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NYPTC Holds Continuing Education Seminar in the Poconos

Last fall, during the height of the foliage season, fifty NYPTC members and their families mixed education and entertainment at a continuing education weekend held at the Pocono Manor Inn and Golf Club, Pocono Manor, Pennsylvania. Before and after each seminar session, the Manor offered all attendees a variety of recreational and entertainment activities, including golf, swimming, tennis, horseback riding, music and dancing.

The seminar program opened up Thursday afternoon with a review by Howard Barnaby of pending patent, trademark, copyright and antitrust legislation. Of particular interest in the patent field were bills to create a defensive patent, to restore the patent term for inventions tied up in federal regulatory delays and to prohibit sale in the U.S. of a product produced abroad by means of a process covered by a U.S. patent.

In the trademark area, bills were introduced to impose criminal and civil sanctions against trafficking in counterfeit goods or services, to amend the Lanham Act to allow the sale of generic, bioequivalent look-alike drugs and to amend the Lanham Act to clarify the standard for determining the genericness of a mark.

Copyright legislation was introduced to provide protection for semiconductor computer chips, to govern the in-home recording of audio and video materials, as well as the rental of such materials for in-home use, and for protection of ornamental designs, while several bills were introduced in the antitrust area to exempt approved joint research and development ventures from antitrust liability.

The other speaker on Thursday afternoon was Kenneth E. Madsen, who discussed use of computers in patent, trademark and copyright litigations. He recalled his own experiences in using a main

frame computer which permitted whole-scale storage of entire documents, deposition transcripts and the trial record. This process was facilitated by use of type-faces on the deposition and trial transcripts which could be read and stored directly by the computer. The advantage of this computerization, particularly in larger litigations, was split-second sorting and compilation of data, as well as immediate access to any litigation documents.



From left to right: John B. Pegram, Douglas W. Wyatt, Seignun D. Kane and David H. T. Kane at one of the lecture sessions in the Poconos.

Madsen also considered the possible uses for a personal or microcomputer. Since these computers have far less storage capacity than a main frame computer, they cannot readily accommodate full documents and transcripts. However, they can be used to catalog documents and to store deposition and trial record digests for quicker and more readier access.

Madsen concluded his discussion with a demonstration of a filing system run on a personal computer. This demonstration was augmented the next day with a fuller display of other computers and available software.

On Friday afternoon, John F. Sweeney offered a review of more than forty recent decisions by the Court of Appeals for the Federal Circuit. These decisions covered such areas as stare decisis, the collateral estoppel effect of a prior decision on the

issue of patent validity and the application of a test considering all objective criteria on the question of obviousness and the level of skill in the art.

Sweeney noted that a group of decisions dealt with the presumption of validity to be afforded a patent, while other decisions touched upon the standards for determining fraud and breach of the duty of candor, questions of anticipating public use and the experimental use doctrine. He concluded his discussion with a series of decisions covering questions of prior inventorship under 35 U.S.C. Section 102(g), Section 112 requirements, the rights of a licensee who challenges the validity of a licensed patent and the test for determining willful infringement, as well as several CAFC decisions in the trademark field.

Daniel Rosen and Karl F. Milde, Jr. concluded the Friday afternoon session with a discussion of recent developments in the protection of computer software. Rosen offered a discussion of the recent *Franklin* decision which extended protection to internal systems software which was machine readable only and which governed the internal functions of the machine. He explained the differences between application software which is employed by a computer user and systems software which operates only internally and is in either machine-readable language or embedded

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Inventor of the Year Award

The Inventor of the Year Award will be made this year at the Annual NYPTC Outing to be held in May. This year the Awards Panel will be the NYPTC Board of Directors. All entries must be submitted by March 31, 1984 to be eligible for consideration.

The requirements for nomination are set forth in the enclosed form. For further information, contact Philip Furgang, Chairman, Committee on Public Information and Education, at 212-490-0013.

NYPTCLA SEMINAR

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in a microprocessor chip. Rosen noted that the advance made by *Franklin* was in extending copyright protection to internal systems software which was not in user-readable form.

Milde then discussed recent CCPA decisions which have attempted to establish a test for determining the patentability of processes consisting of mathematical algorithms. He explained that these decisions asked whether the claim covered an algorithm and if so, whether the claim was wholly preempted by the algorithm. In other words, such a claim would not be patentable unless there was patentable subject matter after the algorithm was removed from the claim. He ended with a brief discussion of copyright protection as an alternate route.

The Saturday session opened with a speech given by Assistant Commissioner Rene D. Tegtmeyer concerning proposed Patent and Trademark Office Rules changes. These proposed changes were published on August 26 and September 13, 1983 and were the subject of a hearing held on October 18, 1983. The most significant areas of change were in rules establishing a \$100 fee for processing and retaining an application if no basic filing fee has been paid, prohibiting a claim of the benefit of a prior application in which no fee has been paid, increasing the minimum deposit account balance to \$1,000 and requiring copies of foreign patent documents and other nonpatent publications or items of information to meet the duty of disclosure requirements.

Tegtmeyer also discussed proposed changes which would clarify the procedures for date-stamping papers, for retention of abandoned applications, for certification of Office records and for refunds of fees to small entities. He concluded with an explanation of the current and proposed rules covering the foreign filing licensing procedure. These changes were intended to modify the procedure for petitioning the Commissioner for a license to file applications in a foreign country for an invention made in the United States.

D.W. Plant next presented a discussion on the use of arbitration in the resolution of patent disputes. Plant considered use of arbitration to decide questions of validity and infringement, particularly in those cases where the patentee was content with a decision binding only the parties and having no effect on others.

Plant also considered some issues with respect to selection of arbitrators, preparation of witnesses and presentation of proof, the arbitrability of certain public interest defenses, such as misuse or antitrust violations, and confirmation of an award and any *res judicata* or collateral estoppel effect.

The session continued with a panel discussion of proceedings before the International Trade Commission which focused on the interplay between in-house and outside counsel. The panel was moderated by John Kurucz, who introduced the discussion with a brief explanation of the role of the ITC and the differences between an ITC proceeding and a Federal court action.

Steven J. Stapp then discussed the interplay between in-house corporate counsel and outside counsel in a Section 337 ITC action. He reflected on a proceeding in the later 1970's which attempted to exclude from importation Korean cookware which simulated the copper-clad REVERE cookware. He found the ITC proceeding to be advantageous since it permitted the complainant to take action against all involved parties in a quick fashion. He also found that the proceeding facilitated settlement with both the foreign manufacturer and the domestic importers of the disputed cookware.

Joseph M. Fitzpatrick then offered his views as an outside counsel on the efficacy of ITC proceedings. He criticized issuance of protective orders in such proceedings which excluded house counsel from taking an active role. He argued that house counsel can make a valuable contribution to these proceedings, as illustrated by their participation in Federal court actions. He suggested that the ITC should permit access to confidential documents by in-house experts who have sworn to abide by the terms of a protective order.

Michael Cronin concurred in this criticism of protective orders excluding in-house counsel. He stated that this practice was wrong from a business point of view. Cronin also suggested that such orders gave undue advantage to foreign corporations which had no in-house counsel.

Frederick M. Ritchie considered the contacts that should exist between a corporation and its house counsel involved in an ITC proceeding. Besides maintaining contact with the manufacturing divisions involved in the subject matter of the ITC proceeding, Ritchie suggested that house counsel should also act as a liaison with outside counsel in gathering pertinent documents and participating in settlement discussions, coordinate the corporation's activities with any coparties and maintain contacts with the administrative law judge, the ITC investigative attorney and the Office of the U.S. Trade Representative.

David Wilson, counsel for the ITC, rounded off the panel discussion with some pointers on practice before the ITC. He emphasized that the ITC acts as an advisor before a complaint is formally filed, and will actually review a draft of a proposed complaint. Wilson stated that

the ITC would take as active a role in settlement negotiations as the parties wanted. He also suggested that house counsel should give specific reasons why they should be involved in certain aspects of the proceeding in order to overcome the strictures of an exclusionary protective order.

The session ended with a discussion by Phillip Shannon and Sam Orandle of the recent Second Circuit decision in *Mamiya* dealing with the ability of U.S. trademark owners to prevent the importation into the U.S. of genuine goods bearing the trademark that are manufactured abroad. Shannon reviewed the history of the *Mamiya* case and the territorial view of trademarks adopted by the District Court which resulted in a preliminary injunction against the parallel imports. He also discussed the Second Circuit reversal of that decision and its pragmatic suggestion that proper labelling as to the origin of the parallel imports might be enough to avoid consumer problems concerning warranty claims and deception as to origin.

Orandle explained the role of U.S. Customs in protecting against parallel imports. He stated that Customs would act where the U.S. trademark owner was not related to the foreign manufacturer or had not authorized the foreign company to manufacture the goods. He rejected the view that the Tariff Act had been intended to prevent importation of all parallel imports in the absence of written consent from the U.S. trademark owner. Orandle also reported that while a proposal by Customs to amend its regulations had been awaiting the Second Circuit's decision in *Mamiya*, that decision had not offered any real guidance to Customs because of its limited holding that the plaintiff had failed to show irreparable harm.

The final session on Sunday began with a discussion by Douglas W. Wyatt of recent CAFC decisions dealing with summary judgment of patent invalidity and patent infringement suits. In one case, the Court expressed the view that courts should not hesitate in granting summary judgment where appropriate to avoid an unnecessary trial. The Court also granted summary judgment on the issue of whether an invention was invalid under Section 102(b) as a result of being on sale for more than a year, and granted a petition for writ of mandamus directing a district court to enter summary judgment where the issue of patent validity had been fully and fairly litigated in prior suits.

John B. Pegram next considered recent CAFC decisions ruling on procedural matters. He covered decisions dealing with the deference to be given to lower court decisions under the Rule 52 "clearly erroneous" standard, as well as cases which



Hon. Pierre N. Leval responds to a question following his remarks.

covered the collateral order doctrine treating interlocutory orders as final. Pegram analyzed other decisions covering such varied procedural questions as jurisdiction, trial procedure, evidence, standards for motions for summary judgment and issuance of preliminary injunctions, collateral estoppel and the award of attorney's fees and costs.

Oliver P. Howes then attempted to answer the question "Is there life after Monopoly?" He went through an analysis of the notorious Ninth Circuit decision which held the famous MONOPOLY trademark to be a generic name for a real estate board game. Howes expressed a fear that other courts would apply the aberrant "purchaser motivation test." He suggested that the Hatch amendment did not provide an adequate legislative solution and that General Mills was attempting to introduce alternative legislation.

Marie V. Driscoll presented her views on the use of surveys in trademark cases. She was skeptical as to the utility of such surveys in most cases, although she thought that they could be of some use in false advertising cases, in cases where an issue was raised as to whether a less traditional trademark had actually taken on a trademark significance, or in cases where protection was sought against use of a mark on unrelated goods. She ended with a review of criticisms of surveys in some recent decisions and offered some pointers on how to conduct a survey which would avoid such criticisms.

The seminar concluded with remarks by the Honorable Pierre N. Leval of the U.S. District Court for the Southern District of New York. Judge Leval offered some personal reflections on his experiences in trademark litigation and his view of the proper scope of protection to be accorded trademarks.

News from the NYPTCLA Board of Directors

The Board of Directors of the NYPTC held a meeting on November 16, 1983. The Board agreed to support legislation limiting antitrust damages resulting from joint research and development activities to single rather than treble damages and the award of attorney fees to exceptional cases.

The Board met again on December 20, 1983, at which time it approved the following Committee recommendation with respect to pending antitrust legislation:

1. Any specific information submitted to a Government agency, in support of an antitrust exemption on a joint research project, would be exempt from the provisions of the FOIA.
2. Any compulsory licensing as a result of a joint research project is opposed.
3. Attorney's fees should be awarded only in exceptional cases.
4. Damages which should be awarded in the event an antitrust violation is found should be single damages. It is the opinion of the Subcommittee that we could never get a total exemption from antitrust damages, and so should not press for it.
5. The disclosure to be submitted to the Justice Department or other agency appointed to clear joint research projects should not include all of the specifics of the project. Rather, the description submitted should be "reasonably related to the problems to be solved." Following approval of the form of the submission by the Justice Department, the proposal should be published in the Federal Register.
6. No stranger to the joint research project should be allowed to opt into the project.
7. The enforcement agency for the joint research projects should publish its rules as to form as soon as possible after enactment of the Act.
8. Those who oppose the establishment of the joint research project, whether the Department of Justice or a third party, can object only on the basis of form of the submission, and not on the fact of the establishment of the joint project.
9. Time limits should be set for clearance and publication by the Justice Department, and for objection by any third party.
10. It is recognized that the purpose of this Act is primarily to aid domestic companies in international commerce, not domestic commerce.

The Board then heard a report on the proposed discovery order for patent infringement cases which is based on the premise that there are certain types of information in every patent litigation to which each party is entitled, such as

production of basic documents bearing on infringement, prior art, Section 112 defenses, misuse, commercial success and the identification of witnesses having knowledge of these subjects.

Those persons reviewing the concept have raised questions about certain types of documents and time periods for discovery. It was suggested that these questions could best be resolved by seeking input from one or more judges in local Federal courts.

USTA Meeting Offers Trademark Practitioners Information About Issues In Other Legal Specialties That Can Affect Trademark Practice

The United States Trademark Association (USTA) is sponsoring a one-day meeting called "Everything the Trademark Specialist Ever Wanted to Know About . . ." on February 29, 1984 at the Grand Hyatt Hotel in New York City.

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

Annual Judges' Dinner To Be Held March 30th

Members should make sure to mark March 30, 1984 on their calendars as the date of this year's annual dinner honoring the Federal Judiciary. As in the past, the dinner will be held in the Grand Ballroom of the Waldorf Astoria Hotel. The featured speaker at the dinner will be the Honorable James L. Oakes, a Judge in the United States Court of Appeals for the Second Circuit.

Calendar of Events

LUNCHEON MEETING

Williams Club

February 23, 1984

Henry W. Leeds, "Development of
Trademark Laws in Connection with
Label Simulation"

Karl F. Milde, Jr. Lectures on Patentability of Software

Karl F. Milde, Jr. spoke to a luncheon meeting last fall on the subject of patentability of computer software. He began by focusing on the types of ideas or processes that are excluded from protection by the Patent Act. Scientific principles, such as the Pythagorean Theorem, are not subject to patent protection. Similarly, no one could obtain a patent on a law of nature, such as the Law of Gravity, or a mental process, such as a medical diagnostic process. While none of these were patentable, Milde observed that the application of such theories or processes could constitute patentable subject matter under existing case law.

Turning to an historical survey of process patentability, Milde cited the early Supreme Court decision in *Cochrane v. Deener*, which involved a process for manufacturing flour so as to increase its quality. The process first separated the superfine flour and then removed the impurities from the middling by blasts of air, reground the middlings and then combined the product with the superfine flour. The patent claim was not limited to any special arrangement of machinery. The Court recognized that a process could be patentable regardless of the particular form of the instrumentalities used. It then offered the classic definition of a patentable process as a "mode of treatment of certain materials to produce a given result. It is an act, or a series of acts performed upon the subject-matter to be transformed and reduced to a different state or thing."

Milde then considered some more recent cases defining the scope of patentable processes. He referred to the 1972 Supreme Court decision in *Gottschalk v. Benson*, which held that a pure mathematical algorithm was no more than an unpatentable process for solving a mathematical problem. In effect, the algorithm indicated the presence of an unpatentable scientific principle, law of nature or mental process.

Milde next discussed several decisions of the Court of Customs and Patent Appeals, such as the 1973 decisions in *In re Christensen* holding that a new mathematical equation was unpatentable if the only point of novelty was the equation, and the 1978 decision in *In re Freeman* which proposed the following two-step test for determining patentability: (1) determine whether the claim directly or indirectly recites an algorithm; and (2) determine whether the claim in its entirety wholly preempts the algorithm. He then discussed the 1980 CCPA decision in *In re Walter* which set forth a new second step for the two-step test (a) otherwise statutory claim will pass muster if the mathematical algorithm covered by it is implemented in a specific manner to define structural relationships between physical elements of the claim (in an apparatus claim) or to refine or limit claim steps (in a process claim); and (b) the claim will be rejected if the mathematical algorithm is merely presented and solved by the claimed invention and is not applied in any manner to the physical elements or

process steps.

Milde concluded his discussion by reviewing several 1982 decisions of the Court of Customs and Patent Appeals which modified the *Walter* test in view of the Supreme Court decision in *Diamond v. Diehr* (1981). Among those he considered were *In re Taner*, a June, 1982 decision which held that since seismic signals were physical apparitions, a claim covering a process for converting signals from one state to another by a new mathematical equation was patentable.

In *In re Abele*, an August, 1982 decision, the CCPA held a claim for displaying data in a field unpatentable because it consisted only of an unpatentable algorithm, while another claim was held to be patentable because it included the production, detection and display of data, as well as the algorithm. In effect, the Court examined the claims by removing the algorithm and determining whether any patentable subject matter remained. A claim would be sustained only if such additional patentable subject matter were present. Similarly, in the September, 1982 decision in *In re Meyer*, the CCPA rejected a claim covering a mathematical algorithm because the mental process represented by the algorithm had not been applied to any physical elements or process steps and was not limited to an otherwise statutory process, machine, manufacture or composition of matter.

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