



THE NEW YORK PATENT, TRADEMARK AND COPYRIGHT LAW ASSOCIATION

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PRESIDENT'S CORNER

Mandatory Continuing Legal Education & Mandatory Pro Bono for New York?

Are you ready to spend 24 hours in required continuing legal education classes and to spend an additional 40 hours every two years rendering pro bono legal services? If proposals currently being considered in New York are adopted, those requirements will be imposed on New York state bar members who maintain offices in New York.

Thirty-three states have imposed mandatory continuing legal education ("MCLE") requirements since the first MCLE requirement was adopted in 1975. Last year, the NY State Bar Association created a special committee chaired by Prof. Robert McKay to propose an MCLE plan for consideration by that association. Further information has been published in the September and October 1989 issues of *State Bar News*. MCLE has also been proposed in bills in both houses of the Legislature; however, no action on those bills is expected until after the State Bar Association receives the special committee's proposal in January 1990.

Our Association has not taken a position on whether or not MCLE should be imposed in New York. Following an initial study and report by our License to Practice Committee, chaired by Joseph Brindisi, the Board has asked me to share some of our concerns over the administration of such a requirement with the State Bar Association's special committee.

For its size, our Association is a quite active and successful provider of CLE programs. Our regular luncheon and dinner meetings, fall CLE weekend and annual joint patent law CLE program provide more than sixteen hours of instruction each year. We

want to be sure, however, that if MCLE comes into effect, successful programs such as these qualify for CLE credit without excessive administrative burden.

We are suggesting that, if MCLE is adopted, the structure of the State Bar Association special committee's proposed rule be simplified and the burden of compliance be reduced. In particular, we are suggesting simplified reporting requirements and elimination of the sponsor fees which would be an unnecessary burden on groups such as ours. We also suggest up to a one year extension of time for compliance be granted upon payment of an administration fee, for example, \$50, instead of the proposed rule's 90 day period before disciplinary proceedings are initiated in the appellate division.

The mandatory pro bono ("MPB") proposal is not as far advanced and has yet to be

considered by our Association. On first impression, it raises serious public policy questions regarding taxing lawyers by taking some of their time to provide services that the society as a whole has been unwilling or unable to provide. Another concern is that most intellectual property law attorneys involved in MPB would not be practicing in the areas in which they have been or are being trained.

The subjects of MCLE and MPB deserve careful consideration, including not only the specific proposals in New York but also alternatives. Please share your thoughts with Joe Brindisi and the License to Practice Committee.

John B. Pegram, President

CALENDAR OF EVENTS

December 11-12, 1989	PLI: Trends in Biotechnology and Chemical Patent Practice (NYC)
December 12, 1989	NYPTCLA: Luncheon Meeting — Charles McKenney (Pennie & Edmonds) on "Recent Changes in Sec. 43(a)"
January 10, 1989	Joint NYPTCLA Dinner Meeting with the N.J. Patent Law Assoc. Speaker: Hon. Daniel M. Friedman, Circuit Judge, U.S. Court of Appeals for the Federal Circuit, on "Appeals in Patent Cases." Cocktails at 6 pm, dinner at 7 pm. (Penta Hotel), West 34th St. & 7th Ave., NYC)
January 25-28, 1989	ABA-PCT Section: Mid-Winter Meeting (Indian Wells, California)
January 27-31, 1989	Assoc. of Corporate Patent Counsel (Laguna Beach, Cal.)
January 31 - February 3, 1990	AIPLA: Mid-Winter Meeting (Palm Desert, Cal.)
February 15, 1990	NYPTCLA: Luncheon Meeting (Tentative)

ANDERSON HONORED ANEW

The NYPTC's 1989 Inventor of the Year, Dr. John E. Anderson, has again been honored for his contribution to Union Carbide's team that has recently been awarded the prestigious Kirkpatrick Chemical Engineering Achievement Award for 1989. The award, according to the announcement in the October issue of *Chemical Engineering* magazine was presented for "Technology that enables the effective use of oxygen-enhanced combustion in mobile hazardous-waste incinerators".

The coveted biennial award is presented by the magazine to honor, "outstanding group effort in developing and commercializing chemical process technology." This year, the judges awarded that distinction to the Linda oxygen combustion system, a technology that destroys dioxin and PCB contaminated soils and other wastes, and provides complete incineration and destruction of these hazardous wastes to strict EPA standards. This unique system also more than doubles the rate of throughput compared to conventional combustion systems.

At the heart of the system is Dr. Anderson's patented "A" Burner which introduces a flow of oxygen into the combustion chamber in a novel manner that can control the flame temperature. One advantage of this controlled flame temperature is a great reduction in nitrogen oxide emissions.

The award will be presented at a ceremony on December 4 in New York City. *Chemical Engineering* magazine sponsors the Kirkpatrick Award but does not select the winners. The selection is determined by the chairpersons of the accredited chemical engineering departments at U.S. colleges and universities. ■

The "CRUEL DILEMMA" Charges of Willful Infringement & Attorney- Client Privilege

The October 17th luncheon meeting was addressed by our Association's President, John B. Pegram. In his introduction, Meetings Committee Chairman Bill Dippert said he hoped that a speech by the new President would become a tradition.

Taking his text from the plaint of defendant's counsel in a 1987 Chicago case, Mr. Pegram spoke on the cruel dilemma facing patent defendants: the choice between a complete sacrifice of attorney-client privilege or a complete sacrifice of the good faith defense to charges of willful infringement. "What has happened to the supposed social benefits of the attorney-client privilege and work product immunity?" he asked. "Do we really want to encourage preparation of opinions without shades of grey, intended to be read by juries; rather than balanced studies evaluating all of the risks for corporate management?"

In reviewing the decisional law, Mr. Pegram particularly noted that there are no hard and fast rules. The cruelest part of the dilemma facing defendants, attorneys, he said, is that when an attorney fails to introduce an exculpatory opinion of counsel at trial, the court may infer that no opinion was obtained or that it was adverse to the infringer's desire to use the patentee's invention.

Mr. Pegram urged a responsible approach to all questions of possible infringement. Get advice. Thorough advice. Think before you write. If the opinion is going badly, stop infringing. He also recommended establishment of a responsible oral opinion procedure and good faith negotiation, suggesting that positions stated in settlement correspondence may be usable in defense against willfulness charges in place of privileged communications.

It appears that charges of willful infringement have been made more frequently since jury trials of patent actions have become popular. There is, however, no constitu-

tional right to jury trial of facts underlying awards of increased damages and attorney fees under 35 U.S.C. §§284 & 285. Although some decisions suggest that willfulness is properly tried to a jury, those cases are *dicta* on the issue of whether willfulness must be tried to the jury.

Mr. Pegram reviewed four arguments which may be offered in support of postponing discovery and trial of the willfulness issue until after a finding of liability. First, Rule 42(b) of the Federal Rules of Civil Procedure permits separate trial of issues in furtherance of convenience, to avoid prejudice, or if conducive to expedition and economy. Second, if the probative value of evidence of willfulness is substantially outweighed by the danger of unfair prejudice, confusion of the issues, or misleading, it can be excluded in the liability stage under Rule 403 of the Federal Rules of Evidence. Third, he suggested an analogy to malicious prosecution claims, which usually can only be brought after success on the merits. The last argument is the public policy underlying the attorney-client privilege and the attorney work product immunity.

The subjects of defending against willful infringement charges, the limits of the right to a jury trial, and when separate trials are appropriate, are not well understood. By addressing these matters in briefs and arguments, Mr. Pegram said, attorneys can contribute to rational development of the law. ■

PENDING LEGISLATION

By David J. Lee and Edward P. Kelly

In the past two months, Congress has generated a few new bills relating to intellectual property. For the most part, however, Congress has attempted to fine tune intellectual property bills introduced during the past year. Activity in the patent area has focused principally on patenting of activities in space and animal patenting. Activity in the trademark area has focused principally on grey market goods. Activity in the copyright area has focused principally on state liability for copyright infringement and the "work made for hire" doctrine.

PATENTS

Animals

Last year the Patent Office announced its intention to issue patents covering non-human transgenic animals (see *NYPTCLA Bulletin* Nov/Dec 1988 at 2). A transgenic animal is defined as an animal whose germ cells contain genetic material derived from an animal other than its parent. The transgenic animal is created by inserting a gene into an animal embryo. The new gene does not change the basic nature of the animal, but does create a new trait, such as resistance to a particular disease. The trait can be passed on to future generations through natural breeding.

Transgenic animals are useful for at least three purposes. They can be used as laboratory models for studying human disease. They can be used to produce pharmaceutical proteins (usually in the animal's milk). Finally, they can be used to enhance farm profitability by lowering production costs (by breeding in disease resistance, for example) or by enhancing the market value of the animal (by breeding in improved protein yield, for example).

A bill currently pending in the House would confirm the authority of the Patent Office to issue patents on non-human transgenic animals and create an infringement exemption for farmers who breed transgenic animals. Representative Robert Kastenmeier (D-Wis) introduced this bill — the "Transgenic Animal Patent Reform Act" (H.R. 1556). Kastenmeier introduced an identical bill in the last Congress (H.R. 4970).

The House Subcommittee on Courts, Intellectual Property, and The Administration of Justice recently held hearings on H.R. 1556. A number of farm groups — including the National Farmers Union, the American Farm Bureau Federation and the National Cattlemen's Association — voiced support for the infringement exemption for farmers. Howard Lyman, testifying for the National Farmers Union, stated that the infringement exemption would, in effect, require that any royalty payment be made up front, a result consistent with the manner in which the livestock industry normally does business and consistent with the business necessity of avoiding complicated systems

to keep track of livestock for royalty purposes. Lyman added that the farmers' exemption would prevent large corporate patent holders from extracting a large profits from farmers based merely on ownership of a patent covering a transgenic animal.

Witnesses for the biotechnology industry expressed opposition to the farmers' exemption. Steven Holtzman of DNX, Inc. testified on behalf of the Industrial Biotechnology Association. Mr. Holtzman stated that the exemption effectively would mandate that a company making and selling a patented transgenic animal sell all its rights — retaining no option to obtain subsequent royalties. Mr. Holtzman opposed this result on the ground that companies that invest millions to develop transgenic animals should be free to maximize their royalty income, either by selling all their rights up front at a high price or by selling limited rights at a lower price, with provision for royalties on progeny possessing the transgenic trait. Mr. Holtzman stated that an absence of this flexibility would force producers to limit their sales of transgenic animals to a relatively few large farmers, and thus keep the technology from small farmers.

Donald J. Quigg, former Commissioner of Patents, and Professor Donald S. Chisum also testified against the creation of a farmers' exemption. Mr. Quigg stated that a royalty-free compulsory license would diminish the incentive to innovate and to provide the public with disclosure of transgenic animal inventions. Professor Chisum testified that the farmers' exemption would violate the patent principle of neutrality by exempting a particular class of consumers and users. According to Professor Chisum, the exemption would send a negative signal to the biotechnology industry and its financial backers.

Representative Benjamin Cardin (D.Md.) recently introduced a bill (H.R. 3247) that would place a two-year moratorium on issuance of animal patents by the Patent Office. This bill has been referred to the House Judiciary Committee. No hearings on this or related bills are scheduled at present.

SPACE

Companies involved in development of technology used aboard United States space-

craft have long been concerned that inventions developed in or for use in space will not receive adequate protection under United States patent law as currently constituted. There has been widespread fear that infringement in space may not be actionable under United States law. Similarly, there has been fear that reduction to practice in space would be considered a reduction to practice outside the United States, placing an inventor in space at a disadvantage in a priority contest with an inventor on earth.

Last January, Representative Roe (D.N.J.) introduced the "Patents In Space Act" in response to these concerns (H.R. 352) (see *NYPTCLA Bulletin* March/April 1989 at 2). Roe's bill would create a new Section 105 of the patent law. 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. Senator Albert Gore (D. Tenn.) introduced a similar bill in the Senate (S. 459).

Another bill on this issue recently was introduced in the House by Representative Robert Kastenmeier (D-Wis.) (H.R. 2946). This bill is similar to the Roe bill. The House Subcommittee on Courts, Intellectual Property and the Administration of Justice recently held hearings on H.R. 2946. NASA, the Patent Office, the State Department and legal experts testified in support of the bill.

Professor Glenn H. Reynolds of the University of Tennessee College of Law testified as a legal expert. Mr. Reynolds stated that a Court probably would not extend the reach of the United States patent laws to activities in space unless Congress amended the patent laws to that effect. Professor Charles E. Bugg of the University of Alabama at Birmingham cited space research relating to protein crystals as an example of the important research currently conducted in space. Protein crystals apparently are easier to create in space than on earth. According to Mr. Bugg, information on the molecular structure of proteins gleaned from space research will be important to the pharmaceutical and bioelectronics industries.

H.R. 2946 would not apply to decisions of the Patent Office or the Courts made final before the law is enacted. The law also would not apply to any invention made on a spacecraft that was launched before the enactment date.

INDUSTRIAL DESIGNS

Companies often spend significant amounts of money in creating original product designs — for telephones, furniture and sports equipment, for example — and make substantial investments in products embodying those designs. Yet a competitor cannot be prevented from adopting a product design unless the design is protected by one of the traditional forms of intellectual property: a patent, a copyright or a trademark. These protections sometimes are not enough. Patent protection, for example, is limited by the requirement that a design be nonobvious.

Last winter, Representative Carlos Moorehead (R-Ca.) proposed a bill (H.R. 902) to enhance protection of industrial designs (see *NYPTCLA Bulletin* March/April at 3). Under the Moorehead bill, original designs of useful articles would be protected from copying for 10 years. Commonplace designs dictated solely by utilitarian function would not be protected. Upon the expiration of the 10 year term, the statutory rights in the design would terminate regardless of how many articles had embodied the design. The bill provides for award of damages for infringement where the infringing sales are reasonably related to the protected design.

Representative Moorehead introduced a new bill this fall, with Representative Kastemeier (D-Wis.) as a co-sponsor. The bill (H.R. 3499) is similar to the earlier bill. Unlike its predecessor, however, the new bill does not specifically exclude semiconductor products from protection. The new bill also does not exclude from protection ideas or processes that are embodied in a protected design. In introducing his new bill, Mr. Moorehead discussed its purposes:

"The provisions of the bill are intended to establish procedures for obtaining protection quickly and inexpensively. The Administrator would determine whether the design on its face qualifies for protection. It would be unnecessary to conduct a search of existing designs since novelty is not a prerequisite to protection under the bill. To qualify as original, the design need be only the independent creation of a designer who did not copy it from another source. In most cases the applicant would receive a certificate of registration from the Administrator within a short time after filing his application".

See Cong. Rec. October 19, 1989, P.E 3484.

Representative Richard Gephardt (D-Mo.) recently introduced the "Industrial Design Anti-Piracy Act of 1989" (H.R. 3017). While similar in many respects to the Moorehead bill, the Gephardt bill differs on some controversial issues. It would, for example, include typefonts among the designs entitled to protection. It also attempts to deal with design protection for replacement automobile body parts.

Opponents of Moorehead's earlier bill had argued that automobile replacement parts should not be protected because protection would effectively eliminate beneficial offshore competition. They argued that eliminating this competition could result in higher replacement costs. The Gephardt bill addresses these concerns by excluding auto body parts from protection. The bill also would exclude semiconductor products and ideas or processes that are embodied in a protected design. H.R. 3017 has been referred to the House Judiciary Committee.

INTERNATIONAL TRADE COMMISSION

Senator John Rockefeller (D-W.Va.) recently introduced a bill (S. 1529) that would substantially amend Section 337 of processes that are embodied in a protected design. H.R. 3017 has been referred to the House Judiciary Committee.

INTERNATIONAL TRADE COMMISSION

Senator John Rockefeller (D-W.Va.) recently introduced a bill (S. 1529) that would substantially amend Section 337 of the Tariff Act of 1930 in favor of domestic patent owners where infringing products emanate from a country that fails adequately to protect inventions of domestic companies (see *NYPTCLA Bulletin* Sep/Oct 1989 at 3). Senator Rockefeller spoke about his bill and related issues at the annual meeting of the ITC Trial Lawyers Association.

Senator Rockefeller is not moved by the recent ruling of a GATT panel of experts that Section 337 violates GATT principles because it effectively discriminates against foreign merchants. Senator Rockefeller believes that it would be unwise to give up the substantial negotiating chip that Section 337 represents. The philosophy of the Rockefeller bill is that this bargaining chip should be made

even more substantial. Senator Rockefeller reported that he and other members of the Senate Finance Committee stand firmly behind the Rockefeller bill and have made their views known to the United States Trade Representative (who is rumored to be considering adoption of the GATT panel report in the interest of furthering other objectives of the United States in GATT). S. 1529 has been referred to the Senate Finance Committee.

LICENSING

Last year the President signed into law a bill that placed limitations on the defense of patent misuse. The law amended section 271(d) of the patent laws to provide that a patent owner would not be deemed guilty of misuse where he refused to license a patent or tied a patent license or the sale of a patented product to a license under another patent or the purchase of a separate product. The new law provides that a tie-in could be deemed misuse if it is proved that, under the circumstances, the patent owner had market power in the relevant market for the patent or patented product on which the license or sale is conditioned.

Prior to the enactment of the new law, the Senate had proposed a bill that would have given patent owners greater latitude in licensing. The Senate bill (S. 438) would have amended section 271(d) to prohibit a Court from finding patent misuse unless the Court also found that the patent owner had violated the antitrust laws, and would further have prohibited a Court from presuming market power from ownership of a patent (see *NYPTCLA Bulletin* March/April 1989 at 2).

This year the Senate approved a bill (S. 270) that is identical to S. 438. See *NYPTCLA Bulletin* May/June 1989 at 6. No further hearings on S. 270 are currently scheduled.

TRADEMARKS

Little has happened in the trademark area since our last report. The Hatch and Chandler bills relating to gray market goods are pending (S. 626; H.R. 771) (see *NYPTCLA Bulletin* March/April 1989 at 2). H.R. 771 has been referred to the House Ways and Means Committee. S. 626 has been referred to the Senate Judiciary Committee. No hearings currently are scheduled.

**BACK BY POPULAR DEMAND!!!
FORUM ON THE TRADEMARK LAW REVISION ACT**

FEBRUARY 15, 1990, 3:30 - 6:30 P.M.

The Board Room
280 Park Avenue
(between 48th & 49th Streets)
New York City

AGENDA

Pre-Filing Procedure Plus

Prospective of the Act by an In-House Counsel

Stanley J. Silverberg

Prosecution of Applications

Phillip Furgang

Unresolved Issues and Pitfalls Under the Act

Frank Colucci

A View From the PTO

Hon. Jeffrey Samuels

Panel Discussion

Howard B. Barnaby

Frank Colucci

Phillip Furgang

Stanley J. Silverberg

Hon. Jeffrey Samuels

The Forum will run from 3:30 P.M. to 6:30 P.M. There is a charge of \$25.00 per attendee, which includes printed materials and coffee/tea.

Please complete the following, which may be duplicated for multiple attendees, and return with payment of \$25.00 per attendee to Howard Barnaby, Esq., Robin Blecker & Daly, 330 Madison Avenue, New York, New York 10017. Telephone (212) 682-9640.

New York Patent Trademark and Copyright Law Association

February 15, 1990 3:30 - 6:30 P.M.

I would like to attend the forum on February 15, 1990. Enclosed is a check for \$25.00 per attendee, made payable to the New York Patent, Trademark and Copyright Law Association.

Name _____ Telephone Number _____

Firm/Corporation _____

Address _____

SUMMARY OF PROPOSED CLE RULE

1. CLE COMMISSION

The CLE Rule provides for establishing a mandatory CLE Commission composed of 15 members to administer the CLE Rule. The Commission shall meet at least quarterly to adopt regulations consistent with CLE Rule and to administer compliance by continuing legal education programs and attorneys.

2. CLE REQUIREMENT

The CLE Rule calls for every active attorney admitted to practice in and practicing law in the state of New York to complete 24 hours of continuing legal education biennially. At least four of these hours shall deal with the subject of professional responsibility which includes legal ethics, client grievance, malpractice prevention, substance abuse by attorneys, attorney's fees, client development, law office economics, management and particular responsibilities of public attorneys and in-house counsel to their clients. The requirements are intended to be met by attending approved courses but may also be met by completing other CLE activities approved for credit by the commission which includes self-study, teaching, writing for legal publications or periodicals, and in-office continuing legal education programs.

3. REPORTING CLE CREDIT

Attorneys shall at the time of their New York State Bar biennial registration report their attendance at approved CLE activities during the proceeding 24 months with no fewer than 9 hours of attendance being reported for any one year of the reporting period. Attorneys subject to this Rule shall maintain records evidencing this participation for 36 months thereafter. This reporting by attorneys shall begin in January of 1993,

and therefore, sponsors of CLE program must comply with the provisions set out for such programs starting on January 1, 1991.

4. DELINQUENCY AND SANCTIONS

Noncompliance by active attorneys with this Rule shall be conduct prejudicial to the administration of justice and shall be referred to the appropriate appellate division of the Supreme Court for disciplinary action. The attorneys shall have 90 days following receipt of a notice of delinquency to take the necessary steps to meet the requirements of the Rule before having to appear before the appellate division for possible disciplinary action.

5. ATTORNEYS COVERED BY THE RULE

All active attorneys who are both 1) admitted to practice in the state of New York and 2) engaged in the practice of law in the state of New York are subject to this rule. Attorneys not engaged in the practice of law are considered to be inactive and are, therefore, not subject to the CLE requirements.

6. INDIVIDUAL COURSE REQUIREMENTS

The CLE Commission shall have the power to approve individual courses for meeting the applicable CLE requirements. The standards to be met include:

- the course contributes directly to professional competence or skills of attorneys;
- course instructors have the practical or academic skills to conduct the course effectively;
- each attendee must be provided with adequate course materials;
- the course must be presented in a suitable setting which includes adequate writing surfaces;
- courses should provide for a question and answer period or the ability to ask questions of the faculty;

- except for in-office CLE, courses should be open to any attorney thought to be interested in the subject matter; and
- the sponsor must encourage active participation by attorneys as planners, coordinators, authors etc. in the course.

Further, the CLE Commission shall have the authority to order and review programs for accreditation and the Commission shall determine the number of credit hours to be awarded for attendance at approved courses.

7. SPONSOR APPROVAL

The CLE Commission shall have the authority to approve or disapprove sponsors of CLE courses or activities and shall set standards for such approval.

8/9. IN-OFFICE AND SELF STUDY CLE

The CLE Commission should have the authority to approve in-office and self-study programs and assign credits utilizing similar criteria as applied to the previously discussed CLE programs.

10. FINANCING THE COMMISSION

The administrative cost of the CLE Commission will be covered by a fee established by the Commission and paid by active attorneys who are required to register biennially in New York State. Additional funding may be provided by late reporting fines from delinquent attorneys and by sponsor or attendee fees established by the Commission.

The De Concini and Brooks bills relating to territorial restrictions on resale of trademarked goods are pending (S. 1743; H.R. 3151) (see *NYPTCLA Bulletin* Sep/Oct at 4). No hearings are scheduled at present.

Also pending are Representative Smith's "Hollywood" bill — which would prohibit registration of the name of a municipality as a trademark (H.R. 1172) (see *NYPTCLA Bulletin* May/June 1989 at 6)— and Representative Garcia's bills relating to false or improper designations of origin (H.R. 1689, 1688). No hearings have been scheduled on any of these bills.

Last summer Oregon and Kentucky established lotteries based upon the outcome of National Football League games. The NFL objected to the lotteries on the ground that the public might believe that the NFL sponsored this form of gambling. Although the NFL is a registered service mark, as things now stand, it is not clear that the NFL would have an action against a state for infringement of the mark. In 1977, a district court in Delaware held that this type of lottery did not infringe the NFL's service mark. *Delaware*, 435 F. Supp. 1372 (D. Del. 1977).

Senator Dennis DeConcini (D-Ariz) recently introduced a bill (S. 1772) that would amend the Lanham Act to provide that a lottery that is based directly or indirectly on a professional sports organization shall be deemed to exploit the service mark owned by the organization. S. 1772 has been referred to the Judiciary Committee.

Representative Synar recently introduced a bill (H.R. 1493) that would restrict the use of trademarks on packages of tobacco products. The bill would require that any labeling on a tobacco product be black on a white background. The bill also would prohibit sponsorship of any athletic, music, or other event in the name of a registered brand name except if the registered brand name is also the name of the corporation that manufactures the tobacco product and both the brand and the corporation were in existence prior to 1986. No hearings have been scheduled on this bill.

Finally, a number of special interest bills are pending. See, e.g., S. 670 (Retired Enlisted Association); S. 917 and H.R. 2006 (American Indians); S. 682 and H.R. 1674 (Visiting Nurses).

COPYRIGHTS

State Immunity

The Eleventh Amendment grants a State immunity from suit in Federal Court. Recent decisions have invoked this immunity in copyright infringement suits on the ground that Congress did not express an intent to eliminate state immunity in enacting the Copyright Act of 1976. We previously have reported on bills in the House (H.R. 3045) and Senate (S. 497) that would amend the Copyright Act expressly to recite Congress' intention to eliminate State immunity for copyright infringement (see *NYPTCLA Bulletin* Sep/Oct 1989 at 5; *NYPTCLA Bulletin* May/June 1989 at 6).

The House recently approved H.R. 3045, and the Senate Subcommittee on Patents, Trademarks and Copyrights approved S. 497. The Senate bill awaits hearings in the Senate Judiciary Committee.

WORK MADE FOR HIRE

An employer owns the copyright of a work created by an employee during the course of his employment. A party that specially orders or commissions a work also owns the copyright in the work, provided that the parties so agree in writing. These "work made for hire" rules are exceptions to the general rule that the author of a work owns the copyright on that work.

Last summer, Senator Thad Cochran (R-Miss.) introduced a bill (S. 1253) that would limit the "work made for hire" exception to traditional employer/employee relationships. The bill also would require that, in the case of specially ordered or commissioned works, any written agreement regarding ownership must be made before the work begins (see generally *NYPTCLA Bulletin* Sept/Oct 1989 at 5-6). This provision is intended to prevent publishers from conditioning final payment upon an author's agreement to relinquish rights to the work.

The Senate Subcommittee on Patents, Copyrights and Trademarks recently held hearings on S. 1253. The hearings focused on the bill's provision prohibiting the commissioning party from obtaining a written ownership agreement after the work has begun. Cartoonist Don Martin testified to the indus-

try practice of placing work-for-hire agreements on the reverse side of a paycheck, a practice that serves to condition final payment to the author upon surrender of rights to the work after it has been completed.

Representatives of the publishing industry voiced opposition to S. 1253. Michael R. Klipper of the Committee For America's Community stated that the provision would be burdensome on publishers. Mr. Klipper stated, by way of example, that publishers of elementary text books negotiate work for hire agreements with numerous contributing authors. According to Mr. Klipper, these agreements cover the original works and any subsequent revisions. Mr. Klipper stated that S. 1253 would require that each revision be accompanied by a separate agreement from every contributor.

MOTION PICTURE COLORIZATION

An author's or artist's moral right is typically defined as an inherent right to claim authorship of a work and prevent its destruction or alteration. The United States copyright law does not recognize these moral rights at present. Whether it should is an issue that surfaced most recently in connection with the accession of the United States to the Berne Convention. An artist's right to prevent the colorization or alteration of motion pictures was one of the earliest issues debated.

The Senate Subcommittee on Patents, Copyrights and Trademarks recently held a hearing on moral rights in motion pictures. Prior to hearing testimony, Senator DeConcini raised but did not attempt to answer the issue of whether Congress has the constitutional authority to enact moral rights under the Copyright clause.

Directors and producers presented opposing views at the hearing. Directors of motion pictures argued that the colorization of movies originally set in black and white destroyed the artistic essence of the film. Representatives of the film industry pointed out that television and home video markets are essential to the financial stability of the movie industry and that movies must be altered for television and home video sale. Industry representatives also pointed out that colorized films and black and white versions can coexist. Further hearings have not yet been scheduled.

COPYRIGHT FEES

The House recently passed a bill (H.R. 1622) that would increase the fee for obtaining a copyright from \$10 to \$20. The \$10 fee has existed since 1978. In supporting the bill, Representative Robert Kastenmeier (D-Wis.) stated that inflation since 1978 necessitated the increase. The bill also contains a provision increasing the fees every five years to compensate for inflation. The first increase would not occur until 1995.

A similar bill (S. 1271) is pending in the Senate. It has not yet been voted on by the full Senate. ■

NEWS FROM THE BOARD OF DIRECTORS

By Howard B. Barnaby

The Board met on September 19, 1989. John Pegram reported that during the summer he had completed all committee designations and that he and David Kane had attended receptions in Washington honoring Rene Tegtmeyer. Mr. Pegram also testified before the Patent and Trademark Office with respect to proposed Rule 57. He reported that the Association's position was in the minority and that PTO officials had indicated that some form of Rule 57 was likely to issue.

John Pegram also requested that there were two visits from Chinese delegations. Frank Scheck coordinated a visit of the Chinese Patent Agents Group in New York, while Mr. Pegram attended a luncheon of a group involved in rewriting the Chinese Trademark Law.

John Pegram attended the Second Circuit Judicial Conference as the Association representative. He noted that many Judges expressed their application for the Judge's Dinner.

Peter Saxon reported on the Judges' Dinner which is to be held on March 30, 1990. Andrea Ryan reported that the Annual Meeting is scheduled for May 17, 1990.

The Board Members next reported on the status of the committees for which they acted as liaison.

William Brunet reported on the status of the WIPO patent law harmonization negotiations. He noted that the Association had been invited to attend a meeting on October 5, 1989 with PTO officials to discuss the U.S. position at the WIPO meeting. Mr. Brunet submitted reports setting forth the recommendations of the Association's Special Committee on Harmonization.

With respect to Article 106, the Committee favored publication at 18 months after filing provided the inventor can get a search report before publication in order to enable him to elect to keep his invention secret if prior art is found. The Committee also suggested that if the application were published by mistake, then the applicant should be entitled to withdraw any withdrawal of the application he previously had filed.

With respect to Article 108 dealing with administrative revocation of patents, the Committee proposed that between publication and grant any third party could submit prior art and arguments which it wished to be considered by the Examiner before grant.

John Pegram was authorized to select a person to attend the PTO meeting and the circulate copies of the Committee's report for consideration at the meeting. ■

ATTORNEYS ROSTER BEING UPDATED

The Office of Enrollment and Discipline at the U.S. Patent and Trademark Office will be updating the Roster of Attorneys and Agents registered to practice before the Office, beginning in January of next year. Mailings will be sent out to about one fifth of the roster, including registered practitioners who have surnames beginning with one of the letters P, Q, R of the alphabet. However, the mailing will *not* be limited to individuals having surnames starting with P, Q, R, so that owners should be receiving these mailing as well.

Individuals who receive this mailing are being requested to complete and return an enclosed data sheet (Form PTO-107A), including notification of any address change. Failure to comply with this request will result in *removal* of the practitioner's

name from the roster.

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Any inquiries about the compact disc read-only-memory form (CD-ROM) may be forwarded to the Office of Documentation Information CM2, Room 304, U.S. Patent and Trademark Office, Washington, D.C. 20231. ■

RECENT DECISIONS OF INTEREST

By Thomas A. O'Rourke

TRADEMARKS - FIRST AMENDMENT

The Second Circuit was recently confronted with a question on the scope of the Lanham Act when First Amendment issues are raised by the allegedly infringing party. In *Cliffs Notes Inc. v. Bantam Doubleday Dell Publishing Group, Inc.*, 38 BNA PTCJ 605 (2d Cir. October 5, 1989) the defendant published a parody of the famous Cliff Notes study guides under the name Spy Notes. Cliff Notes brought an action under both the Lanham Act and the common law alleging a likelihood of confusion and moved for a preliminary injunction to prevent distribution of the work.

The district court granted a preliminary injunction against distribution of Spy Notes and Doubleday was granted an expedited appeal to the Second Circuit. Doubleday argued that a likelihood of confusion was irrelevant because the First Amendment protected the parody's artistic expression. On appeal the Second Circuit vacated the preliminary injunction.

The Second Circuit held that there are First Amendment questions in a trademark action there must be a balancing of the right to free expression under the First Amendment and the public's right to be free from confusion, relying on the recent Second Circuit decision *Rogers v. Grimaldi*, 875 F.2d 994 (2d Cir. 1989).

COPYRIGHTS - INFRINGEMENT

A combination of different elements were found to be entitled to copyright protection because of the particular subjective quality created by the combination in *Stillman v. Leo Burnett Co.*, 38 BNA PTCJ 607 (ND Ill. October 5, 1989). In *Stillman*, the plaintiff created a silent television commercial as a way of attracting the attention of the viewers. The first eight screens were shown in black and white with a "reverse

type writing" and all had no soundtracks. The last screen had both color and sound.

The commercial was created by Stillman for an airline and was originally run in Canada but not in the U.S. Stillman attempted to interest another airline, United Airlines in a silent commercial but was unsuccessful. After Stillman was rejected a similar commercial was created by defendant Burnett and was used by United Airlines instead.

Defendants moved for summary judgment claiming that their commercial did not copy any protectable material from the plaintiff. In rejecting defendant's arguments, the court stated that:

"Standing on their own, Stillman's use of an initial screen announcing that the commercial was a silent commercial, eight black screens with white lettering, and a color screen at the end, do not amount to protectable expression. Yet, the synergy of these nonprotectable elements in the Eastern Commercial creates a whole that is greater than the sum of its parts. Each of the nonprotectable elements of the commercial may have been indispensable to a silent commercial, but Stillman's actual arrangement of these elements in the creation of his commercial was in no sense dictated by the idea of a silent commercial, and therefore renders the idea-expression unity limitation inapplicable here."

TRADE SECRETS - PROTECTABLE CUSTOMERS LISTS

A customer list was protected from misappropriation by a former employer in *Nutmeg Technologies Inc. v. Mashie*, 38 BNA PTCJ 459 (August 31, 1989). The customer list in suit was found to be a protectable trade secret because the customers list was developed through extensive effort and expense and was not based on readily ascertainable information.

The Court issued a preliminary injunction against defendant also because defendant had entered an employment agreement containing a non-disclosure clause. Despite that agreement, defendant had called on one of the plaintiff's customers while he was employed by plaintiff and left a competitor's business card bearing defendant's name. Accordingly, a preliminary

injunction was issued to protect the plaintiff from misappropriation of its trade secret.

PATENTS - OBVIOUSNESS - SECONDARY CONSIDERATIONS

The Court of Claims in *Pratt & Whitney Canada Inc. v. U.S.*, 38 BNA PTCJ 463 (Ct. Cl. August 31, 1989) used the lack of Secondary Considerations against the patent owner to support its conclusion of patent invalidity. Although the Court of Claims was not convinced that the differences between the claimed invention and the priority rendered to subject matter obvious, the court nevertheless held the patent to be obvious. The court focused on the absence of any of the *Graham* Secondary Considerations which convinced the court that the patent was invalid. Specifically, the court noted that the patented device was not accepted by the industry and that Pratt & Whitney was unsuccessful in licensing the invention. In addition, the court noted that another engineer had independently cornered a device similar to the claimed invention. ■

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Any firm intending to reserve a suite at the Waldorf-Astoria hotel for the 1990 Judges' Dinner, should contact the hotel immediately to assure availability of the suite at a suitable time prior to the dinner.

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