



## January/February 1998 Volume 38, Number 3

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### President's Corner

On behalf of all of the Officers and Board Members, I wish all of our Association members a most healthy and prosperous new year in 1998. I would like personally to thank all of the Officers, Board Members, Committee Chairs and active Committee Members for their tremendous effort during the first half of our Association year and look forward to the same fantastic effort in 1998. Assuming that everyone has recovered from the holiday "lull and crunch" syndrome, it is now time to refocus ourselves on the second half of our 1997-1998 Association year.

I have in the past mentioned certain members in this column and identified their special effort during the course of the year. I think it is good for our Association members to know in particular who among us have focused their efforts in a given area, not merely to recognize and praise their good work, but also to identify the specific task or program so that the membership at large has the opportunity to support their efforts in the future. By support, I mean taking the time to pass along some confirmatory, laudatory or even critical comment, or some further thought or idea, by letter, phone or fax or seek to help actively through committee participation. If you have a new found desire to work in a certain area relating to a certain Association committee of which you are currently not a member, please call me even if you were previously assigned to some other committee.

Tom O'Rourke, Chair of our Publications Committee, is a member who, like Greg Battersby before him, works on a weekly basis on Association matters in order to keep his part of the Association running smoothly. Tom O'Rourke oversees such things as the publication of this *Bulletin* as well as the *Greenbook*. Tom is the person to call upon for any matters relating to communication to the membership

or between membership entities. John Murnane, our Treasurer, handles the finances for the Association which place great demands upon his busy schedule. He is currently devising a better way to monitor and report the Association's income and expense activities on a comparative basis to years past in order to enable the Board to better assess when and where our funds should and can be spent. John Sweeney, our Secretary, has the task of coordinating the Association's Board meetings and various Board and Association activities to ensure that the work of the Association proceeds without undue delay or interruption. Tom O'Rourke, John Murnane, and John Sweeney, together with several other Committee Chairs and Board Members work at a steady and tireless pace and comprise the heart of our Association.

Eric Prager and our Trademark Law and Practice Committee have been particularly active with regard to the proposed changes in the Trademark Rules of Practice currently being considered by the PTO. The Trademark Committee has effectively presented our Association's position by written report last Summer as well as oral presentation before the PTO hearings just a few weeks ago. What is most notable about the efforts of Eric Prager and his Committee to date is their participation recently in the oral hearings before the PTO. Not only did Eric in particular do a very fine job in drafting and editing the written and oral comments, but, as it turned out, our Association was the only regional intellectual property law association represented at the PTO hearings. The ABA Intellectual Property Law Section, the AIPLA and INTA also appeared and, while these broad based organizations as always were effective in presenting a nationwide view, the participation of the regional intellectual property law associations is vital to the overall process, both to reinforce and validate the view of the national associations as well as to express a different view where appropriate. This function is critical to the analysis sought by the PTO in requesting written comments and in scheduling public hearings. An important reason for the PTO request for public comment is to enable the PTO to assess a given situation to insure that the PTO has effectively understood the factors which caused the proposed changes to be proposed as rules of practice in the first place. Of course, the function of our Association is not only needed in trademark matters, but also in patent and copyright matters as well. But the recent work of Eric Prager and our Trademark Committee, in presenting the sole regional view at the recent PTO hearings on the proposed trademark rule changes, exemplifies what the NYIPLA has been, what it is today, and what it will continue to be -- an effective voice for the intellectual property bar in this part of the country.

I have mentioned repeatedly in this column, at our regular Board meetings, as well as at every opportunity which has presented itself during the course of the Association year to date, the importance of our continuing legal education function as an Association. Ira Levy and our Continuing Legal Education Committee are doing a fine job to insure that appropriate and timely CLE programs are offered to our membership. Current CLE plans for the Association include an intellectual property law forum on March 23, 1998 at Fordham University on a broad range of timely IP topics. I ask you all to support this CLE function wholeheartedly. The CLE Committee is also working on the plans for this year's Joint Seminar program conducted with the Philadelphia, Connecticut and New Jersey Intellectual Property Law Associations which is scheduled for April 28, 1998. The joint seminar continues to be an important part of the CLE programs offered by our Association and continues to be a source of income for other NYIPLA CLE activities. I would hope that the Boston Intellectual Property Law Association will soon be included as part of the Joint Seminar program. As I recall, in the early discussions surrounding the formation of the Joint Seminar, the Boston, Pittsburgh, Delaware and even Washington, D.C. area regional intellectual property law associations were considered for inclusion, but thought to be too distant. I believe that Boston should be reconsidered and perhaps Pittsburgh as well.

The CLE Committee, under the direct guidance of Howard Barnaby, Herb Schwartz and Greg Battersby, our up-coming Presidents for the next three Association years, will undertake to plan a Fall 1998 weekend CLE function similar to those the Association hosted in the past at, for example, Mohonk Mountain House, coupled together with golf, volleyball, basketball and tennis "tournaments", hiking and other activities. The 1998 weekend program will occur under the presidency of Howard Barnaby, and Howard is strongly in favor of the Association rekindling this CLE weekend concept after a hiatus of several years. Efforts are currently being made to schedule this function for September or October of 1998 at a resort facility which would be in driving distance from the New York metropolitan area, but far enough away to

have that weekend get-away atmosphere. I can't emphasize enough the large number of past presidents and other "senior" members of the Association who in the past have experienced these CLE weekends, and who now support reinstating this concept as a very valuable part of our Association life, not only to promote camaraderie within the membership, but also as a CLE function. I know you have a choice of other Bar Association functions to which to devote your time, effort and money, but the CLE weekend of our New York Association demands that membership support it as a worthwhile and important function.

I would also like to mention the efforts of Tom Beck and the Litigation Committee with regard to investigating the possibility of an Inn-of-Court sponsored by our Association. If you will refer to the minutes of the Board meeting from December 14, you will get some insights into the work that Tom and his Committee have done to date. It appears that several Inns-of-Court would have to be formed to accommodate all who may be interested (there is an 80 member limit on an approved or authorized Inn of Court) and the road to formation of even a single Inn of Court has many obstacles. Tom's efforts should be encouraged and supported as he continues to look into this concept. On a similar note, Dale Carlson recently brought to our attention a practice of the New Haven Bar Association which presents an annual Civility Award to the lawyer or judge who best embodies the spirit of civility between and among the bar. I will ask the Board at our scheduled February meeting to consider the presentation of such an award at the Association's Annual meeting in May.

Please note the next Board meeting is scheduled for February 10, 1998. Any member who wishes a matter to be considered by the Board at this meeting as new or old business should send a note to either myself or John Sweeney at least a week in advance of the meeting date.

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## Calendar of Events

### February 20, 1998

NYIPLA Luncheon Meeting, "Doing Business Over the Internet" Speaker: Jay Walker, Cornell Club, New York City

### February 26-28, 1998

Licensing Executive Society Winter Meeting, Four Seasons Hotel, Newport Beach, California

### March 23, 1998

NYIPLA CLE Conference, Fordham University School of Law

### March 30-31, 1998

ABA-IPL Section, ABA-IPL 1998 Spring CLE Meeting, Omni Shoreham Hotel, Washington, DC

### April 28, 1998

NYIPLA, NJIPLA, CPLA, PIPLA Joint Patent Practice Update, Grand Hyatt Hotel, New York City

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## News From the Board of Directors

*by John F. Sweeney*

The Board of Directors met at The University Club on Tuesday, November 11, 1997. President Edward Filardi presided.

Upon motion by Theresa Gillis, seconded by Howard Barnaby, the Minutes of the October 14, 1997 Board meeting were unanimously approved. The corrected Treasurer's report, dated September 30, 1997, as well as the Treasurer's report of October 31, 1997, were circulated. John Murnane reported that the Association's financial condition is healthy. The corrected Treasurer's report of September 30, 1997 and the Treasurer's report of October 31, 1997 were unanimously approved and accepted by the Board.

In his report on current matters, Mr. Filardi commended Susan McHale and Marylee Jenkins for their work on the Young Lawyers Program and Ms. McHale for her continuing outstanding work as Chairperson of the Committee on Meetings and Forums.

Herbert Schwartz reported that Horizon is proceeding to make the arrangements for the Annual Dinner In Honor Of The Federal Judiciary. Horizon's fees in connection with the dinner are expected to be approximately \$30,000, which is about a 5% increase over last year. Mr. Schwartz reported that over the last several years Horizon's fees have increased approximately 5% per year. Mr. Filardi reported that he has extended an invitation to Justice Ginsberg of the United States Supreme Court to speak at this year's dinner. Other possible speakers include Governor Pataki, Justice Scalia, and members of the United States Court of Appeals for the Federal Circuit and/or the Second Circuit. The price of the dinner to members for the 1997-1998 year's dinner will remain \$135 per person. The price for non-members will be increased \$10 per person from \$185 to \$195 per person. This increase is to offset price increases that the Association will incur. Mr. Schwartz also indicated that he believes that the new differential in prices between those for members and those for non-members may encourage more attorneys who usually attend the dinner to join the Association.

Ira Levy, Chairperson of the Continuing Legal Education Committee, reported on plans for CLE programs in the coming 1997-1998 year. The Continuing Legal Education Committee will be organizing two CLE programs -- a repeat of a one-day seminar at Fordham Law School on March 19, 1998 and the joint program with the New York and Philadelphia Intellectual Property Law Associations at the Hyatt Regency Hotel in New York on April 28, 1998. Mr. Levy also reported that there was interest within his committee to possibly have a weekend CLE seminar in the fall of 1998 at a local resort -- possibly Mohonk Mountain Lodge or Gurney's Inn on the eastern end of Long Island.

Mr. Filardi noted that with the coming of mandatory CLE to New York, the Association should take any steps that are necessary to assure that the Association becomes an accredited CLE provider. Mr. Levy assumed that an ethical component will be required in all CLE programs in order to obtain New York State credit. Mr. Levy agreed to check on the schedule of planned PTO hearings concerning CLE training to practice before the United States Patent and Trademark Office. Mr. Levy and his committee will look into the possibility of preparing a one-day program on PTO procedure and will make a recommendation. Mr. Levy will prepare a schedule of hearings to be held on CLE matters and will forward it to the Secretary, John Sweeney, who will then circulate it to the Board.

Eric Prager, Chairperson of the Committee on Trademark Law and Practice, reported that there will be a hearing in the United States Patent and Trademark Office on December 12, 1997 concerning TTAB practice and procedure. Mr. Prager asked for the Board to advise him as to whether the Association should send a representative to the hearing and, if so, what position the representative should take at the hearing. Mr. Prager will provide the Secretary, Mr. Sweeney, for immediate circulation to the Board, the recommendations of the Committee on Trademark Law and Practice as to whether a representative of the Association should be sent to the PTO hearing and what positions, if any, should be taken by the Association representative. The Board will consider the draft committee report and vote on it by mail or telecopy no later than December 1, 1997.

Anthony Zupcic, Chairperson of the Committee on the Harmonization of Patent Laws, reported that the

Commissioner of the United States Patent and Trademark Office has requested public comments concerning the proposed Patent Law Treaty. Mr. Zupcic provided a draft proposed letter to the Secretary, setting forth proposed comments of the Association concerning the Patent Law Treaty. Mr. Sweeney agreed to circulate to the Board the draft proposed letter from the Association to the Commissioner of the United States Patent and Trademark Office presenting comments regarding the Patent Law Treaty. The Board agreed that it was important to vote on the proposed letter no later than November 20, 1997.

John Pegram, William Brunet and Christopher Chalsen, the Association Representatives on the United States Bar/Japan Patent Office Liaison Council, reported that Japan is considering changes in its patent laws relating to damages relief. Mr. Pegram told the Board that he will be attending the November 20, 1997 Tokyo meeting of the United States Bar/Japan Patent Office Liaison Council and will be presenting his views. Mr. Filardi noted that the Association will not be presenting any position at the upcoming meeting in Tokyo and that Mr. Pegram is, of course, free to present his own views.

Thomas Beck, Chairperson of the Litigation Practice and Procedure Committee, reported that he is continuing his investigations into what will be necessary for the Association to form an Inn of Court.

Upon motion by Ms. Gillis, seconded by Mr. Sweeney, the meeting was then adjourned.

### **December Meeting**

The Board of Directors also met at The University Club on Tuesday, December 16, 1997. Mr. Filardi presided. Upon motion by Ms. Gillis, seconded by Robert Neuner, the Minutes of the November 11, 1997 Board meeting were unanimously approved. The Treasurer's report, dated November 30, 1997, was circulated. Mr. Murnane reported that the Association's financial condition is healthy and that the current balance is higher than it was at this time last year. At the request of Mr. Filardi, Mr. Murnane will investigate the possibility of preparing a more detailed monthly Treasurer's report showing comparative expenditures and income of the Association on a monthly basis over the prior two years. Mr. Murnane will also look into whether or not the Association should go on a fiscal year beginning and ending on July 31st so that the September Treasurer's report reflects the Association's major expenditure -- the costs incurred in connection with the Annual Judges' Dinner. The Treasurer's report of November 30, 1997 was unanimously approved and accepted by the Board.

Mr. Sweeney gave a brief report on the oral argument to the Federal Circuit sitting *en banc* in the *In re Zurko* case. It was noted that the NYIPLA was the only regional bar association to present an amicus brief in the case.

Mr. Filardi reported that Justices Ginsburg, Souter, Thomas and Scalia of the United States Supreme Court have been approached as possible speakers for the Annual Dinner In Honor Of The Federal Judiciary. Mr. Filardi also reported that the Association has been asked whether or not it might be able to hold some meetings in Westchester County or to have a "Westchester chapter" to accommodate some members of the Association who practice in that area. After some discussion, the Board agreed that it would not be feasible to hold meetings outside of New York City or to organize "chapters". It was noted that a number of the members of the Board already travel to monthly meetings in New York City from Connecticut and other outlying areas. It was suggested that Susan McHale, Chairperson of the Committee on Meetings and Forums, arrange to have audiotapes of all talks given at the monthly meetings of the Association made available to all members of the Association for the particular benefit of those not able to attend the meetings.

Herbert Schwartz reported that Horizon is making good progress with preparations for the Annual Dinner In Honor Of The Federal Judiciary.

Thomas Beck, Chairperson of the Litigation Practice and Procedure Committee, made a presentation on the procedures involved in forming an Inn Of Court under the sponsorship of the Association. A critical aspect of the procedures is to identify legal scholars (academics), judges and senior members of the bar

who would be willing to participate. Mr. Beck and his committee will attempt to identify such individuals and then will move forward with preparations to form an Inn Of Court. Mr. Beck also reported that his committee is proceeding to develop a jury interview questionnaire with a view to providing useful information concerning jury patent practice for members of the Association.

Ira Levy, Chairperson of the Continuing Legal Education Committee, reported on costs involved in having a CLE seminar at a location outside of New York, for instance, at Mohonk Mountain Lodge. In order to reserve rooms now for a fall program, a deposit of \$28,000 will be required. After some discussion, the Board decided that it would not make sense to proceed with a CLE program outside of the New York area due to poor attendance in the past at programs of this nature. Mr. Levy and his committee will focus on a CLE seminar within New York City.

Eric Prager, Chairperson of the Committee on Trademark Law and Practice, reported on his presentation to the PTO with respect to the revisions to the trademark rules of practice that the PTO is now considering. On behalf of the Association, Mr. Prager's presentation to the PTO stated that the new rules could have the negative effect of increasing reckless motion practice and that it does not appear that the reforms will accomplish their purpose of sufficiently limiting discovery.

Upon motion by Mr. Neuner, seconded by Mr. Sweeney, the meeting was adjourned.

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## **NYIPLA Mentorship Program**

The NYIPLA mentorship program seeks to match new or prospective members of the profession with experienced practitioners in the intellectual property field. The purpose of the program is to give newcomers a window on IP practice through personal contact with those who can provide guidance as to opportunities, pitfalls and "the lay of the land." The program also allows mentors to use their experience to make a contribution to the growth of the profession. After a successful pilot program with students at New York Law School, the Association is hoping to recruit more mentors and to roll out the program to additional law schools in the metropolitan area.

For more information about the mentoring program, please contact:

Nate Levin  
Chairperson, Mentoring Program  
Robin, Blecker, Daley & Driscoll  
330 Madison Avenue  
New York, NY 10017  
e-mail: nate@rbdd.com  
Telephone: (212) 682-9640  
Telefax: (212) 682-9648

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## ***Announcing*** **The Fourteenth Annual Joint Seminar Program**

### ***PATENT PRACTICE UPDATE***

Due To the Continuing Popularity of Their Seminars on Updates of Patent Practice,  
The New Jersey Intellectual Property Law Association, The Connecticut Patent Law Association,  
The New York Intellectual Property Law Association and The Philadelphia Intellectual Property Law Association Are  
Pleased Again to Present

**A One-Day Program Featuring Five Panels of Experts Discussing Recent Developments in the Law Which All Patent Practitioners Will Need to Know.**

Our Panels of Experts Will Discuss Recent Developments in U.S. Patent Office Practice, Litigation, Pharmaceutical and Biotechnology Developments, Licensing/Antitrust/International, and Computer Software.

A Valuable Reference Text is Included in the Registration Fee.

*Sponsored by*

New Jersey Intellectual Property Law Association (Host Association)  
Connecticut Patent Law Association  
New York Intellectual Property Law Association  
Philadelphia Intellectual Property Law Association

**April 28, 1998**

**GRAND HYATT HOTEL**  
**Grand Central Station, 42nd Street and Park Avenue**

**9:15 a.m to 5:00 p.m.**

\$125 Registration Fee

(This fee includes a luncheon, bus transportation to Penn Station and all Seminar materials.)

(A \$15 late registration fee will be added to the price of admission if you register at the door.)

**RESERVATION FORM**

Nanette S. Thomas, Esq.  
Becton Dickinson and Company  
1Becton Drive  
Franklin Lakes, NJ 07417

Enclosed is a check for \$ \_\_\_\_\_, payable to the NJIPLA for \_\_\_\_\_ attendees at \$125.00 each

Name (please print) \_\_\_\_\_

Firm or Company \_\_\_\_\_

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**NYIPLA Fall CLE Weekend at Nevele Hotel**

The New York Intellectual Property Law Association has announced plans for a Fall, 1998 Continuing Legal Education (CLE) Weekend to be held on October 2-4, 1998 at the Nevele Grande Hotel in the Catskills. The program is open to both NYIPLA members and non-members. Attendees will qualify for CLE credit in most states.

The program will consist of two, half-day CLE programs wrapped around golf and tennis tournaments and a host of indoor and outdoor family activities at this world famous resort. Included in the activities will be the first annual "Battle of the Firms" under the tutelage of Commissioner and former New York Jets captain Randy Rasmussen in which law firms and corporate IP law departments will engage in touch football, three-on-three basketball and co-ed volleyball games. For the less active, the weekend will offer an opportunity to commune with nature and watch the glory of the fall foliage in a spectacular setting. All

of the Concord's numerous recreational facilities (including a host of children's activities) will be available. All meals are included as are receptions on both Friday and Saturday evenings. Featured after-dinner speakers will include a PTO official, a District Court judge and a Federal Circuit Judge.

The Saturday morning CLE program is directed to "Transactional and PTO Matters" and will feature a Roundtable on Interface Between In-House and Outside IP Counsel. Other topics that will be covered include: Antitrust Considerations in Licensing; Recent Developments in Trademark and Copyright Law; the Impact of the Proposed UCC Changes on License Agreements; International Patent Issues; and Prosecuting Patent and Trademark Applications with an Eye Toward Litigation.

The Sunday morning CLE program is directed to "Intellectual Property Litigation" and will feature a mock Markman hearing presided over by a judge from the Southern District of New York. Other topics that will be covered include the Growing Importance of Summary Judgment Motions in Patent Infringement Actions; The Do's and Don'ts of Preliminary Injunction Motions in Intellectual Property Cases; and Alternative Dispute Resolution--Has Its Time Come?

Costs for the entire weekend are currently being finalized. It is expected that the overall cost for a couple for the weekend with all of its activities will be less than the price of a single admission ticket to a comparable CLE program. Plans will be available for individuals as well as for those who would prefer to simply attend one or both of the CLE programs.

This is a unique opportunity to combine CLE with an action-packed fall weekend for the whole family in the New York Catskills at the world famous Nevele Grand Hotel. As space is limited, early reservations are strongly suggested.

For additional information, contact Howard Barnaby, at (212) 682-9640.

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*Announcing the*

## **William C. Conner Intellectual Property Writing Competition for 1998**

*sponsored by*

**The New York Intellectual Property Law Association**

Awards to be presented on May 21, 1998  
in New York City at the  
NYIPLA Annual Meeting and Dinner

The Winner will receive a cash award of \$1,000.  
The Runner-up will receive a cash award of \$500.

The competition is open to students enrolled in a full time (day or night) J.D. program. The subject matter must be directed to one of the traditional subject areas of intellectual property, i.e., patents, trademarks, copyrights, trade secrets, unfair trade and antitrust.

Entries must be submitted by **March 13, 1998** to the address given below.

For a copy of the rules of the competition, call or write:

Mark J. Abate, Esq.  
Morgan & Finnegan, L.L.P.  
345 Park Avenue

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## Pending Legislation

by Edward P. Kelly

### PATENTS

#### Bill Relating to International Trade

An international trade law adopted in 1974 allows certain developing countries to export goods to the United States duty-free. See 19 U.S.C. 246, et sec. This is sometimes referred to as the "Generalized System of Preferences Program." In 1994, the U.S. concluded the Uruguayan Round agreements dealing with trade issues among 108 countries. The Uruguayan Round agreements include the TRIPS Agreement (Trade-Related Aspects of International Property Rights) which contained certain agreements regarding reciprocal protection of intellectual property rights among signatory members. While established nations were required to amend their domestic intellectual property laws to comply with TRIPS, certain developing countries were given several years to adhere their domestic laws to TRIPS. Senator Lautenberg (D. N.J.) recently introduced a bill (S. 1426) that would attempt to link the Generalized System of Preferences Program to compliance with TRIPS. The Bill would require countries that are afforded the benefit of duty-free exportation to conform to TRIPS on a more expedited schedule. In Senator Lautenberg's view, no country should be able to take advantage of duty-free exportation if it is not currently affording reciprocal intellectual property protection to the U.S.

#### Omnibus Bill

For the second consecutive year, an Omnibus Bill addressing several patent issues has stalled in Congress without being sent to the President for signature. The provisions of the bill (S. 507) address greater third-party participation in re-examination proceedings, a prior use defense, publication of patent applications 18 months after filing and a change in the business organization of the U.S. Patent Office. Several of these amendments to the patent law were initially driven by the mutual understanding agreement signed between Japan and the U.S. Patent Office in 1994. That agreement called for the U.S. to make certain revisions to U.S. patent law in exchange for Japan's agreement to allow foreign nationals to file patent applications in English.

Five former PTO Commissioners support the Omnibus Bill. The Omnibus Bill is expected to be re-introduced this year and will include the following provisions.

*Re-Examination Proceedings.* The patent statute currently provides that a third party may request re-examination of a patent. However, the third-party's participation currently does not go beyond the initial request for re-examination and a reply to the patent owner's statement in response to the request for re-examination. For instance, amendments made to the claims during re-examination may not be addressed by the third party which requested re-examination.

The Senate Omnibus Bill would make certain amendments to the re-examination statute and give a third-party a greater role in influencing the outcome of the re-examination. The final version of the House bill debated last Spring deleted the provisions regarding re-examination.

The Senate bill would allow the third-party requester to not only comment on the patent owner's response to re-examination, but also to address the issues raised in the Patent Office during the re-examination procedure. The basis for re-examination 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. Supporters of the Bill argue that expanded re-examination proceedings could replace expensive litigation.

*Prior Use Defense.* As a general rule, a company that protects its technology by keeping it a trade secret does so at its peril because it could be liable for patent infringement if someone obtains a patent on that technology. The Omnibus Bill 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. Many of the U.S. trading parties now afford a prior user defense to patent infringement.

The Bill would amend § 273 of the patent statute 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 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 20 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 18 months after they are filed. The U.S., however, currently does not publish patent applications prior to issue of the patent. The Senate Omnibus Bill would bring the U.S. into conformity with those countries that do provide for publication 18 months after filing. The published application would be considered prior art under § 102(e) of the patent statute.

The publication provisions were the most disputed of the Omnibus Bill when the House held hearings last Spring. Opponents of early publications argued that publication in the U.S. prior to issuance of the patent hurts small businesses because it provides large corporations an opportunity to steal and use inventions prior to the time a patent issues.

The Senate bill now gives the applicant -- not filing abroad -- the right to choose whether the application will be published 18 months after filing. Those applicants which choose publication would be able to receive a reasonable royalty from infringers calculated from the date of publication.

*PTO As Government Corporation.* Another issue addressed in the Omnibus Bill relates to the status of the U.S. Patent and Trademark Office. The bill would convert the PTO into a government corporation. The

Senate bill would create the PTO as a government corporation run by a Director appointed by the President. However, the Senate Omnibus Bill does not address the issue of whether Congress should be able to divert patent user fees to reduce the general budget deficit -- as Congress is now doing.

## **COPYRIGHTS**

### **Pre-1978 Musical Recordings**

The President recently signed a copyright bill (H.R. 673) that effectively overruled a prior judicial decision of the Ninth Circuit concerning the entry of pre-1978 musical recordings into the public domain. In *La Cienega Music Co. v. ZZ Top*, 53 F.3d 959 Cir. 1995, *cert. denied*, 116 S.Ct. 331 (1995), the Ninth Circuit significantly restricted the copyright protection for music contained on sound recordings sold to the public. The decision held that the distribution of sound recordings to the public was a publication of the music recorded on the sound recordings. Under the 1909 Act, a publication of the work without copyright notice automatically placed the work into the public domain. In most instances, music published on sound recordings did not contain copyright notice, partially because the prevailing opinion was that distribution of sound recordings was not a publication of the music contained on recordings. Therefore, the Ninth Circuit's decision eliminated copyright protection for music contained on sound recordings that did not contain a copyright notice for the music.

The Second Circuit did not agree with the Ninth Circuit, holding that the public distribution of recordings is not a publication of music contained on the recording. The Bill reverses the decision of the Ninth Circuit by legislation, and thereby holds that distribution of a sound recording is not a publication of the underlying music contained on the recording.

### **Criminal Liability for Copyright Infringement**

The President also signed into law a bill that would reverse the outcome of the now famous "MIT" case. Section 506 of the Copyright Law provides that a person who willfully infringes a copyright and does so for the purpose of commercial gain is subject to the criminal punishments set forth in Title 18 of the U.S. Code. In 1994, the Justice Department failed in its attempt to prosecute a defendant under the federal wire fraud statute who had helped others download copyrighted software from the defendant's computer bulletin board. The defendant in that case, a student at MIT, reaped no financial gain from his actions. In *U.S. v. Lamacchia*, 871 F.Supp. 535 (D. Mass. 1994), the court held that because the copyright statute included the term "financial gain", Lamacchia's actions were not criminal conduct under Section 506(a) of the Copyright Act and could not form the basis of the wire fraud statute prosecution.

The Bill eliminates the requirement for financial gain for certain willful copyright infringements. The Bill creates a new section 506(a)(2) of the Copyright Statute. The infringements which would not need the element of financial gain are the reproduction or distribution of ten or more copies of copyright work if the retail value of the work is \$5,000 or more.

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## **Recent Decisions of Interest**

by Thomas A. O'Rourke

### **Willful Infringement**

In *SRI International v. Advanced Technological Laboratories*, 127 F.3d 1462, 44 USPQ2d 1422 (Fed. Cir. 1997) two of defendant's engineers wrote in separate memorandum in 1984 that they believed ATL infringed SRI's patent. In 1986, an ATL in-house attorney wrote a letter in response to SRI's letter offering a license. This letter was relied on by ATL as an opinion letter. However, this letter made

incorrect statements about the structure of ATL's devices which formed the basis for ATL's claim of non-infringement. Subsequently, SRI again contacted ATL about ATL's product and offered a license. In response, an opinion of outside counsel was prepared. This opinion said the claims were infringed by the ATL device but the patent was invalid for obviousness. The opinion relied on a prior art patent to Weighart that was considered by the examiner in a earlier request for reexamination. In the reexamination, the patentability of SRI's patent was confirmed. Outside counsel's opinion concluded that SRI had made a material misrepresentation during reexamination proceeding on the of the technical content of the Weighart patent. The district court, in finding willful infringement, had held that the opinion gave no evidence to support the allegation of misrepresentation.

A third letter that ATL relied on was written by an ATL in-house counsel. This letter to SRI claimed there was no infringement and repeated the substance of the two earlier non-infringement letters. Two days before suit was brought, in-house counsel wrote to ATL's management that an invalidating reference was found. This reference was not found pertinent at the trial in the liability phase of the lawsuit because it related to a different art. In addition, the Federal Circuit at the appeal of the liability phase of the trial noted that the relied-on patent was also considered by the Examiner during the reexamination proceeding.

In the appeal of the holding of willful infringement, the Federal Circuit stated at 1426:

ATL states that `ongoing consultation with a patent attorney is highly probative evidence of good faith.' Consultation with counsel is indeed relevant evidence, as is the product of that consultation, its thoroughness, its objectivity, and its substance. To serve as exculpatory legal advice the opinion of counsel is viewed objectively, to determine whether it was obtained in a timely manner, whether counsel analyzed the relevant facts and explained the conclusions in light of the applicable law, and whether the opinion warranted a reasonable degree of certainty that the infringer had the legal right to conduct the infringing activity. (citation omitted)

The Federal Circuit also noted that the district court's conclusion of willfulness was supported by the evidence of delay, silence and misinformation, and non-response by ATL to SRI's letters. The Federal Circuit noted at 127 F.3d at 1468, 44 U.S.P.Q.2d at 1426:

The district court found that ATL 'deliberately prolonged its dealings with SRI, imposing delay after delay, in order to fend off SRI as long as possible and allow its profitable infringement of the ['750] patent to continue.' The record evidences delays, silences, misinformation, non-responses, and various other means of 'putting SRI off as long as possible.' The district court, reviewing this conduct, described it as 'outrageous.' Commercial conduct may be relevant in determining whether the infringer exercised the due care owed to a patent holder. (citation omitted)

### **Settlement Agreements**

Frequently, consent decrees to resolve patent infringement suits provide that the district court retains jurisdiction to resolve any disputes as to the enforcement of the settlement agreement. Where the original complaint that was the basis for the settlement agreement was a claim for patent infringement, any appeal from the district court's enforcement of the settlement agreement goes to the Federal Circuit. In *Gjerlov v. Schuyler Laboratories Inc.*, 44 USPQ2d 1881 (Fed. Cir. 1997) the consent decree prohibited Schuyler from continuing to infringe but it did not prohibit it from manufacturing and selling a new product reformulated in accordance with the specific terms of the settlement agreement. Subsequent to entering into the settlement agreement, a dispute arose between the parties concerning whether the defendant's product was in violation of the agreement. The district court held that defendant's product violated the settlement agreement and damages were assessed based on a reasonable royalty calculation. The district court awarded a reasonable royalty, relying on the Federal Circuit's decision *Interspiro USA v. Figgie Int'l*, 18 F.3d 927 (Fed. Cir. 1994) and held that defendant's post-settlement product infringed the patent in suit and that the patent statute governed the award of damages. In addition, relying on 35 U.S.C. §285, attorney's fees were also awarded to plaintiff by the district court in *Gjerlov*. On appeal, the Federal Circuit initially

addressed its jurisdiction and concluded that the court did have jurisdiction. Since the original claim for relief arose under the patent laws, 28 U.S.C. §1338(a), and the consent decree disposing of the case contained a provision retaining jurisdiction for purposes of enforcing the agreement, the court concluded that it had jurisdiction to hear the appeal.

The Federal Circuit affirmed the district court's ruling that the defendant's products fell within the scope of the forbidden products and then turned to the issue of damages. The Federal Circuit held the facts in *Interspiro* were different because the settlement agreement in *Interspiro* by its terms set out a royalty calculation which the agreement in *Gjerlov* did not. In addition, there was a difference between what Schuyler agreed not to sell and what the public was excluded from selling as claimed in the patent. The court stated at 1888:

the minimum percentage of electrolytes and glucose that Schuyler's product have in order to avoid breach of the agreement is higher than that claimed in the underlying patent. In effect, the Agreement precludes Schuyler from making oral rehydrants having a percentage of electrolytes and glucose at least 9.5% above the upper limit of the range claimed in the patent.

As a result, determining whether there was a breach of the agreement did not require an infringement analysis. Accordingly, the patent damages statute 35 U.S.C. §284 was not the appropriate basis for calculating damages, and state law damages for breach of contract should have been used. In addition attorney's fees and costs should not have been awarded under §285.

#### Notice of Infringement

Letters offering a license but not threatening an infringement suit were found to be sufficient notice of the patent to satisfy the requirement of actual notice under §287 in *SRI International v. Advanced Technological Laboratories*, 127 F.3d 1462, 44 USPQ 2d 1422 (Fed. Cir. 1997). In *SRI*, the Federal Circuit rejected defendant's argument that the letters in question offering a license had to charge ATL with infringement in order to constitute notice. These letters said that the ATL devices "may infringe" the SRI patent, and the letter included a copy of the patent. The Federal Circuit held that this was sufficient notice stating, 127 F.3d at 1470, 44 USPQ2d at 1428:

It is not controlling whether the patentee threatens suit, demands cessation of infringement, or offers a license under the patent. Although there are numerous possible variations in form and content, the purpose of the actual notice requirement is met when the recipient is notified, with sufficient specificity, that the patent holder believes that the recipient of the notice may be an infringer. Thus, the actual notice requirement of §287(a) is satisfied when the recipient is informed of the identity of the patent and the activity that is believed to be an infringement, accompanied by a proposal to abate the infringement, whether by license or otherwise.

#### Joinder of Parties

In *Horphag Research Ltd. v. Consac Industries, Inc.*, 116 F.3d 1450 (Fed. Cir.) an action was brought by Horphag against Consac for, *inter alia*, patent infringement in the Eastern District of New York. At the time of the suit, Horphag owned a 50% interest in the patent. The other 50% was owned by SCIPA. Neither Horphag nor Consac moved to join SCIPA as a party. A declaratory judgment action was brought in the District of Columbia district by Consac against SCIPA. SCIPA transferred its interest in the patent to INC. approximately 10 days after Consac made a motion to transfer the DC action to the New York action. Consac's motion to transfer and consolidate was granted two weeks after the transfer of rights occurred.

SCIPA, in the now consolidated action, answered the Consac complaint by asserting a lack of jurisdiction because SCIPA no longer owned the patent. SCIPA's motion was granted and it was dismissed from the case. Subsequently, Horphag settled the dispute with Consac and the action was dismissed with prejudice as to some claims but without prejudice as to others. About 9 months after the dismissal, Horphag moved

under F.R.C.P. 25(c) and 71 to join INC as a party. The motion was granted by the district court because INC was the successor in interest to SCIPA. According to the district court, the court's prior order dismissing SCIPA's cross claims was binding on INC.

The Federal Circuit analyzed Rule 25 and concluded that by its very language it only applied to pending litigation. Rule 25(c) provides: "in case of any transfer of interest, the action may be continued by or against the original party, unless the court upon motion directs the person to whom the interest is transferred to be substituted in the action or joined with the original party."

Rule 71 was also rejected as a basis for relief to Horphag because there were no findings of fact by the District Court on the relationship between INC and SCIPA.

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## **An Open Letter To Association Members**

### **1998 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, 1998 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 13, 1998.

Thank you.

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

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## **Nomination Form for Inventor of the Year - 1998**

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, 1998 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 13, 1998 to Mark J. Abate, Morgan & Finnegan, 345 Park Avenue, New York, N.Y. 10154. Telephone number (212) 758-4800.

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## Announcements and Advertisements

**Park Avenue Near Grand Central Station** Intellectual Property Attorneys have attractive offices available including receptionist if desired and secretarial stations. (212) 681-0800.

**Paralegal Wanted.** Seeking paralegal to research and assist in securing provisional patent. Prefer

experience in software/gaming/prior art. Fax resume A.S.A.P. to: Cybersapien Entertainment, Attn: Kathleen (212) 947-2129.

**Fantastic Opportunity for IP attorneys** to join the growing IP department of a 130 attorney, well managed general practice firm with offices in Los Angeles (Century City) and San Francisco. The firm's IP department is stable and team oriented, and handles all facets of IP law including prosecution, transactions and litigation. The firm has an entrepreneurial atmosphere and provides the IP department with full support. Presently the firm is seeking (1) an electrical computer/software patent attorney with significant experience and at least a small clientele; (2) a senior chemical patent attorney with or without business; (3) an experienced mechanical patent attorney; (4) an experienced chemical or chemical engineer patent attorney; and (5) an IP attorney specializing in trademark and copyright prosecution and enforcement. Notable academic and professional history required. Please send your resume in complete confidence to Rod S. Berman, Esq., Jeffer, Mangels, Butler & Marmaro, LLP, 2121 Avenue of the Stars, 10th Floor, Los Angeles, CA 90067, fax to 1.310.785.5318 or e-mail to RB@Jeffer.com.

**Whitman Breed Abbott & Morgan**, a leading general practice law firm with approximately 200 attorneys, is seeking highly qualified associates to join its dynamic intellectual property department in New York City. There are immediate openings for attorneys with degrees in the electrical (particularly computer software, computer-based systems and integrated circuit technology), chemical and biotechnology areas and who have at least two years of experience in the preparation and prosecution of patent applications, opinion work, client counseling, litigation or licensing. Qualified attorneys will have the opportunity to practice in all aspects of patent, trademark and copyright prosecution, litigation, licensing and client counseling. The firm offers a competitive compensation package including an associate bonus program and 401(k) plan. All inquiries are confidential. Please send resume to: Francesca Runge, Legal Personnel Director, 200 Park Avenue, New York, New York 10166 (212) 351-3131 (Fax) EOE M/F/D/V

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## NYIPLA And Fordham University School of Law Present CLE Program on Intellectual Property

*March 23, 1998*

The NYIPLA and Fordham University School of Law will co-sponsor an intellectual property law program at the beautiful Lincoln Center campus of Fordham Law School on March 23, 1998. We have assembled an outstanding group of intellectual property lawyers and members of the federal judiciary (invited) to speak on diverse topics such as non-domain name internet trademark issues, opinion-letter drafting from both an in-house counsel and outside counsel perspective, rights of publicity and privacy, ethical conflicts for the intellectual property practitioner, trends at the Court of Appeals for the Federal Circuit, and *Markman* re-visited, a view from the bench and bar.

Registration and continental breakfast will start at 8:30 a.m. The morning session will run from 9:00 a.m. to about 12:40, and will be followed by a luncheon. The afternoon session will run until 5:00 p.m. The program will cost \$90.00 for lawyers practicing more than 3 years, and \$80.00 for those practicing less than 3 years.

**A REGISTRATION FORM WILL BE MAILED SHORTLY.**

**FOR MORE INFORMATION, CONTACT IRA JAY LEVY, DARBY & DARBY, (212) 527-7718  
ILEVY@MAIL.DARBYLAW.COM**

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