



# NYPTC BULLETIN

Volume 27

July 1987

Number 6

## PRESIDENT'S CORNER

This column, the first of the Association year, allows me to thank all of you for the opportunity to serve as President of the NYPTCLA. I look forward to working with you and having your support over the coming year. The new Board of Directors has met twice and discussed plans for forthcoming activities.

### COMMITTEES

The First order of business is the organization of committees, which are the backbone of our Association. Our committees, which cover all facets of our practice, do the background work necessary for our Association to be effective. If you have not sent in your committee preference form, please contact me with your choice of assignment.

The Admissions Committee will be starting a membership drive shortly and asks all of you to help by encouraging your fellow attorneys to join the NYPTCLA.

### BICENTENNIAL

The Bicentennial Committee has been active in planning for a patent exhibit at the Federal Courthouse in Foley Square. We plan to include patent models and a poster-board type display. The opening of the exhibit is scheduled for the end of the year in conjunction with an Association meeting and an address by the Commissioner of Patents and Trademarks, Donald J. Quigg.

### JUDICIAL CANDIDATES

Candidates for at least one position on the Federal Circuit Court are under consideration. The majority of the Court's work is in intellectual property law and thus, we represent a constituency having a



Karl Jorda Passes Gavel to Paul Heller

strong interest in the judicial candidates. The NYPTCLA has been active in supporting the appointment of judges having a background in our area of the law and will continue this effort.

### LEGISLATION

On the legislative front, the Omnibus Trade Act of 1987 will need further consideration, particularly with regard to protection for U.S. patented processes practiced abroad. In addition, the patenting of new life forms has also been the subject of proposed legislation which imposes a moratorium on the granting of patents in this area. This has received considerable attention in the press and we hope to address the issue at an Association meeting.

### SUGGESTIONS

This is your organization and your participation is necessary to make it work. Please let me have your input on any matters of interest to you. Suggestions and, of course, volunteers, are welcomed. I hope you all enjoy your summer.

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## NEW OFFICERS ELECTED

The New York Patent, Trademark and Copyright Law Association, Inc. elected the following Officers for the 1987-1988 term at its Annual Meeting at the Grand Hyatt Hotel:

<b>President:</b>	Paul H. Heller
<b>President-Elect:</b>	David H.T. Kane
<b>1st V-President:</b>	John B. Pegram
<b>2nd V-President:</b>	Frank F. Scheck
<b>Treasurer:</b>	Mary-Ellen M. Timbers
<b>Secretary:</b>	Peter Saxon

Alfred P. Ewert; William J. Gilbreth and Leonard B. Mackey will also be elected to the Board of Directors for three-year terms.

The Nominating Committee for the 1987-88 term is Karl F. Jorda, Chairman; John O. Tramontine; William H. Dippert; Thomas M. Gibson and Evelyn M. Sommer.

# CLE WEEKEND A SUCCESS

On May 1-May 3, 1987, the Association held its annual Continuing Legal Education Weekend Seminar at Skytop Manor in the Poconos.

The weekend started off on Friday evening with a reception for the registrants and their guests after which Karl Jorda, the Association President, welcomed everyone to the weekend.

## WILLFUL INFRINGEMENT

On Saturday morning, the first program featured Robert L. Baechtold of Fitzpatrick, Cella, Harper & Scinto, speaking on willful infringement. He outlined major decisions from the Federal Circuit on this subject and commented on recent suggestions that patent litigation has become unduly focused on the quality of the parties' legal representation and that the "moral elements" underlying willful infringement should be purged.

Baechtold lamented that Federal Circuit decisions in this area were difficult to understand or reconcile - not because of too much emphasis on the moral element but, rather, because of too little. Willful infringement is, inescapably, a moral issue in which lack of good faith should be an essential element and an ultimate fact to be proved. Inconsistency results, he felt, when the court fails to distinguish between that ultimate fact and the objective, directly observable facts from which good faith may be inferred.

As an example, Baechtold gave the absence of a competent, exculpatory opinion of counsel. In a number of decisions, the proper test - whether the patentee proved the infringer's bad faith - has been supplanted by an inquiry of whether the infringer affirmatively proved that it obtained a clean opinion. The court, he remarked, has gone so far as to criticize the infringer for asserting attorney-client privilege, inferring that either there was no opinion or it was unfavorable.

Unless and until the court reassesses its views on willful infringement, he concluded, any prudent advisor should counsel clients not to embark on any commercial activity without having in hand a detailed, written, internally consistent opinion by a competent attorney, reflecting

a careful analysis of the patent claims, the prosecution history, the relevant art and the device in question, and containing firm unequivocal conclusions on validity or infringement.

## INEQUITABLE CONDUCT

Albert E. Fey of Fish & Neave then delivered a talk on "Inequitable Conduct - A Legal Issue, or a Moral One?" He discussed a number of Federal Circuit decisions dealing with inequitable conduct and commented on the controversy that those decisions have created. He reported that the AIPLA Board of Directors, as a result of this controversy, had proposed to the Commissioner of Patents and Trademarks a number of resolutions seeking a "rule of reason" approach to the problem.

He outlined the type of inequitable conduct that had arisen: failure to cite known, relevant, non-cumulative prior art; a failure to cite known sales or use before the critical date; a failure to report certain test reports; misrepresentation of those factors; and hiding a material reference or test result in a long list. He pointed out that a showing of inequitable conduct required a demonstration of materiality and intent and, under the clearly erroneously standard of review, the trial court's findings regarding those facts are rarely reversed.

He outlined the various standards of materiality which have been applied by the courts and the different ways by which intent to withhold or misrepresent can be demonstrated.

## MANAGING PATENT LITIGATION

Next on the agenda was a panel discussion entitled "Managing Patent Litigation - A Guide for Corporate Counsel," moderated by James J. Foster of Davis Hoxie Faithfull & Hapgood.

Joseph L. Lazaroff, a patent litigator with American Telephone and Telegraph, described how his company handles patent cases. He said that much of the litigation is done in-house, including not only the drafting of pleadings and the conducting of discovery but also, in certain situations, actually trying the case using in-house staff only. He described under what circumstances AT&T would consult out-

side counsel and gave details as to the division of labor between outside and inside counsel in those cases.

Steven J. Baron, corporate litigation counsel for patents and trademarks at American Home Products Company, outlined his company's successful approach to conducting litigation by using in-house attorneys. He described the types of cases which would be handled entirely in house, and the circumstances under which outside counsel would be used. In cases where outside counsel is retained, he described various measures American Home has taken with outside counsel to control what is done in the litigation and also to keep costs down.

Leonard P. Prusak, former Chief Patent Counsel at Johnson & Johnson, told the audience that his company had the policy of using outside attorneys for all patent litigation. He described how Johnson & Johnson determined which counsel to retain and summarized his company's experience. He said his company would be reluctant to use in-house attorneys to conduct any patent litigation.

John F. Sweeney of Morgan & Finnegan cautioned against companies becoming too dependent upon inside attorneys to handle patent litigation. In particular, he decried instances where companies have tried to handle litigation in house but later called in outside attorneys after it was too late to undo the damage that had been done.

## DEMONSTRATIVE EVIDENCE

This program was followed by a stimulating discussion of demonstrative evidence in intellectual property cases by John E. Kidd of Anderson, Russell, Kill & Olick, and Dr. Philip K. Anthony of Litigation Sciences Inc., Los Angeles, California. Mr. Kidd brought several exhibits that he had used at trials and explained the ways in which he had focused the jury's attention on the exhibits with quite favorable results.

Dr. Anthony showed slides which vividly demonstrated how to put together charts or other demonstrative exhibits to persuade the jury of the advocate's cause, and outlined the principal characteristics

such exhibits should have. He emphasized that graphics must convey a clear and understandable message, must be simple and straightforward, and should be free of extraneous and distracting information.

### COPYRIGHT LEGISLATION DEVELOPMENT

The Copyright session, chaired by Morton David Goldberg, opened with Dorothy Schrader, General Counsel, United States Copyright Office, providing an overview of treaty and legislative developments. Of particular interest is the current design protection legislation, H.R. 1603. Ms. Schrader noted that some form of design legislation has been pending in Congress since 1914. She also observed that the current legislation might be interpreted to cover the aesthetic external appearance of a product as well as the appearance of internal mechanisms. She expressed some concern that the latter coverage may not be in the best interest of the consumer.

### WORK-FOR-HIRE DOCTRINE

Fred Koenigsberg, Assistant General Counsel, American Society of Composers, Authors and Publishers (ASCAP), traced the history of the work-for-hire doctrine and reviewed case law under the Copyright Act of 1976. Mr. Koenigsberg noted what appeared to be a conflict between the legislative intent and current case law applying the work-for-hire doctrine to independent contractors. The statute lists specific situations where a work-for-hire will be found, while recent cases follow the interpretation of cases under the old Copyright Act to find a work-for-hire where the employer exercises supervision and control over the work.

### COMPUTER SOFTWARE PROTECTION

Morton David Goldberg, a partner in Schwab, Goldberg, Price & Dannay, spoke on protection of computer software, particularly the Whelan decision (*Whelan Associates, Inc. v. Jaslow Dental Laboratory, Inc.*, 797 F.2d 1222 (3d Cir. 1986)). Whelan granted protection to SSO (Structure Sequence and Organization). Mr. Goldberg believes this protection is in accord with basic copyright principles.

(Continued on page eight)

# NYPTCLA SENATE TESTIMONY

*Editor's Note: The following Testimony was submitted to the U.S. Senate by John O. Tramontine on behalf of The New York Patent, Trademark And Copyright Law Association on Senate Bills S. 568, 573 and 635*

### INTRODUCTION

The New York Patent, Trademark and Copyright Law Association strongly supports the enactment of legislation extending the current protection afforded by U.S. process patents so that our country's exports and imports will be on equal legal footing with those of our major industrial trading partners. But the problem with all three of these bills is that they go far beyond this laudable purpose and change our laws in a way that will adversely and unnecessarily affect our own domestic manufacturing industries.

These bills are described as bills "to protect patent owners from importation into the United States of goods made overseas by use of a U.W. patented process." But none of these bills are limited to goods made overseas. They include goods made in this country by domestic manufacturers and then extend liability for the first time to all persons who use or sell the product obtained from our U.S. manufacturers, notwithstanding that there is no U.S. patent on the product. There has been no attempt to marshal any justification for so changing our laws regarding goods made here in the United States.

### SUMMARY OF SUGGESTED MODIFICATIONS

We suggest that these bills should be modified so that they extend liability only to persons who import or make the first sale in the United States of the product produced by the patented process. This would accomplish the legitimate purpose of these bills by putting us on equal legal footing with our major industrial trading partners for purposes of our export and import trade. But because the domestic manufacturer (who is infringing the patented process) also will be the person who make the first sale in the United States, there will be no change in substance of our current laws regarding goods made in the United States.

With the extension of liability so constrained to accomplish its legitimate purpose, most of the other proposed provisions, e.g., the notice and limitation on liability provisions, become unnecessary. A presumption shifting the burden of going forward with the evidence (but not the burden of proof), is needed where the patent owner has been unable through discovery to determine the process actually used to make the product. The presumption provisions of these bills unfortunately speak of both the presumption (burden of going forward with the evidence) and the burden of proof (burden of "establishing" or persuasion). The presumption or "burden of proof" in foreign laws equates to our burden of going forward with the evidence, not to our burden of proof.

### BACKGROUND

Many, if not most, of our industrial trading partners (Group B countries) have process patent laws similar to those proposed in these bills. But they have them for reasons that have no application to the enforcement of U.S. process patents against our domestic manufacturers. The main reason for such process patent laws in foreign countries is that they do not have our discovery procedure in the enforcement of patent rights. Thus, the patent owners are unable through discovery in foreign Courts to determine the process used to make the product. We suffer no such disability in enforcing U.S. process patents against domestic manufacturers. Furthermore, in many foreign countries certain types of products cannot be patented, such as chemical and pharmaceutical products, food products and products of biotechnology. We have no such restrictions under our laws.

Thus, we have no need for such laws with regard to our domestic manufacture and domestic marketing. But notwithstanding that these foreign process patent laws came about for reasons that do not apply in this country, they have impacted the exports of our domestic manufacturers and parity for that reason is required.

## ADVERSE IMPACT ON DOMESTIC MANUFACTURERS

Under current law only the domestic manufacturer is liable for infringing a U.S. process patent. But he who uses or resells a product purchased from that domestic manufacturer will be liable for infringement of that process patent, notwithstanding that there is no U.S. patent on the product.

If liability for infringement is not cut off at the first sale, domestic manufacturers may be forced to disclose their secret process technology to a series of users and sellers to reassure them, or allow them to make their own determination, that they are not indirect infringers of any existing process patents. Furthermore, the domestic manufacturer and each person in the chain of distribution would be warranting, under Section 2-312(3) of the Uniform Commercial Code, that the product it delivers does not infringe a U.S. patent, which would now for the first time include process patents.

For an example, assume that Company A holds a patent on a process for making rubber. Company B (a domestic manufacturer) makes rubber which it sells to Goodyear, who sells its tires to General Motors, who sells its cars to consumers. Under the proposed bills, charges of infringement of the process patent could be made against every person in that chain. Those persons may be deemed joint tortfeasors (infringers) with joint and several liability.

If the patentee chooses to sue Goodyear, and the value of the tire greatly exceeds the value of the rubber raw material, Company B (who will be required, as a practical matter, to indemnify Goodyear) may face damage liability far in excess of the revenue it derives from selling the rubber.

## OBJECTIONS TO OUR SUGGESTED MODIFICATIONS

Those that oppose our suggested modifications do so on two main grounds— (1) that it would not meet the need for this legislation and (2) that the person who ultimately uses the imported product could be insulated from liability by using one or more intermediaries who would import and make the first sale in the United States.

First, on the need for this legislation, it has been said that process patentees require more effective enforcement means

against infringement by domestic manufacturers than merely suing those who actually use the patented process. We are not aware of any facts that would support this view, nor have any been advanced. It also has been said that use in a foreign country of a process that is patented in the United States and importation into the United States of the product is an impermissible circumvention of the patentee's exclusionary rights in the process. But the concept that a patent can only be infringed by acts within the country that issued the patent is elemental in the patent laws of every country, including our own.

Turning to the second point, the use of intermediaries to import and make the first U.S. sale would not insulate the ultimate domestic user of the imported product from liability. Under our existing laws, one who actively induces an infringement of a patent is liable as an infringer. 35 U.S.C. § 271(b). Thus, the ultimate domestic user who with knowledge of the U.S. process patent places a purchase order and thereby actively induces importation and first sale of the product would be liable as an infringer.

Also, by application of existing law, a foreign manufacturer who with knowledge of the U.S. process patent sells the product for importation into the United States would be liable as an active inducer of infringement. See, for example, *Honeywell, Inc. v. Metz Apparaterwerke*, 509 F.2d 1137 (7 Cir. 1965), *Engineered Sports Products v. Brunswick Corp.*, 362 F.Supp. 722 (D.Utah 1973) and *Hauni Werke Koerber & Co., K.G. v. Molins Ltd.*, 183 USPQ 168 (E.D.Va. 1974). Thus the holder of a U.S. process patent could have a remedy directly against the foreign manufacturer.

## CONCLUSION

Our Association believes that these bills can be improved by a more careful balancing of the needs of process patentees and the burdens imposed on domestic manufacturers and retailers. That balance can be achieved by defining, as acts of infringement, the importation into the United States, or the first sale in the United States, of a product made by a patented process.

John O. Tramontine

# JUDGE WARD SPEAKS ON PATENTS

Judge Robert J. Ward of the U.S. District Court for the Southern District of New York recently addressed the Association at its Annual Meeting on the topic of "Enforcing Patents and Trademarks in the Federal Courts".

## INNOVATION TO BE ENCOURAGED

Judge Ward stated that for our nation to continue to prosper, we must continue to encourage innovation. To this end, the effectiveness of the patent and trademark system plays an important role. A decline in technological achievement would adversely affect the country's well being.

The Federal Courts play two roles in implementing the patent and trademark statutes. The first is the application of the statutes to define the parties rights in specific cases and, if necessary, to fill in statutory gaps in the process. The second is to enforce those rights by deciding validity, granting damages and enjoining infringement. It is the function of Congress to protect inventors by granting rights and remedies against potential infringers and enforcing such rights. He noted that after enactment of the Trademark Counterfeiting of 1984, the Federal Courts have become more active in cracking down on foreign competitors who have copied trademarks and names used to identify popular products.

## CASES IN POINT

Judge Ward used two specific cases of his own to demonstrate how he has gone about enforcing the patent and trademark laws. In *U.S. Philips v. Micronetics*, 410 F.Supp. 449, he held one patent invalid and another valid and infringed. He noted, however, that the case consumed five years from the filing of the action to the decision and that the appeal took another year. Judge Ward felt that the expenditure in time and effort was worthwhile to the parties who received a reasoned decision which was

affirmed on appeal.

The trademark case was *Lambda Electronics v. Lambda Technology*, 515 F.Supp. 915, where he held that the defendants' use of the plaintiff's registered trademark in connection with its business of developing customized software applications created a likelihood of confusion as to the source of its services. Judge Ward noted that Lambda consumed two years from the filing of the suit to his decision and there was no appeal.

In Judge Ward's opinion, in order for the judicial system to be effective, it must be efficient and reliable. He expressed some concern about the efficiency of a system which consumes five years from filing to decision.

#### PRE-TRIAL ORDERS

Judge Ward noted that the Federal judicial system relies on notice pleading and courts cannot look to a bare bones complaint and answer or even to voluminous discovery which follows to determine the issues of fact. Most judge's will ordinarily rely on a pre-trial order which sets forth all of the stipulated and disputed issues of fact and law.

Judge Ward cautioned against pursuing weak arguments in a pre-trial order. In his opinion, counsel should realize that if they cannot win their case on the strong issues, they have little likelihood of winning on the weak ones. Weakness detracts immeasurably from strength and will reduce the overall appeal of one's case. Consequently, Judge Ward suggested that at any early state in the case, and before the pre-trial order, the issues should be distilled down and the weak ones eliminated.

#### PRE-TRIAL CONFERENCE

Judge Ward noted that within the first three months of an action, he will typically schedule a pre-trial conference. At that point, counsel should succinctly explain to the judge the nature of the suit, the identity of the parties and the issues. The factual issues involved should be discussed rather than the associated legal issues, except as they relate to immediate problems, i.e. jurisdiction. Also, counsel should be prepared to discuss a reasonable discovery plan which considers the content and length of time necessary to complete dis-

covery.

At the initial pre-trial conference, Judge Ward will encourage the parties to settle the case. He often tends to bring up the subject because he recognizes that many attorneys believe that if they initiate settlement discussions, it will be perceived as a sign of weakness.

#### MOTIONS FOR SUMMARY JUDGMENT

Judge Ward noted that most patent lawyers cannot rest until they file a motion for Summary Judgment. He suggested, however, that prior to filing such a motion, counsel should seek a pre-motion conference to explore whether it is worth the time and effort. He noted that complex suits are rarely resolved on such a motion.

#### TRIAL BRIEF

Judge Ward strongly suggested the filing of a pre-trial brief, preferably no later than 2 weeks before trial. This gives counsel an opportunity to explain any special features to the judge and his law clerk. He suggested appending copies of important or key cases to the back of the brief to give the judge an opportunity to easily refer to them should a question arise.

He counseled against citing exclusively to the U.S.P.Q.'s or to similar publications not likely to be found in the court library unless one attaches copies of the decision to the brief.

Above all, he stressed brevity. Peripheral issues should only be mentioned with passing comment. If, at trial, such issues develop, they can be hit strongly in final argument. Nothing will dissuade a court more from reading a brief than its length. A good brief should require no more than two hours of comfortable reading.

#### TRIAL PREPARATION

The name of the game in trial work is preparation. Cases should be carefully planned. Judge Ward noted that one should never underestimate the intelligence of the trier of fact, whether it be a judge or jury. Thus, one should not repeatedly prove facts which, in all probability, were understood the first time. In a jury trial, there will undoubtedly be two or three

jurors who have the ability to understand the case with a simple explanation of most points. Such jurors will also likely be the leaders during deliberations. He warned against turning them off by insulting their intelligence through unnecessary repetition.

Opening statements should be used to explain what will be proven at trial. The first witness should be a strong witness who can paint a full picture of all issues. Important evidence should be offered as soon as possible to give the trier of fact an early awareness and understanding of the case.

Witnesses should be made to understand the need for keeping their testimony on a level which is understandable to the judge or jury. They should stay away from industry jargon and technical language and phrases.

Models or samples of the device or products and charts, graphs or pictures should be fully used whenever possible.

## COMMITTEE REPORT HIGHLIGHTS

#### ANNUAL MEETING COMMITTEE

An evening meeting program was organized following the Annual Meeting on May 28, 1987 featuring Judge Robert J. Ward of the Southern District of New York.

The Association's Inventor of the Year Award was presented to Dr. Leo H. Sternbach, inventor of the LIBRIUM and VALIUM compounds.

#### ARBITRATION COMMITTEE

A book entitled "Guide to Patent Arbitration and Other Methods of Alternative Dispute Resolution" was submitted to and accepted for publication by BNA in the Fall of 1987. 2000 initial copies will be printed. The Committee worked with BNA Seminars' coordinator and the AAA on a joint seminar on patent arbitration for Fall, 1987.

### **COPYRIGHT COMMITTEE Copyright Court Procedure and Practice Sub-Committee**

The Sub-Committee compiled a list of cases relative to the curative provisions of Section 405 of the Copyright Act. Five cases were identified.

The Sub-Committee also studied the possible problems involved in U.S. adherence to the Berne Convention.

### **Copyright Legislation and Copyright Office Affairs Sub-Committee**

The Sub-Committee considered Senator Mathias' Berne Convention Implementation Act and his bill for the protection of the ornamental designs. The Sub-Committee favors the United States joining Berne and supports bills such as the Berne Convention Implementation Act. The Sub-Committee is concerned with the ability of any resulting statutes to override the provisions of the treaty and urges that everything possible be done to exclude "retroactivity" and "moral rights" as suggested by the Convention.

The Sub-Committee further supports the ornamental designs bill. It feels, however, that the law should be specific in reciting a standard for copying.

### **International Copyright Sub-Committee**

The Committee met on December 10, 1986 and discussed the following topics:

1. Amendment of Copyright Act to conform to Berne Convention.
2. International Protection of Computer Software.
3. Droit Moral.

### **ECONOMIC MATTERS COMMITTEE**

A meeting was held on February 11, 1987. The Committee considered the issue of professional liability insurance. No alternative recommendations were made, however, due to the Associations' limited bargaining power.

### **EMPLOYMENT COMMITTEE**

An active roster of perspective employers and employees is maintained. For a period of four months after an initial inquiry, employers receive all relevant

resumes received by the Committee. Committee business is conducted by telephone and mail.

### **FOREIGN PATENT LAW AND PRACTICES COMMITTEE**

A Committee luncheon was held at the U.N. Delegate's dining room in December, 1986. Two major projects were undertaken:

1. An analysis of the grey market as it relates to American-owned foreign patent portfolios; and
2. The preparation of a checklist for PCT application filing procedures which will be published in a future issue of the Bulletin.

### **FOREIGN TRADEMARK LAW AND PRACTICE COMMITTEE**

Consideration was given to a proposal supported by Dr. Arpad Bogesch of WIPO to amend the Madrid arrangement concerning the International Registration of Trademarks to make it more attractive to non-member countries such as the U.S. and U.K.

Regarding the EEC, a new draft of the proposed counsel regulations creating a community trademark registration system was issued. Important questions still remain unresolved.

The EEC has also issued a draft directive under which the member states would be required to harmonize their trademark laws.

### **HARMONIZATION OF PATENT LAWS SPECIAL COMMITTEE**

The Committee met to review the subjects contained on the agenda of the third session of the Committee of Experts on the harmonization of certain provisions and laws for the protection on inventions, being sponsored by WIPO in Geneva on March 23-27, 1987. The Committee report was reviewed by the Board and approved in almost all respects. The views of the Association were transmitted to Assistant Commissioner Michael Kirk. These views were subsequently used in Geneva at a caucus of the United States Delegation prior to commencement of WIPO sessions and many of the views and recommendation formed the basis of the U.S. position and the actual discussions.

The Chairman of the Committee was sent as the Association Delegate to the Geneva meetings and participated both in the caucus of the U.S. Delegation as well as during all of the sessions.

### **LEGAL AID COMMITTEE**

There were no opportunities to provide pro-bono legal services last year. In order to stimulate client referrals, a five-page memorandum was sent to the New York Legal Aid Society in February, 1987 highlighting the services offered by the Committee.

The Association sponsored Ms. Patricia Woodworth of the Lakeshore Central School District to a Buffalo conference on June 5, 1987.

### **LICENSE TO PRACTICE COMMITTEE**

The Committee met in early 1987. Its investigation of the New York State Bar Association movement to certify varied specialties failed and members were pessimistic that any revival of the movement would occur. The Committee will continue to serve as a watch dog to be alert to any revival of the movement.

### **NOMINATIONS COMMITTEE**

The Committee met and presented nominations of officers, members of the Board of Directors and members of the nominating committee. The so nominated individuals were elected and have now taken office.

### **PAST PRESIDENTS COMMITTEE**

The Committee met on May 7, 1987 and formulated the following recommendations:

1. Increased emphasis should be placed on the matter of ethics. Periodic articles should be published in the Bulletin by the Ethics Committee and one working luncheon per year should be devoted to the subject.

2. Attendance of state court judges at the Annual Dinner should be discouraged.

3. Different sub-committees should be formed to facilitate the operation of the Committee.

## U.S. PATENT LAW AND PRACTICE COMMITTEE

### Interference Law and Practice Sub-Committee

The Sub-Committee reviewed the proposed rule changes concerning arbitration of patent interferences and recommended that no comments be filed.

A questionnaire will be distributed in a future mailing to identify common and/or unanticipated problems which may arise under the new interference rules.

### PTO Affairs Sub-Committee

The Sub-Committee met and considered the PTO's implementation of Rule 56 (37 CFR 1.56).

It also reviewed the impact of PTO efforts to harmonize the patent laws and was represented at meetings of the PTO.

### Patent Legislation Sub-Committee

Numerous process patent bills have been introduced in Congress making it an act of infringement to import into the U.S. a product covered by a U.S. process patent and to use the product made by the patented process in the United States.

The Sub-Committee objects to extending liability to middlemen, retailers and consumers. It proposes liability be limited to importation and first sale. A draft bill was presented to Senator Lautenberg who, while not accepting the Association position, referred to it in the Congressional record.

At the request of the Sub-Committee, John Tramontine testified before the Senate on behalf of the Association.

### Antitrust, FOIA and Trade Secrets Sub-Committee

A formal meeting was held. The definition of "market" under *Walker Process* was considered. Further areas of concern included the interface between FOIA and trade secrets with the case of *Monsanto v. Ruckelshaus* being the starting point. Other areas considered included injunctions against the use of trade secrets as well as shrink wrap or site licensing.

## PROFESSIONAL ETHICS AND GRIEVANCES COMMITTEE

Only one inquiry was received by the Committee which, on examination, turned out to involve subject matter outside its jurisdiction. No complaints were referred to the Committee.

## PUBLIC INFORMATION AND EDUCATION COMMITTEE

1. Inventor of the Year Program - Dr. Leo Sternbach was selected as Inventor of the Year, 1987. Dr. Sternbach invented a new class of chemical compounds which led to the development of Valium and Librium.

2. Speakers Bureau and Teach Selection - The Committee met with the Legal Aid Committee to discuss a joint effort to promote a speakers bureau. This will be further pursued.

## PUBLICATIONS COMMITTEE

A formal meeting was held in October, 1986. The Bulletin format was changed to take advantage of recent advances in Desk Top Publishing. Regular President's Corner and Latest Legal sections were initiated and the Bulletin was expanded to 8 pages.

The Greenbook for Association years 1985-1986 and 1986-1987 was published and plans are underway for an October, 1987 publication date for the 1987-1988 Greenbook.

## U.S. TRADEMARK LAW AND PRACTICE COMMITTEE

A resolution was drafted for the Board taking a position of WIPO's Trademark Cooperation Treaty. John Pegram presented the resolution of the WIPO meeting in Geneva in November of 1986. The Association's position favored harmonization of intellectual property laws but did not specifically support the Trademark Cooperation Treaty. It also tracked the work being done by the Trademark Review Commission of the USTA.

# RECENT DECISIONS OF INTEREST

BY THOMAS A. O'ROURKE

## RIGHT TO JURY TRIALS

The Court of Appeals for the Federal Circuit, in *Gardco Manufacturing Inc. v. Herst Lighting Co.*, 34 B.N.A. P.C.T.J. 167 (C.A.F.C. June 8, 1987), was confronted with the issue of whether a patent owner was impermissibly denied the right to a jury trial. The district court in *Gardco* ordered separate trials on the issue of inequitable conduct and infringement and validity. The issue of inequitable conduct was to be tried before the Court while the issue of infringement and validity were to be tried before a jury according to the district court.

The district court conducted the bench trial on inequitable conduct first and held that the patent in suit was unenforceable. The patent owner argued on appeal that the bench trial on inequitable conduct violated its Seventh Amendment right to a jury trial on the issues of validity and infringement.

The C.A.F.C. discussed the scope of F.R.C.P. 42(b) and concluded that the Rule gives the district court broad discretion to separate out issues. The Court went on to discuss the affect of the Supreme Court's decision in *Beacon Theatres, Inc. v. Westover*, 359 U.S. 500 (1959) on the discretion of the district court to order that the equitable claim be tried before the legal issues. In *Beacon*, the Supreme Court held that "only under the most imperative circumstances... can the right to a jury trial of legal issues be lost through prior determination of equitable claims." The key factor in determining whether this trial of the equitable claim first would be improper is whether: "a prior trial on the issue of whether the patent is unenforceable for inequitable conduct would resolve factual issues reserved for jury trial."

In affirming the district court's decision, the C.A.F.C. rejected Herst's reliance on *American Hoist & Derrick Co. v.*

*Sowa & Sons Inc.*, 725 F.2d 1350 (C.A.F.C. 1984) which held that infringement and validity are "inherently intertwined" with the defense of inequitable conduct. The C.A.F.C. held that Herst had not met its burden to show that the factual issues relating to its legal claim of patentability and infringement "were so common with those relating to Gardco's equitable claims." The C.A.F.C. focused on the fact that the district court refused to make any findings relating to patentability and made no finding on infringement. It concluded:

Thus the conduct-of-the-applicant-in-the-PTO issue raised in the nonjury trial and the separated infringement/validity issues are distinct and without commonality either as claims or in relation to the underlying fact issues.

#### REGISTRABILITY OF TRADEMARKS USED FOR ADVERTISING SERVICES

The Trademark Trial and Appeal Board, following its long standing practice of rejecting trademarks for advertising services, affirmed the rejection of the mark **THE NOW GENERATION** for advertising services. The C.A.F.C., in *In re Advertising & Marketing Development Inc.*, 34 B.N.A. P.C.T.J. 170 (C.A.F.C. June 5, 1987), reversed and held that service marks for advertising services are registrable where the advertising services were sufficiently separate from the subject of the advertising and where applicant had used the mark to identify the advertising services themselves.

Applicant, Advertising and Marketing, created an advertising campaign called "The Now Generation" which was licensed to car dealers and banks. The T.T.A.B. affirmed the Trademark Examining Attorney's refusal to register the mark for advertising services even though Advertising & Marketing had submitted letterhead showing use of the mark. The T.T.A.B. based its decision on its view that potential customers were not likely to view the term on the letterhead as a trademark. In the initial appeal, the C.A.F.C. remanded the application without opinion because it could not determine the basis for the rejection. Advertising and Marketing thereupon submitted to the Trademark Examining Attorney affidavits of purchasers, a postcard

sent to banks, and an advertising specimen from a magazine to demonstrate use of the mark for advertising services.

The C.A.F.C. reversed the rejection of the application because the mark had been used for Advertising and Marketing's advertising services. The court set forth the following standard for determining whether a mark has been used on advertising services:

*Service mark registration is available for advertising or promotional services under the same standard as for their services, i.e., the mark must have been "used in the sale or advertising of services to identify and distinguish the services of one person, including a unique service, from the services of others and to indicate the source of the services, even if that source is unknown." Cases involving advertising services may present factual considerations including whether the services are "sufficiently separate" from the subject of the advertising, and whether the mark has been used to identify the advertising services themselves.*

#### GENERIC TRADEMARKS

The mark TAS-TEE for salad dressing was held not to be generic by the Seventh Circuit in *Henry's Food Products, Inc. v. Tasty Snacks, Inc.*, 34 B.N.A. P.T.C.J. 90 (7th Cir. May 26, 1987). The district court had granted summary judgment against the trademark owner relying on the Seventh Circuit's earlier decision in *Miller Brewing Co. v. G. Heileman Brewing Co.*, 561 F.2d 75 (7th Cir. 1977) where the Seventh Circuit had held that the mark "Lite" was generic for use on beer.

The Seventh Circuit reversed the district court and distinguished the Miller decision on the ground that "Lite" was an adjective which served "to classify the noun to which it is attached" i.e. beer. "Tasty", on the other hand, was a merely descriptive word and "describes a quality found in many genres of salad dressing."

The Seventh Circuit recognized that there is some opinion that some marks may be so highly descriptive that the marks should "be incapable of being removed from the public domain even if they are not in the traditional sense generic." The Sev-

enth Circuit rejected this argument and relied on the C.A.F.C.'s decision in *In re Seats* 757 F.2d 274 (C.A.F.C. 1985) to hold that even if highly descriptive, the mark would be entitled to protection upon a showing of secondary meaning.

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## CLE WEEKEND A SUCCESS

(Continued from page three)

### FAIR USE DOCTRINE

Jon A. Baumgarten of Proskauer, Rose, Goetz & Mendelsohn, compared the treatment of the fair use doctrine in the Supreme Court Harper & Row case with the Salinger decision in the Second Circuit. He supported the view that fair use should be more limited where the work is published or about to be published than where the work is unpublished but available e.g., for research through libraries.

#### Volume 27 July 1987 Number 6

The New York Patent, Trademark and Copyright Law Association, Inc.

The BULLETIN is published periodically for the members of the New York Patent, Trademark and Copyright Law Association. Annual Non-Member Subscription is \$15.00/yr. Single copies \$2.00. Correspondence may be directed to the Bulletin Editor, Gregory J. Battersby, P.O. Box 1311, 184 Atlantic Street, Stamford, CT 06904-1311. Telephone No. (203) 324-2828.

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