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PATENTS, TRADEMARKS, COPYRIGHTS, AND UNFAIR COMPETITION

I. OVERVIEW

During the period covered by this survey, the Tenth Circuit considered four intellectual property cases involving patents and unfair competition. The court did not consider cases or issues involving trademarks and copyrights.

A. *Black, Sivalls & Bryson, Inc. v. Keystone Steel Fabrication, Inc.*

Initially, in *Black, Sivalls & Bryson, Inc. v. Keystone Steel Fabrication, Inc.*,¹ the court addressed claims based on patent infringement and unfair competition. The case involved a device designed to heat industrial fluids uniformly. Plaintiff, Black, Sivalls & Bryson, Inc., commenced the action in the United States District Court for the District of Oklahoma following the departure of a former employee (head of its heater sales group) who began immediately to underbid plaintiff in the industrial fluid heater market.

The district court ruled for the defendants on the infringement issue and granted defendants' motion for a directed verdict on the unfair competition issue. Issues regarding unfair competition were tried before a jury whereas patent validity and infringement issues were considered by the court. The plaintiff appealed to the Tenth Circuit arguing: (1) the trial court erred in not permitting a jury trial on the patent validity and infringement issues; (2) the trial court's finding on the infringement issue was erroneous; and (3) there was sufficient evidence to warrant jury consideration of claimed trade secrets; therefore, the directed verdict was improper.

Judge McKay's opinion held that the trial court acted properly in trying an infringement issue without a jury where the plaintiff specifically waived in open court its right to a jury trial on this issue.² The trial court's finding on the infringement issue was also upheld by the Tenth Circuit be-

1. 584 F.2d 946 (10th Cir. 1978).

2. *Id.* at 949. The Federal Rules of Civil Procedure provide:

When trial by jury has been demanded . . . the action shall be designated upon the docket as a jury action. The trial of all issues so demanded shall be by jury, unless (1) the parties or their attorneys of record, . . . by an oral stipulation made in open court and entered in the record, consent to trial by the court sitting without a jury . . .

FED. R. CIV. P. 39(a). Both the trial court and the Tenth Circuit found that the parties orally stipulated to have the infringement issue, because of its technicality, tried before the court.

The Tenth Circuit did find that the plaintiff reserved its right to a jury trial on the patent validity issue. However, there was no error on the part of the trial court in refusing a jury trial on the validity issue because in deciding the infringement issue against the plaintiff, the court treated the claimed patent as though it were valid even though not formally ruling on the validity issue. In doing so the court said, "[w]here the court properly finds no infringement, it would be improper to rule on the validity of the patent. Under such circumstances [t]o hold a patent valid if it is not infringed is to decide a hypothetical case." 584 F.2d at 950 (citation omitted).

cause the record³ established that the finding was not "clearly erroneous."⁴ In so holding, the court quoted with approval from an earlier opinion: "The question of infringement is one of fact and, upon review, the trial court's findings thereon will not be set aside unless they are clearly erroneous Therefore, our power of review is limited to determining whether, under correct legal standards, the findings of [noninfringement] are supported by the record."⁵

Because the jury had deadlocked on the unfair competition issues, the trial court granted defendants' motion for a directed verdict. The Tenth Circuit noted that the standard for reviewing the propriety of a directed verdict is:

whether there is a genuine issue of material fact to be resolved by the trier of the fact . . . [viewing] the evidence in the light most favorable to the party against whom the motion for the directed verdict was addressed and . . . [giving] such party the benefit of all inferences which the evidence fairly supports, even though contrary inferences could reasonably be drawn.⁶

The court stated that before the plaintiff could prevail on its claim of unfair competition, it must show the existence of a trade secret; that the defendants acquired the trade secret through a confidential relationship; and that the trade secret was used without authority from the plaintiff.⁷

The court found that several of plaintiff's claimed trade secrets could be discovered through examination of its patent, its heaters, or information which had been published. However, the court did hold that the identity and application of a certain outside heat transfer coefficient and the pricing information for estimating the man-hours and materials necessary to build a heater and useful to calculate a bid price were potential trade secrets warranting jury consideration for resolution of the claim of unfair competition.⁸

3. The record revealed that there were substantial design differences between defendants' heaters and those of the plaintiff. 584 F.2d at 950.

4. *Id.*

5. 584 F.2d at 950 (quoting *McCullough Tool Co. v. Wells Surveys, Inc.*, 343 F.2d 381, 401 (10th Cir. 1965), *cert. denied*, 383 U.S. 933 (1966)).

"Findings of fact shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the trial court to judge the credibility of the witnesses." FED. R. CIV. P. 52(a). To no type of case is this portion of rule 52(a) more appropriately applicable than to patent cases where the evidence is primarily the testimony of experts. *Graver Tank & Mfg. Co. v. Linde Air Prod. Co.*, 336 U.S. 271, 274 (1949), *aff'd on rehearing*, 339 U.S. 605 (1950).

6. 584 F.2d at 951 (citations omitted).

7. *Id.* A trade secret is:

a formula, pattern, device or compilation of information which is used in one's business and which gives him an opportunity to gain an economic advantage over competitors who do not know or use it. A trade secret must have a substantial element of secrecy. While it need not be patentable it must contain elements which are unique and, not generally known or used in the trade.

Id. (citation omitted). See also *Kodekey Electronics, Inc. v. Mechanex Corp.*, 486 F.2d 449, 455 (10th Cir. 1973).

8. *Id.* at 951-53. The court found that a jury could reasonably infer that the outside heat transfer coefficient was useful to the defendants as a starting point for quick and confident development of a competitive heater. The court also stated that a jury could infer that the defendants could not have successfully bid on a job without a prototype but for the verified starting point here established. It was further noted that because of defendant's previous employment with plaintiff and an absence of evidence showing an independent source for the

Because these matters were not submitted to a jury, the lower court's decision on the unfair competition issue was reversed and the case was remanded for consideration of the two claimed trade secrets.⁹

B. Deere & Co. v. Hesston Corp.

In *Deere & Co. v. Hesston Corp.*,¹⁰ the Tenth Circuit considered an appeal from a declaratory judgment action where the plaintiff, Deere & Co., sought to have defendant's patents on a hay wagon and loader declared invalid. After plaintiff designed and manufactured a hay wagon in competition with that sold by the defendant, the plaintiff was notified that defendant considered its patents infringed. Plaintiff commenced an action in the United States District Court for the District of Utah arguing that defendant's patents were: (1) invalid and therefore not infringed; (2) obtained through fraud on the Patent Office; and (3) invalid because of the sale of a prototype of the machine. The defendant denied plaintiff's allegations and counter-claimed alleging infringement.

The trial court found all defendant's patents to be invalid because they were obvious¹¹ and known to the public¹² longer than one year before the date of the patent application.¹³ The Tenth Circuit affirmed the district court's decision.¹⁴

Regarding fraud on the Patent Office, Judge Doyle recognized the "but for" standard, *i.e.*, fraud is present if the Patent Office would have rejected a patent application but for a material nondisclosure or misrepresentation.¹⁵ The Tenth Circuit upheld the trial judge's findings that the Patent Office would not have rejected defendant's application even though the defendant failed to disclose the prior art contained in an earlier machine and that there was not willful, intentional, wrongful, or reckless conduct in the failure to disclose.¹⁶

The Tenth Circuit approved of the trial court's reliance upon *Graham v.*

coefficient, a jury could determine that the defendants' discovery of plaintiff's trade secret was unlawful. *Id.* at 952.

The court stated that the ability to predict a competitor's bid could give a distinct advantage to the one possessing that information. It was found that a jury could reasonably infer that the defendants' immediate success in underbidding plaintiff was due in part to defendants' use of plaintiff's pricing information. *Id.*

9. *Id.* at 953.

10. 593 F.2d 956 (10th Cir. 1979).

11. Nonobviousness is a standard of patentability imposed by one section of the Patent Act:

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.

35 U.S.C. § 103 (1976).

12. A person is entitled to a patent unless "the invention was patented or described in a printed publication in this or a foreign country or in public use or sale in this country, more than one year prior to the date of the application for patent in the United States . . ." *Id.* at § 102(b).

13. 456 F. Supp. 520 (D. Utah 1977), *aff'd*, 593 F.2d 956 (10th Cir. 1979).

14. 593 F.2d at 963.

15. *Id.* at 960.

16. *Id.*

*John Deere Co.*¹⁷ for application of the nonobviousness standard of patentability. "Obviousness under § 103, it was said in *John Deere*, is to be determined in the light of the prior art by studying the differences between the prior art and the claims at issue and by resolving the level of ordinary skill in the pertinent art."¹⁸ The court also noted with approval the trial court's careful scrutiny of obviousness in connection with a combination of patent claims,¹⁹ and affirmed its holding that the defendant's patents did not achieve a synergistic result that would be nonobvious to a person reasonably skilled in the art.²⁰

Finally, Judge Doyle ruled that the trial court did not err in refusing to grant plaintiff its request for attorney's fees.²¹ The lower court's finding that this case was not extraordinary and therefore did not warrant the granting of attorney's fees was upheld.

C. Sidewinder Marine, Inc. v. Starbuck Kustom Boats & Products, Inc.

In *Sidewinder Marine, Inc. v. Starbuck Kustom Boats & Products, Inc.*,²² the Tenth Circuit considered an appeal from an action for infringement of a design patent for the ornamental design of a boat.²³ Initially, the action was brought by Sidewinder Marine, Inc. in the United States District Court for the District of Colorado which held that the patent was invalid, thereby mooted the question of infringement.²⁴ This holding was based on grounds that the design was obvious in light of the prior art²⁵ and was not original.²⁶ Plaintiff appealed the decision of invalidity arguing: (1) the district court failed to give its design patent the proper presumption of validity and defendant failed to overcome that presumption;²⁷ (2) the district court erred in applying the "ordinary designer" standard rather than the "ordinary intelli-

17. 383 U.S. 1 (1966).

18. 593 F.2d at 961. The court also recognized the Supreme Court's secondary tests of nonobviousness: commercial success, long felt but unsolved need in the industry, and failure of competitors to develop the device sought to be patented. *Id.* The court did note that commercial success without invention does not by itself suffice to establish nonobviousness. *Id.* at 962.

19. *Id.* The court noted from *Sakraida v. Ag Pro, Inc.*, 425 U.S. 273 (1976) that in order to establish patent validity for a combination of old elements, there must be a synergistic effect, *i.e.*, an effect greater than the sum of the several initial effects taken separately. 593 F.2d at 962. Moreover, a "patent is supposed to add to the sum of useful knowledge, . . . and patents are not to be sustained when their effect is to subtract from former resources freely available to skilled artisans." *Id.* at 963.

20. *Id.* Both the district court and Tenth Circuit based their decisions on the fact that the defendant's patents combined old elements which continued to function as they previously did with no new and different function. *Id.*

21. *Id.*

22. 597 F.2d 201 (10th Cir. 1979).

23. The design was that of the "Super Sidewinder" speed boat which gained immediate popularity and success in the late 1960's and early 1970's.

24. 418 F. Supp. 224 (D. Colo. 1976), *aff'd*, 597 F.2d 201 (10th Cir. 1979).

25. *Id.* at 227-28. The nonobviousness standard is imposed at 35 U.S.C. § 103 (1976). *See* note 11 *supra*.

26. 418 F. Supp. at 231. An additional requirement for design patents is that they be new and original. 35 U.S.C. § 171 (1976).

27. In support of this argument, the plaintiff cited 35 U.S.C. § 282 (1976) which provides in part that a patent once issued "shall be presumed valid," and that "[t]he burden of establishing invalidity . . . shall rest on the party asserting such invalidity."

gent man" standard in assessing the obviousness issue;²⁸ and (3) the district court's findings on obviousness were improper.

At the outset, Judge Holloway noted that the burden on an alleged infringer to rebut the presumption of patent validity is great, requiring the alleged infringer to introduce "clear and convincing" evidence in this regard.²⁹ It was noted, though, that this presumption is significantly weakened where the patent has been issued without consideration of prior art not submitted to the Patent Office.³⁰ The court held that this presumption was significantly weakened in light of boat designs and analogous car designs submitted by the defendant at trial which the Patent Office had not considered when the patent was issued.³¹ The court cautioned, however, that overcoming the presumption of validity does not, by itself, invalidate the patent.³²

In connection with the presumption issue, the plaintiff argued that a prior determination of the patent's validity³³ is strong evidence of its validity in this case. Judge Holloway responded by noting cases giving a prior adjudication of patent validity "comity," "great weight," and "respectful consideration,"³⁴ but held that such adjudication does not, absent estoppel, supplant the court's duty to try cases according to the law and present facts—particularly where, as here, relevant prior art was not considered by the court in the prior adjudication.³⁵

Relevant to the district court's findings on obviousness, the Tenth Circuit cited *Graham v. John Deere Co.*³⁶ and *Deere & Co. v. Hesston Corp.*³⁷ for the appropriate standard.³⁸ In connection with this standard, the Tenth Circuit held that

explicit findings in the exact terms of the *Graham* criteria are [not] required, "[s]o long as it is clear that the court has grappled with the problem presented," and its findings are "sufficient to provide [us] with a clear understanding of the . . . court's reasons so as to

28. This issue is given detailed consideration in the text accompanying notes 62-76 *infra*.

29. 597 F.2d at 205 (citing *Moore v. Schultz*, 491 F.2d 294, 298 (10th Cir. 1974)).

30. 597 F.2d at 206.

31. *Id.* at 206, 207.

32. *Id.* at 206 n.6.

33. In *Sidewinder Marine, Inc. v. Burns*, 176 U.S.P.Q. (BNA) 499 (C.D. Cal. 1972), the court upheld the validity of the Super Sidewinder patent, found it to be infringed, and awarded plaintiff compensatory and punitive damages totalling \$35,150 as well as reasonable attorneys' fees.

It is significant to note that an initial determination of a patent's validity does not bar nonparticipants in that determination from subsequently asserting the patent's invalidity. *Boutell v. Volk*, 449 F.2d 673 (10th Cir. 1971). An obverse proposition—that an initial determination of a patent's invalidity may be used on the basis of collateral estoppel by one facing a charge of infringement in a subsequent action—has been established by the Supreme Court. *Blonder-Tongue Laboratories, Inc. v. Univ. of Ill. Foundation*, 402 U.S. 313 (1971).

34. Those cases affording a "high presumption of validity" to a patent the subject of a prior favorable validity adjudication were distinguished on the basis that the same court had previously upheld the patent in question. 597 F.2d at 206-07 n.7.

35. *Id.* at 206-07. The *Burns* court did not have before it some of the significant analogous automobile designs here submitted by the defendant.

36. 383 U.S. 1 (1966).

37. 593 F.2d 956 (10th Cir. 1979).

38. 597 F.2d at 209. The standard is noted in the text accompanying note 18 *supra*.

present an adequate review."³⁹

As with findings of infringement, a trial court's findings on obviousness are not to be set aside unless they are "clearly erroneous."⁴⁰ Based on the district court's record and other factors presented by the defendant, *e.g.*, similar boat designs and analogous car designs, Judge Holloway ruled that the trial court's findings on obviousness were not "clearly erroneous."⁴¹ Accordingly, the district court's decision was affirmed by the Tenth Circuit.

D. True Temper Corp. v. CF&I Steel Corp.

Finally, in *True Temper Corp. v. CF&I Steel Corp.*,⁴² the Tenth Circuit addressed an appeal from actions for infringement of a patent covering a one-piece rail anchor used by railroads and a patent covering an automatic press used to manufacture the rail anchor. In its unreported opinion, the United States District Court for the District of Colorado held that both plaintiff's (True Temper) patents were invalid on the bases of full anticipation in the prior art⁴³ and obviousness to a person of ordinary skill in the art.⁴⁴ The district court further held that True Temper's inequitable conduct before the Patent Office in seeking both patents barred their enforcement against the alleged infringer and that even if the patents had been deemed valid and enforceable, CF&I's devices did not infringe on True Temper's claims under the patents. Defendant's request for attorney's fees was denied by the district court, and both parties appealed to the Tenth Circuit. The plaintiff sought reversal of all holdings adverse to it, and the defendant sought reversal of the denial of attorney's fees.

At the outset, Judge Holloway noted that the exercise of fraud, inequitable conduct, or bad faith in seeking a patent before the Patent Office may result in the patent's subsequent unenforceability.⁴⁵ After discussing the case law pertaining to fraud on the Patent Office, the Tenth Circuit noted that "intentional fraud on the Patent Office is not the only ground for withholding enforcement of patents" and adopted the view of the Court of Customs and Patent Appeals in *Norton v. Curtiss*⁴⁶ that patents should not be enforced where "misrepresentations [are] made in an atmosphere of gross

39. 597 F.2d at 209 (quoting *Price v. Lake Sales Supply R.M., Inc.*, 510 F.2d 388, 391 (10th Cir. 1974).

40. 597 F.2d at 209. *See also* note 5 *supra*.

41. 597 F.2d at 209-10.

42. 601 F.2d 495 (10th Cir. 1979).

43. The novelty requirement is imposed by section 102 of the Patent Act: "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 for the patent . . ." 35 U.S.C. § 102 (1976).

44. *Id.* at § 103. *See also* note 11 *supra*.

45. 601 F.2d at 501. The trial court's holding of fraud on the Patent Office was based on findings that the plaintiff failed to disclose material facts to the Patent Office and submitted evidence which was inaccurate, incomplete, and misleading. In affidavits submitted by the plaintiff to the Patent Office after initial rejection of the rail anchor patent, it was not mentioned that an incomplete Williams rail anchor, prior art in the industry, was used in comparison tests to establish the superiority of plaintiff's anchor. Moreover, the affidavits did not disclose that the partial Williams anchor was machined whereas plaintiff's complete anchor was forged. *Id.* at 501.

46. 433 F.2d 779 (C.C.P.A. 1970).

negligence as to their truth,' . . . [citations omitted] or where there is reckless conduct in representations to the Patent Office"⁴⁷ The court also particularly noted the cases where test results and similar data were submitted to the Patent Office, demanding a higher standard of fraud on the Patent Office than mere avoidance of intentional fraud.⁴⁸ Because the test results submitted in plaintiff's affidavits to the Patent Office contained material omissions and were seriously misleading,⁴⁹ the Tenth Circuit upheld the district court's finding of fraud on the Patent Office and affirmed the rail anchor patent's unenforceability.⁵⁰ As such, the court did not consider the district court's findings on patent invalidity and noninfringement as to the rail anchor patent.

In consideration of the patent covering the apparatus and process for producing rail anchors, the Tenth Circuit confined its review to the district court's rulings on obviousness and fraud on the Patent Office. In determining whether the district court's ruling on obviousness was "clearly erroneous," Judge Holloway applied the standard of *Graham v. John Deere Co.*,⁵¹ also followed in *Sidewinder Marine, Inc. v. Starbuck Kustom Boats & Products, Inc.*,⁵² and recognized the statutory presumption of validity for an issued patent.⁵³ The court noted that the presumption of validity was seriously weakened by defendant's introduction at trial of prior art more pertinent to plaintiff's process but not cited in the application to the Patent Office.⁵⁴ Ultimately, Judge Holloway ruled that the district court's findings on obviousness were amply supported by the record.⁵⁵

The court also stated that for a combination of known elements to be patentable, the result must be synergistic.⁵⁶ Since the plaintiff's process took

47. 601 F.2d at 501. A comparison of this standard with that articulated by Judge Doyle in *Deere & Co. v. Hesston Corp.* is provided in the text accompanying notes 77-86 *infra*.

48. *Id.* at 501 (citing *Norton v. Curtiss*, 433 F.2d 779, 794 (C.C.P.A. 1970); *Monsanto Co. v. Rohm & Hass Co.*, 456 F.2d 592, 597 n.10 (3d Cir. 1972); *Carter-Wallace, Inc. v. Davis-Edwards Pharmacal Corp.*, 443 F.2d 867, 881 (2d Cir. 1971), *cert. denied*, 412 U.S. 929 (1973)).

49. 601 F.2d at 500-05. In particular, the court referred to testimony by the defendant's expert that he had conducted his own tests of the Williams design as compared with the plaintiff's design and arrived at significantly different results than were reported to the Patent Office by the plaintiff. *Id.* at 502-03.

In addition, plaintiff's argument that the information omitted from its affidavits was not material to the examination of the patent application was rejected by the Tenth Circuit. Because the affidavits were intended to cure the Patent Office's initial rejection of the application, the information contained therein or a lack of it was deemed by the court to be material. *Id.* at 503.

50. *Id.* at 505.

51. 383 U.S. 1, 17 (1966).

52. 597 F.2d 201 (10th Cir. 1979).

53. 601 F.2d at 505.

54. *Id.* at 505. The newly introduced prior art consisted of (1) plaintiff's own fully automatic system for manufacturing an earlier anchor, (2) its hand fed system for early production of the new anchor, and (3) an automated press developed for the forging of crawler track links and other such items. *Id.*

55. *Id.* In connection therewith, the Tenth Circuit noted that "explicit findings in the exact terms of *Graham* are not required, [s]o long as it is clear that the court has grappled with the problems presented." *Id.* at 506 n.11 (citing *Sidewinder Marine, Inc. v. Starbuck Kustom Boats & Prod., Inc.*, 597 F.2d 201, 209 (10th Cir. 1979)).

56. 601 F.2d at 506. This holding is consistent with the court's previous holding in *Deere & Co. v. Hesston Corp.*, 593 F.2d 956, 962 (10th Cir. 1979), although the court here did not cite *Deere & Co.*

essentially the same steps in producing rail anchors as did prior art, mere automation of the process was held to be obvious, *i.e.*, conceivable to a worker of ordinary skill in that industry.⁵⁷

As to fraud on the Patent Office, the district court found that plaintiff's failure to disclose its methods of manufacturing early rail anchors as prior art was a serious omission which may have affected the Patent Office's decision on the patentability of the device.⁵⁸ The Tenth Circuit held that such findings would support unenforceability of the patent⁵⁹ and affirmed the lower court's unenforceability ruling based on fraud on the Patent Office.⁶⁰

Finally, because the district court failed to consider fraud on the Patent Office in connection with the denial of attorney's fees to the defendant, this judgment was vacated and the issue was remanded to the district court for reconsideration.⁶¹

II. SIGNIFICANT MATTERS

The cases considered in this survey contained three significant points of interest to the patent bar which merit additional and separate consideration. Of importance is the Tenth Circuit's adoption of the "ordinary designer" standard with respect to obviousness in design patents. Next, in separate but similar cases, the Tenth Circuit applied two different standards in connection with fraud on the Patent Office. Finally, the Tenth Circuit's remand of a case for the consideration of attorney's fees is significant.

A. *Obviousness in Design Patents and the "Ordinary Designer" Standard*

In *Sidewinder Marine, Inc.*, the Tenth Circuit rejected plaintiff's argument that the "ordinary intelligent man" standard rather than the "ordinary designer" standard should be applied in assessing the obviousness of a design patent.⁶² There is a division among circuits as to which is the appropriate standard, and this case represents the Tenth Circuit's initial consideration of the issue and its adoption of the more stringent approach.⁶³

To establish the patentability of designs, the Patent Act expressly re-

57. 601 F.2d at 506.

58. *Id.* at 507.

59. *Id.* (citing *Admiral Corp. v. Zenith Radio Corp.*, 296 F.2d 708, 716 (10th Cir. 1961)).

60. 601 F.2d at 508.

61. *Id.* at 510. Further consideration is given to the attorney's fees issue in the test accompanying notes 87-104 *infra*.

62. 597 F.2d at 207-09; The trial court, acknowledging a division among circuits as to which standard is relevant as well as an absence of judicial guidance by either the Tenth Circuit or Supreme Court, applied both standards to find plaintiff's design patent obvious. 418 F. Supp. at 229-31. The trial court did, however, prefer the "ordinary designer" standard. *Id.* at 228-29.

Because the Tenth Circuit could not conclude that plaintiff's design would be obvious under both the "ordinary designer" and "ordinary intelligent man" standards, the court sought to determine the applicable standard and proceed on that basis. 597 F.2d at 207.

63. The Tenth Circuit here takes the approach followed by the Second, Third, Sixth, Eighth, and District of Columbia Circuits in connection with the standard of obviousness applicable to the design patent area. *See Clark Equip. Co. v. Keller*, 570 F.2d 778, 799 (8th Cir.), *cert. denied*, 439 U.S. 825 (1978); *Schnadig Corp. v. Gaines Mfg. Co.*, 494 F.2d 383, 389 (6th Cir. 1974); *Fields v. Schuyler*, 472 F.2d 1304, 1306 (D.C. Cir. 1972), *cert. denied*, 411 U.S. 987 (1973); *Hadco Products, Inc. v. Walter Kidde & Co.*, 462 F.2d 1265, 1272 (3d Cir.), *cert. denied*, 409 U.S.

quires satisfaction of the standards for patentability of inventions⁶⁴ including, *inter alia*, nonobviousness.⁶⁵ The Tenth Circuit noted that in dealing with utility patents, other courts have interpreted Section 103's "person having ordinary skill in the art to which said subject matter pertains"⁶⁶ to focus not on some hypothetical ordinary intelligent person but rather on one "reasonably skilled" in the art.⁶⁷ Thus, the court held that the proper standard for determining the nonobviousness of designs is the "ordinary designer" standard.⁶⁸ The court felt that this standard (1) more closely parallels Section 103's statutory mandate, and (2) provides a more objective reference point concerning obviousness than the ordinary intelligent man standard.⁶⁹

The ordinary intelligent man standard was first followed by the Ninth Circuit in *Schwinn Bicycle Co. v. Goodyear Tire & Rubber Co.*,⁷⁰ a significant design patent decision. There the court held that knowledge of an ordinary intelligent man is the standard by which to measure the obviousness of a design.⁷¹ The Ninth Circuit followed the lead of the Court of Customs and Patent Appeals in *In re Laverne* which held that under Section 103, it is only necessary to determine obviousness to the ordinary intelligent man (because the test is visual) to ascertain appearance of the design as a whole, requiring no special skill.⁷² However, the Tenth Circuit has chosen what appears to be the majority view—the ordinary designer standard for determining the obviousness of design patents.

The ordinary designer standard is more stringent than the ordinary intelligent man standard in that the former requires a greater degree for invention to establish nonobviousness.⁷³ For this reason, the district court in applying the ordinary designer standard permitted previously existing automobile designs to be considered as developments in an analogous field of which a boat designer could reasonably be expected to be aware.⁷⁴ The Tenth Circuit accepted the district court's consideration of analogous car designs⁷⁵ and ultimately affirmed its finding that plaintiff's boat design was obvious.⁷⁶

B. *The Standard for Ascertaining Fraud on the Patent Office*

In suits for patent infringement, unenforceability is a statutory defense

1023 (1972); *G.B. Lewis Co. v. Gould Prod., Inc.*, 436 F.2d 1176, 1178 (2d Cir. 1971). *See also* 2 A. WALKER, PATENTS, § 161 at 757 (1964).

64. 35 U.S.C. § 171 (1976).

65. *See* note 11 *supra*.

66. 35 U.S.C. § 103 (1976).

67. 597 F.2d at 207-08.

68. *Id.* at 208.

69. *Id.*

70. 444 F.2d 295 (9th Cir. 1970).

71. *Id.* at 299.

72. 456 F.2d 1003, 1006 (C.C.P.A. 1966).

73. 418 F. Supp. at 230.

74. *Id.* at 229-30. The district court felt that under the ordinary intelligent man standard, only prior boat designs would be relevant since "there is no reason to expect a layman to make subtle comparisons between boat decks and the upper body designs of automobiles." *Id.* at 229.

75. 597 F.2d at 207.

76. *Id.* at 209-10.

under the Patent Act.⁷⁷ The exercise of fraud, inequitable conduct, or bad faith in seeking a patent before the Patent Office may result in the patent's unenforceability.⁷⁸ Any individual who is substantially involved in the preparation or prosecution of a patent application has a duty of candor and good faith toward the Patent Office requiring disclosure of information which is material to the examination of the application.⁷⁹

Recall from *Deere & Co.* that the Tenth Circuit adopted the "but for" test to determine if fraud on the Patent Office had been committed where certain prior art had not been disclosed in a patent application.⁸⁰ Under this standard, fraud exists if the Patent Office would have rejected a patent application but for a material nondisclosure. The principle was derived from *Norton v. Curtiss*,⁸¹ a significant case considering fraud on the Patent Office. In *Deere & Co.*, the Tenth Circuit affirmed the district court's finding that failure to disclose the prior art contained in two earlier haystacking machines did not constitute fraud since the Patent Office would not have rejected the application but for the nondisclosure.⁸²

In another patent infringement case, *True Temper*, the Tenth Circuit applied a somewhat different standard to affirm a lower court's decision that fraud on the Patent Office had been committed where nondisclosures and misrepresentations had been made in comparison test data involving the new invention and prior art, and in identifying and describing prior art.⁸³ The court noted that intentional fraud on the Patent Office was not the only ground by which to render a patent unenforceable and held that patents could be deemed unenforceable where misrepresentations were made recklessly or in an atmosphere of gross negligence as to their truth.⁸⁴

However, in comparing application of the "but for" and more exacting "recklessness or gross negligence" standards for ascertaining fraud on the Patent Office, the *Deere & Co.* and *True Temper* decisions can be reconciled. First, the higher recklessness or gross negligence standard was applied to a situation where test results and similar data were involved in the material misrepresentations and omissions to the Patent Office. The Tenth Circuit particularly noted that such cases require a higher standard than avoidance of intentional fraud.⁸⁵ Second, *True Temper* appeared to apply the "but for" standard in connection with the plaintiff's failure to disclose its former methods of producing rail anchors as relevant prior art in its patent application for a process to automatically produce rail anchors. The court noted and

77. 35 U.S.C. § 282(1) (1976).

78. *See, e.g.*, *Norton v. Curtiss*, 433 F.2d 779 (C.C.P.A. 1970); *Admiral Corp. v. Zenith Radio Corp.*, 296 F.2d 708 (10th Cir. 1961).

79. 37 C.F.R. § 1.56(a) (1978). Information is material where there is a substantial likelihood that a reasonable examiner would consider it important in deciding whether to issue a patent. *Id.*

80. 593 F.2d at 960.

81. 433 F.2d 779, 793 (C.C.P.A. 1970).

82. 593 F.2d at 960.

83. *True Temper Corp. v. CF&I Steel Corp.*, 601 F.2d 495, 500-05, 507-08 (10th Cir. 1979).

84. *Id.* at 502.

85. *Id.*

affirmed the district court's finding that had the Patent Office been aware of plaintiff's systems for producing earlier rail anchors, it may well have decided differently on the patentability of plaintiff's new process.⁸⁶

Thus, it appears that where misrepresentation or nondisclosure involve presentation of the prior art in a patent application, the "but for" standard is appropriate for determining whether fraud on the Patent Office has occurred. However, if test and similar data comparing the new and prior art are involved in the nondisclosure, a higher standard than avoidance of intentional fraud, "the recklessness or gross negligence" test, will be applied by the Tenth Circuit.

C. *Attorney's Fees and Costs in Patent Infringement Cases*

In *True Temper*, the lower court denied a motion for costs and reasonable attorney's fees submitted by the defendant, CF&I Steel Corp., on the ground that the case presented was not so exceptional as to warrant such recovery.⁸⁷ The trial court further ruled that each party was to bear its own costs.⁸⁸ CF&I appealed this decision to the Tenth Circuit arguing, *inter alia*, that the lower court applied the wrong legal standard in exercising its discretion under the Patent Act to grant attorney's fees.⁸⁹

At the outset, the Tenth Circuit noted cases where a plaintiff's motives or tactics in bringing or maintaining his action may render the case exceptional, justifying an award of attorney's fees to the prevailing defendant, *e.g.*, where the plaintiff was aware of the obvious invalidity of his patent when the action was commenced,⁹⁰ or where the action once brought was vexatious or unduly protracted.⁹¹ The court accepted the district court's finding that True Temper brought the action in good faith but held that there was an additional factor to be considered in ruling upon the attorney's fees issue.⁹² The Tenth Circuit requires that the patentee's conduct in seeking the patent be carefully reviewed, as fraud on the Patent Office is sufficient to make a case exceptional, as is conduct in excess of simple negligence but short of intentional fraud.⁹³

Such conduct is a serious breach of the patentee's duty to the Patent Office. The party who succeeds in invalidating the unlawful

86. *Id.* at 507-08.

87. *Id.* at 497.

88. *Id.*

89. "The court in exceptional cases may award reasonable attorney fees to the prevailing party." 35 U.S.C. § 285 (1976). It is clear, however, that the trial court has considerable discretion in deciding whether to grant attorney's fees. *See, e.g.*, *Maurice A. Garbell, Inc. v. Boeing Co.*, 546 F.2d 297, 300 (9th Cir. 1976), *cert. denied*, 431 U.S. 955 (1977); *Iron Ore Co. of Can. v. Dow Chemical Co.*, 500 F.2d 189, 195 (10th Cir. 1974).

90. *Tidewater Patent Dev. Co. v. Kitchen*, 371 F.2d 1004, 1013 (4th Cir. 1966), *cert. denied*, 389 U.S. 821 (1967).

91. *Uarco Inc. v. Moore Business Forms, Inc.*, 440 F.2d 580, 586 (7th Cir.), *cert. denied*, 404 U.S. 873 (1971). *See also* *Parker v. Motorola, Inc.*, 524 F.2d 518, 535 (5th Cir. 1975), *cert. denied*, 425 U.S. 975 (1976); *Seismograph Serv. Corp. v. Offshore Raydist, Inc.*, 263 F.2d 5, 24, 28 (5th Cir. 1958).

92. 601 F.2d at 508.

93. *Id.* at 509 (citing *Monolith Portland Midwest Co. v. Kaiser Aluminum & Chem. Corp.*, 407 F.2d 288, 294 (9th Cir. 1969)).

patent performs a valuable public service. It is appropriate under such circumstances to reward the prevailing party by giving him attorney's fees for his efforts, and it is equally appropriate to penalize in the same measure the patentee who obtained the patent by his wrongdoing.⁹⁴

Because the lower court, in its application of Section 285, failed to consider the additional factor of True Temper's misconduct in originally obtaining the patents, its judgment was vacated by the Tenth Circuit, and the issue of attorney's fees was remanded.⁹⁵ In deciding to remand this issue, the Tenth Circuit felt that the matter was one the trial court should initially determine and refused to make its own findings.⁹⁶

The Tenth Circuit noted that it had previously recognized this additional factor for applying Section 285 of the Patent Act.⁹⁷ Thus, this principle is not new for the Tenth Circuit. However, the decision is significant for comparison purposes in light of an earlier holding by the court in *Halliburton Co. v. Dow Chemical Co.* that nondisclosure of prior art is insufficient to sustain an award of attorney's fees unless the nondisclosure is done in bad faith with intent to deceive.⁹⁸

Halliburton involved a plaintiff who was awarded a declaratory judgment that the defendant's patent was invalid for obviousness. The lower court had also awarded plaintiff attorney's fees, grounded on a finding of fraud on the Patent Office for nondisclosure of prior art, but the Tenth Circuit reversed the fee award. The Tenth Circuit further held that the award of attorney's fees is compensatory rather than punitive and noted that the party seeking the fees also commenced the action without being forced to do so.⁹⁹ *True Temper* is distinguishable as the defendant, rather than the plaintiff, sought attorney's fees. However, the *True Temper* court did note that the *Halliburton* standard would be relevant on remand to the district court's consideration of the issue as to True Temper's process patent where only nondisclosure of prior art was involved.¹⁰⁰ There was no indication whether the *Halliburton* standard would be applicable to True Temper's misconduct in the prosecution of its rail anchor patent involving material omissions and misrepresentations of comparison test data.¹⁰¹ The awarding of attorney's fees would seem to be justified in this instance as the Tenth Circuit looks with disfavor upon omissions or misrepresentations in a patent application of test data submitted to show the superiority of the applicant's device com-

94. 601 F.2d at 509 (quoting *Monolith Portland Midwest Co. v. Kaiser Aluminum & Chemical Corp.*, 407 F.2d 288, 294 (9th Cir. 1969)).

95. 601 F.2d at 509-10.

96. *Id.* at 509 (citing *United States v. Ariz. Canning Co.*, 212 F.2d 532, 535 (10th Cir. 1954)).

97. 601 F.2d at 509 (citing *Halliburton Co. v. Dow Chemical Co.*, 514 F.2d 377, 381-82 (10th Cir. 1975); *Q-Panel Co. v. Newfield*, 482 F.2d 210, 211 (10th Cir. 1973)). In *Q-Panel Co.*, the Tenth Circuit affirmed a lower court's denial of attorney's fees in a patent infringement case where the circumstances leading to granting of the patent were "unusual" but did not constitute unfair, reckless, or fraudulent conduct so as to make the case exceptional under the Patent Act.

98. 514 F.2d 377, 381 (10th Cir. 1975).

99. *Id.* at 382.

100. 601 F.2d at 509 n.15.

101. *Id.* at 509.

pared with prior art. However, this tangential issue remains unanswered.¹⁰²

As to costs, the district court had directed that each party bear its own costs, and CF&I appealed arguing that it was error and an abuse of discretion to not impose costs upon True Temper. Based on the Federal Rules of Civil Procedure, the Tenth Circuit noted a presumption that the prevailing party should recover costs unless there is some reason for penalizing him if costs are to be denied.¹⁰³ Because the district court failed to adequately explain its reasons for the denial of costs, the judgment was vacated, and the issue was remanded to reconsider and express a ruling on costs.¹⁰⁴

Randall J. Feuerstein

102. The attorney's fees issue did not receive further district court consideration as the remanded case was settled out of court.

103. 601 F.2d at 509 (citing *Popeil Brothers, Inc. v. Schick Electric, Inc.*, 516 F.2d 772, 775 (7th Cir. 1975)).

The Federal Rules of Civil Procedure provide that "costs shall be allowed as of course to the prevailing party unless the court otherwise directs" FED. R. CIV. P. 54(d).

104. 601 F.2d at 510.

