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Intellectual Property

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INTELLECTUAL PROPERTY

Intellectual property refers to patents, trademarks, copyrights, and related matters. This subject has been absent from the symposium for two years.¹ However, the importance of the cases in this area that were decided by the Fifth Circuit during the current survey period justifies a return of the subject to the symposium. The majority of these cases concern the validity of patents and are discussed in the first part of the Survey. The second part of the Survey is a discussion of an important case in the field of copyright law.

I. PATENTS

The Fifth Circuit decided five cases in which the validity of a patent was an issue. The court upheld the validity of two of the patents,² but found the other three patents void, two for obviousness³ and one for anticipation.⁴

After the United States Patent Office has issued a patent, there is a presumption that the patent is valid.⁵ "This presumption is based [on] the acknowledged experience and expertise of the Patent Office . . . and . . . recognition that patent approval is a species of administrative determination supported by evidence."⁶ Although this presumption is not conclusive, the burden of persuasion on one who assails the validity of a patent is heavy.⁷ The authorities are not in accord on what the exact standard should be,⁸

1. See *Fifth Circuit Survey—Intellectual Property*, 10 TEX. TECH L. REV. 843 (1979).

2. *Continental Oil Co. v. Cole*, 634 F.2d 188 (5th Cir. Jan. 1981), *cert. denied*, 102 S. Ct. 124 (1981); *Weidman Metal Masters Co. v. Glass Master Corp.*, 623 F.2d 1024 (5th Cir. Aug. 1980), *cert. denied*, 101 S. Ct. 1519 (1981).

3. *I.U. Technology Corp. v. Research-Cottrell, Inc.*, 641 F.2d 298 (5th Cir. Apr. 1981); *Whitley v. Road Corp.*, 624 F.2d 698 (5th Cir. Aug. 1980).

4. *Ludlow Corp. v. Textile Rubber & Chem. Co.*, 636 F.2d 1057 (5th Cir. Feb. 1981).

5. *Beckman Instruments, Inc. v. Chemtronics, Inc.*, 428 F.2d 555, 560 (5th Cir.), *cert. denied*, 400 U.S. 956 (1970).

6. *Parker v. Motorola, Inc.*, 524 F.2d 518, 521 (5th Cir. 1975), *cert. denied*, 425 U.S. 975 (1976).

7. *Radio Corp. v. Radio Eng'r Laboratories*, 293 U.S. 1, 7-8 (1934).

8. See *Bird Provision Co. v. Owens Country Sausage, Inc.*, 568 F.2d 369 (5th Cir. 1978). The standard has been described by the Fifth Circuit as "by clear and convincing evidence," *Kiva Corp. v. Baker Oil Tools, Inc.*, 412 F.2d 546, 553 (5th Cir.), *cert. denied*, 396

but it is clear that significantly more than a mere preponderance of the evidence is required and that doubts are to be resolved against the party who attacks the patent.⁹ Despite this heavy burden, parties have met with some success in convincing the Fifth Circuit to declare patents void for anticipation or for obviousness.

A. *Invalid Patents*

1. Nonobviousness

Before a device can be patented, the three independent conditions of nonobviousness, novelty, and usefulness must be satisfied.¹⁰ Nonobviousness is deemed a question of law,¹¹ but the resolution of the issue "necessarily entails several basic factual inquiries"¹² In the seminal case of *Graham v. John Deere Co.*,¹³ the United States Supreme Court listed three factual determinations that must be made in testing obviousness. First, the court must determine "the scope and content of the prior art."¹⁴ Then, the court must ascertain "differences between the prior art and the claims at issue."¹⁵ The final factual determination to be made is "the level of ordinary skill in the pertinent art."¹⁶ The Court went on to list several secondary considerations, such as "commercial success, longfelt but unsolved needs," and failure of other inventors, which might have some relevancy to the question of obviousness.¹⁷ The Fifth Circuit used these factual determinations to invalidate two patents for obviousness during the survey

U.S. 927 (1969), and as "beyond a reasonable doubt," *Zachos v. Sherwin-Williams Co.*, 177 F.2d 762, 763 (5th Cir. 1949).

9. *Parker v. Motorola, Inc.*, 524 F.2d 518, 521 (5th Cir. 1975), *cert. denied*, 425 U.S. 975 (1976).

10. *Graham v. John Deere Co.*, 383 U.S. 1 (1966).

11. The nonobviousness condition arises from 35 U.S.C. § 103 (1976), which provides in part:

A patent may not be obtained . . . if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

12. *Sakraida v. Ag Pro, Inc.*, 425 U.S. 273, 280 (1976).

13. 383 U.S. 1 (1966).

14. *Id.* at 17.

15. *Id.*

16. *Id.*

17. *Id.* at 17-18.

period.¹⁸

In *Whitley v. Road Corp.*,¹⁹ the pertinent patent covered a guide-and-support mechanism for boat trailers. Mr. Whitley's device was a commercial success under the trade name "Float-On," and thousands were sold. The Patent Office granted a patent to Mr. Whitley in March 1975, and during that same month Road Corporation's Hitchhiker Trailer division began marketing "Drive-On," a trailer which was virtually identical to Whitley's patented "Float-On" trailer. Whitley and the distributors of his trailers sued Road for infringement, and Road defended on the grounds that Whitley's patent was void because his device was "obvious."²⁰

The Fifth Circuit affirmed the trial court's finding for the defendant after applying the three branches of the *Graham* test for nonobviousness.²¹ In answer to the first two factual questions, the court pointed out that the four basic components of Whitley's design—wooden V-blocks, V-guide rails, plastic sleeves, and cylindrical end caps—had all been known to the trailer industry for many years and that the differences between Whitley's trailer and the prior art were negligible.²² A combination of old and known elements can be put together in a fashion that produces an unexpected, unusual, or synergistic result and thus avoid obviousness, but this was not such a case.²³ In this case the whole was no greater than the sum of its parts. The testimony of one of Road's witnesses established the third factual determination that the device in question would have been obvious to a hypothetical individual possessing an ordinary level of skill in the trailer business.²⁴ Road's witness, who had found Whitley's design obvious, had actually produced trailers that performed the same functions and achieved the same results as Whitley's trailers. The commercial success of the Float-On trailer could have been relevant to the nonobviousness question, but since the analysis of the three major factors was conclusive, the court refused to examine any secondary

18. *I.U. Technology Corp. v. Research-Cottrell, Inc.*, 641 F.2d 298 (5th Cir. Apr. 1981); *Whitley v. Road Corp.*, 624 F.2d 698 (5th Cir. Aug. 1980).

19. 624 F.2d 698 (5th Cir. Aug. 1980).

20. *Id.* at 699.

21. *Id.* (citing *Graham v. John Deere Co.*, 383 U.S. 1 (1966)).

22. 642 F.2d at 700.

23. *Id.* at 700-01 (citing *Huron Mach. Prods. v. A. & E. Warbern, Inc.*, 615 F.2d 222 (5th Cir. 1980)).

24. 642 F.2d at 701.

considerations.²⁵

The Fifth Circuit affirmed another finding that a patent was invalid for obviousness in *I.U. Technology Corp. v. Research-Cottrell, Inc.*²⁶ In applying the *Graham* test in this case, the court first faced the problem of deciding what was the "pertinent" art against which the obviousness of the invention was to be tested.²⁷ The patent in this case involved a method for stabilizing scrubber sludge and fly ash, two pollutants produced by coal-burning electric power plants. I.U. Technology Corporation (IUT), the patent owner, argued that the art involved was that of scrubber sludge waste disposal, but Research-Cottrell contended that the problem solvers were engaged in the technology of cement chemistry. The trial court and the Fifth Circuit agreed that the art by which the obviousness of an invention is to be tested is the art of the "problem solvers" rather than the art of the "users" of the device or method.²⁸ In this case, the users of the method were clearly in the field of scrubber sludge waste disposal, but the problem solvers practiced cement chemistry.

The court compared the case with several earlier cases in which the art of the inventor, rather than the art of the user, was the pertinent art.²⁹ It also pointed out that even if cement chemistry was not the most pertinent art, it was at least analogous to the field of scrubber sludge waste disposal, and analogous arts are to be included within the meaning of "prior art."³⁰ Having settled upon cement chemistry as the test art, the court then applied the three branches of the *Graham* test to determine the obviousness of IUT's invention. The court found that prior art in the field of cement chemistry, including two foreign patents and two 1969 publications, made IUT's method obvious to a person of ordinary skill in the art of cement chemistry.³¹ Thus, the Fifth Circuit affirmed the trial court's judgment that the patent was invalid for

25. *Id.*

26. 641 F.2d 298 (5th Cir. Apr. 1981).

27. *Id.* at 302.

28. *Id.*

29. *Id.* at 303. For example, in *In re Grout*, 377 F.2d 1019 (C.C.P.A. 1967), the invention was a novel fastening means used on beehives, and the court considered the art of fasteners rather than the art of beekeeping.

30. 641 F.2d at 304 (citing *Catholic Protection Serv. v. American Smelting & Ref. Co.*, 594 F.2d 499 (5th Cir.), *cert. denied*, 444 U.S. 965 (1979)).

31. 641 F.2d at 306.

obviousness.³²

2. Novelty

The third patent that the Fifth Circuit invalidated during the survey period was voided for anticipation or, in other words, a lack of novelty. In *Ludlow Corp. v. Textile Rubber & Chemical Co.*,³³ the court affirmed the trial court's finding that Ludlow's process for making a resilient foam product from a frothed-up wet latex compound lacked the necessary novelty to be patentable.³⁴ Unlike the defense of obviousness, which raises a question of inventiveness, the defense of anticipation speaks only to the novelty of an invention.³⁵ Novelty is lacking in a patented process if all the elements of the process are found in a single example of prior art, whether the earlier process was patented or not.³⁶ Thus, a process may be anticipated only by a process,³⁷ and the earlier process must have been complete, reduced to practice, and successfully performed.³⁸ In *Ludlow*, a separate trial was held on the single issue of whether Ludlow's patent was anticipated by an earlier process developed by a scientist named Ashley.³⁹ The trial was basically a battle of experts, and the trial judge agreed with the defendant's expert that Ashley's process anticipated the plaintiff's patented process.⁴⁰ Apparently the credentials and testimony of the defendant's expert were more impressive than the credentials and testimony of the plaintiff's expert. Because of the highly complex scientific evidence presented at the trial, the Fifth Circuit re-

32. *Id.* at 307.

33. 636 F.2d 1057 (5th Cir. Feb. 1981).

34. *Id.* at 1061. The requirement of novelty arises from 35 U.S.C. § 102 (1976), which provides in part, "A person shall be entitled to a patent unless—(a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant"

35. *Continental Oil Co. v. Cole*, 634 F.2d 188, 196 (5th Cir. Jan. 1981), *cert. denied*, 102 S. Ct. 124 (1981).

36. 636 F.2d at 1059 (citing *Mohasco Indus., Inc. v. E.T. Barwick Mills, Inc.*, 221 F. Supp. 191 (N.D. Ga. 1963), *aff'd mem.*, 340 F.2d 319 (5th Cir. 1965), *cert. denied*, 382 U.S. 847 (1968)).

37. 636 F.2d at 1059 (citing *W.D. Haden Co. v. Mathieson Alkali Works, Inc.*, 122 F.2d 650 (5th Cir. 1941)).

38. 636 F.2d at 1059 (citing *Coffin v. Ogden*, 85 U.S. (18 Wall.) 120 (1873); *Stamicarbon, N.V. v. Escambia Chem. Corp.*, 430 F.2d 920 (5th Cir.), *cert. denied*, 400 U.S. 944 (1970)).

39. 636 F.2d at 1058.

40. *Id.* at 1060.

lied heavily on the fact findings of the trial court and affirmed the judgment on the basis that those findings were not clearly erroneous.⁴¹

B. Valid Patents

In the two cases in which the Fifth Circuit upheld the validity of patents during the survey period, the patents were examined for both obviousness and anticipation and found acceptable.⁴² In *Weidman Metal Masters Co. v. Glass Master Corp.*,⁴³ the patent in issue covered a device used to cut grooves in duct board so that it could be used to form ducts for central air-conditioning and heating systems. The patented machine was compared with earlier machines which cut triangular grooves in the duct board. The new device cut shiplap rather than triangular grooves, and thus, the duct board cut on the new patented machine was easier to form into the desired shape. During the course of the trial, an experiment was performed in which shiplap tools were put on the earlier machines with poor results. The trial court and the Fifth Circuit thus agreed that the patented machine was neither anticipated nor made obvious by the earlier device.⁴⁴

The Fifth Circuit upheld the validity of a patent for a seismic-cable, depth-controlling paravane in *Continental Oil Co. v. Cole*.⁴⁵ Cole contended that Conoco's patent was both anticipated and obvious, based upon a working model of and a patent on a similar device designed by Buford Baker, an employee of Texas Instruments, Incorporated. The court noted that the Baker patent predated the Conoco patent by only three weeks; thus the presumption of validity could be strengthened since the same patent examiners had simultaneously reviewed the two applications.⁴⁶ The court chose, however, to presume that the Patent Office had not considered the Baker patent prior to issuing the patent to

41. *Id.* at 1061.

42. *Continental Oil Co. v. Cole*, 634 F.2d 188 (5th Cir. Jan. 1981), *cert. denied*, 102 S. Ct. 124 (1981); *Weidman Metal Masters Co. v. Glass Masters Corp.*, 623 F.2d 1024 (5th Cir. Aug. 1980), *cert. denied*, 101 S. Ct. 1519 (1981).

43. 623 F.2d 1024 (5th Cir. Aug. 1980), *cert. denied*, 101 S. Ct. 1519 (1981).

44. *Id.* at 1030.

45. 634 F.2d 188 (5th Cir. Jan. 1981), *cert. denied*, 102 S. Ct. 124 (1981).

46. *Id.* at 195 (citing *McCutchen v. Singer Co.*, 386 F.2d 82 (5th Cir. 1967)).

Conoco.⁴⁷

The Baker paravane was "clamped" to the cable, whereas the Conoco model was free to rotate. In light of this fact, the court ruled that the latter was not anticipated by the former, stating "unless all of the same elements or their equivalents are found in substantially the same situation where they do substantially the same work in the same way, there is no anticipation."⁴⁸ The working model of Baker's device was apparently free to rotate, but the court rejected the working model as prior art because the model had never been made public.⁴⁹ A description of the model had been submitted to the patent department of Texas Instruments, where Baker was employed, but the court noted that prior art does not include such private intracorporate communication.⁵⁰ On the obviousness issue, the Fifth Circuit did not expressly apply the main *Graham* factors, but went directly to the secondary consideration of the failure of others.⁵¹ Since Baker and his co-workers at Texas Instruments had spent over three years trying unsuccessfully to produce a functional paravane, it was evident that Conoco's device was not obvious.⁵² The court described the Conoco paravane as "innovatively different"⁵³ and upheld the validity of the patent as being both novel and nonobvious.⁵⁴

C. Conclusion

Despite the heavy burden of persuasion on one who attacks the validity of a patent, three of the five attacks made during the survey period were successful. Two of the voided patents were struck down because the invention would have been obvious to a person having ordinary skill in the pertinent art. The Fifth Circuit applied the three-part test of *Graham v. John Deere Co.*⁵⁵ to determine the obviousness of the invention. The third patent that was voided was for a process which was found to lack the requisite

47. 634 F.2d at 195.

48. *Id.* (footnote omitted).

49. *Id.* at 196.

50. *Id.* (citing *Stamicarbon, N.V. v. Escambia Chem. Corp.*, 300 F. Supp. 1209 (N.D. Fla. 1969), *modified*, 430 F.2d 920 (5th Cir.), *cert. denied*, 400 U.S. 944 (1970)).

51. 634 F.2d at 197.

52. *Id.*

53. *Id.*

54. *Id.* at 199.

55. 383 U.S. 1 (1966).

novelty to merit a valid patent. The two patents that were upheld were subjected to the same tests of obviousness and anticipation and were found sufficient. These cases give valuable insight into the standard of persuasion that must be met in order to invalidate a patent within the Fifth Circuit.

II. COPYRIGHT

In the survey period, the Fifth Circuit decided only one case dealing with copyright law, *Triangle Publications, Inc. v. Knight-Ridder Newspapers, Inc.*⁵⁶ The district court opinion in this case⁵⁷ was the first opinion ever to hold that a copyright suit could be defeated by a first amendment defense.⁵⁸ The Fifth Circuit affirmed the judgment, but the majority did not reach the constitutional issue.⁵⁹

The case involved the use of copyrighted *TV Guide* covers in newspaper advertisements for the *Miami Herald's* television booklet. The copyright covers were also used in two television commercials. The publisher of *TV Guide* sued for injunctive relief in the federal district court. The district court denied the injunction on first amendment grounds, and the plaintiff appealed.⁶⁰

The Fifth Circuit affirmed the denial of the injunction on the basis of the fair use doctrine rather than the first amendment.⁶¹ The fair use doctrine is a judicially created rule that was codified in the 1976 Copyright Act.⁶² That Act lists four factors which courts are to consider in determining whether the fair use doctrine applies,⁶³ but courts have generally placed most emphasis on the

56. 626 F.2d 1171 (5th Cir. July 1980).

57. *Triangle Publications, Inc. v. Knight-Ridder Newspapers, Inc.*, 445 F. Supp. 875 (S.D. Fla. 1978), *aff'd*, 626 F.2d 1171 (5th Cir. July 1980).

58. 626 F.2d at 1171-72.

59. *Id.* at 1172.

60. *Id.* at 1173.

61. *Id.* at 1178.

62. 17 U.S.C. § 107 (1976).

63. *Id.* The Statute reads:

In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—

(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;

(2) the nature of the copyrighted work;

(3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and

fourth factor, "the effect of the use upon the potential market for or the value of the copyrighted work."⁶⁴ Applying these four factors, with heavy emphasis on the fourth, the Fifth Circuit concluded that the fair use doctrine applied and gave defendant a valid defense.⁶⁵

The court was unanimous on the fair use issue, but divided on the first amendment issue. Although Judge Brown wrote the majority opinion, he also wrote an opinion which concurred in part and dissented in part. Judge Brown discussed the first amendment issue in terms of the "idea-expression dichotomy" in which, under the law of copyright, "protection is given only to the expression of the idea—not the idea itself."⁶⁶ In cases such as this, where the idea and the expression are one and the same, Judge Brown would hold that copyright interest should nearly always prevail over the generally incidental first amendment concerns. Therefore, if the fair use doctrine had not been applicable, Judge Brown would have reversed the trial court's judgment.⁶⁷ Judge Tate, in contrast, would have affirmed the judgment on first amendment grounds. In his concurring opinion, he completely agreed with the trial court that free speech provides the defendant a defense to the copyright claim.⁶⁸ All the judges agreed that a proper application of the fair use doctrine avoids most first amendment conflicts, but if the conflict arises in the future, the dicta in *Triangle Publications* concerning the conflict between the first amendment and copyright law may become very important.

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(4) the effect of the use upon the potential market for or value of the copyrighted work.

Id.

64. *Id.* § 107(4). See, e.g., *Time Inc. v. Bernard Geis Assocs.*, 293 F. Supp. 130, 145-46 (S.D.N.Y. 1968).

65. 626 F.2d at 1178.

66. *Id.* at 1179 (Brown, J., concurring in part and dissenting in part) (quoting *Mazer v. Stein*, 347 U.S. 201 (1954)).

67. 626 F.2d at 1182 (Brown, J., concurring in part and dissenting in part).

68. *Id.* at 1184 (Tate, J., concurring).

