THE NEW YORK PATENT, TRADEMARK AND COPYRIGHT LAW ASSOCIATION

NYPTC BULLETIN

Volume 27 November/December 1987 Number 2

SECOND CIRCUIT BICENTENNIAL

December 15th, 1987 will be the start of a six month Patent Exhibit celebrating the Patent Clause of the Constitution. The exhibit will be at the lobby of the Federal Courthouse in Foley Square in New York City.

There will be an opening address presented by the Honorable Donald J. Quigg, Commissioner of Patents and Trademarks, in a courtroom next to the lobby. This will be followed by a wine and cheese party in the foyer of the Courthouse adjacent to the Patent Exhibit. The Opening will commence at 5 p.m. with Commissioner Quigg's address.

The exhibit will consist of Thirteen National Hall of Fame modules of Famous Inventors. In addition, there will be a Twelve Panel Printed Display celebrating the Constitutional Origin of the Patent System of the United States. There will also be a booklet handed out which was prepared by members of the association in further celebration of the Patent Section of the Constitution.

SUMMARY JUDGMENTS IN PATENT CASES

By Edward V. Filardi

The 1985 trilogy of decisions by the Supreme Court in *Celotex Corp. v. Catrett*, 477 U.S. 317, 106 S. Ct. 2548 (1986); *Anderson* v. *Liberty Lobby, Inc.*, 477 U.S. 242, 106 S. Ct. 2505 (1986); and *Matsushita Elec. Indus. Co. v. Zenith Radio* 475 U.S. 574, 106 S. Ct. 1348 (1986) has resulted in an increased receptivity to summary judgment in patent cases. *Celotex, Anderson* and *Matsushita* have provided substantive as well as procedural guidance in an area of law previously plagued with confusion and uncertainty. In these decisions, the Supreme Court specifically clarified the legal principles underlying the evidentiary burdens of proof in summary judgment motions, the form of the evidence to be presented in support of such motions, and the procedural sisterhood of Rule 56 motions and motions for directed verdict under Rule 50(a).

In October 1986 Chief Judge Feinberg, citing Celotex, held in *Knight v. U.S. Fire Insurance*, 804 F. 2d 9 (CA 2 1986):

> It appears that in this circuit some litigants are reluctant to make full use of the summary judgment process because of their perception that this court is unsympathetic to such motions and frequently reverses grants of summary judgment. Whatever may have been the accuracy of this view in years gone by, it is decidedly inaccurate at the present time, as borne out by a recent study by the Second Circuit Committee on the Pretrial Phase of Civil Litigation, chaired by Professor Maurice Rosenberg. The Committee analyzed the published and unpublished decisions of the Second Circuit for the period from July 1, 1983 to June 30, 1985 and found that the affirmative rate on appeals from orders granting summary judgment was 79%. Final Report of the Second Circuit Litigation 16-17 (June 1986). Thus it is evident that grants of summary judgment are upheld on appeal in most cases. That figure is comparable to this circuit's 84% affirmance rate for appeals in civil cases generally. *Id.* The widespread misperception regarding the disposition of appeals of summary judgment may be due to the fact that reversals are much more likely to be reported in published opinions than affirmances, which frequently are disposed of by unpublished orders under our Local Rule § 0.23. *Id.* We hope that the Committee's study dispels the misperception so that litigants will not be deterred from making justifiable motions for summary judgment. *Id* at 12.

NATURE OF RULE 56

Generally, the procedural nature of Rule 56 is that of a motion to dismiss. But unlike other grounds for dismissal based upon procedural matters, such as lack of jurisdiction or venue, or failure to

CALENDAR OF EVENTS

DEC. 15	Bicentennial of U.S. Constitution-Patent Exhibit Opening at the U. S. Courthouse, Foley Square, New York City at 5:00pm.
JAN. 12, 1988	NYPTCLA Luncheon- Speaker- Gerald Flintoff of Pennie & Edmonds. Subject- "Attorney/Client Privilege."
JAN. 21	Joint Meeting with New Jersey Patent Law Association at New York Penta Hotel. Cocktails - 6:00PM Dinner - 7:00 PM

state a claim upon which relief may be granted, a summary judgment motion requesting a determination of substantive issues, such as validity, infringement or enforceability, requires all parties to make a careful assessment of the nature of the available evidence and to focus sharply upon the triable issues in the case. The very nature of Rule 56 compels all parties to determine what facts are *both* material and genuinely in dispute. Fed. R. Civ. P. 56(c).

The lack of a definition in Rule 56 as to what is a "genuine" issue and what is a "material" fact has proved particularly troublesome. Even after careful assessment, lingering uncertainty about the "genuine" and "material" standards often times clouds the question whether a summary judgment motion is appropriate. In large measure, ambiguous standards, coupled with the principle that all inferences are to be drawn and all doubt is to be resolved in a light most favorable to the non-moving party, *United States v. Diebold* 369 U.S. 654,655 (1962), account for the general reluctance towards moving for or granting summary judgment on substantive issues.

Prior to the 1985 Supreme Court trilogy, judicial guidance in defining "genuine" and "material" had been scarce. Judges disposed of summary judgment motions on a case by case basis while cautiously avoiding any interpretation of the "genuine" and "material" standard of Rule 56. Such judicial caution cast an undeserved shadow on Rule 56, resulting not only in a misperception about the Rule, but, more importantly, in an alarming under-utilization of what is an integral part of the mechanism of the Federal Rules of Civil Procedure intended to bring about a speedy and less costly judicial determination.

It was in this atmosphere of uncertainty that the Supreme Court rendered its important holdings in the *Celotex, Anderson* and *Matsushita* cases. In *Anderson*, the Supreme Court held that a dispute as to a material issue is only "genuine" under Rule 56(c) when "the evidence is such that a reasonable jury could return a verdict for the non-moving party." *Anderson v. Liberty Lobby*, 477 U.S. at _____, 106 S.Ct. at 2510. Further, a factual issue is "material"only if it "might affect the outcome of the suit under governing law." *Id.*

It is particularly noteworthy that the Supreme Court couched the "genuine" dispute standard of Rule 56 in the familiar "reasonable jury" and "verdict" terms. With one quick stroke, the Court removed past uncertainties by allowing the standard to be measured against one of the oldest legal yardsticks, namely, the "reasonable man". In addition, the Court directly implicated the standard for directed verdict under Federal Rule of Civil Procedure 50(a). Indeed, the Supreme Court stated in *Anderson* that the standard under Rule 56 mirrored that for a directed verdict motion. *Id.* at 2511. Summary judgment and directed verdict motions differ only in the point in the litigation when each is made.

In *Celotex*, the Supreme Court held that the non-movant must make a showing sufficient to establish the existence of an issue essential to that party's case, and on which that party will bear the burden of proof at trial, or summary judgment will be granted against the party. *Celotex Corp. v. Catrett*, 477 U.S. at _____, 106 S. Ct. at 2553. Further, where the movant will not bear the burden of proof at trial, that party need only identify those portions of pleadings, depositions, answers to interrogatories, admissions, or affidavits which it believes demonstrate the absence of material fact. *Id.* As such, the party who bears the burden of proof at trial must present more than some evidence and must make an affirmative evidentiary showing sufficient to establish the elements of its claim.

Procedurally, the Court in *Celotex* held that the evidence presented in support of the motion need not be in affidavit or similar form, stating:

> [W]e find no express or implied requirement in Rule 56 that the moving party supports its motion with affidavits or other similar materials negating the opponent's claim. On the contrary, Rule 56 (c), which refers to "the affidavits, *if any:* (emphasis added), suggests the absence of such a requirement. And if there were any doubt about the meaning of Rule 56 (c) in this regard, such doubt is clearly removed by Rules 56 (a) and (b), which provide that claimants and defendants, respectively, may move for summary judgment *"with or without supporting affidavits"* (emphasis added). *Celotex Corp. v. Catrett, Id. 2553.*

THE FEDERAL CIRCUIT AND SUMMARY JUDGMENT IN PATENT CASES

The Patent bar has never perceived the Federal Circuit as being hostile to summary judgment. From its inception in 1983, the Federal Circuit has been receptive to summary judgment motions. See *D.L. Auld Co. v. Chroma Graphics Corp.*, 714 F. 2d 1144 (Fed. Cir, 1983); *Chore-Time Equipment Inc. v. Cumberland Corp.*, 713 F.2d 774 (Fed. Cir. 1983). See also, *Barmag Barmer Maschinen-fabrik AG v. Murata Mach. Ltd.*, 731 F.2d 831, (Fed. Cir. 1984); *Union Carbide Corp. v. American Can Corp.*, 724 F.2d 1567 (Fed. Cir. 1984); *Molinaro v. Fannon/Courier Corp.*, 745 F. 2d 651 (Fed. Cir. 1984).

In *Molinaro*, the Court proclaimed that summary judgment was as applicable to patent cases as to other cases. This decision was particularly significant because it involved a patent infringement issue, one that had long been considered improper for summary judgment. In *Chore-Time* the court stated "where no issue of material fact is present, courts should not hesitate to avoid an unnecessary trial by proceeding under Fed. R. Civ. P. 5[illegible] without regard to the particular type of su[illegible] involved". *Chore-Time*, 713 F.2d at 776.

It was also widely perceived that a defense based on 35 U.S.C. Sec. 103 would not be particularly well-suited for summary judgment because of the factual nature of the *Graham* inquiries. *Graham v. John Deere, Inc.*, 383 U.S. 1 (1966). The Court of Appeals for the Federal Circuit quickly dispelled that notion in the *Chore-Time* decision, stating that the mere incantation of the fact findings listed in *Graham* cannot establish the impropriety of issuing summary judgment when there is no material issue of fact to resolve. *Chore Time*, 713 F.2d at 776.

Again in 1985, the Federal Circuit, sitting en banc, in *SRI International v. Matsushita Electric Corp.*, 775 F. 2d 1107, (Fed. Cir. 1985) put the patent bar on notice that Rule 56 is "as appropriate in a patent case as in other cases where there are no genuine issue of material fact". *Id.* at 1117. See also, *Hodosh v. Block Drug Company* Inc., 786 F. 2d 1136, 1141 (Fed. Cir. 1986); *Moeller v. Ioenetics Inc.*, 794 F. 2d 653, 6[illegible] (Fed. Cir. 1986). In *Hodosh*, Judge Ric.. stated that "summary judgment is authorized where it is quite clear what the truth

The New York Patent, Trademark and Copyright Law Association

HARMONIZATION SURVEY

The United States Patent Office has proposed a possible "harmonized" patent system for consideration by the three major patent offices (United States, Japanese and European) and possible future adherence by other Patent Offices. The system would include many features of our present U. S. patent law, e.g., grace period, an objective test for obviousness, "means plus function" claims, peripheral claiming practice, and no compulsory licenses. At the same time, the proposal would also require basic changes in the U.S. patent law.

Listed are some of the changes proposed for U.S. law. Kindly provide us with your comments on these changes, including an indication whether you believe the U. S. should accept these changes as part of an overall "package" of an internationally accepted "harmonized" patent system. (Note: many of these proposals will require detailed implementary regulations.)

I. A "first-to-file" system (eliminating interference and 35 USC 104).

II. A provision under the "first-to-file" system guaranteeing a personal right to prior user.

III. Extending the effective prior art date of a previously filed, subsequently published application, back to its priority date (eliminating the In re Hilmer Rule).

IV. Previously filed, subsequently published applications can only be used for novelty-defeating purposes, not for judging obviousness (eliminating 102(e) from 103).

V. The Duration of a Patent shall be 20 years from its filing date.

(OVER)

VI. Publication of patent applications 18 months from filing or priority date.

VII. Provisional rights for damages from infringement, from publication (18 months after filing) until a patent issues.

VIII. Filing by the Assignee.

IX. A one year grace period from the priority date and only for publications or acts by, or derived from, the inventor.

X. No requirement to include the best mode.

XI. Miscellaneous comments.

XII. About Yourself

Name _____
Firm _____
Address _____
_____
Telephone _____
Nature of your Practice _____

Please return your comments to:

Paul H. Heller, Esq.
President, NYPTCLA
One Broadway
New York, NY 10004

is". *Hodosh*, 786 F. 2d at 1141.

In the 1985 Federal Circuit decision in *KangaROOS U.S.A. v. Caldor, Inc.*, 778 F. 2d 1571 (Fed. Cir. 1985), the court reversed the trial judge's grant of summary judgment against a patentee on the issue of inequitable conduct. Particularly disturbed at the trial court's refusal to grant *KangaROOS*' request to present evidence on intent ("It is inconceivable that any evidence which might be adduced at trial could alter this conclusion"), Judge Newman wrote, "summary judgment of fraud or inequitable conduct, reached while denying to the person accused of the fraud or inequitable conduct the opportunity to be heard on the issue, is a draconian result." While Judge Newman's choice of prose was intended to add particular emphasis to the majority's point, the Federal Circuit clearly did not intend the *KangaROOS* decision to be a measure of its receptivity to summary judgment or to be regarded as broad precedent in summary judgment cases.

The Court held, "We merely hold that the intent of the actor is a factor to be considered in judicial determination of fraud or inequitable conduct, and that intent was not on this record amenable to summary resolution." *Id.* at 35-36. *See also, Thyssen v. Turbine Components*, 663 F. Supp. 900 (D. Conn. 1987).

Again in 1985, this time regarding an infringement issue, the Court cautioned in *D.M.I., Inc. v. Deere and Co.*, 755 F. 2d 1570 (Fed. Cir. 1985), that because infringement is itself a fact issue, "a motion for summary judgment of infringement or noninfringement should be approached with care proportioned to the likelihood of its being inappropriate." *Id.* at 1573. To the extent that the Federal Circuit decisions in *KangaROOS* and *D.M.I.* may have been reviewed by the patent bar as a revision by the Court to the part skepticism against Rule 56 motions, such a view is clearly misplaced.

Reluctance to summary judgment motions has also been grounded in a misperception that patent cases are too technical for summary determination. While it is true that the technology of some patents is so complex that extensive expert witness testimony is required to resolve many factual issues, this alone does not preclude summary judgment. In any event, a vast majority of patent cases involve relatively straightforward technology and are particularly well suited for summary judgment. This is especially true in certain instances:

(1) where the patent is readily understandable from the plain meaning of its language;

(2) where there is no dispute as to the nature of an alleged infringing device and the trial court can determine the meaning and scope of the claims without the need for expert testimony;

(3) where the evidence to be presented at trial is the same as that which will be used to support the summary judgment motion;

(4) where the nature of the claim is such that the only evidence required are documents in the public record, for example:

(i) A motion for an invalidity determination under Section 112 where the patent, its prosecution history, the pleadings and any supporting affidavits are all that is required for determination; or

(ii) A motion based upon a defense of anticipation under 35 U.S.C. § 102 predicated upon a prior publication, use or sale.

Some statistics on Federal Circuit summary judgment motions are telling. Between 1983 and 1984 the Federal Circuit decided and published opinions in approximately 14 cases involving summary judgment. In about the same time period between 1985 and 1987, the number of published decision has already more than tripled and is approaching 50. The reversal rate by the Federal Circuit in published summary judgment cases is approximately 24%, which is comparable to all other civil cases.

The sharp increase in the quantity of cases involving summary judgment has also been paralleled by a substantially wider range of substantive issues being considered for summary disposition. For example, in two recent decisions the court approved of summary judgment in two situations of first impression:

(i) In *Dana Corp. v. American Precision, et al.*, 827 F.2d 755, 3 U.S.P.Q. 2d 1852 (Fed. Cir. 1987) the court held that the question of whether the facts of record establish a license is one of law and is entirely appropriate for summary judgment.

(ii) The *Kessler* doctrine, *Kessler v. Eldred*, 206 U.S. 285 (1907) which bars an infringement action against a customer of a seller who has previously prevailed against the patentee, was the subject of a summary judgment motion in *MGA v. General Motors, et al.*, 827 F.2d 729, 3 U.S.P.Q. 2d 1762 (Fed. Cir. 1987). The court again held that where no genuine issue of material fact is present, summary judgment is proper.

The Federal Circuit's receptivity to a broad range of substantive issues underlying summay judgment motions is further evidenced by its decision in the following cases: *Warner & Swasey Co. v.*

Between 1983 and 1984 the Federal Circuit decided and published opinions in approximately 14 cases involving summary judgment. In about the same time period between 1985 and 1987, the number of published decision has already more than tripled and is approaching 50.

Salvagnini Transferica S.p.A., 806 F. 2d 1045 (Fed. Cir. 1986) (improper forum, no license rights); *Met-Coil Systems Corp. v. Korners Unlimited Inc.*, 803 F.2d 684 (Fed. Cir. 1986) (no infringement because of implied license); *Senza-Gel Corp. v. Seiffhart*, 803 F.2d 661 (Fed. Cir. 1986) (patent misuse); *George v. Honda Motor Co. Ltd.*, 802 F.2d 432 (Fed. Cir. 1986) (non-infringement); *Glaros v. H.H. Robertson Co.*, 797 F. 2d 1564 (Fed. Cir. 1986) *cert. denied*, 107 S.Ct. 1262, 94 L.Ed. 2d 124, 55 U.S.L.W. 3572 (1987) (obviousness of claimed subject matter); *Heinemann v. U.S.*, 796 F.2d 451 (Fed. Cir. 1986), *cert. denied*, 107 S.Ct. 1565, 94 L.Ed. 758, 55 U.S.L.W. 3642, *reh' g den.*, 107 S.Ct. 1988, 95 L.Ed. 2d 827 (1987) (government title in patent); *Chemical Engineering Corp. v. Essef Industries Inc.*, 795 F.2d 1565 (Fed. Cir. 1986) (non-infringement); *Porter v. Farmers Supply Service, Inc.*, 790 F.2d 882 (Fed. Cir. 1986) (noninfringement); *Unette Corp. v. Unit Pack Co.*, 785 F.2d 1026 (Fed. Cir. 1986) (non-infringement); *Indium Corp. of America v. Semi-Alloys Inc.*, 781 F.2d 879 (Fed. Cir. 1985), *cert. denied*, 107 S.Ct. 84, 93 L.Ed. 2d 37, 55 U.S.L.W. 3232 (1986) (declaratory judgment jurisdiction, anti-trust standing);

Brenner v. U.S., 773 F.2d 306 (Fed. Cir. 1985) (non-infringement); *Cable Electronic Products, Inc. v. Genmark Inc.*, 770 F.2d 1015 (Fed. Cir. 1985) (patent invalidity, unfair competition); *Builders Concrete, Inc. v. Bremerton Concrete Products Co.*, 757 F.2d 255 (Fed. Cir. 1985) (non-infringement).

SUBSTANTIVE AND PROCEDURAL STANDARDS IN PATENT CASES IN VIEW OF CELOTEX, ANDERSON AND MATSUSHITA

The import of the *Celotex* case is clear. The non-movant, who will bear the burden of proof at trial of an essential element of that party's case, must introduce evidence, apart from the pleadings, "sufficient to establish the existence" of that element. *Celotex Corp. v. Catrett*, 477 U.S. at _____, 106 S. Ct. at 2553. Moreover, where the moving party will not bear the burden of proof on an issue at trial, the movant has absolutely no burden to produce affidavit evidence to support the motion and may simply point to the portions of the existing record which indicate the absence of any material fact on the relevant issue.

Federal Circuit decisions since the Supreme court trilogy evidence a careful adherence to the higher court holdings. In *Armco, Inc. v. Cyclops Corp.*, 791 F.2d 147 (Fed. Cir. 1986), a panel of Judges Rich, Davis and Smith held that the party opposing a motion for summary judgment is merely required to point to an evidentiary conflict created on the record when the burden of proof as to that element is not borne by the opposing party. *Id.* at 149. In the more recent case of *Goodyear v. Releasomers*, 824 F.2d 953 (Fed. Cir. 1987), the Court held that affidavits are not required to oppose a summary judgment motion, which may be opposed by any kind of evidentiary material listed in Fed. R. Civ. P. 56(c). *Id.* at 955 n.2.

Rule 56(c) makes it clear that summary judgment is proper when no genuine issues of material fact are present, and the movant is entitled to judgment as a matter of law. The court must view all the evidence in a light most favorable to the non-moving party and draw all reasonable inferences in its favor. *Hodosh v. Block Drug Company, Inc.*, 786 F.2d at 1141 (citing, *United States v. Diebold, Inc.*, 396 U.S. 654, 655 (1962)). In opposing a summary judgment motion, an evidentiary conflict must be established on the record and mere denials or conclusionary statements are insufficient. *Hodosh v. Block Drug Company, Inc.* 786 F.2d at 1141 (Fed. Civ. 1986) *(citing, Barmag Barmer Maschinenfabriks AG v. Murata Machinery, Ltd.*, 731 F.2d 831,836 (Fed. Cir. 1984)).

Evidence offered in support of a motion for summary judgment need not be in a form that would be admissible at trial. *Celotex Corp. v. Catrett*, 417 U.S. at _____, 106 S. Ct. at 2553. However, in order to insure the probative value of any affidavit evidence, Rule 56 provides that an affidavit, whether in support or opposition to the motion, must be made on personal knowledge, must set forth such facts as would be admissible in evidence, and must show affirmatively that the affiant is competent to testify to the matters stated therein. Therefore, an affiant's recitation of inadmissible hearsay, or an attorney's statement which is not based on personal knowledge of the events in issue, can not be used either to support or oppose a summary judgment motion.

A trial court is not confined to the documentary record created on the motion. *See, Argus v. Eastman Kodak*, 801 F.2d 38, 42 n.2 (2d Cir. 1986), *cert. denied*, 55 U.S.L.W. 3569 (U.S. Feb. 24, 1987). Rule 43 provides for the taking of testimony in any evidentiary hearing on the motion, including a summary judgment motion. In *Armco*, Judge Davis added that the Federal Circuit can determine for itself whether all the standards for summary judgment have been met. *Armco*, 791 F.2d at 149 (*citing, Hodosh*, 786 Fed. at 1136).

The timing of a summary judgment motion can be crucial to its success. Although the motion may be made under Rule 56(c), ample time must be given to the opposing party to permit affidavits to be obtained or for discovery to be conducted so as to provide adequate opportunity to gather evidence sufficient for the court to determine the undisputed facts. A non-movant can delay or defer a ruling on a summary judgment motion by alleging insufficient opportunity to oppose the motion under Rule 56(f). Accordingly, any summary judgment motion should be made only after the evidence to support the motion is clearly established and the opposing party has had a chance to complete discovery relative to the motion. Conversely, the non-movant has an obligation to conduct the required discovery and cannot merely conclude the motion is groundless. Chief Judge Feinberg, writing in *Knight*, held:

"Nor may a party rely on mere speculation or conjecture as to the true nature of the facts to overcome a motion for summary judgment. Similarly, a 'bare assertion that evidence to support a fanciful allegation lies within the exclusive control of the defendants, and can be obtained only through discovery, it not sufficient to defeat a motion for summary judgment.'" *Knight vs. U.S. Fire Insurance*, 804 F.2d at, 12 (citing *Eastway Construction Corp. v. City of New York*, 762 F.2d 243, 249 (2d Cir. 1985)).

The New York Patent, Trademark and Copyright Law Association, Inc.
November/December 1987
Volume 27 Number 2

The BULLETIN is published periodically for the members of the New York Patent, Trademark and Copyright Law Association. Annual Non-Member Subscription is $15.00/yr. Single copies $2.00. Correspondence may be directed to the Bulletin Editor, Gregory J. Battersby, P.O. Box 1311, 184 Atlantic Street, Stamford, CT 06904-1311. Telephone No. (203) 324-2828.