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Declaratory Judgments—Requisites for Jurisdiction of Federal Question Cases—Suit by Alleged Patent Infringer

Under the Federal Declaratory Judgment Act, any court of the United States may declare the rights and other legal relations of any interested party seeking such declaration in a case of actual controversy within its jurisdiction. As a condition precedent to the use of this procedural device, the controversy must be one within the jurisdiction of the federal court. Article III, Section 2 of the United States Constitution declares that this power shall extend to all cases "... arising under this Constitution, (or) the laws of the United States..." Congress has declared that the district courts shall have original jurisdiction over these "federal question cases."

The exercise of jurisdiction by the district courts over "federal question cases" is controlled by several well settled rules promulgated by the Supreme Court. First, the federal question must form an essential and original ingredient in such cases; i.e., it must appear that the federal right asserted may be defeated by one construction of the Constitution or laws of the United States and sustained by the opposite construction. Second, not only must the federal right be an essential ingredient of the cause of action, but it must also be set out in the plaintiff's complaint. The third rule qualifies the second in that the plaintiff's cause of action itself must present a federal question, unaided by allegations of anticipatory replies to probable defenses. It will be noted that these rules restrict the jurisdictional limits of the federal courts and narrow the opportunities for entrance into them.

In Skelly Oil Co. v. Phillips Petroleum Co., M Pipe Line Company entered into a contract with P, prior to the construction of a natural gas pipe line, whereby the latter was to negotiate a series of contracts to secure an adequate reserve of gas. The Natural Gas Act

2 The operation of the Declaratory Judgment Act is procedural only and does not attempt to change the essential requisites for the exercise of federal jurisdiction. Colegrove v. Green, 328 U. S. 549 (1946); Great Lakes Dredge & Dock Co. v. Huffman, 319 U. S. 293 (1943); Aetna Life Ins. Co. v. Haworth, 300 U. S. 227 (1937); Ashwander v. T.V.A., 297 U. S. 288 (1935); Southern Pac. Co. v. McAdoo, 82 F. 2d 121 (9th Cir. 1936).
5 Tenn. v. Union & Planters' Bank, 152 U. S. 545 (1894); Metcalf v. City of Watertown, 128 U. S. 595 (1889).
7 70 Sup. Ct. 876 (1950).
prohibits the construction of such pipe lines unless a certificate of public convenience and necessity has been issued by the Federal Power Commission, and a prerequisite to the issuance of such a certificate is an adequate reserve of gas.\(^8\) The contracts negotiated by P with the sellers all contained similar provisions allowing the sellers to terminate their obligations thereunder if such certificate had not been issued to M Company before a specific date. Notice of issuance of the certificate was released two days prior to the cancellation date, but the actual content of the order was not made public until the cancellation date. The sellers served notice of termination, claiming no certificate had been "issued" since issuance was conditional upon certain terms of the order.\(^9\) Thereupon M Company and P brought suit against the sellers, seeking a declaratory judgment that the contracts were still in effect and binding upon the parties thereto. Jurisdiction was invoked on the ground that this was a controversy arising under a federal law because the Natural Gas Act and an order by the Federal Power Commission had to be constructed and interpreted. The lower court held that it had jurisdiction and granted the declaratory judgment.\(^1\) The Supreme Court granted certiorari to determine whether this case was "within the jurisdiction" of the district court so as to enable it to render the declaratory relief sought. The Court, with Mr. Justice Frankfurter writing the majority opinion, held that "not every question of federal law emerging in a suit is proof that a federal law is the basis of the suit."\(^1\) Had the plaintiff sought damages or specific performance, he could have raised no federal question because such a suit would arise under the state law governing the contract sued upon. Likewise he could raise no federal question in a declaratory action on the contract since the contract itself is the basis of the suit, and not some right or immunity created by a federal law belonging to the plaintiff. Since there was no diversity and the matter in controversy arose under state law rather than under the laws of the United States, the Court concluded that the case was not originally within the jurisdiction of the district court and that court had no authority to render a declaratory judgment. Mr. Justice Frankfurter stated that the Declaratory Judgment Act was merely an enlargement of the remedies available in the federal courts; that it could only be used in a case of actual controversy already within the jurisdiction of the federal court; and that

\(^8\) 56 Stat. 883 (1942); 15 U. S. C. § 717f (c) (1948).

\(^9\) The issuance order was conditional upon M Company's obtaining approvals of operation from the State of Wisconsin, and the communities to be served therein, of its proposed financing by the S.E.C., and of its rate schedule. 70 Sup. Ct. 876, 878 (1950).

\(^10\) 174 F. 2d 89 (10th Cir. 1949). The decision of the district court was not filed for publication.

jurisdictional requirements were not altered by the Act. He reviewed the three prerequisites to jurisdiction of "federal question cases" in coercive actions and held that these requirements must also be present in a complaint which seeks a declaratory judgment. Thus, the result seems to be that the plaintiff in "federal question cases," whether seeking a declaratory or coercive judgment, must allege in his complaint as an essential element of his cause of action a federally protected right, which belongs to him and which is questioned, as a basis of jurisdiction. Neither the defendants' answer nor an anticipatory reply, asserted in the complaint, to a probable defense can aid in determining the jurisdictional question.

This decision clearly does not destroy all "federal question" jurisdiction in declaratory judgment proceedings. A plaintiff may still seek a declaratory judgment if he asserts in his complaint a federal right which is questioned and is essential to his cause of action. It is rather in those cases in which the plaintiff has no such right, but in his complaint alleges, as a basis of federal jurisdiction, an anticipatory reply to some probable defense that this decision denies federal jurisdiction. This seems a logical result since Congress, in creating this new remedy, stated that it may be used in those cases within the jurisdiction of the district court. The language used by the Court in the principal case to defeat jurisdiction is by no means new to declaratory proceedings, as the lower federal courts have often adopted similar language in such proceedings.

12 "To sanction suits for declaratory relief as within the jurisdiction of the district court merely because, as in this case, artful pleading anticipates a defense based on federal law, would contravene the whole trend of jurisdictional legislation by Congress, disregard the effective functioning of the federal judicial system and distort the limited procedural purpose of the Declaratory Judgment Act." 70 Sup. Ct. 876, 880 (1950).


14 One writer has stated that this rule should not apply to declaratory actions. Note, 44 ILL. L. Rev. 827, 831 (1950).


16 Magic Foam Sales Corp. v. Mystic Foam Corp., 167 F. 2d 88 (6th Cir. 1948); Wells v. Universal Pictures Co., 166 F. 2d 690 (2nd Cir. 1948); Atlantic Meat Co. v. R.F.C., 166 F. 2d 51 (1st Cir. 1948); State Auto. Ins. Ass'n v. Parry, 123 F. 2d 243 (8th Cir. 1941); Love v. U. S., 108 F. 2d 43 (8th Cir. 1940).
Probably the greatest effect of this decision, if carried to its logical conclusion, will be upon declaratory actions commenced by an alleged infringer to have the defendant's patent declared invalid and not infringed upon by the plaintiff. Generally, in such cases, the defendant patent holder is disrupting the plaintiff's business by threatening the plaintiff with a patent infringement suit, and by writing the plaintiff's customers that the plaintiff is infringing his patent and that if they continue to deal with him, they will also be guilty of infringement. Before the passage of the Declaratory Judgment Act, the alleged infringer had no remedy in the federal courts, since he could assert no right or immunity, created by the laws of the United States, belonging to him. But, since the passage of the Act in 1934, the lower federal courts have consistently held that such declaratory actions "arise under" the patent laws, and thus are within their jurisdiction, since an essential ingredient of the plaintiff's cause of action is the nonexistence of a federal right in the defendant. The court of appeals in *Edelmann & Co. v. Triple-A Specialty Co.* recognizing that the owner of the patent might sue to enjoin infringement, stated that "... now the alleged infringer may sue... It is of no moment, in the determination of the character of the relief sought, that the suit is brought by the alleged infringer instead of by the owner." It is to be noted in these actions that the defendant's patent must be an essential element of the cause of action for jurisdiction to prevail; it is not sufficient that it be lurking in the background.

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20 In only one case did a district court hold that this type case did not arise under the patent laws. International Harvest Hat Co. v. Caradine Hat Co., 17 F. Supp. 79 (E. D. Mo. 1935). The *Edelmann* case declined to follow this decision.

21 Eckert v. Braun, 155 F. 2d 517 (7th Cir. 1946) (patent obtained from plaintiff by fraud); Karen Inc. v. Perlitch, 87 F. Supp. 784 (S. D. N. Y. 1949) (contract for royalties under a patent); Atlas Imperial Diesel Engine Co. v. Lanova...
The principal case seems to exclude these declaratory actions by the alleged infringer from the district court's jurisdiction by stating that the plaintiff's claim itself must present a federal question unaided by anything alleged in anticipation of a defense that the defendant may set up. Certainly an alleged infringer can assert no claim which presents a federal question. Does this decision thus shut the doors of the federal courts to such actions and place the alleged infringer again in the position he occupied before the enactment of the Declaratory Judgment Act?

Assuming that it does, what relief would be obtainable in a state court by the alleged infringer? The district court in *Zenie Bros. v. Miskend* discussed some of the remedies available. They are: (1) suit for unfair competition; (2) petition to the Attorney General to bring suit in behalf of the United States to revoke the patent for fraud; and (3) suit for damages to business caused by a threat to sue under the patent laws. The court recognized that none of these remedies are adequate since they do not settle the fundamental rights of the parties or the validity of the defendant's patent.

One of the primary reasons for restricting the limits of federal jurisdiction in the ordinary situation is the fact that an adequate remedy lies in the state courts, and the federal courts do not wish to interfere with them. But here, there is no adequate state remedy, and if the federal courts deny relief, the alleged infringer has no adequate relief in any court and is powerless to prevent the destruction of his business. This factor seems sufficient to justify federal courts in retaining jurisdiction of this type suit. Other considerations bolster this conclusion. The intent of Congress was to create a haven in the federal courts for all cases which arise under the patent laws. Writers are in accord that such controversies are within the jurisdiction of the federal courts.

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23 *Racine Paper Goods Co. v. Dittgen* (7th Cir. 1909); *Adriance Platt & Co. v. Nat. Harrow Co.* (2nd Cir. 1903); *Emack v. Kane* (C. C. N. D. Ill. 1888).
25 It was not the intention of Congress to permit patent owners in patent controversies to avoid the application of the declaratory judgment statute. Bakelite Corp. v. Lubri-Zol Development Corp. (D. Del. 1940). 36 STAT. §1092 (1911), 28 U. S. C. §1338 (1948).
26 "The defendant has really raised the issue and the plaintiff seeks only formal adjudication. Any other view would be extraordinary." Borchard, *Declaratory Judgment* 809 (2nd ed. 1941). "... the Act enables the plaintiff to state an
It may be noted that the Supreme Court in the principal case did not mention the problem, but it did cite with approval a note on the development of declaratory judgments, which, on the very page cited by the Court, approves of federal jurisdiction of a suit for declaration of non-infringement and invalidity of defendant’s patent.28 The Supreme Court has had previous opportunities to review these declaratory actions by the alleged infringer, but has denied such review.29

Although the language of the principal case seems to withdraw from federal jurisdiction declaratory actions brought by an alleged infringer, it is suggested that they should retain jurisdiction of such actions. A suit to have a patent declared invalid is one arising under the patent laws in substance just as much as the ordinary suit for infringement since the validity of the patent is the immediate as well as the ultimate issue in the case.30 The inadequacy of state remedies, and other factors previously considered, would seem to be sufficient for the federal courts to make an exception of these suits,31 and to retain jurisdiction over them, although logically they fall within the language of the principal case.

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Domestic Relations—Loss of Consortium from Injury to Spouse

Plaintiff brought suit to recover damages for loss of consortium resulting from the negligent injury of her husband. The United States Court of Appeals for the District of Columbia circuit in Hitaffer v. Argonne Co.,1 allowed recovery, declining to align itself with unanimous authority to the contrary in other jurisdictions.

original cause of action which is directly based on the invalidity of the defendant's patent . . . ” Note, 45 Yale L. J. 1287, 1289. MOORE, COMMENTARY ON THE U. S. JUDICIAL CODE 149 (1949). TOLMUN, HANDBOOK OF PATENTS 506 (1949).
31 A well settled exception to the rule that the plaintiff must assert a federal right which belongs to him is an action to remove a cloud upon plaintiff's title where the alleged cloud arises from a federal grant to the defendant, “. . . the existence and invalidity of the instrument or record sought to be eliminated as a cloud are essential parts of the plaintiff's cause of action and must be alleged in the bill.” Hopkins v. Walker, 244 U. S. 486, 490 (1917).