



THE NEW YORK PATENT, TRADEMARK AND
COPYRIGHT LAW ASSOCIATION

NYPTC BULLETIN

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PRESIDENT'S CORNER

I'm told that this letter will be published around April 1—so naturally I wanted a message appropriate to April Fool's Day. My first thought was that we should stop fooling ourselves—about what, you ask—about expecting our system of justice to lead us forward when we are unwilling to properly compensate our judiciary.

When a law school graduate who hasn't set foot in a court room can earn just \$15,000 less than a Federal District Judge, something is wrong. What may be wrong is that these wet-behind-the-years graduates are grossly overpaid. But what is certainly more wrong is the value that has been placed on the services of our judiciary.

I have always believed that you get what you pay for. But at the moment, we are getting much more than we are paying for. We are getting hard working, intelligent leaders of the Bar to don black robes. We are getting dedicated men and women to rule on complex issues that will affect our lives for years to come.

But we would be foolish indeed to expect to go on getting more than we pay for. If judicial salaries are not raised to reflect the abilities, contribution and status of our dispensers of justice, we may find ourselves with a lot less justice to go around.

You are all nodding in agreement, I am sure. No foolish members in this Association! So what are we going to do about it? Well, your President, as one of his last official acts, plans to organize liaisons with other Bar Associations around the country with the goal of getting a bill through Congress directed to judicial salaries. Most importantly, I solicit your individual activity directly with your Con-

gressman and through other contacts, clients and organizations who may exercise influence on the legislative agenda.

Just because Congress can't bring itself to raise the salary of its own members is no reason to expect the leaders of our profession to go on under these conditions, even on April Fool's Day.

David H.T. Kane, President ■

INTELLECTUAL PROPERTY LEGISLATION

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

Major revisions of the patent, trademark and copyright statutes became law last year. Further changes are in the wind. Congress continues to grapple with intellectual property issues in its 101st session. This article is devoted to proposed intel-

CALENDAR OF EVENTS

April 4	N.Y.P.T.C.L.A., and Connecticut, N.J., & Philadelphia Patent Law Associations. Joint Patent Practice Seminar (Penta Hotel, NYC)
April 13	N.Y.P.T.C.L.A.: Tentative Luncheon Meeting (Williams Club, NYC)
April 18	WESFACCA Luncheon Meeting (Greenwich Country Club) Speaker: Joseph M. Fitzpatrick Topic: Patent Misuse
April 30 - May 3	U.S.T.A. Annual Meeting (Orlando, Florida)
May 3 - 5	A.I.P.L.A. Spring Meeting (Los Angeles, California)
May 19	(Williams Club, NYC) Speaker: Daniel M. Rosen - Topic: Recent Development in the Protection of Computer Software
May 23	Fed. Cir. Bar Assoc. Annual Meeting (Washington, D.C.)
May 24	Judicial Conference, Federal Circuit (Washington, D.C.)
May 24	WESFACCA Luncheon Meeting (Greenwich Country Club) Speaker: Doreen Leaven Topic: Trademark Revision Act
June 25-28	Association of Corporate Patent Counsel (Napa, California)

lectual property reforms now pending in the 101st Congress.

PATENTS Licensing

For many years, the antitrust laws and the doctrine of patent misuse have restricted the ability of a patent owner to license or otherwise exploit his patents. A classic illegality was a contract that tied the purchase of an unpatented product to the purchase of a patented product.

In recent years, high technology companies have attacked the antitrust laws and patent misuse doctrine as unduly restrictive of licensing and selling practices necessary in a high technology age (a tie-in of copyrighted software and the hardware for which the software was written being one example). The concerns of high technology industries were intensified in 1984, when the Court of Appeals for the Ninth Circuit decided *Digidyne Corp. v. Data General Corp.*, 734 F.2d 113 (9th Cir. 1984), and the United States Supreme Court decided *Jefferson Parish Hosp. Dist. No. 2 v. Hyde*, 466 U.S. 2 (1984).

The *Digidyne* court held *per se* illegal a license arrangement in which the licensor of computer software conditioned the license on the purchase of computer hardware from the licensor. The Court presumed market power from the existence of the copyright. This type of presumption was approved by the Supreme Court *in dicta* in the *Jefferson* case.

The patent misuse doctrine also has been criticized in judicial and academic quarters. A leading critic has been judge Richard A. Posner of the United States Court of Appeals for the Seventh Circuit. In *U.S.M. v. SPS Technologies* 694 F.2d 505 (7th Cir. 1985), Judge Posner questioned whether patent misuse should exist independently of the antitrust laws.

These pressures resulted late last year in a Senate bill (S.438) that would have eliminated the doctrine of patent misuse and have prohibited a presumption of market power in antitrust cases involving copyrights or patents. The House disagreed with the Senate in several respects. In particular, the House believed that the patent misuse doctrine should not be eliminated.

The bill signed into law by President Reagan last November did not address the

issue of whether market power should or should not be presumed in antitrust cases. The bill addressed itself solely to patent misuse, amending Section 271(d) of the patent laws to provide that no patent owner would be deemed guilty of misuse if he:

"(4) refused to license or use any rights to the patent; or

(5) conditioned the license of any rights to the patent or the sale of the patented product on the acquisition of a license to rights in another patent or purchase of a separate product, unless, in view of the circumstances, the patent owner has market power in the relevant market for the patent or patented product on which the license or sale is conditioned."

Senator Hamilton Fish (R-N.Y.) recently introduced that part of the prior Senate bill (S.438) that sought to eliminate a presumption of market power where a copyright or patent was the subject of an alleged antitrust violation.

Patents In Space

The United States patent laws generally do not operate beyond the territorial limits of the United States. Companies involved in the development of inventions used aboard space vehicles have been concerned that these inventions might not be entitled to patent protection while a vehicle is in space. Bills addressing this concern have been considered by Congress since 1985.

In January 1989, Representative Roe (D.N.J.) introduced the "Patents In Space Act" (H.R. 352). This bill would create a new section of the Patent Act (Section 105). This section would provide that any invention made, used or sold on a space vehicle under the jurisdiction or control of the United States would be deemed made, used or sold in the United States. An exception would be made for space vehicles subject to international treaties. The bill would apply prospectively.

Proponents of the bill argue that, by clarifying this issue, Congress will increase private investment in space exploration. In 1986, in support of a similar bill, Representative Nelson (R-Fla.) stated: "If the bill is enacted, commercial entities will know, with certainty, that their activities in space will receive the same patent protection that they would if conducted here on Earth. Removing that

element of risk from the decision process of those companies will greatly increase the chances that they will proceed with their plans for activities in space."

TRADEMARKS Gray Market Goods

A gray market good is manufactured abroad and bears a legitimate foreign trademark identical to a legitimate domestic trademark. The importation of gray market goods received extensive attention in the House and Senate last year (See *NYPTC Bulletin* January/February 1989 at 3). The debate centered around a Customs Service regulation and a Supreme Court decision.

The Customs Service regulation (19 CFR 133.21(c)(1-3)) allowed gray market goods to be imported if the domestic and foreign trademarks were owned by the same or affiliated companies or if the domestic trademark owner had authorized the foreign importer to use the mark. The Supreme Court decision was *K-Mart Corp. v. Cartier Inc.* 156 U.S.L.W. 3737 (1988), where the Supreme Court struck down the regulation insofar as it allowed importation when the domestic owner had authorized use of the mark.

The first bill introduced on this issue in the 101st Congress came from proponents of importation. In February 1989, Representative Chandler (R-Wash.) introduced the Price Competitive Products Act of 1989 (H.R. 771). This bill would codify the Customs Service regulation. Representative Chandler supports gray market goods because their typically lower price favors the American consumer. (Cong. Rec. 2/2/89, p.E289). Opponents of gray market importations have argued that gray market goods typically are inferior to their domestic counterparts and that importation misleads consumers and permits foreign companies to take a free ride on the marketing investments of domestic companies.

COPYRIGHTS Computer Software Rental

The purchaser of a copyrighted work generally is permitted to sell or dispose of the copy he purchased without the permission of the copyright owner. This is the "first sale" doctrine.

In 1984, the record industry lobbied for an exception to this doctrine in the context of phono record rentals. Congress concluded that the rental of records encouraged illegal copying and revised Section 109 of the copyright laws to provide that a record purchaser could not rent or lease the record without the permission of the copyright owner [17 U.S.C. 109(b)].

In the past several years, Congress has considered legislation that would further amend Section 109 to provide the same protection for computer software. In January 1989, Senator Hatch (R-Utah) introduced a bill that would prohibit the purchaser of a computer program (in any medium embodying the program) from renting or leasing the program without the consent of the copyright owner. The proposed amendment differs from the 1984 record rental amendment in two respects: (1) non-profit libraries and educational institutions are not exempt, and (2) a licensee of copyrighted software cannot provide the necessary authorization (on the ground that a rental store owner might be deemed a licensee).

Industrial Designs

The patent laws currently provide for the patenting of any new, original and ornamental design for an article of manufacture [35 U.S.C. 171]. A design patent must meet the same conditions of patentability as a utility patent, including the condition of non-obviousness. Numerous design patents have been held invalid on the ground of obviousness. (See Cong. Rec. 2/7/89, p.E337 (Rem. of Rep. Moorehead (R.Ca.)).

Proponents of industrial design protection have long sought legislation that would protect industrial designs that do not qualify for patent protection. See *In re Nalbandian*, 211 U.S.P.Q. 782, 786 NI. (CCPA 1981) (Rich, J. concurring). They argue that creators of designs for useful articles make substantial financial investments in these designs and should be afforded protection from copying irrespective of whether the designs are patentable. Bills addressing this issue have been considered by Congress since at least 1985. The issue has become particularly acute of late because of widespread copying of automobile body parts by offshore automobile aftermarket suppliers.

In February 1989, Representative Moorehead (D-Ca.) introduced a bill that would provide copyright protection for industrial designs (H.R. 902). In introducing this bill, the Representative articulated its rationale thusly:

"[In addressing this Act, we are not talking about the pirating of goods nor are we talking about an infringement of copyright on patent law. What we are talking about is the creation of designs for useful objects, designs which often reflect skill and creativity, and the expenditure of time and money. When you think of designs what comes to mind are things like telephones, luggage, furniture, tools, swimming pools, automobile parts, machinery, to mention a few of the areas affected. These designs today are not affected by patent law or copyright law.

Appropriating the appearance of a product can lead to the same abuses as appropriating its name by those motivated to palm off inferior goods on the unsuspecting or intentionally misled. The competitive posture of this country no longer permits us to ignore the plight of our creative designers and perpetuate this inequity between the effectiveness of this country's design protection compared to that elsewhere."

Under the proposed statutory scheme, original designs of useful articles would be protected from copying for 10 years, provided that the design is registered and bears a statutorily prescribed notice. Upon the expiration of the 10-year term, all rights in the design would terminate, regardless of how many articles had embodied the design. Makers, importers and sellers of infringing products who sold without knowledge of, and copying from, a protected design would not be liable. Sellers of infringing products who did not make or import the product would not be liable, unless they induced or acted in collusion with the maker or importer, or refused to disclose their source and reordered the products after receiving notice that the product embodied a protected design.

The bill further provides for an award of damages adequate to compensate for infringement. These damages would include the infringer's profits resulting from the sale of the copies if the infringer's sales are reasonably related to the use of the protected design. Damages could be increased up to \$50,000 or \$1 per copy—whichever is greater.

The bill would have a major impact in

the automobile replacement parts industry, where off-shore suppliers copy the design of parts made by original equipment manufacturers. Critics of the bill believe that the elimination of offshore competition would lead to higher prices for spare parts and hence be detrimental to domestic consumers.

Attorney's Fees

Major revisions of the copyrights laws were enacted last year to conform them to copyright principles of the Berne Convention (See *NYPTC Bulletin* January/February 1989 at 4). In that context, and in order to encourage voluntary registration, Congress increased the amount of statutory damages recoverable by a prevailing party. A revision considered during the Berne Convention hearings, but not adopted, would have provided an additional incentive to voluntary registration by requiring an award of attorney's fees in certain instances.

The copyright laws currently provide that a Court may, in its discretion, allow the recovery of full costs against any party, including reasonable attorney fees. [17 U.S.C. 505] A bill recently introduced by Representative Berman (D-Ca.) would require a Court to award reasonable attorney fees when the prevailing party is the copyright owner and is either a small business concern (less than 500 employees) or an author of the copyright work (H.R. 671). This requirement would not apply where the infringer is a non-profit educational institution or library or a public broadcasting entity. ■

COMMITTEE STRUCTURE TO CHANGE

Several changes will be made in the Association's committee structure for the 1989-90 year. A brief description of the committees will be found on the reverse of the Committee Preference sheet included with this issue of the Bulletin.

Having successfully completed its major project of the last several years with the publication of the Guide to Patent Arbitration, the Arbitration Committee

has been renamed. As the Committee on Alternative Dispute Resolution, it will pursue studies of various types of dispute resolution as indicated by its new name.

A new Design Protection Committee is being formed. It will give particular attention to design registration legislation now being considered in Congress.

Two committees will be based on former subcommittees. The new Committee on Litigation Practice and Procedure replaces subcommittees of the U.S. Patent and Trademark Committees. It will focus on litigation practice outside the Patent and Trademark Office. The new Committee on Antitrust, Inequitable Conduct and Misuse will be the reincarnation of a U.S. Patent Law subcommittee.

The activities of several committees are expected to expand in the next several years. For example, the Committee on Legal Aid, which traditionally focused on assistance to individual inventors, will study other volunteer opportunities for intellectual property lawyers.

Committee assignments are being made early this year, in order to get the association off to a fast start for the 1989-90 year. Please complete the preference sheet now and return it to John B. Pegram, NYPTC, Suite 2800, 45 Rockefeller Plaza, New York, New York, 10111. ■

HARMONIZATION UPDATE

By Michael Meller

[Editor's Note: The following is a report on the second part of the fifth session of the Committee of Experts on the Harmonization of Certain Provisions in Laws for the Protection of Invention held under the auspices of WIPO in Geneva, December 12-16, 1988.]

The Committee of Experts for the Harmonization of Certain Patent Law Provisions met in order to consider chapters I and II of the WIPO draft treaty relating to formal requirements of patent applications and provisions concerning patentability and exclusions from patent protection.

The provisions for formal requirements set forth in the treaty relate to requirements for granting of filing dates; naming of inventor; manner of descrip-

tion; manner of claiming and notably, unity of invention. The provisions concerning patentability and exclusions from patent protection deal with the concept of a grace period; prior art effect of applications and exclusions from patent protection.

The article which was discussed more than any other at this meeting was probably the most basic, namely Article 101 and its implementing regulations contained in Rule 101. Both the article and the rule were generally supported in the form set forth in the Treaty but were nonetheless discussed for a whole day of the three day sessions.

The most notable practice decided on from this Article was that there is no reason why an expressed or implicit indication that the grant of a patent is sought must be stated in an application and it is enough merely to identify the applicant.

A further important agreement was reached that when filing an application without a text, but merely referring to an earlier patent application, that in itself is enough and it is not necessary that such application be a priority application.

The matter of whether drawings are needed was also considered and essential agreement was had to the prevailing U.S. view that where drawings are needed after examination of the application, then the filing date of the case would be from the date the drawings were filed; otherwise the case can take its filing date from when the application was filed without the drawings.

Proceeding then on the second day with Article 102 and naming of the inventor, general agreement was had that the inventor has to be named. However, it was also urged by many that an address of the inventor has to be provided.

Turning then to the manner of description, where the article states that an application shall contain a description and the description shall disclose the invention in a manner sufficient to be clear and complete for the invention to be carried out by a person skilled in the art was approved by the meeting. However, its implementation in Rule 103, including the Requirement for a Best Mode, was much objected to by many, defended only by the U.S. and Canada.

This requirement of U.S. law was criticized by both Europeans and the Japa-

nese, yet other requirements of the laws of Europe, such as the "problem-solution" approach or the "better" requirement Japan were hardly even mentioned as a basis for discussion. The consensus against the U.S. on this point seemed considerable, but "best mode" will nonetheless likely remain in the draft treaty.

Turning then to the matter of claiming, it was agreed that applicants should have a free choice to adopt either a single part claim or a two-part claim system, i.e., U.S. style (peripheral) vs. Germanic style (central) claims.

In light of discussions that two part claims are not as exact as one part claims, it was suggested that the treaty should spell out that in two part claims the technical features preceeding the technical portion of a two part claim should not be considered as forming part of the prior portion.

The matter of unity of invention was then taken up and immediately, before even considering the existing provisions of the draft treaty, the U.S. delegation introduced its proposal for a draft article. It requires a group of inventions to be linked through a technical interrelationship expressed in the claims in terms of the same or corresponding technical features. These would be contained in a conceptual principle through which it was thought to explain the application of unity of invention in all situations and for all categories of inventions.

The description provided by the U.S. covered some 17 pages and was deemed so complicated by the group of experts that, beyond an initial expository statement by the U.S. delegation, it was deferred to the April meeting at which time this matter will be further discussed so that all delegations and observers would have an opportunity to study this proposal. It has already been approved by the tri-lateral meetings between the U.S., EPO, and Japan.

The assembly then turned its attention to the grace period and while some drafting problems still remain to properly define the concept, nevertheless, it was noted with great relief that the majority now seems to agree that 12 months is proper grace period which can then be followed by a filing which would still provide priority rights for the subsequent one year for foreign filing purposes.

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

COMMITTEE PREFERENCE SHEET

Name: _____ Tel. No.: _____

Firm: _____

Address: _____

RECENT NYPTCLA COMMITTEE SERVICE

Year	Name of Committee
1988-1989	_____
1987-1988	_____
1986-1987	_____

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

Year	Name of Committee
1988-1989	_____
1987-1988	_____
1986-1987	_____

Please indicate your First, Second and Third choices for assignment to a committee.
(See the reverse of this sheet for Committee Descriptions.) Every effort will be made to
match committee assignments with your preference listing.

Admissions	_____
Alternative Dispute Resolution	_____
Antitrust, Inequitable Conduct and Misuse	_____
Continuing Legal Education	_____
Copyrights	_____
Design Protection	_____
Economic Matters Affecting the Profession	_____
Employment	_____
Foreign Patent Law and Practice	_____
Foreign Trademark Law and Practice	_____
Incentives for Innovation	_____
Legal Aid	_____
License to Practice Requirements	_____
Litigation Practice and Procedure	_____
Meetings and Forums	_____
Patent Law and Practice (U.S.)	_____
Public and Judicial Personnel	_____
Public Information and Education	_____
Publications	_____
Trademark Law and Practice (U.S.)	_____

PLEASE RETURN DIRECTLY TO: John B. Pegram, Esq.
NYPTCLA
Suite 2800
45 Rockefeller Plaza
New York, NY 10111

COMMITTEE DESCRIPTIONS

Admissions - Promotes membership in the Association and processes applications for membership.

Alternative Dispute Resolution - Considers the use of alternative dispute resolution techniques, including arbitration, in resolving intellectual property disputes.

Antitrust, Inequitable Conduct and Misuse - Considers the antitrust laws, insofar as they relate to intellectual property, and other unfair conduct in connection with intellectual property including inequitable conduct and misuse.

Continuing Legal Education - Presents continuing legal educational seminars of interest to the Association's membership, with a balance between programs of interest to the young and experienced practitioner. Responsible for the Fall Mohawk Weekend and our Association's participation in the one day Spring Joint CLE program.

Copyrights - Considers all aspects of United States, foreign and multi-national copyright law and practice.

Design Protection - Studies current protection of industrial designs and legislative proposals.

Economic Matters Affecting the Profession - Monitors and reports on all matters affecting the economic interests of the members of the Association including tax problems, retirement plans, pension programs, insurance programs, office management, office equipment and employee salaries.

Employment - Maintains records of requests for employment and requests for employees in the patent, trademark and copyright fields, answers such requests and otherwise assists persons making such requests.

Foreign Patent Law and Practice - Considers all aspects of foreign and multi-national laws, treaties, conventions, etc., relating to patents and the use of technology in foreign countries, and the rights of foreign entities in the United States.

Foreign Trademark Law and Practice - Considers all aspects of foreign and multi-national trademark law and practice.

Incentives for Innovation - Studies changes in law, regulations and governmental policy which are most likely to give adequate incentives for innovation and assists the Association in expressing its issues to the appropriate governmental bodies.

Legal Aid - Assists the Legal Aid Society of New York City in rendering services in the patent, trademark or copyright fields to persons designated by the Society as qualifying for the aid of the Society. This year, the Committee will investigate and report on other volunteer opportunities for intellectual property attorneys.

License to Practice Requirements - Studies the requirements and proposed requirements of government agencies, including the Patent and Trademark Office and the Courts, relating to admission to practice, qualifications for practice, continuing legal education and specialization.

Litigation Procedure and Practice - Considers legislation and rules affecting practice and procedural matters in intellectual property litigation outside the Patent and Trademark Office, and other matters relating to practice in such litigation.

Meetings and Forums - Prepares for and conducts the regular luncheon and dinner meetings of the Association.

Patent Law and Practice (U.S.) - Considers all aspects of United States patent and technology law and practice.

Public and Judicial Personnel - Considers and proposes candidates for public and judicial offices which involve patent, trademark and copyright matters.

Public Information and Education - Obtains publicity for the Association and the activities thereof, publicizes the patent, trademark and copyright systems and the benefits thereof, and educates the public with respect to such systems. Sponsor of the Association's *Inventor of the Year Award*.

Publications - Prepares, edits and publishes the *Bulletin* and *Greenbook*.

Trademark Law and Practice (U.S.) - Considers all aspects of United States trademark law and practice.

The wording arrived at can be considered a major breakthrough, since effectively it provides the U.S. and Canada the most important provision in the whole Treaty, which tentatively reads as follows:

"(1) A patent shall not be refused or held invalid by virtue of the fact that information has been disclosed which may affect the patentability of the invention that is the subject of an application for that patent or of that patent, provided that the information was disclosed:

(i) by the inventor, or
(ii) where the information was obtained directly from the inventor, by a third party, or an industrial property office either erroneously or pursuant to an application filed without the consent of the inventor.

and provided that the disclosure of the said information occurred not more than 12 months before the date on which the application for that patent was filed by the inventor or, where priority is claimed, not more than 12 months before the priority date.

(2) For the purposes of paragraph (1), "inventor" also means a co-inventor or the co-inventors as well as any natural person or legal entity other than the inventor who or which is entitled to the grant of a patent for the invention at the date of the application, such as his successor in title or an employer automatically entitled to the invention, and "third party" means any natural person or legal entity other than the inventor as defined in this paragraph, including an industrial property office not acting in pursuance of an application."

The assembly then dealt with the prior art effect of an application which would eliminate the *In re Hilmer* approach presently prevailing in U.S. law and with the effective date of a reference counted from its filing date whether a national or a foreign priority date.

Finally among the items on the agenda of the assembly was the exclusions from patent protection which was essentially approved in that a wide scope of patenting is to be provided. However, questions were raised with respect to how it might be possible to define the word "invention".

There were additional proposals and ideas introduced by the Japanese delegation to provide for pre- or post-grant opposition; publication of all applications 18 months from the filing or priority date; providing patentees with an opportunity to correct issued patents but without enlarg-

ing the scope of the claims. This proposal, although well received by the assembly, was referred for study by WIPO and consideration at the April 1989 session.

The U.S. then responded, stating that it approved in general the concept of an opposition procedure, provided it was done after grant, and also suggested that a further provision should be introduced which would require searches to be completed not later than 18 months after the filing date of an application for a patent and which would require that substantive examination be commenced within 36 months after the filing date of an application for a patent.

Before concluding the conference, several political statements were made, particularly by Argentina and Brazil on behalf of the less developed countries, suggesting that exclusions from patent protection are necessary, for certain countries desire it, and in the process, also questioning the extension of patent protection to products which, while not on the agenda, nevertheless have been discussed at the June 1988 meeting of the Committee of Experts.

The U.S. stated its belief that it was in the best interest of all countries to conclude as rapidly and completely as possible the work on the draft treaty, but in spite of this sentiment, Director General Arpad Bogsch indicated that a seventh session, probably to be held in October or November of 1989, will be necessary following the next meeting which has been specifically scheduled for April 24-28, 1989, at which time Articles 105, 301, 304, 307, 308, and 309 will be considered with the corresponding rules.

This necessity for one more Committee of Experts meeting, which has taken a tremendous amount of time already, not only on the part of the delegations, but also on the part of observers who have attended these sessions, and who have contributed their time and observations to the International Bureau, have prompted several observers to wonder whether WIPO is the mechanism for accomplishing these harmonization changes. Perhaps it might be easier and more productive to agree on a trilateral harmonization treaty between the U.S., Japan, and Europe which is already in progress on a parallel track with numerous Club of Fifteen discussions (the 13 members of EPO as well as the U.S.

and Japan). The time for conclusion of this WPIO treaty or the seeking of another avenue for harmonization appears to be necessary. ■

INVENTORS NAMED TO HALL OF FAME

By George Kaplan

Four new members of the National Inventors Hall of Fame were inducted by the U.S. Patent and Trademark Office in Arlington, Virginia on February 12, 1989. The inventors inducted have invented the steam power rail brake, the gas filled incandescent lamp, the mold-board plow, and the magnetic resonance imaging device used in diagnostic medicine. More particularly, the 1989 inductees to the National Inventors Hall of Fame are:

Raymond Damadian of Forest Hills, honored for inventing the MRI scanner, U.S. Patent No. 2,789,632 issued February 5, 1974;

John Deere, honored posthumously for inventing an improved plow, U.S. Patent No. 46,454 issued February 21, 1865;

Irving Langmuir, honored posthumously for inventing the incandescent electric lamp, U.S. Patent No. 1,180,159 issued April 18, 1916; and

George Westinghouse, honored posthumously for inventing the steam-powered brake device, Reissue Patent No. 5,504 issued July 29, 1973. ■

NEWS FROM THE BOARD OF DIRECTORS

At its October 18, 1988 meeting, the Board considered a committee recommendation that the NYPTC oppose a proposal by Senator Kastenmeier for a "farmer's exemption" for transgenic animals. The Board agreed that the committee should draft a letter opposing this proposal.

David Kane announced at the November 15, 1988 meeting that the Annual Board Meeting had been scheduled for May 18, 1989. The Board then heard a

presentation by Mark Lieberman, concerning procedures for the Association to follow in proposing candidates for the Court of Appeals for the Federal Circuit.

Michael Meller, a member of the Harmonization Committee, next presented a report on the upcoming WIPO meeting in December. He reviewed the provisions to be discussed at the meeting and his committee's position with respect to them. After an extended discussion, the Board agreed that Mr. Meller would meet with John Pegram and Sam Helfgott to prepare a resolution reflecting this discussion.

At the December 13, 1988 meeting, Edward V. Gilardi presented a report on the successful CLE weekend held at Mohonk in November. It was agreed that Mr. Filardi should book Mohonk House for a CLE weekend in November, 1989. The Board next heard reports from Virginia R. Richard, Gregory J. Battersby and Stanley J. Silverberg concerning suggestions on generating increased interest and participation in committee activity. Lastly, the Board resolved to support the candidacy of Doug Henderson for a position on the Court of Appeals for the Federal Circuit.

The Board considered the question of advertising in the NYPTC Bulletin at its January 17, 1989 meeting. Gregory J. Battersby, Chairman of the Publications Committee, presented several proposals concerning the location of advertising in the Bulletin. It was decided that the Committee should consider the tax implications of such advertising and to prepare guidelines and a rate schedule for consideration by the Board. Michael Meller next presented a report on the recent WIPO meeting in Geneva. Lastly, the Board resolved to issue a letter supporting Donald Quigg as Commissioner, but reserving the option to recommend alternative candidates should Mr. Quigg not be reappointed for any reason. ■

ROHR SPEAKS BEFORE PATENT LAW ASSOCIATIONS

[Editor's Note: On January 19, 1989, Commissioner David B. Rohr, of the United States International Trade Commission, spoke before a joint meeting of the NYPTCLA and the New Jersey Patent Law Association. He addressed the administration of Section 337 of the Tariff Act of 1930 (the Smoot-Hawley Tariff) and the changes to that statute as a consequence of the Omnibus Trade and Competitiveness Act of 1988. This is part one of a two part summary of his remarks.]

Section 337 originated as Section 316 of the Fordney-McCumber Tariff of 1922. This section prohibited "unfair methods of competition and unfair acts in the importation or sale of imported articles into the United States, the effect or tendency of which is to destroy or substantially injure efficient and economically operated domestic industries." The United States Tariff Commission, a small federal agency, was charged with investigating violations of the act.

In 1930, Section 316 was reenacted as Section 337 of the Tariff Act of 1930 (the Smoot-Hawley Tariff). This law is still the basis of U.S. customs and trade law. In 1974, the United States Tariff Commission was renamed the U.S. International Trade Commission. It continued to be responsible for enforcing Section 337.

In 1988, Congress enacted the Omnibus Trade and Competitiveness Act of 1988. This imposed major changes on Section 337, including the elimination of the so-called "injury" requirement, changes in the "domestic industry" requirement, and several important procedural changes.

Section 337 is most frequently used against patent infringers. It provides a remedy against the importation of both articles which infringe a U.S. product patent, as well as those articles produced by a process claimed under a U.S. patent. Trademark and copyright infringement may also be asserted. The most commonly sought relief in these cases is for an

exclusion order — an order which bars the goods from entry into the U.S.

Prior to 1988, nearly all complainants under Section 337 had to establish three elements for their case:

1. An unfair act in the importation of goods produced abroad.
2. An efficient and economically operated domestic industry.
3. Injury or threat of injury to that industry caused by the unfairly traded goods.

There were only two rare exceptions to the above requirements. In antitrust-based cases, the third requirement was phrased as "tendency to restrain or monopolize commerce," and, in cases alleging prevention of the establishment of a domestic industry, the second and third requirements were modified slightly.

The 1988 amendments make major changes to these requirements in cases involving "statutory intellectual property rights" (infringement of a patent, copyright, registered trademark, or mask work). These cases make up the vast majority of Section 337 investigations.

Allegations of common law trademarks (e.g. trade dress), misappropriation of trade secrets, and violations of customs markings are not covered by these amendments. In these instances, the pre-1988 requirements still apply.

The 1988 amendments for these "statutory intellectual property rights" cases, eliminate the injury requirement and modify the domestic industry requirement.

As a consequence of the 1988 amendment, the complainant need no longer prove any injury or tendency to injure domestic industry. The elimination of the injury requirement marks a major philosophical change. Indeed, the injury element was the original reason for the Tariff Commission's involvement in these disputes. Practically, however, the outcome of very few cases will probably be affected by the change, because the injury standard in Section 337 cases has always been very low.

Nonetheless, the elimination of the requirement will have definite consequences. The parties will no longer have to conduct discovery or brief this issue, so litigation costs should decline significantly. Conversely, much of the information which used to be obtained through

such discovery will be eliminated from the record. This eliminates a major source of information that the Commission has traditionally used in reaching its decisions.

The other major change involves the requirement of proof of a domestic industry. Although Section 337 itself did not contain any explicit criteria, the Court of Appeals for the Federal Circuit, in cases under Section 337 relating to intellectual property, traditionally looked for some production or production-related activities in the United States. These were held to include assembly, quality control, and packaging. Research and development, marketing, and sales activities were not, of themselves, held sufficient to establish a domestic industry. When only part of the production activities were in the United States, the Commission would assess the nature and significance of the domestic activity to determine if the industry requirements had been met.

The 1988 requirements have changed all this. Now a domestic industry exists if, with respect to the goods protected by the intellectual property right, there is within the United States:

1. Significant investment in plant or equipment; or
2. Significant employment of labor or capital; or
3. Substantial investment in exploitation including engineering, research and development, or licensing.

Only one of these criteria need to be established in order to satisfy the require-

ment. All of them, especially the last, substantially broaden the definition of domestic industry from the standard used before the amendments. The legislative history makes it clear that Congress specifically sought to extend Section 337 protection to entities such as universities and research facilities, which license inventions but do not engage in production. There has been some concern, however, that the standard is so broad as to allow the statute to be used by importers battling for control over the U.S. market.

[The conclusion of Mr. Rohr's remarks will be in the next NYPTC Bulletin.]

RECENT DECISIONS

By Thomas A. O'Rourke

UNFAIR COMPETITION Plug Molding Statute

The Supreme Court in *Bonito Boats v. Thunder Craft Boats Inc.*, 37 BNA PTCJ 377 (Feb. 23, 1989), held that a Florida law prohibiting plug-mold copying of boat hulls was pre-empted by federal patent law because it provided patent type protection to unprotected designs. The court of appeals for the Federal Circuit's earlier decision in *Interport Corp. v. Italia*, 777 F.2d 678 (Fed. Cir. 1985), upholding the California plug-mold statute, was rejected by the Supreme Court.

According to the Supreme Court,

ideas that are before the public without the protection of a valid patent may be appropriated provided the public is protected from confusion. The Court held that "A state law that substantially interferes with the enjoyment of a utilitarian or design conception, which has been freely disclosed by its author to the public at large, impermissibly contravenes the ultimate goal of public disclosure and use which is the centerpiece of federal patent policy."

The Supreme Court rejected the application of state unfair competition law in this situation because state unfair competition laws protect consumers from confusion as to the source or origin and confusion was not an issue in the litigation.

UNFAIR COMPETITION Trade Dress Infringement

In *Blue Bell Biomedical v. Cin Bad Inc.*, 37 BNA PTCJ 380 (5th Cir. 1989), the Fifth Circuit Court of Appeals held that a former distributor of plaintiffs hospital carts had no greater burden than that imposed by the law on third parties to distinguish its product from that of the company it formerly represented.

Plaintiff argued that the former relationship of the parties should have been considered by the court as a relevant factor in determining whether there was trade dress infringement. The Fifth Circuit rejected those cases which involved continued use of the licensor's trademark by a former licensee because there was no appropriation of plaintiff's mark by defen-

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dant in the *Blue Bell* case and defendant's mark was prominently displayed on the product.

PATENTS Doctrine of Equivalence

The Court of Appeals for the Federal Circuit addressed the issue of prosecution history estoppel in *La Bounty Manufacturing, Inc. v. United States International Trade Commissions*, 37 BNA PTCJ 424 (Fed. Cir. 1989). In *La Bounty*, the International Trade Commission found no infringement because it found that *La Bounty* was estopped by the prosecution history by claiming infringement under the doctrine of equivalents. In finding non-infringement the ITC looked at the prosecution history only to determine if amendments to the claims in questions were made in response to a prior art rejection. Since the amendments were made to distinguish over the prior art, the commission concluded no equivalence was possible. The ITC, in reaching its conclusion, made no detailed analysis of the prior art relying on the CAFC decision in *Prodyne Enterprises, Inc., v. Julie Pomerantz, Inc.*, 743 F.2d 1581 (Fed. Cir. 1984).

The Court of Appeals reversed the Commission and held that *Prodyne* does not eliminate the need to consider the prior art to determine whether even in the light of amendments to the claims the amended claims are entitled to some scope of equivalence. The court concluded, where a party is not seeking to resurrect coverage of prior art must still be made to determine whether the patent is entitled to any equivalence in

view of the amendment and if so what is the scope of the equivalence.

PATENTS Jurisdiction of Federal Circuit

A patent owners attempt to avoid a holding of validity in the district court by eliminating an adversarial defendant from the appeal was unsuccessful in *Gould v. Control Laser*, 37 BNA PTCJ 323 (Fed. Cir. 1989). The Court in *Gould* held that the appeal was moot and refused to consider plaintiff's arguments on the validity of the claims.

In *Gould*, the district court held the claims of the patent suit invalid. While the appeal was pending and during the trial on damages, the parties settled the dispute. The settlement agreement included a transfer to the plaintiff of an ownership interest in and voting control over the defendant.

The court of appeals refused to permit the plaintiff to continue with the appeal on the ground that the appeal was moot because there was no actual controversy before the court. The fact that the plaintiff, as part of the settlement agreement reserved its right to attack the findings of the district court as to the invalid claims did not persuade the CAFC. As defendant no longer had any interest in the appeal in view of the settlement, plaintiff became the controlling party on both sides of the case and thus there were no longer two parties to the action. ■

ANNOUNCEMENTS

Darby & Darby has announced that relocated its office to 805 Third Avenue, New York, New York, 10022. In addition, Paul Fields, and Martin Goldstein have become members of the firm, and Roberta S. Bren has become of counsel, effective March 1, 1989.

Robert H. Rines, president of Franklin Pierce Law Center, Concord, New Hampshire, has announced the appointment of Karl F. Jorda as the second Director of the Kenneth J. Germeshausen Center for the Law of Innovation and Entrepreneurship, located at the Law Center, effective May 1, 1989.

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