



THE NEW YORK INTELLECTUAL PROPERTY
LAW ASSOCIATION

BULLETIN

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PRESIDENT'S CORNER

The New York Courts are discussing mandating "civility" for lawyers — towards clients, other lawyers and judges. There is even a committee appointed to study "civility." Is civility another of those standards of a by-gone era which has simply evaporated with no one knowing why? If so, how does one get it back?

When I was long ago interviewing patent firms (another vestige in today's world of "intellectual property"), I spoke to one of the grand old men of our profession. He told me of the "civility" of the patent bar, as opposed to some others. It was a small bar, after all, where you have to deal with the same lawyers year after year, said he. Has "civility" been lost because patent law has grown too big and successful? Is the need to impress clients by being a RAMBO litigator driving our activities?

The word civility is derived from a Latin root relating to citizenship. It has been defined as "behavior proper to the intercourse of civilized people." Can proper behavior be mandated by the Court? I doubt it. Rather, we must reestablish an atmosphere of "civility" among ourselves and with people we meet in our positions as lawyers. Let's have intellectual property practitioners lead the way to more civil lawyers. With intellectual property being the hot area it is, we can lead the way to more civil lawyering in the profession as a whole. At the very least, it will make our own lives more pleasant.

But isn't aggressiveness for our clients required? Surely, the answer is yes. But that is not inconsistent with civility. Indeed, aren't our clients served better by being civil? Think of yourself in the position of the fact finder, be that a judge or jury. Who are you more likely to believe — a Jimmy Stewart/Gary Cooper-type or a RAMBO

type? Or put yourself in the position of your opponent. When you ask for an extension of time for a justified reason — is it more likely that your opponent will give you that extension if you have been "civil" in the litigation?

I have no ready answers to how we make the world of lawyering more civil. I do offer the following old-fashioned advice however. All of us in the intellectual property bar can make our practice more enjoyable and profitable by merely being civil. We are a still a fairly well-defined bar. Since we do tend to interact with the same people time and again, a little seed of civility will spread as it is nurtured from person to person. It is not untrue that what goes around comes around.

Enough preaching. Now that Fall has arrived, our Association activities are in full swing. The CLE luncheon series at the Cornell Club is outstanding. Our annual CLE Fall seminar, in conjunction with Fordham University Law School — a huge success last year — is also fast approach-



ing. I urge you to participate in these stimulating experiences, which, as always, are offered at rock-bottom prices.

Finally, as Ed Koch used to say (in paraphrase), "How are we doing?" Please let me know of anything you believe should be addressed in the coming year, or of which our Association should be taking a position or be involved.

— Thomas L. Creel

CALENDAR OF EVENTS

November 6-7, 1995

"Litigating Copyright, Trademark and Unfair Competition Cases" sponsored by Practising Law Institute, PLI Training Center, New York, NY

November 8, 1995

"Patent Litigation 1995" sponsored by Practising Law Institute, Chicago Athletic Association, Chicago, IL

November 8-10, 1995

American Corporate Counsel Association, ACCA Eleventh Annual Meeting, Marriott Copley Place, Boston, MA

November 15-18, 1995

International Trademark Association, Mid-Year Meeting, Ritz Carlton, Naples, FL

November 29, 1995

CLE Program co-sponsored by the NYIPLA and Fordham University School of Law, Fordham Law School, New York, NY

TWENTY-YEAR PATENT TERMS UNDER THE GATT URUGUAY ROUND AGREEMENT

by *Charles E. Van Horn*

*Former Administrator,
Legislative & International Affairs,
U.S. Patent and Trademark Office*

Under the GATT Uruguay Round Agreement, a significant change in the patent system has emerged: the twenty-year patent term. A twenty-year patent term applies to utility and plant patents but does not apply to design patents which still have a fourteen-year patent term.

BENEFITS OF THE TWENTY-YEAR TERM

What are some of the benefits of a twenty-year patent term? In many cases, one benefit is a slightly longer term for the patented invention. Based upon a study done in the U.S. Patent and Trademark Office (PTO) in 1993, the average pendency of an application in the PTO from filing to issuance is about nineteen months. Thus, an average application which issues as a patent in nineteen months has an effective term under the twenty-year patent term of eighteen years and five months.

The twenty-year patent term also discourages submarine patents. It does not eliminate them but rather discourages people from keeping them pending in the PTO for several years or decades. It will maintain pressure on all segments of the patent community: practitioners, inventors and the PTO, to expedite prosecution and examination of applications so that the period of exclusive rights provided by the patent can be maximized.

FILING DATES

When does the twenty-year patent term begin? The critical date is June 8, 1995. Any patent issuing on an application filed on or after that date will be subject to the twenty-year patent term, with no rights

existing in the application until a patent has issued. The twenty-year patent term starts the date that the patent issues and expires twenty years from the filing date. A patent application filed on or prior to June 7, 1995 will have a seventeen year (from grant) or twenty-year (from filing) patent term, whichever is longer.

What is the date of filing that starts the twenty-year patent term? With respect to: (1) an application filed under 35 U.S.C. § 111(a) based upon a prior application filed under 35 U.S.C. § 119(a), (2) an application filed under 35 U.S.C. § 111(a) as a provisional application, or (3) an international application filed first designating a country other than the United States and within one year of filing a regular national application seeking priority of that international application, the national application filing under 35 U.S.C. § 111(a) is the measuring date. These three different situations permit delaying the start date from which the expiration of the twenty-year patent term will be measured for one year.

Another example is an international application filed under 35 U.S.C. § 363 which refers for priority to a foreign application. The benefit under 35 U.S.C. § 365(b) of the filing date of that prior filed foreign application in this international application can be obtained. Then, in this international application one could either enter the national stage under 35 U.S.C. § 371 or, before that national stage application had to be filed, file a 35 U.S.C. § 111(a) application seeking the benefit of the filing date of the international application. The twenty-year term would then be measured from the international application filing date.

Another example is a utility application that does not seek the benefit of any prior application and a patent issues. The twenty-year term is measured from the filing date of the application.

Finally, a PCT international application designating the United States with an outside period of a year to enter the national stage through 35 U.S.C. § 371 or a regular 35 U.S.C. § 111(a) application may be filed. Any patent issued on that national stage application or the regular utility application would be measured from the filing date of the international application.

With respect to divisional applications, a first application may be filed with a restriction requirement and a divisional ap-

plication is then filed. The twenty-year term on patents issuing on the first and divisional applications will be measured from the earliest application's filing date.

Another example is a first application and a second application, such as a continuation, divisional or continuation-in-part application, claiming the benefit of that first application, both being filed before June 8, 1995. The patents issuing on these applications, because they were filed before June 8, 1995, are entitled to at least a seventeen-year patent term. If a third application is filed on or after June 8th with reliance on the filing dates of the first and second applications, any patent issuing on that third application will be subject to the twenty-year patent term and not the seventeen-year patent term.

TRANSITION PROCEDURES— AFTER FINAL AND RESTRICTION PRACTICE

The transition after filing practice affects only those applications which have effectively been pending in the Patent Office for at least two years as of June 8, 1995. If the earliest effective U.S. filing date of the application is before June 8, 1993, the application is eligible for this transition after final practice. However, if for example, the parent application was filed on June 10, 1993, this practice would not be available for the application.

What is this transition practice? This practice permits applicants at least two additional opportunities to have information, new amendments, new claims and new evidence considered by the Examiner that will not otherwise be considered if presented after final, upon payment of a fee.

This practice is available when the Examiner issues a Final Office Action which was in place either before or after June 8, 1995 on this particular group of applications. The submission by the applicant may include a new information disclosure statement, new claim amendments, new claims, new evidence, new arguments, etc. The fee payment and submission have to be submitted prior to filing an appeal brief and prior to abandonment of the application.

The submission can essentially be anything that the Examiner would consider if that response was submitted before a Final Office Action or before a First Office Ac-

tion. The submission will then be entered and considered in this transition practice with fee payment. The Examiner's response will then be to withdraw the finality of the previous Office Action and enter and consider anything that has been submitted. The transition practice may be used on two separate occasions in each application that qualifies. Once these two opportunities have been used by paying the appropriate fees, a third submission can be made but will be considered under current after final practice.

The transition restriction practice applies to applications that are at least three years old on June 8, 1995, either because they have been pending that long or based upon a series of continuing applications. If an application pending on June 8, 1995 has an earlier effective U.S. filing date on or before June 8, 1992, this transition restriction practice would apply.

The transition restriction process is limited and permits no restriction to be made or maintained in an application that is three years old, unless it falls within an exception. If the requirement was made before April 8, 1995, more than two months before the effective date of the twenty year term amendments, then a divisional application can be filed on or before June 7, 1995. This transition practice does not apply to situations where the Examiner has not had an opportunity to address the new subject matter in the first three years before June 8, 1995. This practice addresses those situations where an application has been prosecuted for an extended period of time, i.e., three years, and now for the first time the Examiner believes that a restriction requirement is appropriate and an appropriate period of time to file a divisional application before June 8, 1995 does not exist.

A restriction requirement will be made and maintained as to the separate inventions identified in the restriction practice. The applicant must pay a fee for the examination in that same application of each additional independent and distinct invention examined in that application. When a fee has not been paid, the requirement will be maintained with the option of filing a divisional application, possibly, after June 8, 1995.

PATENT TERM EXTENSION

New provisions for patent term extension apply to those patents which are issued on applications filed on or after June 8, 1995. These provisions permit up to a five year extension based on certain delays before issuance. A delay may include an application that is subject to a secrecy order, an application that was subject to an interference proceeding or one that was subject to a successful appellate review either before the Board of Patent Appeals and Interferences or before a Federal Court.

The extension period is limited to five years and is dependent upon what type of delay occurred. For a secrecy order, the extension period for an application is the period of time that the application was placed under the secrecy order limited to five years. In an interference proceeding, the extension period is the period of time between the declaration of the interference and when the interference proceeding is terminated. Sometimes the prosecution of an application is suspended awaiting the termination of an interference proceeding. This application would be eligible for patent term extension.

For successful appellate review, the extension period, with certain conditions, is the period of time between a notice of appeal and a final decision that changes the PTO's position as to at least one claim.

The extension period does not apply to a patent which issued on an application that is subject to a terminal disclaimer. In addition, any time that is taken up in the appellate process, between the filing date and three years from that filing date, is not counted toward any extension. Finally, the Commissioner is authorized to deduct from any extension that the applicant would otherwise be entitled to, any period of time which the applicant did not exercise due diligence in seeking a patent. Examples of not exercising due diligence during the appellate process include abandonment of the application and suspension of action at the appellant's request.

The period of time which is available for patent term extension because of administrative delay is separate and distinct from the time which is now granted for patent term extensions because of a regulatory review of a product that is covered by the patent. In fact, it covers delays in two

distinct time periods. The delay in issuing the patent must obviously occur before the patent has issued. Under 35 U.S.C. § 156, any delay, even before the FDA, because of pre-market regulatory review that occurs before the patent issues, is simply not calculated or considered when granting an extension.

What are those patents that will enjoy the longer of the seventeen or twenty-year patent term? They are patents in force on June 8, 1995. Any patent in force on June 8, 1995 is going to be entitled to the longer of the seventeen or twenty year patent term. What is a patent in force on June 8, 1995? An example would be where a patentee has neglected to pay a first, second or third maintenance fee at some point in time prior to June 8, 1995 and that patent on June 8, 1995 has lapsed. Yet at some point in time, having discovered the unintentional or unavoidable mistake after June 8, 1995, the patentee seeks to restore that particular patent through a petition to accept a late payment of a maintenance fee. If the Commissioner accepts the late payment of the maintenance fee for unintentional or unavoidable delay, the statute specifically requires that a patent be considered to be in force from the date it was granted. Thus, that patent would be in force on June 8, 1995, although it would be subject to intervening rights.

The seventeen or twenty year patent term also affects patents issued on applications that were filed on or before June 7, 1995. Patents issued on applications filed on or by that date will have the longer of the seventeen or twenty year patent term subject to terminal disclaimers. So, it affects not only existing patents, but also a population of future patents, so long as those patents are issued on applications that were filed on or before June 7, 1995.

The remedies available to the owner in some circumstances are limited in this delta period. This delta period is the period between the expiration of the seventeen years from grant patent term and the twenty years from filing patent term. If there are activities or substantial investments that are undertaken or performed by a third party on or before June 8, 1995, the remedies available to the patent owner in this delta period are limited to compensation, which is equal to equitable remuneration. The terms "substantial investment" or "equitable

renumeration" are not defined in the statute or in the Statement of Administrative Action. Nevertheless, if one falls into one of the categories, the patent owner's remedies would be limited during that delta period. However, if one has not performed activities or made a substantial investment before June 8, 1995, clearly the full remedies available to a patent owner under Title 35 would be available to that patent owner during that delta period between the seventeen and twenty-year patent term.

Maintenance fees and the schedule for paying maintenance fees are not affected by the twenty-year patent term. Presently about 65% of patentees do not pay the third maintenance fee, 80% pay the first maintenance fee, 55% pay the second maintenance fee, and about 35% pay the third maintenance fee.

DATE OF INVENTION FOR OBTAINING A PATENT

After NAFTA and GATT, 35 U.S.C. § 104 has been changed to state that an applicant can establish an invention date in a foreign country only if in a NAFTA or World Trade Organization (WTO) member country. Certain limitations, however, apply in establishing an invention date. With respect to NAFTA, a person who made an invention in Mexico or in Canada cannot establish an invention date prior to December 8, 1993. With respect to a WTO member country, a person who made an invention in a WTO member country cannot establish an invention date prior to January 1, 1996. Because of these limitations, this issue of invention dates in a country outside the U.S. will probably not be addressed for some time with respect to either interference or 37 U.S.C. § 1.131 practice.

This article is based on a presentation made on January 19, 1995 at Fordham University and has been updated to reflect the final rules as adopted by the PTO.

NEWS FROM THE BOARD OF DIRECTORS

by William H. Dippert

The Board of Directors met on May 9, 1995. Pasquale Razzano presided. Mr. Razzano reported on attendance at the May WIPO meeting. William Brunet is attending as the representative of the ABA Patent Section, and he has agreed to represent our Association as well. The position of both the ABA and our Association is that we are willing to consider a treaty if there is any advantage to the U.S.

John Sinnott made a presentation concerning a joint EPO program on pharmaceutical and biotechnology practice. He recommended that the Association consider co-sponsoring this program. The Connecticut, New Jersey and Philadelphia Intellectual Property Law Associations are also being approached. A resolution was adopted in which the Association agreed to co-sponsor under conditions whereby the collective exposure will not exceed \$4,000.

Mr. Razzano reported that the Association had been approached to file an amicus brief concerning the *Markman* case. After discussion, it was agreed that if certiorari is granted, the Association will revisit this subject.

Al Haffner made a presentation concerning the Inventors Hall of Fame and its request for funding. It was agreed that the Association would commit to a contribution of \$10.00 per active member over a period of five years.

Randy Rasmussen of Rand Insurance made a supplemental presentation regarding disability insurance. He reported that the Union Central Life plan he is proposing is one of the best available and that Union Central Life is a good underwriter for this type of policy.

Mr. Razzano proposed that the Association cooperate with Mr. Rasmussen to the extent of allowing Rand Insurance to use the Association's mailing list, at its expense, up to three times a year, with the recommendation that Rand Insurance take out one or more small advertisements in the

Bulletin. The Board approved Mr. Razzano's proposal.

Mr. Razzano extended his thanks to John Sweeney, Berj Terzian and John Murnane for their contributions as Board members during the past three years.

The Board of Directors met on May 17, 1995, as a joint meeting with the Past Presidents Committee. Thomas Creel presided.

Mr. Creel indicated how pleased he was that so many past presidents were attending the Board Meeting. Also, he commented that since the Association had been functioning well in the past, he was not anticipating any major changes in the year to come.

With regard to the proposed contract with Horizon Conference Corp., Martin Goldstein indicated that there are some provisions in the contract that require closer study. It was agreed that the previously appointed committee of Mr. Goldstein, Pasquale Razzano, Mr. Creel and Howard Barnaby would meet prior to the next Board Meeting to review the proposed contract. There was discussion concerning the seating of past presidents at the Judges Dinner. Mr. Creel responded that this subject will be reviewed further.

Mr. Creel led discussion concerning general issues to be addressed during the forthcoming year. He suggested that there be educational programs on subjects such as how to handle patent disputes and the ramifications of the *Markman* decision. Also, he suggested that the Board, perhaps through the Committee on Admissions, revisit the subject of encouraging more corporate membership.

There was discussion about Continuing Legal Education programs. Mr. Pegrum suggested that the Association focus on one-day programs and encourage corporate support. Mr. Razzano added that the Board recently recommended that how-to programs for younger attorneys be considered.

There was discussion about having a program concerning PCT practice. Ms. Ryan commented that she had had extensive discussions with the U.S. PCT Office, which is desirous of holding educational sessions for bar associations and other interested groups. Karl Jorda commented that WIPO is willing to make presentations to interested parties.

FISH & RICHARDSON P.C.

announces the opening of its New York office.

The following attorneys formerly with
Davis Hoxie Faithfull & Hapgood LLP
have joined the firm.

John B. Pegram
and
William J. Hone
as Principals

Caspar C. Schneider, Jr.
and
Richard P. Ferrara
Of Counsel

Boston
Houston
New York
Silicon Valley
Southern California
Twin Cities
Washington, DC

Samuel Borodach
Robert T. Canavan
Andrew T. D'Amico, Jr.
Stephan J. Filipek
James J. Murtha
Michael D. Yablonsky, Ph.D.
and
Davy E. Zoneraich
as Associates

Intellectual Property 45 Rockefeller Plaza
and New York, NY 10111
Technology Law 212 765-5070

FISH & RICHARDSON P.C.

**NYIPLA AND FORDHAM UNIVERSITY
SCHOOL OF LAW
CO-SPONSOR CLE PROGRAM
AT FORDHAM ON NOVEMBER 29**

The New York Intellectual Property Law Association and Fordham University School of Law will co-sponsor an intellectual property law program at the beautiful Lincoln Center campus of Fordham Law School on **November 29, 1995**. The program will feature **Judge Murray M. Schwartz**, Senior

District Court Judge of the District of Delaware, who will discuss his views on the *Markman v. Westview Instruments* decision of the Court of Appeals for the Federal Circuit, in which the Supreme Court has recently granted cert. Also featured will be an outstanding group of intellectual property lawyers from the United States and Europe speaking on a variety of topics, including the recent GATT legislation, European Community trademark law and the *Hilton-Davis* decision.

Registration and continental breakfast will start at 8:30 a.m.

The morning session will then commence at 9:00 a.m. and will run until about 12:30 p.m.

Lunch in the Law School's atrium will follow.

The afternoon session will run until 5:00 p.m.

Cost: \$75.00 for lawyers practicing at least 3 years

\$65.00 for lawyers practicing less than 3 years

I want to attend the NYIPLA/Fordham Law School CLE Program.

Name: _____

Firm: _____

Address: _____

City: _____ State: _____ Zip: _____

Telephone: _____

Amount Enclosed: _____

Mail to:

Michael P. Sandonato, Esq.
Fitzpatrick, Cella, Harper & Scinto
277 Park Avenue
New York, NY 10172
Phone: (212) 758-2400
Fax: (212) 758-2982

The New York Intellectual Property Law Association and Fordham University School of Law

present

A Continuing Legal Education Program on Intellectual Property

- 8:30 a.m.** Registration and Continental Breakfast
- 9:00 a.m.** Welcome: Edward E. Vassallo, CLE Chair, NYIPLA
- 9:05 a.m.** **"Community Trademark Law"**
Massimo Introvigne
Jacobacci-Casetta & Perani, Milan, Italy
- 10:00 a.m.** Debate: **"Lanham Act Protection for Product Configurations: Fanning the Controversy"**
James W. Dabney
Pennie & Edmonds

Albert Robin
Robin, Blecker, Daley & Driscoll
- 11:00 a.m.** Coffee break
- 11:20 a.m.** Panel Discussion: **"Ethics Problems Facing Intellectual Property Lawyers"**
Mary Daly
Law Professor, Fordham University

Kenneth E. Madsen
Kenyon & Kenyon
- 12:00 noon** **"Patent Damages After Rite-Hite and King Instruments"**
Beverly B. Goodwin
Darby & Darby
- 12:30 p.m.** Lunch
- 2:00 p.m.** **"Practical Aspects of GATT Legislation — What You Should Know"**
John A. Krause
Fitzpatrick, Cella, Harper & Scinto

Anthony M. Zupcic
Fitzpatrick, Cella, Harper & Scinto
- 3:00 p.m.** Coffee Break
- 3:15 p.m.** **"A Trial Lawyer's Perspective on *Markham v. Westview*"**
Hon. Murray M. Schwartz
District Court for the District of Delaware
- 3:45 p.m.** **"A Trial Judge's Perspective on *Markham v. Westview*"**
Hon. Murray M. Schwartz
District Court for the District of Delaware
- 4:15 p.m.** **"The Doctrine of Equivalents: What is the Effect of *Hilton-Davis*?"**
Gerald Sobel
Kaye, Scholer, Fierman, Hays & Handler

PENDING LEGISLATION

by Edward P. Kelly

TRADEMARKS

Dilution

Trademark dilution is the blurring or tarnishment of a well-known mark by another's use of a similar or identical mark. Blurring occurs when the selling power of the famous mark decreases due to the use of a similar mark on dissimilar goods. Tarnishment occurs when the famous mark becomes associated with poor quality products or places the famous mark in a negative light. T-shirts bearing the word "cocaine" in the style of lettering identical to the Coca-Cola® trademark come to mind in connection with this type of dilution.

The owner of a mark seeking to assert a dilution theory must currently seek relief under state statutes or state common law. The Lanham Act does not afford, and never has afforded, a cause of action for dilution. While many states recognize a dilution theory, some states have held that the dilution doctrine does not apply when the plaintiff and defendant are competitors. At least

one state has held that injunctive relief under the state dilution statute is limited to the geographic boundaries of that state. See *Deere & Company v. MTD Products Inc.*, 41 F.3d 39 (2d Cir. 1994).

A bill (H.R. 1295) recently introduced in the House by Representative Carlos Moorehead (R-Calif.) would expand the scope of the Lanham Act to protect against dilution of "famous" marks. The amendment would add a new Section 43(c)(1)(15 U.S.C. § 1125(c)(1)). The amendment would entitle owners of "famous" trademarks to prevent unauthorized commercial use of their marks if the use causes dilution of the distinctive quality of the mark. The bill, as it now stands, would cover both registered and unregistered marks, although registration itself would be a factor in determining whether the mark is "famous." The bill specifically excludes protection against a competitor's fair use of a mark in comparative advertising and non-commercial uses of a mark. The bill sets forth numerous factors to consider in determining whether a mark is "famous," including the extent to which the mark is inherently distinctive or has acquired distinctiveness, the geographical extent of the trading area in which the mark is used, the degree of recognition of the mark in the trading areas and the channels of trade of the mark's owner and the person against whom the injunction is

sought. The bill only provides for injunctive relief, except in cases of willful infringement. Federal registration is a complete bar to a dilution action with respect to that mark. H.R. 1925 has been favorably reported by the House Subcommittee on Courts and Intellectual Property.

The Madrid Protocol

A U.S. company seeking registration of a trademark in Europe would currently have to file individual applications in each and every European country in which it sought protection. The filing process in individual countries is time-consuming, and the fees charged by the local agents vary from country to country. In countries which are members of the Madrid Protocol, an applicant can file a national application in his own country which forms the basis of applications in other selected member countries. The United States is currently a signatory to this protocol but has not acceded to it by officially ratifying the protocol. If the U.S. acceded to the Madrid Protocol, a registrant could file a U.S. trademark application in the U.S. Trademark Office and simultaneously file an international application on the basis of the U.S. application.

A bill (H.R. 1270) currently pending in the House would amend U.S. trademark law to allow the U.S. to accede to the Madrid Protocol. Under the Madrid Protocol, if the country of origin application or registration is abandoned or canceled as a result of an action commenced in the first five years of the international registration, then the international registration must also be canceled. The protocol permits the international registration to be transformed into national applications in all of the designated countries and to retain the international application's original effective filing date. After the fifth anniversary of the international registration, the international registration is independent of the fate of the country of origin application or registration. A renewal of the trademark would be accomplished by filing a single request.

The fact that the United States would accede to the Madrid Protocol would not prevent any registrant from seeking individual registration in a particular country. That need might arise due to differences in the requirements, for instance, in the identification of goods in the U.S. and other

ANNOUNCEMENT FROM THE COMMITTEE ON EMPLOYMENT

The Committee on Employment maintains a non-confidential file of unsolicited resumes of members and non-members seeking employment opportunities. For inclusion in the file, please submit resumes with covering letters to any member of the committee. Resumes are retained for at least nine months.

If a member of the Association wishes to review the file, the committee will provide copies of the entire current crop of resumes. Particular field requests are not honored. It is the responsibility of the requestor to directly contract the candidate.

There is no fee for these services. The committee does not honor requests or submissions from recruitment firms.

Respectfully submitted,

Edward A. Steen, Chair
Julie Blackburn
James G. Markey
James Markarian
Gabriel P. Viatone

countries. A U.S. applicant narrowly defining goods would be at a disadvantage in a country which allows a broad identification of goods to be listed in the registration. In that instance, the trademark owner may wish to file an individual application in a particular country.

The House Subcommittee on Courts and Intellectual Property recently approved H.R. 1270.

Increased Penalties for Sale of Counterfeit Goods

In recent years, laws have been passed to increase the penalties for trafficking in counterfeit goods. In the view of some lawmakers, however, the increased penalties are not enough to make the trafficking in counterfeit goods unprofitable. Senator Hatch recently introduced a bill in the Senate (S. 1136) that would amend a wide array of trademark, copyright and criminal statutes to increase the penalties for counterfeiting and the money that could be recovered by trademark owners.

In introducing the bill, Senator Hatch indicated that he apparently had evidence that the leader of the "Born to Kill" crime gang in New York City earned an estimated \$13 million a year selling fake Cartier and Rolex watches. In his view, the current measures against counterfeiting do not make it unprofitable and are not enough to deter counterfeiters. Among the many increased penalties would be an addition to 15 U.S.C. § 1117(a), the damages section of the Trademark Act. Hatch would add a new section allowing the trademark owner to opt to recover statutory damages as opposed to actual damages. The actual damages could reach \$1 million in cases of willful counterfeiting. The customs law would also be amended so that destruction of the counterfeit goods would be mandatory. Also, counterfeiting would become a violation of the RICO statutes. S. 1136 has been referred to the Senate Judiciary Committee.

PATENTS

Prior Use Defense

As a general rule, a company that protects its technology by keeping it a trade secret does so at its peril, because it could be liable for patent infringement if some-

one obtains a patent on that technology. A bill introduced by Rep. Carlos Moorehead (R-Calif.) (H.R. 2235) would amend the patent statute to provide for a limited defense to patent infringement if the alleged infringer made prior use of the patented invention.

The bill would amend § 273 of the patent statute to assert a defense to patent infringement if the person had, acting in good faith, commercially used the subject matter in the U.S. before the effective filing date of the patent. "Commercially used" means use in the U.S. in commerce whether or not the subject matter at issue is accessible to or otherwise known to the public. "Use in commerce" means any sale or commercial transfer. There is also a special exception for subject matter that cannot be commercialized without significant investment of time and money. In that case, a person shall be deemed to have commercially used the subject matter if,

(A) before the effective filing date of the patent, the person reduced the subject matter to practice in the U.S., completed a significant portion of the total investment necessary to commercially use the subject matter and made a commercial transaction in the United States in connection with the preparation to use the subject matter and (B) after the effective filing date of the patent, diligently completed the remainder of the activities and investments necessary to commercially use the subject matter and promptly began commercial use of the subject matter.

While a literal reading of the bill indicates that the use or reduction to practice must occur before the effective filing date of the patent, the bill is not that broad. A later section of the bill entitled "one year limitation" provides that the defense provided by the bill is only available if the use or reduction to practice occurred more than one year prior to the effective filing date of the patent. The bill would specifically add a section stating that the defense does not constitute a general license but only applies to subject matter claimed that the person asserting the defense had commercially used before the effective filing date.

H.R. 2235 has been referred to the House Judiciary Committee.

Attorney Fees Against the U.S. Government

The United States government currently cannot be held liable for attorney

fees in patent cases even if the infringement is found to be willful. A bill recently introduced in the House (H.R. 632) by Martin Frost (D-Texas) would allow certain entities to recover attorney fees against the government for willful patent infringement. The entities that would be allowed to recover attorney fees are independent inventors, non-profit organizations and companies with less than 500 employees. H.R. 632 has been approved by the House Subcommittee.

Reexamination Proceedings

The patent statute currently provides that a third party may request reexamination of a patent. However, the third party's participation does not go beyond the initial request for reexamination and a reply to the patent owner's statement in response to the request for reexamination. For instance, amendments made to the claims during reexamination may not be addressed by the third party which requested examination.

Representative Carlos Moorehead (R-Calif.) recently introduced a bill (H.R. 1732) that would make certain amendments to the reexamination provisions of the patent statute, so that the third party requesting examination would have a greater role in influencing the outcome of the reexamination. For instance, the bill would allow the third-party requester to not only comment on the patent owner's response to reexamination, but also to address the issues raised in the Patent Office during the reexamination procedure. The basis for reexamination would also be expanded to include compliance with Section 112 of the patent statute. A third-party requester would also be able to file an appeal of the examiner's final decision with the Board of Patent Appeals and Interferences.

H.R. 1732 received a favorable response during hearings before the House Subcommittee on Courts and Intellectual Property.

Publication of U.S. Patent Applications after 18 Months from Filing Date

The United States converted to a patent term which expires twenty years from the filing date as part of its accession to the GATT treaty. Many of the countries that are signatories to the GATT treaty publish

patent applications eighteen months after they are filed. The U.S., however, does not publish patent applications prior to issue of the patent. A bill (H.R. 1733) introduced by Rep. Carlos Moorehead would bring the U.S. into conformity with those countries that do provide for publication eighteen months after filing. The published application would be considered prior art as of its filing date under § 102(e) of the patent statute. The bill also contains a provision that would allow the patent holder to obtain provisional rights to obtain a reasonable royalty from infringers who infringe during the time between the publication and the time the patent issues. The bill had been pending last year and was not favorably received. New provisions that were added this year include a provision that an independent inventor's application would not be published until three months after the first office action. The application would not be published even if more than eighteen months have passed from the filing date. If enacted, the bill would take effect on January 1, 1996.

Joint Research and Development

Federal laboratories and private companies have, for many years, jointly conducted research through cooperative research and development agreements (CRADAs) under the Stevenson-Wydler Act, 15 U.S.C. § 3710. The fact that the federal laboratory has the option of claiming ownership in the technology jointly developed was seen by some as an impediment to private companies incentive to enter into CRADAs. In recent years, legislation has been introduced in Congress which would require the government to assign the intellectual property rights to the private sector partner. Legislation introduced this year (S. 1164) would give the private sector partner the option of taking an exclusive license for a field of use for the technology jointly developed. Under either bill, the legislation would provide that the government would have a paid-up irrevocable license to use the jointly-developed technology as well as "march-in" rights if the private sector did not commercialize the jointly developed technology. The latest bill has been referred to the Commerce, Science and Transportation Committee.

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Criminal Sanctions for Copyright Infringement

The copyright law currently provides for criminal sanctions for willful infringement. However, the criminal statutes only apply if the purpose of the infringement was for commercial advantage or private financial gain. See 17 U.S.C. § 506(a). A bill recently introduced by Sen. Patrick Leahy (D-VT) would eliminate the requirements of commercial gain or financial profit and provide criminal sanctions for those assisting in copyright infringement. The bill was inspired partially by the case of *United States v. Lamacchia*, 871 F. Supp. 535 (D.C. Mass. 1994). In that particular case, the government found that it could not apply criminal copyright statutes against a person who assisted others on the Internet in unlawfully copying more than a million dollars worth of software because the defendant who orchestrated the copying derived no financial gain. The bill would also extend the statute of limitations for criminal copyright from three to five years. ■

RECENT DECISIONS OF INTEREST

by Thomas A. O'Rourke

PATENTS

The Court of Appeals for the Federal Circuit took the opportunity in *Hilton Davis Chemical Co. v. Warner-Jenkinson Company Inc.*, 93-1088 (decided August 8, 1995), "to restate — not to revise — the test for infringement under the doctrine of equivalents." (Per Curiam slip at page 5). The CAFC court attempted to clarify what the doctrine of equivalents is and the relationship between the duties of the judge and jury in its administration under existing patent law and Supreme Court precedent. The majority's decision vests nearly

complete power and responsibility for deciding doctrine of equivalents cases with the fact finder, i.e., in most cases, the jury. It also de-emphasizes the function-way-result test in favor of an "insubstantial difference" test which encompasses function-way-result along with other considerations.

Hilton Davis v. Warner-Jenkinson is an appeal of a jury finding entered June 22, 1992 in the U.S. District Court for the Southern District of Ohio. The CAFC took the case *en banc* to resolve specific questions concerning the doctrine of equivalents. The Court asked the parties to brief three questions: (1) Does a finding of infringement under the doctrine of equivalents require anything in addition to proof of the facts that there are the same (a) function, (b) way, and (c) result, under *Graver Tank v. Linde Air Products Co.*, 339 U.S. 605 (1950), and cases relied on therein? If yes, what? (2) Is infringement under the doctrine of equivalents an equitable remedy to be decided by the court, or is it, like literal infringement, an issue of fact to be submitted to the jury in a jury case? (3) Is application of the doctrine of equivalents by the trial court discretionary in accordance with the circumstance of the case? Oral argument directed to the *en banc* questions occurred on March 7, 1994.

Hilton Davis sued Warner-Jenkinson for infringement of the U.S. Patent No. 4,650,746 (the '746 Patent). The patent involved purification of commercially used dyes, manufactured by both companies, through a process of ultrafiltration. The relevant parameters of the claims were a membrane having a nominal pore diameter of 5-15 Angstroms, a hydrostatic pressure of approximately 200 to 400 p.s.i.g. and a pH from approximately 6.0 to 9.0. The pH limitation was added during prosecution to distinguish another U.S. patent. The process used by Warner-Jenkinson involves pressures of 200-500 p.s.i.g. and a pH of 5.0. The jury found that this process infringed the '746 patent under the doctrine of equivalents and awarded damages. The district court denied various post-trial motions of the defendant and entered a permanent injunction prohibiting practicing ultrafiltration except at pressures above 500 p.s.i.g. and pHs above 9.01.

With regard to the *Graver Tank* function-way-result test, the court referred back

to the cases upon which the test was based: "Mere colorable differences, or slight improvements, cannot shake the right of the original inventor." *Odiorne v. Winkley*, 18 F. Cas. 581,582 (C.C.D.Mass. 1814)(No. 10,432)(Story, C.J.) This case is cited by the court as the seminal case of the doctrine of equivalents and as good a summation of the test for finding the doctrine valid as it exists today. The burden is on the plaintiff to prove that the differences between the patented process and the alleged infringing process are insubstantial. This "insubstantial difference" standard is seen by the court as the true test of *Graver Tank*. An often-used measure of the substantiality of differences is the function-way-result test. The substantiality of the difference, however, is explicitly held in *Davis v. Warner-Jenkinson* to be the basic test of the applicability of the doctrine of equivalents. While the function-way-result test is an important feature in investigating substantiality in many doctrine of equivalents cases, many other factors may also be important depending on the facts of a particular case. The court recognized that "as technology becomes more sophisticated, and the innovation process more complex, the function-way-result test may not invariably suffice to show the substantiality of the differences." (slip op. at p. 8)

The court also held that infringement under the doctrine of equivalents is a question of fact and involves equity only in its broadest sense, i.e., equity as general fairness. Although mentioned in previous doctrine of equivalents cases, neither the Supreme Court nor the CAFC has invoked equity in the technical sense, according to the court. The trial court has no power to interfere with the jury's role as fact finder in applying the doctrine of equivalents test to the substantiality of differences between the patent and accused article or process. The final decision on all such questions must be made by the jury. Since "the court reviews a jury verdict on the fact question of infringement under the doctrine of equivalents for prejudicial error in the jury instructions, and lack of substantial evidence supporting the verdict" (slip op. at p. 16), the court affirmed the findings of the jury because neither was shown.

The answer to the third question is seen by the court to flow necessarily from the answer to the second question. The trial court does not have discretion to choose

whether to apply the doctrine of equivalents where the evidence shows no literal infringement. The doctrine of equivalents issue must be submitted to the jury, i.e., "[t]he doctrine of equivalents has no equitable or subjective component." (Slip opinion at 17).

The court went on to hold that the instructions given to the jury which relied heavily on the function-way-result test were adequate to inform the jury of their duty to find insubstantial differences as a predicate to doctrine of equivalents infringement.

TRADEMARKS

In *Groden v. Random House Inc.*, 35 USPQ2d 1547 (Fed. Cir. 1995), the Court of Appeals for the Federal Circuit held that the use of a person's name, photograph and quote from his book by another in an advertisement for a book by the latter is well within the "incidental use" exception to N.Y. Civil Rights Law Section 51, since the advertisement accurately represented the quality and content of the book advertised and also since the advertisement exercised First Amendment considerations by interpreting right to privacy in permitting the free flow of information.

The Court held that "[i]n order to be actionable under the Lanham Act, a challenged advertisement must be literally false or, though literally true, likely to mislead or confuse consumers." *Id.* at 1552

The plaintiff, Groden, the co-author of the book *High Treason* brought the suit against defendant-appellees Random House Inc. and Gerald Posner. Groden's book had argued that there existed a conspiracy to kill President Kennedy. The book *Chapter Closed* by Gerald Posner argued that no conspiracy existed.

The contention of the plaintiff was that in advertising for the book *Chapter Closed*, the defendants had infringed his federal and state law rights. The use of his photograph, name and a quote from the book *High Treason* was, he argued, not within the "incidental use" exception of N.Y. Civil Rights Law §50 (McKinney 1992). The exception rule provides for use of such material when the advertisement or other promotional material is useful in illustrating the worth of the works being advertised.

The Court rejected the plaintiff's argument that to fall within the "incidental use" exception, the photograph reproduced should

have been in the underlying publication, i.e., the book *Chapter Closed*. The Court based its reasoning on an earlier New York court decision that to hold otherwise would be placing undue restrictions on the publisher. *Id.* at 1550. In addition, the Court rejected the plaintiff's arguments that the advertisement did not accurately reflect the quality and content of Posner's book. The Court reasoned that based on First Amendment considerations, among others, the defendants were well within their rights to use the plaintiff's name, photograph and the quote from the book. The Court also ruled against the plaintiff on the issue of the Lanham Act. The plaintiff had argued that under §43(a) of the Lanham Act, he had a cause of action. But the Court held that the statements in the advertisement were statements of opinion and hence not actionable. To be actionable, the Court stated, the challenged advertisement had to be literally false or though literally true, likely to mislead or confuse consumers.

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In *Tom Doherty Associates Inc. v. Saban Entertainment Inc.*, 35 USPQ2d 1537 (2d Cir. 1995), the court affirmed the issuance of a preliminary injunction. The decision focused on differences in copyright law concerning preliminary injunctive relief and mandatory injunctive relief as well as other aspects of preliminary injunctions.

Defendant Saban is a creator, producer and distributor of children's video entertainment. Saban contacted several children's book publishers including plaintiff TOR Books ("TOR") in order to enter the children's book market. TOR was mainly in the science fiction and fantasy book market but was looking to increase involvement in the children's book market.

During contract negotiations, TOR was given the right to publish six titles immediately, and the boundaries of a long-term relationship between the two parties were detailed. The dispute arose out of the long-term commitments between the parties.

Children's books are published in many different formats, shapes, sizes and reading levels with the aim of fulfilling the needs of various portions of the younger market. Typically, if multiple formats are used, more than one publisher will be used for a single property. TOR was allowed to determine the

format of the books they published. In the contract, Saban reserved the right to publish or license the rights to "comic books, coloring books and activity books based on" the characters and/or stories on which the Work is based. The basis of the dispute was a rider in the contract that gave TOR a right of first refusal over the publication of "additional juvenile story books based on" Saban properties.

Saban and TOR both had substantial mutual interests that bound the relationship in that both were looking to make inroads into the children's book market. However, following the execution of the agreement, Saban discovered, much to their surprise, that the Mighty Morphin Power Rangers had acquired a cult-like following among children and their products were instantly highly marketable in all forms. The exclusive rights they had given to TOR were now "an albatross" instead of an effective inducement to get TOR to publish their books. Saban then licensed the Power Rangers books to another publisher without giving TOR the "right of first refusal" as required by the agreement.

The district court heard TOR's action for breach of contract and motion for preliminary injunction based on the unique

nature of the Power Rangers books. The district court found that TOR demonstrated that irreparable harm would result unless Saban was ordered to license publishing rights to a Power Rangers book to TOR. In addition, the district court found that TOR had demonstrated a likelihood of success on the merits. The district court interpreted the agreement as giving broad rights to TOR, due to Saban's reservation of comic, coloring and activity books. Under the agreement, Saban licensed the character or story rights and not just the right to publish in only one format. The court issued an injunction ordering Saban: (1) to offer TOR the right to publish a juvenile story book based on the Power Rangers; (2) to refrain from any further licenses; and (3) to offer TOR the right to publish a juvenile story book on any character or property owned by Saban. Part (1) of the injunction was stayed pending the appeal.

The Second Circuit Court of Appeals upheld the injunction. ■

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