CASE NOTES

Trade Regulation—Government Standing to Challenge Patent Validity—Appropriate Relief for Antitrust Violations—*United States v. Glaxo Group Ltd.*[1]—Defendant Imperial Chemical Industries Ltd. (ICI) is a British drug manufacturer which holds various American patents[2] on the dosage form of the drug griseofulvin.[3] Defendant Glaxo Group Ltd. (Glaxo), also a British drug manufacturer, holds various American patents on a method of manufacturing griseofulvin in bulk form, as well as a patent on the finely ground "microsize" dosage form of the drug.[4] The defendants entered into a patent pooling agreement[5] with regard to their respective griseofulvin patents. ICI acquired the right to manufacture griseofulvin in bulk form, to sell it in bulk form and to sublicense others under Glaxo's patents. Glaxo, in return, acquired the right to manufacture dosage form griseofulvin and to sublicense others under ICI's patents. As part of the pooling agreement, ICI agreed not to sell, and to use its best efforts to prevent its associates and subsidiaries from selling griseofulvin in bulk form to any independent third party without Glaxo's consent. Each defendant subsequently entered into licensing agreements with independent American drug manufacturers[6] containing similar restrictions on the sale or resale of griseofulvin in bulk form.

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[1] 410 U.S. 52 (1973).

[2] Specifically at issue was U.S. Patent No. 2,900,204, issued Aug. 18, 1959. This patent embodied two claims—(1) a method of curing humans or animals of external fungus diseases by administering "an effective amount of griseofulvin" to them internally, and (2) a capsule, tablet or pill containing an effective amount of griseofulvin. Id. at 54 n.1.

[3] Griseofulvin is an antibiotic drug which may be cut with inert ingredients and administered orally in tablet or capsule form to humans or animals for the treatment of external fungus infections. It is unpatented and unpatentable, and there are no known substitutes in treating certain infections. Id. at 53-54.

[4] Specifically at issue was U.S. Patent No. 3,330,727, issued July 11, 1967. This patent covered a finely ground or "microsize" dosage form which had proven both more effective and more marketable. Id. at 54 n.2. The patents' validity was put in issue on the Government's motion to amend its complaint to allege the patent's invalidity.

[5] The term "patent pool," although frequently used by the Court, is not a term of art. United States v. Line Material Co., 333 U.S. 287, 313 n.24 (1948). The term "patent interchange" has been proposed as a term of art to include "any arrangement for the interchange of patent rights where either one or more of the patent owners, or some separate entity, has the right to license others under the pooled patents." Report of the Attorney General's National Committee to Study the Antitrust Laws 242 (1955) [hereinafter cited as Att'y Gen. Rep.]. Another term even more restrictive is a "cross licensing agreement," wherein all or part of the consideration for licensing one patent is a license back under another patent held by the licensee. Id. The agreement at issue here, under the above definitions, was a patent interchange rather than a cross licensing agreement, since each side received, in addition to a license on the other's patent, the further right to grant sublicenses.

[6] ICI granted a sublicense to its exclusive United States distributor, American Home Products Corp. (AMHO). Glaxo granted similar sublicenses to two United States drug manufacturers, Schering Corp. (Schering) and Johnson & Johnson (J & J).

The United States brought a civil antitrust action[7] in which it was alleged that both the defendants' pooling agreement and subsequent licensing agreements, in limiting the sale of the drug in bulk form, violated section 1 of the Sherman Antitrust Act[8] as unreasonable restraints of trade. The Government sought to enjoin the agreements and sought further affirmative relief in the form of an order directing mandatory, nondiscriminatory bulk-form sales[9] of griseofulvin by the defendants, along with compulsory licensing at reasonable royalty rates of all the patents involved. The Government also sought to challenge the validity of certain of the patents.[10]

The District Court for the District of Columbia, holding the restrictions on the sale and resale of the drug in bulk form[11] to be per se violations[12] of section 1 of the Sherman Antitrust Act under the *Schwinn* doctrine,[13] enjoined the enforcement of the restrictive selling provisions but denied the Government the further affirmative relief it requested. The district court also ruled that since the defendants had explicitly declined to rely on their patents to justify the

[7] The action was pursuant to 15 U.S.C. § 4 (1970), which authorizes suits by the Government to prevent or restrain antitrust violations.

[8] Section 1 of the Sherman Antitrust Act provides in pertinent part: "Every contract, combination . . . or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is declared illegal . . . ." 15 U.S.C. § 1 (1970).

[9] Such an order would have required the defendants to sell griseofulvin in bulk form to all applicants so long as they sold to any American purchaser.

[10] In the original complaint the Government sought to challenge the validity of ICI's dosage-form patent, see note 2 supra, for failure to disclose a novel, new and useful invention as required by the Patent Code. 35 U.S.C. §§ 101, 102, 112 (1970). The Government later sought to challenge Glaxo's patent on the microsize dosage form of griseofulvin, see note 5 supra, on similar grounds by means of a motion to amend the complaint, which motion was denied. It should be noted that this microsize dosage form patent was not issued until 1967, some seven years after the ICI-Glaxo pooling agreement was negotiated.

[11] The restrictions on bulk sales in the ICI-AMHO licensing agreement were held to be per se violations of § 1 of the Sherman Antitrust Act on the Government's motion for partial summary judgment. United States v. Glaxo Group Ltd., 302 F. Supp. 1, 11 (D.D.C. 1969). The ICI-Glaxo pooling agreement and the Glaxo-Schering and Glaxo-J & J licensing agreements were held to be per se violations of § 1 in separate unreported orders on the Government's motions for partial summary judgment. United States v. Glaxo Group Ltd., 328 F. Supp. 709, 710 (D.D.C. 1971).

[12] *Per se* violations are to be distinguished from violations found under the *rule of reason*. Certain conduct found to violate § 1 of the Sherman Antitrust Act by reason of its nature and necessary effect is conclusively presumed to constitute an unreasonable restraint of trade. These arrangements are termed per se violations. Once proven by the plaintiff there can be no justification of the conduct by the defendant. Under the rule of reason, on the other hand, after the plaintiff has offered his evidence as to the conduct alleged to be an unreasonable restraint, the defendant may offer evidence as to why the conduct is not unreasonable. Oppenheim, Federal Antitrust Legislation: Guideposts to a Revised National Antitrust Policy, 50 Mich. L. Rev. 1139 (1952). This author, in an extensive discussion of the per se rule versus the rule of reason approach, criticizes the inflexibility of the per se rule. Id. at 1148-65.

[13] The so-called *Schwinn* doctrine derives from United States v. Arnold, Schwinn & Co., 388 U.S. 365 (1967), where the Supreme Court held on a theory of illegal restraints on alienation that once a manufacturer has parted with title and risk, he has parted with dominion over a product, and that any agreement restricting the territories or persons to whom the product may be sold is a per se violation of § 1 of the Sherman Antitrust Act. Id. at 382.

conduct found to be an antitrust violation, the Government was without standing to challenge the validity of the patents.[14]

The Supreme Court, on appeal by the Government,[15] reversed and HELD: (1) where a patent is intimately associated with and contributes to an antitrust violation, and the Government makes a substantial case for affirmative relief beyond an injunction which, if granted, will limit the bundle of rights normally vested in the owner of a patent, the Government has standing to challenge the validity of the patent;[16] and (2) an order requiring mandatory, nondiscriminatory sale of a drug and compulsory licensing of a patent at reasonable royalty rates is proper relief in an antitrust action where necessary "to pry open to competition" markets closed by illegal anticompetitive conduct.[17]

The decision is significant in that it extends the Government's standing to challenge the validity of a patent. This standing had previously been limited to cases alleging fraudulent procurement of the patent or cases wherein the patent was held up as justifying conduct otherwise violative of the antitrust laws. In addition, the decision reaffirms the Supreme Court's view that the purpose of relief in an antitrust action is not only to enjoin future violations but also, so far as practicable, to cure the ill effects resulting from the unlawful conduct. The decision also reaffirms the Court's view that it has an obligation to intervene, when necessary, in the formulation of the decree to assure that the aforementioned purpose is served.

This note will first sketch the policy rationale which underlies our antitrust and patent laws. It will be suggested that the patent laws must be considered an island of exempt conduct within the broader sweep of our antitrust laws. The conflicting views of the scope of the patent exemption will then be discussed principally through a review of significant Supreme Court decisions involving patents and antitrust. Finally, in light of the policy rationale and the prior decisions, it will be suggested that the Court's decision in *Glaxo* is consistent with the policy rationale of both the patent and the antitrust laws and is a logical extension of the prior case law.

The antitrust laws[18] were enacted to promote free economic

[14] For a discussion of the then existing case law as to the Government's standing to challenge the validity of a patent, see text at notes 84-90 infra.

[15] The United States appealed directly to the Supreme Court from the district court's decision, under the terms of the so-called Expediting Act, 15 U.S.C. § 29 (1970), which provides:

> In every civil action brought in any district court of the United States under any of said Acts, wherein the United States is complainant, an appeal from the final judgment of the district court will lie only to the Supreme Court.

[16] 410 U.S. at 57-60.

[17] Id. at 60-64.

[18] All references in this note to the "antitrust laws" refer to the federal antitrust laws. Although state and local governments have enacted a large body of law, which could be broadly grouped in the antitrust field, the principal thrust of antitrust policy has been federal because of the national character of the American economy. The trio of primary federal antitrust statutes is the Sherman Antitrust Act of 1890, 15 U.S.C. §§ 1-7 (1970); § 5 of the

competition[19] in open markets. Based on the authority vested in Congress to regulate interstate and foreign commerce,[20] the antitrust laws seek to promote competition in two ways. First, they seek to provide a means by which existing anticompetitive *market structures*[21] may be attacked. Second, they make illegal *business conduct*[22] which Congress has found to be anticompetitive and tending toward the creation of anticompetitive market structures.

Underlying the antitrust laws is a basic belief that the most nearly optimal allocation of society's limited resources and the greatest total quantum of economic benefit will result from the unrestrained exercise of competitive self-interest in free and open

Federal Trade Commission Act, 15 U.S.C. §§ 41-58 (1970); and the Clayton Act of 1914, 15 U.S.C. §§ 12-27, 44 and 29 U.S.C. §§ 52, 53 (1970). For a fuller discussion of the federal antitrust laws and the need for a comprehensive revision of them, see Oppenheim, supra note 12, at 1139-43.

[19] A useful definition of "competition" or a "competitive market" is indeed difficult. These terms may have different uses in law and economics. The two extremes of economic organization are, on the one hand, monopoly, in which there is but a single seller in the market who completely controls price and quantity produced and who has the power to exclude competitors, and, on the other hand, pure competition, in which sellers and buyers are so numerous that price and quantity produced are determined by the market and not any single member. Att'y Gen. Rep., supra note 5, at 318-19. What the antitrust laws seek to establish is an economy characterized by markets of "workable competition," which may be defined as any market in which no one seller, or group of sellers acting in concert, has the power to set the market price or level of profits. Id. at 320. For an excellent discussion of the benefits of competition and the characteristics of "workable competition," see id. at 315-42 (Chapter VII: Economic Indicia of Competition and Monopoly). All references herein to competition will be to the "workable competition" as defined above.

[20] U.S. Const. art. I, § 8, cl. 3.

[21] Market structure, as used here, will refer to the characterization of economic performance in a market as either being monopolistic—that is, dominated by a single seller, or group of sellers acting in concert, with power to set market price and to exclude competitors—or competitive. See P. Samuelson, Economics 499 (9th ed. 1973). Three important factors in characterizing a market on the spectrum from pure competition to monopoly are: (1) the degree of concentration, that is, the number of buyers and sellers and their relative market shares, (2) the degree of product differentiation, that is, the degree to which buyers consider the seller's product unique, and (3) the existence of barriers to market entry. See Bain, Industrial Organization 7 (2d ed. 1968). The principal antitrust provision which attacks monopolistic market structure is § 2 of the Sherman Antitrust Act, 15 U.S.C. § 2 (1970), which prohibits monopolization, attempts to monopolize, and combinations or conspiracies to monopolize. Monopolization, although variously defined, was characterized by Judge Learned Hand in a landmark decision as the acquisition of monopoly power in an economically relevant market other than by economic inevitability or superior skill, foresight and industry. United States v. Aluminum Co. of America, 148 F.2d 416 (2d Cir. 1945). For an excellent review of the various approaches which have been taken to monopolization, see Judge Wyzanski's opinion in United States v. United Shoe Mach. Corp., 110 F. Supp. 295, 341-43 (D. Mass. 1953).

[22] The business conduct found to be anticompetitive and made illegal by the antitrust laws is extensive. Principal among these provisions of the antitrust laws are § 7 of the Clayton Act, 15 U.S.C. § 18 (1970), regulating corporate mergers; § 3 of the Clayton Act, 15 U.S.C. § 14 (1970), regulating exclusive dealing and tying contracts; § 5 of the Federal Trade Commission Act, 15 U.S.C. § 45 (1970), regulating unfair methods of competition; and § 1 of the Sherman Antitrust Act, 15 U.S.C. § 1 (1970), regulating contracts, combinations or conspiracies in restraint of trade.

markets.[23] This belief is based upon the conclusion of economic price theory that the competitive market produces the greatest quantity of goods at the lowest average cost, while the monopolistic market produces too few goods at a price greater than marginal cost.[24]

Thus, antitrust policy has been deemed fundamental to our national well-being.[25] The intent of the antitrust laws is broad in its sweep, creating a rule of trade of free and unfettered competition.[26] Within this general and overriding policy of competition Congress has seen fit to exempt explicitly certain sections of the economy based upon some other policy justification, economic or otherwise.[27] Nevertheless, the general policy is competition, and consequently activity which is anticompetitive carries the burden of justifying its exemption.

The Patent Code embodies one such exemption. An analysis of the policy rationale underlying the patent system will justify this exemption. The Constitution vests in the Congress the express power "[t]o Promote the Progress of Science and useful Arts, by granting for limited Times to . . . Inventors the exclusive Right to their . . . Discoveries . . . ."[28] In response to this grant Congress has enacted the Patent Code,[29] which grants to the patentee the right to exclude others from "making, using, or selling" his invention for a limited time throughout the United States.[30] In analyzing the patent system it is essential to remember that it stems from this purposive

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[23] Att'y Gen. Rep., supra note 5, at 317-18. A second belief which underlies the antitrust laws, and which is more related to the nature of our political democracy than to economics, is that great concentrations of capital in the control of private corporations threaten the liberty of individual citizens. See United States v. Aluminum Co. of America, 148 F.2d 416, 428-29 (2d Cir. 1945).

[24] For a full discussion of why economic price theory makes these predictions as to performance, see Samuelson, supra note 21, at 58-73, 481-501.

[25] Adelman & Jaress, Patent-Antitrust Law: A New Theory, 17 Wayne L. Rev. 1, 1-2 (1971) [hereinafter cited as Adelman].

[26] Northern Pac. Ry. v. United States, 356 U.S. 1, 4 (1958).

[27] Among the explicit exemptions to the antitrust laws are certain activities of labor unions, §§ 6 and 20 of the Clayton Act, 15 U.S.C. § 17 and 29 U.S.C. § 52 (1970); certain types of agricultural cooperatives, § 6 of the Clayton Act, 15 U.S.C. § 17 (1970); and certain private conduct approved by public bodies created to oversee the so-called regulated industries. For a list of these specific exemptions from the antitrust laws for regulated industries, see H.R. Doc. No. 599, 81st Cong., 2d Sess. 29-31 (1950).

[28] U.S. Const. art. I, § 8, cl. 8.

[29] 35 U.S.C. §§ 1-293 (1970). The first United States patent statute was enacted in 1790, ch. 7, §§ 1-7, 1 Stat. 109 (1790), and was basically reenacted in 1793 and 1836. Ch. 11, §§ 1-12, 1 Stat. 318 (1793); ch. 357, §§ 1-21, 5 Stat. 117 (1836). The most recent comprehensive review of the Patent Code took place in 1952. Ch. 950, §§ 1-5, 66 Stat. 792 (1952). For a brief but informative history of the United States patent laws, see Federico, Commentary on the New Patent Act, 35 U.S.C.A. 1-70 (1952).

[30] 35 U.S.C. § 154 provides: "Every patent shall contain . . . a grant to the patentee, his heirs or assigns, for the term of seventeen years, of the right to exclude others from making, using, or selling the invention throughout the United States . . . ."

grant of congressional authority "to promote science and the useful arts" and not a general authority to grant patents for any reason.[31]

The patent system is intended to promote scientific and technological progress in two ways:[32] (1) by providing the exclusive right to use an idea for a limited period of time it promotes the *disclosure*[33] of new ideas which would otherwise remain secret,[34] and (2) by providing a mechanism through which the economic benefits of an idea can be captured it promotes *investment* in inventive activity.[35] Given this policy rationale for the patent system, and starting from the proposition that all ideas in general circulation are for the free use of the public,[36] the nature of the patent grant

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[31] In Graham v. John Deere Co., 383 U.S. 1, 5-10 (1966), Mr. Justice Clark argued for the Court that in placing the qualifying phrase "to promote the progress of science and the useful arts" on the grant of power to Congress to enact patent laws the framers of the Constitution intended to avoid the practices of the English Crown in the sixteenth and seventeenth centuries of granting patents to court favorites on matters already in the public domain.

[32] For a fuller discussion of the manner in which patents are intended to promote scientific and technological progress, and for some discussion of their adverse effects on the same, see Turner, The Patent System and Competitive Policy, 44 N.Y.U.L. Rev. 450 (1969).

[33] The disclosure function of the patent system is intended to be accomplished by the specification and claims provisions of the application. 35 U.S.C. § 112 (1970). The specification is a written description of the invention in such "full, clear, concise, and exact terms" as to enable a person skilled in the art to make and use the invention. Id. The Patent Office has been criticized for approving applications which do not in fact meet the requirements set out above. As to the amount of disclosure actually induced, see Brenner v. Manson, 383 U.S. 519, 534 (1966), where the Court stated:

> [I]n light of the highly developed art of drafting patent claims so that they disclose as little useful information as possible—while broadening the scope of the claim as widely as possible—the argument based upon the virtue of disclosure must be warily evaluated.

[34] The inducement of the patent system to disclose the new invention in return for patent protection is somewhat offset by the protection afforded by trade secret law. For trade secret status to exist, the subject matter must be in continuous business use, not generally known or ascertainable, and maintained with due regard for protecting the secrecy. Restatement of Torts § 757, comment *b* at 5-6 (1939); R. Milgrim, 12 Business Organizations: Trade Secrets §§ 2.01-.09 (1972). The major disadvantage of trade secret protection to the owner is that there may be proper disclosure of the secret resulting in heightened competition or even loss of trade secret status. See Smith v. Dravo Corp., 203 F.2d 369, 375 (7th Cir. 1953). For a discussion of the relationship between federal patent law and state trade secret law, see Note, 15 B.C. Ind. & Com. L. Rev. 137 (1973).

[35] The need for inducing investment in inventive activity stems from two problems. First, because of the uncertain nature of research and the likelihood of investing resources without discovering any commercially useful idea, investors are hesitant to invest part of the limited supply of risk capital in such ventures as long as there are other less risky investments available capable of providing the same rate of return. Second, because knowledge is an indivisible commodity, once disclosed, it can be reproduced and further disseminated at little or no cost. Thus without the patent grant of exclusive control, a potential investor would be faced with the prospect of incurring the research costs in discovering the new idea only to have his competitors adopt his discovery at little or no cost. Turner, supra note 32, at 451.

[36] This policy that ideas in general circulation are for the free use of the public and not susceptible to individual control was recently emphasized by the Supreme Court in Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225 (1964), and Compco Corp. v. Day-Brite Lighting, Inc., 376 U.S. 234 (1964).

becomes clear. A patent is a privilege[37] granted by the federal government for the purpose of advancing science and technology conditioned on the prompt and complete disclosure of a sufficiently creative idea.[38] Thus the quid pro quo for the patent is the disclosure of a sufficiently creative idea. Otherwise, the patent is invalid and the public has been denied its right to the free use of existing knowledge.

The patent system is said to be anticompetitive[39] because it confers a monopoly[40] on the patentee. Thus it is argued that there is

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[37] Mercoid Corp. v. Mid-Continent Investment Co., 320 U.S. 661, 666 (1944). "Privilege," as used here, conforms to the definition proposed in W. Hohfeld, Fundamental Legal Conceptions (W. Cook ed. 1919). Hohfeld characterized the legal relationship which may arise between two persons, distinguishing the concepts of "right" and "privilege." If a person holds a right, then as a corollary someone else owes a duty to him. A privilege, on the other hand, presupposes only the absence of a duty to refrain from acting. The exercise of the privilege does not invade the rights of other persons. These other persons are said to possess a "no-right."

Accepting the application of this theory to the issuance of a patent as set out in Note, 14 B.C. Ind. & Com. L. Rev. 501, 505 n.34 (1973), we can say that *G*, the general public, has a right to the free use of ideas in general circulation. Accordingly *P*, the patentee, has a duty not to arrogate those ideas to his exclusive use. However, *P* may acquire a privilege of exclusive use for a limited time of a newly discovered and sufficiently creative idea in return for disclosing it. This privilege is the patent grant. So long as *P* stays within the bounds of his privilege, *G* is in the position of "no-right" as to its exercise. In addition, *P* has a right to exclude others from using his idea or, cast in other terms, *G* has a duty not to infringe *P*'s patent.

[38] To be sufficiently creative and therefore patentable, the idea must be new and useful, novel, and non-obvious. 35 U.S.C. §§ 101-03 (1970). For a discussion of the prerequisites of non-obviousness, see *Graham*, 383 U.S. at 12-19; United States v. Adams, 383 U.S. 39, 48-52 (1966). The Patent Office has been criticized for the low level of patentability it has required in issuing patents. In *Graham*, supra at 18, the Court noted a "notorious difference" between the courts and the Patent Office as to standards of patentability. See also Kennedy, Patent and Antitrust Policy: The Search for a Unitary Theory, 35 Geo. Wash. L. Rev. 512, 518 (1967).

[39] In *Graham* the Court suggested that to be patentable an idea had to "outweigh the restrictive effect of the limited patent monopoly." 383 U.S. at 11. It has been suggested that a fourth test of patentability, in addition to the three statutory requirements of new and useful, novel, and non-obvious, see note 38 supra, should be the anticompetitive effect of the patent. Kennedy, supra note 38, at 520-21.

[40] The term monopoly has differing meanings in law and economics. At a minimum, monopoly consists of a seller, or a group of sellers acting in concert, with control over price and the ability to exclude competitors in an economically relevant market. Att'y Gen. Rep., supra note 5, at 318. An economically relevant market consists of all buyers and sellers, actual or potential, of a particular good or service who deal with one another or could do so easily. L. Weiss, Case Studies in American Industry 2 (1967). The good or service need not be one particular item, but may include all those goods or services which the buyer feels may be easily substituted to satisfy his needs over a relevant price range. This ability to substitute one good for another is known as the cross-elasticity of demand. For a technical definition of this term, see Bain, supra note 21, at 224-25. For a discussion of substitute products in setting the relevant product market, see United States v. E.I. DuPont de Nemours & Co., 351 U.S. 377, 393-404 (1956).

Based on the above definition of market, it is clear that a patent need not always confer a monopoly. If the patented product is but one of a group of products which make up a market, so that buyers are freely able to shift from the patented to the unpatented products, the patentee does not have exclusive power to set the market price and therefore does not enjoy a monopoly.

an inherent conflict between our patent laws and our antitrust policy.[41] This argument, however, is only partially persuasive. The patent system is anticompetitive in that it restrains trade in ideas once they are discovered.[42] On the other hand, the patent system is procompetitive in that it induces investors and inventors to enter the research and development market instead of other fields of endeavor which are as profitable without the need for patent protection.[43] However, since the various factors which comprise the patent system are virtually impossible to quantify, the net effect of the patent system on competition is open only to speculation.[44]

No matter the victor in this procompetitive and anticompetitive dispute, patents have not received an explicit exemption from the broad sweep of the antitrust laws.[45] However, an exemption is judicially implied, since it seems illogical to suppose that Congress intended to provide for patents on the one hand but to prohibit their exercise on the other.[46] It is therefore submitted that the significant questions as to the interrelationship of the patent system with the antitrust laws arise over the scope and nature of that implied exemption. The scope and nature of that exemption, and correspondingly the nature of the patent grant, can be revealed through an analysis of selected decisions of the Supreme Court.

The Supreme Court has long recognized the essential nature of the patent grant. In examining the scope and nature of that grant the Court has said:

> The scope of every patent is limited to the invention described in the claims contained in it, read in the light of the

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In Walker Process Equip., Inc. v. Food Mach. & Chem. Corp., 382 U.S. 172 (1965), the plaintiff brought a patent infringement action and the defendant counterclaimed for treble damages alleging that the plaintiff had fraudulently procured his patent and that his attempts to enforce the patent were a prima facie case of monopolization under § 2 of the Sherman Antitrust Act. The Court held, *inter alia*, that a fraudulently procured patent is not, in itself, a § 2 monopolization and that the exclusionary power of the patent in a relevant market must be proven. Id. at 177-78. Thus to say that a patent confers a "monopoly" may be to overstate the case.

[41] See Kennedy, supra note 38, at 512; Nicoson, Misuse of the Misuse Doctrine in Infringement Suits, 9 U.C.L.A.L. Rev. 76 (1962).

[42] A patent, of necessity, restrains trade because it confers on the patentee the right to exclude all others from "making, using, or selling" the invention for a period of 17 years. 35 U.S.C. § 154 (1970). Thus the patent prevents the making, using or selling of an invention by anyone who had knowledge of or access to the invention, or who could have later discovered it. It has also been argued that patents are anticompetitive because they frequently give the patentee a competitive edge for a period of time long enough to build up a dominant market position which cannot be overcome once the patent expires. See Turner, supra note 32, at 455. This argument of course depends upon the importance of the patent to the industry and the nature of the market. It has also been suggested that the payment of royalties by a licensee to a patentee, although lawful under certain conditions, is a restraint of trade. Adelman, supra note 25, at 12 n.36.

[43] Turner, supra note 32, at 454.

[44] Id.

[45] Adelman, supra note 25, at 6.

[46] Id.

> specification. . . . It is to the claims of every patent, therefore, that we must turn when we seek to determine what the invention is, the exclusive use of which is given to the inventor by the grant provided for by the statute,—"He can claim nothing beyond them." . . .
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> . . . Since *Pennock v. Dialogue* . . . was decided in 1829 this court has consistently held that the primary purpose of our patent laws is not the creation of private fortunes for the owners of patents but is "to promote the progress of science and useful arts" . . . .[47]

However, it has been submitted that in the first fifty years following passage of the Sherman Antitrust Act of 1890, the Court virtually ignored the economic impact of patent licensing practices on antitrust objectives.[48]

Two theories, closely related, may account for this condition. The first, the inherency theory, argues that since the patentee has an inherent monopoly in his patent grant, his consent to the relaxation of that monopoly by licensing others to make, use, or sell his invention should be rewarded by an antitrust immunity.[49] The second theory, the monopoly income theory, a variation of the inherency theory, argues that since the patentee is entitled to exploit his patent grant and receive back monopoly profits,[50] *any* licensing agreement—no matter how restrictive—which merely returns monopoly profits to the patentee enjoys the implied patent exemption from the antitrust laws.[51] The fallacy in both of these theories is

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[47] Motion Pictures Patents Co. v. Universal Film Mfg. Co., 243 U.S. 502, 510-11 (1917) (citations omitted).

[48] See Kennedy, supra note 38, at 544. This author credits the Temporary National Economic Committee investigations launched in 1937 with having brought to light the impact of patent licensing on antitrust policy. Id.

[49] Adelman, supra note 25, at 13-14. For a good example of the inherency theory in a judicial opinion, see United States v. Line Material Co., 333 U.S. 287, 344 (1948), where Mr. Justice Burton, dissenting as to price fixing licenses, observes: "Therefore, as long as the license agreement has only the effect of reducing the lawful restraint imposed by the patent, such agreement merely converts the original lawful restraint into a lesser restraint, equally lawful."

[50] In economic theory a normal rate of return for the economy on invested capital is included in the computation of a producer's costs. Such a rate of return would be considered as part of business "profits" in normal parlance. Monopoly profits refers to the profits earned by a seller in a monopolistic market above and beyond such a normal rate of return. These excess or monopoly profits result from the seller in a monopolistic market operating at a price greater than marginal cost. For a discussion and analysis of monopoly profits, see Samuelson, supra note 21, at 501-33.

[51] Adelman, supra note 25, at 14-15. The classic statement of the monopoly income theory is found in United States v. General Elec. Co., 272 U.S. 476, 490 (1926):

> If the patentee goes further, and licenses the selling of the articles, may he limit the selling by limiting the method of sale and the price? We think he may do so, provided the conditions of sale are normally and reasonably adapted to secure pecuniary reward for the patentee's monopoly.

The *General Electric* case represents the high water mark of the monopoly income theory.

that they fail to recognize the essential nature of the patent grant. A patent is not a right to a monopoly or monopoly profits but rather only the privilege of exclusive use of a sufficiently creative idea in return for its disclosure.[52] The Court has recognized the fallacy of these theories, and has struck down attempts to broaden the physical or temporal scope of the patent monopoly.[53]

Thus in *Motion Pictures Patents Co. v. Universal Film Manufacturing Co.*,[54] the Court, overruling prior case law to the contrary,[55] held that a patentee cannot, as a condition of the license, lease, or sale of his patented device, require that only materials procured from him be used with his patented product.[56] The patentee's attempt to extend his valid patent on a movie projector mechanism so as to control the film used in the projector was rejected as beyond the privilege created by the patent laws.[57] This case appears to be a clear rejection by the Court of the inherency theory.

In a series of decisions which followed, the Court decided that the patentee cannot condition his license on the licensee's purchasing of unpatented products used in connection with the device from the patentee,[58] maintaining a schedule of prices of the patented item,[59]

Although never overruled, it has been so limited that one writer has called it "all-but-defunct." Kennedy, supra note 38, at 552.

[52] See text at note 37 supra.

[53] Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation, 402 U.S. 313, 343 (1971).

[54] 243 U.S. 502 (1917).

[55] Id. at 518. The Court expressly overruled Henry v. A.B. Dick Co., 224 U.S. 1 (1912), which held that one who sells ink to the owner of a patented mimeograph machine, knowing that the owner's license restricts him to using only paper, stencils and ink purchased from the patentee, is a contributory infringer and is liable to the patentee.

[56] In *Motion Picture Patents* the patentee held a patent on a film-feeding mechanism in a movie projector. He licensed a third party to make and sell a projector incorporating the patented mechanism. The license required each projector produced to carry a plate which read that the purchase and sale of this machine authorized its use only with a certain film produced by the patentee. 243 U.S. at 505-08.

[57] The Court's decision was based entirely on patent law. It was a recognition that the film which the patentee sought to control was not covered by the patent grant and therefore its use was not patent infringement. The Court found it unnecessary to apply § 3 of the Clayton Act, 15 U.S.C. § 14 (1970), which provides that it shall be unlawful for any person to contract for the sale of goods, whether patented or unpatented, on the condition that the purchaser shall not use the goods of a competitor of the seller, where the effect shall be to lessen substantially competition or tend to create monopoly in any line of commerce.

Agreements such as that used by the patentee in *Motion Picture Patents* are known as "tying" agreements. There are two markets involved in such agreements—the tying product market and the tied product market. The tying product market is one over which the seller exercises market control, here as the result of a patent. The tied product market is one in which the seller has no such control, but attempts to gain such control by "tying" the tied product to the tying product. Att'y Gen. Rep., supra note 5, at 237-38. Such practices are illegal under § 3 of the Clayton Act where their effect is to lessen substantially competition. International Salt Co. v. United States, 332 U.S. 392, 395-96 (1947).

[58] Carbice Corp. of America v. American Patents Dev. Corp., 283 U.S. 27 (1931).

[59] Ethyl Gasoline Corp. v. United States, 309 U.S. 436, 455-59 (1940).

purchasing supplies from a specified supplier,[60] refraining from the production of an unpatented product which competes with the patentee's device,[61] or paying royalties for a period exceeding the life of the patent.[62] It is submitted that these decisions indicate a clear recognition by the Supreme Court that the implied patent exemption from the antitrust laws covers only that invention which is contained in the patent grant.[63]

In addition to its policy of limiting the scope of the patent grant, the Court has adopted a second policy of promoting early challenges to patent validity.[64] This policy is founded upon a concern for the public interest in the patent system and a skepticism towards the patent issuing process.[65] As previously discussed, the quid pro quo of the patent is the disclosure of a sufficiently creative idea.[66] If such an idea is missing, the patent grant, without first paying its price to the public, "saddle[s] the economy with a vicious monopoly."[67] Coupled with this concern is a realization that the patent is merely a legal conclusion[68] by a backlogged Patent Office[69] on the basis of an ex parte application. Given these considerations,

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[60] Morton Salt Co. v. G.S. Suppiger Co., 314 U.S. 488 (1942).

[61] United States v. United States Gypsum Co., 333 U.S. 364, 389 (1948).

[62] Brulotte v. Thys Co., 379 U.S. 29 (1964). This case is to be distinguished from Automatic Radio Mfg. Co. v. Hazeltine, Inc., 339 U.S. 827 (1950), where the Court upheld the licensing of a group of patents at a fixed royalty without reducing the royalties as each patent expired, provided that some of the patents were still unexpired. The Court noted that this so-called package licensing agreement was entered into for the mutual convenience of the parties. Id. at 833. For a fuller discussion of the *Hazeltine* case, see Comment, 10 B.C. Ind. & Com. L. Rev. 143 (1968).

[63] It has been suggested that doctrinal clarity could be achieved in considering the legality of patent licensing practices if the following two-step methodology were adopted in every case: In step one determine if the conduct alleged to be prohibited in the licensing agreement can be characterized as the exercise of a statutorily conferred patent right. If so, the conduct is exempt. If not, step two requires that the agreement be considered as any other agreement under the antitrust laws, notwithstanding the presence of a patent. The authors of this methodology would limit the relevant statutorily protected patent right to that of excluding infringers. Adelman, supra note 25, at 6-10.

[64] *Blonder*, 402 U.S. at 344.

[65] Id. at 339-43. The entire proceeding for issuance of a patent is ex parte. Interested parties have no right to notice or opportunity to be heard. However, regulations published by the Patent Office do provide a limited right to be heard, but not to notice of the proceeding. 37 C.F.R. §§ 1.291, .292 (1972).

These regulations may be compared with Recommendation XI, Report of the President's Commission on the Patent System 23 (1966), which provides for a six month citation period after publication of a patent during which interested parties may in confidence cite prior art to the Patent Office. If subsequently the Patent Office acts adversely on the application, the applicant would receive an ex parte opportunity to rebut.

[66] See text at note 38 supra.

[67] United States v. Line Material Co., 333 U.S. 287, 318 (1948) (concurring opinion). See also United States v. Singer Mfg. Co., 374 U.S. 174, 197, 199-200 (1963) (White, J., concurring).

[68] Lear, Inc. v. Adkins, 395 U.S. 653, 670 (1969).

[69] Concerning this problem, the Court has noted that 100,000 applications are filed each year, of which 50,000 are granted. The current backlog is 200,000. *Graham*, 383 U.S. at 18.

the Court has evidenced a desire to promote early challenges to patent validity.[70]

Thus, in *Kerotest Manufacturing Co. v. C-O-Two Fire Equipment Co.*,[71] the Court indicated that a manufacturer need not await a patentee's infringement suit in order to test the validity of a patent, but rather may institute his own action under the Declaratory Judgment Act.[72] This decision gives the challenger an equal chance to pick the time and forum for testing patent validity. It also alleviates the patentee's potential threat of a series of costly infringement suits in inconvenient forums against customers of a manufacturer employed as a means of coercing the manufacturer to accept a patent license.[73]

Another aspect of this policy of promoting challenges involves eliminating obstacles from the path of those who have an interest in contesting patent validity.[74] Frequently the only party with sufficient interest in such a challenge is a licensee.[75] However, under the doctrine of licensee estoppel,[76] the licensee would be estopped from challenging the validity of a patent after having accepted a license under the patent. The doctrine was weakened in *Sola Electric Co. v. Jefferson Co.*,[77] where the Court, in an action by a patentee for royalties and an injunction, held that the state law

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[70] *Blonder*, 402 U.S. at 344-45.

[71] 342 U.S. 180, 185-86 (1952).

[72] 28 U.S.C. §§ 2201, 2202 (1970).

[73] The threat of infringement litigation is made potent by its great cost. It has been estimated that the average cost of litigating a patent is $50,000 and that it sometimes runs into hundreds of thousands of dollars. *Blonder*, 402 U.S. at 335-36. Thus a manufacturer, rather than incur this cost in a series of forums not of his own choosing, might, out of economic necessity to protect his distribution system, accept a license and pay royalties on a patent he feels is invalid. For further discussion of the impact of the high costs of patent litigation on licensing, see *Lear*, 395 U.S. at 669; Picard v. United Aircraft Corp., 128 F.2d 632, 641-42 (2d Cir. 1942) (Frank, J., concurring); Note, 14 B.C. Ind. & Com. L. Rev. 501 (1973).

[74] The Court so termed the policy as one of "eliminating obstacles" in *Blonder*, 402 U.S. at 345.

[75] *Lear*, 395 U.S. at 670. Licensees are frequently faced with a dilemma with regard to challenging patents. If they accept a license their royalty payments are a fixed cost which the patentee does not also have. As a result, the patentee may have a competitive advantage, all other things being equal, for the duration of the patent. On the other hand, if the potential licensee refuses a license he may incur the extremely high litigation costs characteristic of patent infringement suits. Moreover, this may occur at a time when his market position is unstable because of the introduction of a new patented device. Since the return on accepting a license—namely freedom from infringement suits—is guaranteed, and since the royalty payments are normally figured as a function of production, the licensee may find it an economic necessity to accept a license rather than challenge the patent. Id. at 669.

[76] The doctrine of licensee estoppel, first spawned in Wilder v. Adams, 29 F. Cas. 1216, 1217-18 (No. 17,647) (C.C.D. Mass. 1846), and approved by the Supreme Court in Kinsman v. Parkhurst, 59 U.S. (18 How.) 289, 292-93 (1855), rested on the assumption that if the licensee received the benefit of his bargain he would not be heard to deny the validity of the patent which formed the basis of the agreement. See R. Ellis, Patent Licenses § 225, at 255 (3d ed. A. Deller 1958).

[77] 317 U.S. 173, 177 (1942).

doctrine of estoppel must give way to federal antitrust policy. Accordingly, where a licensee alleges conduct which, but for a valid patent, would be unlawful under the Sherman Antitrust Act, he may challenge the validity of the patent. This decision was looked upon by some as merely holding that a court of equity would not aid in the enforcement of a contract in violation of the Sherman Antitrust Act.[78] However, in companion cases[79] which followed, the Court made clear that it was the public interest in a competitive economy which commanded its decision.[80] The obstacle of licensee estoppel was finally and definitively cast aside in *Lear, Inc. v. Adkins,*[81] in which Mr. Justice Harlan, after finding the prior licensee estoppel cases irreconcilable, decided that the public interest in the free use of ideas overrides the licensor's interest in the equitable doctrine of estoppel and requires that licensees be allowed to challenge patent validity. Two terms later, in a decision based upon the same rationale—namely, the strong public interest in avoiding invalid patents—the Court held that a judicial declaration of patent invalidity could be pleaded as res judicata against the patentee in any future action unless the patentee could show that he did not have an adequate opportunity to defend his patent claims in the prior action.[82]

It is the position of this note that the Supreme Court's decision in *United States v. Glaxo Group Ltd.*[83] is consistent with the rationale of the cases discussed above and is a logical extension of the prior case law on Government standing to challenge patent validity. The Court in *Glaxo* held that where a patent is intimately associated with and contributes to an antitrust violation, and there is a substantial case made for further relief which limits the normal

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[78] See Justice Frankfurter's dissenting opinion in MacGregor v. Westinghouse Elec. & Mfg. Co., 329 U.S. 402, 415 (1947):

> It is one thing to refuse to enforce a contract restraining trade by price-fixing unless positive justification is shown in the form of a valid patent. . . . Nowhere in the *Sola* case did the Court intimate that the decision rested upon the importance to the public economy of allowing challenge to the validity of a patent by those particular members of the public who in a fair bargain had agreed not to do so.

[79] Edward Katzinger Co. v. Chicago Metallic Mfg. Co., 329 U.S. 394 (1947); MacGregor v. Westinghouse Elec. & Mfg. Co., 329 U.S. 402 (1947).

[80] The Court, in discussing its holding in *Sola,* said: "That case held further . . . that federal courts must, in the public interest, keep the way open for the challenge of patents which are utilized for price-fixing of interstate goods." *Edward Katzinger Co.*, 329 U.S. at 399.

[81] 395 U.S. 653, 670-71 (1969).

[82] *Blonder,* 402 U.S. at 329, 350. The effect of *Blonder* was to modify the rule of Triplett v. Lowell, 297 U.S. 638, 645 (1936), requiring identity between the parties before a prior adjudication of invalidity could be pleaded as res judicata. For further discussion of the rationale and effect of *Blonder,* especially as to its effect on class actions by patentees, see Comment, Class Actions in Suits for Patent Infringement in Light of *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation,* 13 B.C. Ind. & Com. L. Rev. 1473 (1972).

[83] 410 U.S. 52 (1973).

patent rights of the patentee, the Government will have standing to challenge the patent's validity directly.[84]

Central to the *Glaxo* decision is the question of when the Government has standing to challenge the validity of a patent.[85] In at least two situations the prior law on that question appears well-settled. It is clear that the Government may file suit to cancel a patent as fraudulently procured;[86] but that neither a private party[87] nor the Government[88] may sue to cancel a patent merely because of an error in judgment or a mistake in its issuance. It is equally clear, at least since *United States v. United States Gypsum Co.*,[89] that the Government may challenge the validity of a patent when raised in justification of conduct otherwise violative of the antitrust laws.[90] In the *Gypsum* situation it was explicitly held that a finding of invalidity was not an unauthorized review of the Patent Office, nor would such a finding result in a judgment of cancellation.[91]

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[84] Id. at 58, 62.

[85] Id. at 57.

[86] As to the right of the Government to sue for cancellation of a patent fraudulently procured, the Supreme Court has said:

> That the government, authorized by the Constitution and the statutes to bring suits at law and in equity, should find it to be its duty to correct this evil, to recall these patents, to get a remedy for this fraud, is so clear that it needs no argument . . . .

United States v. American Bell Tel. Co., 128 U.S. 315, 370 (1888) [hereinafter cited as *Bell I*].

[87] In Mowry v. Whitney, 81 U.S. 434 (1871), the Court interpreted the Patent Act of 1836, ch. 357, §§ 1-21, 5 Stat. 117. Prior statutes had authorized a show cause hearing in suits by private individuals alleging fraudulent procurement of a patent. See Cullen & Vickers, Fraud in the Procurement of a Patent, 29 Geo. Wash. L. Rev. 110, 111 (1960). The Court found that omission of similar provisions in the 1836 Act precluded private actions for cancellation of a patent on any grounds. 81 U.S. at 441. The omitted provisions have never been included in any subsequent patent statute. The *Mowry* Court suggested in dicta that since the fraud was on the United States, it was the only party who could sue for cancellation. Id. For a full discussion of actions to cancel fraudulently-procured patents, see Cullen & Vickers, supra.

[88] The Government's standing to sue for cancellation of a patent on grounds other than fraudulent procurement has been discussed in a series of three cases involving the Bell Telephone Company. In *Bell I*, 128 U.S. at 359, the Court in dicta suggested that the proper party to bring suit for cancellation in case of fraud, mistake, deceit or accident in issuance of a patent was the United States. In United States v. American Bell Tel. Co., 159 U.S. 548, 552-53 (1895) [hereinafter cited as *Bell II*], again by dicta, that statement was repeated. However, in United States v. American Bell Tel. Co., 167 U.S. 224, 269 (1897), the dicta above was characterized as a general statement and the Court said of its prior holdings:

> Least of all was it intended to be affirmed that the courts of the United States, sitting as courts of equity, could entertain jurisdiction of a suit by the United States to set aside a patent for an invention on the mere ground of error of judgment on the part of the patent officials.

[89] 333 U.S. 364 (1948).

[90] Id. at 386-88. The *Gypsum* Court, not having to reach this issue, nevertheless expressly relied on the public interest in enjoining violations of the Sherman Antitrust Act as authorizing the challenges to the patents' validity. Id. In upholding the challenges the Court avoided the anomaly of refusing the Government standing to challenge patents, while in a similar situation granting such standing to private licensees in the name of public interest. See Sola Elec. Co. v. Jefferson Elec. Co., 317 U.S. 173 (1942), and text at note 76 supra.

[91] 333 U.S. at 387. Although not a judgment of cancellation, a finding of invalidity would, for most practical purposes, have the same effect as a judgment of cancellation, since

It is submitted that the policy rationale used by the *Gypsum* Court—namely, the public interest in a competitive economy —supports the *Glaxo* Court's decision as to the Government's standing to challenge patents. Although expressly declining to rely on their patents to justify the conduct found to violate the antitrust laws, the defendants did raise their patent rights as reasons for denying the Government's request for affirmative relief.[92] Thus, once the violations were found, the district court was required to deal with the patents. Given the public interest in the judicial testing of patents,[93] and given the fact that many difficult problems of remedy would be avoided if the patents were found invalid,[94] the Court in *Glaxo* found that the Government should have been allowed to challenge the validity of the patents.

This decision reflects the Court's view of the purpose of relief in an antitrust case. Once the violation was found the Court asserted that the purpose of the decree was not merely to enjoin the violative conduct and prevent its reoccurrence, but rather its purpose was "as far as practicable, [to] cure the ill effects of the illegal conduct . . . ."[95] To accomplish that purpose the Court found that an order requiring mandatory sales and compulsory licenses would have been appropriate.[96] Rather than reach these difficult issues of remedy,[97] the Court would have instead allowed the Government to avoid these issues by challenging the validity of the patents

the Court's decision in *Blonder*, which modified the requirement of mutuality of estoppel before a prior finding of invalidity, can be pleaded in a later action. See note 81 supra and accompanying text.

[92] The defendants filed affidavits disclaiming any desire to rely on the patents in defense of their conduct. 410 U.S. at 56. However, after the antitrust violations were found, the defendants, in opposing the Government's requests for mandatory sales and compulsory licenses, argued that such remedies would deny them "an essential ingredient of their rights under the patent system . . . ." Id. at 59.

[93] See text at note 64 supra.

[94] The United States had requested an order requiring mandatory sales of griseofulvin in bulk form and compulsory licensing at reasonable royalty rates by the defendants. Among the difficult problems the trial court would have had to consider were whether such relief was required, if so how such relief was to be incorporated into an order, and how that order was to be supervised. Especially difficult would have been the determination of what was a reasonable royalty rate for the patents involved. The Court recognized that such a determination, although difficult, was not impossible in United States v. National Lead Co., 332 U.S. 319, 347 (1947). The Court has approved the imaginative order of at least one district court faced with this difficult problem. In Besser Mfg. Co. v. United States, 343 U.S. 444, 447-48 (1952), the district court ordered that the Government and the defendants appoint two representatives each to negotiate a reasonable royalty rate. If they could not agree, they were to select a fifth member for their panel. If they could not agree as to the fifth member, the judge would appoint the fifth member or act as the fifth member himself. For its representatives the Government chose two members of the industry which had been restrained.

[95] 410 U.S. at 64. The quoted language, used by the Court in *Glaxo*, is from United States v. United States Gypsum Co., 340 U.S. 76, 88 (1950), and is similar to language used in International Salt Co. v. United States, 332 U.S. 392, 401 (1947). The Court stressed in both of these cases that such corrective action was not penal, but rather, because of the civil nature of the action, was designed to correct the damage wrongfully done.

[96] 410 U.S. at 60.

[97] See note 94 supra.

directly.[98] Given the policy of promoting the judicial testing of patents,[99] and given the Court's view of the purpose of relief in an antitrust case,[100] the Court's decision, it is submitted, is a logical and rational result of long-established policies.

A consideration of Mr. Justice Rehnquist's dissenting opinion in *Glaxo* will elucidate further the rationale of the majority opinion. He pointed out that the Government sought to challenge two *dosage-form* patents while the violative provisions of the disputed agreements involved restrictions on *bulk-form* sales.[101] However, the Court was not allowing the patents to be challenged because they had been used to violate the law, but rather because they stood in the way of an effective remedy. The dissent also objected to what it called the granting of a "roving commission" to the Government to challenge any patent in any way related to the factual background of an antitrust case.[102] The majority, however, attempted to disclaim any such "roving commission" by placing two qualifications on its holding: (1) that the patent be "intimately associated with, and contribute to the violation;"[103] and (2) that the Government's case for further relief be substantial.[104] Accordingly, it would appear that Mr. Justice Rehnquist misinterpreted the majority opinion.

It is the second qualification—that the case for further relief be substantial—that is the more important. Although no convenient test of "substantiality" was offered, the Court did state that the case need not be conclusive.[105] Since the rationale for allowing the challenge to the patent's validity rests upon the prospect that difficult issues of remedy may be avoided upon a finding of invalidity, the less substantial the Government's case for further relief the less likely the prospect that these difficult issues of remedy will be reached. Thus the two factors which need to be weighed in determining whether the Government's case for further relief is sufficiently substantial appear to be the strength or weakness of the defendant's patent, and the complexity of the issues involved in the further relief requested. The apparent strength or weakness of the patent is a factor since an increase in apparent strength also increases the length and complexity of litigation challenging patent validity. Likewise the complexity of the issues involved in framing a decree for further relief is a factor since it increases the potential reward for allowing a challenge to validity—namely avoiding these issues. The balancing of these factors would appear to be a matter within the discretion of the trial court. Since allowing the challenge serves the policy of promoting judicial testing of patents as well,

[98] 410 U.S. at 59.

[99] See text at notes 70-81 supra.

[100] See text at note 95 supra.

[101] 410 U.S. at 70-71 (dissenting opinion).

[102] Id. at 69 (dissenting opinion).

[103] Id. at 62.

[104] Id. at 59.

[105] Id. at 60.

when the equities are equally balanced, doubt should probably be resolved in favor of testing the patent's validity.

The Court's first qualification—that the patent be associated with or contribute to the violation—seems less important. On the facts presented in *Glaxo,* the patents were involved in the violation.[106] However, the rationale for allowing the challenge of patent validity was not to prove the violation, but rather to insure an effective remedy. Thus it would seem that it is not necessary to find involvement of the patent in the violation in order to justify challenging the patent.

The dissent suggests that the majority authorized challenge to any patent "in any way related to the factual background of the claimed antitrust violation . . . ."[107] This, however, does not appear to be a completely accurate statement. Although it may be true that the patent need not be involved in the violation,[108] the majority's rationale does require that the patent be an obstacle to entering an effective decree.[109] It is submitted that in most cases patents in such a position will have been involved in the violation. It is conceded, however, that this need not always be the case, but it is suggested that so long as the patent is involved in the court's shaping of the decree, it is consistent with the majority's rationale to allow the patent to be challenged.

The *Glaxo* Court, wholly aside from the issue of patent validity, held that the district court should have granted the Government's request for mandatory sales and compulsory licensing.[110] The Court rested its decision as to this issue on two considerations: (1) that the patents had provided the economic leverage to impose the illegal restraints,[111] and (2) that such relief was necessary to "pry open to competition" the United States griseofulvin market.[112] A review of the factors which led to the arrival at this result reveals the nature of the special consideration which the Supreme Court gives to antitrust decrees.

In arriving at its finding that the patents provided the economic leverage for the illegal restraints, the Court looked to the prior dealings[113] and economic needs[114] of the parties. This review might

[106] The majority found that the patents provided the economic leverage upon which to insist on the illegal bulk-sales restrictions. Id. at 60-61.

[107] Id. at 69.

[108] See text at note 106 supra.

[109] See text at note 101 supra.

[110] 410 U.S. at 60.

[111] Id. at 60-62.

[112] Id. at 62-64.

[113] Id. at 61. The Court noted that Glaxo rejected a proposed draft of an ICI-AMHO sublicensing agreement, as it had a right to do under the Glaxo-ICI pooling agreement, because, among other things, it would have allowed AMHO to sell griseofulvin in bulk form. The Court inferred from this fact that Glaxo considered the bulk sales restrictions to be a prerequisite to any acceptable sublicensing agreement. Id.

[114] Id. at 62. The Court stated that the source of the pooling agreement which gave rise to the illegal restrictions was the needs of the respective parties. Glaxo needed a license under

be termed a pragmatic analysis of the economic motivations of the parties. The Court did not limit itself to the facts found below, but instead made findings and drew inferences based upon the evidence introduced below.[115] Thus it is suggested that the Court felt free in reviewing antitrust decrees to comb the record below for data as to the economic consequences of the defendants' conduct and their likely future course of conduct.

This freedom in the Court's review, it is suggested, is a result of the Court's view of the purpose of antitrust decrees and its role in their entry.[116] The Court took pains to reiterate that the purpose of an antitrust decree was to correct the damage done by the defendants to the competitive nature of the economy.[117]Although conceding that decrees generally should be formed in the district courts, the Court asserted an obligation on its part to insure that the decree was effective in restoring competition.[118] In order to meet this obligation the Court apparently felt obligated to draw its own inferences from the record below.

In conclusion, the analysis of any Supreme Court decision

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the ICI dosage form patent to protect its sublicensees from the threat of infringement suits. ICI needed a license under the Glaxo bulk form patent in order to supply griseofulvin to its licensees in bulk form.

[115] The dissent suggested that the Court's factual assumptions as to the economic leverage provided by the patents were completely contrary to the district court's findings. Id. at 71 (dissenting opinion). Such however was not the case. The dissent cited to the district court's finding that the defendant's *current* licensing practices were not related to the adjudged antitrust violations. Id. at 70 (dissenting opinion). The majority, however, focused on the economic motivation at the time the agreements were entered into. Id. at 62. Between the time of the making of the illegal agreements and the initiation of the antitrust action the defendants discontinued the illegal practices. 328 F. Supp. at 711. Thus when the district court referred to the *current* licensing practices of the defendants it intended to refer to a completely different set of circumstances.

[116] At least two other factors are also involved. First, many of the questions presented in antitrust cases appear to involve mixed questions of law and fact. See, e.g., the consideration of relevant market in United States v. Aluminum Co. of America, 148 F.2d 416, 424-26 (2d Cir. 1945). Courts in reviewing such questions exercise greater latitude than in pure fact-finding situations which turn on the credibility of witnesses. Second, under the Expediting Act, 15 U.S.C. § 29 (1970), the Court reviews directly antitrust cases in which the United States is complainant. Thus the intermediate review by the court of appeals, with its resultant clarification of facts and issues, is bypassed. For criticism of the Expediting Act on these grounds, see Mr. Justice White's opinion in United States v. Singer Mfg. Co., 374 U.S. 174, 175 n.1 (1963), and Mr. Justice Harlan's opinion in Brown Shoe Co. v. United States, 370 U.S. 294, 364-65 (1962).

[117] 410 U.S. at 59, 64. The Court cited to a particularly revealing paragraph in a prior decision as to its views on the purpose of antitrust relief:

> A trial court upon a finding of a conspiracy in restraint of trade and a monopoly has the duty to compel action by the conspirators that will, so far as practicable, cure the ill effects of the illegal conduct, and assure the public freedom from its continuance. Such action is not limited to prohibition of the proven means by which the evil was accomplished, but may range broadly through practices connected with acts actually found to be illegal. Acts entirely proper when viewed alone may be prohibited. The conspirators should, so far as practicable, be denied future benefits from their forbidden conduct.

United States v. United States Gypsum Co., 340 U.S. 76, 88-89 (1950) (footnotes omitted).

[118] 410 U.S. at 64.

necessarily involves speculation as to what factors influenced the Justices. The *Glaxo* decision, however, does appear to be consistent with the Court's current view of the interrelationships of patents and antitrust policy. It flows from a realization that patents are an area of exempt conduct within the general sweep of antitrust policy. It is further evidence of the Court's explicit policy, recently expressed in *Lear* and *Blonder,* of favoring the judicial testing of patents. Perhaps most important about the decision is the emphasis which the Court places on insuring that the antitrust decree is effective in restoring competitive conditions once violations are found. Coupled with this emphasis is a reaffirmation that the Supreme Court plays a special role in antitrust litigation. This decision would appear to arm the United States with a potentially potent new tool in handling antitrust cases.

PETER A. MULLIN

Trade Secrets—Federal Patent Law Preemption of State Trade Secret Law—*Kewanee Oil Co. v. Bicron Corp.*[1]—In an action by Kewanee Oil Company to enjoin Bicron Corporation and several individual defendants from disclosing and/or using alleged trade secrets[2] in which Kewanee had a claimed property right, the Sixth Circuit reversed the grant of a permanent injunction by the District Court for the Northern District of Ohio and remanded for dismissal on the grounds that Ohio state trade secret law[3] was preempted by the United States patent laws.[4]

Bicron Corporation was formed by former employees of an unincorporated subordinate division of Kewanee, the Harshaw Chemical Company, which manufactures various types of synthetic crystals. As a condition of employment with Harshaw, each of the individual defendants had executed at least one agreement prohibiting him from disclosing confidential information or trade secrets obtained as an employee. In 1949 Harshaw began research on the manufacture of sodium iodide thallium activated scintillation crystals, which have a unique property permitting them to generate a

[1] 478 F.2d 1074 (6th Cir. 1973), cert. granted, 94 S. Ct. 70, 42 U.S.L.W. 3194 (U.S. Oct. 9, 1973) (No. 187).

[2] Restatement of Torts § 757, comment *b* (1939) reads in pertinent part:

> *Definition of trade secret.* A trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it. It may be a formula for a chemical compound, a process of manufacturing, treating or preserving materials, a pattern for a machine or other device, or a list of customers. . . . A trade secret is a process or device for continuous use in the operation of the business.

[3] Under Ohio law, an employee or former employee can be enjoined from disclosing or using, for either his own or his new employer's benefit, trade secrets secured in the course of confidential employment. Curry v. Marquart, 133 Ohio St. 77, 79, 11 N.E.2d 868, 869 (1937).

[4] 35 U.S.C. §§ 1-293 (1970).