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Patents--Jurisdiction of State and Federal Courts (New Era Electric Range Co. v. Serrell, 252 N.Y. 107 (1929))

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partners were sufficient to discharge the outstanding liabilities, but have become inadequate thereafter. A special partner may not receive any part of his capital contribution until all liabilities of the partnership have been paid. By statute, "when a contributor has rightfully received the return in whole or in part of the capital of his contribution, he is nevertheless liable to the partnership for any sum, not in excess of such return with interest, necessary to discharge its liabilities to all creditors who extended credit or whose claims arose before such return." [3] In such a situation, his contribution may be treated as a trust fund for the discharge of liabilities,[4] and until those liabilities are discharged he assumes the risk of any change in circumstances whereby the remaining partners are unable to meet the demands of creditors. The equity thus established in favor of the partnership is one to which the creditors succeed,[5] and consequently they may pursue their remedies against a solvent partner whose obligation can be discharged by nothing less than payment to the extent of his contribution to the partnership plus interest for the use of the money.

D. J. R.

PATENTS—JURISDICTION OF STATE AND FEDERAL COURTS.—Defendant, an inventor, applied for letters patent upon a device; simultaneously with the execution of the application, he assigned the device and invention to a corporation; while the application was pending, the corporation was adjudicated a bankrupt and the plaintiff became the owner of the device and invention by assignment from the trustee in bankruptcy of the corporation. At that time, the original application had lapsed and the inventor wrongfully obtained a patent upon the same device which he had previously assigned and is offering it for sale. Plaintiff seeks an injunction restraining the defendants from manufacturing or dealing in the invention or device. A motion to dismiss the complaint on the ground that the courts of the United States have sole jurisdiction of the subject of the action was granted by the Special Term and affirmed by the Appellate Division. On appeal, *held,* reversed; the question involved is one of title based upon the assignment and the state courts have jurisdiction even though the invention is covered by a patent. New Era Electric Range Co. v. Serrell, 252 N. Y. 107, 169 N. E. 105 (1929).

Independent of copyright or letters patent, an inventor or author has, by the common law, an exclusive property in his invention or

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[3] Uniform Limited Partnership Act, Sec. 17, Subd. 4; New York Partnership Law, Sec. 106, Subd. 4.

[4] Hurd v. New York & C. Steam Laundry Co., 167 N. Y. 89, 60 N. E. 327 (1901); Hazard v. Wight, 201 N. Y. 399, 94 N. E. 855 (1911); Irvine v. New York Edison Co., 207 N. Y. 425, 101 N. E. 358 (1913).

[5] Saunders v. Reilly, 105 N. Y. 12, 19, 12 N. E. 170 (1887); Bulger v. Rosa, 119 N. Y. 459, 24 N. E. 853 (1890).

composition, until by publication it becomes the property of the general public.[1] Like other property rights, it is assignable. The effect of the assignment being to leave the assignee free to deal with the property right assigned as he wills,[2] a wronged assignee may seek the proper relief in a court of competent jurisdiction. By statute, the courts of the United States have jurisdiction exclusive of the courts of the several states "of all cases arising under the patent right or copyright laws of the United States." [3] The jurisdiction of the state courts, however, is not so circumscribed that it may not determine a cause of action relating to the subject matter of a patent right, provided it does not involve the validity of the patent.[4] The rights of the patentee under the patent laws must be directly and not collaterally brought in issue to give the federal courts jurisdiction,[5] and the determination of a question which does not arise under those laws, but is merely incidental thereto, is not beyond the competency of the state tribunals.[6] In the case at bar, the plaintiff's right to the device did not arise under or directly involve the patent law but is based upon the assignment of the defendant's property right in the invention. If the patent subsequently issued to the defendant is invalid because of plaintiff's ownership thereof, the void patent can afford no protection to the defendant.

The court is here called upon to determine the plaintiff's right to the invention by virtue of the defendant's assignment. The nature of the right to be enforced or wrong redressed is founded in contract, in that defendant had done acts in violation of the rights secured to plaintiff by the assignment. It is clearly not a suit involving the validity of the patent or one arising under the patent right laws of the United States, of which the federal courts have exclusive jurisdiction, but one to construe or enforce a contract relating to a patent,

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[1] Tabor v. Hoffman, 118 N. Y. 30, 23 N. E. 12, 16 Am. St. Rep. 740 (1889); Palmer v. DeWitt, 47 N. Y. 532 (1870); Potter v. McPherson, 21 Hun 559 (1880); Hommer v. Barnes, 26 How. Pr. 174; Kiernan v. M. Q. Tel. Co., 50 How. Pr. 194.

[2] Garfield v. Western Electric Co., Inc., 298 Fed. 659, 660 (S. D. N. Y. 1924).

[3] Judicial Code and Judiciary, Sec. 256, amended 28 U. S. C. A., Sec. 371. See Parsons v. Barnard, 7 Johns. 144 (1810); Livingston v. Van Ingen, 9 Johns. 507 (1812); Hovey v. Rubber Tip Pencil Co., 57 N. Y. 119, 15 Am. Rep. 470 (1874); New York Phonograph Co. v. Davega, 127 App. Div. 222, 111 N. Y. Supp. 363 (1908).

[4] Blakeney v. Goode, 30 Ohio St. 350 (1876); Maurice v. Devol, 23 W. Va. 247 (1883).

[5] Teas v. Albright (C. C. N. J., 1882), 13 Fed. 406, 441, *aff'd* 106 U. S. 613, 1 Sup. Ct. Rep. 550 (1883).

[6] Pratt v. Paris Gaslight & Coke Co., 168 U. S. 255, 259 18 Sup. Ct. Rep. 62, 64 (1897)

involving a question of title, which is properly within the jurisdiction of the state courts.[7]

R. L.

REAL PROPERTY—LANDLORD AND TENANT—MEASURE OF DAMAGES ON BREACH OF COVENANT.—Defendant leased premises encumbered by a mortgage to the plaintiff and expressly covenanted that the plaintiff lessee might "peaceably and quietly have, hold and enjoy the said demised premises for the term aforesaid." Subsequently, defendant conveyed the fee in the premises to another who defaulted in payment of interest on the mortgage. Plaintiff was evicted under foreclosure proceedings and now sues for breach of the covenant, claiming substantial damages. Defendant contends that no damages may be recovered unless it be the return of rent paid in advance. A verdict was directed in favor of defendant. On appeal, *held,* reversed; new trial ordered. Substantial damages measured by the value of the lease less rent reserved may be recovered. Ganz v. Clark, 252 N. Y. 92, 169 N. E. 100 (1929).

The law applicable to the case is apparent in a restatement of the tenets of the leading case of Mack v. Patchin.[1] Ordinarily in an action by a lessee against a lessor for breach of a covenant of quiet enjoyment, due to a defective title, recovery is limited to the amount of rent paid in advance and *mesne* profits for which the lessee is liable. The reason for the rule is that "owing to the state of the law as to real property, the undoubted owner of an estate often finds, unexpectedly, difficulty in making out title, which he cannot overcome." [2] Frequently, the difficulty lies in defects of title of ancient origin, and the present owner should not be unduly penalized for deficiencies in no way attributable to lack of good faith or diligence on his part. Consequently, the rule is limited in its application to those cases in which there is no fraud, inequitable conduct or failure to act when it is in his power to act.[3] In the instant case, there was a

[7] Nichols v. Marsh, 61 Mich. 509, 28 N. W. 699, rehearing denied (1886), 29 N. W. 37, 62 Mich. 439 (1891), and writ of error dismissed, 140 U. S. 344, 11 Sup. Ct. Rep. 798 (1891); New Marshal Engine Co. v. Marshall Engine Co., 223 U. S. 473, 32 Sup. Ct. Rep. 238 (1912), *aff'g* 199 Mass. 546, 85 N. E. 741 (1908); Phinney v. Annan, 107 Mass. 94 (1871); Becher v. Contour Laboratories, 279 U. S. 388, 49 Sup. Ct. Rep. 356 (1929), *aff'g* 29 Fed. (2nd) 31 (C. C. A. 2nd, 1928). See also David v. Park, 103 Mass. 501 (1870), which was an action for deceit in the sale of patent rights, wherein it was held that the state court had jurisdiction although its determination involved collaterally the question of the construction and validity of the letters patent issued by the government.

[1] 42 N. Y. 167 (1870). *Cf.* Matter of Strasburger, 132 N. Y. 128, 30 N. E. 379 (1892); and distinguish Wagner v. Van Schaick Realty Company, 163 App. Div. 632, 148 N. Y. Supp. 638 (1st Dept. 1914).

[2] Engle v. Fitch, 3 Law Rep. Q. B. 314, *per* Chief Judge Cockburn.

[3] In an action against the vendor of real property for breach of warranty the vendee can recover substantial damages "if the vendor is guilty of fraud;