



THE NEW YORK INTELLECTUAL PROPERTY LAW ASSOCIATION

BULLETIN

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PRESIDENT'S CORNER

The Federal Circuit issued three *en banc* decisions last year which will substantially change the way that all of us who practice patent law do so. Indeed, Judge Mayer accused the majority in the *Markman* case of basically believing that jurors are unfit to determine patent cases. Whether Judge Mayer is right or not, the issue of how we resolve intellectual property disputes should be of concern to all of us. Current statistics show that approximately 75% of all patent cases are not tried to a jury. Certainly, there is a large segment of the intellectual property bar that believes this is a mistake. While we have a semi-specialist Court of Appeals handling all-patent appeals, many of the appealed judgments are by lay persons having no knowledge at all of the technology and no training in the law. The *Markman* case, which said that the scope of the claims of a patent is a question of law exclusively for the judge, effectively removes some of the issues from the jury.

Is there anything to be said for resolving disputes before juries as being part of the overall American social makeup? Is this part of our Wild West heritage, like the gunfight at O.K. Corral? It is a wonderful spectacle in which we all like to be involved, regardless of whether it is fair to the litigants. Does the jury trial in patent cases affect investment decisions in the United States? For example, I know first-hand that our strict product liability laws deter some foreign companies from introducing products into the United States. Whether this is good or bad is a matter of difference in opinion, but the matter is beyond the dispute that it does occur. Is this also true of introducing products which may or may not infringe a party's patent? Does the threat of a jury trial affect these import decisions?

What data, if any, do we have as to whether jury verdicts comport with the

evidence presented? I'm not aware of a database to decide this; only anecdotal evidence. Should we as an Association, or other intellectual property law association, take steps to try to develop such a database? For example, should we ask the judges of our local New York courts to be able to interview jurors after a patent infringement case to develop appropriate statistical numbers? Our Association did interview one jury last year after its verdict, with mixed results. We are considering whether to propose a permanent relationship with the local courts to develop such a database.

It has often been said that the right to a jury in patent infringement litigation is preserved by the Seventh Amendment of the Constitution of the United States. Judge Mayer noted that several judges of the Court have already advised that they are aboard the campaign to remove jury verdicts and generalist judges from patent litigation. ("A constitutional jury right to determine validity of a patent does not attach to this public grant. Congress could place the issue of validity entirely in the hands of an Article I trial court with particular expertise if it chose to do so.") *In Re Lockwood*, 50 F.3d 966, 970 (Fed. Cir. 1995). If there is no Constitutional barrier, how about a specialized Article I Court to try all patent



cases, as was suggested by at least one member of the Federal Circuit? Would such a court be too inbred? Would it suffer from the Byzantine nature ascribed by many to the Patent and Trademark Office tribunals and to other specialty Federal agencies?

Even with judges trying these cases, the results are often bizarre and the costs huge. Former Chief Justice Berger one time stated: "Our litigation system is too costly, too painful, too destructive, too inefficient for a civilized people." Think of that! A quote from our highest judicial officer that our litigation system doesn't really work very well, even with judges as the fact finders.

CALENDAR OF EVENTS

February 16, 1996

NYIPLA Luncheon Meeting, "Current Status of Problems Involving Internet Domain Names and Trademark Conflicts," Cornell Club, New York City

March 22, 1996

NYIPLA Annual Dinner in Honor of the Federal Judiciary, Waldorf Astoria, New York City

April 11-12, 1996

ABA-IPL Section, Spring CLE Meeting, Stouffer's Concourse Hotel, Arlington, VA

May 16, 1996

NYIPLA Annual Meeting, Speaker: Leonard Nuara, Adjunct Professor of Law, Seton Hall University Law School

As those of us who have handled counterpart patent litigations in various parts of the world know, trials are much shorter and less expensive abroad. But it is not just expense, it is often the inequity between the various judges who try such cases, from the very extreme where cases draft on for years or more (remember the *General Tire* case in the late 1960s where the trial before the judge went on for over two years, at which point the Circuit Court transferred the case to another jurisdiction, noting that in effect, this one case had removed the Judge from his entire docket) to cases where judges who are trying to keep their dockets current allocate only a few days for cases involving many patents in a complicated technology. And what about judges who render decisions years after trial? Can such a decision possibly be based on a clear recollection of the facts presented years earlier?

Finally, what about alternate dispute resolution (ADR) as a means of resolving disputes? As a result of the Civil Justice Improvement Act of 1990, all of the federal district courts will have to have alternate dispute resolution in place in the near future. Many do now as pilot projects. Thus, every patent case will be subjected to some type of ADR, at least mediation, to try to resolve the dispute prior to trial. Should the use of ADR be expanded?

None of these issues are free from doubt or controversy. I do not here attempt to push a particular method. I do urge all of you to get into the discussion about these matters whether you believe a patent infringement case should be tried all or in part to a jury, to a generalist judge, to a specialist court to handle patent cases or some other method of handling disputes. Surely, the way we resolve patent controversies concerning many millions of dollars, whether it be a patent owner or a defendant we represent, should be of the utmost interest to all of us and indeed, to the economic well-being of the country and our technological progress. Please let me know of any issues you believe we, as an Association, should address in this ongoing debate.

Best wishes for the new year. Spring (and our Annual Dinner honoring the Federal Judiciary) can't be too far behind. Mayor Giuliani will be our speaker this year. I urge all of you to make reservations early, since this event continues to grow every year.

— Thomas L. Creel

MORE INFORMATION ON DISABILITY PLAN AVAILABLE TO NYIPLA MEMBERS

The disability insurance industry has experienced a great deal of turmoil over the past year and a half, with a number of insurance companies either radically changing their disability product or leaving the marketplace completely. The disability plan available to the NYIPLA members, however, continues to offer a policy that has options and features that are favorable to the insured, such as:

- An "Own Occupation" definition of disability.
- It can be written until the 61st birthday and continues for life as long as the insured is still working full-time (30 hours a week or more).
- With this policy, days of total and/or partial disability accumulate to satisfy the waiting period for either total or partial benefits.
- Upon full-time return to work, the policy will continue to pay a residual benefit as long as a 20% or more loss of income persists.

The insurance provider to the NYIPLA, The Union Central Life Insurance Company of Cincinnati, Ohio, continues to offer a high-quality, non-cancellable disability insurance policy. As the disability insurance industry continues to evolve, more changes are likely to appear. However, once the policy currently being offered to the NYIPLA membership is issued, it cannot be altered in any way without the insured's permission.

If you would like further information on the Union Central policy that is being offered at a discount to the NYIPLA membership, please return the postage-paid reply card in the enclosed brochure or call the plan administrator, Randy Rasmussen of Rand Insurance, Inc., at (203) 637-1006.

LENTEN DISPENSATION FOR JUDGES DINNER

The following is a letter from the Chancery Office of the Archdiocese of New York regarding a Lenten dispensation for the Judges Dinner on March 22, 1996:

We are happy to grant a dispensation from the Lenten regulation of Friday abstinence from meat for those Catholics attending the New York Intellectual Property Association's dinner on March 22, 1996.

If you think it necessary to mention something about this in any program you might print for the occasion, I suggest the following:

"There is a serious obligation for Catholics to observe the Lenten practice of abstinence from meat on Friday in a substantial way. Individual conscience should decide proper cause to excuse oneself from this obligation."

With every good wish, I am

Sincerely,
Rev. Msgr. Leslie J. Ivers
Vice Chancellor

IN MEMORIAM — DAVID J. MUGFORD

It was a surprise to many of us when Dave Mugford died last November from cancer at the age of 68, because his customary tact kept him from telling most of us about his slowly worsening condition. Many NYIPLA members knew him not only from the various offices that he held in the Association and the associated activity, but also from his public spirited interest in all matters affecting the profession, and his many years of teaching intellectual property law at Seton Hall. It seemed that he knew everybody, and likewise, everybody knew and liked him.

David graduated in 1950 from Seton Hall with a B.S. in Chemistry. He then obtained an M.S. in chemistry from the University of Puerto Rico. He went to Seton

Hall for his law degree, which he obtained in 1958, followed by an LL.M. from NYU in 1960.

For the first seven years after admittance to the bar, Dave worked at Arthur, Dry and Kalish, specializing in general commercial practice and in the patent and trademark fields. He also became heavily involved in litigation. Next, he joined the Bristol-Myers Company, where he soon became Chief Patent and Trademark Counsel, a position he held for the next fifteen years. Dave next spent some years as a partner in Brooks, Haidt, Hafner & Delahunty, but the siren call of another pharmaceutical company in need of a Patent and Trademark Chief brought him to Schering-Plough Corp., where he became Staff Vice President and Associate General Counsel.

In 1990, he established an Intellectual Property Group at Bower & Gardner, until the dissolution of that firm. About eighteen months ago, he became Counsel to the firm of Walter, Conston, Alexander & Green, where he worked until his untimely death.

Dave served on the Board of Directors of the New York Intellectual Property Law Association, Inc. from 1990 to 1993. In addition to his management of all functions of corporate intellectual property law departments, he was a busy and active IP litigator and a skilled practice builder. During his law career, he experienced many successes in conducting difficult negotiations and concluding lucrative licenses.

Four grown children and a wife survive him. He will be sorely missed by his many friends and colleagues.

NEWS FROM THE BOARD OF DIRECTORS

by William H. Dippert

The Board of Directors met on November 14, 1995. Thomas Creel presided.

Tracie Richards, appearing for Edward Filardi, reported on the Judges Dinner. There was discussion of honored guests to be

invited and certain reimbursement policies. It was agreed that no changes would be made with respect to the honored guests who should receive invitations. A motion that any judge within a forty mile radius of New York City be given the option of staying at the Waldorf-Astoria or receiving limousine service to and from the dinner was unanimously approved by the Board.

Mr. Brunet discussed an upcoming WIPO meeting to be held in December in Geneva to consider a new patent law treaty. Mr. Creel indicated that WIPO had extended an invitation to the Association to attend. Mr. Brunet said that he was not planning to attend. Mr. Creel inquired whether the NYIPLA should send a representative to the meeting. Mr. Brunet agreed to determine whether a member of the Association would be attending to represent another organization. If so, he would ask such person to represent the NYIPLA.

There was discussion whether the Association should take a position in writing as to Article Seven, which permits the Patent Office of each country to charge for its services. Mr. Brunet moved that the Association advise WIPO that it favored amendment of Article Seven if the fees charged by the Patent Office of any country were in accord with the costs of providing the services. The motion was seconded and unanimously approved. Following discussion by the Board, it was decided that a copy of the letter to WIPO should be sent to Commissioner Lehman for consideration by the U.S. delegation to the meeting. Mr. Brunet agreed to draft the letter.

Mr. Creel reported on his trip to the Annual Meeting of the Patent and Trademark Institute of Canada. He learned that there was some dissatisfaction with the privatization of the Canadian Patent Office. Mr. Creel suggested that when the issue of privatization arises in the U.S. Patent and Trademark Office, we look to the situation in Canada as a possible model. He will refer this matter to the Committee on U.S. Patent Law and Practice.

Dues increases were discussed. A motion that the Board seek an amendment of the by-laws to raise the present ceiling for dues to \$100 was unanimously approved. The question of any actual dues increase will be deferred to the next Board following approval of the by-laws amendment at the annual meeting in May 1996.

There was discussion of whether the Association was considering recommending possible nominees to the Federal Circuit in view of the recent taking of senior status by Judge Nies. Mr. Creel indicated that he was advised that the White House was considering two candidates.

FRANKLIN PIERCE LAW CENTER'S IP SUMMER INSTITUTE

Franklin Pierce Law Center's Intellectual Property Summer Institute, inaugurated in 1987, is the most comprehensive academic summer program in intellectual property law and licensing (technology transfer) in the United States. Last year's Intellectual Property Summer Institute (IPSI) included students from 40 ABA-accredited law schools and intellectual property professionals from over 20 countries.

IPSI brings together scholars, practitioners, government officials and students in a single forum. Courses are intensive, yet the atmosphere remains informal. IPSI comprises fourteen one and two credit courses followed immediately by a one-week Advanced Licensing Institute and a one-week Mediation of Intellectual Property and Commercial Disputes program. The one and two credit courses discuss topics which include: entertainment law; financing and valuation of intellectual property; franchising law and practice; intellectual property management; intellectual property research tools; international and comparative copyright law, patent law and trademark law; licensing; patent practice and procedure; publications and multimedia law; U.S. copyright, patent and trade secret law; and U.S. trademark law and practice.

This year's institute runs from June 5 through July 26. There is a brochure included with this issue of the *Bulletin* for those who would like more information on the curriculum and registration procedures for this program.

PENDING LEGISLATION

by Edward P. Kelly

ANTITRUST

Tying Arrangements Revisited

In approaching tying arrangements under the antitrust laws, some courts have inquired into actual market conditions for the tying product to determine if the defendant had actual market power. Other courts have presumed market power in tying arrangements where the tying product was the subject of a patent. The Supreme Court suggested that the existence of a patent on the tying product could be deemed a per se violation of the antitrust laws. See *Jefferson Parish Hospital Dist. No. 2 v. Hyde*, 466 U.S.2 (1984). Several courts and commentators subsequently questioned the Supreme Court's rationale and bills were introduced in past years that would amend the antitrust laws to clarify that a court should not presume market power merely because the defendant held a patent or copyright covering the tying product. These bills were introduced as part of an omnibus bill addressing trade issues in 1988. In fact, in 1989, Congress amended Section 271(d) of Title 35 to address these concerns in the context of patent misuse. Section 271(d) provides, inter alia, that a patent owner would not be guilty of patent misuse by conditioning a patent license on the purchase of a separate product unless it is proved that the patent owner has market power in the patented product.

A new bill sponsored by Rep. Henry Hyde (R.-Ill.) addressing tying arrangements under antitrust law (H.R. §624) was recently introduced to the House. This bill provides that:

In any action which the conduct of an owner, licensor, licensee, or other holder of an intellectual property right is alleged to be in violation of the antitrust laws in connection with the marketing or distribution of a product or service protected by such a right, such right shall not be presumed to define a market, to establish market power (including economic power and product uniqueness or distinctiveness) or to establish monopoly power.

The bill has been referred to the Judiciary Committee.

TRADEMARKS

Dilution

Trademark dilution is currently protected solely under state laws. There are about 25 states that prohibit dilution. The Lanham Act does not afford, and never has afforded, a cause of action for dilution. Some states have held that the dilution doctrine does not apply when the plaintiff and defendant are competitors. At least one court has held that injunctive relief under the state dilution statute is limited to the geographic boundaries of that state. See *Deere & Company v. MTD Products Inc.*, 41 F.3d 39 (2d Cir. 1994).

Two virtually identical bills, S. 1513 and H.R. 1295, are pending in the House and Senate which would expand the scope of the Lanham Act to protect against dilution of "famous" marks. The bills would entitle owners of "famous" trademarks to prevent unauthorized commercial use of their marks if the use causes dilution of the distinctive quality of the mark. The bill sets forth numerous factors to consider in determining whether a mark is "famous," including the extent to which the mark is inherently distinctive or has acquired distinctiveness, the geographical extent of the trading area in which the mark is used, the degree of recognition of the mark in the trading areas and the channels of trade of the mark's owner and the person against whom the injunction is sought. The bills cover both registered and unregistered marks — although registration itself would be a factor in determining whether the mark is "famous." The bills specifically exclude protection against a competitor's fair use of a mark in comparative advertising and non-commercial use of a mark. A recent amendment also excludes from liability all forms of news reporting and news commentary.

The bills only provide for injunctive relief, except in cases of willful infringement. Ownership of a federal registration is a complete bar to a dilution action with respect to that mark.

Both bills have been passed by the full House and Senate and will be submitted to the President for signature.

PATENTS

Joint Research and Development

Federal laboratories and private companies have for many years jointly conducted research through cooperative research and development agreements (CRADAs) under the Stevenson-Wydler Act, 15 U.S.C. §3710. The fact that the federal laboratory has the option of claiming ownership in the jointly-developed technology was considered by some as an impediment for private companies to enter into CRADAs. In recent years, legislation has been introduced in Congress which would require the government to assign the intellectual property rights to the private sector partner.

Legislation introduced earlier this year in the Senate (S. 1164) would give the private sector partner the option of taking an exclusive license for a field of use for the technology jointly developed. Most recently, Representative Morella (D-Md.) introduced a counterpart bill in the House (HR 2196). Both bills grant the government a paid-up irrevocable license to use the jointly-developed technology as well as "march-in" rights if the private sector does not commercialize the jointly-developed technology. The Senate approved S. 1164 last November. The full House recently passed S. 2196.

Attorney's Fees Against the U.S. Government

The United States government currently cannot be held liable for attorney's fees in patent cases even if the infringement is found to be willful. The full House recently passed a bill (H.R. 632) that would allow certain entities to recover attorney's fees against the government for willful patent infringement. The entities that would be allowed to recover attorney's fees are independent inventors, non-profit organizations and companies with less than 500 employees. The bill would be implemented by amending 28 U.S.C. 1498(a). The bill would apply to actions pending or brought on or after January 1, 1995. A counterpart bill (S. 880) is pending in the Senate.

Prior Use Defense

As a general rule, a company that pro-

protects its technology by keeping it a trade secret does so at its peril because it could be liable for patent infringement if someone else obtains a patent on that technology. A bill pending in the House (H.R. 2235) would change that result by amending the patent statute to provide for a limited defense to patent infringement where the alleged infringer made prior use of the patented invention.

The bill would amend Section 273 of Title 35 to assert a defense to patent infringement if the person had, acting in good faith, commercially used the subject matter in the U.S. before the effective filing date of the patent. "Commercially used" means use in the U.S. in commerce whether or not the subject matter at issue is accessible to or otherwise known to the public. "Use in commerce" means any actual sale or commercial transfer.

There is also a special exception for subject matter that cannot be commercialized without significant investment of time and money. In that case, a person shall be deemed to have commercially used the subject matter if,

(A) before the effective filing date of the patent, the person reduced the subject matter to practice in the U.S., completed a significant portion of the total investment necessary to commercially use the subject matter and made a commercial transaction in the United States in connection with the preparation to use the subject matter and (B) after the effective filing date of the patent, diligently completed the remainder of the activities and investments necessary to commercially use the subject matter and promptly began commercial use of the subject matter.

While a literal reading of the bill indicates that the use or reduction to practice must occur before the effective filing date of the patent, the bill is not that broad. A later section of the bill entitled "one year limitation" provides that the defense provided by the bill is only available if the use or reduction to practice occurred more than one year prior to the effective filing date of the patent.

The House Subcommittee on Courts and Intellectual Property meetings were recently held on H.R. 2235. The Administration supports the bill on the ground that balances the rights of those who seek to keep technology a trade secret and those who desire to file for patent protection. The bill would specifically add a section stating

that the defense does not constitute a general license but only applies to subject matter claimed in the patent that the person asserting the defense had commercially used before the effective filing date. The entities that would be allowed to recover attorney's fees are independent investors, non-profit organizations and companies with less than 500 employees. H.R. 632 has been approved by the House Subcommittee.

Reexamination Proceedings

A bill (H.R. 1732) is pending in the House that would make certain amendments to the reexamination provisions of the patent statute so that a third party requesting examination would have a greater role in influencing the outcome of the reexamination. For instance, the bill would allow the third party requester to not only comment on the patent owner's response to reexamination, but also to address the issues raised in the Patent Office during the reexamination procedure. The basis for reexamination would also be expanded to include compliance with Section 112 of the patent statute. A third-party requester would also be able to file an appeal of the examiner's final decision with the Board of Patent Appeals and Interferences.

H.R. 1732 received a favorable response during hearings before the House Subcommittee on Courts and Intellectual Property.

RECENT DECISIONS OF INTEREST

by Thomas A. O'Rourke

PATENTS

The "On Sale" Bar

In *Mahurkar v. Imora Inc.*, 37 USPQ2d 1138 (Fed. Cir. December 12, 1995), the CAFC held that a plaintiff's sale of two prototypes of his invention, although a sale in any normal sense of the word, is not a sale if the policies behind 35 USC §102(b) are

not offended. Rather, the "on sale" bar depends upon the totality of circumstances, considered in view of said policies underlying §102(b), with "commercialization" by the inventor one year before patenting being the evil to be most vehemently discouraged.

An inventor may not acquire a patent if he places a version of the claimed invention in public use or places it "on sale" more than one year prior to the date of application in the United States. 35 USC §102(b). Whether this bar comes into effect or not is a question of law. The party attacking the validity of the patent must prove by clear and convincing evidence that one of these two situations occurred.

The Court stressed that the question of whether a device has been placed on sale is not subject to a mechanical rule. Rather, it depends upon the totality of the circumstances, considered in view of the policies underlying §102(b). These policies include: discouraging removal of inventions from the public domain; encouraging prompt and widespread disclosure of inventions; allowing an inventor a reasonable period following sales activity to determine the value of his invention; and prohibiting an inventor from commercially exploiting his invention beyond the statutorily prescribed time. The last of these policy considerations is considered the most important by the Court.

The device covered by the patent in this case was an improved catheter for removing and replacing blood from the circulatory system. The inventor of said catheter entered into a license agreement with Quinton Instruments Company. The license contained a condition that the inventor's catheters must be marketed by Quinton by September 30, 1982 in order for the exclusivity of the license to remain in effect. The CEO of Quinton arranged for a sale of several prototype catheters to a long-standing acquaintance in the dialysis industry. This sale was accomplished, but the catheters involved were virtually useless for their intended purpose. The district court found this to be a "sale" as the term is used in the Uniform Commercial Code, but refused to find it a bar to patentability under §102(b).

The CAFC affirmed the district court's finding, stressing that the "sham" sale of the catheters was not a sufficient "commer-

cialization" of the device, which would require a 102(b) bar. None of the other policy considerations were deeply offended by this sale, according to the CAFC.

The Court in this case concluded that the "on sale" bar is much less about the device being on sale than it is about the inventor acting in a manner "commercializing" the invention. Although these actions often coincide, a patent can sometimes be saved by distancing it from the commercialization tag.

Obviousness

In *In re Ochiai*, 37 USPQ2d 1127 (Fed. Cir. December 11, 1995), the Court of Appeals for the Federal Circuit, in a per curiam decision, held that method claims that recited a standard reaction with a particular acid to make a type of cephem were not *prima facie* obvious since the application claimed a new nonobvious starting material.

The Ochiai application was directed to a process for using an acyl side chain from a particular type of organic acid and a particular type of amine to make a particular cephem compound having antibiotic properties. The application claimed priority from an application that covered methods for the manufacture of cepheims, now U.S. patent no. 4,098,888.

The examiner rejected claims 6 through 10 of the Ochiai application as obvious in light of the combined teachings of six references. The Examiner conceded that the prior art did not disclose the acid used and the cephem made in the process recited in claim 6. Additionally, the examiner recognized that the prior art did not teach or suggest the particular acid used, nor the particular cephem produced.

The Board of Patent Appeals categorized claim 6 of the Ochiai application as a "process for making" claim as opposed to a "process for using" claim. According to the Board, such claims are "controlled" by "[c]ases such as *In re Larsen*, 292 F.2d 531, 130 USPQ 209 (CCPA 1961); *In re Albertson*, 332 F.2d 379, 141 USPQ 730 (CCPA 1964) and, particularly, *In re Durden*, 763 F.2d 1406, 226 USPQ 359 (Fed. Cir. 1985)." *Id.* at 1130. In these cases, the process for making claims were rejected.

The Federal Circuit held that the

Board's method of analysis was "founded on legal error because it substitute[d] supposed *per se* rules for the particularized inquiry required by section 103." *Id.* at 1132. The Court held that there are no *per se* rules in determining obviousness. The Federal Circuit stated that the statutory test for obviousness requires one to compare the subject matter as a whole with the prior art to which said subject matter pertains.

Since the Ochiai claims were limited to a particular nonobvious starting material for making a particular nonobvious end product, to the prior art of record, the Court reversed the rejection of claims 6 through 10 as an incorrect conclusion reached by incorrect methodology.

TRADE SECRETS

In *Buffets, Inc. v. Paul Klink et al.*, 1996 U.S. App. LEXIS 436 (9th Cir. Jan. 16, 1996), the Court of Appeals for the Ninth Circuit affirmed the district court's ruling that a restaurant's recipes and job training manuals were not trade secrets under Washington state's trade secret law.

Appellants Buffets, Inc., a Minnesota corporation that operates a nationwide chain of budget buffet restaurants under the name Old Country Buffet (OCB), instituted a practice of "small batch cooking," i.e., only preparing a small batch of food for buffets to insure freshness rather than preparing and storing quantities of food. Appellee Paul Klink, et al. (Klinkes) operated a number of franchise restaurants, and inquired about buying an OCB franchise. Klinkes was told that OCB was not franchising. Subsequently, Klinkes hired two former OCB employees and arranged for one of his former employees to work at one of the OCB restaurants. Paul Klink's son also got a job with OCB as a cook while remaining on the Klinkes' payroll and not disclosing to OCB his true residence and cooking experience.

Klinkes began compiling a new employee's manual and recipes, and the district court found that these new manuals and recipes were almost exact copies of the OCB position manuals and recipes. Klinkes then opened a buffet restaurant called "Granny's" that used copies of the compiled position manuals and the OCB recipes. The district court ruled on a summary judgment motion that the Klinkes' alleged

wrongful conduct did not impact the public interest; therefore, it did not violate Washington's Consumer Protection Act. At a bench trial, the district court also found that the recipes and job manuals used by Klinkes were not trade secrets.

Under Washington law, RCW @ 19.108.010(4), a trade secret is defined as "information ... that ... derives independent economic value ... from not being generally known to ... other persons who can obtain economic value from its disclosure or use ... and ... that is the subject of efforts that are reasonable ... to maintain its secrecy." *Id.* at *5. Interpreting Washington case law in a diversity case, the Ninth Circuit upheld the district court's ruling that OCB's recipes were not novel, since they were such American staples as BBQ and macaroni and cheese; therefore, they could easily be discovered by others and could not be protected as trade secrets. Specifically, the Circuit Court stated "this is not a case where material from the public domain has been refashioned or recreated ... to be an original product, but is rather an instance where the end-product is itself unoriginal." *Id.* at *7. The Circuit Court also upheld the district court's ruling that OCB failed to demonstrate any derived benefit from the recipes being kept secret.

With respect to the job manuals, the Circuit Court also upheld the district court's finding that they were not trade secrets. The Court stated that "the fact that employees were advised of neither the manuals' status as secrets, nor of security measures that should be taken to prevent their being obtained by others, suggest that OCB's interest in security was minimal." *Id.* at *12.

Two Informative One-Day Seminars in New York City

THE BASICS OF LICENSING AND LICENSING LAW

March 27, 1996

sponsored by THE *Licensing*
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