THE NEW YORK PATENT LAW ASSOCIATION

BULLETIN

VOLUME 20 MAY-JUNE, 1981 NUMBER 8

New York Patent Law Association Continuing Legal Education Weekend Seminar In The Catskills Concord Resort Hotel Nov. 13, 14 and 15, 1981

The Association is planning to hold a Continuing Legal Education Weekend Seminar in the Catskills at the Concord Resort Hotel on Friday, Saturday and Sunday, November 13, 14 and 15, 1981.

The program will include seminars on the implementation of the new Patent Office Rules, and on Recent Developments in Patent and Trademark Law and Litigation.

Since accommodations will be limited, all those interested in attending should tear off and return the enclosed registration form with the registration fee as soon as possible.

Inventor Of The Year — 1981

The Inventor of the Year — 1981 award is to be presented at a meeting to be called in the second or third week of October. Watch for additional announcements for the specific time, date, and principle speaker.

The President's Corner

I have asked the Editor of the Bulletin to make space available in each issue to afford me an opportunity to communicate directly with the membership.

As I stated at the Annual Meeting, I believe that the New York Patent Law Association is an association of all patent, trademark and copyright lawyers within its geographic area, whether in corporate or private practice and whether with a large, medium or small firm. I have been told that there are patent, trademark and copyright lawyers who are reluctant to join the Association because they fear it "belongs" to private practitioners or to the large law firms. It seems to me that the diversity of the officers of the Association, and particularly the fact that Paul Enlow, its president-elect, is in corporate practice, is evidence that such fears are unfounded, and I hope that you will help me spread the word.

I anticipate that the forthcoming year will have more than its share of challenges for our Association. We need active committees with full complements of hard working members to recommend to the Board the positions which the Association should take on the various issues that will confront it. I urge all of you who have not as yet submitted a committee preference form to write or call me and let me know the committee or committees on which you would be willing to serve. Unless time constraints dictate otherwise, the Association will not take any action on an important issue unless and until all of the relevant committees have had an opportunity to be heard. By serving on a committee, you will be able to have direct impact on the Association's position.

NYPLA Golf and Dinner Outing a Success

Our Association held its Annual Golf and Dinner Outing on Friday, May 8, 1981, at the Westchester Country Club.

Thirty "golfers" tead off under perfectly blue skies and beautiful weather conditions, and nearly one hundred attended the dinner during which prizes were awarded to the winners.

Bob Pollock won the low gross with a score of 82 followed by Albert Robin with 83.

The winner of the net score was David Just with a score of 94 for a net of 63.

Several lovely ladies were among the golfers and each was awarded a prize.

Everyone had a most enjoyable day.

Yearbook Address Changes

All members are urged to check their addresses in the 1980-81 NYPLA Yearbook and if a correction or change is in order, notify Richard G. Berkley, 30 Rockefeller Plaza, New York, New York 10112, as soon as possible, for inclusion in the next issue. The deadline for submitting changes is **August 1, 1981.** A copy of each change should be sent at the same time to the Secretary of the Association, John B. Pegram, Davis Hoxie Faithfull & Hapgood, 45 Rockefeller Plaza, New York, New York 10111.

From Minutes of the Board of Directors Meeting on April 7, 1981

The Treasurer's Report was presented and unanimously accepted.

The Minutes from the last meeting were accepted.

Jerry Lee reported on the results of the Judges' Dinner and the correspondence received.

By motion duly made and seconded, the Board unanimously approved the formation of the NYPLA Foundation, Inc.

By motion duly made and seconded, the Board unanimously approved a motion in favor of pending legislation entitled "Patent Term Restoration Act."

Jerry Lee then reported on the current status of the Inventor of the Year Dinner to be held in the fall and on the schedule for receiving a delegation from China.

By motion duly made and seconded, the Board unanimously voted to recognize the work and extend a special note of thanks to Jim Badie for his outstanding services as Editor of the Bulletin.

Al Haffner then reported on the Ad Hoc Committee of the Patent Office Meeting held on March 23, 1981. He noted that among other topics there was a discussion of changes to the Patent Office procedure involving time for response and the payment of fees. He also noted that the

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Minutes of the Board—Continued from Page 1

Patent and Trademark Office has moved the site for its Hearings on the Re-examination and Protest Rules to the Crystal City Marriott.

From the Minutes of the Board of Directors' Meeting on May 18, 1981

In addition, Al Haffner and Charles McKenney attended as guests.

The Treasurer's Report was presented and accepted. The list of delinquent members was reviewed and Board members were asked to contact delinquent members.

The reinstatement of Philip Young was approved.

No further word has been received from the I.R.S. regarding our tax status.

The minutes of our last meeting were accepted.

John Reilly's letter regarding the membership of the Foundation was raised. It was decided to proceed with the Foundation in accordance with the previous action of the Board.

Charles McKenney reported on a proposal to provide legislation on the enforcement of arbitration agreements. The following resolution was proposed:

> RESOLVED that the New York Patent Law Association approves in principle court enforcement of agreements calling for compulsory, binding arbitration of disputes, including specifically disputes relating to infringement and/or validity of patents, copyrights or trademarks, provided that the results of such arbitration shall not adversely affect the rights of those who are not parties to the agreement and, specifically, the Association favors amendment of Title 9 U.S. Code, to include a provision expressly sanctioning court enforcement of such agreements.

A motion to amend the resolution to limit it to the enforcement of arbitration agreements on existing disputes (as opposed to future disputes) was defeated by a vote of 5 to 3. The resolution as proposed was passed by a vote of 6 to 2.

Jordan Bierman reported on his testimony regarding Patent Office re-examination and inter-partes protest proceedings. It is expected that the rules on re-examination will be forthcoming shortly but that further consideration will be given to the inter-partes protest proceedings.

Jerry Lee presented a report on the committee hosting the delegation from the Peoples Republic of China. An extensive program has been planned.

Senator D'Amato responded to our letter stating that he had appointed a screening committee which will certainly consider Judge Conner for a vacancy on the Second Circuit Court of Appeals.

John Sinnott proposed the following resolution:

> The NYPLA President shall appoint a special committee to present to the Board in March, 1982 suitable proposals and recommendations to commemorate the 100th Anniversary of the Paris Convention which occurs on March 20, 1983.

No action will be taken on cosponsoring the re-examination seminar scheduled by the Virginia State Board, P.T.C. Section on June 17, 1981.

Al Robin reported regarding arrangements for the Inventor of the Year dinner. A speaker such as the new Commissioner will be sought. Another possibility was Judge Neis.

Subsequent letterheads will include the listing of our immediate past president.

Honorary membership will not be extended to the Executive Director of the U.S.T.A.

This was the last meeting of the 1980-81 Board of Governors. Jerry Lee thanked the Board members and officers for their assistance during the year and those present expressed their appreciation for Jerry's leadership.

John P. Sinnott Analyzes Paris Convention History

John P. Sinnott, Assistant Chief Patent and Trademark Counsel for American Standard, Inc. was the featured speaker at the April 23, 1981 luncheon meeting of the NYPLA. Mr. Sinnott is the Board of Director's liaison for the Committee on Patent Law and Practice.

Mr. Sinnott began his speech by noting that a number of widely divergent proposals have been made for amending the Paris Convention (Convention of Paris for Protection of Industrial Property of 20th March, 1883) and the Acts which have modified it. These proposals, which will be under consideration in Nairobi in the Fall, concern the status of inventors' certificates, preferential treatment for Developing Countries, disclosure of search results in other countries, and general administrative provisions. Mr. Sinnott emphasized the value of precedent in judging the future and accordingly focused his remarks on the modifications of the orginal Convention of 1883 and of the six subsequent Acts.

Mr. Sinnott praised the Paris Convention as having "contributed more to the well-being of mankind than any other single international agreement." He noted that the Convention has been the main legal vehicle helping to bring the world from an age of steel and steam to the modern era of gene splicing and satellite communication. The Convention has adapted to the change in countries' political structures from monarchical-colonial systems to constitutional local self-government. It has also adapted to a general world-wide acceptance of the industrial research laboratory and the American idea that some patent practices are unfair.

Before analyzing the effect of amendments to the Paris Convention and subsequent Acts, Mr. Sinnott presented a body of raw numerical data on ratification and termination. The following data was tabulated for the Treaty and amending Acts: The ratio of countries ratifying on the first day to eventual total membership; and, the elapsed time between first and last ratifications, first ratification and termination, and last ratification and termination. From this data, Mr. Sinnott extrapolated several trends. Treaty life is tending to be longer; it would not be surprising if the Stockholm Act is in force somewhere in the world as late as 2023. Future Acts might receive immediate ratification by 11 percent to 15 percent of their eventual total membership. Any new Acts are likely to exist with one or more earlier Acts well into the twenty-first century.

Mr. Sinnott next presented data on the partial ratification of particular substantive provisions which is permitted by Articles 20 and 28(2) of the Stockholm Act. The tabulation showed that 36/77 or 47 percent of the countries adhering to the Stockholm Act have at some time only partially accepted its provisions. Of these countries, 12/77 or 16 percent have accepted the entire At, but in more than one ratification step.

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Mr. Sinnott noted that the partial ratification provisions of the Stockholm Act have promoted flexibility in the Union, but that there has been a concomitant loss in unanimity among member states. Mr. Sinnott also noted that current proposals would amend the partial ratification provisions to allow non-participation only in International Court of Justice jurisdiction. He projected that despite this present proposal, there is an unmistakable historical trend which indicates that in future Acts about 50 percent of acceptances would be only partial, with a third of the partially accepting countries fully ratifying the Act in more than one step.

Mr. Sinnott cautioned against literal application of his numerical analysis. He noted that the large increase in the number of Union countries is primarily due to the breakdown of colonial empires. However, he emphasized that the low percentage of first day ratification is a trend which has remained, even though membership has now stabilized.

As a final numerical analysis, Mr. Sinnott gave a tabulation of the periods when one or more Acts were simultaneously in force. Since 1902, at least two versions of the Act have been in force. Four versions are now in force and have been since 1970. Mr. Sinnott characterized simultaneous existence of different Acts as one of the strong points of the Paris Union: "Member nations may adhere to and function effectively under an older version of the Convention until either the provisions of a more recent version become accepted practice, and hence more palatable, or an even more recent version and more acceptable text is open for ratification." Mr. Sinnott predicted that future Acts will be enforced side-by-side with Acts existing now. He also noted a trend toward greater selectivity in ratification.

Mr. Sinnott next analyzed several of the substantive provisions of the Convention and their modification since the original Treaty.

The original Article 1 stated that the Treaty countries had organized for the "protection of industrial property...." This Article was amplified in 1925 (Act of The Hague) when "industrial property" was defined to include forms of patent and trademark protection and means for repression of unfair competition. Patents were defined as "industrial patents recognized by the laws of the contracting countries...," with examples given. There are now three main proposals to modify the definition of protected property.

These three proposals involve the treatment under the Convention of inventors' certificates—"rights subject to compulsory licensing or rights subject to an award to the inventor and ownership by the government." All three proposals would add inventors' certificates to the enumeration in the definition of protected property. The Eastern European nations would continue the rights of nations presently granting certificates and would allow later establishment of this form of protection in certain technologies. The Developing Nations would grant only Developing countries the right to set up inventors' certificate systems after ratification. The remaining countries would limit inventors' certificates to nationals of countries granting the certificates.

Mr. Sinnott noted that multiple classes of membership had existed since 1883 when different obligations for paying administrative costs were set up. The Stockholm Act provides a mechanism for changing class.

Further, the Acts have set up varying obligations concerning reciprocal treatment of non-nationals. In the original Treaty, citizens of all the contracting states were entitled to enjoy the advantages given by members' laws to nationals. A further provision obligated member states to amend promptly national laws in view of reciprocal undertakings, subject to local constitutional laws. The London Act (1934) added a provision which allowed changes in domestic law as long as the changes had the same effect on nationals and citizens of other member states. The Lisbon Act (1958) required that on ratification, the domestic laws of member states must allow proper effect to be given to provisions of the Convention.

Summing up the substantive changes, Mr. Sinnott stated that economic differences among member states have been recognized since the original Treaty. Further, although there has been a trend toward permitting each nation to amend its own laws, subject to equal treatment for all citizens of member states, there has been a recent trend to limit changes to the terms of the Convention agreements. Mr. Sinnott concluded that the Developing Countries are not without an historical foundation under the Paris Convention in their proposal for special status. he also concluded that some "general international harmonization" of domestic laws is an established goal of the Convention.

Paul H. Blaustein Discusses the Legal Effect of Covenants Not to Compete

Paul H. Blaustein, of Hopgood, Calimafde, Kalil, Blaustein & Judlowe, spoke at the May 14, 1981 luncheon meeting of the NYPLA. Mr. Blaustein's topic was the law of covenants not to compete as applied to salesmen, engineers and executives.

Mr. Blaustein began his talk by citing five cases and then used those five cases to categorize issues in covenant not to compete litigation.

Mr. Blaustein first set forth the strict construction or reasonableness test of whether to enforce a covenant, citing *Purchasing Associates, Inc.* v. *Weitz*, 13 N.Y. 2d 267, 246 N.Y.S.2d 600 (N.Y. 1963). In *Purchasing Associates*, the Court relied on the strong public policy against sanctioning the loss of a person's livelihood in refusing to enforce what the dissenting judges viewed as a covenant ancillary to a bona fide sale. Mr. Blaustein emphasized that the Court listed three caveats: covenants might be enforced—(1) to prevent disclosure of trade secrets; (2) to prevent solicitation of, or disclosure of confidential information about, the employer's customers; and, (3) to protect the employer where the employee's services are deemed "special, unique, or extraordinary". Mr. Blaustein noted that the trade secret exception has been litigated against engineering employees and scientists, the customers caveat, against salesmen, and the extraordinary person exception, against executive and management employees.

Mr. Blaustein next set forth three different rules of interpretation used in different states. Under the minority rule of literalness, if a covenant is too broad to be reasonable, it is not enforced at all. Under another minority rule, the blue pencil rule, overly broad sections of a covenant will be ignored only if the overbreadth may be clearly bluepencilled or crossed out. The majority rule of equitable severance makes covenants enforceable only to

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the extent reasonable. Mr. Blaustein observed that while this rule recognizes the difficulty of writing a precisely reasonable covenant, it also promotes the use of broad *in terrorum* clauses.

Mr. Blaustein's second case, *Karpinski* v. *Ingrasci*, 28 N.Y.2d 45, 320 N.Y.S.2d 1 (N.Y. 1971), applied the rule of equitable severance. The court enforced an agreement covering dentistry and oral surgery only to the extent it covered oral surgery.

In Mr. Blaustein's third case, *Newburger, Loeb & Co., Inc.* v. *Gross*, 563 F.2d 1057 (2 Cir. 1977), the Court applied federal antitrust law in upholding a covenant. The Court held that a brokerage firm has a legitimate interest in curtailing a former partner's handling of accounts for competing firms., The court also found the covenant reasonable under section 1 of the Sherman Act under a doctrine of "employee choice". Mr. Blaustein predicted that there will be "increased development of Federal covenant law and further applicability of the Sherman Act to unreasonable or overly broad restrictive covenants which may not be pared down by equitable severance."

In Mr. Blaustein's fourth case, *Monge* v.*Beebe Rubber Co.*, 114 N.H. 130, 316 A.2d 549 (N.H. 1974), the Court held that the discharge of an at-will employee for grounds inconsistent with public policy was a tort. In *Monge*, a female employee was fired after encountering hostility from her supervisor because she refused to go out with him. Mr. Blaustein noted that fourteen states, including New York, now recognize that abusive discharge is a tort and may be used as a counterclaim in covenant not to compete suits.

Mr. Blaustein's fifth case was *Leo Silfen, Inc.* v. *Cream*, 29 N.Y.2d 387, 328 N.Y.S.2d 423 (N.Y. 1972). The Court in *Leo Silfen* held that a covenant would be enforced to protect trade secrets, but that solicitation of forty-seven names out of a list of 15,000 customers using building maintenance supplies—pared to 1100 by the plaintiff — was not misappropriation of a trade secret. The Court did note that the defendant in *Leo Silfen* had not appropriated his ex-employer's detailed customer information by "copying" or "studied memory".

Mr. Blaustein stated that the Court in *Purchasing Associates* appeared to be drawing a distinction between the enforcement of covenants to protect trade secrets and such enforcement to prevent an employee from soliciting customers of his employer. However, Mr. Blaustein concluded that in view of the holding in *Leo Silfen*, a covenant to prevent solicitation of customers has quite limited value in New York.

Mr. Blaustein stated that the effect of *Purchasing Associates* and *Leo Silfen* was not immediately felt. He cited several opinions applying a "customer contact" theory which upheld covenants not to solicit customers. Mr. Blaustein stated that the full impact of *Purchasing Associates* was finally revealed in *Columbia Ribbon & Carbon Mfg.* v. *A-1-A Corp.*, 42 N.Y.2d 496, 398 N.Y.S.2d 1004 (N.Y. 1977), and subsequent decisions citing this case. The Court in *Columbia Ribbon* held that a salesman of ribbons and carbon paper to the word and data processing industry was not an unique employee and that this employer did not lose business, customers or secret information because of the ex-salesman's solicitation of customers. Mr. Blaustein cited three other New York cases involving ex-salesmen who had agreed not to solicit customers. In each, the Court refused to enforce the covenant attesting to the decline of the customer contact theory.

In analyzing the effect of *Purchasing Associates* and *Leo Silfen*, Mr. Blaustein also reviewed cases involving "special, unique or extraordinary" employees. Mr. Blaustein noted that in *Reed Roberts Assoc.* v. *Strauman*, 40 N.Y.2d 303, 386 N.Y.S.2d 677 (N.Y. 1976), the defendant was senior vice-president in charge of operations of a company which provided information to employers about their obligations under state unemployment laws. The Court in *Reed Roberts* held that despite the defendant's value to his employer, his services were not extraordinary. The Court relied on Leo Silfen and declined to enforce a covenant not to solicit customers, stating that: "[a] contrary holding would make those in charge of operations or specialists in certain aspects of an enterprise virtual hostages of their employers". Mr. Blaustein noted that the *Columbia Ribbon* case and four lower court cases were to the same effect.

Mr. Blaustein cited one recent case in which a covenant by a technical person who was exposed to numerous trade secrets was not enforced, absent a showing of a risk that trade secrets would be disclosed.

Mr. Blaustein also cited two recent solicitations of customers cases in which the plaintiff was granted some relief: *Coolidge Co., Inc.* v. *Mokrynski*, 472 F.Supp. 459 (S.D.N.Y. 1979) and *Velo-Bind, Inc.* v. *Scheck*, 485 F.Supp. 102 (S.D.N.Y. 1979).

In conclusion, Mr. Blaustein advised that employers should consider clauses in employment contracts requiring interpretation under the laws of the forum state rather than New York. He also advised that choice of forum may be determinative in litigation to enforce covenants. Mr. Blaustein reiterated in a question and answer period that trade secrets still are protected in New York, as long as the secrets are actually confidential and they are not readily ascertainable from public information. Covenants may still be employed in a limited way to protect bona fide trade secrets.

Chinese Visit A Great Success

A large and festive crowd attended a NYPLA cocktail reception at The Palace Hotel on June 11 in honor of a delegation from the People's Republic of China. The delegation was from the China Council for the Promotion of International Trade (CCPIT). They had come to New York on a patent system study tour after six weeks in Germany, Switzerland and Washington, D.C.

The delegates were in New York from May 30 through June 13 as the guests of the Chinese Host Committee, whose chairman was NYPLA's immediate past president Jerome G. Lee. Assistant chairpersons were Maria Lin and Gerry Griffin.

The delegation was headed by Mr. Liu Gishu, Deputy Director of Legal Affairs Department for CCPIT. Mr. Liu stated that China has drafted a new patent law which will be released soon for discussion and comment. A Chinese Patent Office has already been organized. He said that the CCPIT is a separate agency which will have exclusive responsibility for the prosecution of all applications by foreign nationals before the Chinese Patent Office, and also for filing and prosecution of all patent applications by Chinese nationals in foreign patent offices. Mr. Liu's staff will include about 200 attorneys and agents — some of whom may be trained in the New York and Washington areas by private corporations and law firms.

The NYPLA hosting program in New York included presentations to the delegation by the patent departments of Western Electric, AT&T, Bell Labs, General Electric, American Standard, Merck, Mobil, Bristol-Myers,

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American Cyanamid and Exxon. The delegation also was given presentations by the law firms of Morgan, Finnegan, Pine, Foley & Lee; Curtis, Morris & Safford; Brumbaugh, Graves, Donohue & Raymond; Kenyon & Kenyon; Cooper, Dunham, Clark, Griffin & Moran; Ladas & Parry; and Handal, Meller & Morofsky.

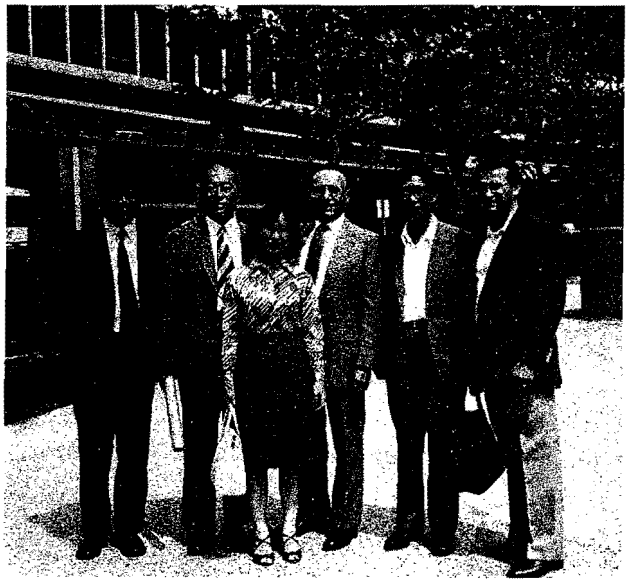
A dinner was arranged with the International Patent Club to provide further contacts and exchanges of views for the delegation.

The social program for the delegation included a visit to the Manhattan apartment of NYPLA's new president Al Robin and Mrs. Robin, and a visit to the home of Host Committee chairman Jerry Lee and Mrs. Lee in Mamaroneck. It also included a ballet at the Metropolitan Opera in Lincoln Center, a tour of the American Museum of Natural History, a horse and carriage ride through Central Park, and a performance of the Broadway show "42nd Street".

During his speech at the cocktail reception, Mr. Liu stated that one of the highlights of the visit to New York was the party given to him by the Host Committee at Tavern on the Green in honor of his 60th Birthday. Mr. Liu was surprised when seven waiters sang Happy Birthday while he was presented with a lighted birthday cake and two balloons.

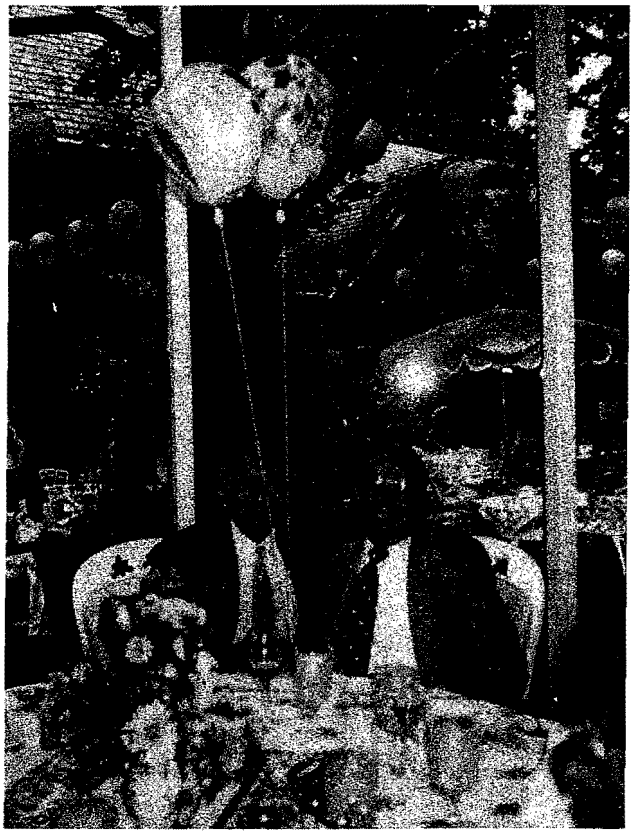
Other members of the delegation were Mr. Wang Zhengfa, Mr. Wu Renxin and Mrs. Zhou Yangling, Chief Deputies of the Preparatory Section of the Patent Agency of the Legal Affairs Department of CCPIT.

Mr. Liu and the other delegates frequently expressed their sincere thanks and appreciation to the NYPLA, to the private corporations and firms they visited, and to the Host Committee.



Jerry Lee greeting the Delegation at the Airport. From left to right: Mr. Wu, Mr. Liu (head of Delegation), Madame Zhou, Jerry Lee, Mr. Wang and Mr. Gonzales from the PTO.

At a party honoring the Delegation. From left to right: Jerry Lee, Madame Zhou, Mr. Wu, Mr. Wang, Mr. Liu and Al Robin.



Mr. Liu and Jerry Lee at Mr. Liu's birthday party at Tavern on the Green.

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