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DEVELOPMENTS IN PATENT LAW

RAMON A. KLITZKE *

During the period of July, 1979, to June, 1980, the United States Court of Appeals for the Seventh Circuit handed down twelve opinions addressing a number of problems in patent law.¹ Important decisions were rendered on questions of obviousness and patent validity, patent licensing, elections of remedies, declaratory judgments, patent novelty and contributory infringement. This annual review of the work of the Seventh Circuit in patent law will continue the type of analysis which has characterized previous reviews.² There will be comment on the general patent law principles the court has chosen to rely upon and an exploration of the rationale of each case. There will be some criticism of the attitude that the court has assumed with regard to patent validity and patent licensing.

OBVIOUSNESS AND PATENT VALIDITY

A major contribution that the Seventh Circuit has made to the body of patent law recently is its consistent determination to further expand judicial interpretation and reinterpretation of invention obviousness. Section 103 of the 1952 Patent Act provides that a patent may not be obtained:

[I]f 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.³

It follows that any patent granted by the Patent Office that is later found by a court to have been obvious at the time of invention is inva-

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The courts too often enthusiastically invalidate patents through the combination of judicial hindsight and section 103, but this topic is beyond the scope of the present discussion and is best left to other more policy-oriented articles.

The fountainhead of all law on invention obviousness continues to be *Graham v. John Deere Co.*, the decision in which the Supreme Court construed section 103 for the first time since its enactment in 1952. The Court held that section 103 requires a three-step approach to the issue of obviousness: 1) the scope and content of the prior art must be determined; 2) differences between the prior art and the claims at issue are to be ascertained; and 3) the level of ordinary skill in the pertinent art is to be resolved. This mandate has been the guiding star for the courts since 1966 and it does not appear that the influence of the decision has much diminished since the case was handed down. This has been no less true in the Seventh Circuit. The Seventh Circuit has obediently cited and applied the *Graham* case to its decisions on obviousness and the results reached leave little doubt as to how section 103 is to be applied in the district courts.

In a patent infringement suit, the defendant is in an advantageous position in the application of the first step of the *Graham* test: the determination of the scope and content of the prior art. The cost of defeat is often such that the defendant's lawyers can afford to invest substantial resources in ferreting out obscure references that escaped the patent examiner when the patent was obtained. The results of such after-the-fact research are truly amazing. One often wonders how the examiner could possibly have missed the extensive prior art found so readily available, relevant, and obvious by the defendant's lawyers.

The Content and Scope of the Prior Art

In most cases the listing of the content of the prior art is fairly straightforward and simple. The Seventh Circuit opinions in both *Dual Manufacturing & Engineering, Inc. v. Burris Industries, Inc.*, and *Beatrice Foods Co. v. Tsuyama Manufacturing Co.* appear to leave no


6. *Id.* at 17.

7. 202 U.S.P.Q. 708 (7th Cir. 1979), *rev'd on rehearing*, 619 F.2d 660 (7th Cir. 1980).

8. 619 F.2d 3 (7th Cir. 1979).
question that the prior art references found and discussed clearly related to the disputed patent claims and were sufficiently relevant to warrant application and thorough analysis. In *Beatrice Foods* the invention was an improved bicycle safety reflector lens which was mounted on a bicycle wheel. The district court listed seven U.S. and British patents as pertinent prior art and then immediately proceeded to the second step in the *Graham* analysis. In *Dual Manufacturing*, the invention was an improved wall-hugging reclining chair. Again, the Seventh Circuit opinion presumed that there could be little or no dispute as to the content of the prior art. The court did, however, make a distinct point of the fact that there were four patents which the Patent Office failed to consider during the prosecution of the application.

When a trial court can be convinced that certain references not considered by the Patent Office examiner are sufficiently relevant to be included in the content of the prior art, the plaintiff in an infringement action is indeed forced into a precarious defensive position. This was the case in *Shemitz v. Deere & Co.* The Shemitz patent covered a room divider partition which provided both indirect illumination and direct illumination for desks or work tables. The Seventh Circuit summarily affirmed the decision of the district court in a very short *per curiam* opinion, in which the district court opinion was adopted *in toto*. This opinion is quite enlightening in its treatment of the content of the prior art.

Unfortunately for patentee Shemitz, he admitted in a deposition that a certain type of carrell-divider construction in a college library existed two years before his invention. He also admitted the existence of a 1923 patent disclosing a lighting fixture which provided direct lighting of a counter, and indirect lighting of a room. None of this prior art was considered by the examiner when the Shemitz patent was

9. The parties had agreed that the prior art was a crowded area in which over 3,400 patents had been issued. More than 215 reflector patents were listed on the file wrapper of the patent which was the subject of this infringement suit. See the district court opinion, *Beatrice Foods Co. v. Tsuyama Mfg. Co.*, 202 U.S.P.Q. 266, 271 (N.D. Ill. 1978).
11. 619 F.2d at 665. Again, in *Lee Blacksmith, Inc. v. Lindsay Bros., Inc.*, 605 F.2d 341, 342-43 (7th Cir. 1979), the court seemed to be quite impressed with the fact that the party challenging validity found two patents the patent examiner had not cited, one of which constituted significant prior art. This nullifies the presumption of validity. In *Beatrice Foods*, the district court even went so far as to undercut the presumption of patent validity because, although a certain patent was before the examiner during the prosecution, one embodiment of that patent was not submitted to the examiner. *Beatrice Foods Co. v. Tsuyama Mfg. Co.*, 202 U.S.P.Q. 266, 270 (N.D. Ill. 1978).
12. 623 F.2d 1180 (7th Cir. 1980).
13. *Id.*
being prosecuted in the Patent Office. This lack of consideration by the Patent Office examiner was highly persuasive to the trial court when it found the patent invalid on a motion for summary judgment.\textsuperscript{14} The court held that the validity of a patent is not immune from summary judgment (if there is no genuine issue of material fact) even though deposition testimony and affidavits are involved.\textsuperscript{15} Previously unknown prior art patents were now before the court, said the district court judge, and the litigated patent is no longer presumed to be valid.

The district court made no inquiry as to the level of skill in the room illumination art, nor did it bother to address the differences between the newly-found prior art and the patent claims being adjudicated. The treatment by the court is questionable. The similarities found by the court appear to be similarities in result only. The court is unconvincing in its comparison of the prior art with the patent claims. Perhaps this is a necessary result when obviousness becomes a question of law instead of a question of fact. Once the court is no longer in the position of a fact-finder, the almost limitless discretion the court has in finding and applying the applicable law to the then crystallized fact situation becomes a license to ignore the logic of the technology of the invention.

As distinguished from the content of the prior art, the battle over the scope of the prior art becomes determinative of the result to be reached at the third step of the Graham test. Thus, when the patent claims are compared with the prior art, the trial lawyer's advocacy talent can lay the foundation for the ultimate factual determination of anticipation. Under the doctrine of equivalents\textsuperscript{16}, the defendant's counsel will argue for a broad interpretation of the prior art, while plaintiff's counsel will attempt to show that one skilled in the art would not recognize the applicability of the reference to the disputed invention. In both Beatrice Foods and Dual Manufacturing the analysis of the scope of the prior art flowed over into, and melded with, those parts of the opinions which compared the similarities between the prior art and the patent claims at issue.\textsuperscript{17}

In the Dual Manufacturing case, the analysis of the Seventh Circuit
in the second step in the *Graham* test, in which the prior art is compared with the claims, is, at best, cursory and unenlightening. The court first quite correctly observed that obviousness is a question of law.\textsuperscript{18} Every question of law must be preceded by the resolution of a question of fact, but the courts are not always diligent in observing the demarcation between the two. At what point should the degree of difference between a prior art reference and the patented invention be such that the reviewing court may substitute its judgment for that of the finder of fact? That is, at what point does a question of fact become a question of law? In *Beatrice Foods*, the court devotes only one short paragraph to the naked assertion that each of the components of the patented bicycle reflector was disclosed in the listed prior art.\textsuperscript{19} Granted, the court is only affirming the summary judgment of the district court, which devoted a considerable portion of its opinion to this prior art.\textsuperscript{20} But the invalidation of a patent, without a trial, should not be lightly undertaken without an in-depth analysis of the reasons the patent is similar to the prior art. Similarly, in *Dual Manufacturing* the court gives short shrift to the differences between the patented wall-hugging chair and the mechanisms found in the prior art. Again, we find only one short paragraph that actually addresses this question, and then the court immediately proceeds to the third step in the *Graham* test.\textsuperscript{21}

Perhaps we should not voice undue concern for the apparent neglect with which the Seventh Circuit skips over the first two steps of the *Graham* test. As we shall presently see, in the determination of the level of skill in the pertinent art, which is the third step, the court either explicitly or implicitly weaves its interpretation of the prior art into what eventually becomes the court’s own application of the level of skill to the patented invention. Thus, in a final grand fusion of the three steps, the court, in both *Beatrice Foods* and *Dual Manufacturing*, erects the fatal prior art and then calls upon it to destroy the patents. The process is wondrous to watch but is not unlike the logic which is used by many courts to summarily invalidate issued patents.


\textsuperscript{19} 619 F.2d at 6.


\textsuperscript{21} 619 F.2d at 665.
The Level of Skill in the Art

In applying the standard of invention under section 103, the courts must give special attention to the level of skill in the art. Where the invention is found to be nothing more than "the work of the skillful mechanic," the court quickly signs the patent's death warrant and the invention is relegated to the public domain. The decisions of the Seventh Circuit in Beatrice Foods and Dual Manufacturing are prime examples of how the third step of the Graham test clearly overshadows the first two, both in importance and in judicial utility. In each decision the crushing blow to patentability was struck in the name of the level of skill in the art to which the inventions related and the court had no doubt as to the certainty of the results.

In Beatrice Foods, the trial court, in granting summary judgment to the defendants in a patent infringement suit, found a high level of skill in the art pertaining to bicycle safety reflectors because of the numerous patents comprising the prior art. The plaintiff patentee argued that only two prior patents related to the particular feature that constituted the guts of the invention, but the court found that at least seven prior patents disclosed features of the invention. This standard for determining the level of skill on the basis of the quantity of references which are dredged up by the party attacking the validity of the patent is clearly inadequate. It would seem that the quality and degree of relevance of the references should be much more determinative than the quantity, although the quantity of references should not be completely irrelevant.

When Beatrice Foods was appealed to the Seventh Circuit, the court simplified the facts of the invention thusly:

The combination A-B-C—where A is a bicycle wheel, B is a standard class A cube-corner reflector, and C is a tab arrangement for mounting B to A—is acknowledged as old in the prior art. B1, a variant of B (a combination wide-angle reflector comprising a standard class A cube-corner lens and a number of tilt-angle lenses), is also acknowl-

24. Id. at 271.
25. A large number of prior art references could just as easily prove the opposite, i.e., that one with ordinary skill in the art could not possibly be aware of all of them. Consider the process recommended by the district court in Beatrice Foods: "One should picture the inventors working in their shop with the prior art references hanging on the walls around them. . . . A glance around such a room would disclose everything necessary to lead to the obvious result." Id. at 272. One wonders how the inventors would hang the 3,400 patents issued in the reflector art and what inventor could extract an obvious improvement from them at a glance.
The court then concedes that the patented combination is novel, but focuses on the issue of whether the skilled mechanic would find it obvious to substitute B1 for B.27 Quite clearly, anyone would find this to be obvious, as the court has stated the problem. The court's own answer to its own oversimplification is undeniable. To take a reflector used in a highway center-line marker and mount it on bicycle wheel spokes, "would be obvious even to a layman" and "the modified configuration must have leaped at" the patentees.28

A patent should not be held to be invalid for obviousness on a motion for summary judgment, as was done in Beatrice Foods, when so important a factor as the degree of knowledge and insight enjoyed by the skilled person is at issue. Something more than armchair opinion as to the mechanical skill of the average bicycle artisan is needed. Granted, the patent should be examined in light of the art which might have been available to the alleged inventor, regardless of whether all of the art was, in fact, physically available to any one person skilled in the art. There should be an additional assessment of the probability that the skilled mechanic, having all of the references at his fingertips, would, with some degree of certainty, have seen it as readily obvious to combine the elements and thereby create the new combination. At least something more is needed in the court's opinion than the bald statement that a certain level of skill must have been attained because of the number of prior art references found.

Dual Manufacturing illustrates how an appellate court can easily substitute its judgment for that of the trier of fact when obviousness is an issue. In Dual Manufacturing, a jury verdict found the patent for a wall-hugging reclining chair to be valid and infringed. Upon the first hearing on appeal, the Seventh Circuit affirmed.29 This was not to be the final outcome, however, because, after a rehearing, the district court was reversed.30

In the rehearing opinion in Dual Manufacturing the court turned its full attention to the issue of obviousness, in spite of the fact that the defendants in this infringement suit had agreed to submit the question of obviousness to the jury.31 After observing that the subsidiary fact of

26. 619 F.2d at 6.
27. Id.
28. Id.
30. Dual Mfg. & Eng'r, Inc. v. Burris Indus., Inc., 619 F.2d 660 (7th Cir. 1980).
31. Id. at 661.
the scope and content of the prior art presented no factual dispute, the
court found the patented reclining chair to be nothing more than the
work of a skillful mechanic, not that of an inventor.\textsuperscript{32} The court pro-
vides no lucid reasons for this conclusion other than the argument that
obviousness is a question of law, subject to review by the appellate
court. Judge Pell, who wrote for the majority upon rehearing, had
voiced a vigorous dissent to the original opinion. In that dissent he had
attacked the jury's special verdict of patent validity, sweeping aside the
testimony of plaintiff's witness that the patented invention was not ob-
vious.\textsuperscript{33} More pointedly, he had attacked the conclusion of the major-
ity in the original opinion that the evidence showed that the level of
skill in reclining chair design was rather low because formal education
was not prevalent. They were carpenters, mechanics or tool and die
maker-type people.\textsuperscript{34} But, even with a low level of formal education,
argued Judge Pell, inventors like Thomas Edison had obtained patents.
To be inventors these "carpenters, mechanics, or tool and die makers"
still had to have the touch of genius to discover something new.\textsuperscript{35} The
judge's point was that uneducated reclining chair artisans still would
have had sufficient insight to see that the patented invention was obvi-
ous. Perhaps in opposing the motion for rehearing the plaintiff's law-
yers should have more forcefully argued that the "flash of creative
genius" test for invention was the product of an aberrant statement in a
1941 opinion by Mr. Justice Douglas,\textsuperscript{36} to which the Congress had di-
rected explicit opposition in the last sentence of section 103: Patentab-
ility shall not be negatived by the manner in which the invention was
made.\textsuperscript{37} The Supreme Court later denied that this statutory enactment
was necessary and argued that the Court never intended to impose such
a strict standard on patentability.\textsuperscript{38} In any event, the obsolete "flash of
creative genius" test for patentability was not used in any of the Dual
Manufacturing opinions and was quite properly ignored.

What then can be learned from the analysis of the level of skill in
the art, as the Seventh Circuit undertook in Dual Manufacturing? The
court's objective was to fathom the knowledge and ingenuity of those
artisans who regularly design and make reclining chairs. The court
created a hypothetical worker who approaches each problem with im-

\textsuperscript{32} Id. at 666.
\textsuperscript{33} 202 U.S.P.Q. at 712 (Pell, J., dissenting).
\textsuperscript{34} Id. at 713.
\textsuperscript{35} Id.
\textsuperscript{36} Cuno Eng'r Corp. v. Automotive Devices Corp., 314 U.S. 84, 91 (1941).
mediate recall of all published literature on the subject and infinite power of synthesis with which to combine all possible solutions. Rather than conjuring up an omniscient expert, the court should place greater reliance upon the testimony of witnesses who have first-hand knowledge of the level of skill in the applicable art. The court should not assume this expertise itself under the guise of deciding a question of law.

This sketch of the Seventh Circuit's stance on patent obviousness would be incomplete without some mention of Judge Swygert's partially dissenting opinion in American Hoist & Derrick Co. v. Manitowoc Co.\(^39\) American Hoist & Derrick brought an action for infringement of two of its patents against the Manitowoc Co. Manitowoc counterclaimed, alleging that American Hoist had infringed one of its patents.\(^40\) The parties were competitors in the manufacture and sale of cranes adapted for lifting heavy loads beyond the capability of conventional cranes of comparable size. Each party had developed important improvements on the prior art and both had protected their work with patents.

In a lengthy, esoteric opinion,\(^41\) the district judge carefully examined the scope and content of the prior crane design art and compared the individual elements of the accused cranes with the elements of the various patent claims. The judge, who tried the case without a jury, found one of the plaintiff's patents was not invalid for obviousness, but did not rule on the validity of either the plaintiff's second patent or the defendant's patent. The patents of neither party, however, were found to be infringed by the other party and both the complaint and the counterclaim were dismissed.\(^42\)

Upon appeal, the Seventh Circuit affirmed the judgments in a *per curiam* opinion, which noted "a strained and inconsequential inconsistency in the district court's opinion."\(^43\) The inconsistency was insufficient to affect the affirmance but the district judge's opinion was quite inadequate to satisfy Judge Swygert and his gratuitous dissent provides some insight into his attitude with respect to obviousness and patent validity. This dissent is a good example of the propensity that many appellate judges have to interpose their judgment for that of the testifying experts.

39. 603 F.2d 629, 633 (7th Cir. 1979) (Swygert, J., dissenting).
40. *Id.* at 630.
42. *Id.* at 1387.
43. 603 F.2d at 630.
Judge Swygert laboriously compared the patent claims with the prior art references, point by point, and could find no element in the patents that was not to be found in the work of prior inventors. The patent approved by the trial court, as well as the other patent being enforced by the plaintiff, were both felled by his persistent attack.\(^4\) It is difficult to understand how an appellate judge, who has no technical expertise in the manufacture and use of heavy cranes, can so confidently reject the opinions of experts and substitute his own. Surely the reviewing court should place much greater reliance on the judgment of the trier of fact in this kind of a case.\(^4\)

During the past year, the Seventh Circuit handed down two other opinions on invention obviousness which are worthy of some note. In *Lee Blacksmith, Inc. v. Lindsay Brothers, Inc.*,\(^4\) the court held that a patent on a ground-cultivating harrow was invalid for obviousness, but in *AMP Inc. v. Bunker Ramo Corp.*\(^4\) the court reversed a district court holding of patent invalidity. These two cases are here taken up together because they each firmly reject the need for synergistic effect in the determination of non-obviousness of invention. Before turning to synergism, however, a word is in order concerning the approach taken in *Lee Blacksmith* with respect to the *Graham* test and the level of skill in the pertinent art.

In *Lee Blacksmith* the district court had found the patent to be valid and infringed because, *inter alia*, the defendant Lindsay failed to offer any evidence of the level of skill in the pertinent art and thus had not overcome the presumption of validity which attaches to issued patents.\(^4\) The Seventh Circuit found this reading of the *Graham* case to be overbroad and criticized the district court for relying upon a rule which prevents a trial court from invalidating a patent when the record is deficient with respect to the level of skill.\(^4\) The Seventh Circuit insisted that this rule was not without exception. When there is no factual dispute concerning the state of the prior art, and when the patented device may readily be comprehended by the court, a determination of the level of skill may be useless.\(^4\) If the differences between the liti-

\(^4\) Id. at 630-33.
\(^4\) Judge Swygert seemed to completely ignore the findings of fact of the trial court. *Id.* at 631-32.
\(^4\) 605 F.2d 341 (7th Cir. 1979).
\(^4\) 604 F.2d 24 (7th Cir. 1979).
\(^4\) 605 F.2d 343-44, citing Universal Athletic Sales Co. v. American Gym, 546 F.2d 530 (3d Cir. 1976).
\(^4\) 605 F.2d at 344.
gated patent and the prior art are such that the subject matter is obvious to a layman, the third step in the *Graham* test may be omitted under the rule followed in *Lee Blacksmith*.

Judge Swygert, writing for the majority in *Lee Blacksmith*, undertook to explain and simplify the patent in question and to compare it with a prior patent which had not been considered by the Patent Office during the prosecution of the patent in suit. By means of diagrams which purported to show identity of results achieved by the two patents, Judge Swygert apparently concluded that, if the litigated patent and the prior art are so straightforward and elementary that he could understand the difference, there was no need of technical explanation by expert witnesses: "What is obvious to a layman would certainly be obvious to one skilled in the art to which the subject matter pertains."51 This *reductio ad absurdum* approach to the issue of obviousness is entirely consistent with the judge’s dissenting opinion in *American Hoist & Derrick*,52 but the standard of review which results does not comport with section 103 of the Patent Act. Under section 103, the patent is invalid only if the invention would have been obvious to a person having ordinary skill in the art. No judge has ordinary skill in the art of harrow cultivating unless he qualifies by experience and expertise. It would seem that "ordinary skill" should encompass much more than whatever education an appellate judge can glean from reading a few patents—especially when the record is devoid of evidence as to what the appropriate level should be.

Judge Swygert’s opinion in *Lee Blacksmith* was rigorously attacked in the dissent of Judge Pell,53 who was to argue later so extensively that the reclining chair patent in *Dual Manufacturing* was obvious and therefore invalid.54 In arguing that the *Lee Blacksmith* patent should be valid, Judge Pell avowed that he could not understand how the majority could be so certain that the harrow would have been obvious to skilled harrow makers at the time of its invention: “I have the difficulty of discerning how something could be obvious to those of ordinary skill in the art if in the industry where those people labor the want was felt and those people could not solve it.”55 Judge Pell here

51. *Id.* However, the invention was not so obvious to the district court, since it denied the defendant’s motion for summary judgment. *Lee Blacksmith, Inc. v. Lindsay Bros.*, 201 U.S.P.Q. 229, 230 (S.D. Ill. 1978).
52. 603 F.2d 629, 630-33 (Swygert, J., dissenting).
53. 605 F.2d 346-48 (Pell, J., dissenting).
54. 619 F.2d at 665-67.
55. 605 F.2d at 347.
introduces the argument of "secondary considerations" that the *Graham* case had espoused. Such considerations as commercial success, long-felt but unsolved needs and failure of others to solve the problem may be utilized to illuminate the origin of the alleged invention and may have relevancy to the issue of obviousness. Judge Pell was willing to ignore the commercial success of the invention, although it was ample, and to rely mainly upon imitation of the harrow by some ten of the plaintiff's customers. The problem with this argument is that, unless the imitation is due solely to the commercial success of the patentee or a long-felt but unsolved need, mere imitation alone does not prove obviousness under section 103. Imitation by competitors would readily occur if they considered the invention only a slight improvement over the prior art and therefore not worthy of valid patent protection. Furthermore, who is to say that the competitors did not themselves just combine the knowledge of the prior art, as would any artisan having ordinary skill, and not imitate the work of the patentee at all.

**Synergistic Effect No Longer Required**

The need to find synergistic effect in order to show non-obviousness was firmly rejected by the Seventh Circuit in *Republic Industries, Inc. v. Schlage Lock Co.* During the past year, the court reiterated this rejection and assured the lower courts that the requirement of synergism was unnecessary under any circumstances. Under the doctrine of synergism, obviousness of invention can be overcome only by showing that the combination of elements "result[s] in an effect greater than the sum of the several effects taken separately." When *Republic Industries* was handed down, several cases were on appeal in which district courts had required synergism in reliance upon the former rule. In *AMP Inc. v. Bunker Ramo Corp.* the Seventh Circuit admitted that prior to *Republic Industries* the court had been less than

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56. *Id.*
57. 383 U.S. at 17-18. Judge Pell was undoubtedly impressed by the district court's finding that the plaintiff's invention was widely copied. *Id.* at 347-48. See *Lee Blacksmith, Inc. v. Lindsay Bros.*, 201 U.S.P.Q. 229, 230 (S.D. Ill. 1978).
58. 592 F.2d 963 (7th Cir. 1979). See Crossan, supra note 2, at 341-48 for a thorough discussion of the *Republic Industries* case.
59. Dual Mfg. & Eng'r, Inc. v. Burris Indus., Inc., 619 F.2d 660, 662 n.3 (7th Cir. 1980); Beatrice Foods Co. v. Tsuyama Mfg. Co., 619 F.2d 3, 7 (7th Cir. 1979); *Lee Blacksmith, Inc. v. Lindsay Bros.*, Inc., 605 F.2d 341, 343 n.3 (7th Cir. 1979); *AMP Inc. v. Bunker Ramo Corp.*, 604 F.2d 24 (7th Cir. 1979).
61. 604 F.2d 24 (7th Cir. 1979).
clear and consistent in its expressed standards for judging non-obvi-
ousness of combination patent claims, but now, at least, the Republic
Industries case had clarified its position and there could be no further
doubt that synergism was no longer required. The court’s protesta-
tion in the AMP Inc. case, that it had only “occasionally mentioned the
presence or absence of a requirement resembling synergism,” seemed
somewhat hollow in view of the fact that the court found it necessary to
assure the patent bar in at least three other cases that synergism was no
longer to be a dispositive test.

PATENT LICENSING

In Saverslak v. Davis-Cleaver Produce Co., the Seventh Circuit
provided us with some important interpretations of provisions in patent
licensing agreements. The Saverslak license contained: 1) a trademark
use requirement; 2) a best-efforts clause; 3) a grant-back clause; and 4)
a restriction on competition with the license product. The license
drafter will be well advised to read the Saverslak opinion with some
care before finalizing a license containing any one of these provisions.
The opinion also discusses the factual circumstances which create ei-
ther a waiver of a license provision or estoppel from enforcing a provi-
sion.

Saverslak devised a process for producing a boneless turkey roll
which would not crumble and separate after it was oven-roasted and
then sliced. He found that, if the deboned pieces of meat were dusted
with wheat gluten before being resewn back into the skin, the gluten
would bind the meat together and a compact, sliceable, cylindrical
product would result, even after roasting. The process was patented
and Saverslak began marketing the turkey rolls under the trademark,
“Maxlotte.”

Defendant Davis-Cleaver, a poultry processing corporation in an-
other state, became interested in the Saverslak process and negotiated a
twenty-year license from Saverslak. The license contained four restric-
tions of interest in the present discussion: 1) the “Maxlotte” trademark
had to be affixed to all turkey rolls sold under the license; 2) Davis-
Cleaver was required to exercise due diligence in marketing the rolls; 3)
Davis-Cleaver was to disclose and assign to Saverslak any new formu-

62. Id. at 25.
63. Id.
64. See note 59 supra.
65. 606 F.2d 208 (7th Cir. 1979), cert. denied, 444 U.S. 1078 (1980).
66. Id. at 210.
lae, methods or improvements relating to the licensed product; and 4) Davis-Cleaver could not make or sell any product competitive with, or similar to, the licensed products.  

The fourth restriction was clearly unlawful because it was an unreasonable restraint of trade under the Sherman Act. Saverslak did not dispute this and, in fact, had attempted to cancel and delete the restriction a month before he filed the lawsuit. The court held that Saverslak’s letter, while ineffective as an amendment to the license, was nevertheless effective as a waiver of any rights which Saverslak had under the restriction.  

Well-drafted license agreements should require the licensee to use diligence and to exert its best efforts in the exploitation, manufacture and sale of the licensed product. To omit such a provision allows the licensee to neglect the licensed product and to thereby reduce royalty payments to the licensor. The best-efforts clause in the Saverslak license was typical in nature. It required Davis-Cleaver’s best efforts in the manufacture and sale of the turkey rolls. Davis-Cleaver additionally agreed, “to the best of its ability,” to “promote the sale of the licensed products throughout the licensed territory and supply the market therefor.”  

The drafters of the Saverslak license unfortunately failed to indicate the period of time in which the best efforts were to be exerted by Davis-Cleaver. Shortly before the suit was filed, Saverslak was notified that Davis-Cleaver had abandoned the licensed wheat gluten process in favor of a different process for avoiding crumbling and separation. The interpretive ambiguity faced by the court in this breach of contract action was whether Davis-Cleaver had agreed to use its best efforts for the entire twenty-year term of the license, or only for as long as Davis-Cleaver made and sold the turkey rolls made with the licensed process. In holding that Davis-Cleaver must have intended to use its best efforts for only as long as it sold the licensed product, the court read the best-efforts clause in conjunction with the restriction on competitive products. The court reasoned that, to interpret the best-efforts clause as requiring best efforts for the entire twenty-year life of the license would be to read an unnecessary duplication into the license because the restriction on competition would accomplish the identical result. Therefore, said the court, the parties could not have intended the best-efforts

67. Id.  
69. 606 F.2d at 215.  
70. Id. at 210 n.2.
clause to be applicable during the entire twenty years.\(^7\)

The court ignores the basic purpose of the best-efforts clause, which is to prevent the licensee from deliberately diminishing the royalties payable to the licensor by willful nonuse of the licensed process or reducing sales of the licensed product. This is particularly harmful to the licensor where, as was true in the *Saverslak* case, a specified territory is allocated to the licensee. Moreover, the clause restricting the making or selling of competitive products does not, in and of itself, ensure that the licensee will make any effort at all to develop the market for the licensed process and product.

Turning to the elimination of the "Maxlotte" trademark from the turkey roll labels some seven years before the suit was filed, the court held that breach of the trademark affixation clause was no longer actionable by *Saverslak*.\(^7\) *Saverslak* had frequent occasion to visit the Davis-Cleaver plant and had seen that the trademark was no longer used. Also, he received turkey roll packages without the "Maxlotte" mark thereon. He sat back and collected more than $400,000 in royalties during this period, but did not object to the trademark omission. *Saverslak* therefore waived any possible enforcement of the trademark requirement clause since he intentionally relinquished a known right.\(^7\)

Finally, with respect to the scope of the grant-back clause, *Saverslak* contended that rights in the new salt extraction process for making turkey rolls should have been assigned to him. The court rejected this argument because the grant-back clause required Davis-Cleaver to assign any new methods or improvements, "for the manufacture and sale of the licensed products," and the salt extraction process for making turkey rolls was different from, and not covered by the patent of, the licensed wheat gluten process.\(^7\)

**Election of Remedies**

In a case highly touted by the news media, one Peter M. Roberts, a lowly sales clerk, invented a quick-release socket wrench which allowed the user to change sockets with one hand.\(^7\) Because he invented this at home on his own time, his employer, Sears, Roebuck & Co., in order to be able to sell the wrench, negotiated an assignment of the

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71. *Id.* at 215.
72. *Id.* at 214.
73. *Id.*
74. *Id.* at 216.
invention for a maximum payment of $10,000. Within ten years, Sears had sold over 19 million of the wrenches, many at a profit of one to two dollars each.

When Roberts assigned the invention to Sears, he did not know that a patent had already been granted by the Patent Office or that the patented wrench would be extremely successful commercially. Both of these facts were known to Sears, and because of this, the Seventh Circuit Court of Appeals held that Roberts had a cause of action for breach of a confidential relation, fraud and negligent misrepresentation. However, the court reversed the district court’s determination that it lacked the power to rescind Robert’s conveyance of the patent to Sears. The district court had held that, because the jury had awarded one million dollars for profits, a return of the patent based on rescission was unwarranted under the doctrine of election of remedies. The court of appeals held that the one million dollar award for past profits was not inconsistent with a return of the patent so that the plaintiff could receive future benefits.

Upon remand, the district court took the court of appeals at its word and found rescission to be an appropriate remedy. Sears had breached the confidential relation with Roberts and had acquired the patent from Roberts by fraud. Rescission of the original contract for the conveyance of the patent was clearly warranted and the contract was thus void from its inception. Therefore, applying Illinois law to this case, the district court granted a decree of rescission and restitution for the period extending all the way back to the 1965 date of the original agreement.

On the second appeal of the case, the Seventh Circuit admitted that its use of the term, “restitution,” was most unfortunate and that what was really meant was merely a return of the patent as of January, 1977, when the jury trial ended. Roberts had elected his remedy for the period up to that point and could sue only for infringement for any continued sale of the product by Sears after that time. The court thus bifurcates the time period during which Sears continued to market the patented socket wrenches so that the Illinois election of remedies doc-

76. See the discussion of the case at Klitzke, supra note 2, at 193-96.
77. 573 F.2d at 985.
79. Id. at 378-79.
80. Id. at 379-80.
81. Roberts v. Sears, Roebuck & Co., 617 F.2d 460, 464 (7th Cir. 1980).
trine does not impair a judgment of both damages and equitable relief for the same conduct.

Judge Swygert dissented to the holding of the majority as to the particular period during which the district court should have ordered an accounting of profits, a point which is not of importance for the purpose of the present discussion. Judge Swygert also provided us with a harsh criticism of the manner in which Sears took advantage of inventor Roberts, who, by the way, was Sears' own sales clerk. Judge Swygert writes: "'Big' business ethics have of late come under heightened scrutiny and criticism. That scrutiny and criticism may appear to be justified if Sears' monumental fraud visited on the plaintiff is any measurement."82 Sears' incremental profits on the patented wrench had been $44,032,082 up to the time of trial. Now the plaintiff had his patent back and must sue Sears for infringement, subject to the claim, already asserted by Sears, that the patent was invalid. Judge Swygert continues, "For me this result not only condones the proven unethical conduct of Sears but it is manifestly unjust to the plaintiff."83 In a footnote, Judge Swygert commented that "such a cavalier attitude reflects cynicism on the part of Sears in its business relations with the public."84 One wonders if Judge Swygert has, perhaps, been overly aggressive in his attack upon the enterprise which marketed the wrench and thereby assured its commercial success. The most ingenious of inventions is of little value if it cannot be successfully distributed to the consuming public. Few independent inventors have access to nationwide marketing systems.

Declaratory Judgments

The Declaratory Judgment Act85 permits the federal courts to issue declaratory judgments only when there is an "actual controversy." This requirement is a jurisdictional prerequisite of constitutional dimension.86 In declaratory judgment actions involving patents, there are two prerequisites to the existence of an actual controversy: 1) the defendant's conduct must give rise to a reasonable apprehension that the plaintiff will face an infringement suit or the threat of one if the plaintiff engages in the particular activity in question,87 i.e., the mak-

82. Id. at 467 (Swygert, J., dissenting).
83. Id.
84. Slip op. at 13. (This footnote was omitted from the official reporter, 617 F.2d at 467.)
ing, using or selling of the device or process which may infringe the defendant's patent; and 2) the plaintiff must have either actually produced the accused article or have been so prepared that production could begin immediately if no extraordinary and unforeseen contingencies arose.\textsuperscript{88} The Seventh Circuit was given two opportunities to construe the application of the Declaratory Judgment Act to patent cases this past term and provided us with some good law on the subject.

In \textit{Grafon Corp. v. Hausermann},\textsuperscript{89} the plaintiff Grafon obtained exclusive rights to manufacture and use Hausermann's patented abrading machines. During the term of the licenses, Grafon discovered prior art which seemed to render the patents invalid. Grafon then stopped making royalty payments to the Hausermanns, but continued to make and sell the patented machines. The Hausermanns then terminated the licenses and Grafon reassigned all rights in the patents back to them. Although the Hausermanns did not orally threaten an infringement action, they contacted Grafon customers, warning them that Grafon no longer had any rights under the patents and that only the Hausermanns, who began competing with Grafon after the licenses were terminated, could grant licenses to use the machines. Several Grafon customers and potential customers thereafter declined to order machines from Grafon because they feared that a patent infringement action would be brought against them.\textsuperscript{90} Grafon then sued for a declaratory judgment that the patents were invalid and that Grafon was not infringing.

The district court dismissed the complaint for lack of subject matter jurisdiction, concluding as a matter of law on the basis of affidavits submitted, that plaintiff Grafon did not have a reasonable apprehension of liability for infringement or for contributory infringement.\textsuperscript{91} In reversing this decision, the court of appeals held that an actual controversy existed and it noted that the correct test under the Declaratory Judgment Act should be the following:

\begin{quote}
 Plaintiff's belief in the imminence of a real or threatened infringement suit need not be the product of an express charge by the defendant of patent infringement; an implied charge, or a course of conduct on the part of the defendant which would cause a reasonable man to fear that he or his customers face an infringement suit or the threat of one is sufficient.\textsuperscript{92}
\end{quote}

\textsuperscript{88} Sweetheart Plastics, Inc. v. Illinois Tool Works, Inc., 439 F.2d 874, 875 (1st Cir. 1971).
\textsuperscript{89} 602 F.2d 781 (7th Cir. 1979).
\textsuperscript{90} \textit{Id.} at 784.
\textsuperscript{91} 458 F. Supp. 91 (N.D. Ill. 1978).
\textsuperscript{92} 602 F.2d at 783-84.
The court held that Grafon met its burden of proof of an actual controversy by means of the affidavits submitted. Grafon and Grafon's customers could reasonably fear a patent infringement action or the threat of one because of the Hausermanns' actions.93

This case teaches that an overt threat of a patent infringement action is not necessarily a prerequisite of a declaratory judgment suit against the patentee if his conduct causes reasonable fear of such a suit. However, the facts showing the Hausermanns' contact with the Grafon customers are equivocal, at least as the court of appeals has described them. The Hausermanns and Grafon were in competition for the same customers and it would be expected that both parties would be soliciting the same customers. It would seem that clear and convincing facts should be required before an actual controversy is found as a matter of law under the Declaratory Judgment Act, although the Seventh Circuit has taken a liberal approach to interpreting such facts.94

The opposite result was obtained in International Harvester Co. v. Deere & Co.95 No actual controversy was found in this case, which involved a corn head96 being developed by plaintiff International Harvester and a corn head patent owned by Deere & Co. A major distinguishing factor in this case was the instigation of communication regarding the International Harvester corn head by International Harvester, the plaintiff, and not Deere & Co., for a confirmation that it did not infringe Deere's patent. Deere refused to be committal because of an already pending suit by Deere against International Harvester for infringement by another corn head design being manufactured by Harvester. Deere insisted upon a resolution of the patent validity question, which Harvester had raised in that pending suit, before further questions of infringement by any of Harvester's design could be resolved.

Harvester argued that there were three facts which showed that it was under a reasonable apprehension that it would face an infringement action by Deere: 1) the prior suit by Deere against Harvester for infringement of this same patent; 2) Deere's refusal to agree that Harvester's design was noninfringing; and 3) a statement by Deere that it would permit International Harvester to produce its corn head upon

93. Id. at 784.
95. 623 F.2d 1207 (7th Cir. 1980).
payment of money to Deere.\(^97\)

In the pending litigation over the prior Harvester design, a decision by the district court finding the patent valid and infringed\(^98\) had been reversed and remanded by the Seventh Circuit because it found the district court's conclusion that the patent was valid to be defective.\(^99\) In the instant case, however, the Seventh Circuit held that the fact of the prior litigation should not, as a matter of law, create a reasonable apprehension that Harvester would face an infringement suit over its new corn head design, because of differences between Harvester's new and prior designs.\(^100\) The pending litigation proved only that Deere & Co. was prepared to bring infringement suits to protect its patent, but \textit{not} that it was prepared to sue over Harvester's new corn head.

Deere's refusal to respond to Harvester's demand that Deere take a stand on whether the new corn head infringed its patent was also not determinative under the reasonable apprehension test. The court of appeals viewed this refusal as capable of several different interpretations, only one of which might be a decision that the corn head infringed.\(^101\) A reasonable apprehension of an infringement suit, said the court, cannot be created by the patentee's refusal to act. Such a rule would allow an unsolicited demand against a patentee to create an "actual controversy" when the patentee did not really controvert the other party's position at all.\(^102\)

Finally, Deere sent a letter to International Harvester saying that it would permit Harvester to manufacture its corn head, "for the payment of money." The court found this to be, at best, ambiguous, and not a demand for royalties in any sense.\(^103\) The court did not suggest what the payment of money could possibly be for, other than as a royalty, but it is not certain that Deere was requesting that Harvester take a license. And, again, this alone cannot be construed as an opinion of Deere that its patent was infringed, or that it would sue for such infringement.

While the court found it unnecessary to consider the second element of the jurisdictional test for a declaratory judgment, \textit{i.e.}, whether

\(^97\) 623 F.2d at 1212.
\(^98\) 460 F. Supp. at 535-36.
\(^100\) 623 F.2d at 1212.
\(^101\) \textit{Id.} at 1213.
\(^102\) \textit{Id.}
\(^103\) \textit{Id.}
the plaintiff actually produced the article in question, the court did go on in its opinion and address this issue as an alternative basis for its conclusion that no reasonable apprehension existed. The court noted that a declaratory judgment plaintiff need not have engaged in actual manufacture, use or sale of a potentially infringing product, but there must be at least some immediate intention and ability to produce the patented invention if the jurisdiction requirement is to survive a motion to dismiss. International Harvester had spent some $900,000 on the basic design and partial testing of its corn head, but it expected to spend an additional $400,000 before release for production and another three million dollars on tooling before production could begin. It would be entirely possible that substantial changes in the design would be made before the production stage and Harvester's final corn head might so differ from the one in this suit that no infringement could possibly result. The court stated the test thusly:

Once a product has been distributed, the question of possible patent infringement becomes concrete; despite subsequent design changes, an actual controversy can exist regarding infringement by the product as of the time of distribution. Prior to production, however, design changes are important because there has been no potentially infringing action giving rise to a concrete controversy. The existence of an actual justiciable controversy depends upon the definiteness of the plaintiff's intention to produce a particular product which presents a question of possible infringement.\textsuperscript{104}

The court's position on this question is further fortified by the fact that Harvester's corn head did not literally infringe on the Deere & Co. patent claims, but would infringe only through the application of the doctrine of equivalents.\textsuperscript{105} The court did not believe that Harvester's development of its corn head had as yet proceeded to a point where future infringement was of sufficient certainty to warrant a declaratory judgment.

Although unnecessary to do so, the court of appeals provided yet another basis upon which to support its decision. The court stated that declaratory judgment jurisdiction is discretionary, even where a justiciable controversy has been shown to exist, and that federal courts have discretion to decline to exercise their jurisdiction.\textsuperscript{106} Even if Harvester had successfully established a justiciable controversy, a declaratory judgment would not be appropriate at this time because the validity of

\textsuperscript{104} \textit{Id.} at 1210 n.11.
\textsuperscript{105} \textit{Id.} at 1214 n.8.
the patent was still in question in the prior suit and a resolution of that issue might make the present lawsuit moot.

The opinion supporting the court's refusal to grant a declaratory judgment in this case is interesting and instructive. Apparently the Seventh Circuit does not take as liberal a view of the "reasonable apprehension" rule as a casual reading of the 1976 Super Products case would suggest. A key factor in the Harvester decision is the fact that the plaintiff initiated the interchange between the parties and the court was unwilling to foist declaratory judgment jurisdiction upon an unwilling defendant. A further point to be noted with interest is the court's rejection of the pending infringement litigation as determinative of the creation of a reasonable apprehension, even though the same patent and the same parties were involved in both suits.

**Novelty of Patentable Subject Matter**

The issue in Reynolds Metals Co. v. Aluminum Co. of America was whether processes for the manufacture of twelve-ounce aluminum beer and soft drink cans were known or used by others prior to the patented invention by the patentee. The district court had identified two significant differences between the patents and the prior art but the court of appeals reviewed the evidence and held that everything claimed in the patents was fully disclosed in the prior art. The court held that the patents were invalid for lack of novelty.

The Seventh Circuit was of the opinion that the principal steps in the patented processes had been previously disclosed in the developmental work of a manufacturer of aluminum sonobuoy housings, which differed from the products of the patent in dimension only. The district court had disregarded this work because it was "incomplete, experimental . . . and abandoned." The court of appeals disagreed with this assessment and insisted that the evidence showed that the housings were used commercially. The court stated that the test for anticipation under section 102 was to be found in Popeil Brothers, Inc. v. Schick Electric, Inc.:

The issue of anticipation by prior art is not determined by insubstan-
tial distinctions between a purported invention and prior art. A pur-
ported invention is anticipated by prior art if the general aspects are
the same and the difference in minor matters is only such as would
suggest itself to one of ordinary skill in the art.\textsuperscript{114}

The court's interpretation of the test under section 102 highlights
an area of overlap with section 103 of the Patent Act.\textsuperscript{115} In applying
section 102, the court must make a judgment as to the degree of simi-
larity between the prior art and the patented invention. Under the
\textit{Popeil Brothers} case, if one having ordinary skill in the art of making,
for example, beer cans, would readily perceive applications of so-
nobuoy housing references that would solve problems in the beer can
art, then the sonobuoy housing references anticipate the patented in-
vention. However, the test for obviousness under section 103 is of a
quite similar nature. If one skilled in the art of making beer cans
would find it to be obvious to apply the sonobuoy housing process to
beer cans then patentability is not shown.

The basic differences between the two tests is one of degree. If the
degree of similarity between the prior reference and the patented in-
vention is insignificant, as, for example, a difference in size or a differ-
ence in ultimate use of the product, then a section 102 rejection of the
invention is appropriate. If some degree of ordinary skill in the art is
necessary to convert the prior art reference to an appropriate applica-
tion in the art of the patented invention, then section 103 is the appro-
priate section of the statute to be applied, not section 102. The
dilemma facing the courts is the determination of whether the similari-
ties and differences are such that one of the two sections is clearly the
applicable one and not the other. It should be noted that, if the inven-
tion is not anticipated by the prior art, \textit{i.e.}, if it passes muster under
section 102, it must still qualify under the section 103 test for obvi-
ousness, as the \textit{Graham} test dictates.

The \textit{Reynolds Metals} case exemplifies the curt treatment by the
reviewing court when it can find anticipation of the invention in the
prior art. By simply asserting that one of ordinary skill in the art would
know to apply the sonobuoy housing process to beers cans, the court
avoids the necessity of proceeding through the several steps of the \textit{Gra-
ham} analysis in order to determine obviousness. It may be debatable,
however, as to whether there is sufficient similarity between the prior
reference and the invention to warrant a holding on anticipation rather
than obviousness. Here, as in the application of the obviousness test,

\textsuperscript{114} 609 F.2d at 1220, \textit{quoting} 494 F.2d at 165.
\textsuperscript{115} 35 U.S.C. § 103. \textit{See} the discussion of the \textit{Popeil case} at Sprowl, \textit{supra} note 2, at 543-44.
the court may easily usurp the function of the technical expert in making the determination of anticipation. Courts are not reluctant to take on this responsibility. However, this should really be viewed as primarily a factual determination to be relegated to the trial court, where the expert testimony is received at first hand.

The Reynolds Metals case, in relying so heavily on the Popeil Brothers case, has completely rejected the earlier rule of Illinois Tool Works, Inc. v. Continental Can Co.116 In Illinois Tool Works, the district court had viewed anticipation as "a narrow technical defense, which does not raise for consideration all that the prior art discloses, but occurs only where the same or virtually identical device or invention has previously been disclosed."117 Apparently this rule is no longer acceptable to the Seventh Circuit.

The Reynolds Metals case is to be contrasted with the approach of the Ninth Circuit during this past year. In Jones v. Vefo Inc.,118 the court was unwilling to allow the district court to invalidate a patent on the basis of anticipation by a single prior art reference. The Ninth Circuit found that there would have to be a combination of several prior art references in order to find anticipation and the court quite properly held that this is an appropriate test under section 103, but not under section 102.119 The Ninth Circuit rule is far superior to that of the Reynolds Metals case. In Reynolds Metals, the Seventh Circuit is in effect applying an obviousness test under section 102, whereas that section was not designed to be used at that level of inquiry. Section 102 was intended to apply when the same invention is found in the prior art before the invention by the patent applicant. Section 103 is utilized to invalidate a patent when the degree of inventive ingenuity needed to progress from the prior art to the invention is insufficient. That is to say, when the identical invention is not found in the prior art (i.e., the invention is novel) section 103, and not section 102, is the appropriate part of the statute to be used.

CONTRIBUTORY INFRINGEMENT

Contributory infringement is actionable conduct in which a seller of a component of a patented invention, while not directly infringing himself, enables another to infringe upon obtaining the component.120

116. 397 F.2d 517 (7th Cir. 1968).
117. 273 F. Supp. 94, 105 (N.D. Ill. 1967), aff'd, 397 F.2d 517 (7th Cir. 1968).
118. 609 F.2d 409 (9th Cir. 1979).
119. Id. at 411.
120. The leading cases on contributory infringement are Aro Mfg. Co. v. Convertible Top
The Patent Act provides:

Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.\(^{121}\)

In order for there to be contributory infringement, there must be infringement by another.\(^{122}\) A difficult factual issue frequently arises when one part of a patented combination is sold by an alleged contributory infringer to the user of the combination only for replacement purposes. If the replacement is merely a repair of the device, and the user has at least an implied license to use it, there is no direct infringement and therefore no contributory infringement.\(^{123}\) If, in replacing the part, the user is deemed to be rebuilding the invention, and has no license to make the invention, the user is a direct infringer and the seller of the part can then be a contributory infringer under the statute.\(^{124}\)

In *National-Standard Co. v. UOP, Inc.*,\(^{125}\) the defendant UOP sold conical sieves to users of a patented apparatus for classifying fine-grained solids in wet condition. The conical sieves, which cost about $5,000, were part of the patented combination, which had a price of $15,000 for the entire device. The sieve was one of only three elements in the patented combination and the plaintiff manufacturer of the device expected the sieves to wear out after a relatively short period of time.

In a *per curiam* opinion, the Seventh Circuit held that the replacement of the sieve was a repair, not a reconstruction of the device.\(^{126}\) Therefore, there was no direct infringement and consequently no contributory infringement. The court quoted the landmark case of *Aro Manufacturing Co. v. Convertible Top Replacement Co.* (Aro I): "Mere replacement of individual unpatented parts, one at a time, whether of the same part repeatedly or different parts successively, is no more than

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122. 365 U.S. at 341 (Aro I).
123. *Id.* at 342-43.
124. *Id.*
125. 616 F.2d 339 (7th Cir. 1980).
126. *Id.* at 340.
the lawful right of the owner to repair his property."\textsuperscript{127}

Where there is a replacement of substantially all of the elements of a patented device, it has, to use the term of the Patent Act, been \textit{made} and the maker is an infringer, even though he may have a license to \textit{use} the invention.\textsuperscript{128} Whoever supplied the elements is then a contributory infringer, if the elements are not staple articles of commerce. However, when, as in the \textit{National-Standard} case, only one of three elements of a patented combination is replaced, it becomes a matter of opinion as to whether there is a reconstruction of the invention or merely a repair. Courts tend to look upon part replacement as repair and not rebuilding, especially when the part is expected to wear out after a relatively short period of use.

In \textit{National-Standard}, the plaintiff argued that the conical sieve was the most material, or the dominant, part of the patented combination and its replacement therefore was a reconstruction.\textsuperscript{129} However, the Supreme Court has "eschewed the suggestion that the legal distinction between 'reconstruction' and 'repair' should be affected by whether the element of the combination that has been replaced is an 'essential' or 'distinguishing' part of the invention."\textsuperscript{130} To allow such a standard would "ascrib[e] to one element of the patented combination the status of patented invention in itself."\textsuperscript{131}

Thus, in \textit{National-Standard}, when the Seventh Circuit rejected the argument that replacement of the sieve constituted a reconstruction of the patented apparatus, it took a position that was fully supported by the \textit{Aro I} case. In \textit{Aro I}, the Supreme Court held that replacement of the fabric of a patented automobile convertible top combination was not direct infringement and therefore the defendant's sale of the specially-cut fabric for this purpose could not be contributory infringement.\textsuperscript{132} If replacement of the special conical sieve in the patented apparatus in \textit{National-Standard} was only repair, there can be neither direct nor contributory infringement. Had the user of the apparatus not had an implied license to use it, replacement of the sieve would have been direct infringement and contributory infringement would

\textsuperscript{127} \textit{Id.}, quoting 365 U.S. at 346.
\textsuperscript{128} 35 U.S.C. § 271(a) (1978). \textit{See also} 377 U.S. at 480 (\textit{Aro II}).
\textsuperscript{129} 616 F.2d at 340. The plaintiff relied upon Automotive Parts Co. v. Wisconsin Axle Co., 81 F.2d 125, 127 (6th Cir. 1935).
\textsuperscript{130} Dawson Chem. Co. v. Rohm & Haas Co., 100 S. Ct. 2601, 2624 (1980), \textit{citing} 365 U.S. at 344-45 (\textit{Aro I}).
\textsuperscript{131} 365 U.S. at 344.
\textsuperscript{132} \textit{Id.} at 346.
follow.\textsuperscript{133} The Supreme Court has recently handed down an extensive and scholarly opinion construing section 271(c) of the Patent Act.\textsuperscript{134} Mr. Justice Blackmun traced the legislative history of, and the policy considerations underlying, the statutory doctrine of contributory infringement. The case is primarily concerned with whether patent misuse bars relief against contributory infringement and clarifies a number of misconceptions that have troubled the patent bar.

**Conclusion**

The United States Court of Appeals for the Seventh Circuit has experienced a good year in its continuing contribution to the body of patent law. Of the twelve published opinions discussed in this article, seven involved issues of patent validity, one involved patent licensing provisions, one election of remedies, two declaratory judgment problems and one contributory infringement issue. In none of these cases has the court failed to acquit itself with an opinion that was fully substantiated with ample precedent, persuasive logic and forceful argument. While the writer has not been in full agreement with all the court had occasion to decide, there is no questioning the court's diligent application of its complete and full attention to the important patent matters that have come before it.

This article has questioned the wisdom of some of the particular decisions of the Seventh Circuit. This has been particularly true of certain choices the court has made when faced with decisions relating to patent validity. In the six decisions in which the court has been required to apply the section 103 test for obviousness, as interpreted by the *Graham* test, the court was able to find only one patent valid (although not infringed).\textsuperscript{135} In another case, a summary judgment of invalidity was reversed because the district court applied the obsolete synergistic effect test.\textsuperscript{136} In the single case in which the court was required to apply the novelty test of section 102 of the Patent Act, the patents were found to be invalid because they were anticipated in the

\textsuperscript{133} Repair of a patented combination being used without license is a direct infringement and providing a replacement for such repair is contributory infringement. *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 484-85 (1964) (*Aro II*).

\textsuperscript{134} *Dawson Chem. Co. v. Rohm & Haas Co.*, 100 S. Ct. 2601 (1980).

\textsuperscript{135} *American Hoist & Derrick Co. v. Manitowoc Co.*, 603 F.2d 629 (7th Cir. 1979). The alleged patent infringement was of two patents in this case, only one of which was held to be valid by both the district court and the court of appeals. The second patent was the subject of no conclusion as to validity or invalidity.

\textsuperscript{136} *AMP Inc. v. Bunker Ramo Corp.*, 604 F.2d 24 (7th Cir. 1979).
prior art.\textsuperscript{137}

In the area of patent licensing the court was strict in its construction of license provisions, to the detriment of the licensor.\textsuperscript{138} The court refused to enforce a best-efforts clause, a grant-back clause and a trademark affixation clause against a licensee.

The court was faced with a unique election of remedies problem in the \textit{Roberts} case,\textsuperscript{139} and acquitted itself admirably. The opinion showed some degree of sympathy for an independent inventor being taken advantage of by a large nationwide department store chain. The court decided that damages for past injury should not prevent a reconveyance of the patent back to the inventor so that he could sue for future damages, if necessary.

Opposite results were obtained in the two cases in which declaratory judgment subject matter jurisdiction was disputed. Jurisdiction was found in a case where the patent owners contacted the plaintiff's customers and warned them that the plaintiff no longer held any rights of manufacture or sale under the patent.\textsuperscript{140} However, in the \textit{International Harvester Co.} case,\textsuperscript{141} subject matter jurisdiction was denied where it was not evident that the plaintiff had reached a point at which the possibly infringing product would be produced in the near future.

Finally, the court held that there was no contributory infringement where a defendant sold one element of a three-element patented combination to the user of the machine because replacement of a consumable sieve constituted a noninfringing repair, not an infringing rebuilding of the machine.\textsuperscript{142}

While patent owners have not, overall, fared well before the Seventh Circuit this past year, the court does not appear to have unduly departed from the mainstream of judicial thought regarding the United States Patent Grant. In conclusion, the 1980 Seventh Circuit patent law cases have been and will remain a fertile ground for further development in the patent law field.

\textsuperscript{137} Reynolds Metals Co. v. Aluminum Co. of America, 609 F.2d 1218 (7th Cir. 1979).
\textsuperscript{138} Saverslak v. Davis-Cleaver Produce Co., 606 F.2d 208 (7th Cir. 1979), \textit{cert. denied}, 444 U.S. 1078 (1980).
\textsuperscript{139} Roberts v. Sears, Roebuck & Co., 617 F.2d 460 (7th Cir. 1980).
\textsuperscript{140} Grafon Corp. v. Hausermann, 602 F.2d 781 (7th Cir. 1979).
\textsuperscript{141} International Harvester Co. v. Deere & Co., 623 F.2d 1207 (7th Cir. 1980).
\textsuperscript{142} National-Standard Co. v. UOP, Inc., 616 F.2d 339 (7th Cir. 1980).