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## Intellectual Property - Patents, Trademarks and Copyrights

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# INTELLECTUAL PROPERTY—PATENTS, TRADEMARKS AND COPYRIGHTS

WILLIAM F. McDERMOTT\*

The 1981-82 Seventh Circuit intellectual property cases were somewhat routine and without departure from established precedent. However, quite a few of them treated unusual subjects. One case involved both an interference proceeding and a method patent which made use of microorganisms. On the procedural side of patent litigation, the court reviewed one of the first suits to take advantage of the new reissue proceeding and found the proceeding there to have been tainted. One case carefully considered the protection and infringement of copyrighted video games. Another involved the antitrust aspects of blanket copyright licenses. There were no major decisions in the area of unfair competition and trademark law.

## PATENTS

### *Irregularities in Reissue Proceeding Diminishes Presumption of Validity of Patent*

Mooney v. Brunswick Corp.

The Seventh Circuit reviewed a district court's analysis of a reissue proceeding in *Mooney v. Brunswick Corp.*<sup>1</sup> and agreed that defects in the proceeding diminished any presumption of validity that would attach in the consideration of prior art revealed under the reissue proceeding. The litigation focused on a structure patent<sup>2</sup> and a method patent<sup>3</sup> regarding a ratchet clutch and bevel gear assembly. The plaintiff had brought suit on a single claim of each patent. The defendant denied infringement and challenged the validity of both patents. After an eight day bench trial, the court concluded that the claim of the structure patent was obvious to one skilled in the art, and therefore invalid under section 103<sup>4</sup> of title 35 of the United States Code. The court

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1. 663 F.2d 724 (7th Cir. 1981).

2. U.S. Patent No. 3,245,280.

3. U.S. Patent No. 3,248,782.

4. 35 U.S.C. § 103 (1981) provides:

decided that the defendant's method of producing its own ratchet clutch and bevel gear was sufficiently different to preclude infringement. The plaintiff appealed, seeking review of the district court's rulings of invalidity and noninfringement.

The plaintiff argued that the district court had failed to give proper weight to the presumption of validity accorded to the structure patent which had received the approval of the Patent Office through a reissue proceeding.<sup>5</sup> The plaintiff had filed the reissue proceeding to strengthen his position in the litigation and cited fifty-one patents and five general items as prior art for the examiner's consideration. Each of these had been uncovered during discovery. A notice of the plaintiff's reissue application was published in the Official Gazette and opposition statements were submitted by the defendant and a third party.

The Patent Office denied the reissue application in that it found that the claims of the original were allowable over the prior art. The trial and appellate courts found several serious irregularities in the reissue proceedings.

Although opposition statements were filed with the Patent Office, and testimony at trial revealed that the examiner had the statements in his possession, the opposition statements were never entered in the record and acknowledged by the Patent Office. The courts concluded that the opposition statements were not considered, or, alternatively, not considered relevant by the examiner.<sup>6</sup> The courts found that the statements were not accorded their proper weight and that the irregularity diminished the effect of the reissue refusal.

The courts also concluded that the examiner failed to consider two of the most relevant pieces of prior art, despite the fact that they were disclosed in the reissue application. The fifty-six references submitted

A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

5. Reissue proceedings were originally designed to enable a patent holder to remedy inadvertent mistakes in patent drawings and specifications. *Sontag Chain Stores Co. v. National Nut Co.*, 310 U.S. 281 (1940). The procedure was amended in March of 1977, however, to permit patent owners to obtain a ruling from the Patent Office on the pertinence of additional prior art which was not cited in the original patent application. *See* 37 C.F.R. § 1.175(a)(4) (1982). If the Patent Office determines that the patent is not defective or invalid in light of the additional prior art, the reissue application is rejected. If, however, the patent is defective, the reissue application is allowed and the owner of the patent must surrender it to the Patent Office in return for a corrected Reissue Patent. 35 U.S.C. § 251 (1981); *Mooney*, 663 F.2d at 730.

6. *Mooney v. Brunswick Corp.*, 489 F. Supp. 544, 555 (E.D. Wis. 1980).

with the application, in which the two pieces of prior art were included, were not arranged in any order of importance. Neither of the two pieces of prior art were included on the examiner's list, although a large number of others were included. Thus, the courts concluded that the examiner failed to consider the two pieces of prior art as important prior art. The district court and the court of appeals both considered the two pieces of prior art to be important prior art. As a result, the statutory presumption of validity, which may be enhanced when prior art has been considered and rejected by the Patent Office, was dissipated in this case regarding the two pieces of art.<sup>7</sup>

Finally, an attorney for the plaintiff had conducted interviews with the examiner before the first Office Action on the reissue application, in violation of Patent Office rules.<sup>8</sup> The district court found that some, but not most, of the material discussed involved patentability. The appellate court indicated that the interviews might have been, to a considerable degree, innocent in purpose, but believed that the proceeding may have been tainted by the interviews. Again, the effect was to diminish any presumption of validity which would have resulted from the reissue procedure.

Even in the absence of a fortified presumption of validity, the Seventh Circuit reviewed the district court's determination of obviousness under *Graham v. John Deere Co.*<sup>9</sup>. As required, the court examined (1) the scope and content of the prior art; (2) the differences between the prior art and the claim at issue; and (3) the level of ordinary skill in the pertinent art.

The appellate court upheld the finding of obviousness by the trial court. But the court's analysis of the level of ordinary skill in the pertinent art is of special interest. The district court reviewed the statements

7. Reissue proceedings do not necessarily strengthen the presumption of validity of a patent in every case. *Johnson & Johnson, Inc. v. Wallace A. Erickson & Co.*, 627 F.2d 57, 62 (7th Cir. 1980).

8. See 37 C.F.R. § 1.133 (1982).

9. 383 U.S. 1 (1965). In *Graham*, the Supreme Court stated:

While the ultimate question of patent validity is one of law, . . . the § 103 condition, which is but one of three conditions, each of which must be satisfied, lends itself to several basic factual inquiries. Under § 103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background, the obviousness or nonobviousness of the subject matter is determined. Such secondary considerations as commercial success, long felt but unsolved needs, failure of others, etc., might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented. As indicia of obviousness or nonobviousness, these inquiries may have relevancy.

*Id.* at 17-18 (citations omitted).

and qualifications of the experts who testified for both parties at the trial and concluded that:

[T]he level of skill in the art of gear design was very high in 1962. Those of ordinary skill in the art would at least have had a degree in Mechanical Engineering. In addition, it is clear that . . . those skilled in the art of gear design would also be skilled in the art of milling or metal cutting. Furthermore, one skilled in the art would also be expected to have a good deal of practical experience . . . and would probably hold a number of patents which originated from their work.<sup>10</sup>

Such a finding of fact, which was approved by the Seventh Circuit, is itself unremarkable. However, the district court had set out the plaintiff's credentials in some detail. They were identical to the court's description of one skilled in the art.<sup>11</sup> While neither court announced reasoning to the effect that an "invention" produced by one having only the credentials of one skilled in the art is presumed to be obvious, the inference cannot be avoided. The appellate court upheld the finding of non-infringement of the method patent.

*Claims Interpreted More Broadly Than Preferred Embodiment*

*Deere & Co. v. International Harvester Co.*

In *Deere & Co. v. International Harvester Co.*,<sup>12</sup> the Seventh Circuit affirmed the lower court's ruling of patent validity and infringement but reversed as to an award of treble damages and attorney's fees.

The invention involved a corn picking machine commonly attached to a combine for use in harvesting the grain. Specifically, the invention had to do with the mounting of the units on a support structure and the provision of mechanical power to the units.

The argument presented by International Harvester (IH) regarding non-infringement went to the construction of the claims. The basis of their argument was that a limitation of the preferred embodiment should be read into the claims. The embodiment showed a single, unitary drive shaft and a gear housing which was capable of being repositioned along the shaft without adjustment of the shaft. On Harvester's device, the position of the gear housings could be adjusted, but the shaft had to be segmented and rejoined during adjustment. The claims in question, though, only required that a "main rotatable horizontal drive shaft" be present in addition to the requirement "that the gear

10. *Mooney*, 489 F. Supp. at 560.

11. *Id.* at 558.

12. 658 F.2d 1137 (7th Cir. 1981), *cert. denied*, 454 U.S. 969 (1981).

housing be attached to the beam so that it is moveable.”<sup>13</sup>

The district court resolved the question of infringement by scrutinizing IH's harvester to see if it contained both elements. It also had to determine if a single, unitary piece was required by the claims. The answer was that in the IH device, the gear housing is moveable and there is only one drive shaft. There was no limitation in the claim requiring moveability to be accomplished without the additional parts which were involved in the segmentation and rejoining of the IH unit. Hence, infringement was found. The appellate court agreed with the district court and commented:

It is ironic that IH urges us to note that the claims do *not* say that the drive shaft may be modified to permit adjustment when the same principle proves their argument false. The claims also do not say that the drive shaft may not be modified to permit adjustment, but is required to be one piece. The claims are not limited to either configuration and this is precisely the point.<sup>14</sup>

IH also sought the limitation of “self-contained adjustability” to be read into the claims. That term did not appear in the patent specifications, but was asserted by IH to be the thrust of the invention. IH's assertion was supposedly supported by language contained in a letter from the Patent Office. The letter characterized all the patent claims as “drawn to a plural unit corn harvesting device, wherein the spacing between units may be varied, while maintaining the drive therefor. . . .” But the appellate court found no need to speculate whether the Patent Office wished to limit all the claims to the language of the letter. Since the Patent Office did not do so in the prosecution of the application, the court did not accept IH's interpretation that the letter mandated that all the claims be so limited.

IH further asked that the claims be limited in light of descriptions of the device which Deere had made during prosecution of a foreign patent application on the device. The district court, relying on *Ellipse Corp. v. Ford Motor Co.*,<sup>15</sup> refused to admit such evidence since the statements postdated the issuance of the patent. The appellate court agreed that *Ellipse* did preclude reliance on subsequent events in interpreting patent claims. But the court further noted that *Ellipse* added that “[a] patentee's interpretation under a patent may never be used to add to a *patent* something which was not there at the time of issu-

13. *Id.* at 1139-40.

14. *Id.* at 1140-41.

15. 452 F.2d 163 (7th Cir. 1971), *cert. denied*, 406 U.S. 948 (1972).

ance."<sup>16</sup> The court applied the case by analogy, and rejected IH's attempt to use the language of the documents of the subsequent prosecution to add to the *claims* something which was not there.

The Seventh Circuit did indicate exactly what might not be added to the claims. While a patentee may not be allowed to suggest a broadening of the claim to encompass an infringement, and an infringer may not suggest a narrowing of the claims to escape infringement, not all possibilities are covered. May a patentee introduce evidence that a claim is narrower than it appears on its face, in order to escape a charge of double patenting? May a licensee introduce evidence that a claim is broader than it appears on its face, in order to show that the device he produces is indeed included under a claim he is licensed to use? The court seemingly rejects the use of any subsequent interpretations to add to or subtract from the claim, whether by broadening or narrowing of the claim and whether it is being used as a sword or a shield.

The award of treble damages was reversed since the findings of the district court did not amount to a showing of bad faith. An award of increased damages is within the discretion of the trial judge and may only be reversed where there is an abuse of discretion.<sup>17</sup> But here the standards had not been met. The award of attorney's fees was also reversed since no bad faith conduct had been shown.

### *Doctrine of Equivalents*

#### Paper Converting Machine Co. v. Magna-Graphics Corp.

A review of a ruling by the district court of infringement was the subject of *Paper Converting Machine Co. v. Magna-Graphics Corp.*<sup>18</sup> The district court had found the plaintiff's patent valid and that the defendant had infringed numerous claims of the patent despite the fact that an attempt had been made to avoid infringement. Treble damages had been awarded for wilful infringement.

The appellate court affirmed and adopted the lower court's opinion. The lower court's conclusions of law and fact had been adapted, with minor modification, from those submitted by the plaintiff.

The invention, a "Web-Winding Apparatus and Method"<sup>19</sup> is employed to form small rolls of material such as toilet tissue and paper

16. *Deere*, 658 F.2d at 1142 quoting *Ellipse Corp.*, 452 F.2d at 169 (emphasis added).

17. *Deere*, 658 F.2d at 1147. See also *Leesona Corp. v. United States*, 599 F.2d 958, 969 (Ct. Cl.), cert. denied, 444 U.S. 991 (1979).

18. 680 F.2d 483 (7th Cir. 1982), *aff'g* 211 U.S.P.Q. 788 (E.D. Wis. 1981).

19. U.S. Patent Reissue No. 28,353 based on original U.S. Patent 3,179,348.

toweling. The paper is unwound at high speeds and rewound onto cardboard cores which are held on rotating mandrels. After one mandrel is wound with paper, a second blank mandrel is moved into position. An automated knife emerges and cuts the web of paper and an automated pusher directs the leading edge of the web against the glue on the new cardboard core. As the rate of speed of transfer was increased, difficulties were encountered in the operation of the knife and pusher and reliable operation was limited to speeds of 1000 feet per minute.

The plaintiff's invention overcame the difficulties encountered by utilizing a bedroll and a pin means which were extensibly mounted on the roller. A pusher means was also extensibly mounted on the roller to urge the web portion against an adjacent mandrel.<sup>20</sup>

The trial court did consider the validity of the patent according to the requirements of *Deere*<sup>21</sup> and found it valid after a somewhat cursory analysis. The question of infringement, and to some extent, validity, was more the result of the behavior of the defendant, which the court must have found nefarious.

The accused machine was the result of a proposal to the Scott Paper Company. This was after the invention had achieved widespread success with over 500 machines embodying the invention being sold in a field with a limited number of customers. The defendant had never built a rewinder before, but four of five employees of the designer were former employees of the plaintiff. The salient difference between the machines was that the moveable element for cutting on the infringing machine was placed on a cooperating cutoff roll, rather than on the bedroll.

The defendant admitted that all of the mechanical elements of the claim were present in its machine except that the pin means was not extensibly mounted. However, the defendant also argued that the purpose of the accused machine was to wind under high tension rather than high speed. This was supposed to be made possible by the different arrangement of the cutting and transfer mechanism.<sup>22</sup> However, the court found no evidence to support the defendant's contention. Rather, it found that the arrangement was devised by the defendant in

20. *Id.* Column 12, lines 31-41.

21. *Graham v. John Deere Co.*, 383 U.S. 1 (1966).

22. *Paper Converting Mach. Corp. v. Magna Graphics Corp.*, 211 U.S.P.Q. 788, 791 (E.D. Wis. 1981).



an attempt to avoid the plaintiff's patent while the function and design were the substantial equivalent.

The finding of equivalence was supported by the testimony of Scott's finishing engineer who stated that it made no difference whether the knife was mounted on one roll or the other and whether the pins came out to impale the web or the web was pushed onto the pins. The court applied the doctrine of equivalents as stated in *Graver Mfg. Co., Inc. v. Linde Co.*<sup>23</sup> and 35 U.S.C. section 112<sup>24</sup>.

The court also considered that the defendant sold their machine without advice of counsel as to whether there might be infringement. The court concluded that infringement was deliberate.

The finding of validity of the patent, at least in the eyes of the court, was influenced by the defendant's behavior in that their machine was found to be an imitation of the patented device. Under *Anderson Co. v. Sears, Roebuck & Co.*<sup>25</sup> the court found that this was conclusive of what the defendant thinks of the patent and persuasive of what the rest of the world ought to think.

*Loss of Interference Proceeding and Later Defense to Infringement of Obviousness*

Novo Industri A/S v. Travenol Laboratories, Inc.

The case of *Novo Industri A/S v. Travenol Laboratories, Inc.*,<sup>26</sup> concerned an appeal from the trial court's finding of validity and infringement of the patent. The plaintiff and defendant had become involved in an interference declared by the Patent Office over an invention related to enzyme-producing bacteria. The Board of Interferences awarded priority to the application submitted by the plaintiff, Novo Industri A/S (Novo). The United States Court of Customs and Patent Appeals affirmed the decision<sup>27</sup> and the United States Supreme

23. 339 U.S. 605, 608-09 (1950).

24. The district court stated:

Pursuant to 35 U.S.C. § 112, an element in a claim for a combination patent may be expressed "as a means or step for performing a specified function"—in this case, the impalement and transfer of the leading edge to the new core—"and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and the equivalents thereof."

211 U.S.P.Q. at 791.

25. 165 F. Supp. 611, 623 (N.D. Ill. 1958), *modified on other grounds*, 265 F.2d 755 (7th Cir. 1959). See also *Copease Mfg. Co. v. American Photocopy Equipment Co.*, 298 F.2d 772 (7th Cir. 1961); *Ric-Wil Co. v. E.B. Kaiser Co.*, 179 F.2d 401 (7th Cir. 1950), *cert. denied*, 339 U.S. 958 (1950); *Charles Peckat Mfg. Co. v. Jacobs*, 178 F.2d 794 (7th Cir. 1949).

26. 677 F.2d 1202 (7th Cir. 1982).

27. *Feldman v. Aunstrup*, 517 F.2d 1351 (C.C.P.A. 1975). The issue on appeal was whether

Court denied the petition for a writ of certiorari submitted by Travenol Laboratories, Inc. (Travenol). Despite this, Travenol continued to market its product and the plaintiff brought suit for infringement.

On appeal, Travenol presented what the appellate court found to be an anomalous position. The Court commented that earlier, Travenol had believed the discovery to be so revolutionary as to warrant an application for a patent, and believed that extended litigation for those patent rights was warranted. Yet, after being accused of infringing the patent, Travenol defended its later actions, i.e. continued practice of the invention, by asserting the obviousness of the discovery.

The theory of obviousness, *vel non*, revolved around one patent in the prior art and the history of research and nomenclature regarding certain microorganisms. While the trial and appellate courts rejected Travenol's various theories on their face, they added that the finding of non-obviousness was buttressed by Travenol's efforts to claim domestic and foreign patent protection for the same discovery.<sup>28</sup>

Another issue on appeal was Travenol's contention that Novo's patent violated the "best mode" requirement of 35 U.S.C. section 112, which requires both that the patent disclose an invention in a manner that will enable a worker skilled in the art to reproduce the invention (enablement) and that the patent disclose the best method of using the invention known to the patentee at the time of the patent application (best mode).<sup>29</sup> Travenol also argued that the district court erred in considering "best mode" and "enablement" as indistinguishable from each other in this case.

Novo's United States patent application had failed to disclose a recovery step which had been disclosed in its British patent application on the same subject matter. The inventor had used two different defoaming agents in his work, but only one defoaming agent was dis-

Aunstrup had complied with the requirements of 35 U.S.C. § 112 by depositing cultures of the microorganism in a foreign depository. The Court of Customs and Patent Appeals found that it did meet the requirements of the statute since it assured public access to an essential starting material (the microorganism) in the recited process. *Feldman*, 517 F.2d at 1356.

28. *Novo Industri A/S*, 677 F.2d at 1209, citing *McKee Door Co. v. Forest Door Co.*, 284 F.2d 809 (7th Cir. 1960). See also *LaSalle Street Press, Inc. v. McCormick & Henderson, Inc.*, 445 F.2d 84 (7th Cir. 1971); *University of Illinois Found. v. Block Drug Co.*, 241 F.2d 6 (7th Cir. 1957).

29. 35 U.S.C. § 112 (1982) provides in part:

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

closed in the application. The district court found that the recovery step was well known to workers skilled in the art and that the use of the undisclosed defoaming agent, or any defoaming agent, was not necessary to produce the results taught by the patent.

The applicant had not omitted anything from the application in issue that would prevent anyone with ordinary skill in the art from enjoying the benefit of the invention. The Seventh Circuit did not discuss the basic mode requirement. However, they found that the district court's findings were not clearly erroneous because the court had collapsed the best mode and enablement requirements of 35 U.S.C. section 112 into a single inquiry. In the circumstances of the case, the two requirements merge with each other.<sup>30</sup>

The court explained that the patent did not claim to disclose a new process for producing the enzyme; rather, it identified a specific organism as an agent which produces significantly greater amounts of the enzyme than previously known agents. This was by way of a process that the district court found was already familiar to ordinary workers skilled in the art. The organism does all the work that makes the discovery patentable and the patent application requires only that the patent applicant provide samples and enough taxonomic information so that an ordinary worker skilled in the art could order the organism from a culture collection. Hence, the identification of the organism simultaneously provided both an enabling and best mode disclosure.<sup>31</sup> The trial court's awards of increased damages and attorney's fees were approved, based on an unambiguous showing of misconduct.<sup>32</sup>

Some conduct of the defendant was cited in support of such a harsh conclusion. Travenol had paid for a hold harmless agreement from the buyer when it sold the Travenol division responsible for the infringement. It had also sought legal advice regarding the interference and infringement actions, including advice regarding increased damages and legal fees as part of a presumably anticipated judgment against them. The advice had been sought on an oral basis from four patent law firms. However, Travenol did not introduce any evidence that it had obtained a legal opinion justifying its sale of the infringing product. Further, the trial judge found that once the interference proceeding had been concluded and the patent had been issued to Novo,

30. *Novo Industri A/S v. Travenol Laboratories*, 677 F.2d at 1210.

31. *Id.*

32. 677 F.2d at 1211. *See also Airtex Corp. v. Shelly Radiant Ceiling Co.*, 536 F.2d 145 (7th Cir. 1976), 35 U.S.C. § 284 (damages for infringement).

Travenol was under an affirmative duty to determine whether it had a legal basis for the continued sale of the product.

Finally, the court was unusually critical of Travenol's conduct of the trial, stating that their defenses were not asserted in good faith. The defenses were said to be an afterthought to dazzle the district judge and take advantage of his lack of familiarity with the state of the art of technical areas involved. The Seventh Circuit relied on what it saw underlying Travenol's argument—mischaracterization of the evidence and the deliberate avoidance of knowledge that might be disadvantageous to its position.

*No Presumption of Examiner's Knowledge*

*Medical Laboratory Automation, Inc. v. Labcon, Inc.*

In *Medical Laboratory Automation, Inc. v. Labcon, Inc.*,<sup>33</sup> the Seventh Circuit held that it could not assume that an examiner had considered a structure as prior art, even though the same examiner had addressed the application on that structure. Medical Laboratory Automation, Inc. (MLA), the owner of a patent for a stackable tray to hold pipette tips, brought an action for infringement against Labcon, Inc. and Ways And Means, Inc. (Labcon). Before trial, the defendants moved for summary judgment on several grounds. On the recommendation of the magistrate hearing the case, the district court granted the defendants' motion and held that the patent was invalid.

On appeal, MLA contended that it was improper for the district court to grant the motion for summary judgment since factual disputes were present.<sup>34</sup> Specifically in issue was whether the Patent Office had or had not considered the most relevant prior art. The question of fact was whether the examiner considered the "Cohen" structure as prior art, notwithstanding that it was not referenced in the file wrapper. This would be relevant to the existence or weight accorded to the presumption of validity of the patent. The court explained the circumstances as well as its own conclusion:

MLA notes that the Cohen application was pending at the time the [present] application was considered, and also claims that the same Examiner addressed both applications. From this, and Patent Office procedures, MLA argues that the Examiner must necessarily have considered the effect of the Cohen structure on the [present one] and decided it did not defeat the application. MLA explains the absence

33. 670 F.2d 671 (7th Cir. 1981).

34. See generally *Adickes v. S.H. Kress & Co.*, 398 U.S. 144 (1970).

of any reference to Cohen as either an unnecessary equivalent citation or as an attempt to preserve the confidentiality of the pending Cohen application.

This court's decisions are clear that we may not safely assume that the Examiner considered an example of prior art if it is not cited. We can only presume, in the absence of evidence to the contrary, that it was overlooked.<sup>35</sup>

The issue of whether the examiner actually considered the Cohen patent application was not critical on appeal, since, after considering the prior art including Cohen, the Seventh Circuit upheld the lower court's finding of obviousness.

### *District Court Upheld in Frivolous Case*

#### *Schutt Mfg. Co. v. Riddell, Inc.*

The granting of a motion for summary judgment in favor of the defendant was approved in *Schutt Mfg. Co. v. Riddell, Inc.*<sup>36</sup>, a case which the district court had branded as frivolous. Schutt manufactured face masks to protect football players and straps to secure the masks to helmets. Schutt owned the United States Trademark registration on the term "Full Cage" used in connection with the mask and a United States Patent<sup>37</sup> on a resilient means to attach a mask to a helmet. Riddell, Inc. (Riddell) purchased masks from Schutt but later dropped Schutt as a supplier. Riddell then issued a dealer news letter and advertisement stating that it was introducing a new line of masks. Presumably, Riddell continued to use the term "Full Cage" and use a strap system similar to the one patented by Schutt. After some discussion between the parties, Riddell agreed to cease using Schutt's trademark and style and size designations but later petitioned the Patent and Trademark Office to cancel Schutt's Full Cage trademark.

Subsequently, Schutt filed suit alleging patent infringement, trademark infringement, unfair competition, and violation of consumer product warranty laws. At the close of discovery, the trial court granted summary judgment in favor of the defendant, noting that "[s]eldom have we seen a lawsuit as unwarranted and frivolous as this one."<sup>38</sup>

On appeal, Schutt maintained that the district court erred in find-

35. 670 F.2d at 673, citing *Chicago Rawhide Mfg. Co. v. Crane Packing Co.*, 523 F.2d 452 (7th Cir. 1975), cert. denied, 423 U.S. 1091 (1976); *Milton Mfg. Co. v. Potter-Weil Corp.*, 327 F.2d 437 (7th Cir. 1964).

36. 673 F.2d 202 (7th Cir. 1982).

37. U.S. Patent No. 3,263,236.

38. 673 F.2d at 204.

ing the mounting device obvious, since there was no evidence as to the level of skill in the art and thus, an unresolved issue of material fact remained. The Seventh Circuit reviewed the case in accordance with *Deere* to ascertain whether the presence of the disputed issue of material fact rendered the judgment improper. However, the court rejected the necessity for evidence establishing the level of one skilled in the art:

As this court recently reiterated . . . if the differences between the patent in issue and the prior art are such that the subject matter as a whole is obvious to a lay [person], a determination of the level of skill on the basis of expert testimony in the pertinent art would be useless.<sup>39</sup> . . . As our discussion above makes clear, the patent in suit is not markedly different from the prior art, and the concept of tying the mask to the helmet with a flexible strap is not one of such complexity that expert testimony is compelled. When the level of skill is obvious to a layperson, that issue is not materially in dispute.<sup>40</sup>

The appellate court therefore found that the trial court had not erred in granting summary judgment without the benefit of evidence of the level of ordinary skill. The Seventh Circuit also affirmed that the district court had properly acted within its discretion in refusing injunctive relief. The district court had ruled that because Riddell clearly did not threaten to persist in or resume the alleged trademark infringement or unfair conduct, equitable relief would be inappropriate. The appellate court commented that it was within the discretion of the trial court to grant or deny an injunction against conduct which had ceased and is not likely to recur.<sup>41</sup>

Summary judgment on the issue of damages for trademark infringement was also approved. The defendant's motion for summary judgment asserted that no actual consumer reliance on its use of the plaintiff's designations had occurred and that the plaintiff had not provided evidence of customer confusion in response to specific interrogatories directed to that issue. Further, the plaintiff had not submitted affidavits or other matter demonstrating the existence of any issue of material fact as to such confusion. Hence, judgment for the defendant

39. 673 F.2d at 205, *quoting* *Medical Laboratory Automation, Inc. v. Labcon, Inc.*, 670 F.2d 671, 674 (7th Cir. 1981).

40. *Id.*

41. 673 F.2d at 207. *See also* *Scotch Whisky Association v. Barton Distilling Co.*, 489 F.2d 809, 813 (7th Cir. 1973); *Parkway Baking Co. v. Freihofer Baking Co.*, 255 F.2d 641, 649 (3d Cir. 1958); *John Wright, Inc. v. Casper Corp.*, 419 F. Supp. 292, 326 n.20 (E.D. Pa. 1976); *Field Enter. Educ. Corp. v. Cove Indus., Inc.*, 297 F. Supp. 989, 997 (E.D.N.Y. 1969).

was proper.<sup>42</sup>

*Finding of Invalidity on Summary Judgment Not Limited to Claims Listed in Infringement Count*

Harvestall Industries, Inc. v. Hochstetler

In *Harvestall Industries, Inc. v. Hochstetler*,<sup>43</sup> the Seventh Circuit reviewed the district court's ruling on the defendant's motion for summary judgment and agreed that it properly held the entire patent invalid, even though the defendants had brought the motion regarding only the two claims listed in the complaint. The focus of the controversy was a patent<sup>44</sup> for a base and support of grain storage bins. The complaint alleged one count for infringement of claims 5 and 7, another of trademark infringement and a third of unfair competition. The defendant denied the charges and filed a three part counterclaim which alleged: (1) that the entire patent was invalid and unenforceable; (2) Sherman Act violations; and (3) fraud on the Patent Office in connection with the trademark registration.

The defendants filed a motion for summary judgment and the court held that the patent was invalid. In doing so, it adopted virtually all of the defendants' findings of fact and most of the proposed conclusions of law. It eventually also denied a motion by the plaintiffs to amend the judgment to invalidate only claims 5 and 7 rather than the entire patent.

It should be noted that the counterclaim, which could be characterized as a declaratory judgment action regarding every claim of the patent, was not in issue in the defendants' motion. The motion stated, in pertinent part, "Defendant [sic] is entitled to judgment as a matter of law, that the claims of the patent in suit *alleged to be infringed* are invalid . . . and that the accused devices do not infringe the patent in suit."<sup>45</sup> Further, the district court's order stated that "it is clear from the prior art of record that the invention as defined by claims 5 and 7 would have been obvious to a person with such a level of skill at the time of invention."<sup>46</sup>

On appeal, the Seventh Circuit approved the broad holding of in-

42. See *Zirin Laboratories International, Inc. v. Mead-Johnson & Co.*, 208 F. Supp. 633, 635 (E.D. Mich. 1962).

43. 656 F.2d 1232 (7th Cir. 1981).

44. U.S. Patent 3,426,445.

45. 656 F.2d at 1234 n.4 (emphasis added).

46. *Id.* at 1235.

validity for two reasons. First, they found that although the complaint alleged only that claims 5 and 7 were infringed, the plaintiffs had brought the other independent claims into dispute as well. In plaintiffs' brief in opposition to the summary judgment motion, they argued, "[i]t should be noted at the outset, for example, that whereas Defendants contend that only Claims 5 and 7 are in issue, that is not the case." Secondly, the appellate court noted that there was nothing to distinguish claims 1, 2, 3, and 4 in substance from claims 5 and 7.<sup>47</sup> In conclusion, it stated that while the language of the summary judgment motion could have been clearer, it did call into question the validity of the entire patent, and that the district court correctly found it invalid in its entirety.

*New Evidence Excluded in Appeal From Board of Patent Interferences*

*Piher, S.A. v. CTS Corp.*

*Piher, S.A. v. CTS Corp.*<sup>48</sup> was an appeal from a district court ruling which affirmed a ruling by the Board of Patent Interferences that CTS Corporation (CTS) had reduced an invention to practice before Piher, S.A. (Piher) had. Any party to an interference dissatisfied with the decision of the Board on questions of priority may have a remedy by civil action.<sup>49</sup> Such a proceeding is a hybrid action combining elements of a *de novo* trial and appellate review; the right to offer new evidence is limited.<sup>50</sup> The Seventh Circuit upheld the lower courts exclusion of new evidence under the circumstances.

The district court had refused to hear evidence in addition to the record before the Board. Piher had attempted to call three witnesses: the former patent counsel of CTS; an independent patent counsel; and an expert. The CTS counsel would be examined in an attempt to show inexcusable delay in his filing of the patent application rather than, as CTS claimed, that an extended period of time was needed for preparation. The independent patent counsel would testify that the delay was inexcusable. The expert would testify that the invention had not been reduced to practice.

On review, the Seventh Circuit held that Piher should bear the burden of proving that it had not waived the right to present evidence.

47. *Id.* at 1236.

48. 664 F.2d 122 (7th Cir. 1981).

49. 35 U.S.C. § 146 (1982).

50. *See Velsicol Chemical Corp. v. Monsanto Co.*, 579 F.2d 1038, 1044 (7th Cir. 1978).



It also found that there was no error, in light of Piher's previous conduct, in denying admission of the evidence.

Earlier, at the hearing held before the district court, Piher had conceded that the additional evidence was not necessary. The trial judge had questioned Piher's counsel as to whether he thought the denial of allowing the evidence was reversible error. Counsel repeatedly averred that the new evidence was not essential. The issue of delay in filing the application had been fully litigated before the Board and Piher had taken advantage of the opportunity to introduce expert testimony to refute CTS's position. An adverse decision after full opportunity to present evidence was held not to be a special circumstance within the scope of *Velsicol Chemical Corp. v. Monsanto Co.*<sup>51</sup> which would give the party an absolute right to present additional evidence.

On appeal, Piher also contended that the Board's award of priority to CTS might be affirmed only if the decision was supported by clear and convincing proof and that CTS should be held to the strictest of proofs in view of the unreliability of the oral testimony of the inventor.<sup>52</sup> The Seventh Circuit, in upholding the decision of the district court and Board, found that the inventor's testimony had been corroborated by several witnesses and exhibits and that the decision of the Patent Office must be affirmed unless the character and amount of evidence carries a thorough conviction that a contrary result should obtain.<sup>53</sup>

Piher also contended that CTS's twenty-eight month delay in filing the application constituted unreasonable delay per se. Relying on a 1980 decision by the Board of Interferences, *Klug v. Wood*<sup>54</sup>, Piher contended that, as a matter of law, a delay of twenty-six months or more raises an inference of suppression or concealment of the invention, an inference which had not been rebutted by CTS.

Reliance on the *Klug* case was somewhat tenuous in that the Board hearing the present case had found that the delay by CTS was only for a period of twenty-two months and that the delay was justified. Further, in *Klug*, the Board had stated that Klug's delay constituted, *prima facie*, an unreasonable delay, whereas Piher argued that the Board had established a per se rule in all cases.

51. *Id.*

52. *Cf.* *The Barbed Wire Patent*, 143 U.S. 275, 284 (1892) (holding that when the existence and use of an unpatented device are proven by oral testimony, proof of anticipation of a patent must be beyond a reasonable doubt).

53. *Rex Chainbelt Inc. v. Borg-Warner Corp.*, 477 F.2d 481, 484 (7th Cir. 1973).

54. *Patent Interference No. 99,716* (Board of Patent Interferences, Apr. 29, 1981).

The circuit court did not read *Klug* so broadly. It stated that in *Klug*, the Board noted that *Shindelar v. Holdeman*<sup>55</sup> cautioned against any attempt to establish a rule that a particular length of time constituted per se unreasonable delay. Hence the Board's finding that there was no suppression or concealment was affirmed as well as the judgment of the district court.

### TRADEMARKS

During the 1981-1982 term there were no major decisions by the Seventh Circuit involving the field of Trademarks.

### COPYRIGHT

#### *Blanket Copyright License Found to be Neither Copyright Misuse nor a Violation of the Sherman Act*

F.E.L. Publications, Ltd. v. Catholic Bishop of Chicago

In *F.E.L. Publications, Ltd. v. Catholic Bishop of Chicago*,<sup>56</sup> the Seventh Circuit rejected the district court's conclusion that the blanket copyright license involved was a tying contract and a per se violation of the Sherman Act. The appellate court also considered whether the license was illegal under the rule of reason, but also rejected that possibility.

F.E.L. Publications, Ltd. (F.E.L.) is a publisher which markets songs to Chicago's Catholic parishes. It owns the copyrights to approximately fourteen hundred songs. The license in question was termed, by F.E.L., as an Annual Copy License ("ACL"). It allowed a given parish to copy one or more of F.E.L.'s fourteen hundred titles, in unlimited quantities for a period of one year. The license cost \$100 per year and required that copies be destroyed at year's end unless the license is renewed. The license permitted the individual parishes to create custom-made hymnals. (Presumably, the hymnals would contain several F.E.L. songs in addition to others.) The license was created after widespread copyright violations were discovered under an earlier two cents per-song/per-copy licensing arrangement.

The songs were available to parish churches in various other ways. F.E.L. published printed hymnal songbooks, sheet music and congregational cards, containing F.E.L.'s most popular songs. It offered an-

55. 628 F.2d 1337 (C.C.P.A. 1980).

56. No. 81-1333 (7th Cir. 1982).

other license to the parishes to make copies of the songs. That was a "One Time Usage License" which allowed a song to be copied for use at a single occasion at a cost of two cents per-copy/per-song. None of these means were conducive to the creation of the desirable custom-made hymnals.

F.E.L. became convinced that illegal copying continued and thus filed suit for copyright infringement. Discovery disclosed over one and one-half million unauthorized copies of the songs. However, the defendant's motion for summary judgment, based on the defenses of copyright misuse and violation of the Sherman Act, was granted.

On appeal, the Seventh Circuit concluded that the granting of the motion was in error. The first defense of copyright misuse was founded on the theory that F.E.L. had, by terms of the ACL, licensed the right to perform the works at not-for-profit performances.

It is clear that the exclusive rights of a copyright owner include the right to print, publish and copy a copyrighted work. Also protected is the right to perform a work for profit.<sup>57</sup> However, a copyright holder cannot prevent a not-for-profit performance nor exact a fee for such a performance.<sup>58</sup>

The appellate court examined the terms of various paragraphs of the license, as had the trial court. It agreed that the license limited the use of F.E.L. songs to not-for-profit performances, but disagreed on the legal consequences of that fact. Specifically, a clause of the contract granted to the licensee the right to perform the songs. Hence, the contract may have required the licensee to pay for something the licensee had the right to do, regardless of the license. The court examined the license as a whole and concluded that it legitimately licensed the copying of the works and that the clause relating to performances served the purpose of informing the licensee of its rights for exempt performances, without exacting a fee.

The second issue on appeal was whether the license was illegal under the Sherman Act. The district court had branded the ACL as a "tying contract" and analogized the case to the facts of *United States v. Paramount Pictures, Inc.*<sup>59</sup> There, movie theaters were forced to accept licenses for inferior films (tied product) in order to obtain licenses for popular films (tying product). This form of conditional marketing was

57. 17 U.S.C. § 1.

58. 17 U.S.C. § 1(e), *Associated Music Publishers, Inc. v. Debs Memorial Radio Fund, Inc.*, 141 F.2d 852 (2d Cir.), cert. denied, 323 U.S. 766 (1944).

59. 334 U.S. 131 (1948).

there held to be illegal per se under the Sherman Act. The Seventh Circuit, however, found the ACL to be more appropriately analyzed as a blanket license under the precedent established in *Broadcast Music, Inc. v. Columbia Broadcast System, Inc.*<sup>60</sup> The court noted that the license scrutinized in *Broadcast Music* was so similar to the ACL as to be indistinguishable. The ACL was held to be a singular commodity—musical compositions—with no tied or tying product.

While the district court did not evaluate the ACL under the rule of reason, the Seventh Circuit thought the issue ripe for review. Under the rule of reason, an agreement is an unreasonable restraint if its anti-competitive effects outweigh its pro-competitive effects. The court found no anti-competitive effects, especially since there were realistically available methods of obtaining rights to the individual F.E.L. songs.

*Author Licensor Lacks Standing to Bring Antitrust Suit Against  
Monopolist Licensee*

Repp v. F.E.L. Publications, Ltd.

The case of *Repp v. F.E.L. Publications, Ltd.*<sup>61</sup> shared facts with *F.E.L. v. Catholic Bishop*. Repp had licensed his works to F.E.L. which in turn licensed the parishes to use the works by means of the ACL. Repp contended that the licensing practice detracted from a diminished interest in and demand for his works which resulted in lesser royalties being paid to him. He also contended that the licensing practice violated the antitrust laws.

The Seventh Circuit ruled, as had the court below, that Repp lacked standing to bring suit under the antitrust laws. No copyright issues were involved. For further discussion, the reader is invited to refer to the antitrust section of this review.

*Copyright Infringement of Video Game*

Atari, Inc. v. North American Philips Consumer Electronics Corp.

The Seventh Circuit treated the problem of protection of video games by copyright law in the case of *Atari, Inc. v. North American Philips Consumer Electronics Corp.*<sup>62</sup> The plaintiffs had brought an action against the defendants for copyright infringement and unfair com-

60. 441 U.S. 1 (1979).

61. 688 F.2d 441 (7th Cir. 1982).

62. 672 F.2d 607 (7th Cir. 1982), cert. denied, 103 S. Ct. 176 (1983).

petition against their audiovisual game "PAC-MAN" by the defendants' game "K. C. MUNCHKIN". The district court denied plaintiffs' motion for a preliminary injunction since it found that the plaintiffs had failed to show a likelihood of success on the merits.

The appellate court went to considerable length describing the visual aspects of both games. After stating the standard of review for preliminary injunctions, the court turned to the question of copyright infringement. The determination of infringement was predicated upon an ocular comparison of the works themselves and did not involve any material credibility issues. Therefore, the appellate court was in as good a position as the trial court to decide questions of infringement.<sup>63</sup>

The parties had stipulated to the validity of the plaintiffs' copyright and to access to the work. The issue to be resolved was whether there had been "copying" by the defendant. Copying could be inferred where the defendant had access to the copyrighted work and the accused work is substantially similar to the protected work.<sup>64</sup>

Some courts have expressed the test of substantial similarity in two parts: (1) whether the defendant copied from the plaintiff's work and (2) whether the copying, if proven, went so far as to constitute an improper appropriation.<sup>65</sup> The court's analysis focused on the second part of that test and the response of the "ordinary observer". Specifically, the test used was whether the accused work was so similar to the plaintiff's work that an ordinary reasonable person would conclude that the defendant unlawfully appropriated the plaintiff's protectable expression by taking material of substance and value.<sup>66</sup> The court noted that the ordinary observer test must also take into account that the copyright law precludes appropriation of only those elements of the work which are protected by the copyright. The protection extends only to the expression of the idea and not the idea itself. But the court stated:

There is no litmus paper test by which to apply the idea-expression distinction; the determination is necessarily subjective. As Judge Learned Hand said, "Obviously, no principle can be stated as

63. See *Novelty Textile Mills, Inc. v. Joan Fabrics Corp.*, 558 F.2d 1090, 1093 (2d Cir. 1977); cf. *Union Carbide Corp. v. Ever-Ready, Inc.*, 531 F.2d 366, 383 (7th Cir.), cert. denied, 429 U.S. 830 (1976) (trademark infringement).

64. 672 F.2d at 614. See also *Warner Brothers, Inc. v. American Broadcasting Co.*, 654 F.2d 204, 207 (2d Cir. 1981).

65. 672 F.2d at 614. See also *Scott v. WKJG, Inc.*, 376 F.2d 467, 469 (7th Cir. 1966), cert. denied, 389 U.S. 832 (1967); *Arnstein v. Porter*, 154 F.2d 464, 468 (2d Cir. 1946).

66. 672 F.2d at 614. See also *Sid & Marty Koffit Television Productions, Inc. v. McDonald's Corp.*, 562 F.2d 1157, 1164 (9th Cir. 1977).

to when an imitator has gone beyond copying the 'idea' and has borrowed its 'expression.' Decisions must therefore inevitably be *ad hoc*.<sup>67</sup>

The Seventh Circuit found that the plaintiffs' audiovisual work is primarily an unprotectable game, but to at least a limited extent the particular form in which it is expressed (shapes, sizes, colors, sequences, arrangements, and sounds) provides something new or additional over the idea. The work was described as a maze game with certain opponents which move independently. The audio component and the concrete details of the visual presentation constitute the copy-rightable expression of that game "idea."

Certain expressive matter in the PAC-MAN work, the maze and scoring table were noted to be standard game devices and would be protected only from virtually identical copying under the theory of *scenes a faire*. *Scenes a faire* refers to incidents, characters or settings which are as a practical matter indispensable.<sup>68</sup> K. C. Munchkin's maze design, scoring table, and "dots" were found to be sufficiently different to preclude a finding of infringement on that basis alone.

Rather, it was the substantial appropriation of the PAC-MAN characters that was found to be an infringement and required a reversal of the district court. The expression of the central figure as a "gobbler" and the pursuit figures as "ghost monsters" distinguished PAC-MAN from conceptually similar video games. The characters were found to be wholly fanciful creations, without reference to the real world.

The defendants were found to not only have adopted the same basic characters but also portrayed them in a manner which made K. C. Munchkin appear substantially similar to PAC-MAN. Specific features noted by the circuit court were the size and shape of the body, the V-shaped "mouth", its gobbling action (with appropriate sounds), eye and leg movement and the "regeneration" process. The court found that the ordinary observer could conclude only that the defendants had copied plaintiffs' work.

The district court's conclusion that the two works were not substantially similar was found to be clearly erroneous, and its refusal to issue a preliminary injunction constituted an abuse of discretion. The case was returned to the trial court with the admonition that the ordinary observer test should not be applied in a judicial vacuum but that

67. 672 F.2d at 615, citing *Peter Pan Fabrics, Inc. v. Martin Weiner Corp.*, 274 F.2d 487, 489 (2d Cir. 1960).

68. *Alexander v. Haley*, 460 F. Supp. 40, 45 (S.D.N.Y. 1978). See also *Hoehling v. Universal City Studios, Inc.*, 618 F.2d 972, 979 (2d Cir.), cert. denied, 449 U.S. 841 (1980).

further development of facts at trial might command a conclusion different than that of the appellate court.

*Ruling of Copyright Royalty Tribunal Approved*

Amusement & Music Operators v. Copyright Royalty Tribunal,  
American Society of Composers, Authors & Publishers v.  
Copyright Royalty Tribunal, Amusement &  
Music Operators Association v.  
Copyright Royalty Tribunal

A Petition of Review of the Copyright Royalty Tribunal was the subject of the combined cases of *Amusement & Music Operators Association v. Copyright Royalty Tribunal, American Society of Composers, Authors & Publishers v. Copyright Royalty Tribunal* and *Amusement & Music Operators Association v. Copyright Royalty Tribunal*.<sup>69</sup> The Seventh Circuit found the Tribunal's final rule establishing the increased royalty fee payable by jukebox operators for public performances of nondramatic musical works to be lawful in all respects.

Under the Copyright Revision Act of 1976, 17 U.S.C. sections 101-810, songs may be copyrighted but the exclusive right associated with the copyright under section 106 of the Act is subject to the potential unilateral exploitation device known as the "compulsory license."<sup>70</sup> Operators of jukeboxes must secure a compulsory license for the public performance of phonorecords purchased for use in the jukeboxes. Section 116 of the Act requires jukebox operators to enumerate the number and location of their jukeboxes and deposit a royalty fee of \$8.00 for each phonorecord player with the Register of Copyrights. The fees are then distributed to the copyright owners.

The Act also provided for the establishment of the Tribunal as the administrative agency to make determinations concerning royalty rates. Pursuant to a timetable set out in the Act<sup>71</sup>, the Tribunal was directed to commence proceedings in January, 1980, to determine whether an adjustment of the jukebox royalty fee was warranted. It ruled that the royalties payable should be set at a level of \$50.00 per jukebox per year, but the increase was to be implemented in two stages. A fee of \$25.00 would be charged in 1982 and 1983; thereafter, the operators would be liable for the full \$50.00.

69. 676 F.2d 1144 (7th Cir. 1982).

70. See 17 U.S.C. §§ 115, 116(b) (1981).

71. 17 U.S.C. § 804 (1981).

The issues on appeal involved the law of review of rulemaking by administrative bodies rather than any issues related to intellectual property. The Seventh Circuit found that the Tribunal did not act either unreasonably or unlawfully by establishing the \$50.00 royalty fee, which would be implemented in stages and be subject to future inflationary adjustments. The petition for review was denied.



