UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF TENNESSEE, WESTERN DIVISION

Troxel Manufacturing Co. v. Schwinn Bicycle Co.

334 F. Supp. 1269 (W.D. Tenn. 1971) · No. Civ. No. C-71-97 · Decided November 22, 1971

SUMMARY

In this diversity action, Troxel sought recovery of royalties paid under a patent license after the licensed patent was held invalid. The court held that Lear, Inc. v. Adkins required repayment of all royalties paid, rather than merely excusing future royalty payments, and granted Troxel summary judgment on that issue. The court reserved the question of interest on the royalty payments.

CASE DETAILS

COURT	United States District Court for the Western District of Tennessee, Western Division
WRITING FOR THE COURT	Bailey Brown, Chief Judge
JURISDICTION	Tennessee
DECIDED	November 22, 1971
DOCKET	Civ. No. C-71-97
DISPOSITION	other
PROCEDURAL POSTURE	Troxel brought a diversity action seeking recovery of patent royalties it had paid to Schwinn after the licensed patent was adjudicated invalid. Troxel moved for summary judgment; Schwinn opposed the motion and counterclaimed for royalties allegedly due for the last quarter of 1970.
STANDARD OF REVIEW	Summary judgment is proper under the undisputed facts when the governing legal rule entitles the moving party to judgment; the court rejected treating the matter as a fact-dependent failure-of-consideration inquiry.
PRECEDENTIAL VALUE	Published federal district court memorandum decision

TOPICS

patent law · contracts · summary judgment · commercial litigation · civil procedure

PRACTICE AREAS

patent law · contracts · commercial litigation · civil procedure · remedies

QUESTIONS PRESENTED

1. Whether Lear, Inc. v. Adkins permits a patent licensee to recover royalties already paid under a license for a patent later adjudicated invalid.
2. Whether the undisputed facts entitled Troxel to summary judgment rather than requiring a fact-specific inquiry into failure of consideration.
3. Whether the doctrine of eviction independently established the date on which Troxel could cease paying royalties.

HOLDINGS

1. Under Lear, a patent licensee may recover royalties paid under the license when the licensed patent is adjudicated invalid; the federal policy favoring public use of ideas in the public domain overrides state contract-law doctrines that would otherwise bar recovery.
2. Summary judgment was appropriate because the material facts were undisputed and Lear made the failure-of-consideration inquiry under state contract law immaterial to Troxel's right to recover royalties.
3. The court did not decide the doctrine-of-eviction issue because its application of Lear entitled Troxel to summary judgment for all royalties paid.

KEY QUOTATIONS

> *"The underlying reason for the Lear decision, as stated therein, is that the federal policy in favor of the public use of ideas that are in reality a part of the public domain must override the doctrine of state contract law that would by estoppel prevent a license holder from claiming invalidity and avoiding the payment of royalties."* (1271)

> *"Thus we conclude that, applying Lear and under the undisputed facts, Troxel is entitled to summary judgment with respect to all royalties paid."* (1272)

FACTUAL BACKGROUND

Troxel and Schwinn entered a June 1, 1967 patent-license agreement under which Troxel could manufacture and sell bicycle seats covered by Schwinn patent D-204,121 in exchange for royalties. Troxel paid royalties after Schwinn had notified it of alleged infringement and released it from prior infringement claims. A federal district court in California later held the patent invalid, and the Ninth Circuit affirmed; Troxel then sued to recover royalties paid under the license.

PROCEDURAL HISTORY

Schwinn had licensed Troxel to manufacture and sell bicycle seats covered by patent D-204,121. A California federal district court held the patent invalid, and the Ninth Circuit affirmed that judgment. After Schwinn treated the license as terminated, Troxel sued in the Western District of Tennessee to recover royalties previously paid, and the court granted Troxel summary judgment as to all royalties paid.

DISPOSITION

other

CASES CITED

- Lear, Inc. v. Adkins, 395 U.S. 653, 89 S. Ct. 1902, 23 L. Ed. 2d 610 (1969)
- Schwinn Bicycle Co. v. Goodyear Tire and Rubber Co., 160 U.S.P.Q. (BNA) 587 (N.D. Cal. 1969), aff'd, 444 F.2d 295 (9th Cir. 1971)
- Drackett Chemical Co. v. Chamberlain Co., 63 F.2d 853 (6th Cir. 1933)
- Scherr v. Difco Laboratories, Inc., 401 F.2d 443 (6th Cir. 1968)
- Triplett v. Lowell, 297 U.S. 638, 56 S. Ct. 645, 80 L. Ed. 949 (1936)
- Bendix Corp. v. Balax, Inc., 421 F.2d 809 (7th Cir. 1970)
- Kraly v. National Distillers and Chemical Corp., 319 F. Supp. 1349 (N.D. Ill. 1970)
- Bull v. Logetronics, Inc., 323 F. Supp. 115 (E.D. Va. 1971)
- Epstein v. Dennison Manufacturing Co., 314 F. Supp. 116 (S.D.N.Y. 1969)

Retrieved from lawtools.ai · https://lawtools.ai/cases/federal/united-states-district-court-for-the-western-district-of-ten/1971/troxel-manufacturing-co-v-schwinn-bicycle-co-kt8jxvjs