



## PRESIDENT'S CORNER

Thanks to the hard work of the Harmonization Committee and an *ad hoc* committee of the Board, we were able to provide the PTO with our Association's views on harmonization. The text of that letter follows:

### LETTER TO COMMISSIONER OF PATENTS AND TRADEMARKS

#### Comments on Patent Law Harmonization

We submit these comments in response to the request you published in the Federal Register of August 20, 1993.

#### About the Association and its Activities

Our Association (formerly, The New York Patent, Trademark and Copyright Law Association) was organized in 1922. A principal purpose was to be of assistance to your Office. We now have more than 1000 members, most of whom actively practice intellectual property law in the New York metropolitan area. Our members represent diverse clients ranging from individual inventors to large corporations.

We have long been interested in the improvement of our Nation's Patent Laws; our past Officers and Committees helped to draft the current Patent Laws. We have also considered and debated at length the possible harmonization of our Patent Laws with those of other developed countries. Last year, for example, our Association submitted an extensive report to the Advisory Commission on Patent Law Reform commenting on a number of proposals, many of which are the same as or similar to

the changes now advanced in the draft Patent Harmonization Treaty. I understand that our earlier submissions were forwarded to the appropriate working groups and received active consideration.

To further focus on the key harmonization issues, last March we sponsored a series of debates at the Fordham University Law School. This event, which took place over a two-day period just prior to our Annual Dinner in honor of the Federal Judiciary, was widely attended. The featured speakers represented the diverse views recently echoed during your October 7-8 hearings. Most were U.S. practitioners, but the group also included representatives from WIPO, the USPTO, Japan, Germany and Canada.

The purpose of this letter is to inform you of our Association's views on the issues you have selected for discussion. Before addressing these issues once more, however, we thought it may be useful to refer back to the history of the harmonization debate, to which I now turn briefly.



Harmonization History in the  
United States

The relevant benchmark on this subject in recent times is the *Report of the President's Commission on the Patent System*, submitted to then President Lyndon Johnson on November 17, 1966 ("the 1966 Report"). Many of the proposals made in that report are now contained in our Nation's Patent Laws. The Report also included

## CALENDAR OF EVENTS

- |                      |   |
|----------------------|---|
| December 17, 1993    | NYIPLA Luncheon, Speaker: Lynn G. Beresford—U.S. Patent and Trademark Office, "Harmonization and the Madrid Arrangement," Cornell Club, NYC |
| January 16-19, 1994  | Licensing Executives Society International Expanded Executive Committee, Capetown/Johannesburg, South Africa                                |
| January 22-26, 1994  | ABA-PTC Section, Mid-Winter Meeting, Ritz Carlton, Kapalua, Maui  |
| January 22-29, 1994  | AIPLA Mid-Winter Meeting, Westin Mission Hills Rancho Mirage, California  |
| Jan. 30-Feb. 2, 1994 | Association of Corporate Patent Counsel, Phoenixian, Scottsdale, Arizona  |

recommendations on the eight topics to which comments were directed at your recent hearing. But none was adopted. We think it worthwhile in considering the present draft Patent Harmonization Treaty to recall the objectives stated in that Report of almost three decades ago — because those objectives seem as sound and pertinent now as then:

1. To raise the quality and reliability of the U.S. patent system.
2. To shorten the period of pendency of a patent application from filing to final disposition by the Patent Office.
3. To accelerate the public disclosure of technical advances.
4. To reduce the expense of obtaining and litigating a patent.
5. To make U.S. patent practice more compatible with that of other major countries, wherever consistent with the objectives of the U.S. Patent system.
6. To prepare the patent system to cope with the exploding technology foreseeable in the decades ahead (1966 Report, p.4).

In wording as prescient as it is elegant, the Report went on to emphasize that:

Many of the problems related to these objectives are intertwined. An attempt to solve or reduce a problem at one point of the system can expose or create a dislocation at another. Separate and uncoordinated solutions to individual problems would yield a gerrymandered patent system full of internal contradictions and less efficient than the one we now have (1966 Report, p.4).

We agree, and emphasize that the exclusive right to make, use and sell granted by a United States patent, in this Nation with its GDP exceeding \$5.6 trillion, combined with a legal system which makes patent enforcement possible, constitutes an extraordinary value, with a rich history of benefit to the Nation, its citizens, and arguably the world. It is a system in which citizens of foreign nations already participate but no other single nation or patent system offers equivalent economic value. Therefore, we are firmly convinced that changes should not be undertaken without receiving consideration in kind and assuring to United States inventors and their assigns reasonably equivalent value and prospects of enforcement of patent rights in foreign jurisdictions. It is in this context that we address the specifics.

## The Specific Issues

### 1. Procedure for awarding patents (first-to-file or first-to-invent).

Article 9 of the proposed Patent Harmonization Treaty ("PHT") provides that the right to a patent will belong to the first-to-file rather than the first-to-invent where competing inventors have independently made the same invention. There is currently no alternate provision, although the United States has asked for the option to retain its first-to-invent system.

In considering this issue we start with the fact that our Nation has had a first-to-invent system for two hundred years. We see no reason to change unless it can be *shown* that, on balance, there is a solid economic justification for the change. In addition, we believe it important to protect the rights of inventors and smaller entities, e.g., by including an option to file a simplified "provisional application." We also believe that, if the U.S. receives appropriate consideration for the change and protects the rights of our innovators, there may be *advantages* to a first-to-file system. Take interference practice, for example.

While present U.S. law is founded on the first-to-invent principle, only about 200, or about one tenth of one percent, of the more than 175,000 annual U.S. patent applications are subject of contest to determine the first-to-invent. About half of these 200 cases are settled and the first-to-file wins the majority of the remainder. See Calvert and Sofocleous, "Interference Statistics For Fiscal Years 1989 to 1991," 74 JPTOS 822 (1992). The rules of interference contests are complex. See Morgan, "So You Think You Want to Get Into an Interference? Some Things You Should be Aware of First," 74 JPTOS 303 (1992). It is clear that the overall impact of interference practice is very small and the U.S. could dispense with it, improve it, or keep it unchanged, without affecting the vast majority of applications.

Since approximately one half of U.S. patent applications are now filed by foreigners, and interferences between foreigners now account for about one third of all interferences (Morgan, 74 JPTOS at 313), the first-to-invent principle may be increasingly irrelevant to U.S. inventors. The first-to-invent and the first-to-file systems re-

flect, however, a philosophical difference. The former recognizes private activity of inventors without any more formal requirement than keeping some form of record. The latter recognizes only the public act of filing in a government office. Both systems have their critics and advocates.

One instance where the raw first-to-file rule would appear to be a clear step backwards for inventors, however, is when the person first-to-file improperly derived the invention from the inventor. The first-to-file could not obtain a valid patent since the patent belongs to the inventor or his legitimate successors (PHT Art.9). But, other things being equal, the inventor could not get a patent because he or she was not the first-to-file. Giving prior user rights to the first-to-invent would help, but would not cure the problem.

In addition to the interferences provoked by the first-to-invent principle, the determination of what is "prior art" revolves in considerable part around the issue of what is an applicant's or patentee's date of "invention" — 35 U.S.C. §§ 102(a), (e) and (g). Changes in the definition of "prior art" conceivably would have more widespread, but readily understood, impact than abolition or retention of interferences.

In sum, although no clear consensus has emerged, I believe that our Association would support a change from first-to-invent to first-to-file if it was shown to have been exchanged for something of equal merit and if:

1. the change to first-to-file would not reduce the incentive to innovate in the United States; and
2. the reciprocal changes in foreign law would assure U.S. inventors effective foreign protection at minimal cost.

Regarding (1)—the incentive to innovate—we note that no first-to-file country has advanced science and the useful arts as much as has the United States. Careful studies should be made by economists, sociologists and historians to evaluate the relative effects of first-to-file and first-to-invent on innovation.

Regarding (2)—reciprocal changes to foreign laws—the greatest impediments to obtaining foreign patents are cost, unavailability of patents in certain technologies and term of patents; yet none of these will be addressed in the proposed harmonization treaty. Some impediments, such as

time and complexity of patent prosecution and limited scope of patent claims, will be addressed in the harmonization treaty; but these matters must be decided on a case-by-case basis, specific treaty requirements cannot be imposed.

### 2. Nature of a prior-user right, if any, to accompany a first-to-file system.

Under Article 20 of the PHT there is a choice between making prior user rights mandatory and making them optional. The proponents of first-to-file over first-to-invent seem to agree that prior user rights are desirable. So do we.

### 3. The inclusion of foreign public use, display or oral disclosure as prior art.

Our Association has not reached a consensus on this issue. On the one hand, we are not in favor of maintaining distinctions between U.S. and non-U.S. activity unless there is no practical alternative. The question is whether the potential for unnecessary uncertainty, expense or even fraud outweighs the benefits of uniform treatment. It is worth observing, however, that the "state of the art" rule as developed by the European Patent Office requires that the activity be sufficient to put the public in possession of the invention, and the level of proof is quite high.

### 4. Prior art effect of certain patents and their effective dates for novelty and non-obviousness purposes (and the impact on the 1966 and 1970 decisions of the C.C.P.A. *In re Hilmer*).

We favor statutory change of the decisions *In re Hilmer* and prior art effect for novelty back to the earliest effective filing date. The U.S. has staked a claim to better foreign treatment of its own inventors and must be prepared to remove what foreigners perceive as the inequity of the *Hilmer* rules. Present U.S. law also takes considerations of obviousness back to the earliest effective prior art date and the Association sees no reason to change this rule unless, in the context of achieving harmonization, there is an opportunity to compromise with countries to achieve a broad agreement on this or other matters.

### 5. The accommodation of equitable variations to existing statutory bars such as experimental use and secret use or sale.

We favor, also, the retention of existing U.S. jurisprudence on the difference between experimental use and reduction to practice, and on the consequences of prior public use or placing on sale.

### 6. Publication of applications 18/24 months after filing.

One of the few truly international standards going back many years is the laying open of patent applications 18 months after their effective priority dates. This provides the public and USPTO with an orderly means of learning about new inventions, promotes economic research and avoids conflict. Applicants concerned about loss of secrecy would have the right to withdraw an application within a reasonable time prior to publication. Thus we support the proposed change that, unless sooner withdrawn, patent applications be published 18-24 months after filing.

### 7. Protection offered between publication and patenting.

We also favor provisional protection after publication — subject to eventually obtaining a patent. But we think that such a provisional remedy should be limited to published patent claims which have substantially the same scope as later allowed claims. Perhaps this provisional remedy should be limited to those having actual knowledge of the published application.

### 8. Measuring the term of protection from the filing date of the application.

Subject to consideration of continuation-in-part applications, we support the proposal to have a patent term of 20 years from filing. The average time for USPTO to grant a patent is reportedly now about 18 months. This is fast by the standards of the other major examining offices, yet there are instances (clearly not in the public interest) where 20 or more years go by before a patent issues for a term of 17 years measured from grant. The 20 year term from filing is substantially fair and will properly focus attention on ways to further simplify

and speed up the processing of cases that currently take so long.

### Conclusion

To sum it up, we continue to believe that harmonization, itself, is a laudable goal. Although we have not yet reached a clear consensus concerning first-to-file versus first-to-invent, I believe that our Association would support a change to first-to-file if, on balance, it is shown to be in the best interest of our Nation and if the rights of inventors, small entities and prior users are sufficiently protected. Even without "full harmonization" (i.e., first-to-file), however, we support such proposed changes as measuring the term of patents from the filing date and publishing applications 18-24 months after filing.

Respectfully submitted,

William J. Gilbreth  
President

## NEWS FROM THE BOARD OF DIRECTORS

by William H. Dippert

The Board of Directors met on September 21, 1993. Mr. Gilbreth presided.

Howard Barnaby provided the Treasurer's Report. He indicated that there are monies in the Association's bank account that are to be distributed to the associations which participated in the recent joint CLE program. A motion to distribute \$12,000 equally to the four other participating associations passed unanimously.

Mr. Filardi made a motion that \$3,000 of the remaining funds be ear-marked for

CLE activities by the Association. After discussion this motion passed unanimously.

Mr. Gilbreth thanked Mr. Filardi for the wonderful reception at the UN during the ABA convention. He commented that the affair was well attended and well done. Mr. Filardi accepted Mr. Gilbreth's thanks on behalf of his entire committee.

Mr. Filardi reported that the reception incurred a cost overrun of approximately \$11,000. After discussion, it was unanimously agreed that the Association would absorb the cost of the overrun.

Mr. Battersby reported concerning the *Greenbook* and a separate annual publication. He is waiting for proofs for the *Greenbook* from the printer and expects a mid-October publication.

There was discussion concerning having the Association publish a separate annual publication, the primary purpose of which would be to provide summaries of developments in specific areas of intellectual property for each successive year. Different sections would be written by different individuals or firms. The responsibilities would be rotated on a yearly basis.

In subsequent discussion there was substantially unanimous support for the project. After review of the financial considerations, it was agreed that the annual publication would be published by the Association with a hard cover. A motion to this effect passed unanimously.

Materials from David Weild concerning harmonization were distributed. Mr. Brunet indicated that the Harmonization Committee will be meeting in the near future to review the materials and that the Committee will then prepare proposed comments to be submitted to the PTO. The proposed comments will be reviewed by the Board at the October 21 Board Meeting. A final document is due to be submitted by October 29.

Mr. Gilbreth commented that it would probably be best to keep any materials short. He indicated that we may wish to consider that any changes with regard to first to invent system must be tied to concessions on other issues. He recommended that the U.S. Patent Office should compare notes with the Canadian Patent Office, which has gone to the first to invent system. In addition, he suggested there may be other areas of patent law to look at: for example, a patent term based upon an appli-

cation filing date, not the issue date.

Mr. Vassallo reported with regard to the fall CLE Program. A full day program is planned for Thursday, November 11, at Fordham Law School, which may co-sponsor the program.

Mr. Gilbreth reported that the Association has a listed phone number, namely, 212-697-4028. At present, this line is answered by voice mail.

Mr. Razzano reported with regard to the consultant to be used for the 1994 Judges Dinner. He and Mr. Creel had met with two other consultants; however, they think that we should continue to use Horizon. Upon motion the Board agreed to retain Horizon for the 1994 Judges Dinner.

With regard to new business, Mr. Goldstein commented that the next Annual Meeting has been set for May 26, 1995. Also, Mr. Razzano indicated that he will investigate the feasibility of having an Association-sponsored golf tournament. ■

## BOOK REVIEWS OF INTEREST

by *Gregory J. Battersby*

### WORLDWIDE TRADEMARK TRANSFERS

Edited by Susan Barbieri Montgomery  
et al.

This is a one-volume, looseleaf bound work prepared under the auspices of the International Trademark Association.

The work provides information, on a country-by-country basis (for over 40 countries) on assignment practice and procedure as well as goodwill or business asset transfer requirements, brand valuation, security interests in marks, taxation of transfers, bankruptcy considerations, mergers and acquisitions laws as well as providing all applicable assignment forms and translations of pertinent statutes.

This work is invaluable for all intellectual property attorneys who are faced with the assignment of international trademarks. It is available from Clark Boardman Callaghan, 2 Corporate Drive, Cranbury, New Jersey 08512.

### PATENT, TRADEMARK AND COPYRIGHT REGULATIONS

Nov. 1992 Edition

Edited by James D. Crowne

This one-volume, looseleaf bound work contains all of the regulations relating to patent and trademark applications, government rights and agency proceedings, Copyright Office rules, CRT rules, and contract rights and government patents.

These rules and regulations are provided in a single deskbook for all intellectual property attorneys. It is available from BNA Books, P.O. Box 6036, Rockville, MD 20850-9914 (800)372-1033.

### INTERNATIONAL INTELLECTUAL PROPERTY

by Michael A. Epstein et al.

This is a two-volume, looseleaf bound work which is directed to the law of intellectual property in the European Community and Eastern Europe. It is featured as a practical book which brings together all of the intellectual property laws of the European Community.

Topics include the European Community, the EC Software Directive; the proposed EC database; data processing and privacy; trademark law; biotechnology law; patent law; copyright law; industrial designs; technology licensing; and a country-by-country analysis of the intellectual property laws of the Eastern European nations.

This work lives up to its claim of a practical handbook containing much of the information an intellectual property attorney needs relative to European practice. It is available from Prentice Hall Law and Business, 270 Sylvan Avenue, Englewood Cliffs, NJ 07632. (800) 223-0231 for \$170.

### INTELLECTUAL PROPERTY INFRINGEMENT DAMAGES

by Russell L. Parr

This is a one-volume, hard bound work which is intended to serve as a litigation

**AN OPEN LETTER TO ASSOCIATION MEMBERS**

**1994 INVENTOR OF THE YEAR**

The presentation of the Inventor of the Year Award affords the Association an excellent opportunity to extend recognition to an individual who, because of his or her inventive talents, has made worthwhile contributions to society. The person selected should have received patents for his or her invention(s), and by such invention(s), benefited the patent system and society.

This year, the award will be presented at the Association's annual meeting and dinner to be held in May 1994 in New York City.

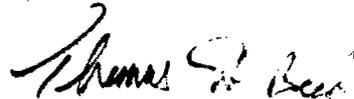
I encourage each practitioner, each firm, and each corporate counsel to nominate one or more candidates for consideration. This program cannot be successful without the participation of the Association members in solo, firm, and corporate practice.

The Inventor of the Year Award enables our Association to extend recognition to a deserving individual and provides good publicity for the Association, the patent system generally, and the practice of intellectual property law.

A nomination form for submitting recommended candidates is attached. Additional copies may be obtained by contacting the undersigned. Please forward your nominations no later than March 18, 1994.

Thank you.

Cordially,



Thomas H. Beck  
Chairman, Committee on Public  
Information and Education  
(212) 758-2400

## NOMINATION FORM FOR INVENTOR OF THE YEAR - 1994

**Instructions:** You may nominate as many individuals as you wish. Please provide one form for each nominee (joint nominations are acceptable). Please submit three (3) copies of all papers, including this form, that you wish to be considered by the Awards Panel. An acceptable nominee must: have one or more issued patents; have no restrictions that will prevent him or her from being able to attend the awards presentation at the NYIPLA annual meeting and dinner in May 1994; must be favorably disposed to the patent system; and must be respected by his or her professional peers. The award is made in recognition of an inventor's lifetime contributions.

1. Nominee: \_\_\_\_\_  
Address: \_\_\_\_\_  
Tel. No.: \_\_\_\_\_

2. Identify invention(s) forming the basis of the Nomination:  
\_\_\_\_\_  
\_\_\_\_\_

3. List, by number and inventor, the United States Patent(s) with respect to the above invention(s): \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

4. Set forth any known litigation, interference, or other proceeding that involves or has involved the foregoing inventions or patents, and the result: \_\_\_\_\_  
\_\_\_\_\_

5. Nominator: \_\_\_\_\_  
Address: \_\_\_\_\_  
Tel. No.: \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Please set forth on an attached separate sheet, a typed, single spaced statement, suitable for reproduction, that embodies the significance of the nominee's contributions which form the basis of this Nomination.

Please add any additional information you believe the Award's Panel will find helpful (three copies each). Material submitted will not be returned. Please forward the Nomination by March 18, 1994, to Thomas H. Beck, Fitzpatrick, Cella, Harper & Scinto, 277 Park Avenue, New York, New York 10172. Telephone number (212) 758-2400.

support handbook for intellectual properties litigators. It is claimed to provide a tool for everyone involved in establishing infringement damages.

Topics covered include fundamentals of infringement damages; profit contributions of intellectual property; lost profit calculations; complementary business assets and intellectual property; investment returns and royalty rates; royalty rates from discounted cash flow analysis; royalty rate rules of thumb that don't work; market-derived royalties; prejudgment interest calculations; expert witness cross examination and infringement damages information.

This is a very useful tool for all intellectual property litigators since it clearly and succinctly lays out the law of damages and assists the attorney in calculating same. It is available from John Wiley & Sons, 605 Third Avenue, New York, NY 10158 (212) 850-6336.

Unlike earlier federal legislation that provided for commercialization of federally funded research (the Bayh-Dole Act of 1980), the two most recent acts do not necessarily provide that intellectual property rights arising from the joint venture vest in private industry. Many private companies have found that the main issue often negotiated under a CRADA is the federal laboratory's right to claim ownership of the intellectual property developed under the agreement. These negotiations can be time-consuming and quite complex. According to Senator Jay Rockefeller (D-WV), the failure of the federal laboratory to transfer ownership of intellectual property rights to the private sector is one reason that the rate of commercialization of federally funded research under Bayh-Dole has exceeded that of the two later Acts.

Under a bill (S. 1537) recently introduced by Senator Rockefeller, the federal laboratory would be directed to transfer, for reasonable consideration, ownership in the intellectual property to the private research partner. In the event that the private partner did not commercialize the invention, the federal labs would retain "march in" rights. The federal lab would also retain a paid-up, irrevocable license in the intellectual property for its own use.

An additional provision of the bill would provide that a government scientist who made an invention would personally receive the first \$10,000 in royalty income if the invention were commercialized. The scientist-inventor would also receive 15% of any additional income. This provision is intended to enhance the desire of the government scientist to create patentable inventions. Under the present law, the scientist would receive only a few hundred dollars for an invention. Another benefit to the laboratory also would be that the government would be free of the costs of filing patent applications.

## COPYRIGHTS

The Copyright Statute presently requires a U.S. author of a copyrighted work to register the work prior to commencing a lawsuit for infringement. This requirement does not apply to a foreign author as a result of revisions made to the Copyright Statute when the U.S. acceded to the Berne Convention. (The Berne Convention is a mul-

tilateral treaty which requires its members to afford the similar copyright rights to foreigners and domestic authors.) While the state of the law may appear to discriminate against U.S. authors, there are definite benefits to obtaining registration including the right to receive statutory damages or attorney's fees. This relief cannot be awarded unless the author registered the work either before the infringement began or, where the work is published, within three months of publication. Indeed, under the present state of the law both foreign and domestic authors would benefit from registration.

Certain types of copyright owners are currently supporting a bill that would amend Section 411(a) of the Copyright Statute to eliminate mandatory registration for U.S. authors. The bills (S. 373) and (H.R. 897) introduced by Senator DeConcini (D-AZ) and Representative William Hughes (D-NJ), respectively, also would repeal Section 412 which requires registration to recover statutory damages and attorney's fees. Writers, software publishers and photographers were among the copyright owners who supported the bills during hearings held in October. The software publishers favored repeal of mandatory registration because revisions to copyrighted software before sale to the public make compliance with registration difficult. They argued that Section 411(a) and 412 of the Copyright Statute act as unintended benefits to infringers of their products. Photographers also testified that they rarely sought registration.

In the event that registration were not mandatory, the ability of the Library of Congress to collect deposits could be adversely affected. However, Librarian of Congress James Billington has been consulted on these bills. Mr. Billington generally supports the bills and has issued recommendations regarding deposit in the Library of Congress. His recommendations would place greater emphasis on deposit.

## TAX CONSEQUENCES OF BUSINESS ACQUISITIONS

The acquisition of an entire business usually involves the purchase of both tangible (buildings, inventory) and intangible (patents, copyrights, trademarks, goodwill) assets. For the buyer, the IRS currently

## PENDING LEGISLATION

by Edward P. Kelly

### COOPERATIVE RESEARCH AND DEVELOPMENT AGREEMENTS

There are over 700 federal research laboratories in the U.S. that engage in cooperative research and development agreements (CRADAs) with private manufacturing companies. These cooperative agreements are established under either the federal Technology Transfer Act of 1986, which provides for joint research by government-owned labs and private industry, or the National Competitiveness Technology Transfer Act of 1989, which provides for the joint research between federal laboratories operated by government contractors and private industry.

provides an amortization deduction for acquired intangible assets if they have an identifiable value separate from goodwill and a determinable useful life. Under current law, goodwill, and in most instances trademarks and tradenames, are not depreciable because they are deemed to have an indeterminable useful life. Acquired patents and copyrights, however, are depreciable if they are assigned an identifiable value in the course of the transaction. Generally, the value of copyrights and patents cannot be amortized when they are acquired in a bulk transfer of business assets.

The buyer's primary incentive is to maximize the amount of the purchase price allocated to allowable depreciable intan-

gible assets, thereby resulting in more depreciation deductions to reduce taxable income over the life of the assets. The nature of this tax treatment has led to disputes over the type of intangible assets acquired as well as disputes over the amount of the purchase price attributable to particular intangible assets.

Bills had been introduced in both the House and Senate in recent years that would resolve these controversies by simplifying the amortization rules when a business is acquired. The bills allowed amortization of acquired intangible assets such as goodwill, trademarks, patents and copyrights acquired in bulk transfer over a single 14-year period. President Clinton recently

executed the bills into law with minor revisions. For instance, the amortization period has been extended to 15 years.

#### INCREASE IN TRADEMARK FILING FEES

How much does it cost to run the Patent and Trademark Office for one year? The House recently approved a bill (H.R. 2632) that provides for a one-year spending program for 1994 of \$103,000,000 which will be spent on salaries and other necessary expenses. The bill would increase the filing fee for a trademark application from the present \$210 per class to \$245 per class effective October 1, 1993.

*Announcing the*

### WILLIAM C. CONNOR INTELLECTUAL PROPERTY WRITING COMPETITION FOR 1994

sponsored by

#### THE NEW YORK INTELLECTUAL PROPERTY LAW ASSOCIATION

Awards to be presented in May 1994 at the Grand Hyatt Hotel,  
New York New York  
at the NYIPLA Annual Meeting/Dinner

The Winner will receive a cash award of \$1,000.

The Runner-up will receive a cash award of \$500.

The competition is open to students currently enrolled in a full time (day or night) J.D. program. The subject matter must be directed to one of the traditional subject areas of intellectual property, i.e., patents, trademarks, copyrights, trade secrets, unfair trade, and antitrust. Entries must be submitted by April 3, 1994 to the address given below.

For a copy of the rules of the competition, call or write to:

Thomas H. Beck, Esq.  
Fitzpatrick, Cella, Harper & Scinto  
277 Park Avenue  
New York, New York 10172  
(212) 758-2400

## RECENT DECISIONS OF INTEREST

by Gregory J. Battersby

### "SCOUT" NOT PROTECTABLE IN CHILDREN'S BOOKS

The United States District Court for the Southern District of New York, in *Girl Scouts of the United States of America v. Bantam Doubleday Dell Publishing Group, Inc.*, 25 USPQ2d 1737 (S.D.N.Y. 1992) held that the terms "scout" and "scouting" have not acquired secondary meaning in the context of children's books.

Plaintiff sought to enjoin defendant's marketing of a series of children's books entitled "Pee Wee Scouts." The court was sensitive to defendant's First Amendment argument and noted that the term "scouts" had not acquired secondary meaning for publications. Moreover, it noted that a survey indicated that 12.6% of the respondents indicated consumer confusion. It did not believe that such numbers were sufficient to outweigh First Amendment considerations. It also rejected plaintiff's argument that these titles were violative of the New York anti-dilution statute.

### LICENSEE MUST CONTINUE TO PAY LICENSEE FEES TO BANKRUPT ESTATE

The United States Court of Appeals for the Ninth Circuit, in *In re Prize Frize Inc.*, \_\_\_USPQ2d\_\_\_ (9th Cir. 1993) held that a patent licensee that chose to retain its rights under a patent license agreement after the licensor had gone into bankruptcy must continue to pay its patent fees to the estate since, under the Bankruptcy Act, they were deemed to be "royalties."

The fees in issue were installments of a \$1.25 million licensee fee which was in addition to the royalties. The Bankruptcy Court held that any payments for the use of intellectual property, regardless of how they are labeled or structured, should be deemed royalties for purposes of Section 365 of the Bankruptcy Code. Otherwise, licensees could continue to use the licensed property

without compensation by labeling it something other than royalties.

### SMOKEY THE BEAR CAN BE USED IN ADVERTISING

The United States District Court for the Western District of Washington, in *LightHawk, The Environmental Air Force v. Robertson*, 25 USPQ2d 2014 (W.D. Wash. 1993) held that plaintiff could make a satirical use of "Smokey Bear" to criticize the Forest Service's management techniques since it was unlikely to cause confusion or dilute the value of the character to prevent forest fires.

Plaintiff had run an advertisement which criticized the Forest Service's management of public lands. It featured Smokey Bear with a chainsaw partially hidden behind his back. The Forest Service relied on 16 USC 580p-4(a) which controls all usage of the Smokey Bear character. In rejecting this defense, the court held that such provision could not conceivably be legitimately applied to certain non-commercial uses of the character which are eligible for constitutional protection.

### 8% DEEMED "REASONABLE" PATENT ROYALTY

The United States District Court for the Eastern District of Wisconsin, in *American Medical Systems Inc. v. Medical Engineering Corp.*, 26 USPQ2d 1081 (E.D. Wisc. 1992) held that a reasonable royalty for the infringement of plaintiff's packaged prosthesis is 8%.

Plaintiff brought an action for patent infringement and defendant counterclaimed for a declaration of patent invalidity and non-infringement. The court held that the patent in question was infringed. Plaintiff argued that a reasonable royalty was 35% while defendant proposed a 1% royalty. The court noted that the plaintiff had little incentive to license the patent and the defendant had an immediate need to get its pre-filled, sterile prosthesis into the market.

### RAYEX LIKELY TO BE CONFUSED WITH RAY-BAN FOR SUNGLASSES

The United States District Court for the Western District of New York, in *Bausch & Lomb Inc. v. Nevitt Sales Corp.*, 26 USPQ2d 1275 (W.D.N.Y. 1993) held that defendant's use of the mark Rayex for sunglasses was likely to cause confusion with plaintiff's Ray-Ban mark.

The court noted that the Ray-Ban mark is inherently distinctive. Defendant's use of the mark Rayex was in the same script form as plaintiff's Ray-Ban mark. Defendant's use of the advertising slogan "If you love Ray-Ban, you'll love Rayex" was also found to cause consumer confusion. Plaintiff's motion for preliminary injunction was thus granted.

### NO INFRINGEMENT IN MICHELOB PARODY

The United States District Court for the Eastern District of Missouri, in *Anheuser-Busch Inc. v. Balducci Publications*, \_\_\_USPQ2d\_\_\_ (E.D. Mo. 1993) held that defendant's mock advertisement for "Michelob Oily" stating that "One Taste and You'll Drink it Oily" in its humor magazine called "Snickers" did not infringe plaintiff's registrations for MICHELOB DRY and ONE TASTE AND YOU'LL DRINK IT DRY.

The court noted that in order to determine whether defendant's use of the mark in an editorial context comes under the trademark parody doctrine, it must determine whether it use creates a likelihood of confusion in the marketplace. Despite finding that plaintiff's marks were strong and observing a survey which indicate that 56% of the people surveyed believed that the creators of the ad had received permission of plaintiff, the court held there was no likelihood of confusion. It similarly dismissed plaintiff's claims for unfair competition and trademark dilution. ■

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November/December 1993  
Volume 34 Number 2

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

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