



## THE NEW YORK PATENT, TRADEMARK AND COPYRIGHT LAW ASSOCIATION

# NYPTC BULLETIN

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### PRESIDENT'S CORNER

The first NYPTC luncheon meeting was a resounding success. It was held at the Cornell Club and over 170 persons attended to receive a lecture by Al Lawrence Smith, a Group Director at the PTO, on helpful hints in dealing with the Patent Office.

After receiving the comments of the U.S. Patent Law and Practice Committee on the materiality standard in proposed Rule 56, I testified at a public hearing held at the PTO on the proposed changes to the duty of disclosure rules. It was noted that the present disclosure rules had been in effect for over 15 years, that the Federal Circuit had followed the PTO disclosure standard and had issued many decisions construing that standard for the benefit of the practitioner. Against that background, it was noted that there is almost unanimous agreement that there is a need for a more definite disclosure standard. It was noted that the newly-proposed standard of materiality based on a "prima facie case" of unpatentability should encourage an adequate disclosure. The "but for" standard proposed by others would result in little, if any, disclosure, since information disclosed under that standard would render the claim unpatentable. In addition, it was noted that the newly-proposed standard appears to be consistent with the body of pertinent case law, except for the often-criticized *A.B. Dick* decision.

Since the Federal Circuit may not adopt the newly-proposed standard, we recommended that the new disclosure rules be accompanied by a commentary which states clearly that the Patent Office believes the present standard is unduly vague and that the Office, therefore, is delineating in clear terms what it believes is required of applicants under the duty of disclosure by defining what is material to patentability.

During the PTO hearing, Commissioner Manbeck stated that the proposed Rules would be amended to include the

definition of "prima facie case" which appears in the discussion of the Rule Change Proposals. In addition, the Rules will be changed to make it clear that the filing of information is not an admission that an item is material. The Rules will also be amended to provide that the Patent Office will retain the power to strike cases in which fraud is practiced or attempted.

It is also believed likely that the Rules will be changed to provide that the "concise explanation" requirement is intended to mean only that the applicant will tell the Office in the disclosure paper what is presently believed or understood about the item being disclosed or why the item is listed. It is also believed that the Office will carefully consider amending its Commentary to make it clear that the Patent Office is defining what disclosure is required of applicants by defining what is material.

Our Association has been invited to be an observer at the WIPO Working Group on the Madrid Protocol which will meet on November 11-18, 1991 in Geneva. The Working Group will review proposed regulations relating to harmonizing the filing of trademark applications. Your NYPTC participants will be prepared to actively participate in all phases of this meeting.

The NYPTC will also participate in a meeting with the Japanese Patent Commissioner in Tokyo, on November 20 and 21, 1991, sponsored by the U.S. Bar/JPO Liaison Counsel. The agenda items to be submitted to the Japanese Patent Office repre-

sentatives in connection with that meeting are directed to reforms in Japanese patent practice, including patent restoration, oppositions, formalities, expedited prosecution, multiple claim practice and filing in languages other than Japanese.

The Continuing Legal Education Committee has assembled an excellent program for the CLE Weekend at the Harrison Conference Center in Connecticut. Participants will include Judge William C. Connor, Judge Robert Ward and Federal Circuit Judge Randall Rader.

The Patent and Trademark Institute of Canada, the national Canadian association concerned with intellectual property matters and numbering about 1,000 members, has agreed to co-sponsor a joint meeting with the NYPTC in the Fall of 1994. We have formed a planning group to work out mutually agreeable arrangements.

The Committee on Public Information and Education, chaired by Wayne Kennard, is instituting an intellectual property writing competition for the local law schools. The competition will honor Judge William C. Connor, a former NYPTC president and distinguished jurist. A cash prize and plaque will be awarded to the competition winner at our Annual Meeting in May.

Our Committees are also studying several significant proposals which would substantially change the Federal Rules relating to discovery practice.

- Peter Saxon

### CALENDAR OF EVENTS

December 4, 1991

WESFACCA Luncheon Meeting "Patent Strategies for the Competitive 1990s" Lawrence G. Kastriner, Indian Harbor Yacht Club

December 17, 1991

NYPTC Luncheon Meeting "New Federal Civil Procedure Rules" Thomas H. Beck, Cornell Club

January 18-21, 1992

ABA-PTC Mid-Winter Meeting, Ritz Carlton, Rancho Mirage, California

## NEWS FROM THE BOARD OF DIRECTORS

*by William H. Dippert*

The Board of Directors met on September 17, 1991. Howard Barnaby reported on the proposed Supreme Court Admission Program for June 15, 1992, including lodging at the Mayflower Hotel and, possibly, Saturday night dinner, a tour of Washington, and a VIP tour of the Capitol. This program is to be limited to fifty people. Preference will be given to dues paying members of the Association. After further details are worked out, a notice to the membership will go out in a forthcoming Bulletin.

Peter Saxon reported on the status of the Committee reports on the Task Force for the Advisory Committee on Patent Law Reform. Most reports are either complete or should be submitted shortly.

Edward Vassallo reported on the CLE weekend scheduled for November 8-10, 1991. Several Federal trial judges have been considered to moderate a discussion on each of Saturday and Sunday. Also, it is desired to have a balance between patent, copyright, and trademark presentations.

Materials furnished by Edward Filardi concerning the Host Committee for the 1993 ABA/PTC meeting in New York were distributed. Mr. Saxon commented that it is likely that the Association will sponsor, by itself, only one event and a hospitality suite; however, he recommended that the Association be more ambitious than in the past and perhaps coordinate or co-sponsor other events with the ABA/PTC Section.

Mr. Saxon led discussion regarding the November, 1991 meeting in Geneva and participation by representatives of the Association, the Association having been invited to attend as an observer. It was agreed that John Olsen, an Association member who practices in Great Britain and is familiar with WIPO, be contacted by Mr. Saxon to determine whether he can represent the Association at the meeting. Virginia Richard, who will be in Europe in November on other business, will also attend on behalf of the Association, if pos-

sible.

Mr. Saxon led discussion concerning the U.S. Bar/JPO Liaison Council. Due to Ronald Bleeker's recent relocation to Florida, a new representative will have to be considered by the November Council meeting in Japan. Also, John Pegram or Len Mackey, or both, will be attending the upcoming Tokyo meeting, and one of them will be invited to report to the Board on the agenda for the Tokyo meeting.

A discussion of harmonization and amended Rule 56 was led by Mr. Saxon. Mr. Saxon reported that the ABA/PTC section had voted in favor of a first-to-file (FTF) system. Mr. Saxon reported that WIPO has put off a diplomatic conference on this issue to give the U.S. time to consider FTF.

There was lengthy discussion as to the most effective manner to determine how the Association membership feels on the subject of FTF vs. first-to-invent. It was decided that point/counterpoint articles should be published in the Bulletin, to be followed by a randomized survey by Wayne Kennard's committee.

William Gilbreth reported that a speaker for the 1992 Judges Dinner has not yet been selected. After discussion of possible speakers by the Board, Mr. Kennard then discussed a proposed Intellectual Property writing competition among area law school students, the winner to be awarded \$1,000 and a plaque at the Annual meeting. The winner's paper would be published in the Greenbook, in place of the Rules of Practice for the CAFC. Mr. Kennard will make phone calls to confirm the interest of area law schools in participating in this program. The Board approved a resolution supporting this program. ■

### ATTENTION NYPTC MEMBERS

The NYPTC invites all members to respond to the comments drafted by the Association to the Advisory Commission on Patent Law and Reform inserted in this issue of the Bulletin. Please respond to Peter Saxon no later than December 15, 1991.

## PENDING LEGISLATION

*by Edward P. Kelly*

### COPYRIGHTS

#### Government Created Software

The works of the U.S. Government are not eligible for copyright protection under current law, although the government may acquire copyrights by assignment (See 17 U.S.C. 105). This longstanding rule was originally intended to give the public unlimited access to government information and to prevent government censorship. The rule as applied to computer software created solely by federal employees or in conjunction with private industry has had detrimental economic effects. Foreign countries have had widespread access to federally created software through public libraries. Critics of the rule contend that the U.S. has lost billions of dollars due to the failure to protect government software. Private firms are also unwilling to enter joint software research and development programs with the government if they know prior to the undertaking that the federal government will not be able to license its rights to them or that they will not be able to obtain copyright protection in a joint work with the government.

The current situation with respect to computer software stands in stark contrast to that of patents. In 1986, Congress amended the Stevenson-Wydler Technology Innovation Act to expressly provide for the licensing of government patents to companies involved in cooperative research and development agreements with the government (See 15 U.S.C. 3701). Representative Constance Morella (R.-Md.) introduced a bill (H.R. 191) last winter that would amend the Stevenson-Wydler Act to authorize federal agencies, on behalf of the United States, to obtain a copyright in computer software prepared in whole or in part by employees of the United States government in the course of work under a cooperative research and development agreement. Senator John Rockefeller introduced an identical bill (S. 1581) in the Senate.

Both the Administration and the Copy-

right Office expressed support for the House bill during hearings held several months ago by the House Subcommittee on Technology And Competitiveness. Representatives of the Information Industry Association (IIA) cautioned against the possible restriction of access to information contained in government data bases.

The Senate Committee on Commerce, Science and Transportation recently held hearings on Senator Rockefeller's bill. The Administration continues to support the bill. Assistant Secretary of Commerce for technology policy, Deborah Wince-Smith testified that the bill would eliminate the current inconsistency that allows copyright protection for software developed by employees working in a government-owned, contractor-operated laboratory but denies copyright protection for work created in a government-owned, government-operated laboratory. Ms. Wince-Smith also noted that under current patent law the government could obtain and convey patent rights on a computer process implemented by software but could not secure a copyright on the program that implements that process. Register of Copyrights Ralph Oman testified in support of the bill stating that the bill does not extend copyright protection to the informational content of computer programs but only to the operative aspects of the program. The American Civil Liberties Union continues to oppose the bill due to its alleged impact on the public's right to know government information.

### Digital Audio Tape Recording

Digital Audio Tape (DAT) recorders are capable of recording the signals encoded in a compact disc. DAT copies made from the disc (or DAT copies of the disc) have the same quality as the original recording, regardless of whether they are the first or the thousandth generation. Some perceive DAT as an unprecedented opportunity for copyright infringement.

The advent of conventional blank tape (analog) cassettes ten years ago also presented opportunities for unauthorized copying. But when copies of analog tapes were made from copies, quality progressively deteriorated, unlike the case with DAT. While the electronics industry looked forward to the distribution of DAT machines in the U.S., the U.S. recording industry

feared and resisted the importation of DAT machines on the ground that unlimited and uncompensated copying would ruin their business. The recording industry's efforts to prevent the importation of DAT machines ultimately failed.

Technology is available, however, that can prevent unlimited digital copying. The technology is known as the Serial Copy Management System (SCMS). It allows first generation digital copies to be made from compact discs, pre-recorded DAT cassettes or digital broadcasts, while preventing further digital to digital copies. Legislation introduced last year in the House (H.R. 4096, Waxman (D.-Ca.) and Senate (S. 2358, DeConcini (D.-Ariz.)) would have required that all DAT recorders sold in the U.S. be equipped with a SCMS. This would have allowed a home DAT owner to make first generation copies of a compact disc but would have prevented additional copying. The Electronics Industry Association and the Recording Industry Association of America supported that legislation because it prevented serial copying. The Senate never adopted the legislation, in part because certain members of the recording industry, such as the Songwriters Guild of America, would not support a bill that did not provide any type of royalty for the first copy made by a DAT machine.

Last year, Senator DeConcini requested that the various interested members of the electronics industry and the music industry work together to find a solution to the problem. The various members to this dispute reached an agreement this past summer on the sale of DAT machines in the U.S. The agreement would allow the sale of DAT machines equipped with SCMS, confirm that the private, non-commercial taping of both analog and digital material is permissible under the copyright law and provide a royalty on the sale of DAT machines. The royalty would be distributed among songwriters, music publishers, record artists and record companies by the Copyright Royalty Tribunal.

In response to this consensus, Senator DeConcini and Representative Jack Brooks (D.-Tex.) introduced bills in the Senate (S. 1623) and House (H.R. 3204) that would codify the agreement. The "Home Recording Act of 1991" would add a new chapter 10 to the Copyright Statute. The bill provides for the assessment, collection and

distribution of royalties. The bill also provides remedies for violations of the royalty and SCMS requirements. The remedies include statutory damages, actual damages and attorney's fees, as well as injunctions and the destruction of violating products.

The Senate Subcommittee on Patents, Copyrights and Trademarks recently held hearings on S. 1623. Representatives of the electronics industry and representatives of the music publishing industry — which had previously been at odds on the issues addressed in S. 1623 — supported the bill as an acceptable compromise. Register of Copyrights Ralph Oman, in supporting the bill, noted that its enactment could have a beneficial impact on current international trade negotiations. By affording domestic protection to copyright owners for unauthorized private copying, the U.S. would be in a position to request this protection for U.S. works copied abroad.

### Renewal of Pre-1978 Works

The copyright in works created prior to January 1, 1978 falls under the 1909 Act and subsists for 28 years. These copyrights can be renewed for an additional 47 years if the applicant files a renewal application with the Copyright Office within a year of the expiration of the original term. A failure to file the renewal application has serious consequences. If the renewal is not filed, the work falls into the public domain. Works created after January 1, 1978 are not required to be renewed.

Congress had a chance to eliminate this technical requirement for pre-1978 works when it overhauled the Copyright Statute in 1976. Congress chose not to, however, because, at the time, opponents argued that elimination of the renewal provision for pre-1978 works could upset existing contracts. Critics of the renewal provisions, however, have continued to argue that it is a technical requirement unknown to many authors who risk losing copyright through their own ignorance or neglect. The Senate report to the 1976 Copyright Law Revision characterized the renewal provision as "one of the worst features of the present copyright law" and a "substantial burden and expense that resulted in incalculable amounts of unproductive work and in some cases the inadvertent and unjust loss of copyright."

Senator DeConcini (D. Ariz.) introduced a bill (S. 755) last spring that would have eliminated the renewal provision for the pre-1978 works. The bill would provide for automatic renewal of these works. Renewal applications would be accepted and encouraged on a voluntary basis but would not be a condition to a 47-year extension. A bill with similar provisions is pending in the House as part of an omnibus bill (2372) including provisions relating to the National Film Preservation Board.

The House Subcommittee on Intellectual Property and Judicial Administration held hearings on the copyright renewal provisions last summer. Industry representatives including the Songwriters Guild of America strongly supported passage of the bill on the grounds that it would prevent inadvertent forfeiture of rights and is consistent with the principles of the Berne Convention. The counterpart bill in the Senate also has received a favorable reception.

The House recently approved an amendment to the bill that would encourage registration of these copyrights. The amendment would make registration in the first term of the copyright a condition to recovery of statutory damages and attorney's fees. Works falling under the 1909 Act currently have no such requirement.

#### Fair Use of Unpublished Works and News Monitoring Services

The fair use doctrine permits limited copying of a copyrighted work for certain purposes such as criticism, comment, news reporting, teaching, scholarship or research. A court must look to the following statutory factors in determining whether a use is "fair":

- (1) The purpose and the character of the use;
- (2) The nature of the copyrighted work;
- (3) The amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) The effect of the use upon the potential market for or value of the copyrighted work. (See 17 U.S.C. 107).

The historian using direct quotes from primary sources (i.e., letters or diaries)

would be one example of a person who might invoke the fair use doctrine. An author who reproduces lengthy passages from unpublished memoirs is quite a different matter. Under Supreme Court decisions, the unpublished nature of the work in the latter case would be a key, though not necessarily determinative, factor tending to negate the fair use defense. See *Harper & Row Publishers, Inc. v. Nation Enterprises, Inc.*, 471 U.S. 539 (1985).

Two cases decided in the Second Circuit appear to have gone further by suggesting that unpublished works normally enjoy complete protection from copying. *New Era Publications Int'l. v. Henry Hold T.*, 695 F. Supp. 1493 (S.D.N.Y. 1988); *Salinger v. Random House, Inc.*, 650 F. Supp. 413 (S.D.N.Y. 1986) reversed 811 F.2d 90 (2d Cir. 1987). Critics of these decisions, led by the publishing industry, contend that the Second Circuit decisions imply a virtual per se rule against use of unpublished works and have a chilling effect on historians, biographers and non-fiction writers that seek to include unpublished works in their books. More recently, two cases decided in the Southern District found fair use of unpublished works for biographical or critical purposes. See *Wright v. Warner Books*, 748 F. Supp. 105 (S.D.N.Y. 1990); *Arica Institute, Inc., v. Palmer*, 761 F. Supp. 1056 (S.D.N.Y. 1991).

Bills were introduced in Congress last year that would have amended Section 107 of the Copyright Statute to clarify that the fair use defense applies equally to unpublished as well as published works. Those bills were opposed by representatives of the computer industry who feared that they could lose protectable rights in the unpublished source code for computer programs. Other opponents also argued that less fair use protection should be afforded to unpublished works. (See NYPTC September/October 1990 at p. 5-6.)

Rep. William Hughes (D.-N.J.) and Sen. Paul Simon (D.-Ill.) later introduced identical bills (H.R. 2372 and S. 1035) that would *not* attempt to place published and unpublished works on the same footing with respect to the fair use defense. Both bills provide that the unpublished nature of a work weighs against a finding of fair use but is not determinative of the issue. The bills would amend Section 107 by adding

the following language:

The fact that a work is unpublished is an important element which tends to weigh against a finding of fair use, but shall not diminish the importance traditionally accorded to any other consideration under this section, and shall not bar a finding of fair use if such finding is made upon a full consideration of all of the above factors.

The Senate recently passed S. 1035. The Senate report noted that despite the two recent cases in the Southern District applying the fair use defense, the Second Circuit has not formally renounced its position on unpublished works. The House, however, apparently has taken a different view. The House recently deleted these fair use provisions from an omnibus bill (H.R. 2372) relating to copyright renewal and the National Film Preservation Board.

The fair use defense also has been the subject of legislative action with respect to news monitoring services. Commercial services that monitor broadcast local and national news programs and then sell broadcast clippings to their clients have proliferated in recent years. Some courts have not been receptive to a fair use defense when these services have been charged by the broadcast news media with copyright infringement. In *Pacific and Southern Co. v. Duncan*, 744 F.2d 1990 (11th Cir. 1984) the Eleventh Circuit rejected the fair use defense asserted by a defendant that videotaped portions of news programs and sold the tapes. That decision stressed the commercial nature of the use. The Court in *Georgia Television Co. v. T.V. News*, 19 USPQ 2d 1372 (D.C.N.Ga. 1991) also rejected the fair use doctrine in a similar case. Recently, however, the Eleventh Circuit held, in a case involving broadcast clippings, that the District Court should fully consider the fair use defense. *Cable News-Network v. Video Monitoring Services of America*, \_\_\_ F.2d \_\_\_ (11 Cir. 1991). In that case the Eleventh Circuit stated:

[i]n a society where the free flow of an access to ideas is mandated by the first amendment, it would be particularly pernicious to allow the news media, cloaked in the first amendment, to thwart such access and to control such flow under the title of a copyright owner.

Last year, Senator Orrin Hatch (R.-Utah) introduced a bill (S. 3229) that would have amended Section 107 of the Copyright Statute to add the monitoring of news

# NYPTC PROPOSED RESPONSE TO ADVISORY COMMISSION FOR PATENT LAW REFORM

## I. PROTECTION OF COMPUTER-RELATED INVENTIONS

### a) What problems, if any, exist in the current framework of laws which protect computer-related inventions?

No major problems exist in the current framework for protecting hardware, or underlying computer programs (that is, object and source codes). However, regarding computer screen displays, and the current "total look and feel" issue, neither patent nor copyright law adequately allows an individual to distinguish between what is sufficiently original to warrant protection, and that which is merely an original variation on a well-known display or a type of display.

Frequent infringement is also a problem which can be curbed through easier enforcement remedies and higher penalties.

### b) What changes, if any, should be made in the domestic and international systems for protection of computer-related inventions?

Although difficult to ascertain, clear and definite standards for what is novel and protectable in screen displays would be helpful.

Establishing a public prior art library relating to screen displays would be more feasible than establishing a wholly new system of protection.

Other areas in need of possible reform include enforcement and penalties for infringement. Otherwise, no change in the domestic system for protecting computer-related inventions is needed.

Finally, no specific changes are noted regarding international systems of protection of computer-related inventions other than that international organizations should strongly encourage countries to provide adequate protection.

### c) The Supreme Court has found that new and useful computer program-related inventions are eligible for patent

protection. What rationale, if any, exists in law or policy for Congress to now remove patent protection for this field of science and technology?

The only rationale that has been advanced for eliminating computer program-related inventions from patentable subject matter is that the spread of patents in the software area will stifle innovation, particularly by smaller companies and radically change the nature of the software industry. However, we disagree, because there is no reason why patents should unduly and negatively influence the computer software industry as compared to any other industry. Rather, patents can increase the incentive to innovate because of greater assurance that software development investments will be worthwhile. The problem is that application of patent concepts to computer software screen displays is difficult, and patents are often too expensive and take too long to acquire to be of real value in the short "shelf life" of computer software.

No rationale exists in law or policy for Congress to now remove patent protection for this field of science and technology. The United States has become the world leader in computer program development, and patents and copyrights have played a major role in that progress. Moreover, program inventions and code can be easily appropriated by programmers in other countries, particularly those that have surplus labor, and reexported, to the United States to the detriment of the American program developers.

### d) What evidence exists, if any, that patents issued on new and useful computer program-related inventions do or do not provide an incentive to conduct research and development on new products, and that such patents do or do not promote the development of new technology?

Notwithstanding specific evidence, patents issued on computer program-related inventions, like those which issue on any other type of invention, do provide an incen-

tive to conduct research and develop new products, and such patents do promote the development of new technology. Developing and marketing a product is usually very difficult and tedious. Without patent protection, there would be much less incentive to engage in the struggle, especially where many believe that such information is free for anyone to use. Objections to software patents come from companies that are accustomed to simply adopting whatever portion of another company's work is useful.

### e) What conflict or overlap is created by the existence of a patent for a new and useful computer program-related invention and either (1) a copyright for original expression embodied in the computer program fixed therein, or (2) a mask work in the invention; and if any exists, is it harmful or helpful?

(1) Both patents and copyrights have their own distinct and separate roles in protecting computer-related inventions. They each cover different aspects of this same subject matter. Patents cover a process, machine or article of manufacture which embodies a new, useful and non-obvious invention, while copyright covers the expression embodied in writings. A patent gives a broad right to exclude others from independently creating the same claimed invention and functional equivalents thereof; while copyrights provide a narrower right of protecting against copying, adaptation, translation and similar appropriation of the expression of a work of authorship. Originality, i.e., independent creation, is an absolute defense to a charge of copyright infringement.

Also, copyright protection does not protect the ideas, principles, etc., of the work. Where there is only a limited number of ways of expressing a given idea, the expression will be deemed to have merged into the idea and will not be protectable by copyright. Copyright does not protect the functionality or utilitarian aspects of computer programs. The leading cases in this area



have not extended copyright to cover functionality. Indeed, these cases have done precisely the opposite by protecting against plagiarism of arbitrary and creative expression.

Since copyright and patent protection each have a separate purpose and scope of protection, the interface between patent protection and copyright protection for computer-related inventions can be clearly delineated and has been in various court decisions. The traditional idea/expression test has been used successfully by the courts to draw the appropriate line in individual cases between protecting original expression and permissible copying of ideas in the various copyright cases. (*Whelan Associates, Inc. v. Jaslow Dental Laboratory, Inc.*, 797 F.2d 1222 (3rd Cir. 1986), cert. denied, 479 U.S. 1031 (1987); *Plains Cotton, Healthcare Affiliated Services, Inc. v. Lippany*, 701 F. Supp. 1142 (E.D. Pa. 1988), *Lotus*, etc.). On the patent side, the rigorous examination which should be applied by the Patent Office is sufficient to sort out those creations which deserve patent protection.

Such conflict could conceivably exist if there were a design patent for a particular copyrighted screen display. The standards of patentability and copyrightability are quite different, therefore the same display could be held to be an infringement of both the copyright and the patent, but the patent could be held invalid while the copyright's validity was confirmed. Otherwise, patents and copyrights are complementary, not conflicting.

(2) A similar analysis can be applied to mask works to demonstrate that patents and mask works are complementary and not conflicting.

**f) Should Congress legislate the boundary for patents in the computer program area, or is it preferable to permit the courts to continue to define the outer boundary?**

There is no need for Congress to legislate the boundary of protection for patents in the computer program area.

**g) Are the tests of patentability for computer program-related inventions implemented by the USPTO in the notice published in the Official Gazette on August 9, 1989, consistent with the patent statute**

**and/or court decisions? If there are inconsistencies, what are they?**

The tests are somewhat inconsistent with court decisions. In attempting to establish fixed guidelines, the United States Patent and Trademark Office adopted guidelines which are too rigid and which do not completely follow the decisions of the Court of Appeals for the Federal Circuit.

**h) What concrete steps should be taken, if necessary, to revise the PTO examination procedure for computer program-related inventions in order to achieve high-quality issued patents, particularly with respect to:**

**1. Providing patent examiners with complete, up-to-date prior art?**

It is critical that the Patent and Trademark Office amass a complete prior art repository. It is also important that the Patent and Trademark Office's categorization/retrieval system be indexed to permit examiners to make effective use of prior art.

**2. Providing patent examiners with training in this field to raise/maintain their expertise?**

Because there is a shortage of patent examiners with primary technical training in software development, training is, of course, very important.

**3. Recognizing computer science as a "science" for the purpose of qualification to take the PTO registration examination and recruiting computer scientists as patent examiners?**

We have no objection to these proposals.

**4. Providing an optimum system of classification to maximize the searchability of inventions in this field?**

We strongly believe that such a system should be provided.

**5. Taking steps to reduce the PTO pendency time for patent applications in this field?**

The PTO should first take more steps to ensure that the patents it issues are valid. Thereafter, the PTO should consider steps to reduce the pendency time.

**i) What procedures, not currently available, should be considered to correct problems caused by improperly granted patents (i.e., post-grant oppositions, court nullification), and how would these procedures particularly relate to computer program-related inventions?**

The Association does not, in general, favor procedures such as post-grant oppositions or court nullification.

## **II. FEDERAL PROTECTION FOR TRADE SECRETS**

**a) Is there a need for a Federal law on trade secrets? What problems have been caused by the absence of such a law? What problems would such a law create?**

No. Federal legislation is needed on trade secrets. While there are individual differences between the laws of the States on that subject, they are minor and create no real problems. Moreover, a Federal law protecting trade secrets would in essence be granting them "patent-like" protection. That would preempt state law, and there is no constitutional basis for such Federal legislation.

There is no real concern that a Federal trade secret law, if adopted, would create significant problems. Care is required to see that such a law does not conflict with the patent law, such as the "best mode" requirement.

**b) If there is need for a Federal trade secrets law, on what legal theories (i.e., tort, contract, etc.) should it be based? How should it relate to state laws and to what extent, if any, should it preempt state laws?**

The Uniform Trade Secret law is based on a mixture of tort and contract law, i.e., there can be misappropriation where there is an illegal taking of a secret from someone with whom there is no relationship, as well as where a fiduciary relationship exists. Thus it does not matter whether proposed federal legislation is based on tort or contract law. If

based on the patent laws, protection could only be for limited times.

If a federal trade secret law is based on the Commerce Clause, the legislation may not apply to wholly intrastate activities, such as theft of a trade secret by overflight. See, e.g., *E.I. DuPont de Nemours & Co. v. Christopher*, 431 F.2d 1012 (5th Cir. 1970).

Under the Commerce Clause, the preemption area would need further study. The federal law could preempt state law with respect to interstate and foreign commerce. Such legislation might operate like the Lanham Act for trademarks. Also, the view that federal law under the Commerce Clause can only reach interstate activities and cannot be applied to a situation like that in the *DuPont* case, may not be correct. This is seen in civil rights cases, where the Commerce Clause is given very broad scope. Generally, Congress is given great deference in construing its limitations under the Commerce Clause.

**c) If there are specific areas of trade secrets that are inadequately protected by present state laws or by their nature cannot be adequately protected by state laws, would it be possible to enact Federal laws in those areas only, leaving to state law what is currently adequately protected? Would such a bifurcated system create more problems that it would solve?**

The areas which seem inadequately protected by state laws include: (1) jurisdiction over foreign companies where they have minimal contacts in a number of states; (2) customer lists; and (3) which laws apply when a former employee leaves to start a new business in a new state. However, there is no overt dissatisfaction which requires that these problems should be addressed. No opinion is expressed on any proposed bifurcation system.

### III. COST AND COMPLEXITY OF PATENT ENFORCEMENT

**a) Is the cost of patent enforcement too high? If so, what can be done within the existing Federal Rules to achieve determinations of validity, infringement and damages more efficiently and economically? Which, if any, of the Federal Rules should be changed to improve patent litigation, and how? Would provisions in the Civil Justice Reform Act of 1990 improve**

### patent litigation?

Few would deny that cost of patent enforcement is high. However, patent cases are little different than other litigations in which the costs are also high, such as anti-trust cases and most other cases of complexity. We do not believe that it is consistent with public policy to take patent enforcement (or the enforcement of other intellectual property rights) outside the mainstream of American litigation.

It is possible through present Federal Rules and court management to handle patent cases expeditiously and relatively inexpensively. For example, Rule 16 provides for early discovery conferences. Many local rules provide for the setting of discovery cutoff, motions, trial dates, etc., as a matter of course soon after the case is filed (see for example the rules of the Central District of California).

Therefore, the best way to assist patent litigants in achieving speedy, inexpensive and just disposition of patent cases is to concentrate on mandated or voluntary alternative means to a full blown federal court litigation, as discussed below, within the framework of the existing rules.

Support exists for a modification of the present system wherein each district had a magistrate familiar with the patent laws who could get involved in patent suits early to weigh the relative merits of each party's case, or at least to particular issues within a case. Alternatively, special masters could be appointed on a more frequent basis to assist the courts, particularly in the early stages of a case.

**b) Is there need for a "small claims" type of patent proceeding in the Federal courts, with simplified procedures and limited recovery? If so, describe the characteristics such a proceeding should have, e.g., how procedures would be simplified, what the limits on recovery should be etc.**

**c) Should the use of arbitration and other forms of ADR be increased? How? What, if any, deterrents are there to using ADR and how can they be overcome? What additional forms of ADR should be considered for patent disputes?**

A seemingly intractable problem with any mandatory and binding proceeding other

than a full blown litigation is the Seventh Amendment right to a jury trial. Thus, any alternative procedure that is established must ultimately allow for a jury trial if the procedure is not successful. We understand that alternative proceedings already exist in the federal courts (e.g., mandated settlement conferences, mandated summary jury trials which are non-binding, and mandatory arbitration of certain types of cases). In each of these procedures, however, there is and must remain an ultimate trial to the court if the alternatives are unsuccessful.

We therefore believe that the best approach is the effective utilization of existing Rule 16 of the Federal Rules.

Rule 16 provides for a pre-trial conference if the court desires. At such a conference, among the items to be discussed are "the possibility of settlement or the use of extra-judicial procedures to resolve the dispute" (Rule 16(c)(7)).

At the hearing, the court could determine the value of the action (e.g., what relief is expected, as opposed to "sought"), the material issues of fact and law, the number of witnesses and documents, the estimated trial time, and any genuine issue between the parties not apparent from the pleadings. Many litigants and their counsel (and even the judges) are unaware of the many successful uses of ADR which have already been made in resolving patent controversies. Thus, booklets should be prepared and distributed to each litigant, including the mechanics of settlement discussions, mediation, arbitration, mini-trial, and the like, and giving examples of their successful use and of problems inherently associated with them such as lack of appeal.

Based on what the court determines, it could then require several alternatives such as:

1. Referring all "small cases" to some type of ADR;
2. Referring to non-binding arbitration (or binding with right to seek review by Court) patent cases in which only monetary and not injunctive relief is sought; or
3. Referring other cases to an early neutral evaluation by a neutral hearing official as discussed in more detail below.

The following is a suggested procedure for a neutral evaluation:

First, the neutral could hear — for not more than a few hours — oral argument, preferably after having read short briefs, and

even expert testimony. A representative of each party with authority to settle must be present.

*Second*, after the oral presentation, the neutral would immediately advise counsel and the principals of the neutrals' view of the merits. The neutral should invite the principals to discuss settlement forthwith, with the neutral present and serving as a facilitator, if appropriate.

*Third*, after an appropriate period for settlement discussion (this will vary depending on polarization of the parties, etc.), the neutral would report with full candor to the parties as to the value of the case, the prospects of settlement, the material issues, etc., accompanied by a summary of the neutral's reasons for his or her conclusions.

*Fourth*, the Court would then immediately schedule a conference to discuss settlement further, or to fix discovery, pre-trial and trial dates.

Such a procedure may be regarded as a waste of time where the parties are polarized and the stakes are large. However, such a procedure may encourage the use of ADR either before suit or it may assist settlement even after an apparent failure of the early neutral evaluation process.

All of the above proceedings would necessarily provide for the right of determination by the court if the ADR were successful. However, sanctions could be awarded if the ultimate trial resulted in an award different than that determined in the mandated proceeding (such as is now provided in Rule 68 for an offer of judgment).

#### **IV. GROUNDS FOR HOLDING PATENTS UNENFORCEABLE**

**a) What are the benefits and drawbacks of permitting an unenforceability defense in patent litigation, based on alleged misconduct either before or after patent grant?**

**b) Should any change be made in the present Patent and Trademark Office standard relating to the submission of prior art information, recognizing the need of the Office to consider information bearing on patentability before to patent issues?**

**c) Are existing judicial procedures and standards for resolving unenforceability**

**defenses adequate? If not, is legislation desirable and, if so, what kind? Discuss any other changes believed desirable.**

**d) Once inequitable conduct has been found, whether based on conduct before or after grant, is unenforceability the appropriate remedy? If not, what other types of remedies might be applied and in what types of situations?**

1. (a-d) With respect to unenforceability based on alleged misconduct occurring after the patent is granted ("patent misuse"), it is recommended that additional legislation should be considered which would limit the application of the patent misuse doctrine to conduct that also violates the antitrust laws. Existing legislation, i.e., 35 U.S.C. § 271(5) requires proof of market power in patent misuse based on tying. Also, legislation to this limiting effect has previously been proposed (*see* S. 1200, 100th Cong., 1st Sess. (1987)). Whether this narrowing of patent misuse should be effected on an across-the-board or a piecemeal basis (as by 35 U.S.C. § 271(5)) should be the topic of further study.

For many years, courts evidenced a restrictive, perhaps even hostile, view of patents. This view appears to have been based in part on the view that a patent "monopoly" should be granted only for extraordinary inventions. Patent misuse, in turn, was viewed with concern because it constituted an unwarranted extension of this "monopoly." More recently, as case law and proposed and actual legislation demonstrates, a more favorable view of patents and patentee rights has emerged. (Note the Federal Circuit's adoption of the term "market exclusivity" in lieu of "patent monopoly.") This favorable attitude has been based, in part, on a recognition of the importance of intellectual property generally, and patents specifically, to U.S. business and future world business development. Any analysis of patent misuse must take this change into account, especially in determining whether the patent misuse doctrine should be narrowed in any respect.

Patent misuse is an equitable remedy analogous to the "unclean hands" doctrine. However, misuse often arises in an antitrust context and shares with antitrust a concern about abusing a monopoly position. Over the last two decades, there has been a move-

ment in antitrust away from finding *per se* violations and a greater recognition that legitimate business reasons exist for what before might have been viewed as anticompetitive restrictions (e.g., the liberalized view of vertical restraints). In the patent area, there has been a greater recognition that owning a patent does not necessarily (and, often, does not at all) constitute a monopoly for Sherman Act, Section 2, purposes. Also, there has been a greater recognition that restrictions heretofore considered anticompetitive may not invariably violate the antitrust laws (i.e., liberalization concerning the "nine no-nos").

There has been an increasing willingness to read antitrust concepts into patent misuse analysis. Some courts, commentators, and enforcement officials have expressed the view that patent misuse should be limited to conduct that violates the antitrust laws. The Patent Misuse Reform Act of 1988 incorporates antitrust concepts when it provides in relevant part that the patent owner must have "market power in the relevant market for the patent or patented product on which the license is conditioned." (35 U.S.C. § 271(5))

As the importance of patents in the world economy grows, optimal exploitation of patents, typically through license agreements, will become correspondingly more important. From a business and technology standpoint, effective exploitation may in many cases call for restrictive licensing arrangements. A central and valid concern of the parties to these arrangements (and especially to the patentee) is to eliminate the legal uncertainties attendant with such arrangements. One goal of patent law revision should be to advance that objective.

The grounds for finding patent misuse are different from, and generally easier to satisfy than, the grounds for establishing antitrust liability. For example, misuse can be established without a showing of market power or anticompetitive injury. In light of the policies, trends and objectives described above, the patent system would be better served if the discrepancies between patent misuse and antitrust were reduced or, if warranted, even eliminated. While the two areas may have different historical and conceptual origins, continuing with significantly dissimilar standards would no longer appear to be justified.

2. (a-d) With regard to an unenforce-



ability defense based on alleged misconduct occurring before the patent is granted, it is beneficial to require that an applicant's conduct before the PTO reflect an appropriate duty of candor. A violation of that duty should be remediable by an unenforceability defense. That duty includes complying with an appropriate standard for disclosing material information to the PTO. To date, Title 37 C.F.R. § 1.56 (Rule 56) provides the standard for determining what information should be submitted to the PTO.

An amendment to Rule 56 recently proposed by the PTO provides that information is considered material and should be disclosed to the PTO if such information renders the claims *prima facie* obvious. That is a reasonable standard for assuring an honest disclosure of relevant information is provided to the PTO. The present Rule 56 is unsatisfactory, since it permits a court to find the patent unenforceable based on the failure to disclose information which does not affect the patentability of the issued claims.

Under the present Rule 56 if an attorney, without the applicants' knowledge and permission, fails to adhere to the PTO duty of disclosure, then the claims could be found unenforceable. That is unfair to the applicants who cannot control the unauthorized conduct of their representatives licensed to practice before the PTO. Accordingly, while an attorney should be subject to sanctions for a knowing failure to adhere to the PTO standard of candor, the applicants should have the opportunity to cure the attorney's misconduct to prevent loss of their patent rights.

## V. LICENSEE CHALLENGES TO PATENT VALIDITY

**a) Is legislation desirable to clarify the results of the *Lear* decision? If so, what should it provide?**

Legislation should be enacted to permit a licensee to challenge validity only if the licensee first terminates or repudiates the license and, hence, puts himself at risk as a potential infringer. Royalties paid before then could not be recouped. The legislation also should make clear how and when license termination and repudiation is effectuated. *Lear, Inc. v. Adkins*, 395 U.S. 653 (1969) evidences policies and assumptions

which would find considerably less support today — i.e., a hostility toward patents and patentees and a misapplication of outdated antitrust concepts to the patent area. *Lear's* singular emphasis on encouraging licensee challenges to patent validity is inconsistent with today's recognition of the importance of patents and the incentive to invention that the patent system provides.

As a result of the introduction of the reexamination process, a major premise of *Lear* has disappeared. *Lear* assumed that litigation challenges by licensees were essential in protecting against the assertion of invalid patents. This is far less the case today now that reexamination is available as an inexpensive and effective alternative method to evaluate a patent. As a result, there is less reason to (a) maintain the expanded licensee rights created in *Lear* and (b) place strict prohibitions on contractual provisions which restrict validity challenges by licensees.

*Lear* creates disincentives to the licensing of patents. A patentee may be prepared to license at a modest royalty if, under the license, patent challenges are eliminated or minimized. However, a patentee may prefer not to license or may prefer to seek a much higher royalty when, as under *Lear*, the prospective licensee is in a position of "having his cake and eating it too." Disincentives to licensing limit the means available to a patentee to exploit his inventions; this, in turn, may deprive society of, or unduly limit access to, valuable technological developments. As intellectual property and its effective use become more important in international competition, unreasonable or unnecessary restrictions or disincentives relating to such use become more costly and counterproductive.

**b) Should any restraints, beyond the normal law of contracts, be imposed on the rights of licensee and licensor to bargain for the results of a potential challenge by the licensee of the licensed patent's validity?**

Parties should be free to negotiate whatever license terms are best for them. Certain restrictive terms, however, such as prohibiting a licensee from challenging the validity of the patent, would be lawful only if the licensee was also free to enter into a license that did not contain such provisions. For example, a patentee might offer a licensee a

higher royalty rate without the restriction and a lower royalty with the restriction. The central concern is to ensure that a licensee challenge would always be available with regard to inventions clearly undeserving of patent status.

## VI. FIRST-TO-FILE SYSTEM

**a) What benefits do United States patent holders and the public realize from the first-to-invent procedure? What detriments are there, particularly those that might not be addressed by further simplification of the procedure to determine priority of inventorship?**

One benefit associated with the first-to-invent system is that it is inherently fairer to the patent holder. Moreover, such a system permits more flexibility for the patent attorney.

Drawbacks of the first-to-invent system are that it affords less certainty to the public, it discourages innovation by reducing incentive to invent, and it results in interference actions which are complex, slow and expensive. In addition, reliance on the first-to-invent system can result in inadvertent loss of foreign rights.

**b) What benefits are United States patent holders and the public expected to realize from a first-to-file procedure? What detriments should be expected?**

The expected benefits include early disclosure of inventions, encouragement of increased applications by poor inventors, consistency as to ownership of patents from country to country, and the facilitation for adoption of a patent harmonization treaty. In addition, patent office costs due to interference actions would be eliminated. Large U.S. corporations would also benefit from a first-to-file system.

Problems associated with a first-to-file system include hasty and poorly drafted applications that do not properly describe the invention, and increased burdens to individual inventors and small companies not familiar with first-to-file practice.

In general, first-to-file systems in foreign countries do not appear to present undue difficulties to United States applicants filing abroad.

**c) What benefits are United States patent holders and the public expected to realize from a harmonization treaty? What detriments should be expected?**

The major benefit that patent holders and the public expect to realize from a harmonization treaty is increased certainty regarding patent rights in all countries. A detriment is that with this system, important discrepancies that have been judicially created, such as claim interpretation, will not be affected.

**d) If the United States retains the first-to-invent procedure, a partial step toward harmonization could be a change permitting applicants to establish dates of invention by reference to knowledge, or use, or other activity in foreign countries in addition to such activities in the United States. Should such an expansion of admissible evidence of inventorship be adopted (1) only as part of a comprehensive harmonization treaty to harmonize all of the world's patent systems, (2) without regard to a harmonization treaty, or (3) not at all? Should such an expansion of admissible evidence of inventorship be adopted (1) only in respect to foreign countries that provide for practicable and effective judicial discovery of foreign inventorship activity, (2) only on a limited basis reflecting the credibility of the foreign evidence, or (3) without regard to the legal procedures available in foreign countries?**

Evidence of inventive activity abroad should be admissible to protect U.S. corporations doing research abroad. Such evidence should be permitted irrespective of a harmonization treaty and irrespective of legal procedures available abroad; however, foreign-originated evidence should be evaluated according to its credibility.

**e) If the United States adopts a first-to-file procedure, should it condition this adoption on a grace period during which activities of the inventor or derived through the inventor will not be a bar to patentability by the inventor? Should the oath and its attendant sanctions be strengthened in respect to the requirement of originality?**

It is believed that a grace period is needed to make the system workable and to protect inventors. If the grace period were eliminated it would avoid problems in legal proceedings similar to those now involved in interference actions. There is no reason to change the oath or declaration.

**f) If the United States adopts a first-to-file procedure, would it be desirable to modify the rights, if any, of a prior user of the invention? If so, should such a user have (1) no defense or rights in respect to the subsequent patent, (2) a personal exemption to continue existing commercial use, or (3) some other right? Should the prior user rights, if any, extend to one not an actual user, but who has made effective and serious preparations for such use? Should it matter if the prior user had elected to practice the invention as a trade secret? Should any prior user right be transferrable to someone else? Should any such right extend only to use in the United States (a feature in other patent systems)? Should any prior user right extend to such users who were not originators of the invention?**

There should be prior use rights to protect existing commercial use, and possibly protection for those who made *serious preparations* for use. Moreover, prior user rights should be limited to the United States and existing use. Finally, prior user rights should be transferrable only with the business of the prior user.

**g) Would a first-to-file patent procedure run afoul of the reference to "inventors" in Article I, Section 8, Clause 8 of the Constitution?**

No. Under the Patent and Copyright Clause of the Constitution, Congress has the power to "promote the Progress of . . . useful Arts, by securing for limited Times to . . . Inventors the exclusive Right to their Discoveries." U.S. Const. art. I, § 8, cl. 8. This clause is both a grant of power and a limitation. *Graham v. John Deere Co.*, 383 U.S. 1, 5 (1965). Thus, although "Congress in the exercise of the patent power may not overreach the restraints imposed by the stated constitutional purpose," *id.* at 5-6, "Congress may . . . implement the stated purpose of the Framers by selecting the policy which

within its judgment best effectuates the constitutional aim," *id.* at 6. Accordingly, "Congress has broad discretion on how to implement the conditions and tests for patentability." *Constant v. Advanced Micro-Devices, Inc.*, 848 F.2d 1560, 1564 (Fed. Cir.), *cert. denied*, 488 U.S. 892 (1988) (citing *McClung v. Kingsland*, 42 U.S. (1 How.) 202, 206 (1843)).

Congress, in implementing a first-to-file system, would still require that a person be the actual independent inventor (i.e., no derivation), and that the subject matter of the application meet the tests of novelty, utility, and non-obviousness. Thus, the requirement that a person be the first to file is merely a "condition" for patentability, created by Congress in the exercise of its broad discretion to bring about the legitimate purpose of promoting the useful arts.

A possible challenge to the first-to-file system might arise from the fact that the courts and Congress have used a first-to-invent system since the first Patent Act of 1790. Early acts of Congress are evidence of the original intent of the Framers concerning the meaning of the terms of the Patent and Copyright Clause. *Cf., Burrow-Giles Lithographic Co. v. Sarony*, 111 U.S. 53, 56-57 (1884). However, if the intent of the Framers was to promote the progress of the useful arts, and Congress decides that this goal is best carried out by conditioning the grant of a patent on being the first-to-file for it, the intent of the Framers is well-served.

## VII. AUTOMATIC PUBLICATION

**a) What benefit do United States patent holders and the public realize from keeping patent applications confidential until a patent is granted? What are the detriments?**

A patent holder benefits in that, upon a finding that the invention is not patentable, the prospective patentee may preserve the invention by use of a trade secret. The public does not receive a benefit from such action.

The major detriment with this scenario is that industry may be surprised by a long pending application. Ultimately, most observers accept publication.

**b) What benefits are United States patent holders and the public expected to realize from a procedure requiring automatic**

**publication of patent applications? What are the detriments?**

The benefits expected from automatic publication of patent applications include early disclosure of technology, the promotion of science and the useful arts, and the stimulation of new ideas.

Detriments include decreases in patent applications, loss of trade secrets, and interference with inventor's rights to privacy.

**c) Should U.S. patent applications be published by some fixed time measured from their U.S. or foreign priority filing dates? Does the need for a pre-grant publication differ depending upon whether patent terms are measured from filing date or issue date?**

Irrespective of patent term, United States patent applications should be published 18 months from filing or priority. But, there would be a need for provisional protection.

**d) If pre-grant publication becomes part of the U.S. patent system, is there a need for provisional protection starting from the date of publication? Does the need for provisional protection depend upon how the term of the patent is measured?**

Provisional protection would be needed if pre-grant publication becomes part of the U.S. patent system. This need for provisional protection would be independent of how the patent term is measured.

**e) If provisional protection is appropriate, what should it include?**

Provisional protection should be similar to protections available in other countries, and reasonable royalties should be available until the patent issues.

## **VIII. PATENT TERM**

**a) What benefits do United States patent holders and the public realize from measuring the life of a patent from its date of grant? What detriments are there?**

Benefits associated with measuring the life of a patent from its date of grant include full realization of seventeen years of protection, avoidance of eroded term in the event

of interference proceedings, and the possibility for enhanced protection by filing divisional, continuation or continuation-in-part applications.

Detriments include non-uniformity with other countries, extended duration of secrecy for pending patent applications, and undue isolation of the invention from the public.

Since U.S. patent examination is relatively efficient, there may be no real difference in measuring the term from date of filing (i.e. 20 years) or date of grant (i.e., 17 years) for most patents.

**b) What benefits are United States patent holders and the public expected to realize from a procedure that would measure the life of a patent from its filing date? What would the detriments be?**

Benefits associated with measuring the life of a patent from its filing date include simplicity, incentive for avoiding applicant-caused delays, prompt filing and greater certainty.

Detriments include the possible loss of full term protection, as well as the loss of late occurring royalties or exclusivity of market. In addition, inefficient examinations tend to occur in foreign countries basing the patent term on the filing date.

As long as pre-grant oppositions are eliminated, there is probably little difference between measuring patent life from filing date or issuance date for most patents.

**c) If the term of a United States patent is to be measured from the filing date, should the term be extended to compensate for delays due to (1) secrecy orders, (2) marketing delays due to FDA or EPA regulatory procedures, (3) NASA or DOE ownership proceedings, (4) appeals, or (5) any other delays outside of the control of the patent applicant?**

A patent term should be extendable for delays which are beyond the control of the applicant, including those mentioned above.

**d) Should a United States patent application be permitted to rely upon the date of more than one foreign-filed application for priority, and, if so, should the term of the United States patent be measured from the earliest priority date (recognizing that**

**a modification of the Paris Convention probably would be necessary for adoption of any procedure to measure the life of a patent from any foreign priority date)?**

The patent term should be measured from the U.S. filing date, this being consistent with most other countries.

Also, the U.S. should continue the Paris Convention practice of permitting a person to claim multiple priorities.

**e) If the term of a United States patent is to be measured from a filing date, should that date be (1) the earliest United States filing upon which priority is based, (2) the earliest filing upon which priority is based, be it a foreign or United States filing date, or (3) the filing date of the application on which the patent is granted?**

The patent term should be measured from the earliest U.S. application on which priority is based. This will avoid the problem of multiple continuation applications.

**f) If the United States adopts a patent term based upon a filing date, should that term be 20 years? If not, how long should the term be?**

In general, a patent term of 20 years from filing seems preferable. However, economic analysis of the impact of changing the term is desirable.

## **IX. DEFERRED EXAMINATION**

**a) What would be the benefits of a procedure whereby a patent application is not examined in due course, but instead, the applicant is given the option, for a period of years, to request that the application be examined? What would be the detriments?**

**b) If optional examination were adopted, what necessary or desirable companion changes (such as mandatory publication of applications) should be made, if any, in the United States patent law or procedures? Should a third party have the right to request examination?**

**c) If optional deferred examination were adopted, should a patent application be deemed abandoned if the applicant fails**

to request examination within a fixed time after filing? Should the applicant be permitted thereafter to refile an application for the same invention?

d) Should the applicant have the option, in lieu of requesting formal examination, to obtain a lower-cost patent of shortened term and reduced enforcement rights?

We are not in favor of deferred examination under a first-to-invent system. This would permit a patent owner to unfairly extend the term of protection.

If an application is filed, it should be examined as quickly as the employees of the U.S. Patent and Trademark Office can do so. By permitting deferred examination, a company is permitted to protect technology by keeping it secret and then, when it is disclosed, by moving ahead with the patent process. A company should not have it both ways. Either it pursues secrecy in trade secret law, or it pursues patent protection.

Under a deferred examination procedure, the patent owner is able to bide his time. The invention is maintained in secrecy for as long as possible and enjoys protection by such secrecy. Then, when one can no longer maintain secrecy, examination is requested and patent protection is obtained. Because the length of the patent term is measured from the issuance date, and not the filing date, an extra term of protection is obtained. That is unacceptable.

Under a first-to-file system if the patent owner delays examination the patent term is reduced by a corresponding period. Deferred examination would be acceptable if a short period of deferment were possible, since the prosecution costs or filing fees could be reduced if the applicant chose not to proceed.

## X. IN RE HILMER

a) If the effective date of a United States patent as a reference should be based on a foreign application filing date, should that foreign priority date be the effective date for anticipation purposes only and not for obviousness purposes so that the *Hilmer* rule is partially retained in that the United States patents with a foreign priority date are effective only as a reference for obviousness purposes as of the filing date in the United States?

This system is used in Europe and the U.S. should follow it for purposes of harmonization.

b) Is there rationale for abolishing the *Hilmer* rule totally so that foreign-origin United States patents will be effective as references for all purposes as of their foreign priority filing date?

A foreign priority date effective for both novelty and obviousness would be consistent with the rationale making an earlier filed U.S. application prior art for both novelty and obviousness purposes.

c) What changes in procedure, if any, should the Patent and Trademark Office adopt to ensure adequate consideration of the disclosures in foreign-originated United States patents in the examination of United States patent applications?

Examiners should be better trained, and educated in the technology through means other than simply reading patents.

d) Should bilateral reciprocity be applied when deciding whether or not a United States patent is entitled to an earlier foreign filing date in a particular country for reference purposes?

Bilateral reciprocity should not be applied, since there should be one law and one rule.

## XI. REEXAMINATION

a) Do you believe the present reexamination system is working effectively? If not, identify each deficiency that you believe exists in the system.

The present reexamination system works effectively for the patent owner. However, because a third party is permitted only very limited participation in the reexamination proceeding, the system does not work well for a requestor. The requestor only has the opportunity to file a single paper should the patent owner decide not to file a patent owner statement in response to a request for reexamination. Therefore, the requestor's resources and expertise will be unavailable during the reexamination proceeding. The only method by which a re-

questor can participate after the initial request is to file an additional request for reexamination, which addresses each of the patent owner's positions. Such a procedure is time consuming, very expensive and requires that the Examiner consolidate several reexamination proceedings. Since the requestor cannot address any of the patent owner's positions or proofs filed during *ex parte* prosecution and cannot participate in the appeal procedure, there is little, if any, incentive for a third party to request reexamination. Most of the reexamination requests result in confirming the patent claims, either as issued or as amended during reexamination.

b) Do you believe that the present reexamination system should be modified to permit complete *inter partes* participation by a protestor at all phases of the reexamination proceeding? If so, explain why. If not, explain why.

The present system should be modified to permit a strictly voluntary, complete, *inter partes* participation and an *inter partes* appeal. If a third party is permitted such complete *inter partes* participation, then on litigation between the parties, it is likely that a court will be readily persuaded to accept the Examiner's decision on validity. For a third party to run that risk, that party should have disclosure of relevant information relating to the patent owner's position before the Patent Office. For that purpose, the Patent Office should be provided with a limited mechanism for providing discovery of the patent owner. The voluntary *inter partes* option would provide a party who cannot afford the costs of a litigation an opportunity to challenge validity for a more reasonable cost.

c) If your answer to question b) is no, to what extent, if any, should third parties be allowed greater participation than at present in reexamination proceedings?

No answer required.

d) Would you be in favor of modifying the present reexamination system to permit or require one or more of the following: (1) Permitting a reexamination petitioner other than the patentee to comment on any claims in their finally allowed form,

so as to provide the Examiner with the petitioner's views prior to a final decision as to whether to issue a reexamination certificate?

Yes - if strictly voluntary.

(2) Permitting a reexamination petitioner to appeal both to the PTO Board of Patent Appeals and Interferences and to the Federal Circuit from many final decision favorable to a patentee in the reexamination proceeding?

Yes - if strictly voluntary.

(3) Conditioning the appeal noted in subparagraph (2) on the petitioner's agreement to forego litigating in any other forum, any issue raised or which could have been raised on appeal?

No - The petitioner should always have available to it the full discovery and remedies provided by the Federal Rules upon litigation in order to obtain material information concerning validity, which information would not be available to it at the PTO proceeding. That procedure protects the public interest in ensuring that invalid or unenforceable patents do not block innovative research and development. Therefore, we do not favor a waiver of litigation.

(4) Precluding an accused infringer from relying as a defense on any prior art or printed publication unless that prior art or printed publication has been previously considered by the PTO either during the original prosecution of a patent or on a reissue or reexamination proceeding involving that patent?

We would not be in favor of such a preclusion because it would force a reexamination requestor into a proceeding in which he would have only an extremely limited opportunity to participate and in which the patent owner would have complete control over the ex parte portion of the proceeding and appeal.

(5) Precluding a party or its privies, against whom a judgment of invalidity of a patent claim or claims has been entered, from seeking or maintaining reexamination of that claim or claims?

No. If patentable subject matter is present then the patentee should have an opportunity to obtain a valid claim.

(6) Requiring that claims of a reexamined application be construed under the same standards as those claims would be construed in a district court infringement proceeding?

We would not be in favor of that proposal because the proposal is so vague and ambiguous, it would, itself, require litigation to clarify its meaning.

e) Should the scope of issues considered by the Examiner during reexamination be broadened? If so, how, e.g. by permitting consideration of public use or on sale bars, Section 112 issues, inequitable conduct, etc.?

The scope of issues considered by the Examiner should be broadened. Section 112 issues are often inextricably entwined with validity issues and should therefore, be considered during reexamination.

Since reexamination is essentially ex parte, the patent owner should not have the Examiner's advisory opinion on issues such as public use, on-sale bars or inequitable conduct, which issues often require consideration of sensitive documents not available to the PTO. Such documents are best obtained during inter parties litigation under the Federal Rules.

f) In what other ways, if any, should reexamination proceedings be changed?

No further comment is required.

## **XII. ASSIGNEE FILING OF APPLICATIONS**

a) Should the United States allow the filing of patent applications by assignees?

Assignee-filing is acceptable. However, an oath or declaration should be required from the actual inventor(s) some time before issue, where the application is filed in the name of the assignee.

b) What benefits and drawbacks would occur by allowing filing of patent applications by assignees?

Benefits associated with allowing assignee-filed applications include lower costs, elimination of Section 107(e) problems which penalize teamwork, and elimination of the necessity for a company to go through the trouble of determining out which employee actually made the invention.

By eliminating the need to identify the actual inventor one obviates potentially unnecessary problems in litigation.

Drawbacks associated with allowing assignee-filed applications include compromising the integrity of the system, allowing an assignee to file who really does not own the invention, and potentially causing a decrease in the level of candor currently present in United States patent solicitation. Finally, the inventor's control and importance would be lost.

c) What contours should an assignee filing proposal have, including possible safeguards for inventors and the public?

An assignee should be required to notify all persons who contributed to the invention of the filing of a patent application. These requirements should be the same as in present U.S. law.

Inventors should be identified for informational purposes, but there should be no penalty for incorrectly naming inventors. Finally, a post filing declaration and amendment could be permitted, but with no more than a minimal fee.

## **XIII. PTO FUNDING & FEE STRUCTURE**

a) What impact, if any, will a system in which PTO costs are almost entirely user-fee funded have on (1) U.S. investors generally, (2) on small entities, including independent investors, and (3) the public?

The impact generally will be to reduce to some degree the number of United States Patent filings and to increase the number of issued patents which are not maintained. The result for small entities and individual inventors will be to drastically reduce the numbers of filings and patents maintained. Since the patent system is economically and socially desirable, reduced use of that system will necessarily harm the public.

While fiscally sound from a balanced budget perspective, the need for a system in



which the PTO costs are almost entirely user fee funded is not apparent. The majority of Government programs are not user funded, including those which are not constitutionally mandated. The United States patent system arises through a specific constitutional provision and benefits the entire nation, not just patent owners. Indeed, the United States Supreme Court and the Court of Appeals for the Federal Circuit have, on numerous occasions, specifically stated that the primary concern of the patent laws is to benefit the public.

United States inventors, depending on their circumstances, will be affected differently by a system in which the Patent and Trademark Office costs are almost entirely user funded. Small entities, particularly independent inventors, will be affected the most. Such inventors in many cases may not file for patents because of the costs. High patent-application costs are not in the public interest if they deter an inventor from seeking patent protection for meritorious inventions because, as a result, fewer potentially valuable advances in technology will be available to the public.

Maintenance fees involve additional considerations. If an invention is not commercially successful, then it might be argued that there is justification for letting the patent lapse since it is not worth paying a maintenance fee. However, there are many instances of sleeper inventions, or inventions which are ahead of their time, which might prove particularly valuable only near the end of their patent terms. In such cases, high maintenance fees would deter many inventors from keeping their patents in force and would deprive them of the ultimate fruits of their inventions. Thus, inventors who expect that their inventions might not become valuable for years may elect not to file at all so as to avoid maintenance fees when there would be no returns. To the extent the patent system is considered to be in the public interest because it fosters public disclosure of inventions by rewarding inventors, high maintenance fees are contrary to the public interest.

Last year's fee increases have already influenced the management of some large corporate patent departments. This has affected the number of patent applications filed, issued and maintained, and particularly the latter. In those industries where technology is a corporation's secondary con-

cern, corporate departments have a certain budget allotted for filing expenses. Thus, the number of applications filed is determined by this budgeted amount. As a result, corporations will forego paying second, and sometimes first, maintenance fees in order to have money to file initial applications.

The ultimate result is that others obtain patents and the company has to license or otherwise pay for the technology. More importantly, the technology is more likely to be maintained as a trade secret with the result that the public does not derive any advantage from its disclosure.

**b) What realistic and practical alternatives can you suggest, other than user-fee funding, for funding PTO operations?**

The only funding system that would be acceptable would be Congressionally authorized funding like that provided to other Government branches. User funding raises fees to an unacceptably high level, and other schemes, such as making the PTO into a quasi-private agency, have the disadvantage of taking the PTO away from public oversight.

As with other Government-sponsored programs, general (corporate income) tax revenues are a realistic and practical alternative to user fee funding. This is easily justified since successful patentees and patent licenses pay taxes on the profits derived from their patented inventions or licensed patent rights.

The PTO could be funded by an equal sharing of costs between general Government appropriations and the user fees. The United States needs to encourage the small inventor so that domestic concerns can compete more effectively with foreign companies. Bringing an invention on line is a tough job and high patenting costs only make it more difficult. The consumers in society benefit from new patented inventions, and those inventions also result in the creation of new jobs.

**c) Congress historically has provided fiscal oversight for the PTO. Will this attention by Congress continue at the same level in the absence of a significant allocation of taxpayer funds, and, if not, what other fiscal oversight is appropriate?**

It seems reasonable that if Congress

does not authorize PTO funding, then the ways in which the Patent and Trademark Office spends its money would be of much less interest to Congress. Conceivably, if the PTO were turned into a quasi-private agency, legislation could be enacted to give a government agency specific oversight over the operation and finances of the PTO.

**d) Should the more public-oriented functions of the PTO, e.g., public search room operation, be funded by user fees, or should such operations be supported by appropriated funds?**

While public oriented functions of the PTO such as the public search room operations primarily benefit patentees and prospective patentees, they are of such fundamental importance to the public interest that they should be supported substantially by appropriated funds.

**e) Would it be desirable to increase the average application pendency time in the PTO to a level above 18 months if such increase permitted a significant reduction in PTO fees?**

If it would truly permit a significant reduction in PTO fees, some increase in the average patent application pendency time to a level above 18 months may be justified. However, if an increased application pendency time led to more interferences being declared, any savings would be diminished.

**f) What are the advantages and disadvantages of retaining a two-tier fee structure?**

The two-tier fee structure permits individuals, small businesses and not-for-profit institutions with limited resources to participate in the patenting process. Meritorious inventions developed by such small entities are not held back from patenting because the costs are too high. On the other hand, the present definition of a "small entity" does permit some who could easily afford higher fees to nonetheless pay lower fees. This is a disadvantage because it requires, in effect, others who may be similarly situated financially to subsidize the patent filings of those well-heeled individuals or institutions which presently fall within the small entity definition.

**g) Should large entities subsidize small entities in a two-tier structure, or should public funds be used to supplement small entity fees?**

Public funds should be used to subsidize small entity filings because society benefits from the disclosure of small entity ideas.

**h) As part of a two-tier fee structure, what would the pros and cons be of (1) redefining a small entity to include fewer than 500 employees, (2) providing a tax credit (e.g., 50%) in lieu of part or all of the 50% subsidy for small entities, (3) denying 50% subsidy benefits, on a need basis, to small entities who receive a defined minimum (e.g., \$200,000) in technology transfer fees during the preceding year, and (4) imposing a flat (e.g. 10%) across-the-board fee increase if this permitted the continuance of the current small entity reduced fee structure?**

1. The definition of "small entity" should be changed. A better criterion would be ability to pay the PTO fees, although this may create administrative difficulties. The PTO could, perhaps, require the corporate or individual applicant to certify that its gross income is under a certain amount e.g. \$200,000,000, for a corporation and

\$100,000 for an individual.

2. The tax credit would probably be ineffective. The problem for the small company or individual user of the patent system is how to pay the fees *now*.

3. This could be another way to define small entity.

4. A flat fee increase may be acceptable at some point in the future, but not now. Under the current definition of small entity and at current fee levels the base cost is too high.

**i) A major current cost of the PTO is that of automating the search files and system. How should this cost be recovered, if not through fees?**

Because automating the search files and system is really a capital expenditure, as opposed to an operating expense, it should be funded by general tax revenues and not user fees. Alternatively, the cost could be recovered through voluntary donations by large corporations.

**j) Is there a mechanism in the Government for long-term investments, such as computer equipment, to be capitalized and paid off over their useful life?**

Such a proposal may allow the Patent and Trademark Office to incur its own debt.

**k) Should the current relation among filing, issue and maintenance fees be changed and, if so, how? Are there other fee strategies which will better balance the need to recover costs and the need to keep the patent system accessible to inventors?**

One approach is to lower fees across the board and return to public funding.

1. Society should continue to pay for some of the benefits the patent system provides.

2. The fees should increase progressively to reflect the importance of the patent to the owner. The fees presently in place are clearly too high and should be cut across the board.

**1) In discussions of patent harmonization, the question of pre-issuance publication of U.S. patents has been raised. Given the possible reluctance of Congress to fund the costs of such publication from general revenues, would you support such publication if its costs were totally user funded?**

There is support for pre-issuance publication, but not if it means going to total user funding. The Government should pay half of the cost, since society also benefits from early disclosure.

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Please address any comments on the proposed response to:

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Please respond no later than December 15, 1991.

reporting as one of the purposes of fair use. The bill would have amended the first paragraph of Section 107 by adding "or monitoring news reporting programming" after the words "news reporting."

Senator Hatch recently reintroduced an identical bill. Testifying in support of his bill, Senator Hatch analyzed broadcast monitoring under the four factors set out in §107 and concluded that news monitoring is an activity that Congress intended the fair use doctrine to protect. The most critical factor cited by Senator Hatch was the fact that broadcast monitoring does not diminish the incentives of broadcasters to create news programming. According to Senator Hatch, producing news programming and providing news monitoring services are not the same business. Senator Hatch further stated that the fact that broadcast monitors charge a fee for their services does not diminish the application of the fair use doctrine because the commercial nature of the work is only one factor to be considered.

### **Tax Consequences of Business Acquisitions**

The acquisition of an entire business usually involves the purchase of both tangible (buildings, inventory) and intangible (patents, copyrights, trademarks, goodwill) assets. For the buyer, the IRS currently provides an amortization deduction for acquired intangible assets if they have an identifiable value separate from goodwill and a determinable useful life. Under current law, goodwill, and in most instances trademarks and tradenames, are not depreciable because they are deemed to have an indeterminable useful life. Acquired patents and copyrights, however, are depreciable if they are assigned an identifiable value in the course of the transaction. Generally, the value of copyrights and patents cannot be amortized when they are acquired in a bulk transfer of business assets.

The buyer's primary incentive is to maximize the amount of the purchase price allocated to allowable depreciable intangible assets, thereby resulting in more depreciation deductions to reduce taxable income over the life of the assets. The nature of this tax treatment has led to disputes over the type of intangible assets acquired as well as disputes over the amount of the purchase price attributable to particular in-

tangible assets.

Representative Dan Rostenkowski (D.-Illinois) introduced a bill (H.R. 3035) several months ago that would alleviate these controversies by simplifying the amortization rules when a business is acquired. The bill would allow amortization of acquired intangible assets such as goodwill, trademarks and patents and copyright acquired in a bulk transfer over a single 14-year period. The bill as originally introduced would apply only prospectively to property acquired after the date of enactment.

The House Ways and Means Committee recently held hearings on H.R. 3035. Representative Rostenkowski stated that he would consider arguments in favor of making this legislation retroactive in light of the numerous pending cases that would be affected. The Treasury Department and the General Accounting Office both voiced support for the bill during the hearings but opposed retroactive application. Representatives of the software industry questioned whether the single 14-year amortization period would be detrimental to copyrighted software that generally has an economic life of less than 14 years. Representatives of the American Electronics Association, the Software Publishers Association and the Computer Equipment Manufacturers Association all spoke against H.R. 3035 on that ground. Representatives of the American Bar Association Section on Taxation spoke in favor of the bill and the single recovery period but suggested that the Treasury Department should study whether the useful lives of intangible assets vary widely among different industries.

### **Government Information Bills**

The PTO created an automated patent search (APS) system in 1986 providing to examiners on-line access to patents issued subsequent to 1974. The creation of the APS system reportedly cost more than \$150 million dollars. Since the program's inception, the PTO has provided private users access to the APS and has made limited patent information available on compact disk, read only memory (CD-ROMs).

Senator William Roth (R.-Del.) introduced a bill (S. 721) last spring that would greatly expand access for private industry to the on-line information currently owned by the PTO. The bill would require the

PTO to make CD-ROMs containing all U.S. and foreign patents available for use and sale. The bill would appropriate \$2 million to cover the cost of creating an initial master CD-ROM. Once the master is created, the PTO would charge a fee for providing copies of the master CD-ROM.

The bill also sets forth specific time frames in which the PTO must make the CD-ROMs available. For instance, the PTO is required to provide CD-ROMs containing sequential patent information patented after January 1, 1989 within 180 days of enactment of the Act. Within one year of enactment, the PTO is required to provide CD-ROMs of all patents issued in the past 17 years. After the Act takes effect, new patents are to be made available as soon as possible.

Representative Major Owens (D.-N.Y.) recently introduced an even broader bill aimed at requiring all federal agencies, including the PTO to make government information available to the public. The "Improvement of Information Access Act" (H.R. 3459) would require that government agencies make information available in standardized formats and would require agencies to issue annual reports describing policies pertaining to information that is kept by the agency. The Act would prohibit a royalty or fee to be charged for the information and would only allow the agency to charge the incremental cost of distribution of the information.

## **RECENT DECISIONS OF INTEREST**

*by Thomas A. O'Rourke*

### **TRADE SECRETS — SCOPE OF INJUNCTION**

A worldwide injunction was granted in *Lamb-Weston Inc. v. McCain Foods Ltd.*,

42 BNAPTCJ 438 (9th Cir. Sept. 5, 1991). Plaintiff developed technology for curlicue french fries using a specially designed helical blade and a water feed system. Defendant, a competitor, approached several Lamb-Weston employees in an attempt to obtain confidential information. One of these employees gave defendant a copy of a confidential pending patent application. Another person who had been hired by plaintiff to develop the helical blade was hired by defendant to develop defendant's helical blade. Defendant also knew that that person was also working on Lamb-Weston's blade.

When Lamb-Weston learned of the misappropriation, an action was brought for trade secret theft. The district court entered a worldwide preliminary injunction. On appeal, defendant argued that a worldwide injunction was inappropriate since a patent had issued revealing the trade secret subject matter. The Ninth Circuit rejected this argument and affirmed the worldwide injunction because of the head start defendant had achieved through the misappropriation. The Court stated as follows:

We reject McCain's argument that if the misappropriation through Ross occurred on April 19, it had only a 33-day head start because Lamb-Weston's patents were issued May 22. Although the shape of the blade and the slicing process was public on May 22, the specifications, materials and manufacturing process for making the blade were still trade secrets because they were not included in the patent application.

Oregon law affords broad protection to trade secrets so public disclosure of the blade shape did not exonerate McCain from previous illegal use of that trade secret or the subsequent illegal use of the remaining trade secrets. Although a defendant may ask the court to vacate an injunction after the trade secret is public, "the injunction may be continued for an additional reasonable period of time in order to eliminate commercial advantage that otherwise would be derived from the misappropriation."

### COPYRIGHT VALIDITY

A computer program's input and output formats were held to be uncopyrightable expression in *Engineering Dynamics Inc. v. Structural Software, Inc.*, 42 BNAPTCT 459 (E.D.L.A. Sept. 12, 1991). The Court in *Engineering* rejected the recent decision

in *Lotus Development Co. v. Paperback Software Int'l.*, 740 F.Supp. 37 (D Mass. 1990).

Plaintiff Engineering claimed that the user interfaces i.e., input and output reports, were copyrightable relying on the *Lotus* decision. The Court rejected this argument holding that the prior Fifth Circuit decision *Plains Cotton Co-Op v. Good Pasture Computer Service*, 807 F.2d 1256 (5th Cir.) prevented it from following the *Lotus* case. The Court held the input and output to be uncopyrightable stating:

Here, as well, both programs provide essentially the same standardized information to the user. Further, the Circuit described Judge Higginbotham's analogy in *Synercom* to the hypothetical development of gearstick patterns as "powerful." In this context, the district court is bound to follow what it perceives to be the binding precedent of this circuit, despite any inclination to agree that the "forms" of input in the 1970s were probably less distinct from one another than they are in the 1990s.

Thus, the scope of the allegedly infringed materials includes the text, pictures, diagrams, illustrative examples and flow charts depicted in the manuals, but not the input and output formats since the law of the circuit provides that the user interface in the form of input and output reports is not copyrightable.

### PATENTS — APPLICATION OF §101

The district court in *Carl Zeiss Stiftung v. Renishaw*, 42 BNAPTCJ 495 (Fed. Cir. Sept. 26, 1991) held Claim 3 of the patent in suit invalid under §101. The claim was directed to a device for mounting a stylus in a "positioning determining apparatus" but there was no identification in the claim of a signalling means or any electronic circuitry. The district court therefore held that was not "an operable probe" and invalidated the patent because structure was missing from the claim to make it operable.

The Court of Appeals for the Federal Circuit reversed, holding that §101 is satisfied where the claimed product or process is "capable of being used to effect the object proposed." The CAFC noted that the claimed article need not satisfy all of the objectives of the invention stated in the specification. Thus, there was no requirement for the claim to set forth a complete

probe where it was claiming much less than that.

### PATENTS — INFRINGEMENT

Patent infringement under the doctrine of equivalents was found in *Intel Corp. v. U.S. ITC*, 42 BNAPTCJ 498 (Fed. Cir. Sept. 26, 1991) where the components of the accused device were capable of infringing but were not sold to operate as patented devices. The defendant argued there was no infringement because the allegedly infringing articles were never intended to operate in the infringing manner. Defendant relied on *Fromberg Inc. v. Thornhill* 315 F.2d 407 (5th Cir. 1963), a case involving contributory infringement. The Federal Circuit distinguished *Fromberg* holding that there is no intent element in direct infringement by stating:

Fromberg deals with induced and contributory infringement and is therefore inapposite. Because the language of claim 1 refers to "programmable selection means" and states "whereby when said alternate addressing mode is selected," the accused device to be infringing, need only be capable of operating in the page mode. Contrary to BI/M's argument, actual page mode operation in the accused device is not required.

### DESIGN PATENT — VALIDITY

The existence of alternative designs for a portable telephone battery housing was evidence that the patented design was primarily ornamental and not primarily functional in *Motorola Inc. v. Alexander Manufacturing Co.*, 42 BNAPTCJ 504 (N.D. Iowa Sept. 26, 1991).

In holding the patent valid, the court stated:

While the grooves and the latch undoubtedly serve a function, it is the design that is protected. Sufficient evidence of alternative designs exists indicating that the design was primarily ornamental and not primarily functional. Plaintiff has proven a reasonable likelihood of success by proving defendant's likely inability to sustain its burden of proving invalidity at a trial on the merits.

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