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PATENT LEGISLATION SURVEY

*By David J. Lee and
Edward P. Kelly*

Since our last report, the Omnibus Trade And Competitiveness Act of 1988 became law (on August 23, 1988). A presidential veto in May delayed enactment of the bill. The veto was a response to two provisions unrelated to intellectual property; these involved an employer's obligation to notify employees of plant closings and limitations on Alaskan oil imports. The House and Senate subsequently dropped the provisions, and the bill was resubmitted to the President. It was signed without revision.

The new law contains significant reforms intended to enhance the protection of American intellectual property. The law increases process patent protection by creating infringement remedies against sellers of goods made abroad by a process patented in the United States. Intellectual property owners also should find it easier to obtain exclusion orders from the International Trade Commission under Section 337 of the Tariff Act of 1930. In the past, the requirement that injury to domestic industry be proven represented a significant obstacle to obtaining an exclusion order from the ITC. The new law eliminates this obstacle. Finally, the bill requires the United States Trade Representative to identify and investigate foreign countries that do not afford adequate protection to United States intellectual property.

While passage of the trade bill brought to fruition years of effort to enhance protection of domestic intellectual property against foreign misappropriation, House and Senate committees have continued to debate intellectual property reform on the domestic front. The President recently signed legislation involving bankruptcy aspects of intellectual property licenses. The House and Senate recently sent to the President legislation dealing with the antitrust and misuse aspects of patent

licensing. Legislation currently is pending on animal patenting, generic animal drugs and patent term restoration. A summary of this legislation follows.

LICENSING: BANKRUPTCY LAW

The bankruptcy act provides that the trustee in bankruptcy may reject executory contracts of the debtor. 11 U.S.C. 365(a). The purpose of the law is to

CALENDAR OF EVENTS

November 17, 1988

Luncheon Meeting. Laurence S. Rogers of Fish & Neave. Recent Developments in the Law of Assignor Estoppel (Williams Club).

November 17-18, 1988

PLI: Litigating Copyright, Trademark and Unfair Competition Cases (NYC, 12/1-2/89 in Los Angeles).

December 1-2, 1988

PLI: 28th Annual Advanced Anti-trust Seminar: Distribution and Marketing (NYC, 1/12-13/89 in San Francisco and 2/6-7/89 in Chicago).

December 5-6, 1988

PLI: The New Trade Law: The Omnibus Trade and Competitiveness Act of 1988 (NYC).

January 19-20, 1989

PLI: Technology Licensing (NYC, 2/13-14/89 in San Francisco).

January 25-28, 1989

A.I.P.L.A. Mid-Winter Meeting (Marco Island, Florida).

January 29-Feb.1, 1989

Association of Corporate Patent Counsel (Naples, Florida).

assist the debtor by permitting the rejection of disadvantageous executory contracts.

When court decisions held that intellectual property licenses were executory contracts within the meaning of the bankruptcy act, potential licensees of new technology quickly perceived the risks inherent in investing money and resources to develop products based on intellectual property rights obtained through licenses. If the license could be rejected, and if the technology obtained was not available from another source, a new venture based on that technology could be lost.

On October 18, 1988, the President signed into law the Intellectual Property Bankruptcy Protection Act of 1988. This bill amends the bankruptcy laws to provide that, where a trustee rejects an executory contract involving intellectual property rights, the licensee may elect to retain its rights under the license to the extent that the rights existed immediately before the bankruptcy action commenced.

LICENSING: ANTITRUST AND PATENT MISUSE CONSEQUENCES

The House and Senate have held numerous hearings on bills relating to the patent misuse and antitrust consequences of intellectual property licenses. These bills were drafted in response to the concern of "certain high technology industries regarding the ability of patent owners to fairly and freely license patented products and processes." Cong. Rec. 3/3/88, p. H698 (Rem. of Kastenmeier, D-Wis.). This concern was based on court decisions that held patent licenses to be antitrust violations or patent misuses.

Courts have held tying agreements to be per se antitrust violations where the tying product was patented. These decisions presumed economic power because the tying product was patented. The

courts also have applied the equitable doctrine of patent misuse to tying arrangements. The patent misuse doctrine holds that a patent is unenforceable when it is used to violate the antitrust laws or is exploited in a manner that secures for the patent owner more than the patent laws provide.

A 1987 legislative proposal reflected a movement toward analyzing the economic realities of each patent licensing agreement to insure that it is truly anti-competitive before imposing antitrust sanctions. This Senate bill (S.438) (Leahy, D-Vt.) would have prohibited a court from finding a per se violation of the antitrust laws simply because a patent right was involved in the license agreement. The bill would have required a court to evaluate the license agreement under the same antitrust principles it would utilize in evaluating agreements that do not involve patent rights. The bill also would have provided that a licensing practice could not be condemned as patent misuse unless it amounted to an antitrust violation. A similar bill was pending in the House (H.R. 1155).

Another House bill introduced in Spring 1988 (H.R. 4086) (Kastenmeier, D-Wis.) differed significantly from these bills in that it would have retained the patent misuse doctrine where the licensing arrangement did not reach the level of an antitrust violation. The purpose of the House bill was to restate the judicially developed patent misuse doctrine and continue the policy of treating property rights granted by a patent differently from other forms of property rights. Critics testified in hearings before the House Subcommittee On Courts, Civil Liberties And The Administration of Justice that the differing public policies underlying the antitrust laws and the doctrine of misuse justified the existence of a misuse doctrine even when the conduct in issue was not an antitrust violation.

The House bill would have amended 35 U.S.C. § 271(d) by reciting six examples of conduct deemed to be misuse and six examples of conduct deemed not to be misuse. Five of the six misuse examples were prefaced with the term "unreasonably" in order to continue the flexibility inherent in this equitable doctrine. The bill also would have amended 35 U.S.C. § 271 to recite that fraud or inequitable conduct in obtaining a patent is an affirmative defense to patent infringement.

The House and Senate recently reached a compromise on the proposed legislation. The law would prohibit a finding of patent misuse in two situations: (1) where the patent owner refuses to license or use any rights to the patent, or (2) where the patent owner conditions a license of patent rights or a sale of a patented product on the acquisition of a license of rights in another patent or the purchase of an unpatented or separately patented product. The law provides an exception to this prohibition where the circumstances reveal that the patent owner has market power in the relevant market.

The compromise resulted from the fact that the Senate, in considering a bill relating to authorization legislation for the Patent Office (H.R. 4972), amended it to add the patent misuse provisions of S.438. The House passed H.R. 4972 but deleted the provisions concerning presumptions of market power from patented rights and further modified the misuse provisions. The Senate accepted these amendments and the new law has been presented to the President for signature.

ANIMAL PATENTING

The issues surrounding the patenting of animal life have been debated in the House and Senate since the Patent Office announced in April 1987 that it would issue patents on non-naturally occurring,

non-human multicellular living organisms. The PTO's position is that this policy is consistent with Supreme Court precedent and the fact that the Office does not take ethical or moral considerations into account when ruling on patent applications. The PTO voluntarily imposed an eight-month moratorium on animal patenting in order to give Congress time to assess the implications involved. The moratorium expired in April of this year. Shortly after the expiration date, the PTO issued the first animal patent (covering a mouse genetically engineered to be susceptible to carcinomas).

Against this backdrop, several bills have been proposed that attempt either to prohibit animal patenting or to present guidelines for dealing with the inevitable.

The Transgenic Animal Patent Reform Act (H.R. 4970) (Rep. Kastenmeier, D-Vis.) takes the latter approach. A transgenic animal is defined as an animal whose germ cells contain genetic material originally derived from an animal other than its parent. While the bill would permit the grant of a patent covering a transgenic animal, it also would impose limitations on the rights of the patent owner. As initially proposed, the bill would have created infringement exemptions for researchers and small farmers who bred transgenic animals. The House Judiciary Committee later deleted the research exemption on the ground that the current law already shielded researchers. The Committee broadened the categories of farmers entitled to an exemption. The full House recently passed H.R. 4970 in its amended form.

A companion bill has also been proposed (H.R. 4971) (Rep. Kastenmeier, D-Wis.). This would give regulatory authority over animal patenting to the Agricultural Department, the Department of Health and Human Services and the Food and Drug Administration.

Legislation that would prohibit animal

patenting dates back to August 1987. A House bill was introduced that would impose a two year moratorium on animal patenting (H.R. 3119) (Rep. Rose, D-N.C.). A counterpart bill in the Senate (S.2111) (Sen. Hatfield, R-Ore.) would impose an indefinite prohibition. The House bill did not survive review by the House Subcommittee on Courts, Civil Liberties and The Administration of Justice this past July. A comparable Senate bill also was defeated in conference.

PATENT TERM RESTORATION

The Drug Price Competition and Patent Term Restoration Act of 1984, codified as 35 U.S.C. §156, sought to compensate a patent owner for market time lost while the product awaited premarket approval by the F.D.A. by extending the patent term in certain cases. One requirement for receiving an extension was that the patent in issue not previously have been extended.

A problem has arisen where more than one product subject to regulatory review is covered by the same patent. Senator DeConcini (D-Ariz.) has pointed out that "this situation makes it extremely difficult to obtain financing to develop additional drugs covered by the patent, some of which can be much more important and require much greater testing and studying before the F.D.A. can approve them." Cong. Rec. 8/11/88, P.S1164. Senator DeConcini has introduced a bill (S.2744) to allow patent term restoration for each human drug covered by a patent that has been subjected to a separate regulatory review prior to commercialization. Under this bill, a patent claim covering more than one product or a method of using or manufacturing more than one product may be separately extended for each patented product or

method. The bill also contains a provision that would prevent a patent owner from attempting to obtain an extension by making minor changes in an existing product or method.

GENERIC ANIMAL DRUGS

The Generic Animal Drug and Patent Term Restoration Act was introduced in the House in August 1987 (H.R. 3120) (Rep. Waxman, D-Calif.). Its goal was to stimulate a decrease in the price of animal drugs by expediting F.D.A. approval of generic copies, and also to stimulate the development of new animal drugs by extending the patent term for certain existing animal drugs.

This bill proceeded through House and Senate committees during the 99th Congress. Due to compromises reached in committee, the House bill was abandoned in favor of a clean bill in the spring of 1988 (H.R. 4982) (Rep. Tauke, R-Iowa). The new bill was substantially the same as its predecessor, but provided for longer periods of restoration.

The House recently passed H.R. 4982. An identical bill was passed in the Senate (S.2843). This legislation has been sent to the President for signature.

PTO AUTHORIZATION LEGISLATION

The House and Senate recently passed a bill authorizing appropriations for the Patent Office for the next three years (H.R. 4972). The bill provides for PTO expenditures of \$117,504,000 in 1989, \$125,210,000 in 1990 and \$111,984,000 in 1991. The bill would allow the Commissioner to establish reasonable fees for public use of automated search systems located in the Patent Office. ■

"SECONDARY ISSUES" IN THE WIPO HARMONIZATION TREATY

By Samson Helfgott

Under the auspices of WIPO, the Committee of Experts representing national governments and observer organizations has been developing a Draft Treaty on the Harmonization of Patent Laws. The treaty language continues to be shaped and modified to conform with the consensus of views of the Committee participants. Although the treaty language is still being evolved, and in many cases substantive issues are still being argued, to a great extent the overall content and structure of the treaty has been established and the basic provisions have been broadly defined.

The "primary provisions" of the draft harmonization treaty are already well known and have been widely debated. These provisions may be summarized as follows:

1. A first-to-file system.
2. A grace period measured from the priority date.
3. Elimination of *In re Hilmer* and use of previously filed, subsequently published, applications only for novelty defeating purposes.
4. Product and process patents available in substantially all technical fields.
5. Process patents to include products made by the patented process.
6. Patent term: twenty years measured from the filing date.
7. Broad interpretation of claims and which would cover

equivalents.

It should be recognized, however, that the treaty covers more than just these basic principles. There are numerous other provisions that have either already been completely accepted by the Committee or are still under review by the Committee. These other provisions are quite significant and many of them can be "treaty breaking issues" to certain industries, technologies, or national governments. These items can form a list of "secondary issues" which must be seriously discussed and analyzed and a determination made whether they can be accepted as part of an overall "harmonization package." The following represents a summary of most of these "secondary issues." While by no means a complete list, it does represent those which are of a significant nature. It should be recognized that the treaty is not in its final form and many of these provisions may be modified during further revisions of treaty language. At the same time, additional issues may yet be developed during further Committee meetings.

"SECONDARY ISSUES" IN THE DRAFT TREATY

1. Permits national law to provide for filing an application by reference to an earlier application.
2. Permits national law to require for granting a filing date: the payment of a fee, filing in a certain language, or a claim (all of which can be submitted within a given time limit) or drawings (which cannot be corrected without losing the filing date, unless the drawings are stricken from the application).
3. Permits national law to require the description to state the advantages offered, if any, of the invention.
4. Permits national law to require a best mode.
5. Multiple claims on multiple claims

permitted.

6. Multiple claims can be in the alternative or cumulative.

7. Broad unity of invention rule permitting claims to a product, a process for manufacture of the product, use of the product, means for use of the product, and means for carrying out the use, etc.

8. A PCT application is considered as prior art in a country only after it enters the national phase of that country.

9. Existing exclusions from patent protection in national law of a country can be continued by that country for a limited number of years (e.g., excluding biotechnology inventions, pharmaceuticals, etc.).

10. National governments can exclude from infringement:

- a) Exhaustion of rights - worldwide
- b) Private non-commercial acts
- c) Experimental use
- d) Extemporaneous preparation for individuals in a pharmacy of a medicine for a medical prescription.

11. Preparation of data for governmental approval, which preparation occurs during the last year of a patent, is considered experimental use.

12. Contributory infringement is included as infringement. Inducement to infringe is not included.

13. Still uncertain: if "extension of process protection to products" should apply to animal species.

14. Still uncertain: if "reversal of burden of proof" applies only if a product (produced by a patented process) is "new", and if so, does it mean "new" on the date of invention, or the date of introduction to market, or the date of the infringement.

15. Still uncertain: if the description and drawings should be used to interpret claims at all times, or only when the claims are ambiguous.

16. Still uncertain: if infringement requires infringing every element of the claim, or only "essential elements" of the

claim.

17. Still uncertain: if the doctrine of equivalents applies to every element of the claim, or only to "essential elements" of the claim.

18. Still uncertain: if the doctrine of equivalents is a rule which must be followed by judges in interpreting claims, or only a guideline to judges on how they can interpret claims.

19. Still uncertain: if it is possible to impose into the claims features from examples in the specification.

20. Still uncertain: if file wrapper estoppel is limited to where a limitation was introduced because of prior art, or always.

21. Still uncertain: whether the term of the patent (which extends from the filing date) should begin from the priority filing date (either internal priority or external priority).

22. Still uncertain: if extensions of patent term should be permitted generally, or only in exceptional cases.

23. Still uncertain: whether limited transition periods be given to countries to continue existing national laws differing from the treaty, before they implement the treaty requirements.

24. Yearly maintenance fees are required on specified anniversary dates.

25. Although provisional protection is provided to patentee for compensation from an infringer from the date of publication to issuance, still uncertain:

- a) if notice to infringer is required,
- b) if suit must wait till after issuance,
- c) if infringement must be of both published and granted claims.

26. Although prior user's rights are protected, still uncertain:

- a) extent of prior use required, e.g., commercial or non-commercial, of preparation for use is enough, etc.
- b) extent of continued use permitted; expansion of such use; assignability of

such use; territory of use permitted; etc.

c) whether such rights are available if the prior user's knowledge is derived from the patentee.

27. Restoration of the right to claim priority will be granted upon showing of force-majeure circumstances, and the like. ■

MOHONK CLE OUTING A HIT

The 1988 CLE weekend seminar, held from November 11-13, 1988 at the Mohonk Mountain House, was a rousing success with approximately 150 members and their spouses in attendance. The weekend seminar was co-sponsored by the NYPTC, the Boston Patent Law Association and the New Jersey Patent Law Association. It was such a success, in fact, that the number of rooms allocated for Association members was quickly filled, and some members had to stay in adjacent facilities. Reservations have already been made to repeat the seminar at Mohonk next year.

The program commenced on Friday afternoon with a talk by Dipl. Biol. Ingeborg Voelker on the subject of "Patenting Life-The View of the European Patent Office." It was followed by a welcome reception for members and dinner.

SATURDAY PANEL DISCUSSIONS

Saturday started off with welcoming remarks by David H.T. Kane, NYPTC president; John M. Skenyon, president of the Boston Patent Law Association; and Arthur J. Plantamura, president of the New Jersey Patent Law Association.

A Panel Discussion followed on the topic of "Harmonization-First to File

Versus First to Invent". The panel was moderated by Ian D. Calvert, Vice-Chairman of the PTO Board of Patent Appeals and Interferences. James W. Badie addressed the issue of "Pro First to Invent" while Thomas E. Spath advocated the position of "Pro First to File." A second panel discussion directed to "Patent, Copyright and Trademark Protection of Product Configurations" was moderated by Howard B. Barnaby. Walter E. Hanley, Jr. spoke on the use of patents to protect product configurations. Albert Robin spoke on trademarks and Robert M. Kunstadt on copyrights.

The Saturday morning session concluded with a "Workshop" on the topic of "How to Handle an Appeal Before the Federal Circuit and the Board". Joseph J. Brindisi moderated the workshop with participation from the Hon. Francis X. Ginhardt, clerk of the CAFC, on handling appeals before the Federal Circuit and Eugene Rzucidlo on practice before the PTO Board of Appeals and Interferences.

A dinner reception was held on Saturday evening and Chief Judge Howard Markey of the Court of Appeals for the Federal Circuit addressed the membership.

SUNDAY DEBATE AND DISCUSSIONS

The Sunday morning session opened with a debate on the issue of whether "Genetically Altered or Modified Life Forms Properly Define Patentable Subject Matter under 35 U.S.C. Sec. 101." The debate, which was moderated by Chief Judge Howard Markey, included Paul Clark advocating the pro position and M. Andrea Ryan advocating the con position. This was followed by a panel discussion on "Corporate Counsel's Role in Expediting Litigation and Minimizing Litigation Costs." Participating on the panel were William J. Gilbreth, Harry F. Manbeck, Jr., Roy H. Massengill and

David Bender.

The Sunday morning session concluded with a talk by the Hon. Rene D. Tegtmeyer, Assistant Commissioner for Patents of the PTO on the topic of "Patent Office Update--Recent PTO Developments, Including Reissue and Reexamination."

MOHONK REBOOKED FOR NEXT YEAR

The overwhelming impression of the CLE meeting was quite favorable resulting in rebooking for next year. No doubt, after the success of this year, additional space will be reserved for next year thus permitting the accommodation of all association members at the main house. Special thanks and appreciation must be extended to Ed Filardi, chairman of the extended to Ed Filardi, chairman of the CLE Committee, for his efforts in coordinating the event. ■

INDUSTRIAL DESIGN LAW CONFERENCE PLANNED

A national conference on industrial design and practice will be held at the University of Baltimore Law School, on March 10 and 11, 1989 (Friday and Saturday). It is co-sponsored by the American Bar Association, The American Intellectual Property Law Association, Industrial Designers Society of America, The Association of Professional Design Firms, The American Society of Furniture Designers, and the University of Baltimore School of Law. Practitioners, designers, scholars and government agency staff will participate in the discussions that will help determine the future

form of industrial design protection in the U.S.

The trade deficit and other economic issues have forced U.S. industry to reexamine its products to develop a competitive edge. Improved industrial product and the protection of these designs has been one of the major ways recognized to increase product competitiveness.

Other countries have introduced or are considering significant changes in their industrial design protection laws, and the U.S. has legislation under consideration for another form of design protection that many argue is a needed improvement.

This conference will address how to protect industrial designs and what can be protected in the U.S. and in several key countries.

Speakers will address such topics as:

- Evolution of the nonobviousness standard, Section 103 in the design patent law;
- Protection of products and component parts using design laws;
- The limits on trade mark protection for product designs;
- How the design U.S. protection system has worked for a U.S. lamp manufacturer;
- How industrial designers feel about the U.S. industrial design protection system; and
- How practitioners view the U.S. design protection system.

Recent international developments will be reported on by persons involved in these events, including:

- U.K. proposal for a new design protection system;
- Use of the Hague agreement for simplified, multi-country filing of design registrations;
- Canadian industrial design law changes; and
- Japanese industrial design practice and considerations for change.

Experts from the U.S. Patent &

Trademark Office and the Copyright Office will discuss their procedures on design protection and related design protection laws. They will suggest how to work more effectively with them.

Litigation aspects of design protection will be discussed, and a designer who has been an expert witness in a design patent case will review his experiences.

An optional, special session devoted to introducing design protection law will be held. Speakers include a designer/lawyer who teaches intellectual property law at Ohio State University School of Design, and the chairman of the Industrial Design Committee, ABA, Section of Patent, Trademark & Copyright Law. A U.S. Patent & Trademark Office design group examiner will assist in explaining design patent practice. This session is an excellent opportunity to learn fundamentals of industrial design law and practice, for lawyers who are thinking about spending more time in this field or designers who are interested in understanding how to utilize more effectively the legal system for protection of their designs.

Scholars from several universities will give their views on present U.S. and foreign design laws and their recommendations concerning the effectiveness of the systems.

For more information and registration materials, contact William T. Fryer, III, Conference Coordinator, University of Baltimore School of Law, 1420 N. Charles Street, Baltimore, Maryland 21201, U.S.A.. Telephone (301) 625-3396. ■

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FOR PUBLICATION IN
FUTURE ISSUES**

RECENT DECISIONS OF INTEREST

By Thomas A. O'Rourke

TRADEMARKS: ANTI-DILUTION STATUTES

The seventh Circuit rejected defendants fair use defense to an action brought under the Illinois anti-dilution statute in *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Celozzi-Ettelson Chevrolet*, 36 BNA PTCJ 407 (7th Cir. September 15, 1988). In *Ringling Bros.*, the defendant, a used car dealer, used the slogan "The Greatest Used Car Show on Earth"

Ringling Bros. alleged dilution of its famous slogan and claimed that its 100 year use and its annual advertising of \$10 million dollars as proof of the slogan's distinctiveness. Defendant contended that its use of the slogan was a fair use under 15 U.S.C. §1115(b)(4) which pre-empted

statute.

In rejecting the fair use defense, the Seventh Circuit focused on the fact that there was no good faith adoption of the slogan, and that the defendant's slogan was neither descriptive of the cars it sells nor the services offered by the defendant. In addition, the Court of Appeals held there was no conflict between the federal trademark laws or the anti-dilution statute that required preemption.

TRADEMARKS: PUNITIVE DAMAGES

The Second Circuit in *Getty Petroleum Corp. v. Bartco Petroleum Corp.*, 36 BNA PTCJ 633 (2nd Cir. October 13, 1988) reversed an award of punitive damages in a trademark infringement action. In *Getty*, the jury awarded \$2 million in punitive damages for infringement of Getty's trademark.

On appeal, the Second Circuit held that even though defendant failed to object to the jury charge on punitive damages, the Court of Appeals could consider whether a jury instruction is legally proper. In reversing the award of punitive damages, the Court of Appeals focused on

the statutory language and held that as the wording of the statute does not expressly provide for punitive damages, such damages could not be awarded. The Court relied on the statutory history and the Supreme Court's decision in *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714 (1967). In *Fleischmann*, the Court held that the federal courts lacked the power to award reasonable attorney's fees in trademark infringement actions because Section 35 did not contain an express provision for such fees. The Second Circuit also distinguished its earlier opinion in *Quaker State Oil Refining Corp. v. Kooltone, Inc.*, 640 F.2d 94 (2d Cir. 1981), because the appellants in *Quaker State* failed to challenge the award of punitive damages on appeal and accordingly, the case could not have precedential value on the issue of punitive damages.

PATENTS: ATTORNEY'S FEES

An award of attorney's fees was denied in *Xantech Corp. v. Ramco Industries, Inc.*, 36 BNA PTCJ 583 (N.D. Ind. September 29, 1988), where the plaintiff

Archie



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sought a voluntary dismissal with prejudice after discovery of facts that would invalidate the patent in litigation.

Defendant Ramco, after the motion to dismiss was filed, moved for costs and reasonable attorney's fees on the ground Xantech failed to make a reasonable investigation into its sales of the product prior to the critical date. Plaintiff defended, stating that it had a good faith belief that the patent was valid and that it had made some attempt prior to filing the action to ascertain whether there was an on sale defense.

The District Court denied Ramco's motion on the ground there was no proof of gross negligence on the part of Xantech.

COPYRIGHTS PARALLEL IMPORTS

No infringement was found in the importation of grey market video game circuit boards in *Red Baron - Franklin Park, Inc. v. Taito Corp.*, 36 BNA PTCJ 599 (E.D. Va. October 6, 1988) because of the "first sale" doctrine embodied in Section 109(1) of the Copyright Act. Red Baron imported copyrighted circuit boards which were manufactured and sold by Taito to third parties in Japan. These circuit boards were subsequently resold to plaintiff at a lower price than the U.S. price for such boards.

Red Baron brought a declaratory judg-

ment action for a declaration that there was no copyright infringement in the importation, Taito claimed the importation was an infringement of Taito's distribution right under Section 106(3) of the Copyright Act. The Court rejected Taito's argument and held that because the exclusive distribution:

"is specifically limited by the first sale provisions of §109(a), it necessarily follows that once transfer of ownership has cancelled the distribution right to a copy, the right does not survive so as to be infringed by importation." ■

THE EMPLOYMENT COMMITTEE HAS A NUMBER OF POSITIONS AVAILABLE

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