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RECENT DEVELOPMENTS

Licensee Estoppel And Royalty Payments After *Lear*: Inconsistencies Within The Lower Courts Circumvent *Lear* Rationale

I. INTRODUCTION

Article I of the Constitution¹ expressly provides Congress with the authority to grant inventors exclusive rights to their discoveries for limited periods to promote the development of new ideas and innovations. By according the inventor-patentee the seventeen-year right² either to exclude all others from making, using, or selling his invention³ or to contract for its limited use in the form of assignments or licenses,⁴ Congress has attempted to provide the initiative and incentive necessary to encourage the continued progress of science and the arts.⁵ Moreover, statutory safeguards, which presume the validity of the patent until a contesting party establishes its invalidity, protect the patentee-licensor from patent infringement by unauthorized users.⁶ Although a declaration of patent invalidity constitutes an affirmative defense for licensees to an action for pat-

1. U.S. CONST. art I, § 8, cl. 8. "The Congress shall have power . . . to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries."

2. Pursuant to the Constitutional grant of authority, Congress has enacted the Patent Act, 35 U.S.C. §§1-293 (1970). Section 101 grants eligibility for patent protection to inventors of new and useful processes, machines, and manufacture or composition of matter. See Milgrim, *Sears to Lear to Painton: Of Whales and Other Matters*, 46 N.Y.U.L. REV. 17, 27-29 (1971) [hereinafter cited as Milgrim]. For a good discussion of the common law origins of patent law see Note, *Patent Law-Patent Validity: The Public is the Third Party*, 51 DENVER L.J. 95 (1974).

3. 35 U.S.C. § 154 (1970).

4. Note, *Patent Law-Licensee Agreements*, 18 VILL. L. REV. 968, 970 (1973) [hereinafter cited as *Patent Law*].

5. "The public benefit accruing from the grant of a patent monopoly results from the additional incentive to invent, the stimulation of capital investment in developing the invention provided by the vision of an exclusive position, and the public disclosure of inventions that might otherwise remain secret." *Id.* at 969-70 n.12.

6. 35 U.S.C. § 282 (1970). A patentee-licensor is protected from unauthorized use of his patent monopoly by a civil action for infringement. If he negotiates its use under a licensing agreement, the licensor, in the event his licensee breaches the contract, is given the option to sue for forfeiture of the license, for damages in either an infringement action or an action on the contract, or for specific performance. The licensor's underlying patent is presumed valid by statute and relief for breach of the license will be granted unless the licensee affirmatively establishes a defense sufficient to overcome the presumption. See note 4 *supra*.

ent infringements or recovery of royalties,⁷ the availability of this defense historically was precluded by the licensee estoppel doctrine, which prevented a licensee from disputing the validity of the patent he had contracted to utilize.⁸ Based on the settled theory of contract law that prohibits a purchaser from repudiating a contract merely because of subsequent dissatisfaction with the bargain, the estoppel doctrine became increasingly in conflict with the sound public policy of challenging monopolies based on worthless patents and promoting the free circulation of ideas for public benefit.⁹ Recognizing the incongruity of these competing doctrines, the Supreme Court, in *Lear, Inc. v. Adkins*,¹⁰ overruled the common-law doctrine of licensee estoppel. Notwithstanding this purported abandonment of the rule, the ability of a licensee to invoke patent invalidity as a defense remains unclear.

II. LICENSEE ESTOPPEL AND *Lear*

For more than a century, the licensee estoppel doctrine prohibited licensees from contesting the validity of their licensors' patents¹¹ on the rationale that a licensee should not be permitted to enjoy the benefits accruing from a license agreement while simultaneously urging the invalidity of the underlying patent.¹² As a purchaser could not legally repudiate his contract if he later became dissatisfied with the subsequent bargain he made, the licensee similarly was prevented from challenging the results of his arm's-length bargaining with the licensor.¹³ Notwithstanding this rationale, the

7. Traditionally, this defense was available only to the exclusive licensee under the theory of failure of consideration on the contract. A nonexclusive licensee generally was regarded as having bargained only for the right to use the patent free from an infringement suit by his licensor and consequently was denied the failure of consideration theory. 63 YALE L.J. 125, 126-27 (1953).

8. Note 4, *supra*. See *Automatic Radio Mfg. Co. v. Hazeltine Research, Inc.*, 339 U.S. 827 (1950) (holding that licensee estoppel is the "generally accepted rule"). For a discussion of estoppel doctrine prior to its abandonment, see *Lear, Inc. v. Adkins*, 395 U.S. 653, 663-71 (1969) (overruling *Automatic Radio* and its use of licensee estoppel as a bar to contesting patent validity).

9. *Lear, Inc. v. Adkins*, at 668. See *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964) (emphasizing strong federal policy favoring free competition in ideas that do not merit patent protection); *accord*, *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964).

10. 395 U.S. 653 (1969).

11. *Arnold & Goldstein, Life Under Lear*, 48 TEX. L. REV. 1235, 1238 (1970). See *Treece, Licensee Estoppel in Patent and Trademark Cases*, 53 IOWA L. REV. 525, 528-30 (1967) [hereinafter cited as *Licensee Estoppel*].

12. See 4 A. DELLER, DELLER'S WALKER ON PATENTS § 403 (2d ed. 1965). Licensee estoppel was first introduced in the United States in *Kinsman v. Parkhurst*, 59 U.S. (18 How.) 289 (1856).

13. 395 U.S. at 668. See *Eureka Co. v. Bailey Co.*, 78 U.S. (11 Wall.) 488 (1871) (Court finding a strong presumption that the denial of validity of a licensor's patent is made primarily in support of an unwillingness to pay the royalty which was agreed would be paid).

Supreme Court began to formulate exceptions to dilute the rigidity of the estoppel rule's application.¹⁴ In *Pope Manufacturing Co. v. Gormully*,¹⁵ the Court refused to apply licensee estoppel to enforce a licensee's contractual obligation never to contest his licensor's patent, finding the stipulations oppressive and unreasonable and therefore unenforceable under equity's "clean-hands doctrine."¹⁶ Similarly, it became the rule that once a third party proved patent invalidity, the licensee could assert failure of consideration under the contract as a defense to a suit by the licensor to recover royalties.¹⁷ Additionally, the estoppel doctrine was found inapplicable when licenses contained provisions repugnant to the antitrust laws,¹⁸ and evidence of prior art, such as related patents and publications, was also frequently admitted to narrow the scope of the patentee's claim.¹⁹ In the 1950 decision of *Automatic Radio Manufacturing Company v. Hazeltine Research, Inc.*,²⁰ however, the Court revived the estoppel doctrine and declared, without prolonged analysis, that licensee estoppel remained the generally accepted rule and barred a defense of patent invalidity by the licensee.²¹

The *Hazeltine* decision continued virtually undisturbed²² until overruled by the landmark 1969 decision in *Lear, Inc. v. Adkins*.²³ After granting certiorari to review the California Supreme Court's reliance on licensee estoppel to bar manufacturer-Lear from contesting the validity of inventor-Adkin's patent on an improved aeronautical gyroscope,²⁴ the Court concluded that the strong public interest in permitting full and free competition in unpatentable ideas necessitated a preclusion of rigid applications of the technical requirements of the contract doctrine.²⁵ The Court also considered

14. 395 U.S. at 663-68. See 63 YALE L.J. 125-31 (1953).

15. 144 U.S. 224 (1892).

16. *Id.* at 236-37. See 395 U.S. at 663-64.

17. See, e.g., *Drackett Chemical Co. v. Chamberlain Co.*, 63 F.2d 853 (6th Cir. 1933); note 7 *supra*.

18. See *Sola Elec. Co. v. Jefferson Elec. Co.*, 317 U.S. 173 (1942) (refusing to permit licensor to enforce licensee's price-fixing provisions without permitting licensee to contest validity of underlying patent).

19. See *Westinghouse Elec. & Mfg., Co. v. Formica Insulation Co.*, 266 U.S. 342 (1924) (allowing original patent owner to attack validity of assigned patent by introducing evidence to narrow the claims made in the patent).

20. 339 U.S. 827 (1950).

21. *Id.* at 836.

22. The Court, in *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 231 (1964), suggested, in dictum, that a state could not, under some other law, encroach upon the federal patent laws. *Accord*, *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964); see *Milgrim*, *supra* note 2, at 18.

23. 395 U.S. 653 (1969).

24. *Id.* at 656.

25. "Surely the equities of the licensor do not weigh very heavily when they are bal-

whether requiring licensees to continue payment of royalties while challenging patent validity in the courts would frustrate the federal patent law policy favoring expeditious challenges to worthless patents.²⁶ While expressing no opinion on royalty payments made prior to the issuance of the licensor's patents,²⁷ the Court held, on the basis of the particular facts at bar, that by establishing patent invalidity the licensee could avoid all royalties accruing after issuance of the licensor's patent.²⁸ The Court left unanswered, however, the extent to which federal patent law should pre-empt countervailing contractual policies and allow avoidance of royalty obligations.

III. "PUBLIC POLICY" v. LAW OF CONTRACT AFTER *Lear*

The failure of the *Lear* Court to define more adequately the scope of its public policy analysis in licensor-licensee disputes resulted in an inconsistent application of *Lear* by the lower courts. In *Business Forms Finishing Service, Inc. v. Carson*,²⁹ the Seventh Circuit considered whether a consent decree entered on a settlement upholding patent validity created an estoppel to a defense of invalidity claimed by the licensee in a subsequent suit for patent infringement involving the same parties. Acknowledging the existence of competing policy considerations favoring principles of contract law on the one hand and public interest in free competition and circulation of ideas on the other, the court interpreted *Lear* as direct authority for holding defendant's covenant unenforceable.³⁰ Never-

anced against the important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain We think it plain that the technical requirements of the contract doctrine must give way before the demands of the public interest" *Id.* at 670.

26. *Id.* at 673.

27. The question whether state trade secrets were pre-empted by federal patent law was left unanswered until *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974), upheld their continued validity.

28. 395 U.S. at 674.

29. 452 F.2d 70 (7th Cir. 1971). *Accord*, *Butterfield v. Oculus Contact Lens Co.*, 332 F. Supp. 750 (N.D. Ill. 1971) (finding *Lear* authority for overturning former consent decree establishing patent validity).

30. The court narrowed the issue of the case to a decision whether, as a matter of contract, the licensees should be held to their contract, and if not, whether the judicial decree is nevertheless binding. 452 F.2d at 73. Considering the matter of contract law, the court took notice of the same competing policy considerations reflected in common-law cases dealing with the enforceability of covenants not to compete and in Supreme Court decisions repudiating the doctrine of licensee estoppel. Recognizing in each the underlying basis that private settlement of disputes which adversely affect public interest in promoting free competition cannot be accorded the full protection of the courts, the Seventh Circuit concluded that the licensees' agreement to accept the validity of licensor's patent was unenforceable. *Id.* at 73-75. Lastly, without considering to what extent an adjudication on the merits would affect the finality of a judicial decree, the court determined that since the initial suit was settled before plaintiff-licensor had rested its case, there was no actual decision on the issue of patent validity and therefore no estoppel issue in question.

theless, the same court, in *Maxon Premix Burner Co. v. Eclipse Fuel Engineering Co.*,³¹ held *Lear* and *Business Forms* inapplicable after finding that licensee's admissions of patent validity during trial and its failure to raise effectively the validity issue until after judgment constituted a waiver of any guaranteed right to contest validity in subsequent litigation.³² While paying deference to the public policy of encouraging challenges to worthless patents, the court held *Lear* insufficient to overcome both the statutory presumption favoring patent validity and the recognized public policy favoring conservation of judicial time and limitations on expensive litigation.³³ Similarly, in *Schlegel Manufacturing Co. v. King Aluminum Corp.*,³⁴ an Ohio federal district court interpreted the public policy underpinnings of *Lear* as insufficient authority to allow the relitigation of the same issue of patent invalidity involving the same parties.³⁵ Distinguishing *Business Forms* as determinative only of a peculiar factual circumstance, *Schlegel* found that established judicial policy and a sense of respect for the courts required that parties not request a judge to sign a consent decree declaring patent validity and later attack the authority of the decree.³⁶ This rationale assumes that a judicial decree entered on consent of the parties is sufficiently distinguishable from the principles of contract law overturned in *Lear*. The conclusion is questionable, however, because *Lear's* implicit recognition of the importance of challenging licenses based on worthless patents regardless of the origin of the initial licensing agreement would appear to require a broad interpretation.

Settlement contracts affixing damages for alleged past infringements and establishing future contractual obligations for payment of royalties also have been attacked under the principles of *Lear*. In *Ransburg Electro-Coating Corp. v. Spiller & Spiller, Inc.*,³⁷ licensor claimed infringement of its electrostatic sprayer patent on the basis

31. 471 F.2d 308 (7th Cir. 1972) (contesting grant of injunction barring infringement of licensor's patent on grounds that trial court erred in refusing to make finding on patent invalidity).

32. *Id.* at 312.

33. *Id.*

34. 369 F. Supp. 650 (S.D. Ohio 1973) (denying licensee's motion to stay contempt proceeding initiated by licensor pending adjudication of previously litigated issue of patent validity in a foreign jurisdiction).

35. The court held the issue of patent validity, which was settled in a prior suit under a consent decree signed by that court, to be res judicata to the law of the instant case. *Id.* at 652. *But see* *Butterfield v. Oculus Contact Lens Co.*, 332 F. Supp. 750 (N.D. Ill. 1971).

36. 369 F. Supp. at 653.

37. 489 F.2d 974 (7th Cir. 1973). *See* *Systron-Donner Corp. v. Sundstrand Data Control, Inc.*, BNA PATENT, TRADEMARK & COPYRIGHT J., No. 178 at A-6 (Super. Ct. Calif. May 16, 1974) (finding *Ransburg* authority for estopping licensee from contesting settlement contract affirming patent validity).

of a previous suit against licensee's former supplier that had upheld the validity of licensor's patent and found patent infringement.³⁸ Viewing similar unfavorable disposition as inevitable, Spiller, in two separate agreements, contracted to pay both damages for any and all infringements and royalties for a future licensing agreement that would entitle it to continue marketing Ransburg's patented product as a licensee. Three years later, the Fourth Circuit overruled the finding of infringement by Spiller's former supplier³⁹ and Spiller thereafter discontinued all damage payments under the settlement agreement. When sued only for breach of the settlement contract,⁴⁰ licensee, nevertheless, raised the defense of patent invalidity and counterclaimed for recoupment of all monies paid under both the settlement contract and the licensing agreement.⁴¹ Reversing the district court's opinion that the public policy principles enunciated in *Lear* precluded the court's enforcement of settlement contracts, the Seventh Circuit reasoned that since the settlement agreement existed separately from the licensing contract, enforcement of the former would not be contrary to the sound policy of contesting worthless patents because the invalidity of the patent would preclude enforcement of the licensing agreement.⁴² Construing *Lear* to be representative of a compromise between "technical" requirements of contract law and policies of federal patent law, the court maintained that the fundamental principles favoring expedient and orderly settlement of bona fide claims and the fostering of judicial economy required that settlement contracts be upheld.⁴³

38. Ransburg brought an action in the United States District Court for the District of Maryland against Ionic, Inc., the manufacturer and vendor of the Ionic Models 25 and M50 Electro-static Sprayers utilized by Spiller, claiming that the Ionic Model M50 atomizer infringed Ransburg's patents. *Ransburg Electro-Coating Corp. v. Proctor Elec. Co.*, 317 F.2d 302 (4th Cir. 1963). In a separate but related action, Ionic was cited for contempt of the injunctive provisions of the prior decree, for manufacturing and selling the Ionic Model 25 atomizer. 242 F. Supp. 28 (D. Md. 1965). Shortly thereafter Ransburg and Spiller entered into the settlement contract discussed in text.

39. The Fourth Circuit held that the Ionic Model 25 did not infringe Ransburg's patents. *Ransburg Electro-Coating Corp. v. Ionic Electrostatic Corp.*, 395 F.2d 92 (4th Cir. 1968).

40. Ransburg initiated suit to recover the balance due on the settlement contract and did not contest Spiller's infringement of the licensing agreement for nonpayment of royalties.

41. 489 F.2d at 976. In addition, Spiller filed a third-party complaint against Ionic, asserting various theories of indemnification. Although dismissed by the district court, the instant court reversed and remanded for reconsideration in light of its decision upholding the settlement contract. *Id.* at 979.

42. Basically, Spiller contended that the settlement contract and the license comprised one license agreement to continue production of the product, and, under the principles of *Lear*, the Fourth Circuit's finding of non-infringement by Ionic, precluded the enforcement of the settlement agreement.

43. "Although the federal patent policy prevails over the 'technical requirements of contract doctrine' . . . we believe that such policy must occupy a subsidiary position to the

The Seventh Circuit's pronouncements favoring established principles of contract law proved, however, less than definitive.

In *Kraly v. National Distillers & Chemical Corp.*,⁴⁴ licensor alleged patent infringement and contended that previous litigation with licensee's predecessor-in-interest upholding the validity of licensor's patent was res judicata on the issue of validity of licensor's patent in a subsequent suit with the present licensee.⁴⁵ Although admitting that a dismissal with prejudice in a prior suit generally had conclusive effect on the rights of parties or their privies in subsequent litigation on the same issue, the Seventh Circuit held that the principles of *Lear* and *Business Forms* constituted persuasive authority for dismissing the estoppel effect of res judicata if found in direct conflict with the public policy of avoiding worthless patents. Extending the rationale of *Lear* beyond that previously expressed in *Business Forms*,⁴⁶ the court suggested that even if the issue of patent validity has received a full adjudication on its merits, doubt existed whether, in light of *Lear*, parties could consent to a determination of infringement or patent validity and create another barrier to the federal principles of ridding the public of worthless patent monopolies. Concluding, the court distinguished its *Ransburg* decision with a less than persuasive argument that a significant difference exists between avoiding present licensing agreements incorporating invalid underlying patents and a court's refusing to invalidate contract settlements for past infringements that later prove unfounded.⁴⁷ This distinction lacks consistency because the settlement contract upheld in *Ransburg* is no less a contract based on a worthless patent than the consent decree appropriately overturned in *Kraly* and therefore should not be afforded dissimilar treatment.

fundamental policy favoring the expedient and orderly settlement of disputes and the fostering of judicial economy." 489 F.2d at 978.

44. 502 F.2d 1366 (7th Cir. 1974).

45. In the prior suit with National's predecessor-in-interest, H. B. Egan Mfg. Co., a dismissal without prejudice was requested of the court upon agreement of the settlement contract recognizing the validity of licensor-Kraly's patent and providing for a nonexclusive licensing agreement under which Egan would pay royalties. Nevertheless, the court dismissed with prejudice stating that the parties, by agreement, had made full settlement of all claims for infringement, with Egan taking a license under the Kraly patent. *Id.* at 1368.

46. In *Business Forms*, the court avoided this issue by ruling that no final adjudication had been made on the merits of patent invalidity.

47. Within this analysis is the misconception that a settlement contract negotiated between two parties affects only the rights of those parties. This argument fails to consider that the cost of the licensee's damages paid to the licensor for alleged infringements of a patent that was actually invalid ultimately must be shifted to the public as consumers.

IV. ROYALTY PAYMENTS AFTER *Lear*

Determining that continued payment of royalties by the licensee prior to final adjudication of patent validity would defeat the federal patent policy favoring expeditious and early challenges to worthless patents, the Court in *Lear* held that the licensee could avoid payment of royalties after patent issuance if it proved patent invalidity.⁴⁸ The Court, however, left undecided the question of recoupment of funds expended by the licensee on a patent agreement subsequently found invalid. When confronted with defendant's counterclaim for refund of all monies paid under the settlement contract and licensing agreement, the district court in *Ransburg*⁴⁹ narrowly interpreted *Lear* to allow nonpayment of royalties from the time of suit and not recoupment of sums paid from the time of patent issuance.⁵⁰ Although not reaching the merits of the argument on appeal,⁵¹ the Seventh Circuit apparently accepted the lower court's interpretation when, in *Kraly*,⁵² it adopted the similar findings of the Sixth Circuit in *Troxel Manufacturing Co. v. Schwinn Bicycle Co.*⁵³ In *Troxel*, the court refused licensee's claim for recoupment of royalties paid on an underlying patent that later proved invalid, reasoning that to allow recoupment would place licensors in the disadvantageous position of facing inevitable suits by licensees who could enjoy the benefits of the patentee's discoveries while seeking refund of the costs of their bargain.⁵⁴ Carrying this rationale

48. The licensing agreement was signed by the parties with the understanding that licensor would seek patent approval. After his application was twice rejected by the Office of Patents, licensee terminated all royalty payments due under the contract. Upon reapplication, licensor successfully patented his invention, thereafter initiating the instant suit for patent infringement.

49. 340 F. Supp. 1385 (N.D. Ill. 1972).

50. *Id.* at 1392.

51. Since the Seventh Circuit upheld the settlement contract, the counterclaim for monies expended was moot.

52. Finding ". . . *Ransburg* properly distinguishes between the refusal of courts to enforce prospectively the terms of a licensing agreement when the underlying patent has been declared invalid and the appropriate use of judicial power to enforce the terms of a licensing agreement during the period prior to an adjudication of invalidity in which both parties benefited from the agreement . . .," the court explicitly adopted the Sixth Circuit's decision refusing recoupment of royalties expended prior to adjudication of patent invalidity. 503 F.2d at 1372.

53. 465 F.2d 1253 (6th Cir. 1972). Under the licensing agreement with licensee Troxel to contest all infringements by nonlicensed users, licensor Schwinn initiated suit against Goodyear Tire and Rubber Co., which resulted in a finding by the court of patent invalidity. While initially attempting to pay royalties into escrow pending appeal by Schwinn, licensee nevertheless acquiesced and made full royalty payments to licensor until the decision of patent invalidity was affirmed. Thereafter, released from its licensing agreement, licensee commenced suit against Schwinn for recoupment of royalties paid. *See Patent Law, supra* note 4, at 968-69.

54. *Id.* at 1260. The court found that Troxel could cease payment of royalties and be secure within the guise of *Lear* of a valid defense to a suit for infringement.

to an illogical extreme, the recent decision of *Morton-Norwich Products, Inc. v. International Salt Co.*,⁵⁵ exemplifies the two-edged sword a licensee will likely face if he chooses to contest the validity of his licensor's patent. In that case the licensee suspended royalty payments and sued the licensor seeking a judgment of patent invalidity and recoupment of royalties paid. Defendant licensor counterclaimed, alleging patent infringement for failure to pay royalties under the licensing contract. Rejecting licensee's contention that, under *Lear*, a licensee withholding royalties pending final determination of patent validity could not be sued for breach of contract, the court concluded that the licensor, having granted the right to use his presumptively valid patent,⁵⁶ could not, as a matter of law, be precluded from receiving his benefits due under the contract, and, at the same time, be denied relief against the infringing licensee. Accordingly, the licensee, contesting the validity of his licensor's patent, faces the choice of either withholding all royalty payments and chancing a counterclaim for breach of contract or paying the royalties and, under *Kraly* and *Troxel*, being denied recoupment of funds expended prior to determination of patent validity.

V. CONCLUSION

Although the Supreme Court sought to end the doctrine of licensee estoppel, the rule continues to exist in the lower courts' inconsistent and contradictory interpretations of the *Lear* decision. While correctly applying *Lear* to overturn consent decrees incorporating covenants attesting to patent validity, the Seventh Circuit has denied the same application to settlement contracts that later prove to be based on unworthy claims of patent infringement. Contending that challenges to settlement contracts would do little toward furthering the "collateral policy" in *Lear* favoring early challenges to worthless patents, the court has reasoned that successful challenges of settlements would compel infringers to accept a settlement and await another licensee's test of the licensor's patent rather than to challenge the patent himself during settlement negotiation.⁵⁷ Although a licensee may exhibit a stronger inclination to allow another to expend the enormous amounts of money necessary to contest a patent's validity,⁵⁸ it does not necessarily follow that the

55. BNA PATENT, TRADEMARK & COPYRIGHT J., No. 188 at A-13 (N.D.N.Y. June 26, 1974).

56. See note 6 *supra*.

57. *Ransburg Electro-Coating Corp. v. Spiller & Spiller, Inc.*, 489 F.2d 974, 978 (7th Cir. 1973).

58. The average cost involved in litigating the validity of a patent is about \$50,000.

scrupulous upholding of settlement contracts promotes contests of patent validity. Generally, a party agrees to accept an unfavorable settlement only when he believes that his adversary holds a stronger position than his own. Thus, a licensee under circumstances similar to those in *Business Forms* and *Kraly* may enter a consent decree covenanting not to contest his licensor's patent in order to gain the most beneficial compromise he feels possible. For identical reasons, a licensee may enter a settlement similar to the one in *Ransburg* and if the underlying patent proves worthless, no more reason exists for allowing avoidance of the consent decree than for overturning a settlement based on infringements that in fact never occurred.⁵⁹

Similarly, the decision in *Morton-Norwich*⁶⁰ seems unjustified. *Lear* purported to relieve the licensee of the burden of paying royalties that he might not recover while contesting the validity of the licensor's patent. By allowing the licensor to sue for infringement for nonpayment of royalties when the licensee seeks to apply the principles of *Lear*, the lower court circumvented the *Lear* rationale and defeated its purpose of challenging monopolies based on worthless patents and promoting the free circulation of ideas for the public benefit.

Clearly, the Supreme Court must promulgate definitive guidelines to resolve the controversy stemming from the inconsistent application of *Lear*. Nevertheless, it is asserted that while the extent of the *Lear* analysis is less than conclusive, much of the controversy within the lower courts is unwarranted. The Court, reversing the common-law doctrine of licensee estoppel, expressly recognized the federal patent law policy of contesting worthless patents as the basis for allowing expeditious challenges by the licensee to a licensor's underlying patent. Rejecting the contention that the principles of contract law precluded an avoidance of the licensing agreement, the Court formulated sound precedent for overturning consent decrees and settlement contracts which similarly attempt to restrict challenges to invalid patents. Furthermore, *Lear* sought to protect the licensee's right to challenge by allowing the litigant to withhold all royalty payments to the licensor pending final adjudication of patent validity. Logically *Lear* also would disallow suit by licensor for patent infringement for nonpayment of those royalties due.

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Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation, 402 U.S. 313, 335 (1971). See *Patent Law*, *supra* note 4, at 973 n.37 (1973).

59. See also note 47 *supra*.

60. See note 55 *supra*.