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NOTES

THE "MANUFACTURER FORUM ONLY" RULE IN PATENT VALIDITY LITIGATION

I. Introduction

Jurisdiction and venue issues often arise when a patent validity controversy generates multiple suits involving a manufacturer of a patented article, its customers, and a patentee. Often the patentee will file an infringement action against a customer of the manufacturer in a forum where only the customer is subject to suit. Soon thereafter, the manufacturer will seek a declaratory judgment against the patentee seeking to establish non-infringement or invalidity of the patent. This subsequent suit is brought in a forum of the manufacturer's choice. In these circumstances, the trial courts must determine which, if not both, of the suits should proceed to judicial disposition.

The interest of judicial economy dictates that, whenever possible, a single suit should be utilized to dispose of the litigation. Many procedural devices have evolved in pursuit of that goal. Were the manufacturer subject to suit in the customer's forum,¹ he could be joined² as a defendant in the original action. In other circumstances, one suit might be enjoined pending the outcome of the other. In any event, the challenge confronting the trial courts is to determine in which forum the litigation should take place and who should be parties to the action.

Traditionally, the trial courts gave priority to the suit which was filed first³—usually the patentee-customer action. It became apparent, however, that in many instances, it was more convenient to dispose of the suit in the forum of a subsequently filed declaratory judgment action. Consequently, exceptions developed to the "first-filed" rule which, when applicable, assigned priority to the manufacturer-patentee suit.

Finally, in *Codex Corp. v. Milgo Electronic Corp.*,⁴ the First Circuit abolished the first-filed rule and established a rebuttable presumption that the forum of the manufacturer-patentee suit is the preferable location for litigation. Factors of convenience, fairness, and economy weigh heavily in this so-called "manufacturer forum only" rule.⁵ The purpose of this note is to examine some

1 The patent venue statute states that "[a]ny civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business." 28 U.S.C. § 1400(b) (1970).

2 FED. R. Civ. P. 20(a) provides in part:

[a]ll persons . . . may be joined in one action as defendant if there is asserted against them jointly, severally, or in the alternative, any right to relief in respect of or arising out of the same transaction, occurrence, or series of transactions or occurrences and if any question of law or fact common to all defendants will arise in the action.

3 See *Crosley Corp. v. Hazeltine Corp.*, 122 F.2d 925 (3rd Cir.), cert. denied, 315 U.S. 813 (1941).

4 553 F.2d 735 (1st Cir.), cert. denied, 98 S. Ct. 185 (1977).

5 The patentee, Milgo Electronic Corp., apparently christened this presumption the "manufacturer forum only" rule in its petition for certiorari to the Supreme Court. 46 U.S.L.W. 3161 (U.S. Sept. 20, 1977) (No. 77-156). It must be noted, however, that the rule is a rebuttable presumption and is not as inflexible as the word "only" implies.

of these factors, and the circumstances in which they arise, in an effort to ascertain whether it is appropriate to establish a presumption that patent validity suits should be litigated in the forum of the manufacturer.

II. *Kerotest*: A Limited Endorsement of Simultaneous Suits?

*Kerotest Mfg. Co. v. C-O-Two Co.*⁶ is a landmark case in which Kerotest, the manufacturer, was joined as a defendant in an infringement action brought by the patentee against a customer of Kerotest in the Northern District of Illinois. Joinder was allowed even though Kerotest had filed an action against the patentee, C-O-Two, in Delaware before being made a party to the earlier suit. In enjoining the Delaware action, the Third Circuit concluded that "[t]he whole of the war and all the parties to it are in the Chicago theatre and there only can it be brought to a finish as the litigations are now cast."⁷

The Supreme Court, in its review of this decision, did not expressly endorse the joinder of Kerotest in Illinois. Rather, the Court stressed that priority of actions was a matter left primarily to the discretion of the trial courts.⁸ In support of this conclusion, the Court noted that lower courts possess an "ample degree of discretion" and emphasized that the Third Circuit had made a "careful study of the circumstances of this litigation."⁹ The Court concluded that "we would not feel justified in displacing its judgment with ours."¹⁰

In addition to affirming the Third Circuit's exercise of discretion, however, the Court suggested in dicta that circumstances might exist¹¹ in which a manufacturer's declaratory judgment action may proceed regardless of an earlier patentee-customer suit: "[i]f the patentee's suit against a customer is brought in a district where the manufacturer cannot be joined as a defendant, the manufacturer may be permitted simultaneously to prosecute a declaratory action against the patentee elsewhere."¹²

III. The Propriety of Simultaneous Suits

The initiation of litigation by any member of a multi-party transaction was greatly facilitated with the advent of the Federal Declaratory Judgment Act.¹³ Although the Act did not create new rights, its effect in patent litigation was to fashion a new remedy for the manufacturer.¹⁴ For instance, a manufacturer could challenge the validity of a patent, or could seek a declaratory judgment of non-infringement, without waiting for the patentee to institute infringement

6 342 U.S. 180 (1952).

7 *Kerotest Mfg. Co. v. C-O Two Fire Equip. Co.*, 189 F.2d 31, 34 (3rd Cir. 1951).

8 66 HARV. L. REV. 89, 169 (1952).

9 342 U.S. at 183-84.

10 *Id.* at 184.

11 See Part III *infra*.

12 342 U.S. at 186.

13 28 U.S.C. §§ 2201-02 (1970). The current codification of the Act states in part that "any court of the United States . . . , may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought."

28 U.S.C. § 2201 (1970). See also 342 U.S. at 183.

14 *Aralac, Inc. v. Hat Corp. of America*, 166 F.2d 286 (3rd Cir. 1948).

proceedings.¹⁵ The manufacturer "[was] given an equal start in the race to the courthouse, [although] not a headstart."¹⁶ The creation of this opportunity tended to forestall attempts by the patentee to harass a manufacturer with the threat of infringement suits against his customers.

It is in this context that the question of simultaneous suits arose. If a patentee attempts to aggravate the manufacturer and harass his customers by avoiding a direct confrontation with the manufacturer, it may be appropriate to allow a manufacturer to settle the issue through a declaratory judgment action filed in his own forum.¹⁷

The use of the declaratory judgment remedy, however, is within the discretion of the trial courts. Thus, when multiple suits arise in patent litigation, it becomes necessary to question the propriety of allowing two suits to proceed simultaneously when one may suffice to resolve claims between multiple parties. The Supreme Court in *Kerotest* acknowledged that the Declaratory Judgment Act created problems in multi-party transactions and suggested that "[w]ise judicial administration, giving regard to conservation of judicial resources and comprehensive disposition of litigation, does not counsel rigid mechanical solution of such problems."¹⁸ Clearly, the spirit of *Kerotest* is to promote judicial economy. In light of this attitude, the great advantage of the declaratory judgment is its ability to provide for the "comprehensive disposition" of multi-party litigation, particularly when suits to harass a manufacturer and its customers are filed in alien jurisdictions.

These considerations cast doubt on the validity of the Supreme Court's dicta in *Kerotest*, which appeared to sanction multiple suits when the manufacturer was not subject to suit in the patentee-customer forum.¹⁹ If a manufacturer files a declaratory judgment action seeking to determine the validity of a patent subsequent to the initiation of a patentee-customer suit, the trial court should not permit simultaneous suits, but rather should pick that suit in which the litigation can be settled most fairly and most comprehensively for the greatest number of parties.

IV. Establishing Priority in Multi-Party, Multi-Suit Litigation

A. *First-Filed Rule and Its Exceptions*

It has long been accepted that federal courts have the power to enjoin parties from litigating issues already before a federal district court in another jurisdiction. Chief Justice Marshall went so far as to say that "[i]n all cases of concurrent jurisdiction, the court which first has possession of the subject must decide it."²⁰

15 *Walker Process Equip., Inc. v. FMC Corp.*, 356 F.2d 449 (7th Cir.), *cert. denied*, 385 U.S. 824 (1966). "[V]enue in a declaratory judgment action alleging invalidity and noninfringement is controlled by 28 U.S.C. § 1391 rather than 28 U.S.C. § 1400(b)." 60 AM. JUR. *Patents* § 418 (1972).

16 342 U.S. at 185.

17 *Id.* at 185-86.

18 *Id.* at 183.

19 In *Codex*, the First Circuit questioned whether the Supreme Court would uphold this dictum today. 553 F.2d at 738 n.3.

20 *Smith v. McIvers*, 22 U.S. (9 Wheat.) 532, 535 (1824).

In patent litigation, this concept was formalized by the Third Circuit in *Crosley Corporation v. Hazeltine Corporation*.²¹ In its decision, the court formulated a "first-filed" rule, asserting that the suit which initially raised the issue of patent validity had priority over any subsequent suits to dispose of the controversy. Consequently, the forum in which the patent infringement suit is first filed must be preferred as the proper location for resolving the validity issue.

The first-filed rule enjoyed wide acceptance,²² although it quickly became apparent that exceptions must be made when equity and convenience called for litigation in another forum. In justifying these exceptions, the First Circuit has suggested that it is sometimes more important to have a rule than that the rule prove to be prudent in every circumstance.²³

Three primary exceptions to the first-filed rule have evolved.²⁴ The first exception is that envisioned by the *Kerotest* dicta. If a patentee, in an attempt to harass the manufacturer by avoiding outright confrontation, files suit against a customer in a forum where the manufacturer cannot be joined,²⁵ a later declaratory judgment action filed by the manufacturer may be given priority.²⁶

*Rayco Manufacturing Co. v. Chicopee Manufacturing Co.*²⁷ represents a second exception to the first-filed rule. If a plaintiff indulges in forum shopping, he may find his suit enjoined in favor of an action filed subsequently to his own. *Rayco* suggests that a plaintiff "is open to the charge of forum shopping whenever he chooses a forum with slight connection to the factual circumstances surrounding his suit."²⁸ The premise underlying this exception is that the patentee has sought a jurisdiction with a small trial docket²⁹ and a reputation for favoring patent validity despite the fact that the forum with the greatest connection to the material facts of the case, and thus the more obviously convenient forum, is available.³⁰

21 122 F.2d 925 (3rd Cir.), cert. denied, 315 U.S. 813 (1941).

22 See, e.g., *Crosley Corp. v. Westinghouse Elect. & Mfg. Co.*, 130 F.2d 474 (3rd Cir.), cert. denied, 317 U.S. 681 (1942); *Triangle Conduit & Cable Co. v. National Elec. P. Corp.*, 125 F.2d 1008 (3rd Cir.), cert. denied, 316 U.S. 676 (1942); *Godfrey L. Cabot, Inc. v. Binney & Smith Co.*, 46 F. Supp. 346 (D.C.N.J. 1942).

23 553 F.2d at 737.

24 These exceptions are outlined in *Formflex Foundations, Inc. v. Cupid Foundations, Inc.*, 383 F. Supp. 497 (S.D.N.Y. 1974).

25 If the manufacturer is subject to suit in the forum in which the patentee has sued the customer, he can be joined as a party to that suit rather than allowed to proceed in a declaratory judgment action of his own. If the manufacturer objects to joinder, it is incumbent upon him to file a motion for change of venue pursuant to 28 U.S.C. § 1404(a). This statute provides that "[f]or the convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought."

26 There is some indication that more than one customer suit must be filed in order to establish harassment. 383 F. Supp. at 499.

27 148 F. Supp. 588 (S.D.N.Y. 1957).

28 *Id.* at 593.

29 It has been suggested that if litigants were permitted to indiscriminately search for a court with a small trial docket, the Second Circuit would be "ousted of its jurisdiction." *Helene Curtis Indus. v. Sales Affiliates*, 105 F. Supp. 886, 905 (S.D.N.Y.), *aff'd*, 199 F.2d 732 (2d Cir. 1952).

30 Courts react differently to the charge of forum shopping, particularly when one forum is almost as convenient as the other but the docket in one is significantly smaller. The trial judge in *Rayco* was forthright in expressing his opinion regarding instances of blatant forum shopping. "I find these tactics deplorable. That the issuance of a patent should be tantamount to the blowing of a starter's whistle in a foot race among patent counsel is indeed a lamentable spectacle." 148 F. Supp. at 592.

Factors of convenience, such as the location of witnesses and company headquarters, lie at the foundation of the third exception. Generally, the forum of the manufacturer, since he is the supplier of the customer, is the location where most of the evidence dealing with patent infringement resides.³¹ Consequently, the third exception applies when the patentee sues a customer, the manufacturer subsequently brings a declaratory judgment action against the patentee, and the manufacturer's forum is the most convenient location to resolve the litigation.

In *William Gluckin & Co. v. International Playtex Corp.*,³² the Second Circuit suggested that a patentee-customer suit followed by a manufacturer-patentee suit was a "special circumstance"³³ which in itself justified departure from the first-filed rule. It is apparent from the holding in *Gluckin*, however, that this exception will not be invoked in the absence of a showing that the balance of convenience favors the manufacturer's forum.³⁴ The Second Circuit quoted with approval a trademark and patent case in which it was stated that "issues should be tried in the district where suit is first brought unless there are other factors of substance which support exercise of the court's discretion that the balance of convenience is in favor of proceeding first in another district."³⁵ Thus, the result of the third exception is to emphasize the "theatre of war" concept expounded in *Kerotest*, so that the trial courts in their discretion may subjugate the first-filed rule in favor of the manufacturer's forum when that forum proves to be the most convenient.

The third exception to the first-filed rule is founded entirely upon considerations of convenience. The first two are indicative of a judicial reaction against questionable trial tactics. The result under any exception, however, is to insure that regardless of which party filed first or what his motives were, the litigation will take place in the most convenient forum and in a manner which is conducive to a just outcome.

One common assertion for preserving the first-filed rule is that a patentee is statutorily guaranteed a "remedy by civil action" for any infringement of his patent.³⁶ Furthermore, a federal statute provides that the manufacture, use, or sale of patented articles constitutes an infringement of the patent.³⁷ Therefore, according to this argument, a patentee has every right to proceed against a customer because the customer's sale of an infringing article is as much an infringement as the manufacturer's production of that article.

This argument was asserted by the defense in *Gluckin*, qualified by the concession that the patentee's right to proceed in a customer suit might be limited by a showing of harassment or forum shopping. The Second Circuit discarded this argument by applying the *Kerotest* theory that great discretion must

31 Considerations militating for or against a particular forum are discussed in the following cases: *William Gluckin & Co. v. International Playtex Corp.*, 407 F.2d 177, 179-80 (2d Cir. 1969); *Delamere Co. v. Taylor-Bell Co.*, 199 F. Supp. 55 (S.D.N.Y. 1961). In each of these cases, the factors of convenience overwhelmingly favored the manufacturer's forum.

32 407 F.2d 177 (2d Cir. 1969).

33 *Id.* at 178.

34 *Id.* at 180.

35 *Id.* at 179, quoting *Mattel, Inc. v. Louis Marx & Co.*, 353 F.2d 421, 424 (2d Cir. 1965), cert. dismissed, 384 U.S. 948 (1966).

36 35 U.S.C. § 281 (1970).

37 35 U.S.C. § 271(a) (1970). See generally 60 AM. JUR. Patents § 421 (1972).

be left with the trial court. Thus, even though the patentee has a right to maintain an action for patent infringement, it is within the discretion of the trial court to channel that claim to a forum in which judicial economy will be served by lessening trial burdens and extending the scope of the decree by *res judicata* or collateral estoppel.³⁸

Furthermore, it is often argued that the manufacturer is the real party in interest despite a nominal proceeding against the customer.³⁹ Thus, although the patentee may be forced to litigate in the manufacturer's forum rather than the customer's, he is not denied a fair opportunity to litigate his statutory claim by the exercise of the court's discretion. Forcing the patentee from one forum to another, at a great saving in time and expense, is entirely justified.

B. *Manufacturer Forum Only—A Rebuttable Presumption*

In *Codex Corp. v. Milgo Electronic Corp.*,⁴⁰ a district court in Massachusetts was faced with a motion by the manufacturer, Codex, to enjoin a patentee-customer suit in Kansas which had been filed 35 days prior to the manufacturer's declaratory judgment action. Codex was not subject to suit in Kansas,⁴¹ and hence its declaratory judgment action could not be transferred there.⁴² The trial judge denied the motion for an injunction of the Kansas suit and instead stayed the Massachusetts action. On appeal, the First Circuit acknowledged that the trial judge had not abused his discretion and that ordinarily only a "very strong showing" of abuse would mandate a reversal.⁴³ The court found "special reasons," however, to reverse the trial court's order because the facts presented a situation which "we believe calls for the development of special principles not previously fully articulated."⁴⁴

In *Codex*, the First Circuit replaced the first-filed rule and its exceptions with the following principle:

[i]n these circumstances, while we do not say that there should be an inflexible rule, we would recognize a rebuttable presumption that a manufacturer's declaratory judgment action, in its home forum, at least if brought no later than promptly after a customer action, should take precedence over a mere customer action in a jurisdiction in which the manufacturer could not be sued.⁴⁵

Under this rule, a trial judge, faced with a motion by the patentee to enjoin the manufacturer's action as well as a motion by the manufacturer to enjoin the patentee in his patentee-customer suit, should rule in favor of the manufacturer,

38 In many instances, however, the effect of *res judicata*-collateral estoppel principles will be the same, or will have the same effect, in either forum. See Part VI *infra*.

39 See 407 F.2d at 179; 553 F.2d at 737-38.

40 553 F.2d 735 (1st Cir.), *cert. denied*, 98 S. Ct. 185 (1977).

41 553 F.2d at 736. See note 1 *supra*.

42 The change of venue statute was not applicable because Kansas was not a district where the suit initially "might have been brought." 28 U.S.C. § 1404(a) (1970). 553 F.2d at 736. See note 25 *supra*.

43 553 F.2d at 737.

44 *Id.* at 740.

45 *Id.* at 738.

absent a showing that the patentee-customer forum is more appropriate. The patentee would be required to demonstrate that factors of convenience and judicial economy militated against application of the presumption. Case history suggests that more often than not the manufacturer's forum is more convenient,⁴⁶ and in such circumstances, this presumption could not be overcome. Consequently, the rule has been designated the "manufacturer forum only" rule.⁴⁷

V. First-Filed versus Manufacturer Forum Only

Analysis of the manufacturer forum only rule suggests that the First Circuit's rebuttable presumption changes the law only slightly. In those jurisdictions subscribing to the first-filed rule, there is, in effect, a rebuttable presumption that the suit filed initially takes priority over any subsequently filed suits litigating the same claim. This rebuttable presumption can be overcome, however, in those cases in which one of the three exceptions to the first-filed rule is applicable.

The third and primary exception, which sanctions a subsequent proceeding in the manufacturer's forum when the manufacturer was not subject to suit in the patentee-customer jurisdiction, is one based entirely on convenience and the promotion of judicial economy. The balance of convenience is so often in favor of the manufacturer's forum, however, that the principle formulated in *Codex* abandons the framework of an exception to the first-filed rule and automatically establishes the presumption that the suit should be litigated in the manufacturer's forum. In effect, rather than requiring the manufacturer to come forth to establish his compliance with an exception to the first-filed rule, it presumes that the manufacturer's forum is more convenient. Consequently, the patentee must come forward to establish that his initial patentee-customer suit provides the more convenient forum.

Shifting the burden of establishing convenience does very little to change the quantity or content of factors which the trial judge must consider. It does shift to the patentee the burden of coming forward as well as the ultimate burden of persuading the trial court that the balance of convenience favors the customer's forum. In choosing the most convenient forum, however, the trial judge must still weigh the various factors favoring one forum over another. He must decide which forum is most convenient and will thereby best serve the ends of judicial economy. His decision will generally not be reviewable by an appellate court unless there is a clear abuse of discretion.

Even though the rebuttable presumption in *Codex* scarcely changes procedural law, it does establish a presumption in favor of that forum which is generally the most convenient location to litigate this type of patent controversy. Thus, it articulates a sensible rule and clarifies the contemporary status of the third exception to the first-filed rule.⁴⁸ By formalizing a rebuttable presumption in favor of the manufacturer's forum, the First Circuit exorcised the obsolete

⁴⁶ See note 31 *supra*.

⁴⁷ See note 5 *supra*.

⁴⁸ It was the intention of the First Circuit in *Codex* to develop "special principles not previously fully articulated." 553 F.2d at 740.

concern with the race to the courthouse in favor of the forum that will generally prove to be the most convenient.

Two exceptions to the first-filed rule developed in response to concerns of harassment and abusive forum shopping. One of the advantages of the manufacturer forum only rule is that the utility of these tactics is severely curtailed. A patentee pondering the effectiveness of customer suits to harass a manufacturer would be deterred from any such action since the manufacturer may file a declaratory judgment action and succeed in enjoining the customer suits. Furthermore, forum shopping and races to the courthouse in hopes of securing a forum favorable to the patentee—as opposed to one calculated only to harass the manufacturer—become much less useful if the presumption will finally channel the litigation to the forum of the manufacturer.

VI. Factors to Determine Convenience

Although the rebuttable presumption of the manufacturer forum only rule articulates a well-defined principle regarding venue in patent validity litigation, and by its clarity may inhibit pre-trial skirmishes concerning venue questions,⁴⁹ it must be remembered that the basis of any rule is convenience. In those circumstances in which the patentee attempts to overcome the rebuttable presumption by advocating disposition in a patentee-customer forum, the trial judge must address his attention to traditional notions of convenience.

In *Gluckin*, the Second Circuit noted a number of these considerations, such as the whereabouts of witnesses knowledgeable with respect to the patent in question, the location of home offices, the location of manufacturing, packaging, and promotional operations, and the scope of the manufacturer-customer market.⁵⁰ In addition to these traditional concepts, two other considerations, *res judicata*—collateral estoppel effects and the desirability of a patent-experienced judge, merit further analysis.

A. *Res Judicata*—*Collateral Estoppel*⁵¹

1. The Manufacturer's Forum

If the ultimate disposition of an action between the manufacturer and the patentee in the manufacturer's forum establishes that the patent is valid and has been infringed, a customer will not be collaterally estopped from defending a subsequent infringement suit brought by the patentee. The customer will not be barred from his defense⁵² because, absent joinder in the manufacturer-patentee suit, he has not had his day in court.⁵³

49 Inhibiting pre-trial skirmishes was one of the objectives of the First Circuit in proposing the rebuttable presumption. *Id.* at 740.

50 407 F.2d at 179-80.

51 *See generally* 60 AM. JUR. PATENTS §§ 427, 429 (1972).

52 *But see* note 57 *infra*.

53 *General Chem. Co. v. Standard Wholesale P. & A. Works*, 101 F.2d 178 (4th Cir. 1939).

This proposition arose frequently in the context of mutuality of estoppel. The mutuality argument suggested that since the customer would not be bound by a judgment favorable to

By prevailing over the manufacturer, however, the patentee has successfully attacked the source of production and, in many cases, has removed any reason to bring suit against a customer. Thus, the earlier resolution between the patentee and the manufacturer removes the incentive for a patentee to sue a customer after establishing infringement against the manufacturer.⁵⁴ As a result, it is unlikely that a court would find itself addressing authority which sanctions a customer defense notwithstanding the patentee's favorable judgment against the customer.

If, on the other hand, the manufacturer prevails in an infringement or validity action, the patentee will be barred from initiating actions against customers of the manufacturer. As the Supreme Court noted in *Kessler v. Elred*,⁵⁵ the patentee has already exercised his right to fairly litigate the issues surrounding the patent. Any subsequent suits would constitute wrongful interference with the manufacturer's business. Thus, absent a showing that he did not receive a fair opportunity to litigate his claim, the patentee would be collaterally estopped from bringing further suits against the manufacturer's customers.⁵⁶

A manufacturer's successful defense of a disputed patent in the manufacturer-patentee forum will thus clearly estop the patentee collaterally from commencing similar actions against purchasers of an exonerated product. On the other hand, should the patentee prevail over the manufacturer, the production of an infringing product will be curtailed at its source.⁵⁷ In light of this analysis, it appears that the manufacturer's forum is a desirable one in which to secure a final adjudication which will either legally or practically bind all interested parties.

2. The Customer's Forum

Frequently, a manufacturer agrees to defend a customer in any patent infringement suits arising from the manufacturer's products. These indemnification clauses are important devices by which the manufacturer builds faith in his business and seeks to avoid rulings adverse to his products.⁵⁸

If a manufacturer is required to defend a customer in the customer's forum under a contractual indemnification clause, he will not be held to have waived

the patentee, he should not be allowed to profit from a judgment favoring the manufacturer. The concept of mutuality, however, has been replaced by a principle which estops a party from re-litigating his case if he has had a fair opportunity to do so once. See text accompanying note 61 *infra*. Thus, the application of authority which permits a customer to defend himself after a judgment favorable to the patentee in another action has vanished insofar as it arose in the context of mutuality of estoppel.

54 If the customer has purchased equipment which is used to manufacture goods and the equipment—as opposed to the goods—infringes a patent, the patentee may want to sue the customer to enjoin the use of such equipment. In this situation, authority permitting the customer to defend himself after the patentee receives a favorable judgment against the manufacturer may become relevant. *But see note 57 infra*.

55 206 U.S. 285 (1907).

56 See text accompanying note 61 *infra*.

57 It is possible that a customer could sue the patentee in the hope of securing a different result in an alternative forum. The customer may be collaterally estopped due to his close relationship to the manufacturer, and even if he is not, the judgment in favor of the patent may be *stare decisis* authority. *Cold Metal Process Co. v. E. W. Bliss Co.*, 285 F.2d 231 (6th Cir. 1960), *cert. denied*, 366 U.S. 911 (1961).

58 553 F.2d at 738.

his venue immunity pursuant to the patent venue statute.⁵⁹ Thus, the manufacturer cannot be joined in the customer suit if he is not otherwise properly subject to suit in the customer forum. Notwithstanding this principle, the manufacturer, as well as the customer, will be bound by a judgment of validity if the manufacturer assumes open and avowed control of the defense.⁶⁰ Thus, in these circumstances, a judgment emanating from the patentee-customer forum may prove just as binding as one from the manufacturer's forum.

Should the patentee lose his infringement suit in the customer's forum, he will be collaterally estopped from suing the manufacturer absent a showing that he did not get a fair opportunity to pursue his claim. In *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*,⁶¹ the Supreme Court addressed the concept of collateral estoppel in the context of patent litigation. The holding of the Court was summarized by one commentator as follows:

a patentee will be estopped from litigating the issue of the validity of a patent claim if the identical issue was the subject of a final judgment on the merits in a previous adjudication to which the patentee or his privy was a party *and* the patentee can be said to have had a fair opportunity procedurally, substantively, and evidentially, to pursue his claim of validity in the first adjudication.⁶²

This principle concretizes the estoppel doctrine and suggests that in either forum, the patentee will be bound by a judgment of invalidity.

Factors which may be taken into account in the determination of whether the patentee had a fair opportunity to litigate his claim in the prior suit against the customer⁶³ include whether the patentee helped choose the forum, whether he had the incentive to litigate,⁶⁴ whether the lower court failed to grasp technical subject matter,⁶⁵ and whether the patentee was "deprived of crucial evidence."⁶⁶ In addition to these factors, an "open and avowed" control of the defense by the manufacturer may have a bearing on the patentee's incentive to litigate and his ability to gather evidence from the manufacturer through discovery.

3. The Influence of the Scope of a Decree on Choosing a Forum

The scope of a validity-infringement decree is an important consideration in determining the propriety of a forum for patent litigation. A judgment in the manufacturer's forum will in most instances effectively bind all interested parties, thereby lending further endorsement to a rebuttable presumption in favor of a

59 *Schnell v. Peter Eckrich & Sons, Inc.*, 365 U.S. 260 (1961). See also Wydick, *Venue in Actions for Patent Infringement*, 25 STAN. L. REV. 551, 559-60 (1973).

60 See, e.g., *Tidewater Patent Dev. Co. v. K. M. Kitchen*, 421 F.2d 680 (4th Cir. 1970). Some authority suggests that notwithstanding the absence of an open and avowed defense, the manufacturer should still be bound by the patentee's favorable decision. See *Caterpillar Tractor Co. v. International Harvester Co.*, 120 F.2d 82 (3rd Cir. 1941).

61 402 U.S. 313 (1971).

62 Kidwell, *Comity, Patent Validity, and the Search for Symmetry: Son of Blonder-Tongue*, 57 J. PAT. OFF. SOC'Y, 473, 476 (1975) [hereinafter cited as Kidwell].

63 Kidwell, *supra* note 62, at 476-77.

64 See 120 F.2d at 84. See 39 COLUM. L. REV. 1224, 1252 (1939).

65 See text accompanying note 70 *infra*.

66 Kidwell, *supra* note 62, at 477.

manufacturer-patentee suit. The patentee will be estopped from proceeding against a customer in the event of a decree of invalidity or non-infringement. Should the patentee prevail over the manufacturer, the infringement will be curtailed at its source.

It is also apparent, however, that under certain conditions, disposition in the patentee-customer forum will be equally effective in binding all interested parties. If the manufacturer is required by contract to conduct patent defenses for his customers, the trial court should be able to establish that fact, thereby making "open and avowed" the manufacturer's control of the defense. In these circumstances, a judgment of validity will bind the manufacturer, and a judgment of invalidity will bind the patentee absent extraordinary circumstances indicating no fair opportunity existed to litigate his case.

Although other notions of convenience may still militate for an adjudication in the manufacturer's forum, if factors such as availability of evidence and knowledgeable witnesses are fulfilled in the customer's forum, it may be appropriate to adjudicate the suit at that site since the scope of the decree may be just as expansive as it would be in the manufacturer's forum.

B. *The Patent-Oriented Judge*

Patent cases are notorious for precipitating lengthy intervals between the initiation of a suit and its ultimate resolution. Discovery can be extremely time-consuming due to the volume and technical nature of the supporting materials involved. The median time span for a patent case in the federal courts is 35 months—more than twice as long as that for all federal question litigation.⁶⁷ Additional data indicate that 50% of all non-jury patent cases require three or more days of trial while the corresponding figure for all civil cases is approximately 14.4%.⁶⁸

These statistics argue persuasively for the incorporation of measures aimed at economizing patent validity and infringement cases. The ease with which a court can assimilate massive amounts of technical evidence will bear heavily on the court's efficiency. One factor affecting the court's ability to comprehend the substance of information brought before it is the accessibility of witnesses and clarifying demonstrative evidence. This is one of the traditional convenience factors discussed previously.⁶⁹ Another factor which may be significant in a determination of the propriety of one forum over another is the patent experience of the judge assigned to the litigation.

67 The following table indicates the length of certain types of litigation terminated during or after trial:

	# cases	TIME IN MONTHS		
		10% less than	median	10% more than
All Cases	8197	6	16	40
All Federal Question	3047	5	17	43
Patent Cases	84	11	35	83

This diagrammatic format was first used in Lorenzo, *Advance in the Art: The Essential Criterion of Patentability*, 56 J. PAT. OFF. SOC'Y, 195, 223 (1974). The data itself is found in Administrative Office of the U.S. Courts, *Annual Report of the Director* (1976), table C-5A [hereinafter cited as A.O. Report].

68 A.O. Report, *supra* note 67, table C-8.

69 See text accompanying note 50 *supra*.

If the suit in the patentee-customer forum is assigned to an "educated judge," one with previous patent experience encompassing the technical fields involved in the current litigation, then that judge may be able to render an enlightened decision more rapidly than a judge with no patent experience and a limited technical background.⁷⁰ Consequently, if the judge in the manufacturer's forum is informed that the patentee-customer suit has been assigned to a "patent-educated" judge, that factor should be considered along with all others bearing on convenience.

Similarly, if the patentee-customer suit has progressed to such a stage that the trial judge is familiarized with the technical issues, a suit in the manufacturer's forum may well prove to be less efficient due to the delay required for the judge to acclimate himself to the issues in the litigation.

As the First Circuit pointed out in *Codex*, there may be instances in which prior judicial experience in patent suits is a drawback. If the judge has already found in favor of or against the patentee's patent in litigation involving another manufacturer and a different product, his experience may actually prevent him from rendering an impartial consideration.⁷¹ In either event, the technical experience of the trial judge is a factor which should be considered in weighing the convenience of different forums.

VII. Conclusion

The Supreme Court noted in *Kerotest* that the Declaratory Judgment Act created complex problems for trial courts. The Court subsequently pronounced that "[w]ise judicial administration, giving regard to conservation of judicial resources and comprehensive disposition of litigation, does not counsel rigid mechanical solution of such problems."⁷²

A perplexing problem arises when a patentee files an infringement action in the forum of the customer and a manufacturer retaliates by seeking a declaratory judgment action against the patentee in the manufacturer's forum. Strict application of the first-filed rule would assign priority to the patentee-customer suit. In the name of judicial economy and fairness, however, a number of exceptions evolved which gave preference to the manufacturer's forum if it proved to be the more convenient location for litigation. In *Codex*, the First Circuit formalized these exceptions by creating a rebuttable presumption that the forum of the manufacturer is the appropriate site for resolution of the dispute.

The rule announced by the First Circuit does establish a well-defined principle by which parties to a validity or infringement suit are apprised of their respective burdens of persuading the trial court which forum is most appropriate

70 It has been noted that if a trial judge totally fails to grasp relevant technical subject matter, that may be grounds for disregarding collateral estoppel and allowing the patentee to re-litigate an issue which he had previously lost. Kidwell, *supra* note 62, at 477.

It is often reported that trial judges generally dislike being assigned patent cases. See generally Marovitz, *Patent Cases in the District Courts—Who Should Hear Them?*, 58 J. PAT. OFF. SOC'Y, 760 (1976); Markey, *Special Problems in Patent Cases*, 57 J. PAT. OFF. SOC'Y, 675 (1975).

71 553 F.2d at 739.

72 342 U.S. at 183.

for the litigation. Under the rebuttable presumption of the manufacturer forum only rule, the patentee must present factors of convenience which favor resolution of the suit in the forum of the customer. It must be emphasized, however, that the patentee's task will not always be a futile one. Circumstances do occur in which factors of convenience may dictate disposition of a patent case in the forum of the customer.

The Supreme Court cautioned in *Kerotest* that there is not a rigid mechanical solution to the forum dilemma. In *Codex*, the First Circuit similarly expressed the caveat that its manufacturer forum only rule should not be an inflexible one.⁷³ These two admonitions reflect the fact that when weighing factors of convenience to choose a forum which maximizes judicial economy, a trial judge will necessarily exercise great discretion. By considering competing factors in determining whether an initial presumption in favor of one forum has been overcome, a conscientious judge will efficiently and fairly resolve litigation in his court.

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⁷³ 553 F.2d at 738. In *Codex*, the First Circuit suggested that if the prospect of recovery against the customer is greater than the prospect against the manufacturer, greater weight might be assigned to the customer's forum. *Id.* at 738 n.6.