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The Intellectual Property Rights Newsletter

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# **Supreme Court Festo Decision**Answers Two Questions, but Raises Others

Robert L. Grabarek, Jr.

On May 28, 2002, the United States Supreme Court issued its long-awaited decision in *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd., et al.* In a unanimous decision, the Court vacated the judgment of the U.S. Court of Appeals for the Federal Circuit (CAFC) and remanded the case for further proceedings consistent with the Opinion of the Court. Although the Court agreed with the CAFC regarding the kinds of amendments that might give rise to "prosecution history estoppel," it clearly disagreed with the CAFC's conclusions as to the scope of such an estoppel, where it is found to apply; that is whether the estoppel in fact bars the inventor from asserting infringement against *any and all* equivalents to the narrowed element, or whether some equivalents might still be found to infringe.

In regard to the first question, the Court held that a *narrowing* amendment made to satisfy *any* requirement of the Patent Act may give rise to an estoppel, noting that when an amendment is made to secure a patent and an amendment narrows the patent's scope, such estoppel is appropriate. Specifically with respect to claim amendments directed to Section 112 issues (i.e., the requirement for a full, clear, concise, and exact written description of the invention in order for the patent to issue), the Court stated that if a Section 112 amendment is "truly cosmetic", then it would not narrow the patent's scope or raise an estoppel.

On the other hand, if a Section 112 amendment is necessary and narrows the patent's scope – even if only for the purpose of a better description – the Court held that estoppel may apply. The rationale for this holding is that a patentee who narrows a claim as a condition for obtaining a patent disavows his claim to the broader subject matter, whether the amendment was made to avoid the prior art or to comply with Section 112. Thus, the patentee is to be regarded as having conceded an inability to claim the broader subject matter or at least as having abandoned his right to appeal a rejection. In either case estoppel may apply. Accordingly, prosecution history estoppel arises when a claim is narrowed to comply with Section 112.

Addressing the other and more controversial question of whether such estoppel bars the inventor from asserting infringement against all equivalents to the narrowed element, or whether some equivalents might still infringe, the Court rejected the CAFC's conclusion that prosecution history estoppel is a complete bar to infringement by equivalents. It stated that although prosecution history estoppel can bar challenges to a wide range of equivalents, its

reach requires an examination of the subject matter surrendered by the narrowing amendments, since there is no reason why a narrowing amendment should be deemed to relinquish equivalents unforeseeable at the time of the amendment and beyond a fair interpretation of what surrendered. Nor, the Court stated, is there any call to foreclose claims of equivalence for aspects of the invention that have only a peripheral relation to the reason the amendment was submitted.

At the same time, however, the Court also imposed on patentees the burden of showing that the amendment *does not* surrender the particular equivalent in question. That is, when the claim is narrowed during prosecution before the PTO, courts may presume that the amended text was composed with awareness of this rule, and that the territory surrendered is not an equivalent of the territory claimed. In those instances, however, the Court continued, the patentee still might rebut the presumption that estoppel bars a claim of equivalence.

In order to rebut the presumption of estoppel created by the amendment, the inventor must show that at the time of the amendment one skilled in the art could not reasonably be expected to have drafted a claim that would have literally encompassed the alleged equivalent. For this purpose, the Court provided guideposts: first, the

equivalent have heen mav unforeseeable at the time of the application. Second, the rationale underlying the amendment may bear no more than a tangential relation to the equivalent in question. And finally, there may be some other reason suggesting that the patentee could not reasonably be expected to have described the insubstantial substitute in question. The Court said that, in those cases, the patentee can overcome the presumption that prosecution history bars a finding of equivalence.

# Competition and Intellectual Property in the 21st Century – U.S. and European Agencies Examine the Interface

Jeane A. Thomas

As reported in the January 2002 edition of The Inquisitive Mind, the U.S. Federal Trade Commission and Department of Justice Antitrust Division have been holding joint hearings on "Competition and Intellectual Property Law and Policy in the Knowledge-Based Economy." At the opening session on February 6, the Chairman of the Federal Trade Commission, Timothy J. Muris, the Assistant Attorney General for Antitrust, Charles A. James, the Under Secretary of Commerce for Intellectual Property and Director of the U.S. Patent and Trademark Office, James E. Rogan, and other members of the judiciary, the legal bar, and academia, introduced the public to the broad structure and purpose of the hearings. Since then, nearly twenty sessions of the hearings have been held in Washington, D.C. and in Berkeley, California.

The Berkeley sessions focused on economic theories and business perspectives from the biotech, pharmaceutical, software, Internet, and semi-conductor hardware, industries. Other topics covered by the hearings included the antitrust analysis of specific intellectual property licensing practices such as package licensing and grant-backs, methods of extending the life of intellectual property rights, patent pools and cross-licensing, standard-setting practices, strategic use of licensing, the competitive view of patent settlements, and an international comparative law perspective on the relationship between competition and intellectual property. The hearings are expected to continue through June.

The ultimate outcome of the hearings is uncertain. In spite of the promise by Chairman Muris at the outset of the hearings that "the primary purpose of these hearings would – at least for antitrust enforcers – be educational" and that "there is no 'hidden agenda," observers have noted that Chairman Muris personally believes that the government is the greatest threat to competition and that the volume of patents issued annually is cause for concern in a competition-based



economy. From the DOJ's point of view, Assistant Attorney General James recently told an audience at an ABA conference that he has not seen anything in the hearings that would result in revisions to the 1995 DOJ/FTC Guidelines for the Licensing of Intellectual Property. information on the FTC/DOJ hearings can be found at: http://www.ftc.gov/ opp/intellect/index.htm.

At the same time, the European Commission is also considering reform of intellectual property licensing law. Several months ago, the Commission published an "evaluation report" which was the starting point for the consideration of revisions to the EC's approach to applying competition rules to intellectual property licensing. The report is based on the Commission's review of the technology transfer block exemption - an EC law that describes, for certain types of IP licenses, the conditions required for automatic exemption from the broad prohibition on anticompetitive agreements. The Commission identified a number of shortcomings in the current approach, as well as inconsistencies with other newly revised block exemptions, and suggested a series of important amendments that could be made. Interested parties had until April 26, 2002 to submit their comments to the Commission, which plans to adopt a proposal in the second half of 2002.

The evaluation report can be viewed at: http://www.europa.eu.int/comm/ competition/antitrust/ technology\_transfer/en.pdf

For more information concerning the FTC/DOJ hearings, please contact Jeane Thomas of Crowell & Moring's Washington, D.C. office at 202-624-2500. For information concerning the European Commission's evaluation report, contact James Ashe-Taylor or Gordon Mackenzie at Crowell & Moring's Brussels office (011-32-2-230-6399).

## A Drug is Not Made by **Screening - the Process** Patent Amendments Act Revisited

Herbert I. Cantor

The Process Patent Amendments Act of 1988 added a new potentially infringing activity to the existing activities of making, using or selling set forth in 35 U.S.C. §271(a). This new activity is the importation of a product into the United States made by a process patented in the United States. The pertinent portion of the Act is found in section 271(g):

> Whoever without authority imports into the United States or sells or uses within the United States a product which is made by a process patented in the United States shall be liable as an infringer ....[Emphasis added.]

In a recent case in the United States District Court in Delaware, Bayer AG v. Housey Pharmaceuticals, Inc.1, the Court was presented with the question of the meaning of the words highlighted above, i.e., "which is made by". Housey Pharmaceuticals (formerly known as ICT Pharmaceuticals) was granted patents claiming a process for screening substances for compounds having certain properties. Housey offered a license to Bayer AG and Bayer Corporation based on Bayer's practicing the screening method outside the United States and then importing

into the United States products which had been screened. Bayer sued Housey in the United States District Court for the District of Delaware for a declaratory judgment of non-infringement and patent misuse. ICT counter-sued Bayer for infringement under section 271(q).

The district court in Delaware ruled that the language of the statute is clear, in order to infringe under the Process Patent Amendments Act the product which is imported into the United States must have been *manufactured* by the patented process, which the court interpreted as meaning "methods of actually making or creating a product as opposed to methods of gathering information about, or identifying a worthy further substance of development." The court held that screening was not a method of manufacture. Consequently, since Bayer was screening, and screening is not manufacturing, the court dismissed Housey's patent infringement counterclaim. Baver AG v. Housev Pharmaceuticals, Inc.

The district court decision in the *Bayer* AG case is consistent with the 1996 decision of the United States Court of Appeals for the Federal Circuit in *Bio-Technology Gen'l Corp. v. Genentech, Inc.*<sup>2</sup> Two patents were involved in that case. In finding infringement of

one of the patents, the Court of Appeals held that steps of isolating and purifying the product were generically included in the patented process so the final product, hGH, was prepared by the patented process. In discussing the second patent, the court pointed out that Congress had expressly left it to the courts to interpret the "which is made by" language of the statute. The Court of Appeals decided that a protein expressed by a plasmid is made by a patented process and therefore falls within the scope of section 271(g).

The Bayer AG case is still pending in Delaware on the patent misuse claims. At this time we do not know whether the case will be settled or appealed to the Federal Circuit, so the ultimate decision in that case is still uncertain. For now, however, the decision of the district court in Delaware, which has considerable experience in patent cases, offers some guidance to companies that are screening chemical substances outside the United States and thereafter importing the screened products into the States.

- 1 Bayer AG v. Housey Pharmaceuticals, Inc., 61 U.S.P.Q. 2d 1051 (D. Del. 2001).
- 2 Bio-Technology Gen'l Corp. v. Genentech, Inc., 38 U.S.P.Q. 2d 1321 (Fed. Cir. 1996).

# A New Regime for Registered and Unregistered Community Designs in the European Union

#### **Kristof Roox**

On December 12, 2001, the Council of Ministers of the European Union adopted the Regulation on Community Designs. This new regime will introduce a double system of design protection that should suit the needs of different industries: the "registered Community Design" and the "unregistered Community Design". In both cases, to be eligible for protection, designs must be new and must have an individual character.

Under the registered Community Design system, holders of eligible designs can make use of a simple, onetime and inexpensive procedure to register them with the Office for Harmonisation in the Internal Market (OHIM), based in Alicante, Spain. They will then be granted exclusive rights to use the design concerned and to prevent any third party from using it anywhere within the European Union. Registered Community Designs will be protected for a period of five years and can be renewed four times (therefore providing a maximum of 25 years of protection).



Designs meeting the Regulation's requirements can also benefit from protection even without prior with OHIM. registration The unregistered Community Design is a right that will come into existence automatically by the mere fact of making products incorporating the designs available to the public (i.e., if the design has been published, exhibited, used in trade or otherwise disclosed in such a way that these events could reasonably have become known to those who specialize in the products) within the European Union. The relevant designs will be protected for three years. The only significant difference in the level of protection afforded will be that a registered Community Design will be protected against both deliberate copying and the independent development of a similar design. An unregistered design will be protected only against deliberate copying.

The Regulation on Community Designs entered into force on March 6, 2002. From this date, all new designs disclosed to the public will be automatically protected by the unregistered Community Design right. As to the registered Community Designs, OHIM is preparing to receive applications beginning 2003, once the Implementing and Fees Regulations have been adopted. It should be noted that it is still possible to register designs under national law, as national design protection, harmonised by the design

protection Directive (98/71/EC), will continue to exist in parallel with the Community Design protection.

## Business Method Patents: An Update

Richard R. Diefendorf

The 1998 State Street Bank decision confirmed that business methods are subject to the same legal requirements for patentability as applied to any other process or method. State Street Bank & Trust Co. v. Signature Financial Group Inc., 149 F.3d 1368, 1375, 47 USPQ2d 1596, 1602 (Fed. Cir. 1998), cert. denied, 525 U.S. 1093 (1999). In that case, a transformation of share data produced a final price for shares of an investment fund, which constituted a "useful, concrete and tangible result." Accordingly, the United States Court of Appeals for the Federal Circuit determined that Signature's claimed data processing system constituted patentable subject matter. A similar analysis of method claims appeared in a subsequent Federal Circuit decision. AT&T Corp. v. Excel Communications, Inc., 172 F.3d 1352, 50 USPO 1447 (Fed. Cir. 1999), cert. denied, 528 U.S. 946 (1999).

Significant increases in business method-related patent application filings followed. The U.S. Patent and Trademark Office (PTO) estimates that there were approximately 8,200

application filings in business method-related arts (Class 705) in the fiscal year ending September 30, 2001. Filings thus increased a modest 5% over the approximately 7,800 filings made in fiscal year 2000, but remained well above the 1,340 and 2,821 business method-related patent application filings in fiscal years 1998 and 1999, respectively.

The realization that methods of doing business could be patented produced substantial public concern, most notably in the Internet community. In particular there was thought to be a substantial risk that patents on business methods would be improperly granted, since an Examiner reviewing business method-related patent applications might not know of basic methods of doing business practiced for years or described in textbooks decades old. Software patents implementing methods for doing business seemed to be of particular concern, since commonly used software techniques may never have been patented or discussed in technical literature and, therefore, could be unavailable for consideration during examination.

The PTO has reacted to both the increased volume of business method-related patent applications and public concern following the *State Street* and *AT&T* decisions. To accommodate the higher volume of applications, the PTO added 47 Examiners to workgroup

2160, the workgroup handling business method-related applications, between the beginning of fiscal year 2000 and the end of fiscal year 2001. At the end of fiscal year 2001, 82 Examiners were assigned to workgroup 2160.

Public apprehension was addressed by way of an initiative announced by the former Director of the U.S. Patent and Trademark Office, Q. Todd Dickinson, on March 29, 2000. Among elements of this initiative were plans to establish a formal Customer Partnership with the software, Internet and electronic commerce industry through which mutual concerns could be discussed. Two business methods partnership meetings have been held, the most recent being on November 5, 2001, with approximately 30 representatives from the business and legal community, trade associations and the PTO in attendance. The next partnership meeting will be held on July 18, 2002.

Various PTO search resources are relied on to augment the traditional review of published U.S. and non-U.S. patent literature during examination of business method patent applications. These search resources are part of a mandatory search specified for all applications in Class 705. The initiative was also to include a greater effort to obtain industry feedback on these search resources. Search resources presently used are quite diverse and include, <u>e.g.</u>, Dissertation Abstracts Online (providing a guide to virtually

every American dissertation accepted at an accredited institution since 1861), more than twenty newspapers, electronic shopping databases, and the Insurance Periodicals Index. A request for comments on the PTO search resources has appeared in the Federal Register, and database recommendations received as a result have been evaluated quarterly on an ongoing basis.

Additionally among the elements of the initiative were plans to continue training partnerships with industry associations and corporate sponsors, and to pursue business practice specialists to serve as a resource for Examiners on alleged common or well known industry practices. Sponsors participating in training partnerships with the PTO in fiscal year 2001 included the NASDAQ stock exchange, the American Bankers Association, and the American Council of Life Insurance. More sponsors to provide Examiner training in certain areas are being solicited.

Finally, the PTO has revised the Examination Guidelines for Computer-Related Inventions and the relevant training examples in light of the *State Street Bank* and *AT&T* decisions. It has also instituted a second-level of review of all allowed applications in Class 705, expanded the sampling size for quality review of allowed applications, and initiated an in-process review of Office Actions.

Public concern that patents on business methods could be improperly granted also brought about a legislative reaction. H.R. 1332 (The Business Method Patent Improvement Act of 2001) was introduced in the House of Representatives on April 3, 2001. (H.R. 1332 is a slightly modified version of a bill introduced the preceding year.)

In remarks accompanying introduction of this bill, co-sponsor Rep. Howard Berman (D-CA) noted various changes proposed. For example, it requires that the PTO publish all business method patent applications after 18 months, thereby providing any party the opportunity to submit public use or sale information, evidence of knowledge or use, or other prior art for consideration during examination. H.R. 1332 would also establish an administrative opposition process in which parties can challenge a granted business method patent in a less costly alternative to litigation. The bill also lowers the burden of proof for challenging business method patents and requires an applicant to disclose any prior art search. Finally, the bill provides that a business method shall be presumed obvious if the only difference between the prior art and the claimed business method is that the method is appropriate for use with non-novel computer technology. H.R. 1332 has referred to the House Subcommittee on Courts, the Internet, and Intellectual Property.



Recent PTO statistics show that the average pendency to first action in Class 705 was 23.5 months, while the average pendency to first action for all workgroups combined was 14.6 months. The average time to disposal (e.g., allowance, abandonment, or Examiner's Answer) in Class 705 was 28.5 months, as compared to 25.6 months for all working groups combined. Since examination of the approximately 7,800 business methodrelated applications filed in fiscal year 2000 is only beginning, the PTO response will probably be inadequate to avoid a significant rise in business method-related application pendency.

These same PTO statistics, however, show a drop in the number of Class 705 patents issued, from 899 in fiscal year 2000 to 433 in fiscal year 2001, despite the continuously and rapidly increasing numbers of Class 705 applications filed. It appears that the PTO initiative announced on March 29, 2000 has had at least some effect in producing this drop; no other drop in the number of Class 705 patents issued since 1995 is reflected.

## China Has Made Significant Progress in Protecting Intellectual Property Rights

Kening Li, Ph.D.

Despite worldwide concerns about China's record of protecting intellectual property rights (IPRs), China in recent years has made significant progress both in establishing the laws and regulations for protecting various IPRs and in implementing and enforcing these laws.

China joined the World Intellectual Property Organization (WIPO) in 1980 and is a signatory to many of WIPO's key treaties, including the Patent Cooperation Treaty (PCT), the Paris Convention, the Berne Convention, the Madrid Agreement, the Budapest Treaty, the Geneva Convention, and the International Convention for the Protection of New Varieties of Plants (UPOV). During his May 2002 visit to China, Dr. Kamil Idris, Director General of the WIPO, praised China for its progress in intellectual property protection.

China promulgated its first Patent Law in 1986, which was amended in 1992 and again in 2000. In 1999, China passed laws implementing all provisions of UPOV. Although not yet in full compliance with the World Trade Organization (WTO) Agreement on Trade-Related Intellectual Property Rights (TRIPs), the 2000 amendment to the Patent Law and other legislation

in China has narrowed the gap. These advances have significance when viewed in the context of China's relatively short history of intellectual property protection.

The number of patent applications received and processed by China's State Intellectual Property Office (SIPO) has seen consistent double digit growth in the last decade and is expected to grow at a comparable rate for the foreseeable future. As of the end of 2001, the total number of patent applications received by SIPO exceeded 1.3 million. The number of patent applications filed in 2001 alone was over 200,000, representing nearly a 20% increase over 2000.

Enforcement of IPR in China has also seen a similar increase. Lawsuits and disputes involving intellectual property rights are often widely covered by the Chinese media and followed closely by the public. In addition to resorting to the judicial system, IPR owners in China often seek administrative enforcement at the provincial or municipal level, where some government agencies have authority impose penalties including injunctions, forfeitures of profits, fines and imprisonment for IPR violations. Several government agencies, including the Intellectual Property Bureau, the Bureau of Industry and Commerce, and the police are authorized and often cooperate to take enforcement actions against infringers.

Customs authorities have also proven to be very effective by stopping counterfeiters at the borders. For large western companies, however, some difficulties remain in routing out infringers due to the small size of their operations and the evasive tactics they employ, as well as the reluctance on the part of some local officials in remote areas to stop the infringers.

China's accession to the WTO in September 2001, and the realization that domestic industries now have to face sophisticated international competitors dramatically increased the public's appreciation of the importance of IPR protection. From Internet chat rooms to official news outlets, apprehension of foreign competition and the concern over China's inability to compete are widespread and apparent. Government officials, academics and company executives repeatedly emphasize in public that without adequate protection of IPR, foreign investment and technology will be reluctant to enter China. They also stress that in order to be competitive, domestic industries need to increase R&D, seek IPR protection and aggressively enforce IPR.

Consequently, efforts are under way to promote inventorship by both state employees and employees of private enterprises, encourage filing of patents by establishing a reward system, and establish specialized IPR court divisions both at the provincial level and within the national Supreme Court. Considerable resources are being allocated to train and provide for an impartial and competent team of professionals in IPR related fields and offices. Many major universities have established institutes or departments of intellectual property rights and admission to these institutes and departments is in great demand.

China's progress in enacting and enforcing its intellectual property laws has not gone unnoticed by companies in the U.S., Europe, Japan, and elsewhere. According to official statistics, more than half of the patents representing major inventions (called "invention patents" in China) (vs. "utility model", so called "petty patents" which are granted for minor improvements in existing technologies) were granted to international applicants. In rapidly developing technologies, such as in computer related and biotechnology areas, over 70% of the patents were filed by or granted to international applicants.

As China's protection of IPR develops and matures, and the country's economy continues to grow at an annual rate of over 7%, China is expected to grow both as a consumer and a supplier of innovative products and services.

# The Madrid Protocol – An Easier Road to International Trademark Protection

Cathleen F. Baraloto

The Madrid Agreement, signed in 1891, and the subject of several revisions since, contains requirements that traditionally have presented obstacles for various countries, including the United States, to joining the treaty. Perhaps most notably, the Madrid Agreement requires that a trademark must be nationally registered in the country of origin of the applicant before an international registration can be obtained. The establishment of the Madrid Protocol in 1989, works to alleviate this obstacle, among others, present in the Madrid Agreement, by permitting the filing of an application for international registration based on a trademark application that has merely been filed with a national Trademark Office.

The Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks ("Madrid Protocol") was adopted in Madrid on June 28, 1989, and has been in force since December 1, 1995. Use of the Protocol commenced on April 1, 1996. The purpose for the Protocol was to allow countries that are not members of the Madrid Agreement to benefit from the Madrid system of international registration administered by the



International Bureau of the World Intellectual Property Organization ("WIPO").

Though the subject of considerable debate over the past several years, the United States finally appears to be on its way to ratifying the Madrid Protocol. The Senate Judiciary Committee adopted an amended version of S. 407 on July 19, 2001 and the House of Representatives passed a companion bill, HR 741 on March 14, 2001. The ratification package is pending before the Senate Foreign Relations Committee however, and the implementing legislation in the Senate will not move forward until the Senate Foreign Relations Committee has acted on the Treaty. Even if this were to happen during 2002, it is likely that the Madrid Protocol would not go into effect in the United States for more than a year, allowing the U.S. Patent and Trademark Office ("PTO") the time that it needs to properly prepare for implementation of the Protocol. Thus, the opportunity for companies and individuals in the United States to file applications for international registrations would not arise under the Madrid Protocol until sometime in 2003.

While the details on the procedures for filing applications for international trademark registration under the Protocol have not yet been disclosed by the PTO, the procedures for filing applications for international

registrations with WIPO's International Bureau are already well established. International registrations can be obtained by citizens of countries that are members of either the Madrid Agreement or the Madrid Protocol by a single application. Applicants designate the countries of their choice that are parties to the Madrid Agreement or the Madrid Protocol at the time of filing. The application is filed with the national trademark office in the country of origin, and presented International Bureau. If the International Bureau determines that the application meets all of the Madrid Agreement or Protocol requirements, it is recorded in the International Register and published in the Bureau's Gazette. The designated countries are then notified of the registration of the mark for which protection is being sought. A designated country can, however, refuse registration. If this should occur, the International Bureau will notify the trademark owner. The international registrant will then have the same recourse against the refusal as it would have if the application had been filed directly in that country.

Upon issuance, an international registration is valid for a period of ten years, and is renewable for subsequent ten-year periods. However, it is important to note that an international registration is valid only if within five years of the date of issuance the national mark registered previously in

the country of origin is still legally protected. If it is not, the protection resulting from the international registration may no longer be invoked.

After the five-year period following the date of issuance of the international registration, the registration becomes independent of the national application or registration upon which the international registration was based. Thus, if a registration of national origin is cancelled on petition of an interested third party in its sixth year of the international registration, registration is independent of that registration and continues to be valid. On the other hand, if the registration of national origin is cancelled after a three-year period of non-use immediately after registration, and this occurs within five years of the date of the issuance of international registration, the international registration is nullified.

If adopted, the Madrid Protocol will be a simple and cost effective option for many U.S. companies and individuals seeking international protection of their trademarks. C&M will monitor the legislative progress of the ratification package and PTO preparations for implementation.

#### A Reader's Comment

We extend our thanks to one of our readers, Dr. Bruce Stuckman, Associate General Counsel - Patents, for SBC, TRI in Houston, Texas. Regarding the article entitled "Actual Notice of Infringement: A Poor Second Choice for Maximizing Damages" in the January edition of The Inquisitive Mind, Dr. Stuckman notes that the notice requirement of 35 U.S.C. § 287 does not apply where neither the assignee nor the licensee of the patent in question is producing the patented product (also called "paper patents"). As to "paper patents," no notice is required to obtain damages for patent infringement, and thus the clock begins to run from the commencement of the infringement.

We appreciate Dr. Stuckman's comment and invite feedback from all of our readers.

#### Miscellaneous Tidbits

# Insurance for Drug Company Against Generic Competition

Lloyd's of London insurer Kiln is providing insurance coverage for intellectual property rights to protect a large multinational pharmaceutical company from loss of value from patent challenges by generic drug competitors. It is believed to be the first insurance policy of its kind for a drug company. A spokesman for the underwriting syndicate said the deal, "negotiated 'relatively recently' represents a 'sea change' in opening the pharmaceutical sector to the insurance market as generic manufacturers have been pressing the courts for reform of patent laws."

# Bush Administration Proposes Increases in PTO User Fees for Homeland Security

As a part of its proposed fiscal year 2003 budget, the Bush Administration is seeking a 19.3 percent increase in patent fees and a 10.3 percent increase in trademark fees. These added fees are described in the proposed budget as a "one-year surcharge" to take effect on October 1, 2002 and expire on September 30, 2003. The surcharge is characterized by the Administration as a "proxy" for a forth-coming patent and trademark fee restructuring proposal that will require legislative and regulatory changes. Combined with other sources which generate income, the fee-surcharges would increase the PTO's funding by \$239 million compared to the preceding fiscal year. However, \$162 million of the proposed increase would be diverted to "homeland security and defense" and not used for PTO operations. The Subcommittee on Courts, The Internet, and Intellectual Property, of the House Judiciary Committee, is now considering the proposals, including the increase in user fees and the diversion of a substantial portion of the increase to homeland security. The Subcommittee has held hearings and promises to pay particular attention to the views of the inventors and trademark filers who pay for PTO services. The opening statement of Howard Coble, Chairman of the Subcommittee, at the oversight hearing held on April 11, 2002, can be found at w w w . h o u s e . g o v / j u d i c i a r y / coble041102.htm.

## Crowell & Moring IP Group News

## Crowell & Moring's INTA Reception May 18, 2002

On Saturday, May 18, Crowell & Moring's Intellectual Property Group hosted a reception in the Rotunda of the Smithsonian Museum of Natural History in Washington, D.C. Approximately 500 attendees networked and enjoyed an eclectic buffet of American cuisine. A stunning IMAX movie about the Galapagos Islands was shown in a museum theater and the visitors were able to see the magnificent 45.52 carat Hope diamond on display in the museum, along with other historic and prehistoric natural artifacts. This was a grand prelude to the International Trademark Association (INTA) meeting in Washington from May 19 - May 22, 2002. Don't miss the photos on page 12 of this issue!



# C&M - A Leading U.S. Patent Firm

According to a recent survey published in the February 2002 edition of *Corporate Counsel Magazine*, Crowell & Moring is listed among the top firms selected by the world's largest companies to represent them in patent litigation and patent prosecution matters.

### C&M and ABA Co-Sponsor IP/Antitrust Roundtable June 14, 2002

On June 14, Crowell & Moring and the ABA Section of Litigation-Antitrust Litigation Committee, will co-sponsor a roundtable discussion entitled, "Acquisition, Management and Enforcement of Intellectual Property in a Global Antitrust Environment." The program will feature a dialog on the interface of antitrust and intellectual property with in-house and outside corporate counsel, and members of the bar from government and academia.

### Additions to the Intellectual Property Group

Laural S. Boone, Ph.D., joined the firm as an associate in January 2002. Laural received her M.S. and Ph.D. degrees from the University of Chicago in organic chemistry, and completed her postdoctoral training at Rockefeller University, New York City, in cellular and molecular biophysics. Thereafter, she was awarded a Juris Doctor degree with honors from George Washington

University in Washington, D.C. Prior to joining Crowell & Moring, for approximately five years Laural was employed initially as a technical specialist and then, after passing the patent bar examination, as a patent agent. During this time she worked in all aspects of patent practice, including patent procurement (both domestic and foreign), litigation, and the preparation of opinions in the fields of biotechnology, pharmaceuticals, and fine chemicals (including plants and immunology). At Crowell & Moring, Laural is continuing her patent law practice in procuring, litigating, and rendering opinions on biotechnology, pharmaceutical, and chemical patents.

Michael H. Jacobs joined the firm as Counsel in April 2002. Mike received his B.E.E. and M.S.E.E. from Villanova University; his M.S. in engineering and applied science from Yale University; and his Juris Doctor from Georgetown University. Mike has extensive experience as an engineer and an attorney in a wide variety of technologies, including Internet and other computer-software applications, digital and analog circuits and systems, biomedical signal processing and instrumentation, video-display devices, wireless communications, and various mechanical systems. His research experience includes mathematical modeling of evoked potentials and analog circuit design. Mike currently serves as Lecturer in the Department of Computer Science and the Information Security Institute at The Johns Hopkins University. At Crowell

& Moring, Mike is continuing his practice in patent litigation and prosecution, licensing, due diligence, trademark and copyright issues, and general counseling.

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