

CASE UPDATE

The *Case Update* is a survey of recent state and federal court decisions which significantly relate to high technology. Cases are included either because they introduce new substantive law in areas which are important to a technology practice, or because they illustrate a new application of other areas of law to technology. The cases are organized below under appropriate headings. As many of the cases we report are quite complex or ongoing, the decisions reported herein are not necessarily final dispositions. This issue's *Case Update* covers cases decided from January through August, 1990.

Table of Contents

CIVIL PROCEDURE	401
COPYRIGHTS	402
CRIMINAL PROCEDURE	405
MEDICINE	407
PATENTS	409
TELECOMMUNICATIONS	413
TRADE/ANTITRUST	414

CIVIL PROCEDURE

License Agreement Exchanging 5% Interest in Patent for Licensee's Obligation to Sue Alleged Infringers Held Void Under New York Champerty Statute.

Refac Int'l, Ltd. v. Lotus Dev. Corp., 131 F.R.D. 56 (S.D.N.Y. 1990).

Forward Reference Systems, Ltd. ("FRS") assigned a 5% interest in its computer program patent to plaintiff Refac International, Ltd. ("Refac") in exchange for Refac's obligation to sue at least two alleged infringers of the patent. Under the agreement, FRS retained substantial control over the litigation. Defendants to Refac's subsequent suit sought dismissal for failure to join FRS as a necessary party.

Because the primary purpose of the agreement was to enable Refac to litigate on behalf of FRS, the district court determined that it violated New York's champerty statute. That statute, N.Y. Jud. Law § 489, prohibits buying or taking an assignment of any claim with the intent and for the purpose of bringing an action on that claim. The court also determined that Refac was not the real party in interest and ordered dismissal of the complaint, unless FRS voluntarily joined the action within 10 days as a necessary party pursuant to Fed. R. Civ. P. 19(a).

COPYRIGHTS

Rights in the Renewal Copyright Term Vest in the Successor when the Author Dies Before Commencement of the Renewal Period, Despite Agreement to the Contrary.

Stewart v. Abend, ___ U.S. ___, 110 S. Ct. 1750 (1990).

Defendants distributed "Rear Window," a motion picture derived from the story "It Had to Be Murder," and were sued for copyright infringement by plaintiff Abend, who owns the copyright to the story. Years earlier, defendants' predecessors in interest had purchased from the story's author the derivative motion picture rights to the story. During that period, 17 U.S.C. § 24 provided copyright protection for original works during an initial twenty-eight year term and a twenty-eight year renewal term. The author had agreed to renew the copyright in the original story and to assign the derivative motion picture rights for the renewal term to defendants' predecessors. However, he died before obtaining the renewal rights. The author's executor subsequently renewed the copyright and assigned the derivative rights to plaintiff. Defendants claimed that they could continue to use the existing derivative work beyond the initial term.

In denying defendants' claim, the Supreme Court held that, where the author dies before the commencement of the renewal term, the assignment of renewal rights must be made by the author's statutory successor. The Court found that, since the author had died before the expiration of the initial copyright term, all defendants' predecessors in interest possessed was an unenforceable expectancy. The Court rejected defendants' contention that the authorized creation of the derivative work partially extinguished plaintiff's rights. Thus, defendants were prohibited from exploiting their derivative work for as long as the original work remained outside the public domain.

"Misuse of Patent" Defense Adopted in Copyright Context.

Lasercomb Am., Inc. v. Reynolds, 911 F.2d 970 (4th Cir. 1990).

Plaintiff Lasercomb America, Inc. developed and copyrighted a computer program relating to the design and manufacture of steel rule dies. Plaintiff licensed copies of the program to defendants. Defendants subsequently made unauthorized copies of the software and marketed a similar program which almost entirely copied plaintiff's. Plaintiff brought suit for copyright infringement.

Defendants alleged "misuse of copyright" as a defense. Defendants claimed that plaintiff's standard licensing agreement impermissibly restricted licensees, in that it prohibited licensees from developing computer-assisted die making software on their own. (However, due in part to an oversight, defendants themselves had not actually signed such an agreement.) The trial court rejected the defense, extant in patent law, partly because it doubted the defense's existence in the area of copyright.

The court of appeals reversed. Invoking the history and public policy common to both patent and copyright law, it determined that the defense did indeed exist. The court also determined that the defense was available to parties who had not themselves been injured by the copyright misuse. Thus, defendants here were able to use the defense despite not being parties to the license agreement. Having recognized both the defense and defendant's standing to assert it, the court found that plaintiff did indeed misuse its copyright. The court held that plaintiff wrongfully suppressed licensee attempts to independently implement ideas expressed by its program, when it had only the right to protect against copying of the program's code. The court noted that the finding of misuse did not depend on whether plaintiff had also violated any antitrust laws.

Menu Command Structure of Spreadsheet Program Held Copyrightable.

Lotus Dev. Corp. v. Paperback Software Int'l, 740 F. Supp. 37 (D. Mass. 1990).

Plaintiff Lotus Development Corporation sued defendant Paperback Software International for copyright infringement, alleging that defendant's computer spreadsheet program, VP-Planner, infringed upon its program, Lotus 1-2-3. Defendant challenged the copyrightability of such spreadsheet programs.

The district court identified the issues as being whether the "non-literal" elements of the spreadsheet program were copyrightable and, if so, how such non-literal elements that are copyrightable may be

identified. By "non-literal" elements, the court meant elements of the program that could not be tangibly expressed in writing. For example, a literal element of a program would be its written code. Non-literal elements would include "the overall organization of a program, the structure of a program's command system, and the presentation of information on the screen." 740 F. Supp. at 46. The court recognized that the bulk of the creative work in programming often involves developing such non-literal elements. With respect to spreadsheet programs, the court noted that "creating a suitable user interface is a more difficult intellectual task, requiring greater creativity, originality, and insight, than converting the user interface design into instructions to the machine." *Id.* at 56.

The court interpreted the Copyright Act as extending copyright protection to "expressive" elements of computer programs, literal or non-literal, but not to the ideas embodied in the programs. The court applied a three-step test for determining whether a program possessed expressive elements that are copyrightable.

The first step required the court to formulate some conception or definition of the "idea" expressed in the work sought to be protected. In this case, the court defined the idea of Lotus 1-2-3, VP-Planner, and similar programs as being that of an "electronic spreadsheet." *Id.* at 65.

In the second step, the court must distinguish between essential and non-essential elements of expressing the idea. An expression that is essential to an idea merges with the idea and is not copyrightable. Non-essential expressions are those that are distinctive to a particular program. Here, the court noted that individual characteristics of the Lotus 1-2-3 command structure, such as the two-line moving cursor menu, the rotated L screen display, and the designation of a particular key to invoke the menu command system, were not distinctive. However, the court found that the "precise structure, sequence, and organization" of Lotus 1-2-3 were not obvious. *Id.* at 67. For example, the court found plaintiff's "choice of command terms, the structure and order of those terms, their presentation on the screen, and the long prompts" to be distinctive. *Id.* at 68.

The final step requires the court to determine whether the non-essential elements of the idea's expression form a substantial part of the program. Here, the court found that the above-enumerated distinctive elements of Lotus 1-2-3 were indeed substantial and, thus, held the program copyrightable.

CRIMINAL PROCEDURE

Testimony of Child Witness via One-Way Monitor is Constitutionally Permissible Where Face-to-Face Confrontation with Defendant Causes Witness Severe Emotional Distress.

Maryland v. Craig, ___ U.S. ___, 110 S. Ct. 3157 (1990).

Defendant Craig appealed convictions for sexual and physical abuse against a preschool child, claiming deprivation of rights guaranteed by the confrontation clause of the sixth amendment. The trial court, applying a Maryland statute, allowed a sexually abused child to testify in a separate room through a one-way television monitor which simultaneously displayed the testimony in the courtroom. The court invoked the procedure upon finding that face-to-face confrontation with defendant during testimony would cause the child to suffer such emotional distress that she would not be able to reasonably communicate.

The Supreme Court upheld the validity of the procedure, finding that the confrontation clause does not mandate face-to-face confrontation. The Court held that the clause attempts to ensure the reliability of evidence against a defendant by subjecting it to rigorous testing in an adversarial setting. While face-to-face testimony is preferred, it is not an indispensable element of the confrontation right and is not required when a conflicting state interest exists and when evidentiary accuracy is otherwise assured. Here, the state's interest in the physical and psychological well-being of child abuse victims was found to outweigh defendant's right to face her accusers in court.

Statute Allowing Roving Wiretap Does Not Violate Fourth Amendment Probable Cause and Particularity Requirements.

United States v. Silberman, 732 F. Supp. 1057 (S.D. Cal. 1990).

Federal agents obtained a court order authorizing a roving wiretap of telephone calls made by defendant Petti from various locations. Several calls to defendant Silberman were tapped. As a result, defendants were both indicted for money laundering. Defendants moved for an order suppressing evidence obtained through the wiretap surveillance. They claimed the statute authorizing the surveillance violates fourth amendment probable cause and particularity requirements.

Under the Omnibus Crime Control and Safe Streets Act of 1968, as amended in 18 U.S.C. § 2518(11), police may obtain an order authorizing a roving wiretap where (1) a federal officer applies for the order, (2) the

Attorney General approves the application, (3) the application shows the suspect is purposefully trying to thwart interception of his calls by changing facilities, and (4) a judge finds that the showing of purpose is adequate.

The district court, denying defendants' motion, rejected the claim that the statute violates the probable cause requirement prohibiting unreasonable searches and seizures, since the statute requires that the finding of probable cause be judicially determined. The court found that the statute merely modifies the requirement that the finding specify the exact location of the conversation to be tapped.

The court also rejected the claim that the statute violates the particularity requirement. The court noted that search and seizure orders need not precisely describe the physical location to be searched to satisfy this requirement. Although the particularity requirement prohibits general searches, it should be interpreted flexibly, in a manner accounting for the technological advances of modern society. The court found that where, as here, defendants used telephones at various and changing locations, the wide scope of the search authorized by the statute is constitutionally tailored to a legitimate end.

Video Surveillance of Crime Locale Violates Fourth Amendment Where Co-Tenant Consenting to Surveillance Is Not Present.

People v. Henderson, 220 Cal. App. 3d 1632, 270 Cal. Rptr. 248 (Ct. App. 1990).

Defendant Henderson allegedly operated a methamphetamine laboratory in a condominium owned by his accomplice's ex-brother-in-law, Hake, a DEA informant. Defendant's accomplice obtained Hake's permission to use the condominium for drug manufacture. Hake then authorized DEA agents, who had no search warrant, to set up a video surveillance system in the condominium. This system recorded defendant's illicit activities. The trial court denied defendant's standing to challenge the videotaped search and admitted the videotaped evidence, reasoning that Hake's consent as a co-tenant of the condominium legally authorized the DEA agents' entry onto and surveillance of the premises without a warrant.

The California Court of Appeal reversed, holding defendant had standing under federal law. The court found that, while the DEA agents properly obtained consent to enter the condominium, the fourth amendment bars evidence gathered in warrantless videotaping made while Hake was absent from the condominium. Under these

circumstances, defendant's reasonable expectation of privacy was abridged in violation of the fourth amendment.

Videotaped Surveillance of Pedestrians Is Admissible as Evidence of Identity in New York.

People v. Edmonson, 75 N.Y.2d 672, 554 N.E.2d 1254, 555 N.Y.S.2d 666 (1990).

Defendant Edmonson allegedly attacked a victim after meeting her on the street. While still in the hospital, the victim described defendant to the police and told them where he might be found. Using this information, the police randomly videotaped pedestrians at the identified locations, occasionally zooming in upon men fitting the description. The victim reviewed the videotape and, when defendant appeared, immediately identified him as her assailant. A day later, she again identified defendant in a lineup. Defendant challenged subsequent convictions of attempted murder and assault, claiming that the videotape of pedestrians was inadmissible as evidence of his identity.

The New York Court of Appeals found the videotape admissible as proof of identity, finding that it was not suggestive or prejudicial in content or in manner of presentation. The videotape did not single defendant out but presented him as one of many pedestrians and as part of a group of men fitting a general description. The videotape was simply a substitute for physical canvassing of the area by the victim. The court even preferred this method over the traditional use of "mug shots," since video-canvassing carries no inference that those pictured have criminal histories.

MEDICINE

Law Criminalizing "Experimentation upon a Fetus" Ruled Unconstitutionally Vague and in Violation of a Woman's Right to Privacy.

Lifchez v. Hartigan, 735 F. Supp. 1361 (N.D. Ill. 1990), *aff'd*, 914 F.2d 260 (7th Cir. 1990).

Plaintiff physicians specializing in reproductive endocrinology and fertility counseling initiated a class action suit challenging the constitutionality of a provision of the Illinois abortion law, Ill. Rev. Stat. ch. 38, para. 81-26. The statute provided that "[n]o person shall sell or experiment upon a fetus . . . unless such experimentation is therapeutic to

the fetus thereby produced." Plaintiffs attacked the statute on fourteenth amendment due process and right to privacy grounds.

The district court found the statute unconstitutionally vague in violation of due process. The court determined that the legislature's failure to define "experimentation" and "therapeutic" as used in the statute rendered the statute so vague that physicians could not know what actions would be deemed criminal. The court felt it unclear how the statute would apply to many accepted practices that could be ruled non-therapeutic to the fetus. Such practices might include, for example, embryo transfer and genetic screening. The court noted that many of today's "experiments" would be tomorrow's standard treatment.

The court also held that the statute unconstitutionally infringed upon a woman's privacy right in making reproductive choices free from governmental interference. In so holding, the court found that this privacy right included the right to such procedures as chorionic villi sampling (the taking of tissue from around the fetus to obtain information often used by a woman to determine whether to have an abortion) and embryo transfer.

Physician Must Inform Patient of Personal, Research, or Economic Interests in Excised Tissue, but Patient Does Not Retain a Property Interest in Such Tissue.

Moore v. The Regents of the Univ. of California, 51 Cal. 3d 120, 793 P.2d 479, 271 Cal. Rptr. 146 (1990).*

As part of a treatment for hairy-cell leukemia, defendant physician Golde removed plaintiff Moore's spleen. Prior to the splenectomy, without informing plaintiff, Golde arranged to obtain portions of plaintiff's spleen for research. Golde established a cell line from plaintiff's tissue. A patent to the cell line was assigned to defendant Regents of the University of California, and Golde, with other defendants, developed the cell line commercially. Plaintiff sued defendants for breach of defendant's fiduciary obligations and for conversion of tissue taken from plaintiff's spleen.

The California Supreme Court held that plaintiff stated a cause of action for breach of fiduciary duty. Physicians seeking patient consent to undergo medical treatment must disclose personal, research, or economic interests unrelated to the patient's health. Because personal interests may

* For a detailed analysis of *Moore v. The Regents of the University of California*, see the Comment by Maureen S. Dorney *supra*, *Moore v. The Regents of the Univ. of California: Balancing the Need for Biotechnology Innovation Against the Right of Informed Consent*, 5 HIGH TECH L.J. 333 (1990).

adversely affect the physician's medical judgment and thus conflict with the patient's interests, disclosure is required for obtaining the patient's informed consent to satisfy the physician's fiduciary duty.

However, the court held that plaintiff did not state a cause of action for conversion, finding that he retained no property interest in tissue after its removal from his body. The court doubted the legal validity of such a cause of action for a number of reasons. First, it found that reported case law lends no support for a conversion claim. Second, California statutory law limits a patient's interest in excised cells. Third, the court found that the cell line that was developed from plaintiff's spleen cells was "factually and legally distinct" from plaintiff's cells. 51 Cal. 3d at 141, 271 Cal. Rptr. at 159. Finally, the court took into account the potentially dampening effects of such liability upon scientific research and the adequacy of remedies available to plaintiff under his breach of fiduciary duty claim. Noting the complex policy issues involved, the court deferred to the Legislature the decision to extend such liability.

PATENTS

Patent Infringement Provision of 35 U.S.C. § 271(e)(1) Applies to Patented Medical Devices as well as to Drugs.

Eli Lilly and Co. v. Medtronic, Inc., ___ U.S. ___, 110 S. Ct. 2683 (1990).

Plaintiff Eli Lilly and Company filed an injunctive suit against defendant Medtronic, Inc., alleging that defendant's testing of a medical device infringed upon two of plaintiff's patents. Defendant responded that the testing was authorized by 35 U.S.C. § 271(e)(1), which was enacted by the Drug Price Competition and Patent Term Restoration Act of 1984 ("the 1984 Act"). Section 271(e)(1) authorizes the manufacture, use, or sale of a patented device "solely for uses reasonably related to the development and submission of information under a Federal law which regulates the manufacture, use, or sale of drugs." Defendant argued that its testing of the patented medical device was necessary to obtain pre-marketing approval of the device under the Federal Food, Drug, and Cosmetic Act ("FDCA"). Plaintiff countered that section 271(e)(1) applied only to drugs, not medical devices.

The Supreme Court held that section 271(e)(1) did indeed apply to medical devices. Although the Court found section 271(e)(1) ambiguous with respect to its scope of applicability, the Court found that the structure of the 1984 Act as a whole supported the section's applicability to medical devices.

The Court recognized that Congress enacted the 1984 Act to remedy two unintended distortions of the standard 17-year patent term brought about by the pre-market regulatory approval requirements of the FDCA. The first distortion occurred when an invention was subject to a lengthy approval process. The patent holder would not reap any financial gains during the early years of the 17-year term, because the invention had not yet received approval. The 1984 Act remedied this distortion by enacting 35 U.S.C. § 156, which extends by up to five years the 17-year patent protection term for drugs and medical devices subject to regulatory review.

The second distortion occurred at the end of the 17-year term, at which point patent holders, in effect, received an extension of the term: Since competitors could not begin the regulatory approval process until after the term's expiration, the patent holder's monopoly would continue during the years in which the competitor sought approval. The 1984 Act addressed this problem through the enactment of section 271(e)(1), which allows third parties to begin the approval process while the patent is still in effect.

The Court found that applying section 271(e)(1) only to drugs would allow a patentee of an FDCA-regulated non-drug invention to benefit from the latter distortion without the hindrance of the earlier distortion. Such an application would result in an aggravation of the monopolistic effects the 1984 Act was designed to remedy. Thus, the Court found that all inventions that are eligible for the term-extension benefit of 35 U.S.C. § 156 must also be subject to the non-infringement limitation of section 271(e)(1), and, similarly, such products that are not eligible for the term-extension benefit are excluded from the non-infringement limitation.

Patent Infringement Statute Does Not Abrogate States' Eleventh Amendment Immunity.

Chew v. California., 893 F.2d 331 (Fed. Cir. 1990), *cert. denied*, ___ U.S. ___, 111 S. Ct. 44 (1990).

Plaintiff Chew brought a patent infringement suit against the State of California, claiming that the State infringed upon her patent on a method for testing automobile exhaust emissions. Plaintiff argued that the State's eleventh amendment immunity from suit was abrogated by 35 U.S.C. § 271(a), which provides that "whoever" makes unauthorized use of a patented invention infringes upon the patent.

The court of appeals affirmed the lower court's holding that the general language in the patent statute does not curtail states' eleventh

amendment immunity. The court held that, while such immunity may be abrogated by Congress in the exercise of constitutionally delegated powers, there must be "unmistakable language in the statute itself" of Congress' intent to do so. 893 F.2d at 334.

The court also rejected plaintiff's further argument on appeal that barring her suit in federal court would result in a deprivation of her property without due process of law. The court held that, to the extent that plaintiff's claim involved Congress' failure to abrogate state immunity, the United States, not the State of California, was the proper party to be sued. To the extent that plaintiff's takings claim was based on the fourteenth amendment, the court found that a patent infringement suit was not the appropriate legal remedy.

"Actual Intent" Requirement for Establishing Active Inducement of Patent Infringement Requires Proof of More than Mere Knowledge of Infringement.

Hewlett-Packard Co. v. Bausch & Lomb Inc., 909 F.2d 1464 (Fed. Cir. 1990), *cert. denied*, ___ U.S. ___, 110 S. Ct. 1125 (1990).

Plaintiff Hewlett-Packard Company owned a patent relating to a device which creates two-dimensional plots, including charts and graphs. Defendant Bausch & Lomb Inc., through one of its divisions, sold devices incorporating the plotter technology patented by plaintiff. It later sold the division to a third party, Ametek, Inc. As part of this sale, it was agreed that (1) defendant would indemnify Ametek against liability for infringing upon plaintiff's patent, (2) defendant and Ametek would jointly work towards developing a plotter that would not infringe upon the patent, and (3) Ametek would not communicate with plaintiff concerning the infringed patent. Plaintiff subsequently sued defendant both for direct patent infringement and for actively inducing a third party to infringe.

The court of appeals, affirming the court below, held for plaintiff on its first claim but rejected the second. Although the court held defendant liable for infringement for the period prior to the sale, it found that plaintiff did not prove that defendant actually intended to cause Ametek itself to infringe upon the patent. The court reasoned that defendant's sale of plans for products infringing upon plaintiff's patent did not indicate such intent, because the plans were sold to Ametek as part of a much larger agreement and were related to a product comprising only a small portion of the sales governed by the agreement. Furthermore, the court noted, defendant had promised to work with Ametek to avoid infringement. Finally, the court found that defendant's agreement to

indemnify Ametek for infringement pursuant to the sale agreement, although insulating Ametek from the deterrent impact of patent laws, did not in itself evidence intent. On the contrary, defendant may have only been interested in selling its division at the highest possible price, regardless of infringement possibilities.

Invention of Novel Compounds Allows Patent on Seemingly Obvious Method of Their Use.

In re Pleuddemann, 910 F.2d 823 (Fed. Cir. 1990).

An inventor appealed from a rejection by the Patent and Trademark Office ("the PTO") of his process and method of use claims. The PTO had granted the inventor a patent for a new class of bonding agents that the inventor claimed imparted superior moisture resistance to certain materials. However, the PTO had rejected claims on the process or method of using the agents, finding the claims obvious in light of a prior patent involving a similar process using a different agent.

The court of appeals reversed the PTO's decision. The court noted that a single invention may be viewed legally as having different aspects, permitting claims to (1) the compounds themselves, (2) the method or process of making the compounds, and (3) the method or process of using the compounds for their intended use. The court found that the inventor's claims consisted both of a novel and non-obvious class of compounds and of development of methods of bonding and priming using these compounds. The court held that the PTO had erred in determining the obviousness of the method by assuming the separate existence of the compounds themselves as part of the prior art. The court distinguished this case from one where an inventor seeks a patent merely for the process of making (as opposed to using) a novel compound.

Court Employs New Test to Determine Whether a Patent Infringement Claim Under the Doctrine of Equivalents Can Survive a "Prior Art" Defense.

Wilson Sporting Goods Co. v. David Geoffrey & Assocs., 904 F.2d 677 (Fed. Cir. 1990).

Plaintiff Wilson Sporting Goods Co. sued defendants David Geoffrey & Associates and Dunlop Slazenger Corporation, alleging infringement of its patent on a method of positioning dimples on a golf ball. Although defendants did not use positioning schemes described in plaintiff's patent claims, plaintiff claimed that defendants were liable under the doctrine of equivalents. That doctrine provides for liability

where a product "performs substantially the same overall function or work, in substantially the same way, to obtain substantially the same overall result as the claimed invention." 904 F.2d at 683. Defendants responded that there was no principled difference between their golf balls and the prior art (consisting of golf ball design patents issued prior to plaintiff's patent).

The court of appeals ruled in favor of defendants. The court noted that a patentee can not obtain coverage under the doctrine of equivalents which could not have been obtained from the Patent and Trademark Office by literal claims. It then formulated the test for determining whether a prior art defense applies to an infringement claim under the doctrine of equivalents as whether one could visualize a hypothetical patent claim sufficient in scope to literally cover the accused product but not the prior art. After reviewing the technical merits of plaintiff's claims, the court concluded here that one could not.

TELECOMMUNICATIONS

Federal Law Does Not Require Electronic Communications Service Providers to Scramble Cellular Telephone Transmissions to Protect Against Their Interception.

Shubert v. Metrophone Inc., 898 F.2d 401 (3rd Cir. 1990).

After a third party intercepted plaintiff Shubert's cellular telephone transmissions, plaintiff brought suit against his phone service provider, defendant Metrophone, Inc., alleging violation of 18 U.S.C. § 2511(3)(a). That section prohibits providers of electronic communication services from intentionally divulging the contents of a communication to third parties. Plaintiff claimed that defendant was liable because it transmitted plaintiff's communication through a method susceptible to interception.

The district court dismissed the complaint for failure to state a claim upon which relief could be granted, and the court of appeals affirmed. The court held that section 2511(3)(a) does not impose a general duty upon a cellular service provider to encrypt or otherwise render its transmissions incapable of interception. The court found that transmission cannot be equated with intentional divulgence, even where the transmission may be readily intercepted.

Telephone Caller Identification Service Barred in Pennsylvania.

Barasch v. Pennsylvania Pub. Util. Comm'n, ___ Pa. ___, 576 A.2d 79 (1990).

The Pennsylvania Public Utility Commission approved a service allowing subscribers displayed access to caller's telephone numbers. The Commission found that such a service would reduce crime and prank phone calls. The ability to block the display was provided for certain calling parties, such as law enforcement agencies and persons who could demonstrate a need for such blocking to mitigate the risk of personal injury.

The Pennsylvania Supreme Court reversed the approval. The court held that the caller identification service violated 18 Pa. Cons. Stat. § 5771(a), which, with limited exceptions, prohibits the use of trap and trace devices. The court also held that the service violated state and federal constitutional privacy protections. It found telephone numbers, like telephone communication, to be private and subject to a reasonable expectation of privacy. The court even found potential privacy violations where callers are given the option of blocking display of their numbers.

TRADE/ANTITRUST**Tariff Act Does Not Prohibit Importation of Foreign Manufactured Products Using U.S. Patented Materials.**

Amgen, Inc. v. United States Int'l Trade Comm'n, 902 F.2d 1532 (Fed. Cir. 1990).

Plaintiff Amgen, Inc. holds a patent covering certain recombinant DNA sequences, vectors, and host cells used to produce recombinant erythropoietin ("rEPO"), a product useful in treating anemia. Plaintiff has no patents on either rEPO itself or any process for making it. (The original patent claim included a claim for the process of making rEPO using these materials, but the process claim was rejected by the Patent and Trademark Office on the ground that it merely involved the application of an old process to new starting materials and was thus precluded by *In re Durdan*, 763 F.2d 1406 (Fed. Cir. 1985).)

Plaintiff brought a claim before the United States International Trade Commission (the Commission) against a third party that was importing rEPO made in Japan with plaintiff's patented materials. Plaintiff claimed that the party was violating 19 U.S.C. § 1337(a)(1)(B)(ii), which prohibits the importation of articles produced "by means of a

process covered by the claims of a . . . patent." The Commission rejected plaintiff's claim, and plaintiff appealed.

The court of appeals framed the issue "as whether section 1337(a)(1)(B)(ii) was intended to prohibit the importation of articles made abroad by a process in which a *product* claimed in a U.S. patent is used." 902 F.2d at 1538. Looking to the language of the section and its legislative history, the court concluded that "a patent 'covering' a process is a patent containing at least one claim defining a process." 902 F.2d at 1538. Thus, because plaintiff's patent did not include a process claim, the court dismissed plaintiff's complaint.

A Computer Manufacturer that Services Its Own Product Is Not Liable for "Tying" when It Restricts Access to a Diagnostic Program It Designed for Use with Its Products.

Serv. & Training, Inc. v. Data Gen. Corp., 737 F. Supp. 334 (D. Md. 1990).

Plaintiff Service & Training, Inc. brought suit in order to enforce its claimed right to use a diagnostic software program developed and copyrighted by defendant Data General Corporation. Diagnostic software programs are used in the field maintenance and repair of computers, and the software in question was designed for servicing a computer marketed by defendant. During cross-motions for summary judgment, plaintiff alleged that defendant's restrictions on the use of the software violated the Sherman Act, specifically 15 U.S.C. §§ 1, 2.

The court rendered summary judgment against plaintiff's claim that defendant violated the prohibition on tying in 15 U.S.C. § 1. Plaintiff claimed that defendant wrongfully tied access to the diagnostic software to defendant's computer maintenance services. In order to prove a tying claim, one must establish that there exists two separate and distinct products or services and an agreement conditioning the sale of one on the sale of the other. The court found that there existed no market for the software separate and independent from the servicing of defendant's computers; rather, the court viewed the software as a mere tool for such servicing.

Also, although finding a disputed issue of fact, the court expressed doubts as to whether defendant was liable for monopolization under 15 U.S.C. § 2. Plaintiff claimed that defendant monopolized the service market for defendant's computer through the restrictions on the diagnostic software. Monopolization requires both possession of monopoly power in the relevant market and the willful acquisition or maintenance of that power. The court found that there was some question as to whether defendant indeed possessed monopoly power.

However, the court noted that, if defendant raised the costs of its maintenance services to non-competitive levels, potential customers would arguably purchase their computer equipment from defendant's competitors. If so, then defendant could not be found to have monopoly power. Moreover, the court questioned whether plaintiff could prove that defendant "willfully" acquired what monopoly power it does possess in the service market. The court emphasized that plaintiff must show more than that defendant has developed a better diagnostic program than any other that is available.

Insurance Claims May Not Be Denied Based Solely on the Results of Polygraph Examinations.

Elder v. Coronet Ins. Co., 201 Ill. App. 3d 733, 558 N.E.2d 1312 (App. Ct. 1990).

Plaintiff Elder brought claims against defendant insurance companies for insurance claim rejections based solely on the results of a polygraph examination. The trial court dismissed plaintiff's claims.

The Illinois Appellate Court reversed, holding that plaintiff stated causes of action for both unfair and deceptive business practices. Although public policy allows investigatory use of polygraph examination under certain circumstances, it prohibits reliance on these sometimes flawed examinations in decision-making. Accordingly, the court held that the defendants' allegedly exclusive reliance on polygraph examination results violated public policy and unfairly oppressed and injured plaintiff. Furthermore, the court found defendants' non-disclosure of this practice to be deceptive.