U.S. Supreme Court

United States Gypsum Co. v. National Gypsum Co., 352 U.S. 457 (1957)

United States Gypsum Co. v. National Gypsum Co.

No. 11

Argued November 5-6, 1956

Decided February 25, 1957

352 U.S. 457

Syllabus

After this Court, in *United States v. United States Gypsum Co.,* 333 U. S. 364, reversed dismissal of the Government's suit to restrain violations of the Sherman Act through uniform patent-licensing agreements containing price-fixing provisions, appellees ceased paying royalties to appellant under those agreements; and they made no further payments until after new agreements without price-fixing provisions were entered into following entry in the antitrust suit of a final decree enjoining use of the old agreements. Subsequently, appellant sued appellees for the use of its patents during that period. It asserted three alternative grounds for recovery: (a) the royalty provisions of the old licensing agreements, (b) the reasonable value of the use of its patents, and (c) damages for patent infringement. On petition of appellees, the antitrust court modified its decree in the antitrust case so as to require appellant to dismiss with prejudice its suits against appellees. The court took no evidence beyond that already in the record in the antitrust proceeding, and the record was barren of any facts with respect to the situation existing in the industry since 1941.

Held:

1. By virtue of its reservation of jurisdiction in its antitrust decree to make such "directions" and "modifications" as may be appropriate to the "carrying out" and "enforcement" of that decree, the District Court had jurisdiction to grant relief. Pp.352 U. S. 463-464.

2. The enjoining of appellant's suits for royalties under the outlawed licensing agreements was proper, and, upon remand, the District Court, by appropriate modification of its decree in the antitrust case or otherwise, may require appellant to dismiss those claims. Pp. 352 U. S. 464-465, 352 U. S. 476.

3. The enjoining of appellant's suits for compensation on a *quantum meruit* basis and for damages for patent infringement was not justified upon the record, and the case is remanded to the District Court for the taking of evidence on the issues of misuse of

patents and purge of such misuse as they may relate to the period since February 1, 1948. Pp. 352 U. S. 465-476.

Page 352 U. S. 458

(a) In the circumstances of this case, the District Court erred in holding that appellant's assertion of claims based upon the outlawed licensing agreements constituted a "fresh" misuse of its patents by appellant. Pp. 352 U. S. 466-468.

(b) The District Court's judgment cannot be supported on the ground that the misuse of appellant's patents had not been purged, because (1) the only misuse of appellant's patents ever adjudicated in the antitrust case was that arising from the uniform price-fixing provisions of the licensing agreements, (2) the use of those agreements was terminated upon entry of the 1948 decree in the antitrust case, and (3) the record is bare of any facts relating to the situation in the industry since 1941. Pp. 352 U. S. 465, 352 U. S. 468-473.

(c) The District Court erred in holding that, regardless of whether they had been purged, the "old" misuse of its patents barred appellant from recovering damages for their infringement. *Hartford Empire Co. v. United States,* 323 U. S. 386, 324 U. S. 324 U.S. 570, distinguished. Pp. 352 U. S. 473-476.

(d) It is appropriate that the issues of misuse and purge since February 1, 1948, should be tried and disposed of by the antitrust court, rather than the courts in which appellant's suits were brought, both because of the relationship of these issues to the decree in the antitrust case and because of the antitrust court's familiarity with what has occurred in these protracted litigations. P. 352 U. S. 476.

4. Should the antitrust court conclude that appellant is not barred, by reason of unpurged patent misuse, from recovery of compensation on a *quantum meruit* basis or from recovery of damages for patent infringement, the trial and disposition of all other issues, including any defense of patent invalidity, should then take place in the courts in which appellant's suits against appellees are pending. P. 352 U. S. 476.

Reversed and remanded.

Page 352 U. S. 459