

After noting that Bepex circulated its manuals freely and without restriction as to use, Judge Porter dismisses the copyright claim. Plaintiff's unfair competition claim must also be rejected, he says, because "the parties compete in the sale of presses and not in the sale of manuals." Moreover, since the manuals were not copyrighted, any attempt to protect them under state law is preempted.

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MAJOR INDUSTRIAL INNOVATION BILL, S. 1250, CLEARS CONGRESS

After reaching an informal compromise on several issues, the House and Senate approved and sent to the White House S. 1250, the "Stevenson-Wydler Technology Innovation Act of 1980." The bill establishes "Centers of Industrial Technology" which would acquire title to inventions resulting from joint university-industry research.

Introduced last year by Senator Adlai Stevenson (D-Ill.), S. 1250 is designed to improve: (1) the ability of universities and industry to collaborate in generating new ideas; and (2) the Government's ability to identify specific problems and opportunities in order to advance socially and economically important technologies. In addition to authorizing the joint university-industry centers, the bill creates a new Office of Industrial Technology in the Department of Commerce. See 432 PTCJ A-5, E-1.

As originally passed by the Senate (see 482 PTCJ A-1, D-1), S. 1250 permitted the Centers of Industrial Technology to acquire title to inventions resulting from joint research. The House, however, in passing its version of the bill (see 495 PTCJ A-7, D-1), voted to delete the patent rights provisions on grounds that they were incompatible with the Administration-backed patent policy articulated in H. R. 6933 (see 493 PTCJ AA-1). Another House-passed amendment requires federal laboratories (with certain exceptions) to devote one-half of one percent of their research budget to technology transfer.

An informal compromise was subsequently struck by Senator Stevenson and Representative George Brown (D-Calif.), chairman of the House Subcommittee on Science, Research & Technology. An agreement was reached to accept substantially all of the changes recommended by the House in exchange for reinstatement of the patent rights provisions proposed by the Senate.

Acting on this compromise, the Senate approved the amended version of S. 1250 on September 26th (see Cong. Rec. 9/26/80, p. S 13692) and the House followed suit on October 1st (see Cong. Rec. 10/1/80 p. H 10154). No clean copies of the bill were available when PTCJ went to press.

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SUPREME COURT CALLED UPON TO STRIKE DOWN CALIFORNIA RESALE ROYALTIES ACT

The Supreme Court is being asked to declare that a California statute providing for the payment of resale royalties to an artist is preempted by the 1909 Copyright Act. (*Morseburg v. Balyon*, No. 80-411, 9/15/80)

Background

California's Resale Royalties Act (Cal. Civil Code §986) provides for the payment of royalties to an artist upon the resale of an original painting, sculpture, or drawing. *Morseburg*, an art dealer, sold paintings under circumstances requiring such payments to be made. He then brought suit challenging the constitutionality of the Act, asserting that it is preempted by the 1909 Copyright Act and that it violates due process and the Contracts Clause of the Constitu-

the enforcement of the contractual provision concerning royalty payments would undermine the strong federal policy favoring the full and free use of ideas in the public domain. * * *

In Quick Point the Court approved a reduced royalties provision where no patent was ever issued and no ideas had therefore been withdrawn from the public domain. The Court further stressed the special advantage that a licensee gains in a patent pending situation where the information contained in the patent application must be kept confidential by the PTO. In Quick Point the Supreme Court did nothing to limit Lear and noted the:

desirability of encouraging licensees to challenge the validity of patents, to further the strong federal policy that only inventions which meet the rigorous requirements of patentability shall be withdrawn from the public domain. * * *

Here, on the other hand, when the exclusive license was granted to the debtor a patent had been issued. The parties anticipated the possibility that at a later date it might be declared invalid. If invalidity was found then the agreement provided that the minimum royalties would no longer be due, and the per unit royalty would be reduced from \$.50 per unit to \$.25. This is a significant royalty reduction and provides some incentive for the licensee to challenge the validity of the patent. But its natural effect is to undermine the public policy, enunciated in Lear, of encouraging licensees to attack patents which unjustifiably withdraw ideas from the public domain. While an alternative royalty provision may be appropriate in a patent pending situation, with its special confidentiality advantage, it has no place in a case, such as this, where the patent had already been granted. Here, this provision must be declared a nullity as it violates public policy. [Footnote 8: "Such a provision may have some validity, once a patent is declared invalid, for future payments required solely for use of the trademark."] [End Text]

Proceeding to the validity issue, Judge Meyers quickly disposes of defendant's claims. The evidence, he says, establishes that whatever "use" or "sale" of the patented invention took place prior to the application date occurred within the statutory one-year period. Judge Meyers also determines that the gap between the prior art and the "Power Swing" renders the patent nonobvious.

Convinced that defendant's license with Grunewald was effectively terminated, the court rules that Power Swing is guilty of breach of contract and that plaintiff is entitled to an injunction barring infringement of its trademark. Since defendant no longer has any rights in the Grunewald patent or "Power Swing" trademark, Judge Meyers also dismisses the patent and trademark infringement counterclaims.

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HOUSE PASSES INDUSTRIAL
INNOVATION BILL, S. 1250

File

By voice vote, the House of Representatives on September 8th passed an amended version of S. 1250, which it designated as the "Stevenson-Wydler Technology Innovation Act of 1980." The bill differs in several respects from the version passed recently by the Senate.

S. 1250 was introduced last year by Senator Adlai Stevenson (D-III). See 432 PTCJ A-5, E-1. The bill is designed to improve: (1) the ability of universities and industry to collaborate in generating new ideas; and (2) the Government's ability to identify specific problems and opportunities in order to advance socially and economically important technologies. The bill provides for joint university-industry "Centers of Industrial Technology," and sets up an Office of Industrial Technology within the Commerce Department.

Under the Senate version of the bill (passed May 28th, 482 PTCJ A-1), the "Centers of Industrial Technology" would acquire title to inventions resulting from joint research. The House, however, deleted the patent rights provisions. According to Representative George Brown (D-Calif.), chairman of the Subcommittee on Science, Research & Technology, the Carter Administration argued that the bill's patent rights clause was inconsistent with the patent policy articulated in H.R. 6933 (493 PTCJ AA-1). The Administration also maintained that the intent of the patent provisions of S. 1250 could be met under existing patent policies.

Another amendment adopted by the House requires the federal Government to strive to transfer federally owned or originated technology to state and local governments and to the private sector.

Floor remarks and the text of S. 1250 (as published in the Congressional Record, 9/8/80, p. H 8440) appear at page D-1.

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PATENTEE'S FAILURE TO BACK UP INFRINGEMENT CHARGE ENTITLES DEFENDANT TO ATTORNEYS' FEES

A patentee's persistent failure to specify the basis for its infringement charges leads an exasperated U. S. District Court for Northern Illinois to award substantial attorneys' fees to the defendant. The case is "exceptional," the court rules, in view of the patentee's "clear breach" of duties owed to the court and to opposing counsel. (Loctite Corp. v. Fel-Pro Inc., 8/15/80)

Background

Loctite charged Fel-Pro with infringement of its patents for anaerobic sealants and adhesives. The allegations were based upon tests run by Loctite's laboratory supervisor, Dr. Leonard. According to the plaintiff, these tests showed that the defendant's products contained tertiary butyl hydroperoxide (TBHP), a catalyst whose presence was essential to the plaintiff's patents. However, no quantitative test results or data supported the infringement allegations. Plaintiff later admitted that its test procedures "tended to overlap" with respect to TBHP and persulfates, a non-infringing catalyst. Furthermore, Leonard was uncertain whether the required TBHP catalyst was even present in defendant's products. Eventually, Leonard told Loctite that he felt that persulfate rather than TBHP was present.

Loctite repeatedly refused the defendant's request for a copy of the report supporting the infringement charges. However, the court previously rejected plaintiff's argument that the test results were "not relevant." See 457 PTCJ A-7. Nonetheless, plaintiff still refused to substantiate its charges by identifying the accused product, the infringing ingredients it allegedly contains, and the quantities of any infringing ingredients present.

Fel-Pro proved that it did not put TBHP in its products. Accordingly, it moved for a partial summary judgment of noninfringement. Plaintiff resisted the motion on the basis of Leonard's earlier tests. Since the court was not aware that Leonard no longer believed that those tests were correct, the defendant's motion was denied. Thereafter, the plaintiff admitted that "an impurity" rendered the tests erroneous. The court subsequently granted the defendant's renewed motion.

The plaintiff then argued that it had new, previously unrevealed facts which its counsel had ordered Leonard not to record. According to Loctite's counsel, his purpose was to foreclose the possibility that the tests might be discoverable by the defendants. At this point, the whole cat and mouse game began again. Having warned the plaintiff that it was "not happy