



BULLETIN

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Judges' Dinner To Be Held March 25, 1983

The Sixty-First Annual Dinner in honor of the Federal Judiciary will be held at the Waldorf Astoria Hotel this year on Friday, March 25, 1983. The guest speaker will be the Honorable Wilfred Feinberg, Chief Judge of the United States Court of Appeals for the Second Circuit.

News From The NYPLA Board of Directors

At their December 21, 1982 meeting, the Board of Directors resolved that the committee on judicial appointments should look into the qualifications of all judicial candidates who seek NYPLA endorsement and make recommendations of endorsement to the Board.

The Board also adopted the following resolution with respect to proposed changes in the PTO patent rules:

RESOLVED that it is the general sense of the Board, with full appreciation of the PTO's time pressures and problems, that there are a large number of questions and conflicts underlying the new rules already in effect and those proposed for implementation on February 27, 1983. It is therefore believed that as much time as possible should be taken to consider all aspects and consequences of any new rule before it is implemented. Consequently, it is recommended that the finalization of all the proposed rules which are not absolutely necessary to implement the provisions of Public Law 97-247 becoming effective as of February 27, 1983, be postponed to permit further thought and comment before final implementation.

At their January 18, 1983 meeting, the Board of Directors unanimously adopted the following resolution concerning the Inventor of the Year Program:

RESOLVED, it is the sense of the Board regarding the Inventor of the Year program that:

1. The services of a public relations firm have been too expensive for the results obtained, and that a public relations firm is not to be used for any further Inventor of the Year programs;
2. There should not be an Inventor of the Year luncheon or dinner separate from another association function; and
3. All proposals for continuation of the Inventor of the Year program are to be considered by the Board before any commitments are made, financial or otherwise.

At their meeting on March 15, 1983, the Board of Directors will consider a motion to change the name of the association to The New York Patent, Trademark & Copyright Law Association, Inc. The board will consider any comments from members with respect to the proposed change of name.

One-Day Meeting On Trademark and Copyright Aspects of Celebrity Rights

Whose Rights Are They, Anyway?:

The Celebrity in the Marketplace

is the topic of a one-day meeting scheduled for March 16 (1983) at the Grand Hyatt in New York City. The meeting is being sponsored by The United States Trademark Association (USTA).

The program covers trademark and copyright aspects of celebrity rights including: the rights of privacy and publicity; whether those rights are transferable or inheritable; choosing and controlling a licensee; and the impact of the First Amendment.

The program registration fee is \$175 for USTA Members; \$225 for Non-members. More information is available from The United States Trademark Association, 6 East 45 Street, New York, New York 10017; 212/986-5880.

New York Patent Law Association Membership Drive

A \$25.00 credit towards 1983 membership dues in the New York Patent Law Association will be available to all who pay the non-member fee for attending the 1983 Judges Dinner to be held on March 25, 1983. To be eligible for the credit, non-members must indicate their interest on the dinner reservation form and apply for membership in the New York Patent Law Association prior to April 30, 1983. All non-members who elect this option will be contacted in writing by the Admissions Committee.

Patent Interference Practice Up-Dated

At the Joint Meeting of the New York-New Jersey Patent Law Association on January 20, the guest speaker Robert J. Webster, Interlocutory Patent Interference Examiner and a member of the Board of Patent Interferences, provided an interesting and informative up-date on interference practice.

Mr. Webster discussed the issues of interference declaration, preliminary statement, motion practice, testimony and discovery, trial and judgment. An outline of these issues, with citations of recent decisions, was furnished to those present.

In his introductory remarks, Mr. Webster stressed that lawyers in interference practice should think positively. Statistically, he noted 15% of interferences were terminated within eighteen months. A patentee was involved in two-thirds of the interferences declared. Of those cases, priority was awarded to the senior party in 60% of the cases and to the junior party in 20% of the cases. The remainder of the cases were dissolved.

In discussing the preliminary statement, Mr. Webster noted that a party may not be precluded from making allegations which do not fall within its disclosure or claims, but which do fall within the scope of the counts. The best proof, he stated, may well lie outside of the disclosure or claims.

In discussing motions, Mr. Webster

emphasized that every ground should be raised which may be asserted. Discussing motions to dissolve, he noted that such motions are denied where the question is close, the Board preferring the issues to proceed to final hearing.

Mr. Webster noted that it is the current view of the Board that a motion to amend by adding counts is generally granted. The new counts placed in issue serve as a basis for the Board to consider any issue "ancillary to priority" raised in the motion.

In a motion to substitute a number of counts in an interference involving only applications, rather than a patentee, it must be demonstrated that the proposed counts properly issued in separate patents, i.e. that the counts were patentably distinct.

A motion to dissolve based on non-statutory bar prior art when the date in the preliminary statement antedates the effective date of prior art will be dismissed to permit evidence to be adduced at final hearing.

Because of the vagaries in phantom and modified count practice, parties should be liberally permitted to correct errors and deficiencies in motions under Rule 231.

It was noted that despite the clear statement in Rule 287(c), interference parties persist in filing petitions to the Commissioner to seek review of orders of the Board denying additional discovery. The filing of such petitions only serves to delay

the ultimate disposition of an interference on the merits. Review of an order denying additional discovery may be had on judicial review of a decision on the issue of priority.

Mr. Webster pointed out that evidence of prior invention based on work falling within the count, but not within the party's disclosure, should be presented since it is an open question whether the evidence may be precluded on the ground that it was not within the disclosure.

He also emphasized that a senior party must be careful to present its testimony-in-chief during the period fixed for taking testimony in chief; if testimony, which is properly part of the senior party's testimony-in-chief, is presented during the period for presentation of rebuttal testimony, the testimony will not be accorded any weight.

Discussing termination of an interference, Mr. Webster pointed out that termination involving a patent on the grounds of common ownership is by judgment, not dissolution. An order to show cause is issued against the junior party since the senior party is presumed to be the first inventor and entitled to priority. Such judgment would be issued despite the fact that a final hearing had been held and an extensive record with numerous exhibits had been compiled.

SCM v. XEROX Revisited

Those attending the NYPLA working luncheon meeting on January 27 enjoyed the reminiscences, vignettes and statistics related by Gerald Sobel, trial counsel for Xerox Corporation in this lengthy litigation.

According to Mr. Sobel, this case involved the longest jury trial ever (14 months), with the trial continuing every working day. The jury deliberated for forty days.

SCM's thrust in the case was a broadside attack on the patent portfolio of Xerox, alleging anti-trust violations by patent misuse through acquisition of patents and suppression of patents acquired and obtained through its own research facilities, with the purpose of blocking others from entering the field.

Mr. Sobel discussed the intricacies in presenting at the trial evidence on the issues concerning the patents, which was complicated by the large portfolio. Seven technical witnesses testified to explain the

development of the technology, one witness testifying with respect to 120 patents.

covering a span of about thirty-five years. The presentation of evidence on the patents was further broadened by the necessity to explain to the jury (composed entirely of non-technical persons) the nature of patents, technical data, and the philosophy of the patent law. Since SCM contended that there had been an abuse of the patent system, it was necessary for Xerox's counsel to explain the role of patents in encouraging inventions and how the inventions covered by the multitude of patents were developmental inventions for a unique process.

In the pre-trial phase of the case, the trial judge ordered each side to file a factual submission, to which the other side responded. The factual submission filed on behalf of Xerox, said Mr. Sobel, was fifteen feet high.

The validity of the patents had not been

challenged directly, the allegations being directed to their misuse. This required analysis of the patents, the technology, whether they "read on" the actual products, as well as explanations for non-use to counter the intimations of patent suppression. To shorten this lengthy, laborious testimony, the trial judge proposed that a number of patents be selected as representative of the entire group. This was agreed to and the issue of suppression was tried by illustration.

In legal argument, Xerox counsel stressed the conflict between the patent and anti-trust laws, the former recognizing an economic monopoly, the latter proscribing a monopoly. A finding of an antitrust violation based on misuse of patents depended on how the patent monopoly power was used. If the purpose was not to block others and suppress development of the industry, then there was no antitrust violation.

Protection of Trademarks in Puerto Rico

The question often arises as to the extent to which a U.S. trademark registration is enforceable against an infringing use or registration in Puerto Rico. The Commonwealth of Puerto Rico, at least in theory, should be covered by the U.S. Trademark Laws (i.e., the Lanham Act). In other words, the owner of a U.S. registration should be able to enforce its rights against local users of an infringing mark in Puerto Rico, as long as a likelihood of confusion exists.

However, in practice this is not always the case. In 1965, the Deputy Secretary of State of Puerto Rico in *Sydney Ross Co. v. Cobian Enterprises, Inc.* dismissed an opposition under local Puerto Rican law brought by the New York owner of a U.S. registration of SONRISAL against a New Jersey firm which had applied to register the identical mark in Puerto Rico based on use in that jurisdiction. The grounds for dismissal of the opposition reportedly were that since local use of a mark was necessary for local registration, then local use by the opposer was a prerequisite to opposing registration of a mark in Puerto Rico.

Similarly, in *Rheingold Breweries, Inc. v. Antilles Breweries, Inc.* 353 F. Supp. 877 (D.P.R. 1973), the Court dismissed an infringement action brought by the owner of the CHUG-A-MUG trademark for beer against the defendant's use of bottles bearing the same mark for local sales of its beer in Puerto Rico. The plaintiff owned a U.S. registration of CHUG-A-MUG, but had never registered the mark in Puerto Rico. In denying relief to the plaintiff, the Court stated:

"Plaintiff's trademark registration under the Lanham Act, 15 U.S.C.A. § et seq., gives and constitutes a superior right to the use of the trademark CHUG-A-MUG in interstate commerce. Equally superior and exclusive rights were available to it in strictly intrastate commerce within the Commonwealth of Puerto Rico by the additional registration under the Trademark Act, 10 L.P.R.A. 191 et seq. But plaintiff has never registered said trademark for use in local commerce in Puerto Rico, which, significantly, it did with its other trademark, RHEINGOLD.

Registration of a trademark in the United States Patent Office does not per se extend the rights and protection it affords a registrant, to strictly local trade within the Commonwealth of Puerto Rico, where local legislation

provides its own and valid system of registration of trademarks to afford such rights and protection in trade within the territorial limits of said Commonwealth."

The Court thus seemed to find that local use of a mark in Puerto Rico could not affect a federally-registered mark which is used in interstate commerce. Such a result differs from decisions holding that intrastate use of an infringing mark in the United States is actionable under the Lanham Act if it has an adverse effect on a federally-registered mark that is used in commerce.

The questions raised by these prior decisions appear to have been resolved to a large extent by the Court of Appeals for the First Circuit in *Purolator, Inc. v. EFRA Distributors, Inc.*, _____ F. 2d _____, 216 USPQ 457 (1st Cir. 1982). There, the Court affirmed the issuance of an injunction to the owner of the federally-registered PUROLATOR mark against a Puerto Rican corporation's use in Puerto Rico of PURO on similar goods. The plaintiff used its mark in Puerto Rico, but did not own a Puerto Rican registration. The Court found jurisdiction under the Lanham Act to arise from the manufacture of infringing PURO products in Illinois and their shipment to the defendant for sale in Puerto Rico. The Court also chose to follow the line of cases holding that a defendant's infringing activities, although wholly intrastate, were actionable under the Lanham Act as long as they tended to have an adverse effect on a plaintiff's federally-protected business. Thus, although the Court did not have to decide this issue, its rationale would have held that strictly local production and sale of infringing products in Puerto Rico also come under the Lanham Act.

Having concluded that the defendant's activity was actionable under the Lanham Act, the Court declined to consider the defendant's rights derived under local Puerto Rican law and its Puerto Rican registration which had issued over the plaintiff's opposition. The Court instead held that Puerto Rican law could not circumscribe the Federal Trademark Laws:

"While the Lanham Act does not preempt all state regulation of trademarks, this court has noted that '(t)he Supremacy Clause (Art VI, clause 2 of the Constitution) bars *** state statutes or doctrine that would permit the sort of confusing or deceptive practices the draftsmen of the Lanham Act sought to prevent.'

... Under 15 U.S.C. §§1065 and 1115, the right of Purolator to use its trademark is an exclusive right which can be asserted against any infringing mark, subject to defenses in those statutory sections not applicable here." (Footnote omitted)

Thus, the decision in *Purolator* appears to depart from the earlier decisions by holding that the owner of a federally-registered mark which is used in Puerto Rico can assert its rights against an infringer who sells good locally within Puerto Rico. As a result, a mark which is being used in Puerto Rico in connection with goods covered by an existing federal registration should be protected against local infringement irrespective of ownership of a Puerto Rican registration. While registration of a mark in Puerto Rico does not appear to be a *sine qua non* to protection of the mark in that jurisdiction, it still may be advisable to register the mark for the principal goods actually sold in Puerto Rico in order to facilitate protection against strictly local infringing uses.

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