

“The Year in Review: The Patent and Trademark Decisions of the Court of Appeals for the Federal Circuit,” The Seventh Annual Judicial Conference of the United States Court of Appeals for the Federal Circuit, Washington, D.C., May 24, 1989, published at 128 F.R.D. 409.

128 F.R.D. 409

Federal Rules Decisions
1989

*409 THE SEVENTH ANNUAL
JUDICIAL CONFERENCE OF THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

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Wednesday, May 24, 1989

Washington Hilton Hotel

1919 Connecticut Avenue, N.W.

Washington, D.C.

It will be our pleasure to have Don Chisum come up here in a minute to give us a year-in-review on Federal Circuit matters. Don has agreed to include trademarks as well as patents for the benefit of the folks from the trademark operation that are here.

Don went to Stanford University and graduated in 1966. His law degree is from the same school. He is a member of the California and Washington state bars. Don was a law clerk for Circuit Judge Shirley Huffstедder, formerly of the United States Court of Appeals for the Ninth Circuit. He is a professor at the University of Washington. He spends all his extra time writing a little book on patents that is distributed from time to time. Some of us are familiar with it. Great book, Don.

He has appeared at several Federal Circuit judicial conferences. Ladies and Gentlemen, Professor Chisum from Washington.

PROFESSOR CHISUM: Thank you Fred. It is an honor and a pleasure to address this Court and so many of its distinguished and able members of its bar at its seventh Judicial Conference.

A few years ago anyone actively engaged in the patent system, whether as corporate patent counsel, private practitioner, government official, or even as a legal scholar and teacher would have said that the patent system is extremely important to the economic health of the country and hence to the public interest. But, if pressed, he or she would have had to agree that patent law was generally perceived not only by the politicians and the public at large, but by the legal community, judges, lawyers, and law professors, as a narrow specialty consisting of archaic procedures and obscure terminology in dealing with engineering, chemistry, electronics, and other unintelligible subjects.

*565 Patent cases got referred to specialty firms and the most junior judges on the federal bench. Law schools did not include the subject in their curricula. Trademark law received much the same treatment.

Oh how the perception has changed! To prove that, one need only look to the business pages, indeed the front page of the *New York Times* to see stories, more than one a week, about inventions and the quest for patents thereon, about the international trade aspects of patents, and about major patent litigation. Trademarks make the news too, as with the recent *Lexis vs. Lexus* dispute. Intellectual property, including patents and trademarks, is in the limelight.

Therefore, I embark on my assigned task, to review the significant patent and trademark cases of the Federal Circuit, with a renewed sense of sober enthusiasm. This is serious stuff. But, they only gave me about thirty-five minutes. As my outlines get longer, the time for my oral presentation gets shorter.

Now, despite Fred's promise in trademarks, frankly, none of the court's decisions struck me as being of critical importance, and certainly nothing that will compare in importance to the legislative developments in the amendments of the Lanham Act. If you look in the outline there on page No. 1, we did learn that "BAD" means "good" to the younger generation, and I am told by my daughter that radical is even better than bad. But in any case, neither is confusingly similar to "BVD", even if it is used on underwear.

Turning to patents there are so many decisions, by my count there about seventy reported decisions from April 1, 1988, to March 31, 1989. They are all important. The Court says it does not publish unimportant ones.

This year's theme was clarification of overstatement and resolution of apparent conflicts in the prior decisions of the Court. By 1988, the Court had spoken in the form of panel decisions and occasionally in banc, on most of the critical, fundamental issues of patent law: obviousness, patent claim scope, inequitable conduct, claim interpretation, and the doctrine of equivalence. But specific language and the general thrust of some decisions were at odds with other decisions. This year the Court's judges tried to resolve some of the conflicts and to clarify some of the generalizations. For that we must all commend them.

In my remaining time, in an effort to try to summarize all those cases, I am going to use the top ten format. Some have asked me where I got that top ten list of decisions. I contact a person who has a strange habit of reading all of the slip opinions of the Federal Circuit, and he reveals the top ten to me. Here they are, and I will try to make reference to the page number in the outline.

No. 10, is a decision entitled *Smithkline Diagnostics vs. Helena Laboratories* [859 F.2d 878, 8 USPQ2d 1468 (Fed.Cir.1988)], on the subject of claim interpretation. Words in statutes, words in contracts, words in patent claims. Determining what they mean is a central task of the law, and this year we saw a stream of decisions on patent claim interpretation. They illustrate the multi-faceted nature of the process of interpreting patent claims.

*566 Due regard must be given to the ordinary and art-derived meaning of terms in the claim, the specification (using it always to determine the meaning of words, but not to limit the claims to disclosed preferred embodiments). Let us pay attention to other claims, especially to the doctrine of claim differentiation, and we must look at the prosecution history.

Smithkline Diagnostics illustrates the fallacy of assuming that any word of substance in a patent claim can have a meaning so ordinary or plain as not to require careful consideration of the context of its use.

The claim limitation at issue recited that a certain catalyst be “compound that reacts to environmental conditions *similar to* hemoglobin”. Now, something “similar” to X does not in ordinary usage include X itself. But this Court carefully analyzed the record, the testimony of the inventor, as to the reason for his preference of a catalyst other than hemoglobin, the specification, the prosecution history, and concluded that indeed the claim literally covers hemoglobin.

So, if your problem is claim interpretation, and it is hard to avoid such problems if patents are your game, *Smithkline* is worth a careful read. If you look on page No. 60-63 of the outline you will see several other notable claim interpretation cases, including *ZMI*, *Specialty Composites*, *Telectronics*, and *Dupont vs. Phillips*.

The No. 9 case this year was entitled *Richardson vs. Suzuki Motor Company* [868 F.2d 1226, 9 USPQ 2d 1913 (Fed.Cir.1989)], which is on page No. 24. This deals with the subject of inventorship and derivation. The jury found that the defendant, Suzuki, fraudulently obtained a patent that claimed an improvement in motorcycle suspensions disclosed in confidence by plaintiff, Richardson, to the defendant. In view of that finding this Court held that the district court must order the defendant to assign to the plaintiff the defendant's patents in all countries that include the plaintiff's invention. Assignment is proper even though, first, a colleague of the plaintiff may have been a joint inventor along with the plaintiff of the improvement, and second, and more

significantly, the patents may contain one or two claims to further modifications, invented not by the plaintiff but by the defendant's employees. The Court emphasized that an assignment to correct a wrongdoing is a distinct step from a determination of inventorship, that is, correction of the patent.

The remedy granted in *Richardson* is unusual, if not unprecedented. Will we see a spate of suits contesting ownership and inventorship of issued patents? Along with *Richardson* you should consider the Court's *MCV* decision on page No. 24, upholding federal court jurisdiction over suits seeking correction of inventorship, apparently regardless of whether an issue of infringement is also raised.

The No. 8 decision is entitled *Buildex vs. Kason Industries* [849 F.2d 1461, 7 USPQ2d 1325 (Fed.Cir.1988)], which is on page No. 4 of your outline, which deals with the "on sale" bar. One year prior to the filing of the patent application the patentee showed a customer a working model of the invention, a certain hinge structure, and gave a quotation that included a quantity and a price. The patentee agreed to sell the *567 hinge exclusively to the customer. The customer agreed to pay for certain tooling expenses. This Court held that the District Court erred in failing to find an "on sale" bar.

There is no "per se exception" for conduct between parties to a joint development project.

Once again the Court applied a totality of the circumstances approach and eschewed *per se* rules as to public use and on sale bars. So, if you wonder whether it will make a difference that the invention is a joint one by offeror and offeree rather than the sole invention of the former, that the offeror assigns or exclusively licenses the patent or some portion thereof to the offeree, or that the two parties continue to experiment with the invention or its method of manufacture, wait for future cases.

Now, to be compared with *Buildex*, I think another notable on sale public use bar case is *AB Chance*, on page No. 5 finding genuine issues of fact as to whether the invention had been completed by the critical date.

The No. 7 case, is entitled *Ethicon vs. Quigg* [849 F.2d 1422, 7 USPQ2d 1152 (Fed.Cir.1988)], which is on page No. 41 of the outline, deals with stays of reexamination pending litigation. The Court invalidated both a PTO rule and a section of the Manual of Patenting Examining Procedure that allowed the PTO to stay a pending reexamination of a patent once a district court trial on the merits of the validity of the patent begins. The Court held that policy conflicts with the statutory command that reexaminations be conducted "with special dispatch". Furthermore, a PTO examiner is not bound, said the Court, by a district court decision upholding the patent.

Logically *Ethicon* may follow from the prior holdings of the Court to the effect that presumptions, burdens of proof, and rules of claim interpretation are different for reexamination than they are for court litigation, and court litigation challenges to a patent. But turning from logic to pragmatism one lesson is clear. Reexamination is not well coordinated with patent infringement litigation, especially not after *Ethicon*. Must a district court always stay its proceedings when reexamination is going on? Is it really fair to a district court judge or jury, or to patentees, to allow a single patent examiner to overturn the result of a lengthy, expensive, plenary trial on the merits, with live

testimony by lay and expert witnesses? One must believe that the intent was that reexamination precede litigation, indeed, assist in the avoidance of litigation rather than serve as one more battleground in the litigation between patentee and accused infringer. Some rethinking of some aspects of reexamination are in order.

No. 6 is a case entitled *LaBounty Manufacturing vs. U.S. International Trade Commission* [867 F.2d 1572, 9 USPQ2d 1995 (Fed.Cir.1988)], which is on page No. 71 of your outline. This is on prosecution history estoppel, which used to be known as file wrapper estoppel. Words characterizing the invention and words distinguishing the prior art made before the PTO can come back to haunt the patentee. You all know that. A favorite quotation of mine is from Carl Sandburg: “When you let proud words go it is not easy to call them back. They wear long *568 boots, hard boots”. When you prosecute a patent application use humble, not proud, words. They wear soft sandals rather than long, hard boots.

This year the Federal Circuit produced several helpful decisions on prosecution history estoppel, resolving an apparent conflict in the prior decisions of the Court. On the one hand some early cases, such as the 1984 *Prodyne* decision, adopted a hardline approach. If you amended a claim to add a limitation to distinguish prior art, that limitation could not be expanded under the doctrine of equivalence, no “speculation” as to whether the limitation was necessary being allowed.

On the other hand some cases, such as the 1983 *Hughes Aircraft* decision, and the 1985 *Locktite* decision adopted a flexible approach: you analyzed the purpose of the amendment, including the prior art being distinguished, to determine the extent of the estoppel.

The 1988 and 1989 cases of which *LaBounty* is representative, I think the *Sun Studs* case on page No. 72 would do just as well, follow the latter, flexible approach. In *LaBounty* this Court held that the tribunal below erred in looking at the prosecution history only to the extent of determining that the claim limitations not literally present in the accused device added by amendment in response to a rejection based on prior art, and in refusing to analyze the prior art in detail. That analysis was necessary to a proper application of prosecution history estoppel.

The fifth case is *United States Steel Corporation vs. Phillips Petroleum* [865 F.2d 1247, 9 USPQ2d 1461 (Fed.Cir.1989)], which is on page No. 7, and page No. 28, and deals with the subjects of enablement and claim scope. This case is one among many milestones in the decades long polypropylene patent dispute, on which a colorful history book could be written. A study of that dispute would provide many insights into problems to be avoided when it comes to resolving patent disputes impacting whole new technologies and industries. Think of the numerous areas of biotechnology, think of superconductivity, think of cold fusion (or did they decide that does not work?).

U.S. Steel vs. Phillips is one of several important decisions on the requirement of enablement, the relationship between the extent of the disclosure and the scope of the claim. The patent claim to crystalline polypropylene, generally, was held to be adequately supported by a priority patent application specification, filed in 1953, that disclosed a “novel, tacky and solid” polymer produced with chromium oxide catalyst that was, in fact, crystalline polypropylene, even though that disclosed polymer was of such low molecular weight as to be of little commercial value. High molecular weight polypropylene was made possible only by the development a year or later of

certain catalysts (the Ziegler catalysts). This development did not make the 1953 specification nonenabling as of its filing date.

Other decisions similarly uphold broad claims. I have in mind, for example, the *Telectronics* case on page No. 26, and the *Wands* case on page No. 26. The *Wands* case is particularly interesting in dealing with biotechnology. It allowed the patent applicant's claim to immunoassay methods using a specified generic class of antibodies even though the *569 applicant made a public deposit of a hybridoma cell line that secreted only a very specific antibody because those skilled in the monoclonal antibody art could, using the state of the art and applicant's written disclosures, produce and screen other hybridomas secreting other monoclonal antibodies falling within the generic class without undue experimentation.

Allowance of suitably broad claims, not limited to specific disclosed examples, is a major and well justified feature of the United States patent system. Indeed, the absence of broad claims, broadly construed, in the patent systems of some other countries is a serious defect. However, at some point a line must be drawn. The PTO must not allow, and the courts must not uphold claims of sweeping scope based on wishes and hopes. We will see further decisions by the courts on that subject.

No. 4 is entitled *Randomex vs. Scopus Corporation* [849 F.2d 585, 7 USPQ2d 1050 (Fed.Cir.1988)], on page No. 32. It deals with the best mode requirement. The patent statutes require the applicant to set forth the best mode contemplated for carrying out the invention. The policy underpinning is understandable enough; you should not be able to obtain the legal protection of a patent while withholding the best method of implementation. But best mode is a trap for the unwary and a temptation to the unscrupulous. The disclosure requirement is absolute and pinpointed at a specific date, that of the filing of the patent application. A better mode developed one day after filing is innocuous. A better mode developed one day before filing is fatal if not disclosed, even though the patent application may have been fully prepared and on its way to the PTO. The best mode requirement is also a source of uncertainty. How can a competitor fully assess the validity of another's patent, without risking litigation to obtain discovery, when one of the requirements of patentability focuses on what the inventor contemplated as of a precise date? In *Dana*, the evidence on the inventor's contemplation was available in the form of a test report. In other instances it will not be.

In *Randomex*, in a two-to-one decision, the Federal Circuit found no best mode violation in the patentee's failure to disclose the formula of its proprietary brand cleaning fluid for use with the claimed apparatus, a portable computer disk cleaner. The patentee deliberately kept the formula secret as kind of an advertising gimmick, the President testified, but was hardly successful because the defendant easily reverse engineered the formula by taking it to an analytical chemist. Later, in another important best mode case, the *Dana Corporation* decision, this Court did invalidate a patent on a valve stem seal for failure to set forth a preferred sealing treatment, even though that treatment method was commonly known in the prior art.

One fundamental issue with the best mode requirement is, what must be the relationship between the preferred mode and the claimed subject matter? Is "mode" the same as embodiment?-so, that all you must disclose is the best example of the invention? Apparently not. If that were true *Randomex* would have been an easy case; the cleaning fluid was not part of the claimed apparatus.

If the best mode requirement *570 relates to methods of making and using, how far does it extend? *Randomex* offers a footnote: if a patent claims an engine the best mode requirement would require the patentee to divulge the fuel on which the engine would run best, but not the formula for refining the fuel. Is that helpful? Is it true?

In *Randomex* this Court indicated that, under the facts of the case, the indiscriminate disclosure of the patentee's preferred mode (its cleaner) along with other possible modes satisfied the best mode requirement. But the problem of a best mode buried in a laundry list, was not really presented. Of course, the specification did not expressly state a preference for the patentee's preferred fluid, but you could infer that from the patentee's tradename, it being rather a natural inference that a person or company prefers its own brand.

Now, we climb into the high rent floors.

No. 3 is *Kingsdown Medical Consultants Ltd. vs. Hollister, Inc.* [863 F.2d 867, 9 USPQ2d 1384 (Fed.Cir.1988)], which deals with that obscure subject of inequitable conduct. *Kingsdown* is in two parts. First is the three judge panel decision holding that the district court committed clear error in finding that the applicant acted with deceitful intent in falsely stating that a claim carried over from a parent to a continuation application had been allowed. In fact the claim, one of many, had been rejected in the parent application for indefiniteness and then amended. So, that was a mistake but it was not done with an intent to mislead.

The second part of *Kingsdown* is a final section entitled "Resolution of Conflicting Precedent". This section was decided by the Court in banc, and it affirms four propositions.

First, a finding that conduct constitutes gross negligence does not "of itself, justify an inference of intent to deceive," which is a necessary component of the inequitable conduct ground of unenforceability. Rather, "the involved conduct, viewed in light of all the evidence, including evidence indicative of good faith, must indicate sufficient culpability to require a finding of intent to deceive."

Second, the existence of inequitable conduct is a "equitable" rather than a "legal" issue.

Third, appellate review of inequitable conduct is limited by an abuse of discretion standard.

Fourth, if a court "finally determines that inequitable conduct occurred in relation to one or more claims during prosecution of the patent application, the entire patent is rendered unenforceable." Confirmation of the last proposition, which was already thought to be well settled, was apparently necessary because of the discussion by the panel in *Kingsdown*, confirming that one may "look outside the involved claim in determining, in the first place, whether inequitable conduct did in fact occur at all."

"Claims are not born, and do not live, in isolation." Occasionally they do, there are patents that have only one claim, but they do not generally live in isolation. That discussion is clarified, not repudiated, by the Court in banc.

*571 I have one editorial comment, and then I leave it to the further speakers today. How can the Court say that inequitable conduct is an “equitable” issue, and yet continue to affirm an absolutely rigid remedy for inequitable conduct? The *entire* patent, otherwise valid, is *permanently* unenforceable. That flies in the face of Equity's tradition of flexibility in the formulation of remedies.

Some in the audience may ask, why is this key case clarifying the controversial inequitable conduct doctrine not No. 1? In this instance my person told me that he once made a fraud case, *J.P. Stevens*, No. 1, and he has regretted it ever since. He thinks that fraud and inequitable conduct have been somewhat overdone, and I told him the Federal Circuit already said that in *Harita* and *Burlington Industries*. Imagine what my person will think of a case called *Merck v. Danbury*, decided a few weeks ago and too late to be considered for this year's list. *Danbury* held a patent that was valid over certain prior art and information unenforceable because of failure to disclose that same information accurately to the examiner. *Danbury* coined a corollary to the Rule 56 “reasonable examiner” standard of materiality; information is material if it is “within a reasonable examiner's realm of consideration”.

This year's runner up is *In re O'Farrell* [853 F.2d 894, 7 USPQ2d 1673 (Fed.Cir.1988)], which deals with obviousness, and “obvious to try.” The PTO properly rejected the applicant's claim to a genetic engineering process, a method for producing a predetermined protein in a stable form in a transformed host species of bacteria as obvious in view of the applicant's own prior publication which disclosed a method for translating a ribosomal RNA polypeptide chain by splicing a gene encoding for such RNA into bacteria, and which suggested that “it would be interesting” to examine the expression of a gene encoding for a normally translated protein.

The Court held that the inventor's own publication rendered the claimed method obvious, even though it was not certain that genes coding for proteins could be expressed as readthrough translation into the protein.

Numerous prior decisions state that “obvious to try” is not the proper legal standard. Almost as many state that absolute certainty is not required. *O'Farrell* attempts to eliminate the confusion and explain a little more carefully what we mean by obvious to try. It deserves careful reading and is on page No. 14 of your outline.

Again we see the Court clarifying its prior decisions, this time those dealing with obviousness. The Court strives to achieve a balance. Earlier pronouncements constricting the obviousness test for rejecting patent claims, or invalidating issued patents are not to be applied with too much gusto. But the danger is that a correcting decision such as *O'Farrell* will then be applied with too much gusto going the other direction. I leave it to you to say whether that occurred in the May 10th decision, *Merck v. Biocraft Laboratories* [874 F.2d 804, 10 USPQ2d 1843 (Fed.Cir.1989)], which one hopes will not be taken as creating a new rule of unpatentability. The rule being it is obvious if it is one of 1200 possibilities.

*572 Another notable case, holding a patent invalid for obviousness despite a contrary jury verdict, is *Newell* [864 F.2d 757, 9 USPQ2d 1417 (Fed.Cir.1988)], which is on pages No. 9, and No. 19. *Newell* contains some cautionary words about the weight to be given so-called objective evidence of unobviousness, such as commercial success. There is also a sharp clash between the

majority and the dissent over the scope of review of jury verdicts on obviousness. I suspect that *Newell* might have made the top ten list but for the fact that it leaves unsettled the major issues discussed. On these issues we will hear more.

The top of the top ten this year is a decision named *Corning Glass Works v. Sumitomo Electric Company* [868 F.2d 1251, 9 USPQ2d 1962 (Fed.Cir.1989)]. Now, in this and other decisions, such as *Laitrum*, on page No. 74, *Richardson*, on page No. 76, and *Sun Studs*, on page No. 79, the Court provided some pro-doctrine of equivalents weight to counter-balance the 1987 anti-doctrine of equivalents behemoth, *Pennwalt*.

Oversimplified, the facts of *Corning Glass Works* are as follows. The plaintiff's patent discloses the first optical waveguide fiber with the transmission efficiency of copper wire. The patent discloses a fiber with a pure fused silica cladding and a fused silica core containing approximately 3% by weight of titania. The patentees taught the necessity of careful selection of the core diameter in a refraction index differential between the core and the cladding. The specification discloses only such positive dopants. On the filing date, apparently, the inventors only knew about positive dopants, and the claim recited a fiber with a cladding and a core, the core being positively doped so as to create the differential.

The defendant's optical waveguide fibers created the differential by negatively doping the cladding, rather than positively doping the core. Thus, the claim element requiring a positively-doped core was not literally present, indeed arguably "completely missing." A superficial application of the *Pennwalt* "missing element" doctrine would dictate a finding of noninfringement. But not so. This Court affirmed Judge Connor's finding of infringement under the doctrine of equivalents.

We are to distinguish between claim "elements" in the sense of individual limitations, and claim elements in the sense of one or more limitations that form a *component* of the invention. Under *Pennwalt*, there must be an equivalent of every element, in the sense of individual limitation, but there need not be a one to one equivalency as to every component of the claimed invention. Does everyone understand that?

The Federal Circuit also held that the district court did not err in making a function/way/result equivalency comparison of the claim limitation and the substitution in the accused structure, noting that "This Court has not set out in its precedent a definitive formula for determining equivalency between a required limitation or combination of limitations and what has been allegedly substituted therefor accused device. Nor do we adopt one here".

Perhaps the most reassuring statement in *Corning Glass* is that "the determination of equivalency is not subject to such a rigid formula." Indeed. Therein lies the major lesson of the patent-related decisions of the Court over the last year. How difficult it is to satisfy the conflicting *573 demands for clear rules and predictability on the one hand, and fair results under the facts of particular cases on the other hand. The quest will continue.

Thank you very much for your patience.

MR. McKELVEY: We thank Professor Chisum for his "informal" presentation. Of course, the Patent and Trademark Office appreciates your pitch for a petition for rehearing in *Ethicon v.*

Quigg. I do not know whether it will be granted or not after this morning's session!