March/April 1998

President's Corner

By the time you have an opportunity to read these comments, the March 27, 1998 Seventy -Sixth Annual Dinner in Honor of the Federal Judiciary will be part of our Association's history and tradition. The festivities of the evening will have witnessed our formal celebration not only of the elevation of Haldane Robert Mayer to the status of Chief Judge of the Court of Appeals for the Federal Circuit, but also our tribute to Judge Giles Sutherland Rich, and particularly his longevity of service to the bench and the intellectual property bar. Our "informal" celebration of Judge William C. Conner's birthday, which falls on March 27th , will be a "lucky strike extra".

As many of you are well aware, the burden of organizing and planning the Judge's Dinner is now, and has been for sometime, largely in the very capable hands of Michael Isaacs and his hardworking staff at Horizons Inc. Notwithstanding the substantial burden which Horizon's staff takes off our shoulders, there still remains a great deal for the Association Board to do and in particular the officer in charge, our First Vice President, who of course this year is Herb Schwartz. Herb has had a great deal to do and worry about, particularly with regard to the seating arrangements for such a large group of lawyers so keenly desirous of securing the best seats for their respective clients. Herb has done an excellent job, and for his tremendous effort has our thanks and appreciation.

There is one task relating to the Judge's Dinner which traditionally and annually drops in the lap of the President and which this year happily fell upon my shoulders, and that is the selection of the after dinner speaker. In the past, from time to time, we have had speakers from outside of judiciary, who have been informative and entertaining. Commentator Russell Baker, former New York City Mayor Ed Koch and Admiral Rickover are examples that come quickly to mind. I personally remember those experiences as enjoyable (and one as somewhat painful). And, as I undertook the process to find a speaker for this year's dinner, I considered several potential speakers including several outside the judiciary. But I came to feel strongly that the dinner should provide a forum, as we have many times in the past, for appropriate members of the judiciary to address our Association, our clients and our guests. Our dinner provides an opportunity for us to honor the judiciary for the considerable time and effort they devote to such careful analyses of the cases we present to them. I believe we best honor their presence by giving a member of the judiciary the opportunity to comment, observe, reflect, praise and even criticize us (e.g., Chief Judge Nies' reference to Rambo-style lawyering). Chief Judge Mayer makes an excellent choice as a speaker for our Judge's Dinner since he was just recently appointed to his new position, and had not addressed the intellectual property law bar prior to his appointment. The dinner gives us an excellent opportunity, not

only to hear from Judge Mayer, but also to celebrate his elevation to the status of Chief Judge.

I personally was interested to learn of Chief Judge Mayer's prior military background, his continued interest in military matters, as well as his great admiration for military leaders, in particular General Douglas MacArthur. At the dinner, we will present to Judge Mayer a copy of "Citizen Soldiers," the recent authoritative book by Stephen E. Ambrose about the campaign of the United States Army from the Normandy beaches to the Battle of the Bulge to the surrender of Germany. The book, signed by the entire Board, will be presented to Judge Mayer as a token of our esteem. The theme of this book is a salute to the expertise and character of General George Marshall and his leadership team in building an excellent force of fighting soldiers from ordinary citizens. So too, we salute the Federal Circuit and its Chief Judge for providing leadership and a good example for the intellectual property bar through scholarship and excellence in its determination of the many issues which are brought before it. The strength of the intellectual property bar is, in my view, directly related to the diligence, dedication and character of our Federal Circuit Court as it is, in essence, the court of last resort on many intellectual property issues. We will also present to Judge Mayer, as a token of our appreciation for his attendance and in remembrance of the occasion, a rendition of the American Flag etched in glass by Steuben with the following inscription:

The Honorable
HALDANE ROBERT MAYER
Chief Judge, United States Court of Appeals
For the Federal Circuit
"Soldier & Citizen"
New York Intellectual Property Law Association
76th Annual Dinner
March 27, 1998

On a similar note, we will pay tribute at our Seventy-Sixth Annual Dinner to Judge Giles Rich , a former president of our Association (1950-51), for attaining the status as the oldest and currently longest-sitting federal court judge in the United States judicial system. We will present to Judge Rich a Steuben glass sculpture entitled "Partnership" to commemorate Judge Rich's function, for such a long time and in such a pivotal way, as one of the most important, if not the most important, support for the bridge that must exist between the bench and the bar. The inscription on this beautiful rendition of glasswork by Steuben is as follows:

The Honorable
GILES SUTHERLAND RICH
United States Court of Appeals for the Federal Circuit
In honor of your years of service to the
Partnership of the Bench and Bar
New York Intellectual Property Law Association
76th Annual Dinner
March 27, 1998

As a matter of coincidence (if not design) March 27, 1998 turns out to be the birthday of Judge William C. Conner, another past President of our Association (1972-73). Since January of 1973 when he was first appointed to the United States District Court for the Southern District of New York, Judge Conner has served as a fine and reliable support for the bridge between the bench and the Intellectual Property Bar. While Judge Conner handles cases far beyond intellectual property law, his expertise in our field is well-known, well-recognized and certainly highly valued by both the bench and bar.

Let me say a word about the Annual Meeting and Dinner which is now scheduled for Wednesday, May 21, 1998, at the Yale Club here in New York City. The main business conducted at our Annual Meeting relates to the presentation of final reports by each of the Association committees. These reports are extremely valuable to the fundamental business and function of the Association. Each report not only

summarizes what occurred last year in each committee, but also outlines what each committee is planning for next year. As you all may recall, we are now appointing committee chairs on an extended three year basis in the hope that this will enable the chair to define certain goals and have sufficient time to accomplish the goals by work and activities during the course of a given chairmanship. In addition, the extended chair term provides a better opportunity to locate and develop successor chairs who in the interim can serve as vice chairs. The presence and participation at the Annual Meeting of a good representation from the membership is vitally important to enable useful comment on the activities of the Association as well as to give guidance to the committee activities for the coming year. Please save the date if at all possible and plan to attend at least the Annual Meeting business session (5-6 p.m.). In addition to the business of the Annual Meeting, which is highlighted by the final reports of all committees and the introduction of the new Board and new Officers, the dinner program will highlight our "Invention of the Year" award. Also, we will hear comments from Professor Daniel Burke, Professor of Intellectual Property Law at the Seton Hall University Law School, as our after dinner speaker.

Also, a word about the Young Lawyers Committee and their upcoming panel discussion on "Practical Tips from the Bench" now scheduled for Tuesday, April 21, 1998, where Judge James L. Oaks of the United States Court of Appeals for the Second Circuit; Nancy Link, the Patent Solicitor; Judge T. Jeffrey Quinn of the TTAB; and a District Court Judge will address our young lawyers at the Yale Club. All are encouraged to attend, particularly the pre-panel discussion and cocktail reception (6-7 p.m.) which provides an excellent opportunity for all members of the Association to meet prior to hearing the comments and guidance of the panel members during the later course of the evening.

Lastly, the Fall CLE weekend is being revived under the able leadership of Howard Barnaby. The weekend, as many recall, provides an excellent setting for relaxation (tennis, golf, hiking, sitting, etc.) and CLE opportunity. The Commissioner of Patents and Trademarks, Bruce Lehman, will be the featured Saturday evening after dinner speaker. In addition to Commissioner Lehman, the CLE program will include experienced members of the IP bar, a Federal Circuit Judge, an appellate judge and a district court judge. The details of the program will be published in due course, but please save the dates of October the 2nd - 4th, 1998 for an exciting and worthwhile weekend at the Nevele Hotel in the New York Catskills

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Pending Legislation

By Edward P. Kelly

TRADEMARKS

Inherently Distinctive Trade Dress

Anyone who has had to apply Judge Friendly's time-honored distinctiveness standard (generic, descriptive, suggestive, arbitrary, fanciful) to a trade dress or a product configuration to determine if it is inherently perceived by relevant consumers as an identification of source (inherently distinctive) will undoubtedly appreciate the spirit of a bill recently introduced by Rep. Coble. The bill (H.R. 3209) would adopt a single standard to be applied by the courts and the Trademark Office to determine when a trade dress is inherently distinctive. Federal district courts judges may also welcome the relief of a single standard.

The Supreme Court in *Two Pesos*, 505 U.S. 763 (1992) stated that a trade dress which is inherently distinctive is protectable without proof of secondary meaning. The federal courts have since struggled in certain instances to adopt a standard to apply to determine when trade dress is inherently distinctive. *Two Pesos* impliedly approved of the application of Judge Friendly's standard to trade dress cases. The application of this standard dictates that trade dress that is descriptive is not protectable absent secondary meaning, but trade dress that is suggestive, arbitrary or fanciful is inherently distinctive and subject to protection without proof of secondary meaning. *Abercrombie & Fitch v. Hunting World, Inc.*, 537 F.2d

(2nd Cir. 1976). But when is a trade dress or product configuration descriptive? Some courts have attempted to answer that question (*See Stuart Hall Co. v. Ampad Corp.*, 51 F.3d 780 (8th Cir. 1995)), while others adopted the *Seabrook* test adopted by the TTAB (*See Seabrook Foods, Inc. v. Bar-Well Foods, Ltd.*, 568 F.2d 1342 (C.C.P.A.) or the *Chevron* test of the Fifth Circuit. *Chevron Chemical Co. v. Voluntary Purchasing Groups,* 659 F.2d 695 (5th Cir. 1981)). Still other courts have adopted other tests, particularly in product configurations cases, to account for the "delicate balance" between trademarks and the freedom to copy unpatented articles. *Dorr-Oliver, Inc. v. Fluid-Quip, Inc.*, 94 F.3d 376 (7th Cir. 1997) and *Duraco Products, Inc. v. Joy Plastic Enterprises, Ltd.*, (3rd Cir. 1994).

Rep. Coble's bill would adopt the *Seabrook* test and would amend certain provisions of 15 U.S.C. 1052. The *Seabrook* test essentially examines four factors in determining whether the trade dress is likely to identify the source of a product. These four factors are:

> (1) whether the trade dress is unique or unusual in the particular field to which the subject matter pertains;
>
> (2) whether the trade dress comprises a common basic shape or design;
>
> (3) whether the trade dress is a mere refinement of commonly adopted and well-known forms of ornamentation for that particular class of goods or services viewed by the public as a dress or ornamentation for the goods or services; and
>
> (4) whether the trade dress is capable of creating a commercial impression distinct from any accompanying words.

Notably, the bill would not set forth separate standards for product configuration cases.

Rep. Coble's bill also would offer a federal standard relating to the functionality defense. His bill would move the burden of proving functionality to the plaintiff asserting trade dress protection. In many jurisdictions, functionality is presently a defense to be pleaded and raised by the defendants. The bill would apply to both the courts and the Trademark Office in issuing trade dress registrations.

Dilution Claims Against Federally Registered Marks

Recently, the Lanham Act was amended to allow for federal dilution claims. As a result, dilution became a matter of a federal law in addition to state law. However, the dilution amendments to the Lanham Act provided that a person owning a valid federal registration on the federal Register could not be sued under a state dilution law. A bill (H.R. 3119) recently introduced by Rep. Roy Blunt (R.-MO.) would allow a state dilution claim against a federal registrant as long as the suit were filed within one year of the defendant's federal registration or within one year of its first use of the mark in commerce.

Madrid Protocol

A bill (H.R. 567) recently introduced by Rep. Howard Coble (R. NC) would have the United States accede to the Madrid Protocol. The benefit of being a member of the Madrid Protocol would be that a United States company could file a single trademark application and obtain trademark protection in twelve countries. There has never been any fundamental opposition to the Madrid Protocol. Yet the United States never acceded to the Protocol because the State Department objected to the voting rights among the members of the Protocol. In particular, each member country had one vote and the European Union had a separate vote. This voting system is apparently still the only barrier to the United States' succession to the Madrid Protocol.

PATENTS

Omnibus Patent Bill

An Omnibus Patent bill containing many provisions that were introduced last year was reintroduced in the House by Rep. Coble (H.R. 400). The Omnibus Bill contains a variety of legislation, including an amendment to Section 122 of Title 35 which would provide for publication of patent applications eighteen months after filing. The Omnibus Bill also addresses a prior user infringement defense to persons who independently developed patentable technology prior to the time of the filing of a patent application. H.R. 400 also includes legislation that would run the Patent and Trademark Office as a government corporation.

COPYRIGHTS

Internet Service Providers

The issue of whether an online internet service provider should be liable for direct infringement of copyright when its customer illegally reproduces a copyrighted work on its web sight has been tried in the courts on several occasions. In *Religious Technology Center v. Netcom Online Communication Service, Inc.*, 907 F.Supp. 1361 (D.C. CA 1995), the court held that Netcom was not directly liable for the acts of a bulletin board operator which allegedly used infringing material. In *Playboy v. Frena*, 839 F.Supp. 1552 (D.C. Fla. 1993), the court reached an opposite result, holding that the online provider could be held liable for direct infringement.

A bill (H.R. 3209) recently introduced by Rep. Howard Coble (R.-NC) and Rep. Bob Goodlatte (R.- VA) would overrule the *Playboy v. Frena* case and adopt the holding in *Religious Technology* as the law. The bill would add a new § 512 to the Copyright Act and exempt certain online internet service providers from direct or vicarious liability. The online provider would be exempt from direct infringement liability for any activity which is passive and automatic acts engaged in through a technological process of another. Copyright owners can, however, still receive an injunction against the online provider.

Recent Decisions Of Interest

by Thomas A. O'Rourke

TRADE DRESS

Secondary Meaning

The famous Eames chair was found to lack secondary meaning by the District Court in *Herman Miller Inc. v. Palazzetti Imports and Exports, Inc.*, 55 BNA PTCJ No. 1366 at 371 (E.D. Mich. March 8, 1998). Herman Miller had received the right to use the Eames trademark and designs from the late designer Charles Eames. Miller had sold the Eames Lounge chair and Ottoman since 1956.

In Miller's action for trademark and trade dress infringement against Palazzetti, the court rejected Miller's trade dress claim. Even though the chair design had received many awards, the Court held that the primary purpose of the design was aesthetic and not a source of identification. Therefore, secondary meaning had to be present in order to assert trade dress protection. The court stated: "In sum, the design configuration of plaintiff's lounge chair and ottoman appears to enhance the product's aesthetic value rather than identify the source of the product. Therefore, the lounge chair and ottoman fail to qualify for protection of trade dress inherent in product design."

Turning to the existence of secondary meaning, the Court held that the sale of over 100,000 pieces of the original Eames chair did not provide secondary meaning. The unsolicited media coverage was also rejected by the court as evidence of secondary meaning on the ground that the coverage was based on an interest in an unusual product. Plaintiff's promotional efforts also were rejected. The Court stated: "Indeed, sales success may well be attributable to many factors other than secondary meaning, the most likely being purchases resulting from the aesthetically pleasing nature of the product, rather than the source designating

capacity of the allegedly distinguishing feature or combination of features."

PATENTS

Misuse

Threats of a patent infringement suit against government contractors that purchase allegedly infringing devices from defendant did not rise to patent misuse or an antitrust violation in *Virginia Panel Corp. v. MAC Panel Co.*, 55 BNA PTCJ No. 1358 at 181 (Fed. Cir. Jan. 8, 1998). The district court granted defendant's motion for summary judgment of no literal infringement. At subsequent bifurcated trials on the issues of infringement under the doctrine of equivalents and "antitrust," the "infringement" jury found there was contributory infringement. However, at the "antitrust" trial, a different jury found there was patent misuse and a violation of the antitrust laws stemming from the threats of suit.

On appeal, the Federal Circuit held that the threats of suit were neither patent misuse nor antitrust violations. The notices to government contractors threatening suit were permissible because they did not broaden the scope of the patent either in terms of subject matter or temporally. Although Section 1498 restricts a patentee's remedies against a government contractor's infringement, the statute does not render those acts non-infringing. In fact, the statute only provides an affirmative defense where the contractor can show that the goods were used or manufactured by or for the United States. The Federal Circuit concluded: "VP's allegedly predatory practices did not constitute patent misuse because they did not extend VP's patent rights nor were they unreasonable competitive practices."

With respect to the antitrust cause of action, the Federal Circuit reviewed the evidence needed to prove an antitrust violation:

> We note first that violation of the antitrust laws * * * requires more exacting proof than suffices to demonstrate patent misuse. For example, violation of the antitrust laws always requires an intent to monopolize, market power in a defined relevant market (which may be broader than that defined by the patent), and damages attributable to the conduct asserted to be in violation of the antitrust laws. (citation omitted)

In reversing the antitrust holding, the Federal Circuit stated:

> However, as we have held, *supra*, the conduct relied on by Friedman and Wood was not legally improper. Accordingly, the evidence on which MAC relies fails to 'demonstrate a causal connection between the defendant's violation and the damages claimed.' Because there were no violations by VP in this case, Friedman and Wood's analyses cannot support imposing antitrust damages against VP. (citation and footnote omitted).

Jury Demand

The failure to timely demand a jury trial was not excused by the Court in *Wright Manufacturing Inc. v. Great Dane Power Equipment Inc.*, 55 (BNA PTCJ NO 1361 at 242 (D. Md. January 29, 1998)). Defendant argued that its Rule 39(b) motion should be granted as it satisfactorily addressed each of the following four issues: "(1) whether the issues are more appropriate for a judge or a judge or a jury; (2) whether permitting a jury trial would prejudice the opposing party; (3) whether the motion was early or late in the proceedings; and (4) whether granting the jury trial would adversely affect the court's docket and the administration of justice."

The district court disagreed and held that an additional factor should be considered, i.e., the reason for failing to make a timely jury demand. The absence of an explanation, coupled with the long delay in making a Rule 39(b) motion, led the Court to conclude that the defendant's failure to make a timely demand was due to mere inadvertency or vacillation and, in the court's view, "[n]either reason justified excusing the delay."

News from the Board of Directors

By John F. Sweeney

The Board of Directors met at The University Club on January 13, 1998. President Edward Filardi presided. In addition to the Board members, Ira J. Levy, Chair of the Continuing Legal Education Committee, and Stanley Lieberstein were in attendance.

Upon motion by John Murnane, seconded by Howard Barnaby, the minutes of the December 16, 1997 meeting were unanimously approved. The Treasurer's report dated December 31, 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 the same time last year. Mr. Murnane reported that in a few months, the Treasurer's report would have a new format, which would show both expenses incurred and income and revenue for the preceding month, together with the same figures for the same month in the previous year. Upon motion by Herbert Schwartz, the Treasurer's report was unanimously approved and accepted by the Board. Mr. Murnane also reported that in order to change the Association's fiscal year, it would probably be necessary to change the date of the Annual meeting, since each year officers are elected at the Annual Meeting. It was unanimously agreed that for the present, the existing date for the Annual Meeting and the current May-to-May fiscal year for the Association would be maintained.

Mr. Filardi reported that Justice Thomas had not responded to the Association's invitation to speak at the Annual Judges' Dinner. Justice Thomas requested that he be given additional time to respond. Mr. Schwartz reported that all other preparations for the Annual Judges' Dinner are proceeding smoothly.

Stanley Lieberstein, who was a guest at the Board luncheon, expressed his view that because Judge Rich had just recently been recognized as the oldest living federal judge, he should be given some special recognition at the Judges' Dinner. Upon motion by Mr. Murnane, seconded by Melvin Garner, the Board unanimously agreed to honor Judge Rich at this years Judges' Dinner with a special gift and some brief remarks by the President. Mr. Lieberstein would provide a write-up on Judge Rich to Mr. Schwartz. Howard Barnaby will look into the possibility of obtaining the President's proclamation honoring Judge Rich.

Mr. Barnaby expressed his view that the Fall 1998 CLE weekend is an important function to bring the members of the Association together. After some discussion, it was agreed that plans for a 1998 Fall CLE weekend at a nearby resort location should continue.

The Board of Directors also met on Tuesday, February 10, 1998. Mr. Filardi presided. Upon motion by John Murnane, seconded by Howard Barnaby, the minutes of the January 13, 1998 Board meeting were unanimously approved.

The Treasurer's report, dated January 31, 1998, was circulated. Mr.reported that the Association's financial condition is healthy and that the current balance is higher than it was at this time last year. Mr.reported that the January Treasurer's report is in the new format approved by the Board and shows both expenses incurred and income and revenue for the preceding month together with the same figures for the same month in the previous year. Mr.complimented Mr.for his hard work in developing the new detailed format for the Treasurer's report. Mr.also reported that no major additional expenses are expected this year until the Association begins to receive revenue as a result of reservations for the Judges' Dinner. Upon motion by Herbert Schwartz, seconded by Martin Goldstein, the Treasurer's report of January 31, 1998 was unanimously approved and accepted by the Board.

Mr.reported that the speaker for the Annual Judges' Dinner will be Haldane Robert Mayer, Chief Judge of the United States Court of Appeals for the Federal Circuit. Mr.also reported that at the dinner Judge

Conner's birthday will be celebrated, and Judge Rich will be presented with a special award as a result of his being the oldest sitting federal judge. Mr.undertook to obtain gifts for Judge Mayer and Judge Rich. Mr.also reported that Judge Mayer's and Judge Rich's law clerks may be attending the dinner. The budget for the gifts for Judges Rich and Mayer will be in the range of $2,000, and the budget for the gift for Judge Conner will be in the range of $500.

The possibility of presenting an Annual Civility Award was discussed. Mr.commented that the appropriate time for the presentation of this award would be at the Annual Meeting in May, not at the Judges' Dinner.

Mr.also reported that mid-year committee reports had been received from more than fifty percent of the Association Chairpersons.

Gregoryreported that preparations are underway for the Annual Meeting, which will be held on May 21, 1998 at the Yale Club. Professor Donald Burke, Intellectual Property Law Professor at Seton Hall Law School, will be the speaker. Students from Seton Hall Law School and other local law schools will be invited to the Annual Meeting at discounted rates (i.e., at cost).

Howard Barnaby and Ira Levy reported on preparations for the 1998 CLE Fall weekend. The agenda has been prepared, and numerous members of the Association have agreed to speak and/or serve on panels. The Board authorized Messrs. Barnaby and Levy to make the required deposit of $200. The CLE weekend will be held at the Nevele Grande Hotel in the Catskills. The Board approved the proposal of Messrs. Barnaby and Levy to begin immediately to promote the 1998 CLE fall weekend.
