



THE NEW YORK INTELLECTUAL PROPERTY LAW ASSOCIATION

BULLETIN

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PRESIDENT'S CORNER

As my term of President of our Association draws to a close and we prepare for our Annual Meeting, I want to thank all of our Officers and Directors for their assistance in making my term in office enjoyable and, I hope, effective. I particularly want to thank our three Directors who are concluding their terms: John Murnane, John Weeney and Berj Terzian, for their years of service to our Association.

Last year when I took office I discussed our Association's long tradition of advancing the education of the bar and public in our specialized field of law. That tradition continued this past year with a series of outstanding educational events beginning with our joint CLE meeting in Lake George with the Patent and Trademark Institute of Canada, our PTO program at Fordham University on the changes in PTO practice resulting from the adoption of the twenty-year patent term, and through to the recent one-day joint CLE program in Philadelphia with our colleagues from the Philadelphia, New Jersey and Connecticut Intellectual Property Law Associations. The program was an outstanding success with over 300 attorneys in attendance.

Our tradition of educational service will, of course, continue in the future. The next major event will be our sponsorship of a European Patent Office Program on Biotechnology and Pharmaceutical Practice to be held on Wednesday, September 6, 1995. Please plan to attend.

I am pleased to announce that the Board of Directors has voted to make a substantial donation on behalf of our membership to Inventure Place, the Home of the National Inventors Hall of Fame. The donation has been designated for use in support of the Hall of Fame and educational programs of Inventure Place.

Finally, I want to thank all of you for your help and support this past year. It has been a pleasure to serve as your president.

— Pasquale A. Razzano



CALENDAR OF EVENTS

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|------------------|---|
| June 20-25, 1995 | ABA-IPL Section, Second June IPL Conference, Broadmoor, Colorado Springs, Colorado |
| June 22-23, 1995 | Practising Law Institute's Seminar on Intellectual Property Antitrust, PLI Training Center, New York City |
| June 25-28, 1995 | Association of Corporate Patent Counsel Meeting, Inn & Links Spanish Bay, Pebble Beach, California |
| June 25-30, 1995 | AIPPL XXXVI th World Congress, Montreal, Canada |
| July 24-28, 1995 | Franklin Pierce Law Center Fourth Annual Advanced Licensing Institute, Franklin Pierce Law Center, Concord, New Hampshire |

NYIPLA ANNOUNCES NEW OFFICERS AND BOARD OF DIRECTORS

On May 17, 1995, at the Annual Meeting at The University Club in New York City, the New York Intellectual Property Law Association named its Officers and Directors for 1995-1996. They are as follows:

Officers:

President: Thomas L. Creel
 President-Elect: Martin E. Goldstein
 1st Vice President: Edward V. Filardi
 2nd Vice President: Howard B. Barnaby
 Treasurer: Gregory J. Battersby
 Secretary: William H. Dippert
 Immediate Past President:
 Pasquale A. Razzano

Board of Directors:

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 Thomas E. Spath

INTELLECTUAL PROPERTY DEVELOPMENTS IN JAPAN

by John B. Pegram

Having made substantial revisions to its utility patent laws, the Japanese Patent

Office has now turned its attention to developing guidelines under those laws, and to possible changes in the design and trademark fields. This column will identify the proposed guidelines, discuss one set of guidelines, and note two recent U.S.-Japan meetings concerning designs and parallel importation of patented products.

The U.S. Bar/Japan Patent Office Liaison Council is preparing for its next meeting with the JPO. Please inform our association's delegates, William J. Brunet (fax (212) 758-2982) and John B. Pegram (fax (212) 586-1461), of potential topics for discussion.

GUIDELINES

In February 1995, outlines of several sets of proposed guidelines were provided by the JPO to the U.S. Bar/JPO Liaison Council. Unfortunately, there was little time for any organized comment; fortunately, the outlines appear generally acceptable. The guidelines concern original language filing, new patent specification and drawing requirements, post-grant oppositions and accelerated examination.

The proposed guidelines of greatest significance are those for examination of applications originally filed in English. The application originally filed in Japan, in English, will be the basic document. The translation into Japanese, due within two months from filing, must be accompanied by a statement that the translation is correct. In the course of the examination, the Examiner will examine the Japanese translation for compliance with the usual specification and drawing requirements, assuming a literal translation. If the question of new matter arises, reference may be made to the English language text which was filed in Japan.

An applicant's request for correction of a mistranslation will have to not only state the contents of the correction but also a reason sufficient to convince the Examiner of its appropriateness. In particular, the outline of the proposed guidelines state that the following matters shall be explained:

1. Content of original-language text and page and line thereof corresponding to the passage or words which are amended by the written correction for mistranslation.

2. Translation before the amendment and the explanation that the former translation is not appropriate.
3. Translation after the amendment and the explanation that the new translation is appropriate.
4. The reason why the mistranslation took place.

Correction for mistranslations will also be possible on the basis of the specification or drawings as of the international filing date of a foreign language patent application under the PCT. There is, however, no provision for reference to an original priority application in another country.

The JPO will publish both the original-language and translated versions of original language applications. When such an application is cited by an Examiner as prior art against another application, the Examiner will refer primarily to the Japanese translation; however, the applicant against whom the prior art is cited will have the opportunity to point out instances where the original language application does not correspond to the translation.

DESIGN PROTECTION

The JPO sent a delegation of design examiners to Washington, DC and New York for a week during March 1995. The delegation was led by Ms. Miyoko Matsubara, Director of Design Examination Division (Industrial Machinery) and was accompanied by Mr. Hirotsuna Yamashita, Director of the Washington Office of the Institute of Intellectual Property (IIP), a JPO affiliated organization. This report is based on a March 21, 1995 meeting with the JPO delegation in New York. The meeting was attended by our Association's U.S. Bar/JPO Liaison Council delegates, William J. Brunet and John B. Pegram, NYIPLA Board member Thomas E. Spath, Design Committee Chair Anthony J. Casella, Stephen J. Filipek, Robert M. Isackson, Lloyd McAulay, Steven F. Meyer and John B. Hardaway III, the Council delegate from the Carolina IP Law Association.

The delegation of design examiners asked questions regarding U.S. design patent practice, international treaties and experience with design protection in Japan. In particular, they asked whether we consid-

ered design protection to be sufficient under U.S. law and design patent law in particular, how long it takes to obtain a design patent and what sources of prior art are used.

Regarding treaties, the delegation wanted to learn whether U.S. practitioners felt a need for an international design registration system and, therefore, whether we were interested in the Hague Agreement. They also inquired about the Locarno Agreement on design classification. The JPO is considering whether Japan should adhere to each of these treaties. Finally, the JPO delegation solicited comments regarding experience with design applications in the JPO.

PARALLEL IMPORTATION

On April 7, 1995, a meeting was held in New York with Mr. Yoshitake Kihara, Deputy Director, General Administration Division of the JPO and Mr. Yamashita of IIP to discuss the recent decision of the Tokyo High Court in *Lassimet Japan KK and Japuto Products KK v. BBS Kraftfahrzeug Technik AG*. (Appeal No. 6-272, March 23 1995), known as the "Aluminum Wheel (hubcap) Case." (See 49 PTCJ 736, April 20, 1995) Attendees included Bill Brunet, David Benway, Harold J. Burstyn, Charles Carusso, Mark Cohen, Eric Dicker, Stephen J. Filipek, Stewart J. Fried, Samson Helfgott, Gabriel Katona, Michael P. Sandonato and Anthony M. Zupcic.

In this case, the plaintiff German corporation owned both German and Japanese patents on the hubcaps in question. The first defendant bought the hubcaps from the patent owner or a licensee in Germany and imported them into Japan. The second defendant purchased the hubcaps from the first and sold them in the Japanese market for a price less than the price charged by the patentee's Japanese subsidiary. The Tokyo District Court had enjoined the sales as infringements of the Japanese patent. Mr. Kihara explained that was consistent with a prior Osaka District Court decision in *Brunswick Corp. v. Orion Kogyo KK* (1969), known as the "Resold Bowling Pin-Setter Case."

In the recent hubcap case, however, the Tokyo High Court reversed on the basis of the principle of international exhaustion

of the patent right, which it applied for the first time in Japan. As a result, the JPO is studying the law of parallel importation and exhaustion of rights in other countries.

PUBLICATION AVAILABLE

"Industrial Property Rights in Japan," an updated, 48 page guide, is now available from the Japan External Trade Organization ("JETRO"), 1221 Avenue of the Americas, New York, NY 10020. ■

NYIPLA BOARD MAKES DISABILITY INSURANCE PLAN AVAILABLE

What would happen if you suddenly became disabled and could not work? If you have a disability plan in place, is it adequate to protect your standard of living? Do you have a disability plan at all?

The NYIPLA Board of Directors has permitted Randy Rasmussen of Rand Insurance to make available to all Association members a high quality, personal disability income insurance program. All NYIPLA members who qualify for coverage can buy it at a discounted price — less than the premium charged to the general public. Although the NYIPLA is not sponsoring this program, it has allowed the program to be offered to its members after investigating the proposal made by Rand Insurance.

WHY BUY A PERSONAL DI POLICY?

Many companies provide their employees with long-term disability protection — a welcome safety net in case you become disabled. But if you do suffer a disability, your group disability coverage

won't cushion all of your fall. In fact, the typical group plan provides a benefit equal to only sixty percent of income.

What's more, if your employer pays the premiums on your behalf, benefits that you collect would be taxable. For example, if your monthly income is \$10,000, your sixty percent group benefit would provide you with only \$6,000 a month — and you would still have to pay taxes on that amount, reducing your spendable benefit to even less.

You can see why it is wise to buy a supplemental DI plan. A personal disability income policy on which you pay the premiums provides *tax-free benefits*. This supplemental disability insurance enables you to more fully protect yourself and can help you maintain a reasonable lifestyle during recovery.

A STRONG PLAN AMID INDUSTRY TURMOIL

These days, the disability income marketplace is in a state of upheaval. Major insurance companies have either left the market entirely or drastically curtailed coverages. Nearly all companies are raising rates.

The plan chosen by the NYIPLA Board has several features that make it stand out in today's environment:

- Noncancellable and Guaranteed Renewable. This is the best type of policy because premiums cannot be increased to age 65, the policy cannot be canceled (as long as premiums are paid), and policy provisions cannot be changed without your permission.
- Own Occupation to Age 65. This is a must for highly skilled professionals such as attorneys. Without this provision, benefits are not payable if you can perform *any* meaningful work.
- Lifetime Benefit Period Available. Income needs for a disabled person do not decrease after age 65. A disability during your income-earning years will affect your ability to save for retirement.
- Return to Work Benefits. This is designed for the self-employed. After you've fully recovered from a disability and are back at work full time, your accounts receivable will not

"catch up" for several weeks or months. This provision pays a proportionate benefit while you rebuild your income, for a stipulated period.

MORE INFORMATION COMING

All NYIPLA members will receive a mailing later this year describing the disability plan in full. It is offered through Rand Insurance, Inc., of Riverside, Connecticut. The agency's director, Randy Rasmussen, has packaged a DI plan through The Union Central Life Insurance Co. of Cincinnati, Ohio. Union Central was founded in 1867 and today is one of the twenty-five largest mutual insurers in the nation, with thirty years' experience in the disability income arena.

CALL NOW

If you would like more information, give Randy Rasmussen a call at (203) 637-1006. He can give you a full overview of the plan and tell you about the Association discount that NYIPLA members can receive. ■

NEWS FROM THE BOARD OF DIRECTORS

by William H. Dippert

The Board of Directors met on March 14, 1995. Pasquale Razzano presided.

Edward Filardi reported on the status of preparation for the Annual Dinner. Prof. Rochelle Dreyfus of NYU will be the speaker. Ed Filardi reported that the Inventor of the Year notices have been sent out and that this has been handled by Tom Beck. Also, Mr. Beck and his committee will oversee the writing competition.

There was discussion of ways in which the Annual Dinner could be modified to

increase attendance and/or make it more meaningful. John Murnane suggested that the Annual Dinner be combined with a CLE Program. Additional discussion followed, with the understanding that this subject would be revisited in the future.

Howard Barnaby provided the Treasurer's Report. He commented that the Association's bank balance has been increasing due to the Judges Dinner. Also, he reported that there are still some monies to be distributed to the New Jersey Patent Law Association in connection with a previous joint program. Upon motion, the Treasurer's Report was approved.

Martin Goldstein reported that attendance for the Judges Dinner was approaching 2600. Because of the increased attendance, the Starlite Room of the Waldorf will be used instead of the Empire Room. There was additional discussion of seating arrangements in the Grand Ballroom.

Mr. Razzano led discussion concerning the WIPO Conference in May. Mr. Razzano offered that it would be good if the Association could send someone and indicated that he may arrange to attend. Also, Mr. Razzano asked Mr. Brunet whether the ABA is sending a representative and suggested that perhaps one person could represent both the Association and the ABA.

Edward Blocker and Ed Filardi reported on last month's meeting of the Committee on Admissions, particularly Committee suggestions of ways in which to increase membership. Mr. Blocker reported that the Committee would appreciate guidance concerning the purpose for increasing membership. There was discussion of whether the purpose of increasing membership is to merely increase dues, to increase the proportion of trademark and copyright attorneys as compared to patent attorneys, or to increase the number of members of corporate law departments.

Mr. Razzano commented that he did not consider that there was intent to change the nature of the Association. Rather, the intent is to increase revenues and to have the ability to offer additional programs. Mr. Murnane suggested that the Association consider additional "how to" programs. He believes that firms would support such programs for younger attorneys. There was additional discussion of the focus of the membership efforts.

With regard to new business, Howard

Barnaby mentioned that Fordham Law School listed the Association in the brochure for its April '95 program. After he reported that Professor Hanson had asked the Association to contribute money to the '95 program, there was discussion of the Association's relationship with Fordham Law School and the past programs that had been co-sponsored.

Upon motion, Mr. Razzano was authorized to make a contribution of \$1000 to support the April '95 Fordham Law School program. ■

RECENT DECISIONS OF INTEREST

by Thomas A. O'Rourke

PATENTS: CLAIM CONSTRUCTION

In a landmark decision, the Court of Appeals for the Federal Circuit (CAFC), in *Herbert Markman and Positek, Inc. v. Westview Instruments, Inc. and Althon Enterprises, Inc.*, 1995 U.S. App. Lexis 7593 (Fed. Cir. 1995) (en banc), affirmed the district court's decision to grant the defendant's motion for a directed verdict based upon the district court's own interpretation of the claims-in-suit rather than the interpretation given the claims by the impaneled jury. The CAFC held, settling inconsistencies in the Court's precedent, that "in a case tried to a jury, the court has the power and obligation to construe as a matter of law the meaning of language used in the patent claim." *Id.* at *34.

The plaintiffs-appellants, Herbert Markman and Positek, Inc. (collectively Markman), were the respective patent holder and licensee of United States Reissue Patent No. 33,054 (the '054 patent), titled "Inven-

tory Control and Reporting System for Drycleaning Stores." Markman filed suit for infringement of the '054 patent against Westview Instruments, Inc. (Westview), the manufacturer of a rival inventory control system for dry-cleaning and laundry establishments, and Althon Enterprises, Inc. (Althon), the owners of two dry-cleaning sites, one of which used the Westview system. The lawsuit was filed in the District Court for the Eastern District of Pennsylvania. Claim 1, the principal claim in issue, recited:

The inventory control and reporting system, comprising ... means operable to encode information relating to sequential transactions ... a data processor including memory operable to record said information and means to maintain an inventory total ... whereby said system can detect and localize spurious additions to inventory as well as spurious deletions therefrom.

The accused system consisted of one piece of equipment that printed out a bar-coded ticket or invoice listing the information about the customer, the clothes to be cleaned and the charges for cleaning. Stored in permanent memory was the invoice number, date and cash total. A second piece of equipment read the tickets and identified extra or missing invoices. The issue of infringement revolved around whether the word "inventory," as used in the claims, meant articles of clothing or simply invoices. The district court held that inventory meant articles of clothing not simply invoices, and that the Westview system did not retain information regarding articles of clothing, but only retained a listing of the invoices and a cash total of inventory.

The CAFC's analysis began by acknowledging that there were two lines of

CAFC opinions — one line holding that claim construction was a matter of law, and another holding that claim construction may have an underlying factual inquiry. In holding that the former line of cases should be followed, the Court reasoned that a patent is a fully integrated written instrument, granted by the government, conferring federal legal rights, and that construction of written evidence is exclusively with the court. The CAFC went on to state that:

Moreover, competitors should be able to rest assured, if infringement litigation occurs, that a judge, trained in the law, will similarly analyze the text of the patent and its associated public record and apply the established rules of construction, and in that way arrive at the true and consistent scope of the patent owner's rights to be given legal effect." *Id.* at * 33.

Do You Want Your Income *Cut in Half*? Is Your Group Disability Insurance Enough?

THEN YOU NEED SUPPLEMENTAL DISABILITY INSURANCE

New York Intellectual Property Law Association members are now eligible for supplemental disability insurance protection at discounted rates. The plan fills the gap between what your group long-term disability will pay and what you need to maintain your lifestyle.

The specially developed benefit plan for the NYIPLA is administered by:

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Please feel free to contact Randy for information regarding the plan or for help in determining your insurance needs.

Having held that claim construction was a matter of law, the Court went on to review the district court's decision *de novo*. The Court's analysis of the claims, specification and prosecution history of the '054 patent lead to the conclusion that the word "inventory," as used in the claims, included "articles of clothing." The Court went on to hold that the district court properly rejected the jury's verdict and granted a directed verdict, now called judgment as a matter of law (JMOL), and that when the claims of the '054 were correctly construed, Westview's system did not infringe the '054 patent.

It should be noted that Judge H. Robert Mayer stated that the majority's decision violated the Seventh Amendment right to a jury trial. Judge Pauline Newman filed a lengthy dissent that patent infringement is a factual question, with its resolution requiring testimony and documentary evidence concerning scientific and technical terms in the claims. She also argued that by ruling that claim interpretation was a matter of law, the appellate court will be flooded with *de novo* reviews of district court decisions.

TRADEMARKS: THE REGISTRATION OF COLORS

In *Qualitex Co. v. Jacobson Products Co.*, 34 USPQ 2d 1161 (1995), the United States Supreme Court held that federal trademark law "permits the registration of a trademark that consists, purely and simply, of a color." *Id.* at 1161. The unanimous decision written by Justice Breyer resolved a split among the Circuits as to whether a single color could be a registered trademark.

The case arose out of petitioner Qualitex Company's (Qualitex) use (since the 1950's) of a special shade of green-gold color on the pads that it makes and sells for dry cleaning presses. In 1989, respondent Jacobson Products (Jacobson), a Qualitex rival, began to sell its own press pads to dry cleaning firms, and it colored those pads a similar green-gold shade. In 1991, Qualitex registered the green-gold color on press pads with the United States Patent and Trademark Office as a trademark, and subsequently brought suit against Jacobson for trademark infringement.

The Supreme Court decision relied

upon the broad definition in the Lanham Act of trademarks that includes any word, name, symbol or device, or any combination thereof. The Court also relied upon the underlying principles of trademark law, including the requirements that the mark "identify and distinguish [the seller's] goods ... from those manufactured or sold by others and to indicate [their] source." *Id.* at 1162. The Court reasoned that since color is capable of identifying and distinguishing the goods of one company from those of others, it should be treated just like any other "symbol or device."

The Court rejected Jacobson's "shade confusion" argument that allowing trademark protection for color alone will produce uncertainty and unresolvable court disputes about what shades of color a competitor may lawfully use. According to the court, there is nothing special about shades of color since courts are equipped to analyze such situations the same way they assess likelihood of confusion in trademark cases.

The Court also rejected Jacobson's argument that colors are in limited supply, and if each competitor could appropriate a particular color for use as a trademark, the supply of colors would be depleted. The Court found this argument unpersuasive since alternative colors would normally be available for use by others. Moreover, if a "color depletion" problem does arise, the trademark doctrine of "functionality" would be available to prevent such anti-competitive consequences.

The Court also found unpersuasive the statements made in old Supreme Court cases which questioned "[w]hether mere color can constitute a valid trademark." *Id.* at 1166. (citing *A. Leschen & Sons Rope Co. v. Broderick & Bascom Rope Co.*, 201 U.S. 166, 171 (1906). The cases relied upon by Jacobson interpreted trademark law as it existed before the Lanham Act. The Supreme Court stated:

[W]e believe the Federal Circuit was right in 1985 when it found that the 1946 Lanham Act embodied crucial legal changes that liberalized the law to permit the use of color alone as a trademark (under appropriate circumstances)." *Id.* at 1167.

COPYRIGHT: METHOD OF OPERATION

In *Lotus Development Corp. v. Borland International Inc.*, 34 USPQ2d 1014 (1st Cir. 1995), the Court of Appeals held, in a matter of first impression, that a computer menu command hierarchy is a "method of operation" and therefore, is uncopyrightable. Accordingly, the Court reversed the district court and vacated the permanent injunction.

Lotus Development Corp. (Lotus) sued Borland International Inc. (Borland) in the District of Massachusetts for copyright infringement. Lotus alleged that it had a valid copyright for its Lotus 1-2-3 menu spreadsheet program. The program is controlled by menu commands, which are arranged into a hierarchy of menus and submenus. Lotus further alleged that Borland copied the Lotus 1-2-3 menu command hierarchy into Borland's Quattro and Quattro Pro computer spreadsheet programs.

In partially granting Lotus's summary judgment motion, the district court ruled that the Lotus 1-2-3 menu command hierarchy was copyrightable and that Borland infringed the Lotus 1-2-3 copyright as a matter of law, since Borland did not dispute that it copied the Lotus 1-2-3 menu command hierarchy. Borland copied the words and structure of the Lotus 1-2-3 menu command hierarchy into its Quattro programs to make the Quattro programs compatible with Lotus 1-2-3; however, Borland did not copy Lotus's computer code.

The district court held that the menu command hierarchy was copyrightable, because the command terms could have many different names and arrangements. At trial, to determine the extent of the infringement, the district court awarded judgment to Lotus and permanently enjoined Borland from using the Lotus 1-2-3 menu command hierarchy.

Borland appealed, contending that the Lotus menu command hierarchy is uncopyrightable because it is a "system, method of operation, process or procedure" which is barred under 17 U.S.C. §102(b). Borland also argued that the menu command hierarchy is similar to the accounting system described in *Baker v. Selden*, 101 U.S. 99 (1879), where the Supreme Court refused to extend copyright protection to an accounting system described in a textbook.

The Court of Appeals found that the command terms in the Lotus 1-2-3 program were necessary for operating the 1-2-3 program, because the program could not be used without the menu commands. Therefore, a menu command hierarchy is a method of use and, under 17 U.S.C. §102(b), it is not copyrightable.

In reaching its conclusion, the court did not use the test set forth in *Computer Assoc. Int'l Inc. v. Altai, Inc.*, 982 F.2d 693 (2d Cir. 1992). The court found that the test in *Altai* presumes a minimal level of copyrightability, and that the initial question should be whether the subject matter is copyrightable.

PATENTS: ESTOPPEL

In *ABB Robotics, Inc. and Cincinnati Milacron, Inc. v. GMFanuc Robotics Corp.*, 1995 U.S. App. Lexis 6147 (Fed. Cir. 1995), the Court reviewed a grant of summary judgment based on laches and estoppel by the district court. The Court affirmed the dismissal of ABB Robotics, Inc.'s (ABB's) infringement action based only on a defense of estoppel.

ABB exclusively licensed the patent in question from co-plaintiff Cincinnati Milacron, Inc. (CM) in 1988. ABB and CM filed this suit against GMFanuc Robotics Corp. (GMF) for infringement on June 17, 1992. In 1984, CM had charged GMF with infringement. Following two years of conversations, GMF denied that it infringed the patent and the discussions ceased. CM never sued for the infringement and licensed control patents to GMF.

In its holding, the Court determined that the lower court properly granted summary judgment since the three requirements for estoppel were met. First, the Court found that CM, through misleading conduct, led GMF to reasonably infer that the patent would not be enforced against GMF. Next, the Court found that GMF relied on the conduct of CM in exploiting the patented information. Finally, due to the reliance, the Court found that GMF would be materially prejudiced if ABB and CM were permitted to proceed with the infringement suit.

Combining CM's long period of inaction following GMF's denial of infringement and other factors, the Court found that CM led GMF to a reasonable conclusion

that no enforcement of the patent would ensue. The other factors considered include:

- (1) CM's objection to the activities as infringing followed by inaction; (2) the relationship between CM and GMF's parent, General Motors, CM's largest single robotics customer; (3) GMF's knowledge that CM was not active in the area of the '536 patent and was therefore not losing sales or profits as a result of the alleged infringement; and (4) other negotiations which took place between CM and GMF which led to licensing agreements under other CM patents." *Id.* at *2.

The Court further concluded that an enforcement threat followed by silence is not the only way that silence can be misleading.

The Court next stated that the second requirement needed a showing of a concrete basis, and not just an abstract theoretical possibility, of reliance. The lower court, it concluded, looked at the behavior of the parties and the relationship between them which would lull GMF into believing the patent would not be enforced. Thus, in this case, the second requirement was fulfilled.

Finally, the Court approved of the lower court's finding that GMF proved economic prejudice. The expansion of the infringing activity was "but-for" the lack of enforcement. Further, the Court agreed with the trial court that "increasing sales [without additional evidence of capital investment] may constitute economic prejudice." *Id.* at *8. Economic prejudice is not linked to capital investment, rather, economic prejudice is linked to increased expenditures which are necessarily related to the patentee's actions. The test is whether the economic position of the alleged infringer changes during the delay in enforcement. Here, GMF's economic position did change during, and as a result of, CM's delay. Hence, element three was satisfied.

With all three elements of estoppel demonstrated, the Court approved the use of the equitable defense of estoppel. Since the case was decided on the estoppel defense, the Court did not act on the laches defense. ■

ADVANCED LICENSING INSTITUTE

July 24-28, 1995

Franklin Pierce Law Center
Concord, New Hampshire

Unique program covers business arrangements involving patents, trademarks and copyrights, their negotiation and implementation; actual licensing situations; and financial considerations.

Directed by Professor Karl Jorda and taught by prominent U.S. intellectual property professionals.

For more information,
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