

NYIPLA

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Bulletin

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NYIPLA

INTELLECTUAL PROPERTY LICENSE ISSUES IN BANKRUPTCY

By David McGrail¹

Most bankruptcy attorneys will confess that they delight in telling the non-bankruptcy attorney for the other side that a bankruptcy case has been filed and that a contractual termination provision or other right governed by state law is suddenly superseded and rendered superfluous by the Bankruptcy Code, 11 U.S.C. § 101 et seq., which is federal law. In other words, my law trumps your law.

When bankruptcy law and the policy considerations underlying it intersect (or collide) with intellectual property law, which is also primarily federal law and is based on its own compelling (and often competing) set of policy considerations, the analysis becomes much more complex. This article explores the attempts by Congress and the courts to resolve the issues that arise when intellectual property license agreements become part of a bankruptcy estate and describes the protections that may be available to, and the pitfalls that should be avoided by, licensors and licensees.

Two Key Definitions

Any discussion of intellectual property license issues in bankruptcy requires an understanding of (1) the Bankruptcy Code's definition of intellectual property and (2) the concept of an "executory contract" under bankruptcy law.

Section 101(35)(A) of the Bankruptcy Code defines intellectual prop-

erty as: (1) a trade secret; (2) a patent; (3) a patent application; (4) a plant variety; (5) a copyright; or (6) a mask work. Conspicuously absent from the definition are trademarks, trade names, and service marks, which Congress believed were more appropriately addressed on a case by case basis. (We will revisit this exclusion shortly).

An "executory contract," which is a bankruptcy term of art, is a contract under which performance remains due by both parties or, more precisely, the obligations of each party are so underperformed that the failure of one party to complete performance would constitute a material breach excusing performance of the other party. If a license agreement is not an executory contract then the assumption, assignment, rejection, and other provisions in Bankruptcy Code section 365 (discussed below) do not apply. License agreements *are* generally executory contracts because the licensor is agreeing not to sue the licensee, the licensee is paying royalties, and each party has confidentiality and/or other ongoing obligations. In other words, performance remains due by both parties. This is not a foregone conclusion, however, especially if the licensee has pre-paid for the license, and whether a particular license agreement is an executory contract should always be considered.

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Licensee's Rights and Protections if Licensor Files for Bankruptcy

What preemptive measures can a licensee take to protect itself in the event of a licensor's bankruptcy, and what recourse does it have once the bankruptcy case is filed?

Bankruptcy Code section 365(a) allows a debtor, including a licensor, to reject an executory contract. The debtor's ability to reject an executory contract is subject to a business judgment standard that can be satisfied with relative ease. Rejection of the contract is treated as a breach, and the non-debtor's damages from that deemed breach give rise to a general, unsecured claim. A general, unsecured claim that may garner twenty cents on the dollar is of little solace to a licensee whose entire business may hinge on the rejected license agreement. Congress had this in mind when it enacted legislation in 1988 that is now codified in Bankruptcy Code section 365(n).

That section of the Bankruptcy Code provides that where a debtor is the licensor of intellectual property, the licensee has the option of either (1) treating the debtor's rejection of the license agreement as a termination of the agreement or (2) retaining its rights to use the intellectual property for the duration of the agreement and any renewal period. If the licensee chooses to retain its rights, upon its written request, the licensor may not interfere with the licensee's rights under related agreements and must turn over any intellectual property to which the licensee is entitled. In return, the licensee has to continue to make royalty payments, to waive its priority administrative claims in the bankruptcy case, and to waive its set-off rights against future royalty payments.

The practical effect of Bankruptcy Code section 365(n) is that the licensor will be relieved from any affirmative obligations under the license agreement (such as to provide indemnification or maintain the intellectual property), and the licensee will be excused from making payments to the licensor on account thereof. Moreover, since it only retains rights as of the bankruptcy filing date, the licensee is not entitled to any modifications of the intellectual property and cannot force the licensor to update the intellectual property, which can be a problem for software licensees in particular. On the other hand, while the licensee relinquishes its set-off rights, it may retain recoupment rights. Finally, there is an argument, based on the language of the statute, that the licensee has the option of retaining its rights for less than the remaining term of the license agreement if it so desires.

Bankruptcy Code section 365(n) only applies if the debtor is a licensor, and only with respect to intellectual property, which, as we have seen, does not expressly

include trademark licenses. Some courts have found, however, that 365(n) applies if the licensed trademark is inextricably linked, for example, to copyrighted material that is the subject of the same license agreement.

Thus, there is already some protection for licensees built into the Bankruptcy Code. There are other measures, however, that a licensee can take, both before and after the licensor files bankruptcy, to further protect itself.

For instance, pre-bankruptcy, the licensee can request that key intellectual property elements (such as source codes) be placed in escrow to facilitate their transfer to the licensee in the event it elects to retain its rights under Bankruptcy Code section 365(n). Ideally, the licensor would not be a party to the escrow agreement, so it could not be rejected in bankruptcy. The licensee can also insist that the license agreement be described as an executory contract, in an effort to ensure that it is subject to Bankruptcy Code section 365 and the protections thereunder. In addition, it can clearly and narrowly defined royalty payments, since those are the payments it would have to make if it were to elect under Bankruptcy Code section 365(n). Finally, if the costs are warranted, it can require the licensor to create a bankruptcy remote vehicle to license the intellectual property.

After the licensor files for bankruptcy protection, the licensee can and generally should exercise its right under Bankruptcy Code section 365(n)(4) to require the licensor to continue to perform under the license agreement, to provide the licensee with the relevant intellectual property, and to refrain from interfering with the licensee's rights pending any rejection of the agreement. The licensee can also move the bankruptcy court to compel the licensor to assume (i.e., accept) or reject the license agreement by a certain date or, in the alternative, to allow the licensee to terminate the agreement. The court's decision on such a motion will depend, in large part, on the extent of the harm being suffered by the licensee, as a result of the deterioration in the value of the intellectual property or otherwise.

Licensor's Rights and Protections if Licensee Files for Bankruptcy

If a licensee files for bankrupt protection, is the licensor's intellectual property suddenly "up for grabs"?

We have seen that the Bankruptcy Code allows a debtor to reject a burdensome executory contract. It also allows a debtor to assume (i.e., accept) an executory contract, including an intellectual property license agreement, if the debtor cures or provides assurance that it will cure all outstanding monetary defaults. Moreover, Bankruptcy Code section 365(f) allows the debtor to assign an agreement to a third party as long as that third party provides

adequate assurance of performance under the agreement, notwithstanding any provision in the agreement or applicable law prohibiting assignment. Thus, as a general matter, the Bankruptcy Code ignores contractual restrictions on assignment and anti-assignment laws.

Bankruptcy Code section 365(c), however, provides that a debtor may not assume or assign an executory contract if (1) applicable law excuses the non-debtor from accepting performance from or rendering performance to the potential assignee and (2) the non-debtor does not consent to the assignment. Courts and scholars have struggled with the relationship between 365(c) and (f), which both refer to “applicable law” and seem, on their face, to be in conflict. Most courts have reconciled those sections of the Bankruptcy Code by interpreting 365(f) as addressing provisions and laws that restrict assignment as a general matter and 365(c) as creating an exception where a law specifically relieves a party from performance-- that is, if it prohibits assignment because the identity of the contracting party is material to the agreement.

Courts have found that copyright, patent, and, in most cases, trademark laws constitute laws where the identity of the licensee is material. Thus, if those laws prohibit assignment they will be honored in a bankruptcy context.

Drawing from relevant statutory law and citing intellectual property case law, bankruptcy courts differentiate between exclusive and non-exclusive licenses of intellectual property. The theory, to which most but not all courts subscribe, is that the licensee of an exclusive license is entitled to all rights of the licensor, including transfer rights, such that the licensee effectively has an ownership interest in the intellectual property, the assignment of which cannot or should not be restricted. Thus, a licensee with an exclusive license agreement will be able to assign that agreement in bankruptcy if it otherwise satisfies the requirements of Bankruptcy Code section 365.

On the other hand, most bankruptcy courts have found that non-exclusive licenses are personal to the licensee, do not give rise to a property interest, and therefore are not assignable over the licensor’s objection. If they were assignable, the argument goes, the licensor would have no control over its intellectual property.

Once again, trademarks may be treated differently. Some courts distinguish trademarks from copyrights and patents on the theory that trademarks protect unfair competition and confusion among consumers, but do not confer a monopoly. They find that non-exclusive trademark license agreements may be assumed and assigned if the assignee is in a position to comply with the restrictions in the agreement, even if the licensor has not consented to the assignment. Other courts have come out the other way.

ARTICLES

**The Association welcomes
articles of interest to
the IP bar.**

**Please direct
all submissions
by e-mail to:**

**Ashe P. Puri, Bulletin Editor,
at apuri@sidley.com**

For instance, in the recent N.C.P. Marketing Group decision involving Billy Blanks’ Tae Bo trademark, the Nevada District Court found that trademarks are designed to protect owners and preserve the value of their business name and products, that the licensor in that case had an interest in the party to whom the trademark license agreement would be assigned, and that the trademark in question was personal to the licensee. It concluded that the license agreement could not be assigned without the licensor’s consent. One interesting issue that has not yet been addressed in any written decisions involves the treatment of a non-exclusive license agreement that (1) would *not* be assignable as a separate contract but (2) is part of a franchise agreement that *would* otherwise be assumable and assignable.

Obviously, a licensor will want to keep the exclusive/non-exclusive distinction in mind if it is negotiating a license agreement with a financially distressed licensee. Moreover, there is an argument that non-exclusive licenses may be assignable by a licensee in bankruptcy if the license agreement provides that consent to assignment may not unreasonably be withheld, so licensors should think twice before incorporating such language.

Finally, after the licensee’s bankruptcy case has been filed, the licensor can move the bankruptcy court to compel the licensee to assume or reject the agreement by a certain date or, in the alternative, to allow the licensor to terminate the agreement. In addition, because a debtor is under no statutory obligation to continue to make payments under the license agreement, at some point in the case the licensor may need to move to compel the licensee to make post-petition payments.

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Pitfalls for Licensees in Bankruptcy

What should every licensee know before it files for bankruptcy protection?

We have observed that assignment of a non-exclusive intellectual property license agreement generally requires the licensor's consent. But that is not the end of the story for a licensee in bankruptcy. It is often said that a debtor should not have greater rights inside of bankruptcy than it has outside of bankruptcy. Of course, there are exceptions to that general rule. There are very few instances, however, where a bankruptcy filing may actually strip a debtor of assets or rights that it has outside of bankruptcy. The treatment of non-exclusive intellectual property licenses is one of those rare instances.

As described above, Bankruptcy Code section 365(c)(8) provides that a debtor may not assume *or* assign an executory contract if (1) applicable law excuses the non-debtor from accepting performance from or rendering performance to the potential assignee and (2) the non-debtor does not consent to the assignment. Does this mean that if intellectual property law prevents the assignment of a non-exclusive license agreement to a third party the licensee cannot assume it either? Indeed, the Courts of Appeal for the 3rd, 4th, 5th, 9th, and 11th Circuits have held that, under the so-called hypothetical test, if an executory contract cannot be assigned it cannot be assumed either. It does not matter whether the licensee was actually seeking to assign the agreement. A number of courts take this a step further and hold that if the agreement cannot be assumed then it must be rejected or terminated. Thus, a licensee that files for Chapter 11

to protect its assets may, in the wrong jurisdiction and under the wrong circumstances, suddenly find itself deprived of a valuable license agreement.

Some lower courts, however, have employed creative analyses to prevent such a harsh result. For instance, they have adopted the "ride through" doctrine, under which a debtor can retain the benefits of an agreement without either assuming or rejecting it in bankruptcy, but rather by allowing it to "ride through" the case.

Conclusion

Whether Congress and the courts have struck the right balance between intellectual property law and bankruptcy law is a matter of (often strong) opinion. What is clear, however, is that licensors, licensees, and their counsel should be familiar with both sets of laws, where they intersect, and how they or their clients, as the case may be, can protect themselves under such circumstances.

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"Famous Marks" Doctrine Denied by Second Circuit ITC Limited v. Punchgini, Inc.

2007 WL 914742

March 28, 2007

Judge Reena Raggi

Since 1977, ITC Limited ("ITC") has operated a restaurant under the mark Bukhara in New Delhi, India. Over the course of the three decades since the New Delhi restaurant opened, ITC has opened or authorized the opening of other Bukhara restaurants around the world, including in Hong Kong, Bangkok, Montreal, and Kathmandu, and as a result, the restaurant has garnered "a measure of international renown."

In the mid-1980's, ITC opened Bukhara restaurants in New York City and Chicago. It also obtained a federal registration for the mark Bukhara for "restaurant

services." By the summer of 1997, however, ITC had closed both restaurants.

In 1999, the defendants, many of whom were former employees of the Bukhara restaurant, opened two restaurants in New York City under the names Bukhara Grill and Bukhara Grill II. There were numerous striking similarities between the Bukhara Grill restaurants and ITC's Bukhara restaurants.

In 2003, ITC began to sell packaged food products in the U.S. under the Bukhara trademark. That same year, ITC filed a lawsuit against the Bukhara Grill owners in

the United States District Court for the Southern District of New York, alleging trademark infringement, unfair competition, and false advertising in violation of state and federal law. The district court granted summary judgment in favor of the defendants, and ITC appealed.

The Second Circuit affirmed summary judgment on ITC's federal and state infringement claims, holding that after the 1997 closure of its U.S. restaurants, ITC failed to use or maintain an intent to resume use of its Bukhara mark in the U.S., resulting in abandonment of its rights. ITC's non-use of its Bukhara mark in the U.S. for three consecutive years raised a rebuttable presumption of ITC's abandonment of its mark, which ITC failed to overcome.

The Second Circuit likewise affirmed summary judgment on ITC's false advertising claim, holding that ITC lacked standing to assert such a claim under the Lanham Act. The Court held that ITC failed to demonstrate "a reasonable basis" for believing that the defendants' restaurants would damage ITC's interests in its line of packaged foods or plans for a future U.S. restaurant.

To prevail on its federal unfair competition claim under section 43(a), ITC had to demonstrate its prior rights in the Bukhara mark. The Court stressed the centrality of the territoriality principle to American trademark law, which required ITC to establish its rights through proof that the Bukhara mark was actually in use in the U.S. However, the Court had held that ITC had abandoned its Bukhara mark through non-use with the 1997 closure of its U.S. restaurants. In the alternative, ITC asserted its prior rights in the Bukhara mark under the famous marks doctrine—an exception to the territoriality principle that would hold that even if ITC's mark was not in use in the U.S., the mark was protectable based on having achieved a certain measure of fame within the country.

For guidance in assessing the viability of the famous marks doctrine, the Court reviewed prior federal court decisions holding that the famous marks doctrine was applicable under federal law. In particular, the Court reviewed the Ninth Circuit Court of Appeals decision, *Grupo Gigante S.A. De C.V. v. Dallo & Co.*, 391 F.3d 1088 (2004), the only federal circuit decision to have recognized the famous marks doctrine. However, the Court refused to recognize any of these decisions as binding because they relied on either state common law principles or policy considerations rather than on federal law for their holdings.

Acknowledging Article 6bis to the Paris Convention as the origin of the famous marks doctrine, the Court concluded that the U.S. Congress had not incorporated

this doctrine into the Lanham Act. After considering the argument that sections 44(b) and (h) of the Act incorporate the doctrine, including Professor J. Thomas McCarthy's endorsement thereof, the Court held that these sections afford foreign nationals only those rights and benefits that are extended to U.S. citizens under the Lanham Act, which rights are recognized to the extent there is actual use of a mark in the U.S., as required by the principle of territoriality. The Court's holding was largely based on a textual analysis of section 44 (extending the benefits and rights "of *this* section" or "*by this chapter*") and Congress's failure to expressly incorporate the famous marks doctrine into the Lanham Act despite having amended this statute on thirty separate occasions. In light of the Ninth Circuit's *Grupo Gigante* decision, the Court's holding has created a split in the circuit courts on the viability of the famous marks doctrine under the Lanham Act.

Since the Second Circuit affirmed summary judgment on and dismissed ITC's federal unfair competition claim, ITC would have been deprived of any possibility for relief had it not filed a state unfair competition claim.

On the state unfair competition claim, the Second Circuit found existing state law to be insufficient to permit a ruling on whether the famous marks doctrine is applicable. Two New York state trial court decisions, *Maison Prunier v. Prunier's Rest. & Café*, 288 N.Y.S. 529, 535-36 (N.Y.Sup.Ct. 1936) and *Vaudable v. Montmartre, Inc.*, 193 N.Y.S.2d 332 (N.Y.Sup.Ct. 1959), have granted injunctive relief to foreign defendants under the famous marks doctrine. However, neither the New York Court of Appeals nor any state appellate court has adopted the views articulated in *Maison Prunier* or *Vaudable*. Therefore, the Court certified two questions to the New York Court of Appeals: (1) "Does New York Recognize the Famous Marks Doctrine?" and (2) "How Famous Must a Mark Be to Come Within the Famous Marks Doctrine?". The Second Circuit thereby reserved its decision on the state unfair competition claim pending the state court's ruling. On June 5, 2007, the New York Court of Appeals accepted the Second Circuit Court of Appeal's certification of questions. It remains to be seen, however, how soon New York's highest court will consider the issues presented therein and provide a resolution to these unsettled questions of state law.

Article by Blake R. Bertagna, an associate in the Washington, D.C. office of Arent Fox LLP. Mr. Bertagna can be reached at (202) 715-8532 and bertagna.blake@arentfox.com.

Women's Wine Tasting/Networking Event

April 11, 2007

On the evening of Wednesday, April 11, 2007, the Membership Committee of the New York Intellectual Property Law Association held a Women's Wine Tasting/Networking Event. The event took place at the law firm of Arent Fox, LLP, which firm, together with the NYIPLA, sponsored the event.

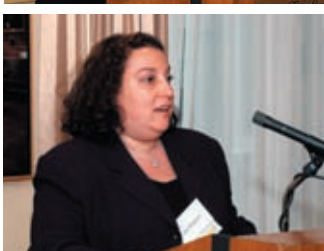
Approximately 60 people attended the function, which sold out in record time. The evening provided attendees an opportunity to network with members of the NYIPLA, as well as other IP attorneys, in a comfortable and relaxed atmosphere. Almost half of the attendees were not NYIPLA members, and this evening was therefore a great opportunity to introduce these newcomers to our organization, explain our activities and goals, and encourage them to join us.

The evening began with an informal opportunity to meet and chat with one another, and was then "called to order" with introductions and greetings from Marylee Jenkins, President of the NYIPLA and Marilyn Matthes Brogan, Chair of the Membership Committee.

Attendees then participated in a fun and informative wine tasting conducted by Paul Lang of A Casa NYC. Paul is an expert on wine, food and related topics and he led participants through a tasting focusing on wines of different regions of Italy and a discussion of various related wine and food topics. The wines were paired with a selection of appropriate light fare, including delicious cheeses, breads, sausages, olives and dried fruits.

The evening was a great success: it provided attendees an excellent opportunity to network with other women in the IP field, and it provided the NYIPLA an opportunity to introduce the organization to many potential new members; inquiries are already coming in requesting information as to the next such event!





NYIPLA Annual Meeting May 23, 2007

The NYIPLA Annual Meeting was held on Wednesday, May 23rd at the Princeton/ Columbia/NYU Club. The Annual Meeting is an opportunity each year for the Association to recognize the accomplishments of the past year and to look forward to an equally dynamic and successful new Association year. The program opened with the Association's Business Meeting and the induction of the new Officers and Board members for the 2007-2008 term:

2007-2008 OFFICERS:

President	Christopher A. Hughes
President-Elect:	Anthony Giaccio
First Vice-President:	Mark J. Abate
Second Vice-President:	Dale L. Carlson
Treasurer:	Theresa M. Gillis
Secretary:	Charles R. Hoffmann
Immediate Past President	Marylee Jenkins

2007-2008 BOARD OF DIRECTORS:

Karl F. Milde, Jr.
Philip Shannon
W. Edward Bailey
Ronald A. Clayton
Thomas J. Meloro
Alexandra B. Urban
Anthony LoCicero
Jeffrey Myers
David Ryan

The Committee Chairs each provided a report of their respective committees and activities for the 2006-07 term. (To learn more about these committees and their activities for the 2006-07 term, please see pages 12-27 of this issue of the Bulletin.) The Business Meeting was followed by the Member Reception and Annual Awards Dinner.



Annual Dinner

Keynote Speaker: Hon. Timothy B. Dyk

May 23, 2007



On May 23, 2007, the NYIPLA hosted its Annual Dinner. NYIPLA President, Christopher A. Hughes welcomed the guests and members and provided a brief overview of the exciting events coming in the new Association year.

Keynote Speaker- Hon. Timothy B. Dyk

The Association was pleased to have The Honorable Timothy B. Dyk, Circuit Judge, United States Court of Appeals for the Federal Circuit as the evening's Keynote Speaker. Judge Dyk spoke of the increasing importance of the intellectual property law cases and their number being heard by the United States Supreme Court.

2007 Conner Writing Competition Winners

Each year, the Association presents awards for excellence in writing by law school students in the field of intellectual property law by selecting a first and a second place winner of the Conner Writing Competition. The award is named in honor of The Honorable William C. Conner, Senior District Judge, Southern District of New York. Judge Conner was in attendance and presented the winners with their checks of \$1,500 for first place and \$1,000 for second place.



This year's first place winner was Jayme L. Majek from Albany Law School of Union University. Ms. Majek's paper is entitled "Here Comes the Bride... And There Goes the Copyright." The second place winner was Matthew J. Dowd from George Washington University Law School. Mr. Dowd's paper is entitled "Rasmusson v. SmithKline Beecham Corp.: Distinguishing Between a Hunting License and the Next Great Invention."

Inventor of the Year – Chang Yi Wang

The Inventor of the Year award recognizes an individual or group who, through inventive talents, has made worthwhile contributions to society by promoting "the progress of Science and useful Arts."

This year's IOTY award winner was Chang Yi Wang, Ph.D, from United Biomedical for her work in "UBITH Peptide Immunogens." The inventions supporting the nomination of Dr. Wang are her synthetic peptide-based immunotherapeutics, vaccines, and diagnostic tools. The technology is referred to as UBITH® peptide immunogens. The technology has been applied to diverse applications including Alzheimer's Disease, Acquired Immunodeficiency Disease Syndrome (AIDS), and Allergy.



Meeting Of The Board Of Directors

Minutes Of January 9, 2007 Meeting

The meeting of the Board of Directors was called to order at the Penn Club at 12:20 p.m. by President Marylee Jenkins. W. Edward Bailey, Dale Carlson, John Daniel, Anthony Giaccio, Theresa Gillis, Christopher Hughes, Marylee Jenkins, Karl Milde, Robert Scheinfeld and Philip Shannon were present. Also present were committee representatives William Dippert, Alozie Etufugh, Meyer Gross, Kathleen McCarthy, Ashe Puri and Peter Thurlow. Michael Isaacs of Star Consulting and representatives of the insurance company, Frank Crystal & Co. were also present.

The minutes of the December 12, 2006 meeting were approved.

Reports were received from the committee representatives who were in attendance.

Mr. Daniel presented the Treasurer's report. He reported that the Association's financial position is about even with the position last year.

Mr. Giaccio reported that planning for the Judges' Dinner 2007 was underway. Ms. Jenkins reported that Chief Judge Michel would receive the Outstanding Public Service Award and that Tim Russert would be the speaker.

Ms. Jenkins led a discussion concerning the possibility of an NYIPLA Diversity Scholarship as an alternative to the AIPLEF Scholarship. It was agreed that a vote would be taken at the next meeting.

The representatives from Frank Crystal & Co. presented a proposal with respect to developing an insurance package for NYIPLA lawyers. After Board discussion, a motion not to sponsor an insurance program was approved.

Ms. Jenkins led a discussion with respect to the NYIPLA's proposed local rules for patent litigation. It was agreed that the NYIPLA should send a letter to Chief Judge Korman in the Eastern District of New York informing him of the existence of the rules. Mr. Scheinfeld agreed to prepare a draft letter.

The meeting was adjourned at 1:40 p.m.

The next meeting of the Board is scheduled for Tuesday, February 13, 2007 at noon at the Penn Club.

Minutes Of February 13, 2007 Meeting

The meeting of the Board of Directors was called to order at the Penn Club at 12:10 p.m. by President Marylee Jenkins. W. Edward Bailey, Dale Carlson, John Daniel, Anthony Giaccio, Christopher Hughes, Marylee Jenkins, and Philip Shannon were present. Also present were the following com-

mittee representatives: Marilyn Brogan, Jeffrey Butler, Hunter Carter, William Dippert, David Einhorn, Richard Erwine, Alozie Etufugh, Walter Hanley, Jr., Samson Helfgott, Kathleen McCarthy, Jonathan Moskin, Stephen Quigley, David Ryan, Rochelle Seide, and Thomas Spath. Michael Isaacs and Haya Flexer from Star Consulting were also present.

Reports were received from the committee representatives who were in attendance. Following their reports, the representatives were excused.

The minutes of the Board of Directors' Meeting held on January 9, 2007 were approved.

Mr. Daniel presented the Treasurer's Report. The Association is in sound financial condition.

Mr. Giaccio reported that planning for the Judges' Dinner 2007 is on schedule. The menu has been selected, and the seating process was being worked on.

Mr. Hughes reported on behalf of Mr. Abate that Judge Dyk will be the Keynote Speaker at the Annual Dinner in May, and that arrangements are proceeding for that event.

Ms. Jenkins raised the issue of the Diversity Scholarship, which is to be taken up next month.

Mr. Isaacs provided the Executive Director's report.

The meeting was adjourned at 1:55 p.m.

The next meeting of the Board is scheduled for Tuesday, March 13, 2007 at the Penn Club.

March minutes unavailable at this time

Minutes Of April 9, 2007 Meeting

The meeting of the Board of Directors was called to order at the Penn Club at 12:00 noon by President Marylee Jenkins. W. Edward Bailey, Dale Carlson, John Daniel, Anthony Giaccio, Theresa Gillis, Christopher Hughes, Thomas Meloro, Karl Milde, Vincent Palladino, and Alexandra Urban were present. Also present was Haya Flexer from Star Consulting.

The minutes of March 13, 2007 meeting were approved as amended.

Mr. Daniel presented the Treasurer's report. He reported that it was difficult to project the financial position of the Association at this time as the bills for the Judges' Dinner are still coming in. He further reported that the credit card usage appears to be running about 50 percent with respect to CLE payments and that making the credit card option available appears to have resulted in increased attendance.

Ms. Jenkins reported that committee and liaison reports will be published this year in the Bulletin.

Ms. Jenkins reported that the Women's Networking Wine Tasting Event was sold out.

Mr. Giaccio gave a report on the Judges' Dinner 2007. The dinner has received universal favorable reviews and had the highest attendance ever, with 3,643 guests of whom 334 were honored guests. The board extended kudos to Marylee Jenkins, Anthony Giaccio and Star Consulting for their efforts with respect to the dinner.

The Board voted on a motion with respect to the Connor Writing Competition entries and voted the article of Jayme L. Majek first and that of Matthew Dowd second.

The Board voted on a motion with respect to the nominees for Inventor of the Year and voted to give this year's award to Chang Yi Wang of United Biomedical, Inc.

There was no Executive Director's report.

Ms. Jenkins reported that there would be a meeting in May to discuss the Star Consulting contract.

Ms. Jenkins reported that she had preliminarily discussed the Association's proposed Local Patent Rules with Judge Dearie, and she would be following up with to discuss in more detail.

Mr. Giaccio reported that the National Inventors Hall of Fame meeting is occurring on May 12 and 13, and they are looking for participants.

Ms. Jenkins reported that there are ongoing discussions concerning an NYIPLA reception at the IPO fall meeting.

The meeting was adjourned at 1:55 p.m.

The next meeting of the Board is scheduled for Tuesday, May 8, 2007 at noon at the Penn Club.

Minutes Of May 8, 2007 Meeting

The meeting of the Board of Directors was called to order at the Penn Club at 12:00 noon by President Marylee Jenkins. Mark Abate, W. Edward Bailey, Dale Carlson, Ronald Clayton, Anthony Giaccio, Theresa Gillis, Christopher Hughes, Vincent Palladino, Robert Scheinfeld, and Philip Shannon were present. Also present was Michael Isaacs from Star Consulting.

The minutes of the Board of Directors meeting held on March 13, 2007 were approved.

The Board approved the appointment of Theresa Gillis as Interim Treasurer. Marylee Jenkins offered thanks to John Daniel's service on the Board and expressed the Association's sympathy on his recent death. The Board approved a \$5,000 contribution to John Daniel's name to be divided evenly between Gilda's Club of NYC and Jumpstart Mid-Atlantic Region. Marylee Jenkins reported that the Women's Wine Tasting/Networking event had been a sold-out success, and it was agreed that an event of this type should be repeated in the coming year.

Mark Abate reported that preparations for the Annual Meeting and Awards Dinner scheduled for May

23 at the Princeton Club are proceeding on schedule. Ms. Jenkins asked that the Board liaisons call their committee chairpersons to emphasize that a written report should be submitted in advance of the meeting and that each committee should be represented at the Annual Meeting either by the committee chairperson or by another committee representative.

Marylee Jenkins reported that the June CLE meeting planning is well in hand.

Marylee Jenkins reported that the IPO had agreed to allow NYIPLA to be an event co-sponsor at the IPO's annual meeting in New York in September 2007. As a co-sponsor, the NYIPLA logo and name will appear on the IPO mailings and website relating to the event. The Board voted to approve this co-sponsorship arrangement and re required \$5,000 payment.

Marylee Jenkins reported that the ABA annual meeting will be held in New York in August 2008. The Board approved a motion to co-sponsor an event of the ABA annual meeting, with the nature of the event and the level of participation to be determined at a later date.

Michael Isaacs indicated that Star Consulting has been supporting John Daniel's assistant in her efforts to maintain the Treasurer's records since his death. A question was raised as to the type of account in which the Association's funds are maintained. It was agreed that the Treasurer should confirm that the Association's funds are being placed in bank accounts which maximize the return of the Association.

Michael Isaacs reported that efforts are underway to assess space use and availability issues for the 2008 Judges' Dinner in light of the capacity attendance this year. In order to avoid allocating suite space to firms that do not support NYIPLA activities, including the Judges' Dinner, the Waldorf will consult with the NYIPLA before assigning space in the future.

The meeting was adjourned at 2:00 p.m.

The next meeting of the Board will be at the Annual Meeting on Wednesday, May 23, 2007, at 4:45 p.m. at the Princeton Columbia Club.

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NYIPLA ANNUAL COMMITTEE REPORTS

2006-2007 TERM

ALTERNATIVE DISPUTE RESOLUTION

Walter Hanley, Chair

I wish to thank Marylee Jenkins, President of the NYIPLA, for appointing me to the position of Chair of the ADR Committee for the 2006-2009 term upon the retirement of Robert Tobin.

Shortly after my appointment in October 2006, I was contacted by Chuck Miller of Dickstein Shapiro LLP about having the ADR Committee take up for consideration a legislative proposal to make arbitration available to plaintiffs in §145 actions against the USPTO in the District Court for the District of Columbia. After forming the Committee, inclusive of Mr. Miller, its focus became the study and consideration of this proposal, which is outlined below. The proposal was also placed by Mr. Miller before the NYIPLA Committee on Patent law and Practice and the Committee on Legislative Oversight and Amicus Briefs, and an article by Mr. Miller about it was published in the January/February 2007 issue of the NYIPLA Bulletin.

The proposed legislation would implement compulsory arbitration, at the election of the plaintiff patent applicant/owner, in suits against the USPTO in the U.S. District Court for the District of Columbia ("DDC"): (1) seeking review pursuant to 35 U.S.C. §§ 145 and 306 of Board of Appeals decisions finally rejecting claims in patent applications and reexamination proceedings, and (2) seeking review pursuant to 35 U.S.C. § 154(b)(4) of decisions by the Director denying patent term adjustments. Under current law, patent owners seeking review of Board decisions rejecting claims in patent applications and reexaminations can choose between a direct appeal to the Federal Circuit and a civil action in the DDC. The only avenue for review of a decision by the Director denying a patent term adjustment is a civil action in the DDC. Under the proposed legislation, on motion by the plaintiff, the DDC would initiate arbitration, under its supervision, before one or more arbitrators who have been certified by the court. The USPTO would have neither the right to request arbitration, nor the right to oppose it if requested by the plaintiff. The plaintiff would also have the right to elect to have one arbitrator or multiple arbitrators. The parties would have the opportunity to present evidence to the arbitrator(s) to the same extent they would if the matter were tried before the court. The arbitrators(s) would render a written decision setting forth the factual and legal

basis for the decision. The decision would be entered as a judgment of the court, without review; however, it would not be citable as precedent for other cases. Unlike a judgment resulting from a trial or other disposition by the court, a judgment entered on an arbitration decision would not be appealable to the Federal Circuit. As with §145 actions that are adjudicated by the DDC, all of the expenses of the proceeding, including the compensation of the arbitrator(s), would be borne by the plaintiff.

The following benefits and advantages of the proposal, among others, have been advanced:

1. Promotion of judicial economy by removing technologically complex cases from the DDC's trial calendar.
2. Promotion of speed and efficiency.
3. Promotion of technically accurate fact finding, because the panel of certified arbitrators would be experienced patent attorneys with requisite technical backgrounds.

The proposal and supporting material was distributed to the ADR Committee for review and comment, and a meeting was held at which the proposal was presented and discussed in detail. The points discussed by those in attendance included: the relative infrequency of §145 actions and how the availability of arbitration might increase the use of that avenue of review; whether the inability to appeal the arbitration decision will dissuade plaintiff's from seeking arbitration; and the quality of PTO examination in general, and whether the proposal, which is directed to insuring that meritorious inventions receive appropriate protection, is a legislative priority at the present time. The consensus of those present at the meeting was that the proposal has merit.

In the weeks following the meeting, I solicited further comments from the rest of the Committee, but received no additional comments. I also contacted the Chairs of the Committee on Patent law and Practice (William Dippert) and the Committee on Legislative Oversight and Amicus Briefs (Rochelle Seide) and requested that they distribute the proposal to the members of their Committees for comment. Mr. Dippert reported that the proposal had been taken up by a sub-committee of his Committee, and that the comments were generally favorable. Ms. Seide distributed the proposal to her Committee. I received only one comment from a member of her Committee, who questioned whether arbitration is appropriate for determining whether a patent should issue or what

its scope should be in view of impact of patents on the public interest.

The relatively small number of comments received can be interpreted as indicating a perception that the proposed legislation is not a high priority at this time rather than any significant opposition to it, since most who expressed views about the proposal commented favorably. However, the one negative comment about the appropriateness of arbitrators determining whether a patent should issue suggests that the lack of judicial review of the arbitration decision needs further study. It also appears that a better case must developed for the need for this legislation. The Committee will take up these aspects of the proposal, as well as other items for the Committee's agenda for the next year, at a future meeting.

ANTITRUST, INEQUITABLE CONDUCT & MISUSE

David Ryan, Chair

The principal activities of the Committee this year related to consideration of developments in the law at the "interface" between intellectual property and the antitrust laws.

ANDA Settlement Payments

Although the Supreme Court has denied certiorari in *FTC v. Schering-Plough*, the issue of the antitrust legality of settlement payments made by a Hatch-Waxman infringement plaintiff remains at issue in a number of lower federal court cases. The potential pertinence of *Professional Real Estate* ("PRE") to this issue was first pointed out in the *amicus* brief of the Association in *Andrx v. Kroger*, and has now been recognized by the Second Circuit panel in *Tamoxifen*.

Members of the Committee are working on an article summarizing the state of the law on settlement payments, including assessment of the effect if any of the recently issued report of the DOJ/FTC on the 2002 joint hearings.

Authorized Generics

Although "big pharma" and the generic manufacturer's probably can agree that ANDA settlement payments are often procompetitive, there is likely to be less agreement on whether authorized generics should be permitted. The generics argue that launch of an authorized generic during the 180-day period of exclusivity, by either the innovator or a licensee, would unfairly impinge upon the incentives for generic challenges under Hatch-Waxman. In the absence of a statutory prohibition, however, only sales below cost by the authorized generic would seem to raise any Sherman Act Section 2 issues.

An article on authorized generics commissioned by the Committee and written by Stacey L. Cohen and Edward L. Tulin appeared in the January/February 2007 issue of the Bulletin.

Standard Setting

Other members of the Committee are working on an article analyzing whether the types of conduct challenged in the *Rambus* and *Alcatel* litigations could give rise to equitable defenses cognizable under Section 283 which would bar injunctive relief under *eBay*, and whether such conduct also should support a claim for relief under the antitrust laws.

The article will consider whether *Walker Process* and *Independent Ink* require not only that the exclusionary potential of the infected claims must be measured against some economically meaningful relevant product market, but also that the representations made to the standard setting organization ("SSO") should be sufficiently false or misleading and material to satisfy the common law fraud standard. The article also may consider the potential liberating impact of *Philips v. ITC* on the permissibility of package licensing by SSOs which has not yet been directly addressed in the literature.

Medimmune v. Genentech

As reported last year, members of the Committee were involved in the preparation of an *amicus* brief in support of petitioner in *Medimmune v. Genentech*, which involved the issue of whether declaratory judgment jurisdiction supports a licensee's right to challenge the validity of a licensed patent without renouncing the protection of the license. The Supreme Court's 8-1 decision in January rejected the Association's position that a licensee should be required to abandon the protection of the license before challenging the licensed patents.

Members of the Committee are evaluating the impact of the decision on the finality of settlement agreements as well as its potential consequences for CAFC subject matter jurisdiction under 28 U.S.C. § 1295.

The Experimental Use Exception

The same competitive impact arguments on *de facto* term extension made in the Association's *amicus* brief in *Merck v. Integra* would seem to apply generally to all industries – irrespective of whether those industries make FDA filings. As reported last year, members of the Committee had recommended that a brief *amicus curiae* not be filed in the remand of the *Merck v. Integra* case to the Federal Circuit, but the oral argument on that remand revealed significant differences in approach as among the judges on the panel.

The Committee has been considering whether to recommend to the Board that the Association endorse a legislative proposal to extend the experimental use exemption of the Hatch-Waxman Act to industries which do not make submissions to the FDA, thus overruling *Madey v. Duke*.

Inequitable Prosecution Conduct Developments

As reported last year, the Committee is continuing to monitor developments in the law of inequitable prosecution.

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education conduct. Some voted in favor of the Association filing a brief *amicus curiae* in support of the grant of certiorari in *Ferring*, but the decision was to do nothing unless certiorari was granted. The Federal Circuit decisions on IPC intent are in some disarray and particular results can appear panel dependent.

Interface Aspects Of Permanent Injunctions

As reported last year, two members of the Committee also were involved in efforts to draft an *amicus* brief supporting respondent in the *Ebay* case. An article about the case appeared in the July/August 2006 issue of the *Bulletin*.

Members of the Committee also have recommended that a brief *amicus curiae* be filed on behalf of the Association in support of the patentee in *Finisar v. DirecTV*, one of the first CAFC cases to deal with permanent injunction issues in the wake of *eBay*.

CONTINUING LEGAL EDUCATION

Amy J. Benjamin, Chair

It has been a pleasure to serve as Chair of the Committee on Continuing Legal Education this year.

NYS CLE Accredited Provider Status

The NYIPLA initially was certified by the New York State Continuing Legal Education Board as an Accredited Provider of continuing legal education in the State of New York on September 1, 1999. All of our live CLE courses and programs given from August 1, 1997 up to August 27, 1999 were retroactively approved. As of January 11, 2000, the NYS CLE Board approved our application for non-traditional formats for videotapes. Videotaped CLE courses and programs given from August 1, 1997 were retroactively approved.

Approval of the non-traditional CLE format (DVD) was received August 15, 2005. Certification was approved for the period April 27, 2004 through August 27, 2005. The NYIPLA was approved as an Accredited Provider of CLE programs for the period of August 28, 2005 through August 27, 2008, for live presentations and, for experienced attorneys only, videotapes (for individual viewing) and digital video discs (for individual viewing).

We continue to provide educational courses that satisfy NYS CLE credits in accordance with NYS Rules, Regulations and Guidelines.

In compliance with the requirements of the New York State CLE Rules and Guidelines, we also filed an annual report with the New York State CLE Board on January 30, 2007 covering the 2006 calendar year.

This year the Committee continued the CLE program series in conjunction with the Association's Annual Dinner in Honor of the Federal Judiciary at the Waldorf-Astoria on March 23, 2007. Special invitations

were sent to the Honored Guests attending the dinner. A distinguished panel, including two federal judges, presented a well-received discussion attended by 184 registrants. This year, fourteen federal judges attended this CLE program.

Since last year's report, the NYIPLA has sponsored 10 CLE programs totaling 26.5 credit hours of legal education, including one co-sponsored program. Our videotape library currently contains 17.50 credit hours of NYS CLE programs for the Association's calendar year which are made available to NYIPLA members, members of the bar, law firms, and corporations.

During the program period (June 16, 2006 CLE Program thru May 9, 2007 JPPCLE Program), the NYIPLA awarded approximately 5,800 NYS CLE credits, including approximately 670 ethics credits, and approximately 5,130 professional practice credits. In addition, there were approximately 1,507 attorneys who attended CLE programs during this program period.

We continue to price programs as close as possible to cover necessary costs. There were 15 financial aid requests in 2006-07.

Excellent Administrative Services Offered By Star Consulting

All of the CLE-related administrative functions continue to be centralized with Star Consulting, with systems and procedures in place to provide continuous, coordinated support. This includes scheduling; communications with the hosting committee's program chairs, speakers and attendees; preparation and mailing of meeting notices; registration processing; preparation of Certificates of Participation, Course Evaluations and Certificates of Completion under the direction of the CLE Committee Chair; logistical planning and coordination; and providing video/DVD program availability. Star continues to update and improve CLE administrative operations with the addition of credit card processing of registrations, downloadable registration forms for the CLE programs and continues to provide on-site supervision of the programs. Star also assisted in the preparation of the year-end report to the NYS CLE Board and the accredited provider renewal application and audit. Star Consulting has also provided a critical service to the Association in budgeting programs so that we can continue to provide high quality legal education programs at a low cost to participants.

Star continues to use a broadcast e-mail system, which provides greater flexibility in communicating up-to-date CLE program information to our members.

Star has worked with the CLE Committee to explore and expand the venues and options for CLE programs including the Harvard Club, Penn Club and Princeton/Columbia Club, and maintains relationships with and coordinates our programs with current venues.

In sum, Star Consulting has provided excellent administrative services in support of the CLE program.

On The Horizon

The following programs are anticipated for the upcoming period of time:

- Spring Half –Day Seminar on June 18, 2007, anticipating 3.0 NYS Professional Practice CLE Credits and .5 NYS Ethics CLE Credit
- Monthly Committee on Meetings and Forums luncheon programs, each satisfying at least 1.0 NYS CLE credit.
- Fall One-Day Seminar in November
- Judge's Dinner CLE Luncheon Program
- 24th Annual Joint Patent Practice Seminar in May 2008, anticipating 8.0 CLE credits, one of which will satisfy ethics requirements.

Compliance

The Association has moved aggressively to continue compliance with substantially expanded CLE procedures which include new requirements as to the format and content of the Certificate of Participation, the substantiation of the registration procedure and the monitoring of program attendance.

NYIPLA CLE Programs

Since last year's report, the following NYS CLE accredited courses and programs have been sponsored by the NYIPLA:

Title: *Update on Patent Reform Issues*
 Live Date: June 16, 2006
 Instructor: Q. Todd Dickinson
 Credits: 1.0 NYS Professional Practice CLE Credit
 Cost: \$75/NYIPLA Member, \$85/NON-NYIPLA Member
 Video/DVD: Not Available

Title: *The eBay Effect: A Change to Obtaining Injunctive Relief or Business As Usual for the Patent Litigator?*
 Live Date: September 20, 2006
 Instructor: Susan E. McGahan, Esq.
 Credits: 1.0 NYS Professional Practice CLE Credit
 Cost: \$80/NYIPLA Member, \$95/NON-NYIPLA Member
 Video/DVD: Available

Title: *The U.S. Supreme Court and KSR International Co. vs. Teleflex: Impending Change to The Obviousness Standard for Patentability?*
 Live Date: October 25, 2006
 Instructor: James Dabney, Esq., Thomas Goldstein, Esq., Marian Underweiser, Esq., Rochelle Seide, Ph.D.
 Credits: 2.0 NYS Professional Practice CLE Credits
 Cost: \$100/NYIPLA Member, \$125/NON-NYIPLA Member
 Video/DVD: Not Available

Title: *NYIPLA CLE Fall-One Day Program*
 Live Date: November 17, 2006

Instructor: Five panels. Fifteen speakers.
 Credits: 6.0 NYS Professional Practice CLE Credits and 1.5 NYS Ethics CLE Credits
 Cost: \$295/NYIPLA Member, \$350/NON-NYIPLA Member

Video/DVD: Available
 Title: *Enforcement of Intellectual Property at the ITC*
 Live Date: December 8, 2006
 Instructor: Hon. Paul J. Luckern
 Credits: 1.0 NYS Professional Practice CLE Credits
 Cost: \$85/NYIPLA Member, \$110/NON-NYIPLA Member
 Video/DVD: Not Available

Title: *Update on Fraud in the Trademark Office after Medinol Ltd. v. Neuro Vasx Inc.*
 Live Date: January 24, 2007
 Instructor: Frances Wolfson, Esq., Linda McLeod, Esq.
 Credits: 1.0 NYS Professional Practice CLE Credit
 Cost: \$85/NYIPLA Member; \$110/NON-NYIPLA Member
 Video/DVD: Available

Title: *What You Need to Know About E-Discovery*
 Live Date: February 16, 2007
 Instructor: Norman Simon, Esq., Steven Bennett, Esq., Edward Vassallo, Esq.
 Credits: 1.5 NYS Professional Practice CLE Credit
 Cost: \$95/NYIPLA Member; \$120/NON-NYIPLA Member
 Video/DVD: Not Available

Title: *Preliminary Injunction Motions in Patent Litigation – Is This Your Day In Court?*
 Live Date: March 23, 2007
 Instructor: Hon. Randall R. Rader, Hon. Denise Cote, James Galbraith, Leora Ben-Ami
 Credits: 2.0 NYS Professional Practice CLE Credits
 Cost: \$110/NYIPLA Member, \$125/NON-NYIPLA Member
 Video/DVD: Not Available

Title: *Big Questions in Recent IP Cases*
 Live Date: April 20, 2007
 Instructor: Thomas Creel, Esq., William Jenks, Esq., Nicholas Groombridge, Esq.
 Credits: 1.5 NYS Professional Practice CLE Credits
 Cost: \$95/NYIPLA Member, \$120/NON-NYIPLA Member
 Video/DVD: Not Available

Title: *The Twenty-Third Annual Joint Patent Practice Program*
 Live Date: May 9, 2007
 Instructor: Five panels. Over 30 speakers.
 Luncheon Speaker: John J. Love, Deputy Commissioner for Patent Examination Policy, USPTO
 Credits: 7.0 NYS Professional Practice CLE Credits and 1.0 NYS Ethics CLE Credit
 Cost: \$350 and \$375 for late registration (after April 20, 2007)
 Video/DVD: Available

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Conclusion

It has been a pleasure serving this year as Chair of the Committee on Continuing Legal Education. It is my hope that the Association continues an aggressive approach to continuing legal education programs, whose goal is to meet and exceed the needs of the intellectual property bar.

In addition, it would not have been possible for the Committee to achieve such successful programs without the support of the individual members of the Committee. These members have devoted extensive time and effort in planning programs and arranging for speakers and content. I would like to personally thank Heather Chase, Michael Dallal, Theresa M. Gillis, Meyer A. Gross, Benjamin C. Hsing, Robert M. Isackson, Patrice P. Jean, Mark I. Koffsky, Benu Mehra, Donna M. Praiss, Jessica Rando, Walter Scott, Thomas E. Spath, Esther Steinhauer, Alek Szecsy, Bartholomew Verdirame, Charles A. Weiss, John F. Witherspoon and Board Liaison Thomas J. Meloro for their continuing excellent support of the NYIPLA CLE efforts.

COPYRIGHTS

David A. Einhorn, Chair

This Committee has been exploring the issue of format protection for reality shows and plot lines. At issue is whether the Copyright Law should apply to the broad aspects which identify reality show formats. The case of *Ninox v. Fox Entertainment Group* was reviewed. Also discussed were several pending patent applications to Andrew Knight with the title “Process of Relaying a Story Having a Unique Plot”. It was decided that this Committee should analyze the issue of format protection to decide if we should take a position on the copyrightability or the patentability of such plots or TV show elements.

Secondly, the Committee has discussed the U.S. Supreme Court case, *Ebay Inc. v. MercExchange LLC*. At issue is whether the holding of this case, which holds that a standard irreparable injury analysis must apply for the court to award a permanent injunction in a patent case, should also apply to copyright cases. Prior case law has suggested that a presumption of irreparable injury should apply in copyright cases.

The third issue which we reviewed was *Blueport Co. v. the U.S.*, which held that the federal government is immune to a claim of monetary damages under the Digital Millennium Copyright Act (“DMCA”). In that case, the government had allegedly hacked into a program in the field of Air Force manpower resource requirement reports to alter the program’s automatic

expiration function for software (which prevented the software from being used beyond the licensed term). The U.S. Court of Federal Claims found that the U.S. government was immune from liability for its circumvention of this technology measure. A report is being prepared by a Committee member on this issue.

Fourth, this committee discussed the status of the remand of the *MGM v. Grokster* case back to the District Court. A committee member is currently preparing a report on the proceeding on remand.

Lastly, a discussion has been held concerning the status of various cases pertaining to the Google/Yahoo digital libraries litigations in the United States, Belgium and France. The Committee is following the developments in these cases.

DESIGN PROTECTION

Jonathan E. Moskin, Chair

The primary focus of the Design Committee has been to consider certain pending legislation in Congress (HR 2033 - originally introduced as HR 5055), which would amend the Copyright Act to create a limited term of protection (3 years) for fashion designs (a term defined in the legislation to include apparel, footwear, gloves, hats, belts and eyeglass frames).

We have had a number of meetings to consider the legislation and have prepared the attached report, which is all-but complete.

Report On HR 2033 –

Protection For Fashion Design

HR 2033, the “Design Piracy Prohibition Act”, first introduced in the House of Representatives on March 30, 2006 as HR 5055 and reintroduced on April 25, 2007, would amend 17 USC § 1301 (the Vessel Hull Design statute) to override in part the limits against conferring copyright protection on utilitarian articles by creating a limited (three-year) copyright term for fashion designs “Fashion Design” is defined as “the appearance as a whole of an article of apparel, including its ornamentation.” “Apparel” is itself defined to include not only clothing, but gloves, footwear, hats, belts and eyeglass frames. The legislation requires that a design application be filed within three months after the design is first made public. The bill incorporates the test of infringement specified in 17 USC § 1309(e), under which the design owner must prove copying, and under which an accused design will not be deemed to infringe if it is original and not substantially similar to a protected design.

The primary sponsors of HR 2033 are Representatives Robert Goodlatte (R-VA) and William Delahunt (D-MA).

The legislation is being promoted primarily by the Council of Fashion Designers of America (“CFDA”). The July 27, 2006 testimony to the House subcommittee of Jeffrey Banks on behalf of the CFDA identifies the following three key points in support of the legislation: (i) America is now the source of original fashion designs in a way it was not many years ago (including styles such as a “Texas style” to which he refers); (ii) new technology has facilitated copying, thus exacerbating the harm to American designers from the absence of effective design protection; and (iii) the United States is unique among countries in the developed world in not having any form of fashion design protection. Mr. Banks testimony also suggests, on unknown grounds, that the law, if enacted, would only be used very selectively.

The NYIPLA Design Committee does not purport to question that there is considerable copying of fashion designs, one of the principal causes of which is the long-standing copyright doctrine against protecting designs of useful articles. We do believe that, as a general matter, protecting original designs serves to reward creativity and is consistent with the general purposes of Copyright. *See, e.g., Cohen v. Paramount Pictures Corp.*, 845 F.2d 851, (9th Cir. 1988) (“Courts have repeatedly stated that the Copyright Act was ‘intended definitively to grant valuable, enforceable rights to authors, publishers, etc., ... to afford greater encouragement to the production of literary works of lasting benefit to the world.’” Quoting *Washington Pub. Co. v. Pearson*, 306 U.S. 30, 36 (1939).) We have also reviewed the testimony of Christopher Sprigman contending that freedom to copy has, by some means, served to *encourage* creativity – at least among women’s fashion designers. Although we consider the position contrary to fundamental tenets of intellectual property law, and although we question how the same forces Professor Sprigman contends promote creativity in women’s fashion designs have evidently had no such effect on men’s fashion designs, we do not purport to possess economic or other data sufficient to quantify the extent to which original works of American or foreign fashion designers are being copied or the extent of the harm thereby sustained by such designers.

Although the Design Committee is supportive of appropriate legislation to protect fashion designs, indeed for this very reason, we nonetheless believe the proposed legislation may not be effective in remedying many such problems, primarily because the legislation only addresses one of several legal limits on design protection. Moreover, the Design Committee is concerned the legislation may also expose American (and foreign) producers of fashion designs to risks of liability and

risks of litigation which could be remedied, at least in part, by requiring greater disclosure of the elements of a design claimed to be original. Finally, although designs have been registered abroad in substantial numbers (statistics for which are readily available at the website for the Office of Harmonization in the Internal Market (“OHIM”): <http://oami.europa.eu/en/office/stats.htm>.) it is less clear how regularly or with what success designers have litigated their claims. The Committee has been advised by foreign counsel that there is substantial litigation. However, we do not believe there have been sufficient reported precedents applying foreign law to serve as a meaningful guide whether Congress should adopt HR 2033 or how American courts might apply HR 2033 were it to become law in its present form. *See* Susan Scafidi, *Intellectual Property and Fashion Design*, reprinted in 1 Peter K. Yu, ed., *Intellectual Property and Information Wealth* (2006), tracing the history of laws protecting fashion design, including the adoption by the European Union in 2002 of community-wide protection for original designs, Council Regulation 6/2002/EC, 2002 O.J. (L003), *id.* at 32, n. 65, and noting that “although few such disputes result in litigation, copyists who are challenged under French law frequently pay financial settlements to the original owners.” *Id.* at 24 n. 15. The author cites one litigation, *Societe Yves Saint Laurent Couture S.A. v. Societe Louis Dreyfus Retail Mgmt S.A.*, [1994] E.C.C. 512 (Trib. Comm. (Paris)), in which a Ralph Lauren “tuxedo dress” was found to have infringed an earlier such design by the plaintiff. Suffice it to say, the Committee does not believe foreign litigation practices are a sure or meaningful guide to how HR 2033 might be employed if enacted.

Summary Of Conclusions: As a result of these concerns, the Design Committee suggests in the pages that follow two modest amendments to the pending legislation: (i) to alter the definition of “fashion design” to help place greater attention on *specific elements* of designs that the creators consider original and protectable (as distinct from the current focus of legislation on the appearance of the design “as a whole”), and (ii) to confirm with greater specificity than currently provided that existing rights and remedies are left intact for particular aspects of designs. We do also believe that the goals sought to be advanced by HR 2033 would be best achieved if Congress were also to require a searchable database of new design registrations, both to provide notice to third parties and to permit such third parties to guide their conduct accordingly. However, we express no opinion as to whether protection other or broader than that contemplated – for instance for longer than the limited three-year term or for other types of designs – would be appropriate.

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(1) **Clarifying the Definition of Fashion Design – Anticipated Difficulties Proving Infringement Under HR 2033.** Without questioning that copying of original fashion designs is harmful to American (and other) designers, it is less than clear how effective HR 2033 will be as a remedy against such copying. Indeed, although HR 2033 does provide a limited exception to the rule against protecting designs of useful articles, because HR 2033 also contemplates that under 17 USC § 1309(e), traditional copyright principles of infringement will apply, it seems likely that the designs having perhaps the greatest economic value will nonetheless remain very difficult to protect (even for the limited three-year term proposed).

Courts have long made clear that articles of clothing are utilitarian or functional and hence not entitled to copyright protection. *Fashion Originator's Guild v. FTC*, 114 F.2d 80 (2d Cir. 1940), *aff'd*, 312 U.S. 457 (1941). Copyists have been deemed equally free to inform the public (truthfully and non-misleadingly) that they have copied. *Societe Comptoir v. Alexander's Dep't Stores, Inc.*, 299 F.2d 33 (2d Cir. 1962). This limitation is made explicit in the Copyright Act itself, which, in defining the scope of protection for pictorial, graphic and sculptural works, specifies that:

Such works include works of artistic craftsmanship insofar as their form but not their mechanical or utilitarian aspects are concerned; the design of a useful article, as defined in this section, shall be considered a pictorial, graphic or sculptural work only if, and to the extent that, such design incorporates pictorial, graphic or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.

17 U.S.C. § 101.

Courts have further made clear that to merit copyright protection, the original artistic elements of a design of a utilitarian article must be identifiable and capable of existing independently of the useful article itself. *See Mazer v. Stein*, 347 U.S. 201 (1954); *Kieselstein-Cord v. Associates by Pearl, Inc.*, 632 F.2d 989 (2d Cir. 1980). Undoubtedly the greatest limit on protection for original fashion designs is the rule that absent actual or at least conceptual separability of the artistic from the utilitarian, designs of useful articles are not copyrightable.

However, the current limited scope of protection for fashion designs is likely the result not only of the “inseparability” of original artistic elements of fashion designs from the articles themselves, but also of at least two distinct legal doctrines limiting copyright protection: (i) the scenes a faire doctrine, under which widely used themes necessary for any creative work are granted at most limited protection, and (ii) the merger

doctrine, under which elements of original works that are on the borderline between protectable expression and unprotectable ideas are, again, afforded only limited if any protection. *See, e.g., Durham Indus., Inc. v. Tomy Corp.*, 630 F.2d 905, 916 (2d Cir. 1980). It is the Design Committee’s concern that although HR 2033 would to some extent overcome the limits imposed by the utilitarian nature of clothing designs themselves, it does not address the limitations on protection under the scenes a faire or merger doctrines and hence may not serve to achieve its intended goals.

To better comprehend the nature of the Design Committee’s concerns, it is perhaps necessary to understand that many of the most original and experimental of fashion designs are also among the least successful commercially. Indeed, the sometimes inspired and sometimes outrageous haute couture designs that garner headlines and perhaps the greatest attention of the fashion world are commonly worn by a select few and sell in limited numbers (often at significant overall financial losses to the designers that create them). Without suggesting there exists any strict inverse correlation for popular sales successes, the products having the greatest mass appeal will, for that very reason, often require familiar design features (or subtle plays upon such features) so as to appeal to the widest audience. (This, of course, does not include surface ornamentation such as two dimensional fabric patterns that are already protectable under existing copyright law.) Many of these familiar design elements (or variations upon them) have been used for many years and are in the public domain. Not only are they unprotectable under existing law, they will not likely be protectable under HR 2033.

No doubt many commercially successful fashion designs manage to integrate the novel and the familiar in new and pleasing ways. However, under the merger doctrine and the scenes a faire doctrine, even if HR 2033 were to become law, such settled copyright principles would likely require, as part of the infringement analysis, that those familiar elements be filtered out or accorded little if any weight in the overall comparison of registered design and any given design alleged to infringe. *See, e.g., Tufenkian Import/Export Ventures, Inc. v. Einstein Moomjy, Inc.*, 338 F.3d 127, 132 (2d Cir. 2003). This is true notwithstanding that HR 2033 defines a fashion design as the appearance “as a whole” of the subject article of apparel. As designers draw from a palate of design choices necessarily limited by the human form itself, the very history of fashion design will, under settled copyright principles, require that many if not most such design choices remain free for all to use (irrespective of whether “the appearance as a whole” of a design happens to be registered under HR 2033). Just so, it is foreseeable

that infringement litigation under HR 2033 will often entail extensive expert testimony to demonstrate the historical prior use of many or all of the elements claimed by the plaintiff to be his or her original creation.

Invariably, litigations under HR 2033 will also generate heated disputes over what is or is not properly claimed within any given design registration; what were the sources of inspiration for the registered work (and hence whether it is original) and what were the sources of inspiration for the accused work (and hence whether it was independently created or whether it is substantially similar to the registered design). Although it is reasonably well-settled that one can not escape infringement by adding elements to a work copied from an original design, it can in fact be quite difficult to assess copying when a design incorporates elements from multiple pre-existing creative sources, some of which are in the public domain and others not. Thus, if a protectable fashion design can only be claimed in the entire appearance of an article, copyists will likely be able to escape liability by selectively taking only specific original design elements from a given fashion design and incorporating them into another design which, “as a whole”, is not substantially similar to the original registered design. As under existing law, courts can and no doubt will take into account the “total look and feel” of the original and the accused work, but in this process the courts will need to be guided by a clear understanding of what new features truly distinguish the design in issue.

In short, given the long history to date during which many design choices that might now be claimed as proprietary under HR 2033 had (until now) been deemed part of the public domain, and given the likely necessity of using many such design elements in any article made to fit the human form, it is likely that in many instances (although hardly all) design registrations under HR 2033 will simply be one step in a process (perhaps a costly process) of determining to what extent, if any, given design elements can or cannot be protected under the scenes a fair or merger doctrines. To better understand why this is so, one must understand that under the copyright standard of originality, registered designs would (or at least could) be protectable (in whole or in part) provided there was no evidence the registrant itself actually copied the relevant design elements from a preexisting work. *Boisson v. Bannian, Ltd.*, 273 F.3d 262, 270 (2d Cir. 2001) (“an author is entitled to copyright protection for an independently produced original work despite its identical nature to a prior work, because it is independent creation, and not novelty that is required.”). Design registrations under HR 2033 thus could be secured for many plainly derivative works, leaving both third parties and the courts uncertain (without costly litigation to discover the underlying facts)

what elements of any given registered design are even claimed to be original, much less which in truth are.

As noted further in the ensuing section, rather than focus on the appearance “as a whole” of fashion designs, as HR 2033 does, it may well be that a more effective form of design protection would be one more narrowly focused on specific protectable elements and under which designers seeking protection would be encouraged (if not required) to disclose as part of the registration process itself those elements claimed to be original, or the specific selection and arrangement of elements claimed to be original. Although consistent with existing copyright law, such a form of protection would, in some respects, also be more akin to the existing scheme for protecting design patents. However, within the framework contemplated by HR 2033, such design protection would nonetheless incorporate the copyright infringement standard of substantial similarity rather than the design patent standard under which, although nominally predicated on very much the same standard, as a practical matter, affords to design patents essentially no scope of protection beyond the literal design claimed. *See, e.g., Elmer v. ICC Fabricating, Inc.*, 67 F.2d 1571, 1577 (Fed. Cir. 1995) (“design patents have almost no scope”).

(2) **Proposed Modification of the Definition of a Fashion Design.** Just as defendants accused of infringing registered designs will likely seek to challenge the scope of rights secured by design registrations under HR 2033, parties sincerely interested in avoiding infringement claims have a keen need to know, prior to launching a competing product, what it is the registrant claims is original so as to avoid copying those protected elements. Particularly given the lengthy history to date in which competing designers comfortably could assume all structural elements of designs were in the public domain, competitors henceforth will have a compelling interest knowing what is or is not being claimed to be original. Because the copyright standard of originality permits successive authors to claim the same subject matter as original, provided each did not actually copy the other, third parties have little, if any, way of knowing in advance what elements of a design registered under HR 2033 are deemed by the designer to be original and hence claimed to be proprietary. (Perhaps a fair parallel here is the relatively recent recognition by courts and the United States Patent Office that business methods can be patentable subject matter. Given the long history during which the law was otherwise, considerable confusion and uncertainty has arisen whether specific methods of operation claimed to be novel should be deemed unprotectable variations on the prior art. That uncertainty and confusion has been heightened by the absence of a readily searchable database of prior art.)

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Because HR 2033 does not require or encourage at the time of registration identification of the elements of any given design claimed to be original but, rather, specifically defines a fashion design as “the appearance *as a whole* of an article of apparel”; because design applications would receive no substantive review prior to issuance, and because the legislation contemplates no searchable database of registered designs, HR 2033 may sow needless uncertainty, and may create opportunities for excessive and unnecessary litigation. Designers who create subject matter registrable under HR 2033 are the best able to identify what they contend is new and original in their works and should be encouraged to disclose the same to the world at large.

As suggested above, a potentially more valuable system of design registration (in some respects more similar to the existing design patent system but also consistent with existing copyright law), would require (or at least permit) designers to specify what particular design elements or what particular selection and arrangement of design elements, is (or are) claimed to be original. That would help protect the interests of designers by giving notice to the world what is claimed to be proprietary; would help prevent needless litigation by affording junior users the means to conduct appropriate due diligence, and would simplify the issues that might arise in litigation. A searchable database of registered designs would also be of enormous benefit – both to design owners who might point to registrations themselves as a form of public notice and to competitors who would henceforth be able to take steps to avoid infringement.

Without substantially altering HR 2033, the Design Committee recommends that it should be amended modestly to define a fashion design as “the appearance of an article, either as a whole (to the extent the design as a whole is original), or as to particular aspects thereof, including its ornamentation, as specified by the registrant.”

(3) What Is Copyrightable Subject Matter Under HR 2033?/Proposed Modification of Savings Provision of HR 2033. Although HR 2033 does enumerate what types of products are eligible for protection as fashion designs, questions undoubtedly will arise whether some products do or do not fall within the list. Because HR 2033 carves out a special set of rights for a defined sub-class of arguably utilitarian products, without comprehensively addressing the issue of the protectability of original artistry incorporated in otherwise utilitarian designs, the legislation will, inevitably, lead to a certain level of arbitrary line-drawing. Costumes, for example, are not expressly covered. Costumes arguably are a form of apparel, which, perhaps even more so than other forms of apparel, often incorporate original individual design elements that are physically or conceptually separable

from the utilitarian purpose of clothing the human body and hence satisfy or all-but satisfy existing copyright standards for protection. Notwithstanding such higher levels of non-functionality and (arguably) originality, costumes to date have had, at best, a very uncertain status and scope of protection under copyright law. *See Whimsicality, Inc. v. Rubies Costume Co.*, 891 F.2d 452, 455 (2d Cir. 1989) (finding fraudulent the registrant’s characterization of a costume as “soft sculpture” but noting, without reaching the question of copyrightability, that plaintiff “could have acknowledged in its applications that the articles in question were costumes, and have requested registration for only the features it claimed were separable.”); *Masquerade Novelty, Inc. v. Unique Indus., Inc.*, 912 F.2d 663 (3d Cir. 1990) (finding no inherent utility in features of “nose masks” resembling noses of a pig, elephant or parrot). It is hardly clear whether costumes would be protectable under HR 2033.

More broadly, by providing explicit protection for apparel as a special class of goods, the legislation may have the result (no doubt unintended) of displacing the patchwork of prior protections for at least some aspects of clothing designs – in particular, design features that can be identified separately from the utilitarian aspects of the garment or other product. Thus, although in the past unusual stitch patterns, fabric designs or surface ornamentation of clothing designs could often – if admittedly not always – be protected under copyright, the new statute may incline courts towards treating all aspects of apparel designs under one classification (the new one). Indeed by defining fashion design as “the appearance as a whole of an article of apparel, *including its ornamentation*”, courts might conclude that surface ornamentation, heretofore protectable for a full term of copyright, is now only protectable for three years and only as part of the ornamentation of the article of apparel considered “as a whole”. Under the new standard, such individual design elements may enjoy even less protection than allowed in the past if courts conclude that Congress considered what protection to allow to apparel generally and deliberately decided only to allow the limited form of protection provided under HR 2033. Just so, the requirement that a designer either register its fashion design within three months or forfeit protection may lead courts to refuse protection for design elements conceptually or physically separable from the useful article and heretofore protectable and registrable under existing copyright principles *at any time* during the full term of copyright as defined in 17 U.S.C. §304. There are of course reasons under existing law why the author of such a copyrightable design element might wish to apply sooner (indeed within three months to get the full benefit of the right to claim statutory damages), but it is not mandatory.

Although there is language in the bill preserving existing rights, HR 2033 § 2(h), the right to protect aspects of clothing designs or designs of other arguably utilitarian articles has never been so clear or well-settled that one can assume such subject matter will continue to be protected even if it falls outside the scope of HR 2033. In particular, specific design features that, under existing law, can be identified separately from the utilitarian aspects of the garment or other product should not lose protection. The Design Committee therefore recommends that Section 2(h) of HR 2033 be amended to provide that “other rights that may exist in designs protected hereunder, including *specific elements of fashion designs*, that may exist under provisions of the title other than this chapter” are not affected.

INTERNATIONAL IP LAW

Samson Helfgott, Chair

This year, the Harmonization Committee was renamed the International IP Committee to address all international IP matters. We held an organization meeting which was well attended by most of the members. We divided the committee membership into three subcommittees: the International Patent Law Subcommittee, which was chaired by Tom Spath; the International Trademark and Copyright Subcommittee, chaired by Amy Beckman; and the Other International IP Issues Subcommittee, chaired by Amina Matlon.

During the course of the year, various members submitted items of interest and on a regular basis these were distributed to the members of the entire committee.

The various topics that were focused on included the report of the President of the European Patent Office, including various changes coming up in connection with the EPC 2000 going into effect at the end of 2007. We also kept up on the status of trilateral cooperation between the USPTO, the EPO and the JPO and the various proposals being discussed for harmonization and uniform format of patent applications.

During the course of the year, we also focused on cross boarder patent injunctions, enforcement of patent rights in China, changes in Australian copyright law, legislative initiative in the European patent law, and changes in the Brazilian law relating to genetic resources.

**To join one or more of the
NYIPLA Committees, please visit
[http://www.nyipla.org/
member/Committee_choice.cfm](http://www.nyipla.org/member/Committee_choice.cfm).**

INTERNET LAW

Paul Reilly, Chair

The following is an update on the activities of the Internet Law Committee. Over the past year, the committee has met via telephone and in-person on several occasions to discuss significant developments arising from intellectual property disputes involving the Internet.

One broached by the committee and most frequently discussed is legal publications is the conflict among the circuits as to whether or not the sale of keywords that incorporate another's trademark serves as use of a mark in commerce so as to render the party selling or acquiring the keyword liable for trademark infringement under the Lanham Act. *See e.g., Rescuecom Corp. v. Google Inc.*, 456 F.Supp. 2d 393 (N.D.N.Y. 2006) (not use in commerce); and *Merck & Co., Inc. v. Mediplan Health Consulting Inc.*, 425 F.Supp. 2d 402 (S.D.N.Y. 2006)(not use in commerce); *compare e.g., 800-JR-Cigar Inc. v. Go To.com Inc.*, 437 F.Supp. 2d 273 (D.N.J. 2006) (sale of keyword constitute use in commerce as a matter of law); and *J.G. Wentworth SSC Ltd. v. Settlement Funding LLC*, 2007 WL 30115 (E.D. Pa. Jan. 4, 2007) (use in commerce). I anticipate that a resolution of this conflict will not likely occur in the near future but will continue to spur litigation.

Because of the prevalence of articles and conferences concerning keywords, the committee opted to focus on how Google is changing the landscape of copyright law, protection and enforcement. Indeed, over the past few years, Google has made a lot of headlines due to the onslaught of intellectual property lawsuits it has been facing. Specifically, the committee's paper discusses the major copyright-related lawsuits Google has faced from the use of thumbnail images to system caching to news headlines. The recently issued decision in the matter of *Perfect 10, Inc. v. Google Inc.*, 2007 WL 1428632 (9th Cir. May 16, 2007) is illustrative of Google's transformative/fair use defense and will now be incorporated into the paper. The 9th Circuit's decision also makes clear that the owner of a computer that does not store and serve the electronic information to a user is not displaying that information, even if such owner in-line links to or frames the electronic information. Thus, the 9th Circuit has adopted what has been called the “server test” and affirmed that plaintiff was not likely to succeed on its claim that Google's in-line linking to a full size infringing images on another web site constituted a direct infringement.

One of the more notable decisions incorporated into the article is *Field v. Google, Inc.*, 412 F.Supp.2d 1106 (D.Nev January 2006) wherein the court held that Google had an implied license to use plaintiff's copyrighted works. Specifically, the Court noted that an

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implied license can be found where the copyright holder engages in conduct from which the other party may properly infer that the owner consents to his use. Consent to use the copyrighted work need not be manifested verbally and may be inferred based on silence where the copyright holder knows of the use and encourages it. Because of plaintiff's awareness of the widely known industry standard, which enables Web site publishers to instruct a search engine not to cache the publisher's website by using a no-archive metatag, the Court found that Mr. Field's awareness and failure to implement the no-archive metatag coupled with his knowledge that Google would use his copyrighted works granted Google an implied license. Arguable, this defense now places the burden on the copyright owner to prevent a third party search firm from copying their materials on the Internet. Generally speaking, the party wishing to copy a copyrighted work must obtain permission or a license from the copyright owner. Thus, Google's defense somewhat whittles away at traditional notions of copyright law based, in part, on the manner in which the Internet operates.

Other cases discussed in the article include *Parker v. Google, Inc.*, 78 U.S.P.Q.2d 1212 (E.D. Penn March 10, 2006 (archiving does not result in direct infringement because Google's automatic archiving and excerpting of plaintiff's web site in search results does not include the necessary volitional elements to constitute direct copyright infringement); *Agence France-Presse v. Google, Inc.* (copyrights in news headlines/transformational fair use); *The McGraw Hill Companies, Inc. v. Google, Inc.*, Civ. Action No. 1:05-cv-08881 (JES) (SDNY 2005) (online library project/fair use) and *Authors Guild v. Google Inc.*, Civ. Action No. 05 CV 8136 (SDNY 2005) (same).

With respect to the online-library project of Google, Microsoft recently blasted Google's practice of providing access to books online without the permission of authors and publishers asserting that it "systematically violates copyrights and deprives authors and publishers of an important avenue of monetizing their works." See Thomas C. Rubin's (Microsoft's associate general counsel for copyright, trademark and trade secrets) speech prepared for Association of American Publishers. Microsoft's comments, in my opinion, make manifest that Google's online library is a hotly contested dispute that will likely play a significant role in the development of the Internet and defining the line between transformational/fair use of copyrighted works and infringement.

Finally, with its acquisition of Youtube, Google has found itself on the other end of multimillion dollar copyright infringement claims. The outcome of such cases should provide further guidance to online service providers on how to insulate themselves from liability under the DMCA. We hope to include a brief section touching on the issues raised by the Youtube.

The committee plans to have the paper completed before the end of June for submission to the NYIPLA.

LEGISLATIVE OVERSIGHT AND AMICUS BRIEFS

Rochelle K. Seide, Chair

This is the report for the Committee on Legislative Oversight and Amicus Briefs for this year.

The committee prepared and filed two amicus briefs in the US Supreme Court in *Medimmune v. Genentech* and *KSR v. Teleflex*. The committee considered, but did not prepare an amicus brief in *Microsoft v. AT&T* (no consensus). The committee (and then John Daniels) prepared a brief for filing in the Seagate case before the Federal Circuit, but did not file a brief due to lack of approval by the Board. The committee also considered a request from Amgen to file an amicus brief in the US Supreme Court during the petitions stage in regard to the Federal Circuit's standard in claim construction, but did not prepare a brief. Finally, the committee has considered and is preparing a brief in the *Finisar* case before the CAFC dealing with the District Court's refusal to enter a permanent injunction. The case deals with some issues that were not resolved by E Bay. Dave Ryan has offered to prepare the brief.

The committee also provided to the Board a draft recusal policy for the amicus committee and Board, which is under consideration.

LICENSING TO PRACTICE

Allan A. Fanucci, Chair

The Licensing to Practice Committee investigated to what extent a patent agent who is licensed to practice before the patent office (or who is an attorney in another state) can represent clients in related matters when they are not admitted in the particular state where they are practicing. Generally, such activities are principally limited to preparing and prosecuting patent applications at the patent office, but often the agent or non-admitted attorney is often asked to prepare assignment, licenses or patentability or infringement opinions. This inquiry was raised by an NYIPLA member who is a registered US patent agent and a member of the New Jersey bar but who practices as a patent agent in New York City.

Not surprisingly, the answer to this depends upon the particular law of the state. We found that Virginia, DC and Florida have held that a registered patent attorney not licensed in those states could provide pat-

ent-related services such as rendering validity and infringement opinions as aforesaid. New Jersey has decided that such patent-related services are the unauthorized practice of law and are prohibited. We found that New York has not yet decided this issue and our member asked whether our association would urge that the Virginia or Florida decisions be adopted.

In particular, the Virginia State Bar Standing Committee on Unauthorized Practice found that a registered U.S. patent attorney who is not licensed in Virginia can properly give legal advice from a Virginia office on matters that are related exclusively to patent law, regardless of where the clients are located. The committee relied on Virginia's UPL Rule 9-102 and *Sperry v. Florida*, 373 U.S. 379 (1963), which held that a state cannot enforce its licensing requirements for lawyers against a non-lawyer who was registered to practice before the U.S. Patent Office. In a prior opinion, the committee found that a lawyer with a federal practice in a multijurisdictional law firm can represent Virginia clients before federal agencies without being admitted in Virginia. DC has a related decision that is consistent with the Virginia decision.

In contrast, New Jersey has held that a patent attorney or agent not admitted to practice law in the State of New Jersey may not lawfully engage in any of the following activities within the State of New Jersey:

(a) He may not advise his client as to the ownership of an invention such as where a question of ownership arises by virtue of employment or other contractual relationship between his client and others.

(b) He may not advise his client as to what the client's rights may be under forms of legal protection available under federal or state law which are alternate to patent protection, such as trade secrets, unfair competition, trade marks, copyrights, and anti-trust law; provided, however, that he may advise his client that there are alternate forms of legal protection on which he should seek advice from an attorney admitted to practice in this state.

(c) He may not advise a client on matters concerning the validity of a patent, except incident to the filing and prosecution of a patent application.

(d) He may not advise a client on matters concerning the infringement of a patent, except incident to the filing and prosecution of a patent application.

(e) He may not advise a client in matters concerning the scope of the monopoly granted in a patent, except incident to the filing and prosecution of a patent application.

(f) He may not prepare contracts or licenses dealing with patent rights.

(g) He may not prepare assignments of patent rights, except such assignments as are filed simultaneously with a patent application.

(h) He may not advise his client in matters concerning

contracts, licenses or assignments dealing with patent rights except as the same may directly affect and be incident to the filing and prosecution of a patent application.

(i) He may not advise a client respecting litigation in the Courts of the State of New Jersey, including litigation involving issues rising under patent law.

(j) He may not advise clients concerning rights or liabilities in connection with trade marks nor may he represent clients in the assertion of trade mark rights or in defense of liability under trade mark rules.

(k) He may not represent clients in the filing and prosecution of applications for registration of trade marks nor the prosecution of oppositions to the registration of trade marks in the United States Patent Office unless and except to the extent that Congress may preempt this field of law. He may not represent clients in the filing and prosecution of applications for registration of trade marks nor in the prosecution of opposition to the registration of trade marks in the Office of the Secretary of State of New Jersey.

Based on the differences between the states, we do not know if we would be able to convince New York to adopt the more lenient Virginia decision as a recommendation for patent agents wanting to practice more than patent prosecution in the State of New York.

LITIGATION PRACTICE AND PROCEDURE

Jeffrey M. Butler, Chair

The following is a brief summary of the Committee's activities for the previous year, and our tentative goals for the coming year.

The Committee members have had an ongoing exchange of ideas, including various rounds of email "discussions. We also meet face-to-face, and, at our meeting in late February, we raised and addressed the following IP litigation **issues**:

1. The proposed District Court Patent Pilot Program. Note: Earlier this year, the House passed H.R. 34, entitled "To establish a pilot program in certain United States district courts to encourage enhancement of expertise in patent cases among district judges. The legislation was referred to the Senate Committee on the Judiciary for further action in the Senate. The apparent goal is to "encourage enhancement of expertise in patent cases among district judges. Patent cases would be randomly assigned to the judges in a given district, but those judges who have not opted to hear such cases, may decline to do so (and such cases then would be reassigned to those judges in that district who have opted to hear such cases).

2. Jury selection in IP infringement litigation: A study of the trier of facts in such cases.

3. The *EchoStar* decision from the Fed. Cir. (and follow-on decisions from various courts). What is (will be) the impact

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of those decisions on the issues of waiver of privilege, etc.?

4. E-discovery: What issues are presented for IP cases?

Of those issues enumerated above, the first and third issues seemed to garner the most interest - at least at this stage - among the Committee members.

As for the Pilot Program, the Committee intends to monitor the legislative goings-on, and be prepared to report and/or comment thereon. We also would like to look at other models of such pilot programs (and it was suggested that, perhaps, such a program existed for the bankruptcy courts). We also briefly discussed "patent rules (such as those of the Northern District of California), and some Committee members questioned whether "hard-and-fast rules were appropriate in patent cases, or, rather, whether justice might perhaps be better served by allowing District Courts more latitude. We recognize that at least one other Committee of the Association is tasked with examining patent rules. We would like to reach out to that other Committee and, perhaps, work with it to explore the impact of such rules on patent litigation.

The *EchoStar* "waiver case and the pending *In re Seagate Technology L.L. C. en banc* case seemed to be of considerable interest to a number of Committee members. Various Committee members expressed views on how the holdings in *EchoStar* and earlier cases already seem to have impacted IP litigation (including, e.g., opinions of counsel, duty of care, patent litigation strategies, etc.). We think that the fallout from *EchoStar*, along with the expected *en banc* decision in *In re Seagate*, should be followed and further explored by the Committee.

On electronic discovery, we briefly explored issues such as "virtual custody and control of documents, proprietary software applications, spoliation, metadata and "front-loading of discovery plans (and other timing / strategy issues). We think there are myriad issues relating to e-discovery, such as these, that we could and should continue to discuss.

I currently am soliciting further topics of interest from Committee members. (Already, there has been a request for the Committee to explore non-patent topics (e.g., trademark litigation or copyright litigation or trade secret litigation topics) in addition to the patent topics we have been exploring.

At our next meeting, we will further our discussion of the issues above, and we then will decide how we best can raise and present these issues with the Association. (Admittedly, some of the issues, above, still need to be fleshed out a bit, before they are discussed at a broader level.)

The Committee also is considering proposing a seminar on one or more litigation topics, including, e.g., "best practices in IP trials from the perspective of litigators and the bench. Another topic of interest is the issue of "tutori-

als in IP (especially patent) litigations. One interesting and promising proposal has been that the Committee organize and hold a seminar, in which we hope that one or more district court judges could be on a 'panel' along with one or two experienced IP litigators, perhaps even tapping the talents of members of the Committee. (Assuming the NYIPLA Board approves it, the Committee would like to work with the CLE Committee to see if CLE credit could be provided to speakers and attendees.)

Another chief activity of the Committee (particularly for the coming months) is arranging for the Federal Circuit to sit in New York City during the Autumn of 2007.

I have made arrangements with the law schools at Columbia Univ. and Fordham Univ., and Chris Hughes has made arrangements with NYU's law school, for the Court to sit at each of those schools. Also, we are working with the Fed. Cir. Bar Association to try to arrange for a social event for the first evening during the Court's visit, and we also will be planning and working on a dinner and social event to be hosted by the Association for another evening during the Court's visit.

In addition to court hearings and social events surrounding the Court's visit, the Committee would like to consider additional (possible) events such as a CLE program involving one or more Fed. Cir. judges (such as courtroom procedures, "pet peeves, a Fed. Cir. workshop of sorts, etc.); and a swearing-in ceremony for folks from this area desiring to be admitted to that court.

MEETINGS AND FORUMS

Peter G. Thurlow, Chair

The Committee has 26 members, most of whom have actively participated in Committee activities including planning and/or hosting a CLE Lunch Program.

The Committee held an organizational meeting at Jones Day Law Firm on August 9, 2006 to meet and plan CLE programs through fall and winter of 2006-2007.

Monthly CLE Programs

The Committee has organized seven CLE Lunch Programs this year and one non-CLE Webinar on Electronic Filing in the U.S. Patent and Trademark Office.

CLE Speakers this year included Mr. Q. Todd Dickinson, Vice President & Chief Intellectual Property Counsel at General Electric; the honorable Judge Paul Luckern of the United States International Trade Commission; Ms. Frances Henderson of the USPTO's Trademark Trial and Appeal Board; and Mr. William Jenks of from the Solicitor's Office at the United States Patent and Trademark Office.

For a further discussion on the 2006-Feb. 07 CLE programs, please see the Committee Report on Continuing Legal Education (above).

MEMBERSHIP

Marilyn M. Brogan, Chair

This year, the Membership Committee decided to target certain types of individuals whom we believe are under-represented in the Association. One of the target groups is female attorneys, and with the goal of attracting more women members, we held a Women's Wine Tasting/Networking Event on the evening of April 11, 2007. The event took place at the law firm of Arent Fox, LLP, which firm, together with the NYIPLA, sponsored the event.

Approximately 60 people attended the function, which sold out in record time. The evening provided attendees an opportunity to network with members of the NYIPLA, as well as other IP attorneys, in a comfortable and relaxed atmosphere. Almost half of the attendees were not NYIPLA members, and this evening was therefore a great opportunity to introduce these newcomers to our organization, explain our activities and goals, and encourage them to join us.

The evening was a great success: it provided attendees an excellent opportunity to network with other women in the IP field, and it provided the NYIPLA an opportunity to introduce the organization to many potential new members. We received a number of inquiries from some of the attendees seeking information about the Association, and possible similar future events, and we have encouraged any such persons who are non-members to submit membership applications.

Additionally, as we have in the past, we continue to seek new members from non-members who attend the monthly luncheons; membership applications are made available at the luncheons for this purpose. Also, membership is encouraged at the reception held annually by the Young Lawyers' Committee.

The numbers as of May 16, 2007

Total Membership: 2294 • Total Paid Membership: 1526

New Members during this dues period: (May 2006- May 16, 2007) 268

Total New Student Members this dues period: 31

Total Lost Souls out of the 2294: 457

(Lost Souls are members who have left their firms and have no forwarding address. Every few months we try to find them on Martindale, with some small measure of success).

The breakdown of this year's paid members who are current with the 2006-07 dues is as follows:

*Paid Active Members (admitted to practice 5+ years) = 974

*Paid Active Members (admitted to practice less than 5 years) = 368

*Paid Active Members (outside NJ, NY, VT, CT)

and includes Foreign = 88

Note: 17 Foreign Members in Database of which 10 are current with dues

*Paid Retired Members = 30

*Paid Student Members = 66

*Life Members (not required to pay dues) = 17

PROFESSIONAL ETHICS AND GRIEVANCES

Hunter T. Carter, Chair

During 2007, the Association undertook a shift in the focus and purpose of the Committee on Professional Ethics and Grievances. Historically, the Committee was directed to hear grievances and determine whether to remove an attorney from membership for ethics reasons. This year, however, we commenced to shift the focus and become more oriented to understanding the unique ethics challenges facing our members.

At the beginning of the year, the Committee was formed as a result of various efforts, and held its organizational meeting at the offices of Arent Fox. The following persons attended or expressed a desire to serve as members of the Committee: Steven M. Amundson (Frommer Lawrence & Haug), Jennifer Chung (Frommer Lawrence & Haug), Michel O'Hara (Kenyon & Kenyon), Rory Radding (Morrison & Foerster LLP), James K. Stronski (Frommer Lawrence & Haug), Charles A. Weiss (Kenyon & Kenyon), Tiberiu Weisz (Gottlieb, Rackman & Reisman, P.C.).

As Chair of the Committee, I promoted a discussion of what our agenda should be, understanding that we should be reasonable and modest in our goals in this, our first transition year. Committee members identified several issues of importance, but none more than developing a greater understanding of the conflict of interest issues for our members that uniquely challenge them. We also identified as future areas of activity the convening of or participation in continuing legal education seminars on intellectual property-specific ethics matters and participation in publications in the Bulletin on topics of interest.

Inasmuch as my firm belongs to the Attorneys Liability Assurance Society, I attended the annual Patent Consultation Group convened by ALAS, and there, like in our Committee, attorneys were most interested in the conflict of interest issues confronted by intellectual property practitioners. ALAS reported confidential results of a survey conducted among their members concerning conflicts policies and conflict clearance systems and approaches. After a discussion among our members, we determined to consult with ALAS in order to obtain permission to take their survey and send it to NYIPLA member firms. A copy of the ALAS survey is attached to this report. Among the topics the survey explores are:

- How firms identify and screen for subject matter conflicts in patent prosecution
- How firms identify and screen for subject matter conflicts for word marks and design marks
- The extent to which firms that do patent opinion work litigation in related subject matter areas

cont. on page 26

- Docketing and document management/retention
- Due diligence practices
- Work for and with foreign associates
- Managing maintenance and fee payment obligations

We propose to engage with the new President and the Board of Directors in a discussion leading to the dissemination of the survey and the publication and analysis of its results.

The Committee will benefit from increased membership and a renewed focus by the Board on the changed purpose of the Committee, including closer links to the Publications and Continuing Legal Education Committees.

PUBLIC INFORMATION, EDUCATION, AND AWARDS

Richard W. Erwine, Chair

This year, again, the committee has been responsible for selecting the winners of the Conner Writing Competition and Inventor of the Year Award.

Conner Writing Competition

The Committee reviewed approximately 20 submissions, and proposed the following as winner and runner-up:

Winner: “Here Comes the Bride... And There Goes the Copyright” (Jayme L. Majek)

Runner-up: “Rasmusson v. SmithKline Beecham Corp.: Distinguishing Between a Hunting License and the Next Great Invention” (Matthew Dowd)

Inventor of the Year

The Committee also voted for the 2007 Inventor of the Year based on 6 nominations. The committee nominated Dr. Wang of United Biomedical as the Inventor of the Year.

The NYIPLA Board of Directors followed the Committee’s recommendations for both contests.

PUBLICATIONS

Ashe P. Puri, Chair

Stephen J. Quigley, Greenbook Subcommittee Chair

The focus of the Publications Committee has been two-fold. We are responsible for publishing the Bulletin, a bi-monthly publication consisting of articles, Board-approved papers, columns and Association events. We are also responsible for publishing the annual Greenbook, a yearbook comprising of the Association’s leadership and membership, Committee membership and bylaws (among other information). For the first time this term, the Greenbook included Board–Approved papers (e.g., Recommendations to the PTO, Proposed Local Patent Rules).

In addition, during the 2006-07 term, the Publications

Committee published five issues of the Bulletin. We are proud to report that the issues this term have been some of the largest volumes to date. The issues have included new columns, including a Historian’s Column, a Second Circuit procedural case review, as well as recurrent columns and activities, including the Southern District of New York Case Review and CLE program summaries.

The Committee has been active this term. Various members have submitted columns and articles for publication in the Bulletin. In addition, the members have engaged in proofreading and editing columns and articles.

The Committee held its annual luncheon meeting on April 23, 2007 to discuss goals for next year, including new layouts and content for the Bulletin. In addition, the Committee approved a new cover for the 2007-08 Greenbook.

TRADE SECRET LAW AND PRACTICE

Howard C. Miskin, Chair

Trade secret law has never been an exciting subject in litigation or committee activity. In litigation charging trade secret infringement or misuse of trade secrets or unfair competition in using another’s trade-secret, it is difficult to prove the taking, misuse or even what is the trade secret allegedly taken, which makes it difficult to successfully litigate a case.

However, the tide seems to be changing. High damage trade secret cases are emerging, especially in the biotech and data communications fields. In today’s mobile society a large number of highly technical or persons are available in the job market. New employees are being hired laterally for specific work due to downsizing or changing focus of products. Employees move easily from one company to another especially in the high-tech fields. Intentionally or not, these employees bring with them matters in which they were working or even developed. Many cases show these individuals are hired because of the work they have and their knowledge in specific fields. They are sought after by competitive companies. While these critical employees probably have employment agreements, this does not stop the hiring.

The difficulty in trying trade secret case is shown by the few successes in litigation. Difficult or not, in view of the high stakes involved in protecting trade secrets, especially in high-tech companies, more litigation is taking place.

The Trade Secret Committee was to have and compiled categorized trade secret cases in each of the circuits, including the Federal Circuit. The committee got off to a slow start and it will begin to assemble the material early for the coming year report.

Kathleen E. McCarthy, Chair

The Committee met several times to review other issues and consider projects of interest to the Association membership, including ways to address common grievances with trademark prosecution and opposition matters in the USPTO; the proposed new rules for oppositions/cancellations in the TTAB and whether anything can be done to change them/prepare for their implementation; and a possible study of trademark prosecution costs/fee arrangements.

We wish to thank all other Committee chairs and members for their support during the year and ask for their continued support for our future and ongoing projects.

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