THE NEW YORK PATENT LAW ASSOCIATION

VOL. 2 No. 9 JUNE 1963

BULLETIN

Annual Outing June 14th

William C. Connor, Vice-Chairman of the Committee on Meetings and Forums, has announced that the **NYPLA's 7th annual outing and dinner-dance** will be held on Friday, June 14 at the **Knollwood Country Club** in Elmsford, New York.

In the light of the success of the past years' outings, the forthcoming outing promises to be a gala affair with an interesting program for both the ladies and gentlemen, whether golfers or not.

The relatively modest cost will remain the same as last year, namely, $15.00 for each couple and $10.00 for the men who come stag. This basic cost will cover swimming, tennis, dinner, and dancing to Ben Cutler's orchestra (under the baton of "Dutch Wolff").

Bill Connor is very enthusiastic about the program of special events which has been arranged for the ladies and for those men who do not play golf. An internationally known bridge expert will be on hand to provide **bridge lessons** from 4 to 6 p.m. This event is also available for those early-bird golfers who are able to complete their game in time.

The **golf program** will be similar to the successful program of last year. The fee will be $4.00 for those attending the dinner and $6.00 for those who do not stay for the meal.

The feature golf prize is the traditional Governors' Cup which is given for the low net for a designated 18 holes. The other customary prizes are all for 18 holes. There will be a first and second prize for the low gross and a first and a second prize for the low net of Class A (handicap of 24 and under) and of Class B (handicap of 24 and more). For ladies only, there will be a low gross and low net prize. A similar prize will be offered for guests.

In addition to the regular golfing events, there will be a putting tournament with first and second prizes. There will be an additional entry fee of $1.00 for this event.

The tempting **menu** includes a choice of lobster or roast beef. Those planning to attend are urged to make their reservations early and to indicate on their reservations their choice of entree. For further information and reservations, please contact Donald L. Wood at 155 East 44th Street, New York 17, New York, telephone YU 6-1230.

CALENDAR

June 14 **7th Annual Spring Outing and Dinner-Dance, Knollwood Country Club, Elmsford, New York. Facilities for golf, swimming, and tennis will be available. Special feature for the ladies at 4 p.m. Dinner at 7 p.m.**

ROBERT A. BICKS IS SPEAKER AT NYPLA ANTITRUST MEETING

At the annual antitrust meeting of the Association, held April 30, 1963, **Mr. Robert A. Bicks,** former Assistant Attorney General in charge of the Antitrust Division (1961) addressed the gathering and raised two issues which he considered of importance to the NYPLA.

He made a particular point that the NYPLA is in a position to perform a public service, if it is so inclined, by indicating to the proper authorities the viewpoint of its membership with respcet to the two topics which he felt were particularly suited for action by an association such as the NYPLA.

The first of the two topics which he discussed was the present U. S. tax treatment of foreign income from royalties, patents, trademarks, etc. under the 1962 amendments to the tax law. The second topic treated concerned the permissible scope of know-how licenses in the Common Market.

Taxes Are Inequitable. With respect to the tax situation, Mr. Bicks pointed out to the audience that there had been three amendments to the tax law in 1962. Prior to 1962, taxes on foreign subsidiaries of American companies were deferred until the money was actually brought back to the United States. The 1962 changes, however, applied the same treatment at home and abroad, applying, as Mr. Bicks put it, "a neutrality of geography."

The unequal tax treatment which disturbed Mr. Bicks in the amended tax law was the fact that, on the one hand, income earned by foreign subsidiaries having more than 50% income from *manufacturing* still has the pre-1962 benefits, namely that the tax is deferred until the money is brought home as income. On the other hand, income from know-how licenses, patent licenses, management arrangements, etc. is taxed immediately as it would be if earned in the United States.

Thus, a U. S. company wishing to operate abroad will find that its tax situation with respect to its foreign business will depend upon the particular technique which it uses in setting up its business. A firm contemplating exploitation of the foreign market might consider a Common Market partner, a loose patent licensing agreement, or joint financing of a foreign plant with a Common Market partner.

Mr. Bicks took the position that the current inequity in the application of U. S. taxes against the use of know-how was undesirable because (1) it is damaging to our export trade balance; (2) it is contrary to our antitrust policy, since it tends to encourage joint ownership and inflexible foreign operations, whereas our antitrust policy properly is to encourage flexible operations by individuals; and (3) it is contrary to our foreign policy objectives, particularly in undeveloped areas such as South America, where,

Continued on page 6

RETIRING PRESIDENT HAPGOOD REVIEWS HIS TERM OF OFFICE

It has been suggested that I comment on my term of office, expiring May 23, 1963, as President of the New York Patent Law Association.

The past year has been an active one for the Association in many respects. My purpose here is not to relate all of its activities, as they are summarized in the various committee reports, but simply to touch upon a few and to make some general observations. To those members of the Association unable to attend the Annual Meeting, I urge a reading of the Committee reports when they are published in the 1963 YEARBOOK.

Legislation. Through communications to key members of the appropriate Congressional committees, the Association took the following actions:

- Opposed the McClellan substitute Trademark Bill S. 1396 (Registered Users).
- Urged that a sound Government patent policy must be consistent with the "Statement of Principles for the Evaluation of Federal Government Patent Policy" prepared by the Government Patent Policy Study Committee at the direction of the National Council of Patent Law Associations.
- Supported Senator Javits' bill, S. 2784, on unfair commercial activities.
- Opposed H. R. 12513, relating to the filing of settlement agreements in patent interferences.
- Supported S. 2639, a bill to permit a written declaration in lieu of the oath in an application for patent or for trademark registration.
- Opposed the maintenance fee and the patent issuance provisions of S. 2225 and H. R. 10966, relating to Patent Office fees.
- Urged full restoration of the amount which the House appropriation bill had cut from the Patent Office's budget request.
- Urged passage of S. 1884 relating to designs.

The committees concerned have under consideration other bills now pending in Congress and proposals on procedural changes in the Patent Office. Their successor committees will inherit their views and presumably make timely recommendations to the Board of Governors.

The Committee on Foreign Patents and Trademarks has concerned itself primarily with foreign legislation relating to the European Common Market, and its report should be of much interest to many of our members.

Relocation of Patent Office. Last year our Association approved, with certain conditions, a proposal to move the Patent Office to new and expanded facilities at Langley, Virginia. It now appears that if the facilities so urgently needed by the Patent Office are to be obtained, they must be located somewhat farther from Washington,—possibly 30 or 40 miles from that area. In view of the different problems which this might create, depending upon the location selected, and in the absence of any new proposal of a specific site for consideration, we have taken no further position on the matter.

Meetings and Forums. The activities of the Association in this area have continued to strike what I believe to be a good balance between events of a purely professional nature and those of an entertainment nature. Our committee is to be commended for the way it planned and managed these events.

Publications. The BULLETIN, a trial innovation as of 1961, has again demonstrated that it deserves a permanent status. Its success is due to our hard-working Committee on Publications, which has also assumed the burden of editing the YEARBOOK. I share the opinion of many other members that the format of the 1962 YEARBOOK was a distinct improvement. It is my hope that the membership, and particularly other committees in the future, will make it a special point to communicate newsworthy items to this committee for the purpose of the BULLETIN. It serves all of us and serves us well.

Employment. Our Committee on Employment has had a year of heavy activity, as indicated by the fact that its listings totalled more than 250 and its referral service resulted directly in at least 14 placements. It, too, deserves our special praise for the manner in which it has conducted its affairs.

Public Relations. The Committee on Public Information and Education has continued its good work. Among its events were the Seminar on patent law fundamentals conducted at Fairleigh Dickinson University and subsequently publicized by local radio broadcast, and its participation in two broadcasts on the radio program "Dollars and Sense," through panel discussions on patents, trademarks and copyrights. Also, it has selected the recipient of our first award for an outstanding Law Review Article on patents, trademarks or copyrights, and it is planned to make the award at the dinner following the Annual Meeting.

Membership. Twenty-nine new members have been added to our roster. While this number is less than in recent years, the total membership has increased from 1089 to 1100.

I regret to have to report the death of the following members: Walter C. Wheeler, Baldwin Guild, Benton A. Bull, George H. Palmer, Edward Thomas, Allan N. Mann, Jacob T. Basseches, Robert Barnes, Lawrence Langner, Paul M. Phillips, J. C. Kerr.

Finances. You will be pleased to know that our Association continues to enjoy a sound financial condition. The 1963 YEARBOOK will carry the complete report of our Treasurer, Mr. Nolte.

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I wish to express my thanks and appreciation to the officers and members of the Board of Governors, to all the committee and subcommittee chairmen and other committee members, and to all members of the Association who have helped in its work during the past year.

It has been a privilege and an honor to serve as President of this Association.

—CYRUS S. HAPGOOD

TWO PHOTOGRAPHERS NEEDED

The BULLETIN would like to add a Photographic Editor to its staff. He would be responsible for a photographic record of the meetings of the Association and would also handle the photographic lay-out for the NYPLA YEARBOOK. We could also use a staff photographer who would work with the Editor in covering the meetings. These have proved to be interesting and challenging assignments which should appeal to photographic hobbiests in our membership. Please write the Editor-in-Chief if you are interested.

RALPH L. CHAPPELL, OUR NEW PRESIDENT, ACCEPTS OFFICE

I deeply appreciate the honor which has been bestowed upon me by the members of the New York Patent Law Association.

I know that we can continue the effective contributions which the Association has made in the past to the patent system and the profession because of the active interest and hard work of the members. All of the members, the Governors, the officers and the committee members who have been so generous with their talent and time can be proud. I shall use my best efforts to see that the fine accomplishments continue in the coming year.

I would like to commend Mr. Cyrus S. Hapgood for his achievements in the past year, and I am sure all will join me.

—RALPH L. CHAPPELL

U. S. TRADEMARK ASSOCIATION PUBLISHES REPORT ON TRADEMARK ACTIVITIES IN 1962

The United States Trademark Association recently published its 1962 Year End Report on Trademark Matters, which briefly summarizes trademark highlights of that year.

The year 1962 saw a new record in the number of trademark applications filed, according to the Report, eclipsing the previous high year, 1961, by a count of 25,130 to 23,782. New mark registrations also exceeded the number issued in 1961. The Report notes an industry movement towards updating existing marks and adopting new corporate names to reflect diversification.

The Report touches briefly upon Federal legislation enacted in 1962, including the "Housekeeping Amendments," and the revised Trademark Rules of Practice of the Patent Office. Significant court decisions are also summarized and a listing of Patent Office rulings included, setting forth both marks found to be in conflict and those found not in conflict.

In an interesting sidelight, the Report notes that the Soviet Union has adopted a new trademark policy, requiring the government factories to identify their particular goods with a trademark, in "capitalistic" fashion. According to Soviet economist, V. A. Nikiforov, "The trademark makes it possible for the consumer to select the goods which he likes. . . . This forces other firms to undertake measures to improve the quality of their own product in harmony with the demands of the consumer. Thus the trademark promotes the drive for raising the quality of production."

A limited number of copies of the Report are available free of charge upon written or telephone request to The United States Trademark Association, 6 East 45th Street, New York 17, New York, YUkon 6-5880.

NEW JERSEY PATENT LAW ASSOCIATION MEDAL DINNER

The annual Medal Dinner of the New Jersey Patent Law Association was held on May 16th at the Military Park Hotel, Newark, New Jersey in honor of **Walter J. Derenberg** a member of our Association. Professor Derenberg was the recipient of the 13th Annual Jefferson Medal which is awarded for outstanding contributions to the American Patent System. He was cited for his noteworthy service over many years as a scholar, writer, teacher and practitioner in the realm of industrial and literary property protection.

RECENT CASES OF SPECIAL INTEREST

An opinion letter by a corporation's house counsel regarding the corporation's right to use a trademark on its product is protected from disclosure during discovery proceedings by the attorney-client privilege, **8 In 1 Pet Products, Inc. v. Swift & Co.,** (unreported decision by McLean, D. J., Action No. 61 Civ. 1962, April 23, 1963, S. D. N. Y.). The Court, refusing to follow the controversial *Radiant Burners* case, 207 F. Supp. 771, rehearing, 209 F. Supp. 321 (N. D. Ill. 1962), held that a corporation is entitled to claim the privilege where the letter was based on a confidential communication from an officer of the corporation to its counsel.

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A previous employer has no right to an injunction against a former employee to prevent the unauthorized disclosure of trade secrets where there is no overt act by the employee beyond his taking a new position, even though he was hired away by the new employer with the intent of benefiting from the employee's specialized knowledge, **B. F. Goodrich Co. v. Wohlgemuth,** 137 USPQ 389 (Ohio Ct. Common Pleas 1963) (See also May BULLETIN page 6). However, if the new employer were within the jurisdiction of the Court, it might be enjoined from inducing the employee to disclose information which would constitute a breach of confidence with the previous employer. According to a recent press report the Ohio Appellate Court on May 22nd reversed this lower court decision, and held that an injunction could be issued on the basis of a *threat* of disclosure even though no right had then been violated. The decision was based on a finding that a disclosure of the trade secrets was seriously threatened and that unless a restraining order was issued, Goodrich might suffer irreparable injury.

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In an action for unfair competition to keep others from imitating his product, the plaintiff meets his burden of proof by showing (1) that the defendant copied his product, (2) that the copied feature has acquired secondary meaning in the market identifying the plaintiff as the source of the product, (3) that the copied feature is likely to cause customers to regard the product as coming from plaintiff and (4) that the copied feature is non-functional or, if functional, that the defendant has not taken reasonable steps to prevent confusion, **Zippo Manufacturing Co. v. Rogers Imports, Inc.,** 137 USPQ 413 (S. D. N. Y. 1963). A feature of the product is functional at least if it affects its purpose, action or performance, or the facility or economy of processing, handling, or using it, and possibly because of its pleasing appearance. The Court added, in dicta, that upon the expiration of a patent, the right to manufacture the product in its patented form passes to the public.

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The filing of architectural plans with a city building department in order to procure a building permit as required by local ordinance is a publication resulting in loss of common law copyright in such plans, **DeSilva Construction Corp. v. Herral,** 137 USPQ 96 (S. D. Fla. 1962). However, since it is an established legal principle that the building of a structure from copyrighted plans is not an infringement, the construction and display of a model house built from the plans would not be a publication of the copyrighted matter.

NEW ADMINISTRATION TAKES OFFICE AT ANNUAL MEETING

The slate of officers and governors presented by the Nominating Committee for the 1963-1964 Association year was unanimously accepted by the members present at the Annual Meeting on May 23rd. The new Administration took office immediately upon its election. The **officers and governors elected** are as follows:

President ..... RALPH L. CHAPPELL
First Vice President ..... HARRY R. PUGH, JR.
Secretary ..... FRANK W. FORD, JR.
Treasurer ..... ALBERT C. NOLTE
Governors ..... PHILIP T. DALSIMER
STANTON T. LAWRENCE, JR.
CHARLES E. MCTIERNAN

Under Article IV of the Constitution the President, the Secretary, and the Treasurer hold office for one year. The First Vice President holds office for one year, the Second Vice President for two years, and the Third Vice President for two years. Thus, John N. Cooper continues as Second Vice President and Albert C. Johnson as Third Vice President.

The new Nominating Committee will be chaired by Cyrus S. Hapgood, and Norman N. Holland, Harry R. Mayers, Joshua Ward, and John A. Reilly make up the balance of the committee.

SECOND ANNUAL PATENT SEMINAR AT FAIRLEIGH DICKINSON UNIVERSITY

The New York and New Jersey Patent Law Associations will jointly conduct a patent seminar sponsored by Fairleigh Dickinson University from June 24 through June 27, 1963, at the Madison, N. J. campus of the University.

Planned for Industry. The seminar is designed for scientists, engineers, and management representatives who desire a greater general understanding of the patent system and how it affects their business. Over the four day period a total of sixteen lectures covering virtually all aspects of domestic and foreign patents will be presented by members of the two associations. The lectures will acquaint members of the industrial community with the requirements for obtaining, maintaining, and enforcing patent protection for their inventions, and the need for engaging competent patent counsel in patent matters.

A similar and highly successful seminar was conducted by the NYPLA alone last year. Only five of the lectures this year will be given by members of our Association. The principal lecturers representing the NYPLA this year will be: Donald Gillette, Joseph C. Sullivan, Robert R. Keegan, James N. Buckner, and Robert Osann. Each of these speakers will be respectively assisted in his preparation by Russell G. Pelton, David S. Kane, Morris Relson, Richard G. Fuller, and Dr. John F. Scully. Seminar coordinators for the NYPLA are Robert Osann and Alfred L. Haffner, Jr.

Helpful to Clients. All members of the Association are urged to mention the seminar to clients who might be interested in having their employees attend. Tuition for the four day seminar is $75. Further information may be obtained directly from Professor John B. Marshall, Fairleigh Dickinson University, Madison, N. J.

BRIEFS FROM WASHINGTON

The BULLETIN is advised that the following legislation has been introduced in the 88th Congress:

NEW COPYRIGHT BILLS

• **H. R. 5136**—Steed. This is new legislation which would provide for a 50-100% increase in copyright fees.

• **H. R. 5174**—Celler. Similar to Mr. Celler's H. R. 70 and 12450 of the 87th Congress, this is the perennial "juke box" bill under which juke box performances are deemed public performances for profit. A Performing Rights Administration would be set up in the Copyright Office to collect $5 per machine per year as royalties and to make "equitable distribution" of such royalties to copyright owners. The backers of this bill are optimistic about its chances of passage during this Congress.

NEW PATENT BILLS

• **S. 1432**—Long. Similar to Mr. Multer's pending H. R. 701 establishing a Federal Inventions Administration, but contains a different government ownership clause, as follows:

> "The United States shall have exclusive right and title to any invention made by any person if the invention was made in the course of or in consequence of any scientific or technological research, development, or exploration actively undertaken by that person or any other person for the performance of any obligation arising directly or indirectly from any contract or lease entered into, or any grant made, by or on behalf of any executive agency."

• **S. 1433**—Long. This bill would introduce substantially the same government ownership clause as S. 1432 above, but by way of an amendment to the Sherman Act. Moreover, any disposal of any such government property patent right would be subject to review by the Attorney General.

• **S. 1436**—Long and **S. 1444**—Morse. Both to amend NASA Sec. 305 to provide for private ownership if:

(1) The balance of equities requires it;
(2) It would affirmatively advance the public interest;
(3) It would not promote a monopoly; and
(4) The Attorney General approves.

SPERRY CASE INJUNCTION VACATED

The Supreme Court of the United States recently held that Congressional legislation had preempted state regulation of practitioners before the Patent Office, **Sperry v. Florida,** 133 USPQ 578 (1963). The Court stated that, although the preparation and prosecution of a patent constituted the practice of law, since a patent agent was specifically authorized to act before the Patent Office the state had no right to review this determination through the exercise of its police power.

The Court said that the state could control Sperry's practice of law within its borders except to the extent necessary for the accomplishment of the federal objectives. No answer was given as to the scope of practice authorized by the Patent Office. This question presumably will be determined upon remand.

The case arose when the Florida Bar instituted proceedings to enjoin Sperry, not admitted to the practice of law in Florida, from pursuing his activities as a patent agent. The Supreme Court of Florida issued an injunction enjoining such practice.

Mr. Chief Justice Warren delivered the opinion of the Court and there were no dissenting opinions. Eight Bars or other organizations were represented before the Court, amicus curiae.

JOHN F. WOOG ADDRESSES ANNUAL BUSINESS MEETING

John F. Woog, Esq., General Counsel of the Long Island Electronic Manufacturer's Council discussed **"Proprietary Rights and Data—A Review of the Current Status"** at the annual meeting of the NYPLA on May 23, 1963 at the Commodore Hotel.

Basic Problem Stated. According to the law as presently developed, once trade secrets are contractually disclosed to a third party, particularly the Government, there is no tort violation in using the secrets beyond the scope of a contract; the only violation is breach of contract since the knowledge of the trade secrets was obtained legally. Mr. Woog, therefore, posed the basic problem of how to contractually and procedurally protect a manufacturer whose trade secrets have been revealed to a prime contractor or the Government.

The Government currently requires broad, unrestricted data rights, particularly to create secondary sources which are necessary to provide and to assure competitive bidding and future manufacture reproducibility, but the Government can usually use data divulged to it for any purpose. This being so, Mr. Woog presented the very practical problem of a small manufacturer who has developed trade secrets by use of his own intelligence and resources and who, in order to obtain a Government contract, is required to disclose his trade secrets to the Government via a prime contractor who in other fields of endeavor may be his competitor. The present needs of the powerful Goliath (Government) thus appear to jeopardize small David's proprietary rights.

Sub-contracts Accentuate Problem. The problem becomes more acute when there are several sub-contractor tiers. Then the likelihood of diffusion of David's trade secrets becomes highly probable. What is there to prevent one of the multiple sub-contractors from using David's trade secrets for other military procurement?

What can David do? Naturally, he doesn't want to give his valuable trade secrets to a prime contractor; it is uneconomical to redesign to prevent reverse engineering. Must he file patent applications on his total collection of trade secrets and then sue in the Court of Claims?

According to Mr. Woog, some compromise standards must be established on the basis of the Government's need to know, its need for additional resources and proof of presence or absence of alternative procurement. The trade secret owner should be given an opportunity to show the use of his own intelligence and resources in developing his trade secrets and an opportunity to show that it would not harm the Government if the trade secrets are not disclosed. At the present time, procurement regulations are unsatisfactory, but Mr. Woog does not see any complete solution in the near future.

NEW MEMBERS ELECTED

At a meeting of the Board of Governors held on May 23, 1963, the following persons were admitted to active membership: Granville M. Brumbaugh, Jr., Herbert L. Lerner, Roderick D. Manahan, Gregor N. Neff, Neal L. Rosenberg, John P. Sinnott, and Harold D. Steinberg.

MICHIGAN PATENT LAW ASSOCIATION ANNIVERSARY

The NYPLA extends hearty congratulations to the members of the Michigan Patent Law Association on their 50th Anniversary.

JOTTINGS ON THE ANNUAL MEETING

The President's Gavel was officially transferred from **Cyrus S. Hapgood** to **Ralph L. Chappell** at the 41st Annual Meeting of the Association on May 23rd. In commenting on the duties of his new office Mr. Chappell said that he would designate the committees for next year as promptly as possible, but warned that it would be impossible to place every member on the committee of his choice.

In reviewing the past year **President Hapgood** said that the Association had not taken any official position on the location of a new Patent Office after it had become evident that it would have to be many miles further from Washington than first proposed. • • • He said that the BULLETIN, which had been launched on a trial basis, had acquired a status far exceeding anything originally anticipated, and that it had been praised by outside attorneys, judges, and Patent Office officials this past year. • • • He announced that the Association's membership had increased to 1100.

The Treasurer, **Albert Nolte,** reported receipts of $46,305 and disbursements of $45,414. • • • **Ralph Chappell** reported that his committees had given much study to bills which had been proposed on the matter of Government title vs. license, and were reviewing the pending McClellan Bill S. 1290. • • • **Richard Huettner's** Committee on Meetings and Forums invited members to offer suggestions for next year's programs. • • • **Robert Fiddler** said the Copyright Committee had given assistance in the drafting of the proposed new copyright law. • • • **Burton Beatty** pointed out that the Common Market had taken up much of the time of the committees on foreign patents and trademarks, and that they had gone on record as endorsing open patentability under the European Patent Convention.

The Employment Committee, according to **Tennes Erstad,** has during the past year registered 37 applications for non-professional personnel, with 38 openings; and 107 professional applicants as against 95 available positions. • • • **Saxton Seward** is still hunting for pictures of four past presidents for the library. • • • **John Neary's** report requested dissolution of the Committee on Legal Referral on the ground that it is no longer needed since its duties have been absorbed by other bar associations with which we are cooperating. • • • **Robert Osann** announced that the NYPLA would collaborate with the N. J. Association this year to put on its second Patent Seminar at Fairleigh Dickinson University, June 24-27. • • • **Henry Sharpe** stressed the vital importance of officers, committees, and members without portfolio contributing to the columns of the BULLETIN in order to broaden its scope and make it more useful to the total membership.

The special committee appointed one year ago to report on the matter of change of name of the Association, recommended that the name be not changed. In his report, **Norman Holland** cited the practice of other "*patent associations*"; pointed out that a name including trademarks and copyrights would be too long; said there are few who specialize entirely in trademarks and copyrights; and added that the men who do specialize in these two fields most frequently refer to themselves as "patent attorneys."

The Association's first *award* (in the amount of $150) for an outstanding law review article on patents, trademarks, or copyrights was presented at the dinner to **Stephen S. DeLisio** for his article in the Albany Law Review on "Prospective Use of the Grant-back Clause in Domestic and Foreign Patent License Agreements."

ROBERT A. BICKS ADDRESSES NYPLA ANNUAL ANTITRUST MEETING

Continued from page 1

through the O. A. S., we are trying to promote local initiative and ownership.

Mr. Bicks felt very strongly that the present tax structure discourages development of trade overseas and was of the opinion that the effect on know-how and patents was never brought home to the legislators at the time the 1962 amendments were being considered. Therefore, he believed that the NYPLA should study the situation and make an attempt to have this inequity in the tax laws corrected.

Permissible Scope of Know-How Agreements. With respect to the licensing of know-how in the Common Market countries, Mr. Bicks took the position that it is important to encourage the use of our know-how in the Common Market to the extent that it can be done without adversely affecting the Common Market program. In this respect, he particularly pointed out that there are no present statutes and no guides in any decided cases as to the construction or extent of restrictions permissible in such agreements. To encourage a manufacturer to invest, he needs to be assured that he will have protection in a particular territory. However, there are no guides at present to help him determine how far he can go in his licensing agreements to insure territorial security before he runs afoul of Common Market regulations.

The owner of U. S. patents should, of course, obtain counterparts of his U. S. patents in European countries in which he wishes to operate. Having done this, he can then license one manufacturer in each country on an exclusive basis for that territory; i.e., the manufacturer should be given the exclusive right to *manufacture* in his territory, but no restrictions should be placed in the license stating that he cannot sell outside of his territory. This arrangement leaves the licensor free to sue his licensee if he manufactures outside of the licensed territory. By setting up a series of territorial licenses the American concern can obtain broad coverage and still control the quantity which is manufactured in any one territory. While he cannot control the persons to whom the manufacturer sells, Mr. Bicks suggested that if a manufacturer in country A sells in large quantities to a single distributor in country B, the American company might find it worthwhile to work out some sort of a license arrangement with the distributor in country B which would give him some control over that situation. Mr. Bicks believed that these arrangements would be legal, both from the standpoint of American antitrust law and from the standpoint of Common Market law.

Limit on Know-How. Turning to the question of know-how Mr. Bicks pointed out that if the know-how is part of a foreign patent license agreement, the American firm could still place a territorial limit in the license under the official notice concerning patent licensing agreements issued by the Commission of the EEC on December 24, 1962. However, the status of straight know-how licenses is not clear, because the Commission in the same official notice stated that its information did not apply to agreements relating to know-how or to other industrial property rights.

One solution for the American manufacturer, as Mr. Bicks sees it, is to set up a know-how licensing arrangement restricting the territory in which the know-how can be used in manufacturing. He pointed out that no restriction can legally be included with respect to the territory in which the product may be sold. However, under this arrangement the American manufacturer could license the A company to use his know-how in a single plant in France, for example, but if the A company built a plant in Italy and used the know-how there the American firm could bring suit. Mr. Bicks pointed out also that there had been some criticism of tight controls on know-how in the Common Market.

This proposed method of operation, Mr. Bicks reasoned, would be legal, since it was analogous to the automobile sales cases in which the manufacturer, having once sold his cars to distributors, could not prevent the distributor from selling the cars outside of his territory. Nevertheless, the manufacturer could still restrict the distributor to building a showroom or a shop only in the distributor's territory and could sue him if he built one outside such territory. Mr. Bicks pointed out that there have been few U. S. cases on the licensing of know-how and that there is therefore very little to use as a guide. Mr. Bicks' proposal would thus support limitations in an agreement in the area in which the know-how could be used, but would not cover extra-territorial sale of the product made with the know-how.

The questions raised during the question period covered various phases of antitrust and Common Market law.

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