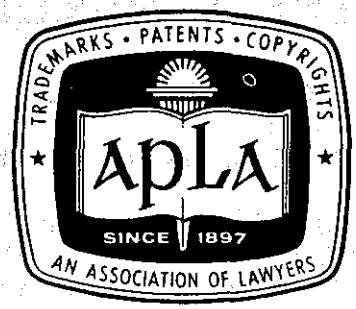

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The past first half year of their administration has more than amply demonstrated the strength and effectiveness of their resolve to "turn things around." However, the job cannot be done overnight or even in a few months or a couple of years.

Gerald Mossinghoff, while only at the "beginning" by a very few months, has gotten off to a fast start as our new Commissioner of Patents and Trademarks. He has demonstrated strength, ability and determination to accomplish the assignment given to him by Secretary Baldrige. The internal leadership of the PTO as exemplified by Assistant Commissioner Rene Tegtmeyer- Patents and Margaret Laurence- Trademarks as well as Michael Kirk-Director of the Office of Legislative and International Affairs have come to the fore in strong and effective support. We await the nomination and confirmation of a Deputy Commissioner of substantial experience to join this team.

During these past months there has as a practical matter been a close and effective working relation between the leadership of the Commerce Department and the PTO- as well as the interested segments of the bar, Congress and industry.

Because of the demonstrated "Dollar Value Of United States Patents and Trademarks" which results in annual tax revenue to the United States Government of some $2.5 Billion (See President's Page- APLA Bulletin January/February 1981), Secretary Baldrige was able to shield the PTO in FY 1982 (budget starting October 1, 1981) from the deep budget cuts felt throughout Government as part of President Reagan's economic recovery program.

As noted by Commissioner Mossinghoff in his first public report at the ABA Convention in New Orleans, the reorganization of the Commerce Department currently underway will result in the PTO reporting directly to the Secretary. That is being done with the hope and expectation that with Secretary Baldrige's strong support, the PTO will be able to accomplish "much more, faster, under that arrangement than the Office could hope to as an independent agency." We, the bar, join in that hope and commit ourselves to cooperating in seeking to make it work.

The dollar level of the FY 1982 budget, while certainly better than what would be if it had been sharply cut-back, is simply inadequate to do the job of revitalizing the PTO and restoring the credibility of its functions. If we continue at that level in the coming years, the PTO and the patent and trademark systems will go down the drain- no matter how strong the resolve of Secretary Baldrige, Commissioner Mossinghoff or the interested members of the House and Senate. As stated by Commissioner Mossinghoff on August 8, 1981, "Decisions made during the FY 1983 budget cycle will set the pattern for progress in the Office through the first Reagan Administration."

Announcing the

ROBERT C. WATSON AWARD FOR 1981

sponsored by

AMERICAN PATENT LAW ASSOCIATION

To be presented	November 2, 1981 Capital Hilton Hotel Washington, D.C.
In the amount of	Five hundred dollars Author of best article on a subject of primary importance to the patent system written or published between November 1, 1980 and September 1, 1981.

Contest Rules

To be eligible for consideration, the article must have been written solely by a student or students either in full time attendance at a law school (day or evening) or prepared in connection with a law school course. The article must be submitted or noticed to the American Patent Law Association on or before September 15, 1981. It must be the equivalent of at least ten printed Law Review Pages including notes. Submission of ten copies of the article is requested.

Judges will consider the merit of the article as a contribution to the knowledge respecting the policy or operation of the patent system in a broad context and the extent to which it displays original and creative thought or information not previously published or available.

Reasonable expenses will be reimbursed to the author of the winning paper to travel to Washington, D.C. to receive the Watson Award on November 2, 1981. Please send articles to the American Patent Law Association, 2001 Jefferson Davis Highway, Arlington, VA 22202.

Budget Reconciliation

The amendment to Title 35 contained in Public Law 96-517 as it affected the fee structure of the Patent and Trademark Office became enmeshed in the budget reconciliation process. The Senate Judiciary Committee was ordered by the Senate Budget Committee to "reconcile" the amount of appropriations in FY 1982 it had previously passed with a lower figure determined by the Budget Committee to be a ceiling or upper limit on the amount of money the first Concurent Budget Resolution set. The Senate Judiciary Committee was faced with cutting $106,000,000 from previously appropriated programs. In achieving those cuts, the effective date of the imposition of higher fees by the PTO was amended from October 1, 1982 to October 1, 1981. The Committee estimated this would increase revenue by $10,000,000 and so would be a $10,000,000 set off against the Budget Committee ceiling.

This amendment was made under pressure and was hastily conceived. The entire reconciliation process is conducted under stringent time limits. The complaints about this amendment from the Commerce Department and from the private sector were sympathetically received. Furthermore, the Congressional Budget Office informed the Judiciary Committee that the amendment would not raise $10,000,000 but only $2.7 million.

The committee staff found a solution to their reconciliation problem which was as unusual and as hastily conceived as was the amendment to the fee provisions. On June 25th Senator Thurmond successfully amended S.1377, the budget reconciliation bill on the Senate floor by striking out the amendment to the fee schedule and inserting in lieu thereof a three year specific dollar amount authorization for the PTO. In FY 1982 they authorized $118,961,000, the exact amount requested by the Reagan Administration in its amended budget request of March 1981. In January, President Carter requested that the PTO appropriated $121,411,000. It turns out that the Carter budget is used by the Budget Committee as the numbers of reference for reconciliation purposes. Therefore, by authorizing the lesser amount, the Senate Judiciary Committee has "reduced" by $2,450,000 in FY 1982 programs it authorizes.

The Senate Judiciary Committee has never before authorized any spending by the PTO. However, because the PTO is within their jurisdiction, the Budget Committee accepted this percipitous act of authorization. Authorizing by a substantive committee involves consideration of the details of an agencies' budget. The Senate Judiciary Committee is highly unlikely to consider the PTO's budget in the future although now that they have acted to authorize it they certainly have the ability to do

The Hearing witnesses include Robert Benson, former Chairman of the Patent Advisory Committee to the Domestic Policy Review on Industrial Innovation, Jan Jancin for APLA, Bill Reilly for the Licensing Executives Society, Auzville Jackson for NAM, Derek Lawrence for General Electric Company, Homer Blair for IPO, and Niels Reimers for Stanford University. All of the witnesses supported the bill.

Senator Schmidt is working closely with Congressman Ertel in an effort to enact a patent policy compatible with the provisions of Public Law 96-517. In the near future, identical bills along the lines of S. 1215 will be dropped in the hopper in both Houses. A joint hearing on these bills by the House and Senate Science Subcommittees is tentatively scheduled for September 30. Senator Schmidt expects that the Reagan Administration will support this legislation at these hearings.

periences of operating under reexamination during the first four months.

"How to Protect Computer Software"
Michael O. Sutton and T. Gordon White
Arnold, White and Durkee

This topic will address trade secret and copyright protection for computer programs. Specific trade secret issues include the necessity of confidentiality and whether sales of the program in a disk destroys confidentiality, the potential problem of attaching a copyright notice to the computer program, and whether a copyright preempts a trade secret claim. Other issues more particular to copyright include the scope and limitations on the rights of copyright, deposit requirements, copyright infringement and copyright remedies.

The patentability of software and computer-related inventions in view of the Supreme Court's decision in *Diamond v. Diehr* and a look at trademark protection for computer software will also be covered. The discussion will also include the PTO's proposed guidelines for examining these types of inventions as well as a suggested guideline for drafting claims to software or computer-related inventions.

"How to Cope With the Uniform Trade Secrets Act"
William L. LaFuze
Vinson and Elkins

The Uniform Trade Secrets Act (UTSA) has now been passed in several states and is being considered by the legislatures in many others. Since the UTSA generally preempts state common law dealing with misappropriation of trade secrets, this topic will address what changes in the law have been effected by the UTSA and how practitioners should advise their clients to gain the most benefit or avoid some pitfalls resulting from the new Act.

6:00 p.m.-7:30 p.m.-Early Bird Reception

Monday, November 2

A.M. Committee Meetings

12:30 Luncheon
SPEAKER: The Honorable Malcolm Baldrige,
Secretary of the Department of Commerce.

The CCPA has been quite active recently in overturning long-term precedents, particularly as they apply to the question of "ancillarity". This discussion will focus on the impact of the court's actions on the future conduct of interferences.

10:00 Break

10:15 Patent Law
Gerald Rose—Leydig, Voit, Osann, Mayer & Holt, Ltd.

This topic will be directed to statutory amendments, rule changes, and Supreme Court, lower court, and Board decisions that will have a major impact on patent prosecution and litigation. Judicial developments will be emphasized.

11:00 Video Tape Depositions
H. Ross Workman—Fox, Edward & Gardiner
Thomas E. Smith—Lee, Smith and Jager
Garland Andrews—Richards, Harris & Medlock

This topic will cover the desirablity, mechanics and use of video tape depositions. This part of the program will include demonstrations of the use of video tape depositions at trial. It will include a discussion on motions for taking video tape depositions, costs and simultaneous stenographic transcript. This topic will also address other issues raised by video tape depositions including tactics used by counsel, demeanor of counsel, use of video technicians, zooming and framing, and black and white vs. color considerations.

12:20 Luncheon
SPEAKER: Honorable Gerald Mossinghoff—Commissioner of Patents and Trademarks

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Legal Secretaries' and Administrators' Program

Once again, the Association is joining with the Patent and Trademark Office to offer this extremely popular one-day program, the purpose of which is to familiarize the attendees with the operation of the PTO. The program will be conducted on Monday, November 2, 1981 between 9:00 a.m. and 4:45 p.m. Only 45 persons can be accommodated and registrations will be accepted on a first come basis.

Dr. Alan M. Krubiner has been appointed Director of Patent Law and Licensing for Syntex Corporation, Palo Alto, California, and will be responsible for managing the company's worldwide patent and related proprietary information and licensing activities. Dr. Krubiner joined Syntex in 1974 and has most recently been serving as Assistant Patent Counsel for Research. He has a B.S. degree in Chemistry from Queens College of City University of New York, a Ph.D. degree in organic chemistry from the University of California, Berekly, a J.D. degree from Seton Hall University School of Law, and is a member of the California Bar. Dr. Krubiner was in research and the patent law department of Hoffmann-LaRoche, Inc. prior to joining Syntex. He resides in Los Altos, California with his wife and two children.

Deaths

It is with great regret that the deaths of the following members are announced:

Otto John Munz of Arlington, Virginia recently passed away. Mr. Munz joined APLA in 1956 and was a member of the District of Columbia and Maryland bars.

Harry B. Rook, recently of New London, Connecticut, died in May at the age of 86 years. He was born in Washington, D.C. and graduated from National University Law School in 1916 with a Master of Patent Law. After service in World War I, Mr. Rook began practice in Newark, New Jersey and New York.

Resignations

The Board of Directors has accepted the resignations of the following members of the Association:

Active

Raymond W. Barclay
Bertram F. Claeboe
Paul M. Coble
Edwin H. Dafter, Jr.
George R. Douglas
Norman M. Dreyfuss
Donavon L. Favre
R.L. Foertmeyer
John R. Hall
Gerald A. Hapka
Elmer R. Helferich
Robert F. Hess
Henry Kozak
Henry K. Leonard
Bessie A. Lepper
Robert A. Lester
Robert A. Linn
H. Geoffrey Lynfield
J.T. Martin
Paul S. Martin
John A. Mathews
Jacque L. Meister
Calvin H. Milans
H. Barry Moyerman

Junior

David W. Anderson
Gary M. Bond
Elizabeth Manning
William L. Muckleroy
Theodore S. Park
Martin C. Ruegsegger
Robert R. Schroeder
Nigel L. Scott
Frederick A. Stolzle, Jr.

Student

Wayne M. Kennard
Mark Levy

Asssociate

Malcolm F. Steele

The question before the Court, as the appellant sees it, is whether or not there is in fact trademark protection that is available here under the law, first of all, as we see it through the eyes of the United States Supreme Court and, secondly, assuming that the Supreme Court would permit some protection of trademark law, whether under the particular facts of this case there is a right under the trademark protection law.

JUDGE RUBIN: Mr. Pravel, you said you wanted to talk about the public policy involved. What is the public policy, as you perceive it?

MR. PRAVEL: Your Honor, there are two aspects of the public policy. There is a very strong public policy preserving the right to copy, the right to copy those things which are not patented or which are not subject to patent protection or not subject to copyright protection.

We have in this instance not a situation where we have a conflict between two names that are trademarks but a conflict between products, a conflict between the shape, the size and color of the products. Each of the products does have its own trademark on the product.

JUDGE NIES: Do we have to find that the shape is a trademark for you to prevail here?

MR. PRAVEL: You do not have to find —

JUDGE NIES: The shape, color and all of these.

MR. PRAVEL: — whether the combination is a trademark for us to prevail. Your Honor, we submit that for the appellant to prevail here you would have to find that it is not a trademark or the other aspect of it — it really is a two-pronged approach, as far as the appellant is concerned.

First of all, we submit that under the Sears, Compco pair of decisions by the Supreme Court, because we are dealing with size, color and shape, that those are not available as trademark rights, that that is precluded by that decision and its proper interpretation and I will discuss that at this point.

To answer the Court further, should this Court conclude, as has been concluded by the Second Circuit in Ives v. Darby, that the Sears, Compco case does not preclude trademark protection if an established secondary meaning is proven, then we will point out that even under that approach the appellant here is entitled to copy the shape, color, and size of the particular drugs that are involved.

JUDGE RUBIN: Before you proceed to that, let me ask you to talk again a moment about public policy. You've referred to a right to copy as an element of public policy, Isn't there also a public policy interest in morality and fairness? Isn't there an element of unfairness, indeed, of unjust enrichment in what your client has been doing?

bination and shape and size and, on that assumption, I would respond to the Court in this way.

In this case, this product has been on the market for a number of years. It was patented. The patent has expired. During that period of time that product was sold by prescription only. Patients received that product, they knew it as a drug that came from the druggist, prescribed by the doctor. They received it not on the basis of their having gone to a store and purchased it with a trademark and thereby having associated it with some particular source but they simply associated it as their medicine.

As the Court said in Ives v. Darby, patients identify capsule colors with their ailments. For example, the little red heart pill, this is my red heart pill. They put their pills in little capsules. They take them at 10, 2 and 4, one for their heart and one for their blood pressure and one for something else. But the patients identify them, particularly the elderly, on the basis of what is the color and the shape and they identify them in that way.

So what we have in effect is a history here of a product that has come to be identified by this particular thing. The medicine itself has been identified, not the source, and this has occurred because of the way in which it was marketed.

JUDGE CONNER: But the evidence here shows, and I believe it's undisputed, that during the period when the plaintiff was exclusively marketing this product the color combination achieved secondary meaning as identifying a particular source, the plaintiff, and isn't the public entitled to rely on that color combination as identifying only the plaintiff as the source?

MR. PRAVEL: Your Honor, we submit that issue is not resolved by the District Court. It was not resolved in favor of the plaintiff. The secondary meaning issue was decided in the District Court on the basis of it being an unnecessary issue to resolve. So the issue before this Court is that the secondary meaning has not been established.

There was survey evidence but the survey evidence was very limited. The evidence that is before the Court is this, that the product that has been marketed by the appellee has been marketed for a number of years and there has been no essential advertising to any consumer. Consumers, unless they read the label on the pill, would not know where the product ever came from. They got it from their druggist by prescription, so they were not relying upon it. There is no reason to assume that the purchasers would rely upon a particular source. They were simply getting their medicine by prescription. They relied upon their doctor and their pharmacist to supply them with the correct medicine.

JUDGE RUBIN: But aren't you essentially arguing for a license to the druggist to substitute a cheaper product without informing the customer, while charging the customer for the more expensive branded product?

effect the rights which the Supreme Court has said the appellant is entitled to have been completely removed. So we then become obligated to enforce another law which can likewise be enforced by civil authorities or the district attorney or whomever when they find such a violation.

So we say that there is, where there must be, a balance in the law. There must be a balance that permits this right to copy and to give to the public the opportunity to have price competition, to have competition with respect to these products that the public has come to recognize by the shape, color and size as the medicine. Therefore, if they are going to purchase that medicine, they ought to be given the opportunity to get it at the best price possible and that's the upshot as we see it.

The substitution that the Court is referring to that might occur is something that can be prevented, can be determined and has been in many cases determined. So we say that that particular policy of preventing substitution can be accomplished without depriving the appellant of its right to copy, as provided by the Supreme Court.

JUDGE RUBIN: Let me. I think your last few words bring you back to the point to which I wanted to direct my question which is the Supreme Court decision in Compco. I understand from your prior comment that you read Compco as implying that there is no protection in the Lanham Act or in other federal statute to prevent the type of conduct that your client is accused of. But wasn't the sole question in Compco the use of state unfair competition laws and not federal statute?

MR. PRAVEL: Yes, Your Honor, that's correct. The Ives v. Darby case, which was a Second Circuit case in '79 which the Court has in the briefs, did consider the Compco and the Sears cases and actually distinguished on the very point that this Court has questioned me about at this time. They've pointed out that the Supreme Court at that time simply said that the federal law of patents and copyrights preempts any attempt to permit a state to grant such protection under the guise of unfair competition.

JUDGE NIES: But isn't there also an exception for any federal law, such as trademarks and copyrights, written into Sears and Compco that the decision itself contains the exception that's being asserted here?

MR. PRAVEL: Your Honor, thank for you for that point. Your question does bring out what I had intended to follow up with and that is exactly what I think should be the law as applied in this case, that Section 43-A is nothing more than the federal law of unfair competition and when you are going to try to step from Compco to 43-A you simply are stepping from the same principles of trademark law applied in the states to the same principles applied in the federal law under 43-A.

read the name of the plaintiff Tumorgone, in the years past and had associated that name with that particular product, that patient would also be able to read the name that we now have, the appellant has, namely "Generic," which is on our capsule so that patient would not be confused.

JUDGE RUBIN: We're not talking about protecting the name Tumorgone but we're talking about protecting a combination of colors, gray and blue, and you don't to have your eyeglasses on to see that color combination and what concerns me is whether or not the person who has gotten used to paying $5 for a dozen for those capsules when he was buying the plaintiff's product, pays the same $5 for a product that could be bought for $3 from the defendant, if the products look alike so that the defendant's product could be passed off by an unscrupulous druggist as that of the plaintiff.

Isn't that a legitimate public interest concern?

MR. PRAVEL: Yes, Your Honor, I'd say it was of some concern to the public. On the other hand, the person who is purchasing the product is certainly not paying any more than he'd pay if he was getting the product that he originally was getting from the original source, assuming that the price was held to be the same.

Now, your assumption, of course, and your example is that the druggist would not pass on any saving to the consumer.

JUDGE RUBIN: There is at least that risk.

MR. PRAVEL: There is the risk.

JUDGE RUBIN: It happened in some of the cases substantiated by the affidavits on file in the District Court.

MR. PRAVEL: What it does, it does provide competition at the druggist level and competition at the druggist level could very well reduce the price that that druggist charges in competition with another pharmacy and the consumers are apt to go to different pharmacies and they locate places where they get the discounts, where they get the best prices.

JUDGE RUBIN: If the welfare of the consumer is what is being sought, isn't the best way to protect that welfare to require the capsules to be colored differently so that there has to be price competition? So that, in order to make the substitution of the red and white capsule for the blue and gray capsule, the pharmacist has to offer an incentive. You could have blue and gray for $5, you can have red and white, which is the same thing, for 3.95.

MR. PRAVEL: Your Honor, that would be true if they were bought only on the basis of price. Most of the customers buy the medicine, particularly the elderly, the lame and the sick, on the basis of history and knowledge that that is their medicine and they're getting it prescribed by their physician, so they want the same medicine that they've been taking and they are not going to pay — buy it simply on the basis of price.

The evidence of secondary meaning is overwhelming in this case. There has been $15 million spent on promotion. There has been 6 billion, I repeat 6 billion, capsules sold over a 15-year period to 20 million patients. There is evidence in this record showing that patients identify the size, color, and shape of these capsules, not as Mr. Pravel says, with the medicine, but with their product Tumorgone.

We submit —

JUDGE NIES: Mr. Dunner.

MR. DUNNER: Yes, Your Honor.

JUDGE NIES: I don't know whether this is in the record or not but it's in the makeup of any judge that they have a family and I have on occasion asked my mother, Would you take your pills if they weren't the right color?, and she says, No.

Now, that is a consumer's viewpoint and, while not in the record, judges do have other things they bring to the bench. Now, how is that person going to be served by giving your client a monopoly perpetually on this shape and color?

MR. DUNNER. Your Honor, I too am concerned about your mother.

(Laughter.)

JUDGE NIES: She also lives on Social Security.

(Laughter.)

MR. DUNNER: Your Honor, I'm concerned about that too.

(Laughter.)

And why am I concerned? I'm concerned because I'm afraid that a potentially unscrupulous seller of lookalikes, me-too capsules, which look like the Branded product but which really are not, over whose processes we have no control, might sell an inferior product and your mother might take it and might get sick, and moreover, I'm a little worried that, if your mother takes it and might get sick and dies, God forbid, that her estate will then sue not the real person they should sue, which is Generic, but Branded, and we will have no opportunity to prove that the product was not ours but somebody else's because that product will have been ingested and the bottle containing it may have been mislabeled.

You also said, Your Honor, that your mother has told you, if she had a different color product for her medication, she would not take it. We have dealt with that in the evidence in this record establishing that it is an easy task for the doctor or the pharmacist at the point of sale to tell the patient that product is a different product, and in fact, Your Honor, that's exactly what's happening in the field, because Branded in this case, the manufacturer of Tumorgone, the product that's been sold for 15 years, in fact has a generic line of drugs and is selling in competition with other companies having other size, colors, and shapes of those drugs very effectively, with very little detail work, and Branded is not alone in

JUDGE NIES: So, if your pill were — your capsule were white, you would say they could sell it without any problem now and it's only because you've added color, which you're asking us to protect, purely color that we would find for you. We would hold —

MR. DUNNER: Your Honor, I am not suggesting that color in the abstract is protectable. There are cases dealing with that issue. We have here a combination of things. We have here a unique coloration, a bicolor. We have here a unique coloration bicolor in combination with a certain size capsule.

We have here a situation where people who are reaching 50 and some occasionally who are over 50 can't see the coloration, can't see the identification on that pill. We have here a situation where many patients who are over 50 can't see it and are apt to be confused. We're not suggesting a monopoly.

JUDGE RUBIN: Mr. Dunner, I think you're becoming personal in your comments.

(Laughter.)

MR. DUNNER: Your Honor, you don't look a day over 40. I wasn't thinking of you.

(Laughter.)

JUDGE CONNER: What about me?

(Laughter.)

MR. DUNNER: All right. Now I might be getting personal.

(Laughter.)

You look one day over 40.

JUDGE NIES: But my point is, if someone wants to protect a product, isn't there an obligation to adopt something rather distinctive before you ask the courts to say that is a property of your client? You could punch in the ends or put three circles around it or something that is not just a color combination.

MR. DUNNER: Your Honor, if you're suggesting that the color combination in this case does not fall in your category of distinctive, then I disagree with you. I otherwise agree with you that we may be talking here of something distinctive or which has become distinctive through use. I submit that the blue and gray capsules in this case could not be more distinctive. This is the leading anticancer drug in the world, it is the seventh largest pharmaceutical in the world, it is the only one of all the anticancer drugs having blue in its color, it's the only blue and gray combination. What could be more distinctive than that?

I submit this case is distinctive.

Your Honor, I would also like to go back briefly to the Sears and Compco point merely to point out, just so there will be no lingering doubt on that, that all the cases that have considered Sears and Compco have not only treated some broad language in those cases as too broad or dictum but they have all narrowed it,

you know, Section 32 was relied upon by the Second Circuit in the Ives case and that would be a basis for the contributory infringement, if it were in issue in this case, but by stipulation it is not.

I would, instead, rely on Section 43-A, Your Honor, which basically talks about proscribing a person from using a false designation of origin or any false description or representation, including words or other symbols tending falsely to describe or represent their goods.

I sumbit, Your Honor, that by simulating the very distinctive coloration, size, shape of plaintiff's capsule, the defendant Generic is doing exactly this. It is in full effect using a false designation of origin. It is doing it as much as if it put Branded right on its capsules and sold them. I submit that this language is the language we should look at and I submit further this language is the language that the other distinguished courts that we rely on are looking at.

Your Honors, in the last analysis, we must submit the future of the generic drug industry is not involved in this case. Generic can compete with Branded, it can compete with any other drug company selling a distinctive form of drugs by doing what we do in our generic drug line and that is proved in the record. What is at stake in this case is the good will of a company that spent 15 years building up a product, proud of its good will, proud of its reputation and protecting it against simulators who haven't made the investment we have, over whom we have no control, who can stain our reputation just by the snap of a finger, who can create product liability for us and we feel that the law should not permit that. Moreover, we feel the public interest resides in your affirming the decision below.

Thank you.

JUDGE RUBIN: Thank you, Mr. Dunner.

Mr. Pravel, I think you have 5 minutes remaining for rebuttal.

MR. PRAVEL: Just a few responses.

First of all, with respect to the point that Mr. Dunner made about the language of 43-A, he said the words "false designation of origin" was his basis for contending that he was entitled to relief here because of this dangerous instrumentality theory. Of course, as the Court has observed, those words are not — "dangerous instrumentality," are not in Section 43-A and, if he's relying upon the words "false designation of origin," it seems to me he inherently is relying upon the requirement to first show a secondary meaning or some designation of origin that gives him the right to prevent the appellant here from marketing this product.

The essence of a false designation of origin must start with some designation of origin which has some proprietary right that he can protect.

Now, if we did not have unscrupulous people in the world, I wouldn't be so concerned but the evidence shows that in actual experience a number of druggists have substituted the Generic product for Branded's Tumorgone product and have even marked the package with the trademark Tumorgone with, in some cases, either G-e-n, Generic in abbreviation, or s-u-b, substitute in abbreviation, which the purchaser probably doesn't understand, but in some cases without any addition, just the trademark Tumorgone on the package and they've charged the regular $5 per dozen price for the substitute product and have pocketed the difference.

This has been made possible only because of the identity and color, shape and size.

JUDGE NIES: Would you extend — We don't usually just sit back this way and listen to one judge.

JUDGE CONNER: My lecture's over. Go ahead.

JUDGE NIES: Would you extend that to hoola-hoops? That's tricky.

JUDGE CONNER: If there is secondary meaning and if a particular —

JUDGE NIES: No, I mean in the shape or in the packaging of the product or the shape of the product? How are we going to draw the line there?

JUDGE CONNER: If there is secondary meaning, as I think the evidence shows there is here, so that the identity is being used to deceive the purchaser. As a matter of fact, in Sears and Compco the Supreme Court says, You can copy provided you don't confuse people as to source, and I think confusion as to source is what's happening here.

JUDGE NIES: But don't you think it was partly — I don't think we have all that many unscrupulous pharmacists. I think part of it was the problem of having a new law that they really didn't know how to use. They didn't know they weren't supposed to label it with the brand name.

JUDGE CONNER: They knew enough to charge the old price.

(Laughter.)

JUDGE NIES: Counsel's answer to that was that competition will bring out the lower price where you have a lower base price?

JUDGE CONNER: Competition will, if the customer is not being deceived and can't be deceived. Then you won't pay $5 for the $3 product. But, if the $3 product can be passed off as the $5 product, there are, unfortunately, some who will do so.

JUDGE NIES: But are they being hurt if the evidence shows it's exactly the same product?

JUDGE CONNER: They're being hurt by paying $2 too much.

Now, I'm not sure that $5 —

JUDGE NIES: I mean, the issue we're asked to talk about is just blue and gray for tumor control but what is the effect if we said, they should use yellow and green? That might create another problem with a totally different kind of medicine. The plaintiff here would also want to stop someone from using his colors on a different type of medicine. Maybe we shouldn't be protecting colors at all as a property right but only for safety reasons.

JUDGE RUBIN: In connection with that, I was looking at the record and I don't see any finding in the trial court's findings about whether the consumer was misled at the time of purchase. I think his findings were based on the notion that at the time the consumer went to take the capsule the consumer might assume it was another product but, if these consumers buy their capsules the way I do, you call in your prescription or you take it by and then you come back later and you pay so much money. It's all wrapped up and you don't ever look at it till you get it home.

So is there any real evidence of consumer confusion at the point of purchase?

JUDGE CONNER: It's not so much consumer confusion as it is the opportunity for the druggist, who is far from being confused, to victimize the customer.

JUDGE NIES: I don't see that as the principal issue in the case. It's has this manufacturer established such a trade identity in this ordinary shaped capsule with two colors that we should say he can exclude the world? Now, the fact that he has got a de facto secondary meaning — recently read a case out of the CCPA authored by Judge Nies, —

(Laughter.)

JUDGE CONNER: Judge Niles, I believe.

(Laughter.)

JUDGE NIES: — where someone wanted a trademark registration for a little circular box that you put fish hooks in and we said, in all our wisdom, that the fact that it was the first product made that way or that it had a de facto secondary meaning isn't enough. The issue is: is the design so distinctive that it should be reserved to one person, one company? There is fair and unfair competition and we should encourage competition.

JUDGE CONNER: I agree with you. That is the critical issue in the case. If there is not —

JUDGE NIES: And even if there's confusion, that is not the only test.

JUDGE CONNER: If there is not secondary meaning here, that is, if a purchaser who sees the blue and gray doesn't think of Branded, not necessarily by name, —

JUDGE NIES: Yes.

JUDGE CONNER: — but as a particular source, a source in whom he or she has come to repose confidence by years of suc-

identification of the generic medicine and not an identification or an indication of the source?

JUDGE NIES: I think that's what the argument was over — that it was functional.

QUESTIONER: I didn't pick that up. Maybe it was argued and I didn't get it.

JUDGE NIES: That's what I took the argument to be.

MODERATOR KIRK: To the panel: Thank you very much. To the attorneys: Thank you for all the preparation.

(Applause.)

Preliminary Relief in Trademark Cases

Alan S. Cooper

Paul Krieger, who asked me to be on this panel, is not here this afternoon and that's a good thing because I would have had some words with him about the possiblity of covering the topic in the 45 minutes that are allotted. But, in any event, I'll do my best to move this along and perhaps there'll be some time for questions at the end.

I don't plan to go into great detail on the acts of preliminary relief that you're all familiar with but I intend to cover them in summary fashion. This will include the nature of the remedy, the elements of plaintiff's burden of proof, procedural aspects, some prefiling considerations, and lastly I plan to plow some of the same ground that Neil Smith did this morning in the Trademark and Trade Name section about the use of ex parte TROs in trademark counterfeit cases.

Before turning to the first of these points, I would like to briefly go over the source of the judicial power to grant preliminary relief. Section 34 of the Lanham Act empowers the district courts to grant injunctions according to the principles of equity and on such terms as the court may deem reasonable.

The express language of Section 34 indicates that it's limited to actions involving a registered mark. Recent decisions, however, suggest that Section 34 and, in fact, the other infringement remedies sections of the Lanham Act also apply to Section 43(a). So there is a statutory basis for preliminary relief in actions under the Lanham Act.

That leaves the question of actions at common law. An argument can be made that Section 34 also appeals to common law actions by virtue of the interplay of Sections 44(b), (h) and (i) of the Lanham Act. There are rather long and involved steps in meshing all those together and I'm not going to go through that. I believe, how-

long-term effects of a denial. The minimal benefit, of course, is that the defendant is enjoined pending trial but, as I've indicated, another benefit is that it often forces the defendant to settle.

Apart from the prospect of settlement, there are other advantages of a preliminary injunction. The motion normally is heard a few weeks after the complaint is filed and in most cases moving for preliminary relief is less expensive than going all the way through discovery and trial on the merits.

The other side of the coin are the risks if the motion for preliminary relief is denied. A denial, especially on the ground that plaintiff failed to prove probability of success, can be devastating, particularly if plaintiff put on his most persuasive evidence. In that event, when the case eventually goes to trial, plaintiff not only has to discharge the normal burden of proof, but is faced with the delicate task of convincing the trial court that its earlier views on the merits require reconsideration.

Let's go through the elements of the plaintiff's burden of proof. Generally, the plaintiff must make a clear showing:

That there is a probability of success on the merits.

That plaintiff is suffering or threatened with irreparable injury.

That the balance of hardships favors plaintiff, and

That relief is necessary to protect the public interest or at least is consistent with that interest.

Before reviewing these elements of proof, it should be noted that several recent cases in the Second Circuit appear to apply a somewhat different formulation of the plaintiff's burden. In those cases, the plaintiff is required to make a clear showing of irreparable injury and either probability of success on the merits or that there are sufficiently serious questions going to the merits and that the balance of hardships tips decidedly in plaintiff's favor.

The cases which apply this formulation would not, in my view, have reached any different result if the traditional test had been applied.

The first of the traditional elements which the plaintiff must show is a probability of success on the merits. The real question here, the practical question, is; What does plaintiff have to prove in order to convince the court that he is likely to succeed on the merits of the case? The decisions which treat this question in any depth at all generally require at a minimum that plaintiff must put in a prima facie case of infringement. In other words, plaintiff must prove that he is the owner and prior user of a valid trademark and, secondly, that defendant's conduct is likely to cause confusion as to source, origin or sponsorship.

Let's consider first the question of ownership and validity. In a case involving a registration much of that proof is provided, at least initially, by a certified copy of the certificate of registration. Under Section 7(b) of the Lanham Act, the certificate is prima

Turning to the next element of proof, we deal with the bottom line question: Does defendant's conduct cause likelihood of confusion? While actual confusion is clearly relevant, numerous cases hold that it is not required to obtain preliminary injunctive relief or permanent injunctive relief.

The factors which the courts consider in determining whether confusion is likely generally vary somewhat from circuit to circuit and also vary depending on whether the same goods or noncompeting goods are involved. But generally speaking, the courts consider the degree of similarity between the marks, product similarity, the strength of plaintiff's mark, any evidence of actual confusion, any evidence of the defendant's intent, the area and manner of concurrent use of the marks and, last, the degree to which consumers are likely to exercise care in purchasing these products. It's clear that these factors are all relative and will vary in importance from case to case.

To obtain preliminary relief, plaintiff must also demonstrate that he will suffer irreparable injury unless the defendant is enjoined. Irreparability in this context historically has meant that compensatory damages, the legal remedy, are inadequate to repair the injury. Obviously, where a defendant cannot respond in damages, that remedy is inadequate. And there are trademark cases which base a finding of irreparability on the defendant's impecunious financial position alone. However, in most trademark cases, irreparable harm is based on a finding that since the injury cannot be adequately measured in dollars, it is not compensable by an award of damages.

Where plaintiff demonstrates that there is a substantial likelihood of confusion, a finding of irreparable injury is almost inevitable. Indeed, several courts have held that the consequences of trademark infringement by their very nature are not fully compensable by damages. More often, however, irreparable injury is based on a finding that the infringement will result in lost sales which cannot be adequately measured in dollars or that the plaintiff's reputation is being tarnished by the poor quality of defendant's goods or, in some cases, by the unsavory connotation of defendant's goods. But even where defendant's goods are not inferior, there still is irreparable injury because the result of the infringement is to deprive plaintiff of control over his own reputation.

Another type of irreparable harm which was recently relied upon in the *Scrabble* case occurs when the defendant's conduct threatens to destroy or seriously dilute the distinctiveness of the mark.*

Plaintiff also must show that the balance of hardships tips in its favor; in other words, that greater harm would result if the

**Selchow & Righter Co. v. McGraw-Hill Book Co.*, 580 F.2d 25 (2nd Cir. 1978).

that confusion is not likely for whatever reasons seem appropriate, convincing or plausible. Allegations of that sort, in my view, are not affirmative defenses, but simply negative defenses. They controvert an element which plaintiff must prove, namely, that confusion is likely. This type of negative defense with reasons is an argumentative denial which Professor Moore suggests ought to be avoided.

Applying this negative/affirmative distinction to the preliminary injunction stage of litigation, you'll see that much of what the defendant is doing is directed toward supporting negative defenses. In other words, offering that evidence which contradicts the elements which plaintiff must prove. Of course, affirmative defenses such as laches, estoppel and acquiescence are available at the preliminary stage, provided they have been pleaded in the answer.

Laches can be raised both with respect to undue delay in filing the suit and undue delay in seeking preliminary relief once the case has been filed. In the latter situation, however, the thrust of the laches defense goes to whether plaintiff has really sustained irreparable harm. In other words, if the plaintiff waits 5 or 6 months or a year or more after filing suit to bring on the motion for preliminary injunction, that delay usually is inconsistent with the proposition that defendant's conduct is causing irreparable harm.

Since a preliminary injunction is an equitable remedy, the application for this relief is tried to the court even though the case ultimately would be tried to a jury.

The procedure governing the issuance of preliminary injunctions is set forth in Rule 65 of the Federal Rules of Civil Procedures. Rule 65 does not, however, confer jurisdiction to grant this relief, nor does it prescribe what type of hearing shall be held or what type of evidence may be presented.

Since a preliminary injunction must be supported by findings of fact as well as conclusions of law, the plaintiff must make an evidentiary record which will enable the court to make these findings. Affidavits and verified pleadings are one means of making this showing and they play an important role, especially with respect to facts that are not seriously in dispute.

While a preliminary injunction may be granted on affidavit evidence alone, that result is unlikely when the affidavit evidence is incomplete or conflicting in material respects. As a practical matter, if the decision on the preliminary injunction application requires the court to resolve material issues of fact, then an evidentiary hearing will be required where the court has an opportunity to hear live testimony and the parties have an opportunity to cross-examine.

Rule 65(a)(2) provides that evidence received at the trial of the preliminary injunction hearing which would be admissible at trial

tual confusion. The reason for this is that actual confusion evidence, particularly good, persuasive actual confusion evidence, adds flesh and blood to the argument that not only is the public being confused but that confusion is causing real irreparable injury.

I'd like to read you a few examples of this evidence. A few years ago a well-known tire company brought a series of infringement actions against several importers of rubber rainwear and footwear. The infringing merchandise was all labeled in one form or another with the tire company's famous housemark. The infringements generated an incredible amount and variety of actual confusion ranging from complaint letters to product liability actions wrongfully filed against the tire company. Letters complaining about the poor quality of this merchandise were most common.

The following complaint is typical of this type of confusion:

"In March I purchased a pair of fishing boots bearing your company's trademark. At the present moment they are covered with patches of various sizes and shapes, as well as numerous cracks which I cannot repair. Needless to say, I have spent too many wet, uncomfortable and miserable fishing trips to forget the matter without first writing you. Let me add here that I sincerely hope your tires are better than your boots."

(Laughter.)

Confused consumers come in all ages.

A young lady of 13 wrote this letter:

"I bought a pair of your black and white track shoes at Calloway's Shoe Store. When I washed them the first time they were fine but when I washed them the second time the black faded and made them a crummy looking green. I paid $5.99 for those track shoes and I'd like to know if you stand behind your products."

My favorite is the following letter about an extra-large rain suit:

"I am 6 feet 2 and weigh 192 pounds. Imagine my chagrin when I put your rainsuit on in the wilds of Central Canada. I wondered why the shoulder straps could barely be hooked and when I bent over both of them broke. I had to use fishing lines to hold the pants up. This isn't all. When I sat down in our rowboat the top didn't meet the bottom so the rain went down my back and filled my pants."

(Laughter.)

"This was convenient because every time I caught a big northern I put it in my pants to keep it alive."

(Laughter.)

Complaint letters of this type not only establish actual confusion, but often they demonstrate public recognition of plaintiff's

is possible under the certification procedure of 28 U.S.C. Section 1292(b) or by writ of mandamus.

I would now like to turn to the use of ex parte TROs in infringement actions involving counterfeit goods. As many of you are probably aware, there is just a raft of counterfeit goods flooding this country. They include not only inexpensive items like T-shirts and jeans and running shoes, but also expensive goods such as watches, luggage and other items. What distinguishes this type of merchandise from the usual infringement is that the counterfeit product almost always has a virtually identical reproduction of the plaintiff's well known mark, and at least visually, appears to be identical to the genuine product.

One of the difficult problems in policing this type of infringement is identifying the source of the goods. Who is the manufacturer or importer?

One solution to this problem is to sue retailers, both to enjoin sales of the infringing goods and to identify through discovery the actual source of the product. The difficulty in this approach, however, is that once the defendant receives notice that he's been sued, the counterfeit goods and all related documentation mysteriously disappear. All you get is testimony to the effect that "I bought these T-shirts from a peddler; I paid him cash; his name was Ralph."

Recent cases, however, suggest that the disappearance of counterfeit goods can be prevented by an ex parte TRO which includes a seizure provision. I would like to close with these two points:

First, the showing required to obtain an ex parte TRO in an counterfeit case, and

Secondly, the substantive and procedural bases for seizure order.

The leading case authorizing an ex parte TRO in a counterfeit case is the Vuitton decision in the Second Circuit.* In the *Vuitton* case, the plaintiff sued two retailers and immediatley applied for ex parte TRO to prevent the defendants from disposing of the counterfeit goods before the preliminary injunction motion could be brought on for hearing Plaintiff's supporting affidavit stated that previous infringement actions against similar defendants had revealed a network of retailers selling this infringing merchandise. As soon as one member of the network learned he was about to be enjoined, he immediately transferred the goods to some other member of the network and that put an end to any effective remedy. The affidavit went on to explain that if notice had been given, the defendants in this case would — as in the other cases — have disposed of the goods before the court could act.

*In the Matter of Vuitton Et Fils S.A., 606 F.2d 1 (2d Cir. 1979).

the source of such merchandise might disappear and the distributor or source of supply remain undetected and able to sell to others. In sum, giving the defendants notice of the application for an injunction could result in an inability to provide any relief at all. This is contrary to the normal and intended role of notice within the meaning of FRCP 65(b) and is surely not what the authors of the rule intended or anticipated."

These cases indicate that a plaintiff essentially must prove two elements in order to obtain an ex parte TRO:

First — Proof of irreparable injury requiring immediate relief, and,

Second — A convincing showing that, if notice is given, defendants will dispose of the counterfeit goods before the court can act.

This latter showing can be based on a prior track record with this defendant or similarly situated defendants in previous litigation or on any other facts which clearly demonstrate that there is a substantial danger that the defendants will dispose of the goods if notice is required.

Vuitton and the other cases which I have discussed are directed to the harmful effect of requiring plaintiff to give notice of the TRO. But there is another problem: the newspapers. Many papers have a reporter who covers the U.S. Court House and who routinely reviews complaints as they are filed. A newspaper story the day the case is filed or even a telephone call from the reporter will easily have the same result as formal notice. The goods and the records will be gone.

One way of preventing this type of informal notice is to file the complaint and the TRO application directly with the judge pursuant to Rule 5(e) of the Federal Rules. That rule vests the court with discretion to accept papers filed directly. If the court is willing to do that, then the court also should be requested to seal the record until the TRO is ruled upon and, assuming it's granted, the record should remain sealed until the TRO is enforced.

The ex parte TROs in several of these counterfeit cases direct the U.S. Marshal accompanied by plaintiff's counsel to seize and impound the counterfeit goods and related records until the court can act on the preliminary injunction. The procedural basis for a seizure order of this type is Rule 64 of the Federal Rules. That rule provides that seizure of personal property to secure satisfaction of the judgment ultimately entered is available to the extent provided by federal or state law.

While a Rule 64 seizure order usually is used to prevent transfer of personal property in which the plaintiff claims some security interest, the express language of the rule certainly is broader and, in my view, indicates that a seizure remedy is

the meaning of Article III of the Constitution where the defendant is unknown and is unlikely to appear and defend.

The questions that I've closed with — whether actions against unnamed defendants amount to a justiciable controversy, the basis for ex parte TROs and seizure orders and the propriety of that action — are all areas which obviously will require attention from the courts in the next few years. It's an area of growing importance and I think one that the trademark bar and indeed and patent bar as well should follow very closely.

Thank you.

(Applause.)

Use of Experts in Trademark Cases

Jerome Gilson

The expert witness in trademark litigation is something of a rare bird. After all, what is so complex about a trademark case involving beer, margarine or magazines, as compared to a patent case involving jet engines or nuclear reactors? The products, advertising and trade channels are within the everyday experience of judges and juries, who should be able to compare the trademarks and trade dress without expert testimony.

But the comparison stops there. Indeed, the legal issues in a trademark case can be enormously complex. Take, for example, the defense that the plaintiff's trademark has become an unprotectible generic term, like "cellophane" or "aspirin." The controlling issue is "what do the buyers understand by the word for whose use the parties are contending?" *Bayer Co.* v. *United Drug Co.*, 272 F. 505 (S.D.N.Y. 1921) (L. Hand). The practical litigation question is how the court or jury ascertains the meaning of a particular word (like "thermos" or "lite") to the buying public, comprised of millions of people with different levels of education, income and acuity. And if the class of relevant buyers is a specialized one, such as nuclear scientists, professional musicians, hospital purchasing agents, or farmers, the task may be even more difficult.

The same problem exists where the defense contends that the plaintiff's mark is a descriptive term with no secondary meaning, or that the defendant's mark is not likely to cause confusion. In *Triangle Publications, Inc.* v. *Rohrlich*, 167 F.2d 969, 77 U.S.P.Q. 196 (2nd Cir. 1948), the question was whether the trademark MISS SEVENTEEN for girdles was likely to cause confusion with respect to the trademark SEVENTEEN for magazines. Judge Frank, in his own wry way, wrote: "as neither the trial judge nor any member of this court is (or resembles) a teen-age girl or the mother or sister of

qualification as an expert witness, the others being "knowledge, skill, experience, [and] training." Thus, you can use someone without a Ph.D. or even a college education, and qualify him or her as an expert based on these other attributes.

Since scientific or technical knowledge is not required, and "specialized" knowledge is enough, you can use a variety of witnesses which are ideal for the kinds of issues trademark cases present. For example, marketing experts, advertising experts, public relations experts, designers, graphics experts, department store officials, and trade association personnel may qualify. Others familiar with sales patterns in particular fields, such as hospital supplies, chemicals or farm equipment, can be particularly effective. Indeed, a college professor may be the least qualified to give an opinion on how a trademark is used and perceived in the real marketplace.

In the old days a witness was generally not permitted to express his opinion on the ultimate issue in the case, since this was viewed as usurping the province of the court or jury. And in some state courts, like those in Illinois, questions put to expert witnesses must still be phrased in hypothetical form, which can be confusing or ineffective. But the modern rule in the federal courts appears to open the door about as far as it can be opened. Rule 704 provides that "testimony in the form of an opinion or inference otherwise admissible is not objectionable because it embraces an ultimate issue to be decided by the trier-of-fact."

Thus, in federal court an expert in a trademark case may testify that in his opinion a term has or has not attained secondary meaning, is or is not generic, is or is not likely to cause confusion, or that a product feature is or is not functional. He can also testify as to the characteristics of a particular purchasing public, such as their level of education and knowledgeability, and he can even testify as an expert on trademark law. Remember, according to Rule 702, so long as it is "helpful" it probably is relevant and admissible. As the Advisory Committee Notes point out, "there is no more certain test for determining when experts may be used than the common sense inquiry whether the untrained layman would be qualified to determine intelligently and to the best possible degree the particular issue without enlightenment from those having a specialized understanding of the subject involved in the dispute .... When opinions are excluded it is because they are unhelpful and therefore superfluous and a waste of time."

Let us look at some situations where expert testimony has been helpful, and some where it has not.

Trademark Law

The plaintiff in the now-famous BIG FOOT case was asserting, in a jury trial, the unregistered trademark BIG FOOT for

etymologist, or from the world of dictionary publishing, a lexicographer? It depends on what you are trying to prove, but there are no limitations which these specialties place on experts. The late Professor Kemp Malone, a true language scholar from Johns Hopkins University, who testified in a number of trademark cases, was probably all of these. But others with less formal qualifications would also be highly qualified. One which comes to mind is William Safire, the former Nixon speechwriter who writes the delightful weekly column "On Language" for the Sunday *New York Times Magazine.*

However, several courts have indicated that this type of expert testimony is not very persuasive. One court, deciding that ACRILAN was not generic for acrylic fiber, stated that "it is the understanding of the general public and not that of the linguist or etymologist that determines whether a word is a valid trademark." *Thomas Pride Mills, Inc.* v. *Monsanto Company*, 155 U.S.P.Q. 205 (N.D. Ga. 1967). *Accord, Telechron, Inc.* v. *Telicon Corp.*, 198 F.2d 903, 94 U.S.P.Q. 363 (3d Cir. 1952). And the Second Circuit has stated that a word may be "... capable of trademark usage even though to the linguist or scientist the name might have a descriptive connotation." *Blisscraft of Hollywood* v. *United Plastics Co.*, 294 F.2d 694, 131 U.S.P.Q. 55 (2d Cir. 1961).

By contrast, other courts have relied heavily on such testimony. For example, in the "yo-yo" case, *Donald F. Duncan, Inc.* v. *Royal Tops Manufcturing Co., Inc.*, 343 F.2d 655, 144 U.S.P.Q. 617 (7th Cir. 1965), the court adopted the testimony of the Chairman of the Department of Anthropology and Linguistics and Professor of Linguistic English, Dr. Henry Lee Smith, Jr., of the State University of New York. He qualified as an expert linguist and etymologist paricularly in the Polynesian languages. After studying a variety of encyclopedias, dictionaries and other sources, he testified that "yo-yo" was a word of Philippine origin, that the word was tied together with the toy in the Philippines, and that it was introduced into the American language from that country. His testimony was buttressed by numerous documentary references, such as newspaper and magazine articles, and the court concluded that the plaintiff's trademark YO-YO was improperly registered and was invalid.

In yet another category of cases the courts have had to choose between conflicting testimony of word meaning experts. In *Stix Products, Inc.* v. *United Merchants & Manufacturers, Inc.*, 295 F.Supp. 479, 160 U.S.P.Q. 777 (S.D.N.Y. 1968), the question was whether CON-TACT had become generic for a decorative adhesive plastic for covering shelves, tables and other surfaces. The court found the defendant's linguistic expert unpersuasive. He had testified that the spoken stress pattern of a compound phrase reflects whether one is using the phrase as a trademark or as a

dant contending that the trademark DRIZZLE for women's coats did not infringe the trademark DRIZZLER for golf jackets. The defendant called as expert witnesses professional buyers of women's coats for major department stores. They testified as to the high level of sophistication of the typical purchaser of the defendant's coats, and hence their ability to distinguish between trademarks. They were also allowed to testify on the ultimate issue of whether typical purchasers would be likely to be confused by the similarity of the two trademarks. The District Court found no infringement.

On appeal, the Court of Appeals for the Second Circuit affirmed and held that under Rule 702 of the Federal Rules of Evidence it was entirely appropriate to admit this testimony. Quoting from another decision, the Court stated that: "the broad discretion of the trial court to determine the qualifications of witnesses will not be disturbed unless its ruling was 'manifestly erroneous'." *McGregor-Doniger, Inc.* v. *Drizzle, Inc.*, 599 F.2d 1126, 202 U.S.P.Q. 81 (2d Cir. 1979). The Court felt that opinion testimony was unnecessary on the question of whether two trademarks are confusingly similar, but it held that " ... it is for the District Court to decide what evidence will aid its decision of the case before it, and determinations as to relevance, probative weight and credibility will not be disturbed unless this discretion has been abused." I gather that this testimony had a substantial, perhaps determinative, impact on the trial court. The decision, holding that confusion was unlikely despite virtually identical marks and very closely related apparel items, sent shock waves throughout trademark circles. How could this happen? What went wrong? Perhaps it happened because of the defendant's expert testimony.

There was a very interesting bit of likelihood of confusion expert testimony in the recent case of *Playboy Enterprises, Inc.* v. *Chuckleberry Publishing, Inc.*, 486 F. Supp. 414 (S.D.N.Y. 1980). The question was whether PLAYBOY magazine was entitled to a preliminary injunction against the use of defendant's magazine title PLAYMEN. The expert for the plaintiff was a magazine publishing consultant with extensive knowledge and experience in the field. He testified that newsstands were typically located in high traffic areas, and displays were crowded so that often only the lefthand portion of magazine covers were exposed. the court then stated that:

> "Covers are designed to attract a consumer's attention. The consumer looks first at the subject on the cover then to the cover lines and then, in the case of a sex-oriented magazine, to the center or centerfold if one exists. The decision to buy or not is then made as an emotional response usually in a matter of seconds."

worn, dirty and rusty, and there was even a serious danger of flying metal because of the high speed of the fan belt. *Scott & Fetzer Co.* v. *Dile,* 204 U.S.P.Q. 838 (D. Ariz. 1979). *See also Krehl* v. *Baskin-Robbins Ice Cream Co.*, 1979-2 Trade Cases ¶62,806 (C.D. Cal. 1979) (quality of ice cream); *Chanel, Inc.* v. *Smith,* 178 U.S.P.Q. 630 (N.D. Cal. 1973) (gas chromatograph tests determining that the chemical composition of "Second Chance" perfume is not identical to that of "Chanel No. 5") ("Compounds which do not have the identical chemical composition cannot smell precisely the same."). An expert would also be very useful in testifying as to whether certain product features are non-functional and hence susceptible of trademark protection.

Now let me give you a few personal observations. Not all judges readily accept expert testimony, especially where the expert is being paid a great deal to express an opinion for one side. You should determine whether the trial judge has a known bias against expert witnesses. A Lexis search on all cases he or she has decided might give you a clue. You may be able to blunt any trial court bias by demanding a jury. With a jury, however, you must be certain that your expert testifies in a way which is consistent with the general knowledge of the jurors about the products, trademarks, and trade channels.

Review your other proof and all discovery taken in the case to determine whether expert testimony will really help. In a very strong case, such as counterfeiting or clearcut intentional infringement, expert testimony should be unnecessary. The other proofs should be sufficient, and you would not want to risk a boomerang effect from a judge who is extremely skeptical about expert testimony. On the other hand, if your case is one which could go either way, or which involves a specialized consuming public, consider an expert witness.

Normally the client will have some suggestions as to where and how to recruit an expert. If you are recruiting a linguistics expert you might start by calling the head of the English department at the top university nearest the courthouse.

You will have to meet the candidates and select the one which you feel will be most persuasive and who will stand up best on cross-examination. You may end up deciding on instinct that none of the candidates would be acceptable.

If you happen to be in a product field where there is ony one universally accepted expert, contact him early, perhaps before filing the complaint, and retain him before your adversary does.

Avoid overkill. Psychologists have found that more lasting convictions are formed when a trier-of-fact reaches a conclusion himself as opposed to when he is bludgeoned into it. A stronger impression may be made if the court or jury is led inexorably to the conclusion but takes the final step by itself. Some courts or

A few examples: Keeping in mind that *Republic Molding,* which rejected synergism as a test for patentability, was decided by the Seventh Circuit and keeping in mind that the Seventh Circuit includes Chicago, a very recent decision by Judge Crowley in *Medical Laboratory Automation v. Labcon,* 208 U.S.P.Q. 764, granted summary judgment of invalidity on the ground of lack of synergism, and the Judge said: Only a truly synergistic effect which produces a result greater than the sum of its parts warrants patent protection on a combination.

He cited *Sakraida* (425 U.S. 273), and then, incredibly, cited *Harig Products versus K. O. Lee,* (594 F.2d 609 (7th Cir. 1979), which was a case, a post-*Republic* case, in the Seventh Circuit in which the court extracted from the District Court's decision all of the synergism language and said that it should be disregarded, but held the patent invalid.

Even more incredibly, *Republic* was cited by Judge Crowley, but in a separate part of the opinion and not during his discussion of synergism.

I would expect that that decision will be reversed on appeal. I would certainly hope so. Indeed, the Seventh Circuit decision in *Saunders v. Air-Flow,* 531 PTCJ, p. A-8, would indicate that reversal will occur. However, it is a strong indication of how totally the lower courts are still—and some of the circuit courts—are still misfiring on the issue of synergism. I will get into a little later the situation in my home circuit, the Ninth Circuit, where decisions have been going every which way in the last few months.

First a few words of philosophy. We all know that a combination of mechanical elements is incapable of producing a synergistic result. But knowing that is not enough to convince a court that that is the fact. Quite obviously, the judges who sit on the courts—and this includes the Supreme Court— believe that such an effect is possible. And it seems that I often think of funny stories that Judge Markey has told when I think of matters of this sort. But there is one. I will spare you the beginning, but the punch line is with regard to a rooster who had asserted that he could make love to everything that flew near the barnyard. After running through the rest of the birds, he was found lying on the ground with a vulture circling overhead. And the fellow he had made the bet with said, Aha, you're not going to do it, you're done. And he looked over and he winked and he said, "When you're after vultures, you've got to play their game."

(Laughter.)

So it is with the courts. If you make an argument that is going to fall on deaf ears, you might as well not make that argument. You have got to make a comprehensible argument that is comprehensible to more than you. It has got to be comprehensible to the court.

focus, then if unobviousness exists, the absence of synergism or any other post-invention fact is immaterial. Once you reach the conclusion that, given the prior art, given the level of skill in the art, what has been done is unobvious, you need not look further.

By the same token—And this is the heretical part—if you reach the conclusion that what has been done is obvious, truly obvious, not prima facie obvious, not structurally obvious, not all those other funny kinds of quasi-obvious, but if you reach the conclusion that what has been done is obvious, then the fact that it produces a synergistic result cannot impart patentability because the obviousness test has already been met. And I will pass on from that.

What in the legal context has happened with synergism? First, synergism is a reincarnation in more lethal form of the old unexpected-results formula. It is more lethal because unexpected results was, at least in the abstract, capable of being demonstrated, whereas synergism is not capable of being demonstrated.

How did it get started? It got started with the *Sakraida v. Ag Pro case,* but was not actually an issue in that case. In *Sakraida* there was merely a rejection of an argument that the barn-washing, flushing invention in issue there was synergistic. And the Supreme Court simply said, "It has been argued to us that this is synergistic; it is not." It did *not* hold that the invention must be synergistic to be patentable. And in doing so, *Sakraida* made reference to an earlier decision in *Anderson's Black Rock* (396 U.S. 57) in which, once again, the court had simply said—erroneously—but he said: Combinations of mechanical elements may produce a synergistic effect, but this does not. The Court expressly went on to hold that it was finding the patent invalid because it could not pass the unobviousness test of *Graham v. Deere.*

Unfortunately, many, many lower courts seized on the *Sakraida* language to make synergism a prerequisite for patentability. Overlooked for a long time by many people, including myself, was that there is kind of a Sleeping Beauty in a not so old Supreme Court decision relating to this question. That case is *Deep South v. Laitram,* 406 U.S. 518 (1972) which all of us think of as the "parts-in-the-box" case, where infringement could not be made out because the totality of the claimed subject matter was not put together in the United States; but, rather, was to be sold in disassembled form and assembled outside of this country.

But in *Deep South* the Supreme Court *also* affirmed a holding of patent validity, and it affirmed that holding by finding that the sum of the mechanical elements exceeded—or the whole of the mechanical elements—exceeded the sum of their parts.

As you may or may not recall, all that was involved in *Deep*

unusual and unexpected result and the whole must in some way exceed the sum of its parts. And the fact that a patent in issue is a combination patent provides no exception. We do not say that a finding, for example, of an unexpected result should be disregarded. Clearly it can be considered as one of the factors contributing to nonobviousness. However, we think that such a finding is only one of the factors which may be considered and that its presence or absence alone is not dispositive of the issue of obviousness."

Exactly right. Now, the Court could have gone, I think one step further and said that the absence of the unexpected results can never be evidence of unobviousness. That would have made it, in my judgment, a perfect statement. But it comes awfully close.

However, that good insight was lost for about a decade, until in *Republic Molding v. Schlage Lock Company,* the Seventh Circuit, only two years after the *St. Regis* case, reversed its field and rejected synergism, in cogent, lucid terms approximating those of *Bowser,* as a test for patentability.

Then Judge Miller from the CCPA, writing in the Second and Tenth Circuits in the *Champion Spark Plug* 603 F.2d 361 (1979) and *Plastic Container* 607 F.2d 885 (1979) cases, respectively, adopted the same theme. And what does that mean? History can be instructive always.

Earlier Judge Markey, writing in the Sixth Circuit in the *Nicola v. Peterson* 580 F.2d 898 (1978) case had also—This was in the mid Seventies—written a good decision rejecting synergism. But as soon as Judge Markey left, the Sixth Circuit reverted to the synergism test for patentability in several cases: *Reynolds v. Acorn,* 548 F.2d 155 *Smith v. Acme,* and others. So that if the Sixth Circuit experience is a guide, there may be some fragility to the current positions of the Tenth and Second Circuits.

However, in the Second Circuit there is some indication in other cases, although it is not as clear as we would like it to be, that the Second Circuit, as well, has rejected the synergism test for patentability.

Now for the good old Ninth Circuit where things have gone nuts.

(Laughter.)

After *Satco v. Transequip* there was the *Hershensohn* 593 F.2d 893 case and the *Osmos Wood* 605 F.2d 562 case in which the Court just said categorically, "If it ain't got synergism, it ain't got patentability."

Then in what appeared to all of us to be the kind of disengagement that courts make when they realize they are wrong but they

viousness, and therefore irrelevant, will be utilized effectively by lawyers trying cases in at least that Circuit.

Now, where are we and what can we do about it? It would be a grievous error, I submit, to throw up our hands and say, The courts have done it to us, that in effect a new definition of gross negligency is 144 judges. That is not a proper perception of what is going on. In large degree we have done it to ourselves, either by making dubious arguments with regard to the absence of synergism in our opponents' patents or, far worse, being unable to muster a cogent and lucid response to that should-be losing argument. Now, either we are equal to the task as lawyers of exposing something that is inherently illogical and unsound to the courts or are we are not. If we are not, how can it be other than that the courts say, Well, you deserve what you get. I have got to agree with that viewpoint, as much as I would hope that we will be able to do as well in other courts as happened in the *Republic* case in the Seventh Circuit.

So, in major part, it is up to us. I hope that I have offered a little help today to those of you who are going to try.

Thank you.

(Applause.)

MODERATOR TUCKER: Thank you, Jim.

Are there any questions that you would like to pose to Jim? Yes, sir.

QUESTIONER: What was the name of that last case you were talking about, Jim? In the Ninth Circuit.

MR. GERIAK: It's NDM—It's only out, for those of you who are not in the Ninth Circuit, in the BNA Journal. It is 523 PTC Journal, which is the April 2nd edition. Page A-2.

QUESTIONER: One more perhaps more recent case, Jim, that you might take a look at, reported, is Delmarr Engineering, and it talks about one or two other ingredients and 112 matters, as well. But I think that may have something to do with it.

MR. GERIAK: Thank you.

MR. DONALD DUNNER: I have a question. Jim, since we know that bright lawyers like you will not be able to resist the irresistable impulse of citing whatever case will assist your cause, I would like to know if you would like to sign a letter to Congreeman Kastenmeier asking for a single Court of Appeals for the Federal Circuit to resolve all these problems.

MR. GERIAK: I fully expected that someone from that cult would appear with that argument.

(Laughter.)

And I would suggest to you, Don—Well, first, two things. A lawyer is faced with a conscience problem. This is on the level. Once your circuit, any circuit, the circuit you're in, has adopted a view of the law, no matter how much you personally disagree

As of a couple of days ago, we had received 57 written comments in the Patent and Trademark Office, and the source of those comments breaks down as you see on the screen. At the hearing on April 16th we received comments from 19 different persons, actually representing 20 persons and organizations. We are still receiving a few comments. That 57 number may already be a little higher and it will probably end up to be a little over 60 at least.

On the next transparency, you can see a very broad indication of what the comments said in respect to the two aspects of the proposed rules. The comments regarding an expansion of the inter parties protest proceedings included a good number of respondents who requested that no action be taken at the present time in respect to expanding the present rules, but that such a decision be deferred until some later date. And the later date varied in terms of what their reasons for requesting the deferral were.

There were some 17 respondents who were specifically opposed to expanding reissue protest practice now or presumably at any time in the future, as they expressed it. About 13 of the parties that filed comments were in favor, and there were nine who didn't explicitly indicate whether they were in favor or opposed to expansion of reissue protest practice but merely went about setting forth some modifications they thought ought to be made in the proposals that were published.

In connection with the proposals fee implementation of the reexamination provisions in Public Law 96-517, there was very little by way of general opposition to the contents of the rules as proposed.

I might say there were a few points of some significance, which I will touch on a little later. And, in addition, there were quite a few what I would call minor suggestions, many of which are going to be picked up in the proposed rules implementing reexamination, and I will not be going into those at the present time. And, in fact, we have not completely done the job of going through the nitty-gritty of some of the comments that we have received to determine what suggestions should or should not be adopted. But, for the most part, what is left are very small refinements.

Going on to the next transparency, which continues this one, a majority of the comments on Section 1.501 of the proposed rules recommended a limit on the citations that could be placed of record in a patented file. This is with or without a request for reexamination. And the comments generally suggested that the citations placed in the patent file be limited to prior patents and printed publications only. The rationale varied some, but the reasons included the fact that the statute did not provide for the entry into the patented file of any other kinds of citations of infor-

The decision to not go ahead with the expansion of the reissue protest practice was based upon the majority of comments that came in recommending against such a change. The decision not to retract was also based upon the feeling that we ought to get a little bit of experience with the re-examination practice and air the reissue protest issue more widely than it was aired in the proposed rules change, because that really was not part of the proposal that went out for comment. So these are the reasons that we ended up with no change in the reissue protest practice.

The decision has also been made, at least at this time, not to pursue a separate central group in the Patent and Trademark Office to handle re-examination or any other matter. Re-examination will be conducted by the normal examiner who is responsible for the docket or the technology involved in the patent that is sought to be re-examined.

The same examiner will also be determining whether or not an order for a re-examination should issue. The one exception as to whether or not that examiner will also handle re-examination, as it stands now at least, would be if that examiner feels that re-examination should not be conducted because there is not a substantial new question of patentability presented and that examiner gets overruled on a petition, then we would have re-examination conducted by a different examiner. This would force the same examiner who felt there wasn't a substantial question of patentability existing to then determine that there was.

The re-examination implementation rules proposal, will remain essentially in the form originally proposed. It will be essentially ex parte.

There are a few somewhat significant changes that I will mention in this connection. All requests, for instance, that are accompanied by a fee will be published in the Official Gazette in the form of a notice that will be similar to that that we presently publish in connection with the filing of a reissue application. And if there is a re-examination proceeding initiated by the Commissioner, there will be a publication in the Official Gazette of the order.

In connection with the proposal regarding citations to be placed of record in a patented file, we presently plan to limit citations to prior patents and printed publications. Anybody may not submit under these rules or any other rule for placement in the patented file information other than prior patents and printed publications. It will only be patents and printed publications that will be placed in a patented file.

On the next transparency, I might explain that there were some concerns in the comments that we received that under Section 301 of the new statute, 96-517, a patent owner who wants to place prior patents and printed publications of record in the file

That is a practical matter, to see as much as possible that re-examination is carried out ex parte with due dispatch, as required by the statute.

I might mention that I have copies of the transparencies that I have used already, plus other transparencies that have been used in other presentations that have been modified along the lines that I have mentioned this morning. I will place them up here on the front table for you during the coffee break.

Since I am running short on time, there are one or two transparencies I would like to point out right at the end and I am going to skip some, Paul, if I may.

I thought it would be of interest for you to see possibly what a re-examination certificate might look like. This particular transparency, if you have heard any of the presentations by the Office on the proposed rules, is the same as it was before.

Basically, of course, the statute requires that a certificate be issued at the conclusion of the re-examination proceeding, and this particular transparency points out the circumstances for the issuance of that particular certificate.

There will be a notice published in the Official Gazette as well as a certified issue.

The next transparency is a mockup of what we presently plan, a re-examination certificate to look like: Very much like, on its first page, the front page of an issued patent. It will also, of course, include the art in the list on the front page of a present patent document that was considered and cited by the examiner, and contained in the request for re-examination.

Instead of republishing the entire patent as part of a re-examination certificate, we intend to publish a front page, as you see here, and then, on the next and last transparency, a page which points out what changes have been made in the patent as issued, with the full text of any claim that has been amended, with the identification of claims that have been cancelled from the patent, and with an indication that the claims that are considered allowable as a result of re-examination are confirmed in the patent.

This particular example only shows a single amended claim, and this is what the certificate would look like in that case. Of course, if there are multiple claims amended, they would all appear. If there are amendments that have been made in the description, those would be pointed out, much in the manner that the amendments, at least in certain types of cases, are submitted to the Office.

If we get unusually extensive amendments, the whole document may be reprinted. Those, at least according to the reissue practice, are a very rare bird, but there are some cases that do occur with very extensive amendments. Because of the new-matter prohibition, though, we don't anticipate that there will be very many that might require republication of the whole document.

MR. JANCIN: Thank you. One other very quick one.

MR. TEGTMEYER: Yes.

MR. JANCIN: I heard you and I am sure I know what the answer will be, but I want to hear you say it again.

MR. TEGTMEYER: I'll give the whole talk again, if you want.

(Laughter.)

MR. JANCIN: I've got it down on tape. I'll listen to it.

It has to do with re-examination of patents ex parte. You have really made basically no change? In other words, following a statement by the patent owner after the re-examination order, the requester will have one shot, that's it; if the patent owner does not submit such a statement, then the requester won't even have one shot?

MR. TEGTMEYER: That's exactly correct. He gets that one shot if the patent owner submits a statement; he gets no shots if the patent owner does not submit a statement. That is after the order, and that will be it.

Also, all of the provisions in the proposed rules relating to how examination would be carried out will be the same.

There were a couple of comments I didn't touch upon, such as that there were a couple of suggestions that the examiner consider in re-examination nothing beyond the specific patents and prior printed publications that were contained in the request for re-examination. We don't feel that that is what is contemplated in the statute and therefore have not made any change in that connection either. The examiner will be free to consider prior patents and printed publications in addition to those that are cited in the request for re-examination.

In considering, first, whether an order should issue and, second, what the re-examination should be based upon, the statute at a couple of points, or at least at one key point, says that the consideration of whether an order should issue or not can be based upon the request with or without reference to other prior patents and publications. So we do not intend to in any way limit the examiner's consideration.

As was indicated before, we do not contemplate examiners routinely going back and making a total search from scratch, but nothing would prohibit them from doing that if they felt that there was something that they could find that merited such a search. Nothing would prevent them from using other prior patents or printed publications that may be in the patented file or that they may know of and could go pull immediately.

Basically what you said was correct, with this amplification too.

Yes, sir.

license option clauses that they use and I'll touch on the allowability of patent costs problem.

I think this will keep us busy and I'm going to be either yanked back by a rope or dropped through the floor at the end of the time, I think.

Can you hear me in the back?

A VOICE: Yes.

Licensing of government patents. NASA, the Navy and the Department of Energy have existing programs within the agencies for doing this kind of licensing and have had for some time. As an example, NASA generally licenses in the U.S. on a nonexclusive basis, royalty-free, where that will accomplish the public use and commercialization of inventions. The non-US licenses are more likely to be royalty-bearing licenses. Where efforts to commercialize by nonexclusive licenses are not successful, they will offer exclusive or partially exclusive licenses, field of use licenses and so on and the terms are highly negotiable. These are more likely to be royalty-bearing, and sometimes the royalties will not start until the licensee has made a go of it. They will not do this licensing until they have offered it for nonexclusive licensing and then had a public hearing with an opportunity for the public to complain if you don't want an exclusive license granted under their patents.

A major foreign licensing effort has been under way by NASA and in particular they have made arrangements with a Japanese firm to do some licensing of their patent rights in Japan. I don't know much about the current status of this. It has been relatively recent. I understand it's been going for about a year or two and there seems to be some interest and activity in it.

In most of the cases where the government is licensing contractor-made inventions, as is the case often with NASA, these licenses are patent licenses. They are not generally technology transfer. The contractor who does the work is not doing the licensing and so they don't have the same access to employees to help explain it that they would for their own employees or a company would for its own employees.

In the Department of Commerce, the Office of Government Inventions and Patents, which is within the National Technical Information Service, NTIS, there is a patent licensing activity. This has to do with licensing largely employee-made inventions which are transferred to them. They have made arrangements with several government agencies. I think the list now includes Agriculture, National Institutes of Health, Department of Interior, National Bureau of Standards, Air Force, Army, National Science Foundation and Veterans Administration. This is the current list as I understand it.

says that it shall be there and you read in the law that it starts out with an '81 funding of $19 million and the funding grows to 60 million in '84 and '85. It goes without saying it has to be appropriated first.

It requires the establishment at each federal laboratory of an Office of Research and Technology Applications.

It establishes in the Department of Commerce a Center for the Utilization of Federal Technology and it establishes a National Technology Medal to be awarded by the President.

The Act has some interesting findings in it. I'm going to read a couple to you.

"Industrial and technological innovation in the United States may be lagging when compared to historical patterns in other industrialized nations. Increased industrial and technological innovations would reduce trade deficits," et cetera.

"Government antitrust, economic, trade, patent, procurement, regulatory, research and development and tax policies have significant impacts on industrial innovation and development of technology." (I wish they'd stopped there.)" But there is insufficient knowledge of their effects in particular sectors of the economy." (We almost had it.)

"The federal laboratories and other performers of federally-funded research and development frequently provide scientific and technological developments of potential use to state, local governments and private industry. These developments should be made accessible to these governments and industry."

Listen to this one.

"There is a need to provide means of access and to give adequate personnel and funding support to these means. This again is a statement of purpose." I keep wondering if we shouldn't tell the same guys who wrote that one that the Patent Office needs to issue valid patents before we can do very much with them. Rene needs some help.

The Office of Industrial Technology in the Department of Commerce is designed to determine the relationship of technological developments and international technology transfers to the output, employment, productivity and world trade performance of the United States and foreign industrial sectors.

Just a couple of things here.

This Office determines the influence, among other things, of government policies on technological developments, in particular industrial sectors worldwide. They are to identify technological needs, problems and opportunities within and across industrial sectors. They are to assess whether resources allocated to domestic industrial sectors are adequate. That'll be a job.

patent policy it was initially supposed to be, and I'm referring to what was H.R. 69-33, now Public Law 96-517. This went into effect December 12, 1980, and what it does is to add Section 200 and following to U.S. Code 35.

This also goes into some of the things Rene was talking about. This is a special section of the statute that I'm discussing. It adds to Title 35 a new Chapter 38, Patent Rights in Inventions Made With Federal Assistance. It's a sort of a companion to the Stevenson-Wydler technology innovation act that I just referred to.

It provides directly federally funded R&D patent policy for small business and nonprofits, which is essentially that provided for the centers for industrial technology by the Stevenson-Wydler Act.

It's an across-the-board "contractor retention" patent policy for the small business and nonprofits and it overrides contrary provisions, as the statute says," of any other act present or future unless specifically overridden" and it lists 22 acts which have patent policies that may be overridden. The antitrust laws are not overridden, that's an exception.

The law applies to small business firms under SBA laws and regulations, nonprofit organizations under federal tax laws and under state laws, universities and institutions of higher learning (but they have to be nonprofits) and it applies to funding agreements which are contracts, grants or cooperative agreements granted after July 1, 1981.

The contractor has the first option for patents, if they are the nonprofit or small business. It does not apply to contractor-operated and government-owned plants. It does not apply where exceptional circumstances are found by the head of an agency, but he has to make a written determination of this finding and send it to the Comptroller General and to the Small Business Administration, who are expected to complain.

It provides contractor rights subject to a government license in the usual language, and subject to march-in rights.

It requires periodic reports on utilization of the technology and these reports are specifically by statute exempted from required disclosure under the Freedom of Information Act.

It also authorizes the provision of a standard Department of Defense provision which says the agency may include in the funding agreement government rights to sub-license foreign governments or international organizations according to treaties and international agreements. These include such things as NATO agreements for the Department of Defense.

It applies rights to nonprofits which are limited. These are different from the requirements for small business. The limitations on nonprofits are that the nonprofits cannot assign the

This may be licensing for foreign production, it may be co-production or other arrangements. On all new development programs this must be taken into consideration and provision must be made to achieve this commonality or a good reason for not doing so has to be found. In these efforts, the DOD is a partner and friend to the contractor in respect to its foreign associates.

The DOD also has a breakout and competitive manufacture program where they try to take significant elements of the system and have someone other than the first prime contractor and his subcontractors build the equipment, and in this they ask for license rights, technical assistance is vigorously pursued and technical assistance means that you must give them licenses under technical data, patents, knowhow, furnish people to go show them and the language by which this is done is most comprehensive.

In most major DOD programs these clauses severely affect the contractor and all subcontractors unless you can persuade them to limit the flow-down. In some cases they do this automatically, limiting it so that it does not have to apply to standard commercial articles and articles already available from more than one source.

In this case the DOD is not exactly your friend and partner, but they're an aggressive buyer and the provisions to implement both these and the NATO RSI wind up in the same clauses.

One last point, if I can sneak it in before I'm dropped through the hole. This is one where we need change and it's vigorously argued.

There are supposed to be requirements in existence and being developed for using common clauses and policies in government procurement. The OFPP has charge of drafting these. Within the Department of Defense they have an interesting provision on patent cost allowance where cost is separately figured on cost-plus contracts. This allows a lot of cost relating to patent activity within a company. It specifically reads, after allowing certain patent costs as an element of cost for doing business: "Costs of preparing disclosures, reports and other documents and of searching the art to the extent necessary to make invention disclosures, if not required by contract, are unallowable. Costs in connection with: 1, Filing and prosecuting any foreign patent application, or 2, United States patent applications with respect to which the United States does not have an interest or right to it, are unallowable."

There are three outstanding Armed Services Board of Contract Appeals, ASBCA, cases:

One - The American Electronic Laboratories, Incorporated in 1965, where the Armed Services Board of Contract Appeals, before this disallowance language was in place, held that patent

Many people in the bar are not aware of the sweeping scope of the attempted revision talks that have been going on these last several years and in the next few minutes perhaps I can give you a better picture of what is going on and what are the nature of some of the proposed changes.

Let me remind you that the full title of this convention ends in a date — 1883. It's the Paris Convention for the Protection of Industrial Property. So in two years we will have the one-hundredth anniversary of this extremely important document and I think the fact that it has reached that age is significant in itself. We now have, I believe, nearly 90 signatories to various texts of that treaty. For present purposes it's important to know that the negotiating talks are going on under United Nations practice on a regional basis so we have the countries divided for negotiating purposes into groups.

The United States is a member of the so-called developed country group - Group B - but I note as a footnote that it includes among its numbers the Holy See, Cyprus and Iceland. We number between 24 to 28, depending upon who you count, and that's important to know when you get to the voting rules. Like all the other United Nations bodies, of course, the developing countries are by far the largest numerical group.

This whole exercise started back in 1974 when the Coordinating Committee of WIPO requested the Director General to study possibilities of revising the Convention. In 1975 and '76 there were some meetings of governmental experts who looked at this issue and selected 14 questions for the Director General to study. At their meetings they also adopted that famous document called Declaration of Objectives of the Revision, which included as its first objective, and I read this with great trepidation here in the State of Texas, that it "should aim to contribute to the establishment of a new economic order in the world in which social justice prevails and economic inequities between nations are reduced."

I mention that not to inflame you but just to give you a color of some of the rhetoric which goes on in these discussions, having started from the very beginning with that type of a framework for discussing substantive matters of patent and trademark law.

The prepartory meetings for the revision started in 1976 and there were 5 such meetings leading up to the diplomatic conference itself which was held last February in Geneva, I'll say more about that later. In a committee of that many participants with that many languages and that many different views of the world and industrial property, those first meetings were a total disaster and nothing but rhetoric.

Attempts to bring some semblance of order were achieved by resolving the exercise into a number of working groups built

Then there's the question of preferential treatment without reciprocity. The developing countries would like to have special status on fees, lower fees and on priority periods, they'd like to have longer periods.

The question on a 6ter is: Should state names be specifically protected by the treaty.

Article 10-quater would be a new provision and I will talk more about it later on. This is the question of the so-called appellations of origin.

Article 12 bis, which has been generally agreed to, would provide that patent offices in the participating member countries of the treaty would exchange certain administrative information with other patent offices.

Article 12 ter is a handwaving sort of thing. The union will endeavor to aid the developing countries to help them develop.

Then there's a group of articles, 20, 21, 22 and 23, very critical, and having to do with signature, ratification and accession and the consequences of these various acts in the treaty. Also, entry into force. For example, should the new treaty, if we get one, come into force after 10 countries ratify it or only 3? Or, as the developing countries prefer, shall it require only 3 who need not be current members? In addition, should earlier acts be closed or should we hold open the Stockholm Act for later ratification by countries who don't care for whatever comes out of this convention but would like to ratify an earlier act?

Article 24 refers to the right of countries to extend the benefits of the treaty to their "territories." That's an inflammatory word. The developing countries would like to delete it.

Article 26 deals with denunciation: how soon can you get out of the present treaty and then get reenter into a new text? Again, one frought with political mischief.

Article 27 is one of the most complicated provisions in the treaty and I dare you to read it and explain it. It has to do with the relationships of the countries amongst themselves as concerns the different texts of the treaty. A lot of countries, as you know, have not ratified all succeeding texts of the treaty, so we have some countries members of the Madrid text, some of the London text and some of the Stockholm text. How do they apply the treaty amongst themselves? This has not been a problem in the part as we have continually increased the level of protection in the treaty. But now, for the first time, we're talking about provisions which would lower the level of protection and you can get into some interesting questions in figuring out what the relationships would be, say, between us and China, should China ratify the Nairobi text and should the United States stay with the Stockholm text?

One of the more entertaining issues is Article 29: in what language shall the authentic text be? Presently, it's French and

The United States has taken the position that it not only opposes exclusive licenses but also would like to maintain a universal text. The Federal Republic of Germany has suggested that they would not like compulsory exclusive licenses but are willing to provide for them in special measures for the developing countries. Indeed, one of the original items on their LDC wish list was special provisions for developing countries. Of course, once you have special provisions you not only have the nontrivial question of determining which is a developing country, and under the United Nations systems that's essentially a self-determination thing but you have the question of, again, applying not only different texts between a lot of countries but the same text among different types of countries.

The position I personally prefer is to oppose compulsory exclusive licenses and support a universal text. However, there has been discussion as to whether we would not be better off giving up the concept of universality and, if we have to weaken Article 5A; such as by the notion of exclusive compulsory licenses, at least put them in special provisions so that the major industrial countries can't apply such things but only the developing countries.

The French have complicated matters a bit by introducing the concept of suspension. The present text talks in 5A only about forfeiture or revocation as a mechanism for correcting abuses or non-working. They suggested, and on first blush it seems like a very attractive idea, why not merely suspend the patent during some period of abuse or nonworking? You just put it into a status of suspended animation and then when the "abuse" ceases you let the patent crank up and start to do what it does again.

It has some attractiveness as a concept. However, it also has many complications, as you can quickly imagine, when you start to think about the rights of people who start working during the period of suspension.

Also, you have the question of whether or not these mechanisms, whether they be forfeiture, suspension or revocation, should be inflicted without the precondition of a compulsory license. In the present text you cannot go to forfeiture or revocation unless there is a compulsory license and there are time periods for each one, 3 for a compulsory license, 2 for forfeiture or revocation.

In German industrial circles, for example, they may be willing to accept a compulsory exclusive license for developing countries rather than forfeiture or revocation without the precondition of a compulsory license. This is one of the most difficult areas still under negotiation that we have to work out.

Let me just mention quickly the question of inventor's certificates. These, of course, are of interest primarily to the Soviet Union and they would like very much for political purposes to get

blems. We're a derivative society, we have a common law system of trademarks based on use and not registration and we've just been adamant that they can't go that far.

Now this whole issue has skewed these talks because the lineup of interested parties bears more relation to their interest in wine and cheese than it does to political groups. Most of the negotiations are indeed within Group B with the developing countries just sitting back.

The text for a new Article 10 Quater that was on the table at the diplomatic conference had a number of provisions in it, most of which would not require changes of U.S. law or at least, only minor changes in section 43(a) of the Lanham Act. But there was also in that text an appellation type protection section which, in my opinion, just could not be accepted by the United States, even with a grandfather clause or, as the Europeans call it, forgiveness of sins of the past. This section would permit us to continue using all those good words like champagne and burgundy which we've misused by their interpretation all these years but any new ones that were not a bona fide appellation of origin, again in the context of the Lisbon text, would be protected.

And, finally, the developing countries getting on that bandwagon have added their famous paragraph 7 which would in effect give them patents on names. This paragraph would permit a country to register up to 200 names of regions of the country, or rivers or whatever, and for up to 20 years, these names would be absolutely barred from use. I'm not talking just about trademarks and registrations; I'm also talking about barring *use*. We have a lot of difficulty with that notion.

The diplomatic conference is normally the termination of a series of preliminary conferences but it's probably well known to you now that the one held last February was a disaster. It was a disaster because of the rules of the procedure, which had been pretty well agreed to at a preliminary meeting, with the exception of one blank in one rule. The conference was scheduled for 5 weeks but we spent 4½ weeks talking about what should be put in that blank.

The agenda says, Elect the president, adopt the rules and then get down to business. Well, we elected the president, Mr. Sen of Senegal, and then we went to the adoption of the rules and we couldn't decide on the voting rule because that blank raised the question of unanimity. The text does not have a voting rule in it and it had been our strong position that through tradition and notwithstanding the Treaty of Vienna the text could be adopted only by consensus, that is, without objection.

The developing countries want to be able to change the treaty by a two-thirds vote. Without going through the agonies of those 4 weeks in which nothing was accomplished, at the end of the

In conclusion, I want to identify the people who've been involved in this matter. The U.S. delegations have been led very ably in my opinion by three outstanding Commissioners: Marshall Dann, Don Banner and Sidney Diamond. Harvey Winter has represented the Department of State. From the beginning the private sector has been represented by Bill Schuyler, George Clark and myself and more recently by Don Banner and Bob Benson. Those of us in the private sector can only go to so many meetings so we try to parcel out the opportunities but to keep some private sector representation.

Of all the countries who participate, the United States Government is one of the few who invites members of the private sector not just to come as observers but to participate and provide input.

I want to pay special homage to a key member at all Paris convention meetings, Mike Kirk, who has really done an outstanding job. He has provided continuity and a lot of very hard work. We who are interested in industrial property, as well as in the industry of the United States in general, can be very happy that somebody as dedicated and as knowledgeable as Mike is there to look out for use.

My final plea will be to please make yourself more aware of this convention. It is very important. We may reach major decision points this year. This organization, as well as others, will be asked for comments. I realize you don't use the Paris Convention in your daily practice, but please take the time when you're asked for comments. Give them your serious consideration so that Mike and whoever is commissioner can have them as inputs in forming U.S. positions which really are formed with the help of inputs from the private sector.

Thank you very much.

[NOTE: The opinions expressed are the private opinions of the author and should not be taken as positions or opinions of either the United States delegation or the author's employer.]

disseminate to the public at least in the form of making the collection available, the information that will permit determining novelty, designing around claims, and ownership.

Problems

There are serious problems that require far more resources than the PTO has been given and both resources and enlightened appreciation of the information trends will be needed to organize an approach in the future. Specific problems are underlined.

The PTO has been diligently assembling the art with the resources it has. The U.S. collection covers an unlimited time span and both the examiner's copy and the public search room copy of the collection contains around 22 million documents. As a point of comparison the European collections have a time span back to 1920 and contain around 12 million documents. The European type patent systems are heavily oriented toward improvement type inventions. The unlimited time span in the U.S. is considered to be an advantage in a patent system in examining a fundamental breakthrough, as contrasted with improvement type inventions.

There are some differences between the examiner's and public search room collections. Only the Examiner's copy of the collection contains some of the non-U.S. patents and the technical articles.

Problem *One problem is that the PTO has not been given the resources to tabulate and duplicate in the public search files the non-U.S. patents and technical literatures.*

An integrity check of this material is thus not possible. This has not only the detrimental effect that pertinent facts may be missing but since file integrity is influenced by handling, when the public has to search some material in the examiner's files the integrity of the Examiner's files is affected. Again, in Europe as a comparison, a sharp restriction is placed on public access to search files. The U.S. search access is better for promoting progress. Further, in Europe the CAPRI data base produced by INPADOC under the direction of WIPO can be used to provide an integrity check of the entire file.

The problem of collecting and applying the information is going to get worse at a frightening rate. The much predicted "information explosion" is at hand. With respect to patent documents the U.S. has doubled the number of patents it issues each week from 750 in the 1960's to 1500 today. Worldwide the INPADOC organization reports 18,000 individual patent citations per week with an estimate that 9,000 of those are original. Therefore, in addition to the 1500 issued by the United States there would be

inventor and the Examiner conducted their searches. This in turn has led to a perception that there is an advantage in challenging a patent and decisions and settlements indicate that the perception has some basis in fact.

Problem *It is essential for the health of the patent system that the technological information collection be so complete that the probability of any expensive further search uncovering a better reference than was found by an Examiner is very low indeed, and that a preliminary patentability search should equal the examination quality.*

Problem *Viewed another way, the system can be no better than the facts on which decisions are based. Where a means is provided to get all the facts, confidence in the system will result.*

Role of Automation

Automation may be considered to involve both microform images and computerized word-matching and should encompass both short and long range goals. Since the technological information collection is so intertwined in the operation of and the benefits gained from the patent system, the potential gains of automation will first be considered with respect to its relation to the way the PTO presently operates, then some comment will be advanced with respect to long range major changes.

A most important advantage of either a short or long range automation step is that the integrity problem goes away since any automated file will retain complete integrity regardless of lifetime or extent of use. Thus with an automated file once an orderly entry of the new material is arranged, the file is always current and no clerical maintenance to replace lost items is required.

Short Range

The files, both the Examiner's copy and the public search room copy must first be made identical, complete and tabulated to permit integrity verification with copies of documents easily accessible. As a first short range item a simple step would be a microimage file of all documents serially, and serially by classification location, addressable by a fairly elementary computerized word-matching operation where the word-matching is to provide only an address of the microimage of the document. This will permit immediate retrieval of a microimage from which could be printed a copy of any patent. With such a capability the clerical staff of the Patent Office, the Examiner, and any member of the public would be able to get an immediate copy of any patent or

bibliographical material back to 1971. This should assist in acquiring experience as the transition considerations to computerized word-matching are assessed. Under concerns on the part of the Examiners, especially in arts such as mechanical should be recognized. Confidence comes with experience.

The long term should provide not merely copying but benefits. Once orderly procedures for entry of new material are established, there should be more uniformity than at present in the search itself. In addition, a classification gain should be achieved. Over the years, an art has come to be considered as containing about 20,000 documents after which it becomes too massive and reclassification is usually deemed necessary. It is clear that as the quantity of documents grow, the number of documents in a collection at which time reclassification is needed will be reached more frequently in the future. It is possible that a computerized word-matching technique would let organizational concepts of classification last longer and reduce how often an art becomes too large, and in other words permit the raising of the 20,000 number to something higher so that reclassification would be required less frequently.

Viewed another way, computerized word-matching could provide satisfactory concept type information retrieval with somewhat less dependence on the classification system than is presently required.

A proper perspective on "concept identification" by computerized word-matching must be set forth. There are many unknowns. While there has been a great deal of experience on "current awareness" type of computerized word-matching operations on very large data bases such as that of the Library of Medicine, the use of word-matching techniques for the "concept identification" type such as is required for patent searching, has never been done before and a great deal of work will be required. The entire technological spectrum over unlimited spans of time are involved and hence every possible range of vocabulary.

Since the technique involves word-matching, the concept must be verbalized in contrast to the present paper file system consisting of graphics and formatted patent documents wherein verbalization is not absolutely essential.

There are two major items in which understanding will be needed as the type of very large scale computerized automation becomes employed in operation that are a real departure from the present PTO approach. The first, the optimum quantity of text for use in the machine-readable record must be established. A trade-off appears. Full text clearly would have the most information content and would also be best for the opportunity to capture the document when it is created. Such advantages, however, are offset with the fact that in using a large quantity of text as a machine

2. Acquisition capability to get at least a text increment of documents that may not be printed with an acceptable time frame. The interval should be as short as possible from the time a document appears until at least a reference to it is available in the collection.

3. Exact duplication of the search room and Examiner's collections with tabulation of listings of contents including foreign patents and technical literature.

4. Establishing files of the documents serially and serially by classification location to permit both the Examiner and the public to have an instantaneous copy without impairing integrity for the next person using the file.

5. Establishing apparatus capability that would permit providing, large heavily used files with instantaneous copy that do not deteriorate. Microimage files must be renewed because the use causes the image to deteriorate. Digital images in large files haven't been extensively reported in the literature.

(b) Resource requirements for automating both concept searching and all other automatable office operations.

Once all the art is in the files and the size and add on determined the parameters of the job will be clearer.

1. A distinction should be made between concept searching and the other bookkeeping and locating types of automated systems. The types should not be equated. The bookkeeping and locating types can be readily established and readily improved. In concept searching it is not at all clear what all must be done, learning must take place and user acceptance must be acquired so that the effect of decisions on data bases, type of text (full, abstract etc.) are of some magnitude and cannot be immediately assessed.

Trademark and Tradename Committee

Francis W. Campbell

I have been asked to communicate my views at this hearing, as a speaker from the American Patent Law Association. It is my understanding that this hearing is in the nature of a preliminary, sort of brainstorming session, in which members of the public are invited to express their thoughts on the proper direction of this study. Since it is obviously premature for the American Patent Law Association to take any formal positions, it is also my understanding that my observations represent my own views and not necessarily those of the APLA.

My remarks will be confined to the trademark aspects of the automation plan. By way of background, I have served as a trademark examiner (1947-1953) and a trademark attorney for 34 years. For the past 27 years, I have practiced trademark law and served as a partner and presently, Chairman of the Board of Thomson and Thomson, Inc., of Boston, Mass. Thomson and Thomson, Inc. now limits its activities to trademark and company name searching. In recent years, I have devoted a considerable amount of my time to service as chairman of a number of committees of the United States Trademark Association, the American Bar Association, and others concerned with studying the problems of the Trademark Division, and recommending solutions to these problems. Appended to these remarks will be found copies of reports I prepared for three recent studies. These reports are germane to the instant study since they contain specific material relating to present and prospective computerization efforts of the Trademark Operation. Equally important, they provide a wealth of background information on where the Trademark Operation was in the past, and how and why it arrived to its present state. It is inconceivable to me that an effective, viable master plan for total automation of the Trademark Operation could be prepared without a thorough understanding of this background.

Specifically, the February, 1981 report, that of the USTA Ad Hoc Study Committee, in a section entitled, "Automated Information Retrieval System," 70TMR441, reviews, in a limited way, the present computerization effort, and the plans of the Concept Implementation Group for a more expansive automated data processing program. In addition, that report addresses, in detail, a host of problems relating to quality control, the Official Gazette, management, docketing, classification, etc. All of these areas would necessarily be encompassed in any total automation program.

The 1980 Trademark Search Room Report includes a detailed study of the update computer terminal with suggestions as to its improvement. This report also includes a detailed analysis of the

A. From the Public Advisory Committee for Trademark Affairs, identifying the purposes of the Federal trademark registration system:

"To encourage, by appropriate incentives, the registration of marks which Congress may lawfully regulate and which are not contrary to public policy.'

"To establish and maintain a public record of trade indicia in which rights may exist. The record must be accessible to the public, and capable of being searched. As to federally registered and applied for marks, the record must contain all information relevant to current status and ownership.'"

B. From former Commissioner of Patents, William E. Schuyler, Jr., speaking before the American Patent Law Association in 1969:

"Even though our trademark endeavors amount to less than five per cent of our total budget, the value of the trademarks we register probably equals or surpasses the value of the patents we issue."

I truly recognize the vastly greater dimensions of fully automating the patent side of the Office. Nevertheless, I fear that, once again, the trademark side of the Office will be relegated to a sort of Supplemental Register. Too often, patent concepts have been erroneously imposed on trademarks by patent administrators. For example, until 1949, pending trademark applications were kept as secret as the atom bomb. Access for searching or any other purpose was not permitted. Why? Because, historically, patent applications were secret, so why not trademark applications?

I would urge that the trademark automation study be assigned to an independent team. This team should be allowed sufficient time and resources to properly conduct this study. Its final plan should contemplate independent hardware, software, support staff, key punchers, etc. Remember again, Congress has said, in effect, give us your most desirable and effective plan, regardless of cost.

2. *Automated Trademark Search File*

The subject of an automated trademark search file is specifically mentioned in Sec. 9. and must be addressed. I would suggest, however, that this committee not be overly diverted by this injunction, to the detriment of a plan which is intended to encompass *all* phases of the Trademark Operation. The central focus of this plan should be on records management, including records and application microform storage. Elimination of the constant movement of files, the cause of so many "lost" files, deserves the

Committee Report on Professional Responsibility

The Committee on Professional Responsibility notes that an inquiry addressed to the Security and Exchange Commission staff in October 1980 developed that in view of SEC v. Lerner et al. (United States District Court for the District of Columbia, Civil Action No. 80-0845) reported as Litigation Release No. 9049 - April 2, 1980 in the SEC Docket Vol. 19 No. 15 Pages 1153-4, a specific directive would be issued defining the responsibilities of law firm partners and associates with respect to confidential information in their possession which may effect the securities trading markets.

A recent inquiry develops that no such directive has been issued or is likely to be issued.

It should be noted, however, that the Litigation Release No. 9049 quotes an earlier Release No. 13437 of April 8, 1977 which relates to lawyer responsibilities.

This quotation is as follows:

> "Law firms, like others which have confidential information in their possession that may affect the securities trading markets, have an affirmative obligation to safeguard such information.
>
> While ... no procedures can guarantee that individual employees will not take unfair advantage of their position, law firms are encouraged to establish policies and procedures regarding confidential information and take steps to ensure that all firm personnel are familiar with those policies, including the serious consequences that may result from conduct violating such policies."

APLA will supply upon request for those interested in establishing a procedure regarding such confidential information, a copy of Exhibit J "Statement of Policy and Procedure" adopted by Lerner et al as part of their Final Judgment.

now as they ever have been in our Nation's history. Internationally, patent systems are being instituted where there were none, for example in China and in Thailand, and strengthened in other regions, for example in Brazil and through the European Patent Office. In this country, political issues regarding the patent system now center not on whether it is needed, but rather on how well it is working to serve inventors and industry.

Unfortunately, the Patent and Trademark Office is not serving this nation as well as it should. We now have a backlog of more than 200,000 patent applications and 100,000 trademark applications, and the backlog will continue to grow during the next fiscal year no matter what immediate steps this Administration takes. At the resources level of the FY 1982 budget, the average time it takes to get a patent will continue to increase by about two months each year until it reaches three years in 1988. It now takes longer to register a trademark — about 25 months — than at any previous time since the Lanham Act was passed in 1946. In the documentation area, an average of 7% of the patents are missing from the examiner's files, and in rapidly developing fields that number is as high as one out of four. On the patent side, the examiner's first actions — his or her formal opinions on patentability — are still written in longhand and sent to inventors and executives around the world. As 1980 came to a close, you could not find an article on the Patent and Trademark Office that did not use modifiers such as "hard-pressed," "beleaguered," "underfunded," "understaffed," and even "brokendown." Because of severe shortcomings in the Office, the patent system itself was described last December on *NBC Magazine* as a "cruel hoax."

That's the bad news. The good news is that Secretary Malcolm Baldrige and Deputy Secretary Joseph R. Wright, Jr. are determined to turn things around.

For FY 1982 Secretary Baldrige has already shielded the Office from the deep cuts felt throughout the Government as part of President Reagan's economic recovery program. Later, defying conventional wisdom on what was possible on Capitol Hill, Secretary Baldrige on June 4 persuaded the House and Senate to overturn an agreement reached in an appropriations conference which would have sharply limited the number of personnel cuts at the National Oceanic and Atmospheric Administration (NOAA). Since the overall Department of Commerce ceiling is fixed, that limit on NOAA cuts, in turn, would have caused deep cuts in the PTO personnel ceiling, requiring a new freeze on employment through FY 1981. A reorganization of the Department of Commerce is now in the latter stages of planning. That reorganization will result in the Patent and Trademark Office reporting directly to the Secretary. Given Secretary Baldrige's strong support, we will accomplish much more, faster, under that arrangement than the Office could hope to as an independent agency.

We are now back on schedule in our hiring of 80 new patent examiners in FY 1981, and we are accelerating our recruitment program to bring on 127 new examiners in FY 1982. Given attrition of about 100 examiners during these two fiscal years, this hiring program alone will result in a net increase of 107 examiners in the Corps. And we are currently discussing with the Department the possibility of significantly augmenting this net increase by reallocating positions from non-examining areas in the Office as a result of greater reliance on contractors to do things more efficiently.

We have decided to publish a notice of proposed rule-making to repeal the Interparties Reissue procedures, the so-called Dann Amendments. This proposal reflects two conclusions on our part: (1) that however useful in individual cases, the interparties practice simply requires a disproportionate amount of resources, and (2) the new reexamination practice was designed by Congress to serve many of the needs served previously by the Interparties Reissue procedures. Our steps toward repealing the Dann Amendments are consistent with the weight of the comments we received during the Office's April 16 hearing on the proposed Reexamination and Reissue regulations.

The critical need to reprogram resources into line examination functions is also causing us to transfer eleven examiners now working on Rule 56 - "Duty of Disclosure Matters" back to the examining art units.

Workload on the patent side continues to increase. Based on receipts through July, we are now projecting that the number of patent applications we will receive in this fiscal year, not including design applications, will reach a record 108,000, 5500 more than is projected in the FY 1982 Budget. Without additional examiners beyond those now planned, we estimate that we will achieve 86,000 disposals this fiscal year, and 90,000 in FY 1982.

We have taken delivery of two IBM display-writer word processors in the examining groups, one in group 120 and the other in group 140, and we are storing in those machines form paragraphs we have developed for examiner actions. Unless an override button is used, these machines are incapable of misspelling any of their 50,000-word fixed vocabulary and their 500-word tailor-made vocabulary. The installation of these two machines represents our first steps toward my commitment to eliminate handwritten examiner actions by March of next year.

Trademarks

Thanks in large part to the personal efforts of Margaret Laurence, Assistant Commissioner for Trademarks, the trademark operation is beginning to show improvement from the conditions described in the 1979 report of the U.S. Trademark

Our Office of Legislation and International Affairs will continue to work with the Department of State and interested private groups in monitoring the progress of other treaty negotiations involving the transfer of technology, including the Law of the Sea negotiations scheduled to resume this fall, and the United Nations Conference on Trade and Development (UNCTAD) "Code of Conduct" on technology transfer to developing countries.

On June 1 the Patent Cooperation Treaty (PCT) began its fourth year of operation. By the end of July, 4,213 international applications had been filed in the U.S. Receiving Office. The World Intellectual Property Organization will begin an overall review of the international PCT rules this fall, with the aim of making international filings as simple as possible. Now that the PCT has successfully weathered the difficult start-up years, we have begun a study in the U.S. to determine whether it would be desirable for the U.S. to adhere to Chapter II of the treaty — the chapter establishing a central examination procedure. At present 24 of the other 29 countries which have joined the PCT now accept Chapter III. In our study we will, of course, look to the ABA and other bar/industry groups for advice. And we will examine critically the potential impact of such a decision on our examining operations.

Legislation

The Patent and Trademark Office strongly supports enactment of S. 255, the "Patent Term Restoration Act of 1981," which was introduced by Senator Mathias and passed the Senate on July 9. We believe that this bill is a long overdue reform. It will restore an appropriate balance of incentives to patent owners whose products have been held back from the marketplace by Federal regulatory procedures. We agree totally with the views expressed in the Senate judiciary report on S. 255 that, "There is no valid reason for a better mousetrap to receive 17 years of patent protection and a life-saving drug less than 10 years."

We also support enactment of S. 21, the "Federal Courts Improvement Act of 1981." This bill will create a new U.S. court of appeals for the Federal circuit by combining the U.S. Court of Claims with the U.S. Court of Customs and Patent Appeals. The new court would have jurisdiction over all patent appeals from the various district courts as well as appeals from the various boards of the Patent and Trademark Office. Bills substantially similar to S. 21, and its House counterpart H.R. 2405, were passed by the House and Senate during the 96th Congress. By providing a single authoritative tribunal to handle patent cases nationwide, these bills will contribute greatly to a single standard of patentability which will be understandable to inventors and businessmen alike. Sometimes overlooked in the

We have entered into an experimental cooperative endeavor with Mead Data Central for placement of the full texts of special compilations of patents going back to 1971 in their LEXIS system. Thanks to the generous offer of the Intellectual Property Owners Association, we are placing a Pergamon video Patsearch terminal in the Search Room, and we are releasing a request for proposals for making other commercial data bases available there. The full-text experiment we are undertaking with Mead Data will complement a contracted effort to make commercial data bases available to the examiners in various groups.

We are augmenting our present main-frame computer, which principally supports the Patent Application Location and Monitoring (PALM) system and Trademark Registration Application Monitoring (TRAM) system. And we are making plans for the complete replacement of that main-frame computer, which is now both obsolete and overloaded. For FY 1983 we plan to accelerate our automation efforts in a number of fronts, for example, by experiments to replace the present manual key entry systems with optical character readers. All of our ongoing and planned efforts will be detailed in the comprehensive automation study I discussed.

Before I close, let me say a few words about our patent and trademark examiners. The day after I was sworn in as Commissioner, I met with all examiners of the Patent and Trademark Office in four sessions. I told them then, and I wish to repeat now, that they are the heart of the patent and trademark systems. Their professional skills, knowledge and judgment — and their diligence in moving cases through the office — are critically important. Everyone in the Office, from the Commissioner to our summer aides, is there to support the examination process. Our collective success is measured by our examiners' individual performance. Sometimes overlooked — perhaps because of the shortcomings in the Office — are the dedication and effectiveness of these career officials. There is a need to provide them with greater tools and to give them greater opportunities to experience first-hand the results of their day-to-day decisions — for example, by greater participation in industry field trips and seminars — but I do wish to acknowledge today their collective contribution to the patent and trademark systems. The importance of those systems, of course, totally transcends any of our individual parochial interests.

As one who has experienced first-hand the excitement of the Apollo, Skylab and Space Shuttle programs, I foresee exciting times ahead for the Patent and Trademark Office. In Washington, timing is often all important. I believe that I am uniquely privileged to be able to serve as Commissioner at this time and during this Administration.

door until all of the doors leading to invention have been opened. The concept of all keys opening doors in successive stages is unique and enables the inventor to visualize the problem and attack it by a series of steps, and in so doing, substantially eliminates the possibility of overlooking a thought process which might lead to resolving a problem and coming up with an invention.

The author offers an enlightened approach to what has previously been considered a complex phenomenon and enables the students to expand their horizons and explore the limits of their creativity. The students' ability to think symetrically and originally are the essential ingredients for success and the program has been so well received that it has now been adopted by the State of New Jersey and the District of Columbia and is being reviewed by other states for use in their vocational education, science and gifted and talented programs from elementary through high school levels. It is also being used in industry and in a number of colleges and universities in creative engineering.

The program has incorporated beautifully designed graphics and colored photographs depicting a variety of inventions and situations. The narration is highly professional and done by one of the top notch narrators in the multi-media field. Background music is used effectively in certain situations and breaks the usual monotony of filmstrip presentations. The picture sequence changes rapidly without dragging. Nearly two hundred individual slides are used in the filmstrips.

The entire kit purchased by Prentice Hall Media includes in addition to the three filmstrips and three cassettes, Mr. Shlesinger's 140 page text of the same title, THE ART OF SUCCESSFUL INVENTING, as well as a program guide which includes the filmstrip narration script, discussion topics and synopsis of the subject matter. Introduction and general goals as well as specific objectives are covered in the program guide.

I was impressed by the quality and the method in which the subject matter is presented. It holds your interest and does what the title says it will do; namely, to teach you how to approach the aspect of inventing in a successful manner. It uses some of the concepts which the patent profession is aware of, including applying definitions in order to come up with new inventions much in the nature of claim drafting.

If there is any criticism that could be made of the program as presented by Prentice Hall Media, it would be that the kit does not contain a coordinating teacher's guide showing the relationship of pages in the text and keys in the filmstrip so that the teacher can relate one to the other and prepare a lesson. It is obvious that the material can readily be broken down so that certain portions of the filmstrip can be used in conjunction with certain portions of the text to set up a whole course program extending

FUTURE MEETINGS CALENDAR

1981

1981

Sept. 14-20	Licensing Executives Society, Annual Meeting at Peachtree Plaza Hotel, Atlanta, Georgia
Sept. 16-19	Patent and Trademark Institute of Canada, Annual Meeting, Banff, Alberta, Canada
November 1-3	American Patent Law Association, Annual Meeting at Capital Hilton Hotel, Washington, DC
November 4-6	Pacific Industrial Property Association, Twelfth Annual International Congress, University Club, New York City

1982

1982

January 17-19	Association of Corporate Patent Counsel Key Biscayne Hotel, Miami, Florida
January 23-26	ABA-Patent Trademark Copyright Section, Mid-Winter Meeting at The Registry, Scottsdale, Arizona
January 27-30	American Patent Law Association, Mid-Winter Meeting at Camelback Inn, Scottsdale, Arizona
April 8-9	Licensing Executive Society, Eastern Region Meeting, Hyatt Crystal City Hotel, Arlington, VA
April 28-30	American Patent Law Association, Spring Meeting at Grand Hyatt Hotel, New York City, New York
May 5-8	United States Trademark Association, Annual Meeting at Fairmont Hotel, New Orleans, Louisiana
May 25	Court of Customs and Patent Appeals, Annual Conference, Washington Hilton Hotel, Washington, D.C.

1984

1984

February 5-8	American Patent Law Association, Mid-Winter Meeting, Rancho Los Palmas, Rancho Mirage, California
May 9-11	American Patent Law Association, Spring Meeting, Long Wharf Marriott Hotel, Boston, Massachusetts
May 13-16	United States Trademark Association, Annual Meeting at Royal York Hotel, Toronto, Canada
October 7-11	Licensing Executives Society, Annual Meeting at The Breaker's Hotel, Palm Beach, Florida
October 24-26	American Patent Law Association, Annual Meeting, Gateway Marriott Hotel, Washington, DC

1985

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January 27-29	American Patent Law Association Mid-Winter Meeting at Cerromar Beach Hotel Dorado Beach, Puerto Rico
May 1-3	American Patent Law Association Spring Meeting at Stouffers Inn, Cleveland, Ohio
October 9-11	American Patent Law Association, Annual Meeting, Washington, DC
October 19-25	Licensing Executive Society USA/Canada, Annual Meeting at Broadmoor Hotel, Colorado Springs, Colorado

Copyright Division of The District of Columbia Bar. Thomas R. Boland and Michael C. Elmer are new members of the Division Steering Committee, joining Howard D. Doescher and Herbert C. Wamsley.

Los Angeles Patent Law Association

The Association's first meeting of the 1981-1982 year will feature Bud Smoot of Lyon & Lyon speaking on jury trial litigation from the plaintiff's (patentee's) perspective. Mr. Smoot's remarks will follow the reception and dinner at the Hyatt Regency Hotel on September 15, 1981.

Maryland Patent Law Association

The Maryland Patent Law Association, at a June dinner meeting, elected the following officers for 1981-1982: Howard Troffkin, President; J. Bruce Hoofnagle, Vice President; Roger L. Browdy, Treasurer; and Frank E. Robbins, Secretary. Speaking after dinner on pending patent legislation was Mr. Ralph Oman, Staff Director of the Senate Judiciary Committee and Legislative Counsel to Senator Mathias.

Michigan Patent Law Association

The Michigan Patent Law Association announced that the following are officers for 1981-1982: Kevin R. Peterson, President; Alford L. Trueax, Jr., First Vice President; Gaylord P. Haas, Jr., Second Vice President; Chester L. Davis, Jr., Secretary; William L. Anthony, Jr., Treasurer; and Owen E. Perry and Donald J. Harrington, Board of Managers.

New York Patent Law Association

At its Annual Meeting on May 21, 1981, the New York Patent Law Association elected the following officers and directors for 1981-1982: Albert Robin, President; Paul M. Enlow, President-Elect and First Vice-President; Lee C. Robinson, Jr., Second Vice-President; Douglas W. Wyatt, Third Vice-President; Arthur S. Tenser, Treasurer; John B. Pegram, Secretary; and Edgar W. Adams, John M. Calimafde, Paul H. Heller, Karl F. Jorda, Siegrun D. Kane, Jerome G. Lee, Stanley H. Lieberstein, Ewan C. MacQueen, Lawrence F. Scinto, and John O. Tramontine, Board of Directors.

Oklahoma Patent Law Association

At its Mid-Year Meeting at Shangri-La Lodge on June 12, 13 and 14, 1981, the Patent, Trademark and Copyright Section of the Oklahoma Bar Association featured a two-day Continuing Legal

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Commissioner's Notice; Practice Under 37 CFR 1.225(b)

When a junior party to an interference is placed under an order to show cause under 37 CFR 1.225, and requests final hearing to contest an ancillary matter, either the junior or senior party may file a motion for permission to take testimony. This Notice is a clarification of that practice.

Automated Search Experiments - August 3, 1981

The Patents and Trademark Office has announced that it intends to carry out research and evaluation projects dealing with automated full-text searching of U.S. Patents. In this experiment, the PTO has entered into an agreement with Mead Data Central to provide the PTO access to and support for the use of the Lexis full-text system.

The PTO further announces that it would welcome multiple experiments on mutually agreeable terms with other responsible parties on this project. Inquiries should be directed to Donald P. Stein, Director, Office of Search Systems, PTO. Telephone: (703) 557-3763.

Consolidated Certificates Under Trademark Rule 2.88 - July 29, 1981

Trademark Rule 2.88 provides for the issuance of a consolidated certificate of registration where the same mark is used by the same applicant for different uses and several applications are filed on the mark. Since the rule is seldom invoked, and issuance of the certificate requires considerable administrative effort, the PTO will soon publish a comment to eliminate the rule.

EDITORIAL NOTES

New Jersey Patent Law Association Seminar

The Association announced that a seminar and workshop sponsored by the Foreign Practice Committee "Preparing the European Patent Application" will be held Saturday, November 7, 1981 at the Robert Treat Hotel, 50 Park Place, Newark, New Jersey. The Seminar will be presented by a distinguished faculty moderated by Horst M. Kasper, Esq. and John P. Sinnott, Esq. For further information on the seminar which will take place between 9:00 a.m. and 5:00 p.m. contact Birgit E. Morris, Esq., RCA, Box 432, Princeton, N.J. 08540.

Trademark Problems and How To Avoid Them

Crain Books of Chicago, Illinois announced the publication of an all new second edition of "Trademark Problems and How to Avoid Them" by Sidney A. Diamond. This handy reference guide is written by the former Commissioner in non-technical fashion for marketing, advertising, and agency executives. Commissioner Diamond's book is available for $22.95 from the publisher at 740 Rush Street, Chicago, Illinois 60611.

George Washington University

Patent and Trademark Law, an eight-week, 24-hour course, will be offered for the first time this fall by George Washington University's Legal Assistant Program.

Taught by Peter D. Rosenberg, LL.M., the course will be presented during Fall Semester on Monday evenings, September 28 through November 16, 1981.

The course will also be offered Spring Semester, February 2 through March 23, 1982. Both classes will be held on the GWU campus from 7-10 p.m. For additional information, call 676-7095.

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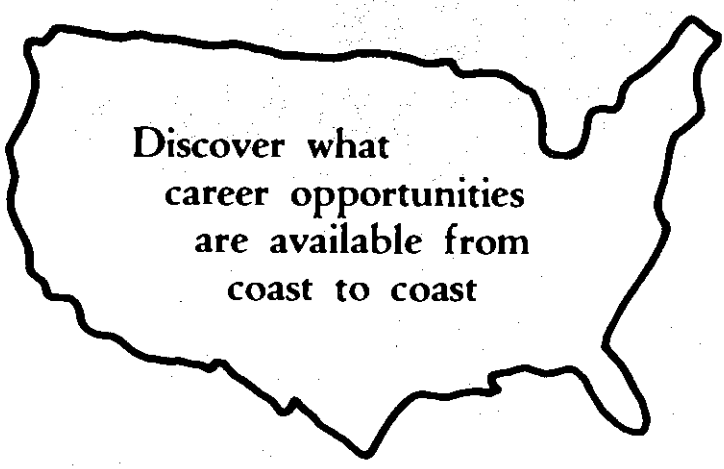

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224 CLAIMS/UNITERM	chemical	1963-1970	closed	144,100
25 CLAIMS/U.S. PATENT ABSTRACTS	chemical electrical mechanical design	1971+ 1980+	monthly (approx. 5,400 per update)	699,000 as of December 1980
225 CLAIMS UNITERM	chemical	1971+	quarterly (approx. 4,500 per update)	224,000 as of September 1980
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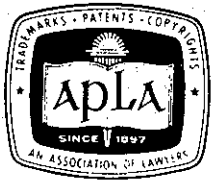

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FOUR-MEMBER NEW YORK CITY Patent Law Firm representing U.S. and foreign companies in high-technology electronic, electromechanical, specialty machinery and chemical fields has opening for attorney or agent with electronic engineering knowledge and good reading ability of German. Rapid advancement to partnership for a person capable of independent work. Respond to: APLA Box 578, 2001 Jefferson Davis Highway, Arlington, Va. 22202.

Positions Wanted

PATENT ATTORNEY, newly licensed seeks entry level patent law position. Undergraduate degree University of Pennsylvania in molecular genetics (including organic chemistry) J.D. degree Emory University. Currently enrolled Ga. Inst. of Tech. to enhance technical background. 3 years general practice of law, including experience as sole practitioner. Reply Box 563, American Patent Law Association, 2001 Jefferson Davis Highway, Arlington, Va. 22202.

PATENT & TRADEMARK COUNSEL for Fortune mid-500 company took early retirement; seeks challenging new corporate position; mech. eng.; will relocate. Reply to Box #580, 2001 Jefferson Davis Highway, Suite 203, Arlington, Va. 22202.

Positions Available

PHILADELPHIA PATENT LAW FIRM (medium size) has positions for two patent attorneys with two to five years experience and having mechanical and chemical backgrounds, respectively. The candidates should have superior academic qualifications and/or distinguished themselves in their law practice. The positions involve responsibilities in all apsects of patent and trademark laws in a variety of fields of technology including litigation and licensing. Exceptional career opportunities. Salary commensurate with background and performance. Please send resume, personal photo, earning history to Box No. 554 at APLA, 2001 Jefferson Davis Highway, Suite 203, Arlington, Virginia 22202.

HOUSTON PATENT LAW FIRM: Continues to seek top caliber associate attorneys for our growing national law practice. Prefer one to five years patent experience and superior academic credentials. Practice will include all phases of intellectual property law with emphasis on litigation and general counseling to major corporate clients. Starting date flexible. Salary commensurate with experience. Send resume in confidence to: Edward W. Goldstein, Arnold, White & Durkee, 2100 Transco Tower, Houston, Texas 77056.

MEDIUM SIZED PATENT, TRADEMARK, AND COPYRIGHT FIRM in Houston, Texas is looking for attorney with one to five years experience and preferably with a good mechanical and/or electrical engineering background. Opportunities are good and salaries flexible. Contact can be made through 713/960-9460.

CHICAGO INTELLECTUAL PROPERTY FIRM seeks new associates. Excellent academic credential and some patent experience are highly desirable. Practice involves all phases of patent, trademark, unfair competition, and copyright law, with emphasis on litigation. Salary open and partnership contemplated in due course. To apply, send resume to Jerold A. Jacover, HUME, CLEMENT, BRINKS, WILLIAN & OLDS, LTD., One IBM Plaza, Suite 4100, Chicago, Illinois 60611.

WASHINGTON, D.C. PATENT LAW FIRM Interested in attorneys with top academic credentials and partnership potential. Patent experience is preferred. Wide range of opportunities, with practice including U.S. and foreign

Sales of Copies of Reexamination Requests - July 31, 1981

The PTO has announced that copies of reexamination requests, all cited references, and the file wrapper, and context of the patent file for which reexamination is requested, are available at a charge of $0.30 per page. Orders must be addressed to the Commissioner and indicate the control number.

Education Conference. Speaking on the historical background of the patent laws in Britain and on recent political developments in the United Kingdom was Mr. W.G.F. Allen of J.A. Kemp & Company, London, England. Speaking on the patentability of computer related inventions in view of the *Diehr* and *Bradley* decisions of the Supreme Court was Mr. Kenneth E. Kuffner of the firm of Arnold, White & Durkee of Houston, Texas. Speaking on patent rights in inventions made with federal assistance, computerization of the Patent and Trademark Office, and revisions in patent and trademark fees, was Mr. James R. Duzan of Halliburton Services, Duncan, Oklahoma. Speaking on patent reexamination was Mr. Arch Robbins of Phillips Petroleum Company of Bartlesville, Oklahoma. Speaking on the copyright of computer progams and revisions in the Copyright Law was Mr. Christopher H. Morgan of the firm of Laney, Dougherty, Hessin & Beavers of Oklahoma City. The Section was particularly pleased to be able to feature guest speakers from the neighboring State of Texas and from London, England. In addition to the business sessions, entertainment was provided in the form of an afternoon lake party, an evening cocktail reception, and a breakfast meeting for the spouses attending the meeting.

Saginaw Valley Patent Law Association

At the annual business meeting of the Saginaw Valley Patent Law Association, held on May 21, 1981 the following officers were elected for the 1981-82 term: Stephen S. Grace, President; Richard E. Rokoczy, Vice-President; Merlin B. Davey, Treasurer; and Michael S. Jenkins continues in the second year of a 2-year term as Secretary.

San Diego Patent Law Association

The San Diego Patent Law Association reports that the newly-elected officers for the 1981-1982 year are: Mervyn L. Young, President; Reling E. Baker, Vice President; and Karl H. Sommermeyer, Secretary/Treasurer.

Virginia State Bar

At the annual meeting of the Virgina State Bar-PTC Section, Harrison McCandlish (last year's Chairman-Elect) took over as Chairman and the following nominees for officers and Board members were elected: James Laughlin, Jr., Chairman-Elect; Arthur T. Grimley, Vice Chairman; Hoge T. Sutherland, Secretary; and Frank Wolffe, Peter G. Mack, and Gary M. Hoffman, Board of Governors. The newly elected Board members join the following current Board members: Alan E. J. Branigan, Frank L. Neuhauser and Arthur J. Palmer, Jr.

LOCAL AND REGIONAL ASSOCIATION NEWS

Bar Association of the District of Columbia

The Patent, Trademark, and Copyright Law Section of the Bar Association of the District of Columbia has elected the following Officers and Council Members for the 1981-82 term: William T. Bullinger, Chairman; James N. Dresser, Chairman-Elect; Stephen L. Peterson, Secretary; Samuel C. Miller III, Treasurer; Joseph M. Potenza and Cynthia E.O. Clarke, Council Members. Continuing Council Members are J. Michael Cleary, Alfred N. Goodman, Howard D. Doescher, and John F. Witherspoon. Jerry D. Voight is the Section Representative on the Board of Directors of the Bar Association, and Maurice Klitzman is the Section Delegate to the National Council of Patent Law Associations.

Central New York Patent Law Association

The Association announced that the following individuals have been elected officers of the Central New York Patent Law Association for the 1981-1982 fiscal year: Theodore C. Wood, President; John S. Sensny, Vice-President; Stanton D. Weinstein, Secretary/Treasurer; John S. Gasper, N.C.P.L.A. Councilman; and Anthony J. Franze, At Large Member, Board of Directors.

Cleveland Patent Law Association

The Cleveland Patent Law Association announced that the following are officers through May, 1982: James A. Lucas, President; Albert P. Sharpe, President Elect; Edward G. Fiorito, Vice President; Michael Sand, Secretary; Neil A. Duchez, Treasurer; Thomas M. Schmitz, Director; and Lowell L. Heinke, Director.

Columbus Patent Law Association

The Association announced that the following officers were elected for 1981-1982: Barry S. Bissell, President; Jerry K. Mueller, Jr., President-Elect; and Mary E. Picken, Secretary/Treasurer.

District of Columbia Bar

The Association announced that James N. Dresser and Thomas J. Macpeak have been selected Chairperson and Vice-Chairperson, respectively, of the Patent, Trademark and

1982

June 13-15	Association of Corporate Patent Counsel, Tamaron Resort, Durago, Colorado
June 13-15	Licensing Executive Society, Canada/Central Region Meeting, Westin Hotel, Toronto, Canada
August 6-11	ABA—Patent Trademark Copyright Section, Annual Meeting, San Francisco, California
October 6-8	American Patent Law Association, Annual Meeting, Shoreham Hotel, Washington, DC
October 9-14	Licensing Executive Society, Annual/International Meeting, at Hyatt Regency Hotel, San Francisco, California

1983

1983

January 23-25	Association of Corporate Patent Counsel, Marco Beach Hotel, Marco Island, Florida
January 27-29	ABA—Patent Trademark Copyright Section, Mid-Winter Meeting, South Seas Plantation, Captiva Island, Florida
January 30-February 2	American Patent Law Association, Mid-Winter Meeting at Boca Raton Racquet Club, Boca Raton, Florida
May 11-13	American Patent Law Association, Spring Meeting, at Fairmont Hotel, San Francisco, California
June 19-21	Association of Corporate Patent Counsel, Silverado Country Club and Resort, Napa Valley, California
July 29-August 3	ABA—Patent Trademark Copyright Section, Annual Meeting, Atlanta, Georgia
Sept. 18-22	Licensing Executives Society, Annual Meeting at Hilton Hotel, Quebec City, Canada
October 12-14	American Patent Law Association, Annual Meeting, Gateway Marriott Hotel, Washington, DC

throughout a semester or the like. I have been informed that Mr. Shlesinger now has available a teacher's guide which coordinates the text and filmstrip available through FIA Publications.

For a FIRST, a remarkable job has been done. I highly recommend the program. The cost is $99.00 plus 5% postage and handling charges.

Book Available

Author: Honorable Giles Sutherland Rich

Title: "A Brief History of the United States Court of Customs and Patent Appeals"

Cost: $8.50

Source: Superintendent of Documents
U.S. Government Printing Office
Washington, D.C. 20402

Anyone ordering a copy should use the following stock no. 028-002-00039-4.

AUDIO/VISUAL PROGRAM REVIEW

THE ART OF SUCCESSFUL INVENTING
By B. Edward Shlesinger, Jr.

Reviewed by John S. Roberts, Jr.
Publisher - Prentice Hall Media
150 White Plains Rd.
Tarrytown, NY 10591

THE ART OF SUCCESSFUL INVENTING is the first audio/visual program ever to be produced on how to invent. To say the least, it is top drawer and reflects the quarter million dollars spent in it's production. It is something that industry, education, government, and our patent profession has been in need of for a long time.

The author, Mr. Shlesinger, a patent lawyer, has more than 100 U.S. patents to his credit. About 15 years ago, he began to devise a system for teaching inventing in a step-by-step fashion. He devised a course which was introduced in the Continuing Engineering Education Program at George Washington University School of Engineering. Subsequently, he tested his methodological approach to inventing in prisons to determine whether or not he could teach people to invent who had little formal education. He was successful in this regard and subsequently, his program was approved and put into the Virginia Department of Education Industrial Cooperative Training Program dealing with vocational and technical education in the Virginia High Schools. Mr. Shlesinger's first step in the direction of an audio/visual program was to author a book used as a basic text and published by FIA Publications (Shlesinger file) Box 2544, Arlington, VA 22202.

The course devlopment was so successful that educators requested Mr. Shlesinger to adapt his book to an audio/visual to facilitate teachers in presenting the program. After two years of work in assembling and editing, THE ART OF SUCCESSFUL INVENTING was finally produced in a filmstrip-cassette program which runs approximately 1 hour in duration. The audio/visual comprises three filmstrips and a cassette for each of the filmstrips each running approximately 20 minutes.

The program includes a brief introduction on what is an invention in layman terms, and then proceeds to outline the course in a step-by-step fashion following five major categories including IDENTIFICATION, FOUNDATION, DATA, IMAGINATION and LIMITATIONS. These five major categories are broken down into keys, and in all, there are 24 keys which lay out the course. Each key opens a door which successfully leads to another

discussions of high percentage of patents held invalid by the courts, is the fact that district courts and courts of appeal disagree with each other on patentability more often than either disagrees with the standard applied in the Office.

In other areas, we are again urging enactment of an inexpensive and effective form of registration protection for designs and, specifically, we are supporting H.R. 20, introduced by Congressmen Railsback last January. One reason we are pursuing an alternative to design patent protection is the high percentage — over 70% — of the design patents that are held invalid, largely because the concept of obviousness is not well suited to ornamental designs. We believe a registration system, such as that contemplated in H.R. 20, would serve industry better at lower cost.

Finally, at the suggestion of the Association of Data Processing Service Organizations (ADAPSO), we intend to investigate with interested industry and bar groups the feasibility of some form of protection for computer software. In line with the effort, we will co-sponsor with the Copyright Office a two-day seminar in October on computer software protection. And we will work closely with the World Intellectual Property Organization (WIPO) in its consideration of the feasibility of some form of an international system for protecting computer software.

Automation

Congress has given us a rare opportunity in the section of P.L. 96-517 which mandates a two-year study of ways that automation can serve all aspects of the Office's operations. We will not let that opportunity pass. To help us in the study effort we formed an Automation Steering Committee composed of experts from NASA, the Air Force, the National Technical Information Service and the National Bureau of Standards, and we held a major hearing on July 23. At that hearing, which was attended by about 150 persons, we received testimony from 20 witnesses representing a good cross section of opinion. Many of those who attended the hearing plan to submit written statements. The first draft of the report will be available this fall to those who have expressed interest, and we may schedule a second hearing to receive comments on the draft.

Our study efforts are focused on five areas in which automation will aid the Office: patent search and retrieval, trademark search and retrieval, internal operations, printing, and communications between the Office and those whom we serve. In the latter area, as we begin to automate our files, the network of 37 Patent Depository Libraries nationwide will begin to take on the character of true satellite search centers. For example, we are now in the process of making available to the PDL's on-line access to the classification data base now available only in the Public Search Room.

Association as "a disgrace to the nation, a national scandal."

The printing problems have been solved. We have a contractor who is publishing marks for opposition at the rate of 1,000 per week, and printing will be current by next month.

We now have a record 84 trademark examiners, up from 47 in 1979. In spite of the increased professional staff, application pendency time is still totally unacceptable. It takes nearly one year for examiners to reach an average application for first action and more than two years to dispose of the application through registration or abandonment. Our goal is three months to first action and 13 months to disposal. Given congressional approval for 14 more examiners and 16 more clerks for FY 1982, we expect trademark pendency time to begin a steady decline. This will be coupled with steady improvements in the Trademark Services Division.

To increase efficiency, we are adding an additional floor of space for the trademark examining operation, and we are consolidating the operation on three adjacent floors in Crystal Plaza Building 2. At the same time we are improving training opportunities for examiners, and we are working to raise that grade of a journeyman trademark examiner from GS-13 to GS-14. That effort is designed to slow the disasterously high turnover rate among trademark examiners, 75% of whom now leave within their first six years in the Office.

International

We are heavily involved in preparations for the Second Session of the Diplomatic Conference for the Revision of the Paris Convention. That session will be held in Nairobi, Kenya, from September 28 to October 24. Given the importance of those negotiations to continued international projection of intellectual property of U.S. industry, and because of my personal involvement in the day-to-day operations of the Office, I am strongly supporting the appointment of a special representative from the private sector to head the U.S. delegation. Prospects for complete agreement upon a revised text of the Paris Convention in Nairobi are not great; it is likely that we will be discussing a third session of the Diplomatic Conference with you next year.

In the trademark area, we have decided to delay any further action toward ratification of the Trademark Registration Treaty. We had considered the possibility of having the Bureau of the Census conduct a survey for us to attempt to gauge the impact of the U.S. permitting registration based on an "intent to use" instead of actual use. Based on the strong advice of the U.S. Trademark Association, however, we are deferring such a survey until we can confidently predict that we will reach our goals of three months to first action/13 months to disposal.

But none of us should underestimate the extent of the challenge. The U.S. Patent and Trademark Office ranks among the world's large information processing organizations. Each day our mail room opens, sorts and distributes 20,000 pieces of mail — about the same amount as is handled by a large suburban post office. Each day we sell 13,000 patent copies; laid end to end, the pages we sell would reach from New Orleans to San Francisco. Our 1500 daily deposit account transactions are about triple the number of a typical suburban savings and loan institution. If the 108,000 patent applications we receive each year were placed one on top of the other the stack would be taller than the combined heights of the Empire State Building and the Washington Monument. If the 24 million patents and publications in the patent examiners' files were spread out, we could paper the roofs of more than 35 superdomes. And by the turn of the century, the size of those files will double.

Decisions made during the FY 1983 budget cycle will set the pattern for progress in the Office through the first Reagan Administration. Under the fee-setting provisions of P.L. 96-517, fees for patent and trademark operations once set cannot be changed for three years. And under the laws governing federal user charges, fees must be based on documented budget projections. This means that decisions on the FY 1983 budget and on the FY 1984 and 1985 budget projections will lock-in the fees we can charge through FY 1985. If those budget projections are ambitious, the resulting higher fees will act as a political spur to enhance programs throughout this Administration. Conversely, if those projections are timid, the fees will be correspondingly low and act as a political drag on what we can accomplish. I must wait until a later time to discuss the specific options we are now recommending for FY 1983. I can say that they address our three major programmatic objectives: (1) to reduce the patent backlog to manageable proportions and thus decrease projected pendency time, (2) to do the same in trademarks, aimed toward a goal of 3/13: three months to first action and 13 months to disposal, and (3) to take realistic steps toward a fully automated Patent and Trademark Office in the 1990's.

In the remainder of this report to you, let me highlight developments and plans in our four major areas: patents, trademarks, international and legislative affairs, and automation.

Patents

On July 1, 1981, we instituted reexamination under P.L. 96-517, and we did so through the established examining groups and art units. During the first month of reexamination we received 42 requests for reexamination; 12 of these were from the patent owner, 4 were involved in interferences, 18 were involved in court litigation and of these 18, 3 were ordered by the trial court.

Remarks of
Gerald J. Mossinghoff
Commissioner of Patents & Trademarks
before the
Section of Patent, Trademark and Copyright Law
of the
American Bar Association
New Orleans, Louisiana
August 8, 1981

Distinguished Guests, Ladies and Gentlemen:

I welcome this opportunity to report to the Section of Patent, Trademark and Copyright Law on the status of the U.S. Patent and Trademark Office and to preview for you our plans and projections for the next several years.

I am deeply honored by the President's appointment of me to be the Commissioner of Patents and Trademarks. I believe that I am the first career Government official appointed to that position. I began my 22-year Federal career in 1957 with a four-year tour of duty as a patent examiner in what was then Division 44. During the mid-1960's I returned to the Office of Director of Legislative Planning under Assistant Commissioner Gerald D. O'Brien. The remainder of my Government career was at NASA, where I served in a number of positions, including Director of Congressional Liaison and, most recently, Deputy General Counsel.

Based on my experience at NASA, I reject out of hand the notion that for some reason Government programs cannot be made to succeed. At NASA success is due to a mix of three things:

A Government program generally viewed as being of great importance to the Nation and thus supported politically with adequate resources;

Civil servants and contractor personnel totally dedicated to success; and

Effective management, with innovative and dedicated problem solving and attention to detail, that simply does not permit bureaucratic roadblocks to get in the way of performance.

Those three elements soon will be our keys to success in the Patent and Trademark Office.

There was a time not long ago that the very basis for the U.S. patent system was seriously questioned. President Johnson's Commission on the Patent System in the mid-1960's was formed in part to examine whether the system itself was attuned to modern needs. That Commission, and all subsequent studies, confirmed that the incentives of the patent system are as important

highest priority. Once *all* data on active registrations and applications is captured, computer searching, will, quite naturally, follow. While some of us, in the private sector, have computerized sufficient PTO data for our computerized searches, the dimension of our need is far greater than that of the trademark examiner-attorney, for example. We have to produce a report that discloses the identical or closely similar mark, much as does the trademark examiner-attorney. His responsibility ends there. Our responsibility is at least seven times greater. Our reports must disclose lengthy lists of prefixes, suffixes in the relevant market, and other data, used by the marketing departments of corporations. In addition, we must produce reports covering millions of common law marks, state registrations, company names, etc., none of which is required by the trademark examiner-attorney. Studies, made over the years, have continually questioned the cost effectiveness of converting registration data *solely* for trademark searches by the examiner-attorney. This is not to say that the Office would not benefit by a computerized search system, and this should be included in the overall plan. I merely caution that computerized searching be kept in its proper perspective. Once all the data required for management and records control is converted for computerization, it will not be at all difficult to devise programs for computer searching.

3. *In-House Planning and Conversion*

Nobody really, fully understands the specific automation needs of the PTO as well as the PTO staff. I have been impressed with the knowledge and skills of the data processing technologists of the PTO. I hope they will receive sufficient funds to properly staff an effort to format their own needs, and control the conversion effort, just as much as possible, with their own resources.

Finally, I wish the Commissioner, Assistant Commissioners and this advisory committee my very best wishes for, not only producing a successful plan, but for the actual implementation of that plan. I share, with others here in the private sector, a desire to be of any assistance that I can to make your job easier. There is an indispensable need for a healthy trademark system to protect the public from deceptive practices and to maintain order in the market place. A viable federal trademark registration system is essential to the growth and success of the American economic order.

additional funding required for improvement of the Search Room. While this analysis is essentially concerned with the present manual operation, the analysis will be helpful in efforts to determine which functions can be better served by automation.

The 1979 ABA committee report entitled, "The Financial Impact of the Trademark Registration Treaty on the Trademark Division," represents an opportunity to learn more about the present movement of files, as contrasted with the vastly more complicated file movement which would be mandated under the complex provisions of the Treaty, including the various time constraints imposed by that Treaty. Any total automation plan must take into account the possibility that TRT could become a reality. If so, this could have a major impact on any automation scenario.

All three studies also urge that great caution be exercised in the transition period from manual to automation. Under the most optimistic of circumstances, this transition will take several years. It is absolutely essential that on-going procedures not be disrupted or damaged until there is absolute assurance that the automated program is truly effective. The following recommendation is extracted from the 1981 USTA Ad Hoc Study Committee report:

> "The Committee endorses the Leeds Report recommendations that (1) No computerization program should be undertaken without proper funding or without the assurance that it will operate correctly and at reasonable cost. Pending these assurances, the present system should be maintained; and (2) The present record keeping system, particularly in the Search Room, should not be further damaged, by the premature discontinuance of vital updating information simply because a partial computerization has been effected. Specifically, trademark Search Room copies of registrations should be marked "Check Computer" to alert searchers whenever there has been a change of status which is not the result of a statutory requirement, such as a Section 8 affidavit or renewal."

I am intrigued with the Congressional mandate of Sec. 9., that the automation study report develop plans for computerized data and retrieval systems equivalent to "the latest state of the art" and "without regard to funding." I feel like a youngster who has been offered access to anything he wants in the candy store. It is in this spirit that I suggest the following guidelines:

1. *Totally Separate the Trademark Study from the Patent Study.*

I would encourage this advisory committee always to keep in perspective the following two quotes:

2. Caution on over optimum is urged. Small size experiments driven by time and budgetary constraints may lead to overly optimistic capability or economic conclusions.

(c) A reasoned requirement for long term experimentation on a statistically meaningful scale accompanied by interim approach should provide satisfactory report.

Evaluation should be on cost effectiveness related to the quality of the operation rather than on a financial comparison with existing practice.

Responsibility for timeliness and coordination should be vested in a single high level individual for timeliness and coordination.

Summary

One simple point is that the Section 9 report of PL96-517 is a golden opportunity.

The present information system used by the PTO for 150 years, while excellent and while having many advantages, is facing an information explosion that will render it past history. A continuation of the present approach will only result in further deterioration of the files and less benefit from the patent system. It is essential that the deterioration be halted by providing independent time and capability to bring the technological information collection up to the maximum available quality and applying it to all state of the art automation. Then there must be a start to learn how to use the only tool that appears on the horizon, "concept identification" using computerized word-matching with microform or graphical support as needed.

The repair and maintenance of the technological information base is a national resource. With the nation embarking on an immediate goal or rebuilding the industrial base, it is imperative that the patent system deliver every benefit to spur innovation and prevent duplication of effort.

record, more verbal machines occur and many unwanted irrelevant documents appear. Further, with a large "add-on" each week of new material, the file must be divided more often. Experience does not exist today of taking large full text files, organizing them and managing them by machine and searching all or less than all selected parts. The PTO has need of this capability now.

At the present view the title doesn't contain enough information; the use of an abstract holds promise as does searching selected individual sections of a full text record. An advantage that adds to the attractiveness of an abstract is that being a coherent description, a searcher sitting at a terminal can read it and make a better decision on whether the full document is needed.

The second item on which understanding is needed is whether all arts have sufficient nouns to express concepts in the absence of graphics. In mechanical arts there is concern that nouns may be needed to express three-dimensional relationships. The technology of associating graphics with extensive sophisticated word-matching is currently under development.

Comments

In support of the PTO in its efforts to respond to the requirements of Section 9 of PL96-517, the following constructive comments are advanced both generally and with respect to the automation plan set forth by the PTO.

The PTO Section 9 response would do well to create a climate at the outset that recognizes that Examiner, clerical and capital resources are and will be increasingly required for the care and feeding of the technological information collection and that the need for such resources will be governed by the magnitude of the technical information that must be handled rather than the examining workload as in the past.

In general the response would do well to establish

(a) Resource requirements to bring the files up to date and keep them that way.

The technological information collection must include at least a text increment for all the approximately 9,000 weekly original patent documents and the 10,000 or so monthly technical literature documents now available from the abstracting services. A resource need should be acknowledged that will permit:

1. Examiner and clerical time, independent of other duties such as examining to permit determining what goes in the collection and to put it there.

technical article without tampering with the integrity of any file or the delay encountered in getting a copy from an erratically replenished numerically organized copy file. The same microform concept could be applied to file histories of issued patents to insure integrity and accessibility.

Handling the technical literature is more involved. An expansion of the present procedure could be provided by online terminal searching of the estimated 10,000 or so documents from 3,000 journals each month. There are a number of information vendors today that provide machine readable abstracts of both patents and a 3000 + journal source of technical articles. The computerized word-matching techniques here are more involved but are still within the state of the art.

Indexing of particular problem arts should be expanded and evaluated on the basis not only of Examiner time saving but also of public access. The program for bulky, infrequently printed computer patents called "Computer-Controlled Microform Search System" CCMSS involved some problems, was a good step and public access was much improved. Such programs should be expanded and evaluated on the value of all aspects of the patent system.

With these short range steps several problems would be eliminated. Since no reference would ever be removed from a file, integrity would be complete and remain that way. The difference between the Examiner's files and the search room files would be eliminated. There would be an integrity record for every item in the file. A greater quantity of possible prior art would be reflected in the searches. Problem arts, such as ones with infrequently reprinted patents, would be accommodated. The Examiner time and clerical time in maintaining the files would be eliminated.

Examination time would be reduced not only from the reduced time finding items but Examiners lose time looking for references they know should be in the file.

Long Term

Sophisticated computerized word-matching appears to be the only tool available to meet the magnitude of information envisioned in the coming years.

The intellectual effort in the type of concept identification employed in the act of patent examination is very involved. It hasn't been done before on so large a scale over so large a time span. User acceptors will require patience and transition steps. The size and risk of a full step into computerized word-matching can be reduced and user acceptance in hand by buttressing the manual approach currently used with an additional search using the commercially available word-matching approaches. Since January 1981 some data bases contain abstracts and

7500 other information sources the abstract services are covering around 3000 technical journals.

Most libraries cannot handle over 1500. The point being made is that the size of the art that should be collected is growing at a rate that the 22 million document collection that accumulated in over 150 years may now double in the next 20 years.

Problem *The PTO has not been given the resources to acquire all the art. In some instances that means going and making a copy where the file is merely laid open and printing is delayed.*

Problem *Examiner time independent of examining workload in adequate quantities is needed to select what to file in which class.*

The clerical effort and copy reproducing equipment increasingly required to reproduce copies of the documents for the average four classification locations and also to maintain both the examiner's and the public files can be straightforwardly assessed. It must, however, be independent of examining workload. Budget flexibility must not permit money to be moved from this for other purposes.

The reclassification operation must increase as technology moves more rapidly. It now involves about 15% of the total files each year. The reclassification operation, however, must use the public file as the work is being done. An integrity strain is thus further placed on the examiner's files due to excess handling by the inaccessibility of the public files during reclassification.

Problem *The PTO has not been given the resources to provide a separate collection of the classes undergoing reclassification.*

Problem *The PTO has not the resources to provide an examination patent copy so that the examiner's collection is not depleted where a reference is used in examination.*

Effect

The combination of all these forces has outstripped the ability of the PTO to stay current in getting all the art, getting it into the files in a timely manner and in replacing missing file items and in refiling those in use in examination. Any document not in a file when an Examiner of the public searches is a potential impact on quality. A rapid decline in the integrity of the files as they presently stand is perceived by the public as a decline in quality.

Too many validity and enforceability decisions by the courts are based on references that should have been in the files when the

Hearing of July 23, 1981
Development of Automation Plan
Pursuant to P.L. 96-517

Alvin J. Riddles
Information Retrieval Committee

The Patent and Trademark Office (PTO), in discharging the mission required by the constitution not only examines patent applications, but also must assemble, maintain and disseminate information from the world's most complete technological document collection. Both of these duties are an inseparable part of what is required in "promoting the progress of the sciences."

The recitation of some fairly basic points are needed for perspective.

The PTO is the only administrative agency that does its own fact-finding for use in its determination that an invention is new, useful and unobvious. The PTO over a period of 150 years, has assembled the most extensive organized collection of technological information in existence.

The collection is organized according to a detailed classification system that provides several vital features that produce advantages that make the U.S., examination type, patent system viable. One feature is that as word meanings migrate over long time spans, a judgement of the content of a document that has been made in previous years is retained by the position the document occupies in the classification. Another feature is that uniform interpretation of section 103, of the U.S. patent laws on "obviousness" is assisted. A further feature is that a place is provided for a totally new inventive concept through use of structural attributes and even though the nouns for a particular art have not been developed the trend toward a separate art is identified easily.

There are 2 copies of the technological information collection. One copy is used for examination purposes. The second copy is made available to the public in the public search room. An up-to-date state of the art is provided by the public copy from which further progress can be made. Patent rights are identifiable, permitting industry to conduct business in recogniton of the rights that have been granted, and further progress can be spurred by designing around those rights. Novelty over the teaching that has gone before can be preliminarily assessed thereby both minimizing patent cost to inventors, and, since the PTO bears half the cost of examination, reducing PTO workload since fewer clearly anticipated inventions are presented for examination.

It is clear that to accomplish the goal of "promotion of the progress of the sciences," the PTO must strive for the highest quality in the technological information collection, apply the collection to the examination and the issuance of patents and

meeting it was reported that a rule had been adopted, over the strong objection and reservation of the United States, which said something to this effect: That the Conference would try to adopt a treaty by consensus but, if it couldn't reach a consensus, a majority of the body could change the voting rule to two-thirds, providing not more than 12 countries objected.

So what you have is a two-thirds rule with the right of veto if you can get more than 12 countries and that number 12 is critical because that's about all the friends we have in the industrial property world on most of these matters.

(Laughter.)

So nothing was done. But the Conferees said, let's crank it up again. So the meetings have continued. There was another preliminary meeting in March but nothing happened there too. We put forth another text for Article 5A, but it was dismissed out of hand by the developing countries. The Soviets put forth another proposal on inventor's certificates and that too was dismissed. So now we're headed toward the next diplomatic conference which is scheduled for Nairobi in October.

Why Nairobi? One reason: it's a developing country, of course, but the other reason is to get it out of Geneva. Geneva is the home of more missions than you can find anywhere in the world and these mission people show up at these conferences not having the slightest idea what industrial property is, rarely knowing what the conference is, and it doesn't really matter because they have the same rhetoric for every meeting, whether it's Law of the Sea or Paris Convention or Code of Conduct or what-have-you. Hopefully they can't all afford to go to Nairobi and maybe they can get something done down there.

(Laughter.)

And it's not clear to everybody in industrial property rights circles in the United States whether we want anything done. The critical issues, I repeat, are first, Article 5A and what type of provisions will be in the treaty on the form of compulsory licensing and on the conditions for forfeiture, and perhaps suspension. The developing countries, incidentally, have dismissed suspension. They're not interested in it.

And secondly this matter of Article 10 Quater. Again, my personal view of it is that whole question of appellations doesn't deserve to be in Paris. It should be in Lisbon and, if we wanted to become a member of Lisbon, we would. But there may be some ground to negotiate there, if our wine and cheese friends will drop this notion of putting appellation protection into the Paris Union, and if the developing countries back way down on their notion of patents on names.

Also, the issue of universality is important, which ties in with the developing countries' interest in special provisions.

them on a parity with patents. From the beginning we've insisted that, if they want to put them up in Article 1, they have to make an inventor's certificate look more like a patent. Inventor's certificates in the Soviet Union, up until a year or so ago, had an unlimited term, they were, of course, granted to the state and there were very few conditions under which you could challenge them.

So we gave them three conditions that they would have to meet before we would consider putting them in Article I.

The first we call freedom of choice. They would be required to issue both patents and inventor's certificates in the same fields of technology so that applicants would have a free choice in all fields of technology as to which type of certificate of industrial property they wanted. And the Soviets did change their law just a few years ago to make them almost harmonious in that regard but not quite.

Secondly, we insisted on equal conditions of grant and equality of term. Third, we insisted on the same grounds of challenge. Again, they changed their law on first blush it seems that they now have equality of term with patents in the Soviet Union. However, in some private discussions with one of their industrial property lawyers, it was not quite clear to me that, at the end of that 20 year term, all rights disappear under an inventors certificate. So we're not quite sure that they've gone that far. However, the Soviet law does now seem to have similar grounds of challenge to patents and inventors certificates.

The Soviets, however, would like to have some exceptions from free choice, such as for public health, manufacturing foodstuffs or protection of the environment and we have taken the position that there should be no exceptions from free choice.

The developing countries, getting on the bandwagon, said, Well, we would like to have any exceptions from free choice that we have when we ratify the text. This would permit them to write a law before they ratified the text, put all their exceptions in it and then grandfather them in.

This whole issue is going nowhere. The Soviets have made a number of compromises, as I said, and they have changed their law but that issue is on dead center waiting for further movement from Group D.

The question of appellations of origin is really a question of the extent to which geographic names should be protected. Now, if you're not familiar with the Paris Convention, you're probably less familiar with the Lisbon Convention, which deals with appellations of origin. The United States, of course, is not a member of that treaty. It's really only the wine and cheese countries who are and what they are trying to do is to import Lisbon, if I may use that term, into Paris and that gives the United States a lot of pro-

that is the only authentic text although there are other official texts. It's already been agreed that there will be at least 4 authentic texts. Question: Shall they be equally authentic or shall one of them—

(Laughter.)

—be more authentic than others?

And that's an issue on which you can attract a crowd in an international meeting of 89 countries and they get very wrapped up on that one. The potential official text list has grown to include Arabic, German, Italian, Japanese, Portuguese.

Well, you now see the scope of questions that have been presented—and I didn't even include the Kenyan proposal to protect the Olympic symbol.

On the Article 5A issue that I mentioned, the developing countries want to enforce local working of patents. They want to look at the patent as an instrument which will encourage working and, if it doesn't do that, they want to get rid of it. So they want to put in an express right to establish working requirements, this is really no change, except that it will be stated both in the negative and in the affirmative but this is the way treaties get written and negotiated.

More critically, they want to broaden the right to control abuses, which are undefined. In the present text, the only abuse mentioned is nonworking and one of the things we'd like to get into the text, if it's changed, is to get nonworking separated from abuses; that is, have abuses be something other than nonworking.

The LDC's would also like shorter time periods in which to inflict compulsory licenses and shorter time periods to invoke forfeiture or revocation. They would like express permission to provide legislative measures for exploitation of a patented invention "in the public interest." Now, we believe that's implicit in any national law anyway but a specific provision has been suggested.

Working requirements we feel are okay if they're optional and we can see some compromise in time periods. The most controversial, however, is on the question of the exclusivity of compulsory licenses. In the present text, compulsory licenses have to be nonexclusive but the developing countries now would like to inflict compulsory *exclusive* licenses as a measure of controlling abuses.

That's a very interesting concept because it would evict the patent owner.

Group B has been very firm in opposing this, although some countries in Group B such as Spain and Portugal, in particular, lean toward the developing countries and seem willing to accept the concept of compulsory exclusive licenses.

around the more significant issues in the discussions and there were indeed four such groups created:

- one to deal with the subject of inventor certificates,
- one to deal with Article 5A, which I will discuss,
- one dealing with a potpourri of questions of special interest to developing countries and
- one to deal with the so-called issue of conflicts between appellations of origin and trademarks, which I will also discuss. The United States was a member of all four working groups.

There are three political groups in the discussions: the B Group, which I mentioned earlier, the so-called Group of 77 or LDC's (lesser-developed countries), and also, of course, the Socialist Group, Group D, which, for all practical purposes, is the Soviet Union. They're the only group with total discipline and total solidarity on all issues.

(Laughter.)

All of these groups have, as the discussions have gone on and not unlike some other activities of the United Nations, resolved into subgroups. So there's not just a group of developing nations, when they caucus they break up into subgroups of Latin American interests, African interests and Asian interests. Even within the B Group there is the subgroup of European Economic Communities, which caucus separately.

So much for the mechanism and the politics. Let me take you very quickly just through the grocery list of issues, and I'll pick out only a few of these to give you some feel for the substance.

The Paris Convention, in case you've never read it, isn't really very long. As I say, it was adopted in 1883. It's been through 6 revisions, most of which were fairly small and, although it has changed over the years, some of the revision conventions dealt only with a single provision.

This is what's on the issue list as of now, having dropped off a lot of issues along the way.

In Article I, the question: Should inventor certificates be recognized as a form of industrial property on full parity with patents?

Article 5-A, the most significant issue for the United States: What limitations on control of so-called abuses or nonworking should be put in the convention?

Article 5-quater, the one that deals with the importation of products manufactured by a process patented in the importing country: should it be deleted? The developing countries would like to get rid of this provision because it refers to import. The one thing they don't like are what they call import patents, in other words, the use of patents not for local working but to protect import.

searches benefit the business as a whole and the cost should be included in the allocable G and A.

In 1968, TRW Systems Group, ASBCA #11499. "We hold that when determining allowability, expenses which are absolutely necessary for the operation of a business are beneficial to government contracts. To conduct its business without the protection and benefits afforded by the U.S. Patent System would be imprudent and unrealistic"—and it goes on.

In 1970 The Boeing Company, ASBCA #12731. "Government contracts benefit from both foreign and domestic activities and satisfy the test of allocability by reason of overall productivity enhancement flowing from increased technological capability which is applied to government contracts."

After the government lost these three appeals, they made two changes to the allowance of patent costs, and they put in the subsection B. If this cost allowance is adopted by all government agencies across the board, the problems of patent cost disallowance defense contractors have on their cost-plus contracts are going to be applying to a lot more people. It's about time the DOD came to the realization that these patent costs, like the costs of bid and proposal to get more business to spread your overhead, are reasonable costs of doing business. It is to be hoped that the DOD will abandon its unfair policy of patent cost disallowance as a part of the government's drive to support innovation, increase foreign trade and strengthen its production base, and revert to the prior policy and allow all allocable and reasonable patent costs.

On the Status of the Paris Convention

William L. Keefauver

I'm going to try in a relatively short time this morning to dance you through a rather complicated subject. The Paris Convention is a very important treaty of the United States and one that's not well known to many people and, unfortunately, it's not well known to many practitioners of law in the field of industrial property. Many patent lawyers know offhand that there is something in the Convention about a right of priority and national treatment but their interests don't often take them much beyond that.

I don't have time to develop its importance. I would just like to cite my friend Don Banner who refers to it as the glue which holds together all the industrial property relationships of the world, or at least of those countries interested in industrial property.

rights without government approval except to a patent management firm who is managing the portfolio for them.

Unless approved by the agency, they cannot grant exclusive licenses in the U.S. except to small businesses for more than 5 years after the first commercial use or sale, or 8 years from the grant of the license, excluding time before regulatory agencies. That's a first.

They must share royalties with the inventor and remaining royalties must be used for research and development.

Funding agreements cannot include clauses requiring the granting of background patents to third parties if necessary to achieve a commercial use.

For nonelected inventions, those which the nonprofits and small business do not elect to file, U.S. or foreign, the federal agency, sponsoring agency may, after consultation with the contractor, grant rights to the inventor. Some of these have policies of doing this now and some do not and the consultation is to avoid a problem with the contractor.

For joint inventions with small business or nonprofits together with an employee of the government, the government may assign the coinventor's rights, or the government's rights, from the government employee to the nonprofit or small business.

March-in rights are provided for nonused fields of use.

There is a provision granting preference for U.S. industry that is interesting because they cannot grant licenses to use or sell in the U.S. unless it is manufactured in the U.S. This applies to the nonprofit or his assignee.

There's a section on confidentiality that allows the protection of information or inventions from release to the public, so that we now can get foreign rights without concern over the absolute novelty rule, provided that we can persuade the procuring agencies to do the protection. This goes across the board. This one is not limited to any nonprofit or small business.

There are uniform regulations and licensing clauses to be issued, as I mentioned, but we haven't yet seen them.

I want to skip over. I have just a couple of minutes remaining.

Within the DOD, the Department of Defense, there is a trend in their direct contract activity that is fascinating. We have within industry complained for years over their requests for unlimited rights in technical data, with modest success to say the least. I have correspondence in which we drew this to their attention in '71. In 1979, in the summer, NATO adopted a policy to enable them to get standardization, interoperability and commonality, as by licensing back and forth of products developed by any of the NATO nations which are to be adopted by the others.

It is to propose and support studies and policy experiments in cooperation with other federal agencies to determine effectiveness of measures with the potential of advancing U.S. technological innovation.

And the last one:

Consider government measures with the potential of advancing technological innovation and exploiting innovations of foreign origin.

The Act also is supposed to establish Centers for Industrial Technology, and you may have heard of these, either the Department of Commerce or the National Science Foundation is to make arrangements with universities with agreements or grants and they are to establish Centers for Research and each nonprofit or university who wishes to start a center must propose a plan and, among other things, must propose how he will secure other funding and will become self-sustaining. These are not intended to be permanently working on the government's budget or handout.

Generally speaking, these centers are to develop specified areas of technology and keep the U.S. competitive with the foreigners and to disseminate the technology and information which is so developed.

There is a requirement that where a center retains title to patents and the agency requires licensing a review may be had of adversely affected parties in a court of claims. A part of their licensing is they can demand a certain license be granted if the contractor has not himself made the technology available. It's a form of march-in rights. They are not unusual and not overly burdensome.

Each federal agency under this statute is to establish an Office of Research and Technology Applications and is to use at least 5% of its research and development budget to support the technology transfer function of the agency and its labs, including this office, unless other technology transfer plans are reported to Congress, and it doesn't say what they do about them. There's a little leeway.

In the Department of Commerce, the Center for Utilization of the Federal Technology is a clearinghouse for collection, dissemination and transfer of federally-owned or originated technologies. It is to use appropriate technology transfer mechanisms. I assume that means patents and licensing.

Although patent policies, as such, in this Act are not surprising, implementation of them may be a source of considerable change in the way the government operates and the way private business does business with the government.

Another law that has become quite famous to people in government patent policy is one that sort of sprung into being as the small business and nonprofit law, rather than the broad

They have found from a parallel private program by a New York nonprofit company, Research Corporation of New York, that it takes a certain length of time to collect a large portfolio of licensable patents and a substantial amount of time to get your program going before it is self-supporting.

In this particular program in the NTIS, the government issued licensing regulations with exclusive licensing authority. In 1973 and 1975 they launched into this centralized program in NTIS and they review inventions furnished to them, usually filed by the agency where the invention was made, filed in the U.S. They select about 5% of these and file them in foreign countries. Of the licenses that they grant, about 80 to 90% of them are exclusive and they often have frontend money payments which to date have totalled about $100,000 and is growing. All of this $100,000 is frontend payments.

Next year they will start to receive running royalties on some of these licenses, and within about 2 years it will be self-sustaining. By the experience of the Research Corporation, they anticipate millions of dollars of income and very substantial profitability shortly after that. I have seen the numbers of patents involved and they started over a 4-year period, grew rapidly, and they now have 9 major companies under license, and a large number of smaller companies. There are 190 licenses granted at the present time.

Having said that, this program was initiated by a Republican Administration, and a current Republican Administration has cut the funds for the program. It is being phased out and it will disappear at the end of 1982, at which time the activity for licensing will be turned over to the separate agencies, presumably. They still have the authority and hopefully the personnel. If they don't have it, I'm sure Rene Tegtmeyer can find a few extra bodies out of his staff over there.

There are license agreements already signed or in final stages of negotiation through this activity which have induced private commitments to invest $30 million in R&D and $84 million in new plant investments. It's a very substantial activity.

Turning now to the Stevenson-Wydler Act, this one rather surprised me. I didn't have the same appreciation of it when it first came out and when we were reviewing it that I do now. It establishes an office of industrial technology in the Department of Commerce. It authorizes establishment of centers for industrial technology affiliated with any university or nonprofit institution with grants, cooperative agreements or the like from either the Department of Commerce assistance or the National Science Foundation.

I just heard yesterday that the funding for at least the commerce part of this has been cut out of the budget but the law

QUESTIONER: One quick question. How about a request which is based simply on arguments based on solely previously considered patents and printed publications?

MR. TEGTMEYER: If there is a substantial new question of patentability, that we see in the arguments, it is possible — there would be an order for re-examination. If there are no additional prior art or printed publications being cited, probably your burden would be a bit harder to establish only presenting new arguments. You really have to show that those arguments did come up earlier. For instance, a clearer example might be a foreign patent that was of record before, without any indication of there having been a translation made, and there was some relatively obscure passage in it that is being relied upon for re-examination. That sounds to me, given other facts being supportive of that, like a substantial new question of patentability, assuming it is a material reference.

QUESTIONER: Okay. But it is possible, even though you do not cite in the request any new patents or printed publications?

MR. TEGTMEYER: That is what we contemplate, yes.

On Government Patent Policy

Charles S. Haughey

This program, for my part, is labeled as an update, a Government Patent Policy Update. I thought I would be right up to date because last week in Washington Phil Reed from the OFPP was going to present to us the brand new regulations for licensing required by statute, PL 96-517, and the new clauses for contracts also required by the statute to be in effect July 1, 1981. We also had the Chairman of the DAR Committee and his patent and data subcommittee chairmen to speak to us about some very important new data policies and patent policies they are working on and in both cases we came up with a pleasant conversation but no information. So the clauses that are to be in effect July 1 have not been disclosed. Rumor has it that there's a draft around but they won't even confirm that. So I am talking about other things and I'm interpreting patent policy a little bit more broadly.

I'm going to touch on licensing of government inventions, mostly employee-made covered in the Stevenson-Wydler Act of 1980, which establishes research centers and patent policy and licensing for them and I'll refer to the small business and nonprofits situation on the new law PL 96-517 which covers patent policy, protection of foreign patentability, and licensing for small business nonprofits.

I'll touch on trends in the DOD and it's mandatory licensing, specially referencing NATO-RSI, breakout and competition and

In conclusion, let me just point out that the re-examination itself, as we contemplate promulgating the rules, will be essentially the same as published, totally ex parte, at least after any reply is filed by the requester it will be totally ex parte, with no participation by any other party. There still will be access to the re-examination file; copies of it can be obtained, but no submissions other than another request for re-examination will be considered by the examiner or placed in the file, even if they comply with the requirements of Section 1.501, until after the re-examination has been concluded.

There were some suggestions that re-examination be expanded to include other issues such as fraud or duty of disclosure and other issues. Those comments will not be adopted. It will be strictly prior patents and printed publications and, where amendments are made to the claims or specifications, the ancillary questions of new matter which are specifically prohibited in the new statute and the question of whether the new or amended claim is supported by the disclosure under Section 112, these we consider basically issues that inherently come up in connection with any amendments submitted to a patent in accordance with the statute.

That is where the promulgation stands at the present time. I would be happy to take a few questions as time permits.

MR. JANCIN: I have one, Rene. It is in connection with the submission of material to the Patent Office. We are able now under an existing rule — I have forgotten it, but maybe 291 or 292 — to submit more than simply printed publications and patents.

You made it pretty clear that so far as the re-examination of patents is concerned, you are going to limit the incoming information to printed publications and patents. But how can you really enforce the limitation of such materials coming in to the Patent Office? Because if we still continue with a protest proceeding, vis-a-vis the re-examination by reissue, those rules will need to provide for the submission of material that goes beyond printed publications and patents, won't they?

MR. TEGTMEYER: In connection with Rule 291, that portion of it which deals with mere placement of citations in the patented file, and assuming no reissue application is filed, will be modified in accordance with what I said so that it reflects that. And we have considered the question of what you do if a citation comes in with the request that is be placed in the file under these provisions in a patented file that contains, say both prior patents and printed publications and other information, that either the other information will be extracted and not placed of record or the whole thing will be sent back so that it can be resubmitted, if desired, with only patents or prior printed publications—

MR. JANCIN: Printed publications.

MR. TEGTMEYER: — contained in the citation.

might be under some handicaps because of the wording of the statute.

The statute requires that 301 submission must point out the manner of applying the citations to the claims in the patent. We feel that that does not mean that he has to apply them to the claims in effect in the form of a rejection, but he can apply them by distinguishing the claims from the citations. This interpretation is intended to be made clear in the rules as they are promulgated.

There were suggestions too that the appeal briefs not be due so quickly as one month after the notice of appeal has been filed. And we do plan to change that to two months. Also with the possibility, in narrow circumstances at least, of extensions in time, of course.

Finally, in regard to the comments that I mentioned that some people were concerned about what happens when a second request comes in while a first request for re-examination is still pending within the Office and has not been disposed of, we are clarifying or intending to clarify in the promulgation the fact that we will be combining the proceedings when a second request comes in while the first one is still pending. That is one of the little glitches that is in the statute that is not really answered by it, and there are different directions you can go.

It seemed to us the most sensible one — And there were not a lot of comments on this, as to which way it should go. But there were concerns about how it would be handled. And the intent is to combine them, unless we are at the point where it is irretrievably on the path to a certificate of re-examination issuing.

So our intent is to combine them. That will mean of course, that there will be some delays. Of course, a second re-examination proceeding will only be combined if it presents a substantial new question of patentability over everything in the record previously.

The next transparency is just a revision of a transparency that we have used in earlier presentations that shows a schematic flow chart of how a request for re-examination is processed through the Office. I won't go into it but just point out that this particular transparency has been modified to reflect the changes that I have referred to already.

One of the things that I may not have made clear already is the fact that we will also be putting in the patented file any citations that come in from any party in accordance with Section 301 of the statute and the rule — or Section 1.501. If the citations come in before the date an order for re-examination issues, they will be put in the file and they will be there for the examiner to review during re-examination. If they come in after the date of order, they will not be placed in the file until after the re-examination proceeding has been completed.

mation other that prior patents and printed publications. And there were various other reasons given, as well.

Most of the people commenting were in favor of publication of the request or the order of re-examination. Most of the people favored the publishing request. There were some who did favor publishing the order for re-examination itself, and others suggested publishing both or didn't care which one was published.

Several of the comments proposed expanded participation by requesters and possibly third parties during re-examination proceedings themselves. These were varied. Some of them were qualified upon the premise that if you do not expand the reissue protest practice, then you should allow greater participation by the party requesting re-examination or third parties in the re-examination procedures.

There were also several comments relating to the need for a clarification on the handling of multiple requests for re-examination where a second or third request may come in before a first request for re-examination has been disposed of. And the comments generally said the rules should make more clear how the Office will be handling the second and third request and so forth when they come in while the original request is still under consideration.

I might mention here too that not shown on the transparencies were some comments in regard to the proposed fees for implementing re-examination, the $1500 especially. There were some comments, a few comments I should say, that suggested that the fee was too high and, in fact, I think at least one or two suggested that the fee should be down in the neighborhood of the present fee for the filing of a patent application.

The majority of comments that related to the re-examination fee said it should be high enough so that there is not a danger of harassment of the patentee and it should, of course, cover the costs of re-examination as required by the statute.

Let me turn, with that overview of the nature and content of the comments we received, to where we stand in terms of our planning for the promulgation of rules, with the next transparency.

We do not plan to go ahead with expansion of the reissue protest practice as was proposed in the proposed rules. There were several comments that suggested not only that we not expand the reissue protest practice, but that we in effect retract the so-called Dann Amendments to where we were prior to 1977.

Some of those comments, one or two of them, were specific in terms of what Dann Amendment rules should be retracted. The other ones were very general and only referred to the suggestion that the Dann Amendments be retracted, without specifying which of those.

with it, if the law appears to be solidly embedded, one has to ask himself the very hard question of whether something which is intellectually repugnant to him ought to be used in aid of his client. And those are the difficult judgments that lawyers are called upon to make and we are all going to make them according to our consciences, as will be the case for me.

With regard to the beloved but not yet extant Court of Appeals for the Federal Circuit, I would suggest this, Don, that at least in the present circumstance we have the opportunity of taking this issue to different courts, with the hope of getting a different result. But if the Court of Appeals for the Federal Circuit were ever to decide that—came into existence and then were to decide that synergism is a prerequisite for patentability, that would be all she wrote.

Reexamination

Rene D. Tegtmeyer

As Dan mentioned, I am going to give a rundown to you on the present status of implementation of the re-examination legislation that passed back in December.

Just a trace of brief, quick history before I get into it. If you recall, Public Law 96-517, including re-examination procedures, was enacted into law on December 12th, and the Office on January 13th, published proposed rules for implementing re-examination in the new law. Also the proposed rules provided for an expansion of the existing procedures in the Office in regard to handling reissue applications and protests.

We had our hearing on these particular proposals, both that for re-examination and that for expanding the reissue protest practice, just recently, on April 16th. What I plan to do is to give you a brief rundown on comments we received, both orally and in writing, during the period from January to April, and then explain where the Office stands at the present time in its plans to implement the proposed rules.

I, as Ken Kuffner had when he started the program off this morning, have a little bit of a complicated group of numbers and route to take you over to get you to the Swinging Door. So I am going to use a few crutches in that respect. Paul Williamson has been kind enough to put some transparencies up on the screen that I have here.

I would like to start off with the transparency which will give you an idea of — I am going into the comments now that we received on the proposed rules — of the nature and source of comments that we received.

don't want to admit it, in *Palmer v. Orthokinetics*, 611 F.2d 316 (1980) the Court reversed a holding of patent invalidity on the ground that it was out of compliance with *Graham v. Deere* for the District Court to simply say, "Lack of synergism equals lack of patentability" without more, and sent the case back. It did not reverse on the merits. In other words, it did not hold the patent valid. But it did send it back for further proceedings, which, as far as I can determine, are still in process.

However, in spite of that decision, in a string of four recent decisions, the Ninth Circuit has again muddied the waters. To digress for a moment, owe a debt of gratitude to the BNA and its Patent, Trademark and Copyright Journal for publishing abstracts of two of these decisions. Unless you live a circuit, you don't get the Do-Not-Publish opinions from that circuit. And in the Ninth Circuit, of course, we are on the mailing list, so we get our circuit's Do-Not-Publish decisions, which have become now a kind of body of private or secret law which you are not allowed to cite but you sort of talk about when you say to the Ninth Circuit, "Well, I can't mention the cases, but we remember what we did last time, fellows, right?"

In any event, in the last three months the Ninth Circuit in *Vinyl Products versus Calco Hawaiian*, 522 PTCJ, p. A-10, et cetera, *Mobile Auto Crushers Corp of America*, 520 PTCJ, p. A-2 and a reported or you-can-publish case, *A.B. Turnomatic versus Teveter*, 209 U.S.P.Q. 22, held that, either expressly or necessarily implicitly—because two of the cases do not actually use the word "synergism", simply the whole-must-exceed-the-sum-of-the-parts language—absent synergism, the patent could not be valid.

Then in the Ninth Circuit's most recent statement, in a you-can-publish opinion delivered in *NDM v. Hayes*, 641 F.2d 1274, March of '81, it might have done the right thing or the wrong thing. Unfortunately, the decision is so murky that it is impossible yet to tell.

After some discussion, which does not advance the state of learning, with regard to synergism purportedly not being inconsistent with, but merely an application of the general rule of obviousness of Section 103, the Court went on to hold that synergism is a more stringent test, which need not be reached if obviousness is made out.

Now, that insight is perhaps only intuitive, but clearly the Court held that if in order to win, you have only got to reach Point A and Point B is beyond Point A and you reach Point A, you have won, in the context of defending against the patent. And one might have some small hope—emphasis on "small"—that that cloudy perception by the Ninth Circuit with regard to synergism being a more stringent test than unob-

South was a couple of simple shutes and knives for deveining shrimp. And, clearly, to a scientist or engineer the sum of the parts in no way—or the whole of the parts—in no way exceeded the sum of the individual parts.

Deep South, however, does not use the word "synergism," but it does use the equivalent term "whole exceeds the sum of the parts", which is the usual, although not unvarying definition of synergism in the courts.

How do we reconcile *Deep South* with *Anderson's Black Rock* and *Sakraida*? I suggest the following: Keep in mind that in, for example, *Anderson's Black Rock* what was recited in the claims were *functional* elements. In other words, in *Anderson's Black Rock,* the patent claims recited: "Asphalt dispenser combined with heater," and the purpose of the heater was, of course, to lower the viscosity of the asphalt so that it would be easier to spread. Whereas, in *Deep South v. Laitram,* what was recited were *mechanical* elements, as distinguished from functional elements - a knife, a shute, and a tray. And the Court was clearly saying: If you put all these mechanical elements on a table, it wouldn't be obvious to us to know how to combine them, and that means the subject matter of the patent is "synergistic." But, unfortunately, the whole-exceeds-the-sum-of-its-parts language mischaracterizes, I submit, what went on there.

However, I think *Deep South* can be used with good effect, if your case permits it, to demonstrate that what the Supreme Court has viewed as synergistic exists in a lot of the patents, which, rather than reciting means for doing this and means for doing that, recite, instead, *structural* elements.

In spite of *Deep South,* which is never cited by any circuit court that deals with synergism, (at least in no case that I have ever been able to find), a string of extraordinarily bad cases started to come out of the courts in 1977. In the Seventh Circuit there was *St. Regis v. Bemis* 549 F.2d 833 (7th Cir. 1977). In our dear old Ninth Circuit there was *Satco v. Transequip,* 594 F.2d 1318 (9th Cir. 1979) which for sheer badness in opinion drafting has to win the prize in this area. There was also *Smith v. Acme* 204 U.S.P.Q. 1060 (1980) in the Sixth Circuit, and *Reinke v. Sidney* 594 F.2d 644 (1979) in the Eighth Circuit.

So that, at the very least, there were four Circuits that had made synergism a prerequisite to patentability.

Prior to that, the single best-reasoned case in this area was a Court of Claims case, *Bowser, Incorporated v. United States,* 388 F.2d 346 (1967), in which, once again, the word "synergism" was not used. But this language did appear. *Bowser* is a 1967 case.

> "We feel, therefore, that Section 103 has eliminated the need to apply severe tests of patentability such as

Why is synergism popular with the courts? One can, in part, only guess. But I think the guess that I am about to make simply reflects human nature. Synergism is an easy shortcut to making a hard decision. The obviousness/unobviousness evaluation required by Section 103 in *Graham v. John Deere,* 383 U.S. 1 (1966), requires a lot of mental effort. Saying that something doesn't produce a synergistic effect is simplicity itself. And since nothing can produce a synergistic result, once again with my caveat, the answer, preordained, is very easy to come to.

Now, what is wrong with all this, no longer from a scientific-engineering standpoint but from a legal analysis standpoint? Let me offer the following.

First, what kind of evaluation is the obviousness/unobviousness evaluation? Quite clearly, it is a *pre-invention* evaluation. And by that I mean that evaluation is necessarily a determination of whether one of ordinary skill in the art with the prior art before him would have found making the invention obvious. Now, this necessarily means before the invention was made.

What is synergism? Synergism is a *post-invention* result which logically has nothing to do with an obviousness determination. Once the invention has been made, whether it produces a synergistic result or not should not be important to a court, because the law requires that the pre-invention circumstances be evaluated.

Now, how do we apply that with regard to other things with which we are familiar? And part of the difficulty arises because, as is true with all things, there can be circumstantial evidence, which is not direct evidence, which emanates from sources or time periods which are not the focus of the direct evidence. For example, other post-invention facts which some courts have used as circumstantial evidence of pre-invention unobviousness are things like commercial success, which, as we all know, is routinely diregarded by the courts, thrown into the discard. Why? Not because there is something inherently wrong with commercial success, but because the courts at least intuitively recognize that that post-invention condition, commercial success, is a weak, weak piece of circumstantial evidence in most cases with which to test the pre-invention obviousness of an invention. On the other hand, pre-invention evidence, such as long-felt need and the unsuccessful efforts of others to solve a problem, has usually—unfortunately not always, but usually—been accorded great weight by most courts in determining patent validity, as it should be.

Time doesn't permit and what I am about to say may sound like heresy to some of you, but I am going to deliberately avoid a long discussion in this regard so that we can cover the material that ought to be covered. But if you agree with me that the obviousness/unobviousness determination has a pre-invention

juries may be offended by having a conclusion drawn for it by an expert who pontificates, "In my opinion, based upon the data supplied to me, this term is generic."

And remember that the service you perform for a trial judge or jury in presenting opinion evidence from a well-qualified, articulate expert may result in your performing a service for your client as well.

On "Synergism"

James W. Geriak

In discussing synergism we could spend hours. And a few caveats at the beginning, particularly since, by the very nature of this discussion, I will be mentioning a lot of case names. I would suggest to you that there is no need to attempt to write all that down. I am going to give an outline to Mike Blommer and ask him to publish it in the next APLA Bulletin so that you will have a handy reference for the cases that are involved. And by the time that is published, there will be seven more cases which will in one way or another go off at odd angles from that which I discuss today. And I am sure of that. And part of what you hear today is going to be obsolete in a couple of months.

Second, synergism arises in the patent law in many different contexts. For the purposes of today's discussion, the most important area currently with regard to synergism is in its attempted application, which is in fact a misapplication, to the so-called new combination of old mechanical elements. So that you who practice in the chemical area need to remember that what I say here today will not in some respects apply to the synergism issues that you confront in pharmaceuticals, pesticides, herbicides, and similar types of subject matter.

I am going to start at the end and then go back to the beginning, for two reasons. One, this a knowledgeable audience. I will be telling you, in part, some things that you already know and perhaps some things that you haven't thought of yet.

But in 1979, in the *Republic Industries v. Schlage Lock,* 592 F.2d 963 (7th Cir. 1979), it appeared that a major step had been taken in resolving the synergism confusion that had existed in the law. Two years later, as in the Jaws II commercials, it is safe to say that just when you thought it was safe to go back in the water again, here we are with a lot of simply irrational cases attempting to use synergism as a prerequisite for patentability—This is the last time I will make this caveat—for a new combination of old mechanical elements.

The court found that the average buyer would think that PLAYBOY had now come out with a magazine for middle-aged men. Puckishly describing this audience as a slightly older, less wholesome audience, a remark I view as a gratuitous insult, the court granted the preliminary injunction motion.

In another case, involving the question of whether an alligator emblem on toiletries would be likely to confuse in connection with the well known alligator symbol in the apparel field, the court accepted expert testimony from officials of various department stores. For example, the president of Bergdorf Goodman Co. testified, as did a vice-president of the John Wanamaker stores in Philadelphia, that the alligator emblem on the toiletries was the dominant symbol used by the public to identify their source, and that the public would believe that the toiletries came from the same source as the wearing apparel. *La Chemise Lacoste* v. *Alligator Co.*, 374 F. Supp. 52 (D. Del. 1974), *vacated on jurisdictional grounds* 506 F. 2d 339, 184 U.S.P.Q. 321 (3d Cir. 1974), *cert. denied* 421 U.S. 937, *rhg. denied* 421 U.S. 1006 (1975)

Descriptiveness

One litigant provided expert testimony in affidavit form. The plaintiff, owner of the trademark FOX FIRE for magazines and books, was attempting to overcome the assertion that the term was simply descriptive of the Appalachian region where the plaintiff was located. The plaintiff presented affidavits from three experts in Appalachian culture and place names, all of whom stated that the region was not known as "Fox Fire Country". The court found that trademark FOX FIRE was not generic, descriptive or geographic, and was therefore entitled to protection by way of preliminary injunction against the use of the term FOX FIRE in the building and selling of rustic homes. *Foxfire Fund, Inc.* v. *Burke,* 203 U.S.P.Q. 416 (N.D. Ga. 1978).

Technical Experts

Technical experts are commonly used in patent cases, but they are sometimes used in trademark cases as well. For example, in a case involving the VUITTON trademark, the court observed that uniformly inferior workmanship in a counterfeit could be detected by an expert. *In re Vuitton et Fils S.A.*, 606 F.2d 1, 204 U.S.P.Q. 1 (2d Cir. 1979). Technical experts are also useful in trademark cases involving the condition of various types of products. In one case the defendant sold rebuilt KIRBY vacuum cleaners as new. The plaintiff offered testimony from an expert who had examined a rebuilt unit and identified a number of non-KIRBY component parts which, in his opinion, would adversely affect performance. In addition, some of the motor parts were

generic term, and that "contact paper" when spoken naturally could not mean CON-TACT paper as a brand name. The court felt this went too far with respect to the "polygot" nature of consumers and their differences in speech, dialect and language. By contrast, the court accepted the testimony of Dr. Bergin Evans, the late, nationally renowned philogist and lexicographer, and Dr. Jess Stein, editor of the *Random House Dictionary of The English Language.* They testified that "contact" had not yet come to mean adhesion, and that it was not contained in any dictionary in that sense. They agreed that the word was not generic for the products in question.

In another such case, there was a battle of academic experts on the question of the meaning of the word ROOTS to engineers and other technical people in the field of vacuum pumps and blowers. The testimony was directly contradictory, and the court chose to accept the testimony of the head of the Department of Mechanical Engineering at M.I.T. He testified that the the word "roots" signified a type of pump, that it described the pump and its underlying principle, and that a "roots pump" was simply a rotary pump with two counter-rotating impellers. The court found that for this type of pump "roots" was not a trademark, but that for other products it was. *Dresser Industries, Inc.* v. *Heraeus Engelhard Vacuum, Inc.*, 267 F. Supp. 963, 152 U.S.P.Q. 743 (W.D. Pa. 1967), *aff'd* 395 F.2d 457, 158 U.S.P.Q. 65 (3d Cir.), *cert. denied* 393 U.S. 934 (1968).

Legal Malpractice

This is an area in which expert testimony may be even more critical than it is in an action against a trademark infringer. If a firm specializing in trademark law should find itself accused of negligence, or professional malpractice, the defense of such a case would almost necessarily include an expert in the field testifying that the defendant acted in accordance with the then prevailing standard of care which applied to specialists in trademark law. By contrast, if he could find such an expert, the plaintiff would build his case in part on expert testimony to the contrary, the same way a medical malpractice case would be built on testimony of a medical expert that what the defendant did, or omitted to do, did not conform to the applicable standard of care. See McCarthy, "Attorney Malpractice in Trademark Cases," 66 T.M.R. 243 (1976).

Likelihood of Confusion

A wide variety of experts have testified on this subject, for the plaintiff or for the defendant. In the leading case on the subject, considerable expert testimony was introduced by the defen-

automobile tires. Although the opinions do not mention it, the plaintiff called to testify about basic principles of trademark law, the way in which a trademark is adopted and used, and the fact that trademark rights are acquired not by registration but by actual use on products. He covered the manner of display of a trademark, classified trademarks from the coined mark down to the generic term, and covered trademark searches and trademark policing. It is difficult to say whether the result would have been the same without his testimony, but in light of the huge verdict of over $19,000,000 for the plaintiff I doubt that any of us can second guess the decision to use him. *Big O Tire Dealers, Inc.* v. *Goodyear Tire & Rubber Co.*, 561 F.2d 1365, 195 U.S.P.Q. 417 (10th cir. 1977), *cert. dismissed* 434 U.S. 1052 (1978).

Testimony of this type can be quite useful in explaining the rules of the road to a jury or even to a judge with very little trademark experience. I can see a more experienced judge growing impatient, but the novice, and certainly members of a jury, would probably benefit a great deal from this type of explanation. Some jurors probably have basic misconceptions about Trademarks: that they are patents or copyrights, or that you do not have one without a U.S. government document with a red seal and ribbons. With a trademark law expert you can clear up misconceptions of this type early in the case, without waiting for the court to instruct the jury at the end.

In another case, a former member of the Trademark Trial and Appeal Board testified as an expert on the examination of trademark applications. He testified that the examiner who reviewed the plaintiff's application was experienced, able and highly regarded by his colleagues. Although the expert would not have granted the registration on the information contained in the application file, he said that there was ample room for a difference of opinion between different examiners. Thus, the ruling might have gone one way or the other and have been valid in either instance. *Glamorene Products Corp.* v. *Boyle-Midway, Inc.*, 188 U.S.P.Q. 145 (S.D.N.Y. 1975).

Linguistics

The meaning of a word is often critical in a trademark case. A court or jury may decide that the plaintiff's word trademark, as applied to his products, has generic meaning and hence is unprotectible. Or it may decide that one mark is related to another in meaning (such as TORNADO and CYCLONE) and is hence likely to cause confusion.

Can you prove the meaning of a word by expert testimony? The answer is a qualified yes, and you should probably start with academic credentials. One problem is the bewildering array of specialties. Do you want a philologist, a semanticist, an

such a girl, our judicial notice apparatus will not work well unless we feed it with information directly obtained from 'teenagers' or from their female relatives accustomed to shop for them." But what do you feed that apparatus? A steady diet of testimony from teenage girls?

Today, as counsel to the plaintiff you might have a few such witnesses, but your case would probably be based on a consumer survey directed toward the reactions of teenage girls to the defendant's mark. You would introduce it on the testimony of a survey expert, who would testify as to its design, methodology, execution and results. Surveys are often used on the issues of whether a term has attained secondary meaning, has become generic, or is likely to cause confusion. The courts routinely accept such testimony and often are grateful for it, giving it weight according to its overall reliability. There is now no longer any serious question of whether the testimony of a survey expert or the survey report itself is inadmissible as hearsay evidence. See Gilson, *Trademark Protection and Practice* §8.11.

However, there seems to be infrequent use of other kinds of experts in trademark litigation. In light of the very, very liberal Federal Rules of Evidence, I find this quite surprising. The types of experts and the possible areas of testimony are virtually unlimited. My thesis is that the right trademark case should be substantially improved with an expert witness, and that you should use your imagination in deciding what to cover and whom to use.

Federal Rules of Evidence

The starting point is Rule 702 of the Federal Rules of Evidence:

> "If scientific, technical, or other speciliazed knowledge will assist the trier-of-fact to understand the evidence or to determine a fact in issue, a witness qualified as an expert by knowledge, skill, experience, training, or education may testify thereto in the form of an opinion or otherwise."

Now there is one *very* broad rule. In fact, it is difficult to imagine what type of expert testimony would be deemed inadmissible. A federal judge, trying a stream of complex cases of infinite scope and variety, will rarely refuse to listen to testimony which will assist him to understand the evidence or determine a fact in issue.

Perhaps the most important part of the rule for trademark litigation deals with the expert's qualifications. Patent lawyers seem to prefer the expert with impeccable academic credentials, a Ph.D. who is head of the Electrical Engineering department at a major university who has authored countless books and articles. But remember that "education" is only one of five types of

available assuming, of course, that either state or federal law provides a substantive basis for the remedy.

Perhaps the closest state law remedy is the common law writ of sequestration which has been codified in many states. The Delaware sequestration statute, for example, compels the personal appearance of a non-resident defendant owning property in Delaware, where that property must be sold in order to satisfy the judgment. Sequestration statutes in other states apply only to personal property in which the plaintiff claims some security or ownership interest. These statutes, in my view, do not afford a clearcut basis for a seizure order in the type of case we're talking about.

What about federal law? Section 36 of the Lanham Act provides that the court may order the defendant to deliver up for destruction all labels, wrappers, prints and the like which bear the infringing mark. Arguably, the power to order destruction of infringing matter includes the power to order a temporary seizure. The problem with this argument, in my view, is that Section 36 is expressly limited to actions in which "a violation of any right of the registrant of a mark registered in the Patent and Trademark Office shall have been established." This language suggests that the Section 36 destruction remedy is not temporary or provisional, but, rather is only available as final relief after the case is tried.

The counter argument that Section 36 is available is based on the proposition that the necessary showing of irreparable injury and probability of success establish a violation of the right of the registrant on which the court can act.

You see that there are problems with Section 36 and with the state law remedies that I have discussed. The question then is what is the source of the judicial authority to order seizure of a counterfeit product in this type of case? My view is that the courts generally rely on the inherent power of an equity court to grant effective relief, and effective relief is the critical point here. If the goods are not seized, effective relief is not possible.

There is one other apsect of ex parte TRO practice which deserves very brief mention in closing and that's the problem of unnamed John Doe defendants. This problem is most common in the T-shirt area where singing groups seek to enjoin unknown, itinerant peddlers from selling T-shirts and similar items at rock concerts. Since the identity of the defendants is unknown, they are usually named in the complaint as various John and Jane Doe defendants and A, B, C companies. Ex parte TROs have been granted in a number of those cases despite doubts expressed by some courts as to whether there is personal jurisdiction over the defendants.

Several other courts, on the other hand, have refused such relief on the ground that there is no justiciable controversy within

The trial court denied the application for an exparte TRO on the ground that the plaintiff was fully capable of notifying the defendant of the TRO application but intentionally failed to do so. In effect, the court ruled that despite a strong showing of irreparable injury, plaintiff had failed to present adequate grounds for the court to proceed without notice to defendants.

Plaintiff then petitioned the Second Circuit for a writ of mandamus directing the district court to issue the TRO. The Court of Appeals granted the petition and held that in this situation the basic purpose of a TRO, which is to preserve the status quo and prevent irreparable harm, outweighed the policy favoring notice and an opportunity to be heard. The court reasoned that notice should not be required where there is a strong showing of immediate irreparable injury and where notice of the TRO application would have the effect of making prosecution of the case an empty gesture.

The *Vuitton* case has been followed in several subsequent decisions. In the *NEA Enterprises** case in the Northern District of California, the court granted an ex parte TRO based on plaintiff's representation that if notice were required defendants would transfer the counterfeit goods because precisely the same thing had happened in prior litigation against similar types of defendants.

The district court relying on the *Vuitton* case found that plaintiff was being irreparably injured and that the circumstances of that case warranted ex parte relief. The court not only restrained the defendants from disposing of the goods, but also authorized the U.S. Marshal accompanied by plaintiff's counsel to serve notice of the TRO and at the same time to inspect and inventory the infringing goods.The *Vuitton* case was also followed in two actions recently brought in the district court in New Jersey against a manufacturer of counterfeit Calvin Klein and Gloria Vanderbilt jeans. In both of those cases, the district court issued ex parte TROs directing the marshal to seize the counterfeit jeans and all of the related records. I'd like to take a moment to read a paragraph of Judge Thompson's decision in the *Calvin Klein*** case because it's a good statement of the rationale that trademark owners are interested in seeing:

"This temporary restraining order has been granted ex parte because it is the sole method of preserving a state of affairs in which the court can provide effective final relief. If notice is required, such notice might well render fruitless further prosecution of the action. Specifically, merchandise or information relating to

**NEA Enterprises, Inc. v. American Horse Enterprises, Inc.*, Civil Action No. 80-0805 (N.D. Calif., March 14, 1980).

***Calvin Klein Company v. Fashion Industries, Inc.*, Civl Action No. 80-2381 (D. New Jersey, July 30, 1980).

mark as a symbol of quality. For example, an accountant in Maine wrote the following letter:

"Whenever I need a rubber product I instinctively look for your brand because of the quality that it has always stood for. So it was only natural when I needed a rubber hunting suit I picked up your brand. Was I ever in for a surprise when I wore this suit. What I would like to know is why your company would stake its many years of hard-earned reputation on the likes of this."

This type of evidence demonstrates that the irreparable injury which plaintiff is suffering is not theoretical or speculative. In these cases, some consumers vowed that they would never buy the tire company's products again. For example, the manager of a small town in Vermont who purchased 12 defective rainsuits for the town police force wrote the following letter:

"This is to inform you that whereas we have always bought your tires for our trucks we no longer will. We realize that we don't amount to beans when it comes to totals, nevertheless, a lot of beans make a big pot."

And a woman in New Hampshire who bought a pair of defective boots wrote this letter:

"To say I am disillusioned in an understatement. You may be sure I shall look twice before I purchase anything bearing your label again."

It's difficult to find more persuasive and probitive evidence of irreparable injury than this type of actual confusion evidence. For that reason, I think that before you file suit, and certainly before you bring on the preliminary injunction motion, every effort ought to be made to find this type of evidence if it exists.

I'd next like to turn to the temporary restraining order. The purpose of a TRO is to preserve the status quo until the preliminary injunction motion can be brought on for hearing. In addition to the usual elements which a plaintiff must prove to obtain a preliminary injunction, a TRO requires a showing a immediate irreparable harm which clearly outweighs any possible harm to the defendant if the TRO were granted.

Unlike a preliminary injunction, a TRO can be entered without notice and based solely on an ex parte showing that the restraint is necessary to prevent immediate irreparable injury. The decision to grant a TRO, like the decision to grant a preliminary injunction, lies within the discretion of the court.

The procedure controlling the issuance of a TRO is spelled out in Rule 65(b). That rule does not, however, confer jurisdiction or provide any substantive guidelines for this remedy, but simply establishes a number of procedural safeguards which are covered in this outline.

Unlike a preliminary injunction, the grant or denial of a TRO is not appealable as a matter of right. Appellate review, however,

becomes a part of the record and need not be repeated when the case is tried. Repetition, however, is not prohibited and, in fact, may be mandatory or desirable in some situations. The Advisory Committee's note suggests, for example that repetition is called for where the case is tried by a judge who did not hear the preliminary injunction application. And where the case is ultimately tried to a jury, all testimony at the preliminary injunction hearing which bears on an issue within the jury's province must be repeated at trial.

Rule 65(a)(2) also provides that before the preliminary injunction hearing begins or even during that hearing, the court may order the trial on the merits to be advanced and consolidated with the preliminary injunction hearing. Advancement and consolidation under this role are discretionary and can be ordered by the trial court *sua sponte* or on the motion of one or both parties.

The rule does not expressly provide that the parties are to be given advance notice of consolidation. Case law on this point suggests, however, that notice is required and that it should be sufficiently in advance of the consolidated trial to preserve the right of the parties to a full hearing on the merits.

Rule 65(a)(2) also provides that the power to consolidate should be exercised in a manner which preserves the right of the parties to a jury trial. The effect of this provision generally is to prevent consolidation of the trial with the preliminary injunction hearing in any case where there is a proper and timely jury demand.

The grant of an interlocutory injunction is conditioned on plaintiff giving sufficient security to compensate defendant for any costs or damages incurred directly as the result of a wrongfully issued injunction. The amount of the bond, and in fact whether a bond is required at all, are discretionary.

The amount of the bond is based usually on the court's best estimate of what costs and damages the defendant would suffer if the court later determined that the injunction was wrongfully granted. Unfortunately, most reported trademark cases do not explain in any great depth how that amount is to be determined.

As I've indicated, the decision to grant or deny preliminary relief is discretionary. The test on appeal is not whether the reviewing court would have reached the same conclusion on the same evidence but simply whether the district court abused it discretion. There are, however, exceptions to this test where the trial court applied an erroneous legal standard or where the court lacked personal jurisdiction over the defendant.

The pre-litigation period should be used to tie down as many as possible of the elements which the plaintiff must provide to obtain preliminary relief. Special attention, in my view, ought to be given to determining whether there have been any instances of ac-

preliminary injunction were withheld than would occur if that relief were granted. However, even if the balance of hardships tips in the defendant's favor, injunctive relief still may be warranted if the defendant is an intentional infringer or if he has deliberately and callously disregarded plaintiff's rights.

In balancing the relative hardships of the parties, the courts often focus on the economic harm to the defendant if sales of the infringing product were halted immediately. Where sales of the infringing goods began only recently or where sales of the product are only a small part of defendant's business, then the hardship to the defendant in that situation probably is minimal.

On the other hand, where the defendant's investment in the infringing mark is substantial, the courts are more likely to fashion an injunction which lessens, to the extent consistent with plaintiff's rights, the hardships which the defendant suffers.

In determining whether preliminary relief is appropriate, consideration should be given to whether that relief will protect the public interest or is at least consistent with that interest. In trademark litigation, two public interests generally are involved: the first is the right of the public to be free from confusion and the second is a more general interest that society has in free and fair competition. There are other public interests which ocasionally come into play such as the public interest in the proper dispensation of prescription drugs which was adverted to earlier during the argument.

Plaintiffs, of course, always argue that preliminary relief is necessary to protect the public as well as their own interests. In my experience, this reliance on the public interest generally is not decisive unless there is strong evidence of actual confusion or unless the prospective confusion poses some harm to human health or safety.

In considering defendant's opposition to a preliminary injunction motion, it's helpful to review the basic distinction between negative and affirmative defenses. A defense which merely controverts one of the elements of plaintiff's prima facie case is negative in character. Rule 8(b) of the Federal Rules requires that a negative defense of that sort be pleaded simply by denying plaintiff's allegation of that element.

An affirmative defense, on the other hand, is avoiding in nature because it raises some matter outside of the scope of plaintiff's prima facie case which, if proven, will preclude liability. Rule 8(c) of the Federal Rules requires that this type of avoiding defense be affirmatively pleaded.

Unfortunately, in my experience, the distinction between negative and affirmative defenses often is ignored in trademark cases. Answers to complaints frequently will have sections headed "Affirmative Defenses," under which the defendant asserts

facie evidence of the registration's ownership and the validity of the mark. The cases uniformly hold that Section 7(b) creates a rebuttable presumption that the mark is valid and that it's owned by plaintiff. But what does that really mean? What is the legal effect of the presumption of validity?

Although I am not aware of any cases which deal with this precise point, I believe that Rule 301 of the Federal Rules of Evidence has to be considered. Rule 301 provides that unless otherwise specified by an Act of Congress, a presumption serves to shift to the defendant the burden of going forward with evidence sufficient to meet or rebut the presumption. But under the Rule 301 the ultimate burden of proof, which is the risk of non-persuasion, does not shift. It remains on the plaintiff throughout the trial.

Section 7(b) of the Lanham Act, unlike Section 282 of the Patent Act, does not declare what effect the statutory presumption of validity shall have. Since it does not, I believe that Rule 301 controls.

The application of Rule 301 is illustrated by a case where the plaintiff's mark straddles that difficult line between a mark which is suggestive and merely descriptive. In that situation, Rule 301 requires the defendant to go forward with evidence sufficient to rebut the presumption that plaintiff's mark, by virtue of the registration, is valid.

If defendant discharges that burden by proving that the mark is merely descriptive notwithstanding the registration, then the burden of going forward shifts back to the plaintiff who must prove secondary meaning.

I should note in passing that there are cases to the contrary which hold that the statutory presumption of validity and the burden of going forward with evidence on that issue to the defendant. These cases, however, are based on the *Aluminum Fabricating Company* case decided by the Second Circuit in 1958.* Since that case predates the enactment of the Federal Rules of Evidence, I doubt whether it is still good law today with respect to the presumption of validity.

In a common law infringmenet action, of course, there are no presumptions. There plaintiff has both the burden of persuasion and the initial burden of going forward with evidence sufficient to establish ownership and validity, including secondary meaning if the mark is not inherently distinctive. The burden of going forward with evidence on these issues generally is discharged by evidence that the plaintiff used the mark prior to the defendants use, that such use has been continuous, and by evidence of advertising and sales as well as any direct or circumstantial evidence of the consumer recognition which the mark enjoys.

**Aluminum Fabricating Co. of Pittsburgh v. Season. All Window Corp.*, 259 F.2d 314 (2d Cir. 1958).

ever, that the clearer and more direct source of the authority to grant injunctive relief in a common law action is the inherent power of federal courts to grant effective equitable relief in those cases falling within their subject matter of jurisdiction.

The fact that preliminary relief is granted with some frequency in trademark cases causes us to overlook the fact that a preliminary injunction is an extraordinary remedy and one that traditionally has been granted with great caution and only after careful deliberation.

A preliminary injunction, by its very nature, is an interlocutory, provisional remedy which remains in force only until the case is adjudicated on its merits. Conceptually, the purpose of the preliminary injunction is to maintain the status quo until the case is tried. But in many trademark cases the grant of a preliminary injunction, which forces the defendant to discontinue use of the mark while the case is pending, often destroys the litigation. The result is that a preliminary injunction often forces the defendant to settlement and usually on plaintiff's terms.

As I have indicated, one of the purposes of a preliminary injunction is to maintain the status quo until the case can be tried. However, if the defendant is enjoined pending trial of the case, it's at least arguable that the preliminary injunction does not preserve the status quo, but destroys the status quo.

The answer to that argument is that the status quo which the injunction seeks to preserve is that which preceded the controversy; in other words, the last uncontested status, which usually refers back to the time before the infringement began. Under this analysis it seems to me that it's more accurate to say that preliminary relief restores the pre-infringement status quo rather than preserving the status quo at the time of suit.

The grant of a preliminary injunction, even in a clear case of infringement, is not a matter of right but a matter of discretion. In other words, while the substantive standards that govern the grant of a preliminary injunction are determined by law, the decision to grant that relief and, if it is granted, the terms and conditions of the order are discretionary.

One of the traditional attributes of equitable relief is that it's flexible; it can be molded to meet the necessities of any particular case. In infringement actions, this flexibility often is reflected in measures which attempt to lessen the hardship on the defendant once the preliminary injunction is granted. This can take several forms.

For example, there are cases in which the defendant is allowed to dispose of existing inventories of infringing goods. Other courts have limited the geographical extent of the restraint so that it conforms with whatever common law rights the parties have.

The decision to seek a preliminary injunction involves a careful weighing of the benefits of this remedy against the immediate and

cessful use in application, then the plaintiffs don't have a case at all, because —

JUDGE NIES: You can't have contributory infringement —

JUDGE CONNER: That's right.

JUDGE NIES: — if you don't have the primary.

JUDGE CONNER: You're not going to have somebody trading on somebody else's good will, if there isn't good will associated with this particular color combination. True enough. But I'm assuming, and I think the evidence shows that there is secondary meaning, that there is an identification of this particular combination with a particular source, not necessarily identified but a reliable source.

JUDGE RUBIN: It seems to me that finding secondary meaning doesn't end the inquiry but merely starts it because, even if there is secondary meaning, we have the problem of whether federal law, as distinguished from state law, protects secondary meaning. I wouldn't want either one of you to whom I assign this opinion to put it quite this way.

(Laughter.)

JUDGE CONNER: I'm afraid, based on what I've heard so far, that I wouldn't be writing a majority opinion anyway.

(Laughter.)

JUDGE RUBIN: I don't know.

What I was about to say is that it seems to me that this is the kind of case that involves intimately such policy considerations about what one thinks the law ought to be, that a decision is really made on the basis of what the judge thinks Congress should have done, although he may word the opinion in such a way as to state that it's our interpretation of what Congress intended.

So it seems to me that really what we're talking about when we say there is secondary meaning is, Suppose there is?, should the law protect secondary meaning in this kind of situation?

JUDGE NIES: I agree.

JUDGE CONNER: You look at it as a public policy question then?

JUDGE NIES: Definitely.

JUDGE CONNER: There are certainly public policy considerations of great significance here. As I said at the outset, I think it's a close case.

JUDGE NIES: I'm not going to vote till I ask my mother.

(Laughter.) (Applause.)

MODERATOR KIRK: Thank you very much.

Does anybody have one great penetrating question they'd like to ask?

QUESTIONER: Should any consideration be given to whether the blue, and was it, gray, that the color combination is an

JUDGE NIES: But is that the manufacturer's problem?

JUDGE CONNER: — is too much. If I can spend $10 million developing a new antibiotic, another $10 million getting FDA approval to put it on the market and the day I put it on the market my competitor can copy it, I might think twice before spending $20 million —

JUDGE NIES: But they can't. That's the manufacturer's product.

JUDGE CONNER: — to develop the next generation antibiotic.

JUDGE NIES: — The people here had 15 — It's already over, isn't it? They've had 17 years.

JUDGE CONNER: Yes, so they have. And I would allow anybody, as indeed the law would, I would allow anybody to duplicate the formulation as long as he doesn't deceive anybody as to source.

JUDGE RUBIN: Aren't we really being asked here, though, to protect an inefficient method of marketing, a method that depends on detail men and persuading professional people rather than a method of marketing that reaches out directly to the consumer?

JUDGE CONNER: But you have to market a drug of this kind through physicians because the patient doesn't know whether that particular drug is good for him. Only the physician can know whether there are contraindications so that a particular patient shouldn't take that drug because there might be side effects that the patient couldn't anticipate.

So I think, even though it is seemingly inefficient to have these detail men going out and making personal calls on physicians, it's only through that process that the physicians get really educated as to all the aspects of each new drug, when it should be used and when it should not. And you can't have the patient deciding that for him or herself.

JUDGE NIES: I have some problem with — this is just an ordinary shape capsule. How many colors are there that are available for use?

JUDGE CONNER: The spectrum hasn't been exhausted yet. We've got only one other capsule form anticancer drug and it was no coincidence that it was a blue and gray —

JUDGE NIES: Oh, but there are other products that must be consumed.

JUDGE CONNER: — capsule.

JUDGE NIES: It might look like somebody's heart medicine, if you did it in yellow and green, instead of the cancer drug. I think there is a limitation, a finite number of capsules that can be put together.

JUDGE CONNER: Well, the marking ought to be on the bottle or the box.

With respect to the problem Judge Nies raised about the possibility or, rather, Mr. Dunner raised in response to Judge Nies' question about the possibility that the drug would not be the equivalent, of course in this case the evidence is that the drug supplied by the appellant is the bioequivalent. In some cases where the drugs were not the bioequivalent, this point might be well taken but here they are the same. The components are the same, the medicine is the same. They've been sold in capsules which are conventional number 5 capsules and the only difference between that and the plain capsule is that there are two colors here which have come to identify the medicine, as we see the evidence, in the minds of the public, because that is what the public has received, that's what the public looks to in identifying this particular product for the type of medicine that it is.

We, therefore, submit that the evidence and the law favors the affirmance — Excuse me — the reversal of the court below.

Thank you.

MOD. KIRK: Now we're going to have the rare opportunity to eavesdrop on the court.

JUDGE RUBIN: Normally in my court what we would do is hear this and four other cases and then immediately at the end of the day's sitting, without going to lunch, we'd go to an anteroom. We'd take our robes off and we'd refer to these same notes and discuss the case immediately thereafter.

So you are to assume that we've gone to our anteroom and we've started the discussion and I perhaps would ask Judge Conner, Bill, what do you think about this?

JUDGE CONNER: Well, it's customary for the junior judge to speak first.

(Laughter.)

I'm not the junior in terms of years but I am in terms of experience. It's a tough case and there's much to be said on both sides but I think I would vote to affirm. I think that there is no question but that the color combination has achieved secondary meaning during the 15 years of exclusive use. I don't think the color combination became identified merely with a particular formulation but with a particular source for a particular formulation. The defendant Generic sells a product which in general appearance is identical, that is the same size capsule, and the same shape capsule. It's possible to sell this same formulation in products or in forms other than capsules. There are companies that are selling it now in terms of tablets and in terms of powder. Indeed, one company is selling it in the form of a liquid.

I don't think there is any doubt that Generic's choice of a particular form, a particular shape, size, and color combination was not a mere coincidence but was chosen with the intent that people would use it as the complete and perfect substitute.

including the Supreme Court, after Sears and Compco, in the Kewanee case and the Goldstein case. The Second Circuit in Dallas Cowboys v. Pussycat Cinema, held that the design of a jacket used by the Dallas Cowgirls could be protected under Section 43-A of the Lanham Act and it talked about the fact there is some functional characteristic doesn't matter.

Your Honor, I submit that we have a very strong case in this situation.

Now, there is discussion of the fact that there is a need to copy. Some of these points were not made in the brief. Your Honor, you mentioned patient anxiety. There has also been talk about overdosing in emergency rooms. Nothing could be further from the truth. There is evidence in the record showing that you cannot rely effectively on the color of a drug in an emergency room situation. It is almost at the bottom of the hierarchy of items one can rely on. It is just not something one needs to worry about.

There is talk about the necessity for competition. Your Honors, it is very significant that the government, which is one of the largest users of drugs, does not specify color for this particular drug and doesn't specify color for most of the drugs that it buys. That, in conjunction with the fact that Branded and other companies effectively compete with products that are not lookalikes, not simulated products, suggests that there is no need for competition — no need for anything in this case in order to compete.

There is one other point which is very important and then I will close. The point has to do with the fact that my brother has suggested that we need to prove secondary meaning and nonfunctionality to win. That is not so. The cases make clear, and this gets to a point that Judge Rubin made, that there is a concept known as the dangerous instrumentality of trade. When you put a product in the marketplace that you have good reason to believe will be used as the basis to defraud others, that makes you a wrongdoer just as the person who does it and, just as there was evidence of passing off in this case, the person who puts the instrumentality of fraud in the hands of the druggists, some of whom, not all of whom but some of whom are unscrupulous, is a passer-off himself and, indeed, Sears and Compco both make clear the fact that its case does not reach passing-off as it does not reach trade dress.

JUDGE RUBIN: In connection with that last point, Mr. Dunner, I heard an address at lunch today by a distinguished jurist from another circuit who said that, when you're confronted with a statutory problem, the first thing you do is look at the statute. So, rather than refer to a common law definition of dangerous instrumentality, would you tell us where in the Lanham Act you find protection for the dangerous instrumentality theory?

MR. DUNNER: Your Honor, I would have to rely on the language of Section 43-A itself, since Section 32 is in this case. As

this process. There are other companies in the field which do the same thing.

JUDGE CONNER: Aren't you asserting that the Lanham Act in effect imposes vicarious responsibility on a manufacturer for the faulty acts of others?

MR. DUNNER: No, Your Honor, I am not saying that.

JUDGE CONNER: What has the defendant done to misbrand its article? It hasn't misled its customers, has it?

MR. DUNNER: Your Honor, there is evidence in this case in the short time we had before trial in this case there is a shopping survey. There are 70 to 80 shoppings and 4 out of those 70 to 80, which is a 5-plus per cent, were misbranded, which means that —

JUDGE CONNER: I think that affirms the suggestion I made in my question, though, Mr. Dunner, because what you're saying is someone else has committed a wrong of misrepresentation and, therefore, we ought to be able to enjoin what this defendant, who has been shown to do no wrong, is doing.

MR. DUNNER: Your Honor, the cases say that is exactly what the law is. The cases deal with the concept known as —

JUDGE CONNER: You're talking about whether we should follow someone else's cases. There are no cases in this circuit, are there?

MR. DUNNER: Your Honor, this is a case of first impression in this circuit. Because it's the first case in the District of Mars ever presenting this question.

(Laughter.)

JUDGE NIES: Mr. Dunner, on that same point now, doesn't a producer — Let me start this again. I know of no requirement in the law that products have to be distinguishable, that bobby pins don't look like somebody else's bobby pins, or somebody's bar of soap doesn't look like somebody else's bar of soap.

Do you know of any reason people can't make the same product unless it's patented or copyrighted?

MR. DUNNER: Your Honor, it depends what you mean by the same product.

JUDGE NIES: I mean the same product.

MR. DUNNER: Your Honor, the reason I asked the question is that both I and the Second Circuit in Ives and a lot of other courts have held that the capsule color and the capsule containing the medication are not the product but a package for the product and that is why I asked you what you meant by product.

Sure, they can sell the same medication. We give Generic our blessings to go out and compete with us as much as it wants legitimately by selling the active ingredient acton with the excipients, the same excipients we use. Our patent has expired. They can do that to their heart's content legitimately like other companies do who sell generic lines and don't copy the color.

All we're saying is —

Your Honor, thank you for the time.

JUDGE RUBIN: Thank you. I think you have some time for rebuttal.

MR. PRAVEL: I'll save time for rebuttal. Thank you.

JUDGE RUBIN: You've got 5 minutes in rebuttal.

MR. DUNNER: May it please the Court, since much has been said by my brother about Sears-Compco, I think I ought to take those cases out of turn because I submit, Your Honors, that Sears-Compco in this case has got to be characterized as a red herring.

In the first place, as has been noted by Your Honors, Sears-Compco is a federal state preemption case. The cases have uniformly said that it does not apply to Section 43-A actions.

Secondly, the cases have uniformly said that the language that Mr. Pravel is talking about in the Compco case and in the Sears case is dictum. In fact, in the Compco case there was a functional characteristic as held by the Seventh Circuit below. In both cases the law of Illinois, which was what was involved, required merely a showing of confusion, required no showing of secondary meaning and Generic admits in its brief that, if there is no secondary meaning, there can be problem.

Now, Your Honors —

JUDGE NIES: Mr. Dunner, talking about your development of secondary meaning, wasn't this during the time that your client had a patent so that no one else could be putting out the product and that would have enabled it to develop this secondary meaning?

MR. DUNNER: Your Honor, theoretically that is true. There are several Supreme Court cases of which I know you're aware, the Shredded Wheat case, the Singer case, in which a patented product came off patent and there was a question of genericness of the trademark or configuration used during the patent term.

In cases in which the mark has in fact or the configuration has in fact become generic, then you have a problem. There is no — not a shred of evidence in this case that the size, color, and shape of the capsules in question have become generic or functional or otherwise.

JUDGE NIES: Is there anything distinctive about the shape of the product? Is it just an ordinary capsule of two halves put together?

MR. DUNNER: Your Honor, I'm glad you asked that question because we could not have a stronger case than we have in this case of distinctiveness.

What do we have? The blue and gray capsule sold by the plaintiff in this case, Branded, is the only capsule which is used as an anti-cancer drug, which is what we're talking about here. It is the only bicolored product sold for anti-cancer treatment. It is the only product sold for anti-cancer treatment which has blue in it coloration.

So, if the Supreme Court said, There can be no protection, even if it's nonfunctional, even if you prove secondary meaning, those are the two things that you would have to establish under 43-A. So, if these two things are not required and the Supreme Court did not require them, they certainly would not have required them under 43-A. So, if the case before the Supreme Court in Sears and Compco had been under 43-A, we say the same result would have been reached, contrary to the finding and decision in the Ives v. Darby case.

JUDGE RUBIN: How then do you explain the words in Justice Black's opinion which do not refer merely to patent and copyright laws but say, But if the design is not entitled to a design patent or other federal statutory protection, then it can be copied at will? Doesn't Justice Black by those words specifically reserve a claim under the Lanham Act?

MR. PRAVEL: No, Your Honor, not the way I read it. I read that as referring just to the federal patent and copyright law.

JUDGE RUBIN: If that's what he meant to say, it would be very easy to say federal patent and copyright law, but it seems to me this term, "or other federal statutory protection" designedly leaves open the much wider ambit of federal legislation than merely copyright and patent law.

MR. PRAVEL: That is a possible interpretation, Your Honor. My view is, though, with the specific findings and holdings, rather, of the Supreme Court on the two fundamental issues of unfair competition, namely, the nonfunctional and the secondary meaning, those are the gut issues in 43-A and, if those two issues do not make it a violation under the state law of unfair competition, you certainly would not have a violation under 43-A.

JUDGE NIES: As I understand it, if you look at these two capsules, you really couldn't distinguish them unless you put your glasses on and read the fine print. Is that right?

MR. PRAVEL: That's correct, Your Honor.

JUDGE NIES: And that under those circumstances there would then be confusion of the public between the two products and isn't that what the Lanham Act is designed to give protection against?

MR. PRAVEL: We submit that there would not be confusion with respect to the public for several reasons.

First of all, the public is the consumer, the person who has been taking these pills for this period of time and, so far as the public is concerned, that doesn't represent a product coming from a particular source; it represents the medicine and they think of it as their cancer, anti-cancer, drug. Therefore, there's no confusion. The names are on there.

If there had been, let's assume, a customer or a consumer had been astute enough and was able, with glasses or otherwise to

MR. PRAVEL: Your Honor, I am arguing for that point where that is permitted under the laws of the state.

JUDGE RUBIN: The laws of the state permit the substitution of a generic product provided the customer knows that he's getting the substitute and isn't led to believe that he's getting the original proprietary product.

MR. PRAVEL: The laws of the states vary, of course, and in some instances the druggist is permitted to substitute when the physician permits the substitution. In other words, the physician says, You can use Tumergone or some substitute, and when that occurs the druggist legitimately may supply a substitute. The druggist does not have to tell the customer that he has made that substitution, if the physician so prescribes.

Now, under the circumstances that developed here, there was no illegal substitution established and there was no suggestion on the part of apellant to any druggist or pharmacist to make such a substitution.

JUDGE RUBIN: I thought the affidavits established that the survey disclosed several instances of substitution in which the trademark "Tumorgone" was followed by "(sub)," which the customer might or might not well appreciate indicates that a generic product has been substituted.

MR. PRAVEL: There were several instances of that in the evidence. However, if we are to preclude this right to use unpatented, uncopyrighted subject matter on the basis of the possibility or even the likelihood of some druggist violating the law, then we would be in effect requiring the appellant to enforce another law.

The law can be enforced and it is enforced where there is illegal substitution. There are many cases where criminal statutes are violated and the violations are prosecuted but to assume that there's going to be a violation or to put the burden on appellant would be to deprive the appellant of its right as defined by the Supreme Court to make a copy and to sell it.

And the price part of it is one of the advantages that we see to the appellant being in this market with a product that does have an offer of a lower price.

JUDGE RUBIN: Instead of requiring the plaintiff to enforce the law, isn't the plaintiff seeking to enjoin the defendant from facilitating the breaking of the law by an unscrupulous pharmacist?

MR. PRAVEL: That perhaps is what the plaintiff would suggest to the Court but we suggest to the Court that what in effect that would amount to would be that the plaintiff would get this unlimited monopoly in unpatented, uncopyrighted material, which the Supreme Court has said he is not entitled to under the federal law. So, if we put that burden on the appellant here, then in

MR. PRAVEL: Yes, Your Honor, there is such policy but not with respect to what this client has been doing. With respect to the right to copy, this is based upon the preemption of the federal law of patents and copyrights. The United States laws provide protection against copying with respect to a patented item or a copyrighted item.

To give protection to a product because of its configuration or its appearance, would be to give a patent for an unlimited period of time on something which could not otherwise be patented.

JUDGE RUBIN: Is it your suggestion that the Lanham Act doesn't give any protection against copying except what's involved in the trademark and a patent?

MR. PRAVEL: The Lanham Act, we suggest, according to the principles laid down by the Supreme Court, would give some protection with respect to names that are copied or similarity of names where there is a confusion. There could be logos, there could be words that are trademarks. But where it is a product that has certain characteristics, that product cannot be protected under the Lanham Act.

JUDGE RUBIN: Where do you find this distinction between what the Lanham Act protects that is not patented and not copyrighted and what it doesn't protect that is not patented and not copyrighted? Where do we find that distinction in the statute?

MR. PRAVEL: Under 43-A, Your Honor?

JUDGE RUBIN: Anywhere that you choose, 32 or 43-A.

MR. PRAVEL: I do not find the specific distinction in the statute. I am relying upon the words of the United States Supreme Court in the Compco case in particular wherein they said that it made no difference that it was a nonfunctional feature, it made no difference whether there was a secondary meaning established. The law prevented the protection of unpatented features, unless this was done under some mislabeling act of the state. In other words, unless there was a state law that was violated by mislabeling, you cannot protect.

JUDGE CONNER: Is there any dispute here that what actually happened is that a druggist can substitute the defendant's product having the identical color combination of blue and gray capsules for the plaintiff's product without the knowledge of the purchaser? Most of the purchasers are elderly, many of them have poor eyesight, many of them cannot read the very fine print on a gelatin capsule which says Generic and in many cases, according to the evidence which was adduced in the District Court, the label on the bottle or box in which the capsules were delivered to the customer did not specify that it was a generic product and some, indeed, used the plaintiff's trademark Branded or Tumorgone.

MR. PRAVEL: Your Honor, that presumes that there is some right to protect the product on the basis of the particular color com-

Spring Stated Meeting
April 30-May 1, 1981
Houston, Texas
Enforcement of Trademark Rights

MR. KENNETH KUFFNER: This program was put together by Paul Krieger who has to be in trial right now. Paul has gotten a very fine substitute, John Kirk, who will now take over in Paul's place to moderate this afternoon's session.

MODERATOR JOHN KIRK: Thank you, Ken.

This first part of the program is going to be a moot court appellate argument based upon a hypothetical set of facts relating to the protection, the size, color and shape of medicinal capsules and other items of trade dress. No position to be taken or any argument that is going to be made by counsel participating in this debate should be construed to indicate or suggest any position that either of them would take or may take in any pending litigation or any litigation which may pend in the future. Well, I'll let the judges tell you that one.

The counsel for the appellants this afternoon is Bill Pravel, who is with the Parvel Gambrell firm. Counsel for appellee is Don Dunner with the Finnegan Henderson firm.

Our judicial panel this afternoon that is going to hear these arguments includes the Honorable Alvin B. Rubin of the United States Court of Appeals for the Fifth Circuit in New Orleans, the Honorable Helen Nies, Judge of the Court of Customs and Patent Appeals, the Honorable William C. Conner, District Judge of the United States District Court for the Southern District of New York.

In the argument this afternoon Mr. Pravel will begin and plans to split his argument. Each attorney will have 30 minutes for debate.

Bailiff.

BAILIFF: All rise. The United States Court of appeals for the Fifteenth Circuit is now open and in session. All those having business before this court, draw nigh and give your attention. God save the United States and this honorable court.

JUDGE RUBIN: Thank you. Be seated, please.

The first appeal we will hear this afternoon is Generic Products Company v. Branded Drug Products Company. We will hear first from the appellant.

MR. PRAVEL: May it please the Court, on behalf of the appellant, we would first like to briefly comment on the public policy considerations that are involved with respect to this case. We are, of course, dealing with the issue of trademark protection or unfair competition. As the Court is well aware and as appellant agrees, trademarks serve a valuable purpose. They provide the identification of the source of products. Consumers rely upon trademarks. Appellant in no sense denigrates the value of trademark.

Jerry D. Peterson
Leonard J. Platt
Morton A. Polster
David M. Quinlan
Charles L. Schwab
Frederick L. Segal
George Tacticos
Beverly A. Vandeburgh
Steven W. Weinreib
Laurence A. Wright

Junior

Lawrence E. Anderson
Alden J. Bianchi
J. Stanley Edwards
Paul C. Haugley
Patrick T. King
John E. Roethel
William. J. Sheehan

Associate

Victor D. Behn

Student Affiliate

Carol V. Calhoun

Failure to Remit Dues

The Board of Directors, pursuant to Article III, Section 2 of the By-Laws, has dropped from the rolls of the Association the following members:

Active

Samuel V. Abramo
John W. Adams
Melvin W. Barrow
Rocco S. Barrese
Hugh C. Bennett, Jr.
Wilfred G. Caldwell
Donald Diamond
James O. Dixon
James R. Dowdall
Joseph R. Dwyer
John A. Fogarty, Jr.
Eugene F. Friedman
Albert L. Gabriel
Melvin L. Halpern
Donald W. Hanson
Hugh G. Harness
David H. Hill
James C. Jangarathis
Edward C. Jason
George A. Kap
Alan P. Klein
Edward M. Kuba
Irwin M. Lewis
Thomas E. McDonald
Charles S. McGuire
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John B. Mitchell
Barry J. Nace
Edward F. O'Connor
Anthony Potts, Jr.
C. Emmett Pugh
Carl A. Randles, Jr.
Russell L. Root
John R. Schovee
Robert P. Seitter
James E. Snead, III
Robert S. Swecker
R. Hain Swope
Thomas A. Turner, Jr.
Charles R. Tuttle
Gordon R. Williamson
Bruce H. Wilson

The program will consist of tours of various PTO facilities and an overview of the PTO organization with a description of the functional responsibilities to those units with a frequent public contact. There will be a description of the flow of a patent application and a trademark application from receipt by the mailroom to final disposition. Also, the Patent Application Location Monitor System (PALM) and the Trademark Application Reporting and Monitoring System (TRAM) will be described, as will other services which are available to the public. A full discussion, with questions and answers, will be had on common problems the public has with Office practices and procedures.

A registration fee of $30.00 will be required and will cover the cost of a luncheon at the Crystal City Marriott. The PTO personnel who conduct the program will also attend the luncheon. The registration form is enclosed with this Bulletin. Because of the limited available space, no more than two persons from any one firm or corporation will be permitted to register.

Fifty-Year Certificates

At the Association's Annual Meeting on November 2 in Washington, D.C., certificates will be presented to those members of the Associations who have completed fifty years of work in the patent, trademark and/or copyright fields. Presentations will be made at the luncheon.

Members known to be entitled to this recognition include: C. Yardley Chittick, Ossipee, NH; Robert I. Coulter, South Laguna, CA; Patrick H. Hume, Washington, D.C.; Harry R. Mayers, Greenwich, CT; Samuel W. Kipnis, Chicago, IL.; D. Henry Stoltenberg, Toledo, OH; Arthur T. Stratton, Sun City, AZ; and Adrian T. Tate, Sedona, AZ.

If any other member of the Association is entitled to be recognized this year, please so notify Headquarters Office in order that appropriate certificates may be prepared and presented to all of those members who have achieved this illustrious status.

News of Members

Horace B. Fay, Jr., has become of counsel to the Washington firm of Fleit and Jacobson. Mr. Fay served as Assistant Commissioner of the PTO from 1961-1965, and has been engaged in private and corporate practice since 1945. Before recently returning to the private sector, Mr. Fay served as a consultant of the Office of Technology Assessment which is preparing a report for the U.S. Congress on the patent system.

2:00 "Judges Look at Litigants"—A panel discussion
Moderator: Michael N. Meller—Handal, Meller & Morofsky

Panelists:

Honorable Wilbur F. Pell, Jr.—Court of Appeals for the Seventh Circuit

Honorable Giles S. Rich—Court of Customs and Patent Appeals

Honorable June L. Green—District Court for the District of Columbia

Honorable Joseph V. Colaianni—Court of Claims

Honorable Donald K. Duvall—International Trade Commission

The judges will give us a candid look from their viewpoint as to the effective and ineffective procedures employed by attorneys who practice before them.

7:00 p.m.-12 a.m. Reception and Dinner Dance

Tuesday, November 3

8:30 "Recent Developments"
Moderator: Edward V. Filardi—Brumbaugh, Graves, Donohue & Raymond

Copyright Law
Marybeth Peters—U.S. Copyright Office
Jack Goldstein—Arnold, White & Durkee

This topic will include an overview of the recent copyright decisions by the courts and by the Copyright Royalty Tribunal and of bills pending in Congress; also, a discussion of federal copyright law preemption of state trade secret law and of copyright protection of electronic audio-visual games.

9:15 Interference Law
Ian Calvert—United States Patent and Trademark Office
Richard Sughrue—Sughrue, Rothwell, Mion, Zinn & Macpeak

ASSOCIATION ACTIVITIES

1981 Annual Meeting
November 1-3, 1981
Capital Hilton Hotel
Washington, D.C.

Registration Desk

Sunday, November 1, 1981-12:00 p.m.-9:00 p.m.
Monday, November 2, 1981-8:00 a.m.-7:00 p.m.
Tuesday, November 3, 1981-8:30 a.m.-12:00 p.m.

Meeting Program

Sunday, November 1

Four "How To" seminars will be presented between 3:00 p.m. and 5:45 p.m. Each will last approximately 75 minutes, and after a 15 minute break, be repeated so that registrants can attend any two of the presentations.

"How to Initiate a Section 337 Action in the ITC"
Brian G. Brunsvold and Charles Schill
Finnegan, Henderson, Farabow, Garrett and Dunner

This topic will cover prefiling considerations in bringing a Section 337 complaint, and concentrate on the process of drafting a complaint to incorporate the type of information, including preparation of exhibits, necessary to comply with the Rules of the ITC. It will deal with preinstitution contacts with the Commission staff, what they can and cannot do to assist you, information sources on imports, preinstitution staff investigations, time limits, procedures for amending or withdrawing deficient complaints and what to do after filing to prepare for the investigation.

"How to Process a Reexamination Petition"
Rene D. Tegtmeyer
U.S. Patent and Trademark Office

This topic will include a review of the reexamination process including: the requirements for a reexamination proceeding; the forms utilized in the proceeding, the pitfalls that may confront parties requesting reexamination and patent owners; and the ex-

just that. In my view, this amendment save for reconciliation purposes is meaningless. Even if it is not, I think it would be in the interest of the PTO to be authorized by both the House and Senate Judiciary Committees.

Section 9 Study/Hearing

A public hearing on Section 9 of P.L. 96-517 took place on July 23. The law requires that the Commissioner report to Congress by December 12, 1982 a plan to apply "computerized data and retrieval systems equivalent to the latest state of the art" to all facets of the operation of the PTO. The purpose of the hearing was to solicit comment from the public on a preliminary work plan developed and circulated by the Assistant Commissioner for Planning and Finance.

The APLA was represented by Alvin Riddles, a member of the Information Retrieval Committee, and Frank Campbell, a member of the Trademark and Tradename Protection Committee. Both gave excellent statements and submitted written testimony. Their testimony appears beginning on page 434 of this Bulletin.

The Hearing was presided over by Commissioner Mossinghoff. With him on the dias were the four members of the A.D.P. Advisory Committee. Twenty witnesses appeared to offer advice on how the office might best implement the Section 9 requirements. Two general themes were repeated throughout the day. Firstly, that the application of modern technology to the PTO was absolutely essential and was long overdue. Many of the witnesses referred to the Section 9 study as a "golden opportunity" to get this done. The second theme came from trademark interests who strongly urged that Margaret Laurence be allowed to exercise significant control over the study as it regards to the trademark operation. The witnesses including Frank Campbell emphasized that the problems involved in automating the trademark operation were significantly different than those involved with the patent operation and that the study should be bifurcated in this way.

Federal Patent Policy

On July 28, the Subcommittee on Science, Technology and Space now chaired by Senator Schmidt held hearings on government patent policy. The specific subject of the hearings was a draft bill circulated in the last several weeks by the Subcommittee staff. The bill is a reworking of S. 1215, Senator Schmidt's patent policy bill of the 96th Congress.

WASHINGTON LETTER

Michael W. Blommer

The Commissioner Is Optimistic

Commissioner Mossinghoff made his first major speech to the bar since being sworn in at the ABA-PTC Section meeting in August. His remarks began with distinct echoes of a speech made almost precisely two years before. In August of 1979, six weeks after resigning, Donald W. Banner summarized his experience as Commissioner to the same audience by quoting Dickens; "It was the best of times. It was the worst of time. . . ." He discussed the many problems plaguing the Office which included underfunding and lack of support from the Commerce Department and he said, "In my view we are faced with a slowly but steadily declining Patent and Trademark Office." The former Commissioner's message was, "I recommend, therefore, that the Patent and Trademark Office be made a separate agency, independent of the Department of Commerce."

The new Commissioner told the bar that the PTO "is not serving this nation as well as it should." He reported that patent and trademark application pendency times are increasing, that between 7% and 25% of the patents are missing from the examiner's search files, and that patent examiner's first actions are still being written in longhand. That, he said, is "the bad news".

The "good news" is that the Secretary of Commerce and his Deputy "are determined to turn things around." The Commissioner reported that a "reorganization" is underway whereby the PTO will be directly accountable to the Secretary as opposed to the arrangement in the Carter Administration where the PTO reported to the deputy of an Assistant Secretary. The Commissioner said, "Given Secretary Baldrige's strong support, we will accomplish much more, faster, under (the new) arrangement than the Office could hope to as an independent agency."

The Commissioner is optimistic as we would expect a new Commissioner to be. The Commissioner is also able, hard working, and has hit the ground running. The entirety of his fine speech begins on page 448 of this Bulletin. But the echoes of Commissioner Banner's speech remain, as do the echoes of the testimony in 1980 of five other former Commissioners recommending an Independent PTO to the Senate Judiciary Committee.

The Mossinghoff-PTO "goals" are realizable only IF the current spirit of dedication and cooperation continues, AND IF the dollars are there to make it work. That means that we must continue to "man-the-barricades" and effectively fight the on-going battle of the budget.

Clearly consistent with the intent of Congress in P.L. 96-517, the PTO programmatic objectives are:

(1) to reduce the patent backlog to manageable proportions and thus decrease projected pendency time,

(2) to do the same in trademarks, aimed toward a goal of 3/13: three months to first action and 13 months to disposal, and

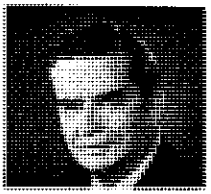
(3) to take realistic steps toward a fully automated PTO in the 1990's.

We commend the PTO decisions to repeal the "Dann Amendments," to transfer eleven examiners now working on Rule 56-"Duty of Disclosure Matters" back to the examining art units, and otherwise reprogram manpower resources into line examination functions.

Looking back on our association year there is much to point to with pride. When Jan Jancin asked a current committee chairman if he wanted to continued an active APLA role, the answer was — "this is where the action is."

PRESIDENT'S PAGE

George W. Whitney



This installment of the President's Page is being written while enjoying the southern hospitality of New Orleans at the Annual ABA Meeting. In furtherance of the continuing development of strong and effective liaison and inter-organizational cooperation, Pat and I have been guests of the PTC Section participating in the social functions of this interesting gathering and most importantly in the PTC Council and business meetings.

Just a little bit more than six months ago, Malcolm Baldrige was confirmed as Secretary of Commerce and assumed, along with Deputy Secretary Joseph R. Wright, Jr., the direct responsibility of the many important agencies of the Department of Commerce including the Patent and Trademark Office. We had had an opportunity to brief him prior to his nomination hearing on the sorry state of that agency, the dismal condition and repute of patent and trademark operations, and the reluctant but strong and concerted efforts of the patent and trademark bar, members of Congress (both Senate and House of Representatives) and industry to create a separate agency in an effort to save the patent and trademark systems.

Secretary Baldrige, with the background of having served as the Chief Executive Officer of a substantial corporation, understood our position and was greatly concerned. He made a commitment in January to the APLA, the PTC Section, the N.C.P.L.A., the U.S.T.A., interested members of Congress and the American people to seek to restore the effectiveness and credibility of patent and trademark operations in the PTO along with respect for the Patent and Trademark systems. He recognized the need for strong personal support and direct communication with the Commissioner and PTO management. He also recognized the need for strong, experienced leadership in the PTO.

Some three months later, Deputy Secretary Wright and Commerce General Counsel Sherman Unger reaffirmed those commitments.

The patent and trademark bar, Congress and industry listened with appreciation and hope to those expressions of resolution and concern. Unfortunately we had heard the words before. We have adopted a dual position of "wait and see" and active, interested cooperation.

APLA Bulletin

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