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## Patents-Adjudication of Validity in Infringement Cases Where Alternative Grounds for Dismissal Exist

Walter A. Urick  
*University of Michigan Law School*

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PATENTS—ADJUDICATION OF VALIDITY IN INFRINGEMENT CASES WHERE ALTERNATIVE GROUNDS FOR DISMISSAL EXIST—Petitioner's complaint alleging validity and infringement of his patent was dismissed by the trial court on the ground that petitioner had granted to respondent an implied license or "shop right." On appeal, petitioner claimed, among other things, error in the refusal of the trial court to rule on the questions of validity and infringement of the patent. Respondent moved to strike these claims from petitioner's statement of points on appeal. *Held*, motion denied. Failure of the trial court to pass on the questions of validity and infringement does not preclude the petitioner from arguing these issues on appeal. *Kierulff v. Metropolitan Stevedore Co.*, 300 F.2d 614 (9th Cir. 1962).

The motion in the principal case raises the question of whether a trial court, in a patent infringement suit, should be required to rule on the validity of a patent when adequate grounds, other than invalidity, exist for dismissal of the suit (*e.g.*, non-infringement, shop right, implied license). Initially, the judiciary adopted the "*esprit de patentability*" approach toward infringement suits, avoiding the question of validity of a patent when alternative grounds for dismissal could be found.<sup>1</sup> The courts felt that an inquiry into the validity of a patent would be superfluous to disposal of the case, serving only as an unjustified advisory opinion.<sup>2</sup> As a result, dismissal of an infringement suit judicially reinforced "the presumption of validity arising from the fact of the grant."<sup>3</sup> Judge Jerome Frank, in a concurring opinion, first attacked the "*esprit de patentability*" approach, stating that the courts had a duty to protect the "paramount public interest" by invalidating defective patents which are brought to light in infringement suits.<sup>4</sup> This particular view came near to attaining Supreme Court approval in *Sinclair & Carroll Co. v. Interchemical Corp.*,<sup>5</sup> where Mr. Justice Jackson stated: "It has come to be recognized . . . that of the two questions [validity and infringement], validity has the greater . . . importance . . . and the District Court in this case followed what will usually be the *better practice* by inquiring fully into the validity of this patent."<sup>6</sup> This "better practice" standard has been interpreted by a small group of jurists as a peremptory directive to the trial courts to examine

<sup>1</sup> See *Armstrong Cork Co. v. United Cork Cos.*, 107 F.2d 36, 39-40 (3d Cir. 1939); Woodward, *A Reconsideration of the Patent System as a Problem of Administrative Law*, 55 HARV. L. REV. 950, 957 (1942).

<sup>2</sup> See, *e.g.*, *Franklin v. Masonite Corp.*, 132 F.2d 800, 801 (2d Cir. 1942); *National Nut Co. v. Sontag Chain Stores Co.*, 107 F.2d 318, 321 (9th Cir. 1939), *rev'd on other grounds*, 310 U.S. 281 (1940); *Krasnow v. Sacks & Perry, Inc.*, 58 F. Supp. 828, 829 (S.D.N.Y. 1945); *S. R. Leon, Inc. v. Parfums Schiaparelli, Inc.*, 35 F. Supp. 641 (S.D.N.Y. 1940).

<sup>3</sup> *Irvin v. Buick Motor Co.*, 88 F.2d 947, 951 (8th Cir.), *cert. denied*, 301 U.S. 702 (1937); *accord*, *Penmac Corp. v. Esterbrook Steel Pen Mfg. Co.*, 108 F.2d 695, 697 (2d Cir. 1940). Under 35 U.S.C. § 282 (1958), "a patent shall be presumed valid."

<sup>4</sup> *Aero Spark Plug Co. v. B.G. Corp.*, 130 F.2d 290, 293 (2d Cir. 1942).

<sup>5</sup> 325 U.S. 327 (1945).

<sup>6</sup> *Id.* at 330. (Emphasis added.)

the validity of a patent before proceeding to the question of infringement.<sup>7</sup> At the other extreme, several lower court decisions have failed to give any recognition to the "better practice" standard, evidently viewing it as an insignificant dictum, and have in essence followed the "*esprit de patentability*" approach of the pre-*Sinclair* period.<sup>8</sup> An intermediate position has also evolved, interpreting the "better practice" language as a grant of procedural discretion to courts deciding infringement suits.<sup>9</sup> According to this last view, the "better practice" is a permissive rather than a mandatory standard,<sup>10</sup> serving as a word of caution to the trial courts to examine the validity of the patent if it is *convenient* under the circumstances of the case.<sup>11</sup>

The reasons for the diverse interpretations of the "better practice" standard can best be understood through an examination of the policies underlying each view. The peremptory-directive decisions emphasize that this procedure results first in a better protection of the paramount public interest in the patent system, and second, in a conservation of judicial energy and expense. The argument based on public interest in the patent system implies that invalid grants of patents are not uncommon,<sup>12</sup> and that since the government is limited in its ability to contest these grants,<sup>13</sup> the judiciary should do so. Through judicial action, "scarecrows" and more subtle forms of invalid patents would be removed. This would encourage not only inventions, but increased manufacturing activity and trade on the part of individuals and companies previously dissuaded by an illusion that the patentee had a valid monopoly. The conservation of judicial energy argument for a mandatory examination of the validity question stresses the removal of costly repetition from the judicial process. A patent must be found to be valid before a judgment of infringement can be

<sup>7</sup> See, e.g., *Helbush v. Finkle*, 170 F.2d 41 (9th Cir. 1948); *Measurements Corp. v. Ferris Instrument Corp.*, 159 F.2d 590, 592 (3d Cir. 1947); *Pennington Eng'r Co. v. Spicer Mfg. Corp.*, 165 F.2d 59, 61 (6th Cir. 1947); *Sunlite Mfg. Co. v. Clarvan Corp.*, 73 F. Supp. 938, 941 (E.D. Wis. 1947).

<sup>8</sup> See, e.g., *Crowson v. Dennington*, 141 F. Supp. 647, 650 (W.D. Ark. 1956); *Phillips Petroleum Co. v. Esso Standard Oil Co.*, 91 F. Supp. 218, 223 (D. Md.), *aff'd*, 185 F.2d 672 (4th Cir. 1950); *Radio Patents Corp. v. United States*, 145 Ct. Cl. 753, 169 F. Supp. 489 (1959); *Trusty v. United States*, 132 Ct. Cl. 192, 132 F. Supp. 340 (1955), *cert. denied*, 350 U.S. 975 (1956).

<sup>9</sup> See, e.g., *Sparton Corp. v. Evans Prods. Co.*, 293 F.2d 699, 705 (6th Cir. 1961), *cert. denied*, 368 U.S. 967 (1962); *Dow Chem. Co. v. Skinner*, 197 F.2d 807, 812 (6th Cir. 1952); *Flakice Corp. v. Liquid Freeze Corp.*, 131 F. Supp. 599, 601 (N.D. Cal. 1955); *A. L. Wallau, Inc. v. J. W. Landenberger & Co.*, 121 F. Supp. 555, 559 (S.D.N.Y. 1954).

<sup>10</sup> See *Philadelphia Gear Works, Inc. v. Kerotest Mfg. Co.*, 101 F. Supp. 820, 821 (W.D. Pa. 1951); *Cincinnati Milling Mach. Co. v. Turchan*, 101 F. Supp. 621, 623 (E.D. Mich. 1951), *aff'd*, 208 F.2d 222 (6th Cir. 1953); *Kennametal, Inc. v. American Cutting Alloys, Inc.*, 77 F. Supp. 136, 144 (D. Del. 1948).

<sup>11</sup> See *Harries v. Air King Prods. Co.*, 183 F.2d 158, 162-63 (2d Cir. 1950); *Estate Stove Co. v. General Motors Corp.*, 79 F. Supp. 765, 767 (S.D. Ohio 1948).

<sup>12</sup> See Kenyon, *Patent Law: Why Challenge the Courts' View of "Invention"?*, 35 A.B.A.J. 480, 482 (1949); Woodward, *supra* note 1, at 957.

<sup>13</sup> See *United States v. American Bell Tel. Co.*, 167 U.S. 224 (1897).

granted.<sup>14</sup> Thus a finding of validity at the trial stage would spare an appellate court wishing to reverse a finding of non-infringement the time and expense of remanding for determination of the validity issue.<sup>15</sup> Furthermore, initial adjudication of the validity issue would remove the need for defendants, dismissed of infringement charges, to ask for declaratory judgments for the purpose of refuting the judicially-reinforced presumption of patentability that exists to their disfavor.<sup>16</sup>

Supporters of the "*esprit de patentability*" approach counter the above policy arguments by emphasizing the subtleties behind the procedure in a patent suit. A non-infringing defendant may often be satisfied with dismissal of the suit on grounds of non-infringement and will therefore concentrate his efforts on that issue, making only minimal preparation for argument as to invalidity of the patent.<sup>17</sup> Thus certain patentees would be encouraged to bring infringement suits, regardless of their chances on the infringement question, in hope of having their dubious patents legally affirmed.<sup>18</sup> Findings of validity, based on the strength of the patentee's evidence and subject only to token refutation by the non-infringing defendant, would probably be rendered. These findings could be wielded by the patentee against prospective infringers,<sup>19</sup> and as a result, technological progress might well be stifled. Moreover, if a court had to examine the validity issue, judicial energy would be needlessly exhausted. At the trial level, rulings of validity would amount to superfluous advisory opinions on hypothetical cases since alternative grounds of non-infringement could adequately dispose of the case. Also, the appellate courts would gain little, if any, benefit from the examination of the validity issue. Appellate courts seldom reverse non-infringement judgments and, when they do, a remand is necessary only in cases involving conflicting oral testimony.<sup>20</sup> Since

<sup>14</sup> *E.g.*, *Hycon Mfg. Co. v. H. Koch & Sons*, 219 F.2d 353, 356 (9th Cir.), *cert. denied*, 349 U.S. 953 (1955); *Patterson v. Roto-Hangar Co.*, 85 F. Supp. 1019, 1020-21 (S.D. Cal. 1949).

<sup>15</sup> See *Helbush v. Finkle*, 170 F.2d 41, 42 (9th Cir. 1948); *Barry v. General Tire & Rubber Co.*, 31 F. Supp. 879, 880 (N.D. Ill. 1940), *aff'd*, 122 F.2d 123 (7th Cir. 1941).

<sup>16</sup> See *Sparton Corp. v. Evans Prods. Co.*, 293 F.2d 699, 705 (6th Cir. 1961), *cert. denied*, 368 U.S. 967 (1962).

<sup>17</sup> A defendant who can easily prove non-infringement will hesitate to go to the trouble and expense of attacking the validity of a patent. This is especially true of a defendant with limited funds, since the cost of trying a patent's validity may be as much as \$100,000. See *Wabash Corp. v. Ross Elec. Corp.*, 187 F.2d 577, 590 (2d Cir.) (Frank, J., concurring and dissenting in part), *cert. denied*, 342 U.S. 820 (1951); *Woodward*, *supra* note 1, at 953.

<sup>18</sup> See *Cover v. Schwartz*, 133 F.2d 541, 545 (2d Cir. 1942).

<sup>19</sup> Since a finding of validity is superfluous to a decision of non-infringement, it would not become *res judicata* to the detriment of either the dismissed defendant or persons unconnected with the suit. However, such a finding would undoubtedly discourage both parties from bringing subsequent suits to contest the validity of the patent. See *Wabash Corp. v. Ross Elec. Corp.*, 187 F.2d 577, 589 (2d Cir.), *cert. denied*, 342 U.S. 820 (1951); *Aero Spark Plug Co. v. B.G. Corp.*, 130 F.2d 290, 293 (2d Cir. 1942); *Scott*, *Collateral Estoppel by Judgment*, 56 HARV. L. REV. 1, 12-13 (1942).

<sup>20</sup> See *United States v. United States Gypsum Co.*, 333 U.S. 364, 394-96 (1948); *Dollar*

patent evidence consists largely of physical exhibits, documentary evidence is often decisive of the issues.<sup>21</sup> Thus findings of validity do not invariably aid the appellate courts.

Proponents of the discretionary approach find theoretical support in the language of *Sinclair*.<sup>22</sup> As one court has observed, "The Supreme Court employed the significant word 'usually,' thus indicating that a ruling upon validity is not essential in all cases involving both infringement and validity."<sup>23</sup> Practically, the discretionary view avoids a procedural strait jacket by examining validity when it is convenient under the circumstances.<sup>24</sup> This approach enables the courts to fluctuate between the competing policies of the extremists' views in deciding whether to determine the validity of a patent in a given case.

Pragmatically, it has been easier to adopt the peremptory directive view of the "better practice" in the cases requiring a detailed analysis into the infringement issue.<sup>25</sup> The court, by first examining the validity of a patent, *simultaneously* gathers information as to its infringement.<sup>26</sup> However, in cases of clear non-infringement the courts have favored the "*esprit de patentability*" approach, since the task of investigating the validity issue is more inconvenient under those circumstances. Courts following the discretionary view have been able to apply it with comparative ease to either factual situation by exercising discretion; they have favored examination of validity in difficult cases of infringement but have

v. Land, 184 F.2d 245, 248-49 (D.C. Cir. 1950); *Orvis v. Higgins*, 180 F.2d 537, 539-40 (2d Cir. 1950).

<sup>21</sup> See, e.g., *United States v. United States Gypsum Co.*, *supra* note 20, at 395; *Smith v. Hall*, 301 U.S. 216, 228 (1937). In both cases the documentary evidence offered proved decisive of the validity question.

<sup>22</sup> 325 U.S. 327, 330 (1945); see *Sparton Corp. v. Evans Prods. Co.*, 293 F.2d 699, 705 (6th Cir. 1961), *cert. denied*, 368 U.S. 967 (1962).

<sup>23</sup> *Dow Chem. Co. v. Skinner*, 197 F.2d 807, 812 (6th Cir. 1952).

<sup>24</sup> Factors influencing the court to examine the validity of a patent are: apparent invalidity (scarecrows), intensity of public interest in the patent, and the interjection of the validity question by the complaint, e.g., an alleged infringer asking for a declaratory judgment on the validity of the patent. If non-infringement is clear or validity conceded by the defendant, however, jurisdictions following the discretionary interpretation usually refuse to examine validity. Compare *Hall v. Wright*, 125 F. Supp. 269, 274 (S.D. Cal. 1954), *aff'd*, 240 F.2d 787 (9th Cir. 1957), and *Van Der Horst Corp. of America v. Chromium Corp. of America*, 98 F. Supp. 412, 422 (S.D.N.Y. 1951), *aff'd*, 197 F.2d 791 (2d Cir. 1952), and *Eaton Mfg. Co. v. Sibley*, 60 F. Supp. 801, 805 (E.D. Mich. 1945), *with Specialty Equip. & Mach. Corp. v. Zell Motor Car Co.*, 193 F.2d 515, 520 (4th Cir. 1952), and *Kennametal, Inc. v. American Cutting Alloys, Inc.*, 77 F. Supp. 136, 144 (D. Del. 1948).

<sup>25</sup> For purposes of this discussion, the factual situations of infringement suits may be categorized as those in which the issue of infringement is questionable, and those in which non-infringement is clear. Compare *Joseph Bancroft & Sons Co. v. Brewster Finishing Co.*, 113 F. Supp. 714 (D.N.J. 1953), *aff'd*, 210 F.2d 677 (3d Cir. 1954), *with Kennametal, Inc. v. American Cutting Alloys, Inc.*, 77 F. Supp. 136 (D. Del. 1948).

<sup>26</sup> See *Specialty Equip. & Mach. Corp. v. Zell Motor Car Co.*, 193 F.2d 515, 519-20 (4th Cir. 1952).

found such a procedure inconvenient in situations of clear non-infringement.<sup>27</sup>

The spectrum of approaches to the validity issue intensifies the need for unifying infringement procedure. Any future attempt to accomplish this should be based on the principle emerging from the cases examined: a patentee must not be allowed to enjoy the benefits of an invalid patent to the detriment of potential innovators and the general public. Because of their apparent defects, the prevailing procedural approaches fall short of this goal. Peremptory direction may lead to judicial pronouncements of validity based on the evidence of a patentee; "*esprit de patentability*" often allows invalid patents to stand; and the discretionary view may fall prey to the weaknesses inherent in either of the existing alternatives. This reinforces the soundness of Judge Frank's view that in cases of non-infringement the court should always examine whether a patent is invalid but should never pronounce a patent valid.<sup>28</sup> This procedure would have the advantages of ferreting out invalid patents while leaving the others clothed, at worst, in a presumption rather than a judicial finding of validity. Adoption of this procedure should discourage litigation of dubious patents and eliminate superfluous findings of validity.

*Walter A. Urick*

<sup>27</sup> Compare *A. L. Wallau, Inc. v. J. W. Landenberger & Co.*, 121 F. Supp. 555, 559 (S.D.N.Y. 1954), with *Cincinnati Milling Mach. Co. v. Turchan*, 101 F. Supp. 621, 623 (E.D. Mich. 1951), *aff'd*, 208 F.2d 222 (6th Cir. 1953).

<sup>28</sup> See *Wabash Corp. v. Ross Elec. Corp.*, 187 F.2d 577, 591 (2d Cir.), *cert. denied*, 342 U.S. 820 (1951).