

THE NEW YORK PATENT LAW ASSOCIATION

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BULLETIN

Antitrust Dinner-Meeting

The Antitrust dinner-meeting of The New York Patent Law Association will be held on Tuesday, April 24, 1962, at the Hotel Roosevelt, Madison Avenue at 45th Street.

George W. Whitney, Chairman of the Committee on Meetings, announced that the talks will begin at 5:30 p.m. Cocktails and dinner will follow the program. Assisting William C. Conner, who is in charge of the meeting, are John J. McGlew and Francis J. Sullivan.

The application of the antitrust laws to patent, trademark, and copyright situations will be discussed. Robert Wright, the First Assistant to the Assistant Attorney General in Charge of the Antitrust Division, Department of Justice, will be one of two speakers. Mr. Wright earlier succeeded Marcus A. Hollabaugh, the second speaker, as Chief Counsel of the Senate Judiciary Subcommittee on Patents, Trademarks, and Copyrights.

Mr. Hollabaugh, now a partner in the Washington firm of Hollabaugh and Jacobs, was Chief Counsel of the Senate subcommittee from 1956 until Mr. Wright succeeded him. Previously he had been Chief of the Special Litigation Section of the Antitrust Division. He will discuss the Department's present policy with respect to criminal procedures in antitrust matters and review the penalties available. He will also direct his talk to the current status of bills affecting patents.

Mr. Whitney has requested members to forward written questions in advance of the meeting in order to give the speakers an opportunity to answer them in the course of their talks.

AWARD FOR LAW REVIEW ARTICLE

The NYPLA Board of Governors has sent letters to the law schools within the Second Circuit offering a prize of \$150.00 for the best law review article or note dealing with patent law, trademark law, or copyright law. Several entries have been received, and it is expected that an award will be made at the end of the current school year.

CALENDAR

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| Apr. 24th | Antitrust Dinner-Meeting, Hotel Roosevelt. The program will start at 5:30 p.m. and will be followed by cocktails and dinner. |
| May 24th | Annual May Business Meeting, Hotel Commodore. Speaker to be announced. |
| June 15th | 6th Annual Spring Outing and Dinner-Dance at the Knollwood Country Club, Elmsford, N. Y. |

NYPLA COMMITTEES REPORT ON MAINTENANCE FEE LEGISLATION

Recommendations on the proposed maintenance fee legislation (Celler Bill, H.R. 7731) have been filed with the Board of Governors by the Sub-Committee on Patent Law Revision under the chairmanship of William E. Dampier and by Edward Halle's Sub-Committee on Patent Office Affairs and Practice. These reports are now under consideration by the Board of Governors.

Increased Fees Recommended. Both committees have concluded that there should be an increase in the fees charged by the Patent Office. Both are agreed that maintenance fees are not the desirable way to obtain this additional revenue.

The Halle committee took issue with the proposal, said to have originated with the Bureau of the Budget, that the Patent Office should be able to earn 75% of its expenses. It concluded that "if, for practical purposes, there must be some percentage of relationship between costs and fees certainly not more than 50% of the burden should be placed on the patentee."

The Dampier committee recommended that "the increase in the fee charged for initial filing of a patent application be kept to a minimum." They suggested that the "increase be made in such categories as fees for claims allowed, appeals fees and assignment fees—in short, fees whose impact on the indigent inventor is not as direct as in the case of the initial filing fee."

The Halle committee, on the other hand, was not averse to increasing filing fees. It suggested "increasing final fees to as much as \$75.00 or \$100.00, and perhaps . . . devising some method of collecting higher filing or final fees for cases with lengthy specifications, numerous drawings, which require substantially greater service from the Patent Office than ordinary or average cases."

Objections to Maintenance Fees. The Halle committee stated that they disapproved maintenance fees for four reasons:

- "(a) They would be unnecessary in recovering up to 50% of the Patent Office budget;
- "(b) The amount to be collected by way of maintenance fees is highly speculative;
- "(c) There would be no relationship between the cost of operating the Patent Office and the amount of maintenance fees collected. Thus, the fee would not be a charge for current services of the Patent Office, but would be in the nature of a subsequent tax for the privilege of maintaining a patent and would, therefore,
- "(d) Set a dangerous precedent."

In explanation for its strong opposition to maintenance fees the Patent Law Revision committee stated that "the most important reason for our opposition is that this new kind of fee introduces the risk of 'killing the goose that laid the golden egg' . . . we believe that the increase of the present fees should be

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USING ANOTHER'S MARK: THE "CHRISTIAN DIOR" CASE

Emphasizing the interest of the public in the benefits of free competition, the Second Circuit in *Societe Comptoir v. Alexander's Department Stores*, 132 U.S.P.Q. 475 (2d Cir. 1962), has refused to enjoin Alexander's Department Stores from using the registered trademark "Christian Dior" in the sale of low-priced copies of original Dior designs. The decision was rendered by Smith, C.J., Waterman, C.J., and Marshall, C.J. concurring.

The dress designs themselves could not be protected against copying, in view of such cases as *Fashion Originators' Guild v. F. T. C.*, 114 F. 2d 80 (2d Cir. 1940), *aff'd* 312 U.S. 457 (1941). However, the Dior organization has been making a determined effort to control the use of its trademarks.

A typical hang tag attached to the garments reads, "Original by Christian Dior/Alexander's Exclusive/Paris/Adaptation"; and the names "Dior" and "Christian Dior" have been used extensively by Alexander's in newspaper and television advertising. The principal basis of the defense was the right "to tell the truth," as formulated in *Prestonettes, Inc. v. Coty*, 264 U.S. 359 (1924). Although that doctrine has been criticized (see *Lanvin Perfumes, Inc. v. Le Dans, Ltd.*, 9 N.Y. 2d 516, 523 (1961) and references cited), the unanimous decision of the Court of Appeals rested squarely on *Prestonettes* and its lineal descendant, *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125 (1947).

Procedurally, the plaintiffs were appealing from orders denying two motions for preliminary injunctions, the first by Judge Dimock on January 20, 1961, *Societe Comptoir v. Alexander's Department Stores*, 190 F. Supp. 594 (S.D.N.Y. 1961), and the second by Judge Murphy (without opinion) on May 17, 1961. The Court of Appeals noted that it was passing merely on the absence of any clear abuse of discretion, but went on nevertheless to review the underlying conclusions of law, feeling that this was both proper and necessary because the disposition below was "in substantial measure a result of the lower court's view of the law, which is inextricably bound up in the controversy." Some of the Second Circuit's comments about the limited nature of rights existing under the law of trademarks and unfair competition are worthy of careful attention.

Turning first to the plaintiff's claim of trademark infringement, the Court stated that the registration of a proper noun as a trademark does not give exclusive possession of it to the registrant, or withdraw it from the language. Confusion, deception or mistake must be shown in order to make out a claim for relief. "Registration bestows upon the owner of the mark the limited right to protect his good will from possible harm by those uses of another as may engender a belief that the product identified by the infringing mark is made or sponsored by the owner of the mark," but it does not prevent all use of the mark by others. Specifically, "the Lanham Act does not prohibit a commercial rival's truthfully denominating his goods a copy of a design in the public domain, though he uses the name of the designer to do so."

Then, analyzing common law unfair competition, the Court said that such a claim "must be grounded in either deception or appropriation of the exclusive property of the plaintiff." The New York misappropriation cases, stemming from *International News Service v.*

Associated Press, 248 U.S. 215 (1911), on which the Dior plaintiffs relied were distinguished by the Court on the ground that the defendant in each cited instance had pirated some intangible property of the complaining party. Here, however, the copying of the fashion designs by Alexander's was lawful and the only intangible property right the plaintiff could claim was the good will embodied in its trademark. As to this, the Court ruled that "the right of the complainant in his mark is limited to dilution which is brought about by confusion as to source or affiliation."

The Second Circuit was not content merely to approve the denial of relief to the Christian Dior organization. The concluding portion of the opinion, in effect, rebuked the plaintiff, saying, "the courts have come to recognize the true nature of the considerations often involved in efforts to extend protection of common law trade names so as to create a shield against competition."

It is noteworthy that the Court referred briefly to Section 43(a) of the Lanham Act, which prohibits a "false description or representation." As methods of distribution to the ultimate consumer become increasingly complex, the occasions for one company to use another's trademark grow more numerous. The principal teaching of the *Christian Dior* case is that, absent falsity or misrepresentation, such use is not actionable.

—Sidney A. Diamond

Editor's Note: Mr. Diamond, who is currently Chairman of the Committee on Trademarks and Unfair Competition of The Association of the Bar of the City of New York, has been following this litigation through the courts and reviewed the lower court decision in the *ADVERTISING AGE* of March 13, 1961, where he pointed out that the final decision in this case may very well change traditional marketing patterns in the marketing of high fashion merchandise.

NYPLA Committees Report

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made with a view to increasing revenue without stifling the patent system's incentive."

Elimination of "Dead Wood." In discussing the argument that one function of maintenance fees is to deter worthless applications or eliminate unimportant patents, the Dampier committee pointed out the serious risk that was involved in drawing the line between good patents and "dead wood." A patent, they said, might not be commercialized because adequate financing was not then available or the time was not ripe for the introduction of the product, whereas it might become a valuable patent a few years later; the Goddard rocket patents being cited as an example. Such a patent, they concluded, might well be dropped before it was ready for commercialization if high maintenance fees were in force. The Halle committee questioned the use of maintenance fees to eliminate "dead wood," indicating that raising filing fees was perhaps a more appropriate approach to the problem.

The Halle committee made the point that if Patent Office fees were pushed too high there would presumably be a corresponding reduction in the revenues collected from patent owners as income taxes. The committee also felt that since the Patent Office is of immense value to the general public as a unique storehouse of technical information, the general public should be primarily responsible for supporting it.

PRE-TRIAL CALENDAR RULES THE TOPIC AT BAR MEETING

The Pre-Trial Calendar Rules of the Southern District were discussed at a meeting held at The Association of the Bar of the City of New York on March 6, 1962, which was called for that purpose at the request of Hon. Sylvester J. Ryan, Chief Judge of the Southern District. These rules have been in effect since September 1, 1961. Hon. Archie O. Dawson and Hon. David N. Edelstein of the Southern District also took part in the meeting.

Calendar Congested. Judge Ryan opened the meeting by pointing out that as of March 1, 1962, there were 12,427 Civil Suits pending in the Southern District, of which 3,180 were on the trial calendar. In view of the tremendous workload existing in the Southern District, he said it was imperative to observe the new Calendar Rules which were specifically designed to cope with the problem.

It was pointed out that while more than 75 percent of the cases filed are settled before trial the number of cases which must be processed for pre-trial procedure is staggering. The Southern District now has two pre-trial examiners who aid in the preparation of the pre-trial order.

Application of Calendar Rules. Judge Dawson reviewed the Calendar Rules now in effect. Rule 6 provides for Calendar Divisions. The attorney for the plaintiff or the defendant may file a note of issue and a certificate of readiness, which places the case on assignment for the trial calendar and for a pre-trial conference call, unless the opposing attorney appears before a calendar judge and presents reasons for lack of readiness. Rule 7 provides for the adjournment and holding of cases on the docket.

The key Rules are Rule 13 which provides for a pre-trial conference, Rule 14 which provides for the pre-trial order held pursuant to the pre-trial conference, and Rule 16 which provides for sanctions for failure to comply with the calendar rules.

The pre-trial order pursuant to Rule 13 requires the attorneys to prepare and exchange pre-trial memoranda (or prepare one joint memorandum) setting forth, among other items: a concise recital of all evidentiary and ultimate facts constituting the issues which the parties contend should be litigated in the trial; a brief statement with respect to the applicable law, including citations and a list of all the exhibits which each party expects to offer at the pre-trial, with a description of each exhibit sufficient for its identification, the purpose for which it is offered, and any objections counsel may have; and a list of witnesses. The basic purpose of Rule 13 is to require a good faith meeting of the adversaries to reduce the issues.

Judge Edelstein presided over the Calendar during the last two months. He reported that during these two months 218 pre-trial conferences had been held and 99 pre-trial orders had been issued. Approximately 270 cases had been settled.

Patent Cases Tried Within Two Months. After the pre-trial order has been entered, patent cases (which come within Calendar 4) usually reach trial within two months. He said that the sanctions rule (Rule 16) has not as yet been utilized. It provides for the imposition of costs on attorneys.

GENERAL HOWLEY SPEAKS AT DINNER

Waving a two-foot, pointed knife and a ghastly, blood-spattered club in the air, Brig. General Frank L. Howley (Ret.), now Vice President of New York University, launched into a blistering indictment of Communist tactics for conquering the Western world and of our own American "stupidity" in permitting them to achieve repeated success. The occasion was the 40th annual dinner of the NYPLA in honor of the Federal Judges held at the Waldorf-Astoria Hotel on March 23rd.

"A Hard Look at U.S. Foreign Policy." This title to General Howley's address was aptly descriptive, especially if the word "hard" were to be heavily underscored. Deceptively mild mannered in appearance, the General related horrifying stories from actual experience which gave mute testimony to the truth of his message and had his audience shifting uneasily at their tables.



Gen. F. L. Howley

In a voice that boomed through the Grand Ballroom, filled to overflowing with over eleven hundred lawyers, judges and their guests, General Howley lashed out in a verbal attack that was as dramatically effective for its purpose as would be the frightening weapons which he exhibited.

The Communist tactics, according to General Howley, are childishly simple, but they succeed because of the underlying naivete that has characterized the U.S. foreign policy. The Soviets work out of a sanctuary to which they can easily retreat, and every time their sanctuary is endangered, they call for a conference. The Soviets like to negotiate, not because they possess any particularly unique ability in this area, but because they know that as long as they can keep the U.S. negotiating, we will do nothing that might upset the "delicate fibers of international negotiations." So, we give up any advantage that we may have achieved, to talk, and the Soviets have all the time they need to plan their retreat, as well as their next move forward against us.

Humanitarian Approach Questioned. In a fiery, blood and guts speech, that was interrupted more than once by applause, General Howley said that in areas where people struggle for independence the humanitarian practices that we have plunged into so quickly, so generously and, as later events have borne out time and again, so foolishly, should have been our secondary consideration. The security of the United States should be our first job. For some reason, it seems that "business is business" in all countries except the greatest business country in the world, the U.S.A."

General Howley selected from newspaper headlines specific examples of the Communist tactics. He pointed out that success in any move they make is not measured by the taking of the whole, but only in obtaining a substantial part. They moved forward against us in Berlin. We resisted, but they got half. They moved again in Korea, and again we resisted, but they got half. Now, in still another part of the world, they have moved forward in Laos. We have resisted there too, and now that it seems the tide is about to turn against them they may be expected to call for a con-

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COMMON MARKET CARTEL REGULATION

The Council of Ministers of the European Economic Community adopted on February 6, 1962, the final version of Regulation 17, the "First Implementation Regulation Pursuant to Articles 85 and 86 of the Treaty." The substance of this regulation governing cartels in the Common Market countries had previously been approved, as was indicated in the March BULLETIN. The Regulation became effective as of March 13, 1962.

The French text of the regulation was published in the February 21st issue of the Journal Officiel Des Communautés Europeennes, pages 204-211 inclusive. The regulation will also be issued in Dutch, German, and Italian, the other three official languages of the EEC.

An "unofficial" English translation of the regulation released by the Official Spokesman of the EEC Commission is being distributed in this country by the Information Service of The European Community, 236 Southern Building, Washington 5, D.C.

NEW MEMBERS ELECTED

At its meeting on March 20th, the Board of Governors confirmed the admission of five active members. These new members are William H. Epstein, Ralph Jay Henkle, Graham S. Jones, II, Alexander McKillop, and George E. Roush.

THREE MORE COUNTRIES ACCEDE TO THE COPYRIGHT CONVENTION

Three additional countries have acceded to the Universal Copyright Convention. The countries and their dates of accession are:

Denmark — February 9, 1962

Nigeria — February 14, 1962

Paraguay — March 11, 1962

General Howley Speaks at Dinner

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ference. But they will get half of Laos! Only in Cuba did the Communists succeed beyond their wildest expectations; there they took all. Americans, he said, have nothing to fear except their own "stupidity."

Mark N. Donohue, NYPLA president, in his introduction of General Howley, noted that this was the largest attendance to date for this annual affair.

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PATENT OFFICE TRAINING ACADEMY PLANNED FOR FALL

Subject to approval of the necessary funds by Congress, Commissioner Ladd plans to create a Patent Office Academy within the framework of the Patent Office by the fall of this year. The staff will include 10 to 15 people inside the Patent Office whose duty will be to train new examiners.

The Question Is: Is it possible to assemble a formal curriculum for the kind of training which the examiners have traditionally received in the divisions while "on-the-job"? Commissioner Ladd says "the answer is likely enough—yes—that we're going to go ahead with plans to create this Patent Office Academy."

It Will Operate Like This: For the first nine months, the student examiners will study half their time in the Academy. In the mornings, they will correct "built-in" errors in prototype cases and draft actions for these cases—all under supervision—which will include a formal lecture program. In the afternoons, they will work in the divisions. In this way, it is hoped that the usual two to three year training period will be reduced to nine months or less.

Not Open to Industry. While ultimately it is likely that the Academy will open its doors to "outsiders" to train personnel for law firms and businesses "at a nominal tuition," at first the Commissioner would like to have "a shake-down cruise to see how it works out in our own office." With the burden of training 200 new examiners each year removed from the divisions, it is expected that more of the experienced examiners' time will be available to reduce the present 200,000 case backlog. With the success of the Patent Office Academy demonstrated, it is believed that industry will readily agree to avail itself of its obvious benefits.

Advanced Training Planned. It is a goal of the training program to induce examiners to make a career in the Patent Office. To make this attractive, a three-year voluntary program is planned for the trainee who has completed the formal nine-month course. This advanced program would consist of courses given by colleges and other educational institutions outside the Patent Office and would cover specialized fields of science or engineering, law, and management.

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