THE NEW YORK PATENT, TRADEMARK AND COPYRIGHT LAW ASSOCIATION

NYPTC BULLETIN

Volume 28 May/June 1988 Number 5

PRESIDENT'S CORNER

This is my last President's Corner, as I prepare for our Annual Meeting on May 19, 1988. That meeting will inaugurate our new Officers and Board, as well as honor the Inventor of the Year. Please join us at the Harley Hotel: business meeting at 5:00 P.M.; and dinner meeting at 6:30 P.M.

JUDGES' DINNER

Our Annual dinner in honor of the Federal Judiciary continues to be an outstanding event for our Association and our profession. The number of guests and attendees increases each year. Judge Brieant, our guest speaker this year, was well received and his timely remarks on the attorney-client privilege are reported in this issue of the Bulletin. The Federal Judges and our other guests widely support our dinner, in no small part due to our assignment of individual hosts to each guest. Thank you for your assistance in making this dinner such an enjoyable affair.

ASSOCIATION ACTIVITIES

Our Continuing Legal Education (CLE) activities are an important part of the NYPTCLA. The Fourth Annual Joint Patent Seminar in conjunction with the Connecticut, New Jersey and Philadelphia Patent Law Associations was held April 22, 1988 and was very successful.

November 11-13, 1988 a CLE program will be held in conjunction with the Boston Patent Law Association, at Mohonk Mountain House, New Paltz, N.Y.; please mark your calendars.

PROPOSED RULES AND LEGISLATION

As reported in earlier issues of the Bulletin, new rules are under consideration on reexamination and inequitable conduct and negotiations are proceeding on the harmonization of our patent laws with those of foreign countries. The trade bill is also in the forefront of legislative activities. Our Association has taken a position on each issue based on input from our committees. We will continue to pursue these matters and welcome your comments and your active participation in our committees which study these issues.

Thank you for your support in our many activities throughout the year. ■

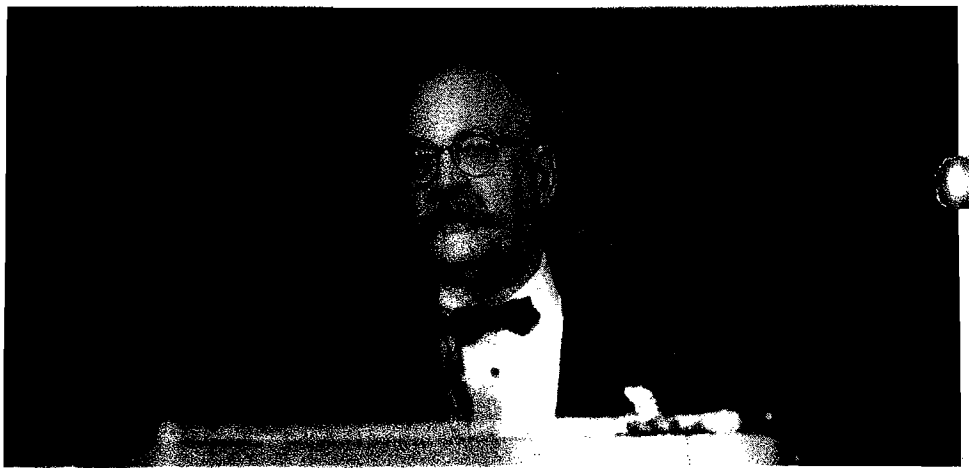
Paul H. Heller, President
One Broadway
New York, NY 10004
(212) 425-7200

The Dias at the Judge's Dinner

CALENDAR OF EVENTS

May 19, 1988	Annual Meeting for the Association.
May 20, 1988	N.J. Patent Law Assoc.: Jefferson Medal Dinner; Hon. Pauline Newman, Circuit Judge, United States Court of Appeals for the Federal Circuit, Recipient (Florham Park, NJ)
June 19-22, 1988	Assoc. of Corp. Patent Counsel: Summer Meeting (Lake George, NY).
October 19-22, 1988	A.I.P.L.A. Annual Meeting (Arlington, Va.)
November 11-13, 1988	NYPTCLA C.L.E. Weekend Seminar at Mohonk Mountain House (New Paltz, NY).

JUDGE'S DINNER FEATURES CHIEF JUDGE BRIEANT



Chief Judge Brieant of the S.D.N.Y.

The Association's Annual Dinner of Honor of the Federal Judiciary was held on March 25, 1988 at the Waldorf-Astoria Hotel in New York City. Chief Judge Charles L. Brieant of the United States District Court for the Southern District of New York was the guest speaker.

Over 2,000 members and their guests were in attendance, the largest dinner in the history of the Association. The dinner was coordinated by the Annual Dinner Committee headed by Association First Vice-President John Pegram.

ATTORNEY-CLIENT PRIVILEGE

Chief Judge Brieant spoke on the issue of attorney-client privilege and the need for its preservation against erosion. Judge Brieant noted that while the recent attacks on the privilege have been most heavily felt in the criminal area, the legal profession is a profession entirely of itself and, as such, when the criminal defense bar finds a wedge driven between itself and its clients, it will certainly have an effect on the patent bar as well.

It was noted that a recent Federal Circuit decision, *American Standard v. Pfizer*, held that a legal opinion regarding the validity of a patent which relied on the analysis of the prior art was not within the scope of the privilege. Outside counsel had prepared a legal opinion as to validity of a competitor's patent, concluding that the invention was anticipated by the prior art and the patent was invalid. The opinion was shared with another competitor and produced by that party to the patentee in discovery. Thereafter, the patentee sought to subpoena all of the information regarding the validity of the patent which had been generated by the author of the opinion and his client. The Federal Circuit held that the opinion was not privilege nor was the underlying material.

Judge Newman dissented in the American Standard case stating that the lower court decision finding the opinion not privileged "negated decades of hard-won precedent and was a giant step backwards into uncertainty, confusion and prejudice." Judge Newman noted that, heretofore, the prevailing view was that patent validity opinions based on prior art were legal opinions subject to the attorney-client privilege. Chief Judge Brieant was in agreement with Judge Newman's dissent.

Judge Brieant stated that for lawyers to do their work, they must be able to sit down with their client in total sanctity and learn all the facts which may be relevant to the advice which they render. The client must be totally free and uninhibited in disclosing not only what the attorney needs to know, but what the client may think the attorney needs to know. The attorney's response to such disclosures, by opinion or otherwise, must be privileged, less it reveal what the client told him. This permits the attorney to go to court and litigate in the uninhibited fashion which the experience of our forefathers and our own experience has shown will lead to an acceptable and just result.

RECENT SECOND CIRCUIT DECISION

The Second Circuit recently rendered an opinion in a criminal case called *In Re Grand Jury Subpoena Served Upon Doe*. John Doe is one of the great malefactors in history. He is always the perpetrator in our case books who cannot be found and for years has asserted hostile possession of real estate. In this John Doe case, the attorney was converted into a witness against his client, not due to participation by the attorney in illegal activities but through the receipt of a fee. The Second Circuit, building on the assumption that attorney fees and the client's identity are usually not within the privilege, required the attorney to appear before the grand jury "to provide links in the chain of evidence relating to the criminal conduct of others." The attorney's billing records were to be used in the grand jury Rico investigation. Rico, noted Judge Brieant, was named after the famous last line in the Edward G. Robinson movie where he is dying and says — "Well, they got Rico."

If the grand jury found that the client, as benefactor, had paid the lawyer to furnish legal representation to other members of a Rico enterprise, from that fact his leadership in the Rico enterprise could be inferred. Judge Brieant noted that hoodlums often pay the legal fees of accomplices just as corporations frequently pay the legal fees of their own employees who get into trouble while acting on company business. In the case of Doe, the mob leader benefactor undoubtedly thought that he was having a privileged communication with his attorney when he asked the attorney to represent the underling. The Second Circuit, however, held that there was no protection for this communication and that the attorney must appear before the grand jury and tell all, or bring his toothbrush and go to jail.

This decision, according to Judge Brieant, takes a hefty slice out of the confidential nature of the relationship between the attorney and client which must also inevitably lead to disqualification of that attorney from representing either his client of the benefactor at a future trial. Chief Judge Feinberg filed a dissenting opinion in the Doe case, noting that crucial interest of society were at stake and that it is society, not simply the attorney under subpoena or his indicted client that would feel the consequences of a practice impairing the lawyers effective representation of his client.

Judge Brieant noted that at least

five bar associations, including the Association of the Bar of the City of New York and the New York County Lawyer's Association filed amicus briefs supporting the attorney-client privilege.

IMPORTANCE OF PRIVILEGE

The attorney-client privilege, in the words of Judge Brieant, is the largest single thing that makes us all lawyers. While there has been some abuse of the privilege, e.g, play acting and delay in pretrial discovery, this privilege remains a central part of the greater concept of undivided loyalty what we owe to a client which permits us to listen and advise without fear of the consequence to either participant. It is what distinguishes us as lawyers from mere paper shufflers. In this golden age of the bar in this nation, if we allow destruction of the means which we serve, it will be our fault and everybody's loss. ■

ATTORNEY-CLIENT PRIVILEGE DISCUSSED

By Patrick J. Birde

At our January 12, 1988 Association luncheon, Gerald J. Flintoft of Pennie & Edmonds discussed various aspects of the attorney-client privilege, including recent developments in the law concerning application of attorney-client privilege in patent cases.

Mr. Flintoft briefly reviewed the general principles of attorney-client privilege and its rationale. In particular he discussed an article by Battersby and Grimes entitled "The Attorney-Client Privilege and Work Product Immunity In The Eyes Of The Accused Infringer", A.I.P.L.A. Q.J. Vol. 15:231-249 (1987).

IMMUNIZES COMMUNICATIONS

As pointed out by Mr. Flintoft, the attorney-client privilege protects communication between a client and his attorney by immunizing them from discovery. The privilege only applies, however, under the following circumstances:

(1) the asserted holder of the privilege is or sought to become a client; (2) the person to whom the communication was made (a) is a member of the bar of a court, or his subordinate and (b) in connection with this communication is acting as a lawyer; (3) the communication relates to a fact which was informed (a) by his strangers (b) without the presence of strangers (c) for the purpose of securing primarily either (i) an opinion law or (ii) legal services or (iii) assistance in some legal proceeding, and not (d) for the purpose of committing a crime or tort; and (4) the privilege has been (a) claimed and (b) not waived by the client. (citations omitted)

Generally, technical information communicated to an attorney for purposes of preparing patent applications (such as the results of research, tests and experiments), are not protected by attorney-client privilege. Such information clearly used in connection with an exercise of legal judgment may be privileged, however, including, for example, technical data required for the preparation of a legal opinion would be protected.

PRIVILEGE VITIATED

The attorney-client privilege may nevertheless be vitiated by a showing that otherwise patentable documents were prepared in furtherance of fraud on the Patent Office. The courts have traditionally required a *prima facie* showing of common law fraud before piercing the protective shield of attorney-client privilege. *Union Carbide Corp. v. Dow Chemical Co.*, 229 U.S.P.Q. 401 (D. Del 1985). A federal district court recently opined that evidence giving color to a charge of violation of the duty imposed by 37 C.F.R. 1.56 (under the Federal Circuit's test of materiality and intent) is sufficient to abrogate attorney-client privilege. *Synair Corporation v. American Industrial Tire, Inc.*, 645 F. Supp. 1080 (S.D. Tx. 1986). The common law "but for" test of materiality thus reduces to whether a substantial likelihood exists that a reasonable examiner would have considered the omitted or misrepresented information *important* in deciding whether to allow the application to issue as a patent.

The required intent may be shown by "acts the natural consequences of which are presumably intended by the actor". *American Hoist & Derrick Co. v. Sowa & Sons*, 725 F.2d 1350, 1363 (Fed. Cir. 1984) or gross negligence *Driscoll v. Cebalo*, 731 F. 2d 878, 884 (Fed. Cir. 1984).

Another interesting development relating to protection of validity opinions under the attorney-client privilege is *American Standard, Inc. v. Pfizer, Inc.*, 828 F. 2d 734 (Fed. Cir. 1987). American Standard sought discovery of confidential sales information relating to the patent in suit. It was alleged that the applicable attorney-client privilege had been waived by production of a validity opinion concerning the subject patent in another litigation. The District Court held that the opinion in question was never privileged because it relied on non-confidential information gleaned from public records or documents therefore, its production could not waive the attorney-client privilege. The Federal Circuit affirmed the District Court, though Judge Newman dissented in part, indicating that the discovery should have been denied on the ground that only the holder of a privilege can assert it. The dissent specifically notes:

Although the majority protests that it is not deciding for all fact situations, in the typical fact situation before us the majority negates the privilege of patent validity opinions based on prior art. *Id.* at 748.

CONCLUSION

In summary, Mr. Flintoft stated that the practitioner would be well advised to consider the ramifications of *American Standard* carefully when preparing validity opinions.

On a final note, Mr. Flintoft briefly discussed the potential pitfalls of counsel, especially in-house counsel, wherein a litigation their opinions were likely to be discoverable. In particular, such attorneys are likely to be deposed on related background materials and opinions and be fared with questions of disqualification and ethical concerns stemming from Canon 4 of the Model Code of Professional Responsibility.

■

OMNIBUS TRADE LEGISLATION: AN UPDATE

By David J. Lee

In 1987, the House and Senate passed separate omnibus trade reform bills. Each of the bills proposed extensive revision of various laws relating to patents.

Beginning in March of this year, the House and Senate conferred at length in an effort to resolve their differences over many aspects of trade reform (as well as their differences with the Administration). The House and Senate managed to iron out their differences in April. On April 22, the House passed a compromise bill (HR 3) by a wide margin (312 to 107). On April 27, the Senate passed the bill by a margin not quite as wide (63 to 36).

The compromise bill proposed numerous reforms affecting patent owners. The bill would increase protection for process patents and make it easier for patent owners to obtain relief under Section 337 from the International Trade Commission. Senate proposals for laws codifying patent misuse and the *Lear* doctrine did not survive conference.

Compromises made by the House and Senate in upgrading the rights of patent owners are detailed below. The future of the compromise bill is discussed in conclusion.

CONFERENCE COMPROMISES

1. PROCESS PATENT REFORM

A. The Senate Bill

The local point of conference discussions relating to process patent reform were the relevant provisions of the Senate's 1987 omnibus trade bill. The key aspects of this proposed legislation were amendments to Section 271 (infringement) and Section 287 (remedies), together with the addition of a new Section 295 (infringement presumption).

As passed last year, and as taken into conference, the Senate's proposal is divisible into four principal aspects. The first is a basic definition of process patent liability. The second is the erection of certain bars to any remedy for infringement. The third is the establishment of certain factors that a Court "shall consider" in fashioning a remedy for infringement. And the fourth is the establishment of a presumption of infringement where a Court finds a substantial likelihood of infringement and expenditure of reasonable effort by the plaintiff to determine the process actually used.

The Senate set forth its basic liability provision in a new subsection (g) of Section 271: "Whoever without authority imports into the United States or sells or uses within the United States a product which is made by a process patented in the United States shall be liable as an infringer." A product made by a patented process was exempted from liability if "materially changed by subsequent processes" or if "a trivial and nonessential component of another product."

The Senate bill addressed most issues of remedy in a new subsection (b) to Section 287. This provision opened by expressing the concept that infringement remedies generally available under the patent laws would be unavailable or limited in certain categories of infringement under new Section 271(g). The provision then defined three types of defendants against whom the full panoply of patent remedies would always be available [287(b)(1)]:

"The modifications of remedies provided in this subsection shall not be available to any person who —

"(A) practiced the patented process;

"(B) owns or controls, or is owned or controlled by, the person who practiced the patented process; or

"(C) had knowledge before the infringement that a patented process was used to make the product the importation use, or sale or which constitutes the infringement."

The Senate bill established two categories of infringement under Section 271(g) where no remedy whatever would be available. One category related to certain types of defendants. The other related to certain types of goods.

The defendants against whom no remedy could be granted where noncommercial users and sellers — "unless there is no adequate remedy under this title for infringement on account of the importation or other use or sale of that product" [271(g)]. Goods that were made remedy free were those "in the possession of, or in transit to the party, or which the party has made a binding commitment to purchase which has been partially or wholly manufactured, before the party had notice of infringement" [287(b)(2)].

Notice of infringement sufficient to disable the latter bar was defined by the Senate to encompass "actual knowledge, or receipt by a party of a written notification, or a combination thereof, of information sufficient to persuade a reasonable person that it is likely that a product was made by a process patented in the United States" [287(b)(5)(A)]. The patent owner was required to disclose in any written notification his "knowledge of any commercially feasible process other than the patented process which is capable of producing the allegedly infringing product" [287(b)(5)(B)]. Another way in which a patent owner could provide the requisite notice was to respond in writing to a "request for disclosure" by a prospective infringer [287(b)(5)(C)].

The request for disclosure and related procedures were a central facet of the Senate's process patent reforms insofar as they specified the evidence that a Court "shall consider" in determining the remedies appropriate to redress process patent infringement. The Senate contemplated that an actual or prospective importer, user or seller of goods would request in writing that a United States party manufacturing the same type of goods disclose "all process patents owned by or licensed to the party as of the time of the request that the party then reasonably believes could be asserted to be infringed under Section 271(g)" [287(b)(4)]. The Senate further contemplated that the manufacturer's response to the request would be forwarded by the requester to his manufacturer or suppler with a further request for a written statement that the processes identified by the United States manufacturer were not used [287 (b)(3)(B)].

The factors that a Court was required to consider in determining the appropriate remedy in an action for infringement under Section 271(g) were the following [287(b)(3)(A)]:

"(i) the good faith and reasonable business practices demonstrated by the defendant,

"(ii) the good faith demonstrated by the plaintiff with respect to the request for

disclosure..., and

"(iii) the need to restore the exclusive rights secured by the patent."

For the purposes of this inquiry, the Senate bill cited the following as evidence of good faith [287(b)(3)(B)]:

"[A] request for disclosure by a party, a response by the party receiving the request for disclosure within 60 days, and submission of the response by the party who received the disclosed information to the manufacturer, or if not known, the supplier with a request for a written statement that the process claimed in the disclosed patent is not used."

B. The Debate

Debate in conference over process patent reform centered on Sections 271(g) and 287(b) of the Senate bill. Other provisions of the Senate bill were identical with the House proposal.

Discussion of Section 271(g) focused on its exemption from infringement of infringing products that became "a trivial and nonessential component of another product." The Administration had originally proposed exemption of a "minor or nonessential component of another product," and the House had adopted this. In conference, the House agreed to the narrower Senate exemption.

Another debate over Section 271(g) related to its provision that "no remedy may be granted for infringement on account of the *noncommercial* use or retail sale of a product" unless the remedy against importers, commercial users or sellers other than retail sellers was inadequate (emphasis added). The House version related to "use" without qualification. In conference, the House agreed to the narrower Senate bar on remedy.

Discussion of Section 287(b) related in significant part to its bar or remedies as to any product "which the party has made a binding commitment to purchase and which has been partially or wholly manufactured" before there was notice of infringement [287(b)(2)]. The Administration had voiced strong objection to this provision, the House concurred in conference, and the Senate was persuaded to drop the provision.

This was considered by many conferees, including Representative Moorhead (R-Cal.), to be an important compromise (Cong. Rec. 4/20/88 p. 2293-94):

"[O]ne of the most important compromises was reached when the Senate agreed to delete its language that would have allowed an infringer to sell products for 'which the party has made a binding commitment to purchase and which has been partially or wholly manufactured, before the party had notice of infringement.' The language went to the heart of the process patent legislation. The whole purpose of this legislation is to preclude the importation of products that violate a U.S. process patent. The patent owner would never be certain as to what was 'partially or wholly manufactured, before the party had notice of infringement.' An infringer could put could put together 'a binding commitment' with the foreign manufacture that could last for years. In a practical sense, a U.S. patent owner cannot determine whether imported and infringing goods were or were not 'wholly or partially manufactured' when the commitment was made. These acts in a foreign country cannot be proved. Therefore, a court will be unable to assess damages or determine if there was actionable infringement. At best this language was mischievous and at worst it created a giant loophole."

Representative Hyde (R-Ill.) was one of the same mind (Cong. Rec. 4/20/88 p. 2291):

"The conference made a major improvement by adopting language that has the effect of deleting from the Senate amendment an exemption for goods which a 'party has made a binding commitment to purchase and which has been partially or wholly manufactured.' This agreement addresses one of the principal objections raised by industry and the administration, and eliminates the appearance of compulsory licensing.

The conference agreement allows an infringing entrepreneur to sell off all the inventory he has on hand and any product in transit to him. This agreement strikes a reasonable balance between the need to provide effective enforcement of process patent rights and the need to avoid undue hardship to importers and other parties who make commitments without knowledge of infringement by their manufacturers or suppliers.

Another debate over Section 287(b) was directed to the provisions governing the factors that a Court "shall consider" in making a remedy determination — factors relating principally to the Senate's proposed "request for disclosure" and related procedures. The House bill had few analogous provisions. It required only that a Court take into consideration "the good faith and reasonable business practices demonstrated by the infringer and the need to restore the exclusive rights of the patentee." There was no mention of any request for disclosure.

The House was not in favor of the Senate proposal of disclosure requests, as Representative Hyde (R-Ill.) later noted (Cong. Rec. 4/20/88 p. 2291):

"The conferees accepted the request for disclosure procedure of the Senate amendment, with modifications. I would have preferred no request for disclosure procedure. A large number of companies have complained that the request for disclosure procedure in the bill is an unnecessary burden on patent owners and gives patent owners responsibility for supplying information about patent rights that can be obtained easily by the other party from public files."

Representative Fish (R-N.Y.) further explained the House resistance to requiring response by a patent owner to a request for disclosure (Cong. Rec. 4/20/88 p. 2296):

"The Senate bill created a scheme where patent owners must 'identify all process patents owned *** or licenses*** that*** could be asserted to be infringed.' The House bill contained no such provision. We were able to substantially soften this provision."

"The 'request for disclosure' provision contained in the Senate bill, in the opinion of the House, turns conventional business practice on its head. The Senate bill created a situation where a competitor gets from the patent owner a list of patents that could be infringed if used by the competitor. Such a scheme protects infringers, imposes burdensome requirements on patent owners, and created a situation that is totally contrary to conventional business practice. There is no precedent in Federal law requiring a private business to disclose commercial information to competitors or suffer a penalty.

"The Senate version would have required in addition to the disclosure of patents owned by a plaintiff, the disclosure of license arrangements between patent holder and their licensees. This particular

part of the disclosure requirement in the Senate bill would impose a difficult administrative burden on the patent owner. The requirement failed to recognize that, while the disclosure of process patents represents the release of information already within the public domain, the disclosure of license arrangements does not. Such arrangements are a product of private contractual agreement between the parties, and the very existence of a contractual relationship between patent holders and their licensees constitutes sensitive business information."

The House went along with the Senate after certain amendments were agreed to. One amendment dropped the requirement that a patent owner identify licenses; a replacement provision required a patent licensee in receipt of a request for disclosure to respond directly or pass the request on to the patent owner [287 (b) (4) (B)]. Another amendment provided that a patent owner need not respond to a request for disclosure where he has marked "the number of the process patent on all products made by the patent process which [he] has...sold...in the United States before a request for disclosure is received" [287 (b) (4) (C)]. Yet another amendment provided that a patent owner is entitled to a reasonable fee for responding to a request for disclosure —"in no case more than $500" [287 (b) (6)].

Also discussed in conference was the provision in Senate Section 287 that written notification would constitute notice of infringement only if it set forth the patent owner's "actual knowledge of any commercially feasible process other than the patented process which is capable of producing the allegedly infringing product" [287 (b) (5) (B)]. No comparable requirement appeared in the House bill, and it was deleted at the request of the House. Representative Moorhead (R-Cal.) expressed the views held by some of the House conferees (Cong. Rec. 4/20/88 p. 2294):

"Another significant act of the conferees occurred when the Senate agreed to delete from its notice provision the language 'any commercially feasible process other than the patented process' was likely to have been used. The conferees decided against setting forth examples in the statute of the types of information that would be persuasive. In particular, the conferees dropped the Senate version's requirement that the patent holder set forth such information as is reasonably necessary to fairly explain the patent holder's belief that no commercially feasible process other than his was likely to have been used. The patent holder is not intended to have to establish a negative — that no other process could have been used on top of having to provide information that the patent holder has good faith reasons to believe that it is likely his patented process was used. Furthermore, it is not the intent of the conferees to require patent holders, as a condition of enforcing their intellectual property rights, to explain to foreign and domestic competitors how to avoid infringing their patent with a list of all commercially feasible processes, patented and unpatented, known to them for producing the product. Nor is it the intent of the conferees that a written notification provide a road map of how to defend against the allegation of infringement. Certainly, the conferees do not believe that information be required to achieve notice that would not be required to win the infringement case.

"Conferees realized that parties may have access to many sources of information in addition to whatever written communication might originate from the patent holder. This bill is not intended to condone a practice of 'putting one's head in the sand' or shutting one's eyes to suspicious business practices. Thus, the legislation requires a court to consider what other information was available to the infringer which would heighten a reasonable person's concern that he might be infringing. At such a time as the totality of information available to a party is sufficient to persuade a reasonable person that infringement is likely, the court shall designate the party to have had notice.

"For example, if a party is dealing with a supplier he knows to have a reputation for infringing patents, the written communication from the patent holder need not be as complete as that required under paragraph 5(B). Similarly, if the normal practice in the industry that supplies the particular type of goods is to infringe, the importer or seller may have a higher responsibility to investigate and gather his own information."

The House also sought and obtained a revision of the Senate proposal that a party who receives written notification of infringement then but then seeks no information from his manufacturer or supplier "shall, absent mitigating circumstances, be deemed to have notice of infringement" [287(b)(5)(C)]. The revision provides that the recipient of either a written notification or a response for a request for disclosure is deemed to have notice of infringement "unless that person, absent mitigating circumstances" [287 (b)(5)(C)]:

"(i) promptly transmits the written notification or response to the manufacturer or, if the manufacturer is not known, to the supplier, of the product purchased or to be purchased by that person; and

"(ii) receives a written statement from the manufacturer or supplier which on its face sets forth a well grounded factual basis for a belief that the identified patents are not infringed."

The term "mitigating circumstances" was defined in an earlier section of the bill relating to good faith and requests for information [387(b)(3)(B)]. That another was intended in this later section of the bill is apparent from the Congressional record [Cong. Rec. 4/20/88, p. H2163]:

"The term 'mitigating circumstances' is meant to encompass the death or incapacity of the person who was intended to make the submission or an inability to locate the manufacturer/supplier due to his no longer being in business, or inability of the manufacturer to respond to the submission because such manufacturer has gone out of business."

2. SECTION 337 REFORM

Compared to the debate in conference over process patent reform, the debate over amendments to Section 337 were relatively short and to the point. The differences between the House and Senate proposals for modification of Section 337, as they went into conference, were relatively minor.

The Senate gave in on its proposal to require "impairment" as well as "prevention of" the establishment of an industry in cases where the injury requirement was retained. The Senate gave in on its proposal that the House definition of "industry" apply to cases involving common-law trademarks and trade secrets as well as other enumerated cases ("copyrights, patents, registered trademarks and mask works"). The House accepted the Senate proposal that the bond posted by a complainant in return for issuance of a temporary exclusion order be forfeited to the respondent if the Commission later determined that Section 337 had not been violated by the respondent. The House and Senate merged their proposals relating to the cease and desist orders to clarify that these orders could be used in addition to or

OMNIBUS TRADE LEGISLATION : AN UPDATE

APPENDIX

PROCESS PATENT REFORMS

Set forth below is a comparison of the process patent reforms passed by the Congress in April 1988. The conference version of the Senate reforms was used as a basis for comparison. Material added to the Senate version is underlined; material deleted from the Senate version is in brackets.

1. SECTION 154 [NEW CLAUSE]

Section 154 of title 35, United States Code is amended by inserting after "United States [,]" the following: "and, if the invention is a process, of the right to exclude others from using or selling throughout the United States, or importing into the United States, products made by that process,".

2. SECTION 271 [NEW PARAGRAPH (g)]

"(g) Whoever without authority imports into the United States or sells or uses within the United States a product which is made by a process patented in the United States shall be liable as an infringer, if the importation, sale or use of the product occurs during the term of such process patent. In an action for infringement of a process patent, no remedy may be granted for infringement on account of the noncommercial use or retail sale of a product unless there is not adequate remedy under this title for infringement on account of the importation or other use or sale of that product. A product which is made by a patented process will, for purposes of this title, not be considered to be so made after —

"(1) it is materially changed by subsequent processes; or

"(2) it becomes a trivial and nonessential component of another product."

3. SECTION 287 [NEW PARAGRAPH (b)]

"(b)(1) An infringer under section 271(g) shall be subject to all the provisions of this title relating to damages and injunctions except to the extent those remedies are modified by this subsection ot section 9006 [105] of the Process Patent Amendments Act of 1988 [1987]. The modifications of remedies provided in this subsection shall not be available to any person who-

"(A) practiced the patented process;

"(B) owns or controls, or is owned or controlled by, the person who practiced the patented process; or

"(C) had knowledge before the infringement that a patented process was used to make the product the importation, use, or sale of which constitute the infringement.

"[(b)] (2) No remedies for infringement under section 271(g) of this title shall be available with respect to any product in the possession of, or in transit to, *the person subject to liability under such section before that person had notice of infringement with respect to that product. The person subject to liability shall bear the burden of proving any such possession or transit.* [the party, or which the party has made a binding commitment to purchase and which has been partially or wholly manufactured, before the party had notice of infringement as defined in paragraph (5). The party shall bear the burden of proving any such possession, transit, binding commitment, or manufacture. If the court finds that (A) the party maintained or ordered an abnormally large amount of infringing product, or (B) the product was acquired or ordered by the party to take advantage of the limitation on remedies provided by this paragraph, the court shall limit the application of this paragraph to that portion of the product supply which is not subject to such a finding.]

"[(b)] (3) (A) In making a determination with respect to the remedy in an action brought for infringement under section 271(g), the court shall consider—

"(i) the good faith [and reasonable business practices] demonstrated by the defendant *with respect to a request for disclosure,*

"(ii) the good faith demonstrated by the plaintiff with respect to a [the] request for disclosure [as provided in paragraph (4)], and

"(iii) the need to restore the exclusive rights secured by the patent.

4. SECTION 295 [NEW]

"§ 295. Presumption: Product Made by patented process"

"In actions alleging infringement of a process patent based on the importation, sale, or use of a product which is made from a process patented in the United States, if the court finds—

"(1) that [there is evidence establishing] a substantial likelihood *exists* that the product was made by the patented process, and

"(2) that the *plaintiff* [claimant] has made a reasonable effort to determine the process actually used in the production of the product and was unable so to determine, the product shall be presumed to have been so made, and the burden of establishing that the product was not made by the process shall be on the party asserting that it was not so made."

"(B) For purposes of subparagraph (A) [(a)], the following are evidence of good faith:

"(i) a request for disclosure made by the defendant;

"(i) a response within a reasonable time by the person receiving the request for disclosure; and

"(iii) the submission of the response by the defendant to the manufacturer, or if the manufacturer is not known, to the supplier, of the product to be purchased by the defendant, together with a request for a written statement that the process claimed in any patent disclosed in the response is not used to produce such product.

[a request for disclosure by a part, a response by the party receiving the request for disclosure within 60 days, and submission of the response by the party who received the disclosed information to the manufacturer, or if not known, the supplier with a request for a written statement that the process claimed in the disclosed patent is not used.] The failure to perform any [such] acts *described in the preceding sentence* is evidence of absence of good faith unless there are mitigating circumstances. Mitigating circumstances [shall] include the case which, due to nature of the product, the number of sources for *the* product[s], or like commercial circumstances, a request for disclosure is not necessary or practicable to avoid infringement.]

"[(b)] (4) (A) For purposes of *this subsection* [paragraph (3)], a 'request for disclosure' means a written request made to a *person* party] then engaged in the manufacture of[a product to identify all process patents owned by or licensed to *that person* [the party] as of the time of request, that the *person* [party] then reasonably believes could be asserted to be infringed under section 271(g) if that product were imported into, or sold or used in, the United States by an unauthorized *person* [party]. A request for disclosure is further limited to a request—

"(i) [(A)] *which is* made by a *person* [party] regularly engaged in the United States in the sale of the same type of products as *those manufactured by* the *person* [party] to whom the

request is directed, or [a request] which includes facts showing that the *person making the request* [requester] plans to engage in the sale of such products in the United States;

"(ii) [(B)]*which is* made *by* [prior to] such *person* [party's] *before the person's* first importation, use, or sale of units of the product produced by an infringing process and *before the person had* [prior to] notice of infringement *with respect to the product;* and

"(iii) [(C)] which includes a representation by the *person making the request that such person* [requesting party that it] will promptly submit the patents identified *pursuant to the request* to the manufacturer, or if *the manufacturer is* not known, *to* the supplier, of the product to be purchased by the *person making the request* [requester], and will request from that manufacturer or supplier a written statement that none of the processes claimed in those patents is used in the manufacture of the product.

"(B)In the case of a request for disclosure received by a person to whom a patent is licensed, that person shall either identify the patent or promptly notify the licensor of the request for disclosure.

"(C) A person who has marked, in the manner prescribed by subsection (a), the number of the process patent on all products made by the patented process which have been sold by that person in the United States before a request for disclosure is received is not required to respond to the request for disclosure. For purposes of the preceding sentence, the term 'all products' does not include products made before the effective date of the Process Patent Amendments Act of 1988."

"(5)(A) For [the] purposes of this subsection, notice of infringement means actual knowledge, or receipt by a *person* [party] of a written notification, or a combination thereof, of information sufficient to persuade a reasonable person that it is likely that a product was made by a *process* patented *in the United States* [process].

"(B) A written notification from the patent holder charging a *person* [party with infringement shall specify the patented *process* alleged to have been used and the reasons for a good faith belief that such process was used. [If t]The patent holder *shall include in* [has actual knowledge of any commercially feasible process other than the patented process which is capable of producing the allegedly infringing product,] the notification [shall set forth] such information [with respect to the other processes only] as is reasonably necessary to [fairly] explain *fairly* the patent holder's belief, *except that the patent holder* [and] is not required to disclose any trade secret information.

"(C) A *person* [party] who receives a written notification [as] described in [the first sentence of such] subparagraph (B) *or a written response to a request for disclosure described in paragraph (4) shall be deemed to have notice of infringement with respect to any patent referred to in such written notification or response unless that person, absent mitigating circumstances—*

"(i) promptly transmits the written notification or response to the manufacturer or if the manufacturer is not known, to the supplier, of the product purchased or to be purchased by that person, and

"(ii) receives a written statement from the manufacturer or supplier which on its face sets forth a well grounded factual basis for a belief that the identified patents are not infringed."

[and fails to thereafter seek information from the manufacturer, or if not known, the supplier, as to whether the allegations in the notification are true shall, absent mitigating circumstances, be deemed to have notice of infringement. This provision shall apply even though the notification does not establish notice of infringement under subparagraph (A).]

["(D) A party who fails to make the submission referred to in subsection (b) (4) (C) shall be deemed to have notice of infringement.]

["(E) Filing of an action for infringement shall constitute notice of infringement only if the pleadings or other papers filed in the action meet the requirements of subparagraph (A)."]

"(F) A person who receives a response to a request for disclosure under this subsection shall pay to the person to whom the request was made a reasonable fee to cover actual costs incurred in complying with the request, which may not exceed the cost of a commercially available automated patent search of the matter involved, but in no case more than $500."

5. EFFECTIVE DATE

(a) (1) IN GENERAL.— The Amendments made by this *sub*title *take effect 6 months* [shall apply only to products made or imported] after the date of [the] enactment of the Act *and subject to subsections (b) and (c), shall apply only with respect to products made or imported after the effective date of the amendments made by this subtitle.*

(b) [(2)] EXCEPTIONS.— *The amendments made by this subtitle* shall not abridge or affect the right of any person or any successor in business of such person to continue to use, sell, or import any specific product already in substantial and continuous sale or use by such person in the United States on *January 1, 1988,* [May 15, 1987,] or for which substantial preparation by such person for such sale or use was made before such date, to the extent equitable for the protection of commercial investments made or business commenced in the United States before such date. This *subsection* [paragraph] shall not apply to any person or any successor in business of such person using, selling, or importing a product produced by a patented process that it the subject of a *process* patent [process] enforcement action commenced before January 1, 1987, be fore the International Trade Commission, that is pending or in which an order has been entered.

(c) [(b)] RETENTION OF OTHER REMEDIES.— The amendments made by this *sub*title shall not deprive a patent owner of any remedies available under subsections (a) through (f) of section 271 of title 35, United States Code, under section 337 of the Tariff Act of 1930, or under any other provision of law.

6. REPORTS TO CONGRESS

(a) CONTENTS. —The Secretary of Commerce shall, not later than the end of each 1-year period described in subsection (b), report to the Congress on the effect of the amendments made by this *sub*title on [the importation of ingredients to be used for manufacturing products in the United States in] those domestic industries that submit complaints to the Department of Commerce, during that 1-year period, alleging that their legitimate sources of supply have been adversely affected by the amendments made by this *subtitle.*

(b) WHEN SUBMITTED. —A report described in subsection (a) shall be submitted with respect to each of the five 1-year periods which occur successively beginning on the *effective* date of the [enactment of this Act] *amendments made by this subsection* and ending five years after that *effective* date. ■

THE NEW YORK PATENT, TRADEMARK AND COPYRIGHT LAW ASSOCIATION, INC.

COMMITTEE PREFERENCE SHEET 1988 — 1989

NAME: _____ FIRM OR CORPORATION: _____

ADDRESS: _____

TEL. NO.: _____

RECENT NYPTCLA COMMITTEE SERVICE
(Please indicate if Chairman or Sub-Committee Chairman)

Year	Name of Committee
1987-1988	_____
1986-1987	_____
1985-1986	_____

COMMITTEE SERVICE IN OTHER BAR ASSNS.
(Please indicate if Chairman or Vice-Chairman)

Year	Name of Committee
1987-1988	_____
1986-1987	_____
1985-1986	_____

PLEASE INDICATE YOUR FIRST, SECOND AND THIRD CHOICES FOR ASSIGNMENT TO A COMMITTEE. EVERY EFFORT WILL BE MADE TO MATCH COMMITTEE ASSIGNMENTS WITH YOUR PREFERENCE LISTING.

1. ADMISSIONS _____
2. ARBITRATION _____
3. CONTINUING LEGAL EDUCATION _____
4. COPYRIGHTS _____
5. ECONOMIC MATTERS AFFECTING THE PROFESSION _____
6. EMPLOYMENT _____
7. FOREIGN PATENT LAW AND PRACTICE _____
8. FOREIGN TRADEMARK LAW AND PRACTICE _____
9. INCENTIVES FOR INNOVATION _____
10. LEGAL AID _____
11. LICENSE TO PRACTICE REQUIREMENTS _____
12. MEETINGS AND FORMS _____
13. U.S. PATENT LAW AND PRACTICE _____
14. PUBLIC AND JUDICIAL PERSONNEL _____
15. PUBLIC INFORMATION AND EDUCATION _____
16. PUBLICATIONS _____
17. U.S. TRADEMARK LAW AND PRACTICE _____

PLEASE RETURN DIRECTLY TO:
David H.T. Kane, Esq.
NYPTCLA
20th Floor
711 Third Avenue
New York, NY 10017

in lieu of exclusion orders and to increase the penalties for violation.

The issue debated most strenuously was the House proposal that authority to review and disapprove Commission determination be transferred from the President to the Trade Representative, a proposal that had evoked considerable opposition from the Administration. In the end, the House gave in, as Representative Fish (R-N.Y.) noted on the record (Cong. Rec. 4/20/88, p. 2296-297):

"The main difference between the two bills concerned transferring authority which now reside in the President to the U.S. Trade Representative. This change in existing law was found in the House version and similar restrictions run through the entire House bill. This is one of the provisions that the President strongly objected to. The House receded on this point making the bill more acceptable to the President."

3. PATENT MISUSE AND LEAR

As it went into conference, the Senate bill set forth provisions relating to patent misuse and the *Lear* doctrine. Neither provision survived conference, apparently because full agreement could not be reached and because recent CAFC decisions resolved some of the legislative concerns. Representative Moorhead (R-Cal.) later commented as follows (Cong. Rec. 4/20/88, p. 2295):

"The conference did not reach agreement on patent misuse doctrine reform or on legislation covering the rights in a patent license agreement when the licensee challenges the validity of the patent litigation. I would have favored appropriate legislation to eliminate the patent misuse doctrine to the extent that it prohibits patent licensing practices that do not violate the antitrust laws. The courts should rely on the antitrust laws as the measure of licensing practices that interfere with competition. The patent misuse doctrine, containing arbitrary prohibitions against certain licensing practices, discourages licensing that could stimulate competition and result in more widespread commercialization of technology for the benefit of the U.S. economy.

"The conferees were unable to resolve all of the issues relating to licensee challenges to patent validity. Confusion has existed in patent law concerning the rights of licensees and licensors since the ruling by the U.S. Supreme Court in Lear against Adkins in 1969. Relatively recent decisions by the U.S. Court of Appeals for the Federal Circuit, however, have answered some of the questions that existed when the legislation on this topic was originally drafted.

Representative Fish (R-N.Y.) further reported that House conferees had managed to obtain a commitment from the House for a public hearing on patent misuse legislation and separate processing of a misuse bill (Cong. Rec. 4/20/88, p. 1196):

"Another patent provision contained in the Senate trade bill which I wish we were able to retain but we were not ... dealt with the patent misuse doctrine ... The Senate conferees, and a number of House conferees including myself, strongly supported patent misuse reform. Although we were unable to retain the Senate patent misuse provision we were able to obtain a commitment from the House subcommittee chairman to hold a public hearing on the issue and begin the separate processing of a patent misuse reform bill."

In a related development, Representative Kastenmeier (D-Wis.) introduced a bill relating to patent misuse on March 3, 1988 [HR 4086]. The bill would replace Section 271 (d) with a provision denying any remedy to a patent owner guilty of misuse. The bill propounds six examples of patent misuse and six examples of conduct deemed not to be misuse.

THE UNCERTAIN FUTURE

The Administration frequently has opposed process patent reforms adopted by the House or Senate. At one point, the President was prepared to veto any bill that contained the Senate version of process patent reforms.

The Administration apparently has been mollified by the compromises worked out by the House and Senate in conference. The Administration's opposition to the trade bill has shifted to other fronts.

On May 2, 1988, in a speech before the United States Chamber of Commerce, the President strongly denounced a provision in the trade bill that would require employers to provide employees with at least 60 days' advance notice of a plant closing or major layoff. The President added that this provision was "not the only bad one in the bill," apparently referring to provisions in the trade bill that would limit oil exports from Alaska, and perhaps also to provision aimed at punishing Toshiba for its sales of technology to the Soviet Union. A veto appears likely.

Whether Congress can override a veto is unclear. Sixty-three Senators voted for the trade bill, less than the two-thirds majority need to override a veto. The possibility of an alternate bill — a bill without the provisions causing the veto — appears dim. Democratic leaders have all but rejected the possibility. According to an aide to Senator Byrd (D-W.Va.), the Senate majority leader, the Senator believes that "the schedule is so crowded that the prospects for getting another bill out are unlikely." ■

The author thanks Edward P. Kelly and Louise E. Studer for assistance in preparing this article.

REVISION OF THE LANHAM ACT

Since it was introduced into the Senate on November 19, 1987, by Senator Dennis DeConcini (D-AZ), the Trademark Law Revision Act, Senate Bill 1883, had seen good activity in both Houses of Congress. The Senate Judiciary Committee's Subcommittee on Patents, Copyrights and Trademarks, chaired by Sen. DeConcini, held a hearing on the bill on March 15. That same day, Representative Carlos Moorhead (R-CA) introduced the companion bill, H.R. 4156, into the House.

The House bill has been referred to the Judiciary Committee's Subcommittee on Courts, Civil Liberties and the Administration of Justice, chaired by Representative Robert Kastenmeier (D-WI), and awaits hearing scheduling. Meanwhile, the Senate Subcommittee markup of S. 1883 was conducted April 13, the vote being 7-0 in favor of the bill. A full Judiciary Committee vote was scheduled for April 26, but a quorum was not present. A vote on the bill is scheduled for the Committee's next meeting. No opposition is expected. Once clearing the Committee, the bill will move to the floor of

the Senate.

Prior to the Senate Subcommittee's markup of S. 1883, Senators Grassley (R-IA), Heflin (D-AL) and the Hatch (R-UT) joined as cosponsors. The unanimous approval of the bill, as amended, is an optimistic sign. In his comments at the Subcommittee markup, Sen. DeConcini recognized the importance of that the Federal Trademark Law be revised, and noted, in particular, the intent-to-use, dilution, and false advertising provisions. In commenting on the provision for dilution, he said that this new federal cause of action will afford protection for famous marks against others "unfairly trading on the goodwill and notoriety of the mark."

Senators Grassley, Hatch and Leahy also voiced support for S. 1883. Sen. Grassley noted that the bill is a strong piece of consensus legislation offering advantages to both small and large companies. He commended USTA for its outstanding work. Sen. Hatch said that he appreciated the accommodations that had been made to address his needs in the amendments to the bill and that, because of the importance of the bill, he agreed to cosponsorship despite some concerns he still had. Sen. Leahy remarked that he joined his colleagues in recognizing the importance of S. 1883.

The amended, or substitute, version of S. 1883 provided for the following changes:

1. The provision for intent-to-use (i) will not allow concurrent use applications to be filed on the basis of intent-to-use, (ii) will allow for appeals, as well as petitions, of PTO refusals to accept statements of use, and (iii) will clarify the language regarding "bona fide".

2. Section 43(a)'s false advertising language was amended to delete reference to "material omissions". This change in the bill was prompted by concerns voiced by the advertising community, but deletion of the language is specifically intended not to affect current case law.

3. The bill's provision for a separate cause of action under section 43 (a) for tarnishment and disparagement was eliminated.

4. The dilution language was modified to include as equitable considerations "among other things, the good faith use of an individual's name or an indication of origin" when crafting injunctive relief.

The definition of "dilution" was also refined to read, "the material reduction of the distinctive quality of a famous mark through use of the mark by another person, regardless of the presence or absence of (1) competition between the users of the mark, or (2) likelihood of confusion, mistake, or deception arising from that use."

The substitute bill includes several amendments to address technical comments made up by the Patent and Trademark Office and the language to "clean up" certain non-substantive inconsistencies in the Lanham Act. ■

CANADA LAW UPDATE

NEW PATENT LAW - BILL C-22

The new Canadian Patent Act, known as Bill C-22, was passed by Parliament on November 19, 1987.

The new Statute combines the first *major reform* of the patent law since 1935 with revision of the 1969 *compulsory licensing* provisions relating to pharmaceutical patents. The licensing provisions are already in force, but the other aspects will only be activated once Rules and Regulations have been finalized, perhaps in late 1988.

Strange as it may seem, it took a serious decline of Canadian pharmaceutical manufacturing and research because of the 1969 compulsory licensing provisions to attract enough political clout for patents to rise to an active level on the legislative totem pole. Otherwise, the major overhaul might not have seen the light of day. Thus, it was a case of the tail wagging the dog, with the controversial pharmaceutical aspects provoking a constitutional crisis earning the legislation the nickname, the "Drug Patent Bill" while the major reform went quietly through unopposed.

In the *major overhaul*, the legislators adopted what someone called a "pothole approach", patching up the complex wording and arrangement of the existing Statute rather than rewriting it. Moreover, the Statute is not a complete "road map" in itself, but will require verbal detours back and forth to the Rules for complete directions as to office procedure, time limits and costs. So, until the Rules are published, the picture remains incomplete.

This background is mentioned to point out that the Canadian approach differs from that in the United States where the patent Statute seems to stand on its own feet, not only setting out the substantive law, but also describing the accompanying procedure, including time limits and fees.

MAIN THRUST - HARMONIZATION

Apart from the Sections dealing with pharmaceutical compulsory licensing, the main thrust of Bill C-22 is towards *harmonizing* the Canadian patent system with that of other industrial countries, with the exception of the U.S.A., unfortunately.

TIME LIMITS

A most radical change is cutting short the *time limits* for filing. More specifically, under Section 28 (1) of the new Act, to beat statutory bars, the Canadian application must be actually filed, or have a priority date, prior to any disclosure to the public by anybody but the applicant, anywhere in the world. An exception is made for the applicant, or anyone who obtained knowledge of the invention from him, in Section 28 (1) (d) which provides *a year's grace period* from first disclosure.

PRIORITY

Closely related to the tight novelty requirements, are the priority provisions. Here, Canada has made an about face. Previously, the first to have a *provable conception date* anywhere in the world, was considered to be the first inventor.

Under the new law, Section 29 (corresponding to U.S. Section 119), the one entitled to the patent is the one having the *earliest filing date*- that is, *actual filing date* or earlier *priority date*. From now on, it is no longer a question of being the first inventor, but also the fastest.

But, under Section 29 (2) the priority benefit is only conferred if the applicant makes a *formal claim* for it within six months of the actual filing date in Canada.

CONTINUITY

Under the old Canadian law, there was no doctrine of continuity.

Sections 28 (1.1) to 28 (1.6) of the new Canadian law do provide for *some* continuity. A *second* Canadian application, covering the same invention, can take the date of filing of a *first* application if it is filed less than a year *after* the first application. This is most *restricted* as compared with the continuity provided for in U.S. Section 120. Besides, such first application must not have been withdrawn, abandoned, nor refused, opened to public inspection, nor have served as a basis for claiming priority in another country.

Also, to benefit from this limited continuity, the applicant must take *formal steps*, within six months of filing the second application to inform the Commissioner of its relationship to the first application and to *request recognition* of the second application. The first application is then automatically withdrawn.

OPENING TO INSPECTION

Section 10 of Bill C-22 provides that the file wrapper of all patent *applications* is open to public inspection, but not less than eighteen months from the priority date, if there is one, or otherwise from the actual filing date. This is similar to the European and other first-to-file systems.

DEFERRED EXAMINATION

Deferred Examination is also introduced. Section 37 of Bill C-22 provides than an application will *only* be examined *after a request* is made and extra fees are paid, as for example, in Article 94 (2) of the European Patent Law. The request may be made, not only by the applicant, but by anybody willing to pay the fees. The Commissioner may also require an applicant to request examination.

If a timely request is not made, the application is deemed abandoned. But, the application can be reinstated, within a prescribed period, by payment of a fee.

SUBMISSION OF PRIOR ART

There is no procedure, in Bill C-22 for opposition, as is common in first-to-file countries. But, Section 36.1 does provide, similarly to U.S. Section 301, for anybody to submit, for the use of the Examiner, *prior art* in the form of patents or printed publications believed to have a bearing on the patentability of any claim in an application. The submitter must explain the pertinency of the prior art. There is no provision for the submitter to participate further, as in an opposition.

RE-EXAMINATION

Section 51.1 of Bill C-22 provides for *re-examination* of any claim in a patent. Anybody can request this. We seem to have a borrowed re-examination from your Sections 303 to 305.

Re-examination is by a Board of three Examiners. Sections 51.2 (5) and 51.3 provide for rejection of a re-examined claim to be tranversered or a narrower claim to be submitted for reconsideration. The re-examination must be completed within twelve months.

A certificate is issued showing any changes in the claims, resulting from the re-examination. The decision may be appealed to the Federal Court within three months from the date of the certificate. This ressembles the U.S. procedure under Sections 306 and 307, except that your certificate is only issued after the appeal possibilities have been exhausted.

TERM

Section 46 sets the duration of a Canadian patent at *twenty years* from the actual filing date, as compared with the previous term of seventeen years from the date of grant. Section 57(1) gives some *retroactive protection.* Compensation may be sought *back to the date of publication* of the application under Section 10.

USE BY INFRINGER BEFORE OPEN TO INSPECTION

Section 58 carries over from the old Act and gives a sort of intervening right to a person who has used an invention *before the date of opening to inspection* of the application. Such person is, under certain circumstances, able to continue after the patent issues without being liable for infringement.

The intervening use, to be used as a defense, must be prior to the *open to inspection date*, rather than the issue date, as in the previous Act.

MARKING

The requirements to mark an ar-

ticle "patented", Section 24 of the old Act, are repealed. Under the new law, there is no provision for marking a patented device.

This change reflects the fact that the Courts have never enforced the previous marking requirements.

COMPULSORY LICENSING

The existing compulsory licensing Sections 66 through 72 have been retained. They even continue to include the possibility of granting an *exclusive* compulsory license as a sanction for non-working, a sore bone of contention at the WIPO Paris Convention Revision Conferences in Nairobi and Geneva. So, as matters still stand, all Canadian patents not worked in Canada, after they are three years old, become vulnerable to compulsory licensing. These provisions are, of course, overridden by special compulsory licensing provisions in the case of pharmaceutical inventions.

PHARMACEUTICAL PATENTS

The provisions of Section 41 (1) to 41.26 covering patents relating to pharmaceutical products occupy about the same number of pages in Bill C-22 as all the other provisions put together. These special measures are directed mainly to a most complex compulsory licensing system.

A welcome exception is that Section 41 (1) provides for important new protection. Old Section 41 (1), which outlawed *product per se claims* to *chemically produced food or medicine* has been removed. But, for a four year period, new Section 41 (1) outlaws product claims to naturally occurring substances derived by *microbiological processes* and intended for food or medicine.

On the negative side, from the patentee's viewpoint, the 1969 compulsory licensing provisions have been retained, in principle, but represent a compromise allowing longer protection. By the 1969 provisions, anybody could obtain a compulsory license to *import* a pharmaceutical product covered by a Canadian patent. This license could be applied for any time after the patent issued. No abuse of the patent had to be shown and there was no defense against the grant of a license. Many licenses were obtained and the royalty became established at an arbitrary 4%.

On patents granted under the new Act, a patentee can, at best enjoy *ten years* protection from the notice of compliance from the Food and Drug Authorities before a compulsory licensee can *import*. This period may be reduced to seven years in the case where a compulsory licensee is ready to *make* the product in Canada.

The compulsory licensing provisions are complex as is the bureaucracy set up for their administration.

LEGISLATION BY ORDER-IN-COUNCIL

One accustomed to the U.S. patent law may wonder why so much of the procedure is omitted from the Act and only found in the Rules. In Canada, a Bill like C-22 becomes law only after a complex Parliamentary process. For adopting adjective law, like Rules and Regulations under the Patent Act, the Government uses a convenient shortcut called an "Order-in-Council". This "quickee device" has the advantage of enacting politically non-controversial procedures recommended by the bureaucrats without all the delay and other complications of passing an Act of Parliament.

The Order-in-Council procedure gives rise to a "Wheel of Fortune" Section like 12 (1) with a lot of blanks to be filled in as the wheel is spun by the bureaucrats in putting together the Rules and Regulations for enactment by Order-in-Council.

One of the blanks in Section 12 (1) (i) which authorizes the Governor in Council to make rules or regulations for carrying into effect the Patent Cooperation Treaty which gives no indication of any procedure. In contrast, the U.S. Patent Law itself, in Sections 351 through 376 (8 pages) seems to contain all the mechanism necessary to operated under the PCT.

Other blanks in Section 12 and other Sections contain recurrences of language like "the applicant must pay such fees in respect of such periods as may be prescribed". This, of course, leaves one guessing as to periods and amounts until the Rules come out.

There are quite a few such blanks, for example, Section 28.1 calls for *maintenance* fees to keep *applications* in force. Section 48 (1) calls for periodical *maintenance fees* for *patents*. Other new fees under the new Act are also called for in Section 37, on Request for Examination, and under Sections 51.1 to 51.4 for re-examination.

As for dollars and cents, we shall only know the bottom line when the formal Rules are finally released.

URGENT ASPECTS

In summary, the most important aspect of Bill C-22 for the United States patent application is to gear up to get his Canadian application on file in time to meet our shortened deadlines. And, there is still a window of time of perhaps a year for researchers to make an audit of inventions not yet barred in Canada by publication for more than two years and not yet patented and on which Canadian applications can be filed under the old law.

CONCLUSION

In the final analysis, potential patentees may not agree with all the changes introduced in Bill C-22 and may object to its complexity and perhaps higher costs. But, for the astute applicant, at least as effective patent protection is available as under the 1935 Act. On the overall, most of the changes are procedural or fiscal, rather than substantive.

The chemical researcher in the pharmaceutical and food fields may benefit from being able to obtain *product per se* claims.

The developer of new pharmaceutical winners may not be entirely happy with the prospect of having to license generic competitors during the life of his patent. But, at least he will be able to count on a longer period of exclusivity than under the previous Act.

And, finally, it will be possible for foreigners to achieve any advantages there may be in approaching Canadian patents by the PCT route and for Canadians to use this route in seeking foreign patents. ■

RECENT CASES OF INTEREST

By Thomas A. O'Rourke

INTERFERENCE — SUPPRESSION OF INVENTION

A reduction to practice of an invention followed by a long period before a patent application is filed may create "suppression of the invention" under 35 U.S.C. §102(g).

In *Lutzker v. Plet*, 35 BNAPTCJ 507 (C.A.F.C. April 14, 1988), Lutzker invented a canape making machine in February 1976 and reduced the invention to practice in March of 1976. A "commercially acceptable" canape making machine was displayed by Lutzker at a July 1980 houseware's show and his patent application was filed in November 1980. The Board of Interferences held the 51 month period from reduction to practice to the housewares show "involved a deliberate policy on Lutzker's part not to disclose his invention to the public until he is ready to go into commercial production."

Plet conceived the invention no later than August 1979 and applied for the patent in March 1980 and accordingly, had a constructive reduction to practice.

The C.A.F.C. affirmed the award of priority to Plet and held that as Lutzker's reasons for not displaying the invention or filing an application were based on a desire to perfect the commercial model, the invention was suppressed. One factor the Court considered was that the efforts of the inventor during the 51 month period were not reflected in the patent application. Thus, these activities did not excuse the delay in filing the patent application or rebut the presumption of suppression. The C.A.F.C. recognized that Lutzker could have prevailed in the interference if he had renewed activity on the invention and had proceeded diligently to filing his patent application starting before Plet's inventive activities.

PATENTS — ON SALE

In the recent decision *UMC v. Electronics Co.*, 816 F.2d 647 (Fed. Cir. 1987), the Federal Circuit held that for an on sale bar to exist a reduction to practice was not an absolute requirement. The *UMC* decision was distinguished by the Patent Office Board of Appeals in *Ex parte Sauder*, 36 BNAPTCJ 11 (Bd. of Pat. App. and Int. May 5, 1988).

In *Sauder*, the Examiner rejected the application on the ground that a contract date prior to a reduction to practice was an on sale bar and a §102 reference. The Board of Appeals reversed and held that the statutory period for a §102 bar does not start to run until it is known that the invention in question will actually operate. Since there were no successful tests prior to the critical date, there was no reduction to practice prior to the critical date.

The Board distinguished *UMC* on the ground that *UMC* involved the question whether commercial exploitation prior to a reduction to practice was sufficient to constitute a §102 bar while Saunder involved the issue whether a substantially different form of the invention was prior art. The Board concluded that where prior art, as opposed to on sale, is the question, the reduction to practice date is a more appropriate consideration and should be controlling.

COPYRIGHTS — REMEDIES FOR INFRINGEMENT

A house which was made from infringing copies of architectural plans does not constitute copyright infringement and therefore is not subject to an injunction according to the Court in *Demetriades v. Kaufmann*, 35 BNAPTCJ 435 (March 24, 1988).

The Court held that while the plaintiffs were entitled to a preliminary injunction enjoining continued use of the infringing plans by the defendant, plaintiff is not entitled to an injunction against construction of the house. The Court reasoned that the copyright in the plans did not extend to the house because the house is useful article which cannot be enjoined absent a design patent. The Court recognized that the unauthorized reproduction of the copyrighted architectural drawings by the defendants constituted infringement and that under 17 U.S.C. §502-505 "the damages in this may be substantial".

PATENTS — DISCOVERY

Draft amendments to claims were found to be discoverable recently in *Paramount Packaging Corp. v. Triple R. Industries Inc.*, 35 BNAPTCJ 515 (N.D.N.Y. April 14, 1988). The Court rejected the arguments of the patent owner that the draft amendments were not protected by the attorney-client privilege.

The Court also concluded that the drafts did not constitute attorneys work product as they were not prepared in anticipation of litigation.

Similarly, in *Howes v. Medical Components, Inc.*, 35 BNAPTCJ 412 (E.D.P.A. 1988), the Court ordered that three drafts of patent applications and transmittal letters that accompanied them be produced for discovery. Production had been refused on the ground of the attorney-client privilege. The Court rejected the argument and held that the attorney-client privilege does not protect technical information used in the completion of a patent application. According to the Court, the attorney is merely a "conduit" to the Patent Office. ■

CLE WEEKEND PLANS

Planning is now underway for the Association's Annual Weekend CLE Seminar scheduled for November 11-13th (Veterans' Day Weekend) at Mohonk Mountain House, New Paltz, New York. This year's Weekend Seminar is slated to be co-sponsored by the Boston Patent Law Association.

Members who are unfamiliar with Mohonk are in for a very pleasant experience at the Weekend Seminar. This location, little more that an hour's drive from Manhattan, provides an intellectually stimulating atmosphere in a sylvan setting. Founded as a Quaker Conference Center more than a century ago, Mohonk quickly developed a national reputation as a forum for high-minded sentiments and spirited discussions regarding Indian affairs. Today, Mohonk reflects a homey approach to physical fitness and intellectual well-being.

The substantive program for the Weekend Seminar will include panel discussions on harmonization, expediting litigation, and the PTC interface regarding non-functionality requirements. In addition, there will be a Trademark and Copyright update on "intent to file" legislation and accession to the Berne Convention. Also, there will be presentations on handling appeals before the CAFC and Board of Appeals.

For the registrants and their spouses and guests, Mohonk will provide a program entitled "The Wonderful World of Words" which will include a human scrabble game, word puzzles, etc.

Please plan to come and enjoy this Association event. ■

COMMITTEE PARTICIPATION

Your participation in the committee work of our Association is critical to its success. Early sign ups for committee work indicate opportunities for work in all areas of intellectual property law. A Committee Preference form is enclosed with this Bulletin for you to complete and return if you have not already done so.

As you know, the Association functions through its committees. Over the years, many members have drawn their greatest satisfaction from participation and committee studies and activities.

As incoming President, I look forward to receiving your expression of preference and working with you in committee activities beginning this fall.

David H.T. Kane

The New York Patent, Trademark and Copyright Law Association,Inc.
May/June 1988
Volume 28 Number 5

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.