

kets of the state, is, when applied to the people and products or industries of other states, a direct burden upon commerce among the states, and therefore void. *Brimmer v. Rebman*, 138 U. S. 82, 11 Sup. Ct. 213. Nor can it in principle make any difference if this equality is denied to citizens of other states because the state herself, through certain agents, engages in the competing business, and asserts her monopoly in it. She may forbid the business altogether, or she may forbid her citizens from carrying it on except upon conditions and restrictions, however stringent. No citizen of any other state can claim greater privileges than her own citizens. But when she herself conducts the business, through her agents all over the state, and takes the place of her citizens, she cannot, by thus coming into competition with citizens of other states, destroy their competition by denying them the right to trade in the same commodity in every respect like that in which she is trading, save that it is not protected by a certificate which she alone can give, and which she distinctly withholds.

The present act gives to certain persons (the board of control) the sole power of purchasing and importing into this state an article recognized everywhere as an article of commerce. The monopoly is vested in them by provisions of such stringency, secured by such extraordinary sanctions, that every other person and all citizens of other states are absolutely deprived of competition with them. Thus the products as well as the citizens of other states are discriminated against, and the interstate commerce is destroyed. The act in question is in conflict with the constitution and laws of the United States, and can afford no protection to the respondents for their action, which they claim is based upon it. The rules are made absolute.

EMPIRE STATE NAIL CO. v. AMERICAN SOLID LEATHER BUTTON CO. et al.

(Circuit Court of Appeals, First Circuit, June 12, 1896.)

No. 175.

1. JUDGMENT—RES JUDICATA.

Where in a prior suit it appears of record that any particular question has been actually adjudicated, the prior judgment is, to that extent, conclusive in any subsequent suit between the same parties or their privies, relating to an instrument which forms the basis of litigation in each. 71 Fed. 588, reversed.

2. SAME—JUDGMENT ON PLEA—IDENTITY OF QUESTION.

A decree formally declaring the validity of a patent sued on, though entered on a plea raising only an issue of title (no answer being afterwards put in), is conclusive of that question in a subsequent suit on the same patent between the same parties or their privies for an infringement by the manufacture or sale of articles in all respects similar to those involved in the first suit. 71 Fed. 588, reversed. *Cromwell v. Sac Co.*, 94 U. S. 351, explained. *Last Chance Min. Co. v. Tyler Min. Co.*, 15 Sup. Ct. 733, 157 U. S. 683, followed.

Appeal from the Circuit Court of the United States for the District of Rhode Island.

Alan D. Kenyon, for appellant.
Walter B. Vincent, for appellees.

Before PUTNAM, Circuit Judge, and NELSON, District Judge.

PUTNAM, Circuit Judge. This is a suit for the alleged infringement of a patent. It was heard in the court below on bill and answer. The bill alleges a prior decree sustaining the patent as between parties in privity with the parties to this suit. The prior suit was adjudged in favor of the complainant there on a plea which raised only an issue of title, and in no way assailed the patent. In this suit the bill sets out the prior judgment, and claims that it operates as an estoppel, while the answer alleges that the only issue in the prior suit was one of title, and thereupon proceeds to set up various matters impugning the validity of the patent. The complainant filed no replication, and the court below thereupon, on a hearing on bill and answer, dismissed the suit. After the plea in the prior suit was determined in favor of the complainant there, no answer was put in, and a decree was entered containing the following matter:

"Ordered, adjudged, and decreed, and this court, by virtue of the power and authority therein vested, doth order, adjudge, and decree, that the letters patent of the United States No. 370,614, issued to J. Wilson McCrillis, as assignee of Thomas F. N. Finch, on the 27th day of September, 1887, for an improvement in furniture nails, being the letters patent referred to in the bill of complaint herein, are good and valid in law; that the said Thomas F. N. Finch was the first and original inventor and discoverer of the invention and improvement in furniture nails described and claimed in said letters patent; that the Empire State Nail Company, the complainant herein, is the sole and exclusive owner of the said letters patent; that the title thereto is duly vested in complainant; that the complainant herein is entitled to the sole and exclusive rights in, to, and under said letters patent; that the said Edward H. Faulkner, Edward D. Faulkner, and Francis E. Faulkner, defendants herein, have infringed upon the said letters patent, and upon the exclusive rights of the complainant thereunder, by using and selling furniture nails containing and embodying the invention and improvement described and claimed in said letters patent as charged in the said bill of complaint."

Some question was made whether the record in the present case shows that the alleged infringing matter was "in all respects similar" to those involved in the prior suit. We agree that on this point the court below correctly found for the complainant.

The substantial issue is best stated by citing the opinion of the learned judge who tried the cause in the circuit court. He said:

"Passing now to the question of estoppel, it is evident that the question is to be determined in all respects as it would be if the respondents here had been parties to the record in the Faulkner suit. *David Bradley Manuf'g Co. v. Eagle Manuf'g Co.*, 6 C. C. A. 661, 57 Fed. 980. The extent to which a former judgment between the same parties is to be taken to be an estoppel is defined in *Cromwell v. Sac Co.*, 94 U. S. 351. According to the rule there laid down, the judgment in the Faulkner Case is a bar against these respondents if it be an 'action upon the same claim or demand,' and is no bar if it be an action 'upon a different claim or cause of action.' The question, then, is whether an action for infringement by the making of certain articles is an action upon the same claim or demand as an action for the making of certain other precisely similar articles. I think the present action is to be taken as an action for a different claim or demand from that

in the Faulkner suit, and must be put under the second class of cases as distinguished in *Cromwell v. Sac Co.* The court in that case, by way of illustration of the class of cases where there is no estoppel, cites *Outram v. Morewood*, 3 East, 348, *Gardner v. Buckbee*, 3 Cow. 120, and *Steam Packet Co. v. Sickles*, 24 How. 333. These cases, like the case at bar, seem to me to be cases where the ground of the right is identical in both actions, and the invasion of that right is similar but not identical. * * * As the reasoning of the *Cromwell Case* seems to me to be clearly decisive of the case at bar, I think it must control the decision, and the bill must be dismissed."

In *David Bradley Manuf'g Co. v. Eagle Manuf'g Co.*, 6 C. C. A. 661, 57 Fed. 980, 991, thus cited, the circuit court of appeals for the Seventh circuit was of the opinion that a second suit on the same patent is a second suit on the same claim or demand; and if the patent itself does not furnish, or be not, the "claim or cause of action," even within the interpretation properly put on *Cromwell v. Sac Co.*, or within the just rules of law applicable to the doctrine of *res adjudicata*, any patent may be litigated between the same parties in as many successive suits as equals the ingenuity of counsel in discovering new alleged defenses attacking its validity. The mere statement of this result shows that there must be some error in any chain of logic supporting it, no matter how perfect each link therein may appear to be.

Notwithstanding some expressions in *Cromwell v. Sac Co.* and in the various decisions to which it has led, the rule of law has never been disturbed that where, in a prior suit, it appears of record that any particular question has been actually adjudicated, the prior judgment is to that extent conclusive in any subsequent suit between the same parties or their privies, relating to an instrument which forms the basis of litigation in each. Here we find in the prior judgment a solemn and express adjudication in favor of the validity of the patent. If in that particular the court went beyond its province, its action was not void, and the remedy for the respondents was to apply to have its decree amended. As, therefore, we find in the record here matter which, so far as we are concerned, conclusively establishes that the court having cognizance of the prior suit has expressly adjudicated the validity of the patent as between parties in privity with those now before us, we have no power to permit that question to be litigated again. It is true, there were at common law some peculiar exceptions as between actions of trespass to real estate, writs of entry and writs of right (*Stearns on Real Actions*, c. 1, §§ XV., XVI., XVII.), but these were based on exceptional and peculiar reasons of a highly technical character; and the general rule applies to all matter appearing of record in the formal adjudication of a court, and equally whether fully litigated or confessed by default, on demurrer or by plea to the whole or part of a declaration at law or of a bill in equity. It is true that under equity rule 34 the determination of an issue made by a plea to a bill does not necessarily preclude a respondent from raising further issues by answer; but in the prior case the respondents rested on their plea, so that the plea had the same effect as under the general rules of equity practice, and confessed all matters not alleged by it. We have not in the record here the bill in the prior suit, but it can-

not be doubted that it alleged the validity of the patent; and, whether it did or not, we have a prior adjudication expressly declaring its validity.

In order to understand *Cromwell v. Sac Co.*, it is necessary to look at its circumstances. One suit was on county bonds, and the other was on coupons detached from bonds. They were in law distinct instruments, as was clearly determined anew by a late decision of the supreme court, *Edwards v. Bates Co.*, 163 U. S. 269, 16 Sup. Ct. 967, holding that coupons can be grouped with the bonds from which they were detached for the purpose of making up a required jurisdictional amount; that is, that they are not merely the representatives of interest, which cannot be thus grouped with the principal of the debt. The real question in *Cromwell v. Sac Co.* was whether a finding on the issue whether a plaintiff was the bona fide holder for value of certain coupons estopped the parties on the same issue on a subsequent suit as to other bonds and coupons of the same series. It is difficult to see how this question properly raised all the points said to have been determined in that case, or any of the points involved here. But, in any view of this difficulty, the broad expressions in that case and in another case in the same volume (*Russell v. Place*, 94 U. S. 606), though many times affirmed in a general way by the supreme court, were properly limited, by the same distinguished judge who drew each of those opinions, in *Bissell v. Spring Valley Tp.*, 124 U. S. 225, 234, 8 Sup. Ct. 495. There it was held that a final judgment in favor of a county on certain of its bonds in a suit wherein the county answered, setting up their invalidity for reasons affecting the whole issue, and which was determined on a demurrer to the answer, was conclusive between the same parties in a subsequent suit on other bonds of the same class. The position there was precisely the same as it is here,—the demurrer confessed all matters of record, and, being of record, they were conclusive in the subsequent suit.

A careful examination of *Howlett v. Tarte*, 10 C. B. (N. S.) 813,—so much cited in *Cromwell v. Sac Co.*,—makes our proposition clear, and aids to establish it. *Cromwell v. Sac Co.* arose out of adjudications on several instruments of the same series, but distinct in law. Of the various cases commented on, *Howlett v. Tarte* was the only one like this at bar, in that the several litigations arose out of the same instrument. Of course, this fact does not affect the underlying principles of law, but it requires discrimination in applying them to differing circumstances. In *Howlett v. Tarte* the validity of the instrument was not questioned in either suit. In each the defense relied on confession and avoidance, and the avoidance in each was essentially different. Consequently the judges, while holding that an adjudication on one plea in bar did not estop as to the other, carefully distinguished. *Williams, J.*, said, at page 826:

"I think it is quite clear upon the authorities to which our attention has been called, and upon principle, that, if the defendant attempted to put upon the record a plea which was inconsistent with any traversable allegation in the former declaration, there would be an estoppel. But the defense

set up here is quite consistent with every allegation in the former action. The plea admits the agreement, but shows by matter ex post facto that it is not binding upon the defendant."

Byles, J., said at page 828:

"Suppose an action of covenant. The defendant had two defenses,—performance and release. He could not plead both. He elected to plead performance. Suppose that plea found against him. He could not, in a subsequent action, plead non est factum."

These expressions clearly hold to the uniform rule of the common law that the validity of an agreement could not be questioned in the second suit, although not put in active issue, and only confessed by fiction of law in the first.

The latest cases in which any of the rules stated in *Cromwell v. Sac Co.* and in *Russell v. Place* have been applied by the supreme court are *Roberts v. Railroad Co.*, 158 U. S. 1, 15 Sup. Ct. 756, and *De Sollar v. Hanscome*, 158 U. S. 216, 15 Sup. Ct. 816. It is possible that some things announced in the first of those cases give countenance to the broad proposition that, if there had been no express adjudication as to the validity of complainant's patent, its validity might be questioned in the present suit. However that may be, we are satisfied that our position is in harmony with the law as immemorially recognized by the bench and the profession, and that it is fully sustained by the quite late case of *Last Chance Min. Co. v. Tyler Min. Co.*, 157 U. S. 683, 15 Sup. Ct. 733. In this the court, at page 687, 157 U. S., and page 733, 15 Sup. Ct., points out that the mere cause of action was not identically the same as in the prior suit relied on as an estoppel, and stated that the judgment in the prior case was, "therefore, not conclusive in this as to matters which might have been decided, but only as to matters which were in fact decided." It cites in support of this proposition a number of cases, among them *Cromwell v. Sac Co.* It appears, at pages 688 and 689, 157 U. S., and page 733, 15 Sup. Ct., that the defendants in the first action withdrew their answer, and did not appear at the trial. The court, therefore, proceeded ex parte, and made certain findings of fact, which were carried into the judgment. Thus the record in the prior suit was brought substantially into the same condition in which we find it here, in that in the prior suit the court expressly adjudicated in favor of the validity of the patent in controversy. The court thereupon, at page 690, 157 U. S., and page 733, 15 Sup. Ct., adopts the following from *Lumber Co. v. Buchtel*, 101 U. S. 638, 639:

"This finding, having gone into the judgment, is conclusive as to the facts found in all subsequent controversies between the parties on the contract."

It also said at page 691, 157 U. S., and page 733, 15 Sup. Ct.:

"It is said that the defendants did not contest; that they withdrew their answer, and that there was only a judgment by default. But a judgment by default is just as conclusive an adjudication between the parties of whatever is essential to support the judgment as one rendered after answer and contest. The essence of estoppel by judgment is that there has been a judicial determination of a fact, and the question always is, has there been such determination, and not upon what evidence or by what means was it reached."

We regard these expressions of the supreme court conclusive in favor of the complainant in the suit at bar, even if the cause of action was not technically the same as in the prior suit. The decree of the circuit court is reversed, and the cause is remanded to that court, with instructions to enter a decree in favor of the complainant for a perpetual injunction and an accounting, and to take such further proceedings as are consistent with the opinion filed this day in this cause; the complainant to have its costs in this court.

BEALE et al. v. SPATE et al.

(Circuit Court, S. D. New York. June 27, 1890.)

PATENTS—LIMITATION OF CLAIMS—STAIR PADS.

The Sperry patent, No. 363,695, for improvements in stair pads, is limited by the prior state of the art, and especially by the language of the specifications and claims, to a pad having, among other things, a loose, separate, and disintegrated filling, and a covering case sewed or secured to the edges of the stiff base piece.

This was a suit in equity by Joseph H. Beale and others against Frederick Spate and others for alleged infringement of letters patent No. 363,635, granted to Timothy S. Sperry, May 24, 1887, for improvements in stair pads. Final hearing.

This action is based upon letters patent No. 363,695, granted to Timothy S. Sperry, May 24, 1887, for improvements in stair pads. The pad is composed of three parts. (1) A stiff base of uniform thickness having one edge turned over to fit the edge of the step. (2) A flexible covering secured to the edges of the base part. (3) An elastic body of loose material interposed between the stiff base and flexible covering. The patentee asserts that a pad thus constructed has a stiff seating upon the step, that it forms an elastic support for the carpet, that its elasticity and shape can be easily restored when worn down by use and that it can be made cheaply. The stiff base is constructed of suitable material to retain it in the desired flat shape, such as thin wooden or paper boards. The front edge of the base is curved over to fit the front edge of the step and aid in retaining the pad in position. The covering may be of any suitable cloth or netting. The elastic material, which is loosely disposed in the closure between the base and the covering may be cotton, hair, granulated cork, chaff, shavings, jute, or any other convenient material. "These," says the description, "are disposed in a loose, separate, or disintegrated condition, so that when hardened by being trodden they can be 'worked' or separated again to restore the necessary softness or elasticity to the pad. * * * When the elastic material becomes deadened or trodden down by wear, it is only necessary to take up the pad, bend it slightly in the direction of the covering part, a, shake it well, and pick or liven up the loose material by working it in any suitable way and the elasticity will be restored." This process of working up the elastic material after it has become deadened by use is made easy by the fact that it is placed loosely in the case. The patentee describes the prior art as follows: "The state of the art shows that stair pads have been made of cotton felt of a soft, moderately yielding, and elastic character, sufficiently rigid and stiff, however, to form a slab of unequal thickness and retain its shape, and having its front edge curved hook-like to form a lip to hook over the edge of the step; that they have been made up of a layer of cotton or other fiber placed between a netting on one side and a fabric or cloth on the other side, and the whole folded and stitched, and that such pads have been made of granulated cork and pulp combined, forming a composite molded sheet;