IN THE
UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

No. 71-1879

UNIVERSITY OF ILLINOIS FOUNDATION, Plaintiff-Appellant, - v - BLONDER-TONGUE LABORATORIES, INC., Defendant-Appellee.	))))))))	Appeal from the United States District Court for the Northern District of Illinois, Eastern Division Honorable Julius J. Hoffman, Judge Presiding.

Appellee's ~~REPLY~~ BRIEF

STATEMENT OF THE CASE

The statement of the case in Foundation's brief contains two errors:

(1) The decisions of the District Court for the Southern District of Iowa and the Court of Appeals for the Eighth Circuit holding Isbell patent 3,210,767 invalid were not limited to certain claims, but treated the patent as a whole. (Supp. App. 97 and 77, respectively)

(2) The District Court here held Foundation estopped to assert the validity of the Isbell patent, rather than estopped from enforcing the patent. (Supp. App. 17)

Foundation's statement of facts makes reference to facts in the record here relating to substantive patent issues. These are not involved in the questions to be considered under the Supreme Court mandate.

PRESENT POSTURE OF THE CASE

A. The Supreme Court Decision

The decision of the Supreme Court in this case modified the 1936 decision in Triplett v. Lowell, 297 US 638, and provided a presumptive estoppel in favor of an accused infringer where a patent has been held invalid. Section IIIA (Supp. App. 37 et seq) of the Supreme Court decision outlines the procedure to be followed in the District Court. First, a defendant in support of a plea of estoppel should identify the patent validity issue in suit as the identical question finally decided against the patentee in previous litigation. Then patentee must be given an opportunity to rebut the presumptive estoppel by demonstrating that it did not have "'a fair opportunity procedurally, substantively and evidentially to pursue his claim the first time.'" (Supp. App. 39) The Supreme Court suggests certain inquiries appropriate in determining whether patentee had a full and fair chance to litigate the validity issue in the earlier case where the issue is one of nonobviousness, as it is here, namely:

(a) Whether the first validity determination "purported to employ" the standards announced in Graham v. John Deere Co., 383 U.S. 1 (1966).

(b) Whether the opinions indicate that the prior case was one of the "relatively rare instances where the courts wholly failed to grasp the technical subject matter and issues" in suit.

(c) Whether without fault of his own patentee was deprived of crucial evidence or witnesses in the first litigation.

Supreme District Court's
The/Court's concluding admonition is that the/decision - whether patentee had a full and fair chance to litigate in the earlier case - will necessarily rest on the trial courts' sense of justice and equity. (Supp. App. 39-40)

The Supreme Court in Section IV of its opinion remanded this case with instructions that Blonder-Tongue be allowed to amend its pleadings to assert estoppel, that Foundation be permitted to amend its pleadings and to supplement the record with any evidence showing why estoppel should not be imposed. (Supp. App. 57)

B. Proceedings on Remand in The District Court

Supreme Court's
The / instructions have been followed. Blonder-Tongue filed an amended answer[1] ~~(Supp. App. 6)~~ setting up an affirmative defense of collateral estoppel based on the decisions of the Iowa District Court[2] ~~(Supp. App. 84)~~ and the Court of Appeals for the Eighth Circuit[3] ~~(Supp. App. 76)~~, University of Illinois Foundation v. Winegard Company, finding the Isbell patent invalid for obviousness. Motions for judgment were filed by both parties.[4] ~~(Supp. App. 10, 11)~~

C. The District Court Decision

The District Court issued a memorandum (Supp. App. 12) making findings that:

(1) Procedurally Foundation had a fair opportunity to pursue its claim in Iowa and the Eighth Circuit, specifically commenting on the convenience of the forum, incentive to litigate, identity of issues raised and

[1] Supp. App. 6
[2] Supp. App. 84
[3] Supp. App. 76
[4] Supp. App. 10, 11

decided, and opportunity to present all crucial evidence and witnesses. (Supp. App. 14)

(2) The decisions of the Iowa District Court and the Eighth Circuit Court of Appeals reveal "a conscientious effort to apply the standards laid down in Graham v. John Deere Co., supra, and a careful evaluation of the issues.", and the difference in conclusions reached regarding obviousness "does not demonstrate that either court 'wholly failed to grasp the technical subject matter.'" (Supp. App. 15)

(3) Foundation arguments that the cost of a retrial had already been incurred; the Winegard decision was not final when the Blonder-Tongue trial was held; and Blonder-Tongue did not plead estoppel earlier, were all based on facts before the Supreme Court and could not be asserted to defeat the estoppel. (Supp. App. 16)

(4) The whole Isbell patent was in issue in the Winegard case and there held to be invalid. (Supp. App. 16)

The District Court concluded that Foundation had not shown any reason why estoppel was improper and entered judgment for Blonder-Tongue. (Supp. App. 17)

SUMMARY OF ARGUMENT

(1) The decisions of the Iowa District Court and the Eighth Circuit Court of Appeals in Winegard finally decided the question of validity of the Isbell patent.

(2) Foundation has not demonstrated that it was deprived of a full and fair chance to litigate the validity

of Isbell in Iowa and the Eighth Circuit and so is estopped by the judgment therein.

ARGUMENT

The inquiries prescribed by the mandate of the Supreme Court will be considered in order.

A. Identity of Issue

The issue here in question, validity of Isbell over a defense of obviousness, is the identical question decided in Winegard. In the Iowa District Court, Judge Stephenson found

> ". . . the disclosure of Isbell's Patent No. 3,210,767 is lacking in the prerequisite nonobviousness and is, therefore, invalid." (Supp. App. 97)

The Court of Appeals agreed,

> "We have examined the record and find that all claims must be denied, lacking nonobviousness as a matter of law . . ." (Supp. App. 77)

Foundation objects that claims 6, 7 and 8 were not in issue, but the objection is not supported by the record. The complaint in Iowa alleged infringement of the patent (Supp. App. 98) and the answer asserted that the patent was null and void for failure to satisfy the requirements of 35 U.S.C. sections 102 and 103*. (Supp. App. 100) The only reference in the

---

* 35 U.S.C. 103, first sentence, provides:
"A patent may not be obtained though the invention is

record to claims 6, 7 and 8 is Judge Stephenson's comment on the question of infringement - not validity - that

> "All of the claims except numbers 6, 7 and 8 are claimed to be infringed . . ." (Supp. App. 89)

Neither Winegard decision is limited with respect to specific claims, but both treat validity of the patent as a single issue. In fact, the District Court included claims 6, 7 and 8 with the other claims in the reproduction of the Isbell patent, Appendix A to its decision, 271 F. Supp. at page 423. It does not appear that Foundation objected to the scope of the judgment, holding the entire patent invalid. Foundation did raise other questions which resulted in correction by the Court of Appeals of a finding of the District Court. (That the log periodic formula for antenna design was a recognized theory, but not a method of designing frequency independent antennas, Supp. App. 77, 78.) This Court should not presume to limit the decision of the Eighth Circuit to only a portion of the Isbell claims.

The answer in Winegard affirmatively alleged invalidity of Isbell. (Supp. App. 100) It seems Foundation would not question applicability of the decision to claims 6, 7 and 8

> not identically disclosed or described as set forth in section 102 of this title, 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."

had the answer included a counterclaim making the same allegation. To hold that claims 6, 7 and 8 were not included in the issue of invalidity of the entire patent at issue in Winegard would put form before substance.

The situation here is analogous to that where a court first finds that there is no infringement and then goes on to determine validity. This is a common practice endorsed and urged by the Supreme Court.

> "There has been a tendency among the lower Federal courts in infringement suits to dispose of them where possible on the ground of non-infringement without going into the question of validity of the patent. [citing cases] It has come to be recognized, however, that of the two questions, validity has the greater public importance [citing cases], and the District Court in this case followed what will usually be the better practice by inquiring fully into the validity of this patent." Sinclair & Carroll Co. v. Interchemical Corp., 325 US 327, 89 L.Ed. 1644. (1945)

B. The Prior Decision is Final

Foundation does not question that the decision in Winegard is final. The immateriality of the relative timing of the Winegard and Blonder-Tongue decisions will be discussed below.

C. Foundation Had a Full and Fair Chance to Litigate Validity

Foundation does not suggest that the courts in Winegard did not purport to employ the investigation and standards

of Graham v. John Deere Co.; nor does it allege that it was deprived of crucial evidence or witnesses*.

Foundation asserts only that:

(a) The Iowa and Eighth Circuit Courts failed to grasp the technical subject matter,

(b) The Iowa and Eighth Circuit Courts failed to apply the correct standard of invention

in support of the contention that it did not have a full and fair chance to litigate the validity of Isbell. The Supreme Court suggested that imposition of the estoppel would be unfair where

> ". . . the [prior] opinions . . . indicate that the prior case was one of those relatively rare instances where the courts wholly failed to grasp the technical subject matter and issues in suit;" (Supp. App. 40)

The Court was clearly referring to cases of the character identified in footnote 22 (Supp. App. 38), where the trial or appellate court frankly admitted uncertainty:

> "The court below in recognition of its avowed limitations rested its decision basically on its evaluation of the relative credibility of opposing expert witnesses." Nyyssonen v. Bendix Corporation, 342 F.2d 531 at 532 (CA 1, 1965).
>
> "It is an issue which we are altogether incompetent to decide upon the merits; even the

---

* Foundation clearly attaches great importance to the testimony of Dr. DuHamel at the Blonder-Tongue trial (Appellant's Br. 20). No claim is made, however, that his testimony could not have been presented in the Winegard case.

> terminology is beyond our acquaintance, and what actually takes place in the tubes is inaccessible except by its gross manifestations -- indeed the very elements themselves are in dispute among those who have made them their life study, as the merest smattering of modern physics quickly discloses to a lay reader. While Congress sees fit to set before us tasks which are so much beyond our powers, suitors must be content that we shall resort to the testimony of experts, though they are concededly advocates with the inevitable bias that advocacy engenders." Harries v. Air King Products Co., 183 F.2d 158 at 164 (CA 2, 1950).
>
> "I cannot stop without calling attention to the extraordinary condition of the law which makes it possible for a man without any knowledge of even the rudiments of chemistry to pass upon such questions as these. The inordinate expense of time is the least of the resulting evils, for only a trained chemist is really capable of passing upon such facts, . . ." Parke-Davis & Co. v. H. K. Mulford Co., 189 F. 95 at 115 (CC SD NY, 1911).

The decisions in Winegard show no such failure to grasp either the technical subject matter or the issues in suit. Rather, both opinions (as with the District and Appellate Court opinions here) illustrate a remarkable understanding of a difficult subject matter. Judge Stephenson analyzed the Isbell patent, the prior art and the differences between them, and found the differences to be obvious to one skilled in the art. Judge Lay for the Court of Appeals did not perfunctorily affirm, but repeated the inquiries of Graham v. Deere and reached the same conclusion.

This Court is not in compliance with the Supreme Court mandate to look into the record of the Blonder-Tongue trial

(devoid as it is of testimony on behalf of Blonder-Tongue regarding obviousness of Isbell) in determining whether the courts in Winegard grasped the subject matter and issues. It is not a matter of comparative evaluation of the two District Court decisions. The Winegard opinions demonstrate clearly a thorough understanding of the subject matter and issues. This alone satisfies the inquiry directed by the Supreme Court.

The issue here is neither a resolution of a "disagreement" between the decisions of the Eighth and Seventh Circuits or for this court to speculate whether the Eighth Circuit analysis correctly applied Graham v. Deere. The question asked by the Supreme Court is whether the prior decisions "purported" to employ the standards of Graham v. Deere (Supp. App. 40) Foundation does not suggest that they did not, a reading of the decisions makes it clear that they did and, in fact, the Supreme Court so found:

> "Trial was to the court, and after pursuing the inquiry mandated by Graham v. John Deere Co., 383 U. S. 1, 17-18 (1966), Chief Judge Stephenson held the patent invalid since 'it would have been obvious to one ordinarily skilled in the art and wishing to design a frequency independent unidirectional antenna to combine these three old elements, all suggested by the prior art references previously discussed.'" (Supp. App. 21)

The Supreme Court did not mandate a comparison of the legal standards regarding obviousness of the Eighth and Seventh Circuits and the District Court properly ignored Foundation's invitation to make such comparison.

D. The Other Factors Argued by Foundation Are Not Before The Court

The Foundation complains that estoppel here is inequitable, unjust or improper as (using Foundation's numbering)

(2) The Winegard decision was not final, but on appeal to the Eighth Circuit when the Blonder-Tongue trial commenced;

(4) The cost of the second trial has already been incurred;

(5) The parties proceeded in good faith under seemingly settled law and it would be inequitable to impose an estoppel;

(6) Blonder-Tongue did not raise the estoppel issue prior to the Supreme Court decision.

The facts with respect to each of these points were before the Supreme Court and were not considered by it to be material. The remand and mandate of the Supreme Court established the law of the case with respect to each of these points. The District Court correctly held that it could not evade the mandate by holding that such factors defeat the estoppel plea. (Supp. App.16)

> "The power of a lower tribunal under a mandate of reversal is not unlimited. Where such a mandate directs the entry of a specific judgment, the court below has no power to enter a different one, and where the reversing mandate specifies the further proceedings which shall be taken below, or where it definitely limits such proceedings, the power of the lower court is restricted accordingly." Cyclopedia of Federal Procedure, Third Edition, 1965, Revised Volume 14A, Section 69.39.

In Criscuolo v. United States, 250 F.2d 388 (1957), the Court of Appeals for the Seventh Circuit considered a

similar situation. Contesting an action on an insurance policy by the named beneficiary, the deceased's widow introduced evidence (1) of an attempt on the part of the insured to change the beneficiary, and (2) the performance of an affirmative act supporting such intent. The trial court held the evidence insufficient and found for the named beneficiary. The Court of Appeals reversed and remanded with directions to allow the named beneficiary to present evidence to overcome that presented by the widow. No additional evidence was offered. Nevertheless, the trial court held that it did not believe the witnesses which previously had been presented by the widow, and found again for the named beneficiary. The Court of Appeals reversed again, Judge Lindley saying:

> "As we have observed, we remanded the cause for the sole purpose of allowing plaintiff an opportunity to present evidence to overcome that of the widow. Thus the court below, in merely re-entering the order we had reversed, misconstrued the mandate of this court. In addition, by merely amending its findings to justify its original decision, the district court deviated from the law of the case as established by this court on the previous appeal; [citing cases]" 250 F.2d at 389.

Similarly, the Ninth Circuit held in Hermann v. Brownell, 274 F.2d 842, 843 (1960):

> "When a case is appealed from this Court to the Supreme Court, this Court completely loses jurisdiction of the cause. Thereafter, our jurisdiction can be revived only upon the mandate of the Supreme Court itself, and even upon such restoration, the jurisdiction of

> this Court is rigidly limited to those points, and those points only, specifically consigned to our consideration by the Supreme Court.
>
> "In the instant case, this Court is functioning under such a remand. Consequently, our jurisdiction is strictly limited to the Supreme Court's mandate. That mandate is our compass and our guide."

We need not speculate what effect may be given in the future to a prior decision which is on appeal at the time a subsequent trial is about to begin.. This and related questions of docket load and trial scheduling will have to be worked out on a case-by-case basis. The Winegard decision is final and provides an appropriate basis for an estoppel plea.

Other courts have had no difficulty in applying the new estoppel doctrine in a similar situation. An overlap in the timing of trials and decisions was disregarded by the Fifth Circuit in remanding a case for consideration of an estoppel plea. Monsanto Company brought two suits for infringement of a patent, one against Rohm & Haas Co. in Pennsylvania and the other against Dawson Chemical Company Inc., et al in Texas. The Pennsylvania case was tried first and resulted in a holding that the patent was invalid. The trial in the Texas case was completed before the decision in Pennsylvania, but the decision was rendered later, finding the patent valid. The Texas court commented that the Pennsylvania decision was not res judicata and did not create an estoppel. Both district court decisions were appealed. The Blonder-Tongue decision was announced by the Supreme Court following the filing of briefs and the hearing

oral arguments by the Fifth Circuit in the Dawson case. The Fifth Circuit remanded the case to the District Court to allow the defendant to plead estoppel and to afford plaintiff an opportunity to show reasons why estoppel should not be allowed, in accordance with the procedure directed by the Supreme Court in Blonder-Tongue, 443 F.2d 1035. A petition for certiorari was filed by Monsanto December 14, 1971. The Third Circuit has now affirmed the Pennsylvania District Court, _____ F.2d _____, 172 USPQ 323, January 12, 1972.

Foundation's reliance on Blumcraft of Pittsburgh v. Kawneer (Appellant's Brief 17) is misplaced. The facts in Blumcraft distinguish that case from the one here at issue. There, a design patent was first held valid in the Court of Claims and later it and a mechanical patent were held invalid in the Third Circuit Court of Appeals. The District Court of Georgia merely said that it could not place more weight on one decision than the other in ruling on the estoppel plea. Reconsideration has been requested by Kawneer. Compare the decision of the Kansas District Court in Blumcraft of Pittsburgh v. Architectural Art Mfg. Inc., et al dated January 7, 1972, where estoppel was found in another action on the same patents. (Addendum _____)

The effect of Foundation's argument in support of point (5) is that the Supreme Court decision should apply only prospectively and that Blonder-Tongue should not be entitled to assert an estoppel since the second trial has already been held. Such a contention is directly contrary to the Supreme

Court mandate which directed that Blonder-Tongue be allowed to assert the estoppel. (Supp. App. 57) If the Supreme Court had intended such a result, it would have specifically provided that the modification of Triplett should have only a prospective effect. The Court has followed this procedure in other situations where the retroactive application of a change in the law might cause hardship. See, for example, England v. Louisiana State Board of Medical Examiners, et al, 375 U.S. 411, 1964.

Other courts, moreover, have had no hesitancy in applying the changed law retroactively. See Monsanto v. Dawson, supra, and Bourns Inc., et al v. Allen Bradley Company, et al, DC NC Ill., Feb. 7, 1972. (Addendum _____)

Similarly, the Supreme Court considered the fact that Blonder-Tongue had not urged an estopped (Foundation's point 6) and even argued against overruling Triplett v. Lowell (Supp. App. 25, 26, 57)*. Nevertheless, the Supreme Court directed that Blonder-Tongue be allowed to assert the estoppel. (Supp. App. 57) In Grantham v. McGraw Edison Company (Appellant's Brief 24) there was no prior decision on the issue of validity.

---

* The Winegard decision was called to the attention of the Trial Court (App. 85, 217) and the Court made reference to it in its decision (App. 821).

CONCLUSION

The decision of the District Court finding that Foundation is estopped to assert validity of the Isbell patent is correct and should be affirmed.

Robert H. Rines
No. Ten Post Office Square
Boston, Massachusetts 02109

Richard S. Phillips
20 North Wacker Drive
Chicago, Illinois 60606

Counsel for Defendant-Appellee.

OF COUNSEL:

David Rines
Rines and Rines
No. Ten Post Office Square
Boston, Massachusetts 02109

James C. Wood
Hofgren, Wegner, Allen, Stellman & McCord
20 North Wacker Drive
Chicago, Illinois 60606