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Invalid Patents: Removing Statutory Protection from Improperly Granted Monopolies

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NOTE

*Invalid Patents: Removing Statutory Protection
From Improperly Granted Monopolies*

When a patent is granted by the United States Patent Office the patentee essentially acquires a 17-year monopoly.¹ The antimonopolistic policy of the American conscience has, however, worked to restrict the grant.² While the patent holder has a legal right to exclude anyone from manufacturing or selling his invention³ and may even enjoin an innocent buyer from using the product,⁴ various devices employed by him to exploit his legal monopoly have been proscribed upon a finding that such practices constitute an abuse of the patent grant and operate to unduly restrain free competition.⁵ But

¹ 15 U.S.C. § 154 (1964). The monopoly consists of not only the right to make, use, or sell the patented product, but also the power to exclude others from doing so. After 17 years, the information revealed in the patent may be used by anyone.

² Even the constitutional mandate which grants monopolies "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries," U.S. CONST. art. I, § 8, has been challenged. Moreover, the assumption that patents promote progress has not been universally accepted:

On the contrary, we know from long and bitter experience that, if alienated to private monopolists under exclusive patent grants, new knowledge will be suppressed, restricted, or retarded, or used for antisocial purposes, such as concentration of economic power, destruction of competition, and exploitation of consumers. Statement of Dr. Horace M. Gray before the Subcomm. of the Senate Select Comm. on Small Business, 88th Cong., 1st Sess. 23-24 (1963), *quoted in* Chope, *Conflicts Between Patents and the Antitrust Laws*, 49 J. PAT. OFF. SOC'Y 819, 821 (1967).

See also REPORT ON THE RELATION OF THE PATENT SYSTEM TO THE STIMULATION OF NEW INDUSTRIES, *quoted in* Picard v. United Aircraft Corp., 128 F.2d 632, 640 (2d Cir. 1942).

³ "Whoever without authority makes, uses, or sells any patented invention . . . infringes the patent." 35 U.S.C. § 271(a) (1964).

⁴ See, e.g., *Minnesota Mining & Mfg. Co. v. Carpenter Printing Co.*, 234 F. Supp. 418 (N.D. Ohio 1964).

⁵ See, e.g., *Brulotte v. Thys Co.*, 379 U.S. 29 (1964) (prohibiting the extending of royalties past the life of the patent); *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502 (1917) (prohibiting the tying of an unpatented article to a patented machine); *American Security Co. v. Shatterproof Glass Corp.*, 268 F.2d 769 (3d Cir. 1959) (prohibiting compulsory package licensing); *National Lockwasher Co. v. George K. Garrett Co.*, 137 F.2d 255 (3d Cir. 1945) (prohibiting arrangements which prevent licensees from dealing in competitive products). One author has observed: "No alert lawyer or informed judge can fail to recognize that . . . there has been an accelerating abrasion, an enormous erosion, and a constant curtailment of what was formerly thought to be lawful conduct in the exploitation of a patent. In the judicial cold war between patent exploitation and basic antitrust policy, antitrust has usually prevailed." Austern, *Umbras and Penumbra: The Patent Grant and Antitrust Policy*, 33 GEO. WASH. L. REV. 1015 (1965).

the antimonopolistic sentiment that has forced a reexamination of the limits of the legal patent monopoly has had little effect on the more critical problem of determining whether the patent itself is valid and thus entitled to a competitive advantage.⁶

Because of the potential for having to defend a suit for patent infringement the mere issuance of even an invalid patent is often sufficient to permit the holder to exclude competitors.⁷ Moreover, where the threat of impending litigation does not discourage competitors, a competitor may find himself without a market for the product if his customers fail to share in his belief of the patent's invalidity.⁸ Thus, the advantages which flow to the holder of an invalid patent operate to a very large extent to injure competitors and to restrain trade. Although the activities of invalid patent holders are potentially more anticompetitive than the abusive practices of legitimate patent holders, unlike the latter, the holders of invalid patents traditionally have managed to escape the proscriptive reach of the law.

For competitors seeking to alleviate the anticompetitive effects caused by the improper issuance of a patent a number of alternatives may be available. It is the purpose of this Note to examine those alternatives. The analysis will proceed both from the standpoint of preventing the improper issuance of patents by the Patent Office and by evaluating the litigious avenues available for launching a

⁶ Although judicial enforcement of any statutory right is contingent upon a finding that the patent was validly issued, the competitive advantages of a patent grant are not confined to legal proscription.

⁷ See Ladd, *Business Aggression Under the Patent System*, 26 U. CHI. L. REV. 353, 362-63 (1959), wherein the author states:

Even the weakest of patents, "vulgarly dubbed 'zombies' or 'scarecrows' " offers a threat to potential defendants. Patent suits are notoriously expensive. The services of patent counsel are costly, as are the services of experts whose talents are usually required in patent litigation. Laboratory facilities normally devoted to research must be occupied for tests and other activities related to the lawsuit. Particularly disruptive is the fact that valuable personnel, executive and technical, suffer interruption of their customary productive work in order to allocate time and work to the lawsuit. There are, in addition, the costs of going to trial since the money saving expedient of summary judgment is rarely available.

⁸ Although the competing manufacturer might try to alleviate this problem by contracting to indemnify any user of his product who is sued for infringement, it is apparent that as a practical matter indemnification agreements do not eliminate customer hesitancy to buy a device that at least prima facie infringes another's patent. One author has explained that indemnification agreements are ineffective to assure customer acceptance because (1) "the manufacturer's financial position might be such that his customers would not feel confidence in the indemnification agreement;" (2) "businessmen simply do not wish to become involved in a lawsuit;" and (3) "reimbursement may not compensate . . . for adverse publicity attending the lawsuit." Ladd, *supra* note 7, at 364 n.50.

private or governmental attack against the holder of an invalid patent.

I. PREVENTING THE ISSUANCE OF INVALID PATENTS

A. *The Birth of an Invalid Patent*

An inventor who believes that his invention deserves patent protection may obtain a patent by convincing *only one* patent examiner⁹ that his invention has complied with seven complex statutory requirements.¹⁰ With one exception, the proceeding is private and no one but the examiner may show reasons why the patent should not issue.¹¹ Determination of whether the applicant is actually the inventor and whether the invention is useful rest on the assumption that the applicant is telling the truth.¹² Determining that the invention is "new" often requires knowledge of the world's technological developments that is beyond the capability of the human mind¹³ and the decision that it is not "obvious" can be "highly subjective."¹⁴ Against this background, it is not surprising that a large

⁹ Of course, if the examiner rejects his application, the inventor will have to convince higher authorities that his invention deserves patent protection. This appellate procedure begins with the Patent Office Board of Appeals from which an appeal may be taken to the Court of Customs and Patent Appeals or, alternatively, to the District Court and the Court of Appeals for the District of Columbia. The application ultimately may be reviewed by the Supreme Court. These appellate procedures are outlined in the following statutes: 35 U.S.C. §§ 141, 145 (1964); 28 U.S.C. §§ 1254, 1256, 1291 (1964).

¹⁰ The seven primary requirements are: (1) That the invention is a personal discovery not abandoned by another, 35 U.S.C. § 102(c), (f) (1964); (2) it is a "new and useful process, machine, manufacture, or composition of matter . . . or improvement thereof," 35 U.S.C. § 101 (1964); (3) the nature of the patent's subject matter is non-obvious, 35 U.S.C. § 103 (1964); (4) the claimed invention or improvement is novel, 35 U.S.C. § 102(a) (1964); (5) there is a lack of prior knowledge or use, 35 U.S.C. § 102(b) (1964); (6) the disclosure was "full, clear, concise, and exact," 35 U.S.C. § 112 (1964); and (7) the invention is distinctly claimed, 35 U.S.C. § 112 (1964). See Stedman, *The U.S. Patent System and its Current Problems*, 42 TEXAS L. REV. 450, 456-63 (1964).

¹¹ The one exception is the interference procedure conducted by the Patent Office when two applicants or an applicant and a patentee claim the same invention. For an expanded discussion of the interference procedure, see text accompanying notes 22-25 *infra*. But cf. note 34 *infra*.

¹² See, e.g., rules 65 & 132 of the Rules of Practice in Patent Cases, 37 C.F.R. §§ 1.65, .132 (1967). See also Kennedy, *Patent and Antitrust Policy: The Search for a Unitary Theory*, 35 GEO. WASH. L. REV. 512, 529 (1967); Joel, *Fraud in the Procurement of a Patent*, 49 J. PAT. OFF. SOC'Y 596, 597-98 (1967).

¹³ Among other sources, one would have to have a knowledge of over 3,473,164 issued United States patents, millions of foreign patents, and thousands of technical publications. See 35 U.S.C. § 102 (1964).

¹⁴ One author has noted that the determination of the patentability of an invention "may be greatly influenced by the judge's personal reaction to the invention, his attitudes toward the desirability and effect of the patent monopoly, and his feeling as to

number of the patents issued are, in fact, improperly granted statutory monopolies.¹⁵

One of the major causes for the issuance of invalid patents is fraud practiced by the patentee in processing his patent application.¹⁶ An applicant may knowingly misrepresent that his invention was not previously known or used,¹⁷ or that he was the first inventor.¹⁸ Patents have even been issued on the basis of falsified documents submitted to meet the requirement of usefulness.¹⁹ In the majority of the cases, the fraudulent misrepresentations are material, *i.e.*, if the truth had been told, the patent would not have issued. But even if the fraud is not material, the patent may still be invalid.²⁰ For example, a patent applicant, knowing of no use for his invention, might falsify documents to convince the examiner that the invention has met the statutory requirement of having some utility. The examiner, however, may know of a different, valid use for the applicant's invention and regard the applicant's willful misrepresentations as *supplemental*. Nevertheless, such reprehensible conduct may itself be enough to strip the invention of statutory protection.²¹

whether the reward is commensurate with the contribution." Stedman, *supra* note 10, at 459.

¹⁵ Actually, it seems that the chances are greater that the patent is invalid than valid. One study showed that during the years 1940 to 1960 an average of only 29 percent of the contested patents were held valid by courts of appeals. See Wood, *An Appraisal of Recent Cases Respecting Patents and Anti-trust Laws*, 21 BUS. LAW. 999 (1966).

¹⁶ This Note distinguishes two types of invalid patents: (1) those invalid because of fraud, and (2) those invalid because of mistake. Where this distinction is important, the patents will be referred to as "fraudulent" invalid patents and "nonfraudulent" invalid patents, respectively. Otherwise, the term invalid patents should be understood to include all invalid patents regardless of the source of invalidity.

¹⁷ See *United States v. Frazer*, 22 F. 106 (N.D. Ill. 1884).

¹⁸ *United States v. American Bell Tel. Co.*, 128 U.S. 315 (1888) [hereinafter cited as *American Bell I*].

¹⁹ *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238 (1944).

²⁰ See, *e.g.*, *Ritter v. Rohm & Haas Co.*, 271 F. Supp. 313 (S.D.N.Y. 1967); *Corning Glass Works v. Anchor Hocking Glass Corp.*, 253 F. Supp. 461 (D. Del. 1966), *rev'd on other grounds*, 374 F.2d 473 (3d Cir. 1967). But see *Waterman Bic Pen Corp. v. W.A. Shaeffer Pen Co.*, 267 F. Supp. 849 (D. Del. 1967).

Where the fraud on the Patent Office is not material, the courts have termed the patent "unenforceable" rather than "invalid." This distinction is a result of the courts' application of the equitable rule of unclean hands which precludes enforcement even though the patent satisfies all the statutory requirements. But these distinctions do not affect the potential harm inherent in a patent not entitled to judicial recognition. For the purposes of this Note, therefore, reference to fraudulent invalid patents is without regard to whether the fraud involved was material or not.

²¹ Removing patent protection in such a case is justified by the need to preserve the integrity of the administrative system. Thus, while the deception relates to matters extrinsic to the validity of the actual invention, and although all the statutory require-

Another Patent Office practice susceptible to manipulation by unscrupulous individuals is the interference proceeding.²² Under the current Patent Act the person who first invents a particular device is entitled to a patent. If two parties claim to have invented the same device, the Commissioner of Patents will initiate an interference proceeding to determine who is the first inventor. Although the parties cannot directly attack the merits of their respective applications,²³ the proceeding may indirectly reveal to the Patent Office facts which would bar the issuance of any patent. Thus, when the parties to an interference proceeding realize that they may all be eventual losers, "it may appear commercially prudent to unite, effect a license or interchange arrangement for any patent that issues, move to have the interference dissolved, and obtain an invalid patent to be commercially exploited under the presumption of validity."²⁴ Because it involves an omission or suppression of possibly relevant information, the "fraud" under these circumstances may be more elusive than the willful misrepresentations that are present in falsified applications.²⁵ Nevertheless, the result is the same — issuance of an invalid patent.

Not all invalid patents, however, are the result of fraud. The applicant may honestly believe that his invention was not "known or used by others in this country" or "described in a printed publication."²⁶ And the examiner, despite a good faith attempt to assure that the invention is novel, may still be ignorant of existing facts which would preclude the issuance of a patent.²⁷ Regardless of

ments have been satisfied, the chicanery in the prosecution of the patent will be considered fatal. See *Antitrust Panel Discussion* (Comments by Professor Handle), AM. PAT. L. ASS'N BULL. 279 (April-May 1969). See also Stedman, *Acquisition of Patents and Know-how by Grant, Fraud, Purchase and Grant-Back*, 12 ANTITRUST BULL. 199, 215-21 (1967).

²² 35 U.S.C. § 135 (1964).

²³ See, e.g., *Sperry Rand Corp. v. Bell Tel. Laboratories, Inc.*, 317 F.2d 491 (2d Cir. 1963).

²⁴ Kennedy, *supra* note 12, at 533.

²⁵ In fact, the highly suspect nature of private interference settlements led Congress to enact the requirement that a copy of the agreement be filed with the Patent Office. See 35 U.S.C. § 135(c) (1964); H.R. REP. NO. 1983, 87th Cong., 2d Sess. 18-19 (1962); Davis, *Patent Licensing and the Anti-trust Laws: Some Recent Developments*, 46 J. PAT. OFF. SOC'Y 12, 32-38 (1964). But this requirement is by no means a panacea for all collusive practices.

²⁶ 35 U.S.C. § 102(a), (b) (1964).

²⁷ See, e.g., *Delco Chems., Inc. v. Cee-Bee Chem. Co.*, 157 F. Supp. 583 (S.D. Cal. 1957). In addition, the examiner may have looked at prior inventions or disclosures but, through lack of a comprehensive understanding of the subject, failed to realize that former inventions had anticipated the invention under consideration and bar its patentability.

the good intentions of both parties, the fact remains that under such circumstances a patent may issue which offends both the letter and the spirit of the patent law.²⁸ From the standpoint of one who is attempting to compete in a field unlawfully restricted by an invalid patent, the potential harm he may suffer is the same regardless of whether the invalidity is the product of innocent omissions, collusion, or willful misrepresentation.

B. *Pre-issuance Remedies*

Under present application procedures there is little the Patent Office can do to reduce the number of invalid patents produced by the abuses and mistakes discussed above. First, the Patent Office has no general statutory authority to investigate or initiate proceedings to cancel patents which it may subsequently learn were improperly issued.²⁹ Only in the case of an interference proceeding between an applicant and a patentee which is terminated in favor of the applicant can the Office cancel claims in the patentee's patent.³⁰ Second, although the Commissioner of Patents may initiate an action for perjury,³¹ this remedy has seldom been employed, and would be of no value in deterring the issuance of nonfraudulent invalid patents. Third, under the present Patent Office procedure there is little hope that any internal reorganization will significantly reduce the issuance of invalid patents.³²

²⁸ By one theory, the government grants to the patent holder the limited power of excluding others from using a particular invention in exchange for disclosing his patentable advancement in the art. If in fact the "invention" is not patentable the "contract" is without consideration, and the 17-year monopoly cannot be justified. See generally Stedman, *Invention and Public Policy*, 12 LAW & CONTEMP. PROB. 649 (1947).

²⁹ See, e.g., *McCormick Harvesting Mach. Co. v. Aultman*, 169 U.S. 606 (1898).

³⁰ 35 U.S.C. § 135(a) (1964).

³¹ 18 U.S.C. § 1001 (1964); 35 U.S.C. § 25 (1964). 18 U.S.C. § 1001 provides: Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined not more than \$10,000 or imprisoned not more than five years, or both.

Since the statute is penal in nature, the courts require that the evidence prove "beyond a reasonable doubt" that defendant willfully and knowingly misrepresented. See *Walker v. United States*, 192 F.2d 47 (10th Cir. 1951).

³² For a discussion of the Patent Office's internal administrative problems, see STAFF OF SUBCOMM. ON PATENTS, TRADEMARKS AND COPYRIGHTS, SENATE COMM. ON THE JUDICIARY, 87TH CONG., 2D SESS., 1961-62 MANAGEMENT SURVEY OF THE U.S. PATENT OFFICE (Comm. Print 1962); Stedman, *supra* note 10, at 474-79.

The private litigant is also without effective means to prevent the issuance of invalid patents. Patent applications are kept secret,³³ and even in the unlikely situation where one learns of a pending application that he believes does not merit patent protection no positive remedy is available.³⁴ As a practical matter, therefore, challenging the patentability of a particular device can only be done after the Patent Office has granted a 17-year monopoly.

II. METHODS OF ATTACKING IMPROPERLY GRANTED PATENTS

The issuance of a patent is not a guarantee that the patent is valid. Although there is a presumption of validity,³⁵ the Patent Act authorizes the courts to independently reevaluate inventions to determine whether the statutory requirements have been met³⁶ and whether the patentee is entitled to the grant. The courts may declare a patent invalid after finding that the invention is not novel or useful,³⁷ and often this decision is based on information overlooked by the Patent Office because of mistake or fraud. Thus, there are no limitations on a court's power to examine the substance of an invention and, upon concluding that the device is not worthy of patent protection, to grant suitable relief. The real question, however, is procedural in the sense that the courts must determine who has standing to adjudicate a patent's validity and under what circumstances a challenge will be recognized. In this regard, the two parties likely to seek standing to challenge a patent's validity are the federal government and the private litigant.

³³ 35 U.S.C. § 122 (1964).

³⁴ Under the literal language of rule 292 of the United States Patent Office Rules of Practice, 37 C.F.R. § 1.292 (1969), it appears that if one discovers a pending application which he believes would be barred because of prior public use or sale he may seek an inter partes hearing to determine his claim. In addition, under rule 291, 37 C.F.R. § 1.291 (1969), one knowing of prior patents or publications which he feels anticipate the invention may submit such information to the Patent Office for ex parte consideration. Despite the language of these rules, however, the author has been unable to find any record of their use in challenging patent applications. This may be explained by the difficulty in discovering the pendency of a patent application and the additional discouraging language of rule 291 that "the patent statutes do not provide for opposition to the grant of a patent Protests . . . are ordinarily merely acknowledged." 37 C.F.R. § 1.291 (1969).

³⁵ 35 U.S.C. § 282 (1964) provides: "A patent shall be presumed valid. The burden of establishing invalidity of a patent shall rest on the party asserting it."

³⁶ 35 U.S.C. §§ 101-03 (1964). See note 10 *supra* & accompanying text.

³⁷ See generally 35 U.S.C. §§ 282(2)-(4) (1964).

A. *The Government's Weapons*

Since the government may on its own initiative — or conceivably at the request of a private party³⁸ — bring actions against holders of invalid patents, it is important to examine the procedures and remedies available to the government as well as those available to private parties.

1. *Government Suits to Cancel a Patent Procured by Fraud.*— Neither the present patent legislation³⁹ nor any of its predecessors⁴⁰ granted the Federal Government the right to sue to cancel invalid patents.⁴¹ Nevertheless, the Supreme Court in *United States v. American Bell Telephone Co. (American Bell I)*,⁴² recognized the government's common law right to seek cancellation of fraudulently obtained patents. Realizing the potential public harm that a fraudulently procured patent could cause, the Court reasoned that an equivalent to the English writ of *scire facias*⁴³ was needed to give relief against fraudulently procured monopolies and upheld the government's suit in equity to vacate the patent. Although subsequent cases have confirmed the government's right to protect the public from fraudulently procured patents,⁴⁴ few such suits have been brought.⁴⁵ The inherent difficulties in eliminating an invalid

³⁸ For example, most of the actions brought by the Federal Trade Commission (FTC), discussed later in this article, are initiated by the filing of a complaint by a private individual. See text accompanying notes 89-109 *infra*.

³⁹ The Patent Act of 1952, 35 U.S.C. §§ 1-293 (1964).

⁴⁰ The previous major patent acts were the Patent Act of 1870, ch. 230, 16 Stat. 198; the Patent Act of 1861, ch. 88, 12 Stat. 246; the Patent Act of 1836, ch. 357, 5 Stat. 117; the Patent Act of 1793, ch. 11, 1 Stat. 318; the Patent Act of 1790, ch. 7, 1 Stat. 109.

⁴¹ The Patent Act of 1790, ch. 7, § 15, 1 Stat. 109, and the Patent Act of 1793, ch. 11, § 10, 1 Stat. 318, however, provided for private suits to cancel fraudulently obtained patents until repealed by the Patent Act of 1836, ch. 357, 5 Stat. 117.

⁴² 128 U.S. 315 (1888). The United States charged, *inter alia*, that Alexander Graham Bell had fraudulently obtained his patent by intentionally concealing that the claimed improvements were known and used by others. Both Bell and his assignee, the Bell Telephone Company, demurred to the charges, contending that the government lacked the legal authority to challenge patents it had issued. For a good analysis of the factors contributing to the decision in *American Bell I*, see Note, *Patents — The Assertion of a Fraud Upon the Patent Office as a Means of Defeating the Patent Monopoly*, 13 N.Y.L.F. 325, 331-36 (1967).

⁴³ Historically, a writ was issued to repeal charters and grants: "When the king has granted a thing by false suggestion, he may by *scire facias* repeal his own grant." *Mowry v. Whimsey*, 81 U.S. (14 Wall.) 434, 439 (1871), quoted in *American Bell I*, 128 U.S. at 368-69.

⁴⁴ See, e.g., *United States v. Hartford-Empire Co.*, 73 F. Supp. 979 (D. Del. 1947).

⁴⁵ Since *American Bell I* was decided the government has prosecuted only four cases to cancel fraudulently obtained patents. See *American Bell II*, 167 U.S. 224 (1897); *United States v. Standard Elec. Time Co.*, 155 F. Supp. 949 (D. Mass. 1957),

patent through a suit for cancellation may well explain the government's inactivity. For example, the government must prove that the applicant, knowing of the falsity, misrepresented a material fact with intent to deceive, and that the Patent Office, ignorant of the falsity, was induced to act upon the misrepresentation.⁴⁶ Mere omissions⁴⁷ or misleading statements⁴⁸ are not enough and proof of scienter is required. Furthermore, the courts have required a high level of proof to substantiate these necessary elements.⁴⁹

Since *American Bell I* the government has failed to prevail in a suit to cancel a fraudulently procured patent.⁵⁰ Thus, lack of success, coupled with the fact that fraudulently procured patents probably constitute only a small portion of the total number of invalid patents, make this judicially created remedy an impractical method for removing the unlawful monopolies of invalid patents.⁵¹

2. *Government Suits Attacking Nonfraudulent Invalid Patents.*—As noted above, not all invalid patents are invalid because they were fraudulently obtained.⁵² They may have been obtained in good faith; nevertheless, facts not known to either the Patent Office or the patentee may subsequently operate to invalidate the grant. Since a nonfraudulently obtained patent may produce the same deleterious effects on the public interest as the fraudulently obtained patent, it follows that the government should have a similar remedy to cancel the invalid patent.

In *United States v. American Bell Telephone Co.* (*American*

appeal dismissed, 254 F.2d 598 (1st Cir. 1958); *United States v. Hartford-Empire Co.*, 73 F. Supp. 979 (D. Del. 1947); *United States v. Cold Metal Process Co.*, 62 F. Supp. 127 (N.D. Ohio 1945), *aff'd*, 164 F.2d 754 (6th Cir. 1947).

⁴⁶*United States v. Cold Metal Process Co.*, 62 F. Supp. 127 (N.D. Ohio 1945), *aff'd*, 164 F.2d 754 (6th Cir. 1947). For a good analysis of the meaning of fraud in patent suits, see Cullen & Vickers, *Fraud in the Procurement of a Patent*, 29 GEO. WASH. L. REV. 110, 124-34 (1960).

⁴⁷*United States v. Standard Elec. Time Co.*, 155 F. Supp. 949 (D. Mass. 1957), *appeal dismissed*, 254 F.2d 598 (1st Cir. 1958).

⁴⁸*United States v. Cold Metal Process Co.*, 62 F. Supp. 127 (N.D. Ohio 1945), *aff'd*, 164 F.2d 754 (6th Cir. 1947).

⁴⁹*American Bell II*, 167 U.S. at 251. See also *United States v. Cold Metal Process Co.*, 62 F. Supp. 127, 140 (N.D. Ohio 1945), *aff'd*, 164 F.2d 754 (6th Cir. 1947), wherein the court stated: "[F]raud . . . is not proven by a mere preponderance of the evidence but must be established by clear, unequivocal and convincing proof."

⁵⁰*American Bell II*, 167 U.S. 224 (1897); *United States v. Standard Elec. Time Co.*, 155 F. Supp. 949 (D. Mass. 1957), *appeal dismissed*, 254 F.2d 598 (1st Cir. 1958); *United States v. Cold Metal Process Co.*, 62 F. Supp. 127 (N.D. Ohio 1954), *aff'd*, 164 F.2d 754 (6th Cir. 1947).

⁵¹See Note, *Improperly Procured Patents: FTC Jurisdiction and Remedial Power*, 77 HARV. L. REV. 1505, 1509-10 (1964).

⁵²See text accompanying notes 26-28 *supra*.

Bell II),⁵³ the government brought suit to cancel an allegedly invalid patent because the invention had been in public use for more than 2 years before the application was filed. The Supreme Court, distinguishing this case from its predecessor *American Bell I*,⁵⁴ held that unless the patent was procured by fraud, the government had no standing to sue for cancellation. The Court supported its holding on two grounds: First, that the judiciary had no authority to collaterally attack the judgment of the Patent Office, and second, that since any individual sued under the patent could raise the defense of prior public use, the government should not be "permitted to maintain a suit in equity to cancel that against which the individual has a perfect legal defense"⁵⁵ But when the patent was procured by fraud, the Court noted, the government was under a duty to seek cancellation to protect the "public interest."⁵⁶ It is anomalous, however, that the overriding "public interest" that gives the government standing to attack the fraudulently obtained invalid patent should not also permit the challenge of nonfraudulently obtained invalid patents. Although reason,⁵⁷ policy,⁵⁸ and experience⁵⁹ dictate that the distinction should be abolished, a recent decision⁶⁰ by the District Court for the District of Columbia indicates that the 71-year old *American Bell II* doctrine is still very much alive. Barring a substantial change in the doctrine, the government's efforts in this area will continue to be ineffective.

⁵³ 167 U.S. 224 (1897).

⁵⁴ 128 U.S. 315 (1888). See note 18 *supra* & accompanying text.

⁵⁵ 167 U.S. at 266.

⁵⁶ *Id.*

⁵⁷ See text accompanying note 52 *supra*.

⁵⁸ Antitrust Division Chief Richard W. McClaren summarized the policy considerations as follows:

We also believe that attacks on invalid patents will have a beneficial effect on the quality of patents generally. Evidence of the Government's very willingness to sue will tend to promote a high standard of integrity among those prosecuting patent applications and thereby provide additional protection to the public against the burden of invalid patents. Address by Assistant Attorney General Richard McClaren, 13th Annual Conference of the Patent, Trademark, and Copyright Research Institute of George Washington University, June 5, 1969, in 161 U.S.P.Q. No. 11, at V (June 1969) [hereinafter cited as McClaren].

⁵⁹ See Note, *Revocation of a Patent by Government Suit*, 48 YALE L.J. 1095, 1098 (1939), wherein the author examines the historical foundations of the patent system and concludes that "the inference that the United States may, in suitable situations, resort to its courts to revoke letters-patent appears inescapable."

⁶⁰ *United States v. Glaxo Group Ltd. & Imperial Chem. Indus. Ltd.*, 5 TRADE REG. REP. (1969 Trade Cas.) ¶ 72,828, at 87,031 (D.D.C. June 4, 1969). For a discussion of this case, see note 82 & text accompanying notes 80-82 *infra*.

3. *Government Suits Attacking Invalid Patents Under the Sherman Act.*— Well before the enactment of the antitrust laws the courts had clearly established the government's right to sue for cancellation of fraudulently procured patents.⁶¹ In the case of most fraudulently procured patents, therefore, the Sherman Act⁶² at most supplemented an existing right. But the passage of the Sherman Act did shed new light on the doctrine of the *American Bell* cases that the government was estopped to collaterally attack a patent whose invalidity was not a product of fraud on the Patent Office. The Act reemphasized the dominant public interest to free the economy from unlawful restraints of trade⁶³ and focused new attention on the limitations and immunities of the patent monopoly.

The government's initial challenge of the patent monopoly under the new antitrust laws centered around the practices used to exploit the patent grant.⁶⁴ Many once-sanctioned practices, such as mandatory package licensing,⁶⁵ tying arrangements,⁶⁶ and certain pooling agreements,⁶⁷ were successfully attacked as "contracts in restraint of trade" and "attempts to monopolize." Although these suits did not consider the validity of the patent itself or the possible antitrust implications of an invalid patent, they did at least recognize the paramount antitrust policy to examine all possible monopolies and restraints of trade despite any apparent statutory immunity.⁶⁸

The government's first attacks on a patent's validity under the

⁶¹ See text accompanying notes 41-43 *supra*.

⁶² Sherman Antitrust Act, 15 U.S.C. § 1 (1964) [hereinafter cited as Sherman Act]. Section 1 prohibits "every contract, combination . . . or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations . . ." 15 U.S.C. § 1 (1964). Section 2 condemns "every person who shall monopolize, or attempt to monopolize . . . any part of the trade or commerce among the several States, or with foreign nations . . ." 15 U.S.C. § 2 (1964). The remaining sections deal generally with problems of procedure, jurisdiction, and definition of terms in sections 1 and 2. 15 U.S.C. §§ 3-7 (1964).

⁶³ See generally REPORT OF THE ATTORNEY GENERAL'S NAT'L COMM. TO STUDY THE ANTI-TRUST LAWS 1-12 (1955).

⁶⁴ For a discussion of patent practices prohibited by the antitrust laws, see Kadish, *Patents and Antitrust: Guides and Caveats*, 13 PAT., T.M., & COPYRIGHT J. OF RES. & EDUC. 83 (Spring 1969).

⁶⁵ *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100 (1969).

⁶⁶ *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502 (1917).

⁶⁷ *United States v. New Wrinkle*, 324 U.S. 371 (1952).

⁶⁸ See, e.g., *United States v. Line Material Co.*, 333 U.S. 287 (1948), involving a successful attack on certain price maintenance provisions in which the Supreme Court noted "possession of a . . . patent . . . does not give the patentee any exemption from the provisions of the Sherman Act beyond the units of the patent monopoly." *Id.* at 308.

antitrust laws were combined with attacks on the alleged illegal methods in which the patent was being used. As early as 1926 the government challenged a patent's validity as part of an illegal combination,⁶⁹ and a few years later the government attacked the merits of a patent in conjunction with the licensor's unlawful restrictions on the patent's use.⁷⁰ Until the district court decision in *United States v. United States Gypsum Co.*,⁷¹ however, procedural problems prevented judicial resolution of the question of whether a patent's involvement with other violations sufficiently justified the government's attack on its validity.

In *Gypsum*, the government charged both that the defendant's patent licensing agreements violated sections 1 and 2 of the Sherman Act and, in the alternative, that the licensing agreements violated the Act because the patents themselves were invalid. The district court held that the antitrust context had not changed the common law doctrine that the government was estopped to "take with one hand what it has granted with another" and denied the government's request to show that the inventions did not merit patent protection.⁷² Since the district court later found that the patent licensing agreements did not violate the Act,⁷³ the complaint was dismissed.

On appeal, the Supreme Court found that the licensing agreements constituted an unlawful exploitation of the patent monopoly in violation of the Sherman Act and reversed the district court.⁷⁴ More importantly, however, the Court noted that "this issue need not be decided to dispose of this case In a suit to vindicate the public interest by enjoining violations of the Sherman Act, the United States should have the same opportunity to show

⁶⁹ *United States v. Porcelain Appliance Corp.*, Civ. No. 1640 E (N.D. Ohio Sept. 9, 1926). The court denied a motion to strike the government's allegations pertaining to the validity of the patents. This case is summarized in *United States v. United States Gypsum Co.*, 53 F. Supp. 889, 893 (D.D.C. 1943).

⁷⁰ *United States v. Standard Oil Co.*, 33 F.2d 617 (N.D. Ill. 1929), *rev'd on other grounds*, 283 U.S. 163 (1931). The district court was divided on the question of whether the government could show patent invalidity, and the Supreme Court did not pass on the question. See also *Crosby Steam Gage & Valve Co. v. Manning, Maxwell & Moore, Inc.*, 51 F. Supp. 972 (D. Mass. 1943).

⁷¹ 53 F. Supp. 889 (D.D.C. 1943) (dealing solely with the question of whether the government could challenge the integrity of the patent). In later proceedings, *United States v. United States Gypsum Co.*, 67 F. Supp. 397 (D.D.C. 1946), *rev'd*, 333 U.S. 364 (1948), the issue of whether the licensing agreement actually violated the Sherman Act was decided.

⁷² 53 F. Supp. at 899-903.

⁷³ 67 F. Supp. at 437.

⁷⁴ 333 U.S. 364 (1948).

that the asserted shield of patentability does not exist."⁷⁵ The Court's recognition that antitrust policy must allow the government to attack the validity of a patent, although only dictum and limited to the situation where the patent is providing a shield for otherwise unlawful licensing restrictions, provided a sound basis for reevaluating the common law dogmas that had previously prevented the government from attacking a patent's validity.⁷⁶ Yet, although recent cases demonstrate the government's willingness to use the Sherman Act as a basis for attacking patent invalidity, there is some indication that the government's power is unlikely to be enlarged because of the hesitancy on the part of the lower courts to permit challenges beyond the circumstances approved in the *Gypsum* dictum.

In *United States v. Union Camp Corp.*,⁷⁷ the Justice Department brought a criminal action under the Sherman Act⁷⁸ charging that the defendant violated the antitrust laws by knowingly asserting invalid patent claims. The challenge of the patent's validity was linked to neither abusive exploitation techniques nor fraudulent procurement; rather, the government urged that the antitrust policy of protecting the public from the deleterious effects of invalid patents was sufficient justification for reexamining the judgment of the Patent Office. Although the defendant's plea of nolo contendere precluded a thorough examination of these issues, the case is significant because it reflects the government's belief that attacks on invalid patents under the Sherman Act should not be barred by the lack of standing arguments that marked its nonstatutory efforts.⁷⁹

But the courts have not yet accepted the government's position that the antitrust laws should be expanded to permit broader challenge of a patent's validity. In the recent case of *United States v.*

⁷⁵ *Id.* at 387-88.

⁷⁶ See text accompanying note 72 *supra*.

⁷⁷ 5 TRADE REG. REP. ¶ 45,067, at 52,664 (E.D. Va. 1968).

⁷⁸ The Sherman Act provides that violators "shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding five thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the Court." 15 U.S.C. § 1 (1964).

⁷⁹ In a subsequent civil antitrust suit the government obtained consent decrees restricting the defendant's use of the invalid patents. *United States v. Union Camp Corp.*, 5 TRADE REG. REP. (1969 Trade Cas.) ¶ 72,689, at 86,452 (E.D. Va. Feb. 24, 1969); 5 TRADE REG. REP. (1969 Trade Cas.) ¶ 72,843, at 87,105 (E.D. Va. July 1, 1969). For a detailed explanation of the developments in this case, see Note, *Patents, Fraud and the Antitrust Laws*, 37 GEO. WASH. L. REV. 168, 176-83 (1968).

Glaxo Group Ltd. & Imperial Chemical Industries Ltd.,⁸⁰ the government attacked under section 1 of the Sherman Act both restrictions in the defendant's licensing agreements and the validity of the patent itself. The government alleged that the drug patent held by the defendant, Imperial Chemical Industries Ltd., was invalid because it claimed a product which was previously known. The district court, citing the Supreme Court's pronouncements in *Gypsum*, acknowledged that alleged antitrust violations permitted the government to contest the patent's validity.⁸¹ However, the defendant modified the factual similarity of *Glaxo* to *Gypsum* by filing affidavits swearing that it would not raise its patent in defense of the antitrust claim. The district court, concluding that the *raison d'être* of the antitrust attack on the patent's validity had been destroyed, reinvoked the pre-Sherman Act rule that the government could not collaterally attack a judgment of the Patent Office and dismissed the complaint.⁸²

The government's efforts to remove the "public menace" of an "invalid patent masquerading as a valid one"⁸³ via the antitrust laws are encouraging, but do not reflect the full potential for application of the Sherman Act to the problem. Possession of a patent may result in conferring upon the patent holder monopoly power in a given market.⁸⁴ Where the government has brought a monopolization claim under the Sherman Act, the courts have permitted the defense that market position was acquired as the result of a patent grant. In such cases, the government has been required to support its claim by a showing of additional conduct or abuse of the patent grant.⁸⁵ Under current antitrust principles, however, the government should be able to attack directly the validity of the patent. In

⁸⁰ 5 TRADE REG. REP. (1969 Trade Cas.) ¶ 72,828, at 87,031 (D.D.C. June 4, 1969).

⁸¹ *Id.* at 87,038.

⁸² The government argued unsuccessfully that the language in *American Bell I*, that a patent could be attacked by showing "fraud, mistake or error as to power" (emphasis added), and changing public policy permitted establishing invalidity on grounds other than fraud in the procurement. *Id.* at 87,039-41.

⁸³ McClaren, *supra* note 58, at V.

⁸⁴ Defining a relevant market which is monopolized is essential to finding a violation of section 2 of the Sherman Act, 15 U.S.C. § 2 (1964). The complexities involved in the relevant market concept, however, are beyond the scope of this Note. For a helpful explanation, see A. STICKLES, LEGAL CONTROL OF BUSINESS PRACTICE 166-77 (1965).

⁸⁵ See, e.g., *United States v. General Elec. Co. (Carboloy)*, 80 F. Supp. 989 (S.D.N.Y. 1948). "Although in a non-patent case exclusion, unlawful achievement, and abuse of monopoly power may not need to be proved, elements of such conduct are necessary in a patent case before section 2 may be invoked." *Id.* at 1015.

the case of a fraudulently obtained patent, it is clear that monopoly power is not obtained as the result of superior skill or foresight⁸⁶ and it is arguable that fraud in obtaining the patent grant constitutes the requisite conduct which may give rise to monopolization. Moreover, it can be argued that mere possession of even a *non-fraudulent invalid patent* operates as an exclusionary practice⁸⁷ which has the effect of creating a monopoly position. There is justification, therefore, for permitting the government to directly attack the patent's validity to support a monopolization charge.

It is too early, however, to expect judicial attitudes to change significantly enough to permit the government to successfully use the full potential of the antitrust laws to attack invalid patents. The courts are still struggling to determine the proper application of the antitrust laws to all aspects of commerce, and the task is particularly difficult in the unique case of invalid patents because of the existence of the common law dogma that the government has no standing to challenge the judgment of the Patent Office. Despite these present difficulties, the antitrust laws may soon evolve as the government's best means to control unlawful statutory monopolies.⁸⁸

4. *FTC Attacks on Invalid Patents Under Section 5 of the Federal Trade Commission Act.*—The general recognition that the Sherman Act "did not inspire public confidence either in the adequacy of the law or in the zeal of the Attorney General in prosecuting those who violated it"⁸⁹ resulted in the creation of the

⁸⁶ See, e.g., *United States v. United Shoe Mach. Corp.*, 110 F. Supp. 295 (D. Mass. 1953), *aff'd per curiam*, 347 U.S. 521 (1954). In *United Shoe*, Judge Wyzanski reviewed Judge Learned Hand's approach to monopolies violative of section 2 of the Sherman Act:

[O]ne who has acquired an overwhelming share of the market "monopolizes" whenever he does business . . . apparently even if there is no showing that his business involves any exclusionary practice [T]he defendant may [only] escape liability if it bears the burden of proving that it owes its monopoly solely to superior skill . . . technological efficiency . . . low margins of profit . . . or licenses . . . used within the limits of law *Id.* at 342.

Fraudulent procurement of a patent is hardly the "superior skill" contemplated by this approach.

⁸⁷ See text accompanying notes 7-8 *supra*.

⁸⁸ An important advantage of the Sherman Act, as amended by the Clayton Act of 1914, ch. 323, §§ 1-26, 38 Stat. 730 (codified in scattered sections of 15, 28, 29 U.S.C.), over other nonstatutory approaches is the availability of more effective relief. As compared with the conventional remedies of patent cancellation or declarations of invalidity, the Sherman Act allows the government to seek damages, injunctions, and criminal penalties. 15 U.S.C. §§ 1, 4, 15(a) (1964). Moreover, an antitrust court's decree might utilize such remedies as royalty-free compulsory licensing. See *United States v. General Elec. Co.*, 115 F. Supp. 835, 844-45 (D.N.J. 1953).

⁸⁹ Gushman, *The Problem of the Independent Regulatory Commissions*, in REPORT

Federal Trade Commission (FTC),⁹⁰ empowered to prevent the use of "unfair methods of competition . . . and unfair . . . acts or practices in commerce."⁹¹ In the patent field, the FTC's broad powers⁹² have been widely utilized to attack such practices as tying unpatented components to patented articles⁹³ and price restrictions maintained after the patent's expiration.⁹⁴ Even "bad faith" threats of infringement have been prohibited.⁹⁵ But in only one case has the FTC prosecuted a party for practices which rested on the integrity of the patent itself.

In *American Cyanamid Co.*,⁹⁶ the FTC charged that the defendant "had prevented the patent examiner from making an accurate appraisal of the patentability of tetracycline . . . and [that] the intentional withholding of material information to obtain a commercially valuable patent is an unfair method of competition and an unfair act or practice."⁹⁷ Although the FTC's efforts were initially frustrated when the hearing examiner ruled for the defendant on the theory that the misleading statements were not material,⁹⁸ the Commission reversed the examiner and held that the defendant's fraudulent activities constituted unfair competition under section 5 of the Federal Trade Commission Act. After judicial appeal⁹⁹ and a subsequent rehearing by the Commission,¹⁰⁰ the litigation terminated with a decree compelling the defendant to grant royalty licenses at a reasonable rate to all other interested parties.¹⁰¹

OF THE UNITED STATES PRESIDENT'S COMM'N ON ADMINISTRATIVE MANAGEMENT IN THE FEDERAL GOVERNMENT 205 (1937).

⁹⁰ The FTC was created by the Federal Trade Commission Act, 38 Stat. 717 (1914), as amended, 15 U.S.C. §§ 41-58 (1964).

⁹¹ Federal Trade Commission Act § 5(a)(6), 15 U.S.C. § 45(a)(6) (1964).

⁹² In *FTC v. Motion Picture Adv. Serv.*, 344 U.S. 392, 394-95 (1953), the Court stated:

The "unfair methods of competition," which are condemned . . . are not confined to those . . . condemned by the Sherman Act. . . . Congress advisedly left the concept flexible . . . to supplement and bolster the Sherman Act and the Clayton Act . . . to stop in their incipency acts and practices which when full blown would violate those Acts

⁹³ *Minneapolis Honeywell Regulator Co. v. FTC*, 191 F.2d 786 (7th Cir. 1951).

⁹⁴ *Bond Crown & Cork Co. v. FTC*, 176 F.2d 974 (4th Cir. 1949).

⁹⁵ *Cf. Flynn & Emrich Co. v. FTC*, 52 F. 836 (4th Cir. 1931).

⁹⁶ [1963-65 Transfer Binder] TRADE REG. REP. (FTC Complaints, Orders, Stipulations) ¶ 16,527, at 21,389 (FTC 1963).

⁹⁷ *Id.* at 21,393.

⁹⁸ *Id.* at 21,405.

⁹⁹ *American Cyanamid Co. v. FTC*, 363 F.2d 757 (6th Cir. 1966).

¹⁰⁰ 3 TRADE REG. REP. (FTC Complaints, Orders, Stipulations) ¶ 18,077, at 20,504 (FTC Sept. 29, 1967), *aff'd*, *Charles Pfizer & Co. v. FTC*, 401 F.2d 574 (6th Cir. 1968), *cert. denied*, 394 U.S. 920 (1969).

¹⁰¹ The FTC, in accordance with the court's original order, required the defendant

Since the patent invalidity in *Cyanamid* concerned fraudulent misrepresentations made before the Patent Office, query whether the FTC can similarly prosecute the holders of nonfraudulent invalid patents? The common law standing dogma that has plagued utilization of the Sherman Act¹⁰² may likewise impede FTC attack of invalid patents. One commentator has noted that in the case of a nonfraudulent invalid patent, FTC action may be precluded because "the Commission would be involved in collateral attack upon the Patent Office determinations themselves."¹⁰³ In addition, questions regarding the scope and extent of the remedies available to the FTC also remain unanswered. One dissenting commissioner complained that the remedy of compulsory royalties would not cure the unfair competitive advantages gained from the fraudulently procured patent and suggested that the issuance of an injunction against the collection of royalties would be more appropriate.¹⁰⁴ But it is unclear whether such a remedy is within the Commission's power. The Federal Trade Commission Act provides that the FTC may only issue cease and desist orders,¹⁰⁵ and although *Cyanamid* has given approval to compulsory royalty licensing, more meaningful remedies such as dedication, compulsory *free* licensing, and declarations of invalidity may not be available.¹⁰⁶

In the case of fraudulently procured patents, however, the Justice Department via suits for cancellation and prosecution under the antitrust laws probably has the power to accomplish as much or more in eliminating invalid patents as does the FTC. This has led one author to suggest that "the Commission ought to refrain from investigations into matters which can be more directly and

to license his patent at a royalty no higher than 2.5 percent of the licensee's net sales. 3 TRADE REG. REP. (FTC Complaints, Orders, Stipulations) § 18,077, at 20,522 (FTC Sept. 29, 1967).

¹⁰² See text accompanying note 72 *supra*.

¹⁰³ Note, *supra* note 51, at 1514. The author suggests that although the conflict would be best resolved by congressional action, in the interim, the FTC should "confine itself to cases in which it was bringing newly discovered factual matter to bear and avoid those in which it would merely be second-guessing the Office on questions of patent law." *Id.* at 1515.

¹⁰⁴ See 3 TRADE REG. REP. (FTC Complaints, Orders, Stipulations) § 18,077, at 20,522-24 (FTC Sept. 29, 1967).

¹⁰⁵ 15 U.S.C. §§ 21(b), 45(b) (1964).

¹⁰⁶ See Rushefsky, *FTC Section 5 Powers and the Pfizer-Cyanamid Imbroglio: Where Do We Go From Here, or 'You Ain't Seen Nothing Yet,'* 18 CATH. U.L. REV. 335 (1969). See generally *FTC v. Eastman Kodak Co.*, 274 U.S. 619 (1967); Freer, *Federal Trade Commission Procedure and Practice*, 8 GEO. WASH. L. REV. 316 (1940). *But cf.* *Atlantic Ref. Co. v. FTC*, 381 U.S. 357 (1965); *Pan American World Airways, Inc. v. United States*, 371 U.S. 296 (1963); *FTC v. Ruberoid Co.*, 343 U.S. 470 (1952).

efficiently handled by the Antitrust Division."¹⁰⁷ Such reasoning, however, ignores the inherent advantages of having two different organizations work toward achieving the same objectives. Moreover, the failure of the Justice Department to effectively limit public exploitation through the use of invalid patents emphasizes the need for additional enforcement.

The 11 years that have passed since the FTC filed its complaint in *Cyanamid* have demonstrated that the case has not served as a catalyst for effective FTC regulation of unlawful statutory monopolies. In fact, *Cyanamid* stands as an isolated example of the FTC's attempt to prosecute unfair competition claims based on invalid patents. Although *Cyanamid* did not give the FTC a free hand to attack invalid patents,¹⁰⁸ it by no means precluded further efforts in this area and the FTC's complete lack of activity remains a mystery.

The government's weapons to attack fraudulently procured patents are more than adequate. Under the doctrine of *American Bell II* the Justice Department may sue directly to cancel the patent. Under the Sherman Act it may seek relief against fraudulent patents which are monopolizing or restraining trade. And under the Federal Trade Commission Act the FTC may attack such patents which it finds constitute an unfair method of competition. But when the invalidity is not connected with a fraud on the Patent Office, the government's ability to deal with the invalid patent has been severely limited. Although recent developments suggest that the courts may soon remove these limitations, today's nonfraudulent invalid patents are still beyond the reach of government prescription.

B. *Private Remedies Against Improperly Granted Monopolies*

Traditionally, competitors have challenged the validity of a patent after its issuance by producing the patented device, awaiting an action for infringement by the patent holder, and defending on the ground that the patent is invalid.¹⁰⁹ The problem with this pro-

¹⁰⁷ Note, *FTC Held to Have Power to Render Inequitably Procured Patent Unenforceable*, 38 N.Y.U.L. REV. 1191, 1200 (1963).

¹⁰⁸ See text accompanying notes 102-06 *supra*.

¹⁰⁹ Although the defendant's success in infringement suits will usually remove any unlawful competitive restraints, such a result is not always assured. A judgment of invalidity in an infringement suit against one defendant will not preclude another suit against a second infringer of the same patent. See, e.g., *Priebe & Sons Co. v. Hunt*, 188 F.2d 880 (8th Cir. 1951).

A second defense which is frequently asserted in an infringement suit is patent

cedure, however, is that it is not always feasible. The cost of defending an infringement suit may be prohibitive, and the possibility of losing the suit may discourage even those most convinced of the patent's invalidity.¹¹⁰ Moreover, where the competitor has taken a license before realizing that the patent is invalid, he may be contractually bound not to contest its validity.¹¹¹ Also, there is no guarantee that the patent holder will initiate a suit for infringement. He may simply rely upon the mere existence of his patent to scare off the infringer's customers. Even where an infringement action is brought or where the competitor wishes to directly attack the patent's validity, questions of standing to sue and circumventing other procedural hurdles face the litigant. Thus, even in the private context, challenging the validity of a patent presents the litigant with the problem of selecting the proper procedural vehicle with which to launch the attack.

1. *Attacking Fraudulently Procured Invalid Patents.*— Although the law is well settled that a private individual cannot sue to cancel a patent issued as a result of fraud perpetrated against the Patent Office,¹¹² examination of the development of this rule reveals a surprisingly inconsistent judicial foundation. Until 1836, the patent acts actually provided for private suits to cancel fraudulently procured patents.¹¹³ In *Mowry v. Whitney*,¹¹⁴ the Supreme

misuse. This judicially created doctrine finds its origins in the equitable defense of unclean hands, and renders patents unenforceable when the patent holder has utilized his patents in making unlawful agreements not sanctioned by the patent monopoly. See *Morton Salt Co. v. G.S. Suppiger Co.*, 314 U.S. 488 (1942). Although the problems raised by patent misuse are similar to the problems surrounding invalid patents in that there is a resultant unlawful restriction of another's ability to compete, they differ from the problem examined in this Note in that the anticompetitive aspects of misuse are not contingent on the patent's validity and any restriction on the patent's enforceability ceases when the unlawful practices are eliminated.

¹¹⁰ See the concurring opinion of Judge Frank in *Pickard v. United Aircraft Corp.*, 128 F.2d 632, 638 (2d Cir. 1942):

For the expense of defending a patent suit is often staggering to the small business man. . . . [T]he result is that many patents which are "spurious" —i.e., would probably not stand up in court if contested—confer, in actual fact, patent monopolies which are as effective . . . as if they had been judicially held valid. *Id.* at 641-42.

¹¹¹ *But cf. Lear, Inc. v. Adkins*, 395 U.S. 653 (1969); *Pope Mfg. Co. v. Gormully*, 144 U.S. 224 (1892). In *Lear*, the Supreme Court permitted a licensee in a suit for non-payment of royalties to show that his licensor's patent was invalid on the theory that if the licensees were "muzzled, the public may continually be required to pay tribute to would be monopolists without need or justification." 395 U.S. at 670.

¹¹² See, e.g., *Mowry v. Whitney*, 81 U.S. (14 Wall.) 434 (1871); *American Bell II*, 167 U.S. 224 (1897); *E.W. Bliss Co. v. Cold Metal Process Co.*, 102 F.2d 105 (6th Cir. 1939).

¹¹³ The Patent Act of 1790, ch. 7, § 5, 1 Stat. 109; the Patent Act of 1793, ch. 11,

Court construed the omission of this private remedy from later patent acts to mean that Congress intended the elimination of private cancellation suits based on fraud. On the same rationale, the Court had decided earlier that such omissions also precluded an alleged infringer from defending on the ground that the plaintiff's patent was fraudulently obtained.¹¹⁵ By 1945, however, the Supreme Court had changed its position and finally established that the better rule was to permit an infringer to assert the patentee's fraud on the Patent Office as a defense to the infringement suit.¹¹⁶ The maxim "he who comes into equity must come with clean hands" had prevailed over the old statutory construction and collateral estoppel arguments that had formerly led courts to reject the defense of fraud. Yet despite the evolution of the *defense* of fraud in the procurement, the courts have consistently (or one should say inconsistently) followed the *Mowry* doctrine and *refused to permit an affirmative cause of action* to declare a patent void because it was fraudulently obtained.¹¹⁷

Although a court has recently recognized private affirmative attacks on fraudulently procured patents under the antitrust laws,¹¹⁸ it seems unlikely that the judiciary will establish a *per se* private procedure for voiding fraudulent patents. There is hope, however, for legislative action which will restore private suits for cancellation.¹¹⁹

2. *Attacking Nonfraudulent Invalid Patents.*— The enactment of the Declaratory Judgment Act¹²⁰ provided a vehicle for private attacks on nonfraudulently issued invalid patents.¹²¹ The Act "pro-

§ 10, 1 Stat. 318. The Patent Act of 1836, ch. 357, 5 Stat. 117, and subsequent acts have omitted any provisions to set aside patents procured by fraud.

¹¹⁴ 81 U.S. (14 Wall.) 434 (1871).

¹¹⁵ *Rubber Co. v. Goodyear*, 76 U.S. (9 Wall.) 788 (1869).

¹¹⁶ See *Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co.*, 342 U.S. 806 (1945).

¹¹⁷ See, e.g., *I.C.E. Corp. v. Armco Steel Corp.*, 201 F. Supp. 411 (S.D.N.Y. 1961).

¹¹⁸ *Holmes v. Struthers Scientific & Int'l Corp.*, 268 F. Supp. 122 (W.D. Pa. 1967).

¹¹⁹ In the analogous area of trademarks, recent legislation has provided for private suits to cancel fraudulently obtained trademarks. See Lanham Trademark Act § 14, 15 U.S.C. § 1064 (1964). See generally REPORT OF THE PRESIDENT'S COMMISSION ON THE PATENT SYSTEM: "TO PROMOTE THE PROGRESS OF USEFUL ARTS, IN AGE OF EXPLORING TECHNOLOGY" (1966) [hereinafter cited as PRESIDENT'S COMM'N REPORT].

¹²⁰ 48 Stat. 955 (1934), as amended, 28 U.S.C. §§ 2201-02 (1964).

¹²¹ *E.W. Bliss Co. v. Cold Metal Process Co.*, 102 F.2d 105 (6th Cir. 1939). Since it is now possible for a private individual to challenge a patent on the ground that it has not met the necessary statutory requirements, the prohibitions against the affirmative attack upon a patent on the basis of fraudulent procurement would seem

vided an answer to the plight of the accused infringer [who previously] had little if any means by which he could secure judicial refutation of the charges made against him."¹²² But the new remedy was not without its problems, and the judicial resolution of those problems quickly limited the Act's potential as a cure-all for unlawful patents.

The early attacks on the constitutionality of the Declaratory Judgment Act were defeated on the rationale that "in cases of actual controversy . . . the judicial function may be appropriately exercised although the adjudication of the rights of the litigants may not require . . . the payment of damages."¹²³ This justiciability requirement is now clearly established as a mandatory prerequisite for litigating a declaratory judgment action; however, what constitutes a case or controversy for the purpose of attacking an invalid patent is unclear. Some courts have found a controversy sufficient to sustain a declaratory judgment on only an implied threat of infringement based on the fact that the patent holder had sued others manufacturing a product similar to the plaintiff's.¹²⁴ Other courts have failed to find a controversy unless the defendant actually charged the plaintiff with infringement.¹²⁵ Although there is some suggestion that the courts favor a liberalization of the controversy requirements¹²⁶ and that some day the mere existence of an invalid patent might be sufficient to support an action for declaratory relief,¹²⁷ the immediate potential for such a development seems unlikely. Thus, the declaratory judgment — an adequate remedy for attacking invalid patents where there has been a threat of infringement — is of little use when the patent holder takes no affirmative action, but relies on the mere existence of his patent to

limited only to situations where the fraud was not material. If the fraud were material, then the false or misleading information should alone render the patent invalid without any additional showing of fraudulent practices. But the courts have not recognized this distinction. In bringing an action for declaratory relief challenging a patent that is invalid first because of anticipation by prior art and further because the patentee lied to the Patent Office concerning this fact, prudence seemingly dictates that the plaintiff refrain from mentioning fraud. See generally E. BORCHARD, DECLARATORY JUDGMENTS 804 n.12 (2d ed. 1941).

¹²² 6A J. MOORE, FEDERAL PRACTICE ¶ 57.20, at 3116-17 (2d ed. 1966).

¹²³ *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 241 (1937).

¹²⁴ *Dewey & Almy Chem. Co. v. American Anode, Inc.*, 137 F.2d 68 (3d Cir.), cert. denied, 320 U.S. 761 (1943).

¹²⁵ See, e.g., *Tremond Co. v. Schering Corp.*, 122 F.2d 702 (3d Cir. 1941).

¹²⁶ See Note, *Declaratory Judgments: Patent Litigation: Justiciable Controversy*, 37 CALIF. L. REV. 506, 509 (1947).

¹²⁷ See 6A J. MOORE, *supra* note 122, at 3120-21. But cf. E. BORCHARD, *supra* note 121, at 807.

scare off potential competitors. The high cost of litigation, the requirement that the plaintiff show some active steps to enter the field,¹²⁸ and the fact that the remedy is discretionary with the court¹²⁹ further limit the effectiveness of declaratory judgments.

3. *Attacking Invalid Patents Under the Sherman Act.*— Antitrust counterclaims in patent infringement suits today are commonplace. Most of the counterclaims attack the methods by which the patent holder *exploits his patent* as an unlawful restraint of trade not protected by the patent grant. Allegations charging the plaintiff with unlawful tying arrangements,¹³⁰ price restrictions,¹³¹ and pooling practices¹³² are typical examples. The use of such tactics under these circumstances offers two advantages to the defendant infringer: The threat of treble damages¹³³ may make many patent holders think twice about suing the infringer, and, even if the defendant's evidence is insufficient to establish the antitrust counterclaim, it may be sufficient to show *patent misuse* which will prevent the plaintiff from enforcing his patent.¹³⁴

Antitrust counterclaims based solely on a patent's invalidity, however, have evolved more slowly, and only recently have the grounds of such counterclaims been used as the basis for affirmative attacks. In *Sola Electric Co. v. Jefferson Electric Co.*,¹³⁵ the Supreme Court allowed an antitrust counterclaim by a licensee in a suit for royalties which challenged the validity of the licensor's patent.¹³⁶ Although acknowledging the then extant doctrine that a

¹²⁸ See 6A J. MOORE, *supra* note 122, at 3118, wherein it is stated: "If he may merely have been considering the advisability of commencing production . . . he probably lacks standing to sue on the theory that his interest is not sufficiently immediate or real to warrant judicial interference." *But cf.* *Welch v. Grindle*, 251 F.2d 671, 678 (9th Cir. 1957).

¹²⁹ The 1948 amendment of the Declaratory Judgment Act, 28 U.S.C. § 2201 (1964), changed the Act's mandate that the courts "shall" grant declaratory relief to read that a court "may" grant such relief. See 6A J. MOORE, *supra* note 122, at 3025.

¹³⁰ See, e.g., *Motion Picture Patents Co. v. Universal Films Mfg. Co.*, 243 U.S. 502 (1917).

¹³¹ See, e.g., *Newburgh Moire Co. v. Superior Moire Co.*, 105 F. Supp. 372 (D.N.J. 1952).

¹³² See, e.g., *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100 (1969).

¹³³ Section 4 of the Clayton Act, 15 U.S.C. § 15 (1964), permits any person injured in his business or property by action violative of the antitrust laws to sue for treble damages, costs, and attorney's fees.

¹³⁴ See note 109 *supra*. Although the elements of patent misuse and antitrust violations are the same, it appears that conviction under the antitrust laws is more difficult. See Nordhaus, *Antitrust Laws and Public Policy in Relation to Patents*, 3 DUQUESNE L. REV. 1, 2 (1964).

¹³⁵ 317 U.S. 173 (1942).

¹³⁶ See also *Edward Katzinger Co. v. Chicago Metallic Mfg. Co.*, 329 U.S. 394 (1947); *MacGregor v. Westinghouse Elec. & Mfg. Co.*, 329 U.S. 402 (1947).

licensee is estopped from challenging the validity of his licensor's patent,¹³⁷ the Court held that the doctrine could not stand when the plaintiff's licensing activities would violate the Sherman Act but for the protection of a valid patent. Although the indirect attack permitted in *Sola* indicated the potential for a private action under the antitrust laws to control invalid patents, 23 years passed before the Supreme Court, in *Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.*,¹³⁸ recognized an antitrust counterclaim directly attacking the patent's merits.

In *Walker*, the plaintiff sued for patent infringement and the defendant counterclaimed for a declaratory judgment that the patent was invalid. Such a procedure was not unusual, and certainly permissible under existing law.¹³⁹ But, when the plaintiff moved to dismiss his suit, the defendant amended his counterclaim and charged that the plaintiff had violated section 2 of the Sherman Act by attempting to enforce a fraudulently procured patent. Although the plaintiff argued that the *Mowry* doctrine prohibited a private litigant from attacking fraudulently procured patents,¹⁴⁰ the Supreme Court distinguished the case from the common law cancellation suits and held that in the antitrust context the counterclaim stated a cause of action.¹⁴¹

The holding in *Walker* fortified the private competitor's remedies against invalid patents in two respects. First, it provided the private litigant with a way to overcome the *Mowry* rule and to challenge, at least via a counterclaim, fraudulently invalid patents, and second, it provided an opportunity for treble damages,¹⁴² a far more meaningful relief than cancellation or declaration of invalidity. But the facts of *Walker* present an extreme situation. Query, whether a private action for violation of the Sherman Act can be maintained where the patent holder does not sue for infringement and where the patent's invalidity is not the product of fraud?

In *Holmes v. Struthers Scientific Corp.*,¹⁴³ the District Court for the Western District of Pennsylvania applied the *Walker* test and refused to dismiss a complaint charging defendants with violations of the Sherman Act based on their "conduct in acquiring and us-

¹³⁷ See note 111 *supra* & accompanying text.

¹³⁸ 382 U.S. 172 (1965).

¹³⁹ See text accompanying notes 120-23 *supra*.

¹⁴⁰ *Mowry v. Whitney*, 81 U.S. (14 Wall.) 434 (1871).

¹⁴¹ 382 U.S. at 175-76.

¹⁴² See note 133 *supra*.

¹⁴³ 268 F. Supp. 122 (W.D. Pa. 1967).

ing"¹⁴⁴ certain allegedly invalid patents. The defendant had neither brought nor threatened suit against the plaintiff for infringement of the patent; however, the defendant had initiated suits against some of the plaintiff's customers. The *Holmes* court found no reason to limit *Walker* to its counterclaim context, but the facts do not reveal whether the court also dispensed with the requirement that the patent's invalidity be a product of fraud on the Patent Office.

It is not surprising, however, that litigants have urged that the rationale that provoked the *Walker* decision should be equally applicable to invalid patents which are not procured by fraud.¹⁴⁵ In a complaint recently filed in *Maine Potato Growers, Inc. v. Union Camp Corp.*,¹⁴⁶ plaintiffs brought an action for treble damages for violation of the Sherman Act arising from defendant's attempt to enforce patents which it knew were invalid. It is significant that fraudulent procurement was not alleged, and that the alleged invalidity was the result of material information, unknown to the patentee when the patent was granted, but which nevertheless invalidated the patent. Although the case has not yet been decided, the fact that the patent was not fraudulently procured should not defeat the plaintiff's claim. The evil that the Sherman Act proscribes is monopolization through the use of invalid patents, and the evil is not mitigated by the fact that the invalid patent was obtained in good faith. Of course under present antitrust concepts, to support a Sherman Act violation the courts may require, in addition to proof of invalidity, some showing of abuse or conduct,¹⁴⁷ but these requirements are distinct from the issue of whether an attack on the patent's validity may proceed irrespective of whether it was fraudulently procured.

The antitrust route, however, is not without its shortcomings. Although the possibility of having to pay treble damages operates as a strong deterrent,¹⁴⁸ the difficulties inherent in establishing a violation of the Sherman Act diminish the possibility of actual recovery

¹⁴⁴ *Id.* at 124.

¹⁴⁵ See Conley, *Considerations in Patent Litigation Brought About by Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.*, 9 S. TEX. L.J. 9, 13 (1967), which suggests that the *Walker* rationale applies as well to nonfraudulent invalid patents.

¹⁴⁶ Civil No. 3415 F (D. Me., filed April 8, 1968). For a summary of the complaint, see BNA ANTITRUST & TRADE REG. REP. NO. 354, at A-2 (April 23, 1968).

¹⁴⁷ See text accompanying note 85 *supra*.

¹⁴⁸ See, e.g., *Hazeltine Research, Inc. v. Zenith Radio Corp.*, 239 F. Supp. 51 (1965), *modified*, 395 U.S. 100 (1969), wherein treble damages were awarded in the amount of \$35 million.

in such an action. In addition to showing fraudulent procurement or perhaps particular knowledge or conduct on the part of the invalid patent holder, the plaintiff must show that the defendant's invalid patent had an *exclusionary* effect on competition in a *relevant market*¹⁴⁹ and that as a result the plaintiff suffered *actual damages*.¹⁵⁰ Furthermore, the present requirement that the defendant must actually attempt to enforce his patent precludes use of the antitrust remedy against patent holders who are restraining competition by scaring off customers of the competitor through the mere possession of a patent grant. Finally, in the case of a competitor threatened with a suit for infringement by the holder of an invalid patent (whose invalidity is not due to fraud practiced on the Patent Office), it is unlikely that an antitrust claim will succeed unless it can be established that, *ab initio*, the defendant *knew* of the patent's defective nature.¹⁵¹

Despite the recent popularity of the private cause of action under the Sherman Act, judicial precedent has yet to unleash the Act's full potential as an effective weapon against invalid patents. The private cause of action under the antitrust laws, established to "increase the likelihood that a violation will be found out,"¹⁵² still falls short of its goal in the unique context of the unlawful monopolies of invalid patents.

4. *Attacking Invalid Patents Under the Law of Unfair Competition.*— The tort of unfair competition, once limited by the common law to "the practice of endeavoring to substitute one's own goods . . . for those of another,"¹⁵³ has been expanded to include

¹⁴⁹ Although the petitioner in *Walker* argued that attempting to enforce a fraudulent patent should constitute a *per se* violation of section 2 of the Sherman Act, the Court refused to accept this view holding that the petitioner must also show "the exclusionary power of the illegal patent claim in terms of the relevant market for the product involved." 382 U.S. at 177.

¹⁵⁰ Proving this element may be difficult. "[T]he plaintiff must show the 'directness' of his loss for he can not recover if the injury is . . . secondary, remote, incidental, or indirect [O]nce the plaintiff has proved . . . a clear and direct injury . . . he must prove the amount of damages." P. AREEDA, *ANTITRUST ANALYSIS* 37-38 (1967). See also Note, *Private Treble Damage Antitrust Suits: Measure of Damages for Destruction of All or Part of a Business*, 80 HARV. L. REV. 1566 (1957).

¹⁵¹ This requirement also pertains to fraudulent invalid patents when the patent holder was not a party to the fraudulent procurement. See Justice Harlan's concurring opinion in *Walker*: "We hold today that a treble damage action for monopolization . . . may be maintained . . . if the defendant was not the original patent applicant, [but] he had been enforcing the patent with *knowledge* of the fraudulent manner in which it was obtained." 382 U.S. at 179 (emphasis added).

¹⁵² P. AREEDA, *supra* note 150, at 36.

¹⁵³ BLACK'S LAW DICTIONARY 1699 (rev. 4th ed. 1968).

many other unfair practices.¹⁵⁴ Federal courts in their exercise of diversity jurisdiction prior to *Erie R.R. Co. v. Tompkins*,¹⁵⁵ developed a viable federal common law of unfair competition "in line with maturing commercial views of the ethics of competition."¹⁵⁶ Since *Erie*, however, federal courts have been forced to abandon the federal common law. If a private individual now wishes to bring an action for unfair competition based on invalid patents, he must find recognition of his cause of action either under the laws of the state or in specific federal statutes.¹⁵⁷

State courts and legislatures have been slow to recognize concepts of unfair competition other than the conventional tort of "passing off." Although some states now acknowledge that other unethical business activities — such as false product disparagement¹⁵⁸ and appropriation of trade values¹⁵⁹ — are within the realm of unfair competition, there has not been complete recognition of an action involving the anticompetitive effects of an invalid patent. The development has instead proceeded on a piecemeal basis,¹⁶⁰ with the courts attempting to fit the particular unfair patent practices into established legal pigeonholes. In the early case of *Emack v. Kane*,¹⁶¹ for example, the court enjoined a patent holder from circulating trade notices claiming that the plaintiff's product infringed his patent, from filing suits against plaintiff's customers and then voluntarily dismissing them, and from other "bad faith"

¹⁵⁴ See generally Chafee, *Unfair Competition*, 53 HARV. L. REV. 1289 (1940); Note, *The Choice of Law in Multistate Unfair Competition: A Legal-Industrial Enigma*, 60 HARV. L. REV. 1315 (1947).

¹⁵⁵ 304 U.S. 64 (1938). The Court held that there was no federal common law, and "[e]xcept in matters governed by the Federal Constitution or by acts of Congress the law to be applied in any case is the law of the state." *Id.* at 78.

¹⁵⁶ Note, *supra* note 154, at 1316.

¹⁵⁷ Under 28 U.S.C. § 1338(b) (1964), the federal district courts have original jurisdiction "of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent or trade-mark laws." But under 28 U.S.C. § 1338(a) (1964), "such jurisdiction shall be *exclusive* of the courts of the states in patent and copyright cases." (emphasis added). Since any suit for unfair competition based on the alleged unfair practices of a holder of an invalid patent may require the courts to determine the patent's validity, it seems likely that such a matter would be in the exclusive province of the federal courts. But once the federal courts determine that the patent is in fact invalid, they must look to the law of the state or to an act of Congress to see if the defendant's activities in acquiring or using the patent constitute unfair competition.

¹⁵⁸ See, e.g., *Allen Mfg. Co. v. Smith*, 224 App. Div. 187, 229 N.Y.S. 692 (1928).

¹⁵⁹ See, e.g., *Fisher v. Star Co.*, 231 N.Y. 414, 132 N.E. 133 (1921).

¹⁶⁰ For an excellent discussion of unfair competition and patents, see Ladd, *supra* note 7.

¹⁶¹ 34 F. 46 (C.C.N.D. Ill. 1888).

practices on the ground that these acts constituted an unlawful "trade" slander and libel. Additionally, courts have employed such legal theories as malicious prosecution,¹⁶² misleading advertising,¹⁶³ tortious interference with contract,¹⁶⁴ and defamation¹⁶⁵ to control patent activities unsanctioned by the patent grant.

Despite this absence of a clear-cut legal theory, the courts have proscribed a number of unfair practices such as assertion of overly broad patent claims¹⁶⁶ and threats of litigation against products which clearly do not infringe the patent.¹⁶⁷ The element common to these suits has been a showing of "bad faith," and it follows that the assertion of patent rights by one who knows that the patent is invalid meets this requirement. Conceptually, at least, recovery should be available in a suit for unfair competition upon a showing that the holder of the invalid patent both had knowledge of the invalidity and had taken affirmative steps to enforce the patent. Because of a failure to find a sound legal theory and a reluctance to pass on a patent's merits,¹⁶⁸ most courts have required an unrealistically high showing of knowledge and conduct to support a claim of unfair competition.¹⁶⁹ As a practical matter, therefore, the state law remedy of unfair competition is effectively limited to proscribing the most abusive practices, and provides little assistance in challenging the more subtle attempts by invalid patent holders to restrain competition.¹⁷⁰

On the federal level, a litigant might find support for an action for unfair competition under section 5 of the Federal Trade Commission Act.¹⁷¹ The Act prohibits "unfair methods of competition,"¹⁷² and, as discussed earlier, the FTC has successfully prose-

¹⁶² *Virtue v. Creamery Package Co.*, 227 U.S. 8 (1913).

¹⁶³ *Panay Horizontal Show Jar Co. v. Aridor Co.*, 292 F. 858 (7th Cir. 1923).

¹⁶⁴ *Electropure Sales Corp. v. Anglim*, 21 F. Supp. 451 (W.D.N.Y. 1937).

¹⁶⁵ *Emack v. Kane*, 34 F. 46 (C.C.N.D. Ill. 1888).

¹⁶⁶ *American Ball Co. v. Federal Cartridge Corp.*, 70 F.2d 579 (8th Cir. 1934).

¹⁶⁷ *International Indus. & Dev., Inc. v. Farbach Chem. Co.*, 145 F. Supp. 34 (S.D. Ohio 1956), *aff'd*, 241 F.2d 246 (6th Cir. 1957).

¹⁶⁸ But apparently consideration of the patent's merits is not mandatory to sustain a claim for unfair competition. See *Emack v. Kane*, 34 F. 46 (C.C.N.D. Ill. 1888).

¹⁶⁹ See *Shingle Prod. Patent, Inc. v. Gleason*, 211 F.2d 437 (9th Cir. 1954).

¹⁷⁰ As one commentator has observed:

This confusion as to a respectable legal theory often prompts courts to deal with each case empirically Under these circumstances, not only is predictability at a minimum, but there is the danger that some judges . . . will abstain from action altogether. Ladd, *supra* note 7, at 374.

¹⁷¹ 38 Stat. 719 (1914), *as amended*, 15 U.S.C. § 45(a)(1) (1964).

¹⁷² *Id.*

cuted the unfair use of fraudulently obtained patents under this section. Although the Act speaks only of the FTC's power to prosecute violations, nowhere under section 5 is a private suit expressly prohibited, and there is good reason to imply such a cause of action.¹⁷³ Section 5 offers a flexible prohibition¹⁷⁴ that is well suited for controlling unlawful statutory monopolies, and, despite the lack of judicial precedent, recognition of a private cause of action could only "advance the general purposes of the Act."¹⁷⁵

Legislative action through the passage of the antitrust laws and the Declaratory Judgment Act has provided the private litigant with the means to prevent patent holders from taking positive steps to exploit their invalid patents. Also, further development of judicial and legislative concepts of unfair competition may soon offer another private remedy to "contain" invalid patents. But the present private remedies are still subject to two limitations which have effectively minimized their utility in eliminating unlawful statutory monopolies: They leave untouched the invalid patent whose monopoly grant is not affirmatively asserted and they may be utilized only through costly litigation.

III. PROPOSALS TO FACILITATE THE REMOVAL OF INVALID PATENTS

The shortcomings of our present patent system which permit the creation and maintenance of invalid patents have not gone unnoticed. Commentators, scholars, and official commissions have analyzed these problems and proposed many varied solutions.¹⁷⁶ Since future legislation may incorporate some of these suggested changes¹⁷⁷ and, thus, materially alter existing rights and remedies

¹⁷³ See Note, *Unfair Competition and a Private Right of Action*, 9 UTAH L. REV. 961 (1965), in which the author supports a private right of action under section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45 (1964), by analogizing to the implied private remedies developed under the Securities Acts. See also Bunn, *The National Law of Unfair Competition*, 62 HARV. L. REV. 987, 988 (1949), where the author concludes that section 43(a) of the Lanham Trademark Act, 15 U.S.C. § 1125(a) (1964), providing for a private action for false marking of goods sold in interstate commerce, would support a finding of an implied private cause of action under the Federal Trade Commission Act.

¹⁷⁴ But see note 103 *supra* & accompanying text.

¹⁷⁵ Note, *supra* note 173, at 977.

¹⁷⁶ See notes 178, 182 *infra*.

¹⁷⁷ Patent reform legislation pending before the 91st Congress can be found in Senate Bills 1246 and 1569 [S. 1246, 1569, 91st Cong., 1st Sess. (1969)], and House Bill 12,280 [H.R. 12,280, 91st Cong., 1st Sess. (1969)]. See text accompanying notes 185-93 *infra*.

against invalid patents, the most significant proposals will be examined below.

A. Pre-issuance Proceedings to Permit the Public to Oppose a Patent Application

Permitting public involvement during the patent application period is one of the most radical modifications suggested to help reduce the issuance of invalid patents.¹⁷⁸ Such a procedure was recommended in a recent report of the President's Commission on the Patent System¹⁷⁹ and has been substantially incorporated into Senate Bill 1569, now pending before the 91st Congress.¹⁸⁰ The proposal would require the Commissioner of Patents to publish a patent application at least 6 months before issuance. Parties who feel they know of reasons why the patent should not be granted, *i.e.*, the applicant is not the inventor or the invention was in public use, may make such information available to the Commissioner who then may require reexamination or other *ex parte* proceedings¹⁸¹ to determine the effect of the new information. Although such a procedure would not guarantee that all patents granted were valid, it would at least afford potential competitors an inexpensive chance to prevent the creation of an unlawful statutory monopoly.

B. Post-issuance Proceedings to Permit the Public to Directly Attack the Patent's Validity

The recognition that public participation could significantly aid in coping with the problems of invalid patents is also present in many proposed post-issuance remedies. One early report suggests that an individual should be able to challenge a patent in a

¹⁷⁸ Other less forceful proposals aimed at the same objective include: (1) Adoption of a "first to file system" which would consider the first patent applicant as the inventor and thus eliminate complex interference proceedings believed to be the source of many invalid patents; (2) placing the burden to show patentability on the patentee (*i.e.*, in case of doubt, patentability would be resolved against the patentee); and (3) initiating better examination techniques in the Patent Office. See PRESIDENT'S COMM'N REPORT, *supra* note 119, Recommendations I & X.

¹⁷⁹ *Id.*, Recommendation XI.

¹⁸⁰ S. 1569, 91st Cong., 1st Sess. §§ 136, 151 (1969). An earlier proposal, S. 1246, 91st Cong., 1st Sess. (1969), and companion H.R. 12,280, 91st Cong., 1st Sess. (1969), do not provide for the pre-issuance opposition procedure. See, *e.g.*, Banner, *The Recent Proposal to Change the United States Patent System*, 29 OHIO ST. L.J. 873 (1968).

¹⁸¹ One author has criticized the use of an *ex parte* proceeding because he can find no reason that "justifies depriving an opposer of his right to a hearing, if he desires one." Kennedy, *supra* note 12, at 525.

proceeding before the Patent Office anytime within 6 months after its issuance.¹⁸² Even the preliminary drafts of the present patent laws contained provisions to permit the Patent Office to hold post-issuance hearings and, if necessary, to cancel any improperly issued patent.¹⁸³ Although the provisions did not become law because they were "considered too controversial,"¹⁸⁴ the substance of the provisions is again before Congress in Senate Bill 1246.¹⁸⁵ Section 191 of the Bill permits "[a]ny person . . . within one year after issuance of the patent [to] notify the Commissioner of publications or patents which may have a bearing on the patentability of any claim of the patent,"¹⁸⁶ and section 192 allows any person to notify the Commissioner that the patent "was in public use,"¹⁸⁷ that "the subject matter of a claim . . . is not patentable,"¹⁸⁸ or that "the inventor named . . . was not the original inventor."¹⁸⁹ In the event the information invalidates the patent, the Commissioner may cancel all asserted claims.¹⁹⁰ The Bill also provides that the identity of persons submitting invalidating patents or publications shall be kept secret.¹⁹¹

Another variation of the post-issuance proceeding to determine a patent's validity has recently been proposed in the Patent, Trademark, and Copyright Research Institutes' "Dual Patent Program."¹⁹² Under the Institute's proposal the issuance of a patent would be open to challenge *on any grounds* for a period of 1 to 5 years.¹⁹³ After this period had elapsed, the patent would become "uncontestable" unless one could show a prior invention or fraud or de-

¹⁸² See REPORT OF THE NAT'L PATENT PLANNING COMM'N, THE AMERICAN PATENT SYSTEM, 78th Cong., 1st Sess. (1943), published in 25 J. PAT. OFF. SOC'Y 455 (1943).

¹⁸³ See PROPOSED REVISION & AMENDMENTS TO THE PATENT LAWS (prelim. draft with notes) H.R. REP. NO. 3760, 82d Cong., 1st Sess. 10,469 (1951).

¹⁸⁴ See Harris, *A Dual Patent Program: To Increase Patent Reliability and Decrease Litigation Costs*, 13 PAT., T.M., & COPYRIGHT J. OF RES. & EDUC. 1, 24 (Spring 1969).

¹⁸⁵ S. 1246, 91st Cong., 1st Sess. (1969).

¹⁸⁶ *Id.* § 191(a).

¹⁸⁷ *Id.* § 192(a)(4).

¹⁸⁸ *Id.* § 192(a)(2).

¹⁸⁹ *Id.* § 192(a)(3).

¹⁹⁰ *Id.* §§ 191(d), 194(a).

¹⁹¹ *Id.* § 191(c).

¹⁹² For a discussion of this proposal, see Harris, *supra* note 184.

¹⁹³ The plan would create two types of patents: A short 7-year patent for the "short-lived," "uncomplicated" invention and a 17-year patent for inventions requiring extensive development. Additionally, there would be a need to have two periods of differing lengths in which to challenge the patent. See *id.* at 12-14.

ception.¹⁹⁴ Rather than have the patent's validity determined in an *ex parte* proceeding before the Patent Office as suggested by other reformers, the Institute proposes an *inter partes* hearing before a special "validity court." In order to facilitate the attack on invalid patents, the proposal further provides for "a new type of declaratory judgment [proceeding] that could be initiated without the pre-condition of any existing case or controversy."¹⁹⁵ Apparently this would enable *any concerned party*, regardless of his actual or potential competitive position, to take affirmative action to eliminate an unlawful statutory monopoly.

An inexpensive way for an aggrieved party to immediately challenge the propriety of an issued patent would constitute an effective method to control the potential unlawful restraint of invalid patents. Although these post-issuance reexamination provisions have been criticized because they might "provide a means for extortion of patent rights by unscrupulous competitors" and create "damaging uncertainty as to the status of every patent,"¹⁹⁶ these inequities do not seem to outweigh the evils inherent in an invalid patent that may only be challenged through complicated and uncertain judicial channels.¹⁹⁷

IV. CONCLUSION

Many things have changed in the 200 years that the patent system has attempted to "promote the Progress of Science and the useful Arts."¹⁹⁸ Technology has increased in astronomical proportions. The independent inventor, once the mainstay of the patent system, has been replaced by huge corporate research and

¹⁹⁴ *Id.* at 11.

¹⁹⁵ *Id.* at 16.

¹⁹⁶ Bean, Chapman, Fisher, Kramer, McCartney, Meyer & Pearne, *Post Issue Proceedings — Worthwhile or Not?* 51 J. PAT. OFF. SOC'Y 245, 264 (1969). As an alternative, the authors suggest an "open citation" system, wherein a party could cite prior art to the Patent Office at any time and such citations would be added to the patent as an aid to a potential defendant. The Patent Office would take no action other than performing this clerical function. *Id.* at 258.

¹⁹⁷ One additional modification of the patent laws that has been proposed is the adoption of a doctrine of "in rem invalidity." Under this procedure when a patent or claim is adjudicated invalid in one jurisdiction, the patentee would be estopped from bringing suit in any other court and the Commissioner of Patents would be required to cancel the affected claims. Although such a procedure would undoubtedly help control the abuses of invalid patents, it does not offer the affirmative remedy needed by a litigant who is the initial victim of the unlawful monopoly. Both the PRESIDENT'S COMM'N REPORT, *supra* note 119, and the "Dual Patent Program," *see* Harris, *supra* note 184, recommend the institution of this procedure.

¹⁹⁸ U.S. CONST. art. I, § 8.

development facilities,¹⁹⁹ and the challenge of the early years to assure that the system was "a stimulus to create and . . . an incentive to reveal"²⁰⁰ has been replaced by today's challenge to find a means of controlling patent abuse.²⁰¹ The present law offers few practical means for an individual to affirmatively fight the "oppression"²⁰² of an invalid patent: Unless the government will take up the battle, the enormous expense makes relief through the few available channels prohibitive. Although in recent years courts and legislatures have taken some steps to provide a more practical remedy to fight the inequities of invalid patents, their efforts have not yet produced the needed reform. Nevertheless, a successful solution is immediately required to protect not only the innocent competitor but also the valid patent holder whose creative inspiration stems in no small measure from the confidence that his inventive contribution is worthy of a 17-year monopoly.

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¹⁹⁹ One author has estimated that industrial research "performs 72 percent of the inventing and discovering The contribution of unorganized inventors [is] small, only 2.5 percent" JOINT ECONOMIC COMM., INVENTIONS & THE PATENT SYSTEM, 88th Cong., 2d Sess. 146 (1964) [also referred to as GILFILLAN REPORT].

²⁰⁰ Note, *supra* note 42, at 326.

²⁰¹ The following economic assessment has been made:

The plain fact is that our economic society . . . bears little resemblance to the economic society into which that system was born. It is doubtful whether the Founding Fathers . . . ever visualized a situation in which the patent system would be anything other than . . . a simple device for inducing invention It is in its relation to our highly industrialized and complex modern economy . . . that the patent system must be examined. Stedman, *supra* note 28, at 678.

²⁰² See *id.* at 658, where the author observes that the practical problems an individual has in showing a patent's "spuriousness" is "comparable to that of an oppressed people who can obtain no redress for their injuries."