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PRESIDENT'S CORNER

About this time last year John Pegram reported in this space on the opposition your Association had lodged to the Patent and Trademark Office's proposal to substitute a new patent Rule 1.57 for the present Rule 1.56 and to amend several other rules relating to the duty of disclosure. That opposition, approved by the officers and directors, had been voiced to the PTO in a detailed statement based on thorough studies and recommendations by two of the Association's committees. We did not like, among other things, the idea that the PTO would have a standard for judging allegedly inequitable conduct that would be different from—and less stringent than—the "materiality" standard, mandated by the Federal Circuit, which would ultimately be applied by the courts to the same conduct. The apparent justification for the proposed Rule was to get the PTO out of the "fraud business," but we regarded it as a potentially lethal trap for the unwary applicant and his attorney.

I am pleased to report that the opposition to the proposed Rule 1.57—including ours—has been effective, and that the recommendations we made then are quite consistent with, if not exactly paralleled by, the announced intentions of the PTO.

At the ABA Convention in August, commissioner Harry F. Manbeck's keynote address to the Section of Patent, Trademark and Copyright Law included an announcement that the PTO does not "plan on issuing proposed Rule 57 as a final rule," although the PTO does "contemplate issuing a new Rule 56 proposal for comments."

Commissioner Manbeck stated that the Federal Circuit's "materiality" standard will be retained in a changed Rule 56 proposed by the PTO in the next few months, because that standard "seems best designed to bring forth information needed by our examiners." Nevertheless, the PTO

still wants to escape from having to determine "intent issues" on a regular basis, although the PTO will "retain its inherent authority to reject an application for a violation of the duty to disclose where that violation is admitted in the record or is proven beyond a peradventure."

In this regard, your Association had specifically questioned the propriety of proposed Rule 1.57(c)(1), because it appeared to permit a patentee to purge by reissue the consequences of a court's judgment that the original patent had been obtained through a violation of the duty of disclosure.

We can also expect, according to Commissioner Manbeck, proposals for modifying Rules 97, 98 and 99 on citing prior art to the PTO, because they have a bearing on how an applicant can "expeditiously" comply with Rule 56. Continuing present PTO policy, disclosure statements will not be required. The rules to be proposed will be designed to encourage sub-

mission of known prior art at the earliest possible time; they will, however, permit—for a fee in appropriate cases—the examiner to consider prior art submitted at least up to final Office action or Notice of Allowance, whichever occurs earlier.

The effects of all of this on our practice will only be seen when the text of the PTO proposal is available for study. We commend the Commissioner and his staff for their stated intention of "trying to strike a balance between the needs of the Office, the essentiality to the public that only valid patents be issued, and the desirability to give as much relief to the applicant and his attorney as the PTO reasonably can give."

Finally, this episode, among many others I could recount, demonstrates again that our Association, although regional, continues to be an effective voice in national as well as international intellectual property affairs.

Frank F. Scheck, President

CALENDAR OF EVENTS

October 3-5, 1990	PIPA (Pacific Industrial Property Assoc.) 21st Annual Congress (Niigata, Japan)
October 17-19, 1990	AIPLA: Annual Meeting (Arlington, Virginia)
October 25, 1990	Luncheon Meeting, Karl Jorda, Speaker
November 9-11, 1990	NYPTC: Mohonk Mountain C.L.E. Weekend
January 20-26, 1991	NYSBA: Annual Meeting (New York City)
January 23-27, 1991	AIPLA: Mid-winter Meeting (Boca Raton, Florida)
January 27-30, 1991	Assoc. of Corp. Pat. Counsel (Palm Beach, Florida)

WIPO INDUSTRIAL PROPERTY SEMINAR

Ulan Bator, Outer
Mongolia
June 13-18, 1990

by Karl F. Jorda

I. INTRODUCTION AND BACKGROUND

In Mongolia, unlike in the West, "good friends bring rain." The second day after our arrival, it started to rain and it rained until the day we left. This, plus the VIP treatment, made our stay quite enjoyable. In other words, we were doubly welcome. Otherwise—well Mongolia may not be a vacation paradise for some time to come.

Mongolia was a closed country until late last year. It still is rather inaccessible. "A long forgotten nation at the end of the world" as the New York Times put it. The only practical way to get there is via Moscow. Seminar participants from India, Thailand, Laos, Vietnam, and even from North Korea had to go West to Moscow first and then East to Ulan Bator. And again home via Moscow—detours of probably ten to fifteen thousand miles. The representative from China spent 38 hours on the train from Beijing to Ulan Bator.

After the Soviet Union, Mongolia was the first country to go Communist in 1921 and had been totally dominated by the Soviet Union until last year. But a media report shortly before I left for Mongolia stating that Mongolians have thrown out the Soviets and have switched to English as first foreign language, was nothing but the usual media hype. The truth is that Soviet troops will not be gone until the end of 1991 and school instruction in other foreign languages such as English, French, German will begin in mid-1991. But English is already popular and is taught on TV. (There is also talk of abandoning the Cyrillic alphabet and going back to their ancient Mongol script.)

Unfortunately, developments in Mongolia are being eclipsed by the news out of

Eastern Europe. As of last year, Mongolia is traveling the route of East European countries—politically, looks to Sweden as model—socially—and the NIC's or the four tigers of East Asia—economically. But Mongolia has a serious geographical problem: it is wedged between China and the Soviet Union and thousands of miles away from sea routes. But with Chinese relations vastly improved, access to a Chinese port is being obtained. Another geographical (and demographical) problem is that Mongolia is a vast country (France times four)—but mostly steppe- and desert-like—with a small population (2 million with one quarter living in the capital and 70% being less than 35 years old).

The Mongolians are on the move, however; the spirit of the people and the construction in Ulan Bator reflect it. Free elections with six parties competing will be held on July 29. A switch to a market economy is under way. A joint venture law has been passed and the intellectual property (IP) system is to be modernized as soon as possible.

II. THE WIPO SEMINAR PROGRAM

This set the scene and caused the urgency for the WIPO Asian Subregional Seminar on Industrial Property held in Ulan Bator between June 13 and 17, 1990, at the invitation of the Mongolian government. Cooperation and assistance were rendered by the State Committee for Technological Progress and Standardization (SCTPS) of the Mongolian People's Republic (MPR) and the UNDP, respectively. UNDP representative, Mr. Yuri Litukhin, attended and said a few words at the Opening Ceremony and at two social functions.

Mr. Geoffrey Yu (Singapore), a WIPO Director and Special Assistant to Dr. A. Bogisch, was generally in charge but several sessions were chaired by WIPO's Mr. Li Jiahao (China) and Drs. J. Batsuur and Ts. Sedjav, SCTPS Chairman and Deputy Chairman, respectively. Mr. Yu is a polished diplomat (by profession) but has mastered the subject of intellectual property and did an excellent job in dealing with the Mongolians. He knew when the Mongolians did not comprehend (from their eyes) and stepped in and slowly and carefully rephrased the matter. Mr. Li also played the role of organizer and did a su-

perb job. Neither Dr. Batsuur nor Dr. Sedjav spoke English but the latter had studied in East Berlin for three years and spoke near-perfect German. Dr. Batsuur, to whom the Mongolian Patent and Trademark Office reports, had been in New York (UN) and Washington this past spring and spoke very highly of his experience and impressions in the U.S. He will be going to Geneva in the near future.

Mongolian is a very strange language and very few Mongolians speak English, though many speak Russian and a few speak German. There were several who spoke English and these served as interpreters. Interpretation was consecutive rather than simultaneous. Given the new IP concepts and terms, it is unlikely that there was 100% comprehension on their part. The translation of questions into English was sometimes quite unclear and it took time to ferret out what was meant.

Only about 30 Mongolians were enrolled, but it seems that all ministries and departments were represented. It was quite a cross-section, quite a phalanx of "Experts," "Chiefs," "Officers," and "Secretaries," etc. While at first they were a bit shy in approaching us, they were quite open later on, especially at social functions and they were never reluctant in asking questions—lots of questions.

III. THE MONGOLIAN PRESENTATIONS

In his talk, Dr. J. Batsuur reviewed the history of the Mongolian IP legislation, starting with a first enactment in 1944. But this was really only concerned with encouragement of inventions. Only in 1960 was a Statute of Inventions adopted. It was replaced in 1970 by a Statute of Discoveries, Innovations and Rationalization Proposals. Industrial Design and Trademark laws were not passed until 1976 and 1987, respectively. A modern patent law in tune with international conventions is now needed and contemplated; it will replace what is essentially a Soviet-style inventor certificate system, which he described in great detail with all its limitations and restrictions. But he concluded on a positive note, expressing the MPR's intense desire for close cooperation with Western institutions and international organizations.

Dr. M. Dash dealt within the Mongolian Patent Information System. At one

point he emphasized their realization that "with the open economic policy, their present patent law does not meet their needs" and that a "patent system can contribute greatly to the development of a country."

IV. OTHER PRESENTATIONS

The Britishers, Trevor Lemon and Terry Johnson—very congenial chaps—did double duty. They each made several general presentations covering such basic subjects as Elements of Industrial Property; Licensing, Franchising, Joint Ventures; Trademarks and Service Marks. The two WIPO officials delivered papers on WIPO (naturally), the Paris Convention and the Patent Cooperation Treaty. They did it slowly and simply and effectively.

Mr. Evgeny Buryak from the Soviet Patent Office deserves a special comment. He impressed me most. All the speakers and the Far Eastern participants were special people I shall long remember. But Mr. Buryak is truly a gentleman and a scholar. He is most personable and affable as well as low key. And is he knowledgeable! You meet him and you are instantly good friends. Nothing "Bolshevik" about him. He made progressive statements about the workings of a patent system in his two talks on Patent Information and Its Use and Technological Innovation, R&D Activity and Patent Policy in Industrial Enterprises.

That leaves Mr. Wittmann from the German Patent Office and me—talking respectively about the experience of West Germany and the U.S. regarding the role of patents in industrial development. Wittmann's perspective was that of the German Patent Office and in his presentation he talked about inventions reflecting a society's needs at any given time, the information function of patents and cooperation of the German Patent Office with developing countries.

My talk started naturally with the Bicentennial Celebration and a review of the history of the U.S. Patent Law. I then related how whole industries were built on patented inventions, how the Patent System came under attack but was exonerated as the best alternative by Presidential Commissions and present-day economists and ended with a description of an ideal Patent System and the Golden Age for patents we now live in. With consecutive interpretation slowing down the proceed-

ings one could only touch on the highlights of one's paper.

V. DEVELOPING COUNTRY REPORTS

Representatives of the participating developing countries, i.e. China, India, Laos, North Korea, Thailand and Vietnam, gave reports on the industrial property situation in their respective countries in the last session on Sunday morning.

The report on China by Zhang Hongbo, Official, International Cooperation Department, Chinese Patent Office (a very interesting outgoing individual), had a lot of statistics and details but also dealt with the enforcement possibilities and international cooperation.

The report by Mr. Mittal of India is a good overview of the Indian intellectual property situation. In his oral presentation he made the bald-faced statement that the Indian Patent Law "has a long and credible history of protection and compares favorably with the patent laws of industrialized countries in all respect" which is highly disputable.

In Laos no intellectual property laws exist but they are "working on it" as per Mr. Sisavad of the Laos Ministry of Science and Technology.

North Korea was represented by three officials of the "Invention Committee" who stayed at the North Korean Embassy rather than at our hotel. One of them was a lady (Mrs. Chang) and the only one who spoke English. Her report was short: replete with propaganda and devoid of any description of a real Patent System.

Thailand's report by Mr. Surat, Adviser of Patent Examination, Department of Commercial Registration, was quite lengthy and comprehensive and included several charts. It was a rather thorough summarization of the Thai Patent Law.

Vietnam's report was given by Mr. Le, a very friendly soul who stayed at first at the Vietnamese Embassy but then moved into our hotel. He talked about "doi moi"—Vietnam's form of perestroika—and the '89 enactment of a new patent law and its functions and features. Orientation courses are being held and innovation is on the increase now.

VI. SPECIAL MEETINGS AND VISITS

The Patent and Invention Department, housed in the same building, was visited after the Opening Ceremony. The staff is a total of five people. They process about 100 patent applications per year, register about 60—30 to 40 come from abroad through the Chamber of Commerce (under the Havana Agreement). Patent files are blue, and those of author's certificates are green/yellow. They have registered about 30 Mongolian and 3,000 international trademarks. A patent is granted in six months; a trademark in three months. Awards: 15,000 "Tugriks" per invention, up to 10,000 per design and up to 50,000 per rationalization proposal. (\$1=3 Tugriks.)

A visit to the Mongolian Chamber of Commerce was also on the agenda for noon of the first day. Its Patent Agency has three people handling all applications coming from or going abroad. They patent only two or three inventions abroad. The recently-passed Foreign Investment Law includes provisions for joint ventures: Foreigners can own 100%. Recent examples of joint ventures are camel wool processing (U.S. company), wind generators (U.K. company), oil prospecting (BP). The following apply: guarantee of no rationalization; tax exemption for three to five years; no restriction on repatriation except for 30% tax; no taxes on exports or imports. Stock exchange is proposed for 1991. Currency convertibility is yet to come. Transition to free market system has been decreed.

Only 5% of trade is with non-socialist countries. Over 80% with the USSR; 5% with the Czechs. Export 150 items: 40% mining products, 25% agri-products, 25% consumer goods. Imports: 40% machines, 30% oil products, 25% consumer goods, 5-10% chemicals. Exports: \$7 million; imports: \$1 billion. Deficit covered by credits (!)—Mongolia joined the Group of 77, GATT, the World Bank and the Asian Development Bank and is establishing relations with the EEC. Promotion of tourism has started.

A meeting with one of the Deputy Prime Ministers, Dr. Batsuur's boss, took place after lunch on the first full day of the Seminar and lasted for about 45 minutes. The Deputy Prime Minister commented on

the recent passage of the Foreign Investment Act, Mongolia plans to soon join the Patent Cooperation Treaty, the Budapest Treaty and the Berne Convention as well as the revision of the patent law which is in the works with WIPO help.

VII. SPECIAL SIGHTSEEING TOURS

On Friday, Mr. Yu, Mr. Wittmann and I were taken on an all-day excursion 50 miles into the countryside south of the capital as we were not on the program. Highlights: very bumpy ride in a van on the steppe (paved roads and even unpaved roads completely end not too far out of town); visit with a native family of about six adults and eleven kids in their "gur" ("yurt") and sampling of their cuisine (mostly mutton, cheeses, fermented mare's milk and "Mongolian tea"); visit to a nature museum (donning native garb) and newly-opened monastery and traditional luncheon fare in the countryside.

On Sunday, after the morning Closing Session we were treated to a tour of the city and a visit to the Gandan temple which was crowded with native Buddhist monks and worshippers. While much of the city still consists of large encampment of "gurs," Ulan Bator has many very modern quarters and is a very clean city. In the afternoon it was back into the countryside, the Terelj tourist area, with another lavish native-fare luncheon—50 miles east of Ulan Bator. We were also taken on a "Shopping Tour" to two stores, in which only one accepted hard currency, but there was really nothing to buy.

VIII. SPECIAL RECEPTIONS AND FUNCTIONS

There were several receptions—the Mongolian people being very hospitable. After the Opening Ceremony, there was a sit-down dinner hosted by Dr. Batsuur in an out-of-town government resort complex. The following evening we were treated to a performance by a local folk song and dance ensemble which was very impressive and entertaining.

The next day WIPO gave a reception at the same government facility. A final reception was again hosted by Dr. Batsuur at our hotel on Sunday evening. At all of these receptions the customary speeches of wel-

come and appreciation were made by Dr. Batsuur and Mr. Yu. However, at the concluding reception I made additional similar remarks on behalf of all the speakers and the North Korean lady spoke up on behalf of the other Asian participants.

IX. MISCELLANEOUS OBSERVATIONS AND CONCLUSION

There were ongoing side discussions with Messrs. Johnson and Wittmann regarding specific assistance from the British and German Patent Offices to the Mongolian Patent Office which I could observe but was not privy to. Obviously I could not make any commitments about assistance from the USPTO but promised to report to the USPTO my experiences and observations in general, and the Mongolians' keen interest in Intellectual Property, in particular. One gentleman, a Mr. G. Bayart, who is listed as an officer of the Mongolian Chamber of Commerce but whose business card shows him to be an adviser of a private Patent, Trademark and Technology Transfer Agency, wanted our Commissioner's address which I gave him. He may have heard from him already.

Several people showed an interest in Franklin Pierce Law Center and its MIP (Master of Intellectual Property) Program on their own behalf or on behalf of people on their staffs, e.g. Mr. Buryak of Moscow, Mr. Le of Vietnam, Mr. Zhang Hongbo of China (who is already a candidate and met with FPLC President Rines when the latter was in Beijing this past spring) and, of course, Dr. Batsuur himself who told me after I explained the program to him and implied that MIP participation would be an excellent supplement to seminars insofar as their getting up to speed is concerned, "I'll send you three or four Mongolians." A Mongolian lady, a Trademark Examiner, who attended the Seminar and did a good deal of interpretation, would be an excellent MIP candidate, indeed. Her English is excellent, she has an international law degree and a sister in New York with the UN. Some financial assistance would be necessary and I hope it can be found.

The trip to Mongolia was a "trip to end all trips." Most memorable! Not only because I don't know of anybody who's been there, (In fact, I beat Dan Quayle and Jim Baker to Mongolia as they won't get

there until August.) but also because it is so special and different and a unique travel experience as well as a unique professional experience. Regarding the former, however, it was a rather strenuous and taxing trip (even apart from the bumpy ride through the steppe) all thirteen time zones and all 16,500 miles of it with stops in each direction in Frankfurt, Moscow and Irkutsk, Siberia. While the stopovers in Frankfurt were pleasant enough, the stopovers in Moscow were anything but. Nonetheless, the trip overall was exciting and exhilarating and I have some interesting footage of film (with the camcorder I brought for the trip) even though it was my first attempt at "movie-making."

Regarding the professional aspect, going to Outer Mongolia and participating in a "first," a first seminar on industrial property, and finding the Mongolians exceedingly appreciative in word and action, was a highly gratifying experience. This made the trip even more worthwhile and rewarding. ■

PENDING LEGISLATION

by Edward P. Kelly

Congress continues to consider legislation affecting intellectual property rights. In the copyright area, proposals to prohibit rental of computer software, create moral rights in architectural works and clarify the application of the fair use doctrine have been consolidated into a single bill to encourage consensus. The House and Senate appear to be on the verge of eliminating State immunity for copyright infringement. Current international trade negotiations that could significantly revise the patent and copyright law are reaching a close.

PATENTS

GATT Negotiations

The United States is a signatory to the General Agreement on Tariffs and Trade

(GATT). GATT is an international treaty setting forth trade agreements among its members. Since 1986, GATT members, including the United States, have participated in the Uruguay round of negotiations for purposes of revising the treaty.

TRIPS (Trade Related Aspects Of Intellectual Property) is a negotiating group within GATT that is addressing the impact of intellectual property laws on international trade. The goal of the TRIPS negotiations is to reach a consensus on at least a minimum level of intellectual property protection that will be afforded by each member country. The adoption of the TRIPS proposals currently being considered would mean significant revisions of United States intellectual property law. The current TRIPS proposals call for at least a twenty (20) year term for patent protection, a first to file patent system and copyright protection for industrial designs.

The TRIPS negotiations are to conclude by December 1990. The members of GATT must now reach an agreement in less than four months on issues that they could not agree on in the last three and a half years of negotiations. Recent indications do not favor a consensus. Lesser developed countries such as India and Thailand continue to oppose a GATT-wide agreement on intellectual property laws. These countries view intellectual property laws as restrictions on their use of technology. They have instead stated a preference for negotiating intellectual property agreements through the World Intellectual Property Organization (WIPO) meetings that are proceeding concurrently with GATT talks. According to Harvey Bales of the Pharmaceutical Manufacturers Association, this opposition may prevent a GATT-wide agreement. Mr. Bales stated that the negotiations may move toward creation of GATT codes. Codes are agreements that countries would make on a voluntary basis.

The Commissioner of Patents and Trademarks, Harry F. Manbeck, Jr. recently indicated that there are other obstacles to successful TRIPS negotiations. In an address to the American Bar Association, Mr. Manbeck stated that the TRIPS negotiations are directly affected by negotiations relating to other areas of trade. According to Mr. Manbeck, some members have advised the United States that progress in TRIPS depends on the ability to reach agreements in the negotiations concerning textiles, agri-

culture, tropical products, services and investment.

Orphan Drug Act

Prior to 1983, a drug manufacturer had little incentive to commit extensive research and development to drugs that would treat rare diseases. In that year, however, Congress created the Orphan Drug Act to stimulate production of drugs that would not ordinarily be profitable. (See 21 U.S.C. § 360aa et seq.). The Act grants the first company that develops a qualifying (unpatented) drug the exclusive right to market the drug for seven years. According to Representative Henry Waxman (D-Cal.), the law has been a success. The Food and Drug Administration (FDA) has granted 375 orphan designations and approved 41 orphan drugs since the law's inception. In the 20 years prior to enactment, only 10 orphan drugs were approved.

The provisions of the Act can, in some instances, lead to anomalous results. A drug currently qualifies under the Act if at the time it is designated to the FDA the disease treated affects less than 200,000 people. The designation date, however, can be years before the drug actually is marketed. In the case of a rapidly growing patient population, therefore, a drug may qualify for protection even though it affects far more than 200,000 people at the time the drug is first sold. Highly profitable drugs, therefore, may come within the Act's protection. For instance, the Human Growth Hormone that qualified under the Act has had annual sales of between 125 and 150 million.

Representative Waxman recently introduced a bill (H.R. 4638) that would amend the Act to insure that only drugs that would otherwise not be manufactured received its protection. The amendment would require that the FDA project three years into the future in deciding whether a drug qualifies as one affecting fewer than 200,000. A drug also would lose its orphan drug status if the population affected rose above 200,000. The amendment also would increase competition by providing that two or more companies could be in the market for a qualifying drug if they filed their license applications within one year of each other.

The House recently passed H.R. 4638 on a voice vote.

COPYRIGHTS

Fair Use

The fair use doctrine permits limited copying of a copyrighted work. A court must look to the following statutory factors in determining whether a use is "fair":

- (1) The purpose and the character of the use;
- (2) The nature of the copyrighted work;
- (3) The amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) The effect of the use upon the potential market for or value of the copyrighted work. (See 17 U.S.C. 107).

The historian using direct quotes from primary sources would be one example of a person who might invoke the fair use doctrine. The person who reproduces lengthy passages from stolen unpublished memoirs is quite a different matter. In the latter case, the use probably would not be deemed "fair" if it undermined a substantial property interest of the original author.

A recent Supreme Court decision and two cases decided in the Second Circuit have indicated that the unpublished nature of a copyrighted work is a factor that strongly negates the fair use defense. See *Harper & Row Publishers, Inc. v. Nation Enterprises, Inc.*, 471 U.S. 539 (1985); *New Era Publications Int'l v. Henry Holt Co.*, 695 F. Supp 1493 (S.D.N.Y. 1988); *Salinger v. Random House, Inc.* 650 F. Supp 413 (S.D.N.Y.) 650 F. Supp 413 (S.D.N.Y. 1986) rev'd 811 F.2d 90 (2d Cir. 1987). Critics of these decisions, including the publishing industry, say that the decisions imply that unpublished works enjoy complete protection from copying.

Last Spring, Representative Kastnmeier (D-Wis.) responded to these court decisions and publishing industry concerns by introducing a bill (H.R. 4263) that would amend Section 107 to clarify that the fair use defense applies equally to unpublished as well as published works. Senator Paul Simon (D-Ill.) introduced a similar bill in the Senate (S. 2370).

The Senate Subcommittee on Patents, Copyrights and the Administration of Justice recently joined the House Subcommittee on Courts Intellectual Property and the Administration of Justice in hearings on these bills. Three Second Circuit Judges

involved in the fair use decisions testified. Judges James Oaks and Pierre Leval both favored the bills. In their view, the clarification of Section 107 would eliminate an arbitrary presumption against the fair use doctrine when the copied work is not published. Judge Leval further stated:

The immediate effect has been to inhibit the world of scholarship and publication. Publishing is an expensive, high-risk venture. Publishers cannot afford the gamble that a book may be enjoined. The consequence is that biographic or historical books that depend on quotation from letters, memoirs and the like will simply not be published. And books that can stand without quotations from unpublished matter (although in impoverished form) will be published in that expurgated form to the detriment of public knowledge. If Congress disagrees with the rule proclaimed in the Nation, Salinger and New Era cases, Congress should take this modest, restrained step to eliminate that bar to a finding of fair use of unpublished materials.

Judge Roger Miner opposed both bills on two grounds: (1) that the fair use of unpublished works is already provided for by the second statutory factor set forth in Section 107 and that (2) in any event the fair use doctrine should not apply equally to unpublished and published works. According to Judge Miner, less fair use protection should be afforded to unpublished works than as to published works. Judge Miner stated that this issue involves an author's substantially artistic property interest in an unpublished work, particularly if the work has been illegally obtained: Judge Miner stated:

It is, after all, an author's right to control the first public appearance of his or her work. An author must have the right to refine, revise and discard a work prior to publication. The ability of an author to withhold a work from public dissemination just as long as he or she deems it proper to do so implicates notions of privacy, freedom to refrain from speaking and control of material. At bottom here is a substantial property interest.

Essential to an understanding of the effect of the proposed amendment is the fact that the unpublished material

for which a claim of fair use is made sometimes is stolen material.

Miner concluded that he would limit the fair use doctrine to published and publicly disseminated material. Publicly disseminated material would mean letters sent without a requirement of confidentiality, including letters in existence for a certain period of years without being copyrighted.

Representative Kastenmeier recently included the provisions of H.R. 4263 in a clean bill (H.R. 5498) that combines the fair use legislation with software rental provisions and proposals regarding copyright protection for architectural rights.

State Immunity Update

The Eleventh Amendment grants a State immunity from suit in Federal Court. Recent court 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.

Both the House and Senate have considered bills that would explicitly state Congress' intention to eliminate State immunity for copyright infringement. (See NYPTC Sept./Oct. 1989 at 5.) The House has approved a bill (H.R. 3045) that would afford full damages against a State, including attorney's fees. The Senate recently approved a bill (S. 497) that would eliminate State immunity but restrict recovery of attorney's fees to certain types of plaintiffs. Under the Senate bill, the party seeking attorney's fees to certain types of plaintiffs. Under the Senate bill, the party seeking attorney's fees must be a sole proprietor, corporation or partnership with a net worth not more than \$5,000,000 and not more than 500 employees. Tax exempt organizations with not more than 500 employees and individuals with a net worth of not more than \$1,000,000 also can recover attorney's fees.

Computer Software

The "first sale" doctrine permits the purchaser of a copyrighted work to sell or dispose of a copy he lawfully purchased without compensation to the copyright owner. In 1984, the phonorecords industry fought for and won an exemption from this doctrine for phonorecord rentals. The industry argued that rentals were actually a

pretext for copying. The unauthorized copying displaced sales. The Copyright Statute now provides liability for unauthorized rental of phonorecords. See 17 U.S.C. 109.

Bills are currently pending in the House (H.R. 2740) and Senate (S. 198) that would create the same type of copyright liability for unauthorized rental of computer programs (See NYPTC March/April 1990 at 12). Both of these bills grant exemptions for non-profit libraries and home video game software. The House Subcommittee on Courts, Intellectual Property and the Administration of Justice recently held hearings on H.R. 2740. Both the Copyright Office and the Patent and Trademark Office support the House bill.

Home video games have been excluded from H.R. 2740 and S. 198 because these games are commonly distributed in a cartridge format rather than on floppy disks. The cartridges are considered to be virtually uncopyable. The exclusion is also based in part on the theory that rentals of video games do not necessarily displace sales as they expand the customer's exposure to available games that can be purchased. A bill (H.R. 5297) recently introduced by Representative Joseph Barton (D-Tex.), however, would include video games within its restrictions on rentals. The bill would restrict unauthorized rental of home video games for a period of one year from the date of the first sale of the video game in the United States.

Representative Robert Kastenmeier (D.-Wis.) recently introduced a clean bill (H.R. 5498) as part of a three-part copyright reform. The bill joins software rental proposals with bills relating to architectural works and fair use of unpublished works. The clean bill's provisions on software rental are similar to H.R. 2740 and S. 198. The clean bill does not contain the one year prohibition against rental of home video games.

Moral Rights In Visual Art and Architectural Works

Among the rights afforded under Berne Convention principles are an author's moral rights in his or her work (See Article 6bis). A moral right is an inherent right of an author to claim authorship of the work and prevent its destruction or alteration. The United States copyright laws do not specifically

provide for moral rights. During the recent hearings on conforming United States 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; See NYPTC January/February 1989 at pp. 4 and 5). Congress also requested that the Copyright Office study the issue of copyright protection for architectural works. Ultimately, no moral rights provisions were 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.

In the past year, both the House and Senate have considered bills that would grant visual artists rights to claim authorship in their works and prevent the destruction or alteration of the work. Under the House bill (H.R. 2690), a work of visual art would be defined as a painting, drawing, print, sculpture or photograph. The bill would give artists the right to claim or disclaim authorship of their works, to prevent the mutilation or destruction of their works and to sue for infringement of their moral rights. No protection would be provided for motion pictures, videos, posters, periodicals, books, advertising items or works made for hire.

The Senate Subcommittee on Patents, Copyrights and Trademarks recently approved a bill (S. 1198) similar to the House bill. The major difference between the bills continues to involve the artist's right to waive his rights during his lifetime. The Senate bill does not allow for waiver. The House bill would permit a written waiver.

Last year, the Copyright Office study recommended that the copyright law be amended to provide protection for architectural works. In response to that recommendation, Representative Kastenmeier (D-Wis.) introduced H.R. 3390. The bill as originally introduced would define an architectural work 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 infring-

ing 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 only "minor alterations...for any purpose" and necessary repairs.

Representative Kastenmeier recently introduced a clean bill on architectural rights (H.R. 5498). The clean bill expands the definition of architectural work to include "the design of a building as embodied in any tangible medium of expression, including a building, architectural plans or drawings." The previous provision contained in H.R. 3390 regarding an owner's ability to make only minor repairs has been deleted. Under H.R. 5498 the owner may make any alterations. Finally, H.R. 5498 would not preclude the copyright owner from attempting to obtain an injunction.

H.R. 5498 has been referred to the Judiciary Committee.

Copyright Fees

The President recently signed into law a bill (H.R. 1622) that doubles most of the fees charged by the Copyright Office. The increases will take effect on January 31, 1991. The Register of Copyrights is also empowered to increase fees based upon inflation once every five years beginning in 1995. The bill also reduces the number of Copyright Royalty Tribunal Commissioners from five to three.

TRADEMARKS

Professional Sports

Among the many drinking establishments located in Brooklyn, New York is a bar named the "Brooklyn Dodger Sports Bar and Restaurant." The company's application to register that name in 1988 met opposition from the Los Angeles Dodgers, who moved away from Brooklyn to Los Angeles over thirty years ago. The professional baseball team owns the registered marks of "Dodgers" and "Lost Angeles Dodgers." Major League Baseball Properties, Inc. and the L.A. Dodgers filed an infringement suit against the bar this past spring.

Representative Stephen Solarz (D-N.Y.) recently introduced a bill (H.R. 5411) that would prevent a professional sports team from enforcing a registered name asso-

ciated with a city if the team subsequently moves away. Representative Solarz' bill would add a new Section 40 of the Lanham Act to prohibit an action for infringement of the mark if the team moved more than 50 miles away and the infringement occurred after the move.

H.R. 4511 has been referred to the Judiciary Committee.

State Sponsored Lotteries

Delaware and Oregon have instituted state sponsored lotteries based on professional sports. The lotteries are based upon the outcome of the National Football League and National Basketball Association games. These businesses have rules against their own members gambling on games. They, therefore, do not appreciate this association with gambling. Their efforts, however, to seek relief under the Lanham Act have not been successful. The state lotteries do not use any NFL or NBA names, mascots, logos, or other symbols. They refer to the teams by geographic location only. In the NFL's recent suit against Delaware, the Court refused to find service mark infringement as long as the public was not confused as to the sponsorship of the lottery.

In response to requests by these professional sports businesses, Senator Dennis D. Concini (D-Ariz.) introduced a bill (S. 1772) that would amend the Lanham Act to prohibit states from sponsoring lotteries or other gambling schemes based on professional sports games. The Senate Subcommittee on Patents, Copyrights and Trademarks recently held hearings on the bill. As expected, representatives of professional sports teams testified in support of the bill on the ground that the lotteries misappropriate the goodwill and entertainment value of the professional games. Garo Partoyan, President of the United States Trademark Association, criticized the bill as inconsistent with trademark principles. According to Garo Partoyan, the bill would single out professional sports for special treatment. ■

RECENT DECISIONS OF INTEREST

by Gregory J. Battersby

NO STANDING FOR NON- EXCLUSIVE LICENSEE

The U.S. District Court for the Central District of California, in *Dentsply Research & Development Corp. v. Cadco Dental Products, Inc.* 14 USPQ2d 1039 (C.D. Calif. 1989) held that a non-exclusive licensee under a patent lacks standing to sue a third party for patent infringement. The court noted that a mere licensee has no right to even be joined in a suit for infringement.

AESTHETIC FUNCTIONALITY LIVES

The U.S. District Court for the Northern District of Illinois, in *Schwinn Bicycle Co. v. Diversified Products Corp.*, 15 USPQ2d 1065 (N.D. Ill. 1990), held that the front wheel design of Schwinn's air resistance exercise bicycle was aesthetically functional in that the front design was necessary for effective competition because of heavy consumer preference. The court therefore denied Schwinn's motion for preliminary injunction based on trade dress infringement in violation of Section 43(a) of the Lanham Act.

7TH CIRCUIT AFFIRMS DILLINGER CASE

The U.S. Court of Appeals for the Seventh Circuit, in *Nash v. CBS Inc.*, 14 USPQ2d 1755 (7th Cir., 1990), affirmed the District Court decision granting summary judgment in favor of the defendant in a case involving the question of whether a television series episode involving John Dillinger infringed plaintiff's copyright in a non-fiction book involving the famed gangster. The Seventh Circuit specifically held that historical facts are among "ideas" and "discoveries" which are excluded from copyright protection under 17 USC 102(b). It further held that although the television episode in

question relied on plaintiff's theory that Dillinger was not killed by the FBI in 1934, it appropriated none of plaintiff's protected expressions of that theory.

USE OF MARK IN JAPAN HAS NO EFFECT ON U.S. RIGHTS

The U.S. Court of Appeals for the Federal Circuit, in *Person's Co., Ltd. v. Christman*, 14 USPQ2d 1477 (Fed. Cir. 1990), affirmed a decision by the Trademark Trial and Appeal Board of the Patent & Trademark Office and held that a party's use of a mark in Japan has no effect on U.S. commerce and, as such, cannot form the basis for holding that the party using such mark abroad has priority of use in the United States.

The Court rejected the theory that the mark was adopted in "bad faith" in the United States after it had been observed in Japan. It noted that the concept of territoriality is basic to trademark law and that trademark rights exist in each country solely according to that country's statutory scheme.

JIM BOUTON CHEWED UP

The U.S. Court of Appeals for the Second Circuit, in *Jim Bouton Corp. v. Wm. Wrigley, Jr., Co.*, ___ F.2d ___ (2d Cir. 1990), reversed a decision by the District Court awarding Bouton additional royalties due for its "Big League Chew" shredded gum.

The District Court had awarded Bouton back royalties and enjoined defendant from selling any competing shredded gum product based on an amendment to a license agreement between the companies which purportedly increased the royalty rate from 2.5% to 5%. The Court of Appeals reversed, however, finding that there had never been a meeting of the minds relative to that amendment.

SWIMWEAR DESIGN NOT COPYRIGHTABLE

The New York State Appellate Division, First Department, in *H2O Swimwear Ltd. v. Lomas*, ___ NYS2d ___, ___ App.Div.2d ___ (1st Dept. 1990), ruled that a swimwear design is not subject to copyright protection under the Copyright Act.

The case involved a claim by a

swimwear designer and marketer that its competitor had hired one of its employees and used its design. The design eventually became one of the swimsuits in the Sports Illustrated swimsuit issue for 1989. The court held that swimwear is a "useful article" and, as such, is not covered by the copyright statute because the "aesthetic qualities of clothing, including swimwear, can rarely be separable from their utilitarian function." It found that the question at issue in the case was not just the design of the fabric which was potentially copyrightable, but the cut and dimensions of the suit which were not copyrightable.

BATMAN INFRINGERS WERE INNOCENT

The U.S. Court of Appeals for the Second Circuit, in *D.C. Comics Inc. v. Mini Gift Shop*, ___ F.2d ___ (2d Cir. 1990), awarded damages of only \$200 against small retail stores and no damages against flea market vendors who were selling infringing Batman merchandise. D.C. Comics had argued that the store owners and flea market vendors should be forced to pay additional damages because they failed to prove that their infringement was innocent.

The court stated that the retail stores lacked the sophistication to understand that they were selling infringing Batman product. As laymen, the court ruled that they could not identify the unlicensed products. It also noted that D.C. Comics had failed to introduce any evidence of infringement to warrant a damage award. D.C. Comics was also criticized in this case and others for improper investigatory techniques in copyright infringement actions against small business owners.

TRADEMARK LICENSOR NOT LIABLE IN PRODUCT LIABILITY CASE

The Connecticut Supreme Court, in *Burkert v. Petrol Plus of Naugatuck, Inc.*, ___ Conn. ___ (1990), ruled that a trademark licensor who did not participate significantly in the production, marketing and distribution of the licensed products, was not liable for any defects in the licensed products. This case was distinguished from recent Ninth Circuit decisions which found a trademark licensor liable for product lia-

bility claims where the licensor had participated significantly in the design, manufacture, promotion and sale of the products.

THEODORE BEAR COPYRIGHTS INFRINGED

The U.S. District Court for the Southern District of New York, in *Recycled Paper Products, Inc. v. Pat Fashions Industries, Inc.*, 15 USPQ2d 1311 (S.D.N.Y. 1990), preliminarily enjoined the sale by defendant of maternity shirts adorned with a likeness of a teddy bear similar to plaintiff's Theodore Bear.

The Court noted that the plaintiff had established ownership of their copyright in the likeness of Theodore Bear and a copying of its likeness by defendant. It noted that the designs were "substantially similar" which ensues when the "look and feel" of the two works is substantially the same.

The test used by the Second Circuit for substantial similarity was whether an "ordinary observer," unless he set out to detect the similarities, would be disposed to overlook them and regard their aesthetic appeal as the same.

PRODUCERS 2-1 IN COPYRIGHT CASES

In two recent decisions, television producers succeeded in having actions for copyright infringement dismissed against them. In *Jones v. CBS, Inc.*, 15 USPQ2d 1380 (S.D.N.Y. 1990), the U.S. District Court for the Southern District of New York dismissed an action for copyright in-

fringement involving the television show "Frank's Place." The court held that a character in a pilot television script with sketchy characterization and limited dialogue concerning a black blue-collar worker in a Southern town was not substantially similar in "feel" to the television show "Frank's Place."

In *Brady v. Orion Productions*, 15 USPQ2d 1389 (S.D.N.Y. 1990), the same court dismissed an action involving the television show Cagney and Lacey, finding that plaintiff's storyline was similar only in idea and not expression to an episode of the television series.

In *Shaw v. Lindheim*, ___ F.2d ___ (9th Cir. 1990), the Ninth Circuit Court of Appeals denied defendant's motion for summary judgment when it found that a genuine issue of material fact existed as to whether a television pilot script for the television series "The Equalizer" was substantially similar to a movie script of the same name.

NO PARODY IN BEER COMMERCIAL

The U.S. District Court for the Southern District of New York, in *Tin Pan Apple, Inc. v. Miller Brewing Co., Inc.*, 15 USPQ2d 1412 (S.D.N.Y. 1990), held that defendant's use of plaintiff's copyrighted musical composition in a beer commercial was not a valid parody which is subject to the fair use exception. The case involved the use by defendant of FAT BOYS look-alikes who performed in the distinctly FAT BOYS style.

The court noted that the use of the composition was solely to promote the commercial sale of products. The commercial neither built upon the original nor contained any element which contributed something new for humorous effect or commentary. The court further held that the use of a celebrity look-alike may constitute the unauthorized use of a celebrity's portrait or picture under Sections 50 and 51 of the New York Civil Rights Law thereby stating a viable claim under such statute.

SUNSET BOULEVARD REGISTRABLE

The Trademark Trial and Appeal Board of the U.S. Patent & Trademark Office, in *In re Gale Hayman, Inc.*, 15 USPQ2d 1478 (TTAB 1990), reversed an Examining Attorney's decision to refuse registration of the mark SUNSET BOULEVARD for Cosmetics, namely Perfume and Cologne.

The Board held that in order for a mark to be refused registration as a geographically descriptive term, the mark must be shown to be the name of a place known generally to the public, who would make goods/place association by believing that goods for which the mark is sought be registered originate in that place. The Board found nothing in the record to suggest that purchasers would believe that Sunset Boulevard was the place of manufacture or production of the perfume or cologne. ■

Archie



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