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EQUITY-PATENT INFRINGEMENT-ADVANTAGES OF DECLARATORY JUDGMENT OVER INJUCTION RELIEF

EQUITY — PATENT INFRINGEMENT — ADVANTAGES OF DECLARATORY JUDGMENT OVER INJUCTION RELIEF—Defendant had patented a certain seam used in garment-making and also the means for manufacturing it. Plaintiff claimed that this patent was void because anticipated by his own practice. Under this claim plaintiff continued to manufacture the type of seam in question and to

sell garments in which it was used. Defendant thereupon sent notices both to plaintiff and to his customers threatening suit for infringement. Plaintiff sought a decree under the Declaratory Judgment Act[1] to determine whether the patent was valid. Defendant moved to dismiss the action. *Held*, motion denied; a declaratory judgment is an appropriate proceeding for determining the validity of a patent at the suit of a party whose customers are threatened with suit for patent infringement. *Zenie Bros. v. Miskend*, (D. C. N. Y. 1935) 10 F. Supp. 779. Accord on similar facts, *Lionel Corporation v. De Filippis*, (D. C. N. Y. 1935) 11 F. Supp. 712.

Equity courts have gone some distance in recognizing that threats of suit for patent infringement may provide an effective means of economic coercion and may even amount to unfair trade practice. Where circumstances of oppression have been exceptional and the threats made in bad faith, that is, without honest belief in the validity of defendant's claim and primarily for the purpose of destroying a competitor's market, the threats have been held to be enjoinable upon the basis of "'the probability of irreparable mischief, the inadequacy of a pecuniary compensation, and the prevention of a multiplicity of suits.'"[2] However, recognizing that the defendant does have a legitimate interest in protecting his own patent rights, courts have denied an injunction and the defendant has been held privileged wherever it has appeared that the warnings have been issued in good faith, even though threats of suit against plaintiff's customers may have caused a serious interference with the marketing of plaintiff's product.[3] Such a privilege on the side of the defendant constitutes a serious obstacle to further extension of the injunction as a remedial device. Its practical result is that in the absence of proof of "bad faith," the plaintiff may be subjected to serious loss of business until the main issues are settled, especially where the defendant delays in bringing a suit upon the patent.[4] Even where an injunction is granted, the merits may not be determined and will ordinarily be left to be settled by a separate suit.[5] By bring-

[1] Judicial Code, § 274d, 28 U. S. C., § 400.

[2] Blindell v. Hagan, (C. C. La. 1893) 54 F. 40 at 42. This series of cases commenced with Emack v. Kane, (C. C. Ill. 1888) 34 F. 46, and includes Adriance, Platt & Co. v. Nat. Harrow Co., (C. C. N. Y. 1899) 98 F. 118; Grand Rapids School Furniture Co. v. Haney School Furniture Co., 92 Mich. 558, 52 N. W. 1009 (1892); A. B. Farquhar Co. v. Nat. Harrow Co., (C. C. A. 3rd, 1900) 102 F. 714; Commercial Acetylene Co. v. Avery Portable Lighting Co., (C. C. Wis. 1906) 152 F. 642 (court enjoined other suits against customers pending hearing of principal suit against manufacturer); Racine Paper Goods Co. v. Dittgen, (C. C. A. 7th, 1909) 171 F. 631; Sun-Maid Raisin Growers of California v. Avis, (D. C. Ill. 1928) 25 F. (2d) 303; Adjusta Co. v. Alma Mfg. Co., (D. C. N. Y. 1929) 36 F. (2d) 105 (injunction given to stop defendant from falsely representing to trade the situation in a pending infringement suit); Chernow v. Cohn & Rosenberger, (D. C. N. Y. 1934) 5 F. Supp. 869.

[3] Kelley v. Ypsilanti Dress-Stay Mfg. Co., (C. C. Mich. 1890) 44 F. 19; New York Filter Co. v. Schwarzwalder, (C. C. N. Y. 1893) 58 F. 577; Oil Conservation Eng. Co. v. Brooks Eng. Co., (C. C. A. 6th, 1931) 52 F. (2d) 783; Artloom Corp. v. Nat. Better Business Bureau, (D. C. N. Y. 1931) 48 F. (2d) 897.

[4] But if the delay is unreasonably long, it may be evidence of bad faith so as to support issuance of an injunction. Racine Paper Goods Co. v. Dittgen, (C. C. A. 7th, 1909) 171 F. 631.

[5] Emack v. Kane, (C. C. Ill. 1888) 34 F. 46.

ing action under the Declaratory Judgment statute, all implication of unfair trade practice and the consequent bad feelings may be avoided,[6] and all rights of the parties may be settled in one action. A coercive decree is not apt to be needed once the rights of the parties are determined, but it is available if it should become necessary.[7] The decision on the merits by way of declaratory judgment should make it easier for a court of equity to enjoin threats of suit after the declaratory judgment has established that defendant's claims are without foundation. Other situations might be suggested which are now handled by injunction but which lend themselves more readily to settlement by declaratory judgment, for the reason that an adjudication of legal rights is what is principally desired. Examples of these are actions to establish defendant's lack of right to enter plaintiff's land,[8] actions to prevent interference with enjoyment of an easement,[9] actions to determine validity of tax laws or public utility rate regulations,[10] and actions to determine the legality of internal changes in corporate structure.[11] The situation presented by the principal case is one where the injunction has hitherto been used almost exclusively. The declaratory judgment supplies a far more efficient and summary means of attacking the heart of the controversy and "its career as a reformer of federal procedure will be watched with interest."[12]

R. E. W.

[6] Sunderland, "A Modern Evolution in Remedial Rights,—The Declaratory Judgment," 16 MICH. L. REV. 69 at 76 (1917).

[7] Sunderland, "A Modern Evolution in Remedial Rights,—The Declaratory Judgment," 16 MICH. L. REV. 69 (1917); Borchard, "The Federal Declaratory Judgments Act," 21 VA. L. REV. 35 (1934).

[8] Colorado & Utah Coal Co. v. Walter, 75 Colo. 489, 226 P. 864 (1924); Vogeler v. Alwyn Improvement Corp., 247 N. Y. 131, 159 N. E. 886 (1928).

[9] Hawley v. McCabe, 117 Conn. 558, 169 A. 192 (1933).

[10] Nashville, Chattanooga & St. Louis Ry. v. Wallace, 288 U. S. 249, 53 S. Ct. 345, 87 A. L. R. 1191 (1933). BORCHARD, DECLARATORY JUDGMENTS 343 (1934).

[11] BORCHARD, DECLARATORY JUDGMENTS 386 (1934). This same work refers to a number of other situations in which declaratory judgments have been used as a substitute for injunctions.

[12] Borchard, "The Federal Declaratory Judgments Act," 21 VA. L. REV. 35 at 50 (1934).