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President's Corner

By Herbert F. Schwartz

During this past year, the NYIPLA has concentrated its efforts on becoming a significant provider of continuing legal education for the local bar. It is our goal to provide meaningful, topical programs on a variety of subjects which will also meet New York's CLE requirements. Because we are a totally volunteer organization, the effort involved in putting this together, including getting the appropriate accreditation from New York state for individual programs and record keeping for each attendee, involves a very significant effort. Up to now, the burden has been borne cheerfully by Anthony Giaccio of Baker & Botts, without whose efforts these activities would not have been accomplished with the speed and efficiency that has occurred.

The work required by CLE, plus our other programs, has caused the Board to look into engaging professional help in carrying out our activities. We hope to have a proposal in the near future to accomplish this at minimal cost, with better service to our members.

MARCH ACTIVITIES

By the time you read this, a busy month of March activities will have occurred. In addition to the Judges Dinner, which, once again, should have a record turnout of Federal judges and guests, there also will have been the Sixteenth Annual Joint Seminar Program on April 11 at the Grand Hyatt Hotel, sponsored by the Connecticut, Philadelphia, New York and New Jersey Intellectual Property Law Associations, plus a luncheon meeting at the Cornell Club on March 31 with Robert J. Spar, Director, Special Program Law Office, U.S. Patent and Trademark Office, as the speaker.

As part of the expansion of CLE activities, the first late-day program is scheduled to be held at Kenyon & Kenyon on March 15 between 6:00 PM and 8:30 PM. Christopher J. Kelly of the Department of Justice Antitrust Division is to speak about antitrust enforcement actions in the intellectual property context. This will be the first such program held in a law firm late in the day. We plan to do other such programs in the future at different organizations. This should serve to add additional variety and strength to our CLE affairs. If any law firm or organization would be interested in making their space available for such a program, please contact Anthony Giaccio.

ANNUAL MEETING AND DINNER

The Annual Meeting and dinner will be held at the Yale Club on May 17. It will include the Inventor of the Year and Connor Competition awards. The speaker will be Q. Todd Dickinson, Commissioner of Patents and Trademarks.

OCTOBER CLE WEEKEND

We plan to have an October CLE weekend October 13-15 at the Tarrytown House in Tarrytown, New York. We hope to build on the success of last year's affair and make this an annual event.

I hope to see many of you at the Annual Meeting and dinner.

News from the Board of Directors

By Melvin C. Garner and Eric Prager

The Board of Directors met at the New York Yacht Club on Tuesday, January 11, 2000. President Herbert Schwartz presided.

Melvin Garner, the Secretary, presented the minutes of the Board Meeting of December 14, 1999. There were no corrections and the minutes were adopted. John Murnane, the Treasurer, presented the Treasurer's Report. Mr. Murnane pointed out that page two of the report (the Balance Sheet) shows that the Association has approximately \$81,000 in assets. However, only \$4,300 is in the checking account. At this time last year, the Association had approximately \$50,000 in the checking account. In part this is due to a lack of dues payments, as well as the fact that the Association is now current with all of its bills.

Mr. Murnane reported that a letter had been sent to Association members who had not paid their dues advising them of the price differential for the Judges' Dinner between members and non-members, and the fact that the member rate could only be obtained if the member had paid the dues for the year. As a result of this letter, which was sent December 20th, \$7,100.00 in dues were received over a ten-day period. Mr. Murnane projected that the Association will be able to continue to meet its obligations without withdrawing funds from the money market account.

Mr. Murnane further reported that the accountant is about to file for New York State tax exemption for the Association. However, he needed a few pieces of information to complete the application. With tax-exempt status, the Association could save approximately \$32,000 for the Judges' Dinner alone. The accountant will also inquire into whether the Association can get a refund of back taxes once it receives tax-exempt status.

Some portion of the Association's reduction in assets over last year is due to the purchase of video equipment for its CLE Programs. Mr. Murnane reported that New York State has approved the Association as a Video Format CLE Provider. Thus, we should be able to recoup some of the expenses by selling video tapes for CLE credit. According to Mr. Murnane, Anthony Giaccio, Chair of the CLE Committee, is putting together a catalog in order to advertise these video tapes.

Mr. Murnane further reported that some of the people on the delinquent dues list are no longer in the New York City area. He proposed that the list be shared with all the Board Members and Officers so they can review it to determine if there are people on the list from their firms who are no longer in the area. On motion and second, the Treasurer's Report was approved.

Mr. Schwartz presented the President's Report. He stated that the meeting of Association's Officers with judges of the U.S. District Court for the Southern District of New York will be held on February 2nd. Mr. Schwartz will call the Court to get an agenda for the meeting. He then requested suggestions for topics

that might be discussed with the judges.

John Daniel suggested that the Court could be approached to determine if there were judges who wanted to volunteer for patent cases. He also suggested that those judges, or others, might be interested in an annual tutorial on patent law which the Association could put together.

Mr. Garner questioned whether the survey which the Association had conducted on intellectual property litigation in the Southern District produced any useful results. Mr. Schwartz responded that the response was too low to be helpful.

John Sweeney reported that the plans for the ABA Dinner this summer were complete. The Association's membership list has been sent to the ABA so that members will receive invitations. The Association's contribution to this event is due in May. It will be held at the Grand Havana Room at 666 Fifth Avenue on July 8th, which is a Saturday night. The last time such an event was held in New York, 450 people attended.

A discussion was then held concerning a Fall CLE Program. Mr. Sweeney suggested that it be a one-day event held in New York City. He will make a proposal for the form for this event at the next Board Meeting.

Robert Neuner reported that the Judges' Dinner is on schedule. Invitations have already been sent out. The judge who used to sing the national anthem at the Judges' Dinner, Judge Robert W. Gawthrop III, has died. Thus, a quartet of Tom Nesbeth, Roy Radding, Meyer Gross and David Wells will sing the national anthem this year. He also noted that Calvin Trillin will be the Guest Speaker.

Mr. Schwartz reported that the Association's web site needs work. He plans to discuss it with the Chairman of the Internet Committee, John Delehanty, over the next week. Mr. Murnane reported that it costs the Association \$3,000 a year to maintain the web site.

Thomas O'Rourke noted that it would be good to publish the Committee Reports. Mr. Garner agreed to send copies of the reports to him.

Marylee Jenkins suggested that the color and layout of the *Bulletin* could be updated and Mr. O'Rourke agreed to look into this.

After discussion, it was decided that the Association's mailing list should be made available to AlleyCat News so that all members will receive a free subscription. However, AlleyCat News will be required to agree that they will not share the list with any other organization.

Mr. Schwartz noted that a discussion of membership was to be held at this meeting, but Mr. Radding, Chairman of the Membership Committee, could not make the meeting. Mr. Schwartz stated that he would schedule Mr. Radding for a subsequent meeting.

Ms. Jenkins reported that the Association has paid its dues for membership in ICANN.

The meeting adjourned at 1:47 p.m.

Recent Decisions of Interest

By Thomas A. O'Rourke

Ricoh Co. v. Nashua Corp., No. 97-1344 (Fed. Cir. Feb. 18, 1999) (nonprecedential decision).

The Federal Circuit affirmed the district court's holding that Nashua's redesigned toner cartridge infringed Ricoh's patent. Ricoh claimed the its U.S. Patent No. 4,611,730 covered various Nashua toner cartridges.

Nashua, after consulting a patent attorney, redesigned its toner cartridge in light of the patent and provided Ricoh with a prototype of the redesigned cartridge. Nashua subsequently sold the redesigned toner cartridge. Unbeknownst to Nashua, however, Ricoh had an application related to the '730 still pending and amended its claims broaden them to cover the Nashua redesign.

Nashua contended that it acquired intervening rights for the products it had developed because the later issued patent application, broadened the claims of the '730 patent more than two years after the issuance of the '730 patent. According to Nashua this amendment impermissibly circumventing the statutory mandates of a reissue proceeding. The Federal Circuit rejected this argument and recognized the practice of filing continuation applications to broaden claims to encompass a competitor's product. The Federal circuit also rejected Nashua's claim of intervening rights because the patent application in dispute had not issued and as result, Ricoh could not object to Nashua's design.

Novo Nordisk v. Eli Lilly & Co., No. 98-1312 (Fed. Cir. Feb. 23, 1999) (nonprecedential decision)

The Federal Circuit affirmed denial of Novo Nordisk's ("Novo") motions for preliminary injunctions in two separate cases. The Federal Circuit agreed that while Novo's patents were entitled to a presumption of validity, the defendants had raised a substantial question as to the validity of the asserted claims, which Novo did not rebut. As a result, the Federal circuit held that Novo had not demonstrated a likelihood of success on the merits. According to the Federal Circuit, when a party opposing a motion for a preliminary injunction raises a substantial question concerning the validity of a patent, the moving party cannot rely solely on the presumption of validity but must respond by establishing that the defense lacks substantial merit.

Advanced Display Systems, Inc., v. Kent State University, 99-1012,-1013
(Fed. Cir. May 18, 2000)

This was an appeal from the judgment of the district court entered on a jury verdict in a declaratory judgment action. The parties agreed to have a magistrate judge preside over the jury trial. Following the two-week trial, the jury found that the patent was invalid for anticipation and obviousness and not infringed by ADS. Kent then moved for a new trial on all the issues in light of newly discovered evidence. Kent also moved for a new trial on anticipation, alleging an erroneous jury instruction. In addition, Kent filed a motion for sanctions against ADS's counsel for withholding evidence during discovery. The magistrate judge denied all of the motions. On appeal, the Federal Circuit held that prejudicial legal error tainted the jury instruction on anticipation and vacated the judgment, and remanded the case for a new trial on that issue. The Federal Circuit also remanded for a new trial on obviousness and infringement in light of the newly discovered evidence.

Because Kent did not make a motion for JMOL at the close of evidence or following the jury verdict, the Federal Circuit refused to disturb the jury's factual determinations. However, Kent also contended that the magistrate judge committed legal error by instructing the jury to determine what material was incorporated by reference into the Haas patent relied on by ADS for purposes of anticipation.

Anticipation requires that every element of the claimed invention was previously "*described in a single reference.*" *Scripps Clinic & Research Found. v. Genentech, Inc.*, 927 F.2d 1565, 1576 (Fed. Cir. 1991) If incorporation by reference comes into play in an anticipation determination, according to the Federal Circuit, the court's role is to determine what material in addition to the host document constitutes the single reference. The jury's role is to determine whether that single reference describes the claimed invention.

ADS argued at trial that the Kent patent was anticipated by the Haas patent and the material incorporated therein from other documents. The magistrate judge charged the jury with the task of determining what material was incorporated by reference. The Federal Circuit concluded instructing the jury to make that determination constituted legal error. Once the Federal Circuit found that there was legal error, the next issue was whether that error was prejudicial. Prejudicial legal error exists when it "appears to the court

[that the error is] inconsistent with substantial justice." Fed. R. Civ. P. 61. In this case the CAFC concluded that determining what material was incorporated by reference into the Haas patent was a critical question of law for the magistrate judge to resolve before submitting the factual issue of anticipation to the jury. According to the Federal Circuit:

" This misallocation of responsibility goes to the core of an anticipation determination when, if incorporation by reference is at issue, the court must determine what material constitutes the single, prior art document. Consequently, because the instruction vitiated Kent's right to have a pivotal legal question resolved by the court, we hold that the legal error was prejudicial."

On the issue of obviousness, Kent contended that it was entitled to a new trial due to newly discovered evidence—namely, the Zhou deposition. The Zhou deposition was a deposition that was taken in an unrelated state case brought by ADS against a third party. When information came out in the deposition that ADS could not make the allegedly infringing device without copying the Kent device despite extensive effort the ADS attorney moved during the deposition for a protective order preventing disclosure of the testimony. ADS' attorneys instructed the court reporter not to type up the transcript and the state court case was not pursued. Despite discovery requests by Kent, ADS never produced any information about Zhou or his knowledge of the facts.

Determining whether the newly discovered evidence warrants a new trial entails a three-prong analysis:

"(1) the probability that the evidence would have changed the outcome of the trial; (2) whether the evidence could have been discovered earlier through the moving party's due diligence; and (3) whether the evidence is merely cumulative or impeaching. *See Farm Credit Bank v. Guidry*, 110 F.3d 1147, 1155 (5th Cir. 1997); *Diaz v. Methodist Hosp.*, 46 F.3d 492, 495 (5th Cir. 1995).

According to the Federal Circuit, Zhou's deposition furnished persuasive evidence that the Kent patent is nonobvious by describing ADS's repeated failures to design the claimed invention. In his deposition, Zhou testified that ADS was entirely unsuccessful in developing the cholestric visible material through independent research. Zhou also explained that ADS "tried for a long time" to build an electrical driver, but its efforts "were all not successful." Zhou further detailed how ADS's attempts to develop a polymer-free LCD met with failure and that ADS "did not know how to design" the device until it copied the claimed invention. In addition, Zhou testified that, even after gaining access to the claimed invention, ADS was unable to design around the Kent patent because such a task was time consuming and "very hard."

The CAFC also held that Kent exercised due diligence throughout the discovery process, but it was powerless to unearth the Zhou deposition because ADS deliberately and intentionally withheld the deposition and the photograph of Kent's prototype. As a result, Kent was entitled to a new trial on the issue of obviousness.

Vehicular Technologies Corporation v. Titan Wheel International, Inc., 99-1042 (Fed. Cir. 2000)

The District Court granted the defendant's motion for summary judgment of non-infringement. The accused device included all of the claim limitations except the "spring assembly consisting of two concentric springs bearing against one end of said pin." Defendants substituted a single spring and a plug fitting into the spring for this limitation. The district court initially granted PowerTrax's motion for a preliminary injunction, finding that PowerTrax had shown a reasonable likelihood of success in proving Tractech's spring-and-plug assembly equivalent to the claimed spring assembly. *See Vehicular Tech.*, 141 F.3d at 1089. On appeal, the Federal Circuit vacated the preliminary injunction. In its analysis of the role played by each limitation in the context of the claim, the CAFC found an additional function of the claimed invention, beyond those found by the trial court, namely that of enhancing reliability. This additional function appeared within one of the five secondary objectives mentioned in the "summary of the invention" section of the patent. On remand, the district court, after hearing additional evidence, granted

defendant's motion for summary judgment. The trial court reasoned that "the patent contains unmistakable assertions disavowing all devices without a double-spring assembly."

PowerTrax contended that the summary judgment record contained a significant issue of fact about the importance of the objective of reliability.

According to plaintiff, the record contained some evidence that inventors and artisans of ordinary skill discounted the importance of the reliability objective. For example, Power Trax contended that the designer of the defendant's accused product did not list redundancy or reliability as a function of the two-spring design. Indeed, defendant's effort to design around the invention did not document any reliability function for the concentric spring feature. In addition, the inventor of the patented product later disavowed the "increased reliability" objective, asserting that his objectives included only those relating to ease of assembly and expense of manufacture.

The Federal Circuit rejected these arguments and stated:

"the extrinsic evidence invoked by PowerTrax to show a potential issue of fact relating to the importance of the reliability issue does not trump the clear disclosures and assertions in the patent itself."

Accordingly, the grant of summary judgment of non infringement was affirmed.

Riverwood International Corporation v. the Mead Corporation, 99-1274 (Fed. Cir. May 17, 2000)

After Mead developed and marketed its DuoStack model cartoner, a device for placing product into a carton for shipping, Riverwood brought suit for infringement of its patent. The district court appointed a special master pursuant to Federal Rule of Civil Procedure 53 to hear evidence and arguments from the parties. The special master made findings of fact and concluded *inter alia* that claims 1 and 13 of the '806 patent were invalid for obviousness. *See Riverwood Int'l Corp. v. Mead Corp.*, No. 1:94-CV-0090-CAM (N.D. Ga. Mar. 11, 1998).

The district court accepted the findings of fact in whole and without modification, but contrary to the special master, concluded that the claims would not have been obvious to one of ordinary skill in the art. Mead appealed this aspect of the district court's judgment. On appeal, the Federal Circuit initially noted that in a non-jury trial, the ultimate determination of whether the claims at issue would have been obvious under 35 U.S.C. § 103 is a legal conclusion that the CAFC reviews de novo. The Federal Circuit relied on the Special Masters factual findings as it was required to do because these factual findings were not challenged by Riverwood on appeal. The CAFC concluded that the district court's conclusion on non obviousness was incorrect and the Special Master's conclusion was correct.

Hoffmann-La Roche Inc. v. Invamed Incorporated, 99-1466 (Fed. Cir. May 23, 2000)

Defendants filed with the Food and Drug Administration Abbreviated New Drug Applications to market in the United States a generic form of ticlopidine hydrochloride. When Roche and Syntex discovered that Torpharm had filed the Application their concern was that the manufacture of the product infringed their patents on the processes for making it. They attempted to ascertain whether the processes so used were infringing, but were unable to do so.

Torpharm refused to disclose the manufacturing processes because of a confidentiality agreement it had with the manufacturer. There was no indication, however, that it had unsuccessfully sought from the manufacturer authorization to disclose the process under a confidentiality agreement. Torpharm did provide Roche and Syntex with samples of its generic drug, but they could not determine by reverse engineering whether the drug had been manufactured by the patented processes.

Roche and Syntex then filed suit, against defendants that had filed the applications. They alleged that in

manufacturing the generic product those companies used a process that infringed various Syntex patents. After Torpharm had moved to dismiss the complaint for failure to state a claim upon which relief could be granted, Johnson, Roche's Vice-President, Licensing and Corporate Development and its Chief Patent Counsel, telephoned the Chairman of Torpharm. The Roche representative stated that he wore "two hats" and was calling in his business capacity as a corporate officer to discuss resolution of the case to save further litigation costs. He asked whether was willing to discuss resolution, and Dr. Sherman, the Chairman replied: "go ahead."

Johnson stated that if a confidential review of the process used to manufacture Torpharm's product showed that the process did not infringe the Syntex process patents, Roche would dismiss its suit. Torpharm's Chairman asked whether a draft of a non-disclosure agreement should be sent to Dr. Sherman or to Torpharm's outside counsel; Dr. Sherman replied to send it to him. Johnson did so, and also sent a copy to Alan Bernstein, Torpharm's outside counsel in the case. After the non-disclosure agreement was executed, Torpharm disclosed to Roche and Syntex the process by which its product was manufactured. Roche and Syntex concluded that the process did not infringe Syntex's process patents. In accordance with the agreement, they voluntarily dismissed their infringement suit.

After Roche and Syntex dismissed their case, Torpharm moved in the district court for the award of sanctions and attorney fees. Asserting that the suit was baseless and brought in bad faith, Torpharm asked the court to sanction Roche and Syntex for violation of Rule 11 of the Federal Rules of Civil Procedure and to award costs and attorney fees under 28 U.S.C. § 1927 and 35 U.S.C. § 285. Torpharm also contended that by dealing directly with Torpharm's chief executive in negotiating and effecting the settlement agreement, rather than dealing with the outside counsel who represented Torpharm in the case, Johnson violated New Jersey Rule of Professional Conduct 4.2, which deals with contacts between counsel representing a client and the opposing party.

The district court denied sanctions and attorney fees. The court denied Rule 11 sanctions because, although Roche's and Syntex's "pre-filing inquiry with respect to defendant Torpharm was unsuccessful, it was reasonable. According to the court, at the end of the plaintiffs' pre-suit investigation it had neither evidence of infringement nor non-infringement. Although plaintiffs could have assumed noninfringement at that point, that they chose to file suit and engage in discovery instead does not subject them to sanctions. The district court held that this was not a basis for sanctions and refused to hold that this was an exceptional case. The Federal Circuit affirmed.

Jefferson Medal to be Awarded by NJIPLA

The Jefferson Medal for distinguished service in the field of intellectual property law will be presented by the New Jersey Intellectual Property Law Association at its annual dinner dance to be held on June 9, 2000 at the Hilton Hotel in short Hills, New Jersey. This year's recipient of the Jefferson Medal will be the Honorable Gerald J. Mossinghoff, former Assistant Secretary of Commerce and Commissioner of Patents and Trademarks. The Jefferson Medal will be awarded to Mr. Mossinghoff prior to the dinner. It is anticipated that Mr. Mossinghoff will give an informative talk dealing with his experiences.

Ticket information can be obtained from: Richard R. Muccino, Esq., 758 Springfield Avenue, Summit, New Jersey 07901. Telephone: (908) 273-4988. Fax: (908) 273-4679.

NAPP Announces Annual Meeting Program

The National Association of Patent Practitioners (NAPP) is having its annual meeting at the Wyndham Washington Hotel in Washington, D.C. from July 16-18, 2000. Topics relating to U.S. and international patent issues will be discussed. There will also be presentations by Commissioner Q. Todd Dickinson and

Assistant Commissioner, Steve Kunin. A pre-conference seminar on "The Nuts and Bolts of Patent Prosecution Practice" will be held on July 15. A post-conference ethics program on "Ethical Issues Related to Patent Prosecution Practice" will be held on the afternoon of July 18. CLE accreditation has been requested for this program.

For further information regarding the meeting agenda and fees, visit NAPP's home page at <http://www.napp.org> or contact Joy Bryant by telephone at (800) 216-9588, by fax at (757) 220-3928 or by email at NAPP@napp.org.

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