



THE NEW YORK PATENT, TRADEMARK AND COPYRIGHT LAW ASSOCIATION

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PRESIDENT'S CORNER

Judge Howard Markey has announced his retirement from the Federal Circuit Court as of April 30, 1991, bringing to an end nearly 19 years of dedicated and vigorous service in the Federal Judiciary. Retirement from the Court will not, however, mark the end of his contributions to our profession; Judge Markey will become Dean of the Chicago's John Marshall Law School from which he received his masters degree in 1950.

Howard Markey's military service in the 1940's and 1950's as a fighter pilot and pilot, plus nearly two decades on the benches of the Court of Customs and Patent Appeals and the Court of Appeals for the Federal Circuit add up to an outstanding and selfless contribution to his country. He and his gracious lady, Elizabeth, can and should be rightfully proud. We wish them well on their return to Chicago. The Association thanks them again for the many opportunities to host them in the past. We look forward to more in the future.

As you may know, the Deficit Reduction Act of 1990 requires that more than 99% of the future operational expenses of the PTO be funded through user fees. Only a small amount of money is allocated for public search room facilities and a limited number of other public functions performed by the PTO. This circumstance requires the PTO to devise a budget for its operations and to implement another substantial increase in most of the fees to be paid by applicants for patents and other users of PTO services. This exercise will necessarily involve the PTO in judgments about matters of public policy that it has not previously been compelled to make. Moreover, the PTO will probably have to give more attention than ever before to the views of

those who will be paying the bills. And that raises a significant public policy issue, among others, of whether and to what extent one class of user—full-fare—may be called upon to subsidize another class—small entities. In recent decades, of course, the patenting activities of both classes have been supported in different degrees by U.S. taxpayers generally; it now appears that significant changes must be almost upon us as well as our clients.

By the time you read this, the PTO's proposals will probably be known. The

cognizant committees of your Association will be asked to study them carefully and make recommendations for consideration by the Board of Directors. Meanwhile, I urge all members to become acquainted with the PTO's proposals as soon as they are published and to make their individual views known to the PTO and to your Board of Directors.

- Frank F. Scheck

CALENDAR OF EVENTS

April 16, 1991

The Seventh Annual Joint Seminar Program - Patent Practice Update, The Union League of Philadelphia, Philadelphia, Pennsylvania

April 16, 1991

Boal Memorial Lecture, New York University School of Law

May 4-8, 1991

USTA's 113th Annual Meeting, Westin St. Francis Hotel, San Francisco, California

May 8, 1991

Federal Circuit Bar Association, Annual Meeting, Washington Hilton Hotel, Washington, DC

May 9, 1991

Ninth Annual Judicial Conference, U.S. Court of Appeals for the Federal Circuit, Washington Hilton Hotel, Washington, DC

May 13, 1991

American Law Institute-American Bar Association, Professional Ethics and Responsibility: The New Model Rules in a Changing Legal Profession, San Francisco Hilton, San Francisco, CA

THE NUTRASWEET v. STADT DECISION

by Martin G. Raskin

To my knowledge, the decision in *NutraSweet v. Stadt* is only the second decision of a circuit court of appeals to squarely deal with the status of the mere color rule since the 1985 Federal Circuit's decision in *In re Owens-Corning Fiberglass*. In that case, the Federal Circuit ruled that under certain fact situations, mere color could be appropriated as a trademark. In other words, the *Owens-Corning* decision had reformulated the mere color rule from a per se absolute prohibition against the exclusive appropriation of mere color, to one that required a detailed investigation of the nature of the industry in which the trademark owner operates. In the only other case to consider the mere color rule since the *Owens-Corning* decision, the 9th Circuit 1987 decision in *First Brands v. Fred Meyer*, the 9th Circuit implicitly adopted the *Owens-Corning* rationale.

However, I am pleased to report that the 7th Circuit in the *NutraSweet* case totally rejected the *Owens-Corning* decision and affirmed the per se application of the mere color rule so that "a color unconfined by any design" cannot be exclusively appropriated as a trademark under any circumstances, and regardless of the nature of the particular market in which the parties operate. This case is an abrupt departure from the trend of the Federal Courts since the time of the *Owens-Corning* decision. In virtually every case that considered the issues since *Owens-Corning*, the court has at least paid lip service to the that decision. In *NutraSweet*, the 7th Circuit ruled that the per se mere color rule continues to be the law in the 7th Circuit even after *Owens-Corning*.

Before getting into the specifics of the *NutraSweet* case, it is necessary to provide background regarding the trademark protection of "mere color." It is important to note at this time, that NutraSweet never denied that it was attempting to exclusively appropriate a "mere color." It never claimed infringement of any "trade dress" which included any element other than color, such

as a design or even the shape of the product, as in the case of *First Brands*. You will recall that the rationale behind the mere color rule is the "color depletion theory" (see *Diamond Match* and *Campbell Soup* cases) which maintains that allowing colors to be exclusively appropriated as trademarks is necessarily anti-competitive, since the reservoir of available colors would eventually be depleted to an extent that would hinder competition in the market. The mere color rule, for policy reasons, is an absolute prohibition against the exclusive appropriation by a single individual or company of a mere color, even if the color does designate that company or individual as the source of the goods. That rule was universally applied in such cases as *Campbell Soup*, *Diamond Match* and in the 7th Circuit, in *Lifesavers v. Curtis Candy*.

However, in 1985, the Court of Appeals for the Federal Circuit decided that granting exclusive rights to a color did not necessarily have to hinder competition, and that where it is shown that granting exclusive trademark rights to a mere color will not hinder competition, exclusive rights would be granted if secondary meaning could be shown.

Owens-Corning was an appeal from a Trademark Examiner's refusal to grant the Owens-Corning Company exclusive rights to the color pink for its fiberglass insulation, citing the absolute prohibition of the mere color rule.

The Owens-Corning Company submitted evidence sufficient to show secondary meaning. In order to show that permitting it to appropriate the color pink as its exclusive trademark for home insulation would not hinder competition, Owens-Corning submitted evidence that no other company but it had ever sold insulation in anything other than its natural color, and that Owens-Corning had been coloring its insulation for 17 years. This apparently convinced the Court of Appeals for the Federal Circuit that it would not hinder competition in the fiberglass home insulation business to give Owens-Corning exclusive rights to pink. The Federal Circuit held that color was not customarily used in the fiberglass home insulation business, and therefore there was no "competitive need" to keep all colors available to all competitors.

The *Owens-Corning* decision was a two

to one majority division. In her dissent, Judge Bissel suggested that the per se mere color rule should continue to be the based on the following:

1. The adherence of the regional circuits to the mere color rule is entitled to deference under the principal of comity, specially where there is unanimity among the circuits courts;

2. There was no need to create a division in the law, and protecting the use of color as an element of a trademark provided sufficient protection;

3. Since the color pink has become virtually synonymous with home insulation, granting Owens-Corning the exclusive right to color its insulation pink would prevent new entrants into the fiberglass insulation industry from being able to effectively compete; and

4. Allowing colors to be appropriated would result in infringement actions denigrating into questions of shade confusion.

In any event, since the time of *Owens-Corning*, the courts that have ruled on issues relating to the mere color rule have consistently paid lip service to the *Owens-Corning* decision.

It was against this legal background that NutraSweet filed its complaint against our clients who had recently introduced a new sugar substitute product packaged in blue packets, called Sweet One.

It was NutraSweet's position, based on its alleged ten years of continuous and exclusive use of "blue" paper for its Equal sugar substitute packets, that it owned exclusive rights to the color blue for sugar substitute packets in the food service industry. It claimed that the color blue had acquired a secondary meaning and that consumers that came across blue packets in places like restaurants recognized from the blue color of the packets that the product was NutraSweet's Equal brand sugar substitute.

One of our major concerns in the case was that we were sure that NutraSweet would be able to make a decent showing of secondary meaning, and it was this point that NutraSweet consistently hammered away at. And it had plenty of ammunition. The NutraSweet company conducted a shopping mall survey which showed that 5% of people recognized blue packets Equal or NutraSweet. Ironically, although discovery showed that NutraSweet itself

very seldom used references to the color blue in a trademark sense, our own client consistently and repeatedly emphasized the connection between blue and Equal.

In any event, it appeared that the best course of action was for us to bring a motion for summary judgment in which we urged that even if NutraSweet could establish secondary meaning, as a matter of law under either the per se mere color rule, or under the rule of *Owens-Corning*, NutraSweet could not prevail.

It was, of course, a simple matter to make a good case for summary judgment if the per se mere color rule was the prevailing law. NutraSweet did not deny that it was trying to appropriate a "mere" color.

We also argued that summary judgment was appropriate even under the *Owens-Corning* rationale. In this regard, our case essentially consisted of showing that the use of color in the sugar substitute segment of the food service industry is customary, and in fact pervasive. We emphasized that the fact that color is customarily used, by itself, establishes a "competitive need" for color. We also argued that it was necessary to package the sugar substitute in colored packets in order to distinguish from white sugar packets.

In any event, facts relating to the sugar substitute segment of the food service industry became relevant. It was undisputed that there were three major brands which compete, namely Sweet 'N Low, Equal and Sugar Twin. It is generally known that these brands are packaged in pink, blue and yellow packets. We argued that if pink was given to Sweet 'N Low and blue was given to Equal, and yellow was given to Sugar Twin, it would certainly hinder competition, especially for new entrance. NutraSweet graciously pointed out that colors such as purple and gray were still available.

On the other hand, NutraSweet maintained that the *Owens-Corning* rationale ended the era of the per se application of the mere color rule and argued that the case was not amenable to summary judgment because it could show facts which establish that there was no competitive need for color to remain available in the sugar substitute segment of the food service industry. NutraSweet offered its so-called "stable oligopoly" theory, and argued that since only three competitors had existed in the

sugar substitute segment of the food service market for over ten years, and that since NutraSweet was the only competitor using blue for over ten years, and that there was no evidence of any potential new entrants into the industry, giving it exclusive rights to blue would not necessarily hinder competition.

Although we believed this argument to be factually incorrect, since several companies have petitions pending with the Food and Drug Administration for approval of new artificial sweeteners, we were concerned about falling into a trap of arguing facts on a summary judgment motion. Therefore, while briefly pointing out that NutraSweet's facts were wrong, we argued that even if everything it said was correct, the fact that colors were customarily used in the sugar substitute segment of the food service industry was sufficient to create a "competitive-need" to maintain colors available to all potential competitors.

In its decision, the 7th Circuit rejected the *Owens-Corning* first driven approach as being impossible to apply and reaffirmed the prevailing per se application of the mere color rule in the 7th Circuit. Briefly referring to the decision, the court noted that:

NutraSweet urges this court to adopt the position of the United States Court of Appeals, Federal Circuit, which has declined to establish a per se prohibition against registering colors as trademarks. . . . Confronted with an unusual set of facts, the court in *Owens-Corning* established a limited rule that in certain situations a particular color could itself be registered as a trademark. . . . using a two-step analysis, the Federal Court determined first that there was no competitive need in the insulation industry for the color pink to remain available to all insulation producers, and, second, that pink insulation, had acquired a secondary meaning.

However, the court rejected the *Owens-Corning* approach in the following:

NutraSweet urges this court to adopt a fact-driven standard which would require the trial court to scrutinize the table-top sweetener market to determine the number of competitors and the likelihood of future competitors in that market to determine whether there is a competitive need for the color blue to remain available. Such a standard would prove unworkable for there is no way for a court to predict the likelihood of future competitors in the particular market. (emphasis added)

The 7th Circuit thus recognized what is

clearly, in my opinion, the basic flaw in the reasoning of the Federal Circuit in the *Owens-Corning* case. In particular, it seems to me that it is impossible for a court to predict that there will never be a competitive need for color in a particular industry, regardless of the amount of evidence with which it is presently as to the current state of the market. For example, we wonder how the Federal Circuit would rule if a second competitor in the home insulation market attempted to register green for its brand of insulation.

Thus, the 7th Circuit did not consider whether or not a "stable oligopoly" existed in the sugar substitute segment of the food service industry to be a "material" fact, even if there was a genuine issue. It refused to be forced to determine the number of competitors and the likelihood of future competitors in a market, noting that it was impossible for a court to predict these facts. This position would appear to be a better position as it would otherwise appear that every case involving an issue of the appropriation of a mere color would turn into a complicated investigation into a particular industry.

The 7th Circuit's return to a per se prohibition against granting exclusivity to colors is a well-reasoned one and welcome. The mere fact that things like color and other "non-traditional devices" such as fragrances, can function to designate source, but should not be conclusive in granting trademark protection. It is entirely appropriate for policy considerations to enter into the decision.

NEWS FROM THE BOARD OF DIRECTORS

by Howard B. Barnaby

At the Board of Directors meeting held on December 19, 1990, David Mugford reported on the status of GATT and TRIPS negotiations. The U.S. Trade Representative is expected to introduce legislation

concerning proposed amendments to Section 337 of the Tariff Act. Mr. Mugford noted that Senator Lautenberg has a strong interest in Section 337. It was thought that Senator Lautenberg should be approached as a possible speaker for an Association meeting.

Peter Saxon reported on the status of the 1991 Fall CLE weekend. The CLE Committee has decided to hold the program at the Harrison Conference Center in Southbury, Connecticut.

Frank Scheck reported on recommendations of the Copyright Committee concerning a Copyright Office study of digital audio broadcast and cable services. The Board unanimously approved sending the committee's views to the Copyright Office.

Mr. Scheck also advised that he had asked the U.S. Patent Law and Practice Committee to review proposed farmers' exemption legislation and to submit proposed comments for consideration by the Board.

Mr. Scheck advised that he was considering the guidelines for the payment of expenses of judges attending the Judges' Dinner in light of the Ethics Reform Act of 1989.

John Pegram discussed his attendance at the U.S. Bar/Japanese Patent Office Liaison meeting in Chicago. He indicated that there will be another meeting of the group in Japan to discuss the JPO's treatment of U.S. patent applications. Mr. Pegram also reported on his attendance at a meeting of the National Council of Patent Law Associations. He indicated that trademark fees are expected to be increased in 1991 and that patent fees will go up again.

At the Board meeting held on January 10, 1991, Mr. Scheck reported on the status of the GATT negotiations. Mr. Scheck next reported on the status of the GATT negotiations. Mr. Scheck also reported that the Association had been invited to participate as an observer in the WIPO diplomatic conference to be held at the Hague from June 3 - 28, 1991. He asked that the Association consider sending representatives to the meeting.

Andrea Ryan then reported on the Judges' Dinner. She indicated that she had retained the services of a meetings coordinator to assist her in preparations for the Judges' Dinner.

In view of the additional cost of this

service, Ms. Ryan proposed raising the cost for attendance by members. Mr. Gilbreth concurred. Upon motion duly made and seconded, it was unanimously agreed to raise the cost for members from \$95.00 to \$100.00.

Mr. Scheck reported on the bicentennial exhibit. It was the consensus of the Board that the exhibit should be updated, refurbished and sent on further tours. Responsibility for maintenance and placement of the exhibit was given to the Committee on Public Information.

Mr. Scheck next reported on committee activities. He indicated that the ADR Committee chaired by David Plant was considering the proposed EDNY rule changes for ADR.

Mr. Scheck advised that the U.S. Bar/JPO was planning a meeting in Japan. He suggested that the NYPTC consider sending a representative.

Mr. Scheck reported that the Association was continuing to explore its disability insurance program and that a representative of the insurance carrier may be able to discuss the policy with the Board at a future meeting.

Ms. Ryan next inquired as to the need to establish a HOST Committee for the upcoming 1993 ABA meeting in New York City. Mr. Scheck indicated that he had the authority to establish an ad hoc committee and to appoint a chairperson. ■

PENDING LEGISLATION

by Edward P. Kelly

The House and Senate continue to consider bills (some old, some new) affecting patents, trademarks, copyrights and the antitrust law. The House Subcommittee handling intellectual property matters has been renamed the "Subcommittee on Intellectual Property and Judicial Administration." The subcommittee was previously named the "Subcommittee on Courts, Intellectual Property and the Administration of Justice." The name change reflects a loss

of jurisdiction over civil liberties matters and the addition of jurisdiction over RICO matters. The House subcommittee will be chaired by Representative William Hughes (D-N.J.) during the 102nd Congress. Rep. Hughes replaced former Rep. Robert Kastenmeier (D-N.J.) who lost his office in the last election. The Senate subcommittee continues to be chaired by Senator Dennis DeConcini (D-Ariz.).

PATENTS

Biotechnology Patents

For the past two years the biotechnology industry has lobbied for legislation that would effectively overrule the result of *In re Durden*. In that case, the CAFC held that the use of a novel starting material does not render an otherwise obvious chemical process patentable. *In re Durden*, 763 F.2d 1406 (Fed. Cir. 1985). The effect of *In re Durden* may be that the Patent Office will not allow process claims for biological products where the starting material is novel but an otherwise known process is used to make the final product. The biotechnology industry considers that result unfair. The industry believes that significant investments in biotechnological processes should be protected. The industry also points out that patents are granted in Europe and Japan on biotechnological processes that would be rejected in the PTO.

The lack of protection for biotechnological processes also coincides unfavorably with recent revisions to Section 337 of the trade law that allow the ITC to exclude products manufactured abroad by a process patented in the United States. Currently, foreign competitors that use a patented biotechnological intermediate in a process cannot be stopped from exporting the product into the United States when no process claims exist here.

A bill introduced last year by Representative Rich Boucher (D-Va.) and Carlos Moorehead (D-Cal.) responded to these concerns. The "Biotechnology Patent Protection Act of 1990" (H.R. 3957) would amend Section 103 of the patent law to provide that "a process of making a product shall not be considered obvious under this section if an essential material used in the process is novel under Section 102, and otherwise non-obvious under Section 103."

The bill also would deal with the Section 337 anomaly by amending that section to allow the ITC to exclude imported products that "are made, produced or processed under or by means of, the use of a biotechnological material . . . covered by a valid and enforceable United States patent." Section 271(h) of the patent law also would be amended under H.R. 3957 to allow recovery in the District Court.

No bill similar to H.R. 3957 has yet been introduced in the 102nd Congress. The prospects for reintroduction, however, appear strong. A recent report by the President's Council On Competitiveness relating to biotechnology policy recommended passage of the legislation contained in H.R. 3957.

COPYRIGHTS

Copyrights on Government Created Software

Statutory schemes have been enacted to stimulate joint ventures between the government and private industry and to provide for the transfer of technology from the government to the private sector. For instance, the Federal Technology Transfer Act authorizes government laboratories to enter cooperative research and development agreements with private industry. The Stevenson Wylder Technology Innovation Act provides for the transfer of jointly developed technology to private industry. See 15 U.S.C. § 3710. As a result, patentable inventions arise from cooperative R&D efforts and are licensed to private companies.

A joint venturer working with the government to develop computer software, however, would find that it could not license the software created during the joint venture. The reason is that the copyright law currently provides that works of the United States government are not eligible for copyright protection (the government can obtain copyrights by assignment). See 17 U.S.C. 105.

Rep. Constance Morella (R-Md.) recently introduced a bill (H.R. 191) that would authorize Federal agencies to obtain a copyright on behalf of the United States in computer software created in the course of work under a cooperative research and development agreement. The bill would accomplish this by adding a new section 12(h) to the Stevenson-Wylder Technol-

ogy Innovation Act. The bill also would permit royalties to be paid to the federal employees authorizing the software.

In introducing the bill, Rep. Morella stated that the creation of copyright in this software will increase private participation with the government and provide an incentive to federal employees.

TRADEMARKS

State Sponsored Lotteries

In recent years, some states have instituted state lotteries based upon the outcome of professional sports games. For instance, Oregon initiated a lottery based upon NFL and NBA games. The professional leagues have been against any mistaken association with these lotteries since their inception and have sued under the Lanham Act and lobbied for legislation that would prohibit these lotteries. Success under the Lanham Act, however, has proved problematic. The lotteries do not use NFL or NBA logos. They refer only to geographic locations. As the ultimate issue in a Lanham Act infringement action is the likelihood of consumer confusion, at least one court has held that a conspicuous disclaimer would avoid liability. See *National Football League v. Governor of State of Delaware*, 435 F.Supp. 1372 (D.Del. 1977).

The leagues also have pursued relief through legislation. Several bills were introduced last year that would either amend the Lanham Act or the Comprehensive Crime Control Unit to prohibit states from sponsoring lotteries based directly or indirectly on the outcome of professional games. The most recent bill introduced by Senator Dennis DeConcini (D-Ariz.) would provide for a new Section 40 of the Lanham Act prohibiting these state lotteries. This bill differs in three significant respects from those previously introduced by DeConcini: 1) the new bill also applies to amateur sports; 2) it applies not only to the outcome of the games but any performances therein; and 3) the new bill would exempt any lottery in existence as of August 31, 1990.

ANTITRUST

Joint Production Agreements

The National Cooperative Research Act

(NCRA) provides joint research and development ventures a safer harbor from the effect of the antitrust laws. A court cannot hold a joint R&D venture as a per se antitrust violation. The court must engage in a rule of reason analysis when reviewing the joint venture. The NCRA also limits the potential liability of the joint venturers to actual damages and attorney's fees provided that the joint venture had been disclosed to the Federal government from its inception.

Bills have been pending for the past two years that would amend the NCRA to include joint production ventures within its protection. These bills would provide that joint ventures entered into for producing a product, process or service also must be reviewed under a rule of reason analysis. The bills also provide that a court, in assessing the relevant market, could consider the worldwide capacity of suppliers to provide the product, process or service. In the traditional rule of reason analysis, the relevant market is defined by reference to a particular market in the United States only. As originally introduced these bills would not apply if a foreign entity controlled more than 30 percent of the joint venture.

Rep. Hamilton Fish (R-N.Y.) and Senator Patrick Leahy (D-Vt.) recently reintroduced similar bills in the House (H.R. 27) and Senate (S. 1006). Both bills notably no longer exclude joint ventures controlled by foreign entities from their provisions. In introducing his bill, Senator Leahy stated that it would have the greatest impact on the electronics industry where America's percentage of the global semiconductor market slipped from 57 percent in 1980 to 36 percent in 1989. Senator Leahy noted that while the semiconductor chip is an American invention, products embodying chips are becoming products "made in Japan." In support of the bill he stated:

... we must recognize that our foreign competitors do not labor under the same antitrust restrictions that confront American businesses. Their R&D and manufacturing muscle is unlimited, and their R&D and manufacturing ventures are formed on strictly pragmatic grounds: What is needed and what will work. As a result, they move ahead while the United States falls woefully behind. (Cong. Rec. Feb. 22, 1991 p. S2263).

U.S.T.R. ANNOUNCEMENT

Emery Simon, Esq., Director of Intellectual Property of the Office of the United States Trade Representative, has informed the Association that the U.S.T.R. is interested in receiving information concerning problems which small and large corporations may be experiencing as a result of foreign trade. Notification of impediments to trade in the province of intellectual property would be welcome.

The office of the Trade Representative handles GATT (General Agreement on Trade and Tariffs) negotiations and bilateral trade agreements. GATT was formed to provide a vehicle by which tariffs and other impediments to trade between countries could be minimized. The current round of GATT negotiations includes discussions relating to intellectual property, particularly to providing minimum standards of protection in the fields of patents, trademarks, trade secrets, industrial designs and integrated circuits.

Mr. Simon's address is:

United States Trade Representative
Room 410A
600 17th Street, N.W.
Washington, D.C. 20506
Tel. No. (202) 395-6864

RECENT DECISIONS OF INTEREST

by Thomas A. O'Rourke

PATENT VALIDITY

On Sale - Experimental Use

Experimental use was successfully proven by the patent owner to uphold the patent in *Manville Sales Corp. v. Para-*

mount Systems Inc., 16USPQ2d1588 (Fed. Cir. 1990). The patent in suit related to a self-centering luminary assembly capable of readily travelling up and down the pole so that maintenance was facilitated.

One of the advantages of the device was that it would facilitate maintenance since it could travel up and down the pole. In addition, it was contended in the patent that the device could withstand the elements. The device was tested at an unopened rest area along a highway in Rawlins, Wyoming. Defendant argued that this use was a public use invalidating the patent. Although the device was out in the open, the CAFC rejected defendant's arguments that § 102 invalidated Manville's patent.

In rejecting the defendant's arguments, the CAFC focused on a number of factors which convinced it that there was no "on sale" or "public use" bar. The factors included the following:

1) Before disclosing the design drawing of the invention to state officials, Manville applied a confidentiality notice to the document.

2) The rest area, although out in the open, was closed to the public.

3) Contemporaneous documents demonstrated that no one knew if the device would operate as intended.

4) Manville's sales people were not notified about the invention and no sales campaign for the device was introduced.

5) Manville did not offer the device to anyone else until it was tested in the rain, cold and snow. The fact was that the device needed to weather for a while before the inventor knew if the invention achieved its intended purpose. The CAFC stated at page 1592:

This IRIS arm device was specifically designed to withstand year around weather. Prior to its testing, there really was no basis for confidence by the inventor that the invention would perform as intended, and hence no proven invention to disclose.

A contrary result was reached in *U.S. Environmental Products v. Westall*, 911 F.2d 713 (Fed. Cir. 1990). Despite the fact the patent owner did not make a profit, and the fact that the customer understood the product was experimental, in the *U.S. Environmental* case the facts were insufficient to render the sale experimental. Thus, the

patent was held invalid.

The factors the CAFC focused on in invalidating the patent included the following:

1) "The lack of written progress records is circumstantial evidence of no-experimental purpose."

2) "SRS' lack of control over the operation of the bed was strong evidence of commercial purpose."

3) A sales brochure bulletin was released which contained photographs of that installation and language suggesting that the sludge dewatering systems were then available for purchase.

In analyzing the *Manville* and *U.S. Environmental* decisions, practitioners can readily discern certain conduct, which if implemented, would go a long way toward helping tilt an experimental use case that could otherwise go one way or another toward patent validity.

Best Mode

The Federal Circuit addressed the issue of best mode in three decisions over the year. The patent in *Chemcast Corp. v. Arco Industries Corp.*, 16 USPQ2d 1033 (Fed. Cir. 1990) was invalidated for failure to identify the best mode as required by 35 USC §112. In *Chemcast*, plaintiff's patent had an open ended range of materials of ".70 shore A or harder" in the specification. The district court held that such range concealed the best mode of .75 shore D. In addition, the district court found that the patentee's disclosure of a list of generic potential materials was not an adequate disclosure of the best mode, which was Compound R-4467.

Plaintiff sought to defend the best mode arguments by contending that R-4467 was a trade secret and the compound was only offered to plaintiff. These arguments were rejected and the CAFC refused to hold that a patent applicant could hide behind a trade secret to thwart the best mode requirements.

Thus, the holding of invalidity was affirmed. The CAFC stated at 1039:

Where the inventor has failed to disclose the only mode he ever contemplated of carrying out his invention the best mode requirement is violated.

Another case discussing the best mode defense is *Northern Telecom Inc. v. Datapoint Corp.*, 15 USPQ 2d 1321 (Fed. Cir. 1990). In *Northern Telecom* the application stated that one of the objects of the invention was to capture data on "magnetic tape cassettes of the general type presently finding extensive and widespread usage in audio entertainment equipment." Unfortunately, the patentee failed to disclose that it was using special order tapes in its process. The district court found that plaintiff prior to filing application had purchased tape and cassettes of its own design and specifications and that these were different from standard audio tapes in their yield strength and magnetic characteristics. In view of applicant's failure to mention the specifications, the CAFC affirmed the holding of the patent invalid for failure to identify the best mode.

The danger of failing to provide the best mode is emphasized by the CAFC's decision in *Consolidated Aluminum Corp. v. Foseco International Ltd.*, 15 USPQ 2d 1481 (Fed. Cir. 1990) where the patent-in-suit was held unenforceable for inequitable conduct in applicant's intentionally failing to include the best mode in the application.

The CAFC in *Consolidated* went on to affirm the district court's holding "that Consolidated's concealment of the best mode" permeated the prosecution of the

other patents-in-suit and renders them unenforceable" 15 USPQ 2d at 1487. These other patents in suit were related applications.

DECLARATORY JUDGMENT

The Court of Appeals for the Federal Circuit decided that a patentee may bring a declaratory judgment action against threatened infringement provided the requirement for an actual controversy is met.

In *Lang v. Pacific Marine and Supply Co.*, 895 F.2d 761 (Fed. Cir. 1990) plaintiff patent owner sued, claiming that a hull structure for a vessel to be completed infringed or threatened the infringement of his patents. The district court dismissed the complaint for lack of subject matter jurisdiction and/or failure to state a claim.

The Court of Appeals held that a patentee could seek a declaration against future infringement. The Court rejected arguments that a declaratory judgment was inappropriate because the infringer may alter its activity prior to completion of the hull. The Federal Court, however, held that the complaint was properly dismissed because there was no actual controversy. The Court focused on the fact that the ship was about nine months away from being completed at the time the complaint was filed. The Court also relied on the fact there had

been no sales literature distributed and the accused infringers were not prepared to solicit orders and did not engage in any conduct indicating that the ship would soon be ready for sea.

Since §271 of the Patent statute "cannot be interpreted to cover acts other than an actual making, using or selling of the patented invention" the CAFC concluded that plaintiff was not entitled to an injunction against threatened patent infringement since the hull was nine months away from being completed.

In another CAFC decision, a contract to build a potentially infringing device was held not to be a sale within the meaning of 35 U.S.C. §271(a) in *Taylor-Weinfield Corp. v. Clecim*, 904 F.2d 46 (Fed. Cir. 1990).

The New Jersey Patent Law Association

has nominated

the Honorable Helen W. Nies,
Chief Judge of the United States Court of Appeals for the Federal Circuit

to be the recipient of the Jefferson Medal awarded by the Association each year to
someone who has made a substantial contribution in the field of
intellectual property law.

The medal will be awarded on May 10, 1991
at a dinner to be held at the Brooklake Country Club,
Florham Park, New Jersey.

CLASSIFIED ADVERTISEMENTS

Gottlieb, Rackman & Reisman, a growing Intellectual Property firm in midtown Manhattan, presently thirteen attorneys, seeks associate with 2-4 years experience, strong electrical and technical background, good law school record and interest in both prosecution and litigation. Excellent salary and benefits. Contact Allen Rubenstein at (212) 869-2890.

N.Y Firm conveniently located in suburban Westchester County with Fortune 500 clientele seeks experienced success oriented attorneys with mechanical or chemical backgrounds to handle full range of patent, trademark and copyright activities including litigation. Partnership opportunity. Send resume in confidence to Charles Rodman, Rodman & Rodman, 7-11 South Broadway, White Plains, New York 10601.

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