Michigan Law Review

Volume 39 | Issue 7

1941

JUDGMENTS - DECLARATORY JUDGMENTS - AVAILABILITY TO ALLEGED INFRINGERS IN PATENT CASES

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JUDGMENTS — DECLARATORY JUDGMENTS — AVAILABILITY TO ALLEGED INFRINGERS IN PATENT CASES — In addition to an injunction and an accounting, the prayer of the plaintiff requested a declaratory judgment to determine the plaintiff's rights in relation to a patent of the defendant. The petition alleged the plaintiff was importing and offering for sale a chemical called "Estradoil," and that the defendant had notified the plaintiff's customers that the chemical infringed the defendant's patent. A year prior to the action, the defendant had published a notice in a trade journal stating that a certain patent had been issued to it which covered the chemical known as "Estradoil," and that any use of the chemical by others constituted infringement. *Held*, case dismissed because there was no showing of bad faith to sustain an action for unfair competition, and no "actual controversy" to maintain jurisdiction under the Federal Declaratory Judgment Act.[1] *Treemond Co. v. Schering Corp.*, (D. C. N. J. 1940) 35 F. Supp. 475.

Most of the federal courts have held that there is an "actual controversy" to support jurisdiction under the Federal Declaratory Judgment Act when the petitioner is engaged in the manufacture, use, or sale of a product or process, and a patentee charges the petitioner or his customers with infringement.[2] Thus, an alleged infringer is now afforded prompt relief, whereas before the Declaratory Judgment Act he was forced to wait until the patentee sued, or until the charges of infringement warranted the allegation of bad faith necessary for an

[1] 48 Stat. L. 955 (1934), 28 U. S. C. (1934), § 400.

[2] For a list and discussion of pertinent cases up to 1938, see Federico, "Operation of the Federal Declaratory Judgment Act in Patent Cases," 19 J. PAT. OFF. SOC. 489 (1937), and Federico, "Recent Declaratory Judgment Patent Cases," 20 J. PAT. OFF. SOC. 620 (1938). The more recent cases, with the exception of the principal case, recognize the existence of an actual controversy. E. W. Bliss Co. v. Cold Metal Process Co., (C. C. A. 6th, 1939) 102 F. (2d) 105; United States Galvanizing & Plating Equipment Corp. v. Hanson-Van Winkle-Munning Co., (C. C. A. 4th, 1939) 104 F. (2d) 856; Milwaukee Gas Specialty Co. v. Mercoid Corp., (C. C. A. 7th, 1939) 104 F. (2d) 589; Caterpillar Tractor Co. v. International Harvester Co., (C. C. A. 9th, 1939) 106 F. (2d) 769; Creamery Package Mfg. Co. v. Cherry-Burrell Corp., (C. C. A. 3d, 1940) 115 F. (2d) 980, reversing (D. C. Del. 1940) 33 F. Supp. 625; Lances v. Letz, (C. C. A. 2d, 1940) 115 F. (2d) 916; Booth Fisheries Corp. v. General Foods Corp., (D. C. Del. 1939) 27 F. Supp. 268; Ferry-Hallock Co.

injunction.[3] There are a few cases, however, with which the principal case must be classified, adopting a strict construction of the act to withhold a beneficial remedy.[4] The tenor of these cases suggests that the reluctance to apply a more liberal view is induced by the fear that opening the doors of the courts to alleged infringers will result in hardship to the patentee. Declaratory judgments probably should be denied, in spite of the existence of an actual controversy, where such litigation imposes a burden upon defendant greater than the benefit to be derived by the plaintiff through a declaration of his legal status. A patent is the grant of an exclusive privilege and should not be turned into a liability by subjecting the owner to numerous lawsuits. But everyone who thinks he may be infringing cannot compel the patentee to defend a declaratory judgment action; the patentee has control over the number of suits to which he may be liable, since he must make charges of infringement to create an actual controversy. Apparently, a few courts do not accept this answer as adequate, possibly because such a position may curtail another legal right of the patentee.[5] Two of the three cases denying declaratory judgments, as well as the principal case, contain reiterations of the patentee's privilege to make good-faith charges of infringement. Upon analysis, the usefulness of the right to allege infringement is not seriously impaired by the ability of an alleged infringer to obtain a declaratory judgment. If the petitioner is not infringing, or the patent is void, the patentee has no right to charge the petitioner with infringement. His ability to do so in good faith without liability, when he does not have the right, is due to the impossibility of ascertaining the validity or extent of his patent in absence of an adjudication.

v. Frost, (D. C. N. Y. 1940) 33 F. Supp. 27; Man-Sew Pinking Attachment Corp. v. Chandler Machine Co., (D. C. Mass. 1940) 33 F. Supp. 950; Bakelite Corp. v. Luibri-Zol Development Corp., (D. C. Del. 1940) 34 F. Supp. 142; Consolidated Packaging Machinery Corp. v. General Mills, (D. C. Del. 1940) 36 F. Supp. 112. See 45 YALE L. J. 160 (1935); Rossman, "Declaratory Judgments," 17 J. PAT. OFF. SOC. 3 (1935). On declaratory judgments in general, see Borchard, "Recent Developments in Declaratory Relief," 10 TEMPLE L. REV. 233 (1936); BORCHARD, DECLARATORY JUDGMENTS (1934).

[3] Even where there is bad faith, an injunction or action for unfair competition is not as adequate as a declaratory judgment because the validity of the patent or the petitioner's infringement cannot be determined.

[4] New Discoveries v. Wisconsin Alumni Research Foundation, (D. C. Wis. 1936) 13 F. Supp. 596; Bettis v. Patterson-Ballagh Corp., (D. C. Cal. 1936) 16 F. Supp. 455; Meinecke v. Eagle Druggists Supply Co., (D. C. N. Y. 1937) 19 F. Supp. 523, in which the defendant in an infringement suit counterclaimed for a declaratory judgment on two patents not involved in the infringement suit. When the court does not recognize the existence of an actual controversy where the alleged infringer instigates the suit, the Declaratory Judgment Act still may be of some benefit. If the patentee brings suit for infringement, the defendant can counterclaim for declaratory judgment on the patent, and, according to the better considered cases, the patentee will be unable to dismiss the counterclaim. Leach v. Ross Heater & Mfg. Co., (C. C. A. 2d, 1939) 104 F. (2d) 88, reversing (D. C. N. Y. 1938) 25 Supp. 822. For earlier cases, see Federico, "Operation of the Federal Declaratory Judgment Act in Patent Cases," 19 J. PAT. OFF. SOC. 489 at 516 (1937).

[5] For an expression of the fear that the Declaratory Judgment Act will be abused in patent cases, see Stripling and Thomas, "Declaratory Judgments in Patent Cases," 17 J. PAT. OFF. SOC. 422 (1935).

If the petitioner is guilty of infringement, he may believe in his claim, or he may be infringing knowingly.[6] In either event, the patentee probably will find it necessary to bring suit to halt the petitioner's infringement. Continued charges of infringement not followed by suit are subject to injunction or an action for unfair competition.[7] An infringer who is sufficiently interested and financially able to seek a declaratory judgment is unlikely to be deterred by the patentee's charges of infringement. It is, therefore, improbable that declaratory judgments will involve the patentee in additional litigation. They merely enable the alleged infringer to control the instigation of the suit. This disadvantage to the patentee is outweighed by the possibility that the patentee is abusing the privilege of charging infringement to strengthen a void or limited patent. In adopting a strict application of the Declaratory Judgment Act, the principal case reflects other weaknesses in the previous decisions denying declaratory relief. One ground stated for the nonsuit is the plaintiff's failure to allege that it is infringing the defendant's patent.[8] Two forms of declaratory relief are open to a petitioner: an invalidation of the patent, or a proclamation that the petitioner is not infringing. If a petitioner must allege that he is infringing, the latter adjudication is precluded. Another reason given by the court for rejecting jurisdiction is that the defendant simply notified the plaintiff's customers that the chemical infringed defendant's patent, without giving notice of infringement to the plaintiff himself.[9] The real damage to the plaintiff arises from the threatening of its cus-

[6] The cases reaching decisions on the merits have declared the patents of the defendant either void, or not infringed by the plaintiff. Ferry-Hallock Co. v. Frost, (D. C. N. Y. 1940) 33 F. Supp. 27; Hanson-Van Winkle-Munning Co. v. United States Galvanizing & Plating Equipment Corp., (D. C. W. Va. 1938) 24 F. Supp. 249, affirmed in United States Galvanizing & Plating Equipment Corp. v. Hanson-Van Winkle-Munning Co., (C. C. A. 4th, 1939) 104 F. (2d) 856; Man-Sew Pinking Attachment Corp. v. Chandler Machine Co., (D. C. Mass. 1940) 33 F. Supp. 950; E. Edelmann & Co. v. Triple-A Specialty Co., (C. C. A. 7th, 1937) 88 F. (2d) 852; Ladenson v. Overspred Stoker Co., (C. C. A. 7th, 1937) 89 F. (2d) 242. This seems to indicate that the Federal Declaratory Judgment Act is not being abused in patent cases.

[7] A recent case granting a petitioner an injunction against the patentee's charges of infringement states that it is the patentee's duty to have his patent adjudicated by an infringement suit instead of seeking relief by repeated threats. Betmar Hats v. Young America Hats, (C. C. A. 2d, 1941) 116 F. (2d) 956.

[8] The principal case cites New Discoveries v. Wisconsin Alumni Foundation, (D. C. Wis. 1936) 13 F. Supp. 596, which in turn cites no authority for the requirement. In E. W. Bliss Co. v. Cold Metal Process Co., (C. C. A. 6th, 1939) 102 F. (2d) 105, the plaintiff definitely alleged, as did the plaintiff in the principal case, that it was not infringing the defendant's patent, and in most of the other cases granting declaratory judgments the plaintiffs at least did not allege that they were infringing defendant's patents.

[9] In support of this position the principal case cites Bettis v. Patterson-Ballagh Corp., (D. C. Cal. 1936) 16 F. Supp. 455, in which the plaintiff is a mere licensor, with others doing the actual manufacturing and selling. The basis for refusing jurisdiction seems to be that a definite relationship is lacking between the licensor and those carrying on the manufacturing, since the court states that there will be an actual controversy if the plaintiff alleges that he may be liable for contributory infringement. A licensor probably should be deemed to have a sufficient interest to maintain a declaratory

tomers. Such a holding permits a patentee with a defective patent to avoid a declaratory judgment although he may be ruining a competitor's business. If the allegation of the plaintiff's petition is interpreted to mean that the advertisement is the only charge of infringement communicated to either the plaintiff or or its customers, the decision is more tenable since the advertisement does not name the plaintiff. For the protection of the patentee, and to create an actual controversy, a petitioner should show that he in particular is charged with infringement, not merely that the patentee might be referring to him. But if the plaintiff's chemical is the only product sold under the name of "Estradoil," it is a rather unrealistic distinction to hold that the plaintiff is not charged with infringement.[10] With the exception of a few cases, the Federal Declaratory Judgment Act has been so interpreted as to present alleged infringers with a very useful remedy.

judgment, but even if he does not, there is no such difficulty in the principal case because the plaintiff is engaged in selling the product.

[10] The principal case also mentions the delay in bringing suit as another reason for there not being an actual controversy. The court seems to hold that there can be no actual controversy unless the patentee is charging infringement at the time suit is brought. The decision can be justified if based entirely on the ground that there was an actual controversy at the time the charge of infringement was made, and that there continued to be a controversy for a period thereafter, but that the passing of a year rendered the controversy stale or dead. A controversy survived three months after the last charge of infringement in Lances v. Letz, (C. C. A. 2d, 1940) 115 F. (2d) 916.