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## Mutuality of Estoppel and Judgments of Patent Invalidity — The Rule of *Triplett v. Lowell* Modified

The University of Illinois Foundation<sup>1</sup> brought a patent infringement action against Winegard Company in the Southern District of Iowa. The court determined that the patent claims sued upon were invalid as "obvious to one ordinarily skilled in the art."<sup>2</sup> The Eighth Circuit affirmed, and the Supreme Court denied certiorari.<sup>3</sup> Before the court in Iowa had ruled, the Foundation filed suit against a customer of Blonder-Tongue Laboratories in the Northern District of Illinois, basing its suit in part on the patent subsequently held invalid in the Iowa decision. Blonder-Tongue contended that the patent was invalid. The district court noted that the patent had since been held invalid by the Iowa federal court, but rejected that decision as binding on the basis of the Supreme Court's ruling in *Triplett v. Lowell*.<sup>4</sup> The patent was determined valid and infringed.<sup>5</sup> The Court of Appeals for the Seventh Circuit affirmed this finding<sup>6</sup> and certiorari was granted.<sup>7</sup> *Held, vacated and remanded*: A patentee is estopped to assert the validity of a patent that has been declared invalid in a prior suit against a different defendant, unless the patentee demonstrates that he did not have a full and fair opportunity, procedurally, substantively, and evidentially to litigate the validity of his patent in the prior suit. *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971).

### I. THE DOCTRINE OF PRECLUSION BY JUDGMENT

The principle of finality of judgment "is founded upon the generally recognized public policy that there must be some end to litigation and that when one

<sup>1</sup> The University of Illinois Foundation was the assignee of a United States patent on "Frequency Independent Unidirectional Antennas." *University of Illinois Found'n v. Winegard Co.*, 271 F. Supp. 412 (S.D. Iowa 1967).

<sup>2</sup> *Id.* at 419. The court disposed of the case on the basis of obviousness, the test of which was set out by the United States Supreme Court in *Graham v. John Deere Co.*, 383 U.S. 1 (1966). In order for a patent to be valid it must be an invention. To be an invention the article must go a step beyond the knowledge and existing skills of the art in that area. That is, the article must not be such that one ordinarily skilled in the art could have conceived of and created the article—it must be "nonobvious." The court found the combination of elements comprising the Foundation's patent suggested by prior art. Thus, a mere combination of old elements known in the art did not rise to the level of an invention, no matter how much of an improvement over previous antennas it might have been. For a further discussion of the tests to be applied in these matters see *Kell-Dot Indus., Inc. v. Graves*, 361 F.2d 25 (8th Cir. 1966); *American Infra-Red Radiant Co. v. Lambert Indus., Inc.*, 360 F.2d 977 (8th Cir. 1966).

<sup>3</sup> *University of Illinois Found'n v. Winegard Co.*, 402 F.2d 125 (8th Cir. 1968), *cert. denied*, 394 U.S. 917 (1969).

<sup>4</sup> 297 U.S. 638 (1936). The court found *Triplett* disposing of any effect the *Winegard* decision might have on the case before it: "This court is, of course, free to decide the case at bar on the basis of the evidence before it . . . Although a patent has been adjudged invalid in another patent infringement action against other defendants, patent owners cannot be deprived 'of the right to show, if they can, that, as against defendants who have not previously been in court, the patent is valid and infringed.'" *University of Illinois Found'n v. Blonder-Tongue Labs., Inc.*, Civil No. 66-C-567 (N.D. Ill., filed June 27, 1968).

<sup>5</sup> *University of Illinois Found'n v. Blonder-Tongue Labs., Inc.*, Civil No. 66-C-567 (N.D. Ill., filed June 27, 1968).

<sup>6</sup> *University of Illinois Found'n v. Blonder-Tongue Labs., Inc.*, 422 F.2d 769 (7th Cir. 1970).

<sup>7</sup> 400 U.S. 864 (1970). Certiorari was granted due to the conflict between the circuit

appears in court to present his case, is fully heard, and the contested issue is decided against him, he may not later renew the litigation in another court."<sup>8</sup> The enforcement of this principle has been achieved largely through the related doctrines of *res judicata* and collateral estoppel.<sup>9</sup>

The general rule of *res judicata* is that a final judgment upon the merits of a cause of action, entered by a court of competent jurisdiction, binds the parties and their privies<sup>10</sup> to every matter litigated or which could have been litigated to sustain or defeat the claim in issue.<sup>11</sup> The conclusive effect of the first judgment upon an attempted second suit on the same claim or cause of action is said to occur through the operation of "bar" or "merger."<sup>12</sup> If the plaintiff prevails in the first suit, his cause of action is merged into the judgment, precluding recovery again on that claim except in a suit on the judgment. If the defendant prevails, the plaintiff is barred from suing him again on the same cause of action. Because of the emphasis on prevention of relitigation of the same cause of action, these features of *res judicata* have been entitled "claim preclusion" by one authority.<sup>13</sup> While the term *res judicata* has often been used by the courts to include finality of a prior judgment in a later suit on a different cause of action, that use is technically incorrect. The principle of *res judicata* is applied much more narrowly when the second action is between the same parties but is based upon a different cause of action. In those cases the prior judgment operates as an estoppel only as to those matters placed in issue or points controverted, the determination of which were necessary in order to render the decision.<sup>14</sup>

Since the cause of action involved in the second proceeding is not swallowed by the judgment in the prior suit, the parties are free to litigate points which were not at issue in the first proceeding, even though such points might have been tendered and decided at that time. But matters which were actually litigated and determined in the first proceeding cannot later be relitigated. Once a party has fought out a matter in litigation with the other party, he

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courts as to the validity of the patent. The issue of the continuing validity of *Triplett v. Lowell* was submitted to the parties by the Supreme Court in a subsequent order. See note 52 *infra*, and accompanying text.

<sup>8</sup> *Heiser v. Woodruff*, 327 U.S. 726, 733 (1946). Moreover, a litigant should not have to face the same claims or issues in court more than once. *Passailaigue v. Herron*, 38 F.2d 775, 776 (5th Cir.), *cert. denied*, 282 U.S. 845 (1930). See also A. FREEMAN, JUDGMENTS § 626, at 1318-19 (5th ed. 1925).

<sup>9</sup> *Stare decisis* and comity are often included in discussions of judicial finality. See generally 1B J. MOORE & T. CURRIER, FEDERAL PRACTICE ¶ 0.401 (2d ed. 1965).

<sup>10</sup> RESTATEMENT OF JUDGMENTS §§ 83-92 (1942) deals with the application of preclusion of a prior judgment to persons in privity with parties. The general rule of privity has been stated as follows: "Privity is a word which expresses the idea that as to certain matters and in certain circumstances persons who are not parties to an action but who are connected with it in their interests are affected by the judgment with reference to interests involved in the action as if they were parties." *Id.* § 83, comment *a*.

<sup>11</sup> See, e.g., *Commissioner v. Sunnen*, 333 U.S. 591 (1948); *Cromwell v. County of Sac*, 94 U.S. 351 (1877).

<sup>12</sup> RESTATEMENT OF JUDGMENTS § 45, comments *a*, *b* (1942).

<sup>13</sup> Vestal, *Preclusion/Res Judicata Variables: Parties*, 50 IOWA L. REV. 27, 28 (1964).

<sup>14</sup> Because the parties are precluded from relitigating an issue actually and necessarily determined in the prior action, Professor Vestal has termed this bar to relitigation as "issue preclusion," as distinguished from the "claim preclusion" of *res judicata*. *Id.* at 28. RESTATEMENT OF JUDGMENTS § 68, comment *c* (1942), provides that a question of fact put in issue by the pleadings and submitted to the trier of fact, once determined, is actually litigated and the judgment is conclusive between the parties in a subsequent suit on a different cause of action.

cannot later renew that duel. In this sense, *res judicata* is usually and more accurately referred to as estoppel by judgment, or collateral estoppel . . .<sup>15</sup>

Collateral estoppel originally applied only to instances in which the party seeking to invoke the prior judgment and the party against whom it was being asserted were both parties (or privies) in the first action. This requirement is most often referred to as mutuality of estoppel. Since its inception it has been the source of extensive comment and criticism.<sup>16</sup>

Mutuality of estoppel means that the party seeking to invoke a prior judgment in his favor must also have been bound by that prior judgment had it been decided adversely to his interest.<sup>17</sup> The origin of the rule is not certain, but it has been firmly entrenched in our judicial system for well over 100 years.<sup>18</sup> Due process<sup>19</sup> and "sportsmanship"<sup>20</sup> have been used as bases for its

<sup>15</sup> *Commissioner v. Sunnen*, 333 U.S. 591, 597 (1948), citing RESTATEMENT OF JUDGMENTS §§ 68, 70 (1942); Scott, *Collateral Estoppel by Judgment*, 56 HARV. L. REV. 1 (1942).

<sup>16</sup> The list of articles and other works discussing the merits or faults of mutuality is extensive. Some of these works, several of which are primarily directed to its relation to patent law, are: RESTATEMENT OF JUDGMENTS § 93 (1942); 1B J. MOORE & T. CURRIER, *supra* note 9, §§ 0.412, .441; Currie, *Mutuality of Collateral Estoppel: Limits of the Bernhard Doctrine*, 9 STAN. L. REV. 281 (1957); Evans & Robins, *The Demise of Mutuality in Collateral Estoppel (The Second Round Patent Suit—The Not-So-Instant Replay)*, 24 OKLA. L. REV. 179 (1971); Lieberman & Nelson, *In Rem Invalidity—A Two-Sided Coin*, 53 J. PAT. OFF. SOC'Y 9 (1971); Moore & Currier, *Mutuality and Conclusiveness of Judgments*, 35 TUL. L. REV. 301 (1961); Rollins, *In Rem Invalidity: A Solution in Search of a Problem?*, 52 J. PAT. OFF. SOC'Y 561 (1970); Semmel, *Collateral Estoppel, Mutuality and Joinder of Parties*, 68 COLUM. L. REV. 1457 (1968); Vestal, *Preclusion/Res Judicata Variables: Parties*, 50 IOWA L. REV. 27 (1964); Comment, *The Impacts of Defensive and Offensive Assertion of Collateral Estoppel by a Non-Party*, 35 GEO. WASH. L. REV. 1010 (1967).

<sup>17</sup> *Bigelow v. Old Dominion Copper Mining & Smelting Co.*, 225 U.S. 111, 127 (1912); RESTATEMENT OF JUDGMENTS § 93 (1942).

<sup>18</sup> See, e.g., *Cromwell v. County of Sac*, 94 U.S. 351 (1877).

<sup>19</sup> *Postal Tel. Cable Co. v. Newport*, 247 U.S. 464 (1918).

<sup>20</sup> Jeremy Bentham took issue with the fair play-sportsmanship analysis of mutuality. Bentham wrote:

Another curious rule is, that, as a judgment is not evidence *against* a stranger, the contrary judgment shall not be evidence *for* him. If the rule itself is a curious one, the reason given for it is still more so:— 'Nobody can take benefit by a verdict, who had not been prejudiced by it, had it gone contrary: a maxim which one would suppose to have found its way from the gaming-table to the bench . . . It is right enough that a verdict obtained by *A* against *B* should not bar the claim of a third party *C*; but that it should not be evidence in favour of *C* against *B*, seems the very height of absurdity.

J. BENTHAM, *Rationale of Judicial Evidence*, in 7 WORKS OF JEREMY BENTHAM 171 (J. Bowring ed. 1843).

However, one commentator who defends the doctrine asserts that the above statement has been taken out of context and misapplied. He finds Bentham supporting mutuality in the following passage:

One remarkable circumstance is, that the whole body of the rules of law relating to the subject are, with a very small number of exceptions, exclusionary. Even a decision given in a former cause is said not to be conclusive evidence; and then an exclusion is put upon the whole mass of evidence, howsoever constituted, which might have been capable of being presented on the other side.

In saying this, enough has already been said to satisfy anyone, who has assented to what was said in a former chapter concerning adscititious evidence, that nearly the whole of the established rules on this subject, except to the extent of the single and very limited case in which it was there seen that the exclusion is proper, are bad. Accordingly, the rule that a judgment directly upon the point is conclusive in any future cause *between the same parties*, is a good rule—it is almost the only one that is.

Greenbaum, *In Defense of the Doctrine of Mutuality of Estoppel*, 45 IND. L.J. 1, 9 n.35 (1969) (emphasis added), quoting J. BENTHAM, *supra*, at 170.

application. Exceptions began to appear in the strict application of mutuality to avoid inherently unfair results, with one of the earliest and most common exceptions arising in the area of liability of a principal for the torts of his agent. In this area a prior finding of the absence of liability on the part of the agent may be asserted against the plaintiff who seeks to recover from the principal for the same injury.<sup>21</sup>

The modern history of mutuality goes far beyond the finding of exceptions to the rule. It begins with the wholesale rejection of mutuality in the application of collateral estoppel in *Bernhard v. Bank of America National Trust & Savings Ass'n.*<sup>22</sup> Justice Traynor's opinion found no compelling reason for blindly accepting the doctrine as applicable in all instances. He stated:

In determining the validity of a plea of res judicata three questions are pertinent: Was the issue decided in the prior adjudication identical with the one presented in the action in question? Was there a final judgment on the merits? Was the party *against whom* the plea is asserted a party or in privity with a party to the prior adjudication?<sup>23</sup>

*Bernhard* has not led to complete abandonment of mutuality by the courts. Yet the statement made by the Supreme Court in 1936 in *Triplett v. Lowell* that any abandonment would be supported by "[n]either reason nor authority"<sup>24</sup> can no longer be accepted.

The present attitude of the courts toward mutuality as a necessary concomitant of collateral estoppel is in a state of flux. The New York courts believe "the doctrine of mutuality is a dead letter."<sup>25</sup> But this is hardly the case nationwide. While the state courts which have confronted the issue in recent

<sup>21</sup> See RESTATEMENT OF JUDGMENTS §§ 99-100 (1942); 1B J. MOORE & T. CURRIER, *supra* note 9, § 0.412; Greenbaum, *supra* note 20; Moore & Currier, *supra* note 16. See also cases cited in 18 N.Y.U.L.Q. REV. 565, 566 (1940); Comment, *Privty and Mutuality in the Doctrine of Res Judicata*, 35 YALE L.J. 607, 610 (1925).

<sup>22</sup> 19 Cal. 2d 807, 122 P.2d 892 (1942). It is interesting to note that this momentous decision received scarce comment at the time it was reported. The lone law review attention directed at the case was Seavey, *Res Judicata with Reference to Persons Neither Parties Nor Privies—Two California Cases*, 57 HARV. L. REV. 98 (1943).

<sup>23</sup> 122 P.2d at 895 (emphasis added). If the three questions posed by Justice Traynor were answered affirmatively it seems mutuality should be rejected absolutely, thereby allowing collateral estoppel to be pleaded offensively by a plaintiff against either the plaintiff or defendant in the earlier suit. The fear that offensive use against a defendant in the prior suit who might not have had an opportunity to fully litigate the issue would cause anomalous results has led many courts to deny the use of collateral estoppel offensively when no mutuality exists. See *Mackris v. Murray*, 397 F.2d 74 (6th Cir. 1968); *Berner v. British Commonwealth Pac. Airlines, Ltd.*, 346 F.2d 532 (2d Cir. 1965), *cert. denied*, 382 U.S. 982 (1966); *Spettigue v. Mahoney*, 8 Ariz. App. 281, 445 P.2d 111 (1958); *Albernay v. City of Fall River*, 346 Mass. 336, 191 N.E.2d 771 (1963). See also Currie, *supra* note 16; Semmel, *supra* note 16; Comment, *supra* note 16. The offensive assertion of collateral estoppel against a former defendant has been allowed in several important cases, however. See *Provident Tradesmen's Bank & Trust Co. v. Lumbermen's Mut. Cas. Co.*, 411 F.2d 88 (3d Cir. 1969); *Seguros Tepeyac, S.A., Compania Mexicana de Seguros Generales v. Jernigan*, 410 F.2d 718 (5th Cir. 1969); *Graves v. Associated Transport, Inc.*, 344 F.2d 894 (4th Cir. 1965); *Zdanok v. Glidden Co.*, 327 F.2d 944 (2d Cir.), *cert. denied*, 377 U.S. 934 (1964); *United States v. United Airlines*, 216 F. Supp. 709 (E.D. Wash. & N.D. Nev. 1962), *aff'd sub nom. United Airlines v. Wiener*, 335 F.2d 379 (9th Cir.), *cert. denied*, 379 U.S. 951 (1964); *B.R. DeWitt, Inc. v. Hall*, 19 N.Y.2d 141, 225 N.E.2d 195, 278 N.Y.S.2d 596 (1967).

<sup>24</sup> 297 U.S. 638, 642 (1936).

<sup>25</sup> *B.R. DeWitt, Inc. v. Hall*, 19 N.Y.2d 141, 225 N.E.2d 195, 278 N.Y.S.2d 596 (1967).

years have increasingly rejected the strict application of mutuality,<sup>26</sup> there are still other states which have reaffirmed the principle.<sup>27</sup> The trend of the courts seems to be toward redefining the situations in which mutuality is warranted, based in large part on the three-question test enunciated in *Bernhard*. In no other system of courts is this as apparent as in the federal courts.

The federal courts when not sitting in diversity jurisdiction are free to establish their own rules on mutuality.<sup>28</sup> Four circuits have specifically rejected the requirement of mutuality in cases involving federal issues.<sup>29</sup> The overriding consideration expressed in these federal court decisions is the achievement of judicial finality with justice. In 1950 the Court of Appeals for the Third Circuit held that "the achievement of substantial justice rather than symmetry is the measure of the fairness of the rules of res judicata."<sup>30</sup> The most recent exposition of the dominant attitude of the federal, as well as the state, courts is that of the Fifth Circuit in *Rachal v. Hill*:

[I]t is clear that the requirements of mutuality need not be met for collateral estoppel to be applied in an action presenting a federal question in the courts of the United States . . . This is not to say, however, that a party who receives an adverse determination of an issue in prior litigation will be forever estopped from relitigating that issue under all circumstances. While the requirement of mutuality need no longer be met, the doctrine of collateral estoppel will not be applied unless it appears that the party against whom the estoppel is asserted had a full and fair opportunity to litigate the issue in the prior proceeding and that application of the doctrine will not result in an injustice to the party against whom it is asserted under the particular circumstances of the case.<sup>31</sup>

<sup>26</sup> See, e.g., *Teitelbaum Furs, Inc. v. Dominion Ins. Co.*, 58 Cal. 2d 601, 375 P.2d 439, 25 Cal. Rptr. 559 (1962); *Coca-Cola Co. v. Pepsi-Cola Co.*, 36 Del. 124, 172 A. 260 (1934); *Lynch v. Chicago Transit Authority*, 62 Ill. App. 2d 220, 210 N.E.2d 792 (1965); *B.R. DeWitt, Inc. v. Hall*, 19 N.Y.2d 141, 225 N.E.2d 195, 278 N.Y.S.2d 596 (1967).

<sup>27</sup> See, e.g., *Stillpass v. Kenton County Airport Bd.*, 403 S.W.2d 46 (Ky. 1966); *Smith v. Preis*, 396 S.W.2d 636 (Mo. 1965); *Shaw v. Eaves*, 262 N.C. 656, 138 S.E.2d 520 (1964); *First Nat'l Bank v. Berkshire Life Ins. Co.*, 176 Ohio St. 395, 199 N.E.2d 863 (1964); *Booth v. Kirk*, 53 Tenn. App. 139, 381 S.W.2d 312 (1964). In fact, the recent California case of *Great Western Furniture Co. v. Porter Corp.*, 238 Cal. App. 2d 502, 48 Cal. Rptr. 76 (1965), points up the fact that the matter is still open in that state. The court stated that "the general rule is that there must be identity of parties to the actions before the doctrine [collateral estoppel] can become operative." *Id.* at 508, 48 Cal. Rptr. at 81.

<sup>28</sup> See, e.g., *Heiser v. Woodruff*, 327 U.S. 726, 733 (1946); *Zdanok v. Glidden Co.*, 327 F.2d 944, 956 (2d Cir. 1964).

<sup>29</sup> See *Rachal v. Hill*, 435 F.2d 59 (5th Cir. 1970); *Zdanok v. Glidden Co.*, 327 F.2d 944 (2d Cir. 1964); *Gibson v. United States*, 211 F.2d 425 (3d Cir. 1954); *United States v. Willard Tablet Co.*, 141 F.2d 141 (7th Cir. 1944). In 1970 Professor Moore, in a supplement to his treatise on federal practice, stated that "[a]dmittedly, the trend in the federal courts is away from the rigid requirements of mutuality advocated herein." 1B J. MOORE & T. CURRIER, *supra* note 9, § 0.412[1] (Supp. 1971). The other circuits seem to be in agreement, as determined from opinions handed down in nonfederal issues. See, e.g., *Lober v. Moore*, 417 F.2d 714 (D.C. Cir. 1969); *Graves v. Associated Transp., Inc.*, 344 F.2d 894 (4th Cir. 1965); *Haddad v. Border Express, Inc.*, 300 F.2d 885 (1st Cir. 1962); *Davis v. McKinnon & Monney*, 266 F.2d 870 (6th Cir. 1959); *People v. Ohio Cas. Ins. Co.*, 242 F.2d 474 (10th Cir. 1956); *United States v. United Airlines, Inc.*, 216 F. Supp. 709 (E.D. Wash. & N.D. Nev. 1962), *aff'd sub nom.* *United Airlines v. Wiener*, 335 F.2d 370 (9th Cir.), *cert. denied*, 379 U.S. 951 (1964).

<sup>30</sup> *Bruszewski v. United States*, 181 F.2d 419, 421 (3d Cir.), *cert. denied*, 340 U.S. 865 (1950).

<sup>31</sup> 435 F.2d 59, 62 (5th Cir. 1970).

However, prior to the decision in *Blonder-Tongue* strict mutuality was the rule in patent litigation under *Triplett v. Lowell*.<sup>32</sup>

## II. MUTUALITY IN PATENT LITIGATION—PRO AND CON

The battle lines had formed long before the Supreme Court granted certiorari in *Blonder-Tongue*.<sup>33</sup> The war was waged on the issues of public interest, judicial economy, and competitive advantage.

*Public Interest.* A patent is a constitutionally sanctioned monopoly.<sup>34</sup> Its purpose is public benefit from the encouragement and development of inventions. On the other hand a very real public interest exists in granting this monopoly right to only those inventions which meet the statutory requirements.<sup>35</sup> Anti-mutuality advocates feel that it is anomalous that after an adjudication on the merits that a patent is invalid, the patentee may continue to reap the benefits of the monopoly. Mutuality's defenders put the shoe on the other foot by replying that it is also in the public interest that a patent, properly granted, be ultimately upheld.<sup>36</sup> They caution that not to allow the patentee the advantages of mutuality will weaken our patent system upon which our industrial nation so heavily relies. "Who will spend the vast sums of money needed to develop and test a new product, even one having vast potential for promoting the common good, such as a new medicine . . . , if he does not have some assurance that he can recover the expenses of such testing as well as those incurred with other products which fail?"<sup>37</sup> In response to this argument it is asserted that the very same economic evil is reason for abandoning mutuality. A non-patentee manufacturer has a vital interest in knowing whether a patent is valid or invalid before he incurs royalty or licensing costs or risks liability for infringement.<sup>38</sup>

*Judicial Economy.* The opponents of traditional mutuality believe that its removal from the realm of patent litigation would significantly reduce the number of subsequent suits filed on already crowded trial dockets.<sup>39</sup> The "grave" effect of relitigation of patents is challenged by citing statistics which show that of all cases filed in the federal courts only 1.2 percent are patent cases<sup>40</sup> and only 62 out of 6,057 patent suits commenced between 1949 and

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<sup>32</sup> 297 U.S. 638 (1936).

<sup>33</sup> See Kananen, *Comments and Observations on Res Judicata and Patent Law*, 18 W. RES. L. REV. 103 (1966); Lieberman & Nelson, *supra* note 16; Rollins, *supra* note 16.

<sup>34</sup> U.S. CONST. art. I, § 8.

<sup>35</sup> *Lear, Inc. v. Adkins*, 395 U.S. 653, 674 (1969).

<sup>36</sup> *Technograph Printed Cir., Ltd. v. United States*, 372 F.2d 969, 978 (Ct. Cl. 1967).

<sup>37</sup> Brief for Respondent at 21, *Blonder-Tongue Labs., Inc. v. University of Illinois Found'n*, 402 U.S. 313 (1971).

<sup>38</sup> Lieberman & Nelson, *supra* note 16, at 19.

<sup>39</sup> "A patentee, having been afforded the opportunity to exhaust his remedy of appeal from a holding of invalidity, has had his 'day in court' and should not be allowed to harass others on the basis of an invalid claim. There are few, if any, logical grounds for permitting him to clutter crowded court dockets and to subject others to costly litigation." THE PRESIDENT'S COMM'N ON THE PATENT SYSTEM, TO PROMOTE THE PROGRESS OF USEFUL ARTS 38, 39 (1966). See also *Aghnides v. Holden*, 226 F.2d 949, 951 (7th Cir. 1955) (Schnackenberg, J., concurring).

<sup>40</sup> Approximately 1.2% of the cases commenced between 1959 and 1968 were patent

1958 (or approximately 1 percent) were relitigated.<sup>41</sup> Therefore, it is argued that the crowded court docket problem is de minimis. Moreover, since a number of the relitigated cases found the patents valid, the advocates of mutuality assert that this confirms their argument that the first decision rendered may often be wrong.<sup>42</sup> While admittedly the issues placed before the courts require a technical understanding few American jurists achieve,<sup>43</sup> the counter-argument is that, nonetheless, a strict requirement of mutuality is not justified. The patentee is a litigant who can often choose his opponent and forum,<sup>44</sup> and, most importantly, a litigant who has little right to complain about an insufficient record or presentation. The patent laws create a presumption of validity on an issued patent<sup>45</sup> which thereby places the burden of proof of invalidity upon the defendant. The issues now become whether the patentee was accorded his day in court, and whether the determination of this fact will itself result in increased judicial proceedings.<sup>46</sup>

*Competitive Advantage.* The competitive disadvantages forced upon non-patentee defendants suggest a strong argument for ending any inflexible requirement of mutuality. The effect of the law is "that infringers or licensees who lose on the issue of validity must compete at an economic disadvantage or get out of the market, while those who win can compete on at least an equal footing with the patentee though employing the same device as the loser."<sup>47</sup> Further, since the average minimum cost of conducting a patent infringement suit to judgment is estimated to be \$50,000 to \$100,000 for each party, with the costs frequently being as high as a million dollars each for the litigants,<sup>48</sup> a prospective defendant may be compelled to obtain a license and pay royalties rather than undergo the arduous efforts and expense of an infringement suit.<sup>49</sup>

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cases. ADMINISTRATIVE OFFICE OF THE UNITED STATES COURTS, REPORT (1969), cited in Brief for Respondent, *supra* note 37, at 15 n.11.

<sup>41</sup> STAFF OF SUBCOMM. ON PATENTS, TRADEMARKS & COPYRIGHTS, SENATE COMM. ON THE JUDICIARY, 86TH CONG., 2D SESS., AN ANALYSIS OF PATENT LITIGATION STATISTICS (Comm. Print 1961).

<sup>42</sup> See opinion of Judge Learned Hand in *Harries v. Air King Prods. Co.*, 183 F.2d 158, 162 (2d Cir. 1950). See also *Nyyssonen v. Bendix Corp.*, 342 F.2d 531 (1st Cir.), *cert. denied*, 382 U.S. 847 (1965). Consider also the forum shopping factors involved. See note 71 *infra*.

<sup>43</sup> Brief for the United States as amicus curiae at 33, *Blonder-Tongue Labs., Inc. v. University of Illinois Found'n*, 402 U.S. 313 (1971).

<sup>44</sup> See Rollins, *supra* note 16, at 564.

<sup>45</sup> 35 U.S.C. § 282 (1971).

<sup>46</sup> See Brief for United States, *supra* note 43, at 22; Brief for Petitioner at 17, *Blonder-Tongue Labs., Inc. v. University of Illinois Found'n*, 402 U.S. 313 (1971); Lieberman & Nelson, *supra* note 16, at 27, 52; Moore & Currier, *supra* note 16.

<sup>47</sup> Lieberman & Nelson, *supra* note 16, at 21.

<sup>48</sup> Gorn, *Economic Value of Patents*, in ENCYCLOPEDIA OF PATENT PRACTICE AND INVENTION MANAGEMENT 221, 222 (1964).

<sup>49</sup> "Unless holdings of invalidity are given some preclusive force, the expensive prospect of defending an action for infringement brought under even an invalidated patent may suffice to force alleged infringers to pay royalties rather than challenge the patent as a defense." *Nickerson v. Kutschera*, 419 F.2d 983, 988 n.4 (3d Cir. 1969) (Hastie, J., dissenting); *accord*, *Cover v. Schwartz*, 133 F.2d 541, 545 (2d Cir. 1942); *Picard v. United Aircraft Corp.*, 128 F.2d 632, 641 (2d Cir. 1942).

An opposing argument is that it is just as costly and unfair to require a patentee to litigate the validity of his patent as against the world in what may be a relatively small suit for royalties. Semmel, *supra* note 16, at 1465.



III. BLONDER-TONGUE LABORATORIES, INC. v. UNIVERSITY  
OF ILLINOIS FOUNDATION

The partial overruling of *Triplett v. Lowell*<sup>50</sup> by *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*<sup>51</sup> was a product of the Court's own initiative rather than at the behest of either party. The original questions presented by the petition for writ of certiorari dealt with the issues of validity of the patents involved. The Supreme Court raised the issue of the continued validity of *Triplett* sua sponte,<sup>52</sup> justifying this action on the basis of "well-recognized exceptions" to the rule that only the questions raised in the petition will be considered by the Court.<sup>53</sup> Even after the issue was raised, neither *Blonder-Tongue* nor the Foundation argued for reversal or modification of *Triplett* in their briefs.<sup>54</sup> However, *Blonder-Tongue* did concede during oral argument that a modification of *Triplett* might be appropriate.<sup>55</sup> The primary source from which the Court drew its opinion was the brief submitted by the United States as amicus curiae. The Government's position was that *Triplett* should be modified to allow for a determination on a case-by-case basis whether collateral estoppel should be applied to prevent "the obvious waste motion of cases which present identical issues of law and fact,"<sup>56</sup> and whether the plaintiff had been given a full and fair opportunity to litigate these issues.

Justice White, speaking for the Court, first undertook to recount the history of mutuality of collateral estoppel. He noted that as recently as 1968 lower federal courts were distinguishing *Triplett* in order to bypass its effects.<sup>57</sup> The judge-made doctrine of mutuality was going through a process of erosion and fundamental change accompanied by other developments which allowed the courts to dispose of cases swiftly but justly. While the "mutations in estoppel doctrine" were not before the Court for "wholesale approval or rejection," nonetheless they gave the Court cause "to re-examine whether mutuality of estoppel is a viable rule where a patentee seeks to relitigate the validity of a

<sup>50</sup> 297 U.S. 638 (1936).

<sup>51</sup> 402 U.S. 313 (1971).

<sup>52</sup> The court issued an order requesting that, in addition to the questions tendered in the petition for certiorari, the parties in the case address themselves to the following questions in their briefs and oral arguments: (1) Should the holding of *Triplett v. Lowell*, 297 U.S. 638 (1936), that a determination of patent invalidity is not res judicata as against the patentee in subsequent litigation against a different defendant, be adhered to? (2) If not, does the determination of invalidity in the *Winegard* litigation bind the respondents in this case? 402 U.S. at 317.

<sup>53</sup> U.S. SUP. CT. R. 23(1)(c). See R. ROBERTSON & F. KIRKMAN, JURISDICTION OF THE SUPREME COURT OF THE UNITED STATES § 418 (R. Wolfson & P. Kurkland eds. 1951); R. STERN & E. GRESSMAN, SUPREME COURT PRACTICE § 6.37 (4th ed. 1969). The Court discusses the action at 402 U.S. at 320, n.6. Two previous departures from the usual practice were cited as further precedent for their action: *Moragne v. States Marine Lines, Inc.*, 398 U.S. 375 (1970); *Erie R.R. v. Tompkins*, 304 U.S. 64 (1938).

<sup>54</sup> "Secondly, we are unprepared to urge the modification of established doctrines, such as *res judicata*, merely for the convenience of placing another tool in the hands of the patent busters." Brief for the Petitioner, *supra* note 46, at 13.

<sup>55</sup> 402 U.S. at 320, n.6.

<sup>56</sup> Brief for the United States, *supra* note 43, at 36.

<sup>57</sup> See, e.g., the case of *Technograph Printed Circuits, Ltd. v. Packard Bell Electronics Corp.*, 290 F. Supp. 308, 317-18 (C.D. Cal. 1968) where the defendant in an infringement suit was granted a summary judgment by noting that in *Triplett* the statements as to mutuality were dicta and moreover conflicted with not only precedent but with the spirit of certain provisions of the Federal Rules of Civil Procedure adopted after *Triplett*.

patent once a federal court has declared it to be invalid."<sup>58</sup> Phrasing the issue in terms of the modern trend or test, the Court asked "whether it is any longer tenable to afford a litigant more than one full and fair opportunity for judicial resolution of the same issue."<sup>59</sup>

The Court did not believe that holding a patentee-plaintiff to one determination of validity would remove the safeguard against incorrect judgments which mutuality supposedly offers. Realizing the technical difficulties inherent in patent disputes the Court nonetheless observed that "issues of nonobviousness present difficulties 'comparable to those encountered daily by the courts in such frames of reference as negligence and scienter, and should be amenable to a case-by-case development.'"<sup>60</sup> Moreover, if the issues in a patent litigation were so vague and imperceptible in the first suit, what reason exists to say the judgment in the second suit would be any less likely to be in error? The characteristic patent suit is marked by careful discovery and evidentiary planning which leads to a complete record before the court. In any case, collateral estoppel, just as mutuality, should not be applied automatically. The patentee-plaintiff must be given an opportunity to demonstrate, if possible, "that he did not have 'a fair opportunity procedurally, substantively, and evidentially to pursue his claim the first time.'"<sup>61</sup> The mere fact that technical intricacies exist in patent infringement actions is not sufficient to justify relitigation of the same issues for the sole reason that mutuality is absent.

The Court heavily documented its position that the sheer cost (both in terms of money and time) of patent infringement suits caused unjust results. Taking note of the statutory presumption of validity of a patent, it was observed that the more vigorously a defendant maintains his position, the more expensive the litigation is for him. Consequently, the potential defendant will likely accept a license or remove himself from the competition altogether. The time and money spent on litigation of a patent initially held invalid could be put to far better use in research and development.

The monopoly granted under a patent has the same economic consequences attending any other monopoly. Therefore, the public interest is strong in not allowing devices which lack the requirements of patentability a continuing monopolistic effect. Justice White traced the precedent in this area to bolster this proposition. Restrictions or conditions placed upon licensees which tended to broaden the physical or temporal scope of the patent monopoly were invalidated in *Mercoïd v. Mid-Continent Investment Co.*<sup>62</sup> A manufacturer of a device has been allowed to test the validity of another's patent under the Declaratory Judgment Act<sup>63</sup> before he is sued for infringement.<sup>64</sup> A defendant in an infringement suit has been allowed to counterclaim for treble damages

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<sup>58</sup> 402 U.S. at 327.

<sup>59</sup> *Id.* at 328. The issue of whether the litigant against whom the estoppel is asserted has had a full and fair opportunity to litigate these same issues is not necessarily closed by a prior determination of invalidity.

<sup>60</sup> *Id.* at 331, citing *Graham v. John Deere Co.*, 383 U.S. 1, 18 (1966).

<sup>61</sup> *Id.* at 333, citing *Eisel v. Columbia Packing Co.*, 181 F. Supp. 298, 301 (D. Mass. 1960).

<sup>62</sup> 320 U.S. 661 (1944).

<sup>63</sup> 28 U.S.C. § 2201 (1971).

<sup>64</sup> *Kerotest Mfg. Co. v. C-O-Two Fire Equip. Co.*, 342 U.S. 180, 185 (1952).

under the Clayton Act<sup>65</sup> for alleged fraud on the Patent Office in the procurement of the patent.<sup>66</sup> *Lear, Inc. v. Adkins*<sup>67</sup> allowed a licensee to challenge the validity of his licensor's patent on a suit for royalties, thereby overturning long-standing precedent to the contrary. Obviously, the Court has been less than sympathetic to the plight of patentees whose patents have once been declared invalid. In ruling that *res judicata* and collateral estoppel are affirmative defenses to be pleaded under rule 8(c)<sup>68</sup> the Court concluded:

When these judicial developments are considered in the light of our consistent view—last presented in *Lear, Inc. v. Adkins*—that the holder of a patent should not be insulated from the assertion of defenses and thus allowed to exact royalties for the use of an idea that is not in fact patentable or that is beyond the scope of the patent monopoly granted, it is apparent that the uncritical acceptance of the principle of mutuality of estoppel expressed in *Triplett v. Lowell* is today out of place. Thus, we conclude that *Triplett* should be overruled to the extent it forecloses a plea of estoppel by one facing a charge of infringement of a patent that has once been declared invalid.<sup>69</sup>

#### IV. CONCLUSION

*Blonder-Tongue* surely marks the demise of the traditional doctrine of mutuality of estoppel in the federal courts. But just as surely it does not constitute a cure for every problem in patent infringement litigation. Although the Court remarked that the modern trend favors defensive use of collateral estoppel sans mutuality, it did not settle the question of offensive use because the case apparently did not present such questions. The Court of Appeals for the Tenth Circuit has ruled in *Boutell v. Volk*<sup>70</sup> that *Blonder-Tongue* does not authorize the offensive use of collateral estoppel to establish validity of a patent against a second defendant. The possibilities are very real that a patent may be sued upon and found valid in several circuits, each judgment being inconclusive of validity in the others. The next suit may well be found against the patentee, holding his patent invalid. Should any future defendant be allowed to prevail on a plea of collateral estoppel based on the one finding of invalidity? The answer, unfortunately, does not really matter—for whether it is allowed or not the patent will be regarded as valid in some circuits, invalid in others. Thus, the same evils of some competitors being required to seek licenses while others are not required to do so, and the uncertainties of whether to obtain a license or risk an infringement suit are as alive as ever. Once a patent is held valid any later decision of invalidity immediately raises the problem. The judicial finality sought by the Court will never occur unless it is the first decision, whether of validity or invalidity, that is given preclusive effect.<sup>71</sup>

<sup>65</sup> 15 U.S.C. § 15 (1971).

<sup>66</sup> *Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172 (1965).

<sup>67</sup> 395 U.S. 653 (1969).

<sup>68</sup> FED. R. CIV. P. 8(c).

<sup>69</sup> 402 U.S. at 349, 350.

<sup>70</sup> 449 F.2d 673 (10th Cir. 1971).

<sup>71</sup> Some will argue that to give the initial decision full preclusive effect will increase forum shopping. But isn't that the case even under the present decision? In order to stand the best chance of not having its patent declared invalid, the patentee will choose the weakest possible defendant in the most favorable circuit. That is, the patentee plaintiff will choose the Fifth Circuit (with a 59.7% finding of validity), or the Tenth Circuit (with a favorable invalidity percentage of only 38.1%), rather than the Third Circuit (with a 77.5% finding