

1967

# Estoppel to Challenge Patent Validity: The Case of Private Good Faith vs. Public Policy

Hal D. Cooper

Follow this and additional works at: <https://scholarlycommons.law.case.edu/caselrev>



Part of the [Law Commons](#)

---

## Recommended Citation

Hal D. Cooper, *Estoppel to Challenge Patent Validity: The Case of Private Good Faith vs. Public Policy*, 18 W. Res. L. Rev. 1122 (1967)  
Available at: <https://scholarlycommons.law.case.edu/caselrev/vol18/iss4/4>

This Article is brought to you for free and open access by the Student Journals at Case Western Reserve University School of Law Scholarly Commons. It has been accepted for inclusion in Case Western Reserve Law Review by an authorized administrator of Case Western Reserve University School of Law Scholarly Commons.

# Estoppel To Challenge Patent Validity: The Case of Private Good Faith vs. Public Policy

*Hal D. Cooper*

*As a general rule, parties involved in a contractual agreement concerning a patent, such as a license or assignment, are estopped to challenge the validity of that patent in a subsequent suit involving the license or assignment. Utilizing this general rule as a point of departure for his analysis of the doctrine of estoppel to challenge patent validity, Mr. Cooper then demonstrates precisely how the doctrine developed and upon what theories it is based. The author discusses the exceptions to the rule and concludes that although the doctrine still has its place in patent law, a court should apply it only after carefully analyzing the grounds for the patent's alleged invalidity.*

**I**N A SUIT brought by the holder of a patent against one allegedly practicing the patented invention, the validity of the patent is normally subject to challenge.<sup>1</sup> Since a determination of the validity of the patent is of public importance, it is preferred that

the court, in such suits, inquire into the validity of the patent even though a finding of non-infringement would be dispositive of the case.<sup>2</sup> However, where the parties to the suit stand in a contractual relationship concerning the patent, a different approach to the validity of the patent obtains.

THE AUTHOR (B.S.M.E., Iowa State University, J.D., George Washington University) is a practicing attorney in Cleveland, Ohio, and a member of the Ohio Bar. He is also a member of the Cleveland Patent Law Association.

The contractual relationship may arise either from an assignment of the patent<sup>3</sup> or through a licensing arrangement.<sup>4</sup> Litiga-

<sup>1</sup> 35 U.S.C. § 282 (1964).

<sup>2</sup> *Sinclair & Carroll Co., v. Interchemical Corp.*, 325 U.S. 327, 330 (1945). It has been stated that the party challenging the validity of a patent does so not only as a matter of private right but also in furtherance of public policy. See *Edward Katzinger Co. v. Chicago Metallic Mfg. Co.*, 329 U.S. 394, 401 (1947). This public policy is directed toward freeing the public from worthless patents, *Pope Mfg. Co. v. Gormully*, 144 U.S. 224, 234 (1892) (dictum), and is so strong that a court may consider the validity of the patent even if neither party brings it into issue. *Colorado Tent & Awning Co. v. Parks*, 195 Fed. 275, 279 (8th Cir. 1912).

<sup>3</sup> Both a patent and an application for patent may be assigned. 35 U.S.C. § 261 (1964). A patent is in the nature of personal property, *ibid.*, while an application represents only an inchoate right to a patent. *Westinghouse Elec. & Mfg. Co. v. Formica Insulation Co.*, 266 U.S. 342, 352-53 (1924) (dictum).

tion involving the parties to an assignment normally occurs when the assignor is charged by the assignee with infringing the assigned patent,<sup>5</sup> whereas litigation between a licensor and licensee usually is concerned with the licensee's obligation to pay royalties.<sup>6</sup> While both the assignor charged with infringement and the licensee from whom royalties are sought may wish to challenge the validity of the patent in suit, the general rule traditionally has been that both the assignor and the licensee are estopped to challenge the validity of the patent.<sup>7</sup>

This general rule of estoppel has been considered and applied by state and federal courts at all levels. Over forty years ago the United States Supreme Court described the doctrine as being "well-settled by forty-five years of judicial consideration."<sup>8</sup> Yet this "well-settled" rule has become so unsettled during the past forty years of judicial consideration that, today, some courts apparently consider the rule to be no longer valid,<sup>9</sup> others find no weakening of the rule,<sup>10</sup> while still other courts apply the rule only after considerable speculation as to its continued validity.<sup>11</sup>

---

<sup>4</sup> A patent is a grant of the right "to exclude others from making, using, or selling the invention." 35 U.S.C. § 154 (1964). A license under a patent has been defined negatively as being any transfer short of an assignment, *Waterman v. Mackenzie*, 138 U.S. 252, 255 (1891), and is considered to give permission to the licensee to practice the patented invention without interference from the patent holder. *De Forest Radio Tel. Co. v. United States*, 273 U.S. 236, 241 (1927). The license may be exclusive or non-exclusive. 2 ROBINSON, PATENTS § 814 (1890). A license does not pass any interest in the licensed patent; thus, the licensee cannot seek to enforce the patent in his own name. *Waterman v. Mackenzie*, *supra* at 255; *Overman Cushion Tire Co. v. Goodyear Tire & Rubber Co.*, 59 F.2d 998, 1000 (2d Cir.), *cert. denied*, 287 U.S. 651 (1932).

<sup>5</sup> See, e.g., *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249 (1945).

<sup>6</sup> See, e.g., *Automatic Radio Mfg. Co. v. Hazeltine Research, Inc.*, 339 U.S. 827 (1950). An action for royalties under a patent license agreement arises under state law and is not under the federal patent laws. *Lockett v. Delpark, Inc.*, 270 U.S. 496, 502 (1926); *Black v. Richfield Oil Corp.*, 146 F.2d 801, 804 (9th Cir.), *cert. denied*, 325 U.S. 867 (1944). However, the state law may not be used to subvert the policy of the federal law. *Edward Katzinger Co. v. Chicago Metallic Mfg. Co.*, 329 U.S. 394, 399 (1947).

<sup>7</sup> *Automatic Radio Mfg. Co. v. Hazeltine Research, Inc.*, *supra* note 6; 69 C.J.S. *Patents* §§ 159-60 (1951); ELLIS, PATENT ASSIGNMENTS § 352 (3d ed. 1955); 2 ROBINSON, *op. cit. supra* note 4, §§ 787, 820; 4 WALKER, PATENTS § 403, at 607 (2d Deller ed. 1965).

<sup>8</sup> *Westinghouse Elec. & Mfg. Co. v. Formica Insulation Co.*, 266 U.S. 342, 349 (1924).

<sup>9</sup> See *National Welding Equip. Co. v. Hammon Precision Equip. Co.*, 165 F. Supp. 788 (N.D. Cal. 1958). Mr. Justice Frankfurter, dissenting in *Edward Katzinger Co. v. Chicago Metallic Mfg. Co.*, 329 U.S. 394, 414, 416 (1947), characterized the doctrine as a "legal stray" which, if dead, was at least deserving of a "public burial."

<sup>10</sup> See, e.g., *Lanova Corp. v. Atlas Imperial Diesel Engine Co.*, 44 Del. (5 Terry) 55, 63, 55 A.2d 272, 275 (1947).

This article will examine the development of the doctrine of estoppel to challenge patent validity and the reasoning and theories advanced both in support of and against the doctrine. In addition, the exceptions to the doctrine, the present status of the doctrine, and the trends in its application will be considered.

## I. THE DOCTRINE'S DEVELOPMENT AND APPLICATION

Estoppel to challenge the validity of a patent applies with equal force both to the assignor as against his assignee and to the licensee as against his licensor.<sup>12</sup> In addition, the estoppel is applicable to those in privity with the assignor and licensee.<sup>13</sup> Thus, a corporation formed by an assignor to practice the patented invention is estopped to contest validity of the assigned patent to the same extent that the assignor is estopped.<sup>14</sup> However, if the corporation is formed for a purpose other than to practice the patented invention<sup>15</sup> or if the assignor is merely in a subordinate position in the corporation,<sup>16</sup> there is no estoppel as to the corporation; nor is a licensee estopped to contest validity of the patent as to activities which are outside the scope of the license agreement.<sup>17</sup>

The effect of the estoppel is to preclude any attack on the validity of the patent in suit. Thus, a patentee-assignor will not be heard either to deny that he is the first inventor<sup>18</sup> or to assert that he was not the inventor of the claims allowed;<sup>19</sup> nor will he be permitted to show that the invention was in public use more than one year

---

<sup>11</sup> See, e.g., *Hall Labs., Inc. v. National Aluminate Corp.*, 224 F.2d 303, 306-08 (3d Cir. 1955), *cert. denied*, 350 U.S. 932 (1956).

<sup>12</sup> *Midland Steel Prods. Co. v. Clarke Equip. Co.*, 174 F.2d 541, 543 (6th Cir. 1949).

<sup>13</sup> *Buckingham Prods. Co. v. McAleer Mfg. Co.*, 108 F.2d 192, 194-95 (6th Cir. 1939); *Frick Co. v. Lindsay*, 27 F.2d 59, 61 (4th Cir. 1928). *But see* *Douglass v. United States Appliance Corp.*, 177 F.2d 98, 100-01 (9th Cir. 1949).

<sup>14</sup> *Stubnitz-Greene Spring Corp. v. Fort Pitt Bedding Co.*, 110 F.2d 192, 195-96 (6th Cir. 1940).

<sup>15</sup> *Macey Co. v. Globe Wernicke Co.*, 180 Fed. 401, 403 (7th Cir. 1910).

<sup>16</sup> *Babcock & Wilcox Co. v. Toledo Boiler Works Co.*, 170 Fed. 81, 85 (6th Cir. 1909).

<sup>17</sup> *Consolidated Electrodynamics Corp. v. Midwestern Instruments, Inc.*, 260 F.2d 811, 815 (10th Cir. 1958); *De Cew v. Union Bag & Paper Corp.*, 57 F. Supp. 388, 403 (D.N.J. 1944).

<sup>18</sup> *American Paper Barrel Co. v. Laraway*, 28 Fed. 141, 143 (C.C.D. Conn. 1886). Under the patent statutes only the first inventor is entitled to obtain a patent. 35 U.S.C. § 102(g) (1964).

<sup>19</sup> *Foltz Smokeless Furnace Co. v. Eureka Smokeless Furnace Co.*, 256 Fed. 847 (7th Cir. 1919).

prior to the filing of the application for patent.<sup>20</sup> Neither the assignor nor the licensee may introduce prior art for the purpose of showing that the patent is lacking in invention,<sup>21</sup> and this is so as to all types of prior art, including foreign patents and printed publications.<sup>22</sup> The estoppel is also applicable where it is contended that the patentee perpetrated a fraud on the Patent Office in procuring the patent.<sup>23</sup> In short, it has been held that the doctrine operates as to "novelty, utility, patentable invention, anticipatory matter, and the state of the art."<sup>24</sup>

The doctrine of estoppel to challenge the validity of a patent was applied at least as early as 1855. In *Kinsman v. Parkhurst*<sup>25</sup> the parties had entered into an agreement whereby the defendant was given permission to manufacture a machine covered by the plaintiff's patent in return for which the defendant was to share with the plaintiff the profits from the sale of the machines. When the plaintiff brought suit to recover his share of the profits, the defendant contended that the patent was invalid and that nothing was owed to the plaintiff. The Supreme Court held, *inter alia*, that the defendant, having manufactured under the plaintiff's title, was now estopped to deny that title by challenging the validity of the patent.<sup>26</sup>

Another early case applying the doctrine of estoppel was *Faulks v. Kamp*<sup>27</sup> wherein an assignor was held estopped to challenge the validity of the assigned patent. The court in *Faulks* applied the doctrine of estoppel, believing that it would be unfair for the assignor "both to sell and keep the same thing."<sup>28</sup>

After the *Kinsman* and *Faulks* cases, the estoppel to challenge validity was applied by courts throughout the country.<sup>29</sup> In 1905 the Supreme Court went so far as to apply the estoppel against the

---

<sup>20</sup> *Buckingham Prods. Co. v. McAleer Mfg. Co.*, 108 F.2d 192 (6th Cir. 1939). *Contra*, *National Welding Equip. Co. v. Hammon Precision Equip. Co.*, 165 F. Supp. 788 (N.D. Cal. 1958).

<sup>21</sup> *Foltz Smokeless Furnace Co. v. Eureka Smokeless Furnace Co.*, 256 Fed. 847 (7th Cir. 1919). *But see* *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249, 257-58 (1945).

<sup>22</sup> *Hall Labs., Inc. v. National Aluminate Corp.*, 224 F.2d 303, 307 (3d Cir. 1955), *cert. denied*, 350 U.S. 932 (1956).

<sup>23</sup> *Buckingham Prods. Co. v. McAleer Mfg. Co.*, 108 F.2d 192, 195 (6th Cir. 1939); *Borkland v. L. A. Goodman Mfg. Co.*, 95 U.S.P.Q. 387 (Ill. Ct. App. 1952), *cert. denied*, 344 U.S. 921 (1953).

<sup>24</sup> *Babcock v. Clarkson*, 63 Fed. 607, 609 (1st Cir. 1894).

<sup>25</sup> 59 U.S. (18 How.) 289 (1855).

<sup>26</sup> *Id.* at 293.

<sup>27</sup> 3 Fed. 898 (C.C.S.D.N.Y. 1880) (by implication).

<sup>28</sup> *Id.* at 902.

<sup>29</sup> See 4 WALKER, *op. cit. supra* note 7, § 403 at 607, and cases there cited.

federal government.<sup>30</sup> By 1924 when the Supreme Court again gave consideration to the doctrine of estoppel, the court found the doctrine to be so universally followed that it would not "lightly disturb a rule well settled by forty-five years of judicial consideration and conclusion."<sup>31</sup>

The rule remained relatively firm until 1945. In that year the Supreme Court rendered its decision in *Scott Paper Co. v. Marcalus Mfg. Co.*<sup>32</sup> There, the defendant was a former employee of the plaintiff and, during the course of his employment, had assigned the patent in issue to the plaintiff. After leaving the employ of the plaintiff, the defendant formed a competing company which was subsequently charged with infringing the assigned patent. The defendant contended that the machine it was making was precisely shown in a prior patent that had long since expired. The plaintiff contended that, as an assignor, the defendant was estopped to contest the validity of the assigned patent and thus should not be permitted to show that what it was doing was the subject of an expired patent. The Court expressly held that it was unnecessary to examine the doctrine of estoppel or its continuing validity<sup>33</sup> since other considerations were dispositive of the case, namely, the policy of the patent laws that everyone is free to practice an invention shown in an expired patent.<sup>34</sup> However, the Court made it clear that where the public policy expressed in the patent laws conflicts with either a private arrangement or private good faith, it is the policy of the patent laws that must be controlling.<sup>35</sup> Equating an estoppel with a private contract, the Court held that the doctrine of estoppel may not be used to accomplish that which private contract cannot.<sup>36</sup>

In concluding its opinion the Court stated:

The judgment is affirmed for the reason that we find that the application of the doctrine of estoppel so as to foreclose the assignor of a patent from asserting the right to make use of the prior art invention of an expired patent, *which anticipates that of the assigned patent*, is inconsistent with the patent laws which dedicate to public use the invention of an expired patent.<sup>37</sup>

---

<sup>30</sup> *United States v. Harvey Steel Co.*, 196 U.S. 310 (1905).

<sup>31</sup> *Westinghouse Elec. & Mfg. Co. v. Formica Insulation Co.*, 266 U.S. 342, 349 (1924).

<sup>32</sup> 326 U.S. 249 (1945).

<sup>33</sup> *Id.* at 254.

<sup>34</sup> *Ibid.*

<sup>35</sup> *Id.* at 257.

<sup>36</sup> *Ibid.*

<sup>37</sup> *Id.* at 257-58. (Emphasis added.)

Two years later, in *Edward Katzinger Co. v. Chicago Metallic Mfg. Co.*,<sup>38</sup> the Supreme Court again dealt with the question of estoppel as it applied to a licensee. In a five-to-four decision, the Court once again emphasized that the public interest is dominant in the patent system and stated that the right to challenge the validity of a patent is not only a private right but is also founded on public policy which is promoted by making the defense of invalidity.<sup>39</sup>

Both the *Scott* and *Katzinger* decisions might be considered to have dealt with special factual situations, with neither case enunciating anything more than exceptions to the general rule of estoppel.<sup>40</sup> However, in *Scott*, *Katzinger*, and its companion case, Mr. Justice Frankfurter vigorously dissented,<sup>41</sup> on the basis that the effect of the Court's decisions was to overturn the doctrine of estoppel without expressly doing so.<sup>42</sup> Pointing out that the doctrine of estoppel had been a part of the patent law for many years and that principles of good faith and fair dealing had been the basis for the estoppel, Mr. Justice Frankfurter was unable to find any inroads upon the public interest through application of the doctrine, and if there was a public interest inconsistent with the doctrine, he felt it should be left to Congress to modify or change the rule.<sup>43</sup>

Three years later the Supreme Court again was confronted with the doctrine of estoppel as it applied to a licensee. In this case, *Automatic Radio Mfg. Co. v. Hazeltine Research, Inc.*,<sup>44</sup> the Court applied the estoppel with very little comment. This time it was Mr. Justice Douglas who dissented, contending that the Court should not apply the doctrine of estoppel for the reason that *Scott* and *Katzinger* had allegedly established that public policy precluded the application of the doctrine.<sup>45</sup>

In still another case decided in 1950, the Court characterized as an "unusual provision" an attempt by the government to incorpo-

---

<sup>38</sup> 329 U.S. 394 (1947). A companion case, *MacGregor v. Westinghouse Elec. & Mfg. Co.*, 329 U.S. 402 (1947), was decided the same day.

<sup>39</sup> 329 U.S. at 401.

<sup>40</sup> See text accompanying notes 196-218 *infra*.

<sup>41</sup> Mr. Justice Frankfurter was alone in his dissent in *Scott*, although Mr. Justice Reed separately dissented. Three other justices joined in the dissent in the *Katzinger* and *MacGregor* cases.

<sup>42</sup> 326 U.S. at 258; 329 U.S. at 408.

<sup>43</sup> 326 U.S. at 258-61 (dissenting opinion); 329 U.S. at 408-16 (dissenting opinion).

<sup>44</sup> 339 U.S. 827 (1950).

<sup>45</sup> *Id.* at 836, 838-40. It is interesting to note that Mr. Justice Black, the author of the majority opinion in *Katzinger*, concurred in this dissent.

rate in a compulsory licensing decree a provision that the decree did not prevent the licensees from attacking the validity of the licensed patents.<sup>46</sup>

Since 1950 the Supreme Court has not considered the question of the continuing validity of the doctrine of estoppel. However, the dissenting opinions in *Scott*, *Katzinger*, and *Automatic* clearly call into question the continuing validity of the doctrine of estoppel.

## II. THE BASIS FOR THE ESTOPPEL

Some of the theories advanced for justifying application of the estoppel doctrine have particular relevance to license agreements and licensees, while others apply primarily to assignments and assignors. Although the Supreme Court has commented on some of these theories,<sup>47</sup> there has not been a definitive decision as to the precise basis for the doctrine of estoppel. However, there does seem to be general agreement that the estoppel is not by conduct or matters *in pais*.<sup>48</sup>

The four most widely cited justifications for applying the estoppel are: (1) to prevent unfairness and injustice; (2) to prevent one benefiting from his own wrong; (3) by analogy to estoppel by deed in real estate; and (4) by analogy to a landlord-tenant relationship.

### A. Unfairness and Injustice

Concepts of fairness and justice underlie virtually all of the various forms of estoppel applied by the courts.<sup>49</sup> These same concepts are the touchstone of the estoppel to challenge patent validity. Thus, the only apparent basis on which the Supreme Court applied an estoppel in *Kinsman v. Parkhurst*<sup>50</sup> was that it would be unfair for the defendant to make and sell the patented device under the title of the patent and yet deny that title when the plaintiff attempts to share in the profits.<sup>51</sup> Similarly, in *Faulks v. Kamp*<sup>52</sup> the court thought it unfair to permit an assignor to sell a patent for a valuable consideration and yet, in effect, retain both the consideration

---

<sup>46</sup> *United States v. United States Gypsum Co.*, 340 U.S. 76, 94 (1950). Mr. Justice Black would have approved the provision. *Id.* at 95.

<sup>47</sup> See text accompanying notes 90-93 *infra*.

<sup>48</sup> *Westinghouse Elec. & Mfg. Co. v. Formica Insulation Co.*, 266 U.S. 342, 351 (1924); *Babcock v. Clarkson*, 63 Fed. 607 (1st Cir. 1894).

<sup>49</sup> See BLACK, LAW DICTIONARY 632, 648-51 (4th ed. 1957).

<sup>50</sup> 59 U.S. (18 How.) 289 (1855).

<sup>51</sup> *Id.* at 293.

<sup>52</sup> 3 Fed. 898 (C.C.S.D.N.Y. 1880).



and the thing sold by arguing invalidity of the patent.<sup>53</sup> Again, it has been held that it would be "grossly unjust and inequitable"<sup>54</sup> to permit an assignor to defeat the full enjoyment of the patent by his assignee by an attack on the validity of the assigned patent. Although only the early cases relied almost exclusively on the equitable principles of fairness and justice,<sup>55</sup> it is nonetheless obvious that these same principles are the foundation for some of the more specific theories advanced by later courts in justifying application of the doctrine.<sup>56</sup>

(1) *Assignments.*—The courts that have applied the estoppel to assignors primarily on the basis of fairness and justice have found the basic unfairness to be that expressed in *Faulks*, that is, the assignor should not be permitted both to sell and keep the same thing. In other words, it is inequitable for one who has sold a patent to be permitted to later say that what he has sold is worthless.<sup>57</sup>

In examining this alleged unfairness, it would seem that perhaps there should be some distinction drawn between legal title to a patent and the validity of that patent. It is generally held that the assignment of a patent carries with it an implied warranty of title.<sup>58</sup> However, it is also generally held that an assignment of a patent does not include an implied warranty as to the validity of that patent.<sup>59</sup> Unless title to a patent is equated to the exclusory value or validity of that patent,<sup>60</sup> it might be questioned whether an assignor is attempting to retain the very thing he sold if, instead of attacking the assignee's title to the patent, he attacks only the validity of the patent.

---

<sup>53</sup> *Id.* at 901.

<sup>54</sup> *Curran v. Burdsall*, 20 Fed. 835, 837 (N.D. Ill. 1883).

<sup>55</sup> See generally Lechner, *Estoppel Against Patent Assignors — The Scott Paper Company Case*, 28 J. PAT. OFF. SOC'Y 325 (1946).

<sup>56</sup> See *Westinghouse Elec. & Mfg. Co. v. Formica Insulation Co.*, 266 U.S. 342, 350 (1924); *Stubnitz-Greene Spring Corp. v. Fort Pitt Bedding Co.*, 110 F.2d 192 (6th Cir. 1940). However, it has also been suggested that it is "only right and just" that a licensee be permitted to challenge the validity of a patent. *Automatic Radio Mfg. Co. v. Hazeltine Research, Inc.*, 339 U.S. 827, 840 (1950) (dissenting opinion).

<sup>57</sup> *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249, 258-59 (1945) (dissenting opinion).

<sup>58</sup> ELLIS, *PATENT ASSIGNMENTS* § 304 (3d ed. 1955).

<sup>59</sup> *Id.* § 347.

<sup>60</sup> The validity of such an equation might be affected by the theory under which claims are viewed. There are at least two theories of claims: the so-called central definition theory and the peripheral definition theory. ELLIS, *PATENT CLAIMS* § 4 (1949). Under the central definition theory, there is a closer relation to the inventive concept in the patent than under the peripheral definition theory in which the scope of the invention is staked out by the terminology of the claims. *Ibid.*

In fact, in view of the relatively high mortality rate of litigated patents,<sup>61</sup> a court might be justified in applying the doctrine of caveat emptor to the sale of a patent. This would seem particularly true if a determination of the validity of a patent is considered to be a question of law.<sup>62</sup> It is the Patent Office that makes the determination that an invention is patentable under the patent laws, and that determination is subject to review by the courts.<sup>63</sup> Moreover, the question of patentability of an invention is one on which reasonable men may widely differ.<sup>64</sup> Accordingly, there does not seem to be any obvious unfairness in permitting an assignor to challenge what is, in the last analysis, essentially a legal conclusion by the Patent Office.

Moreover, it would seem to be desirable to give some consideration to the basis on which the assignor seeks to challenge the validity of the patent before determining if there is any unfairness or injustice. If the basis for invalidity was plainly apparent at the time of the assignment, the assignee should have had notice of such, and therefore no estoppel should be applied.<sup>65</sup> On the other hand, if the basis for invalidity is due to some activity by the assignor, such as prior public use, of which the assignee has no knowledge, unfairness and injustice in applying the estoppel might be more readily found.<sup>66</sup> Where the assignor seeks to invalidate the patent on the

---

<sup>61</sup> S. REP. NO. 1202, 86th Cong., 2d Sess. 21 (1960).

<sup>62</sup> Courts have struggled with this question for many years. See *Armour & Co. v. Wilson & Co.*, 274 F.2d 143 (7th Cir. 1960). The Supreme Court has been divided on the question, with some justices holding validity to be a factual issue while others hold validity to be purely a question of law. See *Graver Tank & Mfg. Co. v. Linde Air Prods. Co.*, 336 U.S. 271 (1949) (majority and concurring opinions), *aff'd on rehearing*, 339 U.S. 605 (1950). In *Graham v. John Deere Co.*, 383 U.S. 1 (1966), the Court held that the "ultimate question of patent validity is one of law" to be determined by "several basic factual inquiries." *Id.* at 17.

<sup>63</sup> 35 U.S.C. §§ 141-45 (1964). A patent issued by the Patent Office is presumed to be valid. 35 U.S.C. § 282 (1964). However, the Supreme Court has noted that there is a "notorious difference" between the standard of patentability applied by the Patent Office and that applied by the courts. *Graham v. John Deere Co.*, *supra* note 62, at 18. In an attempt to make the standard more uniform, it has been suggested that all immediate direct review of Patent Office decisions be subject to further review by a court of general jurisdiction. U.S. REPORT OF THE PRESIDENT'S COMMISSION ON THE PATENT SYSTEM, "TO PROMOTE THE PROGRESS OF . . . USEFUL ARTS" IN AN AGE OF EXPLODING TECHNOLOGY 27 (1966) [hereinafter cited as PRESIDENT'S COMMISSION REPORT].

<sup>64</sup> It is not unusual to have courts in different jurisdictions arrive at opposite conclusions concerning the validity of a patent. See, e.g., *Graham v. John Deere Co.*, 383 U.S. 1 (1966).

<sup>65</sup> *Stubnitz-Greene Spring Corp. v. Fort Pitt Bedding Co.*, 110 F.2d 192 (6th Cir. 1940).

<sup>66</sup> See 27 GEO. WASH. L. REV. 399, 402 (1959). *But see* *Buckingham Prods. Co. v. McAleer Mfg. Co.*, 108 F.2d 192 (6th Cir. 1939).

basis of prior art, there seems to be no particular reason to presuppose any superior knowledge either on the part of the assignor or assignee as to the state of the prior art at the time of the assignment.<sup>67</sup> In actuality, it would seem just as reasonable to charge the assignee with constructive knowledge of the prior art at the time the patent was assigned<sup>68</sup> so that a court might find that there is no unfairness in permitting the assignor to rely on facts "known" to the assignee when purchasing the patent.

Another factor that might be considered in judging the fairness of applying the estoppel to an assignor is the relationship between the parties. Many assignments are by an employee to an employer. It would not be unusual for the employee-assignor to have no voice at all either in the decision to file for a patent or in determining the scope of the claims granted. In such circumstances, it is somewhat difficult to pinpoint the precise unfairness or injustice in subsequently permitting the assignor to attack the validity of the patent.<sup>69</sup> However, where the assignor assigns a patent to an existing competitor, it is likely that the assignee assumes the assignor will not thereafter go into competition on the patented invention. If he does, the concern expressed in *Faulks*<sup>70</sup> about both selling and retaining the same thing may have more urgency.

Finally, and perhaps most basically, it is also relevant to inquire into the nature of the agreement between the parties as to what is being transferred. A patent grants the holder a right to exclude others from making, using, or selling the invention throughout the United States.<sup>71</sup> The title to this right to exclude is the subject of the assignment.<sup>72</sup> In the hands of the assignor, the right to exclude anyone at all is expressly conditioned on the validity of the patent.<sup>73</sup> It is debatable whether, by virtue of transferring title to this right, the right may be expanded through operation of the estoppel, so as

---

<sup>67</sup> See *General Plastics Corp. v. Borkland*, 129 Ind. App. 97, 145 N.E.2d 393 (1957).

<sup>68</sup> An applicant for a patent is presumed to know all of the prior art. 1 WALKER, PATENTS § 25 (Deller ed. 1937). Cf. *Hall Labs., Inc. v. National Aluminate Corp.*, 224 F.2d 303 (3d Cir. 1955), cert. denied, 350 U.S. 932 (1956).

<sup>69</sup> See ELLIS, *op. cit. supra* note 58, § 343. This situation may be remedied, or at least altered, in view of the recent suggestion that the assignee be permitted to file in its own name. PRESIDENT'S COMMISSION REPORT 14.

<sup>70</sup> *Faulks v. Kamp*, 3 Fed. 898 (C.C.S.D.N.Y. 1880).

<sup>71</sup> See note 4 *supra*.

<sup>72</sup> *Ibid.*

<sup>73</sup> 35 U.S.C. § 282 (1964).

to preclude an attack on the validity of the patent even by the former holder.<sup>74</sup>

(2) *Licenses*.—With respect to a license agreement, the unfairness which concerns the courts is that which results from permitting a licensee to operate under the patent and yet deny any obligation to the patent holder. For example, unfairness results if the licensee affirmatively represents to the public that he is operating under the patent of his licensor.<sup>75</sup> However, irrespective of the licensee's representations to the public, the fact that the licensee has obtained permission to practice under the patent and has done so obligates him to pay the royalties specified in the license agreement. As the Supreme Court held in *United States v. Harvey Steel Co.*,<sup>76</sup> it may be presumed that the licensee would not have employed the patented invention but for the granting of the license. Under this view, it readily follows that it would be unfair for the licensee who was given the opportunity to practice the patented invention to deny the obligation to pay royalties.

#### B. *One May Not Benefit From His Own Wrong*

The approach that one may not benefit from his own wrong is ordinarily used where the assignor attempts to show that the patent is invalid for reasons other than lack of invention. In *Buckingham Prods. Co. v. McAleer Mfg. Co.*,<sup>77</sup> the assignor attempted to show that the patent was invalid because of prior public use; however, the court held that the assignor knew of the prior public use before filing for the patent and therefore participated in what would be tantamount to a fraud on the Patent Office.<sup>78</sup> Having participated in the fraud, the assignor could not be permitted to attack the validity of the patent and thereby benefit from his own wrongdoing.

It has been said that the estoppel applies whether the wrong was willful or inadvertent, knowledge of the facts by both parties

---

<sup>74</sup> See *Stubnitz-Greene Spring Corp. v. Fort Pitt Bedding Co.*, 110 F.2d 192 (6th Cir. 1940), wherein the court stated that an assignment "purports to convey . . . nothing more than the interest or estate of which the assignor . . . is apparently seized or possessed at the time." *Id.* at 196.

<sup>75</sup> Marking the device with the patent number is one such representation which gives rise to an estoppel. *Gridiron Steel Co. v. Jones & Laughlin Steel Corp.*, 361 F.2d 791 (6th Cir. 1966). Acknowledging the licensed patent in a prospectus will also raise an estoppel. *Cold Metal Process Co. v. McLouth Steel Corp.*, 170 F.2d 369 (6th Cir. 1948).

<sup>76</sup> 196 U.S. 310 (1905).

<sup>77</sup> 108 F.2d 192 (6th Cir. 1939).

<sup>78</sup> *Id.* at 195.

being immaterial.<sup>79</sup> It has also been said that the statements contained in the patent application are the consideration for the sale of the patent.<sup>80</sup> Accordingly, this theory would dictate that the assignor should not be permitted to show that such statements were incorrect.

Since each applicant for a patent is required to submit an oath declaring that he is the first inventor of the subject matter claimed,<sup>81</sup> it might be contended that any attack on the validity of the patent by the assignor would be inconsistent with the representations made to the Patent Office. Thus, to have permitted the assignor to show prior public use in *Buckingham* would have been clearly inconsistent with the representations made by the inventor in filing the application. However, the assignee in *Buckingham* also knew of the public use at the time the application was filed and assigned, so it would seem that the assignee would be perpetuating the fraud by enforcing the patent.<sup>82</sup> In such circumstances it would appear that both parties are attempting to benefit from a wrong. In fact, the desire to prevent one from benefiting from his own wrong might well apply with greater force against the assignee where the assignee is a corporation that prepared and prosecuted the patent application.

Several factors seem relevant in determining whether an assignor is benefiting from any wrongdoing in attacking the validity of the assigned patent. If the application was filed by the assignor in the good faith belief that he was the first inventor,<sup>83</sup> the assignor does not seem to have committed any wrong even though he may later find that the prior art indicates the contrary to be true.<sup>84</sup> In addition, arguments and representations concerning novelty and the prior art will undoubtedly have been made to the Patent Office during the course of prosecution of the application. However, courts have held that such statements and representations are merely matters of opinion concerning questions of law,<sup>85</sup> and thus it may

---

<sup>79</sup> *Babcock v. Clarkson*, 63 Fed. 607 (1st Cir. 1894).

<sup>80</sup> *National Conduit Mfg. Co. v. Connecticut Pipe Mfg. Co.*, 73 Fed. 491 (C.C.D. Conn. 1896).

<sup>81</sup> 35 U.S.C. § 115 (1964).

<sup>82</sup> *Accord*, *Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172 (1965).

<sup>83</sup> The patent statute only requires that the applicant make oath "that he *believes* himself to be the original and first inventor." 35 U.S.C. § 115 (1964). (Emphasis added.)

<sup>84</sup> See *General Plastics Corp. v. Borkland*, 129 Ind. App. 97, 145 N.E.2d 393 (1957).

<sup>85</sup> *Johnson v. Brewer-Titchener Corp.*, 28 F. Supp. 1002 (N.D.N.Y. 1939); *East-*

be questionable whether there is any wrongdoing in later taking an inconsistent position on such matters of opinion.

Potential wrongdoing becomes more apparent if the assignor attempts to take a position inconsistent with representations on which the Patent Office may have relied. Accordingly, representations made to the Patent Office concerning the scope of the claims on which the Patent Office relies in issuing the patent work an estoppel preventing the patentee from asserting a different scope for the claims in a subsequent infringement suit.<sup>86</sup> In a similar manner, a court in applying an estoppel to contest validity might seemingly find it appropriate to do so when there have been representations and statements made to the Office of such a character that the Patent Office relied on them in finding a patentable invention under the patent laws. Under this approach, a court might find that there was no wrongdoing from which the assignor was attempting to benefit in merely arguing the lack of patentability of an assigned patent even though he had argued the contrary in gaining allowance of the patent. However, a court might find such wrongdoing if, for example, the assignor attempted to contradict his previous statements to the Patent Office concerning the state of the prior art; or if the assignor attempted to rely on facts such as prior public use which should have been brought to the attention of the Patent Office but were not; or if the assignor attempted to show that it was another who was the actual inventor of the assigned patent. Thus, consideration is given to the realities of practice before the Patent Office,<sup>87</sup> and only those statements and representations on which the Patent Office might reasonably have relied would be of significance in finding an estoppel was necessary to preclude the assignor from benefiting from his own wrong.

### C. Estoppel by Deed

Several courts have applied the estoppel to assignors by drawing an analogy to an estoppel by deed.<sup>88</sup> In *Westinghouse Elec. & Mfg. Co. v. Formica Insulation Co.*,<sup>89</sup> the Supreme Court found that "the

---

ern State Petroleum Co. v. Universal Oil Prods. Co., 22 Del. Ch. 33, 2 A.2d 138 (Ch. 1938).

<sup>86</sup> *Exhibit Supply Co. v. Ace Patents Corp.*, 315 U.S. 126 (1942).

<sup>87</sup> See generally SMITH, *PATENT LAW* 593-96 (rev. ed. 1964).

<sup>88</sup> See, e.g., *Hall Labs., Inc. v. National Aluminate Corp.*, 224 F.2d 303, 306 n.1 (3d Cir. 1955), *cert. denied*, 350 U.S. 932 (1956); *Foltz Smokeless Furnace Co. v. Eureka Smokeless Furnace Co.*, 256 Fed. 847, 848 (7th Cir. 1919); *Chicago & A. Ry. v. Pressed Steel Car Co.*, 243 Fed. 883, 889-90 (7th Cir. 1917).

<sup>89</sup> 266 U.S. 342 (1924).

analogy between estoppel in conveyances of land and estoppel in assignments of a patent right is clear."<sup>90</sup> According to the Court the analogy is that just as a grantor of a deed to land is estopped from impeaching the effect of his act as against his grantee, so also fair dealing should not allow the grantor of a patent to derogate from the title which he has conveyed.<sup>91</sup> Considering both the conveyance of title to land and the assignment of title to a patent as conferring the right to exclude others, the Court found the only difference between the two to be a practical one, that is, land is more easily defined than is the scope of the right to exclude under a patent.<sup>92</sup>

An estoppel by deed generally precludes an attack on any material fact in a sealed contract.<sup>93</sup> Although an assignment of a patent need not be under seal, it was held in *Westinghouse* that this was not a significant reason for refusing to apply the principles of the estoppel to such assignments.<sup>94</sup> However, the Court did not stop to inquire whether an attack on the validity of an assigned patent was an attack on any *fact* appearing in the assignment contract. Under the view that a determination of validity is a question of law,<sup>95</sup> it would not seem that any material fact is being attacked when the validity of a patent is challenged; thus the applicability of the principles of estoppel by deed becomes much less clear.

Other facets of this analogy which might be given consideration include the basic premise that land and patents are essentially the same. It would seem that, in fact, land and patents are different by their very nature.<sup>96</sup> While land has a physical location, the *situs* of patent rights is that of the title-holder.<sup>97</sup> Patent rights are enforceable anywhere in the United States that an infringement occurs.<sup>98</sup> A decision concerning an interest in land is generally considered to be *in rem*, whereas a decision on the validity of a pat-

---

<sup>90</sup> *Id.* at 350.

<sup>91</sup> *Ibid.*

<sup>92</sup> *Ibid.*

<sup>93</sup> BLACK, LAW DICTIONARY 503-04 (4th ed. 1957). Cf. *Universal Rim Co. v. Scott*, 21 F.2d 346, 348-49 (N.D. Ohio 1922).

<sup>94</sup> 266 U.S. at 348.

<sup>95</sup> *Graver Tank & Mfg. Co. v. Linde Air Prods. Co.*, 336 U.S. 271, 275, *aff'd on rehearing*, 339 U.S. 605 (1949); *Rothe v. Ford Motor Co.*, 253 F.2d 353, 355 (D.C. Cir. 1958).

<sup>96</sup> In fact, a patent is denominated under the patent statute as personal property. 35 U.S.C. § 261 (1964). A patent application is considered nothing more than an inchoate right to a patent. 266 U.S. at 348.

<sup>97</sup> See 35 U.S.C. § 293 (1964).

<sup>98</sup> 28 U.S.C. § 1400(b) (1964).

ent is not.<sup>99</sup> Moreover, property rights in land are not solely the creature of statute, for such rights were protected under English common law principles. Patents, however, are an exception to the prohibition against monopolies and exist solely by statute pursuant to the Constitution.<sup>100</sup> Absent compliance with the patent statute, there are no rights under a patent, whereas mere title to land gives the title-holder certain rights as, for example, protection against trespass. An interest in land may even be acquired by adverse possession, but this is not so with patents, for absent legal title to a patent, irrespective of its validity, the holder has no enforceable rights.

There are, however, under the *Westinghouse* analysis, two essentials in a conveyance of land which are present in the transfer of patent rights. These are defining the parcel to be transferred and conveying of title to that parcel.<sup>101</sup> Thus, as to patents, there must be a transfer of title, and the court must determine the scope of the rights transferred. However, a third essential which would seem to be present in the transfer of patent rights is compliance with the statute which gives rise to the patent itself. In the case of land, a simple survey establishes not only the boundaries of the land but also its existence. This is not true in the case of a patent, and absent a determination that the statutory requirements for a patent have been met, any controversy as to title to and scope of the patent would almost seem to be moot.

In holding that the assignor was estopped to challenge title to the patent but was free to contest the scope of the patent, the *Westinghouse* case seems to equate title to the patent with mere compliance with the patent statute. Perhaps the statutory presumption of validity<sup>102</sup> justifies taking this view. However, the anomalous result has been that courts permit the introduction of prior art to construe the claims and thereby determine the scope of the patent even if the result is to reduce the scope of the patent to zero.<sup>103</sup>

---

<sup>99</sup> A patent-holder may bring a suit for infringement even though a court may have held the patent invalid as against a different party. *Aghnides v. Holden*, 226 F.2d 949, 950 (7th Cir. 1955). See also Kananen, *Comments and Observations on Res Judicata and Patent Law*, 18 W. RES. L. REV. 103, 117 (1966). It has been suggested that a decision of patent invalidity should be *in rem*, since the patentee has had his "day in court." PRESIDENT'S COMMISSION REPORT 38.

<sup>100</sup> U.S. CONST. art. I, § 8.

<sup>101</sup> See 266 U.S. at 350.

<sup>102</sup> 35 U.S.C. § 282 (1964).

<sup>103</sup> See text accompanying notes 115-26 *infra*.



It is not at all clear that an estoppel by deed as applied to a conveyance of land operates in any analogous manner.

#### D. *Landlord and Tenant*

The estoppel applied to a licensee has been analogized to the estoppel which prevents a tenant from challenging the title of his landlord.<sup>104</sup> Just as the lease of premises entitles the tenant to the quiet enjoyment of the premises free from interference by the landlord, so also a license gives permission to the licensee to practice the patented invention without interference from the patent owner.<sup>105</sup> However, just as a tenant may not challenge the landlord's title to the premises in a suit for rent,<sup>106</sup> so also is a licensee prohibited from challenging the validity of the licensed patent in a suit for royalties.<sup>107</sup>

There are some differences between a tenant and a licensee. A tenant ordinarily uses the premises leased, either directly or through a sublease, and has the right to exclude all others including the landlord during the term of the tenancy. A licensee under a patent does not "use" any property in a strict sense since a patent is merely the right to exclude.<sup>108</sup> Nor may a licensee exercise this right to exclude unless the license is exclusive, and even then it is necessary to join the titleholder of the patent in any suit to enforce the right to exclude.<sup>109</sup> Moreover, a landlord of leased premises is incapable of granting a second lease which would in any way affect the rights of the first lessee.<sup>110</sup> However, a licensor may grant as many licenses to as many licensees as he may desire, absent a promise not to do so in the form of an exclusive license.<sup>111</sup> A non-exclusive

---

<sup>104</sup> See, e.g., *Barber Asphalt Paving Co. v. Headley Good Roads Co.*, 284 Fed. 177, 179 (D. Del. 1922), *aff'd*, 292 Fed. 119 (3d Cir. 1923); *Covell v. Bostwick*, 39 Fed. 421, 425-26 (C.C.S.D.N.Y. 1889); *White v. Lee*, 14 Fed. 789, 791 (C.C.D. Mass. 1882); *Lanova Corp. v. Atlas Imperial Diesel Engine Co.*, 44 Del. (5 Terry) 55, 63, 55 A.2d 272, 275 (1947); *Borkland v. L. A. Goodman Mfg. Co.*, 95 U.S.P.Q. 387 (Ill. Ct. App. 1952), *cert. denied*, 344 U.S. 921 (1903); *Davis Co. v. Burnsville Hosiery Mills, Inc.*, 242 N.C. 718, 720, 89 S.E.2d 410, 412 (1955).

<sup>105</sup> *Lanova Corp. v. Atlas Imperial Diesel Engine Co.*, *supra* note 104, at 63, 55 A.2d at 275.

<sup>106</sup> 33 OHIO JUR. 2D *Landlord and Tenant* § 113 (1958).

<sup>107</sup> See cases cited note 104 *supra*.

<sup>108</sup> *Chicago & A. Ry. v. Pressed Steel Car Co.*, 243 Fed. 883, 890 (7th Cir. 1917).

<sup>109</sup> *Waterman v. MacKenzie*, 138 U.S. 252, 255-57 (1891); *Overman Cushion Tire Co. v. Goodyear Tire & Rubber Co.*, 59 F.2d 998, 1000 (2d Cir.), *cert. denied*, 287 U.S. 681 (1932).

<sup>110</sup> See 33 OHIO JUR. 2D *Landlord and Tenant* § 132 (1958).

<sup>111</sup> SMITH, *op. cit. supra* note 87, at 1152.

licensee has nothing more than immunity from suit by virtue of the license, and he "uses" that immunity when practicing the patented invention.<sup>112</sup>

Since a patent is presumed to be valid, it may be fairly assumed that a licensee would not have employed the patented invention but for the existence of the immunity provided under the license.<sup>113</sup> Having eliminated the menace of the patent by taking a license, the validity of the patent has been held to be immaterial to the obligation to pay royalties.<sup>114</sup>

### III. LIMITATIONS ON THE APPLICATION OF THE DOCTRINE

#### A. *The Doctrine Does Not Prevent a Showing of Non-Infringement*

Although there was a tendency for a period of time to expand estoppel to challenge validity to include an estoppel against the introduction of any prior art whatsoever except to explain an ambiguity in the patent,<sup>115</sup> *Westinghouse Elec. & Mfg. Co. v. Formica Insulation Co.*,<sup>116</sup> established the rule that prior art is nevertheless admissible to determine the scope of the claims and thereby show non-infringement.<sup>117</sup> Although the *Westinghouse* case was concerned with an assignor-assignee relationship, the same principle applies to a licensee under a license agreement, and he is allowed to show that the patent does not cover his activities.<sup>118</sup>

The prior art may be introduced not to destroy the patent but merely to narrow and construe the claims.<sup>119</sup> This distinction, which the Supreme Court characterized as a "nice one but [which] seems to be workable,"<sup>120</sup> has led one court to conclude that if the

<sup>112</sup> *Ibid.*

<sup>113</sup> *United States v. Harvey Steel Co.*, 196 U.S. 310 (1905).

<sup>114</sup> See *Patterson-Ballagh Corp. v. Byron Jackson Co.*, 145 F.2d 786, 791 (9th Cir. 1944); *Galion Iron Works & Mfg. Co. v. J. D. Adams Mfg. Co.*, 105 F.2d 943, 946 (7th Cir. 1939).

<sup>115</sup> See, e.g., *Siemens-Halske Elec. Co. v. Duncan Elec. Mfg. Co.*, 142 Fed. 157, 158 (7th Cir.), *cert. denied*, 200 U.S. 622 (1905). See also *United States v. Harvey Steel Co.*, 196 U.S. 310 (1905); Schramm, *Estoppel to Deny Infringement*, 42 J. PAT. OFF. SOC'Y 644 (1960).

<sup>116</sup> 266 U.S. 342 (1924).

<sup>117</sup> *Id.* at 350.

<sup>118</sup> *Ball & Socket Fastener Co. v. Ball Glove Fastening Co.*, 58 Fed. 818, 823 (1st Cir. 1893).

<sup>119</sup> 266 U.S. at 351; *Morpul, Inc. v. Mayo Knitting Inc.*, 265 N.C. 257, 268, 143 S.E.2d 707, 713 (1965).

<sup>120</sup> 266 U.S. at 351.

prior art shows the claims would be invalid absent an estoppel, then the defendant must pay the prescribed royalties but that if the prior art merely shows the claims are of narrow scope, the defendant may escape liability by showing the claims do not cover what he is doing.<sup>121</sup>

Other courts do not make this distinction and hold that prior art may be used to show non-infringement even if the effect is to reduce the scope of the claims to zero, notwithstanding that the patent may be considered valid. In *Casco Prods. Corp. v. Sinko Tool & Mfg. Co.*,<sup>122</sup> this view was expressed as follows:

[D]efendant is estopped to assert that patents under which it is licensed merely follow the teaching of the prior art, for to do so would invalidate that which it has covenanted is valid; but . . . by the same token, defendant is not estopped to prove that its devices are built wholly according to the teaching of the prior art and that everything necessary . . . was taught by such art, for such proof clearly negatives infringement. In other words if everything in defendant's construction was taught by the prior art and nothing included therein other than the application of such art, plus ordinary mechanical skill, then the mere fact that the device constructed reads upon the claims of patents, the validity of which it is estopped to deny, does not spell infringement.<sup>123</sup>

The *Casco* court probably goes as far as any decision in giving effect to prior art without wholly overruling the doctrine of estoppel. Since the patent laws provide that an invention is not patentable either if shown in a prior patent or if it varies from the prior art only by that which is obvious to one having ordinary skill in that art,<sup>124</sup> it is apparent that permitting the introduction of both prior art and testimony as to ordinary skill effectively by-passes the doctrine of estoppel.

Although cases have held that it need not be shown that the prior art, as opposed to the patented invention, was intentionally being followed,<sup>125</sup> if the license agreement was negotiated having in mind the specific construction subsequently employed by the licensee, the right to show non-coverage of the licensed patent may be circumscribed.<sup>126</sup>

---

<sup>121</sup> *Swan Carburetor Co. v. General Motors Corp.*, 42 F.2d 452, 454 (N.D. Ohio 1927), *aff'd*, 44 F.2d 24 (6th Cir. 1930).

<sup>122</sup> 116 F.2d 119 (7th Cir.), *cert. denied*, 312 U.S. 693 (1940).

<sup>123</sup> *Id.* at 121.

<sup>124</sup> 35 U.S.C. § 103 (1964).

<sup>125</sup> *General Plastics Corp. v. Borkland*, 129 Ind. App. 97, 145 N.E.2d 393 (1957).

<sup>126</sup> See, e.g., *Heath v. A. B. Dick Co.*, 253 F.2d 30, 34-35 (7th Cir. 1958); *Reynolds Metals Co. v. Skinner*, 166 F.2d 66, 72-73 (6th Cir.), *cert. denied*, 334 U.S. 858 (1948).

## B. Eviction

Under the landlord-tenant analogy by which courts have applied an estoppel to challenge validity of a patent, courts have also applied the concept of "eviction" to licensees and license agreements.<sup>127</sup> Although eviction in patent law is a rather uncertain doctrine,<sup>128</sup> it has been suggested that where there is an eviction, the doctrine of estoppel is thereby avoided.<sup>129</sup>

The action constituting the eviction must have occurred prior to the period for which royalties are sought.<sup>130</sup> This requirement is, of course, directly analogous to the requirement imposed upon a tenant to pay the promised rent up to the period that the eviction occurs. Also, just as there is no implied warranty of fitness of leased premises,<sup>131</sup> there is no implied warranty of validity of the licensed patent.<sup>132</sup> Most courts finding an eviction are inclined to look to some form of notice to the licensor informing him of the eviction<sup>133</sup> in a manner similar to a constructive eviction of a tenant.<sup>134</sup>

It has been held that the presence of a paramount title is a sufficient eviction.<sup>135</sup> Other courts have suggested that an eviction may occur where there has been unlicensed competition rendering the license valueless<sup>136</sup> or where the licensor has breached the agreement in some material respect.<sup>137</sup>

Whether the invalidity of the licensed patent constitutes an eviction is a point of division among the courts. Most, if not all courts, hold that the mere plea of invalidity is not a sufficient basis for finding an eviction.<sup>138</sup> However, where there has been a deter-

---

<sup>127</sup> See, e.g., *White v. Lee*, 14 Fed. 789, 791 (C.C.D. Mass. 1882).

<sup>128</sup> *National Foam Sys. v. Urquhart*, 103 F. Supp. 433 (E.D. Pa. 1952), *aff'd*, 202 F.2d 659 (3d Cir. 1953).

<sup>129</sup> *White v. Lee*, 14 Fed. 789 (C.C.D. Mass. 1882).

<sup>130</sup> *Drackett Chem. Co. v. Chamberlain Co.*, 63 F.2d 853 (6th Cir. 1933); *Barber Asphalt Paving Co. v. Headley Good Roads Co.*, 284 Fed. 177 (D. Del. 1922); *Thomson Spot Welder Co. v. Oldberg Mfg. Co.*, 256 Mich. 447, 240 N.W. 93 (1932).

<sup>131</sup> See, e.g., *Stone v. Sullivan*, 300 Mass. 450, 15 N.E.2d 476 (1938).

<sup>132</sup> See text accompanying note 56 *supra*.

<sup>133</sup> See, e.g., *Universal Rim Co. v. Scott*, 21 F.2d 346 (N.D. Ohio 1922).

<sup>134</sup> *Bruckner v. Helfaer*, 197 Wis. 582, 222 N.W. 790 (1929).

<sup>135</sup> *Rogers v. Riessner*, 30 Fed. 525 (C.C.S.D.N.Y. 1887); *Victory Bottle Capping Mach. Co. v. O. & J. Mach. Co.*, 280 Fed. 753 (1st Cir. 1922).

<sup>136</sup> *White v. Lee*, 14 Fed. 789 (C.C.D. Mass. 1882).

<sup>137</sup> *Kool Vent Metal Awning Corp. v. Bottom*, 95 F. Supp. 798, 803-04 (E.D. Mo. 1951).

<sup>138</sup> See, e.g., *Hall v. Penley Bros. Co.*, 8 F. Supp. 525 (D. Me. 1934); *White v. Lee*, 14 Fed. 789 (C.C.D. Mass. 1882); *Davis Co. v. Burnsville Hosiery Mills, Inc.*, 242 N.C. 718, 89 S.E.2d 410 (1955).

mination of invalidity of the patent in a prior suit by the licensor against a third party, a more difficult situation results. At least three different approaches have been taken. Some courts hold that the mere fact that a third party has successfully defended an infringement suit by invalidating the licensed patent is of no avail to a licensee.<sup>139</sup> Others hold that upon a declaration of invalidity of the patent by a court of competent jurisdiction and notice by the licensee to the licensor, there is an eviction.<sup>140</sup> Still other courts distinguish between exclusive and non-exclusive licensees, holding that a judicial determination of patent invalidity is an eviction of an exclusive licensee but not as to a non-exclusive licensee.<sup>141</sup>

The courts finding invalidity of the patent to be an eviction do so on the theory that a license agreement is in reality a contract for a monopoly,<sup>142</sup> and if the patent is invalid, there is no monopoly, the failure of consideration being equated to an eviction.<sup>143</sup> Courts which have refused to accept invalidity as a basis for an eviction have done so on the basis that a license is nothing more than a promise of immunity from suit by the licensor and if the licensor has done nothing to interfere with the practice of the patented invention, there is no eviction.<sup>144</sup> This latter view is more closely analogous to the constructive eviction doctrine applicable to landlord-tenant relations, wherein an intentional act by the landlord depriving the tenant of the enjoyment of the leased premises is necessary before an eviction will be found.<sup>145</sup> A combination of the foregoing two rationales is applied by the courts which distinguish between exclusive and non-exclusive licenses. Emphasizing the monopolistic aspects of an exclusive license and the simple immunity conferred by a non-exclusive license,<sup>146</sup> these courts give

---

<sup>139</sup> Pope Mfg. Co. v. Owsley, 27 Fed. 100 (C.C.N.D. Ill. 1886)

<sup>140</sup> Drackett Chem. Co. v. Chamberlain Co., 63 F.2d 853 (6th Cir. 1933); H. C. White Co. v. Morton E. Converse & Son Co., 20 F.2d 311 (2d Cir. 1927); Ross v. Fuller & Warren Co., 105 Fed. 510 (C.C.N.D.N.Y. 1900). See also National Foam Sys. v. Urquhart, 103 F. Supp. 433 (E.D. Pa. 1952), *aff'd*, 202 F.2d 659 (3d Cir. 1953).

<sup>141</sup> Jungersen v. Kaysen, 173 Pa. Super. 114, 95 A.2d 347 (1953).

<sup>142</sup> Ross v. Fuller & Warren Co., 105 Fed. 510 (C.C.N.D.N.Y. 1900).

<sup>143</sup> Drackett Chem. Co. v. Chamberlain Co., 63 F.2d 853 (6th Cir. 1933).

<sup>144</sup> Bower Mfg. Co. v. All-Steel Equip., Inc., 275 F.2d 809 (9th Cir. 1960) (non-exclusive license); McKay v. Jackman, 17 Fed. 641 (C.C.S.D.N.Y. 1883).

<sup>145</sup> Stone v. Sullivan, 300 Mass. 450, 15 N.E.2d 476 (1938).

<sup>146</sup> This distinction has been expressed in different terms. In Patterson Ballagh Corp. v. Byron Jackson Co., 145 F.2d 786 (9th Cir. 1944), the court looked to the primary purpose of the license. If it was to eliminate the menace of the patent, mere invalidity was immaterial to the obligation to pay royalties. If the purpose of the li-

effect to the invalidity of the patent in the former but not the latter situations.<sup>147</sup>

It is not at all clear what effect an eviction has upon the doctrine of estoppel. It has been indicated that the finding of an eviction negates the doctrine of estoppel, thereby permitting the licensee to attack the validity of the licensed patent.<sup>148</sup> However, most courts that apply the concept do so on the basis of the effect that the prior adjudication of invalidity has on the licensee's position in the market place,<sup>149</sup> thus indicating that eviction is a defense to a suit for royalties without regard to the validity of the patent as between the licensee and licensor. The latter approach would seem to be the correct approach under the analogy to a landlord-tenant relationship since the eviction of a tenant is treated as a defense to payment of rent. Nevertheless, the concept of eviction is generally looked upon as an exception to the doctrine of estoppel.<sup>150</sup>

In addition to the lack of certainty as to the precise effect of an eviction, courts have not given much consideration to the extent to which an eviction of a licensee actually corresponds to the eviction of a tenant. Absent express covenants in a contract of lease, there generally is no implied covenant by the landlord as to the general habitability of the premises,<sup>151</sup> and even where such express covenants exist, they are generally held to be severable from the tenant's obligation to pay rent.<sup>152</sup> Moreover, the breach of such covenants is generally considered not to be a failure of consideration justifying the withholding of rent by the tenant,<sup>153</sup> since a lease is regarded as creating an interest or estate in land and the obligation to pay rent continues as long as the interest or estate remains.<sup>154</sup> There must be an eviction from this interest or estate to justify non-payment.<sup>155</sup> It is generally held that an eviction occurs only where

---

cense was to operate under the patent, its invalidity would release the obligations to pay royalties.

<sup>147</sup> *Jungersen v. Kaysen*, 173 Pa. Super. 114, 95 A.2d 347 (1953).

<sup>148</sup> *White v. Lee*, 14 Fed. 789 (C.C.D. Mass. 1882).

<sup>149</sup> See, e.g., *Ross v. Fuller & Warren Co.*, 105 Fed. 510 (C.C.N.D.N.Y. 1900).

<sup>150</sup> 4 WALKER, PATENTS § 420, at 703 (2d Deller ed. 1965).

<sup>151</sup> *Hughes v. Westchester Dev. Corp.*, 77 F.2d 550, 551 (D.C. Cir. 1935). Of course, this rule may vary from jurisdiction to jurisdiction.

<sup>152</sup> *Stone v. Sullivan*, 300 Mass. 450, 15 N.E.2d 476 (1938).

<sup>153</sup> *Ibid.*

<sup>154</sup> GRISMORE, CONTRACTS § 155 (1947).

<sup>155</sup> See 2 TIFFANY, LANDLORD AND TENANT 1257-1305 (1910). See generally *id.* at 1257-96.

the landlord has intentionally committed acts which result in depriving the tenant of the enjoyment of the premises.<sup>156</sup>

Applying these general principles to a patent license, it may be questioned at the outset whether a license operates to convey an interest, that is, an "estate," under the patent. Most certainly, the almost universal view seems to be that a non-exclusive license conveys only an immunity from suit.<sup>157</sup> However, a license which is exclusive, even though restricted as to duration, geographical area, or field of use, operates to convey within those limits, all rights possessed by the titleholder except bare title to the patent.<sup>158</sup> Accordingly, if one may be said ever to have an interest in a patent absent title, an exclusive license would seem to create such an interest.

As to being evicted from this interest, it does not appear that such an eviction occurs merely by the presence of a paramount title. The fact that the licensed patent may infringe or be dominated by a prior patent does not invalidate the patent or extinguish the interest created by the license, so that in this sense the licensee has precisely that for which he contracted.<sup>159</sup> Of course, as a practical matter, the licensee is effectively frustrated from the beneficial use of the licensed patent, but it may be questioned whether this is any different from a tenant who, for example, leases property only to find that the premises are unsuitable for the intended purpose.

With respect to invalidity as an eviction, it has been held that the mere fact that a patent may have been held invalid in one jurisdiction as against one party does not constitute an eviction justifying refusal to pay royalties.<sup>160</sup> Most certainly, this would seem to be true as to a non-exclusive licensee, since there remains the immunity from suit for which the license was initially given. A much more complex question remains as to an exclusive licensee. If an exclusive license is, as it has been suggested, different from a non-exclusive license only in that it is coupled with a promise not to grant other licenses,<sup>161</sup> a decision of invalidity is, at most, a breach of that promise by court order. The immunity given by the license remains

---

<sup>156</sup> 2 POWELL, REAL PROPERTY 203 (1949).

<sup>157</sup> 4 WALKER, *op. cit. supra* note 150, § 381.

<sup>158</sup> *Id.* §§ 380-81.

<sup>159</sup> See *Victory Bottle Capping Mach. Co. v. O. & J. Mach. Co.*, 280 Fed. 753 (1st Cir. 1922).

<sup>160</sup> *Thomson Spot Welder Co. v. Oldberg Mfg. Co.*, 256 Mich. 447, 240 N.W. 93 (1932).

<sup>161</sup> See *Overman Cushion Tire Co. v. Goodyear Tire & Rubber Co.*, 59 F.2d 998, 999 (2d Cir.), *cert. denied*, 287 U.S. 651 (1932) (by implication).

unaltered, so that there has been but a partial failure of consideration.

Whether this distinction between exclusive licenses and non-exclusive licenses is valid is not at all clear. Nor has there been any substantial consideration given by the courts to determine if, in fact, the exclusivity of an exclusive license has been materially damaged by a decision of invalidity. What does seem to be clear, however, is that most courts that have given any consideration to the effect of a decision of invalidity on an exclusive license have concluded that the effect is an eviction which justifies the refusal to pay further royalties.<sup>162</sup>

### C. Claims Filed After the Agreement

(1) *Assignments.*—In *Westinghouse Elec. & Mfg. Co. v. Formica Insulation Co.*,<sup>163</sup> the Supreme Court intimated that the estoppel to challenge validity might be differently applied to an assignor of a patent application than to an assignor of a patent. The Court pointed out that where an application is assigned, it is the assignee that will ordinarily control its prosecution, and it may be that the claims ultimately allowed will be broader than what was intended by the assignor in making the assignment.<sup>164</sup> The Court, however, did not reach a conclusion on this question, and it has not been definitively answered since.

Prior to the *Westinghouse* case, the same issue was raised in *Foltz Smokeless Furnace Co. v. Eureka Smokeless Furnace Co.*,<sup>165</sup> wherein the assignee inserted new claims after the assignment, resulting in the issuance of the patent. The assignor attempted to show that he was not the inventor of the issued claims, but the court held that there was no significant difference between the assignment of a patent and the assignment of an application since in the latter case both parties assume a patent will issue from the application.<sup>166</sup> Moreover, the court refused to draw a line between claims filed by the assignor and those filed by the assignee since the assignor was no novice in the matter of patents and must have known that the claims would be modified before the patent issued.<sup>167</sup>

---

<sup>162</sup> 4 WALKER, *op. cit. supra* note 150, § 404.

<sup>163</sup> 266 U.S. 342 (1924).

<sup>164</sup> *Id.* at 353.

<sup>165</sup> 256 Fed. 847 (7th Cir. 1919).

<sup>166</sup> *Id.* at 848.

<sup>167</sup> *Ibid.*



A result similar to *Foltz* was reached in *Stubnitz-Greene Spring Corp. v. Fort Pitt Bedding Co.*,<sup>168</sup> a case decided after *Westinghouse*. In *Stubnitz* the court refused to permit an attack on the validity of claims added by the assignee, reasoning that the assignment of the application was not for specific claims but for the inventive concept shown in the application.<sup>169</sup>

In *Stubnitz* the assignor was an employee of the assignee, and in *Foltz* the assignor was a stockholder of the assignee.<sup>170</sup> The extent to which these facts may have been significant does not appear from the decisions. However, there would seem to be a conflict of equities in such circumstances. On the one hand the court is presented with a former employee who is attempting to use with impunity an invention which was developed while working for the employer. On the other hand the court is asked to apply an estoppel against one who may have had nothing whatsoever to do with making the decision to file the application or with its prosecution.<sup>171</sup> Yet it would not be unusual for the employee either to participate actively in the prosecution of the application or at least to be aware of the status of the application as it is prosecuted. Moreover, the employee may not actually have left the employ of the company until after the patent issued, even though the assignment was made shortly after the filing of the application. All of these considerations seem to mitigate against making an arbitrary distinction between the claims on file at the time of the assignment and the claims ultimately issued.

In fact, the position taken in *Stubnitz* seems to be in accord with the general principles of patent law. An applicant for a patent is entitled to draft claims as broad in scope as the prior art, public policy, and the original disclosure permits.<sup>172</sup> There does not appear to be any reason why an assignor of an application should be heard to complain if his assignee, in presenting broad claims, does the very thing that the assignor could have done had he retained control of the application.

(2) *Licenses*.—Although it has been held that the estoppel does not apply to claims broader in scope than those in the appli-

---

<sup>168</sup> 110 F.2d 192 (6th Cir. 1940).

<sup>169</sup> *Id.* at 197.

<sup>170</sup> *Id.* at 194; 256 Fed. at 847.

<sup>171</sup> See text accompanying note 66 *supra*.

<sup>172</sup> MCCRADY, PATENT OFFICE PRACTICE § 93 (4th ed. 1959).

cation at the time a license agreement was executed,<sup>173</sup> there seems as little reason to make this distinction here as in the case of the assignor. A licensee under an application must, of necessity, take the license based on the disclosure in the application, because this is the only thing that is certain at that time. The fact that the licensor subsequently receives broader protection than the licensee anticipated does not seem to be an adequate reason for giving the licensee a position any different from that of a licensee under a patent.

#### D. Termination of the Contract

Where the suit is brought seeking recovery of royalties allegedly accruing either after the contract has ended<sup>174</sup> or for use beyond the scope of the license agreement,<sup>175</sup> the doctrine of estoppel is inapplicable, and validity of the patent may be challenged. The major division of authority is whether a licensee may repudiate the license agreement and thereafter attack the validity of the patent.

In *St. Paul Plow-Works v. Starling*,<sup>176</sup> the licensee gave notice that the invention was unsatisfactory and attempted to renounce the license agreement.<sup>177</sup> However, the Supreme Court held that the licensee could not terminate the agreement without the licensor's consent and that unilateral termination was ineffective.<sup>178</sup> The

<sup>173</sup> *Baldwin Rubber Co. v. Paine & Williams Co.*, 107 F.2d 350, 354 (6th Cir. 1939), *cert. denied*, 309 U.S. 676 (1940).

<sup>174</sup> *Bucky v. Sebo*, 208 F.2d 304 (2d Cir. 1953); *Dueber Watch-Case Mfg. Co. v. Robbins*, 75 Fed. 17 (6th Cir. 1896). Some early cases have held that, by agreement, a licensee may bind himself not to contest the validity of the patent even after termination of the agreement. See, e.g., *Eskimo Pie Corp. v. National Ice Cream Co.*, 26 F.2d 901 (6th Cir. 1928). Whether this is valid today may well be doubted. In *Nachman Spring-Filled Corp. v. Kay Mfg. Co.*, 139 F.2d 781, 785 (2d Cir. 1943), the court said that a contract not to contest the validity of a patent or make the patented device may be unenforceable as being in restraint of trade. See *Pope Mfg. Co. v. Gormully*, 144 U.S. 224 (1892). In *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249, 258 (1945), the Court pointed out by way of a footnote that according to the *Restatement of Contracts*, a promise to refrain from competition is an unreasonable restraint of trade unless ancillary to the sale of property. Although the Court did not purport to pass on the question, the fact that the Court noted this proposition while passing on a case involving a restriction on contesting validity of a patent is significant.

<sup>175</sup> See, e.g., *Consolidated Electrodynamics Corp. v. Midwestern Instruments, Inc.*, 260 F.2d 811 (10th Cir. 1958); *De Cew v. Union Bag & Paper Corp.*, 57 F. Supp. 388 (D.N.J. 1944). It has been suggested that a licensee who operates for any purpose under a license should be estopped to contest the validity of the patent for all purposes. ELLIS, PATENT ASSIGNMENTS AND LICENSES § 695 (2d ed. 1943). However, the public policy considerations which courts have increasingly applied to patents would seem to dictate that the estoppel not be expanded beyond the actual limits of the license agreement. Cf. *Standard Water Sys. Co. v. Griscom-Russell Co.*, 278 Fed. 703, 705 (3d Cir.), *cert. denied*, 259 U.S. 580 (1922).

<sup>176</sup> 140 U.S. 184 (1891).

<sup>177</sup> *Id.* at 186-87.

<sup>178</sup> *Id.* at 196.

same position was taken in *United Mfg. & Serv. Co. v. Holwin Corp.*,<sup>179</sup> wherein the licensee brought a declaratory judgment action seeking a declaration of invalidity of the licensed patent.<sup>180</sup> The court held that the licensee could not terminate the agreement unilaterally and that the estoppel to contest validity continued to apply.<sup>181</sup> The court also noted that the licensor was equally unable to terminate the license and could not sue the licensee as an infringer during the term of the agreement.<sup>182</sup>

While many courts are in accord with the above view,<sup>183</sup> others hold, conversely, that a licensee may, at least under some circumstances, repudiate a license agreement and thereafter attack the validity of the patent.<sup>184</sup> However, these courts restrict the attack on the validity of the patent to the period after the repudiation, holding the licensee liable for royalties up to the notice of repudiation.<sup>185</sup>

The basis for the split of authority on the effectiveness of an unilateral repudiation seems to be that some courts take a contract view of a patent license agreement while others look to the substantial public interest in patents. Thus, it has been said that "a contract involving a patent is as binding as any other contract."<sup>186</sup> Under this contract view, it readily follows that any attempt to repudiate the license agreement will constitute a breach of the agreement if the licensor elects to treat it as such.<sup>187</sup> However, it is also said that repudiation of a patent license agreement is not a matter of contract law but rather is governed by the policy of the patent laws, which is to permit a licensee to challenge the patent if it chooses to risk being an infringer.<sup>188</sup>

Most of the courts using the term "repudiation" frequently do so in conjunction with either the term "eviction" or the phrase

---

<sup>179</sup> 187 F.2d 902 (7th Cir. 1951).

<sup>180</sup> *Id.* at 903.

<sup>181</sup> *Id.* at 904-05.

<sup>182</sup> *Id.* at 905.

<sup>183</sup> See, e.g., *Eastern State Petroleum Co., Inc. v. Universal Oil Prods. Co.*, 22 Del. Ch. 33, 2 A.2d 138 (Sup. Ct. 1938).

<sup>184</sup> *Universal Rim Co. v. Scott*, 21 F.2d 346 (N.D. Ohio 1922); *Brown v. Lapham*, 27 Fed. 77 (C.C.S.D.N.Y. 1886); *Elgin Nat'l Watch Co. v. Bulova Watch Co.*, 281 App. Div. 219, 118 N.Y.S.2d 197 (1953).

<sup>185</sup> *Ibid.*

<sup>186</sup> *Hall Labs., Inc. v. National Aluminate Corp.*, 224 F.2d 303, 306 (3d Cir. 1955), *cert. denied*, 350 U.S. 932 (1956). (Footnote omitted.)

<sup>187</sup> See GRISMORE, *op. cit. supra* note 154, §§ 178-79.

<sup>188</sup> *Elgin Nat'l Watch Co. v. Bulova Watch Co.*, 281 App. Div. 219, 118 N.Y.S.2d 197 (1953).

"failure of consideration."<sup>189</sup> However, it would seem that the term "repudiation" is inappropriate and merely serves to obscure the reason for permitting a licensee to attack the validity of a patent. In contract law, repudiation of a contract merely gives to the other party several options, one of which is to ignore the repudiation and proceed to enforce the contract.<sup>190</sup> It seems an anomalous use of the term when the courts do not give the licensor any such election but rather declare the contract ended at the option of the licensee.

It is also to be questioned whether any general rule permitting unilateral termination of a license agreement is at all desirable. The doctrine of eviction provides a means whereby a licensee who finds himself in an adverse competitive position due to a judicial determination of invalidity may invoke that invalidity as an exception to the doctrine of estoppel. To go further than this and permit termination or "repudiation" solely on the basis that the licensee decides the patent is invalid obviously tends to destroy the doctrine of estoppel. If a licensee is estopped to contest validity while the license is in effect, it is not seen how the doctrine can be avoided by the simple unilateral act of terminating the agreement.

Moreover, very harsh results may often flow from such a rule. A licensee may well find that he is not willing to risk being an infringer in the initial stages of production of a patented item, but when it is commercially established, he may find it advantageous to terminate the license agreement to avoid further payment of royalties. Since the licensee has had the advantage of operating under the patent and has thereby established a commercial enterprise without interference from the patent holder, it would seem that the mere fact that the licensee is subsequently prepared to stand clear of the patent and accept the risk of being an infringer is not a sufficient justification to allow him to repudiate or terminate what had been an advantageous agreement.<sup>191</sup> In fact, even if the patent is actually invalid, the licensee may have had the benefit of an effective patent, if it was respected in the market place.<sup>192</sup> Moreover, it would not be unusual for the licensor to have computed the royalty on a projected production of the patented devices, and, had he

---

<sup>189</sup> In *Universal Rim Co. v. Scott*, 21 F.2d 346 (N.D. Ohio 1922), all three terms were used. The court considered an eviction to result from a judgment of invalidity and a failure of consideration to occur, thus justifying a repudiation, when the licensee determines the patent is invalid.

<sup>190</sup> See *GRISMORE*, *op. cit. supra* note 154, §§ 178-79.

<sup>191</sup> See *Baker Oil Tools, Inc. v. Burch*, 71 F.2d 31, 37 (10th Cir. 1934).

<sup>192</sup> *White v. Lee*, 14 Fed. 789 (C.C.D. Mass. 1882).

known that the agreement would be terminated prior to the expiration date, he would have demanded a higher royalty.<sup>193</sup> Also, if the agreement is terminated during the term of the patent, it may be difficult to interest another licensee in the patent; in fact, it would be virtually impossible to do so without first litigating the patent with the original licensee, since any subsequent licensee would otherwise be faced with an entrenched competitor in the field. In circumstances such as these, it would seem that a termination of the license by the licensee would be tantamount to a repudiation of the very basis on which the license had originally been negotiated and on which the parties had dealt with each other.<sup>194</sup> If, as has been suggested by one court, private good faith in contractual relations concerning patents is to be relegated "to an undefined and shadowy, but certainly a secondary, place,"<sup>195</sup> some principle other than the contract principle of repudiation should be used to justify it.

#### E. Price-Fixing Agreement

In *Sola Elec. Co. v. Jefferson Elec. Co.*,<sup>196</sup> a licensor sought to recover royalties under a license agreement and to enforce price-fixing provisions in the agreement. The licensee sought to avoid payment of royalties by attacking the validity of the licensed patent. The Court held that, absent the price-fixing provision, the estoppel to challenge validity normally applicable to a licensee would be applied; but since the agreement included a price-fixing provision, the legality of that provision must be determined under the public policy expressed in the antitrust laws.<sup>197</sup> Because public policy precludes the enforcement of unlawful price-fixing provisions "unless within the protection of a lawfully granted patent monopoly,"<sup>198</sup> the Court held that it was necessary to determine whether the patent was valid before a judgment could be made on the validity of the price-fixing provisions; and it was further held that when a state rule of estoppel was in conflict with the federal policy of the antitrust laws, the state rule must give way.<sup>199</sup>

Five years later the Supreme Court was presented with com-

---

<sup>193</sup> Cf. *Brulotte v. Thys Co.*, 379 U.S. 29, 33 (1964) (dissenting opinion).

<sup>194</sup> See *Miami Cycle & Mfg. Co. v. Robinson*, 245 Fed. 556, 565 (6th Cir. 1917).

<sup>195</sup> *Douglass v. United States Appliance Corp.*, 177 F.2d 98, 101 (9th Cir. 1949).

<sup>196</sup> 317 U.S. 173 (1942).

<sup>197</sup> *Id.* at 175.

<sup>198</sup> *Ibid.*

<sup>199</sup> *Id.* at 177.

panion cases, *Edward Katzinger Co. v. Chicago Metallic Mfg. Co.*<sup>200</sup> and *MacGregor v. Westinghouse Elec. & Mfg. Co.*,<sup>201</sup> both of which dealt with patent licensing agreements containing price-fixing provisions. However, unlike *Sola*, in neither case was the licensor attempting to enforce the price-fixing provisions. In the *Katzinger* case, the licensee had terminated the agreement and had brought a declaratory judgment action asserting the invalidity of the licensed patent, whereas in *MacGregor* the licensor had brought the action in a state court to recover unpaid royalties.

In both cases the Court held, in five-to-four opinions, that the licensee was free to contest the validity of the licensed patents.<sup>202</sup> Finding the price-fixing provisions to be against public policy unless the patents were valid, the Court found it to be of no significance that the provisions were not being enforced, since this went merely to the remedy sought.<sup>203</sup> The Court found the price-fixing provisions to be an integral part of the agreement and therefore not severable from the obligation of the licensee to pay royalties.<sup>204</sup> Nor did it make any difference who suggested the price-fixing provision since, even if the licensee did so, the provision was nonetheless illegal, it being a "service to the public interest"<sup>205</sup> that the provision be challenged.

It is of particular interest to note that the majority opinion in both *Katzinger* and *MacGregor* placed heavy reliance on the public policy considerations enunciated in *Scott* and emphasized that the issue was entirely one of federal law, with state estoppel or contract severability rules not governing. However, the dissent charged that the Court was ignoring private good faith as a consideration and was implicitly overruling a doctrine of estoppel that had been followed for ninety years.<sup>206</sup>

It has been held that the mere fact the licensor may have a price-fixing provision in another license agreement does not permit

---

<sup>200</sup> 329 U.S. 394 (1947).

<sup>201</sup> 329 U.S. 402 (1947).

<sup>202</sup> *Id.* at 407; 329 U.S. at 400.

<sup>203</sup> *Id.* at 401; 329 U.S. at 407.

<sup>204</sup> *Ibid.*

<sup>205</sup> 329 U.S. at 401.

<sup>206</sup> 329 U.S. at 410 (dissenting opinion). As Mr. Justice Frankfurter observed: "If a doctrine that was vital law for more than ninety years will be found to have now been deprived of life, we ought at least to give it decent public burial." *Ibid.*

the licensee to attack the validity of the patent under the agreement that contains no such provision.<sup>207</sup>

The price-fixing exception to the doctrine of estoppel enunciated in these cases is now well established in the patent law. Whether this exception will continue to be of any importance may be questioned, since it is far from clear that a patentee has the right to fix prices under a license agreement whether the patent is valid or not.<sup>208</sup> However, the approach taken in these price-fixing cases and the broad public interest that is emphasized will undoubtedly continue to be pertinent in future cases considering the validity of the doctrine of estoppel.

#### F. *Prior Expired Patent*

One of the most widely cited cases in the area of estoppel to contest validity is *Scott Paper Co. v. Marcalus Mfg. Co.*,<sup>209</sup> which established the principle that it was a complete defense to a charge of infringement by an assignee if the assignor of a patent could show that he was practicing the invention shown in a prior expired patent. The Court in *Scott* expressly refused to pass on the doctrine of estoppel or its continued validity, holding instead that it was not a question of estoppel but rather the simple issue of whether, after a patent has expired, everyone is free to practice the invention shown in that patent.<sup>210</sup> The answer to that question, so limited and framed, was obviously in the affirmative. Thus, the majority of the Court was not concerned with questions of private good faith or the fact that the assignor, after selling the patent, had effectively reduced the value of the patent to zero.

It was on this point that Mr. Justice Frankfurter dissented, enunciating the basis upon which he also dissented in the subsequent price-fixing cases. To Mr. Justice Frankfurter it was incompatible with fair dealing and fair play to permit one to sell something and then defend on the basis that he had sold nothing.<sup>211</sup>

It is the breadth of the language appearing in *Scott* which makes the decision susceptible of at least two interpretations.<sup>212</sup> The first,

---

<sup>207</sup> *Prestole Corp. v. Tinnerman Prods., Inc.*, 271 F.2d 146 (6th Cir. 1959), *cert. denied*, 361 U.S. 964 (1960).

<sup>208</sup> See *United States v. Huck Mfg. Co.*, 227 F. Supp. 791, 805 (E.D. Mich. 1964), *aff'd per curiam*, 382 U.S. 197 (1965).

<sup>209</sup> 326 U.S. 249 (1945). For a discussion of the facts, see text accompanying notes 32-33 *supra*.

<sup>210</sup> 326 U.S. at 254.

<sup>211</sup> *Id.* at 258-59 (dissenting opinion).

<sup>212</sup> See text accompanying notes 9-11 *supra*.

and more narrow, is that *Scott* merely enunciates a specific exception to the application of the doctrine of estoppel to challenge patent validity, that is, that the doctrine does not apply to a prior expired patent. The second is based on the public policy considerations emphasized in *Scott*, that is, the doctrine of estoppel is inconsistent with the public policy of the patent laws and should therefore be overruled. It is unclear which of these two interpretations is correct, and subsequent comments on the *Scott* case by the Supreme Court have not clarified the matter. Most certainly Mr. Justice Frankfurter in his dissent to the *Scott* case believed that the Court was overruling the doctrine of estoppel. Lending credence to this view is the *Katzinger* opinion in which the holding of the *Scott* case was characterized as "emphasizing the necessity of protecting our competitive economy by keeping open the way for interested persons to challenge the validity of patents which might be shown to be invalid."<sup>213</sup> More recently, Mr. Justice White, in analogizing to the "patent estoppel cases," stated that "a licensee may not be prevented from attacking the validity of his licensor's patent"; he cited the price-fixing cases and *Scott*.<sup>214</sup> Nonetheless, the fact remains that the Supreme Court did apply the doctrine of estoppel five years after *Scott* in *Automatic Radio Mfg. Co. v. Hazeltine Research, Inc.*,<sup>215</sup> thus supporting the proposition that *Scott* is nothing more than a specific exception to the application of the doctrine.

Most lower courts seem to have adopted the view that *Scott* did not overrule the doctrine but merely set forth a specific exception to the doctrine of estoppel.<sup>216</sup> The substance of the exception has been variously defined, running from the most restrictive view that only a prior expired patent is an exception to operation of the estoppel<sup>217</sup> to the most expansive view that any conflict with broad public policy considerations constitutes an exception to the doctrine.<sup>218</sup>

As with the price-fixing decisions, the importance of the *Scott* case does not seem to be the specific exception enunciated but rather the policy considerations which the Court found significant.

---

<sup>213</sup> 329 U.S. at 400.

<sup>214</sup> *United States v. Singer Mfg. Co.*, 374 U.S. 174, 200 (1963) (quoted from footnote of concurring opinion).

<sup>215</sup> 339 U.S. 827 (1950).

<sup>216</sup> *E.g.*, *Hall Labs., Inc. v. National Aluminate Corp.*, 224 F.2d 303 (3d Cir. 1955), *cert. denied*, 350 U.S. 932 (1956); *Lanova Corp. v. Atlas Imperial Diesel Engine Co.*, 44 Del. (5 Terry) 55, 55 A.2d 272 (1947).

<sup>217</sup> *Hall Labs., Inc. v. National Aluminate Corp.*, *supra* note 216, at 307.

<sup>218</sup> *Lanova Corp. v. Atlas Imperial Diesel Engine Co.*, 44 Del. (5 Terry) 55, 62, 55 A.2d 272, 275 (1947).



### G. *Conflicting Public Policy*

Prior to *Scott* and *Katzinger*, public policy was utilized as a basis for permitting an attack on the validity of licensed patents in *Pope Mfg. Co. v. Gormully*,<sup>219</sup> wherein the Supreme Court refused to give effect to a covenant not to contest the validity of several licensed patents. The Court found it was just as important to the public that competition should not be repressed by worthless patents as it was to protect the patentee in his monopoly.<sup>220</sup> Moreover, the Court felt that public policy precluded one from bartering away his defenses to a large number of potential claims.<sup>221</sup>

Rather surprisingly, the policy expressed in the *Pope* case has been largely disregarded. The Supreme Court was provided with an excellent opportunity to clarify its position in *Automatic Radio Mfg. Co. v. Hazeltine Research, Inc.*<sup>222</sup> which involved a license agreement for approximately 570 patents and two hundred patent applications. Without extensive comment the Court reiterated the general rule that a licensee is estopped to contest the validity of the licensed patents, noting that a license with price-fixing provisions was an exception.<sup>223</sup> Finding no evidence that the license agreement in any way contravened public policy, the majority of the Court held that the licensee could not contest the licensed patents' validity.<sup>224</sup>

It is obvious that in any conflict with public policy the doctrine of estoppel will be the loser, and it matters not whether the rule of estoppel is of state or federal origin. However, the areas in which this conflict exists are far from certain. If it is considered that any limitation on the right to challenge the validity of a patent contravenes public policy, and this may be the case in view of the dominant public interest in the patent system,<sup>225</sup> then the doctrine of estoppel is obviously a dead issue. Short of this, it seems clear that in the area of price-fixing and prior expired patents, public policy prevents operation of the estoppel. However, a prior expired patent is but one way that an invention may be in the public domain. An invention may also be in the public domain because

---

<sup>219</sup> 144 U.S. 224 (1892).

<sup>220</sup> *Id.* at 234.

<sup>221</sup> *Ibid.*

<sup>222</sup> 339 U.S. 827 (1950).

<sup>223</sup> *Id.* at 836.

<sup>224</sup> *Ibid.*

<sup>225</sup> *Mercoird Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 666 (1944).

of prior public use or because of a prior printed publication.<sup>226</sup> In view of the public interest in free competition for the development of inventions in the public domain,<sup>227</sup> it may be but a short step, if *Scott* did not take that step, to hold that public policy prevents operation of the estoppel as against a defense of patent invalidity for either prior public use or prior publication.

Other specific exceptions to the estoppel based on the public policy expressed in the antitrust laws may also be expected. For example, it has recently been held that fraud in the procurement of a patent may be violative of the antitrust laws.<sup>228</sup> A licensor who attempts to enforce such a patent against a licensee may be unable to rely on the estoppel to prevent a showing of the fraud to invalidate the patent. Even an assignor who may have participated in the fraud would seem to be free under the theory of the *Katzinger* case to show the fraud "as a service to the public interest."<sup>229</sup>

#### IV. CONCLUSION

The doctrine of estoppel to challenge validity has had a long history as an integral part of the patent law. Unfortunately, the basis for the estoppel has not been very carefully laid, and the estoppel has been applied in situations where it was probably unjustified. This fact, coupled with the perhaps more restrictive view of patents being taken by the Supreme Court,<sup>230</sup> has threatened the very existence of the estoppel. Most certainly a continuing retraction of the doctrine is to be expected.

It is submitted that the doctrine retains its usefulness in certain relationships between contracting parties, and there does not seem to be any compelling reason for its wholesale abandonment. Fairness and justice in private dealings seem to be fully as much a part of public policy as is the desire to promote competition, and in those areas in which fairness can be promoted without any substantial

---

<sup>226</sup> 35 U.S.C. § 102 (1964).

<sup>227</sup> *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 231 (1964); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 237-38 (1964).

<sup>228</sup> *Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172, 177 (1965).

<sup>229</sup> *Edward Katzinger Co. v. Chicago Metallic Mfg. Co.*, 329 U.S. 394, 401 (1947).

<sup>230</sup> *Buono v. Yankee Maid Dress Corp.*, 77 F.2d 274, 276 (2d Cir. 1935). In *Jungersen v. Ostby & Barton Co.*, 335 U.S. 560 (1948), Mr. Justice Jackson, concerned about the restrictive view of the Court toward patents, made the now-famous remark that the "only patent that is valid is one which this Court has not been able to get its hands on." *Id.* at 572 (dissenting opinion).

inroad on public policy, public policy itself should dictate that it be done.

In applying the doctrine, it would seem that a court should make fuller inquiry into the asserted basis for the invalidity. In many instances, there may be no compelling reason to apply the doctrine at all. However, if private good faith hangs in the balance, the court probably should look further to determine if the public policy which governs contracts conveying interests in a patent would be promoted by permitting an attack on the patent's validity. If the only result of permitting such an attack would be to permit one party to escape the bargain it struck with the other, it is doubtful that public policy would dictate such a result, particularly since the rest of the public remains free to contest the validity of the patent.<sup>231</sup> However, if the circumstances are such that application of the estoppel would have adverse effects on patent contracts generally, then the public policy considerations become more apparent and probably controlling.

---

<sup>231</sup> *Faulks v. Kamp*, 3 Fed. 898, 901 (C.C.S.D.N.Y. 1880).