



THE NEW YORK PATENT, TRADEMARK AND
COPYRIGHT LAW ASSOCIATION

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PRESIDENT'S CORNER

The law is a living, breathing expression of the values of our society. The ability of the law to preserve and foster these values depends upon the ability of the judges we select to interpret the law. We have an unusual opportunity over the next year to play a vital role in this selection process. There are two current vacancies on the CAFC and there may be two to four vacancies over the next year as active members determine to retire or take senior status.

Now is the time for Association members to contribute their suggestions and marshall their support for qualified CAFC candidates. Please contact the Committee on Public and Judicial Personnel chaired by Joe Fitzpatrick. Joe will welcome your thoughts.

While we're on the subject of committees, take a look at the new committees listed in this issue. Contact committee chairmen, — bring to their attention subjects you think should be studied — and get involved! Note the CLE Committee has already distinguished itself with the stimulating program planned for November 11-13 at Mohonk. The Mohonk Weekend presents just the combination of collegiality and professional growth that makes our Association special.

So — Let's hear your suggestions for the CAFC;

Let's hear your suggestions for the committee projects; and

Let's see you at Mohonk! ■

David H.T. Kane
President, NYPTC

CHIEF JUDGE MARKEY TO ATTEND AND SPEAK AT THE FALL CLE WEEKEND AT MOHONK

The annual Fall Continuing Legal Education Weekend is scheduled for November 11-13, 1988, at the historic Mohonk Mountain House in New Paltz, New York. This year's program will be particularly exciting since Chief Judge Markey and Mrs. Markey have kindly accepted our invitation to participate for the entire weekend. It is a tribute to the past successes of the NYPTC Law Association that this CLE event is now co-sponsored by the Boston and New Jersey Patent Law Associations.

Mohonk Mountain House provides a breathtaking atmosphere for the weekend's social gatherings and program meetings. The social schedule includes an "early bird" reception and dinner on Friday evening, as well as a dinner with dancing on Saturday night. The dinner speaker will be Chief Judge Markey.

As for the substantive program, the faculty is outstanding with speakers selected from the participating New York, New Jersey and Boston Patent Law Associations. An "early bird" talk is planned for Friday afternoon on patenting of life forms

within the EPO system. On Saturday morning there will be a panel discussion on patent harmonization (first to file vs. first to invent), a trademark and copyright update, as well as a practical session on how to handle appeals before the Federal Circuit and Board.

After a leisurely Saturday afternoon and evening, Chief Judge Markey will preside over a lively debate on Sunday morning on the patentability of life forms in the United States. Sunday morning's program will also include a panel discussion on litigation and will conclude with a PTO update by Mr. Rene Tegmeyer.

The cost for the complete weekend, including registration fee, all meals, resort facilities, meetings, gratuities and tax, Friday evening through Sunday lunch, is \$595 double occupancy - \$425, single occupancy. Reservations may be made through Edward V. Filardi, Brumbaugh, Graves, Donohue & Raymond, 30 Rockefeller Plaza, New York, NY 10112 (212) 408-2556. ■

CALENDAR OF EVENTS

| | |
|----------------------|---|
| October 19-22, 1988 | A.I.P.L.A. Annual Meeting (Arlington, VA) |
| October 20, 1988 | Luncheon Meeting (Tentative) |
| November 2-5, 1988 | U.S.T.A. Mid-Year Meeting (Boca Raton, FL) |
| November 11-13, 1988 | NYPTCLA C.L.E. Weekend Seminar at Mohonk Mountain House (New Paltz, NY) |
| November 17, 1988 | Luncheon Meeting (Tentative) |

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REPORT FROM EUROPE

By John R. Olsen

A discussion document has finally emerged from the EEC Commission covering the subject of Copyright. Since it may not be apparent what interest the European Economic Community has, if any, in the questions of copyright, the so called "Green Paper" considers the emergence of important copyright issues at the Community level, the Community's concerns in general in this field, and most important of all, the Community's powers under the EEC treaty in relation to copyright. As to the specific powers of the Community under the Rome Treaty, reference is made to Articles 2 & 3 setting out the objectives of the Community; to Articles 30-36 on the free movement of goods; to Articles 57-66 on the freedom of movement of goods, capital and persons; to Article 100 & 100(a) on the Harmonization of Laws; to Article 116 on External Policies; and to Article 235 which contains reserve powers for community legislation.

Together with the case law in the Court of Justice on copyright matters this could be said to represent a rather significant array of legal powers. The Commission is nevertheless aware that in the whole range of matters touched by copyright law the Community has to select its priorities; and as a consultative document the "Green Paper" seeks endorsement for the Commission's selection of six priority areas. These are as follows:

- a) parasitical use and pirating of copyrighted works;
- b) home copying of sound and audiovisual works;
- c) distribution and rental rights;
- d) the legal protection of computer programs;
- e) legal problems related to the operation of databases; and
- f) the external aspects of copyright protection.

Selection of these matters is not to be taken as an indication that others are without importance, but rather that they will be continuously reviewed and be dealt with

when they surface as more critical issues.

PIRACY MOST IMPORTANT PART

By far the most important part of the "Green Paper" is Chapter 2 on Piracy. The "Green Paper" analyzes the harm which piracy in the field of copyright works is causing to the Community and has prepared several proposals on which it seeks the views of interested parties. There are three general proposals:

- a) a Community measure requiring Member States to introduce effective legal weapons against the commercial reproduction of copyright works;
- b) a regulation extending the existing regulation (covering trademarks) to prohibit the release for free circulation of counterfeit goods to cover also goods under copyright;
- c) miscellaneous recommendations in administrative acts on such matters as search and seizure procedures.

In general the Commission's proposals here are constructive and likely to be generally welcomed; comments on the Piracy chapter in the "Green Paper" have to be submitted no later than 1 December 1988, though comments on the specific issue of controlling commercial duplicating equipment for digital audio tapes (DATs) were requested by the end of July 1988. Audio visual home copy is dealt with in Chapter 3 of the "Green Paper".

Before considering whether legislation is needed at Community level, the Commission indicates its "present orientations" based largely on the proposition that "home copying does have negative but unquantifiable effects on the legitimate exploitation of recorded works". The Commission is not convinced that there is any need for the introduction of levies by way of harmonization at Community level. This appears to the Commission to be a matter for the Member States to decide. Clearly the Commission is far more interested in the possibility of introducing "mandatory technical devices" in such a way that in future (for example when digital audio tapes come into common use) recorders should be required to conform to technical classifications which prevent their use for unlimited acts of audio reproduction. The chapter

contains an appendix on tactical protection which refers to the "Copy Code" and "Solo Copy" proposals designed to achieve more or less this objective.

Insofar as distribution rights, exhaustion and rental rights are concerned the Commission concludes that the increasing penetration of compact discs, which do not deteriorate with frequent use, entail a risk to the author, the performer, and the phonogram producer, who may suffer economic damage as a result of unauthorized commercial rental of sound recordings. The Commission therefore intends to submit to the Council a proposal for a Directive, to be based on Article 100(a) of the EEC Treaty introducing a rental right for sound video recordings in all Member States. But interested parties are asked to comment on whether this right should consist of the right to authorize rental or should be restricted to the right to receive equitable remuneration. Comments are requested not later than 1 December 1988.

ACTION ON COMPUTER PROGRAMS

Computer programs have long been discussed at the Community level. The Commission is therefore committed to take action with respect to them. A directive has been promised, the only unknown is what should be included in the Directive - as the Commission has demonstrated the computer programs area is filled with nothing but questions. Comments are invited in this field by 1 September 1988. Some of the questions that the Community has asked for comment from by interested parties are whether protection should apply to computer programs fixed in any form; what concept of originality should be applied; what access and protocols should be excluded from protection; how broadly the use right should be formulated; whether the adaptation of the program by a legitimate user exclusively for his own purposes and within the basic scope of the license should be permitted; what reproduction of programs should be permitted for private purposes; what term of protection there should be; how the author should be defined including authorship of computer generated programs; for whose interest should protec-

OMNIBUS TRADE LEGISLATION: AN UPDATE

APPENDIX

This is an updated version of the appendix to the article by David J. Lee on "Omnibus Trade Legislation: An Update", which appeared in the May/June issue of the BULLETIN.

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 no 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 9006 [105] of the Process Patent Amendments Act of 1988 [1987]. The modifications of remedies pro-

vided 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 constitutes 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 [the] request for disclosure [as provided in paragraph (4)], and

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

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

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

"(ii) 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 product such product.

[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.] 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 in which, due to the 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 the 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 suppliers of the product to be purchased by the *person making the request* [requestor],

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.]

"(D) For purposes of this subsection, a person who obtains a product made by a process patented in the United States in a quantity which is abnormally large in relation to the volume of business of such person or an efficient inventory level shall be rebuttably presumed to have actual knowledge that the product was made by such patented process.

"(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)."

"(6) 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."

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."

5. EFFECTIVE DATE

(a)(1) IN GENERAL. — The Amendments made by this subtitle take effect 6 months [shall apply only to products made or imported] after the date of [the] enactment of this 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 is the subject of a process patent [process] enforcement action commenced before January 1, 1987, before 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 subtitle 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 subtitle 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.

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The Mohonk Mountain House accommodations are available at the weekend package price of \$595.00 double occupancy, \$425 single occupancy which includes the registration fee. These prices cover all charges for the weekend including:

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tion be available and where the onus of proof should lie in infringement cases.

DATABASE PROBLEMS

Closely related to the question of copyrighting computer programs is the problem of databases. These are collections of information stored and accessed by electronic means. If certain conditions are fulfilled compilations are at least in part protected under the laws on copyright. But electronic databases raise a number of technical and legal problems.

There are, as the Commission points out, differences between a database comprising a collection of full text material (that is works already protected individually by copyright), a compilation of extracts of works similar to an anthology or documentation center, collections of material which in itself is the public domain (such as mailing lists and perhaps including catalogues and timetables) and the more substantial products of electronic publishing. The "Green Paper" does not discuss the general copyright problems involved in electronic publishing, except indirectly in various different chapters; the problem discussed in Chapter 2 is strictly related to the use of databases and the most common kind of use of a database in the Commission's view is at present by an online access using electronic communication media.

An illustration of the type of problem involved in applying traditional copyright concepts to the process of accessing electronic databases is provided by the definition of retrieval. As the "Green Paper" says, some jurisdictions treat all forms of retrieval of information from a database involving direct recording (down loading) as a restricted act. However, retrieval may take place in different ways; in some jurisdictions a distinction is apparently made by learned opinion between, for example, visual display and printouts. Whereas printouts are regarded everywhere as a copy, visual display is compared to a mere reading of a book in a library or bookshop; it is not considered a restricted act. In this area the "Green Paper" is the most hesitant of all.

The Commission seems to favor legal action to protect the compilation of works within a database where those works are themselves the subject of copyright protec-

tion. The Commission is also considering whether the protection of the mode of compilation of the database itself should extend to databases composed of material which is not in itself protected by copyright. This action would be taken only if it were felt that the considerable investment involved in the compilation of a database could best be served by copyright rather than by other means. The Commission therefore invites comments on the relative merits of copyright protection and of protection under a *sui generis* right.

MULTILATERAL AND BILATERAL RELATIONS

Chapter 7 covers the role of the Community in multilateral and bilateral external relations. WIPO's role is a continuing one and well recognized. The current GATT negotiations however, provided a single, and in some ways controversial, opportunity to take action on the strengthening of protection for intellectual property rights including copyright. As the "Green Paper" says, the problems created by inadequate (or sometimes excessive) substantive standards need to be addressed through the transposition into the GATT legal system of the basic rules which enjoy wide, although not necessarily universal, recognition. If successful the GATT initiative may go a long way towards discouraging piracy and facilitating legitimate trade in duly copyrighted goods.

In addition to WIPO and the GATT, the "Green Paper" refers to UNESCO and the ILO (International Labor Organization) and the Council of Europe, but the most interesting section in the concluding part of this chapter concerned bilateral relations with non-Member States. Above all, the chapter shows how the Community's increasing strength in world trade together with increasing use of new policy devices, such as the New Commercial Policy Instrument is helping to protect the interests of Member States' copyright owners where these interests are threatened by non-Member States' inadequate or oppressive copyright laws. As an illustration the "Green Paper" cites the successful outcome of the negotiations with Indonesia, where the inadequacy of protection from the unauthorized reproduction of sound

carriers has been damaging the interest of Community traders.

REQUEST FOR COMMENTS SINCERE

The Community's request for comments are sincere and interested parties, even in non-Member States such as the United States, could add significantly to the body of knowledge upon which the Commission will make a recommendation to the European Parliament for a Directive or a series of Directives in the copyright area.

UNIQUE FORUM OFFERED FOR PARALEGALS

A pacesetter forum for paralegals in trademark law is scheduled to be held September 25 through the 28 at the Stouffer Concourse Hotel in Arlington, VA.

Sponsored by The United States Trademark Association, the program, DIMENSIONS: A FORUM FOR TRADEMARK PARALEGALS, offers a new, enterprising approach to concentrated learning for the law paraprofessional.

The DIMENSIONS forum offers unique highlights of trademark law administration and professional management, including:

- Observation of an actual Trademark Trial and Appeal Board Hearing
- Touring the U.S. Trademark Office and seeing a demonstration of the TRAM and T-Search computerized searching systems
- Getting hands-on experience with a variety of computerized trademark searching and management systems
- Hearing a keynote address by the Assistant Commissioner for Trademarks, U.S. Patent and Trademark Office
- Meeting face-to-face with examining attorneys from the U.S. Trademark Office.

A broad scope of basic and advanced trademark management issues will be covered, and an innovative combination of instructors, from both industry and private practice, will bring a new dimension to the paralegal's understanding of the practice of trademark law.

For further information, call the above-listed contact, or the USTA Meetings Department at 212-986-5880.

PATENT INFRINGEMENT: OFFICERS AND DIRECTORS BEWARE OF PERSONAL LIABILITY

By Jeffrey W. Taton

Imagine your client's surprise. You have advised him to incorporate to insulate himself from personal liability. You have advised him that if he issues shares of stock, maintains the statutory capitalization, conducts and records periodic meetings of the directors and shareholders, elects officers and otherwise follows the necessary corporate formalities, then only the corporation's holdings, but not his own, will be at risk. Following your advice, he incorporates. The officers and board of directors meet and consider a properly prepared opinion of competent patent counsel that a patent of which your client is aware is not valid or not infringed. With the consent of the board, and advice of counsel, your client directs that manufacturing sales activities continue notwithstanding the existence of someone else's patent rights.

The inevitable occurs. A suit for patent infringement is filed naming both your client personally and his corporation. Your client is accused of directing the acts of the corporation in his official capacity resulting in joint liability. Over your objection that no facts have been pled or proved to justify piercing the corporate veil or to establish willful infringement by your client, he is found to be personally liable.

Prior to October 1, 1982, the effective date of the Federal Courts Improvement Act of 1982 (the "1982 Act"), your client's personal liability would depend upon which regional circuit heard the appeal. In the majority of jurisdictions, your client would not have been personally liable. In the minority, your client would have been personally liable. Today, any officer or director who conducts, directs, induces or otherwise "aids or abets" the corporation's business and the activities that are later determined to be patent infringement may be held to be personally liable. Apparently opting for the minority rule, two three-judge panels of the Federal Circuit in separate opinions authored by Chief Judge Markey and Judge Rich have held corporate officers and directors personally liable for directing the infringing acts of the corporation.¹

I. PRIOR TO THE 1982 ACT, THE REGIONAL CIRCUITS WERE SPLIT OVER THE ISSUE OF PERSONAL LIABILITY OF CORPORATE OFFICERS AND DIRECTORS

The minority view is reflected in cases such as *National Cash-Register Co. v. Leland*, 94 F.502 (1st Cir. 1899). This case and others apply a strict common law tort analysis to claims for patent infringement. Under this approach, the courts reasoned that patent infringement is a tort; all torts by definition be only committed by individuals; individuals are primarily liable for all torts in which they participate, and the corporation is liable secondarily through the doctrine of respondeat superior. This strict analysis ignores the uncertainty in predicting whether or not acts done today will rise to the level of infringing conduct in the future. This approach also ignores questions of whether the corporate officer when directing the acts of the corporation intended to commit an infringing act, but, instead, applies a hindsight strict liability standard.

The majority line of cases, led by the Seventh Circuit, takes a more reasoned approach. Under the Seventh Circuit rule, corporate officers and agents are not jointly liable with the corporation for patent infringement unless a "special showing" is made by the patent owner such as when the officer or director acts "willfully and knowingly—that is, when he personally participates in the manufacture or sale of the infringing article (acts other than as an officer), or when he uses the corporation as an instrument to carry out his own willful and deliberate infringements, or when he knowingly uses an irresponsible corporation with the purpose of avoiding personal liability...." *Dangler v. Imperial Machine Co.*, 11 F.2d 945, 946-47 (7th Cir. 1926). According to the *Dangler* opinion, the uncertainty surrounding the questions of validity and infringement would make any other rule "unduly harsh and oppressive."²

II. THE FEDERAL CIRCUIT APPEARS TO HAVE ADOPTED THE MINORITY VIEW

The Federal Circuit has now apparently resolved the split of decision *sub silentio* by adopting the minority view.

The first opinion was authored by Judge Rich in October of 1985 and joined by Judges Miller and Bennett styled *Power Lift, Inc. v. Lang Tools, Inc.*, 774 F.2d 478, 227 U.S.P.Q. 435 (Fed. Cir. 1985). Acknowledging disagreement between the parties concerning the operative facts, the Federal Circuit concluded that a "fair representation" of those facts was as follows: before the Powerlift patent issued, Mr. Lang inspected a commercially available embodiment of the Powerlift invention and had his son measure certain parts. Next, Lang Tools designed, built and sold products based upon, but not identical to, the Powerlift design. Some time later, the patent issued, and in a conversation with Mr. Lang, Lang Tools was offered a license. Mr. Lang refused the license stating that "before he would pay [Powerlift] a nickel, he'd see [Powerlift] in the courthouse". Lang Tools continued production. 774 F.2d at 981-82. Nine days after the patent issued, suit was filed. The patent owner, Powerlift, sued both Lang Tools, Inc. and Mr. Wendell Lang who was the "president, founder, majority owner, and director of Lang Tools." 774 F.2d at 480. Mr. Lang was alleged to have induced Lang Tools to infringe and to be liable personally for inducement to infringe under 35 U.S.C. §271(b), but was not alleged to be liable for direct infringement under Section 271(a). Both defendants were found by the jury to be jointly and severally liable for \$229,655.00 in lost profit damages. Lang Tools was also held to have willfully infringed resulting in an award of attorney fees. Mr. Lang was held to have induced that willful infringement resulting in joint and several liability for the attorney fee award.

On appeal, counsel argued that, as a matter of law, Mr. Lang could not be liable

RECENT DECISIONS OF INTEREST

By Thomas A. O'Rourke

PATENTS — "ON SALE" BAR

The U.S. Court of Appeals for the Federal Circuit in *Buildex Inc. v. Kason Industries, Inc.*, 36 BNA PTCJ 270 (July 14, 1988) held that a discussion of the terms of sale was sufficient to constitute an "on sale" bar under 35 U.S.C. § 102. The CAFC, in reversing the district court's holding that there was no offer for sale, focused on a document bearing the title "Quotation" which was in existence more than one year prior to the filing date of the application for the patent in suit and that discussions concerning the terms of sale occurred prior to the critical date.

The District Court in ruling that there was no "on sale" bar reasoned that the "Quotation" was not a bar because there was no testimony on the date when the patented product was actually shipped. The CAFC, in reversing the District Court, held that "no more than a firm offer to sell may be sufficient" for the "on sale" bar to apply. The CAFC also noted that "[P]roof of delivery before the critical date would have been conclusive in this case, but it is not necessary to holding that the device was on sale before then".

TRADEMARKS - INCONTESTABLE MARKS - LACHES

Despite the Supreme Court's decision in *Park 'N Fly v. Dollar Park and Fly Inc.*, 469 U.S. 189 (1985), the Ninth Circuit in *Pyrodyne Corp. v. Pyrotronics Corp.*, 36 BNA PTCJ 271 (July 14, 1988) held that the defense of laches applies to an incontestable mark. The Ninth Circuit Court in analyzing the *Park 'N Fly* decision, left unanswered the question whether traditional equitable defenses, such as laches, are available against an incontestable mark.

PATENTS - ENFORCEABILITY OF SETTLEMENT LICENSE

The U.S. Court of Appeals for the Federal Circuit in *Hemstreet v. Spiegel Inc.*, 36 BNA PTCJ 305 (July 21, 1988) held en-

forceable a settlement order which included a confidential license agreement whereby the accused infringer agreed to make license payments "as they become due notwithstanding that said patents in suit may be held invalid and/or unenforceable".

The licensed patents were held invalid subsequent to the settlement order (in *Hemstreet v. Burroughs Corp.*, 655 F. Supp 1096). In the present action, defendants, REI, which was a party to the settlement order, petitioned for relief from further payments under the settlement order in view of the findings of invalidity of the licensed patents. The District Court denied the petition on the ground that the settlement order, which addressed validity and infringement, was a judicial disposition entitled to *res judicata* effect.

On appeal, the CAFC affirmed but found it unnecessary to resolve whether infringement and validity were adjudicated by the settlement order. The CAFC based its decision on the policy favoring settlement of litigation and enforcement of settlement agreements. The CAFC refused to apply *Lear v. Adkins*, 395 U.S. 653 (1969) on the ground that enforcement of litigation settlement agreements involves a public policy absent in *Lear*.

PATENTS - SUMMARY JUDGMENT

The CAFC in *Avia Group International Inc. v. L.A. Gear California Inc.*, 36 BNA PTCJ 349 (August 4, 1988), affirmed the lower courts holding of summary judgment of validity and infringement of a design patent. The CAFC rejected defendant's arguments that it should be permitted to take discovery because defendant did not invoke the provisions of FRCP 56 (f) and it was deprived of its right to cross-examine witnesses.

In affirming the grant of summary judgment, the CAFC approved the standard for summary judgment applied by the District Court stating:

"... a nonmovant must do more than merely raise some doubt as to the existence of a fact; evidence must be forthcoming from the non movant which would be sufficient to require submission, to the jury of the dispute over the fact."

PATENTS - TYING ARRANGEMENTS

In *Xeta Inc. v. Atex Inc.*, 36 BNA PTCJ 355 (August 4, 1988) the CAFC affirmed the refusal of the District Court to preliminarily enjoin Atex's sales practices where Atex conditioned the sale of its software on the customer's purchase of Atex hardware. Atex enforced the tie by a disclaimer of warranty when Atex components are used in foreign systems. Atex's position was that the components are designed as an integrated system and that its warranty practice is common in the industry.

The CAFC held that Xeta did not show a likelihood of success on the merits in proving the alleged tie. The court noted that Xeta did not preserve evidence to show that Atex's warranty practices were unreasonable and showed no illegality in Atex's software licensing practice. ■

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