



already generates enough money in user fees to be appropriated by Congress to reduce the deficit, the PTO thinks the patent agents or attorneys will support an annual fee to maintain their license to send work to the PTO. This is an issue that we all must comment on this fall or winter when the enrollment rule changes are proposed. It obviously will affect most of us directly and I believe we should not support any further revenue enhancement until the revenue is directed toward improving the services of the PTO free from the pillaging of Congress.

Another interesting presentation was delivered by the Honorable Judge Helen Nies who was presented with an award of recognition by our Section for her years of service in intellectual property both at the bar and on the bench. Judge Nies' presentation focused on the importance of well reasoned dissents in Federal Circuit decisions and how this was an element in the Supreme Court's decisions to grant certiorari. She also emphasized that dissents are fertile grounds for developing arguments in the future and should not be ignored.

On September 19th, the Annual Michigan State Bar meeting will be held in Grand Rapids, which coincidentally is the home of your next Chairman, Joel Bair. At the Section's annual meeting, Joel will receive his gavel and preside over the first presentation of the 1996-97 Intellectual Property Law Section which will be "Trademark Issues on the Internet". This will be a very interesting presentation and will provide you with some practical information regarding the Internet. Also, at this meeting the Section will be presenting its first Essay Contest winners from the Intellectual Property Michigan Law School Essay Contest. The annual meeting is being prepared by Jeanne Buiteweg-Marshall and the essay contest was conducted by Dan Bliss.

In closing, I want to thank all the Officers and Council members who made this another great year for the IPLS and I encourage all of you to support their efforts in the coming year. Your comments, suggestions or show of support by attending any of the fine presentations that will continue to be offered by the IPLS will be very much appreciated.

## NEWS FROM THE COUNCIL

### Council Meetings

The Council reminds the membership that all Section members are invited to attend Council meetings. Council meetings are generally held on the second Thursday of each month at 9:30 a.m. at the State Bar Building in Lansing. Dates and locations for upcoming meetings are listed in the IPLS Planning Calendar in each issue of Proceedings.

### Submissions to Proceedings

Articles of interest to the membership are actively solicited for publication in this newsletter. If you have recently researched a topic of interest to our membership please consider a submission. Submissions should be sent directly to the editor: William P. Dani, c/o Warner Norcross & Judd LLP, 900 Old Kent Building, 111 Lyon Street, N.E., Grand Rapids, MI 49503-2489.

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**IPLS PLANNING CALENDAR****WHAT WE'VE DONE . . . WHAT WE'LL DO**

Feb.	<u>Proceedings</u> , Vol. 8, No. 2	July 18-20, 1996	Summer Workshop, Traverse City
March 15, 1996	Spring Seminar, Lansing	Sept.	<u>Proceedings</u> , Vol. 8, No. 4 . . .
April 11, 1996	IPLS Council Meeting, State Bar Building, Lansing	Sept. 18-20, 1996	Annual Meeting, Grand Rapids
May 9, 1996	IPLS Council Meeting, State Bar Building, Lansing	Oct. 10, 1996	IPLS Council Meeting, State Bar Building, Lansing
June	<u>Proceedings</u> , Vol. 8, No. 3	Nov. 14, 1996	IPLS Council Meeting, State Bar Building, Lansing
July 19, 1996	IPLS Council Meeting, Grand Traverse Resort, Acme	Dec.	<u>Proceedings</u> , Vol. 9, No. 1

## ANNOUNCEMENTS

**Helen Wilson Nies** – August 7, 1925 - August 7, 1996 – It is with great sadness that we report the loss of Judge Helen Nies. Judge Nies passed away on August 7th as a result of injuries sustained in a bicycling accident on August 1, 1996. Our sincerest condolences are extended to her family.

*This announcement is published at the request of the Appellate Practice Section of the State Bar of Michigan.*

Detroit — June 27, 1996 — Appellate practitioners can learn the nuts and bolts of filing appeals from the experts—including four Michigan State Supreme Court justices and the Supreme Court's clerk at the Michigan State Bar Appellate Practice Section's first annual meeting program on September 20, 1996.

The program, held in conjunction with the Michigan State Bar's annual meeting, will take place at 2:00 p.m. at the Amway Grand Plaza Hotel in Grand Rapids, Michigan. "**Applications for Leave to Appeal: What to File, When to File, and What the Court Looks For,**" will provide practitioners with information about the leave-granting process in the Michigan Supreme Court.

Corbin R. Davis, Michigan Supreme Court Chief Clerk, will provide an overview of the role of the clerk's office and the processing of applications for leave to appeal. Al Lynch, Michigan Supreme Court Chief Commissioner, will discuss the role of the commissioner's office in the application process.

Chief Justice James H. Brickley and Justices Patricia J. Boyle, Conrad L. Mallett, Jr., and Elizabeth A. Weaver will discuss factors they consider when evaluating whether a case is grant worthy. Appellate Section Chair-Elect Mary Massaron Ross, head of the Section's program planning efforts, will introduce the program. Section Chair Brian Shannon will serve as a moderator.

The program will provide an opportunity for practitioners to learn more about how and why members of the Supreme Court decide which cases to take and which ones to forgo. Since these decisions impact the development of the law in Michigan in every area, the program is expected to benefit lawyers practicing in virtually every specialty.

The Michigan State Bar Appellate Practice Section will hold its annual business meeting and election following the program. The meeting is expected to get underway between 3:30 and 4:00 p.m.

There is no charge for Michigan State Bar Section programs and business meetings. Registration forms and additional information will be included with the August issue of the *Michigan Bar Journal*.

### CORRECTION:

In Volume Eight, Number Two and Volume Eight, Number Three of *Proceedings*, Michael Guju was incorrectly identified as being with Dow Chemical Company. Michael Guju is actually with Seeligson & Jordon in Ann Arbor.

## FEATURED ARTICLE

*This issue's featured article is prepared annually by Eric M. Dobrusin, Mark P. Calcaterra, and Daniel H. Bliss for publication in "The State of The Law" published and presented by The Institute of Continuing Legal Education and The State Bar of Michigan. Thanks to Eric, Mark, and Dan for allowing us to publish their work in Proceedings and also to The Institute for Continuing Legal Education for allowing us to publish this article prior to release of "The State of the Law 1996."*

## RECENT DEVELOPMENTS IN INTELLECTUAL PROPERTY FEDERAL CASE LAW<sup>1</sup>

by Eric M. Dobrusin, Harness, Dickey & Pierce, P.L.C.<sup>2</sup>  
Mark P. Calcaterra, Chrysler Corp. Patent Office  
Daniel H. Bliss, Bliss McGlynn, P.C.

### I. INTRODUCTION

The following is a summary of various recently reported federal cases having a connection with the State of Michigan, either because a Michigan Federal

Court decided the case at the District Court level or because the Sixth Circuit decided the case. In addition, the following includes summaries of two significant Supreme Court decisions within the last year.

While the intended scope of this article is to treat recently issued case law, it should be noted that certain statutory changes occurred recently as well. While this treatment does not purport to address each statutory change or the significance thereof, it may be worthwhile for readers to be aware of recent amendments to, for instance, 35 U.S.C. §§ 103, 271, and 282, and the enactment of 15 U.S.C. § 1125(c) (regarding dilution of famous mark). Readers should consult the Patent Act, the Lanham Act and the Copyright Act for additional recent developments.

The cases discussed in the following are organized according to cases decided under the copyright laws, followed by cases decided under the trademark laws, and then cases decided under the patent laws.

## II. CASES DECIDED IN THE AREA OF COPYRIGHT LAW WITH A MICHIGAN CONNECTION<sup>3</sup>

In the last year a number of cases were reported having a Michigan connection in the copyright field. It should be noted, prior to discussion of those cases, that the Supreme Court (per curiam) summarily affirmed the Court of Appeals for the First Circuit in *Lotus Dev. Corp. v Borland Int'l. Inc.*, 49 F.3d 807, 34 U.S.P.Q.2d 1014 (1st Cir. 1995).<sup>4</sup>

### A. Appeals Court Decisions

*Princeton Univ. Press v Michigan Documents Servs., Inc.*, 74 F.3d 1512, 37 U.S.P.Q.2d 1673, vacated and reh'g (en banc) granted, 74 F.3d 1528 (6th Cir. 1996) (*J. Ryan, J. Nelson and J. McKay*):

In an action alleging copyright infringement, the plaintiffs alleged that the defendants infringed plaintiffs' copyrights. The defendants made copies of excerpts from materials provided by university professors. The defendants made "coursepacks" of the copied copyrighted materials, and thereafter, sold the "coursepacks" to college students. The District Court granted summary judgment in favor of the plaintiffs. On appeal, the defendants urged that the District Court improperly granted summary judgment arguing that the defendants' activities constituted "fair use" under 17 U.S.C. § 107. Based upon the fair use defense, the Court of Appeals for the Sixth Circuit reversed the District Court decision. In addition to analyzing the four factors under 17 U.S.C. § 107, the Court of Appeals for the Sixth Circuit enumerated an additional consideration. Specifically, the Court deemed it important that:

More than one hundred authors declared on record that they write for professional and personal reasons such as making a contribution to the discipline, providing an opportunity for col-

leagues to evaluate and critique the authors' ideas and theories, enhancing the authors' professional reputations, and improving career opportunities. ... The inclusion of excerpts in coursepacks without the payment of permission fees does not deprive authors and inventors of the rewards that the record indicates authors value, such as recognition. Finding that the excerpts at issue here were used fairly would deprive the authors of their share of permission fees assessed for the copies. However, the record indicates that monetary compensation is a secondary consideration for authors in this field, and the permission fees, while significant in the aggregate to publishing companies, are likely to amount to a mere pittance for individual authors. [Defendants] use of the copyrighted work appears to provide the authors with incentive to create new works, thereby advancing the progress of science and the arts, rather than to discourage them from doing so.

37 U.S.P.Q.2d at 1681.<sup>5</sup>

*Hi-Tech Video Prods., Inc., v Capital Cities/ABC, Inc.*, 58 F.3d 1093, 35 U.S.P.Q.2d 1419 (6th Cir. 1995) (*J. Jones, J. Batchelder and J. Gilmore*):

In this action alleging copyright infringement, Capital Cities/ABC, Inc. ("ABC") appealed a judgment entered against it determining willful infringement. On appeal, the Court of Appeals for the Sixth Circuit reversed the judgment, determining that the asserted copyright was invalid.

Specifically, the Plaintiff, Hi-Tech Video Prods., Inc. ("Hi-Tech"), produced a travel video that it registered with the Copyright Office. The copyright registration identified the video as a "work-made-for-hire." ABC aired portions of Hi-Tech's video. Hi-Tech sued ABC under its copyright registration alleging copyright infringement. The issue on appeal was whether the copyright was valid in view of the work-made-for-hire designation in the copyright registration.

After conducting the analysis set forth in *Community for Creative Non-Violence v Reid*, 490 U.S. 730 (1989) ("CCNV"), the Court determined that Hi-Tech's video was not a work-made-for-hire, because it was not created by employees of Hi-Tech. Specifically, the persons retained by Hi-Tech to prepare the video, namely an aerial videographer, another videographer, and a script writer/narrator were freelance subcontractors, not employees in accordance with agency principles under CCNV. The Court reasoned that even though Hi-Tech had the right to control and actually did control the creation of the work, "[t]he economic treatment of the assistants, the skill required of the assistants, and [Hi-Tech's owners] own perceptions of the assistants' status

compelled a conclusion that [the assistants] were independent contractors." 58 F.3d at 1099, 35 U.S.P.Q.2d at 1424. Accordingly, the Court reversed the judgment of the District Court.

***Ronald Mayotte & Assocs. v MGC Bldg. Co.*, 36 U.S.P.Q.2d 1793 (E.D. Mich. 1995) (J. Edmunds):**

In an action alleging copyright infringement, Plaintiffs, Mayotte & Assocs. ("Mayotte") and Superb Homes, Inc. ("Superb") sued Defendants, MGC Bldg. Co. ("MGC"), and certain individuals for allegedly copying plaintiffs' copyrighted architectural plans.

On motion for summary judgment of infringement brought by plaintiffs, the Court denied the motion. In response to the summary judgment motion, the defendants submitted affidavits pursuant to which the defendants denied having access to the contested plans and also denied copying the plans. In addition, it appears that the affidavits supported numerous differences between the accused plans and the copyrighted plans. Accordingly, the Court expressed that:

Defendants have cited many differences between the works and Plaintiffs have failed to identify the "original" copyrightable attributes of their architectural plans. The trier of fact could legitimately find that the dissimilarities are sufficient to find that no substantial similarity exists. This being the case, a genuine issue of material fact does exist as to the substantial similarity between the two sets of architectural plans.

36 U.S.P.Q.2d at 1795.

In addition, the defendants argued and submitted affidavits in support of independent creation as a basis for overcoming summary judgment. The Court reasoned that the numerous dissimilarities of record "together with Defendants' affidavits claiming independent creation give rise to a genuine issue of fact as to whether the architectural plans were independently created." 36 U.S.P.Q.2d at 1795-96.

***Sailor Music v IML Corp.*, 867 F. Supp. 565, 35 U.S.P.Q.2d 1306 (E.D. Mich. 1994) (C.J. Cook):**

In an action alleging copyright infringement, the plaintiffs, members of the American Society of Composers, Authors, and Publishers ("ASCAP") sued the defendant, IML Corp. ("IML") and their principal shareholders (referred to collectively as "IML"). The plaintiffs alleged copyright infringement based on IML having played copyrighted songs of the plaintiffs without authorization at a restaurant owned by IML. The plaintiffs moved for summary judgment, and the defendant did not submit any opposition to the motion. Accordingly, the Court granted the motion for summary judgment, stating, "No

genuine issue of a material fact remains as to these allegations inasmuch as the defendants have neither produced any evidence to rebut them nor denied their validity." Id. at 568, 35 U.S.P.Q.2d at 1309. The Court thus concluded that the plaintiffs had satisfied all of the elements to establish a case of copyright infringement.

The Court then addressed the issue of remedies. First, the Court found IML and the principal shareholders of IML to be jointly and severally liable for the infringing activities. Because the restaurant continued activities without an ASCAP license, the Court determined that it was appropriate to issue an injunction to prohibit the defendant from using any ASCAP license musical composition without authorization. The Court also entered an award of \$2,000 per infringement (as statutory damages), costs and attorney fees.

**III. CASES DECIDED IN THE AREA OF TRADEMARK/UNFAIR COMPETITION LAW HAVING A MICHIGAN CONNECTION<sup>6</sup>**

The following are summaries of various recent federal cases in the trademark/unfair competition field of law. Because of the teachings found in certain of the cases, expanded treatments are provided.

***Champions Golf Club, Inc. v The Champions Golf Club, Inc.*, 78 F.3d 1111, 38 U.S.P.Q.2d 1161 (6th Cir. 1996) (J. Kennedy, J. Guy, J. Ryan):<sup>7</sup>**

Plaintiff opened a golf club in 1957 using the name "Champions Golf Club." In the late 1980's Plaintiff became aware that others had begun using its mark elsewhere and Plaintiff sought federal registration in order to protect its mark. Plaintiff sent a "cease and desist" letter to defendant who allegedly had been using the mark for golfing services since 1985, and had registered it with the State of Kentucky in 1986.

Plaintiff's application to register "Champions" succeeded, and the mark was registered on the principal register for "providing golfing and country club" services. Plaintiff brought suit against defendant alleging that defendant had continued the use of the mark after the cease and desist letter. Plaintiff alleged service mark infringement and various related claims.

The District Court held that there was no likelihood of confusion in the use of "Champions" by both parties. This Court reversed.

The Appellate Court analyzed the eight factors considered in a likelihood of confusion analysis. As a result, the Court instructed the District Court on remand to consider each of the remaining eight factors (discussed below) in order to determine whether there is a likelihood of confusion.

### 1. Strength of Mark

In addressing the first of the eight factors, "Strength of the Mark," the Appellate Court outlined the general rules for the spectrum of trademark protection. Citing various authorities, the Court addressed the continuum of strength assigned to marks depending on whether the mark was generic (and thus the weakest and most unprotectable type of mark), descriptive (protectable if secondary meaning shown), suggestive, and fanciful or arbitrary (most protectable).

The Appellate Court disagreed with the District Court's unexplained finding that the CHAMPIONS mark was arbitrary. Therefore, on remand the District Court would have to consider whether CHAMPIONS is descriptive or suggestive in view of the decision of the Appellate Court.

### 2. Relatedness of Services

The Appellate Court noted that, on remand, the District Court must consider three possible scenarios in order to determine if the services are directly competitive or only somewhat related.

### 3. Similarity of Marks

The Appellate Court agreed with the District Court's finding that the marks were nearly identical.

### 4. Actual Confusion

The District Court had characterized four incidents of actual confusion as weak evidence of confusion. The Appellate Court disagreed and remanded for further consideration.

### 5. Marketing Channels

The Appellate Court stated that the District Court on remand should consider the national character of both golf clubs as well as their local character.

### 6. Likely Degree of Purchaser Care

Though determining that the district court did not clearly err in concluding that the relevant customers were sophisticated, the Appellate Court found that the District Court erred in giving too much weight to the expertise of the consumers in this market. The court thus instructed the district court to reevaluate the weight afforded this consideration.

### 7. Defendant's Intent in Selecting the Mark

The District Court did not make an explicit finding on this point and the Appellate Court directed the District Court to make such a finding on this factor on remand. The District Court merely concluded that the evidence suggested a lack of intent.

### 8. Likelihood of Expansion of Product Lines

The Appellate Court held that national tournaments are used as marketing devices. The Court indicated, without finding, that further attempts by the defendant to host national tournaments would constitute an expansion of product lines. The Appellate Court directed the District Court to consider hosting of national tournaments when determining likelihood of expansion of product lines.

In short, the Appellate Court directed the District Court, on remand, to reconsider its findings on each of the eight factors. The court also provided instructions on remand for consideration of a Section 43(a) claim and an "innocent prior user" defense that was urged.

*Bath & Body Works, Inc. v Luzier Personalized Cosmetics*, 76 F.3d 743, 37 U.S.P.Q.2d 1779 (6th Cir. 1996) (J. Keith; J. Kennedy; and J. Siler):

Plaintiffs, Bath & Body Works, Inc. appealed a dismissal of trademark and trade dress infringement claim and jury verdict on grounds that evidentiary rules and jury instructions were erroneous. This Court affirmed. Plaintiff allegedly is the exclusive user of the trademark, trade name and service mark "Bath & Body Works." Defendant, Luzier is a small family-owned firm alleged to be in the same business as the plaintiffs (shower gels, body lotions and moisture baths). Plaintiff and defendant allegedly have similar labels and bottles for competitive products. Both use the words "Bath & Body".

Plaintiff brought an action in District Court alleging trademark and trade dress infringement, pursuant to §§32 and 43(a) of the Lanham Act, 15 U.S.C. §1114, 1125(a). The District Court ruled that as a matter of law, the words "Bath and Body" were generic and dismissed plaintiff's claims of federal and common law trademark infringement. The jury returned a verdict for defendant on unfair competition claims, after the Court excluded evidence pertaining to plaintiff's claim regarding a second generation label that was included in an amended complaint.

It was urged that the plaintiff's second generation label more closely resembled defendant's than the original label, but plaintiff could not prove use prior to defendant's, so the Court bifurcated the trial allowing evidence drawn to the second label only after the jury had heard the first claim based upon the first label.

The Appellate Court considered whether the District Court's decision to bifurcate (under Fed. R. Civ. P. 42(b)) was an abuse of discretion. Here, the Appellate Court found no abuse as plaintiff's claim was originally based upon its original label and the same jury would hear the claim for infringement of the second label in the second part of the trial. In addition, plaintiff did not object to the bifurcation.

On the issue of federal and common law infringements, the District Court concluded that the words "Bath & Body" were generic and therefore, "not cognizable as a trademark". 76 F.3d at 747-48, 37 U.S.P.Q.2d at 1782. Thus, the Court directed a verdict for defendant. In addition, the District Court held that the words were highly descriptive and that there was no secondary meaning.

On appeal, the finding of genericness as a matter of law was found to be erroneous, as the Court determined that a jury could have found otherwise due to the substantial evidence in the record. However, the Court regarded the finding as harmless error, since plaintiff only objected to the way defendant used the words "Bath and Body" on its products (trade dress - the style and presentation of the words, not their meaning) and did not object to defendant using "bath and body" in their ordinary sense. Moreover, as plaintiff did not object to the jury instructions on this issue, thereby preserving its objection, the Court determined that plaintiff was estopped from assigning this as error on appeal.

***Mother Waddles Perpetual Mission, Inc. v Frazier, 904 F. Supp. 603, 37 U.S.P.Q.2d 1184 (E.D. Mich. 1995) (J. Edmunds):***

Defendant apparently contracted with plaintiff to use plaintiff's name in a program that accepted donated vehicles and sold them at low prices to low income persons. Under the contract, plaintiff claimed that defendant had a duty to pay a portion of its proceeds to plaintiff. Plaintiff terminated the contract for alleged breach of contract (for not allegedly paying the contractual amounts to plaintiff) and for an alleged violation of the Lanham Act (for allegedly using plaintiff's trademark after termination).

Defendant maintained that the Court did not have subject matter jurisdiction as the cause of action was for breach of contract under state law. Defendant also maintained that the mark was not used in interstate commerce and thus that the Lanham Act did not apply.

Although the Court acknowledged mere existence of a federally registered trademark does not confer jurisdiction over a contract dispute, in this case, plaintiff brought suit under the Lanham Act in its complaint and alleged injury to its mark when defendant continued to use it after the contract was terminated.

The Court denied the defendant's motion to dismiss, determining that there was subject matter jurisdiction. Of note, the Court also considered evidence of radio advertising that reached across state lines, thereby indicating use of the mark in interstate commerce and fulfilling the use requirement of the Lanham Act for jurisdiction.

***U-Haul Int'l, Inc. v Kresch, 35 U.S.P.Q.2d 1317 (E.D. Mich. 1994), reconsideration denied, 875 F. Supp. 1303 (E.D. Mich. 1995)\* (J. Gadola):***

U-Haul filed an action against defendant for trademark infringement based upon defendant's alleged use of the telephone number that when viewed alpha-numerically read, "800-GO-U-HALL." The Court granted a Temporary Restraining Order preventing defendant from using the number. The Court thereafter entertained a motion for a preliminary injunction. The Court denied the motion.

Plaintiff used a different phone number, "800-GO-U-HAUL." Defendant was a U-HAUL dealer, but was terminated. The defendant continued to use its number "800-GO-U-HALL." Plaintiff presented evidence that its customers were confused by the alphanumeric similarities of the two phone numbers. Defendant, however, allegedly had never used the alphanumeric version of the phone number in any advertising.

In exercising discretion to deny the preliminary injunction, the Court considered the traditional four factors. On plaintiff's likelihood of success on the merits, the Court determined that the plaintiff did not show that defendant had used plaintiff's mark or that defendant had used the alphanumeric version of its phone number to promote its business. On the issue of irreparable harm to plaintiff that could result without issuance of the injunction, the Court determined that plaintiff had not shown harm sufficient to justify a preliminary injunction. On the issue of whether the interests of the public would be served, the Court did not find conclusive evidence of a public interest to justify the issuance of a preliminary injunction. On the possibility that the injunction would cause substantial harm to others, the Court balanced the hardships and did not find sufficient weight to grant the preliminary injunction.

#### IV. CASES DECIDED IN THE AREA OF PATENT LAW WITH A MICHIGAN CONNECTION

Of substantial significance, during the past year, the United States Supreme Court decided *Markman v. Westview Instruments, Inc.*, \_\_\_ U.S. \_\_\_, 116 S. Ct. 1384, 134 L.Ed.2d 577, 38 U.S.P.Q.2d 1461 (1996). In that case, the Court affirmed the Court of Appeals for the Federal Circuit in *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 34 U.S.P.Q.2d 1321 (Fed. Cir. 1995) (en banc), and held that claim construction was to be decided by the Court as a matter of law.<sup>9</sup>

Among the cases reported in the past year with a Michigan connection and with intellectual property issues were the following cases relating to patents.

***Kendall Co. v Progressive Medical Technology, Inc.*, \_\_\_ F.3d \_\_\_, \_\_\_ U.S.P.Q.2d \_\_\_, 1996 U.S. App. Lexis 13259 (Fed. Cir. 1996) (C. J. Lourie; J. Archer, and J. Schall):**

Plaintiff owned a patent directed to a particular medical device for applying compressive pressure to a patient's limbs in order to increase blood flow and treat or prevent deep vein thrombosis. Plaintiff filed suit against defendant alleging infringement of this patent. Defendant filed a motion for partial summary judgment of non-infringement, which was granted by the trial court. The Federal Circuit Court considered the issue of whether purchasers of plaintiff's complete system directly infringed U.S. Patent No. 4,253,449 when defendants replaced the pressure sleeves after a single use with sleeves purchased from someone other than plaintiff. The trial court held that such action was within the legitimate right to repair the system. The Federal Circuit Court held that when a patentee sells a patented device to a purchaser, without restriction, direct infringement will occur only when there is a complete "reconstruction" of the device. Replacement of individual unpatented components, on the other hand, is permissible "repair", not direct infringement. The Federal Circuit Court agreed that the Sage Products decision constituted controlling precedent and effectively disposed of the plaintiff's principal contention that the repair doctrine did not apply because the pressure sleeves were not physically worn-out when they were replaced. The Federal Circuit Court held that the trial court correctly determined that there is no genuine issue of material fact and that Progressive was entitled to summary judgment as a matter of law.

***Therma-Tru Corp. v Peachtree Doors, Inc.*, 44 F.3d 988, 33 U.S.P.Q.2d 1274 (Fed. Cir. 1995) (C.J. Newman):**

After a jury trial, the trial court held that plaintiff's U.S. Patent No. 4,550,540 was unenforceable due to alleged inequitable conduct in the U.S. Patent and Trademark Office. The jury had decided that the '540 patent was not invalid, was infringed and that the infringement was willful. Nonetheless, the trial court's decision on the alleged inequitable conduct read as follows, "The clear and convincing evidence leads this Court to find that material information was withheld and this information was intentionally withheld." (\* More than negligence or gross negligence). Id. at 994, 33 U.S.P.Q. 2d at 1277. In accordance with *Beacon Theaters, Inc. v Westover*, 359 U.S. 500, 510-11 (1959), the Appellate Court held that the trial court served as a fact finder with respect to materiality and intent and could not make findings inconsistent with those of the jury. The Appellate Court held that the findings of intent and materiality were not supported by evidence, and therefore, clearly erroneous, and that the finding of inequitable conduct could not stand according to *Kingsdown Medical Consultants Ltd. v Hollister, Inc.*, 863 F.2d 867, 876, 9 U.S.P.Q.2d 1384,

1392 (Fed. Cir. 1988). As a result, the Appellate Court reversed the judgment of unenforceability based on inequitable conduct.

***Gentex Corp. v Donnelly Corp.*, 69 F.3d 527, 36 U.S.P.Q.2d 1667 (Fed. Cir. 1995) (J. Rich):**

Defendant filed a motion for summary judgment of non-infringement of Gentex's U.S. Patent No. 5,128,799, which was granted by the Court in *Gentex Corp. v Donnelly Corp.*, 31 U.S.P.Q.2d 1189 (1994). The '799 patent related to a particular variable reflectance motor vehicle mirror. The trial court held that the claims of the '799 patent were limited to color-changing material in the mirror which are in "solution-phase" and do not cover the "solid films" present in defendant's mirror. The Appellate Court agreed with the trial court that the limitation of the claims to "solution phase" encompassed only those devices where the electrochemical reactions occurred entirely as a solution, as distinguished from a solid. As a result, the Appellate Court affirmed the summary judgment of non-infringement.

***Donnelly Corp. v Gentex Corp.*, 37 U.S.P.Q.2d 1146 (W.D. Mich. 1995) (M. J. Rowland)<sup>10</sup>:**

Defendant filed a motion for leave to supplement its motion for summary judgment of invalidity. The issue before the Court was whether the Court could preclude the defendant from presenting newly discovered prior art that the defendant asserted would render the claims of the patent in suit invalid. The Court held that 35 U.S.C. § 282 intended that this type of evidence be provided to the trier of fact. The Court also held that the plaintiff could be provided the opportunity to rebut the claimed prior art now being offered and therefore granted defendant's motion. However, the Court held plaintiff's request for sanctions under advisement.

***Haworth, Inc. v Herman Miller, Inc.*, 37 U.S.P.Q.2d 1094 (W.D. Mich. 1994) (J. Enslin):**

In an action alleging patent infringement, the defendant filed a motion for summary judgment of non-infringement of a particular panel system. Plaintiff's patent called for a certain "pre-wired" panel system. Defendant asserted that its panel system was "field installed". In an earlier decision, the Court determined that there were issues of fact regarding whether the system infringed the plaintiff's patent. As a result, based on its earlier opinion the Court denied the motion for summary judgment.

***Haworth v Herman Miller, Inc.*, 37 U.S.P.Q.2d 1080 (W.D. Mich. 1994) (J. Enslin):**

In an action alleging patent infringement, the defendant filed a motion for summary judgment of non-infringement of plaintiff's patent. The patent was directed to specific arrangements for pre-wired electrical outlets and receptacles and moveable wall panels.

The Court held that plaintiff failed to meet its summary judgment burden for showing that any of four product lines contributorily infringed the patent and that the plaintiff presented no evidence that the accused receptacle configurations were unsuitable for substantial noninfringing use. Defendant also brought a motion for summary judgment of patent invalidity. Defendant alleged that the plaintiff's patents were anticipated by a prior-art power distribution system that was manufactured, sold and used with portable prefabricated wall panels beginning in 1973, two years before plaintiff's invention date. Defendant relied "upon memories of events twenty-years old," thus regarded as "imperfectly corroborated for what, by the nature of law, is a highly technical determination of anticipation." *Id.* at 1094. The Court found "that this kind of evidence fails to show that defendant was entitled to judgment as a matter of law." *Id.* at 1094. *See, e.g., Jones v Vefo, Inc.*, 609 F.2d 409, 204 U.S.P.Q. 535 (9th Cir. 1979). As a result, the Court denied the summary judgment motion alleging invalidity.

***Haden Schweitzer Corp. v Arthur B. Myr Indus., Inc.*, 901 F. Supp. 1235, 36 U.S.P.Q.2d 1020 (E.D. Mich. 1995) (J. Duggan):**

In an action alleging patent infringement, the defendant asserted the defense of intervening rights. The facts indicated that the original patent owner, Best, paid the issue fee on U.S. Patent No. 4,546,553 as a small entity in 1985. In mid 1988, Thermal Engineering Corporation (TEC) and Best entered into an agreement with Haden Schweitzer Corporation (Haden) regarding the '553 patent. Before the first maintenance fee was paid in 1989, it appears that the patent was licensed to Haden which is a large entity. However, Best apparently paid the first maintenance fee as a small entity in 1989. In April 1994, plaintiffs' filed a petition for the PTO to accept late payment of the proper maintenance fee, which was granted in May, 1994. In September, 1994, plaintiffs' filed the patent action against defendants alleging patent infringement of the '553 patent based on an oven installation by the defendant. The specific issue of significance in this case was whether reliance on the part of the defendants is required in order for defendants to assert the affirmative defense of "intervening rights".

Specifically, 37 C.F.R. § 1.378 provides that "if the Commissioner accepts payment of the maintenance fee upon petition, the patent shall be subject as not having expired, but will be subject to the conditions set forth in 35 U.S.C. § 41(c)(2)". 35 U.S.C. § 41(c)(2) provides, "[n]o patent, the term of which has been maintained as a result of the acceptance of a maintenance fee under this subsection shall abridge or affect the right of any person or his successors in business who made, purchased or used after the six-month grace period but prior to the acceptance of a maintenance fee under this subsection anything protected by the patent to continue the use of, or to sell to others to be used or sold, the

specific thing so made, purchased or used." The Court found similarity in "the intervening rights" provision of § 41(c)(2) and the intervening rights provision in 35 U.S.C. § 252. The Court determined that the accused activities were undertaken after October, 1989 and before May, 1994. The Court granted the motion of summary judgment, entitling defendants to "absolute" intervening rights under the first sentence of 35 U.S.C. § 41(c)(2) and held "plaintiffs' patent unenforceable with respect to the installation of the oven at [defendant's] after October 15, 1989 and before May 12, 1994." *Id.* at 1028.

***TRW Fin. Sys., Inc. v Unisys Corp.*, 35 U.S.P.Q.2d 1460 (E.D. Mich. 1995) (J. Rosen):**

Plaintiff filed an action alleging patent infringement and defendant counterclaimed for alleged antitrust violations. The Court dismissed both the complaint and the counterclaim. Defendant filed a motion seeking discovery sanctions against plaintiff and its attorneys. During discovery, a dispute arose in regard to documents from discovery in a previous lawsuit involving the same patent at issue and a predecessor in interest. Plaintiff's attorneys were involved in the previous litigation, which was ultimately settled without a trial on the merits. The Court found that copies of these documents remained with plaintiff's attorneys, uninterrupted, through the course of this action. The Court found that even though not with malignant intent, plaintiff's attorneys failure to supplement the record and immediately bring discovery and the copies to the Court's attention was inexplicable. The Court found conduct with regard to certain of the documents as sanctionable. Specifically, the Court determined that in removing certain documents from the documents file and placing it in the "withheld" documents file without memorializing or telling anyone was sanctionable. The Court found that the client had not participated in the decision with respect to the documents, and therefore, only held the attorneys responsible, pursuant to Fed. R. Civ. P. 26(g) and 28 U.S.C. § 1927.

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*Champions Golf Club, Inc. v The Champions Golf Club, Inc.*, \_\_\_ F.3d \_\_\_, 38 U.S.P.Q.2d 1161 (6th Cir. 1996)

*Costello v Lungaro*, 37 U.S.P.Q.2d 1121 (6th Cir. 1995) (Unpublished)

*Donnelly Corp. v Gentex Corp.*, 37 U.S.P.Q.2d 1146 (W.D. Mich. 1995)

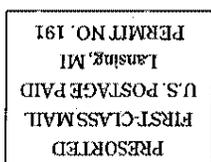
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- Hilton Davis Chem. Co. v Warner-Jenkinson Co.*, 62 F.3d 1512, 35 U.S.P.Q.2d 1641 (Fed. Cir. 1995) (en banc), cert. granted, 64 U.S.L.W. 3574 (1996)
- Hi-Tech Video Prods., Inc., v Capital Cities/ABC, Inc.*, 58 F.3d 1093, 35 U.S.P.Q.2d 1419 (6th Cir. 1995)
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- Poof Toy Prods., Inc. v U.S. Fidelity and Guaranty Co.*, 891 F. Supp. 1225, 36 U.S.P.Q.2d 1228 (E.D. Mich. 1995)
- Princeton Univ. Press v Michigan Document Servs., Inc.*, 74 F.3d 1528 (6th Cir. 1996)
- Princeton Univ. Press v Michigan Documents Servs., Inc.*, 74 F.3d 1512, 37 U.S.P.Q.2d 1673, vacated and reh'g (en banc) granted, 74 F.3d 1528 (6th Cir. 1996)
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- Semco, Inc. v Amcast, Inc.*, 52 F.3d 108, 34 U.S.P.Q.2d 1635 (6th Cir. 1995)
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- U-Haul International, Inc. v Kresch*, 35 U.S.P.Q.2d 1317 (E.D. Mich. 1994), reconsideration denied, 875 F. Supp. 1303 (E.D. Mich. 1995)
- Wynn Oil Co. v American Way Service Corp.*, 37 U.S.P.Q.2d 1151 (6th Cir. 1995) (Unpublished)

## ENDNOTES

1. Copyright 1996, Eric M. Dobrusin, Mark P. Calcaterra, and Daniel H. Bliss. This article focuses on intellectual property cases with a Michigan connection. At the time of this writing, it is possible that some opinions by the relevant courts were issued, but were not readily available or were discussed only summarily because of their recent discovery and the press of impending deadlines. The authors have endeavored reasonably to provide complete and accurate information in the cases reported and summarized herein. The authors, however, do not intend the discussions herein to be a substitute for legal advice. Persons in need of such advice should contact appropriate legal counsel. The authors have attempted to recognize that persons may claim trademark or service mark rights to certain of the names discussed herein. An attempt has been made to identify those names by capital letters. Readers should contact the respective parties to establish the scope of any claim of rights in such names.
2. Special thanks to Andrew Vance and Shelley Erla for their editorial assistance.
3. A number of cases recently have been reported that pertain to noncore intellectual property topics. The subject matter of those cases fall generally outside the intended scope of discussion for this treatment. However, for sake of future reference, the following is a listing of certain cases for which a lengthy discussion has been omitted:

- A. *Moltan Co. v Eagle-Picher Indus., Inc.*, 55 F.3d 1171, 34 U.S.P.Q.2d 1840 (6th Cir. 1995) (action alleging, *inter alia*, defamation and commercial disparagement, and a counterclaim alleging false advertising and labeling).
- B. *Semco, Inc. v Amcast, Inc.*, 52 F.3d 108, 34 U.S.P.Q.2d 1635 (6th Cir. 1995) (action alleging violations of 15 U.S.C. § 1125(a) because of advertising representations).
- C. *Intera Co. v Dow Corning Corp.*, 34 U.S.P.Q.2d 1661 (6th Cir. 1994) (unpublished decision; action alleging trade secret misappropriation and conversion).
- D. *Tricom, Inc. v Electronic Data Sys. Corp.*, 902 F. Supp. 741, 36 U.S.P.Q.2d 1778 (E.D. Mich. 1995) (action alleging anti-trust violations).
- E. *Poof Toy Prods., Inc. v U.S. Fidelity and Guaranty Co.*, 891 F. Supp. 1225, 36 U.S.P.Q.2d 1228 (E.D. Mich. 1995) (action seeking to compel defendant insurer to defend plaintiff in pending litigation).
4. *Lotus Dev. Corp. v Borland Int'l, Inc.*, \_\_\_\_ U.S. \_\_\_\_, 116 S. Ct. 804, 133 L.Ed.2d 610 (1996), reh'g denied, 116 S. Ct. 1062, 134 L.Ed.2d 206 (1996). In accordance with that decision, the Court affirmed per curiam (by an equally divided court) the First Circuit's holding: "That the Lotus menu command hierarchy is uncopyrightable subject matter." 49 F.3d 807, 34 U.S.P.Q.2d at 1024. Specifically, the court regarded that the menu command hierarchy for the spreadsheet program at issue constituted a "method of operation".
5. The Court of Appeals for the Sixth Circuit has granted a request for rehearing en banc. *See, Princeton Univ. Press v Michigan Document Servs., Inc.*, 74 F.3d 1528 (6th Cir. 1996). In view of that order, the reported decision was withdrawn from the official reporter.
6. The following two cases were not treated, as they were unpublished opinions, but nonetheless may be of interest to persons in this field.
- A. *Costello v Lungaro*, 37 U.S.P.Q.2d 1121 (6th Cir. 1995) (Unpublished); and
- B. *Wynn Oil Co. v American Way Service Corp.*, 37 U.S.P.Q.2d 1151 (6th Cir. 1995) (Unpublished).
- For an additional discussion of the likelihood of confusion issue, *See, Express Funding, Inc. v Express Mortgage, Inc.*, 894, F. Supp. 1095, 34 U.S.P.Q.2d 1801 (E.D. Mich. 1995).
7. For a treatment of issues arising because of violations of a permanent injunction in a trademark infringement action, *see, Rolex Watch U.S.A. Inc. v Crowley*, 74 F.3d 716, 37 U.S.P.Q.2d 1585 (6th Cir. 1996).
8. In subsequent proceedings, the Court denied summary judgment motions seeking a judgment of noninfringement. *See, U-Haul Int'l, Inc. v Kresch*, 875 F. Supp. 1307 (E.D. Mich. 1995); *U-Haul Int'l, Inc. v Kresch*, 904 F. Supp. 595 (E.D. Mich. 1995) (decision on renewed motion).
9. Presently the Supreme Court has before it the appeal in *Hilton Davis Chem. Co. v Warner-Jenkinson Co.*, 62 F.3d 1512, 35 U.S.P.Q.2d 1641 (Fed. Cir. 1995) (en banc), cert. granted, 134 L.Ed.2d 95, 116 S. Ct. 1014 (1996), concerning the doctrine of equivalents.
10. *See also, Donnelly Corp. v Gentex Corp.*, 918 F. Supp. 1126 (W.D. Mich. 1996) (deciding various evidentiary motions prior to trial); *Donnelly Corp. v Gentex Corp.*, 913 F. Supp. 1014 (W.D. Mich. 1995) (deciding certain motions for summary judgment).



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PROCEEDINGS OF THE  
**I** NTELLECTUAL PROPERTY LAW SECTION **N**  
 OF THE STATE BAR OF MICHIGAN

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**IPLS ACTIVITIES****SPRING SEMINAR**

The Intellectual Property Law Section held its Annual Spring Seminar in Lansing on Friday, March 15. As usual, the Seminar was both educational and entertaining. The Section would like to thank the following members who spoke at the Seminar: John Allen of Howard and Howard, Michael Guju of Dow Chemical Company, Professor Roberta Morris of the University of Michigan, and the Honorable Avern Cohn. The Section would also like to thank Ted Olds of Howard and Howard, and Mick Nylander of GKN Automotive, Inc. for their efforts in organizing this year's Spring Seminar.

**SUMMER CONFERENCE**

The 22nd Annual Intellectual Property Law Workshop will be held at the Grand Traverse Resort in Acme from Thursday, July 18 through Saturday, July 20. This conference presents a unique opportunity for you to relax at one of the midwest's finest resorts while learning about a variety of topics related to intellectual property law. Please register in advance. If you have not received a registration form please call (313) 764-0533.

The conference begins Thursday evening with a reception cosponsored by the IPLS and the Institute of Continuing Legal Education.

On Friday morning, Kenneth Germain, Katherine Spelman, and Charles Gholz will speak on recent developments in trademark law, copyright law, and patent law. On Friday evening, two round table discussions will be held. The first discussion is moderated by Stephen Grace of Dow Chemical Company and is entitled "Managing the Costs of Intellectual Property Portfolios." The second discussion is entitled "Managing Documents and Disclosures." A reception cosponsored by Bliss McGlynn, PC, and the IPLS will be held between the two round table discussions.

On Saturday morning, Philip Shepherd of Dow Chemical Company and James Mitchell of Price, Heneveld, Cooper, Dewitt & Litton will discuss the effectiveness and international acceptance of provisional applications; John R. Olsen of S. J. Berwin & Co. will speak about the new European trademark and the Madrid Protocol; Lawrence Goffney, Assistant Commissioner for Patents, will present "Ethics in Practice Before the U.S. Patent and Trademark Office"; and the Honorable Helen Nies will present "Practical Tips from the Federal Circuit Bench."

**ANNUAL SECTION MEETING**

The State Bar of Michigan's 61st Annual Meeting will be held on September 18-20, 1996, at the Amway Grand Plaza Hotel and Grand Center in Grand Rapids. The Intellectual Property Law Section business meeting, election, and educational program are scheduled for Thursday, September 19, commencing at 9:00 a.m. at the same location. This year, the program topic is "Trademark Issues and the Internet." More information will follow in the next issue of Proceedings. Please plan upon attending.

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## A VIEW FROM THE CHAIR

by Donald L. Corneglio

TO: An Open Letter to All Members of the  
Intellectual Property Law Section of the  
State Bar of Michigan

FROM: Donald L. Corneglio  
Chair

RE: A VIEW FROM THE CHAIR

I am pleased to report that the Spring Seminar, held March 15th at the Kellogg Center in East Lansing, set a new standard. The speakers and accommodations were first class and the Council hopes that your expectations for this local and very economical event were surpassed. If they weren't, we want to hear from you. Next year we plan to return to the Kellogg Center and set another standard.

By now you should have all received at least one announcement for the Summer Workshop at the Grand Traverse Resort, July 18-20th. The usual speakers will update you on intellectual property and our guest speakers will update you on current events including a view from the bench by Judge Helen Nies. The Honorable Helen Nies will also be our special guest as an outstanding Michigan woman lawyer. Please plan to attend this seminar.

From my corporate perspective, I am continuously bombarded by issues of cost containment and budget concerns. Truly, the Michigan IPLS presentations represent some of the best planned and educational values around. This is made possible by your voluntary decision to join this section which funds these programs. Your support is appreciated. The Council also strives to bring top quality educational and informational opportunities to you and to encourage practice in all fields of intellectual property. But

the Council is only 12 people meeting about once a month with a lot of individual hard work between those meetings. We therefore request your active involvement by discussing new ideas or programs with any of the Council members listed in this newsletter. We are constantly in search for new ideas and programs to support and publicize the practice of intellectual property law.

This summer we will be evaluating the impact of our first Intellectual Property Essay competition by Michigan Law School students. If you know or have involvement with any of these institutions please encourage the students to participate.

Finally, it is the intent of the Council to become active in the filing of amicus briefs on topics of intellectual property issues. One issue we as a Council are faced with is the sponsorship of any such brief. The State Bar has condoned our filing of briefs on behalf of the Section since membership is voluntary, but we recognize that to do so may be inappropriate because we could not possibly poll our membership to obtain any type of consensus in a timely manner. Instead, the Council proposes to file amicus briefs on behalf of the Council supported by a simple majority vote. If any member feels strongly about such an approach or would like to become involved in this endeavor please contact a Council member. Because we do not plan to file any briefs prior to the Summer Workshop, we would look forward to discussing this with anyone at the Grand Traverse Resort.

It has been a great year so far and with your help we look forward to reporting a pace-setting Summer Workshop. Thank you for your support.

## NEWS FROM THE COUNCIL

### Council Meetings

The Council reminds the membership that all section members are invited to attend Council meetings. Council meetings are generally held on the second Thursday of each month at 9:30 a.m. at the State Bar Building in Lansing. Dates and locations for upcoming meetings are listed in the IPLS Planning Calendar in each issue of Proceedings.

### Submissions to Proceedings

Articles of interest to the membership are actively solicited for publication in this newsletter. If you have recently researched a topic of interest to our membership please consider a submission. Submissions should be sent directly to the editor: William P. Dani, c/o Warner Norcross & Judd LLP, 900 Old Kent Building, 111 Lyon Street, N.E., Grand Rapids, MI 49503-2489.

## IPLS PLANNING CALENDAR

### WHAT WE'VE DONE . . . WHAT WE'LL DO

Jan. 11, 1996	IPLS Council Meeting, State Bar Building, Lansing	July 18-20, 1996	Summer Workshop, Traverse City
Feb.	<u>Proceedings</u> , Vol. 8, No. 2	Aug. 8, 1996	IPLS Council Meeting, State Bar Building, Lansing
March 15, 1996	Spring Seminar, Lansing	Sept.	<u>Proceedings</u> , Vol. 8, No. 4
April 11, 1996	IPLS Council Meeting, State Bar Building, Lansing	Sept. 18-20, 1996	Annual Meeting, Grand Rapids
May 9, 1996	IPLS Council Meeting, State Bar Building, Lansing	Oct. 10, 1996	IPLS Council Meeting, State Bar Building, Lansing
June	<u>Proceedings</u> , Vol. 8, No. 3		

## ANNOUNCEMENTS

### MICHIGAN LAW STUDENTS:

The Intellectual Property Law Section of the State Bar of Michigan invites all Michigan university and college law students to submit an original article on any intellectual property law issue of current interest.

A First Place Award of \$500.00, a Second Place Award of \$250.00 and a Third Place Award of \$100.00 will be awarded at the Michigan State Bar meeting in Grand Rapids, September 18, 1996. The first, second and third place articles will be published in an upcoming issue of the *Proceedings of the Intellectual Property Law Section*. Joint authors will share in each award.

All articles must be postmarked by June 30, 1996 and must include the law student's name, current

address, current telephone number, and college or university attended. All articles must be typed, double-spaced and submitted on letter-sized (8½" x 11") plain, white, bond paper in triplicate with margins of no less than 1" each. All articles must contain proper citations, including footnotes at the end. All articles shall become the property of the State Bar of Michigan and the Intellectual Property Law Section reserves the right to make editorial changes for publication.

Please mail all articles to Daniel H. Bliss, Chairman, Intellectual Property Law Section Essay Competition, Bliss McGlynn, P.C., 30700 Telegraph Road, Suite 4646, Bingham Farms, MI 48025.

## FEATURED ARTICLE

*This issue's featured article is the text of the Honorable Avern L. Cohn's speech presented to the Intellectual Property Law Section at the Spring Seminar in Lansing on Friday, March 15. The speech was informative and entertaining, and was well-received by those who attended the Seminar. The text published here was updated by Judge Cohn to include certain material not available at the time of the presentation.*

Judge Avern Cohn  
Intellectual Property  
Law Section - State  
Bar of Michigan - Lansing

March 15, 1996

Good afternoon.

Thank you for the introduction. I always appreciate nice things said about me. It gives me some comfort in knowing that whatever I may say from time-to-time in the courtroom, and I am aware of my shortcomings, has had no lasting effect.

I am particularly pleased to talk about the trial of a patent case. In my 17 years on the bench I have found nothing more challenging than to try a patent case. A patent case calls for a maximum of management skills and intellectual effort. It is really what being a federal judge is all about.

I.

Six years ago I spoke to you.

You may recall, those of you who were here at that time, I called your newsletter vapid because it failed to

take positions to critique decisions to encourage improvement in decision making. I can't say you have improved it. I really don't know. I do know the current issue describes a case in the Eastern District in which summary judgment was granted the accused and a 2 million dollar fee awarded. The newsletter doesn't tell you that the decision was reversed on appeal and when returned to the district court eventually settled by payment to the initial loser of some \$300,000. The case, incidentally without a trial, generated 547 docket entries. Now a case like that is surely worthy of more than a naked description of the issues and results.

Since that time I have spoken to the Cleveland Intellectual Property Law Association and the Bar Association of the Federal Circuit on patent matters and my experiences as a federal judge generally. I have also had an opportunity to publish my particular views on what is necessary to try a patent case in your Proceedings and have received a significant thank you from Professor Schwartz in his volume Patent Law And Practice, Second Edition, published by the Federal Judicial Center. Incidentally, this book is a good primer on patent law and was used to educate an expert in the Kearns v Chrysler damages trial. Also, I've sat twice on the Federal Circuit.

Each of these experiences has allowed me to sharpen my thoughts on patent trial practice and, I believe, better enable me to deal with the patent cases on my docket (I now have 6) and, hopefully, be in a position to tell the patent bar on what it can do to perform better in trial and even given an assist to my colleagues.

What I propose to do in the next few minutes is not to repeat what I have said before, but to talk about the lack of judges' experiences with patent cases generally, elaborate on some of the techniques I find helpful and give you my personal view of where we stand with Markman. I say personal because I do not make the rules and unfortunately the Federal Circuit seems not to offer the kind of help it should to district judges and patent lawyers. At the conclusion there will be time for questions. I do better in answering questions than I do in narration.

## II.

In preparation for today's talk I searched out statistics that demonstrate my belief that the greatest single failure of the patent bar is its lack of appreciation of how little experience federal district judges really have in the trial of a patent case and the importance of factoring in that lack in trial preparation as a case moves to trial and in the trial itself. Now I might not say that if I was speaking in Delaware or Northern California where about 25% of all the patent cases are tried.

What I did was look for judge specific data for the Eastern and Western Districts of Michigan and appeal data for these districts. It is hard to come by. First, the Administrative Office of the United States Courts in Washington, D.C., whose computers contain judge specific data, is forbidden by Judicial Conference action from making the data available even though it can be programmed out. During 1995 I tried to get the Judicial Conference to change the policy. I was unsuccessful even though mandated data as required by Civil Justice Reform has been helpful in moving cases. Second, the Federal Circuit, which maintains its own data base, has not developed programs which allow for access to data on individual districts or district judges.

Without going into the detail of my efforts, which were considerable, I obtained judge specific data for the last 5 years for the Eastern and Western district judges on patent cases coded to the individual judges by number rather than name and appeal data from each district. This is what I learned. Incidentally, anyone who will volunteer can have the data sheets to get more specific than I am about to.

For each of the last 5 years ending September 30, there were approximately 40 patent cases terminated per judge in the Eastern District and eleven to twelve patent cases terminated per judge in the Western District. Considering the number of judges in each district that says, on the average, 3 to 4 cases were terminated by each judge. Now when it comes to termination by trial, judge or jury, the statistics are rather startling.

For the year ended September 30, 1995 no patent case was terminated in either court by jury trial or bench trial. For 1994 the figures are 6 jury and 1 bench in the Eastern District and none in the Western District. For 1993 the figures are 3 jury and no bench in the Eastern District and 1 jury and 2 bench in the Western District. For 1992 the figures are 2 and zero in the Eastern District and 1 and zero in the Western District, and in 1991 and 1 in the Eastern District and none in the Western District.

Given the level of trial activity reflected in these statistics there is no way an experienced patent law trial judge can develop. You who try such cases must remember this and act accordingly.

As to appeals, I do not have judge specific data but only court specific data. The number of appeals filed in the Federal Circuit from the Eastern District for each of the years 1995 to 1991 are 19, 25, 10, 9 and 6, while from the Western District they are 5, 5, 4, 6 and 8. However, dispositions on the merits drop sharply. For the Eastern District they are 3, 3, 5, 1 and 1, and for the Western District 0, 1, 0, 4 and 1. As between affirmance

and reversal more often than not the lower court decisions was affirmed.

How the appeal data compares nationally, I do not know. I understand that this year a more sophisticated set of statistics is being developed in the Federal Circuit. In any event, some attention should be paid to the statistical profile I have just given you. There are conclusions to be drawn I am sure but I will leave that to another day.

### III.

Turning now to my, and I emphasize my, techniques for trying a patent case, they are well known and materials are available from my chambers so advising lawyers. Let me, though, emphasize a couple of points which I learned principally from the 5 windshield wiper jury trials I presided over. Incidentally, in each of the two cases, Chrysler and Ford, I bifurcated liability and damages. I recently read a decision by Judge McKelvie from Delaware, Johns Hopkins University v Cellpro, 160 F.R.D. 30 (D. Del. 1995), in which he declined to bifurcate and explained his reasons. He tries a lot of patent cases and a discussion of his reasons is in order. But not today.

First, I ask for a claim chart which displays in columnar form the language of the claim with disputed elements underlined and then columns reflecting the contentions of the parties as to how the disputed element is to be interpreted. The last column generally will display my interpretation. Too often when there is a claim interpretation dispute each party's position lacks clarity.

I also have developed a pretrial order that spells out in excruciating detail, I hope, what is to be done in advance to prepare for trial and how the lawyers are to conduct examination in the courtroom regarding exhibits. I require a juror notebook with a glossary of terms, patent drawings and the like inserted in it. As each important exhibit is discussed in trial I expect a copy to be handed to each juror, 3-hole punched, for insertion in the notebook. I press for fact stipulations. I use a juror questionnaire in advance of the voir dire. I insist on agreed preliminary instructions explaining what is to be covered in the case and I want to see the final instructions in advance, together with, and this is important, the verdict form and interrogatories to be submitted to the jury.

What I do not want and cannot abide is surprise and last minute pressure between the close of proofs and final argument. There is simply no good reason for it.

### IV.

I have developed some new techniques in recent years and am yet to fully understand how I can gleam

all the benefits they offer. What I refer to, first, is the appointment of a special master under Fed. R. Civ. P. 53 to handle discovery and other pretrial matters and to make a report and recommendation to me on summary judgment motions. The special master is expected to preside over the development of the joint pretrial statement. Now this is not to fob off my responsibilities to someone else as is so frequently done in referring pretrial proceedings to a magistrate judge. What the appointment of a special master does is make available a person with expertise and a staff, at the expense of the parties, to take a first cut at adversary issues. As I described earlier, federal judges simply do not get enough patent cases to develop real expertise. And the range to technologies involved means a judge in a particular case, unless it involves a simple mechanical invention, is always holding on by fingertips to understand the technology or science at issue.

My reference order always calls for a report and recommendation. So far the recommendations have required a good deal of time and study in dealing with objections. But the report and recommendation gives me in a single document the parameters of the differences of the parties and comes from a skilled patent lawyer rather than a still wet-behind-the-ears law clerk.

Now at least one judge in recent years has had a trial conducted by a special master and then read the special master's report to the jury. This is a step I have yet to take. I refer you to Felsto Corporation v Shohetsu, et al., 72 F.3d 857 (F.Cir. 1995). That case is worth studying. The jury had the special master report in the jury room during deliberations. The Court of Appeals said this was a mistake, but a harmless mistake. The jury, by the way, disagreed in part with the conclusions of the report.

The instructions — exactly what the trial judge told the jury with regard to the report and the part it should play in their deliberations is of particular interest. This is all that the judge told the jury:

The determination of the facts in this case rests solely with you. And on that same vein, let me talk to you for a moment about the Master's report.

You have heard both sides refer to it. I've described it before and you have read it. Some portions were deleted. They may have contained conclusions of the law or legal contentions of the parties or some issues which I've dealt with prior to trial, things you may have to deal with later. What is before you are only the facts that are relevant to the issues in this case. You can give that Master's report whatever weight if any you find it deserves in light

of all the evidence that you have heard in this case. The Constitution very clearly gives the parties in this case a right to have you make these decision, not the master. It was referred there only for whatever aid or assistance it might have in helping you understanding technology which is complex or issues which are complex.

So the reason we don't leave it with you in the jury room is to highlight and emphasize that this decision is your decision, not the Master's decision.

I urge you to think about suggesting to your trial judge the use of a special master particularly when you have given the judge a motion for summary judgment with some 2 feet of paper including briefs, appendices and copies of relevant cases.

The other new technique is to ask for a disk downloaded with the text of the patent in the case. Our contract with LEXIS doesn't let us do that. I then have my clerk load the disk into a computer hard drive in chambers. This way I can search the text rather effectively for particular words and phrases. This has aided me in one case so far in better understanding the claim language in dispute.

#### V.

Now, let me talk a bit about Markman. We now know that claim interpretation is for the judge. What we don't know is how the judge is to handle this responsibility.

What I do know is I cannot go forward with a jury without telling them what the elements of the claims-in-issue are and if there is a dispute, resolving it in advance of preliminary instructions. Lawyers who argue that only after trial can a claim be properly interpreted are dissembling. Judge Schwartz's decision in Lucas v Aerospace, reported at 890 F. Supp. 329, explains very well the problem and importantly the pressures present in the time between the close of the proofs and the beginning of final argument.

My explorations of what to do began in the Spring of last year following the Federal Circuit's decision and in advance of a seminar held in Detroit in June. I wrote Professor Schwartz and Professor Chisum and included their letters to me in a handout. Since then, I have read Judge McKelvie's decision in Elf v Atochem, reported at 894 F. Supp. 844, I have seen at least three writings on the subject of the procedures to be followed determining the meaning of claims as a matter of law. One is a short piece in the Journal of the Patent and Trademark Office Society titled Federal Circuit Limits Jury Role In Patent Trials, the second is a piece

in The Law Works and the best by far is in the May 13, 1996 issue of The National Law Journal. This last piece is worth a read.

Two very recent decisions of the Federal Circuit offer some insight and, indeed, suggest a developing jurisprudence on Markman procedures. In the first decision, reported at 74 F.3d 1216, Sofamor Danach Group, Inc. v DePuy-Motech, Inc., the Court of Appeals said that Markman does not obligate the trial judge to conclusively interpret claims at any early stage in a case. The trial judge can exercise discretion when to interpret the claims.

The second decision is National Presto Industries, Inc. v The West Bend Company, reported at 37 U.S.P.Q. 2d 1685. There in the appeal from a jury finding of infringement a judge finding of validity the Court of Appeals construed the claims de novo and then reviewed the jury verdict. In so doing the Court said:

"... we have been greatly aided in understanding these terms in the context in which they are used by consideration of the testimony of the expert witnesses and the resolution by the trier of fact of conflicts in the evidence."

Interestingly in this case the jury was given the task of claim interpretation.

I wrote each of the judges in the Eastern and Western Districts asking if any of them have faced the problem. I got one response. That was Judge Bell in the Western District who sent me his decision in Zentex v Donnelly, a pre-Markman decision. He faced a claim interpretation issue in the context of a motion for summary judgment. That's an easy one. When you interpret the claim and then grant a judgment that disposes of the case. But what happens if the case has to go to trial.

I currently have that situation before me in a case where 11 elements in 2 claims in the patent-in-suit require, or seem to require, interpretation. The reason I say seem is because I do not know how a particular interpretation will play out at an infringement trial. A judge always feels a sense of frustration when he or she does not know the consequences of a decision.

In my case, a party filed a petition for interpretation. After a reference to the special master I got a report and recommended interpretation. Both sides took exception. One side complained the master lacked expertise in the art. I queried what was expected of me. I looked upon that argument as either fatuous or flattering. I am not sure which.

I have gone on to deal with the exceptions to the special master's recommendation. Since neither side

## VI.

argued with particularity that there was a genuine issue over a material fact requiring resolution I saw no need for the kind of mini-trial conducted by Judge McKelvie in Elf Atochem. I am now waiting to see how the parties intend for my interpretation of the elements, which, without sounding presumptive, is the interpretation the parties have to live with, will be dealt with at trial and incorporated into the instructions.

Also important when thinking about Markman is to speculate on what the Supreme Court will do in Hilton Chemical v Warren Jenkins, Inc., regarding the Federal Circuit's holding that infringement by equivalents is a jury question. I for one cannot believe the Supreme Court is likely to do anything to denigrate the Seventh Amendment. Now exactly what that means I am not certain.

With the result in on Markman the patent bar, through its organizational structure, state and federal, should come up with a recommended protocol. The Federal Circuit won't do it and that brings me to my conclusion.

Intellectual property law is a growth industry. And patent trial law is at the apex. Patent law is in a ferment. The statute are changing. The common law rules are changing. The stakes for inventors and manufacturers, processors, etc., are very high. Many thought with the advent of a specialized court like the Federal Circuit we would have order and leadership. We have not gotten it. We have a skilled group of practitioners, highly partisan to a client's interests, dealing with each other in trial settings before inexperienced decision makers. And that will not change. What the organized bar has an obligation to do is step outside the arena and in the conference room agree on, or at least suggest, rules, procedures, protocols, whatever you want to call them, that allow for some order, some skill, and certainly fairness in resolving disputes.

I hope my words today will in some modest way advance that good.

Thank you.

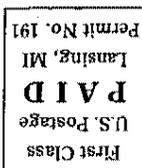
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**FEATURES**

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**IPLS ACTIVITIES**

**SPRING SEMINAR**

The Section will sponsor the Annual Spring Seminar on Friday, March 15, at the Kellogg Center on the campus of Michigan State University in Lansing. A schedule and registration form for the Seminar are included with this issue of the newsletter. The registration form must be returned to Theodore W. Olds immediately.

The Seminar will include the following breakout sessions: *Insurance Coverage of Intellectual Property Litigation*, and *Offer for Sale Infringement* by John W. Allen of Howard and Howard; *Patent Office Software Guidelines* by David Moore of the U.S. Patent Office; *Copyright and the Internet* by Michael Guju of Dow Chemical Company; and *Summary of Upcoming Patent Statutes* by Professor Roberta Morris of the Univeristy of Michigan.

The luncheon speaker is the Honorable Avern L. Cohn of the U.S. District Court for the Eastern District of Michigan. Judge Cohn will discuss the challenges faced by a district court judge in patent litigation.

After lunch, the Seminar will close with a panel discussion entitled *Nuts and Bolts Advice on the Patent and Trademark Office*. The panel will include Beth Chapman, T.T.A.B.; David Moore, S.P.E. Group 230; Andrea Pitts, Group 350; and David Reihner, Law Office 107.

**A VIEW FROM THE CHAIR**

by Donald L. Corneglio

TO: An Open Letter to All Members of the Intellectual Property Law Section of the State Bar of Michigan

FROM: Donald L. Corneglio  
 Chair

RE: A VIEW FROM THE CHAIR

This year's agenda is moving along at a very fast rate and progress has been excellent. The Council has completed plans for both the Spring Seminar, March 15th and the Summer Workshop, July 18th. Each of these events will represent an excellent opportunity to meet colleagues and receive excellent information in the field of intellectual property. More importantly, in today's era of belt tightening they are probably the best educational value for the dollar in the nation.

Planning is ongoing for our Section's participation at the State Bar Annual Meeting to be held in September. We are looking into holding a joint session with the Arts, Entertainment and Sports Section. Even more interesting is that we intend to announce at the Annual Meeting the winner of the first Michigan State Bar IPLS Essay Contest Winner!

After many years of debate it is our intent to finally get an intellectual property law essay contest sponsored at the Michigan law schools. There will be monetary awards for the three best papers and judging will be based upon creativity in approaches to intellectual property problems or issues. We believe that this is one of the best means to encourage interest in our practice and add yet another advantage to the practice of intellectual property law in the State of Michigan.

On behalf of the entire Council, I wish all our membership a safe and successful 1996 and we look forward to seeing you at either the Spring Seminar or Summer Workshop or both!

Editor: William P. Dani  
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 & JUDD LLP  
 (616) 752-2000

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 Law Section, State Bar of  
 Michigan 1996

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## NEWS FROM THE COUNCIL

### Council Meetings

The Council reminds the membership that all section members are invited to attend Council meetings. Council meetings are generally held on the second Thursday of each month at 9:30 a.m. at the State Bar Building in Lansing. Dates and locations for upcoming meetings are listed in the IPLS Planning Calendar in each issue of Proceedings.

### Submissions to Proceedings

Articles of interest to the membership are actively solicited for publication in this newsletter. If you have recently researched a topic of interest to our membership please consider a submission. Submissions should be sent directly to the editor: William P. Dani, c/o Warner Norcross & Judd LLP, 900 Old Kent Building, 111 Lyon Street, N.E., Grand Rapids, MI 49503-2489.

## 1995 - 1996

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## IPLS PLANNING CALENDAR

### WHAT WE'VE DONE . . . WHAT WE'LL DO

Nov.	<u>Proceedings</u> , Vol. 8, No. 1	May	<u>Proceedings</u> , Vol. 8, No. 3
Dec. 7, 1995	IPLS Council Meeting, State Bar Building, Lansing	May 9, 1996	IPLS Council Meeting, State Bar Building, Lansing
Jan. 11, 1996	IPLS Council Meeting, State Bar Building, Lansing	June 13, 1996	IPLS Council Meeting, State Bar Building, Lansing
Feb.	<u>Proceedings</u> , Vol. 8, No. 2	July 18-20, 1996	Summer Workshop, Traverse City
March 15, 1996	Spring Seminar, Lansing	Sept.	Annual Meeting
April 11, 1996	IPLS Council Meeting, State Bar Building, Lansing		

## ANNOUNCEMENTS

### Federal Trademark Dilution Act of 1995

President Clinton signed into law the Federal Trademark Dilution Act of 1995. The Act amends Section 43 of the Lanham Act to prohibit commercial use of a mark or trade name that dilutes the distinctive quality of a "famous" mark. The text of the Act is as follows:

H.R.1295

One Hundred Fourth Congress  
 of the  
 United States of America

AT THE FIRST SESSION

Begun and held at the city of Washington on  
 Wednesday, the fourth day of January, one  
 thousand nine hundred and ninety-five

AN ACT

To amend the Trademark Act of 1946 to make certain revisions relating to the protection of famous marks.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

#### SECTION 1. SHORT TITLE.

This Act may be cited as the "Federal Trademark Dilution Act of 1995".

#### SEC. 2. REFERENCE TO THE TRADEMARK ACT OF 1946.

For purposes of this Act, the Act entitled "An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes", approved July 5, 1946 (15 U.S.C. 1051 and following), shall be referred to as the "Trademark Act of 1946".

#### SEC. 3. REMEDIES FOR DILUTION OF FAMOUS MARKS.

(a) REMEDIES.--Section 43 of the Trademark Act of 1946 (15 U.S.C. 1125) is amended by adding at the end the following new subsection:

"(c)(1) The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection. In determining whether a mark is distinctive and famous, a court may consider factors such as, but not limited to—

"(A) the degree of inherent or acquired distinctiveness of the mark;

"(B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used;

"(C) the duration and extent of advertising and publicity of the mark;

"(D) the geographical extent of the trading area in which the mark is used;

"(E) the channels of trade for the goods or services with which the mark is used;

"(F) the degree of recognition of the mark in the trading areas and channels of trade used by the marks' owner and the person against whom the injunction is sought;

"(G) the nature and extent of use of the same or similar marks by third parties; and

"(H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

"(2) In an action brought under this subsection, the owner of the famous mark shall be entitled only to injunctive relief unless the person against whom the injunction is sought willfully intended to trade on the owner's reputation or to cause dilution of the famous mark. If such willful intent is proven, the owner of the famous mark shall also be entitled to the remedies set forth in section 35(a) and 36, subject to the discretion of the court and the principles of equity.

"(3) The ownership by a person of a valid registration under the Act of March 3, 1881, or the Act of

February 20, 1905, or on the principal register shall be a complete bar to an action against that person, with respect to that mark, that is brought by another person under the common law or a statute of a State and that seeks to prevent dilution of the distinctiveness of a mark, label, or form of advertisement.

"(4) The following shall not be actionable under this section:

"(A) Fair use of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark.

"(B) Noncommercial use of a mark.

"(C) All forms of news reporting and news commentary."

(b) CONFORMING AMENDMENT.—The heading for title VIII of the Trademark Act of 1946 is amended by striking "AND FALSE DESCRIPTIONS" and inserting "FALSE DESCRIPTIONS, AND DILUTION".

#### SEC. 4. DEFINITION

Section 45 of the Trademark Act of 1946 (15 U.S.C. 1127) is amended by inserting after the paragraph defining when a mark shall be deemed to be "abandoned" the following:

"The term 'dilution' means the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of—

"(1) competition between the owner of the famous mark and other parties, or

"(2) likelihood of confusion, mistake, or deception."

#### SEC. 5. EFFECTIVE DATE.

This Act and the amendments made by this Act shall take effect on the date of the enactment of this Act.

## FEATURED ARTICLE

### RECENT DEVELOPMENTS IN INTELLECTUAL PROPERTY LAW

by Mark P. Calcaterra  
Daniel H. Bliss  
Eric M. Dobrusin

#### CASES DECIDED IN THE AREA OF COPY- RIGHT, TRADEMARK AND TRADE SECRET LAW WITH A MICHIGAN CONNECTION<sup>1</sup>

Among the cases reported in the past year with a Michigan connection and with intellectual property

issues were the following cases related to copyrights, trademarks and trade secrets.

1. *Qualitex Co. v Jacobson Products Co.*, 115 S. Ct. 1300, 131 L. Ed. 2d 248, 34 U.S.P.Q.2d 1161 (1995) (J. Breyer).

Plaintiff, Qualitex Co., sued Defendant, Jacobson Products Co. Inc., for trademark infringement and unfair competition based upon the use by Defendant of dry cleaning press pads having a green-gold color similar to the color of pads used by Plaintiff, and for which Plaintiff asserted trademark rights. In litigation before the U.S. District Court for the Central District of California, Plaintiff prevailed on its trademark infringement claim. However, on appeal, the Court of Appeals for the Ninth Circuit set aside the judgment of infringement on the basis that it believed the Lanham Act did not permit the registration of a "color alone" as a trademark. The Supreme Court granted certiorari to resolve the conflict among the circuits as to whether a color alone could be registered as a trademark. Qualitex had previously registered its green/gold color on press pads with the Patent and Trademark Office as a trademark. The Supreme Court held that color alone could be registered as a trademark. The Court concluded that color may sometimes alone meet the legal requirements for use as a trademark. Thus, on the facts of the case, the Court recognized that trademark law would protect Plaintiff's use of the green/gold color for its pressed pads, in the absence of any special reason that would weight against the use of the color alone as a trademark. The Court rejected Defendant's special reasons for why the law should forbid the use of color alone as a trademark:

- 1) Use of color as a trademark would produce uncertainty about what shade of a color a competitor may lawfully use;
- 2) Colors are in unlimited supply;
- 3) That certain pre-Lanham Act, Supreme Court cases supported Jacobson's position; and
- 4) There is no need to permit color alone to function as a trademark in view of the protections afforded already under the trademark act for the use of colors as part of a trademark.

**2. Bryce & Polazzola Architects, Inc. v A.M.E. Group, 865 F. Supp. 401 (E.D. Mich. 1994) (J. Edmunds).**

Plaintiff, an architectural firm, sued Defendants, an architect/builder, and the individuals who hired the architect to build a home in Franklin. Plaintiff alleged infringement of the copyrights based upon the drawings and the home it designed in Bloomfield Hills, which the individuals had viewed and obtained a copy of the spec sheets. Defendants moved for summary judgment, and the Court denied the motion on all of the following four contentions:

- 1) that Plaintiff lacked standing to sue;
- 2) that Plaintiff had not registered the copyright at the time of the alleged infringement;
- 3) that the plans were in the public domain; and
- 4) that the 1990 Amendment to 17 U.S.C. §102 covered neither the plans nor the building.

**3. Express Mortgage Brokers Inc. v Simpson Mortgage Inc., 31 U.S.P.Q.2d 1371 (E.D. Mich. 1994) (J. Gadola).**

Plaintiff, Express Mortgage Brokers Inc., sued Simpson Mortgage Inc. for trademark infringement under 15 U.S.C. §1125(a), based upon Defendant's use of the telephone number 1-800-760-CASH, starting in approximately August, 1993. Plaintiff had used the phone number 369-CASH since 1984. Thus, the Court held that the alpha-numeric telephone number, as a descriptive term, had acquired secondary meaning. In view of the identity of mortgage brokerage services engaged in by both parties, among other reasons, the Court granted Plaintiff's motion for preliminary injunction.

**4. Princeton Univ. Press v Michigan Document Services Inc., 855 F. Supp. 905 (E. D. Mich. 1994) (J. Hackett) and 869 F. Supp. 521 (E.D. Mich. 1994) (J. Hackett).**

Plaintiffs, various publishers, sued Defendant, Michigan Document Services Inc., for copyright infringement based upon Defendant's unauthorized sales of "coursepacks" to University of Michigan students. On Plaintiffs' motion for summary judgment, the Court rejected the application of the "fair use" defense, held there was willful infringement and granted injunctive relief. The Court also awarded Plaintiffs \$30,000 in statutory damages, costs and reasonable attorney fees. In the latter opinion, the Court ordered payment of attorney fees and costs of \$326,318.52, a reduction of 10% of the fees sought by Plaintiff.

**5. Artie Fields Productions v Channel 7 of Detroit, 32 U.S.P.Q.2d 1539 (E.D. Mich. 1994) (J. Woods).**

Plaintiff, Artie Fields Productions Inc., sued Defendants, Channel 7 of Detroit Inc. and Scripps-Howard Broadcasting Inc., under several common law causes of action based upon the alleged appropriation by Defendant of a format used for Defendant's broadcast of "Best of the Class" and Defendant Channel 7's broadcast of "Brightest and Best". Defendants filed a notice of removal from Oakland County Circuit Court to U.S. District Court, alleging preemption under the Copyright Act. Plaintiff thereafter sought to remand to Oakland County Circuit Court. The Court held that the Copyright Act preempted equivalent state law claims, and denied the motion to remand and Plaintiff's motion for reconsideration.

**6. Countrywide Funding Corp. v Countrywide Financial Corp., 33 U.S.P.Q.2d 1044 (W.D. Mich. 1994) (J. Quist).**

Plaintiff, Countrywide Funding Corp., sued its competitors, Defendants, Countrywide Financial Corp.,

Countryside Financial Corp. and Ronald Reblin for trademark infringement based upon the latter's use of "Countrywide" and "Countryside" for mortgage lending services. On Plaintiff's motion for summary judgment, the Court granted the motion, determining that Defendants willfully infringed the Plaintiff's mark, particularly in view of Defendants' failure to follow through on their pretrial settlement negotiation promise to cease use of the infringing marks. The Court enjoined the Defendants from further infringement and ordered payment of reasonable attorney fees.

**7. Balkin v Wilson, 863 F. Supp. 523 (W.D. Mich. 1994) (J. Enslin).**

Plaintiff, College Professor Balkin, sued Defendant, College Professor Wilson, alleging copyright infringement based upon sales by Defendant of taped copyrighted songs written while the Plaintiff and Defendant collaborated on a joint project to develop a program called "Literacy Now: Breaking the Language Barrier Through Song". The Court granted Plaintiff's motion for summary judgment, effectively rejecting Defendant's claim of joint authorship in the works. Also, Defendant could not establish that he was a co-author of a joint work because his contribution of ideas and concepts was not copyrightable. The Court entered an injunction and ordered an accounting as part of the relief granted.

**8. Kransco Manufacturing Inc. v Hayes Specialties Corp., 33 U.S.P.Q.2d 1999 (E.D. Mich. 1994) (J. Churchill).**

Plaintiff, Kransco Manufacturing Inc., sued Defendant, Hayes Specialties Corp. for infringement of a registered trademark in a sinuous seam on a two-panel foot bag sold under the name "HACKY SACK". Defendant challenged the validity of the registration on the basis of alleged functionality, but did not succeed. The Court concluded infringement of the registered mark. The Court awarded damages of \$68,946.00 for the infringement, with no provision for prejudgment interest, and determined injunctive relief to be appropriate. The Court also found infringement of a patent owned by Plaintiff. The Court awarded \$100.00 as damages for the patent infringement, trebling \$33.33. The Court likewise determined an injunction to be appropriate. Finally, the Court deemed the case exceptional both as to the trademark and patent infringement aspects, thus awarding Plaintiff its reasonable attorney fees.

**9. Blockbuster Entertainment Group v Laylco Inc., 869 F. Supp. 505 (E.D. Mich. 1994) (J. Edmunds).**

Plaintiff, Blockbuster Entertainment Group, sued Defendant, Laylco Inc., et al., alleging trademark infringement of its "Blockbuster" and "Blockbuster

Video" trademarks under 15 U.S.C. §1114 in view of Defendants' operation of video tape rental stores named "Video Busters". Plaintiff moved for a preliminary injunction. Despite acknowledging similarity only in the pronunciation and verbal translation of the "buster" portion of the mark, the Court found a likelihood of confusion based on the strength of Blockbuster's mark in the video cassette rental business. The Court granted the preliminary injunction motion and enjoined the Defendants from using the name "Video Busters" and any name with the suffix "buster".

**10. Kmart Corp. v Key Industries Inc., 33 U.S.P.Q.2d 1521 (E.D. Mich. 1994) (J. Edmunds).**

Plaintiff, Kmart Corp., brought an action for declaratory judgment of non-infringement of a trademark of Defendant, Key Industries Inc., in anticipation of Defendant bringing an infringement action. Defendant filed a complaint alleging trademark infringement in U.S. District Court for the District of Kansas about three months after Plaintiff filed its action. Defendant thus moved to dismiss or transfer Plaintiff's Michigan action. The District Judge denied the motion to dismiss finding personal jurisdiction and venue based upon Defendant's sales of its clothing in seven Michigan stores. The Court also refused to transfer the action from Plaintiff's choice of forum.

**11. Mayotte & Associates v MGC Building Co., 34 U.S.P.Q.2d 1073 (E.D. Mich. 1994) (J. Edmunds).**

Plaintiffs, Ronald Mayotte & Associates and Superb Homes Inc., sued Defendants, MGC Building Co., Gino Cervi, and Robert Kopf principally alleging infringement of copyright registrations in architectural plans and the resulting architectural structure, owned by Mayotte. Mayotte exclusively licensed Superb under the registrations. Defendants built a home for a customer that allegedly infringed the registrations. Plaintiff sought a preliminary injunction to prevent Defendants from, inter alia, further construction of any allegedly infringing homes. In view of numerous substantial similarities found by the Court between the accused and the registered subject matter (e.g., room placement, window placement, kitchen counter and bathroom arrangements), the Court found likelihood of success on the merits. The Court thus enjoined Defendants from performing any construction or work on any new infringing house. Although not reaching Plaintiffs' Lanham Act Claim, the Court also enjoined the Defendants from "confusing the public into believing that a relationship exists between Defendants and Plaintiffs."

**12. Uniroyal Goodrich Tire Co. v Hudson, 873 F. Supp. 1037 (E.D. Mich. 1994) (J. Zatkoff).**

Plaintiff, Uniroyal Goodrich Tire Company, sued Defendant, Hudson, for violations of employee secrecy and noncompete agreements entered into between the parties while Plaintiff employed the Defendant. Plaintiff sought a permanent injunction to prevent Defendant from using or divulging trade secrets, confidential information or other proprietary information during the course of Defendant's work as an expert witness in personal injury and product liability lawsuits filed against Plaintiff. Finding breaches of the agreements, the Court permanently enjoined Defendant from testifying as an expert witness against Plaintiff, and placed restrictions on how Defendant may use the Plaintiff's information if serving as an expert in cases not against Plaintiff.

**13. Chrysler Corporation v Newfield Publications Inc., 880 F. Supp. 504 (E.D. Mich. 1995) (J. Anna Diggs Taylor).**

Plaintiffs, Chrysler Corporation and Automobile Lamborghini SPA, sued Defendant, Newfield Publications, claiming trademark and trade dress infringement and unfair competition by virtue of Defendant's "Wheels and Wings" collectible card series. Defendant claimed the accused subject matter to be a book, not a collectible and series, and asserted several affirmative defenses. The Court concluded that likelihood of confusion existed to entitle Plaintiffs to judgments of trademark infringement, Lanham Act Violations and Michigan Unfair Competition Law Violations. In considering the parties' cross-motions for summary judgment, the Court, however, found questions of fact as to certain of Defendant's affirmative defenses (i.e., First Amendment, consent, acquiescence and laches). The Court chose, however, not to adopt the Defendant's nominative fair use defense because the Sixth Circuit had yet to do so, thus granting summary judgment to Plaintiff on that issue. Notwithstanding, the Court also found the Defendant had failed to meet the requirements of the test for the defense.

**CASE DECIDED IN THE AREA OF PATENT LAW WITH A MICHIGAN CONNECTION**

Among the cases reported in the past year with a Michigan connection and with intellectual property issues were the following cases relating to patents.

**14. Transmatic Inc. v Gulton Industries, Inc., 1995 U.S. App. Lexis 9815 (Fed. Cir. 1995) (J. Lourie).**

Plaintiff Transmatic owns a patent for a cornice lighting fixture for buses. The fixture provides both support for advertising cards and illumination for the interior of the vehicle. Defendant Gulton introduced a competing product with a flange, the only distinction for the Transmatic product. The trial court held Gulton

liable for infringement under the doctrine of equivalents. The Federal Circuit found that the District Court erred by using a doctrine of equivalents analysis to decide whether Gulton's device was a literal infringement of Transmatic's patent and found literal infringement.

Note: The District Court relied upon functional differences between the products that were not contained in the claim. It also imported unnecessary narrow limitations from the patent specification and its narrow claims into the broad claims.

The Federal Circuit also found that the District Court should not have merely adopted the verdict of an advisory jury on the issue of damages without making specific factual findings pursuant to Rule 52(a) of the Federal Rules of Civil Procedure:

In all actions tried upon the facts without a jury or with an advisory jury, the court shall find the facts specifically and state separately its conclusions of law thereon... Findings of fact, whether based on oral or documentary evidence, shall not be set aside unless clearly erroneous... Id.

The Federal Circuit thus remanded the case back to the District Court for such findings and to reevaluate the damages in view of the findings and the reversal of the finding of no literal infringement.

**15. Lantech, Inc. v Keip Machine Company, 31 U.S.P.Q.2d 1666 (Fed. Cir. 1994) (J. Rich).**

Plaintiff Lantech owns a patent for a stretch wrapping machine that spirally wraps packaged products with a prestretched film which contracts around the products: Defendant Keip makes a machine that allegedly infringes Lantech's patent. The District Court granted summary judgment and found that Keip's device literally infringed Lantech's patent. The District Court interpreted the claims without using the claim language limitation "at least two conveyors." The District Court also adopted a definition for "conveyor" that was not, in the opinion of the Federal Circuit, its ordinary and accustomed meaning (The patent was not dispositive on the definition). The District Court "embraced" a broad interpretation of the word "conveyor" to encompass any moving surface.

**16. Musco Corporation v Qualite, Inc., 1995 U.S. Dis. Lexis 5001 (W.D. Mich. 1995) (J. McKeague).**

Plaintiff Musco owns patents for means and method for providing a uniform level of light for athletic fields while controlling light pollution problems (glare). In

this case the court made detailed factual findings before denying all seven motions before it:

- 1) defendant's motion for summary judgment of non-infringement ('934 patent);
- 2) defendant's motion for summary judgment of invalidity under 35 U.S.C. § 112;
- 3) defendant's motion for summary judgment of invalidity under 35 U.S.C. § 102(b) and on the basis of alleged inequitable conduct before the United States Patent and Trademark Office ('934, '303 and '828 patents).
- 4) defendant's motion for summary judgment of invalidity under 35 U.S.C. § 103 ('934 patent);
- 5) defendant's motion for summary judgment of invalidity under § 102(b) and § 103 ('150 patent);
- 6) plaintiff's motion for summary judgment of infringement ('150 patent); and
- 7) defendant's cross motion for summary judgment of non-infringement ('150 patent).

The court provides a nice summary of elementary patent law with key case citations. It is reprinted here:

### I. SUMMARY JUDGMENT STANDARD

*Summary judgment is appropriate when the record reveals that there are no issues as to any material fact in dispute and the moving party is entitled to judgment as a matter of law. Fed. R. Civ. P.56(c); Celotex Corp. v Catrett 477 U.S. 317, 322-23, 91 L. Ed. 2d 265, 106 S. Ct. 2548 (1986); Anderson v Liberty Lobby, Inc., 477 U.S. 242, 248, 91 L. Ed. 2d 202, 106 S. Ct. 2505 (1986). The standard for determining whether summary judgment is appropriate is "whether the evidence presents a sufficient disagreement to require submission to a jury or whether it is so one-sided that one [\*7] party must prevail as a matter of law." Liberty Lobby, 477 U.S. at 251-52. "By its very terms, this standard provides that the mere existence of some alleged factual dispute between the parties will not defeat an otherwise properly supported motion for summary judgment; the requirement is that there be no genuine issue of material fact." Id. 477 U.S. at 247-48 (emphasis in original).*

*The Court must consider all pleadings, depositions, affidavits, and admissions on file, and draw all justifiable inferences in favor of the party opposing the motion. Matsushita Elec. Ind. Co. v Zenith Radio Corp., 475 U.S. 574, 587, 89 L. Ed. 2d 538, 106 S. Ct. 1348 (1986). However, the moving party is not required to expressly negate the opponent's claim. Celotex, 477 U.S. at 323. The movant satisfies its initial*

*burden merely "by pointing out to the court that the respondent, having had sufficient opportunity for discovery, has no evidence to support an essential element of his or her case." Street v I.C. Bradford Co., 886 F.2d 1472, 1479 (6th Cir. 1989).*

*Once the movant makes a sufficient showing of an absence of evidence to support the non-moving party's case [\*8] the non-moving party then assumes the burden of coming forward with evidence demonstrating a genuine issue of material fact. Celotex, 477 U.S. at 324-25. The non-moving party may not rest on the mere allegations contained in the pleadings, but, rather, must set forth specific facts showing that there is a genuine issue for trial. Fed. R. Civ. P.56(e). "The mere existence of a scintilla of evidence in support of the [non-moving party's] position will be insufficient." Liberty Lobby, 477 U.S. at 252. The non-moving party "cannot rely on the hope that the trier of fact will disbelieve the movant's denial of a disputed fact, but must present affirmative evidence in order to defeat a properly supported motion for summary judgment." Barnhart v Pickrel, Schaeffer & Ebeling Co., 12 F.3d 1382, 1389 (6th Cir. 1993).*

*"As to materiality, the substantive law will identify which facts are material. Only disputes over facts that might affect the outcome of the suit under the governing law will properly preclude the entry of summary judgment." Liberty Lobby, 477 U.S. at 248. And an issue of material fact is genuine only "if the evidence is such that a reasonable jury could return [\*9] a verdict for the non-moving party." Id. The non-moving party "must do more than simply show that there is some metaphysical doubt as to the material facts." Matsushita, 475 U.S. at 586.*

### III. APPLICABLE LAW

#### A. INVALIDITY

*"Under 35 U.S.C. § 282, a patent is presumed valid and one challenging its validity bears the burden of proving invalidity by clear and convincing evidence." Innovative Scuba Concepts, Inc. v Feder Indus., Inc., 26 F.3d 1112, 1115 (Fed. Cir. 1994). Defendants allege invalidity of plaintiff's patents under the following theories:*

#### I. Anticipation by Prior Art - 35 U.S.C. § 102(b)

*Section 102(b) provides:*

*A person shall be entitled to a patent unless –  
(b) the invention was in public use or on sale in*

this country, more than one year prior to the date of the application for patent in the United States.

35 U.S.C. § 102(b).

"Anticipation under 35 U.S.C. § 102(b) requires the presence in a single prior art disclosure of each and every element of a claimed invention, and is a question of fact." Electro Medical Systems S.A. v Cooper Life Sciences, 34 F.3d 1048, 1052 (Fed. Cir. 1994). "Anticipation [\*10] must be proved by clear and convincing evidence." *Id.*

## 2. Obviousness - 35 U.S.C. § 103

Section 103 provides:

A patent may not be obtained ... if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

35 U.S.C. § 103

"Obviousness is a question of law based upon underlying factual determinations. Relevant underlying facts are (1) the scope and content of the prior art; (2) the differences between the prior art devices and the claimed invention; (3) the level of ordinary skill in the art; and (4) objective considerations such as commercial success, long felt need, failure of others, and copying." Heidelberger Druckmaschinen AG v Hanischo Commercial Products, Inc. 21 F.3d 1068, 1071 (Fed. Cir. 1994) (citations omitted).

[4] Analogous art is that which is relevant to a consideration of obviousness under section 103. "Whether something legally [\*11] within the prior art is 'analogous' is a fact question." Two criteria are relevant in determining whether prior art is analogous; (1) whether the art is from the same field of endeavor, regardless of the problem addressed, and (2) if the art is not within the same field of endeavor, whether it is still reasonably pertinent to the particular problem to be solved.

Wang Laboratories, Inc. v Toshiba Corp., 993 F.2d 858, 864 (Fed. Cir. 1993) (citations omitted).

Prosecution history estoppel bars "a patentee from enforcing its claims against otherwise

legally equivalent structures if those structures were excluded by claim limitations added in order to avoid prior art." In determining whether prosecution history estoppel applied because of a change in claim language during prosecution, the court must consider not only what was changed, but the reason for such change.

*Id.* at 866 (citations omitted; emphasis in original).

## 3. Inadequate Specification - 35 U.S.C. § 112

Section 112 provides

The Specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, [\*12] concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

35 U.S.C. § 112. The requirements of § 112 are generally referred to as the "written description" requirement, the "enablement" requirement, and the "best mode" requirement.

### (a) Written Description Requirement

The Federal Circuit explained in Vas-Cath Inc. v Mahurkar, 935 F.2d 1555 (Fed. Cir. 1991), that a uniform standard exists for determining compliance with the written description requirement. "Although [the applicant] does not have to describe exactly the subject matter claimed, ... the description must clearly allow persons of ordinary skill in the art to recognize that [the applicant] invented what is claimed." *Id.* at 1563. Continuing, the court stated that the test to be applied was "whether the disclosure of the application relied upon reasonably conveys to the artisan that the inventor had possession at that time of the later claimed subject matter." *Id.* (citation omitted). Compliance [\*13] with the written description requirement is a question of fact. *Id.*

### (b) Enablement Requirement

Distinct from the written description requirement is the enablement requirement. *Id.* To comply with the enablement requirement, the patent must "contain a description sufficient to enable one skilled in the art to make and use the claimed invention." U.S. v Telectronics, Inc., 857 F.2d 778, 785 (Fed. Cir. 1988), cert.

denied, 490 U.S. 1046, 104 L. Ed. 2d 423, 109 S. Ct. 1954 (1989). The test of whether the enablement requirement is met is "whether one reasonably skilled in the art could make or use the invention from the disclosures in the patent coupled with information known in the art without undue experimentation. *Id.* Because the test is directed toward one skilled in the art, the specification need not teach, or disclose what is well known in the art. Teller Environment Systems, Inc. v U.S. 802 F.2d 1385 (Fed. Cir. 1986). Compliance with the enablement requirement is a question of law. Telectronics, 857 F.2d at 785.

#### (c) Best Mode Requirement

The best mode requirement exists to ensure that an inventor's disclosure not only enables one skilled [\*14] in the art to make and use a patented invention, but also reveals any "specific instrumentalities or techniques which are recognized at the time of filing as the best way of carrying out the invention." Spectra-Physics, Inc. v Coherent, Inc. 827 F.2d 1524, 1532 (Fed. Cir. 1987) cert. denied, 484 U.S. 954, 987 L. Ed. 2d 372, 108 S. Ct. 346 (1987). The purpose of the requirement is to prevent inventors from obtaining a patent while concealing from the public the preferred embodiment of their invention. Wahl Instruments, Inc. v. Acvious, Inc., 950 F.2d 1575, 1579 (Fed. Cir. 1991).

The best mode requirement has two elements:

The first is whether, at the time the inventor filed his patent application, he knew of a mode of practicing his claimed invention that he considered to be better than any other. This part of the inquiry is wholly subjective, and resolves whether the inventor must disclose any facts in addition to those sufficient for enablement. If the inventor in fact contemplated such a preferred mode, the second part of the analysis compares what he knew with what he disclosed—is the disclosure adequate to enable one skilled in the art to practice the best [\*15] mode or, in other words, has the inventor "concealed" his preferred mode from the "public"? Assessing the adequacy of the disclosure, as opposed to its necessity, is largely an objective inquiry that depends upon the scope of the claimed invention and the level of skill in the art.

Chemcast Corp. v Arco Industries Corp., 913 F.2d 923, 927-28 (Fed. Cir. 1990) (emphases in original). "Compliance with the best mode

requirement, because it depends on the applicant's state of mind, is a question of fact." *Id.* at 928 (citations omitted).

#### 4. Inequitable Conduct

In order for a patent to be rendered unenforceable on the grounds of inequitable conduct before the PTO, the party alleging invalidity must establish (1) that there was a material misrepresentation or omission of information, i.e., information that a reasonable examiner would consider important in deciding whether to issue the patent, and (2) intent on the part of the applicant to mislead the PTO. Akzo N.V. v U.S. Int'l. Trade Comm'n., 808 F.2d 1471, 1481 (Fed. Cir. 1986), cert. denied 482 U.S. 909, 96 L. Ed. 2d 382, 107 S. Ct. 2490 (1987). The Federal Circuit has noted that while both elements [\*16] need to be present, a certain "balance" exists between them, such that "the more material the omission, the less culpable the intent required, and vice versa." Halliburton Co. v Schlumberger Technology Corp., 925 F.2d 1435, 1439 (Fed. Cir. 1991).

#### B. INFRINGEMENT

Infringement may be found only if "every limitation set forth in a claim [is] found in an accused product or process exactly or by a substantial equivalent." Where all claim limitations are present in the accused device exactly, the claims "read on" the accused device and literal infringement is made out. Even where there is not literal infringement, infringement may still be found under the doctrine of equivalents if the limitation or limitations not literally present are there by equivalents.

An analysis of infringement involves two steps. First, a claim is construed without regard to the accused product. Second, the claim is compared with the accused product, to determine whether all of the limitations of the claim are present either exactly or by substantial equivalent.

Jurgens v McKasy, 927 F.2d 1552, 1560 (Fed. Cir. 1991) (citations omitted, emphasis in original).

#### 1. [\*17] Claim Interpretation

Claim interpretation is a question of law amenable to summary judgment and disagreement over the meaning of a term within a claim does not necessarily create a genuine issue of material fact. The terms in a claim are given their ordinary meaning to one of skill in the art unless it appears from the patent and file history that

the terms were used differently by the inventors. Thus, where a disputed term would be understood to have its ordinary meaning by one of skill in the art from the patent and its history, extrinsic evidence that the inventor may have subjectively intended a different meaning does not preclude summary judgment. In such instance, there is no genuine dispute respecting a material fact.

Intellicall, Inc. v Phonometrics, Inc., 952 F.2d 1384, 1387 (Fed. Cir. 1992) (citations omitted; emphases in original).

It is well-established that "the claims measure in the invention." Continental Paper Bag Co. v Eastern Paper Bag Co., 210 U.S. 405, 419, 52 L. Ed. 1122, 28 S. Ct. 748 (1908). Furthermore, "where some claims are broad and others narrow, the narrow claim limitations cannot be read into the broad whether to avoid [\*18] invalidity or to escape infringement." Uniroyal, Inc. v RudkinWiley Corp., 837 F.2d 1044, 1054-55 (Fed. Cir.) cert. denied, 488 U.S. 825, 102 L. Ed. 2d 51, 109 S. Ct. 75 (1988). And finally, the prosecution history (sometimes called "file wrapper and content") of the patent consists of the entire record of proceedings in the Patent and Trademark Office. This includes all express representations made by or on behalf of the applicant to the examiner to induce a patent grant... Such representations include amendments to the claims and arguments made to convince the examiner that the claimed invention meets the statutory requirements of novelty, utility, and nonobviousness. Thus, the prosecution history (or file wrapper) limits the interpretation of claims so as to exclude any interpretation that may have been disclaimed or disavowed during prosecution in order to obtain claim allowance.

Standard Oil Co. v American Cyanamid Co., 774 F.2d 448, 452 (Fed. Cir. 1985).

## 2. Literal Infringement

Determination of whether every limitation in the relevant claims is found exactly in an accused product or process is a factual question. Hormone Research Foundation [\*19] v Genentech, Inc., 904 F.2d 1558, 1562 (Fed. Cir. 1990).

## 3. Doctrine of Equivalents

To demonstrate infringement under the doctrine of equivalents, plaintiff must prove that the accused product "and the claimed invention perform substantially the same function

in substantially the same way to give substantially the same result." Loctite Corp. v Ultraseal Ltd., 781 F.2d 861, 869 (Fed. Cir. 1985). This determination is a question of fact. *Id.*

## 4. The Reverse Doctrine of Equivalents

The reverse doctrine of equivalents provides that "where a device is so far changed in principle from a patented article that it performs the same or similar function in a substantially different manner, but nevertheless falls within the literal words of the patent," infringement will not be found. Graver Tank & Mfg. Co. v Linde Air Products Co., 339 U.S. 605, 608, 94 L. Ed. 1097, 70 S. Ct. 854 (1950). In other words, for the doctrine to apply, the alleged infringing product must meet the literal language of the claim, but have no relation to the invention.

## 5. Inducing Infringement - 35 U.S.C. § 271(b)

Section 271(b) provides: "Whoever actively induces infringement [\*20] of a patent shall be liable as an infringer." Active inducement is "a type of direct infringement" and "proof of actual intent to cause the acts which constitute the infringement is a necessary prerequisite to finding active inducement." Hewlett-Packard Co. v Bausch & Lomb Inc., 909 F.2d 1464 (Fed. Cir. 1990). Liability under § 271(b) requires that a person "knowingly aid[s] and abet[s] another's direct infringement." Water Technologies Corp. v Calco, Ltd. 850 F.2d 660, 668 (Fed. Cir. 1988) (emphasis in original). "While proof of intent is necessary, direct evidence is not required; rather, circumstantial evidence may suffice." *Id.*

## 17. FFOC Company v Invent A.G., 1994 U.S. Dist. Lexis 16824 (E.D. Mich. 1994) (J. Gilmore).

This is a declaratory action involving the assignment and ownership of a patent. The jurisdiction of the District Court was challenged. In response, the Court cited 35 U.S.C. § 256 and MCV Inc. v King Seeley Thermos Co., 870 F.2d 1568 (Fed. Cir. 1989).

Whenever through error a person is named in an issued patent as the inventor, or through error an inventor is not named in an issued patent and such error arose without any deceptive intention on his part, the Commissioner may, on application of all the parties and assignees, with proof of facts and such other requirements as may be imposed, issue a certificate correcting such error.

*The error of omitting inventors or naming persons who are not inventors shall not invalidate the patent in which such error occurred if it can be corrected as provided in this section. The court before which such matter is called in question may order correction of the patent on notice and hearing of all parties concerned and the Commissioner shall issue a certificate accordingly.*

35 U.S.C. § 256

*The Statute prescribes one prerequisite to judicial action: all parties must be given notice and an opportunity to be heard. If that is done, there is subject-matter jurisdiction in the district court over a dispute raising solely a joint inventorship issue among contending co-inventors.*

*MCV, Inc. v. King Seeley Thermos Co.* 870 F.2d 1568 (Fed. Cir. 1989 at 1570)

**18. Kerr Mfg. Co. v Centrix, Inc. 1994 U.S. Dist. Lexis 17705 (E.D. Mich. 1994) (J. DeMascio).**

Centrix is the licensee of two patents on dental syringe and capsules used to fill cavities in teeth. Both Centrix and Kerr make paste carrying capsules designed to work with the Centrix syringe. The court found no literal infringement and proceeded to analyze the patent claims and Kerr's products using the doctrine of equivalents. The prosecution history of the patents showed that the claims were limited in two ways by the applicant in order to obtain allowance over the cited art. However, the Kerr capsule only incorporated one of these limitations. Wang Lab Inc. v Toshiba Corp., 993 F.2d 858 (Fed. Cir. 1983), the Court, citing Wang Lab Inc. v Toshiba Corp. noted that Centrix was estopped from asserting that only one of such limitations was actually necessary to overcome the rejection based upon the cited art. The court next analyzed the issue of whether the production of the non-infringing Kerr capsules constitute contributory infringement of the patent on the syringe combined with a capsule. The courts based its reasoning on Aro Mfg. Co. v Convertible Top Replacement Co., 365 U.S. 336 (1961) and Dawson Chemical Co. v Rohm and Hass Co., 448 U.S. 176 (1980).

"Read together, Dawson and Aro teach that a patent holder may tie the purchase of an unpatented nonstaple good one that constituted a material part of the invention to the purchase of a license to use the patented product, and thus gain control of the market for that non-staple. However, where an unpatented non-staple good is used by an owner of the patented product to repair it rather than to reconstruct it, the owner has

not infringed the patent. Therefore, the seller of the replacement part has not contributorily infringed. 1994 U.S. Dist. Lexis 17705 at 20.

Centrix argues that the replacement of capsules in the syringe was a reconstruction and not a repair. The court rejected this argument due to the fact that the "replacement of a disposable part intended only for one use in a reusable combination constitutes repair by which an owner of the combination retains meaningful use of the whole, otherwise, every time an "expendable" capsule is replaced, the combination device has been destroyed and reconstructed regardless of who manufactured the replacement."

1994 U.S. Dist. Lexis 17705 at 21.

**19. Indian Head Industries Inc. v Ted Smith Equip. Co., 859 F. Supp 1095 (E.D. Mich. 1994) (J. DeMascio).**

Plaintiff Indian Head owns patents for tamper resistant dual-diaphragm spring-brake actuators. The question before the court is whether the patents are invalid for obviousness under 35 U.S.C. § 103:

A patent may not be obtained though the invention is not identically disclosed or described as set forth in § 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

The court cited Graham v John Deere, 383 U.S. 1 (1966) in listing the four factors for determining obviousness:

- 1) the scope and content of the prior art;
- 2) the differences between the prior art and the claims at issue;
- 3) the level of ordinary skill in the pertinent art; and
- 4) objective or secondary considerations, such as:
  - (a) whether there was a long-felt need for the claimed invention,
  - (b) the failure of others, or
  - (c) whether the claimed invention has enjoyed commercial success.

The court concluded in note 12:

The industry's reaction to the introduction of the tamper-resistant brake also resolves the ambiguity regarding long-felt need. That is,

factors such as commercial success, licensing, copying, and acceptance by the industry show that the problem solved by the industry is best characterized generally as avoiding accidents caused by the inadvertent removal of the head in the field without first cadging the power spring. While it is true that some in the industry focussed on preventing accidents while maintaining the serviceability of the power chamber, the post-invention objective factors reveal that the need was for the most part less specific. The industry needed a way — tangle-resistant or not — to prevent accidents. The patent-in-suit solved that problem.

The court thus concluded that the inventions claimed in Indian Head's patents were not obvious.

**20. Shatterproof Glass Corp. v PPG Industries Inc., 31 U.S.P.Q.2d 1605 (E.D. Mich. 1994) (J. Taylor).**

Plaintiff, Shatterproof Glass Corp., through its trustee in bankruptcy, sued defendant, PPG Industries, Inc. for patent infringement. After a finding of summary judgment of non-infringement for defendant, defendant filed a motion to supplement the judgment order to find the case exceptional and to grant an award of reasonable attorney's fees. The Court found that all of PPG's products and methods do not literally infringe, and the doctrine of file wrapper estoppel precluded infringement under the doctrine of equivalents. The Court found that a sufficient investigation by Shatterproof before bringing the suit would have established that all PPG's products did not meet the claim limitations of the patent. As a result, the Court, on the facts of this case, found the case exceptional under 35 U.S.C. § 285 and awarded reasonable attorney's fees to defendant as the prevailing party.

**21. Shatterproof Glass Corp. v PPG Industries Inc., 33 U.S.P.Q.2d (E.D. Mich. 1994) (J. Taylor).**

Pursuant to the above case, the District Court granted defendant's, PPG Industries Inc., motion to find the case exceptional and grant award of reasonable attorney's fees. The defendant filed proofs of the amount of attorney's fees and expenses and a bill of costs. The Court awarded defendant the amount of \$2,023,545.00, plus prejudgment interest, as reasonable attorney's fees and expenses under 35 U.S.C. § 285.

**22. TRW Financial Services Inc. v Unisys Corp., 31 U.S.P.Q.2d 1065 (E.D. Mich. 1993) (J. Rosen).**

Plaintiff, TRW Financial Services Inc., sued defendant, Unisys Corp., for patent infringement, in which

defendant counterclaimed against plaintiff and TRW Inc., for anti-trust violations. Defendant requested that sanctions be imposed against plaintiff and against plaintiff's attorneys for the failure to produce, or claim privilege for certain documents requested by defendant during discovery in the case. The Court found that an attorney's work product is discoverable where, as here, that information is directly at issue and the need for production is compelling. The court held that the attorney work-product doctrine provides a "qualified immunity" from discovery of documents prepared by attorneys in anticipation of litigation or for trial and which is codified in Fed. R. Civ. Pro. 26(b)(3). The seminal case on the work product doctrine is Hickman v Taylor, 329 U.S. 495 (1947). In this case, defendant has directly called into question the conduct of plaintiff's attorneys, arguing that they have deliberately been withholding from discovery evidence pertaining to defendants "on-sale bar" and "inequitable conduct" defenses. The court also found that neither the attorney-client privilege nor the work-product doctrine can be asserted to preclude discovery of documents which evidence "reasonable suspicion" of the furtherance of a fraud by either a client or counsel.

**23. Kearns v Chrysler Corp., 32 F.3d 1541 (Fed. Cir. 1994) (J. Lourie).**

Plaintiff, Kearns, sued defendant, Chrysler Corporation, for infringement of three patents relating to intermittent windshield wipers. The District Court entered a jury verdict for plaintiff and cross-appeals were taken. The District Court awarded plaintiff \$18,000,000 in damages. Plaintiff shortly before trial expanded his claim for relief to include injunctive relief. The District Court refused to grant such relief because the patents had already expired. The Court found that when the exclusive right is infringed the patent owner is authorized to obtain compensation in the form of damages measured e.g., by lost profits or reasonable royalty. 35 U.S.C. § 281, 284 (1988). The Court found that when the rights secured by a patent are no longer protectable by virtue of expiration or unenforceability, entitlement to injunctive relief becomes moot because such relief is no longer available. See Illinois Tool Works, Inc. v Grip-Pak, Inc., 15 U.S.P.Q.2d 1307,1308 (Fed. Cir. 1990). Plaintiff also argued that the District Court erred in granting defendant's motion for summary judgment on plaintiff's claim for damages based on lost profits rather than on reasonable royalty. In ruling against plaintiff, the District Court concluded that plaintiff failed to prove Panduit requirements for lost profits, particularly with regard to whether he possessed the capabilities to manufacture and market the patented product. The Court held that when a patent owner fails to prove lost profits, the Court is left with no alternative but to have damages determined on a reasonable

royalty. See Water Technologies Corp. v Calco, Ltd., 7 U.S.P.Q.2d 1097, 1108 (Fed. Cir.) cert. denied, 488 U.S. 968 (1988).

**24. GenDerm Corp. v Ferndale Laboratories Inc., 32 U.S.P.Q.2d 1567 (E.D. Mich. 1994) (J. Duggan).**

Plaintiff, GenDerm Corp., sued defendant, Ferndale Laboratories Inc., for patent infringement. Plaintiff filed a motion for preliminary injunction. The Court held that a preliminary injunction may issue in a patent action pursuant to 35 U.S.C. § 283, but the Federal Circuit has cautioned that a preliminary injunction "is a drastic and extraordinary remedy that is not to be routinely granted." Intel Corp. v ULSI Sys. Technology Inc., 27 U.S.P.Q.2d 1136 (Fed. Cir. 1993), cert. denied, 114 S.Ct 923 (1994). The Court found that in determining whether a preliminary injunction should issue, it must consider the following four factors:

1. whether the movant has sufficiently established a reasonable likelihood of success on the merits;
2. whether the movant would suffer irreparable harm if the injunction was not granted;
3. whether the balance of hardship tips in the movant's favor; and
4. the impact if any, of the injunction on the public interest. *Id.*

The Court found that no factors are dispositive, but all must be addressed. Illinois Tool Works, Inc. v Grip-Pack, Inc., 15 U.S.P.Q.2d 1307 (Fed. Cir. 1990). In considering the four factors, the Court found that there was no possibility of future infringement, and that plaintiffs did not make a clear enough showing of success on the merits to be entitled to a presumption of irreparable harm. The Court also found that the balance of hardships could be equally asserted for or against either party and that the public interest in the protection of patent rights is counterbalanced by defendant's right to compete. Thus, the Court denied plaintiff's request for injunctive relief.

**25. Seal-Flex Inc. v Athletic Track and Court Construction, 32 U.S.P.Q.2d 1676 (E.D. Mich. 1994) (J. Hackett).**

Plaintiff, Seal-Flex Inc. sued defendant, Athletic Track and Court Construction, for patent infringement in which defendant counterclaimed for declaratory judgment of patent invalidity, unenforceability and non-infringement. Defendant filed a motion for partial summary judgment of patent invalidity. The Court held that the standard for summary judgment was determined by Federal Rules of Civil Procedure 56(c) and based upon whether the evidence presents a sufficient disagreement to require submission to a

jury or whether it is so one-sided that one party must prevail as a matter of law. Booker v Brown & Williamson Tobacco Co. Inc., 879 F.2d 1304, 1314 (6th Cir. 1989) (citing Anderson v Liberty Lobby, Inc., 477 U.S. 242, 251-52 (1986)). The Court found that a definite offer to sell a track constructed from the patented process was made to officials in Logan, Kansas and Garden City, Kansas at least one year prior to the critical date and that the patent was invalid under § 102(b). As a result, the Court granted defendant's motion for partial summary judgment declaring the patent invalid.

**26. Amway Corp. v Nartron Corp., 32 U.S.P.Q.2d 1757 (W. D. Mich. 1994) (J. Enslin).**

Plaintiff, Amway Corp., sued defendant, Nartron Corp., for declaratory judgment of patent invalidity. Plaintiff brought a renewed motion for summary judgment for invalidity of defendant's patent. Plaintiff maintained that the patent is invalid because it was sold to a customer more than one year before the filing of the patent application under 35 U.S.C. § 102(b). The Court applied the same standard cited in the above case. The Court also found that a prior decision denying summary judgment does not prevent a party from re-filing the motion if good reason is shown why the prior ruling is no longer applicable. Cale v Johnson, 861 F.2d 943, 946 (6th Cir. 1988). The Court found that the November sale established a prima-facie case and that the September and October quotations establish a prima-facie case, that the experimental use defense is inapplicable and that the State Court claims and arguments do not create a material question of fact. As a result, the Court found Amway entitled to judgment as a matter of law and granted Amway's motion for summary judgment.

**27. Hayworth Inc. v Herman Miller Inc., 32 U.S.P.Q.2d 1365 (W.D. Mich. 1993) (J. Rowland).**

Plaintiff, Hayworth Inc., sued defendant Herman Miller Inc., for patent infringement. Defendant brought a motion for separate trials on liability, damages, and willfulness. The Court found that it had the authority, in order to further convenience to the parties, to avoid prejudice, or achieve expedition and economy, to order separate trials on issues or claims under the Federal Rules of Civil Procedure 46(b). The Court held that discretion to order separate trials is left to the sound discretion of the Court, to exercise in light of the need to avoid prejudice to the party, to expedite the litigation, economy of judicial administration, and the dissimilarities of the issues. In re Benedictin Litigation, 857 F.2d 290, 307 (6th Cir. 1988), cert. denied, 488 U.S. 1006 (1989). The Court found that a trial shall be separated on the issues of liability and damages. The Court found that the liability aspect of the trial shall include a determination of

defendant's defenses of laches and estoppel, as well as the resolution of whether defendant willfully infringed plaintiff's patents. Thus, the Court granted the motions.

**28. Wolverine World Wide, Inc. v Nike, Inc., 38 F.3d 1192 (Fed. Cir. 1994) (J. Schall).**

Plaintiff, Wolverine World Wide, Inc., owner of a patent for athletic shoe with an inner "slipper sock" sued defendant, Nike, Inc., for patent infringement. The District Court granted summary judgment of non-infringement for defendant and plaintiff appealed. The Court held that a grant of summary judgment is appropriate where "there is no genuine issue as to any material fact and ... the moving party is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(c); Johnston v IVAC Corp., 12 U.S.P.Q.2d 1382, 1383 (Fed. Cir. 1989). The Court found in deciding whether the District Court properly granted summary judgment of non-infringement that they must decide for themselves whether a reasonable fact finder could find that defendant's accused product infringed the patent. See London v Carson Pirie Scott & Co., 20 U.S.P.Q.2d 1456, 1458 (Fed. Cir. 1991). The Court affirmed the District Court's finding of non-infringement either literally or under the doctrine of equivalents.

**29. Stirling-White Co., Inc. v Emerson Electric Company, Inc., 34 U.S.P.Q.2d 1077 (E.D. Mich. 1994) (J. Woods).**

Plaintiff, Stirling-White Company, Inc., sued defendant, Emerson Electric Company, Inc., for patent infringement. Defendant brought a motion for summary judgment of invalidity and non-infringement. The Court found that the accused device did not infringe the patent either literally or under the doctrine of equivalents and that the patent was valid. Thus, the Court granted defendant's motion for summary judgment of non-infringement and denied defendant's motion for summary judgment on invalidity.

1. ©1995 Mark P. Calcaterra, Daniel H. Bliss and Eric M. Dobrusin. This article focuses on intellectual property cases with a Michigan connection. Other cases of note may be brought to the attention of the authors. At the time of this writing, it is possible that some opinions by instant courts issued, but were not readily available or discussed. A discussion of after-discovered cases is planned by way of a future supplement.

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**IPLS ACTIVITIES**

**ANNUAL SECTION MEETING**

The Intellectual Property Law Section held its annual meeting at the 60th Annual Meeting of the State Bar of Michigan on September 20, 1995, at the Lansing Center in Lansing. The following new officers and council members were elected during this meeting:

**Chair:**

Donald L. Corneglio

**Chair-Elect:**

Joel E. Bair

**Secretary-Treasurer:**

Frederick S. Burkhart

**Council Members:**

William P. Dani

Mick A.G. Nylander

Norman L. Sims

The business meeting was followed by an informative program on jury research and the use of demonstrative exhibits in intellectual property cases. The business meeting and program were well attended. Thanks again to Janet Knaus, Eric Dobrusin, and Paul Schwartz for arranging this well-received program.

The IPLS would once again like to thank the outgoing Council Members, Phil Shepherd, Janet Knaus and Ernest Helms, for their service to the Section.

**A VIEW FROM THE CHAIR**

by Donald L. Corneglio

August 17, 1995

**TO:** An Open Letter to All Members of the Intellectual Property Law Section of the State Bar of Michigan

**FROM:** Donald L. Corneglio  
Chair

**RE:** A VIEW FROM THE CHAIR

The 1994-95 Intellectual Property Law Section's events are now history and they were among the best attended in the Section's history. The departing Chairman, Phil Shepherd, deserves the Section's appreciation for a banner year. With this inertia behind us, we welcome three new council members, Norm Sims from Midland, Mick Nylander from Auburn Hills and Bill Dani from Grand Rapids. We would also like to invite all members of the Section to make this coming year the year they become involved by participating in or attending at least one of our fine upcoming Section events.

First up for the 1995-96 season will be the Spring Seminar on March 15th in Lansing. If you would like to become involved with this event, contact Ted Olds. If not, put it down on

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your calendar to attend. Next will be the ever-growing and now National-caliber Summer Workshop which will be held at the Grand Traverse Resort, July 18-20. Your contact for this event will be Joel Bair. Finally, the Annual Meeting held at the State Bar Meeting next September, will be planned by Paul Schwartz.

In addition to the above events, the Section plans to become involved in important patent, trademark and copyright issues that arise during the upcoming year. When an issue becomes available for comment to the Patent and Trademark Office or Library of Congress, the Council will appoint a representative to investigate and comment on the issue. A report on the issue will appear in the next edition of Proceedings and, when appropriate, a direct response will be sent to the responsible governmental agency. If you are aware of an issue that deserves the attention of this Section, feel free to contact any Council member (listed below). In this way, the Council will be able to truly represent the voice of intellectual property lawyers in Michigan.

It is the charge of this year's Council to effectively administer the funds of the Section to provide the best events for our membership and to be an active and influential voice in the laws that effect our practices. Obviously, this is an idealistic charge and can only be effective with your input and support. With today's communication capabilities contacting the Council should be no problem. Also, all of the Council meetings are open to the membership.

The Council is considering the possibility of maintaining a page on the Internet Web which would be accessible through the ICLE home page. Look for us there. Odds are good that if you have access to the Internet, you'll be able to read the Proceedings on the Internet. In any event, all members will still receive a hard copy of the Proceedings by the reliable U.S. Mail.

Finally, with respect to communications, we will attempt to make the Proceedings a valuable news source with notices of upcoming IPLS events and interesting articles. If you have any intellectual property articles, please send them to Bill Dani for publication.

This edition features an article on global patent costs. This article was originally delivered at the 26th Congress of the Pacific Intellectual Property Association, an organization of U.S. and Japanese corporations, and it contains a particularly good analysis of patent costs worldwide. An interesting footnote to this article is that despite the fact that U.S. patents are cheaper to obtain and maintain than other countries' patents, two thirds of the Japanese corporations polled expressed dissatisfaction with the U.S. system. The reason is that even though U.S. patents are less expensive, they are regarded as the most expensive to enforce and the most unpredictable in litigation. Any thoughts? Write them up for the next edition.

In conclusion, welcome to the 1995-96 IPLS year and let's make it another great year.

## NEWS FROM THE COUNCIL

### Council Meetings

The Council reminds the membership that all section members are invited to attend Council meetings. Council meetings are generally held on the second Thursday of each month at 9:30 a.m. at the State Bar Building in Lansing. Dates and locations for upcoming meetings are listed in the IPLS Planning Calendar in each issue of Proceedings.

### Submissions to Proceedings

Articles of interest to the membership are actively solicited for publication in this newsletter. If you have recently researched a topic of interest to our membership please consider a submission. Submissions should be sent directly to the editor: William P. Dani, c/o Warner Norcross & Judd LLP, 900 Old Kent Building, 111 Lyon Street, N.E., Grand Rapids, MI 49503-2489.

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**IPLS PLANNING CALENDAR****WHAT WE'VE DONE . . . WHAT WE'LL DO**

July 13-15, 1995	Annual Summer Conference, Grand Hotel, Mackinac Island	Nov. 9, 1995	IPLS Council Meeting, State Bar Building, Lansing
Aug., 1995	<u>Proceedings</u> , Vol 7, No. 4	Nov., 1995	<u>Proceedings</u> , Vol. 8, No. 1
Sept. 20-22, 1995	Annual State Bar and Section Meeting, Lansing	Dec. 7, 1995	IPLS Council Meeting, State Bar Building, Lansing
Oct. 12, 1995	IPLS Council Meeting, State Bar Building, Lansing	Jan. 11, 1996	IPLS Council Meeting, State Bar Building, Lansing

Feb. 8, 1996	IPLS Council Meeting, State Bar Building, Lansing	March 15, 1996	Spring Seminar, Lansing
Feb., 1996	<u>Proceedings</u> , Vol. 8, No. 2	July 18-20, 1996	Summer Workshop, Traverse City
March 7, 1996	IPLS Council Meeting, State Bar Building, Lansing	Sept., 1996	Annual Meeting

## **ANNOUNCEMENTS**

### **PTO INTERNET SITE**

The Patent and Trademark Office now maintains an Internet site which contains a variety of information that may be helpful to our membership. Among other things, the site contains general information on patents and trademarks, PCT information (including blank forms and fee schedules), and links

to other useful intellectual property related sites. The site also includes PTO announcements, press releases, speeches, and a listing of pending public hearings. The address for the PTO's Internet site is WWW.USPTO.GOV.

## **FEATURED ARTICLE**

### **GLOBAL PATENT COSTS MUST BE REDUCED**

by Erwin F. Berrier, Jr., General Patent Counsel  
General Electric Company  
Fairfield, CT

(Originally presented at the Pacific Intellectual Property Association (PIPA) Conference, San Francisco, CA, October 3-5, 1995)

I would like to talk this morning about global patent costs because I think they have gotten way out of control — and there seems to be no sign of improvement. We are rapidly approaching a situation where our members can afford to obtain and maintain patents in only one or two countries — and the remaining countries of the world are allowed to freely practice our inventions because we can't afford to obtain and maintain protection there. And the amazing thing is that this is happening at the same time that we hear about wonderful progress on harmonization, and at the same time that we are on the threshold of finally achieving a good worldwide patent law regime with the implementation of TRIPS.

The companies that are members of PIPA probably represent the great bulk of the inventive genius that has made the U.S. and Japan into the economic and trade powers that we are.

Let's face it, we win if we have the technology — whether we're talking about fibers or pharmaceuticals, computers or chips, aircraft engines or heavy construction equipment — we win when we have the technology.

And we spend billions each year to develop this technology — but then I'm afraid too many of us, in

effect, dedicate our inventions because we can't afford the system.

The member companies of PIPA are probably some of the largest consumers of services from the world's patent offices. In 1994, I believe 49% of the patent applications filed in the EPO came from the U.S. and Japan and probably a large part of those applications came from our members.

Why am I saying this? Because I think its time for us individually and as organizations — as customers — to complain to anyone and everyone who will listen about the high cost of obtaining and maintaining patents. We should also lobby every place we can for cost control and reductions. We can't let the world's patent offices take away through pricing what they are required to provide in their patent law by TRIPS and other trade agreements.

We must make sure that what is technically required under TRIPS is also available as a practical matter and is not denied by pricing. For example, TRIPS calls for a minimum patent term of at least 20 years from filing. Should a country be permitted to, in effect, limit the term to say 10 years by charging an outrageous amount to keep the patent alive for more than 10 years? I think the answer should clearly be no.

With the implementation of GATT, we can expect a number of countries to reform their patent legal systems or to put into place their patent legal systems to

comply with the TRIPS agreement. We should expect these countries to look to the Trilateral patent offices — that is the USPTO, EPO and JPO. We should expect them to look to these patent offices for guidance and for examples of the best practices that should be followed. So, what I would like to do now is concentrate on patent costs in the EPO, Japan and the U.S. to see what example is being set for these countries.

The numbers that I will show you, are based on the following assumptions:

- September '94 exchange rates
- a 20 page application
- 10 claims
- 2 sheets of drawings
- 2 office actions and 2 amendments, but in the U.S. we have used the cost of preparing the original application — but to compensate for that we have not included translation fees
- published fee schedules have been used to compute agent fees in Europe and Japan
- and we use 1993 population estimates and 1992 GDP numbers

With those assumptions, the total cradle to grave patent cost in the EPO is \$134,401 for all 17 countries, \$102,044 for the original 10 countries, and \$54,193 for France, Germany, Italy, the Netherlands, and the United Kingdom; the total cost in Japan is \$30,498 for a patent with 10 claims and \$22,522 for a patent with 2 claims; and the total cost in the U.S. is \$14,370 (See Chart 1). Except as I have indicated, these numbers include all amounts paid to patent offices, translation costs and all fees paid to agents.

One very frightening thing about this chart is that from it we can compute that the total cost for obtaining and maintaining patents on a single invention in the U.S., Japan and Europe is \$179,269. So, if a PIPA member averages just 50 applications per year, we're looking at an annual running rate of about \$18 million a year. There aren't many companies that can afford an annual patent portfolio budget of \$18 million. Yet there are many companies that issue more than 100 U.S. or Japanese patents a year and some that issue more than 1000. Protection at this level in the U.S., Japan and Europe for the full 20 years that you are entitled to would lead to costs of \$180 million a year. Outrageous on its face.

It seems clear that if the system is to work and if we are to have a level playing field, if we really mean what we say about stimulating progress and technological development by making patents available for inventions — we need large reductions in patent costs.

In the EPO or Europe, we show a total cost for the original 10 EPO countries of \$102,044. I have shown

the costs for these countries because in October of '93 I attended the 10th anniversary of the Trilateral cooperation between the EPO, JPO and the USPTO and I had the opportunity, as part of the program, to ask the three Commissioners questions that represented concerns of U.S. Industry. As a large customer of all three patent offices, I indicated that it was encouraging to hear at the meeting about the great progress the three offices had made in harmonizing their activities and improving their cooperation. But, I indicated that we were greatly disappointed that this progress had not brought about any cost reductions and on the contrary that over the 10-year period that was being celebrated, costs had skyrocketed. The research that we had done at that time showed that from 1983 to 1993 the official fees paid to the EPO and the EPO national patent offices had increased at a compounded average annual growth rate of about 11% a year — which means those costs were doubling every 6-1/2 years — far in excess of any inflation rate during the same period.

As we look at these numbers, we should keep in mind that the market or economic unit that is defined by the EPO is about the same size as the U.S. in terms of Gross Domestic Product and population, and is about three times the size of Japan.

Chart 2 shows what these markets looked like in terms of GDP in 1992.

And, Chart 3 shows what these markets looked like in terms of population in 1993.

If you view the market solely in terms of population, then the U.S. is comparable to France, Germany, Italy, Netherlands and the UK combined, so in all of the cost comparisons we will also show that cut.

Going back to our total cost chart, you can see that depending on how you want to slice the EPO, it ends up being from 4 to 9 times more expensive than the U.S. for patents covering essentially the same size market.

For Japan, we show the total cost for a patent containing ten claims as \$30,498. If the same patent had only 2 claims, the cost would be reduced to \$22,885.

Let's now look at the various elements that were included in and make up these total patent costs.

The official fees paid to the respective offices from filing through grant are shown on Chart 4. The \$10,831 in the EPO is more than 5 times the amount in Japan and the U.S. I should point out that the fees for the EPO include the fees paid to the national patent offices during the nationalization phase of the EPO patent.

Translation costs during the nationalization phase in the EPO are \$15,543 versus \$3,000 in Japan (See

Chart 5). We have not included an amount for translation for the U.S. and perhaps we should. But we feel we have more than compensated for that omission by including the cost of preparing the original patent application and two amendments as the patent attorney fees in the U.S., while the fees that have been included for Japan and Europe are simply for filing and prosecuting the corresponding application.

Looking now at agent fees, here again Japan and the U.S. are about equal and the EPO is about twice as expensive at \$12,258 (See Chart 6).

But here is what really drives the cost — here is the real killer — the taxes we pay to keep our patents alive (See Chart 7). This is what makes Japan more expensive than the U.S. and what makes the EPO virtually unaffordable. Maintenance fees in Europe are over \$95,000. For the original 10 EPO countries they are over \$74,000 and they are \$48,000 for the 5 largest EPO countries. This compares with \$19,591 for ten claims in Japan or \$11,615 for two claims, and \$5,790 in the U.S.

Of course, the value of a patent in any particular country or territory is clearly a function of the size of the market or the level of economic activity in the territory that is covered by the patent. As we mentioned earlier, one way to measure a market is to look at the Gross Domestic Product for the covered territory. Another way is to look at the total population in the market covered by the patent.

Dividing the U.S. population into the total U.S. patent cost yields a per capita patent cost in the U.S. of \$56 per million people — while the same per capita cost in the EPO is 6-1/2 times higher — and Japan is from 3 to 4 times higher. The results are shown in Chart 8.

Dividing the U.S. GDP into the total U.S. patent cost yields a per capita patent cost in the U.S. of \$2.60 per billion dollars of GDP — while the EPO is 8 times higher at \$21 — and Japan is from 4 to 5 times higher. The results are shown in Chart 9.

We have to ask ourselves whether we are setting a good example and precedent for the less developed countries as they modify their laws to comply with

TRIPS, and, if we are not, we simply have to find a way to get it fixed.

The EPO is really the best example we have in the world of harmonization. We file one application in English, we go through one prosecution and then register the resulting patent in many countries. It's very efficient, but look at what has happened to costs. From 1983 to 1993 official fees increased at an average annual growth rate of 11%. I'm afraid we have taken our eye off the ball — we have made sure that all the i's and t's are dotted and crossed the same way, but we have let costs go whatever way they want — and when that happens, they only go up.

I don't want anyone to misunderstand me. I am 150% in favor of harmonization. But it's not because I crave neatness. It's because harmonization should provide speed and predictability and lower cost. We can't forget cost.

It's a little like the metaphysical question — if a tree falls in the woods does it make a noise if no one is there to hear it?

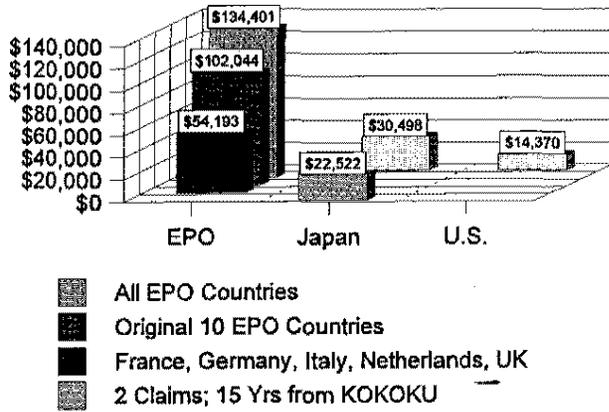
If the world's patent costs make obtaining patents on an invention around the world unaffordable, as a practical matter we will lose all of the benefits that we expected to flow from harmonization and TRIPS.

I believe we have to link harmonization to lower costs. Costs that can be afforded by all of our members — large and small. And no one should think that just because a company is large it can afford to pay outrageous fees. If it's not economic for the small entity, it's not economic for the large entity, one is just a multiple of the other.

I believe reduction of global patent costs and in particular, reduction of patent costs in Europe is a critically important issue for all of us. I also believe that timing is critical, and that it should be one of the top strategic initiatives for PIPA. This is clearly going to be a long term project that's not going to be easy — and we need all the help PIPA can give. As an organization that represents U.S. and Japanese intellectual property owners we simply can't afford not to push this issue until we win. And, again, we're going to need all the help you can give. Thanks.

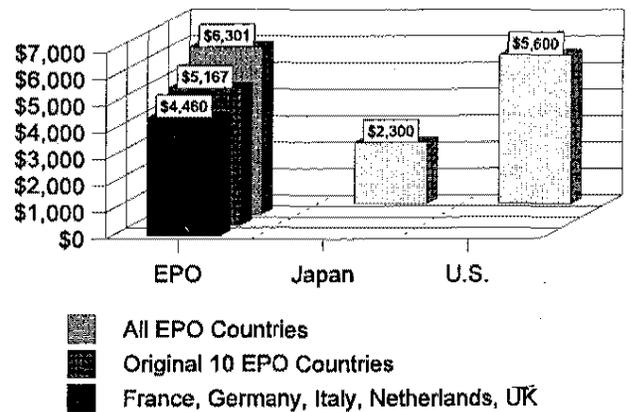
**Chart 1**

Total Cost-Cradle to Grave



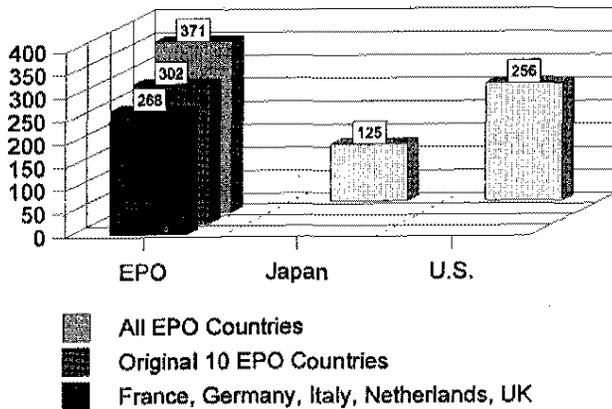
**Chart 2**

'92 GDP (In Billions \$)



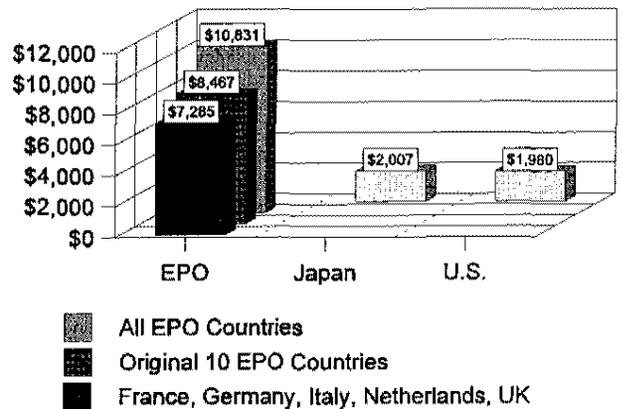
**Chart 3**

Population (In Millions - '93 Est.)



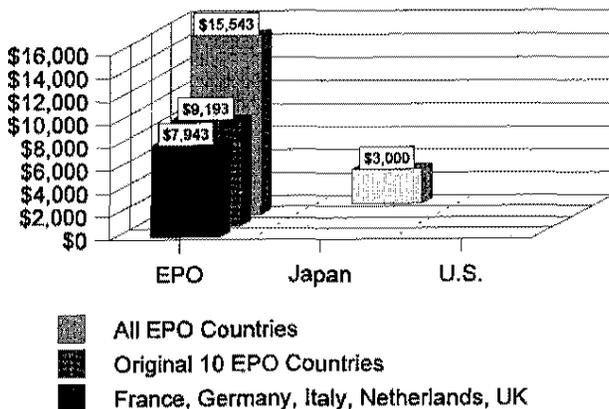
**Chart 4**

Official Fees Filing Through Grant



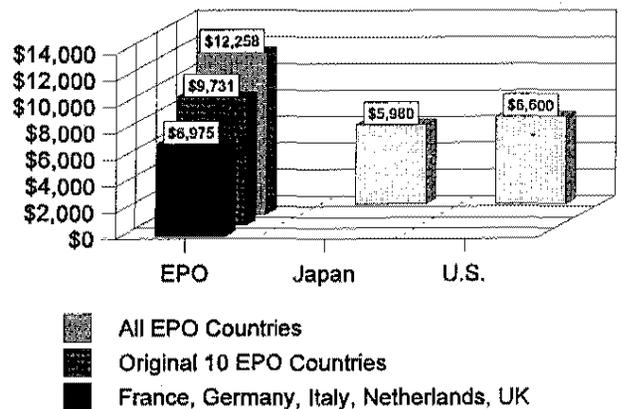
**Chart 5**

Translation Cost



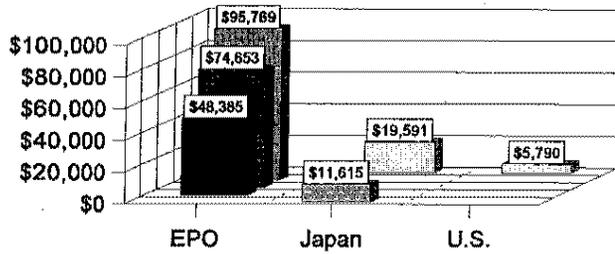
**Chart 6**

Agent Fees Filing Through Grant



**Chart 7**

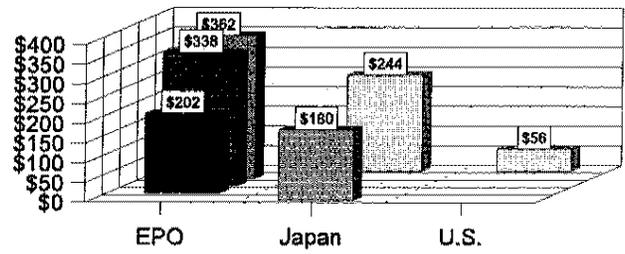
**Maintenance Fees**



- All EPO Countries
- Original 10 EPO Countries
- France, Germany, Italy, Netherlands, UK
- 2 Claims; 15 Yrs from KOKOKU

**Chart 8**

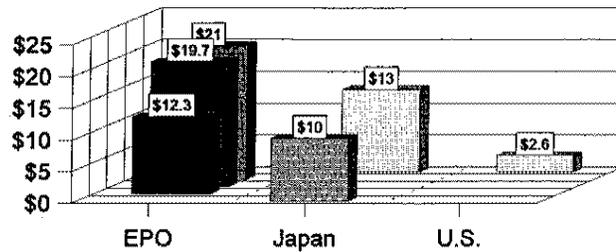
**Patent Cost/Million Population**



- All EPO Countries
- Original 10 EPO Countries
- France, Germany, Italy, Netherlands, UK
- 2 Claims; 15 Yrs from KOKOKU

**Chart 9**

**Patent Cost/Billion \$ GDP**



- All EPO Countries
- Original 10 EPO Countries
- France, Germany, Italy, Netherlands, UK
- 2 Claims; 15 Yrs from KOKOKU

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