THE NEW YORK PATENT LAW ASSOCIATION

BULLETIN

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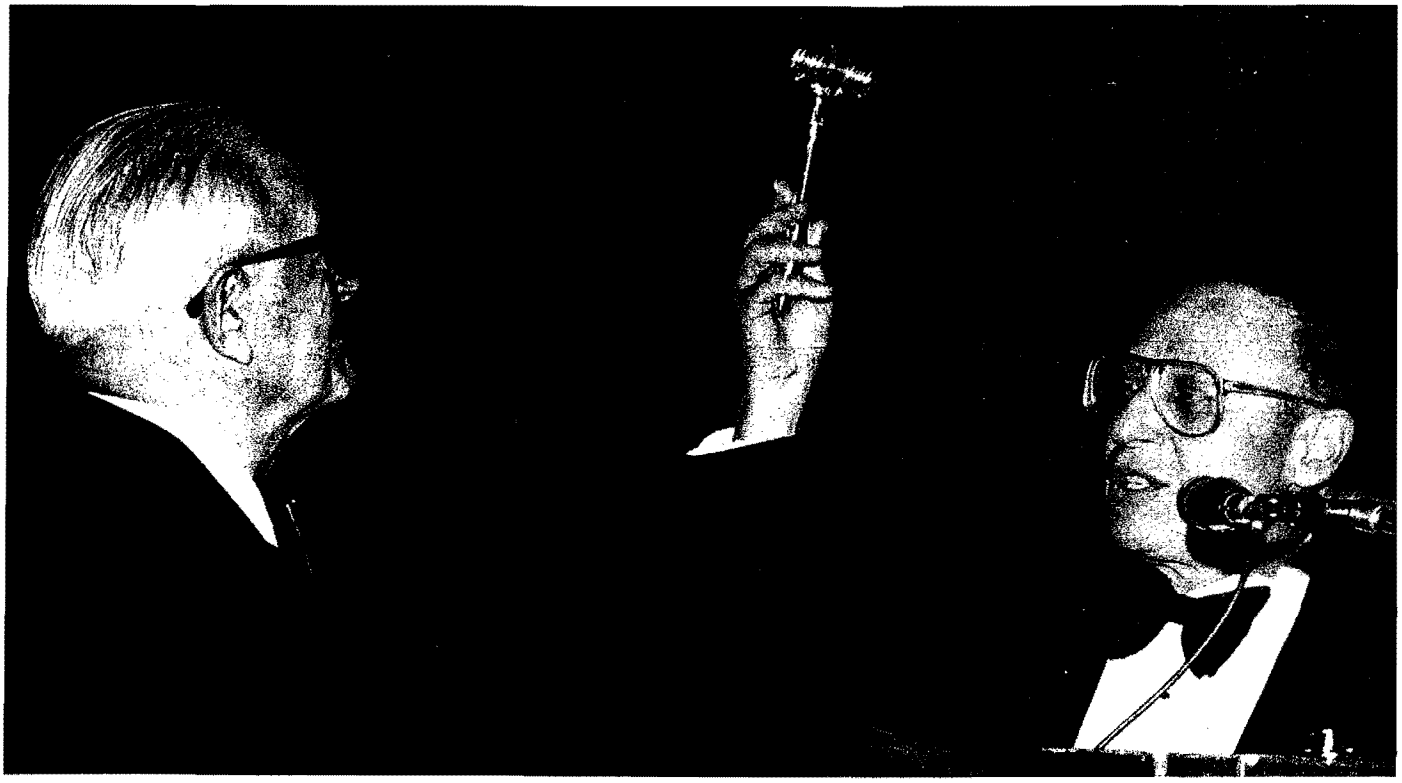

Jerry Lee presenting Judge Rich with a silver gavel at the Annual Judges Dinner.

Annual Judges' Dinner A Great Success

A record crowd of 1475 people attended the 59th NYPLA Dinner at The Waldorf in honor of the Federal Judiciary. About fifty judges and other dignitaries were honored. A festive time was had by all on this gala occasion.

Our President, Jerome G. Lee, presided. Russ Pelton led the band singing Happy Birthday to Judge William C. Conner, whose Birthday happened to coincide with the evening of the dinner. Judge Conner was President of the NYPLA in 1972-1973.

A stunning, sterling silver gavel was presented to Judge Giles S. Rich to mark his 25th Anniversary as a Judge of the United States Court of Customs and Patent Appeals. Judge Rich then spoke about his practice as a patent lawyer before going on the bench. Judge Rich was President of the NYPLA exactly thirty years ago in 1950-1951.

The main speaker of the evening was Dean Joseph M. McLaughlin of Fordham Law School. His speech was highly entertaining and climaxed the evening on a note of hilarity.

For those who did not attend this event, we publish Judge Rich's speech in its entirety.

President Lee
Dean McLaughlin

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REMINDER

Association Dinner-Dance And Golf And Tennis Outing At Westchester Country Club on Friday, May 8, 1981

Enclosed is a reservation form for those members wishing to attend the Association's Dinner-Dance and Golf and Tennis Outing at Westchester Country Club on Friday night, May 8, 1981.

There will be a reception from 7 pm.-8 p.m., followed by a full course dinner in the Main Dining Room of Westchester Country Club. There will be a band for your dining and dancing pleasure.

The $35.00 ticket will include the cost of the dinner, dancing and hors d'oeuvres. There will be a cash bar open during the reception and the dinner. Please return the enclosed reservation form before April 15.

For those interested in golf or tennis, there is a separate reservation form to be completed and returned.

Annual Judges' Dinner—*Continued from Page 1*

Judge Conner — HAPPY BIRTHDAY!
Judge Nies, Welcome to the NYPLA
Fellow Judges
And FRIENDS —

There is no way I can tell you how much I appreciate the honor you pay me tonight in establishing this award with my name on it.

I believe it is the first time in the annals of this Association. I am somewhat at a loss to understand why I should be so fortunate as to be thus rewarded — knowing, as I do, the great contributions made by many others of my old friends here in the NYPLA.

Let me give you an idea of how much this Association has been a part of my life, from which you will see that this is where I was reared in the profession. Here I received the stimuli that led me to do whatever it is that I have done that pleases your officers so much.

If you had a copy of the famous menu for the first of these annual dinners — which was in the form of a patent specification, reproduced, or "reissued" I should say, for the 50th Annual Judges Dinner in 1972 — you would see that my three eventual partners, at first my employers, were escorts for three of the judges attending that first dinner in 1922. My partners were my mentor, as he liked to say, HENRY D. WILLIAMS, my father, G. WILLARD RICH, and HOWARD M. MORSE.

Your first president at the time of that dinner, WILLIAM HOUSTON KENYON, SENIOR, together with HENRY D. WILLIAMS, took me with them in my first year at the bar to their argument of a case in the Supreme Court, OLIVER WENDELL HOLMES, Jr., presiding as Acting Chief Justice. Though I only carried brief cases, there is nothing like starting at the top! Their opponent, who won, as WILLIAM H. DAVIS, another president.

Running through your list of past presidents in the year book, where I now find more after my name than before it, I find a dozen or more past presidents who were responsible for my doing the things that led to my being suggested for a CCPA judgeship and for then propelling me into it, and thus for my being here. Let me just record their names for you:

TED KENYON nominated me to be President of NYPLA;

BOB BYERLY and CHARLIE WALKER got me involved in reviving contributory infringement and curbing the misuse doctrine and, with them and others, writing the law that is now Section 271 of the patent laws;

HENRY ASHTON and ALEX NEAVE lured me onto the Coordinating Committee that wrote the 1952 Patent Act for Congress;

WORTHINGTON CAMBPELL was the first to suggest my name for an ABA list of possible nominees to the CCPA (I told him he was crazy to do it);

FLOYD CREWS, when president, put on a vigorous campaign to get me nominated to the court, but for which I would not be standing here now;

NORMAN HOLLAND and I don't know how many others were very supportive and how they put it over in view of my apolitical, mugwump record I will never know;

GRANVILLE BRUMBAUGH came to Washington to speak for this Association at my confirmation hearing; and

WILLIAM HOUSTON KENYON, Jr., (HOOTIE), who preceded me by five years through Harvard College, spoke at my swearing-in.

So you see what my INDEBTEDNESS is to this Association.

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After this quarter century on the court, I would like to tell you, in a word, how I feel about patent law. The other morning I heard someone on the radio telling how Rachmaninoff felt about music. "Music is enough for one life," he reportedly said, "but one life is not enough for music." When I heard it, my reaction was "That's just my feeling about patent law."

One life is not enough for patent law. A little bit may have been accomplished. One or two things may have been turned around; and possibly a corner has recently been turned by a small — a very small — margin.

But there is still a vast wilderness out there yet to be conquered, full of synergism, black and white spotted jeopards, a starving, headless PTO and other dangerous creatures. I emplore you, therefore, to keep up the dynamic leadership of this Association. I know you will.

Let me remind you, as I have shown in a history of the CCPA published just a few days ago, that there was no patent lawyer on that court for the first 27 years of its existence. I was the first; three years later there were two; and after another three years there were three — a record. We have now lost one but we are fortunate to have a trademark lawyer, which is another first and a step in the right direction. We brothers now have a sister and she is a worker!

Right now there is again vigorous activity in Congress to abolish the CCPA by merging it into a new Court of Appeals for the Federal Circuit which would hear all the patent appeals in the country! That new court would have twelve judges and initially only two of them would be from the ranks of experienced patent practitioners. The one standing before you has been there 25 years and the CCPA record so far is 27 years. All the judges who were there when I came are dead and so are three later appointees.

Draw your own conclusions. But let me say I have no retirement plans.

Hearings on this merger bill are scheduled for April 2 and 9 and the bill was introduced March 10. There is nothing whatever in it to assure, or even to urge on the Administration, that the make-up of the court will or should continue to include even two judges experienced in your business. The new court's name makes no reference to patents or trademarks.

It may be politically impossible to legislate any such assurance, but associations such as this one can at least generate knowledgeable legislative history on the point, asserting that need, which can be quoted to future Administrations.

I now leave you to your real speaker for the evening with a fervent prayer that this Association will cultivate the production of many deserving recipients of this award which you have so generously given to me.

As I have said before, I believe in incentives. I have only been doing what comes naturally after my service here.

And I thank you again for this wonderful honor.

The Dollar Value Of United States Patents and Trademarks

George W. Whitney, president of the American Patent Law Association, spoke at the mid-winter meeting of The National Council of Patent Law Associations on Saturday, February 7, 1981. His speech on "The Dollar Value of United States Patents and Trademarks" reveals information which we believe to be of interest to our readers.

Mr. Whitney's speech is as follows:

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Dollar Value—*Continued from Page 2*

The United States Government, through its taxing powers, is engaged in a highly profitable joint venture with United States proprietors of intellectual property rights, including patents, trademarks and copyrights. Corporate income taxes alone, paid annually to the United States Government on the royalty income derived from the licensing of such rights, is in the order of 2 to 2.5 billion dollars. The royalties paid are at least in the order of 5 billion dollars and, at a conservative estimate of a 2% royalty, reflect actual industrial and commercial business activities in the order of 250 billion.

This weekend is dedicated to encouraging and honoring the Inventors of America. Much has been told as to their contribution to our country's growth and development and, in fact, the growth and development of the entire world.

America's past predominance in technology and the arts has and still projects a very favorable image throughout the world.

Past, present and future innovators, be they in the technological fields or the fields of literary and performing arts, have benefited and will continue to benefit by the public dissemination of information of the earlier innovations of others so that they are assisted in taking yet further steps forward.

Two days ago, President Reagan addressed our country on the horrible mess that inflation and over-regulation have created. There is great emphasis today on the need for budgetary restraint. That need is not new and a number of recent administrations have attempted to cut back or hold the lines in areas directly affecting the intellectual property field.

America has recently awoken to the fact that it has lost in many instances and is currently losing the lead in innovation. Congress and the White House in the last few years have become deeply concerned. Innovation has become like "Motherhood". Less than two months ago a very significant law was enacted addressed to at least part of the problem. Hopefully that law will have a beneficial impact on the operations of the Patent and Trademark Office and, most importantly, on the strength and credibility of the patent and trademark systems.

Innovation exists and is nurtured only when there is an incentive to invest time, money and individual effort and an effective patent system provides that incentive. A weak patent system, suffering a loss of credibility, is a strong deterrent.

It is a fact of life that when one discusses budget matters one must consider the question of cost justification. In the past few years the patent and trademark bar has expended a great effort in attempting to justify the patent and trademark systems and in particular the budget of the Patent and Trademark Office, to the Department of Commerce, the Office of Management and Budget, the House and Senate Appropriations Committees — and in fact to anyone who would listen. We have been able to make a strong case based on historical concepts and perception of what makes the world of innovation tick. We have not been able to make a strong case other than wildly speculating in the area of federal dollar cost justification. Thankfully these figures are available, both directly and inferentially in the statistical output of the Office of Tax Analysis of the Department of the Treasury. The latest available analyses are for the tax year 1976 and are detailed studies as to individual returns, returns of partnerships, sole proprietorships and corporations. They are broken down in great detail as to industries, types of businesses, size of returns, etc.

Report D-76, Distribution by Major Industry Class of Corporate Income Statistics, under Category 92 Royalties including 38 classes of major industries, shows a royalty reported income of 5.78 billion dollars. One of the categories, "Manufacturing — All" shows a royalty income of 4.12 billion dollars.

You properly ask what constitutes royalties as reported in the corporate tax return — "Royalties were payments received, generally on an agreed percentage basis, for the use of property rights. Included were amounts received from such properties as copyrights, patents and trademarks; and from natural resources such as timber, mineral mines and oil wells. . . . Excluded from the statistics were certain royalties received under a lease agreement on timber, etc."

When you look to the categories "Metal Mining", "Coal Mining", "Oil and Gas Extraction" and "Non-Metal Mining" you only account for 186 million of the 5.78 billion.

Let's turn to some examples of what makes up the 4.12 billion for manufacturing. The largest category is Machinery — 1.34 billion; Chemicals — 659 million; Petroleum and Refining — 596 million; Electrical Equipment — 337 million, and Food Manufacturing 215 million. There are 16 other categories.

Royalties reported on individual income tax returns as net income are in the amount of 2.14 billion.

Of the more than One million partnerships in the United States submitting business returns in 1976, royalty income in the order of 456 million was reported. Most of that was in the area of finance, insurance, real estate and mining.

Therefore, in my opinion, we should look primarily to the corporate figures when we wish to study cost justification, in particular for patents. One can make some educated guesses as to possible breakdowns between patents, trademarks and copyrights, but I have suggested to the Patent and Trademark Office and to the Copyright Office, as well as to the Department of the Treasury, that some further efforts be made to at least, in the future, get more specific information.

For the purpose at hand I think it is enough to say that in the licensing area we are talking about a 250 billion dollar industry, with 5 billion dollars of royalties which are taxable in the order of 2 to 2.5 billion dollars. We must also recognize that that 250 billion dollar industry is also paying an awful lot of other taxes, both federal and state, out of that 250 billion dollars.

Furthermore, licensing of proprietary rights, in particular patents and trademarks, is not the principal means of exploiting those rights. The most important aspect of patent and trademark rights is *exclusivity*. In my opinion, it is conservative to say that if the licensed industry is 250 billion, the "exclusive" industry is at least two to three times that, namely 7 to 800 billion. Put them both together and you have an amount greater than the National Debt, the ceiling for which has just been moved to 985 billion.

Now why is this all important from a cost justification base? The reason is that we have been attempting to justify a budget appropriation of only 113 million dollars, fiscal 1981 for the Patent and Trademark Office. The Copyright Office has a budget appropriation in the order of 6 to 9 million dollars. That is a total of 120 million "out" in order to receive 2 to 2.5 billion "in".

The function of the Patent and Trademark Office, for example, is to issue valid patents, to register trademarks and to maintain public records and information and disseminate information. The patents and the trademarks then constitute the heart of the 250 billion dollar licensing industry, let alone the greater "exclusive" industry.

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Dollar Value—*Continued from Page 3*

Last year, fiscal 1980 — a period running from October 1, 1979 to September 30, 1980 — the actual total budget appropriation was only 103.7 million. 75 million was spent on the examination of patents — i.e., 73%, 6.6 million was spent on the examination and handling of trademark applications and registrations — i.e., 5%, 27.2 million (26%) of that 103 was recovered, at least to the general fund of the United States Treasury — but *not* accrued to the benefit of the Patent and Trademark Office. 68% of that 27 million covered patent filing fees of 9 million and patent issue fees of 9 million. 8% of the 27 million included trademark filing fees of 2 million.

Last year there was an all-time record of 112,315 applications filed, 39% of which were filed from foreign origin, up from 38% last year. 61,000 patents issued. The issuance is still substantially below an earlier ten-year average of 74,000. On the trademark side there has been a steady increase in registration applications. Last year they were in the amount of 52,149.

Of the total budget or roughly 104 million, 96 million was for salaries.

These figures for the first time, I believe, clearly and incontrovertibly support the principle that the Patent and Trademark Office budget and the Copyright Office budget are cost justified, probably on a basis of 20 to 25:1.

Notwithstanding the above cost justification, one must also remember that under the new law (PL 96-517) patent applicants, through examination fees, will initially pay for 25% of the costs attributable to examination and then will pay maintenance fees in three installments, each of which will also be figured on a basis of a 25% recovery in the then current year. Assuming continuing inflation, a patentee, over the life of the patent, will pay *more* than his full share of the costs of examination. Trademark applicants will pay at a rate of 50% of the costs of examining trademarks. Patent and trademark services such as copies, assignments, etc., will be covered on a full cost return basis (100% of the average cost of such services).

There is no justification in the above circumstances to downgrade or short-fund the patent and trademark operations. There is no justification for cutting the budget of the Patent and Trademark Office. There is much justification for increasing the budget of the Patent and Trademark Office to guarantee that it performs its various functions effectively and efficiently and that the credibility of patents and trademarks be enhanced and reestablished.

A good system makes sense in the public interest.

A poor system is a *fraud* on the public and those directly using it — or against whom the rights are asserted.

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From Minutes of the Board of Directors Meeting of the NYPLA on March 11, 1981

The Treasurer's Report was presented. We have not yet received a response from the IRS concerning our recent submission on tax exempt status.

Edward Halle and Elmer R. Helferich were unanimously voted life members by the Association.

Bill Eberle reported that a silver gavel and stand have been purchased for the Giles Rich award.

Doug Wyatt reported on his committee's work on continuing education. In particular, on the forthcoming meeting on PTO re-examination, and on a program being planned for the Concord in the fall.

Bill Eberle reported on arrangements to host the APLA meeting next year. A hospitality suite and reception were discussed. The cost may range between $15,000 and $20,000. It was agreed that we would solicit contributions from law firms and corporations and a voluntary assessment will be undertaken later this year when dues notices are sent out.

Paul Enlow reported that arrangements are proceeding on schedule for the Judges' Dinner.

Jerry Lee reported that a delegation from China will visit New York during the first two weeks of June. He will appoint a committee to host these delegates.

The Board expressed its appreciation for Richard Berkley's work on the Yearbook.

Al Engelberg raised the issue of a bill for a special Court of Appeals for a new Federal circuit to hear appeals from the district courts in patent cases. On a motion to reaffirm the Board's earlier opposition to such a court of appeals, the vote of those present was six in favor, six opposed. In addition, proxies of Messrs. Calimafde and Scinto in favor were also cast. A motion was made to have a representative of the NYPLA appear at Congressional hearings and voice our opposition to such a court of appeals. This motion was carried by a vote of 7 to 5.

A motion to retain a lobbyist to oppose the unified court of appeals was defeated.

The annual meeting of the NYPLA was set for May 21st at the Grand Hyatt.

Lee Robinson suggested that a greater effort should be made to increase attendance at the luncheon meetings of the NYPLA.

Ed Adams reported on proceedings involving the Law of the Sea Treaty.

The meeting was adjourned by Jerry Lee; the next meeting is set for April 7, 1981.

NYPLA Host Committee For The Chinese Delegation

Four staff members of the China Council for the Promotion of International Trade (CCPIT) will be on a study tour of the United States from May 17 to June 13, 1981. These four persons will be acting as the patent agents for foreigners filing for patents in China once the Chinese patent system is established. They will also act as the patent agents for Chinese nationals seeking patent protection abroad.

Jerry Lee, the president of our association, has appointed a blue ribbon committee to act as host while this delegation visits New York. The committee consists of 15 patent lawyers representing a cross section of our profession and all fields of technology, including chemical, electrical and mechanical fields.

The delegates will arrive in New York on May 30 and will leave on June 13.

Basically, we understand that the delegates from China will want a "nuts and bolts" opportunity to learn about the logistics and mechanics of filing applications in the United States and abroad. They will want to learn about actual problems that arise. They are uninterested in touring facilities.