



July/August 2000

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President's Corner

by John F. Sweeney

The Association's 2000-2001 Millennium year is off to an exciting start. At our Annual Dinner on May 17, 2000, Jay Walker, the founder of Priceline.com and the recipient of the Association's Year 2000 Inventor Of The Year Award, shared his views with us as to how intellectual property law will contribute to revolutionary technological change and how we will communicate and manage information in the next decade.

The Honorable Q. Todd Dickinson, Under Secretary of Commerce for Intellectual Property and Director of The United States Patent and Trademark Office, challenged us to keep up with the rapid technological advances that have been and are being implemented in the United States Patent and Trademark Office, including, specifically, the electronic filing of trademark and patent applications. The Association is uniquely positioned in the coming years to contribute to the improvement of intellectual property law practice through technological development and continuing legal education.

The Association has already begun responding to the Under Secretary's challenge. With the approval and cooperation of the Association's Board of Directors, on June 15, 2000 (obtained by an emergency telephone poll), the Association submitted a letter to all of the New York, Connecticut and New Jersey members of the House of Representatives as well as to the House leaders to express our opposition to a bill that would reduce the budget of the USPTO by 25 percent or \$300 million. If the proposed budget reduction were enacted into law, future technological innovation in the USPTO would be greatly compromised.

Under the leadership of my predecessor, Herbert F. Schwartz, the Association became a fully accredited Continuing Legal Education ("CLE") provider. I believe this was a very important step in the Association's development. This, together with New York's mandatory CLE requirements, will allow the Association to make very substantial contributions in the years to come to high-quality intellectual property law practice. Anthony Giaccio, the Chairman of the Association's Continuing Legal Education Committee, deserves much credit for his diligent and unceasing work to upgrade the Association's continuing legal education programs.

The Association's year 2000-2001 CLE offerings began with a program held at The Cornell Club on June 29, 2000, entitled "USPTO East Coast Biotech/ Chemical/Pharmaceutical Roadshow In New York." The program offered 4.5 CLE credits and covered hot topics in recombinant DNA technology and

immunology, along with other pharmaceutical and biotechnology issues. The program was co-sponsored by The New Jersey Intellectual Property Law Association.

On July 8, 2000, the Association, along with the American Bar Association, co-sponsored the ABA's Intellectual Property Law Section reception and cocktail party during the ABA Annual Convention. The reception and cocktail party were held at The Grand Havana Club located at 666 Fifth Avenue in New York City.

In the Fall of 2000, the Association's CLE program will continue with a CLE weekend at the Tarrytown Hilton on October 14th and 15th, 2000. There will be a wide range of intellectual property law presentations. The weekend will also feature golf and tennis tournaments and a host of other athletic and social activities. You should have already received complete details about the Fall 2000 CLE program. We need your support and attendance.

I want to congratulate and welcome new Board members Dawn Buonocore, Cecilia O'Brien Lofters and Rory Radding, as well as incoming Association Secretary Edward Vassallo, as they begin their terms. I also want to welcome back to the Board: President-Elect Robert Neuner, First Vice President Richard DeLucia, Second Vice President Melvin Garner, and Treasurer John Murnane, along with Charles Baker, Edward Blocker, Ira Levy, Susan McHale, Marylee Jenkins and Mark Abate.

The Association's Committee Chairpersons and Board Liaisons for the new year are all in place. I would like to thank the membership for promptly submitting their Committee Preference Sheets. The Committee Chairpersons will be invited to attend the September 12, 2000 Board of Directors' meeting to report on their agendas for the coming year.

I am privileged to be able to serve as your President this year. I look forward to receiving your suggestions, comments and questions. With your help and support, I hope to be able to carry on the great tradition of our Association.

News from the Board of Directors

by Melvin C. Garner and Edward E. Vassallo

Annual Meeting of the Association

The Annual Meeting of The New York Intellectual Property Law Association, Inc. was held at the Yale Club on Wednesday, May 17, 2000. The President of the Association, Herbert Schwartz, was unexpectedly called away on business. As a result, the Past President, Howard Barnaby, presided and called the meeting to order.

The Secretary, Melvin Garner, reported that a quorum was present. He noted that 100 votes are needed for a quorum, and he had 138 proxies. Mr. Barnaby asked for a motion to waive the reading of the minutes of the prior Annual meeting of May 12, 1999. The motion was approved.

Since Mr. Schwartz could not be present, there was no Report of the President. However, Mr. Barnaby stated that Mr. Schwartz considered the Association's expanded continuing legal education program and its attraction of new members, as being particular accomplishments during the last year. Mr. Barnaby also reported that Mr. Schwartz wished to thank retiring members of the Board of Directors, as well as the Committee Chairs for making the year a success.

A moment of silence was held for those members of the Association who had died during the past year.

John Murnane gave the Annual Treasurer's Report and the Auditor's Report. He noted that as of the same time last year, the Association had \$428,000 in assets, and this year it has \$468,000 in assets. A motion to

adopt the reports was unanimously approved.

Mr. Garner read a list of the committees. As each committee was called, the Chair of that committee, or a designated representative, gave a summary of the Committee's activities for the year.

Mr. Barnaby presented a report of the Nominating Committee. The Nominating Committee proposed Robert Neuner as President Elect, Richard L. DeLucia as First Vice President, Melvin C. Garner as Second Vice President, John D. Murnane as Treasurer and Edward E. Vassallo as Secretary. For the Board of Directors, Dawn Buonocore, Cecilia O'Brien Lofters and Rory J. Radding were nominated for three-year terms. Herbert F. Schwartz, Mark J. Abate, Howard B. Barnaby, Alice Brennan and Peter Saxon were nominated for the next Nominating Committee. Upon a unanimous vote of the proxies and the members in attendance, the persons nominated by the Nominating Committee were elected. Mr. Barnaby requested a motion that the Secretary cast a single unanimous vote for the slate proposed by the Nominating Committee. The motion was made and seconded and approved. Mr. Barnaby declared the slate elected.

The past Presidents in attendance escorted the new President, John Sweeney, to the podium. Mr. Barnaby congratulated him and presented him with a gavel. Mr. Sweeney thanked the Association for his election and briefly outlined his agenda for the coming year. This agenda includes additional efforts in providing continuing legal education, work on amicus briefs, and promoting civility among the patent bar.

Mr. Sweeney entertained a motion to adjourn the meeting, and it was so adjourned.

Board Meeting

The Board of Directors met at the Yale Club following the NYIPLA Annual Meeting on May 17th. President John Sweeney presided.

John Murnane presented the Treasurer's Report. Upon motion, the Treasurer's Report was approved. A discussion followed concerning whether the Board should vote to increase the annual membership dues from \$75 to \$100. Howard Barnaby suggested that the Board review the Association's bylaws to determine whether the increase was permissible. Upon motion, the Board voted to so raise the dues, subject only to review of the bylaws for the reason suggested by Mr. Barnaby.

A discussion followed whether the Board should vote to retain Star Consultants (Michael Isaacs) as Executive Director. Materials received from Mr. Isaacs, which outlined the administrative operations that would be performed by Star Consultants, were distributed to the Board. Those operations include CLE programs, financial and membership administration, board and committee support, as well as "part-time executive director." The Board decided to table the discussion until the September 12, 2000 meeting so that it could consider further the impact of the retainer upon the Association's budget.

The Board briefly discussed possible improvements to the Association's nyipla.org web site, possible speakers for the March 23, 2001 Judges' Dinner, and the schedule and location of the Board meetings in 2000 and 2001.

Recent Decisions of Interest

By Thomas A. O'Rourke

Doctrine of Equivalents

In *Kraft Foods, Inc. v. International Trading Co.*, No. 99-1240 (Fed. Cir. Feb. 14, 2000), the Federal Circuit affirmed a summary judgment of no literal infringement but reversed on the issue of non-infringement under the doctrine of equivalents because the district court misapplied the CAFC earlier

decision *Chiuminatta Concrete Concepts, Inc. v. Cardinal Industries, Inc.*, 145 F.3d 1303 (Fed. Cir. 1998) when it ruled that the doctrine of equivalents could not reach preexisting technology. Claim 1 of the patent required "a protecting back panel adhered immovably" to the bottoms of at least two compartments of a food tray. ITC manufactured and sold a multi-compartment food tray that had flexible labels made from a polypropylene laminate adhered to the bottom of its compartments. The district court determined that the claim term "a protecting back panel" required that the back panel be a relatively rigid structure. Because ITC used flexible labels in its tray the district court granted SJ of no literal infringement. Despite the fact that the disputed claim term was not written in means-plus-function format as was the claim term at issue in *Chiuminatta* the district court relied on *Chiuminatta*, to rule that, as a matter of law, the doctrine of equivalents could not be used to cover the flexible labels because the labels were preexisting technology to the patent.

On appeal, Kraft argued that the doctrine of claim differentiation precluded interpreting the claim to only panels made of a relatively stiff material since a dependent claim expressly recited the relatively stiff characteristic. The Federal Circuit rejected Kraft's argument and affirmed the claim construction that the "protecting back panel" required a relatively rigid structure. The Federal Circuit noted that the doctrine of claim differentiation only creates a rebuttable presumption that each claim in the patent has a different scope. The Federal Circuit reversed the grant of summary judgment of no infringement under the doctrine of equivalents holding that *Chiuminatta's* objection to finding equivalents for preexisting technology only applies to means-plus-function claim elements, which by statute incorporate a structural equivalence analysis.

In *Cortland Line Co. v. Orvis Co.*, No. 99-1081 (Fed. Cir. Feb. 14, 2000), the Federal Circuit affirmed summary judgment ("SJ") of noninfringement, but vacated-in-part and remanded the district court's summary judgment of no trademark infringement on the grounds that the district court had ignored disputed issues of material fact regarding fair use and had failed to consider the issue of genericness. In order to construe the claim term "second end plate," the Federal Circuit determined, after reviewing the prosecution history and the specification of the patent, that this term required a flat disk structure abutting the cartridge spool. With respect to the "connecting means" claim language, the Federal Circuit reviewed the specification and interpreted this term in accordance with 35 U.S.C. § 112, sixth paragraph, to require the '003 patent's disclosed threaded couplings or their equivalents. Comparing the construed claim with the accused device the Federal Circuit determined there was no literal infringement. The Federal Circuit also determined that the accused fishing reel does not contain the equivalent of the threaded couplings under section 112, ¶6, because the grommet friction fit and the axle engagement provide the claimed "connecting" function in a substantially different way to obtain a substantially different result.

The Federal Circuit also affirmed the determination of no infringement under the doctrine of equivalents. The Court determined that the structural arrangements in dispute differ substantially. The prosecution history of the patent also supports a finding of no infringement under because arguments presented during prosecution to distinguish prior art similar to the Orvis fishing reel demonstrated a "clear and unmistakable surrender" of fishing reels constructed similar to the Orvis reel. On the issue of trademark infringement, the Federal Circuit determined that there were genuine issues of material fact on the question of fair use and remanded the action back to the district court for further proceedings regarding the trademark.

CAFC Applies Substantial Evidence Standard to Board of Appeals Findings

In *In re Gartside*, No. 99-1241 (Fed. Cir. Feb. 15, 2000), the Federal Circuit affirmed the decision of the Board of Patent Appeals and Interferences ("Board") holding that various claims of U.S. Patent Application Serial No. 07/798,627 were unpatentable as obvious under 35 U.S.C. § 103. The Federal Circuit affirmed because the factual findings of the Board were based on substantial evidence, and because the Board did not err in concluding that the claims were unpatentable as a matter of law. Under the substantial evidence standard of review, a reviewing court determines whether a reasonable fact finder could have arrived at the agency's decision. The CAFC concluded that the plain language of 35 U.S.C. §§

7 and 144 demonstrates that the Board's decision are "on the record of an agency provided by statute." Thus, the Federal Circuit determined that "substantial evidence" is the appropriate standard for reviewing decisions of the Board.

Appeal Transferred to Seventh Circuit for Lack of Jurisdiction

In *Nilssen v. Motorola, Inc.*, No. 99-1223 (Fed. Cir. Feb. 9, 2000), the Federal Circuit reversed the district court's denial of Motorola's motion to transfer the appeal to the Seventh Circuit. In 1993, Nilssen ("Nilssen") sued Motorola in Illinois alleging patent infringement and various state law claims, including misappropriation of trade secrets, breach of contract, and promissory estoppel. There was no dispute that at the time the complaint was filed, jurisdiction was based in part on 28 U.S.C. § 1338. When the parties concluded discovery of the state law claims and prior to the start of discovery regarding the patent claims, the district court had a trial solely on the state law claims and dismissed the patent claims without prejudice under Fed. R. Civ. P. 41(b) and granted Nilssen leave to file a new complaint alleging patent infringement. In 1998, the judgment was granted against Nilssen on all of the state law claims, and Nilssen appealed. The Federal Circuit held that it had no jurisdiction over Nilssen's appeal because when the district court dismissed the patent claims without prejudice, the district court's jurisdiction ceased to be based either in whole or in part on § 1338. Consequently, the Federal Circuit could no longer assert jurisdiction under 28 U.S.C. § 1295(a)(1). The Court rejected Nilssen's argument that jurisdiction must always be resolved based on the situation at the outset of the suit as contrary to CAFC precedent. See *Gronholz v. Sears, Roebuck & Co.*, 836 F.2d 515 (Fed. Cir. 1997).

Priority Award Vacated

In *Eaton v. Evans*, No. 99-1267 (Fed. Cir. Feb. 2, 2000), the Federal Circuit vacated a decision of Board of Patent Appeals and Interferences that Evans reduced the count to practice by December 1986, and remanded for further findings regarding Evans's date of reduction to practice as well as Eaton's dates of conception and reduction to practice. The Board found that Evans had conceived the invention by October 3, 1986, and that Evans actually had reduced the invention to practice by December 1986 relying on an employee's notebook. The notebook mentioned using an oscilloscope in the actual reduction to practice rather than using the claimed sense amplifier. The Board concluded that Eaton constructively reduced the subject matter to practice in February 1987 when he filed his patent application.

The Federal Circuit concluded that the Board erred in finding that Evans had reduced the count to practice by December 1986. In order to establish an actual reduction to practice in interferences a party must satisfy a two-prong test: (1) construction of an embodiment that meets every element of the interference count; and (2) the operation of that embodiment for its intended purpose. These aspects of the test are two distinct requirements, and both must be satisfied to establish an actual reduction to practice. Because Evans had used an oscilloscope and had not used a sense amplifier, an element specifically recited in the count, in his actual reduction to practice. The Federal Circuit concluded that he was not entitled to an actual reduction to practice in December 1986.

Pleading Patent Infringement

In *Phonometrics, Inc. v. Hospitality Franchise System, Inc.*, No. 99-1086 (Fed. Cir. Feb. 9, 2000), the Federal Circuit reversed the district court's dismissal of the complaint for failure to state a claim upon which relief could be granted. During the pendency of the suit, the Federal Circuit construed the claims of the patent in suit in two unrelated cases. After the Federal Circuit rendered its claim constructions in the two lawsuits, the district court, sua sponte, dismissed Phonometrics's complaint, under Fed. R. Civ. P. 12(b)(6) and gave the plaintiff twenty days to amend the complaint to include express allegations of infringement of each claim in light of the claim construction. The first issue before the Federal Circuit was whether it had jurisdiction to hear an appeal before a final judgment was entered by the district court. The Federal Circuit applied Eleventh Circuit law, which permits a plaintiff to immediately appeal a dismissal with leave to amend. With respect to the merits of the appeal, the Federal Circuit, following Eleventh

Circuit Law, held that federal pleading requirements do not require a patentee to specifically allege infringement of each element of the asserted patent. Rather, the plaintiff only has to plead facts sufficient to place the alleged infringer on notice of the claim. Since Phonometrics pled infringement of the of the patent and described the means by which the Defendants allegedly infringed, the Federal Circuit reversed the district court and held that Phonometrics had met the pleading requirements of the Federal Rules.

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