



# THE NEW YORK INTELLECTUAL PROPERTY LAW ASSOCIATION

# BULLETIN

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## PRESIDENT'S CORNER

While continuing legal education requirements have been the rule in many states, to date, there has been no requirement in New York. However, since such requirements have been under study for a lengthy period, it must be expected that it is only a matter of time before they are instituted.

Last year, I attended a meeting where a Commission appointed by the New York Court of Appeals was looking into the possibility of continuing legal education requirements, among other items. I was the only intellectual property lawyer at the meeting and, not surprisingly, the proposals as to the types of courses which would be required, much as in New Jersey, for example, had absolutely nothing to do with our areas of practice.

When I tried to explain that the types of courses suggested had little, if any, relevance to our area of practice, the Chairman suggested that I was assuming that the attorneys involved would always be in our area of the law, and would never go to a firm where the trusts and estates courses, for example, might have value. While I explained that the attorney who left our firm would, no doubt, go to a corporation or another firm with the same type of law practice, I believe the explanation fell on deaf ears.

Since the New York State study has been going on for some time without, necessarily, an immediate resolution, why am I raising it now? The reason is the recent announcement by the United States Patent and Trademark Office that they are considering, as a part of the duties of the Office of Enrollment and Discipline, the establishment of continuing legal education require-

ments. Our Board has asked the committees directly involved with PTO relations to look into the questions raised by the PTO, including the possible continuing legal education requirements, and make a recommendation.

Obviously, not every member of this Association will be concerned with any continuing legal education requirement instituted by the Office of Enrollment and Discipline, but a substantial percentage will be. Further, it seems apparent that any requirement set forth by the PTO will be worlds apart from any requirements which New York State may eventually adopt.

Since the institution of this type of requirement, at least by New York, appears to be inevitable, one of the things which we obviously should be considering is whether we can find a way that the requirements of one of the practice regulating bodies can be used to satisfy the requirements of the other. While this may be difficult, it should not be impossible.



The Officers and Board look forward to any comments which the membership at large may have regarding this issue.

— Martin E. Goldstein

## CALENDAR OF EVENTS

- |                     |  |
|---------------------|--|
| December 2-3, 1996  | Intellectual Property Owners, IPO Annual Meeting, Washington, DC   |
| December 13, 1996   | NYIPLA Luncheon Meeting, "Appellate Arguments" Speaker: Nancy J. Linck, PTO Solicitor, Yale Club, New York City          |
| January 17, 1997    | NYIPLA Luncheon Meeting, "Internet Licensing" Speaker: Liz Blumenfeld, America Online, Yale Club, New York City          |
| January 18-22, 1997 | ABA-IPL Section, Mid-Winter Meeting, The Registry Resort, Naples, Florida  |
| January 22-25, 1997 | American Intellectual Property Law Association-Mid-Winter Meeting, Marriott's Marco Island Resort, Marco Island, Florida |

## NEWS FROM THE BOARD OF DIRECTORS

by John F. Sweeney

The Board of Directors met at The Yale Club, 50 Vanderbilt Avenue, New York, New York on Tuesday, October 15, 1996. Martin Goldstein presided.

Robert Neuner made a motion to approve the Minutes of the September 12, 1996 Board meeting. John Sweeney noted that the reference to the Association Of Corporate Secretaries on page 4 should be corrected to read American Society Of Corporate Secretaries. The motion to approve the Minutes as amended to reflect the correction was seconded by Thomas Spath and approved by the Board.

Greg Battersby presented the treasurer's report and reported that the Association balance is substantially greater than it was at this time last year. Upon motion by Howard Barnaby, seconded by Mr. Neuner, the treasurer's report was approved.

Mr. Battersby reported that he is in the process of studying the possibility of the Association's having an Internet website.

Brian Poissant presented a brief report on the subject of malpractice insurance for intellectual property law firms. The members of the Board then discussed the issue of whether or not the Association should consider sponsoring malpractice insurance. Mr. Poissant expressed the view that malpractice insurance is a matter that could be better pursued by individual firms. Mr. Battersby expressed the view that possibly the Association should sponsor malpractice insurance if it would be able to obtain a more favorable rate for Association members. Mr. Battersby said he would look into this matter further.

Mr. Creel reported that Charles Baker will attend the meeting of the Council Of Patent Law Association as a representative for the New York Intellectual Property Law Association.

Thomas Beck, Chairman of the Litigation Practice and Procedure Committee, reported that the Ethics Committee of the United States District Court for the Eastern

District of New York will be recommending certain changes in rules governing ethical requirements for members of the Bar. Specifically, the Ethics Committee of the United States District Court for the Eastern District of New York will be recommending that the New York ethics rules no longer refer to the ABA Model Code but instead only refer to the New York State Code because of certain inconsistencies between the New York State Code and the ABA Model Code. In addition, the Ethics Committee of the United States District Court for the Eastern District of New York will be recommending changes to the New York State Code. Mr. Neuner noted that the recommendations of the Eastern District Committee were of some importance to intellectual property law practitioners. Mr. Goldstein asked Mr. Beck to communicate with the Ethics Committee of the Association of the Bar of the City of New York concerning any positions that that Committee has already taken on the subject of recommendations to change the ethics rules. Upon motion by Mr. Sweeney, seconded by Richard DeLucia, the Board decided to make a submission to the appropriate New York State authorities concerning ethical rules of particular interest to the practice of intellectual property law. Mr. Beck's committee is to develop a recommendation as to the specific submission to be made.

Upon motion by Mr. Battersby, seconded by Mr. Neuner, Frank Scheck, a former President of the Association, who is now retired, was elected to life membership.

Upon motion by Mr. Neuner, seconded by Mr. Filardi, the meeting was adjourned at 2:00 p.m. ■

## PENDING LEGISLATION

by Edward P. Kelly

The President recently signed into law three bills dealing with intellectual property issues. Two bills deal with patent issues, creating infringement exceptions for

use of certain patented medical or surgical procedures and allowing, in certain instances, awards of attorney and expert fee in infringement actions against the U.S. government. The other new law creates federal criminal penalties for theft of trade secrets.

Several other bills which would have significantly amended the patent laws failed to move forward prior to the recent close of the 104th Congress. These bills, which were part of an Omnibus Bill, included legislation which would: (i) amend the law in connection with the reexamination proceedings to allow third party participation; (ii) provide a defense to infringement in circumstances where a company has made prior use of the patented invention; (iii) provide for publication of U.S. patents prior to issuance; and (iv) protect small inventors from invention marketing companies.

### TRADE SECRETS

#### Economic Espionage

The President recently signed into law a bill that provides that economic espionage or theft of trade secrets is a federal crime. The new law makes theft of trade secrets a criminal offense under Title 18 of the U.S. Code. The law protects all types of proprietary economic information, including financial, business, scientific, technical and engineering information from theft. Previous measures protecting theft of trade secrets had been only civil violations. The law applies to thefts intended to benefit foreign governments, corporations and/or individuals. The law generally applies to espionage occurring in the United States. However, the law also applies to conduct occurring outside the United States if the offender is a United States person or the act is in furtherance of an offense committed in the United States.

### PATENTS

#### Attorney Fees Against the U.S. Government

The President recently signed into law a bill that eliminates, to a certain extent, the United States government's immunity from an award of attorneys' fees and experts' fees in cases in which the government is

found to infringe a patent. Not all persons suing the government are eligible to recover attorneys' fees and expert witness' fees. The entities that are allowed to recover attorneys' fees are independent inventors, non-profit organizations and companies with less than 500 employees. The award of attorneys' fees is, of course, within the discretion of the court and the law provides that fees will not be awarded where the position of the government on infringement is substantially justified.

### **Limitation of Damages for Infringement of Medical Procedure Patents**

The PTO has refused to refrain from issuing patents on medical procedures despite the objections of some that such patenting of innovative medical and surgical procedures is against the public interest in treating patients. Bills had been pending in the House and Senate for some time that would either prohibit the patenting of certain medical and surgical procedures or exclude surgeons from patent infringement for performing certain patented medical procedures. Some in the biotech industry have been concerned that the bill should not be broad enough to extend to a patent on gene therapy and in vitro diagnostics.

The President recently signed into law a bill that amends 35 U.S.C. 287 to essentially eliminate the patent remedies available for infringement by a medical practitioner of a medical activity.

A medical activity is defined as

... "performance of a medical or surgical procedure on a body," but excludes:

- (i) the use of a patented machine, manufacture, or composition of matter in violation of such patent, or
- (ii) the practice of a patented use of such patent, or
- (iii) the practice of a process in violation of biotechnology patent.

The legislative history of the bill indicates that it is meant to apply to pure medical procedure patents and not to biotechnology, medical devices, drugs or their methods of use. Cong. Rec. 9/30/96, S12023

Several bills relating to patent issues had been incorporated into an Omnibus bill

pending before the 104th Congress. Congress adjourned, however, without submitting any of these bills to the President for approval.

The following is a summary of the bills which may be the subject of discussion in the next Congress.

### **Reexamination Proceedings**

The patent statute currently states that a third party may request reexamination of a patent. However, the third party's participation does not go beyond the initial request for reexamination and a reply to the patent owner's statement in response to the request for reexamination. For instance, amendments made to the claims during reexamination may not be addressed by the third party requester.

Representative Carlos Moorehead (R-Calif.) previously introduced a bill (H.R. 1732) that would make certain amendments to the reexamination statute and give a third party 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 would also be able to file an appeal of the examiner's final decision with the Board of Patent Appeals and Interferences.

The House Judiciary Committee essentially adopted H.R. 1732 but also added a requirement that the real party in interest reveal its identity in the request for reexamination.

### **Prior Use Defense**

As a general rule, a company that protects its technology by keeping it a trade secret does so at its own risk because it could be liable for patent infringement if someone else obtains a patent on that technology. A bill previously introduced by Rep. Carlos Moorehead (R-Calif.) (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 § 273 of the patent statute, providing a defense to patent infringement if the accused infringer 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 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.

### **Publication of U.S. Patent Applications After 18 Months From Filing Date**

The United States converted to a patent term which expires twenty years from the

filing date as part of its accession to the GATT treaty. Many of the countries that are signatories to the GATT treaty publish patent applications eighteen months after they are filed. The U.S., however, currently does not publish patent applications prior to issue of the patent. A bill (H.R. 1733) previously introduced by Rep. Carlos Moorehead would bring the U.S. into conformity with those countries that do provide for publication eighteen months after filing. The published application would be considered prior art under § 102(e) of the patent statute.

The bill also contains a provision that would allow the patent holder to obtain provisional rights to obtain a reasonable royalty from infringers who infringe during the time between the publication and the time the patent issues. The bill had been pending last year and was not favorably received. New provisions that were added this year include a provision that an independent inventor's application would not be published until three months after the first office action. The application would not be published even if more than eighteen months have passed from the filing date. If enacted, the bill would take effect on January 1, 1996.

### Invention Marketing Industry

Bills were previously introduced in the House (H.R. 241) and Senate (S. 909) dealing with the issue of control over companies who promise to bring the inventions of small inventors to market. The previously introduced bills would require the invention marketing firms to enroll annually with the PTO and would give the PTO the authority to suspend a firm for misconduct and monitor complaints. The Omnibus bill eliminates the enrollment requirement but makes false and misleading statements made by a company in connection with the marketing of an invention a misdemeanor and provides for fines up to \$10,000 for each offense.

## COPYRIGHTS

### Flag Burning

Should the copyright law offer protection against flag-burning? Robert Torricelli (D-NJ) must think so because he has intro-

duced a bill (H.R. 3883) that would grant the United States a copyright on the United States flag. The bill would, however, grant any person in the United States a license to make and sell flags. There would be criminal penalties in the bill that would include imprisonment and fines for burning or mutilating the U.S. flag.

### Copyright Infringement Exception

The Senate recently approved a bill that would create an exemption for copying copyrighted materials to assist the blind. The exemption would only apply to non-profit organizations who copy for use in specialized braille, audio and digitized formats. The bill is part of an appropriations bill for the Copyright Office.

### Protection for Boat Designs

Boat manufacturers have long faced the prospect that competitors could easily copy a new hull design due to the manner in which hulls are designed and then mass-produced. A boat manufacturer first designs a hull from which a mold is cast. Once the mold is made, the hulls can be mass-produced. However, competitors can use a finished boat hull to develop molds and begin mass production in competition with the original designer and manufacturer. The copying would not be illegal as long as no patent existed on the hull. Seven years ago, the Supreme Court struck down a Florida State statute intended to give patent-like protection for the otherwise unprotected design of boats. The statute prevented copying by making a mold directly from a product. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989). Senator John Breaux (D. La.) and Rep. Thomas Saxton (D. Ohio) recently introduced legislation, S. 2103 and H.R. 4159 respectively, that would create a new protection for the design of boat hulls. The protection would exist outside both the copyright and the trademark law and add a new Chapter 12 to Title 17. The protection would grant ten years of protection. The bills have been referred to the Judiciary Committees of the House and Senate.

## THE LIGHTER SIDE OF THE BAR

Have you heard about the lawyer's word processor?

No matter what font you select, everything comes out in fine print.

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A judge in the Southern District of New York was hearing a drunk driving case and the defendant, who had both a record and a reputation for driving under the influence, demanded a jury trial. It was nearly 4:00 pm and getting a jury would take time so the judge called a recess and went out into the hall looking to impanel anyone available for jury duty. He found a dozen patent lawyers who had just finished arguing a case in the next courtroom. The judge told them they were a jury. The patent lawyers thought this would be a novel experience and so followed the judge back into the courtroom.

The trial was over in ten minutes and it was very clear that the defendant was guilty. The jury went into the jury room, and the judge started getting ready to go home and everyone waited. After nearly three hours, the judge was totally out of patience and sent the bailiff into the jury room to see what was holding up the verdict. When the bailiff returned, the judge said, "Well, have they got a verdict yet?" The bailiff shook his head and said, "Verdict? Hell, they're still in the middle of their nominating speeches for the jury foreman's position!"

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Counsel: Now, in your report under "Foundation" you indicated that there is a minimum of cracking and no signs of settling.

Witness: Yes.

Counsel: When you say there is a minimum of cracking, I take it that you did find some cracking.

Witness: No, but if I said there was no cracking, I would be in court just like this, answering some stupid lawyer's questions. See I put minimum in there to cover myself, because some-

## AN OPEN LETTER TO ASSOCIATION MEMBERS

### 1997 INVENTOR OF THE YEAR

The presentation of the Inventor of the Year Award affords the Association an excellent opportunity to extend recognition to an individual who, because of his or her inventive talents, has made worthwhile contributions to society. The person selected should have received patents for his or her invention(s), and by such invention(s), benefited the patent system and society.

This year, the award will be presented at the Association's annual meeting and dinner to be held on May 21, 1997 in New York City.

I encourage each practitioner, each firm, and each corporate counsel to nominate one or more candidates for consideration. This program cannot be successful without the participation of the Association members in solo, firm, and corporate practice.

The Inventor of the Year Award enables our Association to extend recognition to a deserving individual and provides good publicity for the Association, the patent system generally, and the practice of intellectual property law.

A nomination form for submitting recommended candidates is attached. Additional copies may be obtained by contacting me. Please forward your nominations to me no later than March 15, 1997.

Thank you.

Cordially,

Mark J. Abate  
Chairman Committee on Public  
Information and Education  
(212) 758-4800

# NOMINATION FORM FOR INVENTOR OF THE YEAR — 1997

**Instructions:** You may nominate as many individuals as you wish. Please provide one form for each nominee (joint nominations are acceptable). Please submit twelve (12) copies of all papers, including this form, that you wish to be considered by the Awards Panel. A nominee must: have one or more issued patents (the patent(s) relied on should not be the subject of pending litigation); be favorably disposed to the patent system; and be respected by his or her professional peers. The award is made in recognition of an inventor's lifetime contributions. The nominee should be prepared to attend the NYIPLA annual meeting to be held on May 21, 1997 in New York City.

1. Nominee: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
Tel No: \_\_\_\_\_
2. Identify invention(s) forming the basis of the Nomination:  
\_\_\_\_\_  
\_\_\_\_\_
3. List, by number and inventor, the United States Patent(s) with respect to the above invention(s): \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
4. Set forth any known litigation, interference, or other proceeding that involves or has involved the foregoing inventions or patents, and the result: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
5. Nominator: \_\_\_\_\_  
Address: \_\_\_\_\_  
Tel No: \_\_\_\_\_  
  
Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Please provide a summary of the nominee's contributions which form the basis of this Nomination, and of any recognition of the nominee's contributions accorded by his or her peers.

Please add any additional information you believe the Awards Panel will find helpful. Material submitted will not be returned. Please forward the Nomination by March 15, 1997 to Mark J. Abate, Morgan & Finnegan, 345 Park Avenue, New York, N.Y. 10154. Telephone number (212) 758-4800.

body is going to find a crack somewhere.

Court: I could say I would like to shake your hand, but I won't.

Counsel: Move to strike.

Court: No. We are not going to strike it.

Counsel: Move to strike the word "stupid," your Honor.

Court: You want the most appropriate word stricken? It is worth the whole trial.

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Defense Counsel: The truth of the matter is that you were not an unbiased, objective witness, isn't it? You too were shot in the fracas?

Witness: No sir. I was shot midway between the fracas and the naval.

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Prosecutor: Did you kill the victim?

Defendant: No, I did not.

Prosecutor: Do you know the penalties for perjury?

Defendant: Yes I do. And they're a hell of a lot better than the penalty for murder.

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## RECENT DECISIONS OF INTEREST

by Thomas A. O'Rourke

### ROYALTIES ON UNPATENTED PRODUCTS

On September 25, 1996, the United States Court of Appeals for the Federal Circuit considered the issue of whether a license agreement unlawfully required payments on staple articles of commerce. Specifically, in *Engel Industries, Inc. v. The Lockformer Co.*, No. 95-1182, 1996 U.S. App. LEXIS 24983 (Fed. Cir. Sept. 25,

1996), the court held that where a licensee is not required to purchase unpatented parts from a patent holder as a condition of the patent license, there is no patent misuse when the license agreement provides that royalties are measured by unpatented parts of the patented system.

Patent misuse is a possible defense to a charge of patent infringement and can rise to an antitrust violation in some circumstances. A valid and otherwise enforceable patent that has been misused will not be enforced by the courts until the patent owner corrects the misuse. Courts refuse to enforce a misused patent due to an alleged exploitation of the patent that is inconsistent with the public policy underlying the patent laws. According to the courts, a successful assertion of the misuse defense does not, however, require proof of civil or criminal liability under the antitrust laws.

Patent misuse involves a patent owner taking any action that would expand his limited patent monopoly beyond the legal scope of the grant. Under the patent code, a patent owner may collect royalties for activities that would otherwise be considered contributory infringement. Congress expressed a desire to protect the patent owner from those who attempt to bypass the rights secured through the patent by extending protection against contributory infringers. A contributory infringer is defined in 35 USCS § 271(c) as one who:

sells a component . . . or a material or apparatus for use in practicing a patented process . . . knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial non-infringing use.

Thus, as the Supreme Court said in *Dawson Chemical Co. v. Rohm and Haas Co.*, 448 U.S. 176, 213 (1980), "Congress granted to patent holders a statutory right to control non-staple goods that are capable only of infringing use in a patented invention, and that are essential to that invention's use over prior art."

It is patent misuse, however, if one conditions the granting of a license upon the licensee's agreement to pay royalties based on total sales, despite lack of actual

use of the patented product or process in generating the sales. The license agreement would thereby extend the monopoly to cover non-patented products. However, according to *Automatic Radio Mfg. Co. v. Hazeltine Research, Inc.*, 339 U.S. 827, 834 (1950), the parties may agree to just such a scheme for convenience in collecting the royalty.

In *Automatic Radio*, the court was considering a license agreement that required Automatic Radio to license all or none of Hazeltine's patents. The Supreme Court stated that the license agreement was "a convenient mode of operation designed by the parties to avoid the necessity of determining whether each type of [Automatic Radio's] products embodies any of the numerous Hazeltine patents." *Id.* at 380. The Court restricted this expansive reasoning by clarifying that they were not unmindful that the convenience created by the licensing agreement in question could not justify an expansion of the patent monopoly. They held that "in licensing the use of patents to one engaged in a related enterprise, it is not per se a misuse of patents to measure the consideration by a percentage of the licensee's sales." *Id.* at 380.

Later, the Supreme Court limited the holding of *Automatic Radio* by ruling that "patentees [do not] have carte blanche authority to condition the grant of patent licenses upon the payment of royalties or on patented sales." *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100, 137 (1969). The Court held that "conditioning the grant of a patent license upon payment of royalties on products which do not use the teaching of the patent does amount to patent misuse." *Id.* at 136. While a provision negotiated between the parties could allow a provision for total sales royalty, if the patentee insisted on the provision over the licensee's protestations that some of his products were unsuited to the patent or that some lines of his merchandise would not require the patents, then a court could find misuse. Hence, the Court explained that a "misuse inheres in a patentee's insistence on a percentage-of-sale royalty, regardless of use, and his rejection of licensee proposals to pay only for actual use." *Id.* at 139 (emphasis added).

## APPLICATION OF THE LAW IN ENGEL INDUSTRIES

The Federal Circuit recently considered this issue in *Engel Industries*. Engel Industries, Inc. (Engel), the plaintiff-appellant, manufactures roll-forming machines for the HVAC industry in competition with Met-Coil Systems Corp. (Met-Coil). Met-Coil, Lockformer Co. (Lockformer) and Iowa Precision Industries, Inc. (IPI) are the defendants-appellees. Met-Coil is the assignee of U.S. Patent No. 4,466,641 entitled "Duct Connecting System." Simply described, the patent teaches a system for connecting the ends of sheet metal duct sections. The system uses an integral frame formed simultaneously with the duct section. To connect two duct sections, a worker snaps four nonpatented corner pieces into place on the frame and the nonpatented corner pieces are bolted together.

Shortly after the '641 patent issued, defendant Lockformer, the original assignee, threatened to sue Engel's customers for infringement. Engel entered a license agreement while maintaining that they were not infringing the patent. The license agreement contained a provision that required that MetCoil actively enforce its patent by prosecuting infringing third parties. However, Met-Coil was not meeting this provision to Engel's satisfaction. The lack of enforcement coupled with Engel's assertion of invalidity led Engel to want a renegotiated license agreement. Met-Coil refused to renegotiate, ignored the invalidity argument and continued to require royalty payments under the license agreement. A ten-year court battle thus began.

The Federal Circuit was asked whether the patent was infringed and whether the license agreement was unlawful. The court analyzed the patent infringement claim and determined that the patent was not infringed by Engel either directly or under the doctrine of equivalents. Having decided that there had been no infringement, the court turned its attention to the license agreement. The court was asked to decide whether the license agreement unlawfully required royalty payments on staple articles of commerce. In essence, Engel was asserting that the license agreement unlawfully required them to pay royalties for the unpatented

corner pieces. The magistrate had "held that royalties may be based upon unpatented components of a patented system if done for the convenience of the parties in determining the value of the patented invention." *Id.* at \*22-\*23.

Part of the licensing agreement provided that Engel would compensate Met-Coil with respect to the corner pieces in order to provide a convenient means for measuring the value of the license. The Federal Circuit noted that the corners were not required to be purchased from Met-Coil. Engel had the option of purchasing the corner pieces from Met-Coil, manufacturing the corner pieces itself or having them produced by a third party.

Engel attempted two arguments to show the license agreement illegally extended the patent monopoly to cover unpatented items. First, they alleged that Met-Coil coerced them into agreeing to pay royalties on the unpatented parts of the patented system. The argument relied on the defendant's threats of initiating patent infringement suits against Engel and its customers. The Federal Circuit stated that the voluntariness of the licensee's agreement to the royalty provisions is paramount and then reflected that the record showed no coercive actions by Met-Coil. In fact, the Federal Circuit stated that Met-Coil's aggressive enforcement of its patent is well within the rights accorded to a patentee. Therefore, Engel could not argue coercion simply based upon a lawful assertion of patent rights.

Engel also attempted to argue that "a patentee is not allowed to condition a license on the payment of royalties on unpatented products over the protests of the licensee that some of the products are unsuited for the patent or that he has no need or desire for the products." *Id.* at \*25. The Federal Circuit was again unpersuaded. The only parts not wanted by Engel were the corner pieces manufactured by Met-Coil; however, the license agreement was not conditioned on the purchase of these specific corner pieces. Therefore, the Federal Circuit found the license agreement legal and enforceable. The Federal Circuit held that "the disputed royalties provisions do not inappropriately extend the patent monopoly to unpatented parts of the patented system." *Id.* at \*26.

## CONCLUSION

As shown by this recent Federal Circuit decision, unpatented articles may be lawfully used as a royalty base. The license agreement must not coerce the licensee into accepting the tie or force the licensee to use the patentee's products. However, if done for the convenience, and with the acceptance of both parties in deciding the value of the patented article, the tying arrangement may not be an illegitimate misuse of the patent. The two key features of the tying licensing agreement should be voluntariness and increased convenience. ■

## NOTICE FROM THE COMMITTEE ON EMPLOYMENT

The Committee on Employment maintains a non-confidential file of unsolicited resumes of members and non-members seeking employment opportunities. For inclusion in the file, please submit resumes with covering letters to any member of the committee. Resumes are retained for about one year. If a member of the Association wishes to review the file, the committee will provide copies of the entire current crop of resumes. Particular field requests are not honored. It is the responsibility of the requestor to directly contact the candidate. There are no fees for these services. The committee does not honor requests or submissions from recruitment firms.

Respectfully submitted,  
Edward A. Steen, Chairman  
Stephen W. Feingold  
Gabriel Katona





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**Connecticut Intellectual Property and Entertainment boutique** with fun practice seeks associate with 1-3 years experience. Must be self-starter with demonstrable record of independent achievement. Trademark and litigation experience preferred. Send resumé and writing sample to Grimes & Battersby, P.O. Box 1311, Stamford, CT 06904-1311.

**Former NYC Assistant Corporation Counsel**, 6 years litigation and trial experience, Berklee College of Music graduate seeks associate position practicing intellectual property law. References available. Tel. (718) 768-6272.

The New York Intellectual Property Law Association, Inc.  
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