Companion Case

In re Spreter, a short companion decision handed down the same day, utilizes the "ordinary designer" test to uphold the rejection of a design for a cigarette lighter. Judge Rich applies the reasoning of the Nalbandian case (above) in concluding that the design "would have been obvious."

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PTO ISSUES GUIDELINES ON COMPUTER-RELATED INVENTIONS

Guidelines on the patentability of inventions reciting computer programs, mathematical equations, and algorithms are set forth in a new Section 2110 of the PTO's Manual of Patent Examining Procedure. These guidelines are designed to assist Patent and Trademark Office examiners in applying the principles announced by the Supreme Court in Diamond v. Diehr, 450 U.S. 175, 209 USPQ 1 (1981), 519 PTCJ AA-1, D-1.

The chief observation contained in the guidelines is that "a claim is not unpatentable under 35 U.S.C. §101 merely because it includes a step[s] or element[s] directed to a law of nature, mathematical algorithm, formula or computer program so long as the claim as a whole is drawn to subject matter otherwise statutory." Analysis of claims in accordance with the procedure set forth in In re Freeman, 197 USPQ 464 (CCPA 1978), 373 PTCJ A-1, is recommended as an "appropriate test."

The full text of the new M.P.E.P. section appears at page E-1.

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SENATE PANEL HEARS TESTIMONY ON PROPOSALS TO BROADEN FOIA'S TRADE SECRET EXEMPTION

In addition to the bills already pending before Congress, several new measures are being proposed to beef up trade secret protection under the Freedom of Information Act. Witnesses appearing at an October 15th hearing before the Senate Subcommittee on the Constitution testified that an Administration-sponsored measure (not yet formally introduced) would broaden the current trade secret exemption to make clear that interests other than "substantial competitive harm" must be weighed when making determinations that could jeopardize "vital business secrets." Protection would also be broadened under S. 1730, another new bill.

Background

Recent weeks have seen a flurry of legislative activity relating to the Freedom of Information Act (FOIA). On October 7th, Senator Orrin G. Hatch (R-Utah) introduced S. 1730, a bill that would make wholesale changes in the law. Of particular interest to trade secret owners is his proposal to broaden the trade secret exemption set forth in 5 U.S.C. §552(b)(4).

Under current law, Exemption 4 shields from public disclosure matters that are "trade secrets and commercial or financial information obtained from a person and privileged or confidential." The federal courts have interpreted this exemption to apply only if release of the information would impair the Government's ability to obtain necessary information in the future or would cause "substantial competitive harm" to the competitive position of the submitter. See National Parks and Conservation Assn. v. Morton, 498 F.2d 765 (CADC 1974).

S. 1730

S. 1730 would revise Exemption 4 to encompass "trade secrets and commercial research, or financial information, or other commercially valuable information." When disclosure would "impair legitimate private, competitive, financial, research, or business interests," the revised standard would allow records to be withheld. S. 1730 is thus far more specific than Senator Dole's bill, S. 1247 (see 534 PTCJ at A-20 and 539 PTCJ A-5), which would amend Exemption 4 to encompass "proprietary information which would not customarily be disclosed to the public."

S. 1730 also calls for a number of procedural changes that would grant businesses a greater opportunity to challenge an agency's decision to release information. Like S. 1247, S. 1730 provides that a submitter must be given notice that its records may be released, a chance to oppose the release, and de novo court review where the records are scheduled for release despite the submitter's objections.

Administration Proposal

The Administration has also announced its intention to sponsor remedial legislation. As part of its comprehensive reform package, the Administration has proposed that Exemption 4 apply to "financial" interests as well as to "competitive" and "business" interests. The proposed amendment would also extend the exemption to nonprofit submitters, such as universities, hospitals, and scientific researchers.

The Administration's bill, in addition, would add "other commercially valuable information" to the categories of information encompassed by the statute. This amendment would assure the protection of any information that is commercially valuable, whether or not it consists of trade secrets or commercial or financial information.

Finally, the Administration's proposal would preclude disclosure of information if release "may impair either the legitimate competitive, financial, or business interests of any person or the Government's ability to obtain such information in the future."

Hearing

Senator Hatch opened the hearing by announcing that S. 1730 "will serve as the vehicle for further deliberations" by his subcommittee. He noted that previous witnesses (see 539 PTCJ A-5) "have clearly shown that confidential business information may not be safe in Government files under court interpretations of FOIA."

Jonathan C. Rose, Assistant Attorney General for the Justice Department's Office of Legal Policy, presented the Administration's proposal. In addition to the provisions outlined above, Rose testified that the Administration's bill would establish procedures enabling submitters of confidential commercial or financial information to object to the Government's release of such information. The proposed amendments, he said, would also permit the Government to charge fees for FOIA requests "that more closely reflect the actual cost of the Government's search and review of documents."

Attorney Roger Milgrim expressed general support for the Administration's proposal. However, he voiced concern about certain procedural matters. For example, he questioned the wisdom of allowing only a requester of information to recover attorneys' fees and costs if it is the prevailing party in FOIA litigation. This provision could encourage frivolous requests, Milgrim maintained.

Another attorney, Jerald A. Jacobs, also testified in favor of liberalizing FOIA's Exemption 4. According to Jacobs, Exemption 4 should be mandatory, not discretionary with the agency. Jacobs also stated that the definition of trade secrets should be broadened to encompass "any information, the disclosure of which would impair the legitimate private competitive interests of the submitter and is customarily held in confidence by the submitter."

Opposition to S. 1730 was led by Jack Landau, Director of the Reporters Committee for Freedom of the Press. Characterizing S. 1730 as a "frontal assault on the FOIA," Landau indicated that the Hatch bill "would almost totally exempt records of businesses submitted to the Government for regulatory purposes." Moreover, he declared, S. 1730 "set[s] up a procedural morass as a second line of defense so that the average reporter or writer would give up before he or she began."

With regard to the bill's "legitimate business interests" standard, Landau said that "knowing the mentality of most American business persons, I can hardly think of any internal information, which if made public, a private business enterprise would not consider an impairment of its 'legitimate private business interest.'"

Further hearings on bills to amend the FOIA will be held, but they have not yet been scheduled.

Excerpts from S. 1730 (as published in the Congressional Record, 10/7/81, p. S 11296) appear in text at page F-1).

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INNOCENT JUNIOR USER OF MARK WINS RIGHTS FOR MOST OF U.S.

An innocent junior user of the mark "Noah's Ark" for restaurant services is awarded concurrent use registrations covering all of the United States except for the territory immediately surrounding the prior user's restaurant and selected other areas. The PTO Trademark Trial and Appeal Board notes that while the junior user has actively sought to establish a nationwide network of franchises, the prior user has abandoned its right to expand beyond its immediate trading area. (Nark, Inc. v. Noah's, Inc., 9/8/81)

Background

Applicant Noah's Inc. sought to register the name "Noah's Ark" as a service mark for its Italian restaurant located in Des Moines, Iowa. Registration was opposed by Nark on the ground that it uses the mark "Noah's Ark" in connection with its attempts to franchise a distinctive, sophisticated "tablecloth" type of steak house (like the one it operates in suburban St. Louis). Opposer subsequently filed applications for concurrent use of the mark under §2(d) of the Lanham Act, 15 U.S.C. §1052(d), claiming use of the "Noah's Ark" mark in a host of states. The proceedings were consolidated, and the record established that while applicant made little effort to expand its business beyond Des Moines, opposer has continuously engaged in efforts to franchise its "Noah's Ark" restaurant throughout most of the United States.

Concurrent Use

The Trademark Trial and Appeal Board notes that while the first user of a mark is normally entitled to exclusive use, the Lanham Act recognizes the right of an innocent junior user to concurrent use of its mark in the area in which a proprietary right has been established. In most concurrent use situations, says Member Lefkowitz, the prior user is prima facie entitled to a registration covering the entire United States, limited only to the extent that the junior user can establish that it possesses protectible rights in its area of actual use as well as in the area of natural expansion. However, where the prior user, through inactivity over a reasonable period of time, has, in effect, abandoned or relinquished its rights, nationwide trademark rights can be acquired by a junior party that has demonstrated substantial expansion activities.

In Applicant, while acknowledging that opposer's first use of "Noah's Ark" was in good faith, argued that any expansion activities on opposer's part after it learned of applicant were in bad faith and cannot serve as a basis for a concurrent use registration in any of the areas in which it solicited franchisees after notice. The board rejects this argument:

[Text] A similar argument was raised in Weiner King, Inc. v. Wiener King Corp., [201 USPQ 894 (TTAB 1979), modified, 615 F.2d 512, 204 USPQ 820 (CCPA 1980), 467 PTCJ A-6], and was rejected by both the board and the court as a "hard and fast" rule in cases of this type since a general and inflexible application of this concept would create more problems than it would solve, and it would not be responsive to the factual situations upon which right of registration must be determined. In so doing, the court stated that:

"While an attempt to 'palm off' or a motive to box in a prior user by cutting into its probable area of expansion, each necessarily flowing from knowledge of the existence of the prior user, might be sufficient to support a finding of bad faith, mere knowledge of the existence of the prior user should not, by itself, constitute bad faith."

The court, then, in footnote #6, page 829, went on to state:

"In addition, the common law has been most concerned with the good faith adoption and use of marks on the part of a later user. While it is clear that appropriation of a mark with

EXCERPTS FROM HATCH BILL, D. 1730, PERTAINING TO TRADE SECRETS

* * *

BUSINESS CONFIDENTIALITY

SEC. 8. 5 U.S.C. 552(b)(4) is amended to read as follows:

"(4) trade secrets and commercial research, or financial information, or other commercially valuable information obtained from any person and privileged or confidential where release may impair the legitimate private, competitive, financial, research or business interests of any person or where release may impair the government's ability to obtain such information in the future;"

BUSINESS CONFIDENTIALITY PROCEDURES

SEC. 9. Section 552(a) of title 5, United States Code, is amended by inserting immediately after paragraph (6) the following new paragraph:

"(7)(A)(i) Whenever an agency receives a request for records containing or based on information which is or may be subject to exemption four (5 U.S.C. 552(b)(4)) and the agency has not decided to withhold such records, the agency shall, within ten working days from the date of receipt of such request, give written notice to the submitter of the information contained in the record, or on which the record is based, of such request. This notice shall describe the nature and scope of the request and advise the submitter of his right to submit written objections and his right to an informal ex parte hearing pursuant to this paragraph.

"(iii) For the purposes of this section, the term 'submitter' includes the private source who provided the requested record or the information contained in the requested record or on which the requested record is based, the private proprietor or such information, and the individually identifiable private party who is the subject of such information.

"(B)(i) The submitter may, within ten working days after receipt of the notice, provide the agency with written objections to disclosure of records requested, clearly and succinctly describing legal grounds for the objections.

"(ii) Upon proper request by the submitter made within five working days after receipt of the notice, the agency shall provide the submitter with an opportunity for an informal ex parte hearing at a location suitable for the interests of the submitter and of the agency, except that the agency may deny a request for hearing upon a written determination that on the particular facts of the case the request is clearly frivolous, the requested hearing would severely prejudice specifically stated interests of the agency or identified third parties, or the requested hearing has been rendered unnecessary by virtue of a determination to deny the underlying request for disclosure. This hearing shall be held no later than thirty days after the agency receives the request for a hearing, but not earlier than a reasonable time for the submitter to prepare his presentation for the hearing.

"(iii) The time limits set forth in this subparagraph may be extended by the agency where required by the circumstances of the case to permit development of the evidence for the record or where required by other exceptional circumstances. When an agency extends such time limits, it shall make a written finding of such circumstances and why such circumstance justifies an extension of the applicable time limits. The agency shall send the submitter a copy of this finding by certified or registered mail.

"(C)(i) Within thirty days after the agency receives the written objections of the submitter, or, if an informal ex parte hearing was held, within thirty days after the conclusion of the hearing, the agency shall make a final decision regarding decisure of the requested agency records, unless such time limitations are extended by the agency due to the existence of exceptional circumstances justifying such extension. When the agency extends such time limitations, it shall make a written finding of such circumstance and why such circumstance justifies an extension of the applicable time limits. The agency shall send the submitter a copy of this finding by certified or registered mail.

"(ii) When the agency makes its final decision, it shall give the submitter written notice of its decision by certified or registered mail. Where the agency has decided to disclose the records requested, this notice shall clearly describe the factual and legal grounds on which the agency based its decision.

"(D) An agency may not disclose records which are subject to the provisions of this paragraph unless—

"(i) more than ten working days have passed since the submitter received notice of the request for disclosure and the submitter has not provided the agency with written objections to the disclosure of the records requested or requested an informal ex parte hearing.

"(ii) more than ten working days have passed since the submitter received notice of the final decision of the agency following submission of written objections where the submitter has not requested an informal ex parte hearing, or where the request of the submitter for such hearing was denied, or

"(iii) more than ten working days have passed since the submitter received notice of the final decision of the agency following an informal ex parte hearing.

"(E)(i) Whenever an agency gives a submitter written notice of a request for agency records pursuant to this paragraph, the agency shall also give the requester written notice by certified or registered mail that the record requested in subject to the provisions of this paragraph and that notice of the request is being given to the submitter: *Provided, however,* That such notice shall not describe or identify in any way the information contained in the requested record or on which the record is based, or identify the submitter of such information.

"(ii) Whenever an agency grants the request of a submitter for an informal ex parte hearing, the agency shall give the requester written notice, by certified or registered mail, that an informal hearing will be held pursuant to the provisions of this paragraph.

"(iii) At the same time the agency gives notice of its decision to the submitter, the agency shall give a similar written notice of its decision to the requester by certified or registered mail. Where the agency has decided not to disclose the requested record or part thereof, the notice shall be made in such a manner so as not to prejudice in any way the status or content of the record, or part thereof, as exempt from the disclosure provisions of this section.

"(iv) Whenever an agency extends the time limitations set forth in subparagraphs (B) or (C), the agency shall send a copy of the written findings of exceptional circumstances to the requester by certified or registered mail at the same time such finding is sent to the submitter: *Provided, however,* That the copy of such findings sent to the requester shall not prejudice in any way the status or content of the record, or part thereof, as exempt from the disclosure provisions of this section.

"(F) The requester may deem the request for disclosure of records denied if—

"(i) more than forty days after the requester received notice that the requested record was subject to the provisions of this paragraph, the requester has not received written notice that an informal ex parte hearing has been granted, written notice of the final decision of the agency, or a copy of the findings of exceptional circumstances requiring an extension of the time limits of subparagraphs (B) or (C); or

"(ii) more than sixty days after the requester received notice that an informal ex parte hearing has been granted, the requester has not received either written notice of the final decision of the agency or a copy of the findings of exceptional circumstances requiring an extension of the time limits of subparagraphs (B) or (C):

"(G) Any written finding made by an agency that exceptional circumstances require an extension of the time limits of subparagraphs (B) or (C) shall be subject to review in the district court of the United States in the district in which the complainant resides, or has his principal place of business, or in which the agency records are located, or in the District of Columbia. If the reviewing court finds the challenged extension to be unwarranted by the facts, it may declare such extension invalid and order such relief as it deems proper, including initiating de novo review of the request for disclosure and the related objections of the submitter, pursuant to subparagraph (H), and ordering the award of attorney fees, pursuant to subparagraph (4)(E) of this section.

"(H)(i) Any determination made by an agency following the procedures provided by this paragraph to disclose all or part of the records requested to be disclosed shall be subject to de novo review in the district court of the United States in the district in which the complainant resides, or has his principal place of business, or in which the agency records containing the information are situated, or in the District of Columbia. The district court may examine the contents of such records in camera to determine whether such records or any part thereof shall be withheld under any of the exemptions set forth in subsection (b) of this section. The burden is on the agency to sustain its action by a preponderance of the evidence.

"(ii) The court may assess against the United States reasonable attorney fees and other litigation costs reasonably incurred in any case under this subsection, in which the complainant has substantially prevailed.

"(I) Nothing in this paragraph will be construed to be in derogation of any other rights established by law protecting the confidentiality of private information."

* * *

-- End of Section F --