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PATENTS

INTRODUCTION

Beginning October 1, 1982, as a result of the Federal Courts Improvement Act of 1982,¹ jurisdiction over patent appeals was transferred from the traditional federal circuit courts of appeals to the newly established United States Court of Appeals for the Federal Circuit.² Although this reorganization does not necessarily assure protection for the inventor or the infringer, it may impose more uniformity and predictability on the patent appeals process. As one commentator noted, the present system, with the Second Circuit upholding only 4.8% of challenged patents and the Fourth and Fifth Circuits forty percent, encourages forum-shopping.³ Furthermore, this disparity in judgments suggests that either Fourth and Fifth Circuit inventors are eight times more adept at developing noninfringable patents than those in the Second Circuit, or that judges are injecting their own philosophical biases into the age-old controversy of whether creativity should be encouraged⁴ or whether monopolies should be discouraged.

The loss of patent appeal jurisdiction will have little impact on the Tenth Circuit Court of Appeals, because in recent years the court adjudicated few infringement cases. During the recent term, for instance, the court decided only three patent appeals, and one of those⁵ related only tangentially to the subject. In the other two cases, *Lam, Inc. v. Johns-Manville Corp.*⁶ and *Swift Agricultural Chemicals Corp. v. Farmland Industries, Inc.*,⁷ the appellate court did not establish any new standards for judging patentability, but rather adhered to established criteria. Indeed, *Johns-Manville* is a veritable compendium of the current state of patent law.

1. Pub. L. No. 97-164, 96 Stat. 25 (1982).

2. Section 1295 of the Federal Courts Improvement Act of 1982 provides in part:

(a) The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction—

(1) of an appeal from a final decision of a district court of the United States . . . , if the jurisdiction of that court was based, in whole or in part, on section 1338 of this title [28 U.S.C. § 1338]

28 U.S.C.A. § 1295(a)(1) (West Supp. 1982). 28 U.S.C. § 1338 (1976) referred to in this section authorizes original jurisdiction in the district courts of the United States over patent matters.

3. P. GOLDSTEIN, COPYRIGHT, PATENT, TRADEMARK AND RELATED STATE DOCTRINES 449-50 (2d ed. 1981).

4. U. S. CONST. art. I, § 8, cl. 8 provides that "[t]he Congress shall have power To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."

5. *Centurion Indus., Inc. v. Warren Steurer & Assocs.*, 665 F.2d 323 (10th Cir. 1981), in which the plaintiff sought to force a third party, Cybernetic Systems, Inc., to divulge the technical details of a secret computer program as evidence in an infringement suit. The federal district court judge ordered disclosure and the Tenth Circuit affirmed, noting that the right to an industrial secret is outweighed by the need for evidence in the infringement suit. *Id.* at 326.

6. 668 F.2d 462 (10th Cir.), *cert. denied*, 102 S. Ct. 2298 (1982).

7. 674 F.2d 1351 (10th Cir.) (*per curiam*), *cert. denied*, 103 S. Ct. 132 (1982).

I. THE *JOHNS-MANVILLE* CASEA. *Facts*

Lam, Inc., the plaintiff-appellee in *Johns-Manville*, in 1973 patented a lighting fixture which permits the use of a high intensity discharge (HID) lamp without objectionable glare in rooms with average ceiling height. First developed in the 1930s, the HID lamp uses only one-eighth the energy of incandescent or fluorescent lights with equivalent luminosity, but because of objectionable glare its use had been restricted to outdoors or to buildings with extremely high ceilings. Lam's invention, an elliptical-shaped optical refractor which projects radiation upwards, then horizontally, essentially turns the whole ceiling into a large lighting fixture with no glare.⁸

For several years, Johns-Manville researchers had tried unsuccessfully to develop an HID lamp equivalent to Lam's. In 1976 Johns-Manville personnel acquired a blueprint and a brochure (containing patent right warnings) of the plaintiff's invention. Within days, Johns-Manville researchers copied Lam's design, constructed a prototype, and used it to underbid the plaintiff for a large lighting contract.⁹ Before the sale was consummated, Lam notified Johns-Manville of its infringement, but Johns-Manville "stonewalled," threatening the plaintiff with litigation expenses of at least \$150,000.¹⁰ In the subsequent suit, the United States District Court for the District of Colorado ruled that Lam's patent was valid, and that Johns-Manville willfully infringed, awarding treble damages and attorneys' fees, and enjoining Johns-Manville from further infringement.¹¹ Johns-Manville's contentions on appeal, which the Tenth Circuit characterized as only "plausible,"¹² represent virtually the entire gamut of infringement defenses. Singularly unimpressed with the defense's arguments, the court affirmed the district court's decision.¹³

B. *The Decision*

1. Validity of the Patent

Attacking the validity of the patent, Johns-Manville contended on appeal that the invention was anticipated by prior art¹⁴ the most relevant of which the patent examiner failed to consider, that the invention was unpat-

8. 668 F.2d at 466-67.

9. *Id.* at 467-68.

10. *Id.* at 475.

11. *Id.* at 465.

12. *Id.* at 475.

13. *Id.* at 476.

14. *Id.* at 468. Sections 102(a) & (b) of the Patent Act of 1952 provide:

A person shall be entitled to a patent unless—

(a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or

(b) the invention was patented or described in a printed publication in this or a foreign country or 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

35 U.S.C. § 102(a), (b) (1976).

entable because of obviousness,¹⁵ and that the lighting fixture had been in public use or for sale for more than a year prior to the patent application.¹⁶ The Tenth Circuit court rejected all three claims.¹⁷

Although the court agreed that the Patent Act¹⁸ denies entitlement to a patent if the invention is anticipated by prior art,¹⁹ it nevertheless upheld the trial court's finding that the lighting devices cited by the defendant Johns-Manville were not relevant in the case because they distributed light differently and were "much less desirable."²⁰ Satisfied that prior art had not anticipated the Lam invention, the court analyzed the obviousness claim by applying the secondary tests specified by the United States Supreme Court in *Graham v. John Deere*.²¹ These tests include considerations such as "commercial success, long felt but unsolved needs, failure of others. . . ."²² The court determined that the Lam invention was not obvious, citing "Lam's, J-M's [Johns-Manville's], and McGraw-Edison's difficulty in developing a [lamp] that would allow use of an HID unit in low-ceilinged rooms, and the commercial need for the unit, as evidenced by J-M's immediate design of the CLASSPAK product line, the obvious efficiencies of the unit, and its early sales success."²³

In response to the defendant's final claim that the plaintiff's lamp had been in public use for over a year, the court noted that the only exposure of his invention was to a lighting engineer who evaluated the device.²⁴ Applying the experimental use doctrine stated in *McCullough Tool Co. v. Well Surveys, Inc.*,²⁵ the court rejected the defense: "It is well settled that '[t]he good faith use of the device . . . for experimental purposes is not a public use within the intent and meaning of the statute.'²⁶

2. Enforceability

Johns-Manville contended Lam's patent was unenforceable because the

15. 688 F.2d at 468. Section 103 of the Patent Act of 1952 states:

[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.

35 U.S.C. § 103 (1976).

16. 688 F.2d at 470. See 35 U.S.C. § 102(b) (1976).

17. 688 F.2d at 476.

18. 35 U.S.C. §§ 1-293 (1976).

19. *Id.* § 102(a), (b).

20. 668 F.2d at 469.

21. 383 U.S. 1, 17-18 (1966).

22. *Id.* It should be noted that there is no particular limit to these so-called tests. One observer stated that "[t]o characterize these points as 'subtests' tends to obscure the fact that they are not tests at all, only inferential bases, and that any evidence should be admissible if it can support the inference of non-obviousness." P. GOLDSTEIN, *supra* note 3, at 452.

23. 668 F.2d at 470.

24. *Id.*

25. 343 F.2d 381 (10th Cir. 1965), *cert. denied*, 383 U.S. 933 (1966).

26. 668 F.2d at 470 (quoting *McCullough Tool Co.*, 343 F.2d at 394). See also *Elizabeth v. Pavement Co.*, 97 U.S. 126 (1878); *Merrill v. Builders Ornamental Iron Co.*, 197 F.2d 16 (10th Cir. 1952).

inventor failed to reveal relevant prior art and because he misrepresented his lamp as being utilized in rooms with ceilings as low as eight to nine feet, when in fact it required a room with a ceiling at least ten feet high.²⁷ The court, citing its decision in *True Temper Corp. v. CF&I Steel Corp.*,²⁸ agreed that a patent is unenforceable if it is obtained through fraud or bad faith.²⁹ The court ruled, however, that the prior art the plaintiff failed to reveal was justifiably considered irrelevant by both Lam's engineer and the patent examiner.³⁰ In addition, the court stated that the only evidence indicating that the lamp could not be used in rooms with ceilings under ten feet was sufficiently ambiguous that it would not support a claim of intentional misrepresentation or gross negligence.³¹ Thus, the appellate court ruled the patent enforceable.³²

3. Infringement

Johns-Manville claimed that file wrapper estoppel³³ precluded any charge that it had infringed³⁴ the patent either literally or under the equivalents doctrine.³⁵ The Tenth Circuit ruled that "[w]hether a device literally infringes or is the equivalent, and whether the patent holder is subject to file wrapper estoppel are questions of fact. We will not set aside the trial court's findings unless they are clearly erroneous."³⁶ Because the court found that the Johns-Manville device was the equivalent of Lam's invention, it did not address the question of literal infringement, although it found the two lamps extremely similar. Johns-Manville emphasized that it characterized its reflector bowl's surface as approximating a parabola rather than an ellipse as claimed in Lam's file wrapper,³⁷ but the trial court said the two surfaces were so similar that "a sharp pencil can hardly differentiate between the lines of the two bowls."³⁸ The Tenth Circuit found the evidence supported the trial court's conclusion that the patent had been infringed, and

27. 668 F.2d at 470-71.

28. 601 F.2d 495 (10th Cir. 1979).

29. 668 F.2d at 471.

30. *Id.*

31. *Id.*

32. *Id.*

33. File wrapper estoppel precludes a person in an infringement suit from claiming for his invention characteristics which he failed to claim in his patent application, or which he surrendered to gain approval of his patent by the examiner. Additionally he may not recapture any of the claims he surrendered by claiming the doctrine of equivalents. See generally *Straussler v. United States*, 290 F.2d 827 (Ct. Cl. 1961). See also Note, *The Interplay of the Doctrines of Equivalents and File Wrapper Estoppel*, 29 GEO. WASH. L. REV. 917 (1961), for a good discussion on the relationship between these two concepts.

34. 35 U.S.C. § 271 (1976) states in part, "whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent."

35. For a thorough discussion of the equivalents doctrine, see generally *Graver Tank v. Linde Air*, 339 U.S. 605 (1950). "The theory on which it [equivalents doctrine] is founded is that 'if two devices do the same work in substantially the same way, and accomplish substantially the same result, they are the same, even though they differ in name, form or shape.'" *Id.* at 608 (quoting *Machine Co. v. Murphy*, 97 U.S. 120, 125 (1878)).

36. 668 F.2d at 472 (citing *Milgo Elec. Corp. v. United Business Communications, Inc.*, 623 F.2d 645, 656 (10th Cir.), cert. denied, 449 U.S. 1066 (1980)).

37. 668 F.2d at 472.

38. *Id.* at 473.

affirmed its decision.³⁹

4. Treble Damages

Finally, the Tenth Circuit court held that treble damages were appropriate because the infringement was intentional.⁴⁰ Observing that Johns-Manville did not even acquire a copy of Lam's patent before it duplicated his lamp, the court noted, "for all J-M [Johns-Manville] knew, Lam's surface may have 'approximated a parabola.' Later, when Lam claimed infringement, J-M was able to develop plausible arguments for no infringement."⁴¹ The court further suggested that the defendant may have evidenced bad faith by threatening the plaintiff with \$150,000 litigation expenses if it pursued its claim. The court said, "[w]hile we hesitate to attribute too much to statements made during heated discussions, like the trial court we find offensive such threats by a large company to a small one."⁴²

II. THE SWIFT CASE

In *Swift Agricultural Chemicals Corp. v. Farmland Industries, Inc.*,⁴³ the Tenth Circuit Court of Appeals upheld a district court decision⁴⁴ declaring the patent holder's patent invalid for obviousness and anticipation, and ruling that even if the patent had been valid, there was no infringement because of file wrapper estoppel. Previously the patent holder had prevailed in an infringement action involving the same patent.⁴⁵

Swift's patent involved a process for making ammonium polyphosphate (APP), a fertilizer, from phosphoric acid. The defendant's process used superphosphoric acid. Because Swift, in its patent application specifically designated its process as using ordinary phosphoric acid rather than superphosphoric acid, the court determined that the patent, even if it were valid, was not infringed because of file wrapper estoppel.⁴⁶

In affirming the invalidity of the Swift patent for producing APP, the appeals court cited five patented processes extant at the time the appellant developed his method.⁴⁷ All involved procedures for reacting the same

39. *Id.* at 474.

40. *Id.* at 476. 35 U.S.C. § 284 (1976) provides in pertinent part:

Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed.

41. *Id.*

42. *Id.* at 475.

43. 674 F.2d 1351 (10th Cir.) (per curiam), *cert. denied*, 103 S. Ct. 132 (1982).

44. *Swift Agricultural Chem. Corp. v. Farmland Indus. Corp., Inc.*, 499 F. Supp. 1295 (D. Kan. 1980), *aff'd*, 674 F.2d 1351 (10th Cir. 1982).

45. *Swift Chem. Co. v. Usamex Fertilizers, Inc.*, 197 U.S.P.Q. 10 (E.D. La. 1977) (Usamex I); *Swift Chem. Co. v. Usamex Fertilizers, Inc.*, 490 F. Supp. 1343 (E.D. La. 1980) (Usamex II), *aff'd*, 646 F.2d 1121 (5th Cir. 1981).

46. 674 F.2d at 1353. For a discussion of file wrapper estoppel, see *supra* note 33 and accompanying text.

47. *Id.* at 1353-55.

chemicals in very similar manners to produce APP. Thus, the court ruled Swift's patent invalid because it was anticipated by prior art, or with differences so minor as to constitute obviousness.⁴⁸

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48. *Id.* at 1355-56.