



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

# NYPTC BULLETIN

Volume 32

May/June 1992

Number 5

### PRESIDENT'S CORNER

I am pleased to advise you that there were over 2,300 attendees at the Annual Judges Dinner in honor of the Federal Judiciary including 105 honored guests, 533 Association members, 1,630 non-members and, the balance, various support personnel. The Intellectual Property Barber Shop Quartet provided us with a spirited rendition of the National Anthem. Judge Randall R. Rader of the Federal Circuit gave an insightful address on the roots of the patent system and the need for providing simplified and direct reasoning in opinions, which provide unambiguous direction for counsel on which to base their advice to clients and or trial preparation.

The NYPTC has responded to certain controversial recommendations of the Advisory Commission on Patent Law Reform regarding specific changes to our patent system. After consultation with the U.S. Patent Law Committee and the Board, the Association recommended against eliminating the best mode requirement; agreed that a third party requestor should have broad rights of participation in reexamination, but without the right for unilateral appeal; favored adoption of the first-to-file system as part of a balanced package which is in the interests of the United States and noted that since there were problems in eliminating the *In re Hilmer* doctrine (should a first-to-file system be adopted) further study of the issue should be conducted.

The Advisory Commission has now reconsidered its preliminary recommendations and has proposed, inter alia, in its final report that:

1. the best mode requirement be deleted from Rule 112;
2. the third party requestor have broad participation in reexamination, including the right to a unilateral appeal, provided the right to litigate the appealed issues before the courts is waived;
3. the on-sale bar run from the comple-

tion of the contract (delivery of the goods) and not from the date of the contract offer; and

4. the *Hilmer* rule be deleted if a first-to-file system is adopted.

The Administration now has the option of sponsoring a bill directed to some or all the final recommendations for patent reform.

Representative Hughes has introduced H.R. 4978 and Senator DeConcini has introduced a companion, S. 2605, which are bills to amend Title 35 in order to harmonize the United States patent system with foreign patent systems. The bills, however, do not change the reexamination procedure or eliminate "best mode." They do, however, provide a grace period, prior user rights and early publication of U.S. applications. They do not provide for the elimination of the *Hilmer* rule. The provisions of the bills would not become effective until an agreement is reached among at least Japan, the European Community and the United States providing for substantial harmonization relating to patent filing, examination procedures and patentability standards (including the doctrine of equivalents).

Since this is an election year, it is likely that such harmonization bills will not be considered by Congress until after January, 1993 but, perhaps, before the June 1993 WIPO Diplomatic Conference on harmonization. Your Association will continue to closely monitor all harmonization developments and will provide its recommendations and/or testimony whenever they are deemed appropriate.

Commissioner Harry F. Manbeck, Jr.

has left the Patent and Trademark Office in favor of private practice. Douglas B. Comer, Deputy Commissioner, will now become Acting Commissioner of Patents and Trademarks until the vacancy is filled. Several organizations have now offered support to Michael K. Kirk, Assistant Commissioner for External Affairs, as the next Commissioner of Patents and Trademarks. Again, since this is an election year, it is likely that no action will be taken until after January, 1993 on filling that post. The Acting Commissioner of Patents and Trademarks has advised us that he will attempt to expand the use of computers in the patent examination system and will work with bar groups in implementing procedures to reduce costs and expedite prosecution.

I am pleased to note that in the first year of the Judge William C. Conner Writing Competition, eleven (11) papers have been submitted from the Columbia, Cornell, Fordham, Syracuse, Rutgers, Albany, Touro and University of Connecticut law schools on intellectual property issues. The prize for the winning paper will be presented at the Annual Dinner.

Your Association is in the early stages of considering whether or not United States patent agents and/or foreign patent agents who are permitted to represent clients before a patent office should be permitted to affiliate with the Association, without the privileges of voting or holding office. Assisting the Board of Directors in its consideration of this issue will be the Committee on Past Presidents, the Admissions Committee, the Committee on Professional Eth-

## CALENDAR OF EVENTS

July 27-31, 1992

Advanced Licensing Institute, Franklin  
Pierce Law Center, Concord, NH

August 7-12, 1992

ABA-PTC Section Annual Meeting  
San Francisco, CA

ics and Grievances and the Committee on License to Practice Requirements. The Association would also welcome the comments of its membership on this issue.

Since this will be my last President's Corner article, I would like to express my appreciation to the Officers, Board of Directors, committee chairs and personnel and the *Bulletin* and *Greenbook* editor, Greg Battersby, who have worked very hard in carrying out the functions of your Association. In this era of harmonization, patent law reform, litigation reform and expansion of intellectual property rights, the Association has been extremely busy in educating its membership and in providing recommendations to governmental officials and international organizations on intellectual property issues. In order to continue our efforts, I urge that each of you consider what you can do to help. You can make a difference and your cooperation would be welcome.

The slate of officers and the Board of Directors for the 1992-93 term are very strong and we will have the honor of inducting M. Andrea Ryan as our first woman president. I look forward to greeting as many of you as possible at our Annual Dinner on May 21, 1992.

—Peter Saxon

## U.S. BAR/JPO LIAISON COUNCIL MEETING

TOKYO, JAPAN  
NOVEMBER 21, 1991

Mr. Kazuhiko Otsuka, Chairman of the JPO delegation, convened the Council meeting. JPO Commissioner Fukasawa expressed his delight at the opportunity to meet with the Council. He stated that internationalization and sound operation of the intellectual property system required mutual understanding and improved communication with foreign applicants as well as with domestic applicants. Face to face communication, Commissioner Fukasawa said, is best. He looked forward to further cooperation based on the favorable rela-

tionship established at the meeting with the Council last year. Commissioner Fukasawa noted that amendments were being adopted by the JPO to reflect user suggestions and that much progress had been made since the first meeting with the Council in 1990. For example, in December 1990, the first electronic filing system was put into place in the JPO and was operating smoothly. He also noted the Japanese trademark law revisions, effective in April 1992, saying that the JPO would spare no efforts in continuing to improve its system.

Samson Helfgott, Chairman of the Council, thanked the JPO for its cooperation in organizing the meeting and for the reception given by the JPO for the Council delegates. Mr. Helfgott then explained that the Council is an umbrella organization of 33 national and regional associations interested in the exchange of ideas and information with the JPO. He explained the procedure for approval of the minutes by both the Council and the JPO following each meeting, and described the meetings of the Council at which topics are proposed for discussion with the JPO.

John Pegram, representative of the NYPTC and speaking on behalf of the Council, noted the role of the Council in improving communications in both directions between the JPO and the patent sector of U.S. business, which is the JPO's second largest group of customers. He pointed out that, in order to provide the maximum opportunity for exchange of ideas and information, the Council does not take official or formal positions. He also pointed out that the Council members would be expressing their personal views. In this way, the Council hopes to have the broadest practical communication while providing the JPO with an understanding of the views held by various parts of the U.S. patent community.

The participants were then introduced and Mr. Otsuka outlined the meeting schedule. He and Commissioner Fukasawa requested that the meeting start with an informal general discussion of patent law harmonization in which all participants would express their personal views.

### HARMONIZATION

Commissioner Fukasawa opened the harmonization discussion by noting the increasing importance of intellectual prop-

erty rights as a result of increased international exchange of products and technology, and suggested that harmonization was indispensable. He noted the status of the GATT TRIPS negotiations in Geneva, and that Japan, the United States, the European Community, Canada and recently Switzerland were trying to unify their views. With respect to the WIPO meetings, he expressed the belief that the next two to three years will be critical for harmonization.

Commissioner Fukasawa presented a table comparing features of the Japanese, U.S. and European patent systems. He said that Japan's attitude was favorable to harmonization, noting that Japan has already made efforts to improve its patent claims system and has taken international trends into account in amending its laws. He emphasized the need for the participation and leadership of the United States in harmonization efforts. He suggested that harmonization differed from ordinary negotiations because it aims at an ideal form. Harmonization needs to be a multi-lateral effort; countries should not merely try to maintain existing domestic laws.

Commissioner Fukasawa indicated that Japan would be ready to accept foreign language applications and change to a post-grant opposition system as part of a grand harmonization package. He expressed the hope that Japan, the United States and the European Community could jointly develop such a package.

Expressing his personal views, Mr. Helfgott noted that he had attended almost every patent law harmonization conference. The JPO's list of differences between patent systems is accurate, he said, but probably incomplete. He agreed with the proposition that harmonization requires the efforts of all parties. He noted the work of the Advisory Commission on Patent Law Reform in the United States, and that it is expected to have a preliminary report in the Spring of 1992. The Commission has received approximately an equal number of letters favoring first to invent and first to file; however, the first to invent letters represent a greater number of people. He stated that most bar associations which have taken a position have endorsed harmonization, including first to file only as a part of a balanced package.

Leonard B. Mackey, representative from the American Bar Association, pointed

out that, from the point of view of the United States, the outcome of the GATT TRIPS negotiations may change the harmonization equation. George W. Neuner, representative from the Boston Patent Law Association, noted that changing from a first to invent system was the most difficult proposal for the United States due to its long tradition.

Commissioner Fukasawa agreed that the outcome of the TRIPS negotiations was likely to have a critical effect on the WIPO harmonization effort. He said that it was critical to have the cooperation of the United States, the European Community and Japan, and that time was needed to reach a consensus. Japan, he said, would make such efforts and he hoped that the United States would too.

Deputy Commissioner Shingo Tsuji noted that harmonization of practices was also needed and that the JPO looked forward to hearing the Council's views on such issues later in the meeting. He mentioned the past trilateral cooperation of the JPO, USPTO and EPO in the areas of office practice harmonization and examiner exchanges. He noted that the USPTO had become passive on the issue of examiner exchanges and hoped that the Council members would raise this subject with the USPTO.

### EXPEDITING EXAMINATION

The first report from the JPO was on the topic of its comprehensive measures to expedite patent examination disposals centering on the Paperless System. Mr. T. Kobayashi, Director of the General Administration Division, stated that the JPO was placing highest priority on accelerating examination, which he acknowledged was slow as compared with other countries. The JPO has set a goal of reducing the examination period to 24 months within five years. At the end of 1990, the average examination time was 32 months.

Since the last conference with the Council, Mr. Kobayashi said, progress has been made. First, 30 new examiners were added in fiscal year 1990 and 66 examiners and other officials involved in patent disposals in fiscal year 1991. This is counter to the trend which had reduced the number of JPO examiners from 905 in 1980 to 853 in 1988, due to general administrative reforms in the

Japanese government. Second, the JPO has started using former examiners as experts to assist the examiners. Thirty former examiners were budgeted in 1990 and 50 in 1991. The third improvement is the paperless system. Other measures being used to expedite examination, all of which are explained in one of the papers provided by the JPO are: contracting with an outside non-profit agency for prior art searching, requesting Japanese industry to screen more strictly before filing applications and before requesting examination, encouraging industry to use publications (such as Kokai-Giho) to disclose technologies instead of patent application and the accelerated examination system.

Osamu Yamanishi, Director, Electronic Data Processing, explained the paperless system and electronic filing of patent applications. He explained that three systems had been developed and were in use: an electronic filing system, the F-term search system and a comprehensive document database on optical disks.

Three hundred eighty thousand applications had been filed since December 1990. Forty-three percent were filed on floppy disks, 5% on paper and the rest were transmitted to the JPO electronically "on-line." As of September 1991, filings were 53% on-line, 37% floppy disks and 4% paper. 509 terminals were in use on-line and five were in test. The number of on-line terminals is increasing at a rate of ten per month.

Mr. Neuner inquired whether the Kokai-Giho publications will be in the JPO search database. Deputy Commissioner Tsuji explained that this publication of the Japan Institute of Invention and Innovation would include IPC classification and would be in the search database.

In response to a question, Mr. Kobayashi explained that the average examination period was calculated by dividing the backlog (the number of applications for which examination has been requested but which have not yet been disposed of) by the number of disposals in a year. The average examination period refers to the period from the examination request to final disposal. When a patent is to be granted, the period extends to the decision to grant, Mr. Tsuji explained.

In response to another question, Mr. Yamanishi explained that the applicant cannot have access to the database for prior art

searches in the JPO from his application filing terminal, since the applicant's terminal is used only for application filing. The applicant will be able to use the terminal to access all procedural documents relating to his applications by mid-1993.

### TRADEMARKS

Mr. Shobu Kudo, Director-General of the 1st Examination Department, explained the new procedures permitting registration of service marks which Japan was adopting in April 1992 in response to international requests. In particular, he noted that during the initial six month period, all service mark applications will be considered to have been filed on the same day. Mr. Kudo also explained the JPO's adoption of the International Trademark Classification and the JPO's Computerized Retrieval System for trademarks, which includes phonetic sound retrieval.

Mr. Kudo explained that the term "famous marks" usually means famous in the country in question, i.e., Japan; however, the JPO will take account of service marks which are famous elsewhere and is advising Japanese service industries not to select marks from abroad. Sadayuki Hosoi, Director, Trademark Division, confirmed that the JPO is preparing a table cross-referencing the old Japanese and International Trademark Classifications in both directions.

### MULTIPLE CLAIM PRACTICE

The Council had inquired why Japanese companies did not make much use of multiple claiming and suggested that multiple claims might reduce the examination burden of the JPO. A general explanation of Japanese multiple claim practice was requested.

Tadao Yuhara, Office Director, Examination Standards Office, explained the JPO's practice with reference to the English translation of the 1988 Guidelines for Examination Practice under Revised System of Multiple Claims. He said that the JPO's unity of invention standard was close to that of the EPO and broader than that of the United States. Under the 1988 law and guidelines, the Examiner should fully examine independent and dependent claims in the same way, identifying reasons for refusal of each claim. The JPO is making

efforts to have the Examiners explain the reasons for refusal as clearly as possible. The Examiner may also suggest amendments; however, Mr. Yuhara pointed out that the decision to make such amendments is at the discretion of applicants.

The JPO has been promoting the idea of quality applications and use of the multiple claim system to Japanese companies. Use of multiple claims has increased steadily since 1988. Mr. Yuhara suggested that Council members might ask Japanese companies to explain why they are hesitant to use the multiple claim system. The JPO understands that the hesitance is due to greater familiarity with the old single claim system.

Mr. Neuner led the multiple claim system discussion for the U.S. group. He mentioned cases in which Examiners had given the basis for rejection only for the broadest claims. Mr. Yuhara pointed out that in pre-1988 cases, the reasons for refusal are stated only for independent claims. Deputy Commissioner Tsuji explained that, in cases filed since the 1988 amendment, the Guidelines should be followed and reasons for rejection should be given for all claims. If there is a problem, the JPO Examination Standards Office should be contacted by the applicant's Japanese Patent Attorney.

Deputy Commissioner Tsuji also explained that the JPO did not routinely conduct a quality review of a percentage of applications, as the USPTO does. In the JPO, Division Directors, each of whom supervises 20-30 examiners, review the office actions written by examiners.

Russell D. Orkin, representative of the Pittsburgh Intellectual Property Law Association, and Mr. Neuner raised questions regarding rejection of generic claims and limitation to specific disclosed embodiments. Mr. Yuhara pointed out that the important factor is whether the embodiments support the invention, as in all countries. Applicants' descriptions are often too brief. The issue of support by experimental results is especially important in chemistry in Japan as in the United States, he said, referring to the U.S. MPEP. He noted that this subject has been under discussion in topic 12.6 of the Trilateral Discussions, although presently suspended, and suggested that the Council contact the USPTO. Deputy Commissioner Tsuji noted that in

the Trilateral Discussions, the JPO had proposed a study of corresponding applications by each of the offices.

Mr. Yuhara explained that the JPO has many volumes of examination standards, and that their revision is now in progress. In response to a comment that an English version would be very helpful, Deputy Commissioner Tsuji pointed out that the present examination standard in English had been incomplete due to its volume, while the Examination Manual for Patent and Utility Model in Japan (AIPPI Loose-leaf, 1986) is available to anyone. Mr. Yuhara indicated that a new version of the examination standards is expected in about a year, and that a complete English version would be made available. He noted that a point to be addressed was to make reasons for refusal of generic claims clearer to the applicants. In response to an offer of friendly help in preparing these examination standards, Mr. Yuhara said that the JPO was not receiving specific feedback on the revisions from outside the JPO, but was conducting meetings like this meeting. Deputy Commissioner Tsuji indicated that the JPO would appreciate the Council's input on the multiple claim guidelines.

## OPPOSITIONS

The Council had inquired about the opposition procedure in the JPO, requesting a full explanation. In particular, the Council had inquired about multiple oppositions to the same application, which has led to substantial delays, and whether such proceedings could be consolidated. Mr. Yuhara explained the opposition procedure with reference to a chart and the December 1990 Guidelines. He said that the opposition procedure supplements the examination process and produces patents of greater reliability.

As far as procedure is concerned, he noted several important points. The opposer's views are sent to the applicant. The applicant has a chance to respond to the opposer's views. Mr. Yuhara pointed out that oppositions are handled by the regular application Examiners. He said that there is no specific procedure for accelerating oppositions. He pointed out that the parties should respond promptly and expressed the hope that the new guidelines for reasons of refusal would help accelerate oppositions.

Raymond R. Wittekind, from the New Jersey Patent Law Association, led the Council's discussion of oppositions. He inquired about the problem of multiple oppositions (including the TPA case involving over 20 oppositions) and the possibility of consolidation. Deputy Commissioner Tsuji said that only about five cases per year involve over ten oppositions. He agreed that the burden of multiple oppositions is hard on the applicant, but said it is also hard on the Examiner. In the TPA case, over four cartons of opposition materials were received. He expressed hope that the guideline calling for the opposer to make concrete points, item by item, would help. He said it would be impossible to consolidate multiple oppositions under the Japanese system. In response to a question, Mr. Yuhara said that Japanese Patent Law doesn't provide for limitations on the number of communications, but in practice the JPO tries to limit communications by responding promptly.

Mr. Otsuka noted that WIPO had proposed a post-grant system and the JPO is considering such a system as part of a grand harmonization package.

## FORMALITIES

The Council inquired about the correction of Japanese patent applications, especially translation errors. Mr. Yuhara explained that the law did not have specific provisions for correction of translation errors. The procedure for correction of ordinary errors must be used. Obvious errors anywhere in the application can be corrected, subject to a timing restriction after 15 months from filing. After "Kokoku" publication of the examined application, the scope of the claims cannot be expanded in substance. He noted that, where the Japanese language cannot fully express a term, the original language term may be used after the Japanese term.

Ralph Dougherty, from the Carolina Patent, Trademark & Copyright Law Association, led the discussion for the U.S. group. He first asked whether there is provisional protection after the 18 month publication. Mr. Yuhara explained that the applicant has a limited right to guarantee money after that date, and that after publication of the examined application (Kokoku) the rights are very similar to those of a patent, including

a right to injunction.

In response to a question regarding the reasons for the 30 day period to correct informalities and the possibility of extensions, Chukichi Hoshino, Office Director of the Formality Examination Standards Office, explained that the 30 day period should be sufficient to correct most informalities, since the Japanese Patent Attorney should be able to respond. Additional time is being allowed when certificates are required.

In response to a question by John B. Hardaway, III, from the Carolina Patent, Trademark & Copyright Law Association, Mr. Yuhara explained that it is usually not possible to explain non-obvious errors by reference to something outside the application, such as a draft or foreign application. The application filed in the JPO in Japanese is the basis for decision under current law. He noted that there is a court decision on this point.

#### ACCELERATED AND PREFERENTIAL EXAMINATION

The Council had asked for a full explanation of the two procedures for expediting examination in the JPO. Yohichi Nakatani, Director, Coordination Division, explained the accelerated and preferential examination procedures.

Accelerated examination may be requested by the applicant when the applicant or his licensee has already implemented the invention or will within six months of the request for accelerated examination. The request must be made after a request for examination, but before initiation of examination by the examiner. The request must include the state of working by the applicant or licensee, the results of a prior art investigation and a comparison with the prior art. A July 1989 Guideline in English was provided.

Preferential examination is available to expedite examination of applications which possibly are being infringed. Either the applicant or another party who is working an invention claimed in the application may request preferential examination. The request can only be made in the period which meets both conditions: i) after publication of unexamined application (Kokai) has been made but before publication of examined application (Kokoku) and ii) af-

ter a request for examination has been made but before the initiation of examination by an examiner.

The request must include the state of working, the effect or influence of working and the progress of negotiations. A Guideline is available in Japanese.

Mr. Nakatani explained that the Gazette does not reflect whether a request was made for preferential examination, but would show accelerated examination. Documents in the file wrapper show whether preferential examination was requested. It takes approximately six months, at the fastest, from the decision for accelerated and preferential examination to the publication of examined application (Kokoku).

Chris J. Fildes, a representative from the Michigan Patent Law Association, led the Council's discussion of the expedited examination procedures. In response to his inquiry, Mr. Nakatani explained the English translation of the accelerated examination request form. The similar preferential examination request form (in Japanese) was also provided and explained. Mr. Otsuka explained that affidavits are not required because the JPO system has no provision for sworn statements. The Examiner will accept the applicant's and attorneys' statements.

Mr. Nakatani said that a meeting is held in the JPO soon after the request is made to consider whether accelerated or preferential examination will be made. No formal notice is issued in response to the request. However, when an applicant's request is accepted, he will learn of it by receiving an office action (such as notification of publication of examined application or notification of reasons for refusal) in the examination procedure.

#### INITIAL FILING IN OTHER THAN JAPANESE LANGUAGE

The Council inquired about the possibility of initially filing patent applications in languages other than Japanese. Mr. Otsuka stated that this subject was under consideration in the WIPO harmonization discussions and that Japan was ready to take up this subject as part of a grand harmonization package.

Shozo Uemura, Director, International Affairs Division, noted that few countries now accept applications in foreign lan-

guages and explained some of the problems that make accepting such applications difficult. For example, if the filing date is to be identified as the date of filing in the original language, the prior art and other legal effects, amendments to the description, etc., will be based on the application in the original language (i.e. original text). Although the original text is of such legal importance, judgement and examination of such legal effects, amendments, etc., will have to rely, practically, on the translated text.

As leader of the discussion for the U.S. group, Charles C. Winchester expressed delight at the JPO's readiness to consider this topic as part of a grand harmonization package. He pointed out that this procedure was likely to lead to better quality translations. Mr. Pegram added that under the present practice, last minute applications are often translated by several different translators, leading to inconsistencies which must later be corrected by amendment. Deputy Commissioner Tsuji noted that while U.S. origin applications are often of good quality because of strict screening, quality translation is also very important.

#### PATENT RESTORATION

The Council inquired about the procedures available in Japan for restoration of rights when a patent or application becomes abandoned.

Mr. Kenji Kobayashi, Office Director for the Industry Property Legislation Revision Deliberation Office, explained that the JPO does have a system for restoration of rights. If a maintenance fee is not paid for *force majeure* reasons or inadvertently, the case can be revived within six months upon payment of a 100% surcharge. If the abandonment was not due to the principal party concerned, the case may be revived within six months without payment of an additional fee. An example of a sufficient reason for revival under this provision is a natural disaster.

Mr. Orkin led the discussion for the Council. He noted that responses to a recent AIPPI questionnaire indicated that 19 of 22 countries provided for restoration beyond six months, but that the AIPPI-Japan Group had indicated that restoration rights were very limited after six months. He also noted that many countries provide



reminders or publish notices regarding lapsed rights. He asked whether the JPO was considering becoming more user-friendly as to lapsed rights, and whether it would consider sending reminders or publishing notices of lapsed patents.

Mr. Kobayashi asked for more details regarding how the Japanese patent restoration system differs from that of other countries. He noted that commercial services make a business of reminders and questioned whether the government should interfere. He pointed out that, under Article 5, sections 1 and 2 of the Japanese Patent Law, there could be restoration after six months. Those are the sections permitting the JPO to extend time limits *ex officio*. He also noted that Articles 121, 122 and 173, providing more time for foreign applicants to respond to refusals, may be applicable. He expressed a willingness to consider this subject, requested identification of concrete cases for study and offered to send relevant information concerning the standard which has been applied in court decisions.

### CHANGES IN JAPANESE LAW

The Council requested an explanation of how Japanese patent law and regulations are changed and inquired how U.S. users of the Japanese patent system could be helpful in the procedure. Mr. K. Kobayashi explained that there are three categories of laws and regulations in Japan with reference to supplemental printed material.

Japanese laws are enacted by the Diet. Most bills are government bills, which originate in a Ministry (the Ministry of International Trade and Industry ("MITI") in the JPO's case). The Cabinet must then decide whether the bill will move to the Diet. After discussion and a favorable vote in the Diet, the bill will become law. Diet members in the House of Representatives may introduce bills directly in the Diet with the support of 20 members in the House of Representatives. Diet members in the House of Council may also introduce bills directly in the Diet with the support of 10 members in the House of Council. In the last Diet, 83 government bills and 10 members' bills were passed.

Cabinet ordinances are proposed by the relevant ministry and require unanimous approval of the Cabinet. Because the

JPO is a part of MITI, any law or cabinet ordinance requires the approval of the Minister and Vice Minister of MITI. Ministerial ordinances are adopted by decision of the Ministry itself, MITI in the case of the JPO. He explained that there is an opportunity to comment before enactment of new laws and regulations. Proposals for comments are published by the Industrial Trade and Industry Research Institute in the Ministry of International Trade and Industry Official Bulletin ("MITI Bulletin").

Mr. Mackey inquired about the timing and procedure for adopting new laws and regulations. Mr. Kobayashi explained that, for a law, an advisory committee is first formed. After a draft is prepared, the MITI Bulletin requests comments. Approximately two weeks is provided for receipt of comments. In addition to the MITI Bulletin (in Japanese), the Bulletin published by JETRO provides information about bills. Diet bills are usually prepared in December and January. Since most bills come from the government, the best source of information on intellectual property bills is the JPO. After submission to the Diet, its Secretariat will have information on a bill's status.

### FINAL REMARKS

Deputy Commissioner Tsuji expressed the thanks of the JPO for those who travelled from the United States for the meeting. He said he is convinced that a deepening of mutual understanding had occurred. Mr. Helfgott and Mr. Mackey expressed the thanks and appreciation of the Council for the worthwhile exchange of views. ■

## THE MALTA v. SCHULMERICH DECISION

by Albert W. Preston, Jr.

### INTRODUCTION

This article will review the *Malta* case primarily from the perspective of the Federal Circuit judges who tried it. It is submitted that the *Malta* decision does not repre-

sent a fourth prong of the *Graver* tripartite test; it is not really a new procedural rule but rather a proper application of the substantial evidence standard of review of jury verdicts, consonant with the *Graver Tank* doctrine and the Federal Circuit decisions in the area of doctrine of equivalents.

### REVIEW OF TRIAL FACTS

The patent describes a handbell which can be adjusted so as to provide different bell tones, i.e., hard, medium and soft. This is done with two primary features, namely an inner clapper element (which swings against the outer main bell portion), the clapper having different surface portions which present different degrees of hardness, and the ability to rotate the clapper (with a detent mechanism) so as to present a clapper strike surface having a desired hardness. Claim 2 of the patent presented a generic description of the hardness feature, i.e., it provided for a clapper having surface pairs of different degrees of hardness. This generic form of the clapper, disclosed in a prior patent issued to Schulmerich, was the type of clapper surface that had been used by Schulmerich for years before Malta's patent had been applied for and was the type of clapper surface found in the accused bell.

Claim 3, the only claim in issue, required the following specific type of clapper surface:

a plurality of striking buttons positioned in opposed pairs around the outer periphery thereof [of the striker] and wherein each pair of buttons has a different degree of hardness.

Thus, claim 3 called for a species or specific form of the more generic clapper as set forth in claim 2.

The sole issue at trial was the "buttons" feature in claim 3. The evidence discussed how the accused striker worked, and it also established the admitted fact that the accused bell strikers provided different degrees of hardness at different surface portions. However, with respect to the button's feature, the evidence was simply that the buttons also provided different degrees of hardness. Plaintiff presented the evidence such that the prior generic arrangement was said to be the reference, and the claimed buttons arrangement was compared and found to provide the same result.

There was no comparison evidence in the form of the required test, whereby the accused surfaces were compared with the characteristics of buttons. There was no expert testimony on this issue. There was contrary evidence submitted at trial that Malta had designed buttons on a clapper during his prior employment with Schulmerich, but did not like the result, and this design was never used commercially.

Before the case was given to the jury, the judge charged the jury with respect to both the *Graver* three-part test and the *Pennwalt* "all limitations" rule. The jury verdict question asked simply whether defendant Schulmerich's handbells infringed the claim because of the doctrine of equivalents; there were no other interrogatories by which pertinent facts were to be found.

### THE MOTION FOR JNOV

The jury found no literal infringement, but found infringement of claim 3 under the doctrine of equivalents. The motion for JNOV asserted lack of substantial evidence as to the buttons limitation, citing *Lear Siegler v. Sealy*. *Lear Siegler* stated that in a jury case involving the doctrine of equivalents, the patentee was required to present particularized testimony and link the argument with regard to each of the three *Graver Tank* elements, or "prongs." The *Lear Siegler* case was handed down by the Federal Circuit about six months after the jury verdict; Schulmerich submitted a copy of the case to the trial judge by letter. About another six months later, the trial judge ruled, granting JNOV. The grant of JNOV relied on *Lear*, and stated that without such particularized evidence the jury decision would be a "result-oriented catch all."

### THE APPEAL

Judges Rich, Michel and Newman were the panel that decided the case. Judge Rich, who was with the majority in the *Pennwalt* case, emphasized the claim language at the oral hearing. Judge Michel had not been involved in the *Pennwalt* decision, but had authored the *Lear Siegler* opinion. Judge Newman, who joined the dissent in *Pennwalt* and wrote a separate lengthy commentary, has been a consistent critic of *Pennwalt*, and an advocate of "invention-as-a-whole."

The majority opinion was written by

Judge Rich, and joined in by Judge Michel. The opinion compared the broader language of claim 2 with the more specific buttons limitation of claim 3, and noted a failure of Malta to define function, way or result of the overall device. The opinion found a failure of comparison evidence as to buttons, and in particular, a failure of evidence as to the way the accused devices provided different degrees of hardness compared to the buttons requirement. It was emphasized that this was a substantial evidence test, and not a fourth prong of *Graver* as asserted in the dissent. This was basically a *Pennwalt*-oriented decision, construing the claim language and imposing the substantial evidence test in view of *Pennwalt* as applied to the claim language.

The concurring opinion by Judge Michel "clarified" the *Lear Siegler* opinion. It emphasized that JNOV was to be reviewed fully as to lack of substantial evidence as a legal issue, i.e., the grant or denial of JNOV is a legal test, subject to full review of the Federal Circuit on appeal.

Judge Newman dissented vigorously, with a lengthy review of the evidence. Judge Newman found that there was substantial evidence and asserted that the patentee's jury rights were ignored. In her analysis, Judge Newman found considerable evidence that the accused device produced different degrees of hardness and took the accused device, with its generic form of clapper, as the reference for the comparison with the claimed device. She thus effectively ignored the "buttons" claim language, and assumed an "invention-as-a-whole" definition of function, way and result. Even though the *Pennwalt* "all limitations" rule was the rule of the case, Judge Newman effectively did not follow *Pennwalt*.

### COMMENTARY ON THE MEANING OF THE CASE

The prior *Lear Siegler* case was phrased in strictly *Graver Tank* language. In the *Malta* opinion, the rule was refined to incorporate the *Pennwalt* all limitations rule. *Malta* is seen as a refinement of the substantial evidence test—it is a standard of review, and not a fourth prong of *Graver*. It makes explicit what is implicit in any JNOV motion, i.e., there must be substantial evidence in accordance with the applicable law. Here, *Malta* says simply that there must be sub-

stantial evidence of what *Graver Tank* and *Pennwalt* require, i.e., substantial evidence of function, way and result and evidence as to the equivalence of any limitation in issue.

Equivalence is an issue of fact, and cannot be reviewed independently by the trial court or the Court of Appeals. However, the Court can require evidence to match its substantive doctrine. By "clarifying" the standard of review, the Federal Circuit Court seeks to insure that *Pennwalt* doctrine will not be ignored in practice. While the Court cannot require that all pertinent facts be found and stated in a jury verdict, it can review to determine whether evidence was presented in accordance with the applicable law. The *Nestier-Lear-Malta* line of cases explicitly require that in an equivalents case before a jury, there be particularized evidence to support the *Graver* tripartite test and the *Pennwalt* all limitations rule. ■

## NEWS FROM THE BOARD OF DIRECTORS

by William H. Dippert

At the meeting of the Board of Directors on January 14, 1992, Howard Barnaby provided the Treasurer's report, which was accepted. He commented that the present balance reflects a recent payment to Horizon, Inc., to cover certain out-of-pocket expenses for the Judges Dinner.

Mr. Barnaby reported on the Supreme Court Admission Project. Al Robin will make the motion for admission. Arrangements have been made for hotel rooms and for banquet facilities for the Saturday night dinner.

William Gilbreth reported on the Judges Dinner. Price increases and reimbursement of certain honored guests were discussed. Also, the Board agreed that invitations should be extended to all the same Federal Court Executives as last year.

Virginia Richard reported on the Working Group meeting on the Madrid Protocol, which she and John Olson attended in November. The conference was well attended, with several issues being hotly contested.

Ms. Richard indicated that the U.S. representatives' focus was on whether delegates could accept the U.S. position on bona fide intent to use, which they did.

Peter Saxon commented that the AIPLA is working with Congress on Harmonization bills. Such bills are very preliminary and include such subjects as a 20 year term for patents, the possibility of assignee filing and first to file with prior user rights.

Michael Meller reported on the Trilateral User Group meeting in Japan scheduled for February 20 and 21, which will include representatives from the United States, the European Patent Office and the Japanese Patent Office. He suggested that the United States, and especially the NYPTC, should be more involved with such trilateral meetings, and he recommended that the Association send one or two people to the next meeting in February. Mr. Saxon agreed with this recommendation.

Dick Nichols of the National Inventors Hall of Fame Foundation, Inc., made a presentation concerning the project to build "Inventure Place" in Akron. He provided background concerning the history of the NIHFF itself as well as the initiation and development of the Inventure Place project. At Mr. Saxon's suggestion a special committee was formed to consider this project and the extent to which the Association will support it. Andrea Ryan, Stanley Silverberg, Howard Barnaby, Thomas Creel and William Gilbreth volunteered for the committee, which Ms. Ryan will chair. This committee will report back to the Board in the near future.

Seven applicants for admission to membership in the Association were considered. Upon motion by Mr. Saxon, seconded by Mr. Barnaby, their admission was approved.

The Board of Directors met on March 17, 1992. Howard Barnaby gave the Treasurer's report, which was accepted. Mr. Barnaby noted that the indicated balance does not include monies received that day in connection with the Judges Dinner.

William Gilbreth reported on the 1992 Judges Dinner. He commented that although expenses will be increased over last year, it is likely that the dinner will net about the same profit for the Association. It was reported that the National Anthem will no longer be sung by Russell G. Pelton, but instead by four other patent attorneys. Mr. Pelton will be honored at the dinner for his

past contributions.

Granville Brumbaugh's recent passing was discussed. The Board agreed that in honor of Mr. Brumbaugh's past contributions to the profession as well as the Association, the Association would authorize an award to a student at George Washington University Law School in memory of Mr. Brumbaugh.

Mr. Barnaby reported that the Inventor of the Year project is progressing. He will make recommendations for the honoree at the next Board meeting.

Mr. Saxon led discussion concerning Inventure Place. The Board agreed that an earlier pledge would be revised at this time, with the possibility of an increased pledge at a later date.

Mr. Saxon reported that Pat Razzano has been in further contact with the Canadian Patent Organization concerning a 1994 joint meeting. The Sagamore Hotel seems to be a logical location.

Also, Mr. Saxon thanked Frank Scheck for the Nominating Committee's efforts. Mr. Saxon commented that the Committee did a first-rate job in terms of the individuals nominated.

Andrea Ryan reported that the fall CLE weekend is tentatively scheduled for the weekend after Labor Day, September 11-13, at the Nassau Inn in Princeton, New Jersey. Involvement by other organizations was discussed. Ms. Ryan will contact such organizations to see if there is any interest in being involved with the Association's CLE weekend.

Stanley Silverberg reported on a meeting with the USPTO concerning the Madrid Protocol. The USPTO personnel indicated that the USPTO is interested in supporting the changes recommended by the Madrid Protocol. Concessions will be made regarding intent to file, whereby applicants will "tick off" appropriate boxes on a form to be filed.

Mr. Saxon led discussion concerning recommendations to the Advisory Commission concerning *In re Hilmer*, first-to-file, prior user rights and best mode. The Advisory Commission recommends elimination of the best mode requirement. After vigorous discussion, the Board agreed that it disagrees with the Committee's recommendation that the best mode requirement be eliminated.

Mr. Saxon reported that the Advisory

Commission is in favor of first-to-file as part of an overall package. The Board agreed that modification of the first-to-invent system should not be supported unless there is a clear understanding of the benefit to the United States of any such modification.

There was no clear consensus concerning the *In re Hilmer* doctrine.

John G. Costa was proposed for membership in the association. Upon motion his application was approved. ■

## PENDING LEGISLATION

by Edward P. Kelly

### COPYRIGHTS

#### Fair Use of Unpublished Works

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.) 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, have contended in recent years 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, however, 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 introduced in Congress in the past few years 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.

Rep. William Hughes (D.-N.J.) and Sen. Paul Simon (D.-Ill.) later introduced identical bills (H.R. 2372 and S. 1035) late last year that would not attempt to place published and unpublished works on the same footing with respect to the fair use defense. Both bills provided that the unpublished nature of a work weighs against a finding of fair use but is not determinative of the issue. The bills would have amended 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 passed S. 1035 last year. 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. At that time, the House apparently had taken a different view. The

House deleted these fair use provisions from an omnibus bill (H.R. 2372) relating to copyright renewal and the National Film Preservation Board ostensibly because the provisions were not needed in light of the most recent Second Circuit cases.

Fair use legislation, however, recently resurfaced in the House. Representative William Hughes (D.-N.J.) recently introduced a bill (H.R. 4412) that would add the following language to the end of Section 107:

The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all factors set forth in paragraphs (1) through (4).

The House Subcommittee on Intellectual Property and Judicial Administration recently approved H.R. 4412 with a minor amendment. The words "all of the above factors" were substituted for "all the factors set forth in paragraphs (1) through (4) above."

### Statutes and Judicial Opinions

Courts have afforded copyright protection to the nonstatutory parts of legal compilations, i.e., headnotes to a reported decision. But should the chapter names and section numbers that identify State and Federal statutes be afforded copyright protection? Two courts have held that chapter names and section numbers are in the public domain. See *Building Officials & Code Administration v. Code Technology Inc.*, 628 F.2d 730 (1st Cir. 1980); *Georgia v. Harrison* (548 F. Supp. 110) (D.C.N.Ga. 1982). Representative Barney Frank (D-Mass) recently introduced legislation (H.R. 4426) that would amend the copyright law to deny protection for any name, number or citation by which the text of State and Federal laws or regulations are, or ever have been, identified. The bill also would deny protection for any volume or page number by which State or Federal laws, regulations, judicial opinions or portions thereof are, or have ever been, identified. H.R. 4426 would achieve a result opposite to that reached in *West Publishing Co., v. Mead Data Central, Inc.*, 616 F.Supp. 1571 (D.C. Minn. 1985). In that decision Mead Data, the publisher of Lexis, was held to infringe the copyright of West Publishing by using page numbers in its computerized database.

H.R. 4426 has been referred to the House Judiciary Committee.

## ANTITRUST

### Joint Production Agreements

The 1984 National Cooperative Research Act (NCRA) provides that joint research and development ventures challenged as anti-trust violations must be judicially reviewed under a rule of reason analysis. A court, therefore, cannot find a joint R&D venture to be a per se violation. The NCRA also limits the potential liability of joint R&D ventures to actual damages and attorney's fees provided that the joint venture had been disclosed to the federal government from inception. According to Representative Jack Brooks (D.-Texas), joint R&D ventures have flourished under the NCRA.

In recent years supporters of the NCRA have sought to extend its provisions to cover joint production ventures. Bills have been introduced in both the House (H.R. 2264 (Fish R.-NY)) and Senate (S. 1006 (Leahy (D.-VT))) that would amend the Act to include joint production ventures. The House subsequently passed a "clean bill" (H.R. 4611) similar to H.R. 2264. The House bill would have provided that joint ventures entered into for producing a product, process or service also must be reviewed under a rule of reason analysis. The bill would have provided that a court, in assessing the relevant market, could consider the worldwide capacity of suppliers to provide the product, process or service. In the traditional rule of reason analysis, the relevant market is defined by reference to a particular market in the United States only.

The bills pertaining to joint production ventures, however, contained two limitations not contained in the original NCRA: (1) the bills' provisions applied only to joint ventures that operate from facilities located in the United States or its territories and (2) did not apply if more than 30% of the joint venture was controlled by foreign entities. Critics of these provisions, including the Administration, stated that such discrimination against foreign companies would be contrary to existing trade agreements with foreign nations (particularly Canada), as well as the United States' objectives in the current Uruguay round of negotiations in the General Agreement on Tariffs and Trade (GATT). An essential element of the GATT negotiations is that the contracting parties should accord to the nationals of other con-

tracting parties' trade treatment no less favorable than that accorded to nationals.

Last year Senator Leahy introduced an amended bill (S. 479) similar to H.R. 4611 and the Senate Judiciary Committee approved it. The amended bill, however, also would not have allowed foreign joint ventures to take advantage of relief from the antitrust laws. The amended bill, applied only to parties with production facilities located within the United States and to joint ventures wherein "each of the parties to the joint venture makes a substantial commitment to the U.S. economy."

Due in large measure to pressure from the Administration, the Senate recently amended S. 479 to avoid discriminating against foreign companies. The current version provides that the bill applies to joint production ventures only if the joint venture

provides substantial benefits to the United States economy including, but not limited to, increased skilled job opportunities in the United States, investments in long term production facilities in the United States, participation of United States entities in the joint venture, or the ability of the United States entities to access and commercialize technological innovations or to realize production efficiencies.

In addition, the joint production's principal facilities for the production of a product, process or service must be located within the U.S. or its territories or located within a country whose antitrust law accords "national treatment" to United States entities that are parties to joint ventures production. "National treatment" would mean that the foreign country accords United States entities treatment no less favorable with respect to the application of its antitrust laws than would be accorded to its domestic companies.

The full Senate recently passed S. 4790.

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

The acquisition of an entire business usually involves the purchase of both tangible and intangible 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 is not depreciable. Trademarks which have no known useful life may be amortized over 10 years for costs up to \$100,000 and over 25 years

for costs over \$100,000. Acquired patents and copyrights 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 with the IRS over the type of intangible assets acquired as well as disputes over the amount of the purchase price attributable to particular intangible assets.

Representative Dan Rostenkowski (D.-Illinois) introduced a bill (H.R. 3035) last July that would eliminate these controversies by simplifying the amortization rules when a business is acquired. The bill would have allowed the amortization of acquired intangible assets such as goodwill, trademarks, patents and copyrights acquired in a bulk transfer over a single 14 year period. The bill as originally introduced would have applied only prospectively to property acquired after the date of enactment.

A modified version of H.R. 3035 was embodied in a comprehensive tax proposal (H.R. 4287) introduced by Rep. Rostenkowski and Rep. Richard Gephardt (D-Mo.) last February. The bill was entitled "Tax Fairness and Economic Growth Act of 1992." The modifications related to the treatment of computer software. Under the modified bill, certain computer software would not be entitled to the 14 year amortization rules. The provisions of H.R. 4287 were subsequently included in a comprehensive tax bill (H.R. 4210) that passed the House in March. President Bush, however, recently vetoed the entire comprehensive tax package.

## **1992-93 NYPTC OFFICERS AND DIRECTORS**

The following officers and board members were inducted into office at the

Association's Annual Dinner on May 21:

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**President-Elect:** William J. Gilbreth  
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**Second Vice-President:** Thomas L. Creel  
**Treasurer:** Howard B. Barnaby  
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## **RECENT DECISIONS OF INTEREST**

*by Thomas A. O'Rourke*

### **TRADEMARKS - SCOPE OF PROTECTION**

In *Kenner Parker Toys, Inc. v. Rose Art Industries, Inc.* 43 BNAPTCJ 546 (Fed. Cir. April 15, 1992), the Federal Circuit Court of Appeals reiterated the view that famous marks are deserving of more protection against confusion.

*Kenner* involved an appeal from the Trademark and Trial Appeal Board of a dismissal of *Kenner's* opposition to *Rose Art's* attempt to register its "Fundough" mark. *Kenner's* mark, "Play-Doh" for a modeling compound and related toys, had been in use for over 30 years. *Kenner* has spent millions of dollars in advertising to achieve a 60-70% market share of the modeling compound toy market. *Rose Art* introduced "Fundough" in 1987 with sales of \$50,000. In one year, without widescale advertising, "Fundough" sales increased to \$500,000. In 1986 *Rose Art* sought to register the "Fundough" mark and *Kenner* opposed. The Trademark Trial Appeal Board

dismissed Kenner's opposition.

In reversing the Board, Judge Rader exposed the difficulties of achieving fame for a mark in a market filled with innumerable symbols competing for attention. Judge Rader explained that in these areas, achieving fame requires a very distinctive mark, vast advertising expenditures and a quality product. Once fame is achieved there is an incentive for competitors "to tread closely on the heels of very successful trademarks."

The Federal Circuit reversed the TTAB for failing to appreciate the importance of a mark's fame stating:

While scholars might debate as a factual proposition whether fame heightens or dulls the public's awareness of variances in marks, the legal proposition is beyond debate. The driving designs and origins of the Lanham Act demand the standard consistently be applied by this court - namely, more protection against confusion of famous marks. Even in their earliest common law origins, trademarks functioned to benefit both producers who invest their good will and capital in a trademark and consumers who rely on those symbols. . . . By identifying the source of products, a trademark brought consumers back often to buy from a reliable producer and thus provided economic rewards for excellence. Thus, trademarks both encourage quality products and reduce consumers' costs for market searches. At the same time, trademarks protected investments of property owners and ensured proper return to those who invested in work and capital. . . . These manifold purposes and benefits of the Lanham Act only operate, however, if investments to secure a strong, recognizable mark bring the reward of certain legal protection. If investors forfeit legal protection by increasing a mark's fame, the law would then contenance a disincentive for investments in trademarks. The law is not so schizophrenic. In consonance with the purposes and origins of trademark protection, the Lanham Act provides a broader range of protection as a mark's fame grows.

The TTAB's reliance on *B.V.D. Licensing v. Body Action Design, Inc.*, 846 F.2d 727 (Fed. Cir. 1988), for the proposition that the more famous a mark is, the more readily the public becomes aware of differences was rebuffed by the Court which stated: "*B.V.D.*, to the extent that it treats fame as a liability, is confined to the facts of that case."

## COPYRIGHTS - PARODY AS A FAIR USE DEFENSE

In *Rogers v. Koons*, 43 BNAPTCJ 520 (2d Cir. April 2, 1992), the Second Circuit

Court of Appeals held that in order for a parody to qualify as fair use, a "copied work must be, at least in part, an object of the parody," and "the audience be aware that underlying the parody . . . is an original and separate expression, attributable to a different artist."

In 1980, Rogers took a picture of a husband and wife holding eight German shepherd puppies, entitled "Puppies." Rogers later licensed the photograph to a company that produced notecards. In 1987, Koons, after tearing off the copyright notice on a "Puppies" notecard, had a three-dimensional sculpture made. The sculpture, entitled "String of Puppies," was displayed at a "Banality Show" and three were sold for over \$300,000. Rogers thereafter filed suit for copyright infringement.

At trial, both copying and substantial similarity were found to exist. Koons, however contended that the sculpture was a satire or parody of society at large, and therefore a fair use.

In denying the availability of the fair use defense the Second Circuit stated:

It is the rule in this Circuit that though the satire need not only be of the copied work and may, as appellants urge of "String of Puppies," also be a parody of modern society, the copied work must be, at least in part, an object of the parody, otherwise there would be no need to conjure up the original work. . . .

We think that this is a necessary rule, as were it otherwise there would be no real limitation on the copier's use of another's copyrighted work to make a statement on some aspect of society at large. If an infringement of copyrightable expression could be justified as fair use solely on the basis of the infringer's claim to a higher or different use - without insuring public awareness of the original work - there would be no practicable boundary to the fair use defense. Koons' claim that his infringement of Rogers' work is fair use solely because he is acting within an artistic tradition of commenting upon the commonplace cannot be accepted. The rule's function is to insure that credit is given where credit is due. By requiring that the copied work be an object of the parody, we merely insist that the audience be aware that underlying the parody there is an original and separate expression, attributable to a different artist. This awareness may come from the fact that the copied work is publicly known or because its existence is in some manner acknowledged by the parodist in connection with the parody.

## TRADEMARKS - EXPLOITING PUBLIC MISPERCEPTION

In *Johnson & Johnson v. Smithkline Beecham Corp.*, 43 BNAPTCJ 522 (2d Cir. April 1, 1992) the Second Circuit Court of Appeals observed that in order to sustain a charge of knowingly exploiting a public misperception under the Lanham Act, the plaintiff must make a showing that a statistically significant portion of the commercial audience has been misled. Johnson & Johnson sells an antacid, "Mylanta" which contains, inter alia, aluminum hydroxide. Smithkline sells "Tums" which contains calcium carbonate. In 1990 Smithkline televised commercials that compared the ingredients in "Tums" with those in, inter alia, "Mylanta" stating "Tums" as being "aluminum-free" and "only Tums helps wipe out heartburn and gives you calcium you need. . ." In response to complaints from competitors, the ad was revised to delete references to Tums being aluminum-free and emphasizing the calcium content. Johnson & Johnson then sued, exposing the novel theory that advertisers are liable for knowingly exploiting a public misperception. Although the Court refused to either adopt or embrace such a theory, it affirmed the district court's judgment of dismissal. In doing so the Court stated:

Generally, before a court can determine the truth or falsity of an advertisement's message, it must first determine what message was actually conveyed to the viewing audience. Consumer surveys supply such information. . . .

In other words, in determining whether an advertisement is likely to mislead or confuse, the district court may consider other factors after a plaintiff has established "that a not insubstantial number of consumers" . . . hold the false belief allegedly communicated in the ad.

Absent such a threshold showing, an implied falsehood claim must fail. This follows from the obvious fact that the injuries redressed in false advertising cases are the result of public deception. Thus, where the plaintiff cannot demonstrate that a statistically significant part of the commercial audience holds the false belief allegedly communicated by the challenged advertisement, the plaintiff cannot establish that it suffered any injury as a result of the advertisement's message. Without injury there can be no claim, regardless of commercial context, prior advertising history, or audience sophistication.

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The New York Patent, Trademark and Copyright Law Association, Inc.  
May/June 1992  
Volume 32 Number 5

The BULLETIN is published periodically for the members of the New York Patent, Trademark and Copyright Law Association. Annual Non-Member Subscription is \$15.00/yr. Single copies \$2.00. Correspondence may be directed to the Bulletin Editor, Gregory J. Battersby, P.O. Box 1311, Three Landmark Square, Stamford, CT 06904-1311. Telephone No. (203) 324-2828.

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