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The Government Challenge to Patent Validity After *United States v. Glaxo Group Ltd*

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THE GOVERNMENTAL CHALLENGE TO PATENT VALIDITY AFTER UNITED STATES v. GLAXO GROUP LTD.

Shortly before the beginning of this century, the United States Supreme Court, in three cases involving American Bell Telephone Company,[1] developed the rule that the United States had standing to challenge the validity of a patent only when it claimed that the patent was obtained through fraud. Fifty years later, in *United States v. United States Gypsum Co.*,[2] the Court decided that the government could challenge a patent relied upon in defense to an antitrust claim. In a recent decision, *United States v. Glaxo Group Ltd.*,[3] the Court held that the government may, in certain antitrust circumstances, challenge a patent although it was not raised in defense to the antitrust claim. However, the Court did not precisely define the limits of this expanded governmental power to challenge patents. This paper will examine that question.

THE AMERICAN BELL TELEPHONE COMPANY CASES[4]

Bell I was a case of first impression. The government brought suit to void and recall two patents, alleging the patents would not have been issued but for fraudulent statements made by Bell. The Telephone Company demurred, contending that no party nor any court had authority in the matter.[5] If that were correct, the Court reasoned, the government would be utterly helpless to correct a mistake or redress a fraud, and the representative of sixty million people would have no remedy.[6] Although patents for inven-

1. United States v. American Bell Telephone Co., 128 U.S. 315 (1888), United States v. American Bell Telephone Co., 159 U.S. 548 (1895), United States v. American Bell Telephone Co., 167 U.S. 224 (1897). Hereafter referred to respectively as *Bell I, Bell II,* and *Bell III.*

2. United States v. United States Gypsum Co., 333 U.S. 364 (1947).

3. 93 S. Ct. 861 (1973).

4. Cases cited note 1 *supra.*

5. 128 U.S. 315, 351 (1888).

> The defendant demurs as to each patent specifically, 'that the complainant, in and by its said bill, does not show any power or authority, and no power or authority in law exists, in any person or party, or any court, to bring said suit, nor to entertain the same, nor to give the relief therein prayed, nor any relief thereunder or touching the subject matter thereof; and further, 'that the complainant, in and by said bill, has not made or stated a case which calls upon or justifies this court, in the exercise of its discretion, to permit this bill to be entertained.'

6. *Id.* at 357.

> It [the demurrer] assumes that the Government, which has thus been imposed upon and deceived, is utterly helpless, and that it can take no steps to correct the evil or to redress the fraud. If such a fraud were practiced upon an individual he would have a remedy in any court having jurisdiction to correct frauds and mistakes and to relieve against accident; but it is said that the Government of the United States—the representative of sixty millions of

tions presented a new situation, it had been held repeatedly that the courts had jurisdiction to set aside a patent for land, even though there was no express act of Congress authorizing such procedure.[7] Since these two types of patents were of the same nature, character and validity, and eminated from the Constitution,[8] it was held that the courts did have jurisdiction to hear the suit. The Telephone Company then argued that although the Court had jurisdiction, the government lacked standing because it had no property right or pecuniary interest in the relief sought. However, the Court found that the essence of the government's right was its obligation to protect the public from a monopoly procured by fraud.[9] As to the contention that the government had no property right, the Court characterized the issuance of a patent as follows:

> The United States . . . has taken from the public rights of immense value and bestowed them on the patentee . . . . This is property, property of a value so large that nobody has been able to estimate it . . . . That the Government . . . should find it to be its duty to correct this evil, to recall these patents, to get a remedy for this fraud, is so clear that it needs no argument . . . .[10]

The Telephone Company conceded this to be true with regard to land, but argued that Congress had distinguished patents for invention when it had provided that defendants in infringement suits could plead fraud. Since there was no similar provision whereby the government could plead fraud, it was contended that the infringer's remedy for fraud superseded all others. The Court noted that the right given to the infringer was a personal one and that a successful defense by one infringer had no effect in preventing the patentee from suing other infringers. However, the suit of the government, if successful, would declare the patent void and put an end to all suits which the patentee could bring. The Court found it impossible to suppose that Congress, in giving the right to the individual, had intended to take away

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people, acting for them, on their behalf, and under their authority—can have no remedy against a fraud which affects them all, and whose influence may be unlimited.

7. *Id.* at 358.

. . . [T]his court has repeatedly held . . . that in regard to patents issued by the Government for lands conveyed to individuals or to corporations, the Circuit Courts of the United States do have jurisdiction to set aside and cancel them for frauds committed by the parties to whom they were issued. . . . And it is also to be observed that in those cases there is no express Act of Congress authorizing such procedure, a ground of objection which is here urged.

8. *Id.* at 358, 359.

The power, therefore, to issue a patent for an invention, and the authority to issue such an instrument for a grant of land, emanate from the same source, and although exercised by different bureaux or officers under the Government, are of the same nature, character and validity, and imply in each case the exercise of the power of the Government according to modes regulated by Acts of Congress.

9. *Id.* at 367.

10. *Id.* at 370.

the greater right of the government.[11] The Court indicated that while this applied to the case of fraud, not all of the statutory defenses to infringement could be expanded to permit the government to bring suit.

> Some of these . . . grounds of defense are not such as would ordinarily be sufficient in a court of equity to set aside the patent, as "that it had been in public use or on sale in this country for more than two years," or "that it had been patented or described in some printed publication prior to his supposed invention or discovery thereof." It is unnecessary to decide whether these grounds now would be sufficient cause for setting aside a patent in a suit by the United States; but they are not of that general character which would give a court of equity jurisdiction to do that, except as it may be said they are now parts of the general system of the patent law.[12]

It thus appears that the Court in *Bell I* considered that an error on the part of the Patent Office would be insufficient to support a governmental claim to set aside a patent.

Seven years later, in *Bell II*, the government challenged patents on the basis of both fraud and error. The claims regarding error were that the invention was covered by a previous patent, that the patent was not for the same invention as described in the patent application, and that the patent was barred by public use of the invention by more than two years before the application date. Reviewing its decision in *Bell I*, the Court stated:

> In [*Bell I*] . . . it was decided that where a patent for a grant of any kind issued by the United States has been obtained by fraud, by mistake, or by accident, a suit by the United States against the patentee is the proper remedy for relief, and that . . . where patents for land and inventions are issued by the authority of the government, and by officers appointed for that purpose who may have been imposed upon by fraud or deceit, *or may have erred as to their power*, or made mistakes in the instrument itself, the appropriate remedy is by proceedings by the United States against the patentee (emphasis added).[13]

In *Bell III*, a case reviewing the same facts presented in *Bell II*, the Court distinguished patents for invention from patents for land. A land patent was a conveyance of property which created title. The inventor obtained no title or rights to his own invention that he did not already have. All that the inventor received was the ability to restrain others with regard to his

11. *Id.* at 372.
This broad and conclusive effect of a decree of the court, in a suit of that character brought by the United States, is so widely different, so much more beneficial, and is pursued under circumstances so much more likely to secure complete justice, than any defense which can be made by an individual infringer, that it is impossible to suppose that Congress, in granting this right to the individual, intended to supersede or take away the more enlarged remedy of the Government.
12. *Id.* at 372-73.
13. 159 U.S. 548, 555 (1895).

invention, and that he could have done by keeping it secret. The Court also found that:

> The government parted with nothing by the patent. It lost no property. Its possessions were not diminished. The patentee, so far as a personal use is concerned, received nothing which he did not have without the patent, and the monopoly which he did receive was only for a few years.[14]

It was explained that since the government had no proprietary or pecuniary interest in setting aside the patent, it was not seeking to discharge its obligations to the public and therefore the principles governing like cases between private litigants would apply. Since it had been previously decided that private parties could not bring suit to cancel a patent,[15] the government, without showing an obligation to the public, would be likewise precluded. Although the Court recognized that the government did have standing due to its obligation to protect the public against a monopoly it had wrongfully created, here the rules of equity would not so permit:

> Doubtless the removal from the public of the burden of a monopoly charged to have been wrongfully created was also one of the objects [of this suit]. . . . To what extent this may relieve the government as suitor from all the rules governing the suits of private individuals need not be specifically determined here.
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> One of the familiar rules of equity . . . is that "suits in equity shall not be sustained in . . . any case where a plain, adequate, and complete remedy may be had at law." The objection to the validity of this patent . . . is open to every individual charged by the patentee with infringement . . . . The government, therefore, if seeking simply to protect the right of an individual, ought not to be permitted to maintain a suit in equity to cancel that against which the individual has a perfect legal defense. . . . The query is pressed whether the same rule would not also apply where the government is only seeking to protect the public at large, for the public is but the aggregation of all the individuals, and if each of them has a perfect defense to the patent, so all together have.[16]

The Court did not directly answer that query. Instead, it pointed out that a suit to cancel a deed could not be maintained if the deed was void on its face, because such a deed could never be used to destroy the title. Thus, if the evidence of the government was as claimed, the patent was absolutely void, and equity had no jurisdiction to cancel "that which by record and unfailing evidence is, as claimed, absolutely void."[17]

14. 167 U.S. 224, 239 (1897). *But see* text at note 10 *supra.*
15. Mowry v. Whitney, 81 U.S. 434 (1871).
16. 167 U.S. 224, 266 (1897).
17. *Id.* at 266-67.

> . . . [I]t has often been held that while one having the title to and possession of a tract of land can maintain a suit in equity to cancel a deed or other instrument which is a cloud upon the title, such suit cannot be sustained if the deed or instrument is void upon its face, its invalidity resting upon matters of record, and not affected by any lapse of time or statute of limitations. In

Since there was no statutory authority for the government to institute such an action, the Court, contrary to its philosophy in *Bell I*, reasoned that Congress believed the government ought not to interfere and that ample provisions had been made for securing the rights of all without governmental intervention.[18] While *Bell III* did not specifically deny standing to the government, the following interpretation given to *Bell II* had the practical result of preventing the government from seeking to cancel a patent on the basis of error on the part of the patent officials:

> But while there was thus rightfully affirmed the power of the government to proceed by suit in equity against one who had wrongfully obtained a patent . . . there was no attempt to define the character of the . . . mistake, or the extent of the error as to power which must be established before a decree could be entered canceling the patent. It was not affirmed that . . . the existence of any error on the part of the officers as to the extent of their power, or that any mistake in the instrument was sufficient to justify a decree of cancellation. Least of all was it intended to be affirmed that the courts . . . could entertain jurisdiction of a suit by the United States to set aside a patent for an invention on the mere ground of error of judgment on the part of the patent officials.[19]

THE LIMITED ANTITRUST EXCEPTION

The Sherman Act[20] made monopolies and agreements in restraint of trade illegal. Although the patent monopoly grant is authorized by the Constitution,[21] the antitrust laws resulted in new standards to measure the limits of this monopoly. In cases involving price-fixing,[22] a *per se* violation of the Sherman Act, the Court has held that a licensee could attack the validity of a patent in order to avoid paying royalties, even though the licensee had agreed not to do so; the Court finding the Sherman Act violation enough to support the challenge. Thus, in deciding *United States v. United States Gypsum Co.*,[23] the Court concluded that if the licensor could

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other words, the deed or instrument is not considered a cloud if it can never be used to destroy his title or disturb his possession. The objection to this patent on the ground stated is an objection resting upon matters of record—of record in the Patent Office; not dependent on oral testimony nor subject to change, and in no way affected by lapse of time. Within the scope of this specific application of the general rule it would seem that equity has no jurisdiction, either at the suit of the government or of an individual, to formally cancel that which by record and unfailing evidence is, as claimed, absolutely void.

18. 167 U.S. 224, 267 (1897). *Contra*, note 11 *supra* and accompanying text.

19. *Id.* at 269.

20. 15 U.S.C. §§ 1, 2 (1964).

21. U.S. Const. art. 1 § 8.

22. Sola Elec. Co. v. Jefferson Elec. Co., 317 U.S. 173 (1942); Edward Katzinger Co. v. Chicago Metallic Mfg. Co., 329 U.S. 394 (1947); MacGregor v. Westinghouse Elec. Co., 329 U.S. 402 (1947).

23. United States v. United States Gypsum Co., 333 U.S. 364 (1947).

not assert the shield of patentability against a private antitrust defendant, neither should it have that shield against the government in an antitrust case. In *Gypsum*, in what the concurring opinion regarded as deliberate dicta,[24] the Court stated:

> The trial court thought that the issue was controlled by [*Bell III*] . . . in which the United States was held without standing to bring a suit in equity to cancel a patent on the ground of invalidity.
>
> While this issue need not be decided to dispose of this case, it seems inadvisable to leave the decision as a precedent.[25]

Then the Court distinguished between the cancellation sought in *Bell III* and the validity challenge sought in *Gypsum*:

> The United States does not claim that the patents are invalid because they have been employed in violation of the Sherman Act and that a decree should issue canceling the patents; rather the government charges that the defendants have violated the Sherman Act because they granted licenses under patents which in fact were invalid. If the government were to succeed in showing that the patents were in fact invalid, such a finding would not in itself result in a judgment for cancellation of the patents.[26]

The *Gypsum* Court clearly believed that the government's obligation to protect the public against restraints of trade and monopolies, as bolstered by the Sherman Act, was enough to overcome the objections to the challenge raised in *Bell III*; at least in the instance where the patent was raised in defense. Thus, the government obtained standing in antitrust cases, absent any statutory authority, to challenge patents which were raised in defense of otherwise illegal acts.

UNITED STATES V. GLAXO GROUP LTD.

Glaxo was an antitrust case involving restraint in the sale of the antibiotic griseofulvin. Griseofulvin is manufactured in bulk form, then cut with inert ingredients to the dosage form for use. In the United States, bulk form griseofulvin is neither patented nor patentable. Two British drug companies, Glaxo and Imperial Chemical Industries Limited (ICI), contracted, among other things, that ICI would undertake "not to sell and to use its best

24. *Id.* at 403 (*concurring opinion*).

25. *Id.* at 387.

26. *Id.* The difference that the Court found between cancellation and invalidity seems not to have attracted much attention. However, in a later antitrust case, Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp., 382 U.S. 172 (1965), the Court noted that a counterclaim for a declaratory judgment of patent invalidity did not directly seek the patent's annulment. *Gypsum* and *Walker* arguably indicate that the Court saw *Bell III* as prohibiting the government from obtaining an in rem decree concerning a patent, while the antitrust relief permitted was essentially limited to an in personam effect. Such a difference, if it existed, seems unimportant when considered in light of the decision in Blonder-Tongue Labs., Inc. v. Univ. of Ill. Foundation, 402 U.S. 313 (1971), where it was held that a decree adjudging a patent invalid in an infringement suit would act essentially in rem.

endeavors to prevent its subsidiaries and associates from selling any griseofulvin in bulk . . . without Glaxo's express consent . . . ."[27] Glaxo and ICI subsequently entered into bulk sales agreements with three American drug companies, American Home Products Corp., Schering Corp., and Johnson & Johnson. The agreements provided that these buyers would not permit the resale of any bulk form griseofulvin without the express consent of the seller (ICI or Glaxo). The government claimed that these bulk sales restrictions were illegal restraints of trade in violation of the Sherman Act. Since bulk form griseofulvin was not a patented product, the alleged violation does not seem to depend upon patent considerations,[28] and if so, the case could be decided, as was *Gypsum*, without reference to patents.

Although bulk form griseofulvin was not patented as a product, both the methods by which it was manufactured and the dosage forms were patented.[29] Glaxo owned all of the United States patents except one pertaining to the dosage form. That patent was owned by ICI, and it was this dosage patent which the government initially sought to challenge. Glaxo obtained rights to this patent as part of the Glaxo-ICI sales agreement noted above, in which it also granted to ICI rights under its bulk manufacturing and dosage patents. The three subsequent sales agreements to the American drug companies contained the resale restraint and rights to process bulk form into dosage form.[30] The government alleged that the effect of the restraint on the resale of the bulk form, contained in these four agreements, was:

> [T]o prevent competition between the defendants and the licensees in the sale of griseofulvin in *bulk* form; to prevent competition among the licensees in the sale of griseofulvin in *bulk* form; to guarantee each licensee freedom from competition from others resulting from the sale of *bulk* form griseofulvin by licensees to such others; to control and restrain the licensees in respect to the manner in which, and the persons through whom, they market *griseofulvin*; to prevent access by third persons to sources of griseofulvin in *bulk* form; to prevent third persons from packaging *bulk* form griseofulvin into *dosage* form and selling it for use by consumers; to place restrictions on, or to subject to conditions, the resale of *griseofulvin* which the licensees purchase from defendants; to deprive the public, and particular consumers of drugs, of the benefits of free and open competition *in griseofulvin* (emphasis added).[31]

27. 93 S. Ct. 861, 863-64 (1973).

28. This view, that the violation did not depend upon patent considerations, was taken by the district court and the minority in the Supreme Court. *See* notes 37 & 52 *infra*.

29. References to the specific patents are at 302 F. Supp. 1, 4-5 nn.10 & 11 (D.D.C. 1969) and 93 S. Ct. 861, 863 nn.1 & 2 (1973).

30. The details of these agreements, as given by 302 F. Supp. 1, 5 (D.D.C. 1969) and 93 S. Ct. 861, 863-64 (1973), do not indicate that rights under the bulk manufacturing patents were also granted to the American companies. However, the Supreme Court indicates, *Id.* at n.3, that the American companies could have manufactured the bulk form under Glaxo's patents.

31. 302 F. Supp. 1, 3 (D.D.C. 1969). Although the restraint was on the resale

The government also alleged that the ICI dosage patent was invalid because, among other reasons,[32] it claimed a substance long in the public domain. Later the government moved to amend its complaint to allege the invalidity of a Glaxo dosage patent.[33] To support its standing to challenge the patents, the government argued:

> We submit that . . . *Gypsum* . . . should be understood more broadly to support challenge to any patent used by antitrust defendants in furtherance of their illegal program . . . . Without the Imperial [dosage] patent the defendants could not maintain their monopoly in the United States over the drug, for then anyone who could secure bulk form griseofulvin could make it up into pills and sell them without a patent to stop him; bulk form griseofulvin is . . . unpatented. *The Imperial [dosage] patent thus bolsters the effectiveness of the illegal restraint* on . . . bulk form griseofulvin; if a small drug company somehow manages to get the unpatented bulk form drug despite ICI's restraint . . . the defendants may still suppress the manufacture of the drug by threat of patent infringement suit. . . . [T]here is a double impediment to commerce—the patent and the conspiracy (emphasis added).[34]

ICI filed affidavits swearing that it did not intend to, and in any event would not, raise its patent in defense of the antitrust claims. The district court, therefore, found *Gypsum* to be inapposite, and determined that the issue was "whether the United States can challenge ICI's patent *independent of any antitrust claims*" (emphasis added).[35] In deciding the issue, the trial court concluded that the *Bell* cases applied, and the government was denied standing. For the same reasons, the government was not allowed to challenge the Glaxo patent. The trial court found that all of the bulk sales restrictions were *per se* violations of the Sherman Act and enjoined their future use. However, it refused to grant the government's request for mandatory sales of the bulk form and compulsory licensing of all of the defendants' griseofulvin patents,[36] for it found no patent misuse or any patent re-

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of the bulk form, the complaint includes both the dosage form and what is simply referred to as griseofulvin. *See* note 36 *infra.*

32. 93 S. Ct. 861, 864 n.4 (1973). The government also argued that the claims were invalid because they did not specify an effective amount or the diseases which could be cured.

33. *Id.* at 864 n.6. The government claimed prior disclosure, prior public use, and that the product had long been in the public domain.

34. *Id.* at 867 n.7. It is noteworthy that in the trial court the government did not claim that the violation depended upon the patent, but only that the patent "bolstered" the restraint. *See* note 28 *supra.*

35. 302 F. Supp. 1, 12 (D.D.C. 1969). One possible construction of the emphasized portion is that the claimed violations were independent of the dosage patent. *See* note 28 *supra* and note 37 *infra.*

36. 328 F. Supp. 709 (D.D.C. 1971). Although it only attempted to challenge the dosage patents, the government sought compulsory licensing of *all* of the ICI and Glaxo patents relating to griseofulvin. This grouping of dosage and bulk manufacturing patents was unfortunate, for they are not distinguished in discussions concerning

lationship to the bulk sales violation.[37] The government took a direct appeal to the United States Supreme Court.

Mr. Justice White, speaking for the six member majority, found that *Bell III* held:

> [T]he federal courts should not entertain suits by the Government "to set aside a patent for an invention on the mere ground of error in judgment on the part of the patent officials," at least where the United States "has no proprietary or pecuniary [interest] . . . in the setting aside of the patent; is not seeking to discharge its obligations to the public . . . ."[38]

The Court pointed out that it had, in *Gypsum*, considered *Bell III* but had declared that the public interest in enjoining violations of the Sherman Act had warranted permitting the government to attack the validity of patents used to justify otherwise illegal anticompetitive conduct. The Court summarized cases[39] in which patent challenges had been allowed because of the public interest in free competition and concluded:

> We think that the principle of these cases is sufficient authority for permitting the Government to raise and litigate the validity of the ICI-Glaxo patents in this antitrust case . . . . [A]ppellees had . . . restrained trade by prohibiting the licensee from selling or reselling *patented* bulk-form griseofulvin . . . . These charges were sustained, the court concluding that . . . the *patent license provisions* were *per se* restraints of trade in the *griseofulvin product market* (emphasis added).[40]

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the compulsory licensing issue. This, in turn, results in further loss of the distinction between bulk griseofulvin and dosage griseofulvin. *See* note 31 *supra.*

37. Even including the bulk manufacturing patents, which were not challenged, the trial court found: "Plaintiff has not shown on this record that defendants' current licensing practices are related to the adjudged antitrust violation nor are they methods to circumvent the prohibition of restraints on resale [of bulk form]. . . . . [T]here has been no showing that either Glaxo or ICI has abused its patent rights and, therefore, they are entitled to exercise the limited monopoly rights granted by law to patent holders." *Id.* at 713-14. *See* note 28 *supra.*

38. 93 S. Ct. 861, 865 (1973). *See* text at notes 14, 15 & 19 *supra.*

39. United States v. United States Gypsum Co., 333 U.S. 364 (1967); Sola Elec. Co. v. Jefferson Elec. Co., 317 U.S. 173 (1942); Edward Katzinger Co. v. Chicago Metallic Mfg. Co., 329 U.S. 394 (1947); MacGregor v. Westinghouse Elec. Co., 329 U.S. 402 (1947); Pope Mfg. Co. v. Gormully, 144 U.S. 224 (1892) (holding that covenants by licensee not to contest validity of patents were oppressive and unconsionable, and since it appeared that the licensee was probably unaware of their legal import, equity would not enforce them); Lear, Inc. v. Adkins, 395 U.S. 653 (1969) (holding that licensee was not estopped from attacking validity of patent and the licensee was entitled to avoid payment of royalties accruing after patent issued if the licensee could prove the invalidity of the patent).

40. 93 S. Ct. 861, 865 (1973). Perhaps the reference to "patented" bulk form is a mistake or misprint; perhaps the intended word was "unpatented". However, since the manufacturing processes for the bulk form were patented, it is possible that the Court is considering the bulk form to be "substantially" patented, particularly since those patents were included in the compulsory licensing request. The Supreme Court interpretation of the District Court decision is quite broad; the latter found the

With the violation so established, the Court connected the challenge to the dosage patents with the relief for the bulk sales violation:

> The District Court was then faced with the Government's attack on the *pertinent patents* as well as its demand for mandatory sales [of bulk] and reasonable-royalty licensing [of all patents], the latter being well established forms of relief when necessary to an effective remedy, particularly where patents have provided the *leverage* for or have contributed to the antitrust violation adjudicated (emphasis added).[41]

Thus, the Court indicated that patents which provide leverage are the pertinent patents for challenge. But, not indicating just what leverage was, the Court emphasized the importance of relief:

> [W]e think it would have been appropriate, if it appeared that the Government's claims for further relief were substantial, for the court to have also entertained the Government's challenge to the validity of those patents.[42]
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> . . . .
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> [T]he district courts have jurisdiction . . . to fashion effective relief. This often involves a substantial question as to whether it is necessary to limit the bundle of rights normally vested in the owner of a patent . . . . The litigation would usually proceed on the assumption that valid patents are involved, but if this basic assumption is itself challenged, we perceive no good reason . . . for refusing to hear and decide it.[43]
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> . . . .
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> The question remains whether the Government's case for additional relief was sufficient to provide the appropriate predicate for a consideration of its challenge to the validity of these patents. For this purpose . . . its case need not be conclusive but only substantial enough to warrant the court undertaking what could be a large inquiry, but one which could easily obviate other questions of remedy if the patent is found invalid . . . . Here, we think not only that the United States presented a substantial case for additional relief, but . . . that the District Court . . . should have ruled favorably on the demand for mandatory sales and compulsory licensing.[44]

Without leverage provided by the patents, the government would not have had a substantial claim for relief which would effect the patent rights. One problem, however, is that the relief which the government requested effected all the patents, not just those for the dosage form. At first glance, it may seem easier to make a substantial claim that compulsory licensing of

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bulk sales provisions to be *per se* restraints, and that there was *no abuse* of patent rights, 328 F. Supp. 709, 710 (D.D.C. 1971). *See* notes 36 & 37 *supra*.

41. 93 S. Ct. 861, 866 (1973).
42. *Id.*
43. *Id.*
44. *Id.*

the bulk manufacturing patents is the proper relief for bulk sales restraints than it does to make the same argument for the compulsory licensing of the dosage patents. In giving its reasons for holding that compulsory licensing and mandatory bulk sales[45] should have been granted, the Court made few distinctions between the two types of patents. When it did refer specifically to the dosage patents, it found that it was "clear from the evidence"[46] that the dosage patent, "along with other ICI and Glaxo patents"[47] provided the economic leverage that permitted the defendants to obtain agreement to the illegal restraints. This was because Glaxo "apparently"[48] refused to sublicense the dosage patent without the bulk restraint. However, as the dissenting opinion noted, there had been "no such evidence"[49] of economic leverage and the district court had found neither a relationship between patents and the violation, nor any patent misuse.[50] The dissent also pointed out that one of the patents which the government sought to challenge had not been issued at the time the restraints were initially imposed,[51] impliedly questioning how a non-existent patent could exert the necessary leverage. Thus, the three dissenting members of the Court could find no relationship between the bulk sales restraint and the dosage patents.[52]

The argument that there was no relationship between the dosage patents and the violative bulk restraint might be stated as follows: admittedly, there can be no question that the control of the dosage patents was economically desirable to the defendants, or that such control allowed them some control of the dosage-form wholesale market. Nor does the government's contention in the district court, that the dosage patent "bolstered" the illegal restraint,[53] seem questionable. However, saying that the patents bolstered the violation is quite different from implying that the buyers would not have entered into such an agreement without being levered into it by the dosage patents. Would it have been impossible or unreasonable to make a restrictive bulk sales agreement if all the patents, instead of just one, had not existed at the time of the agreement? If the patents expired, causing any leverage to vanish, is it clear that a restrictive bulk agreement would be impossible? Was it necessary, in order to fashion effective relief for a restraint of bulk sales, to go so far as to allow for the possible cancellation of the dosage pat-

45. This relief, mandatory bulk sales, is relevant to the dosage patents only to the etxent that they are related to the bulk sales violation.

46. 93 S. Ct. 861, 866 (1973).

47. *Id.* Apparently these patents also would have been, or still are, subject to challenge by the government.

48. *Id.* at 867. The Court seems to be paraphrasing the government's argument in the District Court. *See* note 34 *supra* and accompanying text.

49. *Id.* at 871 (*dissenting opinion*).

50. *See* note 37 *supra.*

51. 93 S. Ct. 861, 872 (1973) (*dissenting opinion*).

52. *Id.* at 871 (*dissenting opinion*). "The two patents which this Court is now authorizing the Government to challenge bear no relationship whatsoever to the illegal restraint found."

53. *See* note 34 *supra* and accompanying text.

ents? Were not the enjoining of future bulk sales restraints, the ordering of mandatory bulk sales, and the ordering of compulsory licensing of the bulk manufacturing patents enough to remedy the bulk sales restriction? Was not the permitting of the dosage patent challenge a penalty, rather than relief? One may be tempted to answer these questions on the basis that the dosage patents were not related to the bulk violation, and that this case should not have involved those patents at all. Indeed, the leading case concerning this type of sales restraint[54] did not involve patent considerations; there the buyer wanted the product and was willing to agree to limit his resales in order to get it. How is *Glaxo* different?

The difference in Glaxo, and what the above argument ignores, is the use to which the product can be put after it is purchased. In the commercial situation involving unpatented products, the buyer has at least two choices as to what he will do with something he has purchased: he can resell it in the same form in which he bought it, or he can use it in some other way, perhaps reselling it in an altered form. Since he is free to use the product for his own manufacturing purposes, he might reasonably agree not to resell it in the same form in which he bought it. If so, it would be difficult to conclude that anything other than his own desire levered him into the restrictive agreement. On the other hand, if the known commercial uses and processes for the product are protected by patents under which he has no rights, his only motive for buying such a product would be to resell it in unchanged form. No reasonable buyer in such a position would agree not to resell the product in the same form, for then he could neither sell it nor use it. It is not difficult to conclude that the buyer of such a product was levered into a restrictive agreement in order to obtain the necessary patent rights, and not simply by his own desire. Adopting this line of reasoning, little direct evidence of patent misuse or leverage is needed, for the restrictive agreement clearly depends on obtaining the patent rights. Further, it then becomes more reasonable to contend that as long as those patents exist, mandatory sales of the product will provide little effective relief from the conditions accompanying the initial restraint. Thus, compulsory licensing of the patent rights would be a more reasonable relief. Whether this rationale can support a contention that compulsory licensing of the patents is still not enough relief, and therefore the patents should be vulnerable to challenge, seems at least debatable. That question aside, there is at minimum, an inferrable relationship between the bulk restraint and the dosage patents, whether other evidence supports it or not.

The limits of the government's authority to challenge a patent in an antitrust case are probably well expressed in the dissenting opinion. The

54. United States v. Arnold, Schwinn & Co., 388 U.S. 365 (1967) (holding that once the manufacturer has parted with dominion over the product, his effort to restrict the persons to whom the product may be sold is a *per se* violation of the Sherman Act).

dissenting members of the Court were unable to relate the dosage patents to the violation and concluded that:

> [T]he scope of the new authority extends to any patent that happens to be present in a patent licensing agreement which contains a restraint on alienation in a different market, regardless of its relationship to such restraint.[55]

The last phrase is likely a *non sequitur*, for a patent in such an agreement will probably be shown to have provided the necessary leverage, thus establishing a pertinent relationship. The dissenting opinion also considered that the majority had created a "roving commission"[56] by which the government could challenge the validy of any patent related to the factual background of the violation. This the majority denied, but not very emphatically, and only to the extent of not permitting a challenge based on a suit which rested on the patent being invalid. As to anything else, the question depended upon the need for relief:

> In arriving at this conclusion, we do not recognize unlimited authority in the Government to attack a patent by basing an antitrust claim on the simple assertion that the patent is invalid. . . . Nor do we invest the Attorney General with a roving commission to question the validity of any patent lurking in the background of an antitrust case. But the district courts have jurisdiction . . . where a violation is found, to fashion effective relief.[57]

CONCLUSION

The authority of the government to challenge the validity of a patent in an antitrust case depends upon its establishing a substantial case for relief which limits the bundle of patent rights. Past antitrust cases involving patents indicate that almost invariably the patent rights have been limited.[58] Therefore, the principle issue in future cases will be whether a substantial

55. 93 S. Ct. 861, 872 (1973) (*dissenting opinion*).
56. *Id.* at 871 (*dissenting opinion*).
57. *Id.* at 866.
58. In addition to compulsory licensing and mandatory sales, some other types of relief granted have been; restraint from bringing suits to collect royalties or for infringement prior to the time of correcting the violation, United States v. New Wrinkle, Inc., TRADE REG. REP. (1955 Trade Cas.) ¶68,203 (S.D. Ohio Oct. 27, 1955); restraint from enlarging claims on pending infringement suits, United States v. Pitney Bowles, Inc., TRADE REG. REP. (1959 Trade Cas.) ¶69,235 (D. Conn. Jan. 9, 1959); conditional ban on suits for infringement, United States v. Vehicular Parking, Ltd., TRADE REG. REP. (1945 Trade Cas.) ¶57,404 (D. Del. Aug. 8, 1945); restraint from setting up patent pool, Hartford-Empire Co. v. United States, 323 U.S. 386 (1945); dedication of patents to public, *e.g.*, United States v. Greyhound Corp., TRADE REG. REP. (1957 Trade Cas.) ¶68,756 (N.D. Ill. June 27, 1957); restraint in the sale of patents, *e.g.*, United States v. Liquid Carbonic Corp., TRADE REG. REP. (1952 Trade Cas.) ¶67,248 (E.D.N.Y. Mar. 7, 1952); and the ordering of non-exclusive granting of licenses under patents issued in the future, *e.g.*, United States v. Int'l Business Machines Corp., TRADE REG. REP. (1956 Trade Cas.) ¶68,245 (S.D.N.Y. Jan. 25, 1956).

case for the relief has been established. That in turn, will raise the question of whether the patent did or did not provide leverage for the violation. Notwithstanding the contrary evidence found by the trial court and the strong dissenting opinion, the fact that the United States Supreme Court found leverage to exist in *Glaxo* indicates that the concept of leverage will be given broad construction, and that evidence of leverage will be inferred from the violation itself. Therefore, the patentee who is an antitrust defendant may be well advised to agree to a consent decree if given the opportunity, and accept compulsory licensing or mandatory sales, or both.[59] While this course may be less than desirable, it may be better than having the patent challenged.[60] However, since the patentee can lose either way, it is, after *Glaxo*, that much more important that he takes great care to avoid even remotely linking his patent to any program potentially violative of the antitrust laws. It is the conclusion of the writer that the limits of the government's authority, after *Glaxo*, should be understood to include challenge to *any patent* used by antirust defendants in an illegal program.[61]

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59. This of course assumes that the government has a strong antitrust claim, as for example, any *per se* violation.

60. That there is a considerable chance that the patent will be found invalid can be inferred from the fact that 72 percent of the patents which are litigated in the courts are held invalid. *See, Testimony of Antitrust Division Chief Richard W. McLaren before the Senate Subcommittee, May 11, 1971.* TRADE REG. REP. ¶60,120 at 55,189 (1972).

61. *See* the government's argument in the district court, text at 84 *supra.*