District Court for the Southern District of New York held summarily on Jan. 21. Were the dilution statute applied to protect trade dress designs, a would-be inventor in New York would not have to meet the rigorous standards for obtaining a patent, the court reasoned. (*Escada AG v. The Limited*, DC SNY, No. 92 Civ. 7530, 1/21/93)

Background

Plaintiff Escada AG sells fragrance products under the trademarks "Escada" and "Escada Margaretha Ley," and Escada received a trademark registration on the bottle design for its fragrances. The design is a hand-blown crystal, heart-shaped bottle in which concentric heart shapes are embodied in raised glass. It has a fanciful gold-tone metallic filigree on the shoulders of the bottle and a fluted, gold metallic bottle top containing a ruby red cabochon center. Escada has filed a design patent application for at least one of its bottles.

Defendants The Limited Inc., Victoria's Secret Stores Inc. and others (collectively, The Limited) recently introduced a line of fragrance products under the trademark "Rapture" sold in various heart-shaped bottles. Design patent applications have been filed for three of The Limited's Rapture bottle designs, and the Patent and Trademark Office has issued notices of allowances on all three.

Escada sued The Limited for infringement, violations of Section 43(a) of the Lanham Act, 15 USC 1125(a), and trademark dilution under N.Y.Gen.Bus. Law 368-d. The Limited moved for a summary judgment on Escada's dilution claim.

Dilution Claim Preempted For Trade Dress

The purpose of the dilution statute is not to remedy public confusion over similar products sold by competitors, Judge Stanton began, but to protect against the growth of dissimilar products which feed on the reputation of an established and distinctive mark. Thus, some courts have questioned the applicability of the statute to trade dress cases, he pointed out, and several courts have refused to apply it in cases such as this where the plaintiff and defendant are direct competitors selling similar products.

Because the parties' bottle designs are subject to patent protection, The Limited argued, the dilution claim is preempted by federal patent law.

Judge Stanton agreed, quoting the Supreme Court's holding in *Bonito Boats Inc. v. Thunder Craft Boats Inc.*, 489 U.S. 141, 9 USPQ2d 1847 (1989), 37 PTCJ 377, that "state regulation of intellectual property must yield to the extent that it clashes with the balance struck by Congress in our patent laws." On the other hand, he added, *Bonito Boats* did not prohibit all regulation of potentially patentable designs, citing indications of source and trade secrets as examples.

Such valid state laws are not aimed exclusively at the promotion of invention itself, the court related, and are limited to promoting goals outside the contemplation of the federal patent scheme.

[Text] In regulating unfair competition a state may also give limited protection to a particular design to prevent consumer confusion. * * * However, one cannot argue that the New York dilution law serves that purpose in this case, for the statute does not require any showing of consumer confusion as to the source of goods or services. * * *

The New York dilution statute as applied to potentially patentable designs goes beyond the limited regulation permitted by *Bonito Boats*. The protection plaintiffs seek is against copying their patentable designs. * * * Under the statute, plaintiffs attempt to enjoin defendants from making, using or selling bottle designs which allegedly mimic the Escada bottle design. Such an application of the dilution statute is not limited to a specific goal outside the contemplation of the federal patent scheme. [End Text]

Were the dilution statute applied to protect trade dress designs, a would-be inventor in New York would not have to meet the rigorous standards for obtaining a patent and his right to exclude copiers would not be confined to the design patent's 14-year limit, Judge Stanton explained. "When the subject matter is potentially patentable," he wrote, "the state interest in protecting the manufacturer from dilution must yield to the national interest in uniform patent law."

The Limited's motion for summary judgment was accordingly granted.

Technology Transfer

PRIVATE COMPETITOR LACKS STANDING TO CHALLENGE CRADA

A private company lacks standing to challenge a cooperative research and development agreement (CRADA) involving its competitors and a federal agency, the U.S. District Court for the Eastern District of Pennsylvania held Jan. 11. A private competitor does not fall within the zone of interest protected by the Federal Technology Transfer Act, the court ruled, since the Act's intended beneficiary is the health and well-being of the nation as a whole and not the interests of individual businesses. (*Chem Service Inc. v. Environmental Monitoring Systems Laboratory-Cincinnati of the United States Environmental Protection Agency*, DC EPa, No. 92-0989, 1/11/93)

Background

The Environmental Monitoring Systems Laboratory-Cincinnati operates in the Office of Research and Development for the Environmental Protection Agency. The laboratory entered into several cooperative research and development agreements (CRADAs) with private companies pursuant to the Federal Technology Transfer Act of 1986. The CRADAs were designed to continue the laboratory's efforts in distributing substances (reference materials) to government and private organizations for the calibration of analytical instruments.

Plaintiff Chem-Service Inc. (CSI) filed suit against the laboratory and the EPA (collectively, EPA), challenging EPA's award of CRADAs to three companies — NSI Environmental Solutions Inc., Ultra Scientific, and SPEX Industries. Asserting jurisdiction under the

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Administrative Procedure Act, CSI argued that the CRADAs violated the Federal Technology Transfer Act because they incorporated indirect government funding and did not involve research and development.

EPA moved to dismiss.

'Zone of Interest' Standing

Although there was no dispute that this case presents a "case or controversy," EPA challenged CSI's standing to challenge the CRADAs under the APA as a matter of "judicial prudence." CSI's interests are not within the "zone of interest" intended to be protected by the Federal Technology Transfer Act (FTTA), the EPA argued.

Judge Joyner agreed. He rejected CSI's invitation to look to federal procurement laws to determine standing, even though the complaint contends that agency action should have been subject to the competitive bidding process under those laws. Since the complaint rests on the FTTA and the means used by the EPA in awarding the CRADAs, the standing issue is whether a competitor such as CSI is within the zone of interest meant to be protected by the FTTA, the court explained.

The impetus for the FTTA, the court observed, was Congress's concern that federal laboratories develop a large number of inventions, but only 5% of federally owned patents are ever used. Thus the FTTA was passed to further the intent of the Stevenson-Wydler Technology Innovation Act of 1980 and to ensure that technology developed by federal agencies is transferred to the private sector, Judge Joyner wrote.

Although the CRADAs are the means of implementing the FTTA, the court continued, there "are very few guidelines" for an agency or laboratory to follow when establishing a CRADA. Judge Joyner explained that the only restraint on agency discretion is that the agency should give preference to small businesses and domestic businesses, citing 15 USC 3710a(c)(4). "Otherwise, the agency has unrestrained discretion in establishing CRADAs," he observed.

As for the intended beneficiary of the Act, the court examined the legislative history and found it "replete with evidence that the intended beneficiary * * * is the health and well-being of the nation as a whole and not the interests of individual businesses."

> [Text] Nowhere in the legislative history * * * is there any indicia of a Congressional concern for the interests of individual businesses *qua* competitors. Rather, the Act is concerned with improving the nation as a whole so that it may compete globally, not with ensuring the competitive rights of individual domestic companies. * * * [T]he purpose of the Act is to take useful technology off the federal shelves and inject it into our nation's economy where it can benefit the nation * * * and thus enable the United States to keep abreast of technological advancements on a global level. Unfortunately for individual competitors such as the plaintiff in this case, the method by which this is being done is not as egalitarian as that provided by the federal procurement and contract laws.
>
> Accordingly, our analysis leads us to conclude that plaintiff and its interests are not arguably within the zone of interest of the Federal Technology Transfer Act and therefore, [it] lacks standing to challenge the CRADAs. [End Text]

EPA's motion to dismiss was granted.

Conferences

FIRST-TO-FILE SYSTEM DOES NOT GET APPROVAL OF ABA HOUSE OF DELEGATES

A resolution of the ABA-PTC Section favoring a first-to-file patent system over the present first-to-invent system in the U.S. failed to win approval by the ABA's House of Delegates at its Feb. 9 meeting in Boston. However, the National Association of Manufacturers on Feb. 13 in Marco Island, Florida, voted in favor of switching to a first-to-file system as part of a "balanced package" of reforms needed to bring about world-wide patent law harmonization.

Background

The United States is the only major industrialized country that still awards patents to the first to invent a device rather than to the first to file an application at the patent office. However, international efforts to harmonize patent laws have brought pressure on the United States to switch to a first-to-file regime.

Last April, legislation (S 2605 and HR 4978) was introduced that would mandate changing to a first-to-file system with a 20-year patent date measured from the filing date. See 43 PTCJ 519, 533. The Patent and Trademark Office, patent lawyers and manufacturers voiced cautious support for such a reform at a joint congressional hearing, but no action was taken on the legislation in the 102nd Congress. However, last September, the PTO's Advisory Commission on Patent Law Reform presented a report endorsing adoption of a first-to-file regime as part of a global harmonization package. See 44 PTCJ 490, 502.

Meanwhile, in August 1991, the American Bar Association's Section of Patent, Trademark and Copyright Law passed a resolution favoring a first-to-file system if foreign laws are changed to the benefit U.S. patent applicants. See 42 PTCJ 417. At the ABA meeting last August, the Section reaffirmed its 1991 position and recommended rescission of two resolutions adopted by the ABA House of Delegates in 1967. See 44 PTCJ 458. The 1967 resolutions opposed changing to a first-to-file system or making any other adjustments to U.S. law that do not favorably affect the U.S. patent system.

The next session of the World Intellectual Property Organization's diplomatic conference on patent law harmonization is scheduled for July 1993 in Geneva, Switzerland. This conference, among other things, is contributing to the pressure on U.S. policy makers to resolve the first-to-file debate.

Resolution Defeated on Close Vote

The first-to-file resolution of the ABA-PTC Section was brought to the ABA House of Delegates at its Feb. 9 meeting in Boston. The resolution read as follows:

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