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NANCY SABARRA

March 12, 2004

***PLEASE VISIT OUR WEBSITE: [www.frosszelnick.com](http://www.frosszelnick.com).***

**R**OGER ZISSU, PATRICK T. PERKINS and DAVID DONAHUE successfully represented Stephen Slesinger, Inc. (“Slesinger”) in blocking a Petition for interlocutory appeal in the Ninth Circuit Court of Appeals (the “Ninth Circuit”) by Disney Enterprises and Clare Milne. Disney and Milne had sought permission to appeal an order of the U. S. District Court for the Central District of California, which granted in part Slesinger’s motion for judgment on the pleadings, holding that Milne’s copyright termination notice under the Copyright Act purporting to cut off Slesinger’s interest in merchandizing rights to *Winnie-the-Pooh* and related characters was invalid with respect to a 1983 grant of rights to Slesinger. As a result of the Ninth Circuit’s ruling, any appeal by Milne and/or Disney of the district court’s ruling will have to wait until after final judgment is entered on all the issues raised by the parties in the case.

**L**ISA PEARSON, DAVID DONAHUE and TAMAR NIV BESSINGER won summary adjudication on behalf of defendants The Jim Henson Company, Simon & Schuster, Inc. and Viacom Inc. in an idea submission case brought by two individuals in Los Angeles Superior Court (*Cavalier v. The Jim Henson Company, Inc.*, Case No. BC 251828 (Cal. Super. Ct. Jan. 5, 2004) (unpublished)). The court held that the two-year statute of limitations on contract claims barred plaintiffs’ claims that defendants breached oral and/or express contracts with plaintiffs not to use their ideas without compensating them. Moreover, on an issue of first impression in California State Court, the court held that plaintiffs’ breach of contract claims were time-barred to the extent they related to later-published works of defendants that incorporated the same ideas or materials. The court also *sua sponte* dismissed plaintiffs’ breach of contract claims on several additional works that were not time-barred on the ground that the material defendants allegedly misappropriated was too general a theme to be protected under a breach of contract theory.

**R**OGER ZISSU and N.Y.U. Law School's Professor Diane Zimmerman were the speakers at the October 29, 2003 Continuing Legal Educational Luncheon Program of the Copyright Society of the USA held at The Princeton Club of New York on "The Interplay of Copyright and Trademark

Law in the Protection of Character Rights." After a brief review of the basic principles of protection for characters under the copyright and trademark laws, Roger presented a critique of selected aspects of the recent Supreme Court opinion by Justice Scalia in *Dastar Corp. v. Twentieth Century Fox Film Corp.* The program drew a substantial audience. Roger's remarks are expected to be published in an upcoming issue of the Journal of the Copyright Society.

**J**ASON VOGEL authored an article entitled "The Madrid Protocol: New International Filing Opportunities for US Trademark Owners," which appeared in a book entitled "Building and Enforcing IP Value: an International Guide for the Boardroom," published by Globe White Page in co-operation with Nasdaq and Morgan Stanley. This article was also reprinted in the Winter 2003 volume of the New York State Bar Association "Bright Ideas" newsletter and Volume 11, No. 3 of Thomson & Thomson "Client Times" newsletter. The article is available online at <http://www.frosszelnick.com/newsletters.htm/madridjmv.pdf>. Jason has also been appointed Chair of the BNEF Scholarships and Grants Committee of the International Trademark Association ("INTA") for the 2004-05 term commencing in January 2004.

**M**ARIE DRISCOLL spoke on Dilution Basics at an ALI-ABA seminar held in Washington, D.C. on February 5 and 6, 2004.

**A**LLISON STRICKLAND will deliver an Overview of Basic Principles of Trademark and Unfair Competition Law as part of a Practising Law Institute seminar entitled "Copyright and Trademark Law for the Nonspecialist" on March 25, 2004. The program is broadcast live by satellite to numerous cities throughout the U.S.

**R**ICHARD LEHV began teaching a seminar on trademark litigation at Columbia Law School in January 2004. This is the first time Columbia Law School has offered such a course.

**W**E ARE VERY PLEASED TO WELCOME NANCY SABARRA, who has joined us as an Associate in the U.S. Prosecution group. Nancy comes to us from Willkie Farr & Gallagher where she was an associate since October 1997 and a summer associate in 1996, working in their Litigation and Intellectual Property departments. For the fall of 1996 and spring of 1997, Nancy was an Intern for the Civil Rights Clinic of NYU Law School. Prior to that, she was an intern at the Anti-Defamation League. Nancy is a 1997 graduate of NYU School of Law *cum laude* and was an Associate Editor of the *NYU Law Review*. She received her Bachelor's Degree with Highest Honors and Highest Distinction in 1994 at the University of North Carolina at Chapel Hill.

**W**E ARE VERY PLEASED TO WELCOME PHILIP SHANNON, who joined us on January 20<sup>th</sup> as Counsel in the U.S. Prosecution group. Phil comes to us from Pennie & Edmonds where he worked for over 20 years, principally involved in patent and trademark litigation and prosecution. Phil received his LLB from Fordham University and his LLM in Trade Regulation from New York University. In addition to his law degree, Phil has a BA in Chemistry from Fordham and has worked in food product research and development and as a chemical analyst in the public sector.

**FROSS ZELNICK LEHRMAN & ZISSU, P.C.**

# Information Letter

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## UNITED STATES

### COPYRIGHT DECISION

- Jurisdiction; Derivative Works

### COPYRIGHT AND TRADEMARK DECISION

- Internet Pop-Up Advertisements

### U.S. PTO

- Amending the Basis of Applications

### MADRID PROTOCOL

- Extensions
- U.S. PTO Electronic Filing Delayed

### Copyright Decision: JURISDICTION; DERIVATIVE WORKS

*Well-Made Toy Mfg. Corp. v. Goffa Int'l Corp.*, 69 U.S.P.Q.2d 1090, \_\_ F.3d \_\_ (2d Cir. December 2, 2003)

It is a fundamental jurisdictional requirement under the Copyright Act that, “[e]xcept for actions for infringement of copyright in Berne Convention works whose country of origin is not the United States,...no action for infringement of the copyright in any United States work shall be instituted” until the work has been registered under the Act. 17 U.S.C. §411(a). This straightforward rule becomes a vexing legal problem only when there is not a complete identity between the plaintiff’s registered work and the work upon which the plaintiff is suing. In 1998, in *Streetwise Maps v. Vandam, Inc.*, 159 F.3d 739 (2d Cir. 1998), the Second Circuit permitted the plaintiff to proceed on a claim

for infringement of its street map although the plaintiff possessed only a registration for a derivative work based on the allegedly infringed map, not for that map itself. The precise contours of the loophole in Section 411(a) created by the *Streetwise Maps* decision have since been contested in subsequent cases dealing with the infringement of unregistered works wherein the plaintiff has attempted to base jurisdiction on a registration for a derivative or underlying work related to the work that is the subject of the infringement.

The Second Circuit’s recent decision in *Well-Made Toy Mfg. Corp. v. Goffa Int'l Corp.* now sheds further light on the question of when the registration of a derivative or underlying work is an acceptable basis for jurisdiction over a claim for infringement of an unregistered related work. The plaintiff in *Well-Made Toy* claimed that a rag doll manufactured by the defendant infringed the plaintiff’s rag doll.

This Information Letter is provided as a public service to interested persons and its receipt does not imply an attorney-client relationship, even with our firm’s former clients. It is designed to highlight items of current interest and is not intended to be a full review of any subject matter, for which specific legal advice should always be obtained.

The district court found that the defendant had actually copied large parts of the plaintiff's doll. However, the district court held that it lacked jurisdiction over the plaintiff's claim for infringement of its doll because the plaintiff had not registered the infringed doll, but only a smaller doll from which it was derived. The elements of the larger doll that the defendant copied were not found in the smaller registered doll.

The plaintiff argued that the case was decided wrongly under *Streetwise Maps*. The Second Circuit affirmed the district court's holding, distinguishing *Streetwise Maps* on the grounds that the infringed work in that case was listed in the plaintiff's copyright registration for the derivative work and that the infringed work was wholly subsumed within the registered derivative work. These facts were not present in *Well-Made Toy*, as the court observed: "the copied work here is not listed in any copyright registration and the only copied expressive elements ... do not appear in any work whose copyright has been registered." 69 U.S.P.Q.2d at 1093. In the wake of the Second Circuit's decision in *Well-Made Toy*, an author wishing to protect elements in a derivative work that are not also present in a registered underlying work would be well advised to secure a separate copyright registration for the derivative work.

- ZH

## Copyright and Trademark

### Decision: INTERNET POP-UP ADVERTISEMENTS

*1-800 Contacts, Inc. v. WHENU.COM et al.*,  
69 U.S.P.Q.2d 1337 (S.D.N.Y. 2003)

Throughout the history of intellectual property law, owners of intellectual property rights have struggled to enforce their rights against users of emerging technologies. An example of this struggle may be found in a recent case in which an

intellectual property owner attempted to persuade a court to apply traditional principles of copyright and trademark law to stop the creator of Internet marketing technology from infringing the owner's rights. Although the owner lost on its copyright challenge, it prevailed under trademark law.

The technology in question is the proprietary "SaveNow" software of defendant When.com ("WhenU"). WhenU is downloaded for free from the Internet, most often unwittingly, by computer users when they download other free software (e.g., "screensavers" or "wallpaper"). Once installed on a user's computer, SaveNow constantly scans the user's activity on the Internet and triggers the appearance of various advertisements on the user's computer screen based on the type of web pages the user visits, or the web page address (i.e., "Uniform Resource Locator" or "URL") or search term that the user types into an Internet browser or search engine.

These advertisements appear in a variety of ways, including "pop-up ads" – i.e., advertisements appearing in a new window that partially obscures the web page the user originally intended to visit – and "pop-under ads" – i.e., advertisements which lie in a new window beneath the original window containing the web page the user was visiting, and then appear on the user's screen when the original window is closed.

WhenU's customers are advertisers who "buy" categories of goods or services. When an Internet user accesses a website, uses a search term, or types in the URL of a website that matches the category of goods or services purchased by the advertiser, a pop-up ad (or pop-under ad) for the advertiser's goods or services, with a link to that advertiser's website, appears on the Internet user's screen.

In the *1-800 Contacts* case, plaintiff, which markets and sells replacement contact lenses and related products through its website, complained that advertisements of plaintiff's competitor, defendant Vision Direct, Inc. ("Vision Direct") popped up when users visited plaintiff's website. Plaintiff, which asserted copyright and trademark infringement claims, sought a preliminary injunction in the U.S. District Court for the S.D.N.Y. against both Vision Direct and WhenU.

In support of its claims, plaintiff offered undisputed proof that WhenU's proprietary directory for the SaveNow program contained plaintiff's website address, [www.1800Contacts.com](http://www.1800Contacts.com), as one of the terms that triggered the appearance of Vision Direct's pop-up ads.

Copyright Claim: Plaintiff asserted its copyright claim based on Defendants' "invasion" of two of the exclusive rights provided to plaintiff under Section 106 of the U.S. Copyright Act of 1976: the exclusive right to display the website, and the exclusive right to create derivative works from the website.

Plaintiff's right of display theory was based upon its claim that it gives computer users an implied license to display its website only in the form that plaintiff intended, and that by triggering Vision Direct's pop-up ads to appear in conjunction with plaintiff's website, defendants were causing the computer users to exceed the scope of that license.

The court rejected this argument, reasoning that plaintiffs provided no authority or evidence for the contention that there were any such restrictions on the users' license to view the website. The court also based its holding on public policy, holding that because "the modern computer environment ... allows users to obscure, cover and change the appearance of browser windows containing Plaintiff's

website," to hold that a computer user is limited by an implied license to view the website "without any obstructing windows" would be to "subject countless computers users and software developers to liability for copyright infringement ...."

The court also rejected plaintiff's derivative work right theory, under which plaintiff posited that by causing pop-up ads to partially obscure plaintiff's copyrighted website, defendants were adding to or deleting from the website, thereby transforming or recasting the website and creating a new derivative work.

The court ruled, however, that because the pop-up ads can be "moved, obscured or 'closed' entirely ... with a single click of the mouse," the alleged "new work" created by defendants is not "fixed" in a tangible medium of expression and thus is not sufficiently "original" to qualify as a derivative work under 17 U.S.C. § 101. The court, again turning to public policy considerations, held that to define the term "derivative work" to include any action by a computer user that "produced a computer window or visual graphic that altered the screen appearance of Plaintiff's website" would be "jarring" and inconsistent with copyright law.

Trademark Claims: The plaintiff fared far better on its trademark infringement claim that defendants infringed its unregistered 1-800 CONTACTS trademark in violation of § 43(a) of the Lanham Act by causing pop-up and pop-under ads for Vision Direct to appear whenever Internet users accessed plaintiff's website.

In response, defendants argued first that their actions did not constitute "use in commerce" of plaintiff's trademark and, therefore, did not subject them to a § 43(a) claim. WhenU had successfully advanced this theory in two recent cases. See *Wells Fargo & Co. v. WhenU.com*, 293 F. Supp. 2d 734 (E.D. Mich. 2003); *U-Haul Int'l, Inc.*

*v. WhenU.com*, 279 F. Supp. 2d 723 (E.D. Va. 2003).

Here, however, the court found that the defendants had “used” plaintiff’s mark in commerce in two ways. First, the court found that by causing pop-up ads for Vision Direct to appear when Internet users specifically attempted to access plaintiff’s website, on which plaintiff’s trademark appears, defendants were displaying plaintiff’s mark in connection with advertising services. Second, the court found that because WhenU included plaintiff’s URL [www.1800Contacts.com](http://www.1800Contacts.com) in the SaveNow directory (downloaded with the SaveNow software) of terms that triggered pop-up ads on Internet user’s computers, defendants were using a form of plaintiff’s trademark (*i.e.*, the URL) to advertise and publicize Vision Direct’s goods.

Having decided this threshold issue in plaintiff’s favor, the court then analyzed whether a likelihood of consumer confusion existed as to the source of the plaintiff’s and Vision Direct’s respective goods and services. The court acknowledged that consumers who ultimately purchased contact lenses from Vision Direct as a result of WhenU’s pop-up ads may not have been confused at the time of their purchase. Nevertheless, the court found that there was a likelihood of “initial interest confusion,” whereby Internet users, upon seeing Vision Direct’s pop-up ad when they accessed plaintiff’s website, would be confused into thinking that Vision Direct was affiliated with plaintiff and would be diverted to Vision Direct’s website.

- DD

## U.S. PTO: AMENDING THE BASIS OF APPLICATIONS

The U.S. Trademark Law (Lanham Act) states five bases on which an application may be filed in the U.S. PTO: use of the mark in the U.S. (“in commerce”) – Sec.

1(a); intent to use – Sec. 1(b); an application filed in a Paris Convention or WTO country or the CTM (the first filed application anywhere for that specific mark for the specific goods or services listed) within six months prior to the U.S. filing date – Sec. 44(d); a registration in a Paris Convention or WTO country where the applicant has a bona fide commercial establishment (including a CTM registration for applicants from EU countries) – Sec. 44(e); and an extension for protection under the Madrid Protocol based on an International Registration – Sec. 66(a). A claim of Convention priority under Sec. 44(d) may be combined with any other basis, and this claim of priority remains even if the application upon which the priority is based does not mature to registration, or if another basis, such as use in commerce, is ultimately relied upon to secure the registration.

Other than a Madrid Protocol extension, the basis can be freely amended at any time, even after the mark has been published, up until the mark registers. Thus, contrary to prior practice, there is no reason to claim a separate Sec. 1(b) intent-to-use basis when filing under Sec. 44(d), in case the foreign application does not mature to registration or is subsequently assigned to a U.S. company that could not rely on the foreign registration that issues from the priority application. The Trademark Act presumes that the applicant had a valid basis at all times. If the foreign application fails, the applicant can readily amend the basis to Sec. 1(b) intent to use, and since the application as filed contains a statement that the applicant had a bona fide intent to use the mark for the goods or services listed in the application, the intent-to-use basis is built in.

There are some special rules pertaining to basis changes. If the basis is amended from use in commerce to intent to use (usually because the specimen of use filed

with the application is found insufficient), the applicant must submit a signed declaration stating that the applicant had a bona fide intent to use the mark at the time of filing. This provision seems to make no sense, because if the applicant thought its use was valid trademark use, it presumably not only intended to use the mark in commerce, it believed that it was doing so. Nonetheless, a separate declaration must be submitted.

When the basis is changed from “intent to use” to “use” in commerce, a declaration must also be submitted, stating that the mark is in use in commerce in the U.S. for all of the goods and/or services listed and setting forth the date of first use (this declaration is called an Allegation of Use); filing the Allegation of Use is not technically an amendment of the basis, but rather, perfecting the intent-to-use basis. Note that the applicant can claim a date of first use that precedes the filing date of the ITU application. This happens when the applicant did not know, at the time of filing, whether or not its mark was in use in commerce, or when the applicant could not produce suitable specimens at the time of filing but later locates them.

The applicant can file extension requests every six months to prove use after the Notice of Allowance issues for the full three-year maximum term for proving use, and, on the very last day of the deadline, file an amendment of the basis to rely on a home country registration under Sec. 44 (e), and it does not matter that this registration is decades old and could have been filed all along. The only downside to amending the basis at this late stage, long after publication, is that any amendment to the basis after publication causes the mark to be re-published. There is always a risk that the mark, which passed through the first opposition period, may be opposed on the second round of publication.

Not only can the basis be amended at any time (except Madrid Protocol extensions), different bases can be combined in a single application, as to discrete classes of goods or services or even as to different goods or services within a single class. For Madrid Protocol extensions, the basis can be amended to one or more of the other four bases only if the International Registration lapses (which usually happens because the basic application fails or the basic registration is canceled) and a request for transformation of the U.S. extension into a U.S. national application is filed within three months.

- SUD

### Madrid Protocol: EXTENSIONS

Statistics as of January 31, 2004:

Extensions of Protection into U.S. (received by WIPO)	1,455
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International Registrations sought by U.S. trademark owners (received by WIPO)	182
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- JAS

### Madrid Protocol: U.S. PTO

ELECTRONIC FILING DELAYED

The U.S. PTO still has not launched the electronic filing element of its Madrid Protocol implementation plan. Therefore, it further postponed enforcement of its rule that will require Madrid Protocol applicants to file applications for an international registration via an electronic interface to be offered on the U.S. PTO's website. Full implementation of the electronic filing requirement is now postponed until at least November 2, 2004.

- JAS

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# Information Letter

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Plaintiff's right of display theory was based upon its claim that it gives computer users an implied license to display its website only in the form that plaintiff intended, and that by triggering Vision Direct's pop-up ads to appear in conjunction with plaintiff's website, defendants were causing the computer users to exceed the scope of that license.

The court rejected this argument, reasoning that plaintiffs provided no authority or evidence for the contention that there were any such restrictions on the users' license to view the website. The court also based its holding on public policy, holding that because "the modern computer environment ... allows users to obscure, cover and change the appearance of browser windows containing Plaintiff's

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Here, however, the court found that the defendants had “used” plaintiff’s mark in commerce in two ways. First, the court found that by causing pop-up ads for Vision Direct to appear when Internet users specifically attempted to access plaintiff’s website, on which plaintiff’s trademark appears, defendants were displaying plaintiff’s mark in connection with advertising services. Second, the court found that because WhenU included plaintiff’s URL [www.1800Contacts.com](http://www.1800Contacts.com) in the SaveNow directory (downloaded with the SaveNow software) of terms that triggered pop-up ads on Internet user’s computers, defendants were using a form of plaintiff’s trademark (*i.e.*, the URL) to advertise and publicize Vision Direct’s goods.

Having decided this threshold issue in plaintiff’s favor, the court then analyzed whether a likelihood of consumer confusion existed as to the source of the plaintiff’s and Vision Direct’s respective goods and services. The court acknowledged that consumers who ultimately purchased contact lenses from Vision Direct as a result of WhenU’s pop-up ads may not have been confused at the time of their purchase. Nevertheless, the court found that there was a likelihood of “initial interest confusion,” whereby Internet users, upon seeing Vision Direct’s pop-up ad when they accessed plaintiff’s website, would be confused into thinking that Vision Direct was affiliated with plaintiff and would be diverted to Vision Direct’s website.

- DD

## U.S. PTO: AMENDING THE BASIS OF APPLICATIONS

The U.S. Trademark Law (Lanham Act) states five bases on which an application may be filed in the U.S. PTO: use of the mark in the U.S. (“in commerce”) – Sec.

1(a); intent to use – Sec. 1(b); an application filed in a Paris Convention or WTO country or the CTM (the first filed application anywhere for that specific mark for the specific goods or services listed) within six months prior to the U.S. filing date – Sec. 44(d); a registration in a Paris Convention or WTO country where the applicant has a bona fide commercial establishment (including a CTM registration for applicants from EU countries) – Sec. 44(e); and an extension for protection under the Madrid Protocol based on an International Registration – Sec. 66(a). A claim of Convention priority under Sec. 44(d) may be combined with any other basis, and this claim of priority remains even if the application upon which the priority is based does not mature to registration, or if another basis, such as use in commerce, is ultimately relied upon to secure the registration.

Other than a Madrid Protocol extension, the basis can be freely amended at any time, even after the mark has been published, up until the mark registers. Thus, contrary to prior practice, there is no reason to claim a separate Sec. 1(b) intent-to-use basis when filing under Sec. 44(d), in case the foreign application does not mature to registration or is subsequently assigned to a U.S. company that could not rely on the foreign registration that issues from the priority application. The Trademark Act presumes that the applicant had a valid basis at all times. If the foreign application fails, the applicant can readily amend the basis to Sec. 1(b) intent to use, and since the application as filed contains a statement that the applicant had a bona fide intent to use the mark for the goods or services listed in the application, the intent-to-use basis is built in.

There are some special rules pertaining to basis changes. If the basis is amended from use in commerce to intent to use (usually because the specimen of use filed

with the application is found insufficient), the applicant must submit a signed declaration stating that the applicant had a bona fide intent to use the mark at the time of filing. This provision seems to make no sense, because if the applicant thought its use was valid trademark use, it presumably not only intended to use the mark in commerce, it believed that it was doing so. Nonetheless, a separate declaration must be submitted.

When the basis is changed from “intent to use” to “use” in commerce, a declaration must also be submitted, stating that the mark is in use in commerce in the U.S. for all of the goods and/or services listed and setting forth the date of first use (this declaration is called an Allegation of Use); filing the Allegation of Use is not technically an amendment of the basis, but rather, perfecting the intent-to-use basis. Note that the applicant can claim a date of first use that precedes the filing date of the ITU application. This happens when the applicant did not know, at the time of filing, whether or not its mark was in use in commerce, or when the applicant could not produce suitable specimens at the time of filing but later locates them.

The applicant can file extension requests every six months to prove use after the Notice of Allowance issues for the full three-year maximum term for proving use, and, on the very last day of the deadline, file an amendment of the basis to rely on a home country registration under Sec. 44 (e), and it does not matter that this registration is decades old and could have been filed all along. The only downside to amending the basis at this late stage, long after publication, is that any amendment to the basis after publication causes the mark to be re-published. There is always a risk that the mark, which passed through the first opposition period, may be opposed on the second round of publication.

Not only can the basis be amended at any time (except Madrid Protocol extensions), different bases can be combined in a single application, as to discrete classes of goods or services or even as to different goods or services within a single class. For Madrid Protocol extensions, the basis can be amended to one or more of the other four bases only if the International Registration lapses (which usually happens because the basic application fails or the basic registration is canceled) and a request for transformation of the U.S. extension into a U.S. national application is filed within three months.

- SUD

### Madrid Protocol: EXTENSIONS

Statistics as of January 31, 2004:

Extensions of Protection into U.S.  
(received by WIPO) 1,455

International Registrations sought  
by U.S. trademark owners  
(received by WIPO) 182  
- JAS

### Madrid Protocol: U.S. PTO

ELECTRONIC FILING DELAYED

The U.S. PTO still has not launched the electronic filing element of its Madrid Protocol implementation plan. Therefore, it further postponed enforcement of its rule that will require Madrid Protocol applicants to file applications for an international registration via an electronic interface to be offered on the U.S. PTO’s website. Full implementation of the electronic filing requirement is now postponed until at least November 2, 2004.

- JAS

**FROSS ZELNICK LEHRMAN & ZISSU, P.C.**