Indiana Law Journal

Volume 22 | Issue 3 Article 12

Spring 1947

Consent Decrees and Res Judicata

PATENTS

CONSENT DECREES AND RES JUDICATA

In a suit for infringement of a patent, the defendants raised the issue of patent validity. An earlier suit between the same parties for infringement of the same patent resulted in a consent decree in plaintiff's favor. Held: The consent decree did not estop defendants from questioning the validity of the patent in this suit. The patent is invalid.[1] *Addressograph-Multigraph Corp. v. Cooper et al.*, 156 F.(2d) 483 (C.C.A. 2nd, 1946).[2]

Although a consent decree has been interpreted to be but a contract between the parties,[3] the federal rule now

---

10. Thomas v. Southern Lumber Co., 181 S.W.(2d) 111 (Tex. Civ. App. 1944); Lassiter v. Shell Oil Co., 188 Wash. 371, 62 P. (2d) 1096 (1944).

11. In Thomas v. Southern Lumber Co., supra n.10, the court said, p. 115: " . . . the legal duty which the owner or operator owes a gratuitous guest is practically the same as that which the owner of real property used for private purposes owes to a mere licensee. Hence it appears immaterial in this case from the standpoint of Hammon's (the employer's) liability for the torts of Frederick (the driver) whether Nolan Thomas (the rider) be regarded as a trespasser, licensee, or guest in the truck because the test of liability would be practically the same in either of these contingencies."

    A problem of privilege might arise in those jurisdictions where the duty owed to a gratuitous guest by the driver differs from that owed to a trespasser by the master. If the duty owed by the driver to his guest were less than that owed to a trespasser by the master, would the driver's non-liability under the statute cloak the master with immunity? O'Leary v. Fash, 245 Mass. 123, 140 N.E. 282 (1923), in observing that the rights of the trespasser-guest to recover against the master should be no higher than his rights against the host-driver would seem to answer the question in the affirmative. Richard's v. Parker, 19 Tenn. App 645, 93 S.W.(2d 639 (1935), indicates that the guest of the principal is entitled to no greater rights against the agent than against the principal under the "guest" statute. It would seem logical that the converse should be true.

1. Clark, J., dissenting. Majority opinion by Woodbury, Swan, J.J.

2. This is in affirmance of the district court. Addressograph-Multigraph Corp. v. Cooper et al., 60 F. Supp. 697 (S.D.N.Y. 1946).

3. Hodgson v. Vroom, 266 Fed. 267 (C.C.A. 2nd, 1920); 3 Freeman, Judgments (5th Ed. 1925) §1350.

established holds a consent decree to be a judicial act[4] and conclusive in the absence of fraud and mistake.[5]

In the instant case, the consent decree was held to be invalid for want of an adjudication of infringement.[6] The court stated that on grounds of public policy, a decree entered by consent did not estop,[7] nor was it res judicata as to validity without an adjudication of infringement or a grant of some relief from which infringement could be inferred.[8]

---

4. U.S. v. Swift and Co., 286 U.S. 106 (1932); Coca-Cola Co. v. Standard Bottling Co., 138 F.(2d) 788 (C.C.A. 10th, 1943); O'Cedar Corp. v. F. W. Woolworth Co., 66 F.(2d) 363 (C.C.A. 7th, 1933); U.S. v. Radio Corp. of America, 46 F. Supp. 654 (D. Del., 1942).
5. O'Cedar Corp. v. F. W. Woolworth Co., 66 F.(2d) 363 (C.C.A. 7th, 1933); Utah Power and Light Co. v. U.S., 42 F.(2d) 304 (Ct. Cl. 1930).
6. The consent decree held that patent was good and valid and that the plaintiff was possessed of title, and continued: "Whereas defendants . . . have merely furnished to others . . . but have not made or sold the aforesaid printing plates and have no intention of making, using or selling . . . plaintiff has waived the issuance of an injunction against, and an accounting by, the defendants . . ."
7. To bolster its holding, the majority opinion elaborates on several decisions, not too pertinent except as indicative of a public interest in patents which of course was early recognized in Kendall v. Winsor, 21 How. 322 (U.S. 1858), and Dinsmore v. Schofield, 102 U.S. 375,378 (1880). Of the cases cited Pope Mfg. Co. v. Gormully, 144 U.S. 224 (1892) denied specific performance of an inequitable contract but refused to hold it unenforcible at law; Electrical Fittings Corp. v. Thomas & Betts Co., 307 U.S. 241 (1939) allowed a defendant to appeal (not to attack collaterally) a decree of valid and not infringed; Cover v. Schwartz, 133 F.(2d) 541 (C.C.A. 2nd, 1942) surprisingly restricted procedural freedom by inequitably denying to an appellant patentee relief analogous to that granted to the defendant in the Electrical Fittings Case, supra; Altvater v. Freeman, 319 U.S. 359 (1943) merely permitted a defendant to counterclaim patent invalidity, a situation quite remote from a collateral attack; Mercoid v. Mid-Continent Investment Co., 320 U.S. 661 (1943) held that a contributory infringer was not estopped in a later suit from setting up as a counterclaim a statutory cause of action. Sinclair & Carroll Co. v. Interchemical Corp., 325 U.S. 327 (1945) stressed the desirability of determining the validity of the patent as well as the question of infringement; Grant Paper Box Co. v. Russell Box Co., 151 F.(2d) 886,890 (C.C.A. 1st, 1945) followed the recommendation of the Sinclair case but discussed the logical difficulties encountered, and on rehearing held the patent valid, 154 F.(2d) 729 (C.C.A. 1st, 1946).
8. Then follows this statement, "In other words, we think the public interest in a judicial determination of the invalidity of a worthless patent is great enough to warrant the conclusion that a defendant is not estopped by a decree of validity at least when the decree was by consent, unless it is clear that in the litigation resulting in the decree the issue of validity was genuine." This

However, bearing in mind that the patentee has the right to exclude others from making, using or selling his invention, the consent decree despite its informal provisions[9] did adjudicate infringement. The decree recited that defendants had furnished but had not made or sold the patented plate to others.[10] Under prior decisions, the defendants' actions would constitute an infringing use.[11] Further, the decree recited that it was only because the defendants represented that they had no intention of making, using or selling the plate that the plaintiff waived an injunction. This recitation of waiver necessarily implies the relinquishing of a right which in this instance could arise only by virtue of infringement.[12]

The public interest heavily relied upon by the majority opinion, has long been recognized[13] and recently has been

---

statement is not merely an alternative expression, but it calls for an alternative procedure, i.e., an actual litigation of validity. Such procedure would annihilate the effectiveness of consent decrees even though infringement was admitted and formally recited.

9. Customarily a consent decree recites patent validity, title and infringement, a grant of injunction, and perhaps further relief such as an accounting.

10. The court had before it a deposition of one of the defendants and testimony which admitted furnishing the patented plates to another.

11. The furnishing of a patented tube to others through the mail or by salesmen merely as advertising and not for monetary compensation constituted infringement, Patent Tube Corp. v. Bristol-Myers Co., 25 F. Supp. 776 (S.D.N.Y., 1938); the operative demonstration of an alleged infringing machine to prosepective buyers constituted a use, Scott and Williams, Inc. v. Hemphill Co., 14 F. Supp. 621 (S.D.N.Y., 1931); personal use of a water well driven by a patented process was a forbidden use, Beedle v. Bennett, 122 U.S. 71 (1887); to employ a patented article in any manner for beneficial uses of a pecuniary character is an invasion of the privileges of the patentee, 3 Robinson, "Patents" (1890), p. 62. But, a use solely for gratifying a philosophical taste or curiosity or for instruction and amusement is not an infringing use, Poppenhausen v. Falke, 4 Blatchf. 493, Fed. Cas. No. 11,279 (C.C.S.D.N.Y., 1861).

12. The majority opinion overlooked the fact that the recitation in the decree of both a "furnishing" of the patented item and a "waiver" expressed alternatively, nonetheless adjudicated infringement. Nor was it material that defendants were unwilling to have the decree state baldly that they infringed, so that alternative language was employed.

13. Sinclair and Carroll Corp. v. Interchemical Corp., 325 U.S. 327 (1945); U.S. v. Univis Lens Co., 316 U.S. 241 (1942); Morton Salt v. G. S. Suppiger Co., 314 U.S. 488 (1942); Aero Spark Plug Corp. v. B. G. Corp., 130 F.(2d) 290,293 (C.C.A. 2nd, 1942); Booth Fisheries Corp. v. General Foods Corp., 48 F. Supp. 313 Del., 1942).

could have been raised.[19] Despite a decree's inadequacy[20] or its grant of relief without adequate foundation,[21] it is conclusive upon the parties if entered by consent. Thus, in the instant case, even had the decree been defective for want of an adjudication of infringement, it had been entered with defendants' consent and therefore should have been binding.

PROCEDURE

PRE-TRIAL PROCEDURE IN INDIANA

The Indiana Supreme Court in 1940 adopted in substance the federal rule providing for pre-trial conference procedure.[1] The 1940 rule was retained verbatim in the 1943 revision of the Supreme Court Rules.[2]

---

19. Nashville, Chattanooga and St. Louis R.R. v. U.S., 113 U.S. 261 (1885).
20. U.S. v. Radio Corp. of America, 46 F.Supp,. 654 (D.Del., 1942).
21. Cushman and Dennison Mfg. Co. v. Grammes, 234 Fed. 952 (E.D.Pa., 1916). Even if a decree is entered without support of facts, it is not void, U.S. v. Swift and Co., 286 U.S. 106 (1932); consent cannot give juridiction, but it may bind the parties and waive previous errors if, when the court acts, jurisdiction has been obtained, Pacific Railroad v. Ketchum, 101 U.S. 289 (1879).
1. Fed. R. Civ. P., 16.
2. Rules of the Indiana Supreme Court, Rule 1-4:
"In any action except criminal cases, the court may in its discretion and shall upon motion of any party, direct the attorneys for the parties to appear before it for a conference to consider:
(a) The simplification and closing of the issues;
(b) The necessity or desirability of amendments to the pleadings;
(c) The possibility of obtaining admissions of fact and of documents which will avoid unnecessary proof or the introduction of unnecessary evidence;
(d) The limitation of the number of expert witnesses;
(e) Such other matters as may expedite the determination of the action.

The court shall make an order which recites the action taken at the conference, the amendments allowed to the pleadings, and the agreements made by the parties as to any of the matters considered which limit the issues for trial to those not disposed of by admissions or agreements of counsel; and such order when entered shall control the subsequent course of the action, unless modified thereafter to prevent manifest injustice. The court in its discretion may establish by rule a pre-trial calendar on which actions may be placed for consideration as above provided, and may either confine the calendar to jury actions or non-jury actions or extend it to all actions."

In comparing the Indiana and Federal Rules, it should be noted that the following portions of the Indiana Rule are omitted in the Federal Rule: " . . . and shall upon the motion of any party, . . . " (first paragraph), " . . . and closing of the issues;" (clause (a)), " . . . or the introduction of unnecessary evidence;"