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STANLEY H. LIEBERSTEIN:

It is my privilege to introduce our first speaker. Donald Chisum received his undergraduate and his law degrees from Stanford University. He served a year as law clerk to Judge Shirley Hufstедler, Court of Appeals for the Federal Circuit. Thereafter he joined the faculty of the University of Washington and is currently a professor of law at that *511 institution. Professor Chisum is the author of a treatise on patents and is of counsel to the law firm of Seed and Berry. Don Chisum.

2. THE YEAR IN REVIEW: PATENTS AND TRADEMARKS IN THE FEDERAL CIRCUIT

DONALD CHISUM: Thank you, Stan. I would correct one matter, I did not work on the Court of Appeals for the Federal Circuit which did not exist in 1968, it was the Court of Appeals for the Ninth Circuit.

It is indeed a privilege to have the opportunity to address the honorable members of this court and many distinguished members of its bar. Nobody told me that St. Peter jokes were in this year so I did not bring one. My appointed task is to review the decisions of the past year on the subjects of patents and trademarks. I have prepared two outlines that are in your material. One for patents and one for trademarks. The outlines have a table of contents and a table of cases at the end thanks to the new word processing program I acquired. It structures the outline, generates the tables, all automatically. In fact, now that I think of it, the entire outline is virtually the product of newfangled inventions. So, if you find an error, don't call me. If it's an error in grammar, spelling or pagination, call my software vendor. If it's an error in citation, call Westlaw. If it is an error in the law, call Chief Judge Markey.

In reviewing the decisions over the past 12 months or so I was struck with the variety of problems that came before the court and with the originality of the solutions that emerged in its opinions. It was a year of new ideas but it was also a year in which the court returned to refine and clarify some positions that it took in its first 18 months. It was a banner year for the law of patents and trademarks in the Federal Circuit. It isn't possible to do justice to all of those significant decisions.

At last year's conference I showed a lack of good judgment by selecting the top hits, the patent and trademark decisions of the court that seemed most important in terms of their precedential value, their significance to the profession, and their impact on policy. I received so much negative reaction to that that I've decided to do it again. You should understand that protesters against academic commentary have even fewer substantive and procedural rights than protesters in the PTO. So we begin with the top ten patent decisions of the past year beginning at the bottom naturally. I will try to cite the page on the outline that the case appears on.

Number ten deals with the concept of prima facie obviousness and its rebuttal in ex parte patent prosecution. *In Re Piasecki*, 745 F.2d 1468, cited at the bottom of page 10 of the outline, involved a patent application for an improved lighter-than-air craft for vertical lift short haul transport. The inventor attached helicopter-type rotors in a circular fashion to an airship with each rotor, including multiple blades, the pitch of which controlled the rotors being connected through a central, integrated system to a set of flight controls. The examiner rejected the *512 claims as obvious in view of five references that disclosed a conventional aircraft, an airship with airplane-type propellers attached, a pair of linked helicopters for lifting loads, a deflector tail assembly for a helicopter and an assembly of helicopters having a master control system for adjusting the pitches of the various rotors. Conceding that a prima facie case had been established, the applicant offered a variety of evidence, affidavits by three experts, evidence of a Navy development contract, a Goodyear technical report, and magazine articles. The examiner continued the rejection discounting the rebuttal evidence because it was not directed to the cited prior art and the majority of the Board of Appeals affirmed.

This court reversed. First it corrected a misunderstanding as to the proper roles of the examiner's prima facie case and the applicant's rebuttal evidence. Prima facie obviousness is merely a procedural device. Initially, the burden of production of evidence on obviousness rests on the examiner. Once the examiner cites art or other evidence sufficient to establish a prima facie case the burden of production shifts to the applicant to put forth some credible rebuttal evidence. Once the applicant does so, the prima facie case disappears. The examiner is not to weigh the rebuttal evidence against the prima facie case or to characterize the prima facie case as strong or weak. Rather, the examiner must reassess the whole matter including the art or evidence that established the prima facie case.

Next the court assessed the rebuttal case and found it to be of persuasive weight. Most interesting is how the court treated two of the affidavits. One was by a retired Naval officer experienced in lighter-than-air craft and the affidavit stated inter alia that the applicant's concept was the greatest advance in the field in the last 40 years. The Board of Appeals discounted that affidavit because the affiant did not consider the prior art and because advance was only one condition of nonobviousness. This court disagreed, a first-hand practical knowledge of unsolved needs in the art by an expert is evidence of the state of the art.

A second affidavit was by an aeronautical engineer who also happened to be the applicant's patent

attorney. The affiant stated that the invention was a significant innovation and that he was aware of and considered to be without merit prior proposals for swiveling propellers on airships. This court reasoned that such an affidavit must be given fair weight along with the other evidence even though it might not alone have been sufficient.

Piasecki is important because it deals with the front line of the patent system ex parte prosecution. To have a strong patent system it is critical that the process work fairly and effectively. *Piasecki* clarifies the nature of the prima facie case and burdens of proof. It shows this court's receptivity to rebuttal evidence and especially testimonial evidence by experts.

One of the most perceptive quotations of the year is in another case, *Rosemount v. Beckman Instruments*, 727 F.2d 1540, cited on page 7 of *513 your outline. There the court stated "Appeals in patent cases should not be mere games played with pieces of paper called references and the patent in suit. Lawsuits arise out of the affairs of people, real people facing real problems." Well, I don't know about appeals but examiner actions often do seem to resemble such games. Add elements 1 and 2 from reference A and put them together with elements 3 and 4 of reference B and you have the claim of elements 1 through 4.

Piasecki emphasizes that prosecution must stay tuned to reality. Reference combination games are useful at best only to establish the prima facie case and provoke the introduction of that kind of real evidence by the applicant.

Number 9 deals with prior invention by others as prior art and with relation to the duty of candor to the old presumption that the inventor knows all the prior art. *Kimberly-Clark v. Johnson & Johnson*, 745 F.2d 1437, cited on pages 11, 13 and 19 of the outline, involved Kimberly-Clark's patent on a sanitary napkin improved by the addition of pressure-sensitive adhesive strips for securing the napkin temporarily to an undergarment. Based on a construction of the claim, the trial court found noninfringement and this court affirmed. Had the two courts confined themselves to that issue, *Kimberly-Clark* would never have made the top ten. However, driven in part by the need to resolve the accused infringer's claim for an award of attorney's fees the trial court went on to find the patent invalid for obviousness and unenforceable for fraud. This court reversed both of those holdings.

This court brushed against that briar patch of prior invention as prior art under Section 102(g). Now patent counsel and all those real world people find encounters with the prior invention problem quite painful. Academics, on the other hand, like Brer Rabbit, love to dwell in such thorny tangles. The issue is whether two items of in-house work at Kimberly-Clark constituted prior art as to the subject patent by the employee Roter.

The first art item was the invention by a coemployee, Champain, which was put into an application and duly issued as a patent. Champain's patent apparently did not constitute prior art under Section 102(e) because Roter could show a date of invention prior to the filing date of Champain's application. Nevertheless, this court held that Champain's invention constituted prior art under Section 102(g).

The second item of in-house work was the recorded result of some experiments by coemployee Mobley. This court held that Mobley's work could not constitute prior invention under Section 102(g) because it had not been reduced to practice by sufficient testing. This court then turned to the arguments by the two parties as to whether or not the inventor, Roter, had knowledge of the prior work of Champain or Mobley. *Kimberly-Clark* argued that there was no evidence of such

knowledge and *Johnson & Johnson* argued that there was sufficient evidence to support the trial court's finding of knowledge.

*514 The majority opinion noted that both parties cited the 1980 Court of Customs and Patent Appeals decision in *In Re Clemens*, 622 F.2d 1029, for the proposition that personal knowledge of nonpublic work is sufficient to qualify that work as Section 103 prior art. In the majority's view, *Clemens* established no such proposition. *Clemens* dealt with the Section 102(g), 103 rejection and its discussion of knowledge was to distinguish a prior Court of Customs and Patent Appeals decision *In Re Bass*, 474 F.2d 1276. *Bass*, like *Kimberly-Clark*, involved prior in-house work by co-workers. The majority concluded that Section 102(g) contains no personal knowledge requirement and anything to the contrary in *Clemens* was mere dictum.

Whether and for what *Clemens* was dictum is a nice question indeed. In his concurring opinion, Judge Kashiwa noted that the majority's characterization of statements in *Clemens* as dicta can, in turn, be regarded as dictum. The majority's dismissal of the knowledge requirement was directed only to the work of Mobley which the majority had already found not to constitute invention within the meaning of Section 102(g) for want of reduction to practice. *Clemens* dealt with an invention that had been reduced to practice and indeed had been placed in a patent.

The timing of *Kimberly-Clark* gives it some added significance but as far as I can determine the opinion issued between the dates when the Senate and the House of Representatives passed a statute amending Section 103 to alter the *Bass* holding on in-house research. The amendment is retroactive, however, it does not apply to pending cases and it leaves untouched the prior art problem outside of the situation where both inventive entities are under a duty to assign patent rights to the same person. In the untouched areas, the judicial debate carried forward in *Kimberly-Clark* is still pertinent. The PTO has adopted interpretive rules under the new amendment and we can expect to see the validity of those rules tested.

The other major issue in *Kimberly-Clark* was that of fraud or inequitable conduct. The trial court found the patent holder in breach of its duty of candor for failure to disclose three prior art patents plus the two items of in-house work. This court reversed. It interpreted the trial court as having found the intent element of inequitable conduct in the old rule that an inventor is presumed to have knowledge of all of the prior art. This court found that kind of a combination of fraud by failure to disclose concept with the presumption of knowledge of prior art concept to be "on a par with terrorism." Rather than simply repudiating that combination, this court attacked the presumption. Such as, "It is a bad axiom" and "like a noxious weed interfering with the growth of more desirable plants." The desirable plant is the idea that the prior art for measuring obviousness constitutes the entire public domain technology. The person deemed to have knowledge of all of that is not the actual inventor but the hypothetical person with ordinary skill in the art at the date of invention.

*515 Number 8 deals with willful infringement, advice of counsel and the public use bar as applied to claims added in a continuation-in-part application. *State Industries, Inc. v. A.O. Smith Corp.*, 751 F.2d 1226, cited at pages 16 and 28 of the outline, involved a patent on a water heater design to prevent sediment build up in the bottom. A parent application was filed with claims limited in a certain way-let's just say it had element "X". The assignee of the patent, State Industries, brought a product on the market and accompanying literature noted briefly "Patent applied for." State's competitor, Smith, took note, proceeded to design a structure that differed somewhat from State's commercial version containing, for example, no "X". Smith actually applied for and obtained a

patent on its design. Later, State filed a second application for an alleged improvement in the original invention, the claim still being limited to “X”, and thereafter a patent issued on the original or parent application. Even further in time State inspected Smith's rival products and determined, behold, it had no “X”. So State amended its second application to state that it is a continuation-in-part of the parent application and to add broader claims to it, eliminating the “X” limitation, so that it would cover Smith's commercial structure and the patent on the continuation-in-part thereafter issued and naturally State filed suit for infringement.

This court affirmed the trial court's judgment upholding the patent. The claims added to the CIP application were found to be adequately disclosed in the parent application. They were, therefore, entitled to the filing date of the parent application and were not barred by the public sales more than one year prior to the filing of CIP. This court reversed, however, the trial court's finding of willful infringement. The facts as a whole presented the familiar picture of competitors competing. Indeed, Smith's conduct illustrated one of the benefits of the patent system, the negative incentive to design around a competitor's patented product and that should not be discouraged by punitive damage awards. Smith did not copy State's product but was spurred to design an alternative. It was, in short, one of those fair fights that fill the world of competition.

After the trial court's finding that Smith began manufacture without seeking advice of patent counsel, this court noted that Smith did not know of the second patent with claims covering its product until shortly before being sued. Thereafter, Smith was necessarily operating under the advice of counsel to wit in connection with the lawsuit.

State Industries is an important decision because it further refines the duty to respect patent rights that this court recognized in its landmark decisions on willful infringement and the advice of counsel, *Underwater Devices*, 717 F.2d 1380, and *Central Soya*, 723 F.2d 1573. It is not willful infringement to compete vigorously and design around a competitor's product. The duty not to act in bad faith disregard of patent rights including the obligation to consult counsel should arise only when a person becomes, or should reasonably have become, aware of another's patent with claims at least colorably applicable to the activity in question.

*516 Number 7 deals with obviousness and the role of secondary considerations. *EWP Corporation v. Reliance Universal, Inc.*, 755 F.2d 898, cited at pages 7, 8 and 12 of the outline, involved the method of making wire mesh reinforced concrete pipes with flared ends suitable for mating into an adjacent pipe. Under the method, the transverse warp wires at the end to be expanded are corrugated so that they may be suitably expanded without breakage. The trial court upheld the patent against an obviousness charge. This court reversed. This court could not agree with the appellant's argument that the solution in question was dictated by the most elementary common sense but it did agree that the solution was obvious to a hypothetical person with presumptive knowledge of the prior art.

A German and a French patent sufficed to show obviousness. Significantly, those patents had not been considered by the examiner during the original prosecution and thus this court could evoke the rule that the burden of overcoming the presumption of validity is more easily carried on the basis of uncited art. The German patent showed the making of hollow reinforced concrete bodies, such as pipes, using an expandable wire mesh cage. In the court's view, it was not important that the mesh in the German patent was expandable throughout the entire length of the structure. The patent's essential teaching was that crimping could be used whenever expansion of a wire reinforcing cage is desired. The French patent showed in several figures a variety of crimped and

zigzagged elements. One of the disclosed uses was in reinforcing concrete pipe.

At trial, the patentee's expert distinguished the French patent on the grounds that the one specific illustration of a mesh cage for a pipe did not show crimping. In this court's view, however, that erroneously misdirected the trial court's thinking away from the other teachings of the French patent. The trial court also erred in its determination of what constituted the pertinent art. It was not the art of making reinforced concrete products but rather the art of making reinforced wire cages. This caused the trial court to improperly distinguish the French and German patents on the ground that the concrete bodies in those references were different.

This court considered the evidence of secondary considerations including commercial success, licensing and adoption by the industry but found it unpersuasive. A successful licensing program was not an infallible guide to patentability. Such programs sometime succeed because they are mutually beneficial or because licensing is less expensive than litigation, rather than because of a considered determination of patentability.

Judge Davis wrote a separate concurring opinion to comment on why the evidence that the patentee succeeded in filling an unsolved need in the industry did not carry the day on obviousness. The French and German patents were not in fact well-known to the working art and yet under the law their teachings must be considered.

*517 *517 *EWP* is important because it reinforces concretely some of the general principles established by this court on the presumption of validity and the role of secondary considerations. The presumption of validity is never dissipated but indeed it could be more easily met by art not before the examiner. Evidence of secondary consideration should always be considered but it's not conclusive.

Number 6 deals with the enablement requirement and the doctrine of equivalence. *Atlas Powder Co. v. E.I. Du Pont de Nemours & Co.*, 750 F.2d 1569, cited on pages 3, 5, 14, 16, 20 and 25 of the outline, involved Atlas' patent on a water-resistant emulsion blasting agent. The trial court held the patent valid and infringed by Du Pont's product and this court affirmed. Of the many issues dealt with by the court, two are especially worthy of mention.

The claim of the patent called for elements such as carbonaceous fuel and water and oil type emulsifying agents. The specification disclosed numerous salts, fuels and emulsifiers. Du Pont argued with considerable force that a person would have to experiment considerably to determine which combinations would be operable stressing that 40% of the patentee's 300 laboratory experiments had failed and that the patentee had only produced two commercially suitable combinations. However, this court affirmed the trial court's finding that a person of ordinary skill following known principles would know how to select a salt and fuel and apply a known rule to determine the proper emulsifier. A claim was not invalid even if some claim combinations were inoperative provided the number of inoperative combinations was not so significant as to force one of ordinary skill in the art to experiment unduly in order to practice the claimed invention.

This problem of enablement in operative embodiments and the proper scope of claims is not a new one, of course, but *Atlas Powder* is the most significant decision of this court to date on that problem. One lesson to be learned is that the issue of enablement is heavily factual and accused infringer's case of nonenablement must be made at the trial court level on the basis of expert testimony and testing evidence.

The other especially noteworthy issue in *Atlas Powder* concerned the doctrine of equivalence. There were two types of emulsions, we are told, water in oil and oil in water. The claim called for a water in oil type. Unlike the claimed invention, Du Pont formed its emulsifying agent in situ. The formed agent is normally water, oil and water, but as applied in the Du Pont environment *acts* as a water and oil emulsion. The trial court interpreted the claim as excluding agents that normally act as oil and water. Thus, there was no literal infringement. However, the trial court found infringement under the doctrine of equivalence. Du Pont attacked the equivalency finding on a number of grounds. First, it argued that the trial court erred by failing to apply the Graver Tank tripartite test of substantial similarity of function, way and result, as between the accused product and the claimed invention. And by finding instead a test of whether the particular substituted element, that is, the *518 emulsifying agent, was of the same function, purpose and quality. This court disagreed with that attack.

Equivalency is not a prisoner of any rigid formula or a set number of words. Further, when the accused product avoids literal infringement by changing one ingredient of a claimed composition, it is inappropriate to consider the similarity of those two elements. Second, Du Pont argued that the fact that it had obtained a patent on its modification established the absence of infringement by equivalence. Du Pont's argument on this point was a subtle one. It conceded that one might infringe by equivalence if one simply improves, patently improves even, by adding an additional element or function. But it contended that there could be no equivalency when a substitution of elements is found to be patentable. This court disagreed. The infringer had still used the gist of the patentee's invention. However, in a footnote the court left some room for giving weight to the patentability of the accused structure. If the basis of patentability was the achievement of unexpected results that might tend to show the absence of substantial similarity of results as is required in the doctrine of equivalence.

Third, Du Pont argued that the patentee was estopped to argue equivalence under the circumstances since it had tried and failed to use the accused emulsifier in the patented combination. This court found that failure inconclusive. The patentee naturally has less incentive than a competitor to find an equivalent.

Finally, Du Pont argued that the trial court erred in applying a heart-of-the-invention concept. This court noted that while no legally recognized heart of an invention exists for purposes of validity such a heart does exist for purposes of equivalency. The doctrine of equivalence portion of *Atlas Powder* alone suffices to make it one of the most important decisions of the year. It addresses a number of issues concerning the doctrine and demonstrates once again that this court is prepared to affirm a factually supported trial court action giving a broad scope to patent rights.

Number five deals with jury trials and obviousness, an area that has proven to be the number one nemesis of this court. *Structural Rubber Products v. Park Rubber*, 749 F.2d 707, cited on pages 3 and 5 of the outline, involves two patents on highway railroad crossings having moistureproof surfaces. This court held that the trial court erred in failing to grant patentee's motion for a judgment notwithstanding the verdict. The judgment having held the patent invalid, this court acknowledged concern by members of the patent bar that "a jury trial placed a black box into which patents are thrown and emerge intact or invalid by an unknown and unknowable process." This court again noted that special verdicts or interrogatories are desirable though not mandatory. But the court put new focus on the instructions on the obviousness requirement. It criticized the

daily practice of drafting such instructions in general terms, for example, the Supreme Court's *Graham* decision, 383 U.S. 1, 86 S.Ct. 684, 15 L.Ed.2d 545. The trial court has a responsibility*519 to focus the jury's attention on the actual factual issues in the case. Proper instructions are especially important as to obviousness because obviousness as used in patent law is a term not readily understood by a jury and indeed is overladen with layman's meanings different from its legal connotation. That adequate instructions were not given in the trial court was suggested by the jury as anomalous answers to various questions. The jury had found that there was one, no prior art, two, the addition was not obvious, but three, the invention lacked novelty.

Structural Rubber Products is an important decision because it emphasizes some specific steps that can be undertaken to increase the rationality of jury resolution of patent cases. Counsel in patent jury cases must spend more time on providing to the court suggested jury instructions that are not only accurate and understand expositions of the applicable law, but also responsive to the specific issues in the case.

Number four deals with what constitutes the making of an invention and with the expiration of patents. *Paper Converting Machine Co. v. Magna-Graphics Corp.*, 745 F.2d 11, cited on page 22 of the outline, involves a patent on a machine for winding paper products such as toilet tissue and paper towels. The trial court had enjoined Magna-Graphics from infringing Paper Converting's patent. The patent was about to expire. In order for an existing order Magna-Graphics produced all of the parts for a machine and tested those parts in alternative stages of assembly. No stage constituting the complete machine. The parts were then shipped to customer with an understanding that the customer would not assemble and use the machine until after the patent had expired.

Magna-Graphics relied on the Supreme Court's decision in *Deepsouth Packing v. Laitram*, 406 U.S. 518, 92 S.Ct. 1700, 32 L.Ed.2d 273, which held that the unauthorized manufacture of parts of a patented machine for export and assembly abroad did not constitute infringement since there was no making of the patent invention in the United States. But this court distinguished *Deepsouth* on two grounds. First, a lower court must be cautious in extending five-to-four decisions by analogy, and second, *Deepsouth* was intended to be narrowly construed as applicable only to the issue of the extraterritorial effect of American patent law. Having disposed of *Deepsouth* this court concluded that when significant unpatented assemblies of elements of a claimed invention are tested during the patent term, there is infringement. At least when the infringer's normal practice would have been to test the entire combination. Otherwise the last year of a patent's term would be worthless whenever it deals with a long lead-time article.

Judge Nies dissented, and with some force. Fairly read *Deepsouth* did not focus on any peculiar problems with extraterritoriality but rather on the meaning of making and selling the patented invention. The *Deepsouth* definition of making drew a bright line upon which persons could rely. The majority's response to this that a copier rarely knows whether a product will infringe because of the doctrine of equivalents was hardly convincing. Having one necessary area of uncertainty does not justify creating another without sufficient reason. Judge Nies also noted that *520 proposals in Congress to alter the *Deepsouth* case were focused on making exportation of component parts a direct act of infringement rather than on altering the judicial definition of a making. And, of course, as we know, that type of legislation did in fact pass Congress.

Magna-Graphics was an important decision because it reflects a trend in this court toward giving

expansive scope to the exclusive rights conferred by a patent. *Magna-Graphics* relied on another decision, *Roche Prod., Inc. v. Bolar Pharmaceutical Co.*, 733 F.2d 858, cited on page 22, which held that limited testing of a patented drug for the purpose of obtaining FDA approval for marketing after expiration of the patent constituted infringement. While the specific holding of *Roche* has for the most part been altered by congressional action in the Patent Restoration Act, the two cases teach us that this court thinks patents should have long sharp teeth. Perhaps it's appropriate that patents have such teeth since when owning a patent asset bears the constant risk that the teeth will be knocked out by an invalidity holding.

Number three deals with the scope of the appellate jurisdiction of this court over cases joining patent and nonpatent claims. *Atari, Inc. v. JS & A Group, Inc.*, 747 F.2d 1422, cited on pages 33 and 34 of the outline, involves Atari's suit to halt JS & A from selling 8k ring cartridges in connection with so-called prong-blaster machine that can copy cartridges such as those containing Atari's copyrighted video games. Atari's complaint was a case study in intellectual property law, with counts for contributory copyright infringement, patent infringement, trademark infringement, unfair competition and violation of the Lanham Act. The district court granted a preliminary injunction based solely on the copyright count. On motion by Atari and for the specific purpose of routing any appeals on the copyright matters to the regional court of appeals rather than to the Federal Circuit, the district court ordered separate trials under Rule 42(b) of the Federal Rules of Civil Procedure. Despite this order, JS & A appealed the preliminary injunction to this court. Atari moved to transfer the appeal to the regional court of appeals. That the issue was viewed as important, is reflected in the fact that this court decided to hear the issue in banc and that 12 amicus curiae briefs were filed.

This court held that the separate trial order did not oust this court of jurisdiction. It reviewed at length the legislative history of the creation of this court. Congress expressly rejected issue jurisdiction and opted for arising under jurisdiction under which the Federal Circuit acquires exclusive appellate jurisdiction over a case, if, and only if, the statutory basis of the district court's jurisdiction is the patent portion of 35 U.S.C. Section 1338(a). This court identified four other applicable intents of Congress to avoid bifurcation, to avoid specialization of this court, to avoid forum shopping in nonpatent issues of law and to discourage appropriation by this court of areas of law not assigned to it. Accepting in jurisdiction in mixed cases avoids bifurcation and reduces specialization. Forum shopping and encroachment can be mitigated by this court *521 following the guidance of the pertinent regional courts of appeal on nonpatent related substantive and procedural law.

The report for Atari needs no brief, however, the decision does not resolve all the problems concerning the scope of this court's jurisdiction and indeed the opinion in *Atari* recites a litany of jurisdictional issues not presented or decided. Perhaps the most interesting aspect of *Atari* is the court's determination that it will follow the precedents of the pertinent courts of appeal in deciding nonpatent issues. It's a sparkling original idea and was applied by this court in a number of decisions which are listed in your outline at page 33. In a footnote in *Atari* this court suggested that the regional courts of appeals might promote uniformity on patent matters by making reference to the decisions of the Federal Circuit when those arise in cases that are not within this court's exclusive jurisdiction. Part of what is bound to arise is: what exactly is a patent issue on which this court will adopt an independent position?

A case illustrating that problem and also how confusing this concept of referring to another

court's law can become, is this court's decision in *Litton Industrial Products v. Solid State Systems Corp.*, 755 F.2d 158, cited on page 21 of the outline. The defendant in a patent infringement suit stated a counter-claim for damages for fraudulent procurement of a patent and relied on a Washington State unfair competition statute. This court seemed to assume that it would be bound by what the Ninth Circuit would say on the subject. But, of course, the Ninth Circuit would be bound to what the Washington court would say about the statute as it is applied to patent procurement. But the Washington statute itself directed state courts to be guided by how the federal courts would deal with similar matters including decisions under the federal antitrust laws. And so the state courts would look back to what the federal courts did, particularly the Ninth Circuit. But procurement or inequitable conduct is a matter over which the Federal Circuit has special expertise. So is this court supposed to determine what several tiers of other courts would say about it? Think about it.

Number two deals with the constitutionality of the reexamination statute as applied to patents issued before the enactment of that statute. *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, cited on pages 9 and 18 of the outline involved the appellant's patent relating to lasers. The patent in question issued on July 17, 1979, well before the July 1, 1981 effective date of the statute providing for reexamination of patents on the basis of prior art, patents, and publications, presenting new issues of patentability. Soon after issuance of the patent, appellant filed suit against Control Laser for infringement. In 1982, as the case approached trial, Control Laser persuaded the trial court to grant a continuance pending its request to the PTO for reexamination. Appellant filed papers with the PTO urging that reexamination not be granted. Acting under its rule barring any filing of papers by the patent owner prior to a determination rather than grant reexamination, the PTO returned those papers. The PTO also denied appellant's petition that the reexamination be stayed in view of the pending litigation. Appellant filed suit in another district *522 court to enjoin the PTO from going forward with the reexamination on the ground that the reexamination statute in the PTO's administration thereof deprived the appellant of constitutional rights. Appellant stressed that granting reexamination without a hearing under a later enacted statute would do irreparable harm to its attempts to license its patent. This court rejected all assaults on reexamination, including the argument that it was retroactive legislation in violation of due process, that it deprived the patentee of the right to trial by jury and an Article III federal court and that it improperly deprived the patentee of a property right, to wit the presumption of validity. And on the last point this court held that the presumption of validity is not a property right.

Patlex was one of a flock of decisions by this court on the two major avenues of PTO involvement with patents after their issuance. The old veteran reissue and the rookie reexamination. I refer you again to the decisions on about page 17 of the outline. I would particularly note *In re Etter*, 756 F.2d 852, which held that the presumption of validity does not apply in reexamination.

That brings us to the number one decision. It was an easy pick this year perhaps as easy as the number one draft choice in the NBA. Patrick Ewing of Federal Circuit patent law this year is the landmark decision on inequitable conduct in patent procurement, *J.P. Stevens v. Lex Tex*, 747 F.2d 1553, and like the big fellow from Georgetown, *J.P. Stevens* is sure to be a star for defense for years to come. *J.P. Stevens* establishes a framework for analyzing alleged violations of the duty of candor. The term inequitable conduct is the proper one we learn, because it's more

accurate. The effect of inequitable conduct is unenforceability rather than invalidity. Inequitable conduct renders all of the claims of the patent unenforceable, not just those to which the inequitable conduct is directly connected. To establish inequitable conduct, thresholds of materiality and intent must be met and once those thresholds are met the court does a balancing to determine whether the scales tip to a conclusion of inequitable conduct.

It is particularly noteworthy that in *J.P. Stevens* this court reversed a trial court finding that there was not inequitable conduct. Well, of course, *J.P. Stevens* is a key precedent in its own right, but it is part of a pattern of decisions on inequitable conduct that demonstrate the concern of this court that the integrity of the examination system in the PTO be maintained. It is part and parcel of the trend to give greater weight to the presumption of validity and the expansive interpretation of the scope of patent rights and for other decisions in that vein I direct your attention to *Driscoll v. Cebalo*, 731 F.2d 878, on page 18 of the outline and to *Argus Chemical Corp. v. Fibre Glass-Evercoat*, 759 F.2d 10, on page 21 of the outline.

I am virtually out of time. Poor trademarks, they always seem to get the short end. But let me mention at least the number one trademark decision of the year. In my opinion, it is, and there is a separate outline on trademarks, in my opinion the number one decision is *Levi Strauss v. Genesco*, 742 F.2d 1401, which deals with the problem of distinctiveness *523 as applied to design elements of a product and the propriety of summary judgment. In that case this court affirmed the granting of an opposer's motion for summary judgment by the Trademark Trial and Appeal Board, that an unlettered tab protruding from the seam of a shoe was not shown to be sufficiently distinctive by the applicant. The evidence showed that a number of other persons had used such tabs before and after the applicants first use. And a substantive issue in *Levi Strauss* is interesting enough. However, what justifies the number one ranking is the clearly positive attitude of this court toward summary judgment, even in seemingly complex situations. The court emphasized that mere assertions of counsel cannot create genuine issues of material fact.

Other decisions in the same vein include the *Pure Gold* case, 739 F.2d 624, cited on page 8, and the *Petersen Manufacturing v. Central Purchasing* case, 740 F.2d 1541, cited on page 5, in which this court affirmed summary judgment dismissing counts for both unfair competition and design patent infringement. Is the court telling us that it wants to see more summary dispositions and fewer expensive plenary trials in intellectual property disputes. Stay tuned.

We stopped rather suddenly, but we have to leave some time for questions.

MR. LIEBERSTEIN: Do we have any questions? If you would like to bring questions up, please don't hesitate. In view of the fact that we don't have any, I'm going to ask Don if he could spend a few minutes more on trademarks.

PROFESSOR CHISUM: Since I started at the top, I can keep going down the list on trademarks. There is a method in my madness.

Number two in trademarks is occupied by two decisions dealing with the requirement that the mark be adopted and used in connection with goods or services prior to application for registration. In both *Ralston Purina v. On-Cor Frozen Foods*, 746 F.2d 801, and *International Diagnostic Technology v. Miles Laboratories*, 746 F.2d 798, cited on page 5 of the trademark outline, the applicant for registration used the mark on an initial or token shipment of products and filed an application to register the mark based on that use. After an initial sale, the applicant refined or altered the product in some way. In each instance, the Trademark Trial and Appeal

Board held that the application was void ab initio as an attempt to reserve a mark for the future since the product subsequently sold on a commercial basis was not the same as the product subject of the token sale. This court reversed. The proper test was not whether the goods were identical, but whether there had been an alteration of the inherent and identifiable character of the product under development which is intended to be marketed.

He's asked me about a very recent case I haven't read, so I'll have to pass on that one. Please don't hesitate to pass up any questions. I can handle them all, just about that easily.

The number three case deals with descriptiveness. The case is *In re Seats*, 757 F.2d 274. *In re Seats* held that "SEATS" was neither generic *524 for nor the common descriptive name of computerized ticket reservation and issuing services. Thus, the PTO had erred in refusing registration despite the applicant's convincing evidence of secondary meaning. Now trademark protection on the word would not, in this court's view, of course, prevent other persons from using "SEATS" in a descriptive fashion. What is perhaps most interesting about *Seats* is this court's discussion of criticism by several writers of the concept that is accepted by many other courts that some terms are so generic or descriptive as to preclude trademark status regardless of evidence of secondary meaning. This court found those views strongly attractive but found it unnecessary to reach the question. Well, belatedly, thank you very much for your patience.