



## November/December 1999

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### President's Corner

*By Herbert F. Schwartz*

Plans are moving forward for a variety of events, some usual and some special, in the near future.

#### ANNUAL DINNER IN HONOR OF THE FEDERAL JUDICIARY

Bob Neuner is actively planning this year's Judges Dinner. It will be on March 24, 2000. Calvin Trillin, the noted author and columnist of *The New Yorker* and *Time Magazine*, will be the guest speaker.

#### ABA MEETING

This summer, as many of you know, the ABA comes to town on its way to England for the Year 2000 celebrations. It is expected that we will co-host, with the Intellectual Property Section, a reception Saturday night, July 8th, at a place to be determined. John Sweeney is working on filling in the details.

#### INVENTOR OF THE YEAR AND CONNER WRITING COMPETITION

The Inventor of the Year and the Conner Writing Competition are going forward as usual. Contact Rochelle Seide at Baker & Botts for further information.

#### COMMITTEE ON LEGISLATIVE OVERSIGHT AND AMICUS BRIEFS

The Amicus Committee has slowed for a brief respite. The Board and Committee were unable to agree on a position to take in the *en banc* appeal before the Federal Circuit in the "*Festo*" case. Accordingly, the NYIPLA will sit this one out.

#### COMMITTEE ON CONTINUING LEGAL EDUCATION

Anthony Giaccio and his Committee continue to proceed at a breakneck pace developing a comprehensive CLE program for the membership. Now that all results are in, it is clear that the fall program in Tarrytown was a smashing success. Information will be forthcoming about further programs in the near future. One issue being considered is whether NYIPLA should come up with some sort of package discount program for organizations such as law firms or corporate law departments. The Committee and the Board have been working diligently on this. If any of you have views on this issue, please contact me or Anthony.

## News from the Board of Directors

*By Melvin C. Garner*

The Board of Directors met at the New York Yacht Club on Tuesday, September 14, 1999. The following committee chairpersons or their designees were also in attendance at the request of the Board:

Herbert Blecker of the Alternate Dispute Resolution Committee; Anthony Giaccio of the Continuing Legal Education Committee; Vincent N. Palladino of the Copyrights Committee; John W. Olivo, Jr. of the Design Protection Committee; Roland Plottel of the Economic Matters Affecting the Profession Committee; John M. Delehanty of the Internet Law Committee; Bruce M. Wexler of the Legislative Oversight and Amicus Briefs Committee; Dale S. Carlson of the License to Practice Requirements Committee; Douglas J. Gilbert of the Litigation Practice and Procedure Committee; Paul W. Garrity of the Meetings and Forums Committee; Rory J. Radding of the Membership Committee; Karl F. Milde, Jr. of the Patent Law and Practice Committee; W. Edward Bailey of the Public and Judicial Personnel Committee; Rochelle K. Seide of the Public Information and Education Committee; Thomas A. O'Rourke of the Publications Committee; Robert C. Scheinfeld of the Trade Secret Law and Practice Committee; Marsha G. Ajhar of the Trademark Law and Practice Committee; Beth A. Oliak of the Young Lawyers Committee; Samson Helfgott and Thomas E. Spath, the U.S. International Bar EPO - Liaison Representatives; and William Brunet, the U.S. Bar/Japan Office Liaison. President Herbert Schwartz presided.

The minutes of the Board Meeting of April 20, 1999, as well as the Annual Meeting and Board Meeting of May 12, 1999 were presented. There being no corrections, the minutes were approved.

John Murnane presented the report of the Treasurer and distributed written Treasurer's Reports dated May 11, June 11, July 11, August 11 and September 11, 1999. According to his report, the Association as of September had total assets of \$113,028. During the year the Association expenses exceeded its income by about \$48,000. On a cash flow basis, the Association has about \$10,000 less than at the same time last year. In part the short fall is due to increased expenses for the Judge's Dinner, the timing of payments and the startup costs of the Association's Continuing Legal Education programs.

The Treasurer is now using Quicken and Access software to track payments and membership. This software can identify members at particular firms, the geographic locations of members, etc. Mr. Murnane distributed a sample report from the system. On a motion which was seconded, the Treasurer's Report was accepted.

Mr. Schwartz presented the President's Report. He announced that the meetings for this year would be held at the New York Yacht Club according to the schedule which had been previously distributed. He also indicated that the speaker for the Judge's Dinner would be the humorist and author Calvin Trillin.

Anthony Giaccio, Chair of the CLE Committee, described the Association's plan for a continuing legal education weekend from September 24-26 at the Tarrytown House. He distributed a brochure about the Tarrytown House and a flyer about the weekend. The featured speakers for the weekend are Judge Griesa and Judge Goettel of the Southern District of New York, as well as Craig Morris of the Trademark Office. Susan McHale commented that CoreSearch would sponsor a breakfast and cocktail party during the weekend. Participants in the weekend will receive four CLE credits for each day. On Saturday, two of the credits will be on ethics. Further, the program will be videotaped, so that the videotapes can be distributed for CLE credits.

Mr. Schwartz noted that the CLE weekend was being conducted on a trial basis to see if members will support it. Past President Barnaby made comments in support of a CLE weekend. Ms. McHale also

commented that the ethics credits, which were available during the weekend, should be a draw. Dale Carlson, Chair of the License to Practice Requirements Committee, noted that a similar event given some years ago attracted 110 participants. This was a time when CLE was not mandatory. John Sweeney recommended that members of the Board seek to stimulate attendance at the meetings from their firms. As a final comment, Mr. Giaccio noted that the weekend was for experienced attorneys and that newly admitted attorneys could not get credit without making a special request.

Mr. Schwartz then called for the reports of the agendas of the committees. Various of the committees had submitted written agendas for the upcoming year. These include the Committees on CLE, Copyright, Internet, Legislative Oversight and Amicus Briefs, License to Practice Requirements, Litigation Practice and Procedure, Meetings and Forums, Public Information and Education, Trade Secret Law and Practice, US Bar/Japan Office Liaison Counsel and Young Lawyers.

#### Alternative Dispute Resolution

Herbert Blecker, the Chair of the Committee, stated that it was working on sample clauses for arbitration and mediation and was helping to put together a training course for attorneys interested in alternative dispute resolutions. The committee is also trying to secure a speaker for a luncheon meeting on alternative dispute matters.

#### Annual Dinner In Honor of the Federal Judiciary

Association First Vice President, Robert Neuner, stated that the dinner will be held the fourth Friday in March, which is March 24th. As noted by Mr. Schwartz, a speaker has been selected. The Association will continue to use Horizon's to help plan and conduct the dinner.

#### Annual Meeting of the Association

The Association's Second Vice President, Richard L. DeLucia, noted that the Annual Meeting also includes a dinner at which the recipients of the Connor Writing Award and the Inventor of the Year award would be announced. He is currently working on locating a speaker. Mr. DeLucia further stated that attendance at this meeting had been growing in recent years and is expected to continue to grow.

#### Committee on Copyrights

Vincent N. Palladino, Chair of the Committee, stated that it is studying copyright law and FDA labeling, as well as the interface between copyright law and trade dress. Mr. Sweeney questioned whether this committee should be studying legislation with regard to methods of doing business patents. It was concluded that this would best be handled by a different committee.

#### Design Protection Committee

John W. Olivo, Chairman of the Committee, reported that it is monitoring developments in the law. Further, it is in the process of drafting a guide to design patent practice which explains the prosecution of design patents as well as strategic planning.

#### Economic Matters Affecting the Profession

Roland Plottel, Chairman of the Committee, reported that it is looking into professional liability insurance. As a second topic, the committee is looking into accounting firms that are engaging in intellectual property practice.

#### Harmonization of Patent Laws

Mr. DeLucia reported in the absence of Richard Mayer. The committee is in the process of having its first

organization meeting.

## Internet Law

Committee Chairman John Delehanty indicated that the Committee is now to be known as the Internet Law Committee. It has sent delegates to the Intellectual Property Constituency of ICAN. Also, the committee is going to upgrade the Association's web site. Further, the committee is investigating and will report on various legal topics. Ms. Jenkins noted that the ABA Intellectual Property Law Committee had participated in the same meeting and that she had been an ABA representative. She will become Chair of the Membership Committee of the group.

## Legislative Oversight and Amicus Briefs

The Chairman of this Committee, Bruce Wexler, stated that the committee was considering the filing of amicus briefs in *C.S.U. v. Xerox*, which relates to a unilateral refusal to license; *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Company*, which involves the doctrine of equivalents; and *In re Zurko* on the issue of what Administrative Procedure Act standard applies. They are also considering legislation that has been proposed to overrule the U.S. Supreme Court's holding in the *Florida Prepaid Savings Bank* case.

## License to Practice Requirements

Dale Carlson, Chair of the Committee, stated that his committee will study the impact of recently passed legislation in Congress concerning the regulation of invention promotion services. They will also study the impact of the CLE certification requirements in New York State on the IP profession. Further, the Committee will review the ABA's proposal to certify specialists in the field of patent, trademark and copyright laws, and the PTO's requirement that computer science majors have a degree from a CSAC accredited school in order to be qualified to take the Patent Bar Exam.

## Litigation Practice and Procedure

Douglas J. Gilbert, Chair of the Committee, noted that the committee had a survey published in the Association's Bulletin concerning IP cases in the Southern District of New York. However, only six responses were received, so it cannot be considered indicative of the attitude of Association members with respect to litigation in the Southern District. He further noted that the committee will continue to look into the possibility of an Inn of Court board. An Intellectual Property Jury Questionnaire has been requested by Judge Kimba Wood. The Committee intends to assist in this project. The final issue that the Committee is looking into has to do with a survey on how various courts handle Markman hearings.

## Meetings and Forums

Paul Garrity, the Chair of the Committee, stated that one of the upcoming luncheon speakers, Nancy Hankin, a senior attorney at the U.S.P.T.O. would address phantom marks. In the past, the luncheon meetings were not held during the summer, but this year they were extended into the summer and proved to be very successful. The Committee is also working on making sure at least some of the luncheon meetings qualify for CLE credits. These meetings are also being videotaped for later distribution for CLE credit to the membership.

## Membership

Rory Radding reported that the Committee was continuing to consider foreign legal counsel as Associate Members of the Association. Mr. Olivo stated that this committee needs the membership list by firms in order to directly target general practice firms for membership in the Association. This is now possible with the Treasurer's new database. It was also noted that applications for membership are available on the Association's web site.

## Patent Law and Practice

Karl F. Milde, Jr., Chairman of the Committee, stated that the committee was in communication with Joseph Taphorn at the U.S.P.T.O. to discuss administrative weaknesses at the PTO. Further, the committee is studying the scope of equivalents in means-plus-function and method claims under 35 U.S.C. §112(6). Finally, Mr. Milde raised a question as to whether the Association would want to honor Judge Rich.

Mr. Schwartz noted that a memorial service is to be held for Judge Rich at the Federal Circuit. There is a private meeting in the Court, to be followed by a public meeting at the Ronald Reagan Building. The Association is a sponsor of the public reception, along with the AIPLA, the Federal Bar Association and the Rochester Intellectual Property Association. The Association donated \$3,500 for this purpose.

## Public and Judicial Personnel

W. Edward Bailey, the Chairman of the Committee, noted that it was actively working to have an intellectual property law attorney appointed to a federal judgeship. The committee is proposing to support John Delehanty, Chair of the Internet Law Committee, for such a position.

## Public Information and Education

Rochelle Seide, the Chair of the Committee, noted that in the past it has run the Inventor of the Year Award and Connor Writing Competition and will do so again. Further, the committee will explore implementing a law student mentoring program for those students interested in intellectual property law.

## Publications

Thomas O'Rourke reported that the committee was continuing to work on the Annual and **Greenbook**. It is generating a library of e-mail addresses and e-mail may be considered in the future as a way to publish the *Bulletin*.

## Trade Secret Law and Practice

Robert Scheinfeld, the Committee Chair, reported that the committee is continuing its review of the impact of the Economic Espionage Act of 1996. Further, it is looking into export license controls concerning cryptographic products. In another effort, the committee will look at the effect of the *State Street Bank* and *AT&T* decisions on trade secret protection, as well as recent developments in New York trade secret law.

## Trademark Law and Practice

The Chair, Marsha Ajhar, reported that the committee is reviewing the trademark law treaty. Further it is considering an Outreach Program to high school classes to inform them about trademark law. The committee is also working on a brochure on trademark law and will continue to monitor statutes and case law.

## Young Lawyers

Beth Oliak, Chair of the Committee, reported that it would continue with its networking reception for young lawyers and that the program would center on the Internet.

## U.S. Inter-Bar/EPO Liaison Representatives

Samson Helfgott reported that the results of a prior meeting will be published in the near future. The next meeting of this group is in June of the year 2000.

## U.S. Bar/Japan Office Liaisons

William Brunet reported that the next meeting will be in Tokyo on November 18th. He is in the process of formulating questions for the meeting.

There being no old business or new business for consideration, the meeting was adjourned at 2:04 p.m.

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## Recent Decisions of Interest

By *Thomas A. O'Rourke*

### Contempt Order Excessive

In *RMT, Inc. v. Bhat Industries, Inc.*, No. 98-1272 (Fed Cir. Apr. 5, 1999), the Federal Circuit affirmed a district court's decision holding Bhat in contempt for violating a consent judgment. However, the Federal Circuit vacated the lower court's sanction order, and remanded the case with instructions to make the sanction less punitive. Bhat had agreed to the contested consent judgment to settle a patent infringement. The district court had found Bhat in violation of the consent order for failing to approve the auditor and for selling "illegal" new products. It ordered sanctions, including a permanent injunction of all Bhat products other than the royalty product for the life of RMT's patent. Although it agreed that Bhat was properly found in contempt for violating the consent order, the Federal Circuit reversed the district court's order of sanctions. The Court held that the purpose of civil contempt sanctions is not to punish, but to coerce compliance with the court order or compensate the other party for the violation. The lower court's sanction was improperly punitive because it enjoined Bhat from further sales of any non-royalty products even after Bhat had complied with the consent order. Thus, the Federal Circuit remanded the lower court's sanction order for modification of the imposed injunction.

### Means-Plus-Function

In *Signtech USA, Ltd. v. Vutek, Inc.*, No. 98-1171 (Fed. Cir. Apr. 8, 1999) the Federal Circuit emphasized the importance of carefully choosing claim language as well as the language of the specification. In so doing, the Court agreed with Vutek that by narrowly describing an "ink delivery means" of the claimed invention and by choosing means-plus-function language, Signtech had limited the scope of its claims to the preferred embodiment described in the specification. According to the Federal Circuit, the specification disclosed little more than the preferred embodiment. Moreover, in the specification, Signtech had distinguished Vutek's patent, and stated that Vutek's prior patented printer configuration was incapable of producing the desired effect. In distinguishing the accused structure (as disclosed in Vutek's prior art patent) as incapable of achieving the desired results, the patentee excluded it as an equivalent. The Court pointed out that the claim drafter could have chosen language to avoid the problem.

In *Rodime PLC. v. Seagate Technology, Inc.*, No. 98-1076 (Fed. Cir. Apr. 13 1999), the Federal Circuit vacated summary judgment of noninfringement after ruling that the district court had improperly applied 35 U.S.C. § 112, ¶ 6 to restrict the claim scope. The Federal Circuit disagreed with the district court's claim construction concluding that the "positioning means" element in the asserted patent did not fall within the interpretation rules of § 112, ¶ 6. The Court noted that although the word "means" in a claim element creates a presumption that § 112, ¶ 6 applies, two circumstances may negate this presumption: (1) when the claim element recites no function corresponding to the "means"; and (2) when the claim element does specify a function but also recites sufficient structure or material for performing that function. The Federal Circuit found that the detailed recitation of structure for performing the moving function of the positioning means overcame the presumption. In response to arguments that the claim did not recite every detail of structure disclosed in the specification for performing the recited moving function, the Court noted that "the claim need only recite 'sufficient' structure to perform entirely the claimed function" to avoid § 112, ¶ 6.

### Corporate President Liable for Attorney Fees

In *Ohio Cellular Products Corp. v. Adams USA, Inc.*, No. 98-1448 (Fed. Cir. Apr. 26, 1999), the Federal Circuit affirmed a decision of the district court to add the president and sole stockholder of Ohio Cellular as a third party defendant and to amend an earlier judgment awarding attorney fees to include the president as an additional liable party. Several years ago, after the Federal Circuit affirmed the district court's decision, the district court granted the defendant's motion for attorney fees and costs on the basis that the applicant for those patents had permitted inequitable conduct. The evidence had shown that Nelson, the company president had withheld material prior art with the intent to deceive. The district court ultimately awarded almost \$200,000 in attorney fees. The defendants sought to add Nelson as a third party defendant to subject him to individual liability for the fees because of Ohio Cellular financial situation. Nelson argued that because he was not held liable individually on the merits of the motion for attorney fees, he could not be held responsible for paying the fee award. The Federal Circuit pointed out that Nelson had personally committed the acts of inequitable conduct that were the basis for the fee award and, as sole shareholder and president, Nelson had controlled and supervised the litigation. The Federal Circuit determined that this issue was governed by Fed. R. Civ. P. 15 and focused on the undue prejudice against Nelson if he were now added. The Court agreed that Nelson had complete notice throughout the litigation that he might be liable. He was the motivating force behind instituting the lawsuit, and he was involved in the litigation from the outset and throughout. No undue prejudice having been shown, the Federal Circuit affirmed the district court's judgment.

### Patentability of Computer Programs

Subsequent to its landmark decision in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998), the Federal Circuit again clarified the scope and applicability of the "mathematical algorithm exception" to patentable subject matter under 35 U.S.C. § 101 in *AT&T Corp. v. Excel Communications, Inc.* No. 98-1338 (Fed. Cir. Apr. 14, 1999). In *AT&T* the Court held that claims directed to a method for generating a particular data field in an electronic record were not invalid under § 101. The invention at issue relates to the generation of information in an electronic record for long-distance telephone calls that permits differential billing treatment for subscribers. On motion by Excel, the district court prior to *State Street Bank* granted summary judgment of invalidity under § 101 concluding that the method claims implicitly recited a mathematical algorithm. The Federal Circuit reversed, basing its decision on *State Street Bank*.

### Covenant Not to Sue

In *Amana Refrigeration, Inc. v. Quadlux, Inc.*, No. 98-1200 (Fed. Cir. Apr. 5, 1999), the Federal Circuit affirmed a district court's decision dismissing a declaratory judgment ("DJ") action for invalidity of a patent as moot in light of a covenant not to sue. Several years prior to the dispute, the parties discussed licensing Quadlux's oven technology to Amana. After licensing negotiations had broken down, Amana began marketing its own oven. Quadlux then sent a warning letter to Amana and also terminated licensing relationships with three out-of-state distributors that did business with Amana. Amana sued Quadlux seeking declaratory judgment of invalidity and noninfringement. In response, Quadlux filed a covenant not to assert any infringement claim against Amana under the patent with respect to any of Amana's products advertised, manufactured, marketed, or sold prior to the date of the declaration. The district court dismissed all of Amana's claims. On appeal the Federal Circuit agreed that although an actual controversy may have been present at the time Amana filed its complaint, an actual controversy did not survive Quadlux's covenant not to sue. Moreover, questions over a possible controversy concerning Amana's future products was insufficient to support present declaratory judgment jurisdiction.

### Obviousness

Whether the use of a LCD display was obvious was considered by the Federal Circuit in *Sentex Systems, Inc. v. Elite Access Systems, Inc.* No. 98-1165 (Fed. Cir. Mar. 10, 1999). Sentex admitted that the only difference between the asserted claim and Sentex' own prior art telephone-entry system was the use of a LCD display for the electronic directory. Sentex argued that it would not have been obvious to use a LCD

screen in view of the severe environments in which telephone systems are used, i.e., outdoors or exposed to extreme temperatures or excessive glare from sunlight. The district court noted that none of the asserted claims contained environmental limitations and held the patent invalid based on Sentex's admitted prior art. The Federal Circuit agreed.

An issue in a related case, *Select Engineered Systems, Inc. v. Sentex Systems, Inc.* No. 98-1166 (Fed. Cir. Mar. 10, 1999) was that district court's taking judicial notice of the district court's invalidity opinion in *Sentex Systems, Inc. v. Elite Access Systems, Inc.* even though the first case had not yet been appealed. The Federal Circuit concluded that if there was any error it was harmless.

#### Corroboration of Prior Invention

The district court in *Thomson S.A. v. Quixote Corporation*, 97-1485 (Fed. Cir. January 25, 1999) denied Thomson's JMOL and sustained the jury verdict invalidating the patents in suit for lack of novelty under 35 U.S.C. § 102(g). The patents in suit were directed to machines that "read" or "play" CDS. Quixote submitted evidence purporting to show that the claims were anticipated by an unpatented laser videodisc developed before August 1972 by a non-party, MCA Discovision, Inc.

Thomson, on appeal argued that the jury verdict rested upon mere testimonial evidence by the two non-party MCA employees who worked on the videodisc project, and that this evidence was insufficient as a matter of law, "because such testimonial evidence by inventors of their prior invention requires corroboration." The Federal Circuit rejected this argument because the case did not present circumstances in which there was a need for corroboration.

The Federal Circuit considered the cases that discuss the skepticism of uncorroborated inventor testimony directed to establishing priority over an opponent's patent claim and concluded that they typically involved situations where the inventor is self-interested in the outcome of the trial and is thereby "tempted to 'remember' facts favorable to his or her case." However, since the testimony by the MCA personnel was by a disinterested third party and not someone who benefited by the testimony.

#### Section 101 Utility

Cortright's application related to a method of treating baldness by applying Bag Balm,<sup>®</sup> a commercially available product used to soften cow udders, to human scalp. The examiner rejected the claims under 35 U.S.C. § 101 (1994) as lacking utility. The examiner required clinical evidence to establish the claimed utility, which the applicant did not supply. The examiner also rejected the claims under § 102(a). The admitted prior art anticipated the claims because the written description disclosed that Bag Balm<sup>®</sup> has been applied to human skin and the "scalp is the skin of the head."

The Federal Circuit in *In re Cortright*, 98-1258 (Fed. Cir. January 19, 1999) recognized that while treating baldness was once considered an inherently unbelievable undertaking, some treatments for baldness have gained acceptance. In addition, the Court relied on the PTO's grant of approximately one hundred patents on methods of treating baldness.

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