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Judge James L. Oakes Addresses Sixty-Second Annual Judges Dinner with Record 1,700 in Attendance

The Honorable James L. Oakes of the United States Court of Appeals for the Second Circuit addressed a record number of 1,700 members and their guests at the NYPTC's sixty-second annual dinner honoring the Federal Judiciary held at the Waldorf Astoria Hotel on March 30, 1984. The more than ninety honored guests included three Circuit Court judges, twenty-two District Court judges, twelve magistrates, nineteen judges of the New York State courts and twenty representatives of various bar associations.

Here follows the text of Judge Oake's address:

The members of this Association are to be envied. You are in perhaps the most exciting branch of the legal profession today. It's so exciting for three reasons.

The first is, of course, the rapidly changing technology. Photocopying, videotaping, computer programming, robotics, are old hat to us — the protection of hardware in the form of computer chips or software has even yet to be worked out.

Looking at the future, it's mind-blowing. The Patent Office, reversing itself, just last month granted a patent to Stanford University relative to gene splitting and gene cloning. Sandia Laboratories' mathematicians just last month announced that with 32 hours of computer time they solved a 300-year-old puzzle of factoring a 69-digit number, giving rise to fears that any cryptographic system can be cracked and hence all secrets, military messages or records as to electronic funds transfers, not to mention other encoded computer programs, be made available to others. Recent medical developments relative to embryos and recombinant DNA speak to problems in your area in the future. Are



Hon. James L. Oakes

recombinant DNA molecules patentable? Live, human-made micro-organisms have, as you know, been held by the Supreme Court to be, at least where they serve a function possessed by no naturally occurring bacteria, such as eating up oil spills. *Diamond v. Chakrabarty*, 447 U.S. 303 (1980). Future technology is unlimited.

The second reason you are in such an exciting branch of the law is that it is so intellectually challenging. This is so because it increasingly meshes, intertwines, and converges with other branches of the law. Antitrust implications have, of course, always been around; I'm not talking about those.

Interface with the First Amendment is now with us; the recent *Harper & Row v. The Nation* and *Consumers Union* cases relative to "fair use" demonstrate that convergence. Just for the record, I question seriously the result in the first of those

cases, which permits a magazine to copy part of a copyrighted book as "news". And I dissent vehemently from the second, which permits a manufacturer to use in its advertising the fruits of a consumer bureau's research.

And what with billions of dollars of piracy — whether of computer chips, records, videotapes, watches, or whatever — there is a whole new intermeshing of the law of intellectual property with the criminal law; you people are going to have to give prosecutors short courses on patent, trademark, and copyright technology while you yourselves are studying RICO. (For those who don't know, RICO is the anti-racketeering act that is now used for every garden variety fraud claim.) Of course your counterparts who should be brushing up on *Miranda* warnings do not belong to the New York Patent, Trademark and Copyright Law Association, the motto of which I understand to be is "our clients never steal,

continued on page 2

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JUDGE OAKES

continued from page 1

they just utilize what's in the public domain."

But in addition to technological change and intellectual challenge, a third reason for excitement, I should think, is a whole new attitude on the part of the courts. For forty or fifty years patent, trademark, and copyright laws have been viewed askance by the courts because they create a monopoly; thus, they have been narrowly construed. It has until recently been practically impossible to get a patent upheld, even though a strong argument can be made that protection of intellectual property promotes competition. And not long ago the Ninth Circuit practically invalidated the trademark laws by requiring that for a trademark to be valid, customers must identify the specific trademark — in that case the Monopoly game — with the particular manufacturer, Parker Bros., as if that made any difference.

But there's new recognition that the Founding Fathers knew what they were doing when they gave Congress "the 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." One of several examples is the Supreme Court's protection of a *process* of curing synthetic rubber in *Diamond v. Diehr* (450 U.S. 175) despite the use of a mathematical formula and a programmed computer. In this respect the Second Circuit too has taken some new looks. One of the last opinions written by my friend and fellow Vermonter, the late Judge Sterry Waterman (*Shackleton v. J. Kaufman Iron Works*), upheld the validity of a rather simple but very innovative patent by a couple of New York City firemen who with the help of an engineer friend devised a folding metal window that would keep thieves out but could still be opened by someone from within who was trapped in a fire. And I was happy to be the author of a recent trademark opinion taking a diametrically opposite view from the California Monopoly game case; all that's necessary is that the customer identify the trademark with a source, even an anonymous one, to uphold the mark.

Of course, we can't feel too proud. Congress took our appellate patent jurisdiction away and gave it to the Court of Appeals for the Federal Circuit. My friend Bill Conner tells me that as a result there have been more new patent cases brought in the Southern District than there have been for decades. There's only one explanation — you know the appeal will go to the CAFC instead of to the

Second Circuit. Well, at least the Second Circuit still has jurisdiction to deal with trademarks and copyrights for "Batman," "Superman," "Masters of the Universe," the "General Lee," and Barry Kieselstein-Cord's belt buckles and Bill Blass's jeans or Olga's bras. So much for "intellectual" property — some would say it's all we're capable of dealing with.

Seriously, there is a swing of the pendulum toward a new recognition by the courts of the importance of intellectual property. Now you can ask us judges the question, what's wrong with the judicial system — is it ignorance or apathy? No longer do we reply, we don't know and we don't care. We *know* that there has been a startling decline in U.S. technological dominance, whether we're talking cameras, optics, autos, radios, television, lasers, or robots. We have *seen* U.S. shares of world markets, even our domestic market, steadily decrease. Moreover, we *care* about the role of protection to intellectual property in terms of technological advance. We *know* that there is not going to be investment in research and development without such protection — look at our steel industry, for example. We are *aware* that other countries permit joint industrial research and development for the national benefit without subjecting the joint ventures to automatic stringent antitrust treble-damage actions. And we too are *concerned* lest IBM's technology be stolen by a foreign rival, or a novel toy be pirated in Taiwan. In short, the courts are increasingly aware that growth is essential to the development of the American economy and that to accomplish growth the protection and promotion of intellectual property is absolutely essential.

With these positive things going, you people are really in a booming growth industry. But I am sure you agree that professional success carries with it professional responsibility to the public. There are two forms, I venture to suggest, that the exercise of that responsibility might take. One is not to become too narrowly centered. I do hope that the Patent, Trademark and Copyright Bar and its good friends in Congress do not play havoc with a pretty well-tuned judicial system that's served the country well. For example, one bill in Congress, aimed I guess at a particularly bad decision by a district judge, would give the Court of Appeals for the Federal Circuit, as well as us other, lesser courts of appeal, jurisdiction over interlocutory appeals — appeals before final judgement. My feeling has always been that the surest way to decide a case wrongly is to have insufficient facts, and the surest way to have insufficient facts is to have an interlocutory appeal with its built-in incomplete record.

Another bill supposedly to guard against cases like the California Monopoly game case would give exclusive jurisdiction over trademarks to the Court of Appeals for the Federal Circuit. I still think there's room for generalist courts, and I suggest it is unwise in the long run to center appointive power at 1600 Pennsylvania Avenue, Washington, D.C.; the court you like today may be the court you dislike tomorrow. But from a larger perspective, if a specialized court in your area of the law, why not specialized courts for the environment, for admiralty, for securities cases, or for any other specialized area of the law?

The second form which your exercise of responsibility might take is a suggestion that I broach with some diffidence because I am sure it has been thought of by many people here. It is that you take the lead in forming a Patent, Trademark and Copyright Bar Research Foundation, modeled to some extent on the American Bar Research Foundation. No, before you applaud, its purpose would not be solely to create a tax deduction. Rather it would perform such functions as:

1. Prompting original legal research at the frontiers of the patent, trademark, and copyright field, research concerning itself with the future, the knottiest problems, the unsolved problem areas of the law;

2. Sponsoring awards for student and scholarly work in the field, beyond the ASCAP copyright awards and toward recognition of continued scholarship as well as creative new thinking;

3. Setting standards for continuing legal education in the speciality that you engage in; and

4. Perhaps most revolutionary of all, setting up a Legal Aid-type bureau for impoverished, individual inventors, writers, composers, artists, designers, and such, or, more appropriately, perhaps, an organization to which your average general practitioner — lost in the field — could refer such people, a sort of central clearinghouse operating on a legal-clinic basis, so that such people can get sound advice at minimal expense. Let's face it, the Robert Fultons, Charles Goodyears, Thomas Edisons of yesterday today could get nowhere without a patent lawyer, and probably couldn't afford one, at least when getting started. Can we put this much substance back into the Founding Father's dream, now that that dream is bringing fulfillment to you?

Whether or not you heed my little warning about tinkering with the judicial system or pursue my not-so-little suggestion about a Patent, Trademark and Copyright Bar Research Foundation, I am proud to have been invited to share in celebrating with this great association the

excitement at your new era of technological change, intellectual challenge, and changing judicial attitudes. Thank you so much for inviting Mrs. Oakes and me. I can only hope when you go home you won't be like the Vermonters after the political speech. The one, a little hard of hearing, asked the other, "What was he talking about?" The other, a Vermonters replied, "He didn't say."

Developments in Obviousness*

by David H. Pfeffer

1983 was a very significant year in the evolution of Section 103, the Obviousness Section of the Patent Act. Its culmination was in the *GORE-TEX* case, *W.L. Gore & Associates, Inc. v. Garlock, Inc.*, 721 F.2d 1540, 220 U.S.P.Q. 303 (Fed. Cir. November 14, 1983), the first case in which the Court of Appeals for the Federal Circuit reversed a trial court's holding of obviousness.

The *GORE-TEX* product was the first waterproof but breathable product on the market. It is used in outdoor clothing, like ski-wear, and it is also used to make artificial arteries and veins for grafting in the human body. The trial judge held the invention obvious, notwithstanding his finding that over \$60,000,000 of the Gore Co.'s annual sales were attributable to the patents in suit, and notwithstanding the evidence that 300,000 patients had already received *GORE-TEX* artificial arteries and veins. The trial court held the patents invalid for obviousness, among other grounds, and in doing so said that commercial success could not save an invention that was obvious.

Chief Judge Markey, writing for the Court was highly critical:

"The district court erred in specifically declining to consider the objective evidence of non-obviousness . . . That evidence can often serve as insurance against the insidious attraction of the siren hindsight when confronted with a difficult task of evaluating the prior art." (721 F.2d at 1553)

Judge Markey explained the importance of fully considering the "secondary considerations" authorized by the Supreme Court's *Graham v. John Deere* decision, labelling them as "objective evidence of non-obviousness":

"The objective evidence of non-obviousness, i.e., the 'indicia' of *Graham*, supra, may in a given case be entitled to more weight or less, depending on its nature and its relationship to the merits of the

invention. It may be the most pertinent, probative and revealing evidence available to aid in reaching a conclusion on the obvious/non-obvious issue. It should when present always be considered as an integral part of the analysis." (721 F.2d at 1555)

The Court went on to discuss the factors of long felt need and the immediate commercial success, and the praise from the industry and said:

"Considering the long felt need for these products and the obvious commercial advantage to be gained by meeting that need, it is reasonable to conclude that the claimed products of the 390 patent would not have been obvious to persons of ordinary skill in the art at the time the claimed inventions were made." (ID.)

The growing importance to patent validity determinations of the "secondary considerations" has become apparent. There were 19 published decisions by the CAFC in 1983 that decided the issue of §103 obviousness. While the *Gore* case was the only one to reverse a trial court's holding of obviousness, there were 9 decisions in which inventions were ruled to be non-obvious. In two of these nine cases, no possible combination of references would yield the claimed invention. Some element was absent. But in each of the remaining cases, the evidence showed that the invention had filled a long felt need, that the inventor had proceeded contrary to the accepted wisdom and there was commercial success. And, interestingly, in each of the ten cases in which the CAFC held inventors to be obvious, the opinion noted the absence of objective proof of non-obviousness.

Merely proving sales, the time-honored way of establishing commercial success, is generally not enough to overcome a showing of obviousness. The patentees in the second *Orthopedic*¹ case and in the *Kansas Jack*² case and in the *Union Carbide*³ case did just that. The CAFC appears to be more impressed with proof that the invention replaced prior art devices or, more significantly, satisfied a long felt need. In the *Union Carbide* case, the Court said that if the invention supplanted the prior art device on which the conclusion of obviousness was based, that "would be particularly persuasive of non-obviousness." In the *Stratoflex*⁴ decision, the Court referred to recognition and acceptance of the patent by competitors who take royalty-bearing licenses as evidence of non-obviousness.

The synergism requirement for obviousness is officially dead. The interment was in the *Kansas Jack* case.

Indeed; the CAFC has warned counsel to avoid mentioning the term "synergistic results" (see footnote 4 of *Union Carbide*.) However, the Court went on to say that if you show an unexpected or surprising result, synergism by any other name, that too could be objective evidence of non-obviousness.

Objective evidence of non-obviousness is not restricted to infringement cases. In *re Semaker*⁵ is an appeal from the Patent Office where this "objective evidence" of non-obviousness was used by the CAFC in reversing the Examiner's rejection.

What it comes to is that we seem to be developing a new aspect of the prima facie obviousness doctrine. That is, if the prior art as properly put together can reasonably be said to point toward the invention, proof of satisfying a long felt need or of proceeding contrary to accepted wisdom, or of one or more of the other objective tests, can be enough to overcome the problem. Mere sales volume, by itself, is generally insufficient.

The Test For Obviousness

Before reaching a conclusion on the §103 obviousness issue, the court or the patent examiner is required to evaluate the three *Graham v. John Deere*⁶ criteria plus what is now called the additional objective evidence of non-obviousness. The best CAFC exposition of the determining process appears in *Environmental Designs v. Union Oil*.⁷

Announcement of Second Annual Sidney A. Diamond Memorial Award

A prize of Five Hundred Dollars (\$500.00) will be awarded for the best previously unpublished article (in the opinion of the judges) on an international theme related to the protection of intellectual property (patents, designs, trademarks, copyrights). The article may be by an attorney, law student or other interested person.

The award is presented by the American Group (IPTA) of the International Association for the Protection of Industrial Property (AIPPI) in memory of Sidney A. Diamond, former Commissioner of Patents and Trademarks and Officer of IPTA, whose death in 1983 was a great loss to his co-workers and friends.

The article (5000 words or less) should be submitted by September 1, 1984 to:

S. Delvalle Goldsmith
26 West 61st Street
New York, New York 10023

It is hoped that the award can be made at or about the end of the year at a meeting of the Group or other organization.

The examiner or the trial court or the jury is required to make findings as to the scope and content of the prior art, the differences between the invention as claimed and the prior art, and the level of ordinary skill in the art at the time the invention is made. In addition, findings are to be made as to the objective evidence of non-obviousness. The CAFC has in its 1983 decisions clearly outlined its views on what proof of each of these issues entails. Once all of these findings are made, then the court or examiner considers them and draws a conclusion on the issue of obviousness. Note that this conclusion must *not* be on obviousness of the differences from the prior art. It must be on the obviousness of the claimed invention as a whole.

There has been a split among the Circuits as to what this holding of obviousness is—a question of law, a question of fact or something in between. That is an important issue on an appeal because it establishes the proper standard of review.

But the law is now clear—the Court of Appeals can reach its own conclusion of obviousness and reverse the jury verdict or the trial court if it disagrees without applying the clearly erroneous or substantial evidence rules. It did just that in *White v. Jeffrey Mining*⁸, where a jury verdict of non-obviousness was reversed and in *Gore v. Garlock* where a trial court holding of obviousness was reversed, both without using the clearly erroneous or substantial evidence rules.

Because the *Gore v. Garlock* case was the first reversal by the CAFC of a holding of patent invalidity, it does discuss a number of points that are of interest in the obviousness area in addition to the objective evidence. The Court did say that

it was leaning toward a holding of non-obviousness even before considering long felt need, etc. For example, the trial court's obviousness conclusion was based on a particular feature being the "gist" of the invention. The CAFC held that it was error to consider just the "gist" and not to consider the claims as a whole including each of their limitations, and that the references as a whole should have been considered—those portion teaching away from the invention, as well as those teaching toward it. In explaining the trial court's error, Judge Markey stated:

" . . . the claims were used as a frame, and individual naked parts of separate prior art references were employed as a mosaic to recreate a facsimile of the claimed invention. At no point did the district court, nor does Garlock, explain . . . what there was in the prior art that would have caused those skilled in the art to disregard the teachings there found against making just a mosaic." (721 F.2d at 1552)

The Court also noted that "a claim to a new product is not legally required to include critical limitations," so long as the claims are not drawn to ranges within broad prior art teachings or optimization of ingredients (721 F.2d at 1556)

One caveat on this combining of references — if the reason for not combining is economic rather than technological, that would not bar the combination. See, *Orthopedic v. U.S.*⁹

Burden of Proof

Some courts have said that the presumption of validity is weakened or does not hold with respect to references not considered by the PTO. *Gore v. Garlock* and *Richdel v. Sunspool*¹⁰ put that doctrine to rest. The presumption of validity and

the burden of proof never varies. The burden, according to *Connell v. Sears Roebuck*,¹¹ is always clear and convincing evidence. And just as counsel has been cautioned against speaking of synergistic results, the CAFC has also cautioned in the *Union Carbide* decision against speaking about "weakened presumptions of validity."

In short, it appears that the CAFC spent 1983 in attempting to fulfill its mandate to create a uniform body of patent law. What has emerged in the Section 103 area is a clear exposition that meritorious inventions will be protected.

FOOTNOTES

*This article is based on a speech given by Mr. Pfeffer at an NYPTC luncheon meeting on January 26, 1984.

1. Orthopedic Equipment Co. v. All Orthopedic Applicances, 217 U.S.P.Q. 1281 (CAFC 1983)
2. Kansas Jack, Inc. v. Kuhn, 219 U.S.P.Q. 857 (CAFC 1983)
3. Union Carbide Corp. v. American Can Co. 220 U.S.P.Q. 584 (CAFC 1984)
4. Stratoflex, Inc. v. Aeroquip Corp., 218 U.S.P.Q. 871 (CAFC 1983)
5. In re Sernaker, 217 U.S.P.Q. 1 (CAFC 1983)
6. Graham v. John Deere Co., 383 U.S. 1 (1966)
7. Environmental Designs Ltd. v. Union Oil Co. of California, 218 U.S.P.Q. 865 (CAFC 1983)
8. White v. Jeffrey Mining Machinery Co., 220 U.S.P.Q. 703 (CAFC 1983)
9. Orthopedic Equipment Co. v. United States, 217 U.S.P.Q. 193 (CAFC 1983)
10. Richdel v. Sunspool Corp., 219 U.S.P.Q. 8 (CAFC 1983)
11. Connell v. Sears Roebuck & Co., 220 U.S.P.Q. 193 (CAFC 1983)

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