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Purging the Misuse - Suggestions for a Reasonable Balance of Conflicting Policies

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PURGING THE MISUSE—SUGGESTIONS FOR A REASONABLE BALANCE OF CONFLICTING POLICIES

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Misuse is a defense in a patent infringement action that has its roots in the equitable doctrine of unclean hands.[1] The defense normally arises when a patentee uses its publicly granted monopoly to violate the antitrust laws. In *Morton Salt Co. v. G.S. Suppiger Co.*,[2] the Supreme Court established the general rule that "courts of equity, may appropriately withhold their aid where the plaintiff is using the right asserted contrary to the public interest."[3] A court therefore may refuse to aid a patentee's misuse "by declining to entertain a suit for infringement "[4]

A corollary of the misuse doctrine, as stated in *B.B. Chemical Co. v. Ellis*,[5] is that a patentee that has been found guilty of misusing its patent has a "right to relief when it is able to show that it has fully abandoned its present method of restraining competition and that the consequences of that practice have been fully dissipated."[6] The equitable remedy of purge thus has developed as a relief from the harshness of the misuse doctrine. Remedy allows the erring patentee to enforce its patent once it has cleansed itself entirely of the particular misuse.[7]

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1. United States Gypsum Co. v. National Gypsum Co., 352 U.S. 457, 465 (1957); W.L. Gore & Assocs., Inc. v. Carlisle Corp., 529 F.2d 614, 622 (3d Cir. 1976); Ansul Co. v. Uniroyal, Inc., 306 F Supp. 541, 563 (S.D.N.Y. 1969), *aff'd in part, rev'd in part*, 448 F.2d 872 (2d Cir:), *cert. denied*, 404 U.S. 1018 (1972). For a discussion of misuse and purge as equitable in nature, see *In re* Yarn Processing Patent Validity Litigation, 472 F Supp. 170, 171-73 (S.D. Fla. 1979).

2. 314 U.S. 488 (1942).

3. *Id.* at 492.

4. *Id.* at 493. The doctrine "is a harsh and repelling rule." Nicoson, *Misuse of the Misuse Doctrine in Infringement Suits*, 9 U.C.L.A. L. REV. 76, 99 (1962) [hereinafter cited as Nicoson]; Note, *Dissipation of Patent Misuse*, 1968 WIS. L. REV. 918, 918 [hereinafter cited as Note, *Dissipation*].

5. 314 U.S. 495 (1942).

6. *Id.* at 498.

7. *See* Note, *Dissipation, supra* note 4, at 919-21. *See also In re* Yarn Processing Patent Validity Litigation, 472 F Supp. 170 (S.D. Fla. 1979), wherein the court stated:

> Since the defense of misuse is equitable in nature, and based on a strong public policy against allowing one who wrongfully uses a patent to enforce it during the misuse, the remedy of purge has developed, requiring that there be

In the years since *Morton Salt* and *B.B. Chemical Co.*, a body of case law has developed concerning the remedy of purge. Because purge is basically a question of fact[8] to be decided in each case by the trial court in its discretion, the application of this law follows no set pattern.[9] In light of the multitude of complex factual situations possible in these cases, the flexibility inherent in a trial court's wide use of discretion is the appropriate, if not the only, way to decide the issue fairly Nevertheless, the law of purge should have some parameters determined by the public policies underlying both the patent misuse doctrine and the antitrust laws. That there is a close relationship between the patent misuse doctrine and the antitrust laws is well recognized. The patent misuse doctrine is tied closely to the public interest in restraining the patentee from engaging in anticompetitive arrangements that violate those laws.[10] After a brief historical introduction, this Article discusses recent trends

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> a showing that a dissipation or purge of the effects of the misuse has occurred, before the patentee may enforce his patent.

Id. at 172.

Although the purge issue seems appropriate for a court of equity, the decision in Beacon Theatres v. Westover, 359 U.S. 500 (1959), and its progeny, may require a trial by jury. *Beacon Theatres* states that if common fact issues between equitable and legal claims exist, the legal issue should be tried first so as not to deny a party his right to a jury trial. A recent case, Parklane Hosiery Co. v. Shore, 99 S. Ct. 645 (1979), narrowed the holding in *Beacon Theatres*, and the district court in *Yarn Processing* explicitly refused to interpret *Beacon Theatres* as mandating trial by jury on the legal infringement issue before trial to the court of the equitable purge issue. 472 F Supp. at 173-74. At least one court, however, has submitted both misuse and purge issues to a jury. *See* De Buit v. Harwell Enterprises, 540 F.2d 690, 694 (4th Cir. 1976) (no appeal taken so decision not reviewed).

8. United States Gypsum Co. v. National Gypsum Co., 352 U.S. 457, 465 (1957); Koratron Co. v. Lion Uniform, Inc., 409 F Supp. 1019, 1022-23 (N.D. Cal. 1976).

9. Preformed Line Prods. v. Fanner Mfg. Co., 328 F.2d 265, 279 (6th Cir.), *cert. denied*, 379 U.S. 846 (1964). *See* Koratron Co. v. Lion Uniform, Inc., 409 F Supp. 1019, 1023 (N.D. Cal. 1976).

10. Wallace, *Proper Use of the Patent Misuse Doctrine—An Antitrust Defense to Patent Infringement Actions In Need of Rational Reform*, 26 MERCER L. REV. 813, 814 (1974) [hereinafter cited as Wallace].

One author has suggested that the misuse doctrine be "purged" of all antitrust considerations. *See* Nicoson, *supra* note 4, at 105-10.

A violation of the antitrust laws need not be found for the defense of misuse to be asserted if the circumstances and arrangements that gave rise to that misuse tend to restrain competition or have anticompetitive effects. *See* Morton Salt Co. v. G.S. Suppiger Co., 314 U.S. 488 (1942); Berhlenbach v. Anderson & Thompson Ski Co., 329 F.2d 782 (9th Cir.), *cert. denied*, 379 U.S. 830 (1964); Stewart v. Mo-Trim Inc., 192 U.S.P.Q. 410 (S.D. Ohio 1975); Laitram Corp. v. King Crab Inc., 245 F Supp. 1019 (D. Alas. 1965). The majority of cases discussed in this Article, however, involve such violative arrangements.

in the law of purge in light of these public interest considerations.

An Overview of the Misuse Doctrine

Contributory Infringement

The misuse doctrine was applied originally as a defense in contributory infringement cases.[11] In *Motion Picture Patents Co. v. Universal Film Manufacturing Co.*,[12] the Supreme Court, over a dissent by Justice Holmes, refused to allow the petitioner to extend its patent monopoly The petitioner had restricted the use of its patented machines through the requirement that operators use certain nonpatented materials necessary for their operation.[13] The Court stated that the patentee's monopoly on a machine "is not concerned with and has nothing to do with the materials with which or on which the machine operates."[14] Quoting from the case of *Kendall v. Winsor*,[15] the Court stated, " 'It is undeniably true, that the limited and temporary monopoly granted to inventors was never designed for their exclusive profit or advantage; the benefit to the public or community at large was another and doubtless the primary object in granting and securing that monopoly ' "[16]

In *Carbice Corp. of America v. American Patents Development Corp.*,[17] the Court held that a patentee cannot make the use of its

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11. Contributory infringement occurs when one aids another in the direct infringement of a patent. 4 D. Chisum, Patents § 17.01 (1979).

12. 243 U.S. 502 (1916). This case expressly overruled Henry v. A.B. Dick Co., 224 U.S. 1 (1912). 243 U.S. at 518. The Court noted that the so-called merit of the *Dick Co.* system, allowing the owner of a patent to sell his machine practically at cost and to derive his profits from the sale of supplies, "is the clearest possible condemnation of, the practice adopted, in effect extending the power to the owner of the patent to fix the price to the public of the unpatented supplies as effectively as he may fix the price on the patented machine." *Id.* at 517. The Court concluded, "It is obvious that the conclusions arrived at in this opinion are such that the decision in Henry v. Dick Co., 224 U.S. 1, must be regarded as overruled." *Id.* at 518.

13. *Id.* at 518-19. Justice Holmes rejected the majority's reasoning because under Continental Paper Bag Co. v. Eastern Paper Bag Co., 210 U.S. 405, 422 (1907), the patentee could keep its device totally out of use for whatever reason it chose. *Id.* at 519 (Holmes, J., dissenting). Justice Holmes observed, "I cannot understand why he may not keep it out of use unless the licensee, or, for the matter of that, the buyer, will use some unpatented thing in connection with it." *Id.* He also stated that the rule of *Henry v. A.B. Dick Co.* had risen to "a rule of property that law and justice require to be retained." *Id.* at 520.

14. *Id.* at 512.

15. 62 U.S. (21 How.) 322, 327-28 (1858).

16. 243 U.S. at 511.

17. 283 U.S. 27 (1931).

patented article conditioned on the use of an unpatented substance. Thus, a competitor was not liable for contributory infringement despite its knowledge that its product was being used in machines like those described in the patent.[18]

In *Leitch Manufacturing Co. v. Barber Co.*,[19] the Supreme Court completed its development of the misuse defense in cases of contributory infringement. The Court found that whether the expansion of the patent was " 'by contract, notice or otherwise' " was irrelevant.[20] Thus, the Court concluded that "every use of a patent as a means of obtaining a limited monopoly of unpatented material is prohibited. It applies whatever the nature of the device by which the owner of the patent seeks to effect such unauthorized extension of the monopoly "[21]

Direct Infringement

In 1942 the Court first applied the misuse defense in a case of direct infringement. In *Morton Salt Co. v. G.S. Suppiger Co.*,[22] the respondent alleged that the petitioner had infringed directly its patent for a salt tablet depositor by manufacturing and leasing an unpatented, similar machine.[23] In its defense, the petitioner alleged that the respondent had misused its patent by requiring licensees to use unpatented salt tablets with its patented machine.[24] The Supreme Court upheld the entry of summary judgment for the petitioner.[25] The Court stated that the reason for extending the doctrine of misuse to a case of directly infringement was the same as that underlying application of the doctrine in a suit for contributory infringement: a refusal to hear the infringement suit would be in the public interest.[26] In reaching this conclusion, the Court balanced the

18. *Id.* at 32-33.
19. 302 U.S. 458 (1938).
20. *Id.* at 463.
21. *Id.*
22. 314 U.S. 488 (1942).
23. *Id.* at 489-90.
24. *Id.*
25. *Id.* at 489-90, 494.
26. The Court stated the following:

> The reasons for barring the prosecution of such a suit against one who is not a competitor with the patentee in the sale of the unpatented product are fundamentally the same as those which preclude an infringement suit against a licensee who has violated a condition of the license by using with the licensed ma-

public interest in free enterprise with the property rights of the patent holder and the constitutional purpose of promoting "the Progress of Science and useful Arts ."[27] Thus, the patentee was not permitted to enlarge the patent beyond its legitimate scope. Of paramount importance was not the effect of the misuse on the defendant, but the "adverse effect upon the public interest."[28] Justice Douglas summarized this concept in *Mercoid Corp. v. Mid-Continent Investment Co.*[29] as follows:

> The patent is a privilege. But it is a privilege which is conditioned by a public purpose. It results from invention and is limited to the invention which it defines. When the patentee ties something else to his invention, he acts only by virtue of his right as owner of property to make contracts concerning it and not otherwise. He then is subject to all limitations upon that right which the general law imposes upon such contracts. The contract is not saved by anything in the patent laws because it relates to the invention. If it were, the mere act of the patentee could make the distinctive claim of the patent attach to something which does not possess the quality of invention. Then the patent would be diverted from its statutory purpose and become a ready instrument for economic control in domains where the anti-trust acts or other laws not the patent statutes define the public policy [30]

The particular type of anticompetitive violation involved is not a factor in determining whether the misuse defense should be allowed.[31] The misuse doctrine primarily has been used in cases in-

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> chine a competing unpatented article It is the adverse effect upon the public interest of a successful infringement suit, in conjunction with the patentee's course of conduct, which disqualifies him to maintain the suit, regardless of whether the particular defendant has suffered from the misuse of the patent.

Id. at 493-94 (citations omitted).

27. *See id.* at 492-93. The quoted language is from article I of the Constitution. U.S. CONST. art. I, § 8, cl. 8. That the policy underlying the *Morton Salt* decision was solely that of the patent laws is clear. Antitrust considerations were infused into the misuse doctrine soon thereafter. *See* Nicoson, *supra* note 4, at 84-90; Wallace, *supra* note 10, at 817 & n.20.

28. 314 U.S. at 494. Confusion exists as to what that public interest is. *See* Alfred Bell & Co. v. Catalda Fine Arts, Inc., 191 F.2d 99 (2d Cir. 1951); Nicoson, *supra* note 4, at 105-09.

29. 320 U.S. 661 (1944).

30. *Id.* at 666.

31. "It is sufficient to say that *in whatever posture the issue may be tendered* courts of equity will withhold relief where the patentee and those claiming under him are using the patent privilege contrary to the public interest." *Id.* at 669 (emphasis supplied). *See also* Ansul Co. v. Uniroyal, Inc., 306 F Supp. 541, 557 (S.D.N.Y. 1969), *aff'd in part, rev'd in part*, 448 F.2d 872 (2d Cir.), *cert. denied*, 404 U.S. 1018 (1972) ("As it is an equitable doctrine its

volving illegal tying arrangements in which the patent holder has used the patent to expand its monopoly by requiring the purchase of unpatented goods for use with patented articles.[32] Several cases, however, illustrate the successful application of the misuse doctrine to violations of the antitrust laws such as price-fixing,[33] customer restrictions,[34] and other anticompetitive arrangements.[35] The central inquiry is whether " 'the patent itself significantly contributes' to the unlawful practice."[36] In other words, the misuse defense may be asserted if the patentee is using its patent in violation of the antitrust laws. If "the patent plays a major role in enabling its holder unlawfully to restrain trade, public policy against abuse of the limited lawful monoply requires that its enforcement against infringers be stayed until the effects of the restraint have been purged or dissipated."[37] Misuse of a patent therefore in no way affects the patent's validity; once the patentee has purged itself of the misuse, absent invalidity on other grounds, the patent is enforceable in an infringement action.[38]

The Law of Purge

The law of purge developed as a response to the harshness of the misuse defense, which restrains a patentee from asserting its claim against potential infringers. The law of purge places the burden on the patentee to show by a preponderance of the evidence that it clearly and unequivocally has abandoned the misuse and that the bad effects and consequences of misuse have dissipated.[39] This sec-

application is not limited to any particular type of antitrust violation.").

32. *See, e.g.*, McCullough Tool Co. v. Wells Surveys Inc., 343 F.2d 381 (10th Cir. 1965), *cert. denied*, 385 U.S. 933 (1966); Jack Winter, Inc. v. Koratron Co., 375 F Supp. 1, 71-72 (N.D. Cal. 1974); Ansul Co. v. Uniroyal, Inc., 306 F Supp. 541, 557 (S.D.N.Y. 1969), *aff'd in part, rev'd in part*, 448 F.2d 872 (2d Cir.), *cert. denied*, 404 U.S. 1018 (1972); Valmont Indus., Inc. v. Yuma Mfg. Co., 296 F Supp. 1291, 1295 (D. Colo. 1969).

33. United States Gypsum Co. v. National Gypsum Co., 352 U.S. 457 (1957); *In re* Yarn Processing Patent Validity Litigation, 541 F.2d 1127, 1139-42 (5th Cir. 1976), *cert. denied*, 433 U.S. 910 (1977).

34. Hensley Equip. Co. v. Esco Corp., 383 F.2d 252 (5th Cir. 1957).

35. *See* Wallace, *supra* note 10, at 817-19.

36. Ansul Co. v. Uniroyal, Inc., 306 F Supp. 541, 558 (S.D.N.Y. 1969), *aff'd in part, rev'd in part*, 448 F.2d 872 (2d Cir.), *cert. denied*, 404 U.S. 1018 (1972) (quoting Att'y Gen.'s Nat'l Comm. to Study the Antitrust Laws, Report 251 (1955)).

37. *Id.*

38. Hensley Equip. Co. v. Esco Corp., 383 F.2d 252, 261 (5th Cir. 1967).

39. Note, *Dissipation, supra* note 4, at 923-26.

tion will explore various aspects of the law of purge from its origins in the *Morton Salt* and *B.B. Chemical* cases.

Central Policies Underlying the Development of Purge as a Remedy

The doctrine of misuse developed on the basis of dual policy grounds: those underlying the patent laws, which do not permit the patentee to expand its special privilege of patent monopoly in contravention of the public interest past the confines of its patent; and those embodied in the federal antitrust laws, which restrain the patentee from using its patent for anticompetitive activities.[40] The purge remedy is an attempt to balance these strong public policies with two countervailing policies: the need to protect the incentive for developing science and technology, which is the stated purpose of the constitutional grant of patent monopoly; and the lesser-included necessity of restraining potential infringers from violating the patent laws.[41] Equity courts should consider the purge issue with these competing principles in mind.[42]

In many cases, the wrong done to the public interest may be greater if potential infringers are allowed to remain free from suit than if the erring patentee is allowed to sue for infringement despite some lingering effects of that misuse. This possibility may compel the conclusion that a lesser standard of purge should be accepted that permits the patentee to assert its rights at the earliest reasonable time after effective abandonment. The lesser standard of purge is more consistent with its equitable underpinnings because equitable relief is remedial in nature, not punitive.[43] The inability of the

40. In discussing the possible conflict between the antitrust and patent policies that underlie the misuse defense, one author has remarked, "[I]f there is in fact really any conflict—the defense has enabled infringers to avoid liability, at least until the effects of improper conduct are 'purged.'" Wallace, *supra* note 10, at 817. Another commentator has stated that in no misuse case yet decided has clear conflict arisen between the patent and antitrust laws. Nicoson, *supra* note 4, at 110. *See also* Markey, *Special Problems in Patent Cases*, 66 F.R.D. 529, 535 (1975). This writer believes that the policy conflict, if any, can be dealt with effectively in deciding the purge issue.

41. Note, *Dissipation*, *supra* note 4, at 924-25.

42. A similar balance of interests underlies the application of the misuse doctrine but has not as yet been adopted by the courts. *See* Wallace, *supra* note 10, at 820-21. This writer believes that a successful balance can be struck on the purge issue once a misuse has been found.

43. Hartford-Empire Co. v. United States, 323 U.S. 386, 435 (1945). An overly harsh application of the misuse doctrine may rise to the level of outright confiscation. Nicoson, *supra* note 4, at 107.

patentee to assert its rights against infringers amounts to a fine imposed by the court and a large windfall profit to those guilty of the unlawful activity

This is not to say that courts should permit patentees to enforce their patents without a clear and affirmative abandonment of the illegal practices. The major problem occurs with the duty of the patentee to show dissipation of the effects of the misuse. This serious question involves the necessary extent of affirmative action on the part of the patentee to dissipate the effects and consequences of misuse. It has been argued that a patentee that has entered into an illegal price-fixing scheme, the effect of which presumptively causes an incentive not to patronize alternative technology, must show the following: that the improper practices have been abandoned and that alternative technologies have developed to the point that they would have absent the misuse.[44] Following this reasoning

44. This position was argued by the yarn producers (Tnrowsters) in a multidistrict case, *In re* Yarn Processing Patent Validity Litigation, 472 F Supp. 180, 187 & n.13 (S.D. Fla. 1979). The Court of Appeals for the Fifth Circuit previously had found that an agreement between the patentee and certain machinery manufacturers that contained a rebate provision for machines sold under license from the patentee constituted price-fixing. *In re* Yarn Processing Patent Validity Litigation, 541 F.2d 1127, 1139-42 (5th Cir. 1976), *cert. denied,* 433 U.S. 910 (1977). The court of appeals, in finding the patents misused and unenforceable, had cited United States v. Line Material, 333 U.S. 287 (1948) for support in stating, "Such an arrangement goes beyond the evils of *Line Material* because the non-patentee machinery manufacturers are left with less incentive to patronize alternative technology as well as the reduced incentive to do so on the part of the patent holders." 541 F.2d 1127, 1142 (5th Cir. 1976), *cert. denied,* 433 U.S. 910 (1977). The Throwsters relied on this language of the Fifth Circuit to support their contention that in fact less incentive had existed to develop alternative technologies. 472 F Supp. at 187 n.13, 190 n.17.

The district court summarized the position of the Throwsters as follows:

> The Throwsters argue that to show full dissipation, Lex Tex must establish by a preponderance of the evidence that there is no longer a disincentive to patronize alternative technology on the part of the manufacturers, and that alternative technology has developed to the point that it would have, *but for* the illegal activities that constituted misuse. The Throwsters also contend that this alternative technology must be commercialized and "competitive" with the patented technology of Lex Tex. To prove the technology is "competitive," they contend Lex Tex must show the alternative technology is interchangeable for the same end uses; is substantially equivalent in use and economy.

Id. at 187 n.13.

At the "purge trial," the district court did not reach the issue of what necessary steps the patentee had to take to establish full dissipation of adverse effects. It found purge based solely upon effective abandonment of the illegal provisions. *Id.* at 191. The district court viewed the Fifth Circuit's "alternative technology" language as mere inferences or conclusions of law, rather than findings of fact. *Id.* at 190 & n.17. Although the burden of rebutting a presumption of adverse effects from the misuse was placed on the plaintiff, *id.* at 190 n.17,

to its ultimate conclusion, the patentee would have to prove dissipation of presumed effects, evidence of which would not be of record at trial.[45] This expansive view of dissipation would cause a trial court to speculate on matters well outside its competency, is totally unwarranted based on the patent policies underlying both purge and the misuse doctrine, and places an intolerable burden on the patentee trying to enforce its patent.[46]

The Elements of Purge

The first part of the two-pronged test of purge is that the patentee must clearly and unequivocally abandon the misuse.[47] Because many of the antitrust violations that constitute misuse involve illegal tying arrangements or price-fixing agreements,[48] the patentee generally must show by a preponderance of the evidence that it effectively has repudiated the illegal agreement or portion of the agreement constituting the misuse.[49] The repudiation may be unilateral when the illegal condition is for the protection or benefit of the patentee.[50] Under most circumstances, unilateral action will suffice if it is clear and unequivocal, even if the illegal clause or agreement is mutually advantageous to all parties.[51]

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the court found that the plaintiff had met this burden by introducing evidence that showed the noneffect of the misuse on the industry. *Id.* at 190-91, 190 n.17. Thus, for the plaintiff to show dissipation of the adverse effects of the misuse was unnecessary because none existed. The court refused to presume conclusively that adverse effects existed. *Id.* at 187 n.13.

See notes 69-75 *infra* & accompanying text for a discussion of burden of proof and presumptive effects. That issue also is discussed extensively in Note, *Dissipation*, *supra* note 4, at 923-26. Some procedural aspects of the *Yarn Processing* case are discussed in Statman, *The Defensive Use of Collateral Estoppel in Multidistrict Litigation After Parklane*, 83 DICK. L. REV. 469, 484-85, 484 n.100, 485 n.103 (1979).

45. See the summary of the Throwsters' argument in note 44 *supra*.

46. *See* notes 64-68 *infra* & accompanying text.

47. Koratron Co. v. Lion Uniform, Inc., 409 F Supp. 1019, 1023 (N.D. Cal. 1976); Ansul Co. v. Uniroyal, Inc., 306 F Supp. 541, 560-62 (S.D.N.Y. 1969), *aff'd in part, rev'd in part*, 448 F.2d 872 (2d Cir.), *cert. denied*, 404 U.S. 1018 (1972).

48. *See* notes 31-36 *supra* & accompanying text.

49. In some instances, the illegal provision may be severable from the entire agreement. *See* Westinghouse Elec. Corp. v. Bulldog Elec. Prods. Co., 179 F.2d 139, 146 (4th Cir. 1950); *In re* Yarn Processing Patent Validity Litigation, 472 F Supp. 180, 186 (S.D. Fla. 1979).

50. McCullough Tool Co. v. Wells Surveys Inc., 343 F.2d 381 (10th Cir. 1965), *cert. denied*, 385 U.S. 933 (1966); Eastern Venetian Blind Co. v. Acme Steel Co., 188 F.2d 247, 252 (4th Cir. 1951) (under the direction of the district court); Westinghouse Elec. Corp. v. Bulldog Elec. Prods. Co., 179 F.2d 139, 146 (4th Cir. 1950).

51. *In re* Yarn Processing Patent Validity Litigation, 472 F Supp. 180, 185-86 (S.D. Fla. 1979). In *Yarn Processing*, the court rejected defendant's contention that unilateral abandon-

Any acts inconsistent with clear and unequivocal abandonment will be fatal to the patentee's cause.[52] This may amount to silence or inaction.[53] One court therefore has stated that unequivocal affirmative action is required on the part of the patentee.[54] That court refused to find purge based on "economic reality" or the passage of time.[55] Nonenforcement of a clause or agreement is insufficient to establish abandonment under this test because the patentee may choose to enforce it at any time.[56] The patentee must make the other parties to the agreement aware of the unequivocal abandonment in order to satisfy this first requirement.[57]

When the illegality arises solely out of a contractual clause, several courts have held that abandonment removes the misuse and the patentee may enforce its patent without a further showing of dissipation.[58] On the other hand, when the illegality "consists of extensive and aggravated misconduct over a period of several years,

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ment was insufficient because it was advantageous to the manufacturers and not the patentee. The court found that the provisions were mutually advantageous and then stated:

> "[T]he Court does not view this as a distinction sufficient to justify rejection of Lex Tex's claims of purge. The Court is concerned only with whether the practices which gave rise to the finding of patent misuse no longer are being followed. If an abandonment serving to terminate the misuse has in fact occurred, it matters not whether it resulted from mutual or unilateral action."

Id. at 186 n.12 (quoting language from a previous order by the same court). *See also* Metals Disintegrating Co. v. Reynolds Metals Co., 228 F.2d 885 (3d Cir. 1956).

52. *In re* Yarn Processing Patent Validity Litigation, 472 F Supp. 180, 184-85 (S.D. Fla. 1979); Koratron Co. v. Lion Uniform, Inc., 409 F Supp. 1019, 1022-23 (N.D. Cal. 1976); Stewart v. Mo-Trim Inc., 192 U.S.P.Q. 410, 412 (S.D. Ohio 1975); Ansul Co. v. Uniroyal, Inc., 306 F Supp. 541, 460-62 (S.D.N.Y. 1969), *aff'd in part, rev'd in part*, 448 F.2d 872 (2d Cir.), *cert. denied*, 404 U.S. 1018 (1972).

53. Koratron Co. v. Lion Uniform, Inc., 409 F Supp. 1019, 1028 (N.D. Cal. 1976). The court in *In re* Yarn Patent Validity Litigation, 472 F Supp. 180 (S.D. Fla. 1979), also noted that the dissemination by the patent holder of information that was misleading or incomplete through widely-circulated trade notices was sufficient to find lack of abandonment. *Id.* at 185.

54. Koratron Co. v. Lion Uniform, Inc., 409 F Supp. 1019, 1028 (N.D. Cal. 1976).

55. *Id.*

56. Hensley Equip. Co. v Esco Corp., 383 F.2d 252, 261 (5th Cir. 1967). *See also* Berhlenbach v. Anderson & Thompson Ski Co., 329 F.2d 782, 785 (9th Cir.), *cert. denied*, 379 U.S. 830 (1964); *In re* Yarn Processing Patent Validity Litigation, 472 F Supp. 180, 184 (S.D. Fla. 1979); Koratron Co. v. Lion Uniform, Inc., 409 F Supp. 1019, 1025 (N.D. Cal. 1976).

57. Metals Disintegrating Co. v. Reynolds Metals Co., 228 F.2d 885, 889 (3d Cir. 1956); Westinghouse Elec. Corp. v. Bulldog Elec. Prods. Co., 179 F.2d 139, 146 (4th Cir. 1950).

58. *See, e.g.*, White Cap Co. v. Owens-Illinois Glass Co., 203 F.2d 694 (6th Cir.), *cert. denied*, 346 U.S. 876 (1953); Campbell v. Mueller, 159 F.2d 803 (6th Cir. 1947). *Cf. In re* Yarn Processing Patent Validity Litigation, 472 F Supp. 180, 186-91 (S.D. Fla. 1979) (undertaking extensive inquiry to determine whether there were ill effects to be dissipated).

which has substantially rigidified the price structure of an entire market and suppressed competition over a wide area, affirmative action may be essential to dispel the consequences of the unlawful conduct."[59]

The foregoing discussion makes clear that the extent of the illegality, its effect in the industry, and the nature of the antitrust offense all are factors to be considered by the courts in determining whether purge is effectuated by abandonment of the misuse. This determination is a factual one within the wide discretion of the trial court and not readily reviewable by the appellate court.[60]

The second element of purge places on the patentee the burden of showing that the "consequences of [the misuse] have been fully dissipated."[61] An analysis of dissipation necessarily centers on what these effects or consequences are and whether the language "fully dissipated" must be read literally

The earlier analysis demonstrates that courts separate misuse cases into two categories. In the first category are those cases in which the misuse involves an illegal agreement or contractual provision only In these cases, the abandonment of the illegal agreement or provision itself may constitute purge.[62] In the second category are those cases in which the misuse is more extensive, with wide-ranging effects throughout a whole market or industry [63] These latter cases have asserted that affirmative action on the part of the patentee is necessary "to dispel the consequences of the unlawful conduct."[64] Such a requirement seems reasonable when viewed in the context of the public policy of not permitting the patentee to benefit from violating the antitrust laws. The issue, however, is whether the burden on the patent holder literally should be to re-

59. Ansul Co. v. Uniroyal, Inc., 306 F Supp. 541, 560 (S.D.N.Y. 1969), *aff'd in part, rev'd in part*, 448 F.2d 872 (2d Cir.), *cert. denied*, 404 U.S. 1018 (1972). *See also* Koratron Co. v. Lion Uniform, Inc., 409 F Supp. 1019, 1023 (N.D. Cal. 1976).

60. *See, e.g.*, Preformed Line Prods. Co. v. Fanner Mfg. Co., 328 F.2d 265, 278-79 (6th Cir.), *cert. denied*, 379 U.S. 846 (1964); Koratron Co. v. Lion Uniform, Inc., 409 F Supp. 1019, 1023 (N.D. Cal. 1976).

61. This is the general formulation of the rule, first articulated by the Supreme Court in B.B. Chemical Co. v. Ellis, 314 U.S. 495, 498 (1942).

62. *See* notes 48-58 *supra* & accompanying text. *See also* Water Assoc. Inc. v. Instrumentation Specialties Co., 202 U.S.P.Q. 388, 394 (D. Neb. 1978).

63. Ansul Co. v. Uniroyal, Inc., 306 F Supp. 541, 560 (S.D.N.Y. 1969), *aff'd in part, rev'd in part*, 448 F.2d 872 (2d Cir.), *cert. denied*, 404 U.S. 1018 (1972) (citing Preformed Line Prods. Co. v. Fanner Mfg. Co., 328 F.2d 265, 279 (6th Cir.), *cert. denied*, 379 U.S. 846 (1964)).

64. *Id.*

turn conditions to the status quo.

The more appropriate inquiry should be into the intent evinced by the "purging" conduct.[65] For example, that any antitrust or patent policy is served by allowing potential infringers to violate the patent laws free of the fear of enforcement due to the misuse seems unlikely Carried to a logical extreme, a patentee never could purge its misuse because the potential infringers resisted the patentee's attempt to dissipate the effects of its misuse.[66] If a price-fixing arrangement exists in which agreements between a patentee and its manufacturers provide an incentive to the manufacturers to produce the patentee's machines, the question arises whether the inability or refusal of those manufacturers to develop alternative technology would be an effect that the patentee must dissipate in its entirety A related question is whether the patentee must develop this technology [67] Furthermore, the threat of a successful infringement action by the patentee might deter manufacturers from engaging in research and development because, due to the misuse, they may sell free of any such action. If a patentee has misused its patent, must it also counteract this effect? Such an inquiry by the courts will lead them down a path better left untrod. Matters such as the equivalence of highly complex technologies are not susceptible to simple proof and leave much room for speculation and serious error.[68]

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65. Although its holding may be viewed as being particularly hostile to the erring patentee, the court in Koratron Co. v. Lion Uniform, Inc., 409 F Supp. 1019 (N.D. Cal. 1976), noted the importance of intent in finding purge: "[T]he focus of the Court's analysis was the intent that Koratron's conduct evidenced, a factor appropriate for a court of equity which must decide whether to remove a sanction for prior bad acts." *Id.* at 1028. *See also* Note, *Dissipation, supra* note 4, at 921-22 (stating that some courts have found dissipation based upon good faith efforts).

66. In light of the strong language of some courts, a patentee may find itself in this position. *See, e.g.*, Mercoid Corp. v. Mid-Continent Inv. Co., 320 U.S. 661, 669 (1944) ("courts of equity will withhold relief where the patentee and those claiming under him are using the patent privilege contrary to the public interest"). *But see* Westinghouse Elec. Corp. v. Bulldog Elec. Prods. Co., 179 F.2d 139, 146 (4th Cir. 1950) ("We think, however, that the stipulation shows that the effects have been *sufficiently* purged to enable Westinghouse to ask the courts to protect its rights.") (emphasis supplied).

67. See note 44 *supra* for the discussion of a patentee's duty to show dissipation of adverse effects.

68. *See* note 44 *supra* & accompanying text.

The Theory of Unpurgible Misuse and the Patentee's Burden

The burden on the patentee to show that *all* consequences and effects have been totally dissipated might make the establishment of purge impossible for the patentee.[69] Under traditional antitrust principles, this approach might be defensible.[70] In a patent infringement action, however, the weight of patent policies should at least equal that of antitrust policies. An unpurgible misuse should be found only in rare instances. The rights of the public may be as damaged by the disregard of the patent policies that results from the application of the misuse doctrine, as they are by the patentee's illegal anticompetitive restraints. A court sitting in equity should balance these public policies in determining the purge issue.

A recent case justifiably finding an unpurgible misuse was *Kearney & Trecker Corp. v. Cincinnati Milacron Inc.*[71] The Sixth Circuit refused to reverse the district court's finding that the patent was unenforceable. The rationale of that holding was that the procurement of the patent had been fraudulent; the inequitable conduct of the patentee thus prevented a finding of purge.[72] The unpurgible misuse theory properly should be restricted to cases in which the patentee commits grossly inequitable conduct and should not rear its head in the typical misuse case.

The language of the purge cases stresses that the burden is on the patentee to show that the effects of the misuse have been dissipated. This language, however, presupposes a factual finding of effects and consequences. If the record is devoid of proof that these consequences and effects actually exist, then purge should be found without any inquiry into affirmative action required on the part of the patentee in order to dissipate.[73]

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69. *See, e.g.*, B.B. Chemical Co. v. Ellis, 314 U.S. 495, 498 (1942); Preformed Line Prod. Co. v. Fanner Mfg. Co., 328 F.2d 265, 279 (6th Cir.), *cert. denied*, 379 U.S. 846 (1964). Although the language used in these cases is strong, the author believes that it is not applied strictly by the courts. *See, e.g.*, Westinghouse Elec. Corp. v. Bulldog Elec. Prods. Co., 179 F.2d 139, 146 (4th Cir. 1950).

70. *See* Bigelow v. RKO Radio Pictures, Inc., 327 U.S. 251 (1946), wherein the Court stated, "The most elementary conceptions of justice and public policy require that the wrongdoer shall bear the risk of uncertainty which his own wrong has created." *Id.* at 265.

71. 562 F.2d 365 (6th Cir. 1977).

72. *Id.* at 371-72. This case was distinguished in *In re* Yarn Processing Patent Validity Litigation, 472 F Supp. 180, 190 n.17 (S.D. Fla. 1979).

73. United States Gypsum Co. v. National Gypsum Co., 352 U.S. 457, 465 (1957); White Cap Co. v. Owens-Illinois Glass Co., 203 F.2d 694, 698 (6th Cir.), *cert. denied*, 346 U.S. 876

The tendency of appellate courts to draw from a finding of misuse an inference that the misuse actually has adverse effects may cause confusion.[74] Such inferences should not be accorded the status of findings of fact, which require the patentee to show by a preponderance of the evidence that all the adverse effects have dissipated. Instead, if a court finds misuse without finding adverse effects, then it might require the patentee only to produce evidence showing that in fact there are no adverse effects to be dissipated.[75]

CONCLUSION

When determining whether purge has been effectuated, courts of equity should weigh on a case-by-case basis the public policies underlying the patent laws and the misuse doctrine in order to determine which course is most beneficial to the public interest. Courts should not unreasonably burden the patentee by applying literally the language of those cases that call for the dissipation of all effects or consequences of the misuse. If no factual finding of adverse effects has been made, then a patentee should be able to carry its burden by producing evidence that shows abandonment of the illegal practice and that demonstrates no adverse effect actually existed. If a

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(1953); *In re* Yarn Processing Patent Validity Litigation, 472 F Supp. 180, 186-91 (S.D. Fla. 1979); Printing Plate Supply Co. v. Crescent Engraving Co., 246 F Supp. 654, 673-74 (W.D. Mich. 1965). *See* note 44 *supra.*

74. *See* cases cited in note 73 *supra.*

75. In *In re* Yarn Processing Patent Validity Litigation, 472 F Supp. 180 (S.D. Fla. 1979), the district court placed the burden on the patentee to prove "that the incentive to patronize alternative technology was [not] stifled." *Id.* at 190 n.17. This was based on the Fifth Circuit's earlier opinion, which included language about alternative technology *Id.* That court had before it only a summary judgment record "that [did] not even educate [it] as to the existence of alternative technologies." 541 F.2d 1127, 1135 (5th Cir. 1976), *cert. denied,* 433 U.S. 910 (1977). The patentee carried its burden by producing evidence that no adverse effects existed. *See* note 44 *supra.*

A student author has argued that the burden always should be on the defendant to show the existence of effects to be dissipated. Note, *Dissipation, supra* note 4, at 923. He suggested that the reason for the failure of the courts carefully to consider the problem of effects is confusion over the burden of proof. Recent cases, however, such as Koratron Co. v. Lion Uniform, Inc., 409 F Supp. 1019 (N.D. Cal. 1976) and Ansul Co. v. Uniroyal, Inc., 306 F Supp. 541 (S.D.N.Y. 1969), *aff'd in part, rev'd in part,* 448 F.2d 872 (2d Cir.), *cert. denied,* 404 U.S. 1018 (1972), do not support this view. The confusion over the burden on the patentee stems directly from the contradiction between the language of cases that places the burden on the patentee to dissipate all the effects, presumed or otherwise, and the results of cases that find purge based solely on effective abandonment. A literal application of the expressed rule is both unwarranted by the policies underlying the purge remedy and extremely unjust to the patentee.

court finds that adverse effects exist, then its major inquiry should be whether the patentee has made a good faith effort to abandon the misuse and dissipate whatever lingering effects the trial court finds in the record before it. The doctrine of unpurgible misuse should be limited to those situations in which the patentee has acted fraudulently or inequitably