THE NEW YORK PATENT, TRADEMARK AND COPYRIGHT LAW ASSOCIATION

NYPTC BULLETIN

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Inventor of the Year Dinner-Dance and Golf Outing

On Thursday, October 10, 1985, the NYPTC held its annual Golf Outing and Inventor of the Year Dinner Dance at the Essex Country Club.

Dr. Benjamin Rubin was honored as the 1985 Inventor of the Year for his invention of the bifurcated vaccine needle which was instrumental in eradicating small pox around the world. Two years before Dr. Rubin's invention 50,000,000 people throughout the world contracted small pox, 20% of whom died.

In accepting the award, Dr. Rubin told several anecdotes about the development of the vaccine which the bifurcated needle was used to administer. In the middle 1960's, the United Nations asked the USSR and the United States to supply small pox vaccine. Wyeth Laboratories, by whom Dr. Rubin was employed, was to produce 40,000,000 doses while the USSR was to produce 100,000 doses. When the Russian vaccine proved to be of inferior quality, Rubin was asked to teach them the Wyeth method of production which they then followed.

Dr. Rubin developed the bifurcated needle to administer this new vaccine, and as a result of the vaccine and needles, small pox was eliminated. This was the first time in which a severe disease was totally eradicated by a health program.

Since the small pox vaccine can produce an adverse reaction, Dr. Rubin discussed his experience in attempting to ascertain why United States soldiers are still being vaccinated for small pox even though the disease has been eliminated. The explanation he received at a Congressional hearing was that the Russians vaccinate their soldiers for small pox, and as long as they do, the U.S. will follow suit.

During the afternoon, a small but enthusiastic group of golfers competed for the prizes selected by Golf Chairman, Pat Razzano. Men's low net, and possessor of the NYPTC Cup for one year, was Chuck Johnson; second low gross was Al Robin; closest to the pin was Chuck Johnson; and long drive was Steve Barrett. Women's low net and low gross was Lorry Robin. Pat Razzano's finishing position is indicated by his prize, a book entitled "How to play golf in the low 120's."

Second Annual Association Footrace

In conjunction with the Manufacturers Hanover Corporate Challenge in Central Park, the NYPTC held its second annual road race of 3.5 miles on August 6, 1985.

Nine separate trophies were awarded, three team and six individual. Pennie & Edmonds captured the Men's trophy with the team of John Lauter, Thomas Blake, George Murphy, John Richardson and John Lane, and also won the Women's trophy with the team of Sharon Gibson, Marguerite Del Valle and Carolyn Rocchio. The Coed trophy went to Fish & Neave's team of Richie Allen, Vince Palladino, Jamie Johnson and Jessica Stark.

Among the individual awards, John Lauter of Pennie & Edmonds bested the First Man and First Man Lawyer categories with a time of 19:53, nosing out last year's winner, Peter Phillips of Brumbaugh, Graves. Peggy Ranft (running with Morgan, Finnegan) received First Woman and First Woman Lawyer awards for the second straight year with 22:59. Rick Clark of Brumbaugh again took the Men's Master's division and Andrea Ryan, also

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Candidates for the Court of Appeals for the Federal Circuit

One or more openings are expected for the Court of Appeals for the Federal Circuit during 1986.

Any member knowing of qualified candidates who have applied for consideration or who are planning to apply should contract the Chairman, Committee on Public and Judicial Personnel:

David J. Mugford
Schering-Plough, Corp.
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For the guidance of the membership, the Committee believes the following factors are important considerations for qualifications:

(1) exceptional standing at the bar and a recognized contributor to the concerns of of the profession;

(2) superior intellect;

(3) maturity and demeanor;

(4) direct experience in the types of causes likely to be heard;

(5) prior judicial experience;

(6) outstanding scholarship and
(6) analytical ability coupled with articulate writing skills; and

(7) a thorough working knowledge of the intellectual property laws, particularly the Patent Laws and the underlining Rules of Practice.

NYPTC Holds Seminar on Protection of Genuine Unauthorized Goods

An outstanding panel was assembled on June 6, 1985 for the NYPTC Seminar on "Protecting Genuine Unauthorized Goods". The seminar was organized into four sessions involving (1) Exhaustion of Rights, (2) Dealing with Gray Goods, (3) Intellectual Properties at the ITC and (4) Proposed Process Patent Protection against Importation of Products Produced by Patented Process.

Dr. Teartse Schaper of Blackstone, Rueb, & Van Boeschoten, the Netherlands, began the first session with an outline of exhaustion rights principles.

A patent is exhausted within the country where it is granted when it is put on the market in that country for the first time. A national patent is not exhausted by a reward obtained under a corresponding foreign patent. Therefore, Dr. Schaper commented, parallel imports can be blocked under most national patent laws in Europe.

Under EEC law, however, exhaustion of rights has been drastically changed. The Court of Justice in Luxembourg has ruled that a patent is exhausted by the mere fact that the imported product originates from the patentee. The reasoning of the European court is that the "specific subject matter" of a patent is the exclusive right of a patentee to put his product on the market for the first time. This right is therefore exhausted where the first marketing takes place.

Dr. Schaper commented that such reasoning is flawed. If the product has not been put into circulation under monopoly conditions and the patent right is nevertheless exhausted, the so called "specific subject matter" of the patent boils down to nothing more than the exclusive right of every manufacturer to put his nonpatented product into circulation for the first time.

With respect to trademarks, Dr. Schaper observed it is now old fashioned to view a trademark as a national monopoly. Under this view, parallel imports of a trademark owner's own product could be blocked.

According to the Luxembourg court, a trademark right is "intended to protect the owner against competitors wishing to take advantage of the reputation of the mark by illegal use." Such a right can never be enforced against imports of the trademark owner's products because there is no illegal use by a competitor. Therefore, under EEC law, parallel imports from one member state into another can never be blocked with a trademark action.

Dr. Schaper commented that European authorities are more revolutionary than most national laws in Europe regarding parallel imports within the EEC and more conservative regarding parallel imports outside the EEC.

Dr. Schaper remarked that it is an open question in many European countries whether or not a copyright owner can invoke his national copyright to block parallel imports of his own products. In this respect, Dr. Schaper commented on the interesting distinction made by the EEC between two categories of literary and artistic work. Under EEC law, parallel imports of works made available to the public by performances, which can be infinitely repeated (such as films), can be blocked. However, parallel imports of the second category, works that are made available to the public in the same manner they are circulated (such as books and records), cannot be blocked by invoking copyright laws.

Michael Sweedler of Darby & Darby presented an in-depth analysis of recent U.S. cases on parallel imports. Mr. Sweedler also reviewed the background of the exhaustion principle in the United States.

The mid-morning session, "Dealing with gray Goods", sparked some lively debate on customs regulations, policy and cases relating to gray goods. Samuel Orandle, Senior Attorney, U.S. Customs' Service, provided an excellent overview of Customs' "Related Party" Exceptions to exclusion of gray goods.

Under its "related party" exception to the general rule of exclusion of gray market goods, Customs will not enforce any territorial limitations placed on foreign trademark licenses by the U.S. owner. Further, Customs permits parallel importation when the domestic and foreign trademark owners are the same entity or owned by the same entity, or are parent and subsidiary or otherwise subject to common control.

As to the scope of the "common control" portion of the related party exceptions, Mr. Orandle, in response to many questions directed to the application of that test to particular fact patterns, offered simply that Customs makes that determination on an "ad hoc" basis. He did disclose, however, that as of May 23, 1985, Customs will be blocking parallel importation of "Oscar de la Renta" goods notwithstanding its previous refusal to do so. The cause of this turnaround was a determination that the mark was now owned by a Delaware Company and not under common control with the foreign trademark owner. Customs' precise basis for that determination is not a matter of public record.

In May of 1984, the Treasury Department solicited economic data from the public as part of the administration's review of Customs regulations. Mr. Orandle mentioned that the administration did not get as much economic data as they had hoped for, particularly with respect to the parallel importers. According to Mr. Orandle, the review is ongoing, and eventually, several options will be presented to the President.

A proposal was made by COPIAT whereby gray goods would be "demarked" by Customs before being allowed into U.S. commerce. Mr. Orandle expressed serious reservations regarding the burden it would place on both Customs and parallel importers.

Robert Swift of Linklaters & Paine in London provided a concise summary of the traditional common law view under

Second Annual Foot Race

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from Brumbaugh, won the Women's Master's trophy.

Other participating firms included Davis, Hoxie and McAulay, Fields. Jim Gould and Peter Phillips organized the event for the Association. While participation was up from last year's race, the organizers hope that more firms and corporations will join in next year's race.

English and Commonwealth Law concerning patents, copyrights and trademarks.

With respect to patents, Mr. Swift noted that sales by a British patent owner abroad imply a license under the British patent, unless limited to the contrary. In the area of registered trademarks, Mr. Swift remarked that genuine unauthorized goods are not an infringement. However, passing off is a common cause of action in the United Kingdom. Furthermore, a British copyright is infringed by the importation of goods made abroad by the owner of a foreign copyright.

Mr. Swift also cautioned the audience to be aware that patent and trademark agents, as distinguished from attorneys, are generally not within the attorney-client privilege.

ITC Chairperson Paula Stern was the guest speaker during the luncheon session. Stern's opening remarks included a brief review of the structure and function of the ITC and the types of cases it handles under various statutes and remedies thereunder.

She then focused on the following elements of the 337 actions:

—unfair acts and methods of competition in the importation or sale of imported goods including, *inter alia* patent and trademark infringement;

—such unfair acts and methods having the effect or tendency to substantially injure or destroy an efficiently run domestic industry or prevent establishment of such an industry; and

—existence of a domestic industry that comprises the U.S. facilities of the complainant and its licensees for manufacture of the goods in the U.S.

In fashioning relief in 337 actions, the Commission prefers narrowly drafted orders directed to the specific goods and/or conduct in question.

Chairperson Stern also discussed her dissenting opinion in the case of *In the Matter of Certain Alkaline Batteries*, 225 U.S.P.Q. 823 (USITC, 1984). The DURACELL case indicated that violations of Section 42 of the Lanham Act and Section 526 of the Tariff Act of 1930 do not provide a proper legal basis for finding a violation of Section 337.

In her view, the ITC should defer to the Customs Service and the courts on these matters based on what she regards as explicit Congressional intent to that effect.

Stern also remarked that the Commission is sensitive to the problem of the confidentiality of the documents in the records of ITC cases, She recommended that each page of every confidential document be clearly marked to that effect.

The afternoon session focused on proposed product by process patent protection. Roger Anderwelt of the Antitrust Division of the Department of Justice began the session with a discussion of the policy aspects of H.R. 1069.

In light of a growing international marketplace, Mr. Anderwelt stressed the importance of examining the comparative advantage of the United States over other countries. According to Mr. Anderwelt, the U.S. advantage is the creativity of its citizens in technological development.

In order to regulate its investment in technological development, the laws of the United States must encourage both product and process patents in the same fashion. Mr. Anderwelt commented that the Department of Justic has taken a harder look at the competitive process and has changed its position with respect to H.R. 1069.

He suggested that the economic consequences of licensing agreements must be examined and the facts carefully analyzed. He also commented that prior judicial decisions did not sufficiently examine the facts. The Department of Justice is now more supportive and sympathetic to an increase in patentee protection because ultimately it will help the consumer.

According to Mr. Anderwelt, product by process patent protection is in response to the free rider problem. There is no economic reason to distinguish between process and product patents. H.R. 1069 closes a loophole in the United States patent laws so process patents can be exploited and recieve a reward. The end result is to stimulate invention and encourage process patents to remain in the United States — particularly in light of this country's future role in the international marketplace.

Rene Sieders of AKZO NV, the Netherlands, contributed to the afternoon session by providing a thorough review of the laws of other industrialized nations concerning product by process protection. In Mr. Sieders opinion, no other country has as much jurisprudence in this area as does West Germany.

The last segment of the afternoon involved a consideration of the pros and cons of H.R. 1069.

Roy Massengill, General Patent Counsel, Allied Corporation, spoke in support of the bill and stated that product by process patent protection is really an issue of fairness. Process patents should be accorded the same protection as other allowable classifications. Mr. Massengill disagreed with opponents of the bill in that ITC proceedings do not provide process patents adequate relief. According to Mr. Massengill, it is nothing more than "exploitation without compensation" to allow a drug manufacturer to use a process for free.

Al Engelberg, Counsel to the Generic Pharmaceutical Drug Association,

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Venezuelan Court Rules in Favor of Videocassette Pirates

by Richard N. Brown*

Approximately three and a half years ago, the Motion Picture Association brought criminal actions against the wholesale counterfeiting of motion picture videocassettes in Venezuela. In a decision dated February 14, 1985, a Venezuelan judge ruled in favor of the pirates. This ruling held that since the pirates had not alleged that the videocassette tapes were genuine, they had not misled the public to believe that the videocassettes were genuine and, thus, had neither falsified the trademarks nor violated Article 338 of the Venezuelan Criminal Code which provides that counterfeiting trademarks is a criminal offense. In short, the Court held that an exact copy is not actionable in Venezuela if the consumer is not misled into believing he is obtaining an original. The Alice in Wonderland-type reasoning employed was that a trademark protects the public and the trademark owner. Since the public obtained the complete videocassette, the public was not injured, and since the pirates had not deceived purchasers into thinking they were obtaining original videocassettes, the trademark owner had no basis for complaint because their trademark was not deceptively used.

It should be noted that the judge did not discuss the copyright aspects

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suggested that there is some confusion as to what the opposition is to H.R. 1069. According to Mr. Engelberg, process patent protection already exists in 13 U.S.C. §1337(a) and is fairly comparable to foreign protection. Mr. Engelberg noted that no one has really focused on the fact that 42% of all U.S. patents are issued to foreign manufacturers. As a result, he viewed the argument that the Bill will create new jobs in the United States as a myth.

In his remarks, Mr. Engelberg commented that the Bill originated from a narrow prospective (that of patent counsel for large Fortune 100 companies) and creates an imbalance between those who practice the process and those who buy the product. The bottom line, Mr. Engelberg noted, is that the problems with process patents arise from extra-territoriality. He thought it unfair to put this problem on the backs of the buyers.

Videocassette Pirates (continued from page 3)

involved and the MPA has, through its Venezuelan lawyers, been able to obtain satisfactory settlements from some video-cassette pirates by threatening them with copyright infringement actions.

Not satisfied with the favorable decision, the victorious videocassette pirates announced in the newspapers that they plan to sue the Motion Picture Association for the equivalent of $37,000,000 (U.S.) for malicious prosecution and damage to their business. Some quotes from the newspaper story, which could have been written by Lewis Carroll, read:

> Venezuelan video industrialists will be bringing suits against major movie transnationals, claiming Bs. 500,000,000 ($37 million) in indemnities for moral and professional damages suffered in the wake of a 'hunt' which the video group has referred to as 'Legal Terrorism'. . .
>
> " 'We said then that what we were facing was an example of the typical 'legal terrorism' and the dismissal of the case by the 5th Criminal Court, shows that we were right . . .' In Venezuela, it is not a crime to record and/or mark video cassette films . . . " 'We have obtained three certified copies of the 1,776 page file of the case. Two of these are now in the bank vaults as a measure against any 'misplacing' or 'accident' which may give rise to the disappearance of the original. Only yesterday we saw in the press that documents related to a well-known case had been lost; we are quite aware of the power of some transnationals. Even so, that of Venezuelan justice is greater again and this was demonstrated when the judge found in our favor.' "

The counterfeiting of videocassettes is not an isolated problem. It is possible in Venezuela for a pirate to apply for a trademark that is in use in Venezuela, obtain a registration and bring a legal action to stop the use of the prior bona fide user. Since Venezuela is not yet the source of exported pirated goods, as has been the case with the Republic of China and Brazil, Venezuela's trademark piracy has attracted little international attention, but such actions are extremely common. As the counterfeiters and pirates grow bolder, international attention will be focused on the problem.

*Member of Baker & McKenzie, Caracas, Venezuela.

Additions To Committee Lists:

Committee on Arbitration:
Gerald J. Flintoft

Committee on the Annual Dinner in Honor of the Federal Judiciary:
A. Wayne Jones

Green Book Notice

The Green Book is now in preparation. Anyone wishing to make a change of name, affiliation, address, or telephone number should send those changes by January 15, 1986 to the Green Book Editor:

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