

1979

Time Commercial Financing Corp. v. Carol Brimhall et al : Brief of Defendants-Appellants

Utah Supreme Court

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IN THE SUPREME COURT
OF THE STATE OF UTAH

TIME COMMERCIAL FINANCING CORP.,
a Utah corporation,

Plaintiff-Respondent,

vs.

CAROL BRIMHALL, WILLIAM HESTERMAN,
STEPHEN D. SCHULTZ and BRIMHALL
PRODUCTS, INC., a corporation, and
4-SPECTRA, INC.,

Defendants-Appellants,

and

WALKER BANK & TRUST COMPANY,
Administrator with the Will annexed
of the Estate of Ray S. Brimhall,
deceased,

Case No. 16167

Defendant-Appellant
and Third-Party
Plaintiff,

vs.

BRIMCO HYDRAULICS & ENGINEERING,
INC., a corporation, JOHN B.
FAIRBANKS, JR., and WESTERN RESEARCH
AND MANUFACTURING COMPANY,

Third Party
Defendants.

BRIEF OF DEFENDANTS-APPELLANTS
CAROL BRIMHALL DAVIS AND WALKER BANK

APPEAL FROM THE ORDER OF THE THIRD
DISTRICT COURT IN AND FOR SALT LAKE
COUNTY, STATE OF UTAH, DATED OCTOBER 24, 1978
BY THE HONORABLE JAMES S. SAWAYA, DISTRICT JUDGE

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NATURE OF THE CASE

This action is a post judgment contract dispute in which Walker Bank and others seek to recover the money (royalties) awarded by the Trial Court as compensation for the exclusive patent License awarded to TIMECO, and in which Walker Bank seeks enforcement of a Trial Court judgment and the decision of this Supreme Court in a prior appeal in this action.

DISPOSITION OF THE TRIAL COURT

On October 24, 1978, the Trial Court entered an Order granting a Motion for Summary Judgment by which the question of whether or not Walker Bank was to receive its money (royalties) was dismissed as a federal question without holding the evidentiary hearing earlier mandated by this Court. Simultaneously, the Trial Court refused to enforce its own Decree of July 30, 1975 through which it imposed a contract on the parties requiring payment of money (royalties) by the plaintiff TIMECO to Walker Bank and Carol Brimhall Davis, the defendants and appellants herein.

RELIEF SOUGHT ON APPEAL

The defendants-appellants seek reversal of the Trial Court's decision dismissing the question of whether or not royalties are due and a mandate directing the Trial Court to act to enforce its own Decree of July 30, 1975, to promptly conduct the evidentiary hearing heretofore mandated by this

Court on the issue of whether or not TIMECO is obligated to Walker Bank and Carol Brimhall Davis for past unpaid royalties and on the issue of contempt, but not including the issue of patent validity.

PARTIES TO THE APPEAL

The appellants herein are defendants below, Walker Bank & Trust Company, Administrator with the Will annexed of the Estate of Ray S. Brimhall, deceased (hereinafter referred to as "Walker Bank") and Carol Brimhall Davis (hereinafter referred to as "Davis").

The respondent and cross-appellant is TIME COMMERCIAL FINANCING, CORP. which is hereinafter referred to as "TIMECO".

The cross-respondents are Walker Bank, Davis and Brimhall Products, Inc.

STATEMENT OF FACTS

This case has a lengthy history dating back before 1971. The factual background is thus broken down into appropriate time frames and other subjects.

Pre-Litigation (1965 to 1971)

In 1965 and 1967, Ray S. Brimhall invented first a hydraulic valve and system and then a mechanical latch for use on trucks described in more detail hereafter (R-601). The products were made and sold eventually by Brimco Hydraulics and Engineering, Inc., a corporation (BRIMCO) owned by Ray

Brimhall and his partner (R-599). Ray Brimhall died in November of 1969 (R-602).

After Ray Brimhall's death, BRIMCO obtained financing from TIMECO (R-613) and eventually defaulted on its obligations to pay back the loan (R-615). TIMECO thereafter foreclosed on security positions and purchased the "collateral" at a public sale in March, 1971 (R-618).

The Initial Dispute (1971)

At the time of the sale in March, 1971, Walker Bank, as administrator, (R-601) claimed ownership of Ray Brimhall's inventions which then were in the form of an issued U.S. Patent and a pending U.S. Patent Application (R-619). TIMECO took issue with Walker Bank and commenced this action claiming total ownership of the patent and patent applicaion (R-3). Later, TIMECO added a claim against Walker Bank, Ray Brimhall's widow (now Carol Brimhall Davis), Brimhall Products, Inc. and others for damages on the theory that the ownership rights of TIMECO had been derogated or subverted. That claim was principally based on the granting of a patent license by Walker Bank to Brimhall Products, Inc., which was a company set up by Carol Brimhall (Ray Brimhall's widow) and others to make and sell products under the patents (R-99).

The Trial And Its Outcome (1972-1975)

The issue of ownership of the patent and patent application was tried to the Court without a jury in January,

1972, with remaining issues reserved by severance for later disposition. After the trial and exhaustive post trial litigation, the Trial Court eventually entered Amended Findings of Fact, Conclusions of Law and a Decree (R-599-626) on July 30, 1975.

As per the Amended Decree, the Trial Court found that TIMECO did not own the patent and patent application for Ray Brimhall's inventions (R-602): It found rather that ownership was in Walker Bank (as administrator of Ray Brimhall's Estate) subject to implied contract rights in the form of an implied exclusive license which TIMECO had acquired at the foreclosure sale (R-602-619). The Trial Court found that the license carried the obligation to pay royalties, and that TIMECO was so obligated (R-609-R-619). The Findings and Conclusions were properly implemented in the Decree (R-624).

Post Judgment (1976-1978)

In December, 1976, Walker Bank and Carol Brimhall, now Carol Brimhall Davis, instituted post judgment proceedings to obtain judgment for royalties due under the Decree which TIMECO refuses to pay. The proceedings were commenced by an Order to Show Cause (R-710). It is the disposition of that Order to Show Cause dated December 8, 1976, which provides the legal and factual premise of this appeal.

1. Initial Resolution of Order To Show Cause (1976)

On December 22, 1976, the Trial Court had a hearing

to resolve the Order to Show Cause (R-726] and TIMECO's counter motion to vacate it (R-714]. By minute entry or Memorandum Decision dated January 24, 1977, the Trial Court found that Walker Bank and Davis were entitled to the unpaid royalties and ordered that further proceedings be had to set the amount due (R-754]. This order was much later formalized nunc pro tunc (R-868].

2. The First Appeal (1977)

TIMECO took exception to the Trial Court's Ruling of January 24, 1977 and eventually appealed to this Court claiming it was denied due process of law because it was precluded from presenting the Trial Court with additional evidence (R-810].

This Court ruled that the record below did not have sufficient evidence to support the ruling of January 24, 1977. This Court then remanded for further proceedings (Appeal No. 15136, Opinion filed February 10, 1978).

3. Simultaneous With Appeal (1977)

Through the summer of 1977, simultaneous with the appeal process, TIMECO initiated and pursued proceedings in the Trial Court to obtain resolution of then still unresolved causes which had been severed and reserved since 1972 (R-879]. Walker Bank and Davis responded with a Motion for Summary Judgment on the severed causes (R-932]. Nothing was resolved because a stay of all Trial Court proceedings was obtained by TIMECO on October 4, 1977 (R-1114].

Post Appeal (1978)

After remittitur in April 1978 (R-1125), TIMECO filed its second Motion for Summary Judgment of Patent Invalidity on April 28, 1978(R-1130). Its first Motion had been presented and denied (R-564-581) before entry of the final Amended Decree of July 30, 1975. TIMECO's second motion and Walker Bank's unresolved 1977 Motion for Summary Judgment on the untried causes were heard by the Trial Court on June 26, 1978.

The Trial Court granted Walker Bank's Motion for Summary Judgment by dismissing TIMECO's earlier severed and still untried causes on the grounds set forth by Walker Bank that the causes sound in patent infringement and are thus a federal question (R-1271). Further, TIMECO's Motion for Summary Judgment of Patent Invalidity was denied.

Thereafter, TIMECO filed a Motion for Summary Judgment to dismiss Walker Bank's claim for unpaid royalties which was raised by the December 8, 1976 Order to Show Cause (R-1282). In the alternative, TIMECO sought an order to force Walker Bank into newly authorized Patent Office proceedings to review the issue of validity (R-1285).

The Trial Court refused to order Patent Office proceedings but did grant TIMECO's Motion for Summary Judgment to dismiss, and in fact dismissed the question of whether royalties under the July 30, 1975 Decree are to be paid on the grounds that it is a federal question (R-1347).

Walker Bank thereafter took this appeal from that order and separately sought Mandamus as well. The Mandamus

proceedings were dismissed in favor of this Appeal. In the interim, TIMECO filed a cross appeal claiming error in other parts of the Trial Court's ruling if the Trial Court is reversed.

The Products

The products involved in the dispute are for use on the large semi-truck tractors of the type which have the cab mounted over the engine so that the cab must be tipped forward to provide access to the engine for maintenance. The hydraulic system and valve are used to port oil to a hydraulic tilting piston or cylinder from a manually operated hand pump. The valve also ports hydraulic fluid to a cab latch.

The cab latch operates to latch the cab of the semi-truck tractor down in normal use. It is constructed to have a spring to improve the "ride" experienced by the driver. The hydraulic system overcomes the spring and unlatches it so that the cab can be tilted.

Frequent reference is had to a "Silver Latch" and a "Black Latch". These terms relate to the actual color of constructed cab latches. The "Silver Latch" (Exhibit D-2) is one for which TIMECO admits royalties are due, and has in fact been paying royalties thereon. The "Black Latch" (Exhibit D-1) is claimed by TIMECO to be an improvement latch and sufficiently different to not be under license. TIMECO is not paying royalties on the "Black Latch".

Frequent reference is also had to the "Brimhall Latch"

and to a "Nordell-Kimball Latch". The Brimhall Latch is the same as the Silver Latch; and the Black Latch is the same as the Nordell-Kimball Latch.

The Patents

There are three patents which have been frequently referred to during the course of these proceedings:

(a) U.S. Patent No. 3,430,653, issued March 4, 1969, was invented by Ray S. Brimhall and is directed to the hydraulic valve and system used for tipping the cabs.

(b) U.S. Patent No. 3,797,882, issued March 19, 1974, to Walker Bank (as Administrator) was invented by Ray S. Brimhall and is directed to the latch used to hold the cab of the semi-truck tractor in place. This patent was pending before the Patent Office at the outset of this matter, but has obviously now issued as a patent.

(c) U.S. Patent No. 3,752,519, issued August 14, 1973, to R. Nordell and H. C. Kimball. The patent is not admitted into evidence. It is sometimes referred to by TIMECO as the Nordell-Kimball patent.

Summary of the Factual Dispute

Into 1975, TIMECO resisted paying any royalties. TIMECO had even obtained a Temporary Restraining Order from Judge Ritter to avoid payment. However, eventually TIMECO

was compelled to and did pay royalties on the Silver Latch. About that time, it started to make a slightly different latch known as the Black Latch. TIMECO has continued to pay royalties on the Silver Latch and has refused and continues to refuse to pay royalties on the Black Latch. Walker Bank, as Administrator, and Carol Brimhall Davis, the widow and heir, started post judgment proceedings to collect royalties on the Black Latch. The amount of accrued royalties due with interest is estimated to now substantially exceed \$50,000.00.

TIMECO has refused to pay basically because it claims the Brimhall Latch patent is invalid and because it claims that the Black Latch does not infringe the claims of the Brimhall Latch patent.

Walker Bank and Davis, however, assert that validity can no longer be raised in this case and that even if it could the patent is valid. Walker Bank and Davis further assert that the Black Latch is a royalty-bearing latch which does infringe the Brimhall Latch patent. The question of infringement centers on the way the latch hook moves as it travels between latched and unlatched positions.

Summary of The Legal Dispute

The legal dispute which is the predicate of this appeal relates to two separate aspects of this case.

The first deals with the claim of Walker Bank and TIMECO for past unpaid royalties. TIMECO urged the Trial Court

to dismiss the claim as a federal question in the face of clear authority that the State Court can entertain issues of infringement in resolving State Court claims of the type here involved. The Trial Court adopted TIMECO's view and dismissed the question. Walker Bank and Davis appeal now to reverse that decision.

The second aspect relates to TIMECO's earlier severed and untried causes. The gist of those causes is that the defendants derogated patent rights owned by TIMECO. The Trial Court dismissed the causes, inter alia, because they sound like and are a patent infringement cause exclusively under Federal jurisdiction.

ARGUMENT

The Trial Court erred in dismissing the question of whether royalties are due on the Black Latch as a federal question. The Trial Court erred because the question on its face is clearly a State Court issue properly in a State Court under compelling authority. The Trial Court erred because it has a duty to enforce its own judgment, which is the predicate for the question and the basis upon which it is founded. The Trial Court erred because it refused or failed to follow the mandate of this Court in an earlier first appeal in this action.

THE TRIAL COURT HAS A DUTY TO ENFORCE
ITS OWN JUDGMENT AND SHOULD BE COMPELLED TO SO ACT

It has long been the law of the State of Utah that

the enforcement of a judgment is a duty of the District Court. Ketchem Coal Co. v. Christensen et al, 48 Utah 214, 159 Pac. 541 (1916).

In Ketchem Coal, supra, the plaintiff coal company, by condemnation proceeding, obtained an order or judgment giving it possession and occupancy of a strip of ground for purposes of building a tramway to transport coal to a nearby rail line. The defendants thereafter interfered with the construction of the tramway. The plaintiff thus asked the District Court for, and the District Court did issue, an order to show cause why the defendants therein should not be made to comply with the judgment and why the defendants should not be held in contempt. The defendants demurred to the order; and the Trial Court sustained the demurrer. 159 Pac. at 542.

In mandamus proceedings filed in this Court, the plaintiff coal company sought a writ compelling the District Court to enforce its judgment. In ordering that the writ issue, this Court stated:

"When...it is admitted by the demurrer that a judgment was duly and regularly entered; that the same is in full force and effect; that the respondents had interfered and are persisting in interfering with the plaintiff in its right to enjoy the fruits of the judgment, then the court may not say that it will not enforce the judgment. Under the circumstances, the law gives plaintiff the right to have the judgment enforced and imposes the duty upon the court to enforce it, and no discretion is vested in the court whether it will enforce it or not." 159 Pac. at 544 (emphasis added).

The Judgment In This Case

*The judgment or order here at issue is the Amended
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Decree of July 30, 1975, by the Honorable James S. Sawaya in the Third Judicial District Court of Salt Lake County. A copy of that judgment is affixed to this Brief as Exhibit I. The pertinent part of that judgment is paragraph 3 which provides that:

"3. ...(TIMECO) is the owner of an implied exclusive license under...(the Brimhall Patents)... In return for said license, ...(TIMECO)...is obligated to pay Walker Bank...royalties in the amount of two percent (2%) of total sales of Valve Systems and Cab Latches and parts thereof. ...".

Request To Enforce Judgment

By ex parte motion dated December 6, 1976, supported by affidavits, Davis and Walker Bank asked the Court to and the Court did issue its Order To Show Cause, dated December 9, 1976, directing TIMECO to appear and show cause why judgment should not be entered in favor of Walker Bank against TIMECO for past unpaid royalties.

The petitioners herein have thus requested enforcement of the judgment in the same manner and on the same basis as the plaintiff in Ketchum Coal, supra. Indeed, Walker Bank and Davis have repeatedly and strenuously requested enforcement since December 1976.

Refusal To Enforce Judgment

On October 24, 1978, upon motion by TIMECO, the Trial Court, by Judge Sawaya, dismissed the question of whether royalties are due on the "Black Latch" on the grounds that

the question is to be resolved in the Federal courts. The Trial Court has thus refused to enforce its own judgment. The Trial Court has refused erroneously to act in accordance with its clear duty. The Trial Court has no discretion. The Trial Court must act on the merits of the request to enforce the Judgment of July 30, 1975.

It Is Proper To Compel The
Trial Court To Act

This Court in Ketchum Coal Co. v. Christensen, supra, found that it was proper to compel a district court judge to proceed...to act...to enforce his own judgment. The situation here presented is virtually on all fours with Ketchum Coal. This Court may and should compel the District Court to act to determine if the facts support enforcement and to thereafter enforce or not enforce the Judgment.

A Federal Question
Is Not Involved

The basis for the Trial Court's decision is that the question of whether or not royalties are due is a federal question. It appears that the Trial Court concluded that it may or should examine whether or not the accused royalty-bearing Black Latch fits within the claims of the Brimhall Latch Patent. It further appears that the Trial Court concluded such an inquiry is federal.

The conclusion is erroneous. It cannot ipso facto be a federal question to determine the scope of a state court

judgment and liability for damages and contempt thereunder. Further, it is clear under well established authority that the inquiry which the Trial Court thought to be exclusively federal is not exclusively federal and is a proper subject for the Trial Court. Infra., at page 16.

THE TRIAL COURT HAS A DUTY
TO FOLLOW THE PRIOR APPEAL DECISION
OF THIS COURT AND MAY BE COMPELLED TO SO ACT

It is the law of the State of Utah that a Trial Court must follow the decision of this Supreme Court upon remand or remittitur after appeal. Street v. Fourth Judicial District Court, ___ Utah ___, 191 P.2d 153 (1948); Utah Copper Co. v. District Court of Third Judicial District, 91 Utah 377, 64 P.2d 241 (1937). As stated by this Court in Utah Copper Co., supra:

"The rule is well established and there does not seem to be anything to the contrary that when a case has been determined by a reviewing court and remanded to the trial court, the duty of the latter is to comply with the mandate of the former." 64 P.2d at 250 (emphasis added).

This language was cited with approval in Street v. Fourth Judicial District Court, supra, 191 P.2d at 157.

The Prior Decision
Of This Court

TIMECO took appeal in April 1977. The Decision and Opinion of this Court was filed in Appeal No. 15136 on February 10, 1978. In that Decision and Opinion, this Court noted the nature of the proceedings and held that:

"The record before us is totally devoid of evidence and does not and cannot support the findings below.

"The judgment of January 24, 1977 is reversed and remanded for further proceedings in accord with this opinion." Decision and Opinion filed February 10, 1978, at page 3.

The Decision and Opinion is unambiguous and clear. It directs further proceedings in accordance with the decision. Those proceedings are clearly to be evidentiary proceedings to resolve the issue of liability for royalties on the "Black Latch". No other issue was extant in that appeal. TIMECO, in its Appeal Brief (undated), stated quite clearly that the relief sought in that appeal was:

"...reversal of an order to pay royalties... and...remand to the lower court to consider additional evidence." Appellant's Appeal Brief, Appeal No. 15136, at page 2.

This Court granted that relief and remanded with a specific direction to proceed.

The Law of This Case Is Settled

The appeal taken by TIMECO and the decision rendered by this Court has established the law of this case. As stated by this Court in Utah Copper Co. v. District Court of the Third Judicial District, *supra*:

"Whatever comes before and is decided and disposed of by the reviewing court is considered as finally settled and the inferior court is bound by the decree as the law of the case and must carry it into execution according to the mandate..." 64 P.2d at 250.

"The mandate is binding on the lower court and must be strictly followed and carried into effect according to its true intent and meaning." 64 P.2d at 250.

Under the law of the case doctrine in this matter, the only action left to be taken was the setting of an evidentiary hearing, the taking of TIMECO's additional evidence and the rendering of a decision. The law of this case could permit no other action. All issues pertaining to the post-judgment enforcement proceedings were available to be raised by TIMECO on December 22, 1976, and were available to be raised on the appeal then taken. They were not. The sole issue argued on appeal was TIMECO's right to put on additional evidence. That right was granted and is the settled law of this case.

The Trial Court Has Refused
To Follow The Decision And
Opinion Of This Court

On October 24, 1978, the Trial Court, by the Honorable James S. Sawaya, entered an order dismissing the question of whether royalties were due on the "Black Latch" without an evidentiary hearing and on erroneous grounds by which jurisdiction over the question was disclaimed. The Trial Court thus failed and refused to follow the Decision and Opinion of this Court rendered in Appeal No. 15136.

THE DISMISSAL OF THE QUESTION
OF TIMECO'S LIABILITY FOR ROYALTIES AS
A FEDERAL QUESTION IS CLEARLY ERRONEOUS

By the Amended Decree of July 30, 1975, the Trial

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Court, by the Honorable James S. Sawaya, found an implied contract to exist by awarding TIMECO an implied exclusive patent license subject to the condition of paying royalties to Walker Bank on total sales of Valve Systems and Cab Latches and parts thereof. It cannot be disputed that an exclusive license, or any license, is in effect and in fact, a contract. Oscar Barnett Foundry Co. v. Crowe, 219 Fed.Rptr. 450, 455 (CCA, 3rd CKT, 1915). The owner of the patent by contract typically licenses or authorizes another to make, use and sell an invention in exchange for royalties to be paid by the licensee. Id.

In this case, the Trial Court imposed the contract on unwilling parties by implication. The Trial Court cannot now deny jurisdiction to determine the scope of the royalty right it awarded to Walker Bank and the scope of the royalty obligation it imposed on TIMECO. The contract is extant and in the form of a judgment. The United States District Court for the District of Utah cannot enforce that judgment or the contract therein contained because there is no jurisdictional basis for it to do so. First, and most obvious, there is no diversity jurisdiction. Second, Walker Bank is not suing TIMECO for patent infringement so that jurisdiction would be exclusively federal under 28 USC 1338. Rather, Walker Bank is proceeding to obtain the contractual benefit and the judgment rights it was awarded by the Trial Court under State law.

A Utah State District Court, and in particular the Trial Court herein, has jurisdiction over contract disputes. Utah Code Ann. Section 78-3-4 (1953, Vol. 9A). Even though

Federal Court jurisdiction is exclusive in patent matters under 28 USC 1338, it has been repeatedly held that a state court has jurisdiction over contractual disputes relating to patents, and that a state court may entertain issues relating to patents including patent infringement and/or patent validity if necessary to decide the case.

In Luckett v. Delpart, Inc. et al, 270 U.S. 495 (1926), Chief Justice Taft, without dissent, held that:

"...where a patentee complaintant makes his suit one for recovery of royalties under a contract of license...he does not give the federal district court jurisdiction of the cause as one arising under the patent laws." 270 U.S. at 510.

C.f.; Kysor Industrial Corporation v. Pet, Inc., 459 F.2d 1010, 173 USPQ 642 (CCA, 6th CKT, 1972), remanding a transferred case to the state court because it sounded in contract; Lear Siegler Inc. v. Adkins, 330 F.2d 595, 141 USPQ 327 (CCA, 9th CKT, 1964), deferring to a state court action under a patent license; Lear v. Adkins, 395 US 653, 162 USPQ 1 (1969), is a companion action to Lear Siegler in which remand was had to a state court to resolve patent issues. In the recent decision of Milprint Inc. v. Curwood, ____ F.2d ____, 196 USPQ 147 (CCA, 7th CKT, 1977) (copy affixed as Exhibit II), a dismissal of a declaratory judgment action for patent invalidity and non-infringement was upheld in view of a prior pending state court action to recover royalties under a patent license.

TIMECO itself cannot fairly deny the accuracy of this fundamental precept of law. In a much earlier filed Trial

Court document in this case (R-469-472), TIMECO asserted that:

"If questions of patent infringement and validity are ancillary to actions arising under contracts involving patents, the overwhelming weight of authority supports jurisdiction of such questions by a state court handling the transaction." (R-470)

TIMECO goes on to cite numerous authorities to support this proposition.

In the prior appeal of TIMECO in this Court, TIMECO argued at length that the Trial Court had earlier erred because TIMECO had not been allowed to put on evidence relating to patent infringement. Appellant's Brief in Appeal No. 15136, at pages 8 through 16. TIMECO premised this argument on the proposition that "a state court may entertain and decide issues of patent...infringement when these are ancillary to contract or some other issue under state law." Appellant's Brief in Appeal No. 15136, at page 15. The defendants Walker Bank and Davis agree.

Since it is clear that a state court can resolve issues relating to patents of the type in this case, and since it is clear that the issue below related to the Trial Court's own judgment, it was clearly erroneous for the Trial Court to dismiss the question of whether royalties are due on the "Black Latch" as a matter for determination in the Federal Court.

If There Are Patent Issues,
They Are Ancillary

The real issue in the Trial Court is whether or not the "Black Latch" made and sold by TIMECO (admitted) is a latch

for which royalties are to be paid under the language of the Amended Decree of July 30, 1975, which requires payment of royalties on "total sales...of Cab latches and parts thereof". It would be totally consistent for the Trial Court to receive evidence on that issue without ever confronting any patent questions.

However, if patent questions such as patent infringement were found to be involved, such questions would be totally ancillary to the above-stated issue. That is, the Trial Court would resolve the issue as a prerequisite to resolving the State Court issue on the scope of its own judgment and the contractual rights and obligations it imposed on the parties.

The Law of the Case
Res Judicata Limit
Any Patent Issues

On May 27, 1975, TIMECO presented a Motion For Summary Judgment Of Patent Invalidity (R-564). The motion was denied by Judge Sawaya in his Order of June 12, 1975 (R-580-581). This occurred prior to the entry of the final Judgment on July 30, 1975. TIMECO did not appeal from the final Judgment, which of course, required TIMECO, inter alia, to pay royalties on the total sales of cab latches.

Nonetheless, TIMECO has continued to vigorously assert a right to relitigate the issue of patent validity before the Trial Court. The law of the case is settled. The matter was raised before final Judgment and not appealed.

TIMECO, of course, vehemently disagrees. TIMECO

has, at least in the past, presented lengthy and complex arguments that it is entitled to raise the two main patent issues of patent infringement, and particularly the issue of patent validity. The premise of TIMECO's argument that it is entitled to attack the validity of the patent is the widely known doctrine that a patent licensee may attack the patent under which the license is granted on grounds of patent validity. This doctrine finds its genesis in the landmark case of Lear v. Adkins, supra.

The defendants do not quarrel with the vitality of the doctrine; but it IS NOT APPLICABLE IN THE FACTUAL CONTEXT OF THIS CASE. First, TIMECO earlier raised the validity issue and obtained an adverse ruling (R-581). The Lear v. Adkins doctrine is not one which permits a party to relitigate the same issue in the same case. Res Judicata does attach to validity decisions/adjudications. USM Corp. v. Standard Pressed Steel Co., 453 F.Supp. 743, 200 USPQ 788 (D.C. N.D.Ill, 1978).

In USM Corp. v. Standard Pressed Steel Co., supra, 200 USPQ at 793, USM at licensee sought to challenge the validity of the patent of licensor. USM had earlier obtained its patent license in a court decree. The Court noted that:

"Such a decree is a judicial act rather than as a contract, United States v. Swift & Co., 286 US 106, 115, and is generally accorded full res judicata effect. United States v. Southern Ute Indians, 402 U.S. 159, 91 S.Ct. 1336, 28 L.Ed. 2d 695 (1971); Wallace Clark & Co., Inc. v. Acheson

Industries, Inc., 532 F.2d 846, 190 USPQ 321 (2nd
CKT, 1976); 1B Moore's Federal Practice, Section
0.409[5]". (emphasis added) 200 USPQ at 793.

The Court then held that res judicata precluded USM from again raising the issue of patent validity. The law of the case and the doctrine of res judicata preclude further litigation on that issue. If this were not followed, a party could interminably relitigate decided and final issues. TIMECO has so acted in this case re-raising the issue of patent validity directly (R-1130) and indirectly (R-1285). However, the Trial Court has consistently denied all efforts by TIMECO to resurrect the issue (R-1347).

Thus, if there are patent issues ancillary to these proceedings, the issues are limited to one issue...patent infringement. That is, the only inquiry that may need to be made is whether or not the accused Black Latch is a device as defined by the claims of the licensed Brimhall Latch patent.

It Is Appropriate To Compel
The Exercise Of Jurisdiction

It is the law of the State of Utah that a district court may be compelled to exercise jurisdiction when it has erroneously declined or refused to take jurisdiction. State ex rel. Barnes v. Second District Court, et al, 36 Utah 296, 104 Pac. 282 (1909); Hanson v. Iverson, 61 Utah 172, 211 Pac. 682 (1922); c.f., Weber v. Superior Court of Los Angeles County, ____ Cal.2d ____, 348 P.2d 572 (1960); State v. Paul, ____ Wash. ____, 104 P.2d 745, 746 (1940).

In the instant matter, the District Court has declined to proceed on the grounds that it lacks jurisdiction. However, the District Court does have jurisdiction and should be compelled to proceed.

CONCLUSION

The defendants-appellants, Walker Bank and Davis, are before this Court seeking an opportunity to present evidence to the Trial Court and obtain a ruling such that Walker Bank and Davis can obtain the benefit of the bargain...the contract...imposed by the Trial Court's Amended Decree of July 30, 1975.

The Trial Court has erred in refusing to follow the prior appeal decision of this Court, in refusing to enforce its own judgment, and in "getting rid" of this case by finding that jurisdiction is in the federal courts. Such action on the part of the Trial Court has, in fact, denied defendants-appellants Walker Bank and Davis due process of law. They are being denied access to the very forum which granted the rights they seek to enforce.

It would be an anomaly, if not a total non sequitur, to force Walker Bank and Davis to proceed in federal court to enforce contract rights awarded by a state court. Of course, Davis and Walker Bank have no legal jurisdictional or factual basis to proceed in Federal Court. Thus, the Trial Court's action, in effect and in fact, denies Walker Bank and Davis the opportunity to enforce the State Court Judgment and bring

the issue of contempt to the attention of the Trial Court.
Such a result should not obtain.

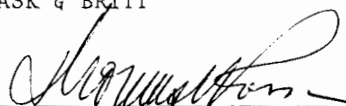
Walker Bank and Davis respectfully urge this Supreme Court to reverse the Order of the Trial Court, dated October 24, 1978, and remand with a clear mandate and direction to receive evidence on the issue of whether or not royalties are due on the Black Latch, including the issue of contempt, but not including the issue of patent validity. Walker Bank and Davis also respectfully request their costs in this Appeal.

DATED this 27th day of August, 1979.

Respectfully submitted,

TRASK & BRITT

By


Thomas J. Rossa

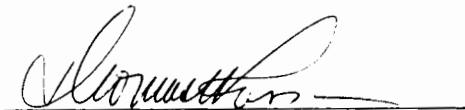
CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the foregoing BRIEF OF DEFENDANTS-APPELLANTS CAROL BRIMHALL DAVIS AND WALKER BANK was mailed, first class, postage prepaid, this 27th day of August, 1979, as follows:

Two copies to Philip A. Mallinckrodt, Mallinckrodt & Mallinckrodt, 10 Exchange Place, Salt Lake City, Utah, 84111;

Two copies to A. Wally Sandack, Sandack & Sandack, 370 East Fifth South, Salt Lake City, Utah, 84111;

Original and ten copies to the Clerk of the Supreme Court of the State of Utah.



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Salt Lake City, Utah 84111
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Attorneys for Plaintiff and
Third Party Defendant Brimco
Hydraulics & Engineering, Inc.

IN THE DISTRICT COURT OF THE THIRD JUDICIAL DISTRICT
IN AND FOR SALT LAKE COUNTY, STATE OF UTAH

TIME COMMERCIAL FINANCING
CORPORATION, a Utah corporation

Plaintiff,

vs.

CAROL BRIMHALL; WALKER BANK &
TRUST COMPANY, Administrator with
the Will annexed of the Estate
of Ray S. Brimhall, deceased,
et al

Defendants

and

WALKER BANK & TRUST COMPANY,
Administrator with the Will
annexed of the Estate of Ray
S. Brimhall, deceased,

Defendant and
Third Party Plaintiff

vs.

BRIMCO HYDRAULICS & ENGINEERING,
INC., a corporation, et al

Third Party Defendants

~~AMENDED~~ DECREE

Civil No. 198752

BK134 No 3279
8-5-75 8:24 AM

The issues of ownership or other proprietary interest of plain-
tiff in United States Letters Patent No. 3,430,653 and United States
Application for Letters Patent Serial No. 732,484 came on regularly for
trial before the Court, without a jury, commencing January 10, 1972, all

issues respecting liability and damages having been reserved by the Court for trial at a future date; Earl P. Staten, Craig G. Adamson and Philip A. Mallinckrodt, appeared as counsel for plaintiff and third party defendant Brinco Hydraulics & Engineering, Inc.; Earl D. Tanner, appeared for defendants Carol Brinhall; Walker Bank & Trust Company, as Administrator with the Will annexed of the Estate of Ray S. Brinhall, deceased; Stephen D. Schultz and Brinhall Products, Inc.; Clark W. Sessions representing William Hesterman and 4-Spectra, Inc.; defendant John B. Fairbanks, Jr. did not appear because of a pleading filed herein whereby he assigned to plaintiff any interest he may have had in said Letters Patent and Patent Application. The matter having been presented, evidence having been taken, and argument having been submitted to the Court and considered, the Court having made and entered its Findings of Fact and Conclusions of Law herein, and the Court being fully advised in the premises, now, therefore;

IT IS HEREBY ORDERED, ADJUDGED AND DECREED:

1. That the defendant Walker Bank & Trust Company, as the duly appointed Administrator with Will Annexed of the Estate of Ray S. Brinhall, deceased, is the owner of the legal and equitable title of United States Letters Patent No. 3,430,653, and the invention described therein entitled "Hydraulics Valve and System", which Letters Patent was issued March 4th, 1969, for a term of seventeen (17) years. Said patent was and is subject to a royalty free, personal, non-assignable limited license outstanding in the defendant, Western Research and Manufacturing Company, more fully defined in the settlement agreement dated March 14, 1969, and of record in Civil Action No. 178247 in this Court.

2. That the defendant Walker Bank & Trust Company, as the said Administrator with Will Annexed of the Estate of Ray S. Brinhall, deceased, is the owner of the legal and equitable title in and to United States Patent Application Serial No. 732,484 and the invention described therein entitled "Hydraulics System and Mechanical Latch Therefor," and letters patent 3,797,882 granted under said patent application by the United States Patent Office on March 19, 1972.

3. That the plaintiff Time Commercial Financing Corporation is the owner of an implied exclusive license under said United States Letters

Patent No. 3,430,653 (the "Valve System" invention) and under United States Patent Application No. 732,484 (the "Cab Latch" invention) and any letters patent granted thereon, said license being the exclusive right to make, use, and sell said inventions and the right to pledge, mortgage and assign said license, for purposes of security, for the lives of any letters patent granted thereon. In return for said license, plaintiff Time Commercial Financing Corporation is obligated to pay monthly to Walker Bank & Trust Company, as duly appointed Administrator with Will Annexed of the Estate of Ray S. Brinhall, deceased, and its successors and assigns, royalties in the amount of two percent (2%) of total sales of Valve Systems and Cab Latches and parts thereof. The payment of said royalties is a condition of said license. To assure the accuracy of the calculation and accounting for royalties, records of plaintiff, Time Commercial Financing Corporation, as may be necessary to an accounting verification of the amounts of total sales, subject to license, shall be made available at reasonable intervals, but not more than quarterly, for examination by an independent Certified Public Accountant to be selected by the owner of the "Valve System Patent" and "Cab Latch Patent."

4. That plaintiff Time Commercial Financing Corporation has made payments, or tendered payments to Walker Bank & Trust Company, as Administrator with Will annexed of the Estate of Ray S. Brinhall, deceased, of all royalties accrued up to and including March 31, 1972, except royalties in the sum of \$4,844.79 that plaintiff, in good faith, believed had been duly tendered. That Time Commercial Financing Corporation has tendered said sum of \$4,844.79 to Walker Bank & Trust Company, as Administrator with Will Annexed of the Estate of Ray S. Brinhall, deceased, on the 12th day of June, 1975. Neither the sufficiency nor the timeliness of any amount tendered since March 31, 1972 has been adjudicated herein.

5. All issues respecting liability for damages, including defenses to plaintiff's claim for damages and counterclaims, and all issues as to the amount of damages to be awarded either party are reserved for further proceedings herein.

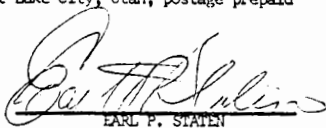
Dated this 30th day of July, 1975.

BY THE COURT:

ATTEST
W. STERLING EVANS
DEPUTY CLERK
BY [Signature]
Deputy Clerk

[Signature]
JUDGE

Served the foregoing Amended Decree on Earl D. Tanner of
Tanner, Gold & Trask, attorneys for defendants and third party plain-
tiff, 345 South State Street, Salt Lake City, Utah, postage prepaid
this 11 day of July, 1975.


EARL P. STATEN

[5] The record makes clear that appellant was hired by the corporation to produce a menu book, a task for which she was to receive one-third of the profits. The corporation absorbed all expenses in producing the book, and the defendant Gelderman was the motivating force behind the project. Appellant did not originate the project and had no control over the corporation or its shareholders. Under these circumstances, appellant has failed to overcome the presumption that the mutual intent of the parties is that the title to the copyright shall be in the employer. Accordingly, the judgment of the district court is affirmed.

Court of Appeals, Seventh Circuit

Milprint, Inc. v. Curwood, Inc.

No. 77-1049 Decided Sept. 14, 1977

PATENTS

1. Infringement — In general (§39.01)

Jurisdiction of courts — Contracts and patent title (§43.15)

Jurisdiction of courts — Patent infringement (§43.45)

There is no exclusive federal jurisdiction over "questions" arising under patent laws and only "cases" so arising may be brought in federal courts; suit arises under law that creates cause of action, and while suit for infringement of patent arises under patent laws and is therefore cognizable under 28 U.S.C. 1338(a), suit to enforce undertaking to pay royalties for use of patent arises under state law and is not within jurisdiction of federal courts; licensor whose licensee breaks agreement is entitled to declare license forfeited for breach of condition subsequent and sue for infringement and, if it is correct as to its right to declare forfeiture unilaterally, which is state law question, federal jurisdiction of infringement suit exists; even allegation of infringement, by licensor who stands on license agreement and seeks contract remedies will not create federal jurisdiction, since existence of license bars possibility of infringement.

2. Jurisdiction of courts — Patent infringement (§43.45)

State courts — Pleading and practice (§63.5)

Defense of patent invalidity can be asserted in state court, which properly has jurisdiction of royalties suit; 28 U.S.C. 1338(a) makes federal jurisdiction of cases arising under patent laws exclusive.

3. Jurisdiction of courts — Declaratory judgment — Actual controversy (§43.303)

Licensee's allegation that licensor is standing on license agreement forecloses possibility that licensee fears its nonpayment of royalties will result in licensor declaring forfeiture and suing for infringement and renders Declaratory Judgment Act suit unavailable to licensee.

4. Jurisdiction of courts — Declaratory judgment — In general (§43.301)

Jurisdiction of courts — Declaratory judgment — Actual controversy (§43.303)

Patent licensee's declaratory complaint that asserts patent invalidity to avoid obligations of license, absent diversity, does not state claim arising under patent laws within meaning of 28 U.S.C. 1338(a); Edward Katzinger Co. v. Chicago Metallic Manufacturing Co., 72 USPQ 18, does not embody implicit holding that licensee can invoke federal jurisdiction to test federal validity defense; declaratory judgment plaintiff's stake must be interest in avoiding infringement litigation to satisfy jurisdictional requirement that case arise under patent laws.

Appeal from District Court for Eastern District of Wisconsin. Reynolds, J.

Action by Milprint, Inc., against Curwood, Inc., for declaratory judgment of patent invalidity and breach of license agreements. From order dismissing complaint, plaintiff appeals. Affirmed.

Donald G. Casser, Milwaukee, Wis., for appellant.

Dennis M. McWilliams and James S. Pristelski, both of Chicago, Ill., for appellee.

Before Pell, Tone, and Wood, Circuit Judges.

Pell, Circuit Judge.

Appellee Curwood, Inc., is the owner of a patent covering a plastic laminated film product. In 1970, Curwood advised appellant Milprint, Inc., that it should either take a license under the patent or prepare for an infringement suit. By two agreements in April 1971 Milprint took a license but reserved its right to contest the validity of the patent. In mid-1973, Milprint ceased making royalty payments due under the license agreement and on March 1, 1976, Curwood instituted an action for royalties in the Circuit Court of Milwaukee County, Wisconsin. Diversity between the parties being lacking, the state court, as will be discussed hereinafter, was the only forum available to Curwood.

On March 22, 1976, Milprint filed in the district court a complaint seeking a declaratory judgment to the effect that Curwood's then-current reissue patent and its predecessor were invalid, that no further royalties were due Curwood under the license agreements, and that Milprint was entitled to return of the royalties paid between 1971 and 1973. A separate count of the complaint alleged breaches of the agreements by Curwood and sought similar declarations as to royalties. On April 1, Milprint filed a petition removing the state court case to the district court. The district court remanded the case because it had been "removed improvidently and without jurisdiction." 28 U.S.C. §1447(c).¹ In the same decision and order, the district court rejected Curwood's argument that the case should be dismissed for lack of jurisdiction, but nonetheless dismissed the declaratory action because of the pendency of the state court suit.

Milprint's appeal attacks only the propriety of the district court's discretionary dismissal, and Curwood, apparently satisfied with a dismissal on any ground, has not pressed its jurisdictional objection in this court. The objection made in the district court was that Milprint's declaratory action does not "aris[e] under any Act of Congress relating to patents" within the

meaning of 28 U.S.C. §1338(a).² The district court was of the view that the action "manifestly does" so arise. Because the matter does not seem to us to be so simple, we must first decide whether the district court had jurisdiction of the case. See *Arvin Industries, Inc. v. Berns Air King Corporation*, 510 F.2d 1070, 1072, 185 USPQ 7, 8 (7th Cir. 1975).

[1] It has long been clear, notwithstanding the substantial federal interest in patent matters, that there is no exclusive federal jurisdiction over questions arising under the patent laws; only cases so arising may be brought in the federal courts. *Pratt v. Paris Gas Light & Coke Company*, 168 U.S. 255, 259 (1897). Consistent with the oft-cited principle stated by Justice Holmes in *American Well Works Co. v. Layne & Bowler Co.*, 241 U.S. 257, 260 (1916) (in which patent jurisdiction was asserted), that "[a] suit arises under the law that creates the cause of action," it is well established that

[w]hile a suit for infringement of a patent arises under the patent laws and is therefore cognizable under 28 U.S.C. §1338(a), a suit to enforce an undertaking to pay royalties for the use of a patent arises under state law and is not within the jurisdiction of the federal courts. *Albright v. Teas*, 106 U.S. 613 . . . (1883); *Luckett v. Delpark, Inc.*, 270 U.S. 496, 510 . . . (1926).

Arvin Industries, supra, 510 F.2d at 1072-73, 185 USPQ at 7-9.³ A patent licensor whose licensee has broken the agreement is not without choice between a state and a federal forum. It can, for example, declare the license forfeited for breach of a condition subsequent and sue for infringement. If it is

¹ Section 1338(a) provides:

The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.

² Under these principles, there can be no doubt that the count of Milprint's complaint which alleges Curwood's breaches of the license agreement and seeks, thus, a declaration that Milprint is entitled to return of already paid royalties, has no jurisdictional significance. This count sounds exclusively in contract, and, unlike the other count, does not even assert the existence of patent law issues.

³ By unreported order of February 11, 1977, this court dismissed Milprint's appeal from this remand order for lack of appellate jurisdiction. *Curwood, Inc. v. Milprint, Inc.*, No. 77-1050 See 28 U.S.C. §1447(d), *Thermtron Products, Inc. v. Hermansdorfer*, 423 U.S. 336, 343 (1976).

correct as to its right to declare such a forfeiture unilaterally (a question of state law) federal jurisdiction of the infringement suit exists. *Lockett v. Delpark, Inc.*, supra, 270 U.S. at 511. But where the licensor stands on the license agreement and seeks contract remedies, even an allegation of infringement will not create federal jurisdiction, for the existence of the license precludes the possibility of infringement. *Arvin Industries*, supra, 510 F.2d at 1073, 185 USPQ at 8-9.

[2] These principles lead straight to the conclusion that Curwood's state court royalties suit, diversity being absent, could have been brought nowhere else but in a state court. Curwood's suit is a prototypical one of a cause that arises under state, not federal patent, law.^{*} Milprint's assertions that the underlying patents are invalid could be asserted by way of defense in the state court. See *Lear, Inc. v. Adkins*, 393 U.S. 653, 669-71, 676, 162 USPQ 1, 7-8, 10 (1969).

The questions at hand are whether Milprint's action does anything more than seek to establish what would be its defenses in the state court royalties action, and, if not, whether the Declaratory Judgment Act, 28 U.S.C. §2201, somehow allows Milprint to test a defense in federal court that could, without the Act, only be raised in state court.

[3] We answer the first question in the negative. As we have remarked, the second count of the complaint, which asserts something akin to a traditional rescission cause of action, must be disregarded for jurisdictional purposes. See n.3 supra. The balance of the complaint, while it asserts the invalidity of Curwood's patents, is entirely geared to the royalty dispute. The existence of the license agreements, and a generalized statement of their terms, are alleged, but it is nowhere stated that the license has been terminated by either party. In fact, the complaint specifically avers the existence of Curwood's pending state court suit to en-

force payment of royalties. The relief sought, other than a declaration of patent invalidity and of the rights of the parties under the license agreement, is specifically aimed at eliminating Milprint's royalty obligations. This is, thus, a quite different case than would be presented by a complaint alleging that a licensee's nonpayment of royalties gave it reason to fear the licensor would declare a forfeiture and sue for infringement. By alleging that Curwood is standing on the license agreement, Milprint forecloses that possibility. See *Arvin Industries*, supra, 510 F.2d at 1073, 185 USPQ at 8-9. *Thiokol Chemical Corporation v. Burlington Industries, Inc.*, 448 F.2d 1328, 1330 n.2, 171 USPQ 193, 194 (3d Cir. 1971), cert. denied, 404 U.S. 1019, 172 USPQ 257 (1972). In fact, the word "infringement" does not even appear in the complaint. For purposes of jurisdiction, then, this case is nothing more than Milprint's attempt to use the Declaratory Judgment Act to establish a federal defense to an action grounded exclusively in state law, which could only be and has been brought in state court.

We believe the attempt must fail. The Act provides, 28 U.S.C. §2201, that "[i]n a case of actual controversy within its jurisdiction . . . any court of the United States . . . may declare the rights and other legal relations of any interested party seeking such declaration . . ." (Emphasis supplied.) By its terms, the Act makes declaratory judgment jurisdiction dependent on the traditional grants of jurisdiction by which conventional coercive suits would be judged.

"[T]he operation of the Declaratory Judgment Act is procedural only." *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 240 (1937). Congress enlarged the range of remedies available in the federal courts but did not extend their jurisdiction.

Skelly Oil Co. v. Phillips Petroleum Co., 339 U.S. 667, 671 (1950).

In *Skelly Oil*, the declaratory plaintiff sought to have its right to contract performance adjudicated. The defendants had stated they would not perform because the contract was conditioned on the issuance of a Federal Power Commission certificate of public convenience and necessity to plaintiff, which had, it was said, not been issued in time. The complaint alleged that the certificate had been "issued" in time. Notwithstanding that the time of issuance of

^{*} It should be recalled here that 28 U.S.C. §1338(a) makes federal jurisdiction of cases arising under the patent laws exclusive. Absent diversity, the propriety of a state forum. See e.g. *Lear*, supra, necessarily implies the nonexistence of federal jurisdiction. See *Chisum, The Allocation of Jurisdiction between State and Federal Courts in Patent Litigation*, 46 Wash. L. Rev. 633, 670 (1970).

the certificate was a federal law question critical to plaintiff's recovery, and that the dispute thereon had to be pleaded to establish a live controversy, the Supreme Court held there was no federal jurisdiction, in accordance with the long-established rule that the plaintiff's claim must present a federal question without reference to anticipated defenses. *Id.* at 672; see *Louisville and Nashville Railroad Company v. Mottley*, 211 U.S. 149 (1908). The Court stated:

To sanction suits for declaratory relief as within the jurisdiction of the District Courts 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. See *Developments in the Law — Declaratory Judgments — 1941-1949*, 62 *Harv. L. Rev.* 787, 802-03 (1949).

339 U.S. at 673-74.

Here, unlike *Skelly Oil*, the federal "defense" is asserted as the claim of the declaratory plaintiff. Procedurally, of course, this is part of what the Declaratory Judgment Act is all about, but we think the jurisdictional principles should be the same. The *Skelly* Court apparently agreed. The very portion of the *Harvard Law Review* Comment cited approvingly by the Court reached the conclusion that a declaratory action seeking to test a defense should be triable in the federal courts *only* if it would normally arise in answer to a complaint which itself would properly raise a federal question. Citing the same Comment, the Court in *Public Service Commission of Utah v. Wycoff Company, Inc.*, 344 U.S. 237, 248 (1952), observed that "[w]here the complaint in an action for declaratory judgment seeks in essence to assert a defense to an impending or threatened state court action, it is the character of the threatened action, and not of the defense, which will determine whether there is federal-question jurisdiction in the District Court."

[4] In our opinion the logic of *Skelly Oil* and *Wycoff* controls this case. It is true, that the Declaratory Judgment Act does allow cases to be brought in federal courts which would not, for lack of a proper coercive remedy, otherwise be there. But it would be anomalous to conclude that an Act which provides only procedural and remedial flexibility

ty somehow allows a party to invoke federal question jurisdiction to adjudicate its federal defense to an exclusively state law action. Accordingly, we hold that where diversity is lacking, a patent licensee's declaratory complaint which asserts patent invalidity simply to avoid the obligations of the license does not state a claim arising under the patent laws within the meaning of 28 U.S.C. §1338(a).¹ The Third Circuit has flatly so held, *Thiokol Chemical Corporation*, supra, 448 F.2d 1328, 171 USPQ 193, and the Tenth Circuit in *Product Engineering and Manufacturing, Inc. v. Barnes*, 424 F.2d 42, 165 USPQ 229 (10th Cir. 1970), while considering the jurisdictional issue in conjunction with a discretionary dismissal issue much as is presented here, with some resulting loss in conceptual clarity, did expressly affirm the district court's conclusion that an action virtually identical to this one "was purely a contract action which properly should be litigated in the State court." *Id.* at 43, 165 USPQ at 229.²

¹ Because the importance of respecting jurisdictional limits often leads federal courts to examine their jurisdiction even where the parties do not question it, it might be argued that *Edward Katzinger Co. v. Chicago Metallic Manufacturing Co.*, 329 U.S. 394, 72 USPQ 18 (1947), embodies an implicit holding that a licensee can invoke federal jurisdiction to test a federal validity defense. We think it does not, for three reasons. First, the declaratory plaintiff in *Katzinger* had not only ceased royalty payments but had also terminated the license and sought declaration not only of invalidity but also of non-infringement. Second, even if this were not so, we doubt that any such implicit and unconsidered "holding" survived *Skelly Oil* and *Wycoff*. Third, diversity jurisdiction may, for all that appears, have existed in *Katzinger*. The existence of diversity jurisdiction, which is shown by court records but not mentioned in the opinions, explains this court's unquestioning acceptance of jurisdiction in two recent declaratory actions by licensees, *USM Corporation v. Standard Pressed Steel Co.*, 524 F.2d 1097, 188 USPQ 52 (7th Cir. 1975); and *Beckman Instruments, Inc. v. Technical Development Corporation*, 433 F.2d 55, 167 USPQ 10 (7th Cir. 1970), cert. denied, 401 U.S. 976, 169 USPQ 65 (1971).

² Indeed, this court has recently indicated the result we reach today. In *Super Products Corporation v. D P Way Corporation*, 546 F.2d 748, 753 n.8, 192 USPQ 417, 420-421 (7th Cir. 1976), a case primarily concerned with the existence of a real case or controversy, it was observed, citing *Thiokol*, supra, that

[t]he plaintiff's stake must be an interest in avoiding infringement litigation or the threat of such litigation to satisfy the . . . jurisdictional requirement that the case arise under the patent law. [Emphasis supplied.]

We have considered and found without merit other issues raised by Milprint including the contentions that it is an imposition on a state judicial system to require its judges to resolve complex issues under federal patent statutes with which they are generally unfamiliar and that there are potential discovery limitations at the state forum level. Aside from the fact that we are cognizant of frequent federal judicial recognition of the concurrent ability of state courts to handle difficult legal questions including federal constitutional ones, we are unaware of any basis in contentions such as those presently urged for according jurisdiction to a court when that jurisdiction does not otherwise exist.

Although our reasons differ from those used by the district court, we conclude that the judgment of dismissal must be, and it hereby is, affirmed.

Court of Customs and Patent Appeals

In re Baker Industries, Inc.

No. 77-575 Decided Dec. 8, 1977

TRADEMARKS

1. In general (§67.01)

Company name that serves to identify applicant is without significance for establishing trademark.

2. Acquisition of marks — Character and extent of use — In general (§67.0731)

Slogan that does not identify and distinguish applicant's goods from those manufactured or sold by others, but rather serves to distinguish applicant from other companies having similar name is not registrable as trademark.

Appeal from Patent and Trademark Office Trademark Trial and Appeal Board, 193 USPQ 122.

Application for registration of trademark of Baker Industries, Inc., Serial No. 421,141. From decision refusing registration, applicant appeals. Affirmed; Lane, Judge, concurring in result.

Albert L. Ely, Jr., and Ely & Golrick, both of Cleveland, Ohio, for appellant.

Joseph F. Nakamura (Fred W. Sherling, of counsel) for Commissioner of Patents and Trademarks.

Before Markey, Chief Judge, and Rich, Baldwin, Lane, and Miller, Associate Judges.

Baldwin, Judge.

This is an appeal from the decision of the Trademark Trial and Appeal Board (TTAB), 193 USPQ 122 (1976), denying registration on the Principal Register of the words "The Protective Service Company" in application serial No. 421,141, filed April 12, 1972, for electrical and/or electronic sensing, transmitting, and alarm signal devices. The TTAB based its decision on the ground that the words neither identify the source of the goods nor distinguish the goods from other such goods in accordance with the definition of "trade-mark" set forth in section 45 of the Lanham Act (Trademark Act of 1946).¹ We affirm.

During the prosecution, appellant presented specimens, postal meter mailing tapes, which showed the actual use of the words in commerce. The mailing tapes are affixed to packages in which appellant's goods are mailed. The words, which appellant argues are in the nature of a slogan, are used on the packages in conjunction with appellant's trade name, Baker Industries. Appellant further argues that the slogan distinguishes the goods in accordance with requirements of section 45.

Opinion

In their briefs before the court, both parties cited *In re Walker Process Equipment Inc.*, 43 CCPA 913, 233 F.2d 329, 110 USPQ 41 (1956) (hereinafter cited as *Walker*). Walker involved an attempt to register "Walker Process Equipment Inc." as a trademark. The facts show that this phrase was used in conjunction with "Proquip," a registered trademark. Regarding the issue of whether the company name served also as a trademark to identify and to distinguish appellant's goods, the court concluded that the company name was not so used. A significant fact which supported the conclusion was placement of appellant's address with the company name. The inclusion of the address more fully identified

¹ 15 USC 1127.