THE NEW YORK PATENT, TRADEMARK AND COPYRIGHT LAW ASSOCIATION

NYPTC BULLETIN

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PRESIDENT'S CORNER

In the last issue of our Bulletin, I discussed plans for and changes in our programs during the 1986/1987 Association year. We are now at the midpoint and an update or progress report is in order. There has been a good deal of activity and progress, indeed.

COMMITTEES HOLD ORGANIZATIONAL MEETINGS

Our committees and subcommittees are hard at work and many have held their organizational meetings. Their chairpersons had an opportunity not only to get acquainted with the Association's Officers and Directors but also to report on their doings and plans at a novel joint meeting/reception between them and the Board of Directors on January 15, 1987 which was held immediately preceding the joint NYPTCLA/NJPLA Evening Meeting with Senator Mathias as guest speaker.

Three successful luncheon meetings have already taken place featuring interesting and topical subjects and, as can be seen from the Calendar of Events (on this page), all other metings and events of this Association have now been scheduled. Please mark your calendars and try to attend as many as possible.

BOARD ACTIVITIES

The Board of Directors has also held their regular monthly luncheon meetings often with committee chairpersons and other guests in attendance and has considered and ruled on a number of issues and proposal brought before them. To name but a few, the Board decided to provide a patent exhibit at the Federal Courthouse in celebration of the 200th Anniversary of the enactment of the Constitution. Doug Wyatt, a recent NYPTCLA president, will be in charge of this project which will ensure its success but he also needs assistance. Any volunteers? The Board also agreed to sponsor a Seminar for Minorities on opportunities in the intellectual property field which will be conducted by Sidney Williams. Another very worthwhile project for us!

As regards harmonization of laws, John Pegram, our Second Vice-President, has very ably represented our Association as observer at the November 1986 WIPO Conference on the Trademark Cooperation Treaty (TCT) and Sam Helfgott, one of our Directors and Chairman of the Harmonization Committee, will be our observer at the next WIPO Conference on Patent Law Harmonization to be held in Geneva on March 23-27, 1987.

JUDICIAL APPOINTMENTS IMPORTANT

One matter that has been of great concern to the Board and the Judicial Appointments Committee are CAFC appointments and this should concern all our membership. There are several vacancies now with possibly more in the offing. Only 3 of the judges have patent backgrounds even though over 50% of the Court's volume relates to patents. Five appointments have been or are in the process of being made to the CAFC since Judge Newman ascended to the bench but none have a patent background. It's high time that a patent trained judge be one of the next candidates. But this won't happen unless we make it happen and get behind one particular qualified candidate. Please contact Evelyn Sommer who chairs the Judicial Appointments Committee if you have any thoughts and suggestions on the subject. We need another Judge Rich!

I hope to see you all at the "Judges Dinner."

Karl F. Jorda, President

CALENDAR OF EVENTS

Jan. 22, 1987	Luncheon Meeting
Feb. 12, 1987	Luncheon Meeting
Mar. 20, 1987	Luncheon Meeting
Mar. 27, 1987	Annual Dinner at Waldorf-Astoria in Honor of the Federal Judiciary with Judge Markey as Guest Speaker
April 9, 1987	NYPTCLA/CPLA Joint Meeting
April 24, 1987	Luncheon Meeting
May 1-3, 1987	CLE Weekend Seminar & Golf Outing, Skytop, PA
May 14, 1987	Luncheon Meeting
May 28, 1987	Annual Meeting and Inventor of the Year Award

INVENTOR NOMINATIONS TO CLOSE MARCH 1

Due to some confusion relative to submission of Nominations for the 1987 Inventor of the Year Award, the deadline for all nominations has now been extended to March 1, 1987. The original deadline was February 1, 1987. This is a unique opportunity for recognition of inventors by members of the patent bar. Each nomination will be acknowledged in writing by the Association.

You may nominate as many inventors as you wish. You may nominate sole or joint inventors. The recipient will be chosen by the Board of Directors of the Association. The criteria used by the Board in making its choice is that the Inventor of the Year:

a) must have been issued one or more U.S. patents;

b) must be able to attend to the presentation of the Award at the NYPTCLA outing in May, 1987; and

c) must be respected by the nominee's professional peers.

A nominating form for your use in this regard is enclosed with this issue of the Bulletin.

Should you require any additional information or assistance in making a nomination, please contact the Chairman of the Committee on Public Information and Education, Stanley J. Silverberg at American Cyanamid Company, One Cyanamid Plaza, Wayne, NJ 07470.

An open letter to the membership by Chairman Silverberg is included as an insert to this issue.

CLE WEEKEND & GOLF OUTING PLANNED

The Association's annual CLE weekend will be held at the Skytop Lodge in Skytop, PA commencing on Friday, May 1, 1987 and extending through Sunday, May 3, 1987. The weekend will feature four panels of distinguished speakers who will address the following topics:

- Recent Federal Circuit Decisions on Inequitable Conduct and Willful Infringement;

- Managing Patent Litigation–A Guide for Corporate Counsel;

-Demonstrative Evidence in Intellectual Property Law Cases; and

- Copyright Law Update.

The weekend package price is $580 for the registrant and spouse or guest and $390 for a single registrant. A deposit of $200 is required.

For further information on this seminar or golf outing or to sign up, please use the insert which is included with this issue. For any more information, contact Jim Foster, 45 Rockefeller Plaza, New York, NY 10111 (212) 757-2200.

ITC'S HUNNICUTT ADDRESSES COMBINED NY/CT MEETING

Charles A. Hunnicutt, legal advisor to Dr. Paula Stern, Chairwoman of the U.S. International Trade Commission addressed a recent combined meeting of the New York and Connecticut Patent Law Associations on ITC practice. Mr. Hunnicutt also discussed the current U.S. trade deficit and provided a detailed overview on that portion of the ITC's jurisdiction which relates to intellectual property law.

ITC FUNCTION & TRADE DEFICITS

Mr. Hunnicutt explained that the ITC's function concerns the Agency's involvement in remedying grievances of those American producers who are harmed in the U.S. marketplace by reason of dumping, subsidies, counterfeiting and patent infringement. The ITC's authority to recommend temporary relief where increased importation poses a threat to U.S. industries was also discussed.

Mr. Hunnicutt then turned his attention to the recent economic difficulties of this country and how trade contributed to that problem. He asserted that challenges to overcome these difficulties should focus on strategies and approaches to effectively compete internationally. The U.S. must undergo a positive growth in global trade. Much of the trade weakness is attributable to the inflated value of the U.S. dollar in international financial markets. Other monetary and fiscal conditions which have contributed to the current trade deficit have included high interest rates sustained by government and private borrowings as well as the steady demand for capital which American savings alone cannot fill.

The unfair trade practices of others also contributes to the current trade deficit. Mr. Hunnicutt suggested that the problem of unfair trade practices could be minimized by rebuilding the strength of America's competitive team as a whole. The foregoing is necessitated because of the congested ITC docket and the low percentage of complaints which are actually sustained. In sum, we must explore alternative and extraneous avenues toward trade improvement. As previously advanced, these alternative avenues must include a broader focus on the issue of competitiveness.

Mr. Hunnicutt suggested that we must secure the discipline of a trade-oriented strategy by means of the government creating a new competitive push by the private sector. For instance, future government decisions should consider the impact that such decisions will have on trade balance and America's competitive standing. In addition, policy-makers should aim toward modernizing production, developing new technology and training, relocating and retiring workers. Government intervention in trade should exceed a mere *ad hoc* basis and, instead, should seek commitments which result in long term effectiveness. Mr. Hunnicutt also suggested that we could markedly improve America's competitive standing if public and private enterprise would work together as a team in the global marketplace. The result of a less rigid and carefully planned government intervention would be a more frugal and creative trade society.

ROLE OF ITC

The remaining portion of Mr. Hunnicutt's presentation focused on the specific role of the ITC with an emphasis on intellectual property practice. He noted that the ITC provides highly specialized trade information in its capacity as a nonpartisan, independent, fact-finding agency. The Commission does not play the role of an advocate in the development of trade policy. Rather, it provides a factual foundation for decision making which, in turn, is the function of Congress and the Administration.

The ITC derives its spending revenues directly from Congress and, as such, maintains the degree of autonomy which prevents it from succumbing to any political pressure exerted from the Executive Branch.

TYPES OF INVESTIGATIONS

In its fact-finding capacity, the ITC conducts a variety of unfair import investigations. Those that concern the sale of imported goods in the U.S. at a lower than fair market value, i.e. the dumping cases, typify the most frequent of these investigations. The inquiry as to whether the sale of imports are sold at less than fair value is one which is explored and resolved by the Department of Commerce. If the Commerce Department determines that the imports are being sold at less than fair market

prices, the ITC must determine whether a domestic industry is being (or is likely to be) materially injured or is prevented from being established because of the importation of such merchandise.

The other investigations conducted by the ITC include section 201 investigations or those which recommend relief for domestic industries which have been seriously injured because of increased importation. In this instance, the Commission does not consider whether or not the imports are fair but, instead, whether or not domestic industries have been seriously injured.

SECTION 337 CASES

Perhaps the most significant types of investigations from the perspective of the intellectual property bar are those made pursuant to Section 337 of the Tariff Act of 1930. Under Section 337, the Commission is empowered to investigate matters involving patent, trademark and copyright infringement as well as any other matter involving intellectual property violations which stem from the importation of merchandise into the United States. The typical sanction for a Section 337 is an order which excludes the article from entry into the U.S., or the issuance of a cease and desist order. Relief can be simultaneously pursued under Section 337 and through the Courts. It was suggested that relief under Section 337 is advantageous because actions must be decided within one year or eighteen months for more complicated cases. Other suggested advantages offered by Section 337 include jurisdiction and enforcement of judgment issues, which occur far less frequently than they otherwise would if relief was sought through the courts.

A Section 337 complaint must typically show, in brief summary, unfair acts or methods of competition involved in the importation of articles into the United States. When such acts will substantially injure or destroy a domestic industry, then Section 337 has been violated. It is significant to note that in order to obtain relief under Section 337, economic harm independent of infringement must also be established.

Advantageously, Section 337 also provides a remedy against the importation of goods produced by a process which would be infringing if practiced in the United States.

As discussed earlier, if the Commission declares that Section 337 has been violated, the remedies are to issue either an exclusion order or a cease and desist order. An exclusion order can either direct the Customs Service to exclude the infringing product made by any firm (a general exclusion order) or, alternatively, it can direct the Customs Service to prohibit entry of only those infringing products made by a specified infringer. Cease and desist orders are typically issued against those domestic respondent's whose unlawful acts have occurred within the United States. After the determination of a proper remedy has been made, the Commission shall then consider certain public interest factos before determining whether that remedy should issue. If and when the Commission decides that relief should issue, a bond will be set at a level which is intended to offset any competitive advantage resulting from the unlawful act. This bond automatically expires and the order of the Commission becomes effective after the 60 day Presidential review period ends or by a prior Presidential action.

Mr. Hunnicutt noted that the decision of the Commission is subject to the veto power of the President although Presidents have infrequently exercised such power since passage of the Trade Act of 1974. However, if the determination of the Commission is vetoed by the President, review of the Commission's determination can be obtained at the U.S. Court of Appeals for the Federal Circuit.

WORD OF CAUTION

Finally, in view of the fact that intellectual property has become an international trade issue, Mr. Hunnicutt observed that it can easily become a bargaining chip in upcoming multilateral trade negotiations. He cautioned against forfeiting any existing intellectual property rights in an attempt to broaden our trade strength internationally.

LATEST LEGAL DECISIONS

by Thomas A. O'Rourke

PATENT INFRINGEMENT - Scope of Protection For "Means" Claims

The Court of Appeals for the Federal Circuit addressed the issue of scope to be given "means" claims in Texas Instruments, Inc. v. U.S. International Trade Commission, 231 USPQ 833 (Fed.Cir. 1986). The patent in suit was directed to a miniature electronic calculator. Each element of the claims was written in "means plus function" language. While the specification contained a detailed description of the preferred means of performing each step in the claims, seventeen years of rapid development in the art had transpired from the filing of the application in the PTO to the filing of the complaint. During this seventeen year period, each means had undergone technological advance.

The CAFC recognized that the patent invention was a pioneer invention and that every function described in the claims was performed by the accused calculators. In addition, the Court found that the patent created a totally new market for electronic calculating devices and that there was nothing remotely similar in the prior art. Despite such findings, however, the Court refused to find either literal infringement or infringement under the doctrine of equivalents.

In reaching its conclusion, the CAFC held that there were equitable considerations tha must be applied when determining the scope of "means" claims in "complex and rapidly evolving technologies." 231 USPQ at 839. Accordingly, as the claimed functions were "performed by subsequently developed or improved means," the Court refused to find that the improved means fell within the scope of the claims either as a literal infringement or under the doctrine of equivalents. It stated that "[t]aken together, these accumulated differences distinguish the accused calculators from that contemplated in the '921 patent and transcend a fair range of equivalents of the '921 invention." 231 USPQ at 841. Thus, the Court concluded that the totality of "the technological changes beyond what the inventors disclosed transcends the equitable limits . . . and propels the accused devices beyond a just scope of the '921 claims." 231 USPQ at 841.

INTERFERENCE--Reasonable Diligence In Reduction to Practice

The concept of diligence in connection with a reduction to practice was the subject of the CAFC's decision in Bey v. Kollonitsch, 231 USPQ 967 (Fed.Cir. 1986). The Court held that reasonable diligence was present during the critical period where the patent attorney was also simultaneously working on the preparation of a number of other patent

applications involving closely related subject matter, one of which was the subject of the interference proceeding. The Court held reasonable diligence was present because, due to the common subject matter, the work on the related cases "contributed substantially to the ultimate preparation of the invovled application." 231 USPQ at 972.

PATENT LICENSING--License Terminates on the Date of the Last to Expire Patent

In Meehan v. PPG Industries, 231 USPQ 400 (7th Cir. 1986), the plaintiff brought an action to recover royalties under a patent license which provided that royalty payments continued until the expiration of the last-to-expire patent. Three patents covered the licensed subject matter, a U.K. patent that was not renewed in 1981, a U.S. patent that expired on January 4, 1983 and a Canadian patent which expired on December 19, 1984. Upon expiration of the U.S. patent, the licensee refused to pay royalties even though the Canadian patent was still in force and the licensee continued to have sales of the licensed subject matter in the United States.

Plaintiff had contended that the royalty obligation continued until the expiration of the Canadian patent as the last-to-expire patent. It argued that as no application for a patent was filed at the time the license was entered into, the contract was merely the sale of trade secrets and not a sale of patent rights. Plaintiff's arguments were rejected by the Seventh Circuit, which held that the Supreme Court's decision in Brulotte v. Thys, 379 U.S. 29, "should be extended to agreements entered into in anticipation of applying for patents." 231 USPQ at 402. The Court rejected the argument that the agreement was merely the sale of trade secrets and a sale of patent rights was not contemplated since the agreement specifically provided for a ten-year term if no patent was obtained.

Accordingly, the Court concluded the contract was an attempt to extend the patent term beyond the statutory seventeen years. The Seventh Circuit summed up the law of the joint licensing of trade secrets and patents as follows:

Under Brulotte when royalty payments extend unchanged beyond the life of a patent, patent leverage has been abused and the agreement is unlawful *per se*.

TRADEMARKS--Allegations of Use in Commerce

The Assistant Commissioner of Trademarks, in In re Pony International, 33 BNA PTCJ at 3 (November 6, 1986), has continued the requirement that trademark applications filed by U.S. applicants must allege use in commerce, even though foreign applicants may apply for registration without alleging such use.

In Crocker National Bank v. Canadian Imperial Bank, 223 USPQ 909 (TTAB 1984), the TTAB held that Section 44 of the Lanham Act (15 U.S.C. 1126) permitted foreign nationals to file trademark applications without alleging use in commerce. The Assistant Commissioner rejected Pony's argument that the benefits provided to foreign applicants under the Crocker decision should be accorded to U.S. applicants pursuant to Sec. 44(i) of the Lanham Act (15 U.S.C. 1126(i)). The decision was based on the view that Sec. 1 of the Lanham Act "would be rendered nugatory" if Pony's interpretation prevailed. Furthermore, applicant's reliance on the legislative history did no convince the Assistant Commissioner that Sec. 44(i) eliminated the requirement of use in commerce.

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ANNOUNCEMENTS SECTION PLANNED FOR FUTURE BULLETINS

A new "Announcements" section will be included in future issues of the NYPTCLA **Bulletin**. The section will include new members, changes of addresses, obituaries and other significant happenings of Association members. To have your announcement included in a future issue, please send it with instructions to include it in the Bulletin to:

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Only announcements which are sent to the above address with specific authorization to print will be included.