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## PATENT LAW: SYNERGISM REJECTED

JOHN R. CROSSAN\*

In the past year, from June 1978 through May 1, 1979,<sup>1</sup> the United States Court of Appeals for the Seventh Circuit has issued nine published opinions in the intellectual property field. The court has emphatically rejected<sup>2</sup> all "synergism" tests for measuring the obviousness or non-obviousness of a combination patent under 35 U.S.C. § 103.<sup>3</sup> *Republic Industries, Inc. v. Schlage Lock Co.*,<sup>4</sup> and three other decisions<sup>5</sup> continue the court's progress in clarifying the guidelines for determination under section 103 of the obviousness or non-obviousness of patented inventions, as previously identified in these annual reviews.<sup>6</sup> During this term, the court in *Velsicol Chemical Corp. v. Monsanto Co.*<sup>7</sup> also severely restricted "the right of the parties to take further testimony" in district court reviews of decisions of patent office boards of

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1. The earliest decision discussed here is *Velsicol Chemical Corp. v. Monsanto Co.*, 579 F.2d 1038 (7th Cir. 1978), decided June 30, 1978. The most recent is *Panduit Corp. v. Dennison Mfg. Co.*, 593 F.2d 800 (7th Cir. 1979), decided March 12, 1979.

2. *Republic Indus., Inc. v. Schlage Lock Co.*, 592 F.2d 963, 972 (7th Cir. 1979). See text accompanying notes 20-88 *infra*.

3. "Synergism," a recently-coined and variously-defined term in patent law, refers to the combined action of two or more agents producing an effect greater than the sum of the several effects taken separately. An invention or discovery, to be patentable, must be "new and useful," 35 U.S.C. § 101 (1978); "novel," 35 U.S.C. § 102 (1978); and, "non-obvious," 35 U.S.C. § 103 (1978). The non-obviousness condition requires:

A patent may not be obtained . . . 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.

4. 592 F.2d 963 (7th Cir. 1979).

5. *Hanig Prods., Inc. v. K.O. Lee Co.*, 594 F.2d 609 (7th Cir. 1979) (per curiam); *Centsable Prods., Inc. v. Lemelson*, 591 F.2d 400 (7th Cir. 1979); *Scholl, Inc. v. S.S. Kresge Co.*, 580 F.2d 244 (7th Cir. 1978).

6. See *Schneider, Patent Law*, 53 CHI.-KENT L. REV. 408 (1976) [hereinafter cited as *Schneider*]; *Sprowl, Patent Law*, 51 CHI.-KENT L. REV. 527 (1974) [hereinafter cited as *Sprowl*]. Statements in *Klitzke, Patent Law*, 55 CHI.-KENT L. REV. 183, 191-92 (1979) [hereinafter cited as *Klitzke*], with respect to synergism and the case of *St. Regis Paper Co. v. Bemis Co., Inc.*, 549 F.2d 833 (7th Cir.), *cert. denied*, 434 U.S. 833 (1977), are modified by the court's decision in *Republic Indus., Inc. v. Schlage Lock Co.*, 592 F.2d 963 (7th Cir. 1979). In *St. Regis*, the Seventh Circuit stated that "unless the combination is 'synergistic, that is result[ing] in an effect greater than the sum of the several effects taken separately,' it cannot be patented." 549 F.2d at 838. In *Republic*, the court of appeals held that a combination need not have a synergistic effect to be patentable, but rather must meet the standard of non-obviousness under section 103. 592 F.2d at 968-72.

7. 579 F.2d 1038 (7th Cir. 1978).

patent interferences.<sup>8</sup> That right was previously preserved under 35 U.S.C. § 146.<sup>9</sup> The majority decision in *Velsicol* has created a "new and stultifying standard" for litigants appealing decisions of the board of patent interferences.<sup>10</sup> The court in one further patent matter held that a patent was not proven to be invalid by its invention having been on sale prior to its critical date.<sup>11</sup> In another case, the Seventh Circuit held that the compulsory royalty provisions<sup>12</sup> of the old Copyright Act<sup>13</sup> did not permit the pirating of musical recordings.<sup>14</sup> The court also held in *Telemed Corp. v. Tel-Med, Inc.*<sup>15</sup> that a registered service mark granted to "Telemed," in a distinctive type font, was, in the absence of a showing of secondary meaning, invalid as merely descriptive of computer analysis services by telephone.

In *Celotex Corp. v. Jacuzzi Whirlpool Bath*,<sup>16</sup> the court of appeals issued an important decision regarding laches and estoppel in patent law. Laches and estoppel may bar the enforcement of a patent against a manufacturer who once was charged with infringement but whose conduct had gone unchallenged for at least six years.<sup>17</sup> That the *Celotex* case was disposed of by unpublished order rather than by published opinion, under Circuit Rule 35,<sup>18</sup> leads us to emphasize the point

8. An interference is "a proceeding instituted for the purpose of determining the question of priority of invention between two or more parties claiming substantially the same patentable invention. . . ." 37 C.F.R. § 1.201(a) (1979).

9. 35 U.S.C. § 146 (1976) provides, in pertinent part:

Any party to an interference dissatisfied with the decision of the board of patent interferences on the question of priority, may have remedy by civil action. . . . In such suits the record in the Patent and Trademark Office shall be admitted on motion of either party upon the terms and conditions as to costs, expenses, and the further cross-examination of the witnesses as the court imposes, without prejudice to the right of the parties to take further testimony.

10. 579 F.2d at 1051 (Pell, J., dissenting).

11. *CTS Corp. v. Piher Int'l Corp.*, 593 F.2d 777 (7th Cir. 1979). See text accompanying notes 137-48 *infra*.

12. 17 U.S.C. § 1(e) (1970); *Heilman v. Bell*, 583 F.2d 373 (7th Cir. 1978), *cert. denied*, 440 U.S. 959 (1979). See text accompanying notes 171-74 *infra*.

13. 17 U.S.C. § 1(e) (1909) (current version at 17 U.S.C. §§ 101-2318 (1978)). A complete revision of the federal copyright laws was enacted in 1976 and became effective in 1978.

14. 583 F.2d at 377.

15. 588 F.2d 213 (7th Cir. 1978). See text accompanying note 175 *infra*.

16. No. 77-1561 (7th Cir. June 21, 1978) (unpublished order). See text accompanying notes 161-70 *infra*.

17. 35 U.S.C. § 286 (1978) provides, in pertinent part:

[N]o recovery shall be had for any infringement committed more than six years prior to the filing of the complaint . . . for infringement . . . .

This time limitation has been applied to bar entirely infringement claims where the patentee has allowed the infringement to continue unchallenged by legal action or bona fide threats of enforcement during that time period. See, e.g., *Advanced Hydraulics, Inc. v. Otis Elevator Co.*, 525 F.2d 477 (7th Cir.), *cert. denied*, 423 U.S. 869 (1975); *Continental Coatings Corp. v. Metco, Inc.*, 464 F.2d 1375 (7th Cir. 1972).

18. For the text of Circuit Rule 35, see note 167 *infra*.

of law decided in that case, even if the case itself may not be cited under the circuit rule.

Service upon intellectual property appeals panels and the writing of decisions were evenly distributed among the judges of the United States Court of Appeals for the Seventh Circuit this past year. Judges Tone and Castle wrote two opinions each; Judges Bauer, Sprecher, Swygert, and Cummings wrote one opinion each. Judge Pell wrote one vigorous dissent. Chief Judge Fairchild and Judge Wood were on three panels each, but wrote no opinions. Thus, no single judge has taken a prominent role this past year in intellectual property matters, although Judge Tone<sup>19</sup> continues to be more active and visible than others.

In the five cases in which the validity of patents was decided, the court of appeals affirmed district court holdings of invalidity three times. It reversed one holding of patent validity below, on obviousness grounds. The court also reversed one district court holding of invalidity under 35 U.S.C. § 102(b),<sup>20</sup> holding the patent valid for failure of the accused infringer to prove a prior sale. Thus, four patents were invalidated by the court, while one was upheld.

#### THE REJECTION OF SYNERGISM

The most important decision of the past year's term was *Republic Industries, Inc. v. Schlage Lock Co.*<sup>21</sup> The court, per Judge Swygert, squarely rejected the notion that the United States Supreme Court had prescribed any "synergism" standard<sup>22</sup> as a "special test for the evaluation of combination claims."<sup>23</sup> After examining the various judicial formulations of synergism, the court concluded that "synergism is only a figure of speech," and that, "in its literal sense synergism never has existed and never can exist in mechanical or hydraulic inventions."<sup>24</sup> Finding the synergism concept fundamentally flawed, and regretting

19. Judge Tone was denominated apparent successor to the role of Justice Stevens in *Schneider*, *supra* note 6, at 408.

20. 35 U.S.C. § 102(b) (1978) provides, in pertinent part:

A person shall be entitled to a patent unless . . . the invention was . . . in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States . . . .

See text accompanying notes 154-60 *infra*.

21. 592 F.2d 963 (7th Cir. 1979).

22. The various formulations developed by the litigants and by the Seventh Circuit were discussed by the court in *Republic*. 592 F.2d at 967, 969-70 n.20.

23. *Id.* at 969.

24. *Id.* at 970. See text accompanying notes 72-76 *infra*.

the "confusion"<sup>25</sup> caused by its prior decisions, especially in its recent holding in *St. Regis Paper Co. v. Bemis Co.*,<sup>26</sup> the court of appeals held the patent in *Republic* invalid solely under the *Graham v. John Deere Co.*<sup>27</sup> tests for applying the obviousness standard under section 103.<sup>28</sup> The court's opinion in *Republic* is a commendable, if overdue, response to the conceptual problem which the court, by the same panel, had created in *St. Regis Paper* over the dissent of Judge Pell.<sup>29</sup> A brief review of the *St. Regis* and *Republic* cases helps to explain the vigor of the position now taken against synergism by the court.

In *St. Regis*, Chief Judge Morgan of the United States District Court for the Southern District of Illinois upheld the validity of three patents for gusseted multi-wall, pinch bottom, open mouth bags.<sup>30</sup> In so holding, the district court rejected defenses of invalidity for obviousness under 35 U.S.C. § 103.<sup>31</sup> Relying on the presumption of patent validity,<sup>32</sup> the district court held:

[D]efendant's references do create an impression of superficial obviousness which might persuade the uninitiated person to conclude that Lokey achieved nothing of patentable stature. Yet the Examiner looked past and through that superficiality and recognized that Lokey did embody an inventive concept which achieved a result for which practitioners in the art had theretofore striven in vain.<sup>33</sup>

On appeal, the Seventh Circuit reversed the validity ruling and remanded the case to the district court for dismissal. Relying on the United States Supreme Court's holdings in *Sakraida v. Ag Pro, Inc.*<sup>34</sup> and *Anderson's Black Rock v. Pavement Co.*,<sup>35</sup> the court of appeals held that "unless the combination is 'synergistic, that is "result[ing] in an effect greater than the sum of the several effects taken separately,"' it

25. 592 F.2d at 971.

26. 549 F.2d 833 (7th Cir.), *cert. denied*, 434 U.S. 833 (1977).

27. 383 U.S. 1 (1966). *See also* Hotchkiss v. Greenwood, 52 U.S. (11 How.) 248 (1851).

28. The steps set forth in *Graham* for determining the validity of a patent under section 103 are: (1) the scope and content of the prior art must be determined; (2) differences between the prior art and the claims at issue must be ascertained; and, (3) the level of ordinary skill in the pertinent art resolved. 383 U.S. at 17. Secondary considerations such as commercial success, a long unfulfilled need for the invention, the failure of others to successfully meet the need may be examined as part of the circumstances giving rise to the subject matter sought to be patented. *Id.*

29. 549 F.2d 839. *See* text accompanying note 39 *infra*.

30. *St. Regis Paper Co. v. Bemis Co.*, 403 F. Supp. 776 (S.D. Ill. 1975).

31. The absence of any hearing below on the issue of the synergism of the combination bag patents was the subject of applications for rehearing and for rehearing *en banc* before the court of appeals. The petitions were denied.

32. 35 U.S.C. § 282 (1978) provides, in pertinent part:

A patent shall be presumed valid.

33. 403 F. Supp. at 783.

34. 425 U.S. 273, 282 (1976).

35. 396 U.S. 57, 61 (1969).

cannot be patented.”<sup>36</sup> Finding that all the claimed elements of each of the paper bag patents under litigation were old in the art, the court of appeals concluded:

Therefore, the Lokey bag is *only* entitled to a patent *if* the fusion of the old elements that comprised the Poppe patent and the old element of multiple layering created a synergistic combination. We hold that it did not do so.<sup>37</sup>

Similarly, the use of hot melt adhesive in the reissue bags did not create a synergistic combination. . . . [H]ot melt adhesive is well known in the art, and its use in place of glue did not transform Goodrich '317 and '318 into concepts which had effects greater than the sum of the effects produced by the old elements on which they were based.<sup>38</sup>

Judge Pell's short dissent in *St. Regis* did not expressly object to the court's language requiring synergism in a combination patent. He warned that the court's holding could have a chilling effect on “truly inventive combinations” which are as innovative and valuable as any, increasingly rare, entirely new invention.<sup>39</sup> To be sure, the court's opinion in *St. Regis* did cite<sup>40</sup> *Graham* together with *Hotchkiss v. Greenwood*<sup>41</sup> as recognizing that section 103 “codif[ies] the [judicially imposed] requirement of non-obviousness,” but the accepted three-part test of *Graham*<sup>42</sup> was not mentioned nor expressly applied in *St. Regis*.

In *Republic Industries, Inc. v. Schlage Lock Co.*,<sup>43</sup> the patent in issue involved a hydraulic door closer device featuring momentary manual release, whereby a door held by the device in any open position is self-closing when a momentary manual movement of the door opens an internal dual-area valve. The defendant raised obviousness as a defense in the district court. Chief District Judge Morgan reviewed the entire synergism concept before finding himself bound by the ruling of the Seventh Circuit in *St. Regis*—which, in that case, had reversed Chief Judge Morgan's own validity finding.

According to the district court, the United States Supreme Court, in *A & P Tea Co. v. Supermarket Corp.*,<sup>44</sup> had only “hinted” at the

36. 549 F.2d at 838, citing *Anderson's Black Rock v. Pavement Co.*, 396 U.S. 57, 61 (1969).

37. 549 F.2d at 838 (emphasis added).

38. *Id.* at 839.

39. *Id.*

40. *Id.* at 838.

41. 52 U.S. (11 How.) 248 (1851).

42. 383 U.S. at 17. For the *Graham* test, see note 28 *supra*.

43. 433 F. Supp. 666 (S.D. Ill. 1977) (Morgan, C.J.).

44. 340 U.S. 147 (1950). In *A & P*, the challenged invention was a cashier's counter equipped with a three-sided frame or rack, with no top or bottom, which, when pushed or pulled, moved groceries deposited in it. *Id.* at 149.

synergism concept<sup>45</sup> prior to the time the "synergism" term itself emerged in 1969, in *Anderson's Black Rock v. Pavement Co.*<sup>46</sup> The court reviewed *Black Rock* and held that "*Black Rock* does not appear to be subject to an interpretation of having established a new test for obviousness under section 103."<sup>47</sup> The court found that both the Court of Customs and Patent Appeals and the Ninth Circuit have expressly construed *Black Rock* as a reaffirmation of the *Graham* criteria,<sup>48</sup> and that the Third and Tenth Circuits have implicitly agreed.<sup>49</sup> The district court also noted that the First, Second, Fifth, and Sixth Circuits have, in contrast, interpreted *Black Rock* as establishing a new criteria—"synergism"—for a non-obviousness finding.<sup>50</sup> Finally, the court reviewed *Sakraida v. Ag Pro, Inc.*<sup>51</sup> and *Dann v. Johnston.*<sup>52</sup> These United States Supreme Court cases were found to manifest "apparent ambivalence" on the synergism criteria.<sup>53</sup>

The district court in *Republic* next contrasted the 1976 ruling of the Seventh Circuit in *Pederson v. Stewart-Warner Corp.*,<sup>54</sup> with that court's recent and controlling 1977 ruling in *St. Regis*. The district court held that, "[t]he issue of validity thus depends upon the factual demonstration that the Slaybaugh elements, in the combination claimed, do achieve some effect greater than the sum of the effects of the several elements taken separately."<sup>55</sup> Finding that all of the elements but one were present in the prior door-closer art, that dual-area hydraulic valves were known in the art of hydraulic systems generally, and that "each element of the Slaybaugh combination merely produces the effect which the prior art taught that it would produce," the district court held that it was not synergistic to combine those elements, and

45. *Id.* at 151-52.

46. 396 U.S. 57, 61 (1969).

47. 433 F. Supp. at 669.

48. See note 28 *supra*. See also *Application of Fielder*, 471 F.2d 640, 644-45 (3d Cir. 1973); *Reeves Instrument Corp. v. Beckman Instruments, Inc.*, 444 F.2d 263 (9th Cir.), *cert. denied*, 404 U.S. 951 (1971).

49. 433 F. Supp. at 670. See, e.g., *Rutter v. Williams*, 541 F.2d 878, 881 (10th Cir. 1976); *United States Expansion Bolt Co. v. Jordon Indus., Inc.*, 488 F.2d 566, 568 (3d Cir. 1973).

50. *Id.* See, e.g., *International Tel. & Tel. Corp. v. Raychem Corp.*, 538 F.2d 453, 457 (1st Cir. 1976); *Parker v. Motorola, Inc.*, 524 F.2d 518, 531-32 (5th Cir. 1975), *cert. denied*, 425 U.S. 975 (1976); *Bolkcom v. Carborundum Co.*, 523 F.2d 492, 500 (6th Cir. 1975), *cert. denied*, 425 U.S. 951 (1976); *Koppers Co. v. S & S Corrugated Paper Mach. Co.*, 517 F.2d 1182, 1188 (2d Cir. 1975).

51. 425 U.S. 273 (1976).

52. 425 U.S. 219 (1976).

53. 433 F. Supp. at 671.

54. 536 F.2d 1179 (7th Cir. 1976), *cert. denied*, 429 U.S. 985 (1979).

55. 433 F. Supp. at 671.

held the patent invalid for obviousness.<sup>56</sup>

On appeal, the Seventh Circuit highlighted at the outset the “‘re-current problem’ of the proper criteria by which a combination patent is measured for non-obviousness.”<sup>57</sup> In a special analysis section of its opinion,<sup>58</sup> the court of appeals noted the very early criterion of patentability developed by the courts: that a device had to be “an invention” in order to be patentable.<sup>59</sup> The court characterized the “invention” standard as “elusive,” and found that it has “resulted in an inconsistent and unpredictable body of law because it required that the decision of patentability be based ultimately upon the subjective whims of the reviewing court.”<sup>60</sup> The Congress sought to “start afresh in a semantic sense and to promote uniformity”<sup>61</sup> in the Patent Act of 1952, by replacing the judicially-created requirement of “invention” with a requirement of “non-obviousness” in section 103.<sup>62</sup>

Section 103 was definitively interpreted by the United States Supreme Court in *Graham*, where it set forth a three-pronged test of obviousness.<sup>63</sup> That test, said the court of appeals, forms the backdrop against which the *Sakraida* and *Black Rock* cases are to be considered. The court agreed with the district court’s characterization of the “ambivalence” of these cases.<sup>64</sup> In so doing, the Seventh Circuit stated:

Neither *Sakraida* nor *Black Rock* can be cited as prescribing some other, special test for the evaluation of combination claims. Nowhere in these two decisions did the Court hold a synergistic effect to be a necessary condition of patentability; nor did it hold that synergism supercedes a finding of nonobviousness under the *Graham* analysis. To the contrary, each case quoted *Graham* with approval.<sup>65</sup>

Having thus found itself without an authoritative prescription of any special test of or including synergism, and not being itself bound by the “confused” state of its earlier decisions,<sup>66</sup> the court of appeals

56. *Id.* at 673.

57. 592 F.2d at 964.

58. *Id.* at 967-72.

59. *Id.* at 967. The court traced the “invention” criteria to *Hotchkiss v. Greenwood*, 52 U.S. (11 How.) 248 (1851).

60. 592 F.2d at 967.

61. *Id.* at 998.

62. See text accompanying note 3 *supra*.

63. 383 U.S. at 17. See note 28 *supra*.

64. 591 F.2d at 972. See text accompanying note 53 *supra*.

65. *Id.* at 969.

66. *Id.* at 964, 971. The resulting confusion in the district courts is evidenced in, e.g., *A.F. Dormeyer Mfg. Co. v. International Components Corp.*, No. 76 C 2134 (N.D. Ill. June 8, 1978); *Harg Prods., Inc. v. K.O. Lee Co.*, 195 U.S.P.Q. 292 (N.D. Ill. 1977); *Saunders v. Air-Flo Co.*, 435 F. Supp. 298 (N.D. Ind. 1977); *Republic Indus., Inc. v. Schlage Lock Co.*, 433 F. Supp. 666 (S.D. Ill. 1977).



analyzed the synergism test itself. The court first found flaws in the application and in the definition of the synergism test. The court of appeals quoted Judge Hand's reasoning in *Reiner v. I. Leon Co.*<sup>67</sup> as to the idleness of a theory that combinations of old elements cannot be inventions.<sup>68</sup> Determining whether the claimed combination "is synergistic or produces a synergistic effect" was noted to be "no easy task,"<sup>69</sup> since synergism "in its literal sense . . . never has existed and never can exist in mechanical or hydraulic invention. . . ."<sup>70</sup> Synergism was thus equated by the court of appeals with the imprecise, elusive "invention" standard used prior to, and abolished by, the Patent Act of 1952.<sup>71</sup>

The court next found three additional, "more fundamental flaws" in any synergism standard for patentability. First, non-obviousness, not synergism, is the sole congressionally mandated test in section 103 for patentability of a novel and useful invention, whether that invention comprises a combination of old elements or not.<sup>72</sup> Second, a synergism test, which looks exclusively to the functioning of the individual components after combination, is necessarily based on the assumption that it is "always obvious to take known elements and combine them."<sup>73</sup> To the contrary, the court noted that it may be the act of selecting the elements for combination which is itself non-obvious and therefore invention.<sup>74</sup> Third, the non-obviousness standard must be applied at the time the invention was achieved, whereas any synergism test "centers exclusively on the performance of the elements *after* combination and without regard to the obviousness or non-obviousness of *making the combination.*"<sup>75</sup>

The court apologized for the lack of "clear and consistent guidance" heretofore provided, but noted that it had, whether expressly or impliedly, consistently applied the *Graham* analysis so that *St. Regis*

67. 285 F.2d 501 (2d Cir. 1960), *cert. denied*, 366 U.S. 929 (1961).

68. *Id.* at 969, *citing* *Reiner v. I. Leon Co.*, 285 F.2d 501, 503 (2d Cir. 1960), *cert. denied*, 366 U.S. 929 (1961). The district court which decided *Republic* subsequently upheld, in *John Deere Co. v. International Harvester Co.*, 460 F. Supp. 523, 533, 535 (S.D. Ill. 1978), the validity of a combination patent to a farm implement, finding synergism as required by *St. Regis*.

69. 592 F.2d at 969.

70. *Id.* at 970.

71. An "invention" is presently defined as "any invention or discovery," whether patentable or not. *Id.* at 968 n.13; 35 U.S.C. § 100(a) (1978). One commentator has noted the increased difficulty of determining obviousness caused by the coining of such oversimplifying "catch-phrase substitutes." *Schneider, supra* note 6, at 410.

72. 592 F.2d at 971.

73. *Id.*

74. *Id.*, *citing* *B.G. Corp. v. Walter Kidde & Co.*, 79 F.2d 20, 22 (2d Cir. 1935).

75. 592 F.2d at 971 (emphasis in the original).

and other cases were properly decided. Finally, the court of appeals declared that unless and until its position is overruled by the Congress or the Supreme Court, "This Court will continue to apply the *Graham* analysis as the *exclusive* means by which to measure non-obviousness under section 103."<sup>76</sup> Adding a caveat to the effect that the high standard of patentability reflected in the *Black Rock* and *Sakraida* decisions should be maintained,<sup>77</sup> the court then entered upon a traditional, *Graham*-based obviousness analysis.<sup>78</sup>

The Seventh Circuit's position rejecting the synergism test has not at this writing been widely recognized, followed, or rejected by the other United States Courts of Appeals.<sup>79</sup> The United States Court of Customs and Patent Appeals had held, in *In Re Kollman*,<sup>80</sup> that non-obviousness rather than synergism is the "correct statutory standard" for assessing patentability. Contrary to the district court's finding in *Republic*<sup>81</sup> that the Tenth and Ninth Circuits adhere to the *Graham* analysis rather than the synergism test of *Black Rock*, both circuits have imposed synergism requirements or close equivalents in cases decided after *Republic*. In March 1979, the Tenth Circuit, citing *Sakraida*, held that "[i]n order for the combination of old elements to prevail, there must be a synergistic effect, that is, an effect greater than the sum of the several effects taken separately."<sup>82</sup> In May 1979, the Tenth Circuit held: "A combination of known elements may be patentable, but the result in such a case must be truly synergistic."<sup>83</sup> Similarly, the Ninth Circuit has required that a combination patent represent a "new, unusual, or synergistic result" in order to avert a finding of obviousness.<sup>84</sup> More recently, the Ninth Circuit has reaffirmed its stance that a "combination patent . . . [must] produce an unusual or surprising result in order to be non-obvious."<sup>85</sup> The United

76. *Id.* at 971-72 (emphasis added).

77. *Id.* at 972.

78. See note 28 *supra*. For an analysis of the court's approach this year to obviousness, see text accompanying notes 109-25 *infra*.

79. Among federal courts of appeals, only the Second Circuit has relied on the Seventh Circuit's decision in *Republic*. In *Champion Spark Plug Co. v. Gyromat Corp.*, 603 F.2d 361 (2d Cir. 1979), the Second Circuit held that the validity of a patent should be evaluated under section 103. However, the *Champion* court did not expressly comment upon the controversy regarding the use of the synergism test for determining the validity of a patent. *Id.* at 372.

80. 595 F.2d 48 (C.C.P.A. 1979).

81. See text accompanying notes 48-50 *supra*.

82. *John Deere & Co. v. Hesston Corp.*, 593 F.2d 956, 962 (10th Cir.), *cert. denied*, 100 S. Ct. 75 (1979).

83. *True Temper Corp. v. CF&I Steel Corp.*, 601 F.2d 495, 506 (10th Cir. 1979).

84. *Herschensohn v. Hoffman*, 593 F.2d 893, 897 (9th Cir.), 100 S. Ct. 84 (1979).

85. *Lawrence v. Gillette Co.*, 603 F.2d 59, 69 (9th Cir. 1979), *citing* *Kamei-Auto Komfort v. Eurasian Automotive Prods.*, 553 F.2d 603, 608 (9th Cir. 1977).

States Supreme Court has declined to respond to the Seventh Circuit's challenge, denying petitions for certiorari in cases where the synergism test was applied.<sup>86</sup> The Seventh Circuit, in a case subsequent to *Republic*, adopted the lower court's holding with the caveat that references by the district court to the concept of synergism must be read in light of the *Republic* decision.<sup>87</sup>

The Seventh Circuit's rejection of any and all synergism tests as elements in the determination of the obviousness of inventions is sure to have a favorable impact upon the patent law. It will remove the imprecision in judicial decision making which that test has caused, and properly return attention to the application of the three-pronged primary test of *Graham*. Although the *Graham* test imposes a stringent standard, and has uncertainties of its own,<sup>88</sup> the test has, in the thirteen years since its issuance, been applied with sufficient frequency to guide both courts and litigants in the weighing of the facts surrounding the obviousness determination. As litigants and courts begin to regularly apply the Seventh Circuit's reasoning in *Republic*, the ill-founded concept of synergism will fade entirely away. A congressional or United States Supreme Court overruling of *Republic*'s rejection of synergism is highly unlikely.

#### OBVIOUSNESS DETERMINATION IN THE ABSENCE OF A SYNERGISM TEST

The *Republic* decision was the third of only four cases involving obviousness decided by the Seventh Circuit in the past year. The rejection of the synergism test allowed the court of appeals to revert to its usual pattern of obviousness analysis<sup>89</sup> under the *Graham* tests. The pattern requires a characterization of the invention in layman's terms, a survey of the prior art to see whether that art suggested making the invention once the problem or goal was in mind, and an application of the obviousness "standard."

86. *E.g.*, *Manufacturers Sys., Inc. v. A.D.M. Indus. Inc.*, 590 F.2d 338 (7th Cir.), *cert. denied*, 99 S. Ct. 2841 (1979). *See also* *Grayhill, Inc. v. A.M.F., Inc.*, 591 F.2d 1335 (3d Cir.), *cert. denied*, 99 S. Ct. 2863 (1979).

87. *Harig Prods., Inc. v. K.O. Lee Co.*, 594 F.2d 609, 610 (7th Cir. 1979).

88. Foremost among the ambiguities is the role to be accorded "secondary considerations." The "secondary considerations" include commercial success of the invention, any long felt need for it, and the failure of others to make the invention. *See Republic Indus., Inc. v. Schlage Lock Co.*, 592 F.2d 963, 975 (7th Cir. 1979); *Graham v. John Deere Co.*, 383 U.S. 1, 17-18 (1966); *Schneider*, *supra* note 6, at 410 n.13; and text accompanying notes 115-16 *infra*.

89. *See Schneider*, *supra* note 6, at 410 (discussing factual context of the invention and then the legal standard of the obviousness determination).

First, the court, in *Scholl, Inc. v. S.S. Kresge Co.*,<sup>90</sup> reversed a judgment of patent validity issued by District Judge Will. The patent in dispute protected Scholl's popular wooden-sole exercise sandal. Writing for the court of appeals, Judge Tone characterized the invention negatively: "Reduced to its essentials, the alleged invention consists of changing the position provided for the big toe in the sole of the sandal."<sup>91</sup> The court next characterized a prior art design as "the same as" the claimed device of the patent, noting that the Scholl patent "merely called for two changes" in that design, "neither of which was new."<sup>92</sup> The patented invention thus "amounted to changing the Berkemann sandal by honing off the ridge under the big toe as advocated by Brachman and providing a slight depression as taught not only by the production model of the Berkemann sandal but also by the Stroup patent and the Musebeck Shoe Company book."<sup>93</sup>

Finding that the only function of the changed design was to promote comfort of the foot, the court held the invention obvious and the patent invalid. The court dismissed a last argument, concluding that "[t]he discovery that the combination also had some orthopedic benefit would not make patentable that which was already in the public domain."<sup>94</sup>

In its second obviousness decision, *Centsable Products, Inc. v. Lemelson*,<sup>95</sup> the court, per Judge Cummings, affirmed a summary judgment of obviousness in the court below. The patented device was a safety dart game featuring Velcro fabric on both the darts and the target. The district court's obviousness finding was supported by a prior patent<sup>96</sup> which involved a natural thistle burr attached to an artificial blossom or other object to be thrown at a textile target. According to the court of appeals, the earlier patent further taught that substitution of an artificial burr was "within the scope and spirit of the invention."<sup>97</sup> The court noted the general rule that substitution of materials is not patentable invention,<sup>98</sup> and that, in view of the plain obviousness of the combination of Velcro with items to be separably joined, no need exists

90. 580 F.2d 244 (7th Cir. 1978), *cert. denied*, 439 U.S. 1115 (1979).

91. 580 F.2d at 245.

92. *Id.*

93. *Id.* at 246.

94. *Id.* at 248.

95. 591 F.2d 400 (7th Cir.), *cert. denied*, 100 S. Ct. 79 (1979).

96. 591 F.2d at 402.

97. *Id.* at 403.

98. *Id.* The court's caveat, *id.* n.6, that other patents substituting Velcro for other fasteners are not necessarily invalid apparently is swallowed by the general rule.

to account for any asserted secondary considerations.<sup>99</sup>

In *Republic Industries*, the court noted the two functions provided by the patented device in controversy.<sup>100</sup> The court then characterized the patent in question as being "essentially comprised of seven elements." Those "essential elements" had only a tenuous relation to the elements set forth in the claim,<sup>101</sup> but they were explained in a diagram appearing in the opinion. Prior door closers had automatically stopped and held a door in any position upon the removal of a manual force.<sup>102</sup> The court found that one prior patent had disclosed all of the elements of the patented device which were necessary to develop the patented momentary manual release feature, except for a dual-area valve.<sup>103</sup> Dual-area valves, however, were already known in the hydraulic arts. Rejecting Republic's argument to the contrary, the court held:

The prior art that is relevant in evaluating a claim of obviousness is defined by the nature of the problem confronting the would-be inventor.

[A] hypothetical person in the door closer art would have knowledge of basic hydraulics. This knowledge would have included safety and pressure relief valves which teach use of the dual area concept to keep a valve open after the initial pressure is reduced.<sup>104</sup>

The valve and fluid handling art was held pertinent to the "problem confronting the would-be inventor." Because that art taught the use of the additional element actually employed by the patentee to provide a similar valve positioning function, the invention was "clearly obvious" and unpatentable under section 103.<sup>105</sup>

The final obviousness case decided by the Seventh Circuit during the last term was *Harig Products, Inc. v. K.O. Lee Co.*<sup>106</sup> In a per curiam opinion, the court of appeals adopted the memorandum decision of the district court,<sup>107</sup> modifying only the lower court's treatment of synergism. The district court's decision described the invention as a tool sharpening fixture designed to bring a cylindrical tool into controlled contact with a sharpening wheel. Previously, oil had been used

99. *Id.* at 403.

100. Holding a door open at any point in its arc and the automatic closing of the door after a momentary force is applied. 592 F.2d at 965.

101. Compare the court's seven stated elements, *id.* at 965-66, with the actual claim language, *id.* at 965. The claim, for example, does not state that the piston is "geared to the door," although some mechanical link would, of course, be needed.

102. *Id.* at 966-67.

103. *Id.* at 973-74.

104. *Id.* at 975.

105. *Id.* at 976.

106. 594 F.2d 609 (7th Cir. 1979).

107. 195 U.S.P.Q. 292 (N.D. Ill. 1977).

as a lubricating medium between the fixture and the tool, but oil trapped foreign particles which impaired tool movement. The district court refused to equate the plain superiority of the defendant's air bearing to patentable non-obviousness. The specific structural recitations of the defendant's patent claims, such as the tapering of the ends of the bearing sleeve of the fixture toward the shaft of the tool, were held to be necessary features of any air bearing. Therefore, the district court found that "what Mueller did was combine and apply old teachings regarding air bearings to old teachings regarding tool grinding fixtures which resulted in his superior tool grinding fixture."<sup>108</sup> No prior teaching of the use of air as a lubricant in a tool holder was found or considered to be necessary.

The Seventh Circuit's approach to obviousness determinations during this past term plainly favors parties opposing patents, even apart from the unanimous trend of the reported cases.<sup>109</sup> In each case, the court took a simplistic approach to the subject matter. Where it had not found an actual teaching in the prior art that an invention should be made, as in *Scholl, Inc. v. S.S. Kresge Co.*<sup>110</sup> and in *Centsable Products, Inc. v. Lemelson*,<sup>111</sup> the court found the invention obvious because one skilled in the art would have known that the invention could have been made, even in the absence of any express teaching that such a combination would be workable, as in *Republic*<sup>112</sup> and *Harig*.<sup>113</sup> Although the obviousness finding in any of those four cases may be agreed with or not, depending on one's own assessment of the technology, it must be conceded that the court's approach, as in *Scholl* and *Republic*, of looking only at "the essential elements" and simplifying the invention will, more often than not, render patents invalid.

The last reported case decided by the Seventh Circuit in which a patent was held both valid and infringed is instructive. In *Ortho Pharmaceutical Corp. v. American Hospital Supply Corp.*,<sup>114</sup> an obviousness challenge was thwarted by the patentee's expert's testimony that he had thought the inventive step to be "stupid," and that he was "horrified" that it had been tried until the procedure was proven to work. How-

108. *Id.* at 297.

109. All four cases involving obviousness considered by the court of appeals during the past term were decided against the patentees.

110. 580 F.2d 244 (7th Cir. 1978), *cert. denied*, 439 U.S. 1115 (1979). See text accompanying notes 90-94 *supra*.

111. 591 F.2d 400 (7th Cir.), *cert. denied*, 100 S. Ct. 79 (1979). See text accompanying notes 95-99 *supra*.

112. 592 F.2d 963 (7th Cir. 1979). See text accompanying notes 99-105 *supra*.

113. 594 F.2d 609 (7th Cir. 1979). See text accompanying notes 106-08 *supra*.

114. 534 F.2d 89 (7th Cir. 1976).

ever, "failure of others," "commercial success," and other such "contrary teachings in the art," as in *Ortho*, are considered to be only "secondary" factors of non-obviousness under the *Graham* test, not to be reached<sup>115</sup> unless the primary, three-prong approach of *Graham* gives a "close" indication. Yet, only rarely is even a substantial advance found in an art where others working in that art were collectively searching in the wrong direction. Frequently, significant advances are accomplished by those working alone in a field, without the benefit of experimentation and failure by others. Although routine applications of engineering or developmental skills are not patentable, unusual or significant results of the application of such skills having commercial importance should be granted patent protection.<sup>116</sup> The sorting out of the "routine" from the "unusual" is, of course, the crux of every patent validity conflict.

Thus, the facts of a case and the various approaches of litigants for making an invention either more or less impressive, as well as the courts' ability to recognize real subtleties and reject various simplifications, are crucial to the outcome in an obviousness inquiry. In each of the four cases decided by the Seventh Circuit this year, the defendant pointed successfully to teachings in the prior art that various elements were known or available to form the combination claimed and to produce the various functions desired and that such combination had been suggested in the prior art or was readily available to the art. Such reasoning made the conclusion of obviousness in each case inescapable.

The court of appeals' treatment of the statutory presumption of validity<sup>117</sup> raised in an obviousness challenge is also important. The court in *Scholl, Inc. v. S.S. Kresge Co.*,<sup>118</sup> made no mention of the statutory presumption of validity in reversing the district court's finding of validity. The court in *Centsable Products, Inc. v. Lemelson*,<sup>119</sup> stated that there is *no* presumption of validity where "the *most important* prior art was not before the patent examiner."<sup>120</sup> Next, the court in *Republic Industries, Inc. v. Schlage Lock Co.*,<sup>121</sup> noted that the pre-

115. *Id.* at 93. See, e.g., *Republic Indus., Inc. v. Schlage Lock Co.*, 592 F.2d 963, 975-76 (7th Cir. 1979).

116. One court has held that the "secondary considerations" of *Graham* must always be considered in connection with the determination of obviousness. See *In re Fielder*, 471 F.2d 640 (C.C.P.A. 1973). See also note 28 *supra*.

117. 35 U.S.C. § 282 (1978).

118. 580 F.2d 244 (7th Cir. 1978), cert. denied, 439 U.S. 1115 (1979).

119. 591 F.2d 400 (7th Cir. 1979).

120. *Id.* at 402, citing *Rockwell v. Midland-Ross Corp.*, 438 F.2d 645 (7th Cir. 1971) (emphasis added).

121. 592 F.2d 963 (7th Cir. 1979).

sumption of validity “merely shifts the burden of proof to the party attacking . . . the patent,” and that the presumption “does not exist” with regard to “art” not before the Patent Office.<sup>122</sup> Further, the patentee in *Republic* knew but did not disclose to the Patent Office the prior dual-area valve art, so the presumption of validity did not “obtain . . . against this evidence of prior art.”<sup>123</sup> Finally, the district court opinion adopted in *Harig Products, Inc. v. K.O. Lee Co.*,<sup>124</sup> held that “pertinent” prior art not considered by the Patent Office “largely, if not wholly” dissipates the presumption of validity.<sup>125</sup> Although the Seventh Circuit’s treatment of the presumption of validity is rather variable, the presumption clearly is only a minor, and perhaps only a procedural factor to be considered in the obviousness analysis; it has no substantial weight in upholding a patent.

#### INTERFERENCE REVIEW PROCEEDINGS: TIMELINESS AND THE LIMITATION OF ADDITIONAL TESTIMONY UNDER SECTION 146

The United States is one of a few countries which grants patents to the first individual to make an invention<sup>126</sup> rather than to the first individual to file his patent application.<sup>127</sup> In the United States, questions of priority of invention between or among parties claiming substantially the same patentable invention are determined in “interference proceedings.” Under the relevant statute<sup>128</sup> and the implementing rules<sup>129</sup> of the Patent Office, an interference is declared by the Commissioner of the Patent and Trademark Office and is reviewed by a three-member Board of Patent Interferences. An interference may be declared between two competing applications or between an application and an issued patent,<sup>130</sup> provided that the same invention is claimed by and would be allowable to each application. A party may have review of a decision of a Board of Patent Interferences either by appeal to the

122. *Id.* at 972.

123. *Id.* at 974.

124. 594 F.2d 609 (7th Cir. 1979).

125. 195 U.S.P.Q. 292, 294 (1977).

126. 35 U.S.C. § 102(a) (1978) provides, in pertinent part:

A person shall be entitled to a patent unless—(a) the invention was known or used by others in this country . . . before the invention thereof by the applicant for patent. . . .

127. In most countries, the first individual to file an application claiming an invention is entitled to the patent as against a later-filing claimant. *See, e.g., Kennedy v. Hazelton*, 128 U.S. 667, 672 (1888); *In re Bernard*, 123 U.S.P.Q. 387 (1959). *See generally Weinstein, The European Patent*, 8 PATENT L. REV. 115, 119 (1976).

128. 35 U.S.C. § 135 (1979).

129. 37 C.F.R. §§ 1.201-1.287 and 1.304 (1979).

130. The claims in a patent may not be called into an interference more than one year after the patent was issued. 35 U.S.C. § 135(b) (1979).



United States Court of Customs and Patent Appeals<sup>131</sup> or by seeking review under section 146 in any United States District Court.<sup>132</sup> The benefit of proceeding in a district court has been that, besides the possible venue advantage to an applicant,<sup>133</sup> the district court allows live,<sup>134</sup> further<sup>135</sup> testimony regarding the issues disputed before a board of interferences.

Against this statutory background, the Seventh Circuit during the past year decided two interference appeals. In *Panduit Corp. v. Dennison Manufacturing Co.*,<sup>136</sup> the court held simply that time limits for filing a section 146 civil action were complied with and reversed the district court's holding to the contrary. More significantly, in *Velsicol Chemical Corp. v. Monsanto Co.*,<sup>137</sup> over a strong and well-reasoned dissent by Judge Pell, the court of appeals upheld the exclusion of new testimony in a section 146 civil action review proceeding.

In *Panduit*, the Board of Patent Interferences awarded patent priority to Dennison. Panduit then filed both a request for a rehearing and a motion for extension of time to file a request for reconsideration. The rehearing and reconsideration requests were dealt with separately and confusingly, but Panduit did file its civil action less than sixty days after the final board action. Dennison's motion to dismiss was granted, apparently on the basis of supposed differences between a request for a rehearing and a request for reconsideration under rules 37 C.F.R. § 1.304(a) and 37 C.F.R. § 1.256(b). The Seventh Circuit rejected the district court's reasoning, ruling that the board's granting of permission to file a supplemental argument should not penalize Panduit.<sup>138</sup>

The court of appeals in *Velsicol* affirmed an award by a board of interferences and by the district court of priority to the senior (first to file) party, absent proof of any prior invention by the second party to file (*Velsicol*). The district court barred *Velsicol* from calling at trial

131. 35 U.S.C. § 141 (1979).

132. 35 U.S.C. § 146 (1979). If one party appeals on the question of priority to the Court of Customs and Patent Appeals and an adverse party files a timely claim in a district court, the district court case will take precedence under 35 U.S.C. § 141 (1979).

133. A civil action may be filed against the other party or parties to the interference under the general federal venue and jurisdiction rules. 35 U.S.C. § 146, ¶ 2 (1979).

134. Evidence before a board of patent interferences may be presented solely by deposition. 37 C.F.R. § 1.272 (1979).

135. 35 U.S.C. § 146 (1979) provides, in pertinent part:

[T]he record in the Patent and Trademark Office shall be admitted on motion of either party upon the terms and conditions as to costs, expenses, and the further cross-examination of the witnesses as the court imposes, without prejudice to the right of the parties to take further testimony.

136. 593 F.2d 800 (7th Cir. 1979).

137. 579 F.2d 1038 (7th Cir. 1978).

138. 593 F.2d at 802.

two witnesses whose depositions had not been offered before the interferences board. The barred testimony would have corroborated the inventor's testimony and notebook entries and the testimony of the inventor's immediate supervisor. During the board proceeding, counsel for Velsicol had thought the added testimony to be merely cumulative, but the board's decision characterized Velsicol's inventor's statements as "unwitnessed" and "self-serving,"<sup>139</sup> and awarded priority to Monsanto. The district court held that Velsicol had waived its right to offer such proof in the section 146 proceeding. A divided Seventh Circuit panel agreed. Judge Pell argued, in dissent, that exclusion of admittedly crucial testimony was reversible error under the plain meaning of the statute and the prior case authority.

However, Judge Wood, writing for the majority, focused on the applicable standard for "waiver." The judge noted that: "A § 146 civil action is a hybrid proceeding combining elements of a *de novo* trial and an appellate review. However, it appears that over the long history of this section and its predecessors the appellate character has increasingly gained in significance."<sup>140</sup> The majority in *Velsicol* relied heavily on the early Third Circuit decision in *Barrett Co. v. Koppers Co.*,<sup>141</sup> which limited the right to offer new evidence in a review of an interference decision. The *Velsicol* court found that limitation "accepted in principle" in the Seventh Circuit,<sup>142</sup> and noted that the Eighth Circuit had extended the limitation to any "deliberate, intentional, or willful withholding or suppression of pertinent and available evidence from the Patent Office" for whatever purpose.<sup>143</sup> The majority then addressed the provision of 35 U.S.C. § 146 which provides "for the presentation of further testimony." The court stated: "[W]e do not find in the 'without prejudice' language a strong congressional intent in favor of the unlimited admission of evidence not previously presented to the Board which would hinder the courts from developing rules limiting the circumstances in which admission will be permitted."<sup>144</sup>

139. 579 F.2d at 1052.

140. *Id.* at 1043.

141. 22 F.2d 395 (3d Cir. 1927). The court of appeals in *Koppers* limited the subsequent admissibility of evidence which was wholly within the offering party's possession and control at the time of the patent interference proceeding and which was withheld from the panel in that proceeding.

142. 579 F.2d at 1044, *citing* *Globe-Union, Inc. v. Chicago Tel. Supply Co.*, 103 F.2d 722 (7th Cir. 1939).

143. 579 F.2d at 1044, *citing* *Kirschke v. Lamar*, 426 F.2d 870, 874 (8th Cir. 1970).

144. 579 F.2d at 1045. Contrast this reliance on legislative history with that approved by the court in *Heilman v. Bell*, 583 F.2d 373, 378 (7th Cir. 1978), *cert. denied*, 440 U.S. 959 (1979). See text accompanying notes 171-74 *infra*.

The majority held that to permit introduction of new testimony would be, absent special circumstances, inconsistent with the requirement for full disclosure before the administrative tribunal, especially if district court review is to be in the nature of an appeal only.<sup>145</sup> Thus, the court found that Velsicol was "grossly negligent" in not procuring the additional testimony before the board, because the need to corroborate the testimony Velsicol did present before the board was plain. Consequently, the court upheld the district court's finding of waiver.<sup>146</sup>

Judge Pell's strong dissent urged that the record did not support the majority's finding of gross negligence, and characterized Velsicol's error as "at most . . . a reasonable mistake in judgment as to the point at which cumulative evidence becomes wasteful of everyone's time."<sup>147</sup> Judge Pell suggested that more damage would be done to the administrative process by a requirement "that *any* evidence available at the time of the board proceedings . . . be introduced."<sup>148</sup> Judge Pell disagreed that the *Globe-Union, Inc. v. Chicago Telephone Supply Co.*<sup>149</sup> and *Barrett Co. v. Koppers Co.*<sup>150</sup> cases required the abandonment of all *de novo* aspects in a section 146 proceeding. Rather, Judge Pell reasoned, those cases went only to intentional or deliberate withholding. The court in *Globe-Union* allowed further testimony in the district court specifically for the purpose of authenticating a diary. Judge Pell decried the rigidity of the rule stated by the majority, terming it an obstacle to the quest for truth in litigation.<sup>151</sup>

The decision in *Velsicol* is, as Judge Pell suggested, at odds with the plain wording of the statute. The right of the parties to take further testimony is undeniably prejudiced by the *Velsicol* holdings, which create yet another judicial gloss subverting the statutory purpose. As Judge Pell pointed out, the majority's decision was not mandated by the prior judicial authorities but extends well beyond them. The "special circumstances" which the majority saw<sup>152</sup> as giving life to the "without prejudice" provision of the statute were hollow indeed. It is hoped that the *Velsicol* decision will, in the future, be restricted to its facts, with the waiver doctrine itself also being substantially restricted.

145. See discussion in 579 F.2d at 1046 n.10.

146. *Id.* at 1047.

147. *Id.* at 1051-53.

148. *Id.* at 1053.

149. 103 F.2d 722 (7th Cir. 1939).

150. 22 F.2d 395 (3d Cir. 1927).

151. 579 F.2d at 1053.

152. *Id.* at 1046 n.10, 1055-56.

## OTHER PUBLISHED AND UNPUBLISHED INTELLECTUAL PROPERTY CASES

The Seventh Circuit during the past year decided four additional intellectual property cases.<sup>153</sup> Each of the four cases resolved important issues in the patent, copyright, and trademark fields, but only the lone unreported case created new Seventh Circuit law. Consequently, the application of Circuit Rule 35 under these circumstances is questioned here.

In *CTS Corp. v. Piher International Corp.*,<sup>154</sup> the district court held the plaintiff's patent invalid under 35 U.S.C. § 102(b)<sup>155</sup> because the defendant's<sup>156</sup> device<sup>157</sup> was on sale in the United States more than one year prior to the filing of the plaintiff's application for a patent. The court of appeals held that the defendant's proof of a timely reduction to practice of the device in question was not clear and convincing, and reversed the holding below.

The defendant's device was allegedly on sale in the United States more than a year before the patent application was filed. However, the plaintiff countered that the defendant had no operable device in existence prior to the critical date. The court of appeals found that the defendant's failure to offer its own business records or to explain their absence raised an inference that such records would not be favorable to the defendant's position.<sup>158</sup> The court further found that the defendant failed to establish the date on which operable devices incorporating the invention were shipped from Spain. That date was significant because those devices were received in the United States three weeks after the critical date. The court especially relied on evidence that the defendant's customer had sought to obtain the devices for four months prior to the critical date. The court reasoned that had the devices been oper-

153. *CTS Corp. v. Piher Int'l Corp.*, 593 F.2d 777 (7th Cir. 1979) (on sale more than one year prior to application); *Telemed Corp. v. Tel-Med, Inc.*, 588 F.2d 213 (7th Cir. 1978) (trademark infringement); *Heilman v. Bell*, 583 F.2d 373 (7th Cir. 1978), *cert. denied*, 440 U.S. 959 (1979) (copyright); *Celotex Corp. v. Jacuzzi Whirlpool Bath*, No. 77-1561 (7th Cir. June 21, 1978) (laches and estoppel in patent infringement). See text accompanying notes 154-75 *infra*.

154. 593 F.2d 777 (7th Cir.), *cert. denied*, 100 S. Ct. 175 (1979).

155. Section 102(b) provides, in pertinent part:

A person shall be entitled to a patent unless—(b) the invention was . . . on sale in this country, more than one year prior to the date of the application for patent. . . .

156. In most cases, it is commercial exploitation of the patentee's device before the critical one year date which is alleged to invalidate the patent. Here, if the defendant's accused device had been completed sooner, it would have invalidated the patent.

157. The defendant had produced a variable resistance control with end collectors for adjusting an electrical circuit. See generally *CTS Corp. v. Piher Int'l Corp.*, 527 F.2d 95 (7th Cir. 1975).

158. 593 F.2d at 780.

able at any earlier time, then the devices would have been shipped.<sup>159</sup> According to the court, "clear and convincing" evidence was required to prove both that a prior sale had occurred and to invalidate a patent. The court of appeals held that the defendant had failed to carry its burden of proof of early reduction to practice and that the district court's finding to the contrary was clearly erroneous.<sup>160</sup>

In the unreported case, *Celotex Corp. v. Jacuzzi Whirlpool Bath*,<sup>161</sup> the district court had granted summary judgment for the defendant on its claims of laches and estoppel.<sup>162</sup> A charge of infringement against the defendant made in a letter from patentee's counsel in 1966 was followed by a short period of correspondence in which invalidity was asserted. Ten years of inaction by the patentee followed. The defendant maintained in the district court that the precise structure of the product accused of infringing the patent in 1966 was immaterial. The district court agreed. The asserted patent claimed a particular arrangement for passing air to jets of water submerged within a whirlpool bath. The defendant did not identify the controversial goods, in part because of the passage of time and the absence of records.<sup>163</sup>

The court of appeals applied the reasoning of an Ohio district court in *Nordson Corp. v. Graco, Inc.*,<sup>164</sup> which denied summary judgment in the absence of an identification of the earlier infringing conduct. The court of appeals rejected the defendant's reliance upon the earlier Seventh Circuit holding in *Rome Grader & Machinery Corp. v. J.D. Adams Manufacturing Co.*,<sup>165</sup> finding that there the identical infringing mechanism was incorporated in *both* the earlier and the later accused products.<sup>166</sup> Thus, in the absence of proof regarding the identity of the original subsequent accused structures, summary judgment was improper.

The court's decision under Circuit Rule 35, not to publish the order in *Celotex* is anomalous. Indeed, the guidelines<sup>167</sup> of that rule ap-

159. *Id.* at 780-82.

160. *Id.* at 783.

161. No. 77-1561 (7th Cir. June 21, 1978).

162. Laches bars monetary claims for past damages. Estoppel bars claims for future equitable or monetary relief. *Advanced Hydraulics, Inc. v. Otis Elevator Co.*, 525 F.2d 477, 479 (7th Cir.), *cert. denied*, 423 U.S. 869 (1975).

163. No. 77-1561, slip op. at 2 (7th Cir. June 21, 1978).

164. 187 U.S.P.Q. 119 (N.D. Ohio 1975).

165. 135 F.2d 617 (7th Cir. 1943).

166. No. 77-1561, slip op. at 4, 6-7 (7th Cir. June 21, 1978).

167. Circuit Rule 35 provides, in pertinent part:

Guidelines for Method of Disposition

(1) Published opinions: in appeals which

(i) Establish a new or change an existing rule of law;

pear to require publication in the *Celotex* case but not in the *CTS* case or, for that matter, the *Centsable* or *Harig* cases, which were reported. *Centsable*, *Harig*, and *CTS* were disposed of on their own facts and the established law, while *Celotex*, in adopting the reasoning of a foreign district court and limiting *Rome Grader* to its facts, made new law.

Moreover, the court's decision in *Celotex* appears wrongly decided.<sup>168</sup> Where a prior charge of infringement has been made, the patentee has taken a position that the claims bear upon the controversial product. By charging that same party with infringement of the same patent after a long delay, the patentee has identified the later product as substantially the same as the earlier product. That the later product is a different color or carries a different model number or is a different size or has a different configuration is irrelevant if the patentee has asserted infringement by both the earlier and the later devices. The proper question for decision by the court was whether the patentee, in the earlier confrontation, acquiesced in a charge of invalidity,<sup>169</sup> or whether the charge of infringement was rebutted solely by a claim of non-infringement. Where invalidity was asserted and apparently acquiesced in, the patent holder should not be able to later assert the patent. The laches and estoppel doctrine should protect manufacturers against, for example, the loss of evidence of invalidity by virtue of a prior use or sale or the like. This type of evidence was pointed to in the early correspondence in *Celotex*. Prejudice to a defendant, such as by loss of important evidence, is presumed after the lapse of six years in patent cases.<sup>170</sup>

- (ii) Involve an issue of continuing public interest;
  - (iii) Criticize or question existing law;
  - (iv) Constitute a significant and non-duplicative contribution to legal literature. . . ;
- or
- (v) Reverse a judgment . . . when the lower court or agency has published an opinion. . . .
- (2) Unpublished orders:
- (i) May be filed after an oral statement of reasons has been given from the bench and may include only, or little more than, the judgment rendered in appeals which
    - (A) are frivolous or
    - (B) present no question sufficiently substantial to require explanation of the reasons for the action taken . . . ; or
  - (ii) May contain reasons for the judgment but ordinarily not a complete nor necessarily any statement of the facts, in appeals which
    - (A) are not frivolous but
    - (B) present arguments concerning the application of recognized rules of law, which are sufficiently substantial to warrant explanation but are not of general interest or importance.

168. Nonpublication under Circuit Rule 35 leaves the decision with no precedential value except as to the rule of the case.

169. Judge Decker's Memorandum Opinion of March 18, 1977 (No. 76 C 2219), at 1-2, noted that Jacuzzi's correspondence had denied the validity of the patent.

170. *E.g.*, *Baker Mfg. Co. v. Whitewater Mfg. Co.*, 430 F.2d 1008, 1010 (7th Cir. 1970).

The Seventh Circuit decided two other intellectual property cases not involving the patent law. In *Heilman v. Bell*,<sup>171</sup> the court of appeals affirmed a grant of summary judgment, holding that duplication of original, copyrighted recordings is not a permitted "similar use" under the provisions of the Copyright Act of 1909<sup>172</sup> allowing for compulsory licenses, and that a tape duplicator was liable to criminal prosecution. In so ruling, the court joined four other circuit courts of appeals which have decided the same issue.<sup>173</sup> The plaintiffs in *Heilman* contended that they were entitled to a compulsory license allowing their duplication of the published sound recordings as a "similar use" of the underlying copyrighted compositions. Under the former compulsory license provision, one needed only to give notice to the copyright owner and pay a two-cent statutory royalty prior to making a similar use of the composition. The court held that duplicating a recording is not "similar" to making an original recording of the composition.<sup>174</sup> The court further ruled that a criminal prosecution can be brought in order to stop such tape duplication. Judge Swygert dissented, agreeing with prior dissents in other cases without expounding upon them. The only real effect of the publication of the *Heilman* decision was to place the Seventh Circuit on record as conforming with the four other circuits which have similarly decided the issue.<sup>175</sup>

The final case reviewed here, *Telemed Corp. v. Tel-Med, Inc.*,<sup>176</sup> was an action for trade name and registered service mark infringement. Plaintiff Telemed used its mark in a distinctive "optical font" style in marketing to physicians computer analyses of electrocardiograms by telephone. The defendant used a similar mark, although not in the special typeface, while giving recorded messages to the public under medical society sponsorship. The parties' services did not compete. The court of appeals affirmed the district court's judgment that the plaintiff's mark was a weak, descriptive trade name which, in the absence of a strong showing of secondary meaning linking that name to the plain-

171. 583 F.2d 373 (7th Cir. 1978). Griffin B. Bell was sued in his capacity as Attorney General of the United States.

172. See note 13 *supra*. All citations in the *Heilman* decision referred to the law prior to January 1, 1978.

173. 583 F.2d at 376. See *Fame Publishing Co. v. Alabama Custom Tape, Inc.*, 507 F.2d 667 (5th Cir.), *cert. denied*, 423 U.S. 841 (1975); *Jondora Music Publishing Co. v. Melody Recordings, Inc.*, 506 F.2d 392 (3d Cir. 1974), *cert. denied*, 421 U.S. 1012 (1975); *Edward B. Marks Music Corp. v. Colorado Magnetics, Inc.*, 497 F.2d 285 (10th Cir. 1974), *cert. denied*, 419 U.S. 1120 (1975); *Duchess Music Corp. v. Stern*, 458 F.2d 1305 (9th Cir.), *cert. denied*, 409 U.S. 847 (1972).

174. 583 F.2d at 376.

175. See note 173 *supra*.

176. 588 F.2d 213 (7th Cir. 1978).

tiff, could not be protected against use by non-competing services. The court held that the plaintiff had not fulfilled its burden of showing a strong secondary meaning in the mind of the public. Neither the trial court nor the court of appeals found any substantial actual confusion. Both courts dismissed all of the plaintiff's claims. Again, no new law was made in *Telemed*, nor was any noteworthy factual dispute resolved.

#### CONCLUSION

The United States Court of Appeals for the Seventh Circuit has had a mixed year in its decisions in the intellectual property field. Its forthright rejection of all synergism tests in *Republic Industries, Inc. v. Schlage Lock Co.* is a landmark decision in the patent law of the past decade, not just of the past year alone. The *Republic* decision is being hailed and followed by other courts of appeals and by practitioners; it is both a substantial and a good contribution to clarification of the patent law. The court's decision in *Velsicol Chemical Corp. v. Monsanto Co.*, on the other hand, by barring testimony at trial not identical to that in the Patent Office proceedings, works a surprising, unnecessary, and unproductive gloss on judicial review of interference awards. The unreported *Celotex Corp. v. Jacuzzi Whirlpool Bath* decision similarly subverts the established rationale of the special laches and estoppel doctrines in the patent law.

Between *Republic* on the one hand and *Velsicol* and *Celotex* on the other, the court of appeals' decisions this past year have followed known and accepted doctrines. The apparently harsh reductions "to their essentials" of the inventions of the *Scholl, Inc. v. S.S. Kresge Co.* and *Republic* cases are certainly as much a product of the skill of counsel in simplifying or in mystifying the patented subject matter as of any underlying anti-patent "bias" the court of appeals may harbor. Indeed, such a "bias" is inconsistent with the court's refusals to allow patent invalidation in *CTS Corp. v. Piher International Corp.* and in *Celotex*. The court's docket has been and remains a fertile ground for clash of advocates in the intellectual law field.



