RECENT CASES

Arbitration and Award—Estoppel—State Affirmation of Award for Patent Infringement not Res Judicata in Federal Court—[Federal].—The plaintiff contracted with the defendant not to infringe certain patents admittedly owned by the defendant and agreed to submit to arbitration the issues of infringement and of the amount of damages arising therefrom. An arbitrated controversy resulted in a $500 award in favor of the defendant and a ruling that the plaintiff had infringed defendant's patents. Upon the plaintiff's refusal to comply with the award, affirmation was obtained by the defendant in the New York County Supreme Court in accord with the state arbitration act.[1] Thereafter, the appellate division[2] and court of appeals affirmed the award without opinion,[3] and the Supreme Court of the United States dismissed an appeal for lack of a federal question.[4] The plaintiff then brought the present action in a federal district court for a declaratory judgment that his product did not infringe the defendant's patent, and the defendant moved for a summary judgment. *Held*, that the arbitration and confirmation does not result in res judicata in a patent infringement suit since the state court lacked jurisdiction to "pass directly upon the alleged infringement." The plaintiff, however, is estopped either on the theory that the prior "proceedings may be taken as the enforcement by the state court of the contract between the parties," or that the "state court passed upon the issue of infringement as a question collateral to the suit upon the contract." *Cavicchi v. Mohawk Mfg. Co., Inc.*[5]

That the plaintiff should not be able to litigate anew the patent infringement issue in the federal courts seems clear. Had there been no confirmation proceedings and had the arbitration been at common law, the federal court would have treated the award as a bar to future litigation of the same issue by the parties to the arbitration.[6] Whether the action was on the award or was an independent suit for damages or for injunction, the federal court would allow the parties to question the regularity of the arbitration proceedings,[7] but not to impeach the arbitrator's findings of fact or law. It should

[1] N.Y. Civ. Prac. Ann. (Cahill, 1937) § 1448 et seq.

[2] Mohawk Mfg. Co., Inc. v. Cavicchi, 256 App. Div. 1069, 12 N.Y.S. (2d) 360 (1939).

[3] Mohawk Mfg. Co., Inc. v. Cavicchi, 281 N.Y. 629, 22 N.E. (2d) 179 (1939); reargument den. and remittitur amended, 281 N.Y. 669, 22 N.E. (2d) 763 (1939).

[4] Cavicchi v. Mohawk Mfg. Co., Inc., 308 U.S. 522 (1939), rehearing den. 308 U.S. 639 (1940).

[5] 34 F. Supp. 852 (N.Y. 1940).

[6] Campbell v. Campbell, 44 App. D. C. 142 and 154 (1915), cert. den. 242 U.S. 642 (1916); Ferguson v. Ferguson, 127 S.W. (2d) 1018 (Tex. Civ. App. 1939); Brewer v. Bain, 60 Ala. 153 (1877); Brazill v. Isham and Earle, 12 N.Y. 9, 15 (1854); 6 Williston, Contracts § 1927 (rev. ed. 1936). See also Sturges, Commercial Arbitrations and Awards § 1 (1930) (parties may choose either common law or statutory rules of arbitration; if they do not make a choice, common law rules generally control).

[7] See Sturges, op. cit. supra note 6, §§ 289–307 (1930) for the enforcement of common law awards.

make no difference that the present action was for a declaratory judgment, since a request for declaratory relief resembles a plea for injunctive relief and the issues involved are identical. Regardless of the form of action, to allow the merits to be relitigated would defeat the purpose of arbitration, which is to adjudicate controversies informally.

The confirmation proceeding in the state court adds to the conclusiveness of the arbitration award. The issue resolved by this proceeding is whether the arbitration was regular, and a decision by a court of record affirming the award should be binding upon all other courts.[8] Since the merits of the arbitration proceeding never could be reopened,[9] the award in effect merges into the confirmation decree. It is doubtful, however, whether in a suit upon that decree, the arbitration award upon the merits would be considered as part of the decree, making it unnecessary for the party relying upon the award to plead and prove it.

The court in the present case recognized the conclusiveness of the award, but was troubled in that a state court was apparently resolving a patent infringement controversy whereas the federal courts have exclusive jurisdiction "of all cases arising under the patent . . . . laws."[10] Consequently the court distinguished between a "case" arising under the patent laws and a patent "question" arising "collaterally" and said that only a patent "question" was involved in the state court proceedings.[11] Those proceedings were viewed as an action to enforce the contract not to infringe, and the arbitrator's findings as "a stipulation that there was an infringement."[12] But since the arbitration alone would be sufficient to bar subsequent litigation on the patent infringement issue, and confirmation by the state court merely certifies the regularity of the arbitration, the federal court need not have been concerned with the jurisdiction of state courts over patent matters.

The court concluded its opinion by stating that "elements of estoppel are present . . . . [and] it is unimportant whether or not the estoppel is labeled as an estoppel by contract or an estoppel by judgment." The judgment which the court envisaged as working an estoppel was that of the state court, but since the merits of the patent question were not even collaterally considered in the confirmation proceedings, there

[8] N.Y. Civ. Prac. Ann. (Cahill, 1937) § 1466.

[9] Note 6 supra; James Richardson & Sons, Ltd. v. Hedger Transportation Corp., 98 F. (2d) 55 (C.C.A. 2d 1938). See Sturges, op. cit. supra note 6, §§ 366–70 (how common law awards may be defeated or vacated), § 422 (how New York statutory awards may be defeated or vacated).

[10] 36 Stat. 1161 (1911), 28 U.S.C.A. § 371 (1928); see The Jurisdiction of State Courts over Cases Involving Patents, 31 Col. L. Rev. 461 n. 1 (1931); 3 Walker, Patents §§ 411–15 (Deller's ed. 1937).

[11] Pratt v. Paris Gas Light & Coke Co., 168 U.S. 255 (1897); Respro, Inc. v. Worcester Backing Co., Inc., 291 Mass. 467, 197 N.E. 198 (1935); Becher v. Contoure Laboratories, Inc., 279 U.S. 388 (1929); Eskimo Pie Corp. v. Nat'l Ice Cream Co., 20 F. (2d) 1003 (D.C. Ky. 1927), aff'd 26 F. (2d) 901 (C.C.A. 6th 1928); New Marshall Engine Co. v. Marshall Engine Co., 223 U.S. 473, 478 (1912); cf. Victor Talking Machine Co. v. The Fair, 123 Fed. 424 (C.C.A. 7th 1903); Excelsior Wooden Pipe Co. v. Pacific Bridge Co., 185 U.S. 282 (1902). See The Jurisdiction of State Courts over Cases Involving Patents, 31 Col. L. Rev. 461 (1931).

[12] McMullen v. Bowers, 102 Fed. 494, 496 (C.C.A. 9th 1900); Flint v. Hutchinson Smoke-Burner Co., 38 Fed. 546 (C.C. Mo. 1889); note 9 supra.

would appear to be no basis for an estoppel by judgment here. However, since the confirmation proceedings determined that the arbitration had been regular, the court could have held that the affirmation decree was res judicata on that issue. The court could also have held that the arbitration award itself, although not entitled to the force of res judicata, resembled an estoppel by judgment on the patent infringement issue.[13] As the basis for this estoppel is the arbitration pursuant to the agreement to arbitrate, the court was justified in stating that the estoppel could alternatively be termed an estoppel by contract.[14] An unperformed arbitration contract cannot work an estoppel in the federal courts which refuse to enforce such contracts specifically and deny motions to stay trial on the issues which the parties had agreed to arbitrate except in cases covered by the federal arbitration statute.[15] Perhaps to avoid the pitfalls indicated in the present case the bar to future litigation on the patent infringement issue should be termed "estoppel by arbitration."

Bankruptcy—Administration of Estates—Personal Representative as Petitioner in Bankruptcy under Frazier-Lemke Act—[Utah].—Proceedings were instituted by a farmer in a United States district court under Section 75[1] of the National Bankruptcy Act and were pending when the farmer died. Thereafter, and without permission of the bankruptcy court, a bank proceeded in a state court to foreclose its mortgage on the decedent's farm and purchased the farm at the foreclosure sale. Immediately before the redemption period expired, the administrator of the decedent's estate obtained an order of the probate court giving him permission to apply to the bankruptcy court

[13] Dinerstein v. Shapiro, 147 Misc. 37, 262 N.Y.Supp. 461 (S. Ct. 1933); Cromwell v. County of Sac, 94 U.S. 351 (1876); 2 Black, Judgments §§ 526, 688 (2d ed. 1902); Sturges, op. cit. supra note 6, §§ 479–80 (1930); cf. James Richardson & Sons, Ltd. v. Hedger Transportation Corp., 98 F. (2d) 55 (C.C.A. 2d 1938); Brazill v. Isham and Earle, 12 N.Y. 9, 15 (1854); 26 Va. L. Rev. 327 (1940).

[14] The contract to submit infringement controversies to arbitration has been fulfilled and is hence binding upon the parties and should estop them from further litigation upon the same subject matter. As to subsequent infringements see American Specialty Stamping Co. v. New England Enameling Co., 178 Fed. 106 (C. C. N.Y. 1910).

[15] The Federal Arbitration Act, 43 Stat. 883 (1924), 9 U.S.C.A. §§ 1–15 (1927), provides for both specific enforcement of a contract to arbitrate (§ 4) and stay of trial (§ 3). But the jurisdiction of the federal courts in arbitration proceedings is limited to commerce and maritime questions. Hence agreements to arbitrate patent disputes are not within their jurisdiction unless diversity of citizenship or over $3,000 is involved, 36 Stat. 1091 (1911), 28 U.S.C.A. § 41 (1927). Shanferoke Coal and Supply Corp. v. Westchester Service Corp., 70 F. (2d) 297 (C.C.A. 2d 1934), aff'd 293 U.S. 449 (1935); Red Cross Lines v. Atlantic Fruit Co., 264 U.S. 109 (1924), discussed in Sturges, op. cit. supra note 6, at § 479; In re Cold Metal Process Co., 9 F. Supp. 992 (Pa. 1935); Zip Mfg. Co. v. Pep Mfg. Co., 44 F. (2d) 184 (D. C. Del. 1930); cf. Childs v. Tuttle, 54 Hun (N.Y.) 57, 7 N.Y. Supp. 59, 227 (1889); 50 Harv. L. Rev. 364 (1936).

[1] 11 U.S.C.A. § 203 (1939). This section is popularly known as the Frazier-Lemke Act although strictly the name applies only to Subsection 75(s), 11 U.S.C.A. § 203(s) (1939), under which a farmer may obtain moratorium relief as contrasted with relief through extension or composition of his debts. See, in general, Letzler, Bankruptcy Reorganizations for Farmers, 40 Col. L. Rev. 1133 (1940); Gilbert's Collier, Bankruptcy 1368–96 (Moore & Levi ed. 1937); 8 Univ. Chi. L. Rev. 539 (1941).