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## “Related” Claims Of Unfair Competition And Patent Infringement

*River Brand Rice Mills, Inc. v. General Foods Corp.*<sup>1</sup>

In an action for patent infringement relating to quick cooking rice, the plaintiff alleged infringement of four patents by the defendant. In addition he alleged a claim of unfair competition arising out of misappropriation of trade secrets by defendant and a former employee, now employed by defendant corporation.<sup>2</sup> The trade secrets were alleged to be unpatented improvements of the patented process.<sup>3</sup> Defendant contended that the district court lacked jurisdiction over the unfair competition claim. Under 28 U.S.C. § 1338(b),<sup>4</sup> unfair competition is a non-federal claim and can be raised in a federal court only if it is “related” to the federal claim of patent infringement; defendant argued that the unfair competition claim here was not “related” within the contemplation of § 1338(b).<sup>5</sup>

The district court overruled defendant's motion to dismiss the unfair competition claim and defendant took an interlocutory appeal. The U.S. Court of Appeals, affirming the district court, decided that at this point it could not be said as a matter of law that the federal and non-federal complaints were not related within the purview of § 1338(b). The district court was instructed to consider whatever

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1. 334 F.2d 770 (5th Cir. 1964).

2. The employee was in the employment of the plaintiff and thereafter became an employee of the defendant corporation. He was made a defendant by an amendment.

3. See *Great Lakes Carbon Corp. v. Continental Oil Co.*, 219 F. Supp. 468, 503 (D.W.D. La. 1963), *motion denied*, 332 F.2d 588 (1964); *O'Brien v. Westinghouse Elec. Corp.*, 293 F.2d 1, 12 (3d Cir. 1961), both of which upheld actions brought upon an unpatented invention.

4. 28 U.S.C. § 1338(b) (1958) states as follows: “The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a *substantial* and *related* claim under the copyright, patent or trademark laws.” (Emphasis added.)

5. See Revisers' Notes, H.R. REP. No. 308, 80th Cong., 2d Sess. 6 (1948).

evidence it deemed necessary to determine whether the patent infringement and unfair competition claims were related. Although the Court of Appeals did not decide whether the claims were related, it expressly stated that the term "related" should be liberally construed. Section 1338(b), in which this term appears, was a legislative response to the restrictive approach to the pendant jurisdiction rule spelled out in *Hurn v. Oursler*.<sup>6</sup> The center of controversy in *River Brand Rice*, and the subject which this Note will consider, is the extent if any to which the rule in *Hurn* has been liberalized by § 1338(b).

Prior to the *Hurn* case, in *Siler v. Louisville & Nashville R.R.*,<sup>7</sup> the Supreme Court decided that once the federal court obtained jurisdiction through the raising of a substantial federal question, the court then had the right to decide all non-federal questions involved. Subsequently, two lines of authority developed for determining the extent to which federal jurisdiction, based on a federal question, could be exercised over non-federal claims joined with related federal claims.<sup>8</sup> One line of authority stated that if a substantial federal question were raised, the jurisdiction of the federal courts immediately extended to all other claims in issue, even though the decision completely ignored the federal question involved.<sup>9</sup> Another line of authority took a narrower view of the scope of federal jurisdiction. The applicable rule adopted by courts applying the narrow approach varied in each federal circuit,<sup>10</sup> but basic to the narrow approach was the idea that the assertion of an alleged "federal right" did not of itself entitle the court to jurisdiction over the non-federal claim.

The lack of harmony in the two lines of authority was recognized in *Hurn*,<sup>11</sup> which involved a federal statutory claim of copyright infringement and a non-federal claim of unfair competition for plagiarism. The Court, after examining the two divergent views, concluded that the more liberal interpretation was the principle to be followed.<sup>12</sup> It

6. 289 U.S. 238 (1933).

7. 213 U.S. 175 (1909).

8. See Note, 40 HARV. L. REV. 298 (1928).

9. *Bohler v. Callaway*, 267 U.S. 479, 489 (1925); *Chicago Great Western Railway Co. v. Kendall*, 266 U.S. 94, 97 (1924); *David v. Wallace*, 257 U.S. 478, 482 (1922); *Cann v. Ringe*, 32 F.2d 639 (6th Cir. 1929).

10. 1 U. CHI. L. REV. 480, 482 n.11 (1934). This extensive footnote thoroughly documents the case law development.

The Second Circuit cases restricted federal jurisdiction to the greatest extent; the majority of them agreed that the federal court was without power to hear the claim of unfair competition, no matter how closely related it was to the claim of infringement. See, e.g., *Hutchinson, Pierce & Co. v. Lowery*, 163 Fed. 42 (2d Cir. 1908). Some decisions seemed to take the view that the court has jurisdiction, at least where the non-federal questions are "intertwined" with the federal question, but could in its discretion refuse to exercise that jurisdiction. See, e.g., *Mallison v. Ryan*, 242 Fed. 951 (S.D.N.Y. 1917). Another line of cases would refuse jurisdiction of the claim of unfair competition on the theory it presented a separate cause of action, although it was not always clear that was true. See, e.g., *U.S. Expansion Bolt Co. v. H. G. Groncke Hardware Co.*, 234 Fed. 868 (7th Cir. 1916). A further variation was presented by a group of cases which would permit proof of unfair competition as an element in the damages plaintiff had suffered through the infringement. See, e.g., *Ludwigs v. Payson Mfg. Co.*, 206 Fed. 60 (7th Cir. 1913). Other courts have adopted a variation of the above and require an "aggravation of damages" in considering the unfair competition questions. See, e.g., *Sprigg v. Fisher*, 222 Fed. 964 (D. Md. 1915).

11. 289 U.S. 238 (1933).

12. *Id.* at 245.

formulated a test differentiating a single cause of action based upon two separate grounds from two joined but separate causes of action:

"A cause of action does not consist of facts, but of the unlawful violation of a right which the facts show. The number and variety of the facts alleged do not establish more than one cause of action so long as their result, whether they be considered severally or in combination, is the violation of but one right by a single legal wrong [as stated in *Baltimore S.S. Co. v. Phillips*, 274 U.S. 316 (1927)]."<sup>13</sup>

The court in *Hurn* applied the above test to the case before it and found that the claims of copyright infringement and unfair competition were not separate causes of action, but different grounds in support of the same cause of action.<sup>14</sup> However, the infringement and unfair competition claims alleged in *Hurn* rested upon substantially identical facts, and most of the subsequent cases relied upon this identity of claims to limit the broad pendant jurisdiction rule spelled out in *Hurn*. These cases limited *Hurn* to its specific fact situation and refused to entertain jurisdiction over the non-federal claim of unfair competition unless it rested upon the "same"<sup>15</sup> or "substantially identical"<sup>16</sup> facts as the federal claim. There was, however, some support for a more liberal approach to the application of pendant jurisdiction, and those cases required only a "substantial overlapping of proof."<sup>17</sup>

Section 1338(b)<sup>18</sup> was drafted by the Revisers to give Congressional approval of the decision of the Supreme Court in *Hurn v. Oursler* and to codify that decision as statutory law.<sup>19</sup> The Revisers stated their reasons for the enactment of § 1338(b) in the Revisers' Notes:

"Subsection (b) . . . is intended to avoid 'piecemeal' litigation to enforce common-law and statutory copyright, patent and trademark rights by specifically permitting such enforcement in a single civil action in the district court. While this is the rule under Federal decisions, this section would enact it as statutory authority. The problem is discussed at length in *Hurn v. Oursler* . . . and in

13. *Id.* at 246.

14. See Note, 52 HARV. L. REV. 697 (1939), for an early treatment of the single cause of action.

15. See, *e.g.*, *Brown v. Bullock*, 194 F. Supp. 207 (S.D.N.Y. 1961).

16. See, *e.g.*, *Dubil v. Rayford Camp & Co.*, 184 F.2d 899, 901 (9th Cir. 1950); *French Renovating Co. v. Ray Renovating Co.*, 170 F.2d 945, 947 (6th Cir. 1948); *Zalkind v. Scheinman*, 139 F.2d 895, 901-02 (2d Cir. 1943); *Musher Foundation, Inc. v. Alba Trading Co.*, 127 F.2d 9, 10 (2d Cir.), *cert. denied*, 217 U.S. 641 (1942); *Lewis v. Vendome Bags, Inc.*, 108 F.2d 16-18 (2d Cir. 1939); *Armstrong Paint and Varnish Works v. Nu-Enamel Corp.*, 305 U.S. 315 (1938).

17. This view is best illustrated by Judge Clark in a series of dissents, *Kleinman v. Betty Dain Creations, Inc.*, 189 F.2d 546, 549 (2d Cir. 1951), and *Musher Foundation, Inc. v. Alba Trading Co.*, 127 F.2d 9, 11 (2d Cir. 1942); and one majority opinion, *Treasure Imports, Inc. v. Henry Amdur and Sons, Inc.*, 127 F.2d 3 (2d Cir. 1942).

18. This statute is set out in note 4 *supra*.

19. Barron, *The Judicial Code 1948 Revision*, 8 F.R.D. 439, 442 (1949); Galston, *An Introduction to the New Judicial Code*, 8 F.R.D. 201, 205 (1949). Galston was a member of the Judicial Conference Committee on Revision of the Judicial Code. Barron was the Chief Reviser of title 28, U.S. Code, Judiciary and Judicial Procedure.

*Musher Foundation v. Alba Trading Co.* . . . (majority and dissenting opinions).<sup>20</sup>

The Revisers intended neither to extend nor limit the pendant jurisdiction doctrine in copyright, patent, and trademark cases beyond that which was spelled out in *Hurn*.<sup>21</sup> They perhaps hoped that the statutory codification when read with the Revisers' Notes would clarify the ambiguities<sup>22</sup> which arose from the *Hurn* case's indefinite "cause of action" test.<sup>23</sup> But if the Revisers' intent was simply to adopt *Hurn* into statutory law, two questions arise. Why did they use the words "related claim"<sup>24</sup> rather than the "single cause of action" terminology used in *Hurn*? Which interpretation of *Hurn* did the Revisers adopt: the broad doctrine expressed in the Second Circuit dissenting opinions which call for an overlapping of facts, a fundamental core of facts, to enable the federal court to entertain jurisdiction of the non-federal claim;<sup>25</sup> or the narrow identical-issue approach applied by the majority in the Second Circuit cases?<sup>26</sup>

The Revisers did not attempt to resolve these questions. The reference to piecemeal litigation appears to be an indication of adherence to the liberal interpretation of the *Hurn* doctrine.<sup>27</sup> On the other hand, the Revisers cited the majority and dissenting opinions of *Musher v. Alba Trading Co.*<sup>28</sup> as a good discussion of the jurisdictional problem in this area, but failed to say which of the opinions if any they were codifying.

In that case the majority interpreted *Hurn* narrowly and found that there was no substantial identity of proof showing patent infringement and an unfair competition claim for infringement of common-law trademark. They held that the two claims constituted separate "causes of action," and therefore the federal court had no jurisdiction over the non-federal unfair competition claim. Judge Clark, dissenting, wanted to require only a substantial amount of overlapping rather than a complete identity of issues. He felt this would be procedurally and economically sound. It may be that through the citation of *Musher* the Revisers were expressing their awareness of the diverse interpretations which *Hurn* had received and their determination to leave the question open for case law development. This conclusion is strengthened

20. Revisers' Notes, *supra* note 5.

21. See Barron, *supra* note 19.

22. See the pre-code cases, *supra* notes 16 and 17.

23. See 4 CALLMANN, UNFAIR COMPETITION AND TRADEMARKS 1930-34 (2d ed. 1950), which suggests that this may have been the result of § 1338(b).

24. No attempt will be made in this Note to go into the constitutional arguments as to the meaning of "claim" summarized below. "Claim" means "cause of action" in the other sections of the Code, and if § 1338(b) were read as "related cause of action," it would raise questions as to the constitutionality of the entire section. It could be argued that federal jurisdiction would be extended over a related but separable cause of action in violation of Art. III, § 2 of the Constitution, which puts limitations on the federal judicial power.

25. *Musher Foundation, Inc. v. Alba Trading Co.* (Clark, J., dissenting), 127 F.2d 9, 11 (2d Cir.), *cert. denied*, 317 U.S. 641 (1942).

26. See majority opinion in Second Circuit cases, *supra* note 17.

27. See MOORE, COMMENTARY ON U.S. JUDICIAL CODE 149-50 (1949); 4 CALLMANN, UNFAIR COMPETITION AND TRADEMARKS 1931, 1933 (2d ed. 1950).

28. Note 25 *supra*.

by the stated intentions of the Revisers to avoid anything of a controversial nature when revising the Code.<sup>29</sup>

Because the Revisers left the question open to interpretation by the different circuits, conflicting views have arisen as to the interpretation of "related" in § 1338(b). The majority of the early decisions after the enactment of § 1338(b) adopted the narrow interpretation of *Hurn*. The courts required that the facts of unfair competition be substantially identical to those supporting the federal claim.<sup>30</sup> These cases relied directly upon *Hurn* and did not consider the applicability of § 1338(b). But even where the courts did consider § 1338(b), it was interpreted according to the narrow view.<sup>31</sup>

The restrictive view was rejected by the majority of the commentators, who hailed § 1338(b) as a welcome alleviation from the narrow interpretation *Hurn* had received in the area. They felt that the use of the term "related" gave courts an opportunity to depart from the strict test of "substantially identical facts."<sup>32</sup> It was urged by one commentator that in construing § 1338(b), weight should be given to the Revisers' intentions to avoid piecemeal litigation.<sup>33</sup> The strict approach had not been reducing piecemeal litigation and therefore had not achieved the result which the Revisers had intended. Another commentator felt that the limiting of piecemeal litigation could be more readily accomplished through the use of the term "related" than by requiring identical facts, since many more cases would arise where a "relation" of issues could be shown than cases with "operative facts sufficiently identical" to show a "single cause of action."<sup>34</sup>

In 1952, the Second Circuit in *Schreyer v. Ciasco Products Corp.*<sup>35</sup> intimated that it would adopt the liberal approach by citing Judge

29. Galston, *supra* note 19, at 205.

30. In *Navy Club v. All Navy Club*, 85 F. Supp. 679, 681-82 (D.R.I. 1949), a suit for infringement of a copyrighted emblem and trade name and also for unfair competition was brought by an incorporated organization of former Navy men against a similar organization. The district court, after examining the respective insignias of the plaintiff and defendant, decided that there was no copyright infringement but took jurisdiction of the unfair competition claim because of the "substantial identity of facts." In *Dubil v. Rayford Camp & Co.*, 184 F.2d 899 (9th Cir. 1950), the plaintiff owned a process for preparing meat protected by a patent and the name "Chip Steaks," under which the process was sold. He sued the defendant for an alleged infringement of his patent, and as a second cause of action he alleged unfair competition in that the defendant had simulated the plaintiff's trademark labeled "Chip Steaks." The district court found no infringement or unfair competition, but the Court of Appeals of the Ninth Circuit, relying solely on the *Hurn* "cause of action" test, held that the district court had no jurisdiction to decide the unfair competition question. The Ninth Circuit found the facts which established the unfair competition claim were not identical but presented two separate and distinct causes of action.

31. *Lanstrum v. Thorpe*, 189 F.2d 46, 51 (8th Cir. 1951), *cert. denied*, 342 U.S. 819 (1952). The majority, in interpreting § 1338(b), said: "For such a claim to be 'related' to a case arising under the trademark law within the meaning of the statute 'it must appear that both federal and non-federal causes [of action] rest upon substantially identical facts.' [citing *French Renovating Co. v. Ray Renovating Co.*, 170 F.2d 945 (6th Cir. 1948)]."

32. See 60 HARV. L. REV. 424, 430, 431 (1947). See also, MOORE, *op. cit. supra* note 27, at 149-50, and CALLMANN, *op. cit. supra* note 27, at 1931, 1933.

33. I MOORE, FEDERAL PRACTICE 658-59 (2d ed. 1964).

34. Wechsler, *Federal Jurisdiction and the Revision of the Judicial Code*, 13 LAW & CONTEMP. PROB. 216, 232-40 (1948); see also Note, 20 GEO. WASH. L. REV. 630, 632-38 (1952) and Note, 60 HARV. L. REV. 424, 430-31 (1947).

35. 190 F.2d 921 (2d Cir. 1951), *affirming*, 89 F. Supp. 177 (D. Conn. 1950). For a study of the pre-code Second Circuit cases see Note, 52 YALE L.J. 922 (1943).

Clark's dissent.<sup>36</sup> Since that time the section has received a more liberal interpretation in most of the federal courts which have considered the problem.<sup>37</sup> These courts have rejected the stringent requirements of "substantially identical facts" and have set out several more liberal tests. In 1956, the Second Circuit avoided a definite formulation and spoke only of a sufficient interrelation between the two claims.<sup>38</sup> In 1960, a district court required that the "acts of unfair competition flow from and are unseparately connected with the alleged acts of patent infringement."<sup>39</sup> The Ninth Circuit in 1961 required "a considerable overlap in their factual basis and . . . the additional fact that nearly all the evidence received at the trial . . . was relevant to both claims."<sup>40</sup> Recently, the Ninth Circuit said that "the term 'related' refers to probative facts; it means that part of the proof in support of one claim be common to the other."<sup>41</sup>

The salient feature of all of these tests is the intention of the courts to avoid piecemeal litigation whenever possible. Though some of the tests appear to be more liberal than others, all would require a certain degree of relationship between the federal and non-federal claims, *i.e.*, an overlapping of evidence between the two claims. These tests necessarily require that the trial judge must often defer his decision on the jurisdictional question until at least some of the evidence in the case has been presented. In view of the underlying policy of § 1338(b) to avoid piecemeal litigation and judicial effort, it is to be hoped that such deferrals will be avoided where possible or decided early in trial when some deferral is necessary.

In the present *River Brand Rice Mills* case, the Fifth Circuit announced its support for the liberal interpretation of § 1338(b), although it left the district court to decide whether the federal and non-federal claims were "related" in this particular case.<sup>42</sup> The court cited *J. I. Case Co. v. Borrack*,<sup>43</sup> a case which did not involve § 1338(b), as indicating "a continuing liberal trend respecting joinder of federal and non-federal claims in a closely related jurisdictional area."<sup>44</sup> This

36. 89 F. Supp. at 178. See also *Cutting Room Appliance Corp. v. Empire Cutting Machine Co.*, 186 F.2d 997 (2d Cir. 1951); *Kaplan v. Henenhart Novelty Co.*, 182 F.2d 311 (2d Cir. 1950); *but see Kleinman v. Betty Dain Creations, Inc.*, 189 F.2d 546 (2d Cir. 1951).

37. *Wham-O-Mfg. Co. v. Paradise Mfg. Co.*, 327 F.2d 748 (9th Cir. 1964); *O'Brien v. Westinghouse Elec. Corp.*, 293 F.2d 1, 12-13 (3d Cir. 1961); *Pursche v. Atlas Scraper & Engineering Co.*, 300 F.2d 467, 483-84 (9th Cir. 1961), *cert. denied*, 371 U.S. 911 (1962); *Lyon v. Quality Courts United*, 249 F.2d 790, 795 (6th Cir. 1957); *Iowa Farmers Union v. Farmers' Educational & Coop. U.*, 247 F.2d 809, 818-19 (8th Cir. 1957); *Maternally Yours, Inc. v. Your Maternity Shop, Inc.*, 234 F.2d 538 (2d Cir. 1956).

38. *Bullock v. Sears Roebuck Co.*, 239 F.2d 170 (2d Cir. 1956).

39. *Steigele v. Bentley and Schibelle Trading Co.*, 214 F. Supp. 364, 366 (D. Ariz. 1960).

40. *Pursche v. Atlas Scraper & Engineering Co.*, 300 F.2d 467 (9th Cir. 1961), *cert. denied*, 371 U.S. 911 (1962), quoting in part from *Maternally Yours, Inc. v. Your Maternity Shop, Inc.*, 234 F.2d 538 (2d Cir. 1956).

41. *Wham-O-Mfg. Co. v. Paradise Mfg. Co.*, 327 F.2d 748, at 752 n.5 (9th Cir. 1964).

42. 334 F.2d at 773.

43. 377 U.S. 426 (1964).

44. 334 F.2d at 773 n.8. The Fourth Circuit would most likely adopt the more liberal view. In *General Shoe Corp. v. Rosen*, 111 F. 2d 95, 99 (4th Cir. 1940), the court cited the liberal cases and held that the allegations of an infringement complaint gave the federal court jurisdiction with power to deal with all grounds supporting

decision, together with the other recent cases favoring a liberal construction of the word "related" in § 1338(b), points to a definite tendency toward allowing federal courts to entertain jurisdiction over non-federal unfair competition claims.<sup>45</sup>

Because copyright, patent, and trademark infringement cases are exclusively within federal jurisdiction,<sup>46</sup> a litigant will be unable to avoid piecemeal litigation by pressing his federal and non-federal claim in a state court. It is this consideration which compels a liberal interpretation of "related" rather than the narrower, pre-*Schreyer* construction of the term.<sup>47</sup> It may also be this consideration which led the Revisers to use the term "related claim" rather than the specific terminology used in *Hurn*.<sup>48</sup> If any weight at all is to be given to the Revisers' expressed intention to avoid piecemeal litigation, the courts must adopt the liberal interpretation as the only rational approach.

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plaintiff's claim, including a claim for injunction against unfair competition. Though the case was decided prior to the passage of § 1338(b), one can infer from the case that the Fourth Circuit will follow the liberal interpretation of the section.

45. In cases where infringement and unfair competition claims are joined, it is almost inevitable that the federal court will grant jurisdiction under the liberal interpretation of "related," which rejects the notion that non-federal and federal claims must rely upon identical facts. Note, 62 COL. L. REV. 1018, 1032 n.73 (1962). See also Note, 60 HARV. L. REV. 424, 430-31 (1947), which expressed concern that § 1338(b) might be construed to exclude joinder of non-federal claims in cases other than those involving patents, copyrights, and trademarks.

46. 28 U.S.C. 1338(a) (1958).

47. See *Musher Foundation, Inc. v. Alba Trading Co.* (Clark, J., dissenting), 127 F.2d 9, 11 (2d Cir.), cert. denied, 317 U.S. 641 (1942), which states that, "[I]f the roast must be reserved exclusively for the federal bench, it is anomalous to send the gravy across the street to the state court house." See also Clark, *The Code Cause of Action*, 33 YALE L.J. 817 (1924); Clark, *The Cause of Action*, 82 U. PA. L. REV. 354 (1934).

48. See Note, 62 COL. L. REV. 1018, 1034 (1962).