.R. 3390 and H.R. 3391 have been referred to the Judiciary Committee. Hearings were scheduled to proceed in mid-March.

Visual Artists' Rights

Among the rights afforded under Berne principles are an author's moral rights in his work. A moral right is an inherent right of an author to claim authorship of his work and

prevent its destruction or alteration. The United States copyright laws do not specifically provide for moral rights. During the hearing on conforming our copyright laws to comply with the Berne Convention, the House and Senate considered several bills that would have amended the copyright laws to recognize moral rights in authors of works of fine art (S.1619, Sen.Kennedy, D-Mass., H.R. 3221, Rep.Markey, D-Mass; See NYPTCLA January/February 1989 at pp. 4 & 5). Ultimately, no moral rights were recognized or included in the Berne amendments because Congress concluded (based on expert advice) that existing laws provided all the moral rights necessary for United States compliance with the Berne Convention.

Last year, the moral rights bills (with modifications) were reintroduced in the House and Senate by their original proponents (S.1198 and H.R. 2680). The bills would create a new Section 106(a) of the Copyright Act providing the author of a work of visual art with the right to claim authorship in the work, as well as to prevent the use of his name on a work he did not create on an altered work. The bills also affords the author a right to prevent any distortion or modification of his work that would be prejudicial to his reputation. The Senate bill further would provide that the author's rights could not be waived during his lifetime, whereas House bill would permit written waiver of the author's rights during his lifetime.

H.R. 2680 has been referred to the Judiciary Committee.

Industrial Design Protection

The Copyright Act currently denies protection for the design of useful articles, except for any original artistic aspect of the design that has an independent identity apart from the useful article. The design of an automobile replacement part typically is not patentable and typically falls outside copyright protection because it does not have the requisite identity apart from its utility.

Industry representatives have lobbied for protection that would fill the gap between copyright and patent protection. Several bills have been introduced the past year that would accomplish this.

Representative Carlos Moorehead (R-Cal.), among others, has proposed a bill (H.R. 902) to enhance protection of indus-

trial designs. Under the Moorehead bill, original designs of useful articles would be protected from copying for ten years. Commonplace designs dictated solely by utilitarian function would not be protected. After the ten year term had expired, the statutory rights in the design would terminate-- regardless of how many articles had embodied the design. The bill would provide for an award of damages for infringement where infringing sales are reasonably related to the protected design.

Representative Moorehead introduced another bill last fall, with Representative Kastenmeier (D-Wis.) as a cosponsor. The bill (H.R. 3499) is similar to the earlier bill. Unlike its predecessor, however, the new bill does not exclude semiconductor products from protection. Nor does it exclude ideas or processes that are embodied in a protected design.

Representative Richard Gephardt (D-Mo.) has introduced the "Industrial Design Anti-Piracy Act of 1989" (H.R. 3017). While similar in many respects to the Moorehead bill (H.R. 902), the Gephardt bill differs on some controversial issues. It would, for example, include typefonts among the designs entitled to protection. It also attempts to provide protection for replacement automobile body parts. Further hearings are anticipated on the House bills, but have not yet been scheduled.

Computer Software And Home Video Rental

The "first sale" doctrine permits the purchaser of a copyrighted work to sell or dispose of a copy he purchased without compensation to the copyright owner. Congress granted an exemption for rental phono records in 1984 on the ground that these rentals were a pretext for copying. The 1984 Record Rental Amendments created copyright liability for unauthorized rental of phono records. See 17 U.S.C. § 109.

Due to widespread copying of rented computer software, the software industry has been seeking its own exemption from the first sale doctrine. Numerous bills directed to that end have been introduced in Congress over the last several years (See NYPTCLA March/April 1989 at pp. 2&3). None of these bills were enacted into law.

Proponents of a computer software exemption include Senator Orrin Hatch (R-Utah) and Representative Mike Synar (D-

Okla.). Senator Hatch introduced a bill last year that would create copyright liability for unauthorized rental of computer software (S.198). Representative Synar introduced a bill (H.R. 2740) that would accomplish the same objective, and also would grant an exemption to a non-profit library if the library loaned the computer software with a copyright warning. The bill would require the Registrar of Copyrights to report on the effect of the amendment within three years.

The producers of home video cassettes have responded to the problem of unauthorized duplication by encoding video cassettes with a device that lowers the quality of a copy made from the original. Retail renters of home videos, however, now have access to equipment that can decode these treated video cassettes. Last year, Representative Howard Berman (D-Calif.) introduced legislation that would create infringement liability for making, distributing or selling this type of equipment. The "Motion Picture Copyright Protection Act of 1989" would amend the Copyright Act to provide that the reproduction right includes the right to treat copies with processes that inhibit reproduction (H.R. 3568). The use of decoder equipment would constitute infringement.

The bill has been referred to the House Subcommittee on Courts, Intellectual Property and the Administration of Justice. No hearing date has yet been scheduled.

Work For Hire

A work made for hire is either (1) a work prepared by an employee during the course of his employment or (2) a work specially ordered or commissioned pursuant to a written agreement. The copyright in these works vests in the employer or the party commissioning the work. The Supreme Court has held that, absent a clear statement in the Copyright Act, the determination of who is an "employee" should be decided under common law agency principles. Critics of this decision argue that under this analysis, independent contractors may be deprived of copyright ownership because they may be deemed "employees."

Last year, Senator Cochran (R-Miss.) introduced legislation that would amend the Copyright Act to define "employee" as a "formal, salaried employee." The bill (S. 1253) also would require that, in the case of specially commissioned work, any written agreement stating that the work is made for

hire must be executed before the work begins. The Senate Subcommittee on Patents, Copyrights and Trademarks held hearings on the bill last fall. Further hearings are anticipated but not scheduled.

State Immunity

The Eleventh Amendment grants a State immunity from suit in Federal Court. Recent decisions have invoked this immunity in copyright infringement suits on the ground that Congress did not express an intent to eliminate state immunity in enacting the Copyright Act of 1976. We previously have reported on bills in the House H.R. (3045) and Senate (S. 497) that would amend the Copyright Act expressly to recite Congress' intention to eliminate State immunity for copyright infringement (see NYPTCLA Bulletin Sep/Oct 1989 at 5; NYPTCLA Bulletin May/June 1989 at 6).

The House recently approved H.R. 3045, and the Senate Subcommittee on Patents, Trademarks and Copyrights approved S. 497. The Senate bill was recently referred to the Senate Judiciary Committee.

The Satellite Home Viewer Act Of 1988

Satellite dish owners have long lobbied for the right to receive the same programming that cable customers receive from stations that transmit their signals through satellite carriers. The satellite carriers were willing to transmit to the dish owners, but ran into opposition from station owners, who relied on the copyright laws to prevent retransmission.

The Satellite Home Viewer Act of 1988 (H.R. 2848), introduced last year, attempts to resolve this conflict. The Act creates a new Section 119 of the Copyright Act granting satellite carriers a compulsory license to service dish owners. The law also sets forth a formula for calculating royalties to the station owners. The compulsory license, which lasts for six years, is intended to create and control a market for retransmission to dish owners until the satellite carriers and station owners are able to negotiate their own license arrangements.

TRADEMARKS

Gray Market Goods

Gray market goods are manufactured

abroad. They legitimately bear the trademark of a domestic manufacturer, but are imported through channels not authorized by the domestic manufacturer.

For a number of years, the United States Customs Service permitted certain categories of gray market goods to enter this country. Customs based its regulations on the Tariff Act of 1930. The United States Supreme Court struck down those regulations, in part in *K Mart v. Cartier* 486 U.S. 281 (1988).

Senator Hatch (R. Utah) introduced legislation this year that would go farther (S. 2903). It would altogether bar importation of gray market goods except where the importation was expressly authorized by the domestic trademark owner. Comparable legislation was introduced in the House this year by Representative Cardin (D-Md.) (H.R. 3484). Also pending in the House is a bill introduced by Representative Chandler (R-Wash.) (H.R. 771) that would not bar importation of gray market goods, but rather would permit them to be imported to the extent permitted by the Customs regulations in effect before the *K Mart* decision. Rumor has it that support for the Hatch/Cardin bills is building in Congress. Senator Hatch apparently intends to hold hearings in the near future.

On a related note, Customs apparently is considering adoption of regulations permitting importation of gray market goods in much the same way importation was permitted before the *K Mart* decision. Customs intends to base these regulations on the Lanham Act rather than the Tariff Act (the *K Mart* decision was based on incompatibility of the prior Customs regulations with the Tariff Act rather than the Lanham Act).

Hollywood

Hollywood, California has been trying for some time to register its name with the Trademark Office. Royalty income would be used to maintain the Hollywood sign and related tourist attractions.

Other Hollywoods in this country are not pleased with this idea. Hollywood, Florida is particularly displeased. Representative Smith (D-Fla.) introduced legislation last year that would amend Section 2 of the Lanham Act to bar registration of the name of a municipality or other political subdivision of a State (H.R. 1172).

Geographic Origin

There apparently is a town in Japan named Usa. Goods coming from Usa are sometimes marked "made in USA." Some consider this misleading. Two bills are now pending in Congress that address this problem with proposed amendments of Sections 40 and 42 of the Lanham Act (H.R. 1688; H.R. 1689). The bills were introduced last year by Representative Garcia (D-N.Y.). The future of these bills is uncertain. Similar legislation previously has been introduced by Representative Garcia without action.

Professional Sports

Professional athletic organizations are up in arms about use of their service marks by State lotteries. The teams feel that use of their marks in connection with betting detracts from the wholesome image long cultivated by professional sports.

Senator Hatch (R. Utah) has introduced legislation (S. 1772) that would prohibit a State from sponsoring or promoting "any lottery, sweepstakes, or other betting or gambling scheme that uses or exploits . . . a service mark owned by a professional sports organization." This bill has generated considerable interest. Hearings and possible action are anticipated this year.

ANTITRUST

Presumption Of Market Power And Patent Misuse

During the last two years, the House and Senate have held extensive hearings on the presumption of market power in antitrust cases where the product at issue is the subject of a patent or copyright. *Jefferson Parish Hosco. Dist. No. 2 v. Hyde*, 466 U.S. 2 (1989) A bill introduced in the Senate (S. 270) last year would have prohibited a Court from presuming market power from a patent or copyright and would have eliminated the defense of patent misuse to an infringement action unless the licensing practice violated the antitrust law. The full Senate has approved S. 270.

The House has not moved as aggressively. The House Judiciary Subcommittee on Economic and Commercial law recently held hearings on H.R. 469 - a bill that would eliminate the presumption of market power.

Representatives of high technology industries and the American Bar Association testified in favor of the bill. Representatives of small firms within the technology service industry testified against the bill on the ground that it represented only the interests of a few large high technology firms.

Territorial Restrictions

Bills were introduced in both the Senate and House last year that would clarify the antitrust laws relating to wholesale distribution of trademarked products (S. 1743; H.R. 3151). The proponent of this legislation in the Senate is Senator DeConcini (D-Ariz.) The proponent in the House is Representative Jack Brooks (D-Tex.).

The legislation would permit a trademark owner to grant a wholesaler an exclusive distribution right within a defined geographic area, subject to the restriction that the distributor sell the goods solely "for ultimate resale to customers." This exemption would apply only where the trademarked product in issue is in "substantial and effective competition with other products." A narrower bill relating to trademarked malt beverages also is pending. (H.R. 3436). The Senate bill (S. 1743) has been referred to the Subcommittee on Antitrust. The House bill (H.R. 3436) has been referred to the Subcommittee on Economic and Commercial law.

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Invention Dimension, featuring Slim

Goodbody as Dr. U.B. Schmart
Akron Civic Theatre Saturday, April 7, 10 a.m.
Admission: \$4

Quaker - Shot From Guns

Quaker Square Hilton
Saturday, April 7, noon

Inventor's Forum

The University of Akron
Saturday, April 7, 1:30-3:30 p.m.

National Inventors Hall of Fame Inductee Gala

Loral Air Dock
Saturday, April 7, 7 p.m.
Admission: \$150, Black Tie

National Inventors Hall of Fame Induction Ceremony

E.J. Thomas Performing Arts Hall
Sunday, April 8, 2 p.m.
Admission: \$10

Thomas Jefferson Innovation Pro- gram

Quaker Square Hilton
Monday, April 9, noon
Luncheon and Program: \$15

HOTEL INFORMATION

The following hotels are offering special rates for INDUCTION 1990 weekend. When making reservations, please call the hotel of your choice and identify yourself as guests at the National Inventors Hall of Fame INDUCTION 1990 weekend to get the reduced rates.

Quaker Square Hilton
135 S. Broadway
Akron, Ohio 44308
Reservations: (216) 253-5970

Sheraton Suites Cuyahoga Falls
1989 Front Street
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ANNOUNCEMENTS: REMINDER

Any firm intending to reserve a suite at the Waldorf-Astoria hotel for the 1990 Judges' Dinner, should contact the hotel immediately to assure availability of the suite at a suitable time prior to the dinner.

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