CONTRIBUTORY INFRINGEMENT

HEARINGS

BEFORE

SUBCOMMITTEE NO. 4 OF THE COMMITTEE ON THE JUDICIARY HOUSE OF REPRESENTATIVES

EIGHTY-FIRST CONGRESS

FIRST SESSION

ON

H. R. 3866

A BILL TO PROVIDE FOR THE PROTECTION OF PATENT RIGHTS WHERE ENFORCEMENT AGAINST DIRECT INFRINGERS IS IMPRACTICABLE, TO DEFINE "CONTRIBUTORY INFRINGEMENT," AND FOR OTHER PURPOSES

MAY 25 AND JUNE 3, 1949

Serial No. 17

Printed for the use of the Committee on the Judiciary

DEPARTMENT OF COMMERCE
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UNITED STATES
GOVERNMENT PRINTING OFFICE
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CONTRIBUTORY INFRINGEMENT

WEDNESDAY, MAY 25, 1949

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE NO. 4 OF THE COMMITTEE ON THE JUDICIARY,
Washington, D. C.

The subcommittee met, pursuant to notice, at 10 a. m., Hon. Edwin E. Willis, presiding, for consideration of H. R. 3866, which is as follows:

[H. R. 3866, 81st Cong., 1st sess.]

A BILL To provide for the protection of patent rights where enforcement against direct infringers is impracticable, to define "contributory infringement," and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That any person who shall actively induce infringement of a patent shall be liable as an infringer.

SEC. 2. Any person who shall contribute to the infringement of a patent in the manner set forth in section 3 shall be liable as an infringer.

SEC. 3. The sale of a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, if especially made or adapted for use in infringement of such patent, and not suitable for actual commercial noninfringing use, shall constitute contributory infringement.

SEC. 4. The mere sale of any staple article or commodity of commerce not especially made or adapted for use in a patented invention, and suitable for actual commercial noninfringing use, shall not of itself constitute contributory infringement, even though sold with the knowledge or expectation that it will be used in infringement of the patent.

SEC. 5. No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent monopoly because he has done one or more of the following: (a) Derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (b) licensed or authorized one or more persons to perform acts which if performed without his consent would constitute contributory infringement of the patent; (c) sought to enforce his patent rights against infringement or contributory infringement.

Mr. WILLIS. Gentlemen, we have for consideration this morning H. R. 3866, which is a bill, to provide for the protection of patent rights where enforcement against direct infringers is impracticable, to define "contributory infringement," and for other purposes.

Mr. BERNHARDT. The first witness scheduled for testimony this morning is Mr. Rich.

STATEMENT OF GILES S. RICH, ESQ., VICE PRESIDENT, NEW YORK PATENT LAW ASSOCIATION, NEW YORK, N. Y.

Mr. WILLIS. Mr. Rich, will you please state your name and the capacity in which you appear?

Mr. RICH. My name is Giles S. Rich, and I appear in my capacity as representative of the New York Patent Law Association, of which

I am first vice president and chairman of its committee on patent law and practice, which is a committee that concerns itself primarily with legislation.

I held the same office last year, and last year, for the first time, this association decided to do something constructive in this field. I say last year, but we actually started that project a year and a half earlier, realizing, as most patent attorneys do, that this problem with which this bill deals is a serious problem.

Mr. WILLIS. You mean the association did something serious for the first time, or constructive, in respect to this legislation?

Mr. RICH. Mostly we have concerned ourselves with criticizing legislation, saying what we do not like about it, and changing it where we think it needs changing, and approving it where we think it is good. So, we tackled this problem of what is called contributory infringement, which I hope to make clear to you in due course, and we produced a bill which was introduced last year as H. R. 5988, the Case bill.

Mr. Case, after very carefully considering the proposal that we made, introduced a bill for us. Hearings were held on it, and those hearings have been published. They are here on the table. Those hearings are combined with hearings on two other bills, relating to other matters, so you have to fish out the specific material.

H. R. 5988 appears on page 1 of the printed hearings of last year.

Now, this is a very technical subject, and it is nonpolitical. We do not represent any particular interest. It is a lawyers' bill.

We are trying to improve what we consider to be a serious defect in the patent system, and we put a great deal of work on this bill.

It was produced by committees of different people over a period of 2 years, and before we introduced it we had a meeting of the entire association on it. The association has about 600 members and there were, perhaps, a couple of hundred at this meeting. We had a big open discussion.

Like all committee work, the bill is the product of the people primarily interested, and I would say it had three principal authors. One was Robert Byerly, who testified last year as representative of the Bar Association of the City of New York. Another one was my predecessor in this present office I hold, Mr. Charles Walker, and I think that I was the third principal author, having made more or less a hobby of this subject for about 18 years since the trouble began in what is called the Carbice case, back in 1931.

Now, the subject is contributory infringement. Contributory infringement has never been dealt with in the patent statutes before. At least, one Supreme Court Justice has suggested that if there is any such thing as contributory infringement, the statutes ought to say something about it.

To make the subject clear, let us begin at the beginning.

A patent grants certain rights to the patentee, specifically the right to exclude others from making, using, or selling the invention which is covered by his patent, and any violation of that right is a tort.

Time out of mind, under the old common law, there has been a doctrine known as the doctrine of joint tort feasors to the effect that people who jointly commit a tort are jointly and severally liable.

This contributory infringement is nothing but the application of that doctrine to patent law.

When two people combine and infringe a patent in some way or other, they are joint tort feasors, and it so happens that patents are often infringed by people acting in concert, either specifically or by implication, where neither one of them is a direct infringer. The only way you can protect your right is to proceed against someone who is not a direct infringer. That person who does something less than the direct infringement is called a contributory infringer.

I think, perhaps, the best way to understand contributory infringement is to look at some situations in which infringement occurs. Where the infringement is not direct, as I said, the patent right gives the right to exclude others from making, using, or selling.

Mr. BOGGS. Let me interrupt you there, Mr. Rich. Is it all right to interrupt?

Mr. RICH. Yes. I would like to say I did not submit a prepared statement because I submitted one last year which has been printed, and I have no planned presentation. I would just like to help you gentlemen to understand this matter.

Mr. BOGGS. I will probably ask questions which are not very good questions because I do not know a lot about this subject, but first, as it stands now, if there is an infringement of a patent, there is a remedy for that, is there not?

Mr. RICH. Yes, and no. Theoretically there is, but practically there may not be.

Mr. BOGGS. What is the remedy that is provided, assuming that there is a direct infringement of a patent?

Mr. RICH. Under the statutes, one has an action at law or a suit in equity. Under the present procedure, one has a civil action, the usual remedy being an injunction to stop the infringer from continuing.

Mr. WILLIS. Plus an accounting.

Mr. RICH. An injunction and accounting, damages for the damage suffered.

Mr. BOGGS. That is the remedy today, but what, in addition to that remedy, would this provide, or what is the distinction?

Mr. RICH. It is my feeling, and I think most people who understand the matter agree with me, that this remedy for contributory infringement has become nonexistent. Now, I do not think you can understand what we are talking about without a specific example.

Mr. WILLIS. Yes.

Mr. RICH. There are many of them.

Let us take the first case of contributory infringement that ever occurred in this country back in 1871. It is entitled *Wallace* v. *Holes*.

There was a patent on a kerosene lamp in that case. It was the same kind of lamp you have seen thousands of. It had a base in which the kerosene was placed, and on top of the base there was a brass burner mechanism which adjusted the wick up and down. It had vents for the air, and on top of the burner mechanism is the chimney.

Now, there is a complete lamp. You also have to understand how a patent is written and what there is in a patent. Here is a printed copy of a patent.

In the case of a mechanical device it has a drawing and it has what is called a specification which is a description of what is shown

in the drawing, and the statement of what the patentee thinks he has invented is at the end of the patent and is a vital part of it, called the claims.

You get all through describing the invention and then you say what I claim is my invention and I desire to secure it letters patent. Then comes the definition.

In the prosecution of a patent application, the fight with the Patent Office always is how you are going to word the claims, because these claims define the monopoly, the exclusive right which the patent grants. The definition must be so written that it does not include anything that is old, which the public has the right to use, and yet describes the novel subject matter which is covered by the patent.

Now, coming back to our kerosene lamp, when the patent was obtained it described a complete lamp.

There is a rule in the Patent Office that a claim must be complete. It must describe or define the complete operative mechanism, so one of the elements of this complete lamp is a chimney.

Now, when lamps were sold they were put on the shelves as an article of merchandise without chimneys, because chimneys were stocked in the store as separate items, being more or less perishable.

When the suit was brought the defense was——

Mr. WILLIS (interposing). What was the claimed infringement before you come to the defense?

Mr. RICH. The invention of the lamp, of course, was not in the base, which was nothing but a container for the kerosene, and it was not new, it was as old as the hills. But an improvement in the burner mechanism was new. But to describe a complete lamp you have to include the base and the chimney or it does not work. You cannot have a lamp with nothing but the burner mechanism, so those elements were in the claim.

Mr. BERNHARDT. But the patent was on the complete lamp.

Mr. RICH. Yes; the patent was on the complete lamp for the simple reason the claim described a complete lamp, but the inventive subject matter was in the burner mechanism.

Mr. WILLIS. Yes.

Mr. RICH. Now, the defendant said, "I have not infringed this patent because the claim of this patent includes the chimney as an essential element, and there is a rule in the patent law that the omission of an essential element from a combination voids the infringement. I just sell the base and the burner. I do not infringe."

Mr. WILLIS. The defendant in the case was selling only the component parts of the lamp?

Mr. RICH. Everything but the chimney.

Mr. WILLIS. Separately or as a unit?

Mr. RICH. As a lamp.

Mr. WILLIS. As a lamp without the chimney?

Mr. RICH. Yes, sir; that is right.

Mr. WILLIS. And the combination patent called for what the defendant was selling, plus the chimney?

Mr. RICH. That is correct.

Mr. WILLIS. All right.

Mr. RICH. He was relying on a technical rule.

Mr. WILLIS. Repeat his defense; what was it?

Mr. RICH. That the omission of an element from a combination voids infringement. The combination, let us say briefly, was the base, the specific burner mechanism and the chimney, A, B, C. He said, "All I am selling is A and B, and there is no infringement."

Mr. BOGGS. What kind of action was this?

Mr. RICH. It was the usual patent-infringement suit.

Mr. WILLIS. An injunction, plus a claim for an accounting and damages?

Mr. RICH. I suppose it was. It might have been an action at law. They used to have jury cases once in a while in patent suits. I think it was an equity action, though.

Mr. WILLIS. How do you work out the word "contributory" in that sense?

Mr. RICH. How did the judge solve the problem? He did it just the way I think you would do it. He said this defendant has appropriated the invention and infringed the patent of this inventor, and I am not going to let him get away with it because he leaves the chimney off.

What the judge said was this is a virtual infringement, and held the defendant liable.

Now, later on that type of a situation, instead of being called a virtual infringement, came to be called a contributory infringement; it was just a change of name.

Mr. BERNHARDT. What did the infringer sell exactly?

Mr. RICH. The entire kerosene lamp.

Mr. WILLIS. How can you apply the word "contributory" there? With the chimney left off, who is contributing to what?

Mr. RICH. Somewhere along the line there must be a direct infringement, and where does it take place? It took place in the home of the purchaser of that lamp when he took it home and put the chimney on it, and the householder became the direct infringer.

Now, it is not practical in the infringement of patent rights of this character to go around suing every little farmer who has bought a lamp and has taken it home and put a chimney on it. There was a certain inference that there was going to be an infringement as soon as that lamp was sold, was there not? That is typical of all of these contributory infringement cases of the type in which we wish to see the patentee given some remedy.

Mr. WILLIS. But in that case the court did hold that the defendant was liable.

Mr. RICH. That is right.

Mr. WILLIS. The trouble with the law, you say, is the difficulty of its application?

Mr. RICH. Yes; because the state of the law as we see it is that the courts would say, at least the Supreme Court would say, utilizing your patent on this complete lamp to protect your business in the lamp minus the chimney is utilizing the patent to cover something which it does not claim. You have not been granted a patent on a lamp without a chimney. You have been granted a patent on a lamp with a chimney, and if you are using this to protect your business in the case of lamps without chimneys, you are attempting to monopolize something which the patent did not grant a monopoly on.

Mr. BERNHARDT. Assume, Mr. Rich, that the patentee sold only the novel burner, which was only one of the elements of his combination patent, with instructions as to how to couple it together with the chimney and the base so as to practice the patent.

Mr. RICH. You have carried the case back just one more step. Instead of leaving one element out, you have left two elements out. You have made the case, perhaps, a little more difficult for the court, but in the case that you suggest the burner contained the entire inventive subject matter, and I think the result would have been the same and should be the same; there should be a holding of infringement.

I will put you a further case now, and say suppose that the defendant sold nothing but chimneys which were held standard articles of commerce.

Mr. BERNHARDT. I did not mean the defendant; I meant the patentee. In other words, suppose that the patentee was not interested in selling the complete article for which he had a combination patent, but was interested only in the sale of one of the component items, the sale of the novel burner, and suppose he sold the novel burner to the public with the condition that those who bought his burner would be permitted to use his combination patent by coupling it together with these other articles which they could buy in any store.

Mr. RICH. Well, Mr. Bernhardt, you are importing into this situation now an angle which was developed much later on, and which has nothing whatever to do with the problem of contributory infringement as such.

What you are thinking of is the misuse situation, and I will come to that later.

Mr. WILLIS. Let us come back to that case. Did the court grant or deny relief to the patentee, the man who brought suit?

Mr. RICH. The court granted relief and said this is a virtual infringement, there is a certain inference that an infringement is going to result. In fact, it would be a travesty of justice if we cannot hold a man in this situation.

Mr. WILLIS. Since relief was granted, what additional or greater relief does this bill before us afford?

Mr. RICH. Well, this was back in 1871, since which time a great many things have happened.

Mr. WILLIS. Maybe it is too early to ask that question.

Mr. RICH. I have been attempting up to this point, Mr. Chairman, to really make clear in your minds what contributory infringement is.

Mr. WILLIS. I still do not get the use or the application of the word "contributory." Who contributed to what? I am speaking in terms of civil law. In the State of Louisiana, if you are guilty of contributory negligence, you have no case. Maybe we have a tort law which is different from the one in your State. In Louisiana, if we have an automobile accident, there are no degrees of accident, if someone contributes to a tort, that contributory negligence bars any recovery. That is why I asked you was relief granted here.

Mr. RICH. I do not think you can compare the law on joint tort feasors, with which you are also familiar, with the doctrine of contributory negligence.

The doctrine of contributory negligence is, in effect, this: You had as much to do with causing this accident as I did, and hence I am not

liable, but in the law of joint tort feasors, two people act together to commit a single tort, and they are both to be held liable.

Now, who were the two people in this lamp case? The purchaser of the lamp who took it home and put on the chimney was the infringer.

Mr. WILLIS. Yes.

Mr. RICH. And the manufacturer and seller of the lamp who put it into his hands, knowing he was going to put a chimney on it, contributed to it.

Mr. WILLIS. Yes, I see it now.

Mr. RICH. He is called a contributory infringer only to distinguish him from the direct infringer.

Mr. BOGGS. Let me ask you a question right there, Mr. Rich. In this case the patentee just made a wick mechanism. Supposing a man develops a carburetor, does he have to build an automobile around it to obtain a patent on the carburetor?

Mr. RICH. He may have to or may not have to. There are situations in which you cannot meet the requirements of the Patent Office without bringing in other elements than the thing which you actually have invented.

Mr. BOGGS. He could have used that wick mechanism in a lantern.

Mr. RICH. If he had claimed in his patent a novel wick mechanism constructed as follows——

Mr. WILLIS. And stopped there——

Mr. RICH (interposing). He would have been all right, and there would not have been any problem of contributory infringement, but there are those patents of this type in which either you have a claim which contains an element you are not going to include in the article you sell, because your attorney has done his best to describe your invention, or because he has been compelled by the rules of the Patent Office to include these other elements in order to describe completely the operative mechanism.

You can describe completely an operative carburetor without bringing in as an element the automobile engine, or the intake manifold, but there are some cases in which you cannot.

Supposing you have a new system of radio broadcasting, like FM, for example, perhaps it is impossible to describe it without describing in your claim both the transmitter and the receiver.

Mr. BOGGS. Yes.

Mr. RICH. And because of the conditions of the trade, perhaps the only article that is sold by the infringer is the receiver, or, perhaps, all he sells is the transmitter, but he knows that they must be used in the complete system which is covered by the patent.

Mr. BOGGS. Are there many instances of where they, you might say, purposely include the whole item in order to give rise to cases of this kind?

Mr. RICH. There were in the past probably many such instances, because you cannot understand the entire picture of contributory infringement without knowing that it was built up during a certain period from about 1896 to 1917 into what was almost a racket. It got a black eye and the courts cracked down on it.

Mr. BOGGS. Yes.

Mr. RICH. And that is what has created much of the trouble.

Mr. BOGGS. Yes.

Mr. RICH. And they went right on cracking down on it to the point where they practically eliminated this useful doctrine about which Mr. Justice Taft once said, when he was circuit judge:

> If this helpful rule is not to apply to trespass upon patent property, then, indeed, the protection which is promised to inventors is a poor sham.

That is very true in very many cases, and our feeling is that the protection promised to inventors today is a poor sham because of what has happened.

Mr. GOODWIN. I hope we can get on, Mr. Chairman. I assume that Mr. Rich knows how he is developing his presentation, but so far as I am concerned, I am still viewing this bill under the very uncertain light of this kerosene lamp without a chimney.

Mr. WILLIS. Well, proceed with the development of your statement, if you will, Mr. Rich.

Mr. RICH. In 1931 a case was decided in the Supreme Court which was called the Carbice case, and you will find citations of all of these cases in last year's hearings.

In that case the patent was on a transportation package for foodstuffs. It was a box made out of a cardboard with a heat insulating top. Food was packed in the box and in the center of the entire unit, buried in the food, usually ice cream, was a cake of solid carbon dioxide, which is variously known as dry ice or carbice, and has now become well known, and the inventor of this transportation package obtained a patent on it. One of the elements of his claim was the solid carbon dioxide cake, and he developed a method of doing business, the purpose of which was to prevent anybody from buying the solid carbon dioxide from his competitor, because he was in the business of manufacturing it.

Now, solid carbon dioxide was a very old product, and had been known, according to the decision, for some 80 years, and its refrigerating properties were very well known. The court said:

> You did not invent carbon dioxide, and you cannot utilize a patent on an invention in which that is an element to keep other people from selling this stuff even for this purpose; it is an ordinary article of commerce.

Now, what they did not say in that case was there is no contributory infringement under these circumstances.

They developed an entirely new doctrine in patent law, which has come to be known as the misuse doctrine, although it was not called by that name in this case.

The law had grown up some years earlier and had been settled in the Supreme Court that the subject matter which the patentee may monopolize is restricted to what is covered by his claim, and he cannot have a monopoly on anything other than that, and to reiterate, if you claim on the combination ABC, you cannot use a patent to monopolize either A or B or C, or AB or BC. It is like a fence put around your field of monopoly, and you have to stay within it.

What the court did say was:

We will deny recovery to this man because he is misusing his patent to try to monopolize an old nonpatentable article with it.

Now, the result in that case was perfectly proper. Why should he have a monopoly on the sale of solid carbon dioxide even to packagers of ice cream? It was an old product, and anybody was entitled to make it and use it and sell it.

That doctrine was reiterated in several subsequent cases in the Supreme Court until, finally, the Court reached the cases which have finally brought this matter to a head, the Mercoid cases. There were two of them decided on the same day.

Mr. BOGGS. In the Supreme Court of the United States?

Mr. RICH. Yes, in the Supreme Court. Now, the difference between the Mercoid cases and any of the preceding cases was this——

Mr. WILLIS (interposing). Before you come to the Mercoid cases, referring to the Carbice case about which you just spoke, what was held to be the novel part of his patent outside of this dry ice?

Mr. RICH. The combination of elements arranged in a certain way.

Mr. WILLIS. Did he have a novel box, a novel way of packaging, or what was the novelty of his invention, if anything?

Mr. RICH. Well, the thing on which the patent was granted was a transportation package, consisting of this external insulating casing, the foodstuff to be refrigerated arranged within the casing, and the refrigerant, carbice, arranged in the center of the package. Many inventions consist of a combination of elements all of which are old.

Mr. WILLIS. What did the defendant do? Was the defendant shipping his products?

Mr. RICH. No, he sold carbon dioxide, and that is all he did, except that he knew that the people who bought it were going to use it to make this patented combination shipping package, to purchasing parties who were competitors in the dry-ice business.

Mr. WILLIS. That is, the purchasers from the defendant were going to use the dry ice and then to imitate the box of the patentee?

Mr. RICH. No, they sold it to an ice cream manufacturer knowing that he was going to make it up into this patented combination package. They had guilty knowledge of the intended use of the product which they sold.

Mr. WILLIS. All right.

Mr. GOODWIN. Then, the patentee wanted everybody to use that special container and get their dry ice from him?

Mr. RICH. Yes, sir, that is correct. So, he was utilizing his patent to monopolize a portion of the dry-ice business to make everybody buy it from him if they were going to use it.

Mr. GOODWIN. He was not actually manufacturing the package himself?

Mr. RICH. No, neither party ever manufactured the package. They got box manufacturers to make them up to sell them to the ice cream people.

The circuit court of appeals in that case held that there was contributory infringement, and that the seller of this carbon dioxide was guilty of contributory infringement. The Supreme Court reversed it. They did not say there is no contributory infringement. They said this, because of the use the patentee is able, with this patent, to monopolize something he has no right to monopolize. He is guilty of misuse and we will deny the protection of the courts to a man who is doing that. It is the application in the patent field of another old equity doctrine, the doctrine of clean hands, only they did not refer to it in that case there. They did refer to it in a later case, making it perfectly clear than this is what they had in mind.

Now, that is called the misuse doctrine, and that is what has caused all the trouble, and that is why we wrote this bill.

Mr. WILLIS. Go on to the Mercoid case now.

Mr. RICH. Now, in the Mercoid case the patent was on a system for heating houses, a heating system in which there was, naturally, a furnace with dampers, drafts, and the usual appliances.

Like modern furnaces, it had various electrical controls on it in the nature of mercury switches which dropped at certain temperatures under the influence of thermostats.

The defendant in that case made up a switch unit or assembly which was wired so that when you applied it to a furnace and connected it up in accordance with the instructions, infringement necessarily resulted.

Now, you may hear later from a witness, Mr. McCabe, who is chairman of the board of the company in the Mercoid case, and who likes to come here and reiterate the decision in the Mercoid case. He is very pleased with the outcome because he won a suit.

The important thing to note is this, that the Supreme Court as a basis said this unit which the defendant sells has no other use except in the patented invention. That being true, there was a certain inference that when the swtiching unit which was sold by the defendant was put into use, there would be a direct infringement, but that direct infringement would be by the plumber or the heating engineer who installed the furnace, or by the householder who used it. One made it and the other one used it, and it is not practical in a situation like that to go around suing householders all over the the country. The way to stop infringement, and the way to get some reward from your patent is to go to the person who is instigating all of this infringement and say you cannot sell this switching unit made up in such a way that it cannot be used for anything else but infringement.

The Supreme Court denied recovery because they said the plaintiff is misusing this patent. They made it very clear in the opinion, written by Mr. Justice Douglas, that there were opposed doctrines, the contributory infringement on the one hand, and the misuse doctrine on the other hand, and Mr. Justice Douglas said that where there is a conflict between these two things, the misuse doctrine must prevail. We do not stop to consider what remains of the principle of contributory infringement, and that is where we are today.

Now, what has been the result? The Mercoid cases were decided in 1944. It has been my observation in practicing patent law that some people do not understand yet what they mean, that is, some lawyers.

Some judges say clearly what the implications of those cases are and say the mere attempt to enforce a patent against a contributory infringement constitutes misuse and the suit must be dismissed.

Other courts, feeling that this is a very unjust situation, just plainly brush off the Mercoid case and say we will hold this is a contributory infringement, and the Mercoid case does not apply.

So, to sum up the situation at the moment, the state of the law is in utter confusion and nobody knows where they are at.

An attorney cannot advise his clients whether or not he can enforce his patent or how to draw a license agreement in such a way that he will not get into trouble, because in the Mercoid case they also held that this misuse of the patent constituted a violation of the antitrust laws. In other cases following the Mercoid case, people have been

held liable for treble damages for violation of the antitrust law merely because they tried to enforce their patents.

Mr. BERNHARDT. Mr. Rich should explain another essential fact that was present in the Mercoid case, and that is that there the patentee was not selling the combination patent as such. He was simply selling the switch and was only interested in selling the switch.

Mr. RICH. An implied license when linked with this switching unit, which was not an essential unit, but with instructions and diagrams stating that the patented invention would go into use as soon as it was used.

Mr. WILLIS. But the patentee was doing an act which Mr. Boggs' question anticipated a while ago.

Mr. BOGGS. They wired and tied it up with too many other things.

Mr. RICH. The state of the business was such that one company made furnaces, another company made electrical equipment, and thermostats, and plumbing contractors installed the whole thing. Where are you going to find the direct infringer, only in somebody's cellar. There is no practical way to enforce that patent, except through a suit for contributory infringement against the party who makes the thing which is essentially the inventive subject matter which, when put into use, creates infringement.

Mr. WILLIS. Well, the novel part of the patent in that case was the switch, was it not?

Mr. RICH. Yes; when applied to a furnace.

Mr. WILLIS. Well, could the switch be used for any other purpose?

Mr. RICH. No. I said that the Supreme Court held this switching unit and combination had no other use.

Mr. WILLIS. Than use in that heating mechanism.

Mr. RICH. Which was covered by the patent.

Mr. WILLIS. Covered by the patent?

Mr. RICH. Yes.

Mr. WILLIS. Why could not the patent owner sue and go after the man who manufactured the switch?

Mr. RICH. Because the Supreme Court said, by its method of doing business the plaintiff in selling switches, which are not per se covered by the patent which covers the heating system, is trying to use this patent to get a monopoly on something the patent does not cover, and that is misuse, and under the unclean-hands doctrine, we will deny recovery under these circumstances.

Mr. BOGGS. Do you mean to say that he just could not go to the Patent Office and get a patent on that switch, period?

Mr. RICH. Period.

Mr. BOGGS. He could not do that?

Mr. RICH. No, because it would be at loose ends, and in the opinion of the patent examiners you cannot claim a number of switches having wires to them without saying where the wires go and what they are for. The rule in the Patent Office is that you must describe the completely operated mechanism, and you cannot write an acceptable decision that defines the invention without including the furnace with its dampers, drafts, and so forth.

Mr. GOODWIN. Then why is not the situation in that case this, that this patentee is using his ingenuity, his energy, and his brains to secure a patent on something which, as a practical matter, he never can protect himself on?

Mr. RICH. That is the situation today, and for that very reason the stimulus of the patent system is removed from certain fields, where when you have to exercise your muscle, perspiration, and ingenuity, you have to describe the invention in such a way that you include things that you have to rely on other people to supply.

Mr. BOGGS. Just for my benefit, right there, Mr. Rich, you have to include things that you have to rely upon other people to supply?

Mr. RICH. Yes.

Mr. BOGGS. How does that misuse principle fit in right there; what is that misuse principle?

Mr. RICH. Let me give you a concrete case, if I can ask my friend, Mr. Drews, to lend me an invention of his that he is in the process of patenting, which he just showed me this morning. I think it is a good illustration.

Here is a sign.

Mr. WILLIS. Describe it for the record.

Mr. RICH. Here is a sign which is made of a very smooth polished sheet of either plate glass or plastic, and the design or lettering, or whatever you want to call it, that is on this ordinary piece of plate glass or ordinary piece of plastic, is made with cut-out pieces of plastic, flexible material, having a highly polished surface.

Now, there is no adhesive on this at all, but being highly polished, when it is put on the highly polished base of glass or plastic and pressed down and all of the air is squeezed out from between the two surfaces, it sticks there indefinitely for the simple reason that atmospheric pressure keeps them together.

Now, when he comes to get this out of the Patent Office, I am certain that he is going to have to include the two elements of which it is composed, one of which is a piece of plate glass, and the other of which is a piece of plastic having a highly polished back cut out into the desired figures or patterns, and you can put them on or take them off at will and rearrange them, and it will probably be very wonderful for displays for stores, window displays, and things of that kind.

As a matter of fact, I understand that the plastic with the polished back is old, too, as well as plate glass; but he has a new combination here when he comes to making claims for the sign.

Now, how are you going to enforce that patent against anybody? You cannot stop a man who sells a piece of plate glass 1 foot wide and 2 feet long. He is doing the kind of business he has been doing for generations. There is no reason why he should be stopped. Perhaps you cannot even stop the plastic manufacturer who is selling this article of merchandise consisting of plastic with a highly polished back. It is polished because it has probably been cast on a chromium-plated drum by the mill.

But what about the person who sells the cut-out letters made of plastic, or who sells a kit with instructions to cut out letters and stick them on the glass, press the air out from between them, thus making up a display?

Mr. BOGGS. What would be the patent he would get?

Mr. RICH. It would be a combination.

Mr. BOGGS. It would not be a patent on a certain sign?

Mr. RICH. It would be a patent on a flat base of highly polished material such as plastic.

Mr. WILLIS. First, would the two elements be patentable? In your opinion, would he be entitled to a patent?

Mr. RICH. We expostulate that. Both elements are old.

Mr. WILLIS. Before you even talk about his remedy, the point is whether, in your opinion, he would be entitled to having a patent issued. Let us cover that question.

Mr. RICH. I think so. Assume now that it is novel, that it is useful, and that it involves an invention, and that I have been told that he has been assured he will be granted a patent.

Mr. WILLIS. But your next point is that when he puts that article on the market and somebody takes the two elements and puts them together, he would not be entitled to any remedy?

Mr. RICH. Yes; under the decisions.

Mr. BOGGS. Because of the misuse doctrine.

Mr. RICH. They will say that the patent does not cover either one of the elements by themselves and that if all that is being sold is the characteristic cut out of this plastic, with instructions to use it in a certain way, an attempt is being made to monopolize something that the patent does not cover.

Mr. BOGGS. What is the misuse?

Mr. RICH. The misuse is attempting to enforce this patent against somebody doing something which does not meet the precise terms of the claim.

Mr. BOGGS. The patentee is the misuser, then; is that correct?

Mr. RICH. That is right; definitely. It is always the patentee who is the misuser. The relief is always denied because of what the patentee is attempting to do.

Mr. GOODWIN. I do not want to anticipate your argument, but I am curious to see how you are going to develop this thing and tell us how we can write a law which will protect the patentee without putting everybody in the country on notice as to how far they can go with combinations of this sort without infringing some of the patentee's rights.

Mr. RICH. Suppose we look at the law at this point.

I think you will agree that the preamble to this bill fairly states the problem with which it deals:

> To provide for the protection of patent rights where enforcement against direct infringers is impracticable, to define "contributory infringement," and for other purposes.

Now, as I have told you, contributory infringement, in the light of the court decisions, still exists. It is a kind of ghost at the moment. Nobody knows whether it has any substance or not.

As I told you, contributory infringement has never been mentioned in a statute; and we thought that this would be an appropriate occasion to say something about it.

The first four sections of this bill deal with what is and what is not contributory infringement.

Before dealing with them specifically, I would like to recall that we are dealing with a problem which involves a conflict between two doctrines, contributory infringement and misuse.

It is crystal clear, when you have thoroughly studied this subject, that the only way you can make contributory infringement operative again

as a doctrine, is to make some exceptions to the misuse doctrine and say that certain acts shall not be misuse. Then contributory infringement, which is there all the time, becomes operative again.

Contributory infringement has been destroyed by the misuse doctrine; and to revive it you do not have to do any thing with contributory infringement itself. You go gack along the same road until you get to the point where you have contributory infringement working for you again.

That subject, the exceptions to the misuse doctrine, is dealt with in section 5 of the bill, which is the most important section. That section states:

No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent monopoly because he has done one or more of the following: (a) Derived revenue from acts which is performed by another without his consent would constitute contributory infringement of the patent; (b) licensed or authorized one or more persons to perform acts which if performed without his consent would constitute contributory infringement of the patent; (c) sought to enforce his patent rights against infringement or contributory infringement.

Subsection (a) above refers to cases like the Lamp case or the Mercoid case where the patentee has been in the business of selling less than the entire invention claimed and has been making a profit out of it; that is, derived revenue.

Subsection (b) refers to this type of situation: Suppose the patentee of the lamp had granted a license to somebody to make the lamps without chimneys or, as actually was the case, in the Mercoid situation, the patentee licensed people to make these switching units which had no other use except in the case of this invention, and collected royalties.

In connection with subsection (c), there have been cases recently following the Mercoid case, in which the courts have held that merely bringing a suit is a misuse and that you are out of court on a motion to dismiss.

Mr. BERNHARDT. You also lose your patent.

Mr. RICH. No; you do not lose your patent because it is a case of the application of the unclean-hands doctrine.

The courts have said that you can wash your hands when you have remedied the situation and have stopped misusing your patent and that you may then come back to the courts which may then possibly grant you a recovery.

Mr. BOGGS. How could you do that?

Mr. RICH. By changing your method of doing business, perhaps, if practical. In the Lamp case, for example, the lamps were sold with chimneys on them.

Of course, you know how lawsuits are. You deal with the facts the way they are presented to you by the client, and he has gone into the business in a certain way without consulting his attorney.

Mr. WILLIS. What I cannot get in my mind clearly is this: Take, for example, the article which you have on the desk before us, the smooth glass and plastic. Whq should the Patent Office issue you a patent at all on such an article if the jurisprudence is that after you have the patent you will not be entitled to the protection of the law to enforce it?

Mr. RICH. That is because the Patent Office is not concerned with the problem. They have nothing to do with the misuse statute. They

operate under a statute which states that a man has a right to a patent if he meets certain requirements. The invention must be new, it must be useful, and it must involve an invention.

Now, invention is the great unknown. It is like reasonable care or approximate cause or a lot of these other vague things in the law. Somebody has to come to a conclusion whether or not it is more than the ordinary skilled mechanic in the art could do if presented with the problem. This sign certainly would strike me, if I were a patent examiner, as something beyond the ordinary skill of the person skilled in this art, which would be the sign business.

Mr. WILLIS. Has not the confusion arisen by reason of the fact that the Supreme Court disagreed on what is patentable and on the definition of "novelty"?

Mr. RICH. No. In this situation, the Supreme Court decisions have nothing to do with what is or is not patentable. They deal only with the business conduct of the plaintiff, with respect to his patent, after he gets it. In none of these cases does the Supreme Court consider the question of the validity of the patent; that is, in the cases I am discussing. It does happen that in the Carbice case, in a subsequent hearing, they did hold the patent invalid. They had assumed the validity of the patent. They had assumed there was contributory infringement. They assumed that there had been direct infringement. But then they said that because of the way the plaintiff was dealing with this patent, they would not permit him to recover and that they would not give him the aid of the courts.

Mr. WILLIS. Let us test that. The only possible way this article we are talking about, which you have described, this smooth glass and plastic, can be useful to the patentee is to bring them together. Otherwise, his idea would be useless.

Mr. RICH. He might make some signs, might he not? He might take an order for a sign reading, "John Jones, Merchandise of the Highest Qualtity," cut out the letters, stick them on the glass, put that in a package, and ship it to the customer. There would be no misuse.

Mr. WILLIS. But the only way he can make it useful is to bring the two elements together.

Mr. RICH. Then he could sue other people who did the same thing. The trade would be very likely to develop in such a way that somebody will sell those letters all cut out to be stuck on the front of a showcase that already exists in a store. The defendant would then say, "I am not infringing on the patent, on the combination between the plate glass and the letters. I am only selling the letters, and the patent does not cover the letters."

Mr. WILLIS. Let me ask you this question: In the case of this proposed invention, if the patentee got a patent on it and brought the two elements together and sold this design, for example, to drug stores, to that extent he could stop others from doing the same thing; could he not?

Mr. RICH. Yes.

Mr. WILLIS. He could make the complete signs.

Mr. RICH. He would not then be guilty of misuse.

Mr. WILLIS. He would not then be guilty of misuse?

Mr. RICH. That is right. I would like now to mention two cases of misuse. One way of doing business would be to merely sell the letters

all cut out ready to stick on a showcase. Then he could grant a license to another plastic manufacturer to make letters to sell for the same purpose. The courts would hold that the granting of the license and the collecting of royalties on something less than what was covered by the patent was misuse, and they would say that he could not recover.

The other case of misuse would be a suit brought against another plastic manufacturer who is merely selling letters.

The courts would say there, if they logically follow the Mercoid case, that the granting of this license is a misuse because you are attempting to collect royalties from somebody under your patent for doing something which, per se, is not an infringement of your patent. It is not covered by your claims because they include the plate glass and plastic.

Mr. WILLIS. Let us take this situation: Let us assume I own a store and that on one side of me is a shop that sells this plate glass and that on the other side of me is another shop that sells the letters. As a store owner, I go to the store on one side and buy the plate glass, and then I go to the store on the other side and buy the letters. I then put them together and put the sign up in my store.

Under this bill, am I guilty of infringement?

Mr. RICH. Having done that, you do not need this bill, because you are a direct infringer.

Mr. WILLIS. I do not know whether I agree with that. These items are certainly on the market, and I certainly may buy them.

Mr. RICH. That is the law without this bill. If you go and buy the plate glass and buy the letters and put them together, you are infringing upon the patent. That will be a direct infringement. There would be no question of contributory infringement at all.

However, it is not practicable for the patentee to go around suing every store owner he catches making up one of these signs. If he wants to enforce his patent, he has to go to the fellow who cuts out the letters from the plastic and sells them with instructions to stick them on the glass, because it is that fellow who is competing with him and stealing his brain child, instigating the infringements. The patentee will want to cut it off at the source.

This is a beautiful illustration because it raises the problem with which we dealt in this bill, namely, the question, Can you stop people from selling plate glass useful for this purpose knowing that it is going to be used for this purpose?

Now, let us look at what this bill says. Section 3 of the bill is the section that defines what shall and shall not be contributory infringement:

> The sale of a component of a patented machine, manufacture, combination, or composition, or a material or apparatus for use in practicing a patented process, if especially made or adapted for use in infringement of such patent, and not suitable for actual commercial noninfringing use, shall constitute contributory infringement.

Now, we were faced with the problem, in drawing this law, of setting up a line some place because, for a long period, until the Supreme Court overruled itself, under the doctrine of contributory infringement, people were permitted to do all sorts of things which we think they should not be permitted to do.

For instance, in the case of *Henry* v. *Dick*, the A. B. Dick Co. made and sold mimeographs with license notices attached to them, saying,

in substance, this: "This machine is sold and licensed for use only with paper, ink, oil, and other supplies purchased from us." It was the law for many years that that sort of thing could be done legally. That is when contributory infringement got its bad name. People with these license notices, these restrictive notices, made you buy all sorts of common articles of commerce, such as paper and ink, from them, and naturally put a little extra profit in it, just because the courts let them do so. The practice became so widespread that it has not stopped yet. That is why the courts, I think, have been cracking down on it; but they have gone so far now that they have eliminated the value of many patents that ought to be enforced.

There are people who would like to see that Dick doctrine reestablished. Why not? If a man patents a teapot or a coffeemaker, why not let him monopolize all the tea and coffee that is used in it? He created the market for all the tea that is used in the patented teapot. Let him have an extra profit.

Mr. WILLIS. You do not approve of that doctrine; do you?

Mr. RICH. We do not approve of that. There are some attorneys who would like to go back to the good old days. I personally think that, if that were ever put into law, the law would kill itself in time.

So, we have stopped short of that, and we have said that you can control only things like the switches in the Mercoid case, which are especially made or adapted for use in connection with such patent and which are not suitable for actual, commercial, noninfringing use.

Now, with that provision, you could not stop anybody from selling a piece of plate glass, even though the seller knew it was going to be used in a sign, if that is all he did.

But the fellow who takes this specific kind of plastic and cuts out letters and sells them to people for the purpose of sticking them on plate glass ought to be held as an infringer, because he is the fellow who instigates the infringement.

Mr. BERNHARDT. Is not plastic suitable for actual commercial, noninfringing use?

Mr. RICH. Do you mean cut out into the shape of letters?

Mr. BERNHARDT. You could readily stick the letters on a wood surface, for example.

Mr. RICH. No; you cannot.

Mr. BERNHARDT. You could, by applying an adhesive.

Mr. RICH. That raises the problem. When the court gets the case, the judge has to decide what the intentions of the alleged infringer have been. You cannot write any law that will absolutely decide every possible case that arises. You cannot foresee all of them. That is why we have courts.

Mr. BERNHARDT. I call your attention to section 4 of the bill which provides that, if there is an actual, commercial, noninfringing use possible for this particular element, then the bill would not protect the patentee.

Mr. RICH. There are several words in section 4 which make it possible for a court to do justice. Those are the words "mere" and "of itself." [Reading:]

The mere sale of any staple article or commodity of commerce not especially made or adapted for use in a patented invention, and suitable for actual commercial noninfringing use, shall not of itself constitute contributory infringement, even though sold with the knowledge or expectation that it will be used in infringement of the patent.

Mr. BERNHARDT. I think the last clause is very important there. It sort of defeats the purpose of the remainder of the section.

Mr. RICH. You have to provide some protection for people who are doing nothing more than selling lumber, cement, or glass, which articles have a thousand and one uses.

There was an old case that dealt with a situation like that. It was said there that it would be a too violent interference with trade to hold this man for infringement. He was selling sheet metal, stovepipe, and stoves for all sorts of uses, but he was selling them in the specific case involved to a fellow who used them to build an infringing tobacco barn for drying tobacco. I can give you the citation of that case. It is *Milner* v. *Schofield*, in 1881, Federal case 9609–A.

Mr. BERNHARDT. Supposing you had a manufacturer of that plastic material we have ben talking about with a polished back who manufactured that material and advertised that it could be used for the purpose of cutting out designs or lettering for application to glass or wood surfaces or that it could be used for any one of a number of purposes he might dream up.

Now, is that person contributorily infringing on the patent that this man is going to get?

Mr. RICH. I think he should be held to be a contributory infringer, and I think a judge would so hold, under section 4, because he is doing something more than merely selling a staple article of commerce.

Mr. BERNHARDT. But he is specifying other uses to which this material can be put.

Mr. RICH. Yes; but definitely teaching you how to practice this invention. Very likely, that is the main reason he is selling it. You always have the problem which is sometimes referred to under the expression "selling and telling."

Suppose you sell rheostats or something like that; that is, standard equipment, but that you sell them packaged up with transformers and wiring diagrams and instructions to put them together in a certain way to arrive at a certain welding system. You are then doing something more than merely selling staple articles of commerce.

Mr. BERNHARDT. What effect would that have on the manufacturer of automobile engine parts, for example, who manufactures, we will say, a small part that goes into a patented combination that Henry Ford produces and has a patent on? Would he be guilty of violating a law of this type?

Mr. RICH. If the part has no other use except in infringement and is not suitable for noninfringing use; yes.

Mr. BERNHARDT. Mr. Chairman, we have a letter that was brought to our attention by Mr. Reed, a member of our committee, from an automobile parts manufacturer. It is from the Niehoff Co., a manufacturer of automotive products in Chicago. He deals with this very point.

Mr. RICH. As a matter of fact, in the automotive industry, the way the automobile manufacturers themselves operate, they do not bother much about the patents any more.

Mr. BERNHARDT. May I quote part of the letter?

Mr. WILLIS. Yes.

Mr. BERNHARDT (reading):

We are engaged in the manufacture of replacement parts for the maintenance of automobiles, trucks, busses, tractors, et cetera, and it is only a relatively few

years ago when we had to defend successfully a number of suits brought by General Motors which were carried to the court of appeals, in which the same issue of supplying unpatented parts for replacement of a distributor, such as used on the automobiles of today, was determined.

The Supreme Court refused General Motors a hearing, thus sustaining our successful appeal.

Are you familiar with that situation?

Mr. RICH. Does the writer cite the case?

Mr. BERNHARDT. He does not cite the case.

Mr. RICH. I do not recall it, but there are other elements involved in the automobile situation, such as the automobile manufacturers insisting that their dealers carry only genuine Ford parts, genuine Chevrolet parts, and so forth, because their good will is involved.

But you well know that there are many manufacturers of accessories, such as distributor caps, breaker points, and things like that, articles that are constantly wearing out, and there always is the problem, under this bill, as to whether a part is not a component of a patented machine which has no other use.

Mr. WILLIS. Well, now, this bill will reach only so called combination patents.

Mr. RICH. No. You will note that in section 3 it refers to combinations, compositions, and processes. The cases that I have cited are all combinations.

Mr. WILLIS. By the passing of this bill, would we not, as a matter of fact, be broadening the law of patents very considerably and allowing almost the patenting of ideas by getting the elements together, patching them together, and obtaining a patent on that which theretofore had not been conceived as being patentable?

Mr. RICH. Definitely not.

Mr. WILLIS. Are we not broadening the law by doing this?

Mr. RICH. Definitely not. As I have told you, you can always go after the direct infringer, if you are not misusing.

I might say at this point that, if you are held to be misusing your patent, you are barred from bringing suit. I think I have made that clear.

Of course, in that case, it does not make any difference against whom you bring your suit; that is, whether he is a direct infringer or a contributory infringer.

Mr. WILLIS. Mr. Rich, have you about completed your testimony?

Mr. RICH. I will stop at this point unless I can be of further service.

Mr. BERNHARDT. Mr. Willis, we have three other witnesses scheduled for today, two of whom, I believe, are from out of town and were given as much assurance as could be given that they would have an opportunity to testify unless circumstances in the House prevented it.

Mr. GOODWIN. Before we go on to other witnesses, I have one question to ask Mr. Rich. I hesitate to bring it up now. My question is with respect to this matter of recommended parts.

Am I wrong in believing that public policy has been gradually developing toward a removal of restrictions on the part of industry for competition where it was legal in the light of patent rights?

For instance, the Gillette people, of course, would like to have only Gillette blades used with their razor. I think there is a fountain pen on the market now which undertakes to say that their pen will not work well unless their own ink is used with it.

However, has not the tendency been to remove restrictions against reasonable competition?

Mr. RICH. Definitely so. As I said, the law of contributory infringement went berserk back in 1896 when the notorious Button Fastener case was decided, under which people could put on every conceivable kind of restrictions. That was affirmed in the Supreme Court in 1912 in *Henry* v. *Dick*. Five years later, the Supreme Court reversed itself specifically in the motion-picture patents case, since which time these things have been illegal. However, there was terrific momentum behind them, and the drive is always there with businessmen to grasp as much as they can get.

I think the removal of these restrictions is a very good thing, but it has gone so far now that the patentees are having a kind of fraud committed on them. They are granted patents, and then when they come to try and do something with them commercially they are advised by their counsel that under the Mercoid case there is no way to enforce their patents, there is no way to exploit the invention profitably, and there is just nothing they can do with it.

So we have made what we consider to be a fair compromise, and we have pushed back these misuse situations to cover only those cases where we think the patentee is entitled to honest protection and justice.

Mr. BOGGS. In this field the courts have been legislating entirely. Nobody else has been legislating. What you are suggesting there is that the Congress assume its responsibility, legislate, and set up a national policy for the courts to follow. Is that it?

Mr. RICH. That is correct.

I would just like to point out that the Mercoid case, which really created the problem, resulted in a 5-to-4 decision. There were five opinions, two on the majority side and three dissenting opinions.

Mr. BOGGS. There has never been legislation by the Congress in this field. Everything in this changing picture has been done by the courts.

Mr. RICH. That is true.

Mr. BOGGS. This is the first instance of Congress trying to clarify and establish a policy.

Mr. RICH. That is right. We think it is high time to do so.

Mr. WILLIS. Thank you, Mr. Rich.

Mr. RICH. Mr. Chairman, may I say one word more on this automobile situation?

There is another old doctrine of contributory infringement law under the Morgan Envelope case, which has always permitted the replacement of parts which are expected to be worn out or consumed in use, such as toilet paper in the holder, razor blades in the razor, cutters in a plane, and so on. That is still the law.

Mr. WILLIS. Thank you for your statement, Mr. Rich. It has been very instructive.

Our next witness is Mr. LeRoi J. Williams.

STATEMENT OF LeROI J. WILLIAMS, COUNSEL, PHILCO CORP., PHILADELPHIA, PA.

Mr. WILLIS. Will you give your name and the capacity in which you appear?

Mr. WILLIAMS. My name is LeRoi J. Williams. I have been a member of the bar and a practicing patent lawyer for a period of 38

years. At the present time, I am engaged as counsel for Philco Corp., Philadelphia.

Mr. WILLIS. Do you wish to file a statement?

Mr. WILLIAMS. I have a prepared statement I would like to submit to the committee.

Mr. WILLIS. Your prepared statement will be filed.

(The statement referred to is as follows:)

STATEMENT OF LEROI J. WILLIAMS, PHILADELPHIA, PA.

I am opposed to the Celler bill, H. R. 3866, primarily on two main grounds:

1. As a matter of policy, I feel that it would be unwise to have a statutory definition of what constitutes contributory infringement. This has been the subject of a long line of important and well known judicial decisions.

2. Second, the Celler bill would make legal a long line of patent abuses which prompted the Supreme Court to almost kill the doctrine of contributory infringement, by Morton Salt, B. B. Chemical, Carbice, Leitch, Barber Asphalt, Mercoid, and numerous other cases.

The Supreme Court is now saying that one may not use a patent to control unpatented devices or materials, and that such use is an abuse or misuse of a patent, which makes the patent unenforceable.

The Court is now saying that the powerful weapon of exclusion, possessed by a patent, must be confined to the scope of the patent or the invention itself, as a whole, and not including its components.

The doctrine of contributory infringement is not an inherent right of a patent.

It is rather a judicial interpretation, that includes as infringers, not alone those who make, use, and sell, but also, those who collaborate, contribute, or conspire.

The doctrine was primarily to aid patentees to stop infringement.

And because the doctrine was frequently used improperly, to extend patent control, by illegal restraining agreements to cover unpatented materials, the courts, as usual, found a way to limit or wipe it out.

Further, the doctrine of contributory infringement has been little used, legitimately, and, if it were nonexistent, probably, it would be missed very little.

Probably, also, it has been abused more than it has been used, and that's why the courts have practically destroyed it.

Without contributory infringement, the patentee would be required to go against the offender, rather than against a contributor.

It is also submitted: "Should not the offense be proved against infringers, anyhow, first, before attacking contributors, or before there is any charge of conspiracy or aiding?"

If a law along the lines of the Celler bill were passed, any sale of a commercial product, even slightly changed, would raise liability of contributory infringement.

Here are some examples of what could be contributory infringements:

1. Any standard phonograph record, with slight modification of the center hole, so that it would go on a specific patented spindle.

2. A soft drink syrup with a particular consistency, or candy bars of particular shape or size, for certain patented vending machines.

3. Bags of cement or mere sand, or other ordinary building materials, sized or shaped for a particular patented building machine.

4. Dry-ice of certain size or conformation, for particular patented containers.

5. Batteries, tubes, wires, terminals, insulation, buttons, fabrics, sugar, salt, sand, screws, or hosts of other materials or parts, of particular nature, or special shapes, sizes, or texture, for particular patented purposes.

With such a law, every part or material manufacturer or seller would create, for himself, a hazard of patent suit, any time he made the slightest change or modification of his product to meet a special demand.

What I am saying is, that, while the doctrine of the Celler bill might be to the advantage of some patentees, and especially to those who want to extend their controls beyond the scope of their patent grants, it would be a great disadvantage to all parts or material manufacturers, who would then have to consider all combination patents, when any new material or part, or variation is brought out which is useful in or with other products, and it would probably also lend itself to the perpetuation of a long line of recognized monopolistic abuses.

Further, the doctrine of the Celler bill is contrary to the trend of our economy, and would result in further attacks by the courts, and others, against our patent system.

The passage of the Celler bill, or one along its lines, in my opinion, would be very unwise, and contrary to the best interests of our patent system and our business economy.

Mr. WILLIS. Do you desire to make any additional comments?

Mr. WILLIAMS. I feel that I should, in justice to myself, make a comment on the testimony I heard Mr. Rich give this morning.

I have profound respect for Mr. Rich's experience and background and the position he has taken, but I find that my position is diametrically opposed to his. I think we possibly have the same objectives; that is, the maintenance of the patent system, but I am conscious of these factors:

As Mr. Rich has pointed out, there is a conflict involved here which seems to be a conflict that cannot very well be resolved. He has pointed out that the patentee now is not able to use the doctrine of contributory infringement without running afoul of the doctrine of misuse of the patent.

I think that is the result of the evolution of a philosophy in which the courts have consistently cut down the extent of monopolies. It is an effort to protect our free-enterprise system. The courts have recognized that, in the effort to protect our free-enterprise system, those who have been interested in the establishment of monopolies, have been using our patent system more and more improperly, to the point where our patent system is now in jeopardy.

One need only to have followed our antitrust violations to have discovered that patents have been used more and more for that purpose, to such an extent that there are many who are attacking our patent system and trying to wipe it out because they feel that patents have been improperly used. I think most of our antitrust cases in recent years have involved the improper use of patents. Patents have been used for price control. Patents have been used for restrictions of competition between manufacturers. Patents have been used to control the manufacture of unpatented articles.

To prevent that improper use or improper extension of the use of patents beyond the scope of the patent grant, the courts have recently consistently said that any use of the patent beyond the scope of the patent grant is an improper use of patents, and if you so improperly use your patent, you have no right to use the court of equity to enforce the patent.

Mr. Rich has called attention to the doctrine of misuse.

Now, as I pointed out in my statement, the doctrine of contributory infringement is a judicial doctrine. It was a doctrine that was handed down by the courts to say that you may not only proceed against a direct infringer but you may proceed against anybody who conspires to infringe or who assists or collaborates in the infringement. As a result of that, patentees who are interested in improper use of patents saw where they could not only make license agreements for somebody to practice the invention, but they could enter into agreements which controlled the unpatented components and materials which went into the manufacture and use of the patented invention.

Now, as Mr. Rich has pointed out, that doctrine of contributory infringement lent itself to flagrant abuses where the A. B. Dick Co. controlled everything that went into the manufacture of their patented products.

There was a time when, under that doctrine, if you had a patent on a phonograph, those who owned the patent on the phonograph controlled the records that were going to be played on that phonograph, the needles that were going to be used in that phonograph.

Under that doctrine, if I had a patented safety razor, I could control the blades that were sold to go into that razor.

So, under that doctrine, you could control a multitude of articles which, in themselves, were free for anybody to manufacture, but under the guise and under the control of the patent, you presumed to control the manufacture and supply of all these articles.

Now, Mr. Rich has brought in, in a very dramatic way, an example which I think is moot. He calls attention to the fact that here is an invention that involves a flat piece of glass. It involves a plastic material. Now, no one has any control over the flat piece of glass, and no one has any control over the plastic. But he says that here is a man who has conceived the idea that you can flatten the plastic against the glass and atmospheric pressure maintains a seal, and it becomes an unusual invention, and further that unless one can control the use of that plastic, somebody can steal that brain child.

I think that for a long time it has been known that if you have a flat surface and have a material that is impervious to air, and if you press the two together, the atmospheric pressure will hold them together.

Now, somebody here has discovered that plastic is probably a little better. It is not sensitive to moisture, and it does not curl, and so forth; and therefore this seems to involve an extraordinary invention, and this man should be able to control the use of the plastic that is sold for that purpose.

Now, I think it was made very clear that this plastic, either in its present form, as they propose to sell it, or with the addition of mucilage, can be used for unpatented purposes. Yet, if I understand Mr. Rich correctly, he is proposing that a law be passed that would enable somebody to prevent the sale of this plastic to somebody who is going to provide plate glass and put them together.

Now, if a law were passed that would enable that to result, with all due respect to Mr. Rich, I think it would turn back the clock to the abuses of the A. B. Dick case. If one can control against contributory infringment by the sale of unpatented articles, it will open the door to the use of patents to control the manufacture and sale of articles which otherwise are subject to no proper restraints. In other words, it will enable the use of our patents to control unpatented articles.

I can well see what if a law were passed that made it a contributory infringement if one were to sell an article that might be specially adapted for an infringing use, all one would need to do in licensing a patent would be to require the licensee to build the apparatus in such a way that the components would be made in a special fashion, and in that way, you would control these unpatented articles.

Now, I was not here when Mr. Rich began his testimony, but I would like to say this: The abuses that a law of this sort lends itself to were brought out in the Asphalt case. There all you needed to do was to patent your process in such a way that it required asphalt, we will say, of a particular consistency or of a particular temperature, and then you were able to control just who would furnish all the asphalt.

The Morton Salt case, which was the initial case that was handed down covering this so-called doctrine of misuse of patents, involved a salt vending machine. All that it was necessary to do there was to require that the salt be in certain sizes. It may be that at the time there was no particular demand for pellets of that particular size, but the effort was made in that case to control all the salt pellets that were to go into that particular apparatus.

Mr. WILLIS. The court held that that was a misuse of the patent?

Mr. WILLIAMS. Yes, that is, that you were trying to control unpatented materials.

That, to me, is the crystallization of the whole problem here: Are patents to be permitted to be so used as to control unpatented items, unpatented materials, that may flow into the manufacture or use of the invention?

I do not see how one can control or how one can prevent the furnishing of components which may enter into the manufacture or use of a patented invention without, at the same time, opening the door to flagrant abuses or controls or restraints over the manufacture and sale of unpatented materials.

To give you an example of the way this thing would work, if I were engaged in the manufacture of a line of standard switches, over which there is no patent control, in other words any one can manufacture the same switches as I manufacture, and somebody who realizes that I am in the business of manufacturing switches and make a good switch, as to which the price is right and the quality is right, wants me to provide him with a switch that is adapted to operation with a specific voltage, and a specific current rating or power rating, different from what I have manufactured before, all I will have done is perhaps change the size.

If a law such as this is put into effect, and somebody who is going to manufacture an invention covered by a patent, asks me to furnish a switch of a certain voltage and curren rating, which happens to fit into that particular mechanism only, and I furnish it, I would become a contributory infringer merely because I happened to furnish a switch which met only those requirements. In other words, apparently there is no other commercial demand for it.

Now, the result of that situation would be just this: that if I were manufacturing switches or manufacturing any other kind of device or any other kind of materials, and I merely changed my specifications a little bit, and those specifications happened to fit into a patented invention, I would become a contributory infringer.

Now, you can see the hazard that that would immediately subject a manufacturer to. The manufacturer would be in a position that whenever he manufactured his standard devices according to slightly different specifications, he would have to determine whether those specifications fit some particular patented device.

In other words, as I say, it lends itself to an incomprehensible extension of control over the manufacture of nonpatented commodities.

Mr. WILLIS. Mr. Rich, as I understood his testimony, sought to leave an impression that the bill was remedial and had to do with the remedy a patent owner might expect from the courts. I asked him whether, on the other hand, this law, if passed, would not reach to the substance and the extension of patents.

I think you are trying to convey the impression that it would do the latter, are you not?

Mr. WILLIAMS. Yes, but I am saying this, Mr. Chairman: That I do not see how you could close the gap that Mr. Rich wants to close. I will say legislatively I do not see how you can effect the result he has sought to achive without, at the same time, opening the door to widespread abuses and turning the clock back.

Mr. WILLIS. We start with the theory of contributory infringement. As originally developed, you agree it was wholesome, do you not?

Mr. WILLIAMS. Yes.

Mr. WILLIS. Then came the jurisprudence, exemplified by the Dick case, which went overboard and abused the doctrine.

Mr. WILLIAMS. Yes.

Mr. WILLIS. Then came the theory of misuse. Mr. Rich takes the position that misuse has gone the other way, and I think that is what he is trying to control.

Mr. WILLIAMS. Let me say this: The logic is all in favor of the doctrine of contributory infringement, but let me quote Justice Holmes: "The life of the law is not logic, it is experience."

The reason the doctrine of contributory infringement was enunciated was to enable not only direct prevention of infringement, but to include those who conspired, those who contributed, and those who collaborated in it, but it lent itself to these abuses.

In America today, the only real means we have left for the establishment and maintenance of monopolies is the patent law. All one needs to do, if you wish to extend beyond the scope of a specific patent, is to get patents on inventions, and to make as broad and as comprehensive as possible. If you can control all of the materials and components that flow into it, there results a vast extension of the monopoly, far beyond what was intended.

If you do that, as I see it, it is putting the final nail in the coffin of our patent system. As I see it, the only way we are going to protect and maintain our patent system is to continue the philosophy which has been evolved by the courts recently; that is, to confine the monopoly within the confines of the grant.

Now, I grant to Mr. Rich that there may be some cases where it will create a hardship. It will be difficult to enforce the patent, but hard cases make bad law.

Our problem, as I see it, here, is not a question of seeing which is good and which is bad; it is rather a choice of which has the lesser evil in it and which has the most good in it.

The courts—and I go along with Mr. Rich on this—have recognized the abuses and have practically wiped out the doctrine of contributory infringement. The doctrine of contributory infringement was not statutory; it was introduced by the courts in the light of circumstances. It has been practically abandoned by the Supreme Court in the light of the abuses.

I cannot see how you can bring it back and take care of the few hard cases Mr. Rich contemplates without, at the same time, opening the door to abuses that would be so flagrant that I think it would put our patent system in jeopardy.

That is all I have to say, unless there are some questions.

Mr. GOODWIN. I have no questions.

Mr. WILLIS. Thank you very much for a very lucid presentation.

We will hear next from Mr. Stephen Cerstvik.

STATEMENT OF STEPHEN CERSTVIK, NATIONAL CHAIRMAN, PATENT COMMITTEE, AIRCRAFT INDUSTRIES ASSOCIATION

Mr. WILLIS. Will you state your name and the capacity in which you appear, please?

Mr. CERSTVIK. My name is Stephen Cerstvik. I am patent counsel for the eastern division of Bendix Aviation Corp., but I am appearing here as national chairman of the patent committee of the Aircraft Industries Association of America.

I am a member of the bar, and I have been practicing patent law for 20 years.

I have a prepared statement which has already been filed, and I am not going to read that. I have taken some notes in connection with the testimony of the two previous witnesses, and I would like to make some comments on that testimony.

Mr. WILLIS. At this point in the record, we will insert the prepared statement of Mr. Cerstvik.

(The statement referred to is as follows:)

STATEMENT OF STEPHEN CERSTVIK, NATIONAL CHAIRMAN, PATENT COMMITTEE, AIRCRAFT INDUSTRIES ASSOCIATION, ON H. R. 3866

I am patent counsel for the eastern divisions of Bendix Aviation Corp. and am appearing here as national chairman of the patent committee of the Aircraft Industries Association of America, which committee is composed of representatives of the major aircraft and aircraft accessory manufacturers in the United States.

I am an attorney at law, and a member of the bars of the District of Columbia and the United States Supreme Court. I am also a member of the American Bar Association, the American Patent Law Association and the New Jersey Patent Law Association, and I have specialized in the practice of patent law since 1929.

Manufacturers in the aircraft industry, particularly manufacturers of aircraft accessories, are affected to a great extent by contributory infringement in that manufacturers are required in many cases to supply unpatented accessories to the United States Government as well as commercial air lines, for use in patented combinations. If the doctrine of contributory infringement had not been nullified by the decisions of the Supreme Court in the Mercoid cases (*Mercoid Corp.* v. *Mid-Continent Investment Co.*, and *Mercoid Corp* v. *Minneapolis-Honeywell Regulator Co.*, 320 U. S. 661, 680), such manufacturers would be liable as contributory infringers of the patent covering the combination for which they supply the unpatented components. Such manufacturers, however, could avoid liability as contributory infringers, prior to the Mercoid cases, by obtaining a license from the patent owner and paying him royalties on the sale of the unpatented components for use in the patented combination. At present, and as a result of the decisions of the Mercoid cases, this cannot be done without the danger of the patent owner subjecting himself to the possible charge that he is misusing his patent to control the sale of unpatented products by the collection of royalties on the sale of such unpatented products.

Moreover, if the owner of the patent on the combination does not manufacture the entire combination but only one or more unpatented components thereof, he may not be able to maintain a suit for contributory infringement against another manufacturer who manufactures one or more of such unpatented components even though the latter knows that they are going to be used in the patented combination by his customer who would, of course, be a direct infringer of the patent. Such a situation was actually brought about by the United States District Court for the Southern District of California in the case of *Straco*

Products, Inc. v. *Mullenbach* (67 U. S. P. Q. 168), decided July 25, 1944. This was a straight case of contributory infringement and it was stipulated in open court that the defendants were making and selling an unpatented part of the patented device (an arc welder), with the knowledge and intent that the purchaser would complete the claimed combination and practice the method claimed in the patent. The court dismissed the plaintiff's complaint on defendants' motion for a summary judgment, on the ground that the plaintiff attempted to secure a monopoly on unpatented portions of the complete combination covered by the claims of its patent. At the end of its decision the court set forth its following conclusions of law:

"1. Plaintiff is, by its action against defendants for contributory infringement, attempting to use its patent to secure a monopoly on unpatented portions of the complete combination covered by the claims of its patent.

"2. According to the principles announced by the United States Supreme Court in *Mercoid Corporation* v. *Mid-Continent Investment Co.*, (88 L. Ed. 262 (60 U. S. P. Q. 21)), and *Mercoid Corporation* v. *Minneapolis-Honeywell Regulator Co.*, (88 L. Ed 273 (60 U. S. P. Q. 30)), and for the reasons therein stated, defendants are entitled to summary judgment dismissing plaintiff's complaint."

Thus, the plaintiff in that case, by the single act of bringing the suit for contributory infringement, was held to have misused its patent by attempting to secure a monopoly on unpatented portions of the complete combination claimed in the patent. Obviously, this case completely abolished the doctrine of contributory infringement since all of the factors which have been heretofore necessary to make out a case of contributory infringement were present, and in addition the defendants gave their customers wiring diagrams and complete instructions how to assemble the parts to build up the patented combination and to practice the patented method. It is for this reason that Congress should enact legislation which will reestablish the doctrine of contributory infringement in its entirety.

Our patent committee is in favor of reestablishing the doctrine of contributory infringement nad has endorsed the present bill, H. R. 3866, as it did the Case bill, H. R. 5988, a year ago, as being a step in the right direction, but the bill does not go far enough in reestablishing the doctrine because it would reestablish only one-half of it.

The doctrine of contributory infringement, which had been part of our patent law for more than 70 years prior to the Mercoid cases, was to the effect that (1) to supply any device, the only use of which is as a component of a patented combination, constituted contributory infringement of the patent covering the combination, and also that (2) any device capable of other uses, which was knowingly supplied for use as a component of a patented combination, likewise constituted contributory infringement.

H. R. 3866 recognizes only the first part of this doctrine and completely disregards the second part.

It is our belief that the doctrine of contributory infringement should be completely and affirmatively reestablished by legislative enactment so that a patent owner may be able to enjoin those who seek to cause infringement of his patent by supplying someone else with the means and directions for infringing a patent, and to grant licenses on a royalty basis for the manufacture and sale of components of the patented combination as well as for the manufacture and sale of the complete patented combination as the case may be. For this reason we recomend to this committee that H. R. 3866 be amended as indicated in the attached copy thereof in which the deleted portions are included in parentheses and the inserted portions are underscored.

There has been some confusion between the doctrine of contributory infringement and the doctrine of "misuse of a patent" which has been established by the Supreme Court in a line of cases beginning with *Motion Pictures Patents Co.* v. *Universal Film Mfg. Co.* (243 U. S. 502, the Motion Pictures Patents case), decided April 9, 1917, and other cases such as *Carbide Corporation* v. *American Patents Development Corporation* and *Dry Ice Corporation of America* (283 U. S. 27, the Dry Ice case), decided March 9, 1931; *Leitch Mfg. Co.* v. *Barber Co., Inc.* (302 U. S. 458), decided January 3, 1938; *Morton Salt Co.* v. *G. S. Suppiger Co.* (314 U. S. 488), decided January 5, 1942; etc.

This confusion was further complicated by the Supreme Court in its decisions in the Mercoid cases and primarily because, in my opinion, the Mercoid cases actually involved a misuse of the patents by the patent owners who granted free licenses under the patents only to those customers who bought unpatented ther-

mostats from them (the patent owners). The patent owners were thereby using the patents to control the sale of unpatented thermostats so that everybody would buy those thermostats from them and nobody else.[1] If the patent owners had granted licenses to the industry, without any restrictions as to where or from whom their licensees bought their components, then the patent owners would still have been in a position to sue a contributory infringer regardless of whether that component could be used in a noninfringing manner or only in an infringing manner. That is why we are in favor of restoring the contributory infringement doctrine in its entirety so that if a person manufactures a component of a patented combination and it is one of the elements recited in the claim of the patent, and sells it to another party, knowing that it will be used in the patented combination, he should likewise be liable for contributory infringement as he was under the old doctrine.

The restoration of the doctrine of contributory infringement in its entirety, as our association recommends, would not affect the doctrine of misuse established by the Dry Ice case and the other cases heretofore mentioned. Even in the Dry Ice case, I am sure that the contributory infringer would have been held liable had the patent owner not misused his patent by granting licenses under his patent only to those who bought dry ice from him. If he had used the patent properly and not compelled people who manufactured the containers to buy the dry ice from him, there would have been no misuse and he could have licensed the patent to anybody to manufacture the containers and buy their dry ice from whomever they wished, but that is what he did not do. He granted free licenses, like in the Mercoid cases, under the patents, only to those who bought dry ice from him. This was the misuse of the patent. In other words, if the patent owner had not done that, I think his suit could and would have been sustained on the doctrine of contributory infringement against suppliers of the container without the dry ice.

Some arguments have been made by certain manufacturers who are opposed to the reestablishment of the contributory infringement doctrine to the effect that one who sells a staple article of commerce should not be liable as a contributory infringer even if he knows that it is going to be used in a patented combination, on the ground that no patentee should be in a position to control the sale of such staple articles of commerce. This argument, however, is without merit for the reason that if the patentee of the new combination including such an article had not made an invention and obtained a patent thereon, the manufacturer of the staple article would not have had access to a new outlet for his unpatented article in the new field created by the inventor-patentee, upon expiration of the patent. In other words, the granting of the patent does not take away anything from the manufacturer of the staple article, which he had before the patent was granted and, therefore, he has lost nothing by the grant of the patent. On the contrary, the grant of the patent has created a new market in which the manufacturer can sell the article after the patent has expired. Thus, patents do not take away from anybody any rights which they had before the patents were granted, but create new markets which did not exist before the patents were granted.

Accordingly, the reestablishment of the contributory infringement doctrine in its entirety will not harm anybody and, therefore, legislation of this nature should be enacted by the Congress. This can be done by enacting into law the bill, H. R. 3866, with the amendments recommended by our committee.

BILL AS AMENDED BY PATENT COMMITTEE OF AIRCRAFT INDUSTRIES ASSOCIATION

[Omit the matter in black brackets; new matter in italics]

[81st Cong., 1st sess., H. R. 3866]

A BILL To provide for the protection of patent rights where enforcement against direct infringers is impracticable, to define "contributory infringement," and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That any person [who shall actively induce infringement of a patent shall be liable as an infringer.

SEC. 2. Any person] who shall contribute to the infringement of a patent in the manner set forth in [section 3] *sections 2 and 3* shall be liable as an infringer.

[1] The only question involved was misuse and, therefore, there was no need or reason for the Supreme Court to debate the doctrine of contributory infringement for the purpose of its decisions which, in effect, nullified the doctrine by obiter dictum.

SEC. [3.] 2. The sale of a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, if especially made or adapted for use in infringement of such patent, [and not suitable for actual commercial noninfringing use,] shall constitute contributory infringement.

Sec. 3. Likewise, the sale of a component of a patented machine, manufacture, combination or composition, or a material for use in practicing a patented process, even though not especially made or adapted for use in infringement of such patent and suitable for noninfringing use, shall also constitute contributory infringement if sold with the knowledge, intent, and purpose that it shall be used in infringement of the patent.

SEC. 4. *Except as provided in section 3, the* [The] mere sale of any staple article or commodity of commerce not especially made or adapted for use in a patented invention, and suitable for actual commercial noninfringing use, shall not of itself constitute contributory infringement [even though sold with the knowledge or expectation that it will be used in infringement of the patent.].

SEC. 5. No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent monopoly because he has done one or more of the following: (a) Derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (b) licensed or authorized one or more persons to perform acts which if performed without his consent would constitute contributory infringement of the patent; (c) sought to enforce his patent rights against infringemen or contributory infringement.

Mr. CERSTVIK. Our patent committee is 180° out of phase with Mr. Williams' opinion, but only 90° out of phase with Mr. Rich's opinion. We are in favor of the present bill, but we feel that it does not go far enough. In other words, it restores only one-half of the doctrine of contributory infringement as it was in our case law prior to the Mercoid decision.

Contributory infringement was defined basically as supplying a component, knowing that it would be used in a patent combination. The seller had to have definite knowledge that it was going to be used in the infringement of a patent.

That was the basic rule. If the device that he was supplying had no other use than in the patent combination, that was considered prima facie evidence of contributory infringement. If the component had other uses, then the seller had to have positive knowledge that it was going to be used in an infringement of a patent.

Those were the two criteria that were laid down by the Supreme Court prior to the Mercoid case.

I think there is still confusion as between contributory infringement and misuse of patents. In my opinion, most cases of misuse can be stopped by our antitrust laws. The Sherman antitrust law specifically provides that any agreement between parties not to deal in a competitive product is a violation of the law. Such a situation can arise and be created by a patent holder when he says that he will grant a license only to people who buy the unpatented components from him. There is then a control of unpatented material, but not a general control. There is control only in the sense that he is compelling people to buy from him, and from nobody else, which, in effect, is a restraint of trade.

I think both Mr. Williams and Mr. Rich have neglected to realize or consider the fact that when a patent is granted it has created a new use or a new field of application of certain unpatented components.

Considering the glass manufacturer in the case of the sign Mr. Rich demonstrated, he has a perfect right to manufacture that glass for

any use which was known before a patent was granted or will be granted on this new sign. When that patent is granted, the grant has not taken any rights away from that glass manufacturer. What it has done is that it has created a new field of use of glass, so that when the patent expires he can then sell for that purpose, thereby increasing the market for his glass.

The word "monopoly" is used in connection with patents in a wrong sense. Monopoly, as originally created in England, was where somebody was granted a monopoly by the Crown which, in effect, took rights away from people that they had before the monopoly was granted. Now, the patent monopoly is not of that nature. It does not take away anything from anybody. It grants something to the public after the patent has expired. For that reason, the patentee should be entitled to a reward and to a remedy against contributory infringers as well as direct infringers.

I think there is where the confusion arises as between misuse and contributory infringement. Contributory infringement can be segregated from misuse.

The passage of the bill as amended, as our patent committee recommends, whereby both portions of the doctrine would be restored, will not eliminate or nullify the misuse doctrine.

In the cases that were cited, beginning with the Motion Picture case in 1917, the owner of the patent on the projecting machine said, "You cannot use this machine unless you buy your film from me." That was a misuse, and that can still be stopped, even if this legislation be passed. The patent holder could have avoided misuse by granting the licenses under his patent to use the projector and buy his film anywhere. So long as it was said that it was necessary to buy the film from him as a condition of the license, that was bad.

If we restore the contributory infringement doctrine, we will eliminate a lot of headaches and a lot of alleged violations of the antitrust laws. The entering into agreements, license agreements, under patents, requiring the payment of royalties on unpatented components in and of itself is not a violation of antitrust law. If the agreement, on the other hand, provides that you must buy all of your unpatented components from me, for example, then it is a misuse of the patent. If I just grant a license, under the patent, without any restrictions as to where you buy the material or the components for completing the combination, then that is a valid agreement. We will not then run afoul of the antitrust laws. If such a restriction is put into the agreement, then you do not have to worry about contributory infringement, because you are violating the antitrust law which prohibits any agreement not to deal in a competitor's product, whether patented or unpatented. That is the addition in the Clayton Act which was not in the Sherman Act. That was put in there because, in the case of United Shoe Machinery, the original case, they were trying to control everything that was manufactured by a licensed user of their leased machines. The United Shoe Machinery Co. succeeded in upholding its position, but then Congress amended the antitrust laws by passing the Clayton Act, stating that you cannot do that, whether there is a patent involved or not. That, then, took care of such agreements, whether they were dealing with patented products or unpatented products.

If you made an agreement not to deal in a competitor's product, the agreement was in violation of the antitrust law, regardless of whether the product which was the subject of the agreement was patented or not.

On that basis, the Government then brought and won its second case against United Shoe Machinery.

Mr. WILLIS. Do you take the position that misuse cases should properly come under the protection of the antitrust law rather than the patent law?

Mr. CERTSVIK. Most of them do; and as to those which you cannot fit within the antitrust law, you can apply the misuse doctrine only to this extent: That you have not violated the antitrust law but you have misused your patent, and therefore you cannot enforce it until you have ceased misusing it. In other words, you will have to change your method of doing business.

In the Mercoid case, you had the same situation. It was not merely the fact that Minneapolis Honeywell was selling the unpatented thermostats. The factor that the whole case hinged on was that Minneapolis Honeywell said: "If you buy thermostats from us, you get a free license under this patent."

Now, that was wrong, and it was misuse. They could have avoided the misuse by granting a license under the patent to anybody without any restriction as to where they must buy their materials or unpatented components.

It is for that reason that our association, while it supports the bill, is of the opinion that it does not go far enough and should restore the other half of the doctrine as well as the first half. That half which will be restored is that, if the component has no other use than in the patented combination, that shall constitute contributory infringement.

Now, we have suggested amending the bill to restore the other half by adding a section which states:

> Likewise, the sale of a component of a patented machine, manufacture, combination or composition, or a material for use in practicing a patented process, even though not especially made or adapted for use in infringement of such patent and suitable for noninfringing use, shall also constitute contributory infringement if sold with the knowledge, intent and purpose that it shall be used in infringement of the patent.

We then propose amending the old section 3, making it section 4. There we add the words "Except as provided in section 3," which is the section I have just read:

> The mere sale of any staple article or commodity of commerce not especially made or adapted for use in a patented invention, and suitable for actual commercial noninfringing use, shall not of itself constitute contributory infringement.

Mr. WILLIS. Then you propose deleting the balance of it?

Mr. CERSTVIK. Yes; delete the balance.

We find ourselves constantly in a dilemma since the decision of the Supreme Court in the Mercoid case, particularly with reference to member companies of our association who are accessory manufacturers.

A patent may issue on an automatic engine control for airplanes. That control may consist of two, three, or more components, each of which by itself is old in the art. The invention will consist of putting them together in a certain way.

As Mr. Rich pointed out, you then get a claim on a combination of A, B, and C, or any number of elements, each of them being old in the art, the invention being in putting them together.

Now, the grant of that patent does not take anything away from anybody insofar as those elements are concerned and their uses in other than the patented combination. They can still sell them anywhere for any use except for the new use covered by the patent or the combination or the application of their several elements. The patentee should be protected on that combination with respect to contributory infringement as well as direct infringement because, in many combination cases, the elements may have other uses.

But why should the component manufacturer who is not licensed under the patent be permitted to reap additional profits by selling for an infringing use? He has lost nothing by the grant of the patent. He can still sell his components any way he wants to, but he should not be permitted to sell them so that they will infringe on the patent when combined by the customer who purchases the components from him.

There are many cases where it is impractical to sue the direct infringer, as in the Mercoid case. Minneapolis Honeywell would have had to sue every heating contractor in the country who was the only direct infringer insofar as putting the combination together, or the home owner who used the system after the contractor put it together. You can stop the whole thing by getting right at the source and preventing the component manufacturer from selling for an infringing use.

That is the way the law was before the Mercoid case. Our association feels that is the way it should be. We think it can be restored by amending the present Celler bill in the manner indicated in the copy attached to my prepared statement.

I think everybody has lost sight of the fact that the grant of a patent does not take away anything from anybody.

Mr. WILLIS. I thought that was your point.

Mr. CERSTVIK. It is giving something to the public. In fact, that is why the patent is granted. There are some theories to the effect that a grant of a patent is a contract between the Government and the inventor for having given something to the public after the 17-year patent protection period has expired.

Mr. WILLIS. Are there any questions?

Mr. GOODWIN. I have no questions, Mr. Chairman.

Mr. WILLIS. Thank you very much for your statement, Mr. Cerstvik.

STATEMENT OF HAROLD F. WATSON, THE AMERICAN PATENT LAW ASSOCIATION, WASHINGTON, D. C.

Mr. WILLIS. Mr. Watson, we will now hear from you.

Will you state your name for the record and the capacity in which you appear.

Mr. WATSON. My name is Harold F. Watson. I am here on behalf of the American Patent Law Association, of which I am a member of the laws and rules committee.

Mr. WILLIS. Do you have a statement you wish to file in the record?

Mr. WATSON. I have filed a brief statement which I would like incorporated in the record.

Mr. WILLIS. Your prepared statement will appear in the record at this point.

(The statement referred to is as follows:)

STATEMENT OF HAROLD F. WATSON ON BEHALF OF THE AMERICAN PATENT LAW ASSOCIATION IN RESPECT TO H. R. 3866

The American Patent Law Association favors enactment into law of H. R. 3866. The association likewise favored the predecessor bill, H. R. 5988, of the Eightieth Congress, on which hearings were held last year by this subcommittee. At that time, the American Patent Law Association sponsored certain minor amendments to the Case bill, and offered testimony in regard to such amendments.

Following introduction of the present bill in the Eighty-first Congress, the matter has again received thorough consideration by the committee on laws and rules of the American Patent Law Association. Notwithstanding the present bill appears to be the exact counterpart of the Case bill, after thorough consideration and extended discussion we voted to approve the present bill without change.

There can be no question that legislation of this character is urgently needed in order to return to the patentee that large segment of protection of which he has been progressively deprived by a series of decisions culminating in the Supreme Court's decision in the Mercoid case. In April of last year, when the Case bill was pending, the American Patent Law Association voted unanimously in favor of the purposes of that bill which, of course, were the same as the purposes of the present bill. Therefore, it is the fact that the present bill has the wholehearted support of the American Patent Law Association, and we earnestly hope that it will be favorably reported.

There was some discussion in the committee on laws and rules of the association as to whether or not there was a conflict between sections 1 and 4 of the bill, some persons holding the view that possibly a defendant who would otherwise be liable as an infringer under section 1 might be excused because of section 4. We concluded that this was not so, but wish to make it clear that our endorsement of the bill is based upon our understanding that these sections are independent of each other. If this understanding is not clearly correct under standard rules of statutory construction, then the language of the bill should be altered to that end.

Mr. WATSON. The American Patent Law Association considered the Case bill of the last Congress, and, at an open meeting last spring, voted unanimously in favor of that bill in principle, delegating to the laws and rules committee the duty of examining the bill and proposing some minor amendments which were thought necessary.

I gave testimony at the hearing of this subcommittee last year on the Case bill, and we then advocated certain minor amendments.

When this bill was introduced in the present Congress, the matter was again thoroughly considered by the committee on laws and rules of the American Patent Law Association.

After an extended consideration and discussion of the bill, we have decided to favor this bill as it stands without amendment.

As I said before, the amendments which were considered last year were only very minor, in any case. It is the fact that the American Patent Law Association stands wholeheartedly behind this bill and earnestly solicits its enactment into law.

There is just one comment I would like to make concerning the testimony given by Mr. Williams. Mr. Williams expounded on the problems which the enactment of this bill would create for parts manufacturers, but he cited only one specific example, as I recall it, that of a manufacturer of switches who was asked to produce a switch which was ordinary in every respect except size. It was to be made of a special size to fit into a patented combination. The statement was made, as I understand it, that the manufacture of that ordinary

switch, changed only in size, at the request of a customer, would constitute a contributory infringement.

I challenge that statement. I simply do not believe it is true or that any court would so hold.

Mr. WILLIS. Will you explain why you challenge it?

Mr. WATSON. Because there is nothing patentable in a mere change in size of any mechanism which is not otherwise patentable.

It was a premise that these switches were ordinary and unpatented switches. For that reason, I do not believe that any court would hold that the mere making of a conventional switch in a special size would be a contributory infringement.

Mr. WILLIS. He also brought out the fact that the switch was devised in order to receive a certain amount of voltage, and so forth. I do not think his illustration was meant to bring out the thought of size. Now, would there be any other elements, besides size, such as the voltage and other features of a switch, which would make the law invalid, in your opinion? In other words, I do not think the size was the only criteria of the illustration, if I understood Mr. Williams properly.

Mr. WATSON. My comment was directed only if that was the criterion. I do not want to interpose any discussion halfcocked, so to speak.

Mr. BERNHARDT. He mentioned the shape, the voltage, and some kind of rating in addition to the size of the switch.

Mr. WATSON. Mr. Williams also sought to give the impression, in my opinion, that this bill was directed only to a few hard cases. It is my considered opinion that there are today thousands of patents in existence which are absolutely unenforceable so long as the doctrine of Mercoid case remains the law of this country.

Mr. WILLIS. Do you think the Mercoid decision might be altered by the Patent Office scrutinizing more carefully what should be patented in order not to fall into the teeth of the jurisprudence?

Mr. WATSON. No; I really do not think so. I think that, in that respect, the right hand does not know what the left hand is doing. The Patent Office operates according to its own rules, written and unwritten, and its own doctrines of patentability.

The decisions reached on the question of patentability in the Patent Office, in my opinion, are not based at all on considerations of possible misuse of patents or other doctrines enunciated by the courts.

Mr. WILLIS. You do not think this bill affects the substance of patentability?

Mr. WATSON. No, sir; I do not.

Mr. WILLIS. You think it affords a remedy for patents issued under the law as we now know it?

Mr. WATSON. That is my belief.

Mr. WILLIS. Are there any questions?

Mr. GOODWIN. I have no questions, Mr. Chairman.

Mr. WILLIS. Thank you, Mr. Watson.

Mr. BERNHARDT. Mr. Chairman, there are two or perhaps three other witnesses who were not able to attend today. One is the Department of Justice representative.

The other is Mr. McCabe of the Mercoid Corp.

They would both like to be heard on June 3, a date which is available so far as the subcommittee's schedule is concerned.

The chairman of the subcommittee, Mr. Bryson, has indicated his willingness to set that as the date.

Mr. WILLIS. Do you know whether we will receive the benefit of the views of the Patent Office on this bill?

Mr. BERNHARDT. A representative of the Patent Office is here as an observer. I do not think he has announced a desire to testify, but I am sure he will be willing to answer any questions, if there are any.

Mr. WILLIS. I think we should know what their reaction is to this bill. There is a difference of opinion as to whether it is remedial or not.

Mr. GOODWIN. We will have to have another hearing.

Mr. BERNHARDT. All witnesses present for today have testified, Mr. Chairman.

Mr. WILLIS. I would like to say that personally I would strongly urge that we receive the views of the Patent Office on this bill.

Mr. GOODWIN. I think their views would be helpful to the committee.

Mr. RICH. Mr. Chairman, as to the remedial or substantive proposition, I would like to call attention to the fact that the patent system operates as a government institution through two agencies: the administrative end of the Government through the Patent Office granting the patents and establishing rights after which the Patent Office is through with it; from there on, the courts merely enforce the rights which are granted.

This bill deals exclusively with the latter.

Mr. WILLIS. I understand that is the way the bill reads, but I am curious to know the position of the Patent Office with respect to the effects of the bill and as to whether it would cause them to modify their rules on the issuance of patents.

Mr. BERNHARDT. There are many instances, Mr. Chairman, in which the Patent Office, you might say, ignores the rulings of the courts in the issuance of patents.

For example, in the matter of inventions, the courts have been pretty rough on patentees when it comes to the inventive aspects of their patents, whereas the Patent Office goes ahead on its historical policy in issuing patents.

Mr. WILLIS. I am new here; but, on the other hand, if Congress has not acted during all of these years, I suppose my predecessors must have felt that everything was all right. I just do not know.

We will adjourn now, and will hold our next hearing on June 3, 1949, at 10 o'clock.

(Thereupon, at 12:45 p. m., the committee adjourned to reconvene June 3, 1949, at 10 a. m.)

CONTRIBUTORY INFRINGEMENT

FRIDAY, JUNE 3, 1949

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE NO. 4 OF THE COMMITTEE ON THE JUDICIARY,
Washington, D. C.

The subcommittee met at the expiration of the recess, at 10:30 a. m., in room 327, House Office Building, Hon. Edwin E. Willis, presiding.

Mr. WILLIS. Gentlemen, we will come to order.

Mr. McCabe, will you be good enough to give the reporter your full name and your capacity?

STATEMENT OF I. E. McCABE, CHIEF ENGINEER AND CHAIRMAN OF THE BOARD OF THE MERCOID CORP., CHICAGO, ILL.

Mr. McCABE. My name is I. E. McCabe, and I am chief engineer and chairman of the board of the Mercoid Corp. I am also an inventor.

I am not here in any capacity other than as an inventor, so that I might give the benefit of my experience to this committee. Might I ask whether you have read the briefs which I have submitted?

Mr. TACKETT. You mean your statement?

Mr. McCABE. Yes, sir.

Mr. TACKETT. No, sir.

Mr. WILLIS. I read the statement which you made before the committee last year.

Mr. McCABE. Are the others familiar with that statement?

Mr. TACKETT. Frankly, I am not familiar with it, but you go ahead and we will catch up with it.

Mr. McCABE. I previously studied the predecessor bill and appeared before the committee last year on it. I find this bill to be identical with H. R. 5988, and I therefore take the same stand in opposition thereto with this particular bill, because it is exactly the same.

I also would like to state the suggestions I made in case it was decided that such a bill should be enacted. I have read the record made before the committee on hearings of H. R. 5988 and have no issue to make with the proponents of the bill, as expressed in the record, with regard to defining contributory infringment in such a way as will restore the doctrine formerly announced in the Leeds and Catlin case without giving sanction to the abuses presently condemned in the misuse doctrine exemplified in the Carbice case.

I am opposed to any bill which will extend the patent monopoly into fields of commercial staple goods and unpatented and patented articles consumed, used, or incorporated as component parts of a patented structure or process when such goods or articles are not made

by the patent, distinguishable from other such goods capable of substitution beyond a change in physical form, or, by size or shape, or immaterial designs.

I do not believe that the bill in its present form, nor by any of the proposed amendments a matter of record in the earlier hearings, properly defines what constitutes contributory infringement.

In earlier days, in citing the Leeds & Catlin case, the United States Supreme Court, with reference to it, attributed certain specific characteristics to the element comprising that which one made and sold to become a contributory infringer (*Bassick Mfg. Co.* v. *Hollingshead Co.*, and *Rogers et al.* v. *Alemite Corp.*, 298 U. S., 415, 425; *Lincoln Engineering Co.* v. *Stewart-Warner Corp.*, 303 U. S. 542, 552).

There the Court spoke of "elements which were novel" and "neither of which possessed utility without the other," "each element was necessary to the operation of the other"; "an entirely novel principle was disclosed, the disc not only performed a new function but performed it in combination with another new element."

I do not believe that minor and insignificant changes to goods for the sole purpose of attempting to distinguish it from staple articles of commerce and where the change is not a requirement of the patent make of such articles things of the class of the phonograph record or disc as we know it today and which constituted the contributing infringing article of the Leeds and Catlin case. There the "elements" or "parts" making up the patented combination bore evidence in themselves of being novel, novel as a part as was the whole combination when assembled.

When an ordinary staple article of commerce can be made adaptable for use in a patented combination, not by any demand of the patent itself but merely by an expression of choice by one who practices or promotes the practice of the patented invention, I do not believe that, in the light of the Leeds and Catlin case or the Kerosene Lamp case, later referred to, such modified staple articles of commerce thus become "especially made" so as to be characterized as—

Elements which were novel; not possessing utility without the other; performing a new function in combination with another new element, etc.

such as could be ascribed to the disc of Leeds and Catlin or the burner mechanism of the patented lamp.

I will digress from my statement here and try to show what we encounter in our business. The Mercoid Corp. manufactures a product known as Mercoid switches. I happen to be the inventor of these switches and have taken more than 125 patents out in my own name, and some 80 are still in force. I have some other patents pending and more inventions to be applied for.

In our work, we make some several thousand combinations of these temperature pressure and vacuum instruments. The bill as stated here in our case would give us a great deal of difficulty in merchandising, inasmuch as we daily receive orders.

Here is a photostat of an example on which there is a drawing of the standard instrument which we manufacture and the customer merely wants the bulb increased in length here about 3 inches to put it further out into the mounting that he is using.

Under this bill it states that the sale of a component of a patented machine, manufacture, combination or composition, or a material or

apparatus for use in practicing a patented process, if especially made or adapted for use in infringement of such patent, and not suitable for actual commercial noninfringing use, shall constitute contributory infringement.

We do not know what this customer is doing with this. The letter comes in and he wants a standard instrument, but he wants a modification of it.

We had experience in litigation which was known as the Mercoid cases which prompted this bill of a similar change in a standard instrument in which we shortened the stem, the part which attaches to the furnace, and then we put a well over it to protect it from the flue gases. It was the same instrument that we sold generally, but the customer specified it. In any case, it was not in itself acquiring any new properties as a thermostat.

Because of that condition, we had to carry this case through to the Supreme Court on the basis of the other party controlling the sale of the thermostat which I invented and which they were applying to the system patent. Incidentally, the inventor of one of those cases of the system patent came to me and, the records show, asked for help in getting a thermostat to do the work for him. As people bought them they wanted to sue us for selling thermostats, and yet we had developed those instruments and sold them for many years prior.

In the other case, we had sold them and used them in the manner prescribed. When they got it before the court, they stated it had no other use along the lines especially made or adapted.

However, as a matter of fact, on the four binding posts of that instrument, if the man had connected here he infringed and if he connected here he did not [indicating]. That is how little difference there was as to what constituted infringement. Yet, the court held that that instrument constituted infringement.

That is what will happen in all of these cases; that is, if you bring it back to this condition, you will have everybody coming up and saying, "Well, they put a special thread in of a special dimension and it was done for no other purpose than to infringe this patent."

I do not believe that the people in this country—and I am an inventor and have patents—will stand for that approach to patent infringement.

I remember as a youngster I was raised in a small town in Nebraska, and at that time there used to be a button machine sold to attach buttons to shoes, and they used to charge them 75 cents for a small coil of wire with which to attach the button. I remember the wire was similar to what we called stovepipe wire. The owner of that store would get so mad because they charged 75 cents for about 3 cents' worth of wire, as he called it. He said they should not allow it. If that was an instance in that case, how many hundreds of thousands of those would we have if we gave recognition to the control of unpatented items by the use of these patents?

Patents today have become very complicated. There was a time when they made a simple invention and the man who made it sold the whole thing, and it was easy to keep track of it. But today they are making thousands of things for various uses, devices such as we have built. There is hardly an industry in this country that does not use a few Mercoid switches; and, to throw on us the burden of whether the

man infringed or not, I think is an imposition that should not be considered, because an inventor has recourse against a direct infringement, to go back to the man who makes the parts and throw that burden on him of attempting to avoid infringement.

To tie up every case, tie up his customer until he finds out whether it infringes, is an excessive burden.

Another thing: the average man who gets this order does not know whether it infringes or not. He would not know the law in that respect. In the case of a man, for instance, procuring a patent on an automobile, he might get a patent on a complete automobile with a large number of parts contained in it, and what would happen if you sold the man tires for it or parts of any nature? I just cannot conceive of being able to satisfactorily handle business under the conditions before this decision was received.

Before we had these difficulties, when the proposal for license came up attorneys told us it was illegal. We either had to make an illegal contract or stand suit. We stood the suit, and the outcome was favorable to us before the Supreme Court on the question of controlling unpatented items.

I believe this bill as made here will bring us back to that situation of a number of years ago that the courts found it necessary to correct.

Mr. WILLIS. In other words, do you think the industry abused the contributory-infringement theory so that it was necessary for the Supreme Court to step in?

Mr. McCABE. I believe they did. They had the Carbice case, where they sold dry ice in a container.

Mr. WILLIS. You do not disagree with the Dry Ice decision?

Mr. McCABE. I do not disagree with Leeds and Catline, if I can make my position plain, and I do not disagree with the Dry Ice decision.

Mr. WILLIS. You and the Supreme Court part ways there, because the Surpeme Court overruled the Leeds case.

Mr. McCABE. I do not think they did. I am talking about an inventor. When that first phonograph record was produced by Edison, the needle followed the record, but it was guided by a screw that guided the whole carriage across the record. In the Leeds and Catline case, the phonograph record had a groove cut for the needle to ride in, so the groove in the record not only became a sound-producing mechanism but also a guide for the needle. That was not the Edison record, if I may make it plain. So, you had there a new article of commerce in itself, and it was part of the invention, but I do not think dry ice in the Carbice case was a part of the invention. You could put salt in that same container; you could put ice or all kinds of materials in that space, but to permit control of the market on dry ice because you made a container for it, I think, was entirely different.

Mr. WILLIS. This bill, as I understand it, would not disturb at all the theory announced in the Dry Ice case; would it?

Mr. McCABE. My contention is that it would, because it says here, "If especially made." If you took a container with special dimensions, suppose in an oval shape, and then state that the shape of the container was such and such and someone made cakes of ice in that shape, then it would be said to be especially made.

Mr. WILLIS. Is the one distinction between the Dry Ice case and the Mercoid case the fact that in the Dry Ice case the refrigerant was in

general use and application, whereas the theory in the Mercoid case was extended in such a way that even a situation where the novel element which is alleged to be the abusive device is intended only for the infringement?

Mr. McCabe. That is where the argument comes because we made a thermostat.

Mr. Willis. The Supreme Court did say that that was its only use?

Mr. McCabe. Not the Supreme Court; the lower court.

Mr. Willis. The lower court found it as a matter of fact.

Mr. McCabe. They did not deal with a matter of fact in that case.

Mr. Willis. So they accepted it?

Mr. McCabe. I might refer you to Justice Jackson's statement with reference to how a situation of that kind is treated and the dilemma in which the Court found itself. His opinion and dissent was merely on the question of res ajudicata in that case, because of a previous case in which he said the issue could have been raised and was not. He said:

A patent is property carried to the highest degree of abstraction—a right in rem to exclude, without a physical object or content. Here the patent covers a combination—a system—a sequence—which is said to be new, although every element and factor in it is old and unpatentable. Thus we have an abstract right in an abstruse relationship between things in which individually there is no right—a legal concept which either is very profound or almost unintelligible, I cannot be quite sure which.

Undoubtedly the man who first devised a thermostat to control the flow of electric energy gave something to the world. But one who merely carried it to a new location, or used two instead of one, or three instead of two, or used it to control current for a stoker motor rather than for a damper, did not do much that I would not expect of a good mechanic familiar with the instrument. But that question of validity is not here. I assume that this patent confers some rights and ask what they are.

Of course the abstract right to the "sequence" has little economic importance unless its monopoly comprehends not only the arrangement but some, at least, of its components. If the patentee may not exclude competitors from making and vending strategic unpatented elements such as the thermostat, adapted to use in the combination, the patented system is so vulnerable to competition as to be almost worthless. On the other hand, if he may prohibit such competition, his system patent gathers up into its monopoly devices long known to the art and hence not themselves subject to any patent.

It is suggested that such a patent should protect the patentee at least against one who knowingly and intentionally builds a device for use in the combination and vends it for that purpose. That is what appears to have been done here. As to ethics, the parties seem to me as much on a parity as the pot and the kettle. But want of knowledge or innocent intent is not ordinarily available to diminish patent protection. I do not see how intent can make infringement of what otherwise is not.

Mr. Willis. Mr. McCabe, if you agree with the dissenting opinion you should be for this bill.

Mr. McCabe. Wait a minute. That is not the end of the quote.

The less legal rights depend on someone's state of mind, the better.

The practical issue is whether we will leave such a combination patent with little value indeed or whether we will give it value by projecting its economic effect to elements not by themselves a part of its legal monopoly. In these circumstances, I think we should protect the patent owner in the enjoyment of just what he has been granted—an abstract right in an abstruse combination—worth whatever such a totality may be worth. I see no constitutional or statutory authority for giving it additional value by bringing into its monopoly all or any of the unpatentable parts.

For these reasons I agree with the Court that no case of infringement could have been made out had the issue been raised when it was timely.

That is what I wanted to point out. He does agree with the fact that it should not have been subject to infringement because we did not raise it in the earlier case. I continue quoting:

But, I agree with the views of the doctrine of res adjudicata expressed by Mr. Justice Roberts and for that reason join the dissent.

He did not join on the contributory infringement, do I make that clear?

Mr. WILLIS. I understand.

Mr. McCABE. Our contention as to that is that to extend a patent monopoly to unpatented items is serious. I think in an item such as the phonograph record that difference in characteristics, the item itself was part of the invention, it was an invention. The dry ice was not. The thermostats in these two Mercoid cases were not.

You see, the same thermostats were involved in both cases, one in connection with a stoker and one applied to a warm air heating furnace. In fact, there are hundreds of patents along similar lines. To be up against a situation of asking every man whether he is going to infringe this or the other is truly serious.

Mr. WILLIS. As I understand, you agree with the principle of the Mercoid case but you regret that the Supreme Court abided by the findings of fact of the Court of Appeals that this device was especially made for or adapted to use exclusively for the purpose of infringement?

Mr. McCABE. That is the finding of the lower court, however, I could state—and state under oath—that it had other uses. I mentioned in the hearings on H. R. 5988 the fact that we sold instruments and you will see where we quote from customers as to the differences.

Mr. WILLIS. I read your statement.

Mr. McCABE. The difference in arrangement and the customers of course could do anything they wanted and we had no knowledge of it. The Court for that reason said they would not hold us and that is why I suggested on the other bill that if you are going to pass a law defining contributory infringement, which is partial infringement, that you should also define what constitutes a validation of contributory infringement. In other words, if he makes a part of a device and he has made the thing do what it is supposed to and made it a year prior to the patent, that should be sufficient to invalidate. In other words, if it will hold you guilty of infringement it should also invalidate a patent if made a year earlier.

Mr. TACKETT. Invalidate a patent?

Mr. McCABE. If you invented and it has public use, that was our defense in this case, that we had public use more than 2 years prior and we put in letters to our customers advising them to buy these two switches and to carry out the thing expressed in the patent as long as 8 years before. But when the Court came to it they said that there was no proof that the customer actually connected it that way. The Court found that there was no other use for it which was rather odd, there could have been no other use, and the instruments had been sold for the purpose but there was no proof in his mind that the customer actually connected it that way.

Of course he is ambiguous because on one side he says it can have no other use and on the other he maintains that there is no proof.

Mr. WILLIS. I think you offered in evidence a booklet showing that through the advertising department you had advertised these devices for 6 or 8 years prior to the issuance of the patent, did you not?

Mr. McCABE. That is right.

Mr. WILLIS. We are not going to hold you down to the facts.

Mr. McCABE. That did not produce the invalidation because it required a complete reduction to practice and we never could do that because we do not build systems, we only build two items.

Mr. WILLIS. Would this bill come closer to your ideas if the words "or adapted for use" were deleted? I just want to get your thoughts, your specific objection to this definition of contributory infringement?

Mr. McCABE. If you are going to require any contributory infringement, you have in my opinion to state between parts, something of themselves of a new inventive character.

Mr. WILLIS. Certainly if the component part is manufactured especially for infringement, that would be a wholesome doctrine within the lamp case, would it not?

Mr. McCABE. In the lamp case I was going to go on further here. In the lamp case there was a case where the court——

Mr. WILLIS. You are not answering my question.

Mr. McCABE. I would like to answer that question.

Mr. WILLIS. All right.

Mr. McCABE. I have it here in a form carefully thought out.

The kerosene lamp patent, as explained in the earlier hearings on H. R. 5988, related to a combination of elements comprising a base, a chimney, and new and improved burner mechanism. It has been pointed out that when one, not licensed to do so, attempted to make and sell all but the chimney and thus selling not the whole of the patented combination, all the elements of the patent claim, claimed he did not infringe, the court found no difficulty in finding that what the defendant had done was a virtual infringement and held him liable. There certainly is no issue to be made with such a holding.

However, while this example was cited by a proponent of the bill to show the first case of contributory infringement arising out of selling a part of a whole patented combination, no one has raised the question as to the propriety of such a patentee attempting to so prevent the sale of the chimney.

To be sure, like the phonograph disk, the new elements—the novel elements involved in the cited lamp case—were those unlawfully being made and sold, but what of the chimney?

Mr. WILLIS. Do you agree with the doctrine of the lamp case limited to the facts involved in that case?

Mr. McCABE. Yes.

If the chimney were a standard article of commerce, would one be free to make and sell it for assembly in the patented combination? And, if the lamp base were so designed, not as required by the patent, but by choice of the manufacturer, the chimney would likewise have to be made special to be mounted upon it.

In other words, the patent might not require any particular shape of lamp chimney where it is set on the lamp itself, but by choice and manufacture the manufacturer might make the brackets in such a

way that you have to have an oval instead of round surface or square one.

This required shape of the chimney could thus then be said to be especially made and adapted for use in the patented combination, and so distinguish it from other commercially available chimneys. The necessary shape of the chimney base to fit the lamp base may be such as to render it without other use.

I do not believe that such a change in the character of a staple article of commerce reclassifies it as one which a patentee can expand his combination patent monopoly to cover. There can be many instances where existing articles of commerce can be used, some of which I have had experience with, but which by necessitating some slight change the standard article becomes especially made to permit charges of contributory infringement to be made.

For instance, we are talking about these standard items. Suppose I invented an automobile wheel, we will say, with a special brake. We will say that the brake was larger and in order to apply this brake to a wheel we had to have a tire to fit on it. Maybe that tire instead of allowing the tube to come around in a round shape might have a hump in it. If we had such a structure, my belief, providing that the tire was good, it would give the brake manufacturer a monopoly on the tire.

Mr. TACKETT. Does not this second clause on page 2, line 2, remove the very objections that you have?

Mr. McCABE. No; because you might find them "not suitable for actual commercial noninfringing use."

Let us go back to the phonograph record and as I remember, we did it at home and made a static machine out of it. It was a machine where we revolved the machine and picked up static electricity from those discs. If I started to manufacture a static machine, that would relieve the man from actual contributory infringement where he might have had an actual infringement otherwise.

Mr. WILLIS. Let us go to the automobile illustration. Suppose I put out an automobile, brand new type car, and the one attractive feature that I stressed in the advertisement was a large brake such as you referred to.

Mr. McCABE. Yes.

Mr. WILLIS. And that had a peculiar appeal to the public. Suppose you engaged in the manufacture of that larger brake exclusively which fitted into my car. Which do you think should apply, the doctrine of contributory infringement or misuse?

Mr. McCABE. You mean you have a patent on the brake?

Mr. WILLIS. A patent on the whole automobile of which the brake is a part.

Mr. McCABE. If the brake was a part of the actual invention, the brake itself, was the thing that was new and you sold that brake I would think you were a contributory infringer but I would not think that, for instance, if you used a magneto and radio——

Mr. WILLIS. You are going into other features.

Mr. McCABE. That is the difference between them. The part in the phonograph record was a part of the invention itself, that is, the record was the invention. In this case here we will say the brake, that part is a part of the invention of that automobile, it is something new; but

including, for instance, tires and we will say a magneto and a carburetor. To extend it over to those would be to improve.

Mr. WILLIS. But if you read the definition in section 3—is that definition really not directed to a situation where you have a combination patent of which a particular device is a component part and you get a patent on the whole? Does not this definition only reach a situation where an outsider manufactures that device especially made by him for the purpose of infringement? Is not that the only situation reached by that particular definition?

Mr. McCABE. All right, but suppose I take it a little further, "not suitable for actual commercial noninfringing use"?

Mr. WILLIS. That is even more restrictive, is it not?

Mr. McCABE. No. Suppose I take that brake out of the car and put it on a machine that I needed brakes on. I have robbed a standard commercial part and put that brake on a trailer which is not an automobile and I want a brake on the trailer so I apply it there and I have an actual commercial, noninfringing use. According to this bill that would then relieve me of infringement. I do not believe that we intend to do that. Under the present law, if I came in with that brake——

Mr. WILLIS. In the illustration which you gave you are assuming that the device is suitable for noninfringing purposes and the bill would not stop that as I understand.

Mr. McCABE. There is a weakness in the bill from the opposite side. All I would have to do to relieve myself from the infringement would be to find a use, such as a lathe or drill press or some other purpose. That is why, as an inventor, I am concerned. I could see the intention there; we have a definition and we have him. But we turn around and he finds, "here is your answer to that, we will make it different," and that would not be difficult.

Anyone with an inventive mind could find another purpose to apply it to. I do not think that should be granted as in the case of this brake. You said you invented this automobile and you have this particular brake and it has value. It is made a part of a combination in an automobile with a certain type of braking unit. I do not think if I invented that automobile with that braking unit that if someone manufactures that braking unit that he should escape contributory infringement but I do not believe that that then should aply to the carburetor.

Mr. WILLIS. I think you are assuming that the word "and" on page 2 is reading as though it were "or." In order to fit the definition of the bill, the device must meet two tests; first it must have been made especially to infringe and in addition thereto, it must not have other commercial uses.

Mr. McCABE. Must not be suited for other commercial uses. We will take this brake which we are talking about and which is a very good example. Suppose I applied that to a drill press. I want to run it fast or want to stop it instantly. Or, I might apply it to an automatic screw machine. If I applied this principle that you found useful on a car, apply it to this other use, all I have to do to relieve myself of infringement is to make application of it and according to this bill I am relieved of contributory infringement and I do not believe that is the intent of the people who wrote this bill.

I would say, "I know how to do this. I will simply find another use for this and I am clear." Yet, I would be using the essence of the invention.

Now, I do not want to confuse that with applying it to a carburetor which in itself has no new properties or to a distributor or a radio. Those are the things that I am trying to put out in your mind as to what constitutes the invention and what does not constitute an invention. I think when as inventors we try to apply and cover all of the unpatented articles we will bring down on our heads public opinion against the patent system. I am very much for the patent system; I have profited from it. I can profit from this bill but I can also lose if the patent system itself fell into disuse and there was a demand to do away with it. I do not want to see that.

Mr. WILLIS. I admire your noble purposes. Is that about the extent of your views?

Mr. McCABE. Now there was another point that I made here.

Mr. Swingle, as disclosed in the record of the hearings on H. R. 5988, contended the bill did not go far enough to legalize a situation where a manufacturer of aluminum foil in developing a new use for the foil, such as in the making of milk-bottle caps, should be privileged to license out the patented method of cap making on the basis of a license grant requiring the purchase of aluminum foil from the manufacturer as a requisite to use of the patented cap making.

If this were made possible, the aluminum-foil manufacturer could prevent the use of other aluminum foil by the cap maker and obtain in effect a monopoly on foil for that use, although a patent could not be had on the aluminum foil. Given enough use patents to acquire a larger aluminum-foil volume, the aluminum-foil manufacturer could secure a monopoly in the manufacture of such foil as though he had a patent on it, since his patent assured volume would sustain his unassured volume, not protected by patented use, to enable him to undersell his competitor in such markets to virtually obtain a complete monopoly.

Mr. WILLIS. I think you expressed that last year and used the top of a bottle as an illustration.

Mr. McCABE. That was an illustration. I can also bring out the possibility and the fact that today we have large manufacturers, for instance only half a dozen automobile manufacturers. It would be possible for them to adopt, where a large number of repair parts are involved, they could adopt patented methods and obtain a monopoly in standard parts which I do not think you intend.

I remember as a youngster I ran a motorcycle and the bicycle shop used to soak us for the screws and nuts that you could not cut on the John Barnes lathe. The result was that the motorcycle cost six times the list price when you bought the parts. Today those are kept in line because those parts are subject to competition. If you bring unpatented parts within the range of patent, it would not be long before everybody would get busy to take advantage of it.

Mr. WILLIS. I would not vote for such a bill if it expressed that intent anyway.

Mr. McCABE. Well, I know that I could in our own switch business. We have made Mercoid switches now for 28 years and some of our patents are running out and anybody could then make those. It is

not at all unusual where switches come in for repair to find that they have made replacements with a part manufactured by another concern. I do not think we are entitled to patent. I am perfectly willing to concede that the man has a right to buy those unpatented parts although he may not get the results from those he would from ours, but to throw the burden on another switch manufacturer to check whether they are going to use it in a patented or unpatented article, is far-fetched.

Mr. TACKETT. What is your interpretation of the proponents' purposes for this act?

Mr. McCABE. I think they are trying to undo the Mercoid decision.

Mr. TACKETT. If I could reach the same conclusions that you do, I think your conclusions are correct, but I cannot read the language of this section 3 and reach the interpretation that you place on it and that is the only thing that bothers me. I hope that I am not overlooking something.

Mr. McCABE. I mentioned here this thermostat where the man came in and asked us to build it with a special dimension. In the cases we had before the court the attorneys for the other side argued that there was no other use for the instrument.

Mr. TACKETT. Suppose there is?

Mr. McCABE. That was it. But, that had no bearing on it as far as the court was concerned.

Mr. TACKETT. Under this act, suppose there is?

Mr. McCABE. I said, suppose there is, then there is no infringement in that case. But, when you come into a case like a patent on a brake in an automobile structure, which is an invention that gives it the quality you want, in that case if you find another use for it, then there is no protection for the inventor.

On the one hand you are saying suppose there is, and you are relieving me from the infringement and you are also relieving me of what constitutes the actual invention.

Mr. BERNHARDT. Would he not be apt to get a patent on the brake itself?

Mr. McCABE. It might be possible.

In some cases it is tied up with the characteristics of the structure itself. In an automobile you might want to use the momentum of the car for applying the brake. In the application to a machine you might want to put that into the spindles of the machine so that it would accomplish the same purpose.

Mr. TACKETT. Suppose you invent a compression brake. I do not know enough about the field, but anyhow we have it on an automobile. Now we are going to put that same brake on, what was your example a while ago?

Mr. McCABE. Say a lathe or screw machine where we want to stop the shaft quickly.

Mr. TACKETT. You can have another use for it then, can you not? Do you mean to say that under that bill you are not infringing if you use that brake on for instance, a lathe?

Mr. McCABE. That would relieve you from infringement under this bill. I do not think that is the intent, but it would.

We will say that the automobile uses the momentum of the car to apply the pressure of the brakes. Now on the screw machine we will

use the momentum of this shaft itself, there is no motion of a car to do it, so we use the momentum of the shaft itself to apply this braking method. Then, having found this other use you have relieved the infringer of infringement.

Mr. TACKETT. I just cannot see that.

Mr. McCABE. The same way, if this law had been in force at the time of the phonograph record and suppose I was the man being sued for infringement and you came up with this, "not suitable for actual commercial use." Suppose I bought those records and used them in connection with a static machine. I happen to know about static machines because we did build machines for static purposes.

Now if the infringer could bring into court a machine to show that those records had served another purpose, as it says here, then the infringer would be relieved of infringement and I do not think that should be the basis.

Mr. TACKETT. I am afraid that you are taking that separately. Does this thing not say, "the sale of a component of a patented machine"? Well, we will say that you are using the brake in a different place. "Or, a material or apparatus for use in practicing a patented process, if especially made or adapted for use in infringement of such patent." Now this next word——

Mr. McCABE. "And not suitable for actual commercial noninfringing use." Now that is a qualification.

Mr. TACKETT. Yes.

Mr. McCABE. If you were representing a client that had infringed and he had another use even though it was an infringement in itself. I hope that I have been able to make that distinction in what constitutes an invention and what does not.

Mr. WILLIS. Your point is that if a proposed infringer is ingenious enough to devise a gadget adaptable for use and with intent to infringe, if he is ingenious enough to find another commercial use for it, he gets from under the provisions of the bill?

Mr. McCABE. That is right and as an inventor I would not like to see that. I am in perfect accord with the idea of protecting the man against infringement, but I am not in accord with extending it to unpatented articles. All you would have to do is apply it for use and then it becomes an article of commerce.

In the case of this brake we mentioned, it was a part of the invention and it had new characteristics that did not exist before. Certainly he is entitled to his monopoly.

Mr. WILLIS. Mr. Goodwin?

Mr. GOODWIN. Am I right in assuming that our problem as members of this committee is to attempt to balance the rights of the patentee in his invention against the rights of industry in going ahead in the production of business which is a pretty vital thing today, was yesterday, and will be tomorrow? Is that about what our problem is?

Mr. McCABE. No; we have a different problem.

Mr. GOODWIN. I have not made myself clear. There are three things I want to do, I want to keep our patent system inviolate.

Mr. McCABE. I do too.

Mr. GOODWIN. And enjoy the confidence of everybody, inventors and the public at large and manufacturers. Secondly, I want to pro-

tect the rights of the man whose brain child has been subject to protection by the Government. Thirdly, which I think is just as important, I want to see legislation go just as little as possible into the field of regulation of business, or putting upon business, putting upon industry, the necessity of being on notice with every move they make as to possible infringement of somebody else's rights.

Is that not about what we have to contend with?

Mr. McCabe. I contend now that this is just the exact case of it in the daily orders we receive where a man comes in and asks for a special item. Mr. Rich has stated that he agrees with my viewpoint as to section 3. This device has had a new dimension put on it, differing from what we make standard. That standard then states under this bill, "especially made or adapted." Here is an order for a switch that runs $8 and you might get an order for 500 of them. I could give you a much more concrete example than that. We had a case of a man who invented an automatic machine for producing coffee. Now there is another man that makes a machine for keeping coffee hot. They both use the same instruments. Now there was no difference in the two controls and it did not do anything different than this control here.

For us to have the burden is unreasonable because the machine may sell for $5 and he may not be responsible and our company is. They sue us and we bear the burden on something that we could not possibly have made over a few dolars on. Nor, would we have had the knowledge in that field as to what constitutes the patent situation.

Mr. Goodwin. In other words, you agree with the position I stated?

Mr. McCabe. Yes.

Another point made was that the patent situation was destroying the inventor's opportunities. At the present time the Patent Office is behind 150,000 applications. I do not think this decision has scared off the inventor. Also I can point out that the public generally expects patents. Judge Evans' statement in there as to the number of cases, some 462 cases involved, now it is undoubtedly true that when 462 cases went to trial people who had those had reason for opposing the patent. It is entirely to be expected that the Patent Office does not always have all of the information when they grant a patent.

In a certain field things may have been going on and it escapes them. So, when these get to the courts, three-fourths are held invalid. There are only 80 cases in a period of 4 years and the 81 cases were held invalid infringements when there were some 900,000 patents in force which indicates a high respect for the patent.

Mr. Willis. Your fear is that this bill would put upon the manufacturer of various tools and parts too much of the burden of inquiring as to whether or not they are infringing; is that it?

Mr. McCabe. Plus the possibility of injuring the inventor in a case where there is a contributory infringement.

Mr. Willis. I understand. On the other hand, with the definition in the bill that if you, as a manufacturer of parts, are engaged daily in distributing devices which are acceptable to commerce, then it seems to me under the definition of the bill you would have no fear because if you are manufacturing a device which does have actual commercial noninfringing use, you need not be fearful.

Mr. McCabe. Whether that change in dimension should create the question of infringement is very serious. On the other hand, to find

a use for it relieving is another thing. I think the court should determine that. This does not give them any discretion. It becomes a statutory requirement and if you meet that requirement you are free of infringement.

Mr. GOODWIN. In other words, Mr. Chairman, the question of contributory infringement is something to be determined by the court rather than to be set out in statutory definition.

Mr. McCABE. I think it should be, and they are doing it in cases right along. I can find you some more which came up since a year ago.

Mr. WILLIS. Thank you, Mr. McCabe.

Mr. WILLIS. Mr. Stedman?

STATEMENT OF JOHN C. STEDMAN, CHIEF, LEGISLATION AND CLEARANCE SECTION, ANTITRUST DIVISION, DEPARTMENT OF JUSTICE

Mr. WILLIS. Mr. Stedman, will you give your full name? And your capacity, please?

Mr. STEDMAN. John C. Stedman, Chief of the Legislation and Clearance Section, Antitrust Division, Department of Justice.

Mr. WILLIS. Do you have a statement which you wish to file?

Mr. STEDMAN. I have a statement which I would prefer to read, if I may.

Mr. TACKETT. You are with the Department of Justice?

Mr. STEDMAN. Yes; the Antitrust Division.

Mr. WILLIS. In order that we may follow your thoughts as you develop them, and anticipate your statement, is your inclination to be for or against the bill?

Mr. STEDMAN. Our inclination is against.

Mr. WILLIS. You may proceed.

Mr. STEDMAN. Mr. Chairman and members of the subcommittee, I appreciate the opportunity to express the views of the Department of Justice concerning H. R. 3866. I wish to state that we have not had opportunity to ascertain the relationship of this statement to the program of the President.

This bill relates to contributory infringement of patents and is identical with H. R. 5988, Eightieth Congress, concerning which hearings were conducted by your subcommittee and which we understand was ordered favorably reported to the full committee. In view of those hearings, and hearings last week on H. R. 3866, I do not believe it is necessary for me to review in detail the provisions of the bill.

In appearing before this subcommittee in the Eightieth Congress in connection with H. R. 5988, the Department of Justice took the position that there was some doubt, as a result of the Mercoid cases, as to the current status and meaning of the contributory infringement doctrine and that the Congress might well give consideration to clarifying the situation by statutory enactment. That consideration has now been given to the matter through the hearings in the Eighieth Congress and in this Congress.

In the light of our review of those hearings it is our position that a persuasive case for the enactment of this statute has not been made and that, on the contrary, a fair probability exists that its enactment would serve to confuse rather than settle the issue.

Furthermore, additional decisions which have come down since our testimony in the Eightieth Congress show an increasing understanding by the courts of the meaning and proper limits of the Mercoid cases. Accordingly, in our opinion, the question of confusion, which appeared to be an issue last year, no longer constitutes a persuasive reason for enacting this bill.

H. R. 3866 would introduce into the patent statutes for the first time a definition of contributory infringement and would enumerate practices in which the patentee may engage without prejudicing or destroying his right under his patents. Heretofore, these matters have been left for the courts to determine. A substantial body of case law has developed over the years which marks out in considerable detail what acts constitute contributory infringement and what acts do not.

The first four sections of H. R. 3866 would substitute a statutory definition for the case law that has heretofore controlled. We question the necessity or advisability of such a statute. Bypassing the question of misuse, which I will discuss later, we have heard no suggestion that the law of contributory infringement as developed by the courts is either uncertain and confused or inadequate to protect the legitimate rights of patentees.

Consequently, enactment of the bill would serve no useful purpose insofar as it merely confirms existing law. To the extent that it might be construed as changing existing law it would reopen questions long since adjudicated and throw into confusion and litigation issues that are now settled. This is just the opposite of the clarification that has been urged to this subcommittee as a reason for enacting H. R. 3866.

For example, section 1 provides:

> that any person who shall actively induce infringement of a patent shall be liable as an infringer.

This language provides no protection for the good-faith actor. It is not limited, as the present law is, to persons who act in bad faith or with knowledge of the fact that their aid or advice will result in infringement. It catches the innocent as well as the guilty.

The language of section 1 is also ambiguous. What constitutes "actively inducing" infringement? Does it include advice from a patent attorney that a given patent is probably invalid and that the client should take the risk of infringing? Does it make an infringer of a person who requests another to manufacture a device for him which, it turns out, was made by an infringing process? Does it include a patentee who licenses a patent covering an invention that is used in a way that infringes another patent? Enactment of section 1 would raise such questions as these, not answer them. It apparently intends to cover something other than the traditional acts of contributory infringement covered by section 3, but how much more it covers is an open question that would be answered only after years of litigation.

Section 3 is equally objectionable. It provides that the sale of a part of a patented machine or of material for use in a patented process, shall constitute contributory infringement "if especially made or adapted for use in infringement" and not suitable for commercial, noninfringing use.

As phrased, it would change the present law in two fundamental respects. In the first place, it would apply to the innocent and un-

witting suppliers of unpatented products coming within its terms, just as it would to the deliberate and intentional infringers. Under present law, only an intentional contributor to infringement can be held liable, although the nature and special adaptability of the unpatented article sold may be significant in determining where the burden of proof as to such intent shall be.

Secondly, it would render a supplier liable for contributory infringement even though the article were not used in an infringing manner. It is basic in the present law that there can be no contributory infringement without there being direct infringement. It is hard for me to believe that the drafters of this bill intended these results. Yet, a literal interpretation of section 3 would require that suppliers be treated as contributory infringers in such situations.

Our most serious objections relate to section 5. It provides that a patentee shall not "be denied relief or deemed guilty of misuse or illegal extension of the patent monopoly" because he (a) derives revenue from acts which would constitute contributory infringement if done by another; (b) licenses other to perform acts which, if not licensed, would constitute contributory infringement; (c) sues infringers or contributory infringers.

In the general language in which this section is couched, it sounds reasonable and innocuous enough. Its effect, however, is to permit a patentee to sell unpatented parts for a device or composition covered by his patent or sell unpatented materials or apparatus for use with a process patented by him, and at the same time prohibit his competitors, by suit for infringement, from selling such unpatented materials in competition with him.

In short, enactment of section 5 of H. R. 3866 would enable the patentee to exercise control over the unpatented materials usable in his patented device or with his patented process and oust from the market his competitor dealing in the same materials. This is exactly the type of practice which the courts have unequivocally and consistently condemned, both under the patent laws and under the antitrust laws.

In the most recent antitrust decision on the subject by the Supreme Court—(unanimous on this issue)—*International Salt Co.* v. *United States*, (332 U. S. 392, 395–6), Justice Jackson said:

> the patents confer no right to restrain use of, or trade in, unpatented salt. By contracting to close this market for salt against competition, International has engaged in a restraint of trade for which its patents afford no immunity from the antitrust laws * * * it is unreasonable, per se, to foreclose competitors from any substantial market.

This doctrine, which has always been implicit in the Sherman Act, was expressly written into the antitrust laws in 1914 when the Clayton Act was passed.

While the International Salt case dealt with unpatented salt, a staple article of commerce, the doctrine therein expressed, under the rule of the Mercoid cases, would be equally applicable to unpatented articles specially adapted or designed for use only in the patented field.

Proponents of the bill have urged that it will not interfere with trade and competition in the sale of commodities "suitable for actual commercial noninfringing use," since section 4 provides that the sale of "any staple article or commodity of commerce not especially made

or adapted for use in a patented invention" shall not constitute contributory infringement. We find little merit to this point.

The qualification would turn out to be meaningless in many situations. The patentee, controlling as he would the design of the patented machine he has sold or the method of operation of the process he has licensed, would undoubtedly be able in many situations to develop designs and methods that would require a specially adapted article not suitable for other uses in a commercial sense.

In any event, the provision is bound to result in constant litigation. Whether a article is a "staple article" of commerce, whether it is "especially made" for use in a patented invention, whether it is "adapted" for such use, whether it is "suitable for actual commercial noninfringing use" are questions of fact and matters of subjective judgment upon which there is little likelihood of unanimity.

Nor is a decision in one case likely to be of much help in another case. The result is that almost every sale of unpatented commodities for use with a patented invention will carry with it the possibility of controversy and litigation.

The probability of increased litigation is not limited to the issues arising under section 5. It extends to the other sections as well.

If one has any doubt on this score, he need only look to the variety of interpretations that have been given to the provisions of this bill by the different witnesses who have testified before your committee in the Eightieth Congress and this time.

I cannot emphasize the litigation aspect too strongly. The complexities, expense, and delays attending patent litigation are well known. As one writer put it a few years ago—

> * * * infringement litigation, lasting many years and costing many thousands of dollars, is necessary in order to test the validity of the disputed patent and to determine whether infringement has occurred. If both parties wish to, and can afford to, they may go through with the litigation until it ends either in a judicial decision or in exhaustion or bankruptcy of one of the parties. If the parties are unable or unwilling to go on, they will be forced to settle, or to forget the whole matter, thus rendering questions of justice quite irrelevant and making questions of relative strength and bargaining power the major determinants of the outcome.

I have not heard that the situation has improved in recent years. The public interest and, in my opinion, the long-run interests of patentees and the patent bar as well, call for amelioration of this situation. Enactment of H. R. 3866, on the contrary, would aggravate it.

Two reasons have been suggested in support of the enactment of H. R. 3866. First, it is suggested that the decisions in the Mercoid cases are unsound on the merits and go beyond the tying-clause doctrine established by previous cases.

Second, it is contended that dictum in those cases virtually eliminates the doctrine of contributory infringement or at best leaves it in a state of confusion which calls for clarification. Neither contention, in our opinion, is supportable.

The Mercoid cases involved a tying-clause practice. The patentee held a patent, and this is the Mid-Continent case, which it exclusively licensed to Minneapolis-Honeywell, on a furnace assembly which included as one element an unpatented combustion stoker switch. Instead of carrying on a business in the patented assembly itself,

Minneapolis-Honeywell, produced the unpatented switches, which it offered for sale in competition with switches produced by others.

Instead of meeting its competitors in traditional ways, it sought a competitive advantage by permitting those who bought its switches to use them in the patented combination, whereas those who bought switches elsewhere were subject to attack for infringement and those who sold the switches were sued for contributory infringement. Although the switch sold by Mercoid appears to have been specially adapted for use in the patented combination, and I recognize that there is a great controversy on that point, the situation, in our opinion, is fundamentally no different from the numerous tying-clause practices that the Supreme Court had previously and consistently condemned and the Court saw no occasion for departing from its settled doctrine. Both the consistency and the basic soundness of the decision is evidenced by the following excerpt from the opinion:

> Ever since *Henry* v. *A. B. Dick Co.* (224 U. S. 1) * * * was overruled by *Motion Picture Patents Co.* v. *Universal Film Mfg. Co.* (243 U. S. 502, 517 * * * this Court has consistently held that the owner of a patent may not employ it to secure a limited monopoly of an unpatented material used in applying the invention. * * *
>
> The Court has repeatedly held that to allow such suits would be to extend the aid of a court of equity in expanding the patent beyond the legitimate scope of its monopoly. * * *
>
> The instant case is a graphic illustration of the evils of an expansion of the patent monopoly by private engagements. The patent in question embraces furnace assemblies which neither the patentee nor the licensee makes or vends. The struggle is not over a combination patent and the right to make or vend it. The contest is solely over unpatented wares which go into the patented product. * * *
>
> If a limited monopoly over the combustion stoker switch were allowed, it would not be a monopoly accorded inventive genius by the patent laws but a monopoly born of a commercial desire to avoid the rigors of competition fostered by the antitrust laws. If such an expansion of the patent monopoly could be effected by contract, the integrity of the patent system would be seriously compromised.

In that connection, the question of the split decision came up this morning. It is my recollection that there was a 5 to 4 decision but that there was no question about the applicability of the misuse doctrine. The four judges who dissented, did so solely on the ground that there were earlier decisions in which the question had not been raised and therefore the doctine of res judicata applied. That was true of all four judges.

Mr. WILLIS. My understanding of the new theory and the sole and only new theory announced by the Supreme Court in the Mercoid cases as distinguished from the dry ice case is the contention that the Supreme Court held that the misuse doctrine applies when the device is especially made in order to infringe. Is that not supposed to be the crux of it?

Mr. STEDMAN. I would say that it would make no difference. If the owner of the patent is using his patent in a way to prevent the sale of unpatented elements, then the misuse doctrine would apply. The Mercoid cases do not change the contributory infringement doctrine. They say that the contributory infringement doctrine still stands, but when the contributory infringement doctrine comes in conflict with the misuse doctrine, as exemplified by the Clayton Act and the Sherman Act, then the misuse doctrine shall control. If you have misused your patent, even though you would otherwise be able

to recover for contributory infringement, you will be denied the right to recover for contributory infringement.

Mr. WILLIS. Suppose in this case that the Supreme Court had found, as a matter of fact, that this abusive device had other actual commercial noninfringing uses, nobody would be quarreling with the decision because it would be in line with the ice case, is that right?

Mr. STEDMAN. That is right. As I say, those judges who dissented on res judicata grounds, concurred in the decision in the Minneapolis-Honeywell case, as distinguished from the Mid-Continent case, on the theory of the Morton Salt case.

The contention that the Mercoid case eliminated or confused the doctrine of contributory infringement is equally without merit. The confusion that is professed by various writers on the subject and by some of those who have testified on H. R. 5988 and this bill does not appear to have spread to the courts.

A reading of the reported cases indicates that the Federal courts, except for one or two expressions in the way of dicta shortly after the Mercoid decisions came out, have had no difficulty in applying the Mercoid doctrine.

In that connection I might also call your attention to a case which I do not think has previously been referred to, a more recent case, which did express some question about the existence of the contributory infringement doctrine. The case is *Sunlite Manufacturing Co.* v. *Clarvan Corp.* in the eastern district of Wisconsin decided in 1947 (75 U. S. P. Q., 269 at 270). It was dictum there and the court decided the case on other grounds but they did say, as a couple of cases had said right after the Mercoid decision, "We do not know what is left of the contributory infringement doctrine."

Mr. BERNHARDT. Is there a Federal citation?

Mr. STEDMAN. I do not have it.

Mr. WILLIS. Did the Supreme Court ever hold since the Mercoid cases that the passages in the decisions which has caused all this trouble were dicta?

Mr. STEDMAN. You mean in the Mercoid case?

Mr. WILLIS. Yes.

Mr. STEDMAN. The talk about what was left of the contributory infringement doctrine was clearly dicta. I think there is no question about that. There is one case since, namely, the Transparent-Wrap case, in which they upheld a tie-in clause on the ground that it was different from the other types of tie-in clauses, in which they did refer to the fact that under the Mercoid decision there was some doubt as to what the scope of the contributory infringement was.

The Mercoid decision did not touch the contributory infringement doctrine itself, but it says that that doctrine will be limited to the extent that improper operations of the patentee are involved in the suit.

Mr. WILLIS. All right.

Mr. STEDMAN. These cases, referring back to the cases since the Mercoid case, recognize it for what it is, namely, the proper and traditional application of the misuse doctrine. Nor have they taken the position, as some have contended, that the doctrine of contributory infringement has been eliminated from the law. They continued to apply the doctrine in appropriate cases.

I would like to submit for the record, a list of the cases, since the hearings last year, which have had occasion to comment on the Mercoid case, together with pertinent excerpts from them.

That list, I am sorry to say, is not prepared in form to give it to you but I will see that you get it today or Monday. The three main cases that have discussed it in the last year make it perfectly clear that there is a proper area in which the contributory infringement doctrine operates. These cases are *Florence-Mayo Nuway Co.* v. *Hardy* (168 F. (2) 778); *Harris* v. *National Machine Works* (171 F. (2) 85); and *Aeration Processes Inc.* v. *Walter Kidde & Co.* (77 F. Supp. 647).

Mr. WILLIS. Are those Supreme Court cases?

Mr. STEDMAN. No; those are district and court of appeals cases. I think they are evidence that the confusion which supposedly was engendered by the Mercoid cases is a fire that has long since gone out.

A list of the earlier cases is set forth at pages 77 and 78 of the hearings in the Eightieth Congress. As you will see from these lists, practically every judicial circuit in the country has had occasion to deal with the problem and there are no present indications of either rejection of the contributory infringement doctrine or confusion as to its scope.

In short, what the Supreme Court, followed by the lower courts, has done is simply to demand that inventors obtain their benefits and profits from the patent monopoly itself and not use that monopoly to acquire a further monopoly over unpatented goods—a monopoly which would be summarily refused if the patentee were to seek it directly by application to the Patent Office. The rule is a most salutary one and should be retained.

For the reasons stated, it is our view that H. R. 3866 is unnecessary for the purpose of clarifying or defining contributory infringement, and is affirmatively detrimental in that it would inject confusion into a law that is now clear and would unwarrantedly limit the application of the antitrust laws. In the latter respect it represents an approach which is inconsistent with settled economic traditions and the settled decisions of the Supreme Court. See *Morton Salt Co.* v. *G. S. Suppiger Co.* (314 U. S. 488, 492).

We recommend that H. R. 3866 not be enacted.

You may be interested in looking over a copy of a complaint which is fairly typical of some of the cases that we have in the antitrust division involving the problem of tie-in clauses in connection with patented articles. The case is *United States of America* v. *Bendix Aviation Corporation* and several others. It is fairly long and I have marked particular portions which refer to this phase of the case.

Mr. WILLIS. Let me ask you two or three questions that disturb me and you bring that out in the paragraph before last of your paper here. Do you agree with the contributory infringement theory as illustrated in the classical decision of the lamp case?

Mr. STEDMAN. That was not a case where the owner of the patent was using his patent to control his own operations with respect to unpatented units. If, for instance, he had been using it in an attempt to sell lamp chimneys and say that nobody else could sell lamp chimneys, then you might have the type of case we had in the Mercoid and the other cases cited, Carbice and so forth. In the lamp case there appeared to be an attempt on the part of the defendant to sell in such a

way as to avoid direct infringement, without any element, as I understand it, of misuse.

Mr. WILLIS. Limited to the facts in that case do you agree with that doctrine?

Mr. STEDMAN. I would say it serves a useful purpose.

Mr. WILLIS. I suppose you certainly agree also with the classic case of the dry ice litigation?

Mr. STEDMAN. That is right. I agree with the decision in that case.

Mr. WILLIS. Do you feel that the doctrine of contributory infringement on the one hand and misuse doctrine on the other have a definite wholesome place in our law?

Mr. STEDMAN. Yes, sir.

Mr. WILLIS. The trouble in my mind is that the Supreme Court held in the Mercoid cases that in the event of a clash between the two doctrines the contributory infringement doctrine must yield to the misuse doctrine.

Mr. STEDMAN. That is not unusual. For instance, we in the Antitrust Division get that problem every day. We have a law of contracts, we have a law of acquisition and disposition of property, laws covering the sale of property. We recognize that those laws have a proper place in our economic system and we could not get along without them. But, when they use those laws in a way which results in a restraint of competition or in the creation of a monopoly or, as in these tie-in cases, in the exclusion of competitors from dealing in unpatented articles, then we say contributory infringement, law of sales, law of disposition of property, are qualified by the antitrust law, just as the law of sales may be qualified by laws with respect to public health.

Mr. WILLIS. The final point which I would like to lead up to is this: Do you believe that the passage of this act would result in Congress choosing between the two doctrines and going overboard in favor of the contributory infringement doctrine too narrowly, when you and I feel we have use for both doctrines?

Mr. STEDMAN. Mr. Chairman, if we did not feel that there were a very real danger of that, we would not be here. That is our chief concern. I think it is a concern that is evidenced by a considerable amount of testimony that has been presented to this committee; also to the committee last time. The doctrine would probably be invoked that if something is specifically authorized by the patent laws, then it does not constitute a violation of the Clayton Act, for instance, and the other antitrust laws. That thought was expressed back in the old Shoe Machinery case and has been recently expressed in one of the tie-in clause cases, I believe the case of *Detroit Lubricator* v. *Toussaint*.

It has been recognized that the effect of passing this bill might be to carve out an area in which the antitrust laws would not operate, even though the specified acts would be a misuse under the present statute. The statute would then say that such acts were no longer a misuse. That is what we are concerned about.

Some witnesses have said that that would be the effect of the bill's passage and some have said its passage would not affect the doctrine. We do not find it very attractive to look forward to a tremendous amount of litigation before that issue could be settled.

Mr. WILLIS. Do the first four sections of this act take the affirmative and define and limit the contributory infringement doctrine?

Mr. STEDMAN. That is right.

Mr. WILLIS. The fifth section, however, negatively tells us what will not be misuse.

Mr. STEDMAN. That is right.

Mr. WILLIS. Now would the situation be improved if we could find language to affirmatively define both doctrines in such a case in such a way whereby the classic cases that we all agree with, the lamp case and the dry ice case, could be restored to our jurisprudence?

Mr. STEDMAN. I am sure that it would be an improvement over the present bill, but I still think you would have difficulty in drawing that line. It is our view that the basic proposition that a person should not be able to use his patent to control commerce in an unpatented device, whether it is especially adapted or not, is a sound proposition and should be retained in the law.

It is significant that you are dealing here with a situation in which an individual, if he went to the Patent Office and asked for a patent on the use of this particular article, the Patent Office would throw him out. Now he comes, in effect, through the back door, and says, "I may not get a patent that way, but if I can work out a system of getting a combination patent, then in effect I have a 17-year monopoly on this particular unpatented article"—a thing which the Patent Office would summarily refuse him a patent on.

If the Patent Office would not refuse him, he would have a patent and there would be no problem at all.

Mr. WILLIS. I am sure that the proponents of the bill have no such thing in mind as doing away with the misuse doctrine. But, on the other hand what is running through my mind is, would the effect of this bill be to disturb what I consider to be a very necessary doctrine, such as in the dry ice case? You can see danger there.

Mr. STEDMAN. Yes. I think the fact that section 5 says that these acts shall not be illegal—you see section 5, you recall the language and know it better than I do, I am sure.

Mr. WILLIS. It constitutes what should not be.

Mr. BERNHARDT. Is there not some difference, speaking of the dry ice case, where you have a component element which is really a thing which the machine consumes as contrasted with that which is a mechanical part?

Mr. WILLIS. I thoroughly agree with the idea that the bill is to do away with the theory that when a gadget or a device is patented with the sole purpose of infringement, it is wholesome. The question is, does the bill go beyond that possibility and will we be choosing unduly in favor of the contributory doctrine as against the misuse doctrine? That is the question that bothers me.

Mr. STEDMAN. It bothers us too. I think one illustration is pertinent at this point to show its full significance.

Take the phonograph. Of course, Leeds & Catlin was decided back in 1911, I believe, or thereabouts. Incidentally, that decision was inconsistent with previous Supreme Court decisions. In 1894 the Morgan Envelope case, which had gone the other way, had been decided. Take the case of the phonograph. They get a patent on the combination of the phonograph and the records, and I have forgotten whether the arm was another element. Bring that up to date. I do not know what the patent situation is with respect to these new long-

playing records, but suppose that Victor or one of the other companies happens to come out with the most effective long-playing machine and gets a patent on it, gets the same kind of patent as they had in the Leeds & Catlin case. Included in that is this record.

The effect of getting such a patent, if that doctrine were restored—let us assume that it is the most attractive machine—it would mean that Capital, Decca, and every other company would be out of the market as far as records were concerned. Only Victor would be able to supply records for that machine.

Mr. WILLIS. I am sure that this bill is not advanced for the purpose of restoring any such doctrine as was found in the Dick case.

Mr. STEDMAN. I was using Leeds & Catlin, which, it seems to me, the bill would inevitably restore.

Mr. WILLIS. Mr. Goodwin?

Mr. GOODWIN. Mr. Stedman, your final point is that H. R. 3866 would leave unwarranted the application of antitrust laws. Back on page 7 you say:

> In my opinion, the long-run interests of patentees, and the patent bar as well, call for an amelioration of the situation which passage of H. R. 3866, on the contrary, would aggravate.

Are you a member of the patent bar?

Mr. STEDMAN. I am admitted to practice before the courts in patent as well as other matters. I am also a member of the American Patent Law Association. I am not admitted to the Patent Office, as I have never taken the Patent Office examination. My work in patents has not involved formal appearance with respect to applications, interferences, and similar matters that require admission to the Patent Office.

Mr. GOODWIN. So what you bring to us here is not only your experience which naturally leads you to seek the inviolability of the Sherman Act and the Clayton Act; you also bring to us your experience with the patent-law cases?

Mr. STEDMAN. I am familiar with the patent-law cases, although I do not pretend to speak for the patent bar. This is my opinion, but I believe it would be, in the long run, advantageous to the patent bar for the reasons expressed by Mr. McCabe this morning and Mr. Williams last week. I do not think the patent bar needs this doctrine, this bill, in order to carry out the patent system effectively.

In other words, they can push this thing too far with the resulting danger of pulling the house down on top of them.

I was talking about the problem with respect to litigation and there I feel that it is necessarily desirable to do something to simplify the whole litigation problem that exists in the patent field.

Mr. GOODWIN. But you speak from experience with patent law cases?

Mr. STEDMAN. That is right.

Mr. WILLIS. And you have not made any recommendations to carry out your thought that the supervision must be improved?

Mr. STEDMAN. Not here, no. That is outside of the immediate issue. I think it would be a very worth-while endeavor on the part of this committee to look into the litigation problem from all standpoints, because I think it is a serious problem and one which is bound to plague both the inventor and the patent bar as well. They do not win in the long run from a highly complicated situation.

Mr. WILLIS. What brings about the fact that the Supreme Court more often than not, invalidates a patent? Is it the unfamiliarity with the mechanics of obtaining a patent, or jurisprudence by the Patent Office?

Mr. BERNHARDT. We will have on the 15th of June hearings on a bill setting up a criterion for invention which will explore that entire subject.

Mr. WILLIS. Do you think that it would improve the litigious tendency in patent cases?

Mr. STEDMAN. I think whatever could be done to arrive at a position where you could say with more certainty that a patent is valid or invalid would certainly improve the whole situation. One of the big problems is this problem of the tremendous amount of litigation expense you have to go through before you ever get to a decision with respect to the merits on a particular patent.

Mr. WILLIS. Thank you.

We will be glad to hear from Mr. Lanham at this time.

STATEMENT OF FRITZ G. LANHAM, APPEARING ON BEHALF OF THE NATIONAL PATENT COUNCIL, GARY, IND.

Mr. LANHAM. My name is Fritz G. Lanham and I represent the National Patent Council which is a nonprofit organization of smaller manufacturers with headquarters offices at 1434 West Eleventh Avenue, Gary, Ind.

The National Patent Council, though it realizes that there should be careful study and clarification and modification of the pending bill, is definitely in favor of a proper contributory infringement statute. Most of the patents, I think, in this day and time are combination patents and unless there is some protection for a patentee, why he might as well not have his patent.

If an infringer knowingly produces something which has no other use than to infringe a patent, certainly a degree of culpability must attach to him or if he knowingly sells for use in infringement something that he manufactures, I think that the culpability would still attach.

Reference was made to case law. The mere fact that the reliance of the last witness was upon case law and that that case law was confusing, shows that we need some type of enactment.

Now, let me call attention to further unfortunate confusion. You have just heard the testimony of Mr. John Stedman, representing the Antitrust Division of the Department of Justice in opposition to this measure. I want to call your attention to the fact that at the hearing last year in the Eightieth Congress, appearing for the Department of Justice, and testifying favorably concerning the enactment of some legislation of this character, was Col. Roy Hackley, Jr., Chief of the Patent Section, Claims Division, of the Department of Justice, which is the patent division of that Department.

Now we have three different Divisions in the Department of Justice dealing with patent matters, although specifically the Claims Division is the proper Division to deal with patent matters. We have the Antitrust Division and the Alien Property Division. Let me call attention to the testimony of Colonel Hackley at the former hearing.

Mr. WILLIS. That is on page 65.

Mr. LANHAM. It is on page 65.

First, let me say with reference to Col. Roy Hackley, Jr., that he is an able lawyer and a man of long and varied experience in patent practice as a patent attorney. You will find beginning on page 65 his testimony with reference to two or three bills that were then pending.

Mr. WILLIS. I think the first part has to do with other matters. The appropriate testimony commences at page 68.

Mr. LANHAM. You will observe from that testimony, which I will not take the time now to include in my remarks, that he expressed a favorable opinion with reference to the enactment of a law of this character.

He suggested further study of the language of some of the provisions. Now, what is business to do today when the Department of Justice on these two different occasions has the representative who is in charge of the patent section of the Department of Justice come to one and appear in favor of a bill of this character and now has another representative come from the same Department of Justice opposing the measure? What is business to do under such circumstances? How can it be otherwise than jittery when it can get no clear understanding of what the attitude of the Department of Justice is on important matters like this one? How can business proceed with any certainty when such divergent opinions are thus publicly expressed by representatives of that Department?

I have long advocated, and I advocated before this committee in the eightieth Congress, that we should have in the Department of Justice, one section, one division only, dealing with patent matters. It should have personnel familiar with all of the various phases of patent problems and litigation and that division should be under the charge of an Assistant Attorney General; and until we get something like that, so that business can avoid the confusion of having various branches of the Department of Justice come in and give conflicting testimony on this and other bills, what is busines to do?

Clearly, under these circumstances there is a change of some kind needed in the Department of Justice from the standpoint of a reorganization of their forces to give business some opportunity to understand what it can and cannot do. This very confusion that exists there, as well as the confusion that exists in these cases with reference to contributory infringement, certainly seems to point not only to such a reorganization and the necessity for it, but also to some very carefully considered and proper statutory provision that would relieve this confusion that has arisen in these cases, and it might incidentally relieve the confusion that seems to exist in the Department of Justice.

Mr. WILLIS. I think, however, that it should be in the record that the Antitrust Division has not been inconsistent; that is, this is their first version.

Mr. LANHAM. I am not taking that attitude, Mr. Chairman. I am taking the attitude that representatives of the Department of Justice have appeared on two different sides of this controversy and that the gentleman who is in charge of the patent section, Col. Roy Hackley, Jr., who is a most able lawyer, appeared favoring legislation of this character.

I reiterate that with a situation of that kind existing business cannot know with any certainty what it can or what it cannot do. So, there seems to be confusion in the Department of Justice as well as in this proposed law and I hope a proper study will lead to clarification and modification that will enable both the bar and the Department of Justice to meet on common ground.

The history of the cases bearing on this problem has been recited by other witnesses. Though the decisions of the Supreme Court in these cases are not as clear as crystal, it is possible to discern in each a basis for the decision in all—the Supreme Court will not entertain any patent-infringement suit when it appears that the plaintiff is attempting to use the patent to establish a monopoly in unpatented articles. It matters not whether the suit is against a contributory infringer or a direct infringer. It matters not whether the article is a standard article of commerce or an article especially made for use in practicing the patented invention. It matters not whether the patent is valid and infringed. It matters not that the infringer is willfully and intentionally infringing the plaintiff's patent.

It would seem, therefore, that the basis for the decisions referred to is not that a suit for contributory infringement is per se prohibited, but the effect of these opinions on suits for contributory infringement is obvious. That the Supreme Court has not yet condemned contributory infringement suits as such is evidenced by the following statement in the *Mercoid case* (320 U. S. 661 at p. 669):

> The result of this decision, together with those which have preceded it, is to limit substantially the doctrine of contributory infringement. What residuum may be left we need not stop to consider. It is sufficient to say that in whatever posture the issue may be tendered courts of equity will withhold relief where the patentee and those claiming under him are using the patent privilege contrary to public interest.

It would seem that the basic need is for a statutory definition of what a patent owner may do to enjoy his rights of recovery against direct infringers and contributory infringers. It will probably be a difficult matter to construct a statutory solution of the existing difficulties. If the people who are directly affected by these decisions of the Supreme Court were asked what statute is needed, their answer would probably be something like this: "Give us a statute defining clearly what we must do in order to avoid the charge that we are attempting to misuse our patents to establish a monopoly in unpatented articles." Naturally they want to know this because they want to avoid having their complaints dismissed and their rights to recovery denied. Such a statute would not only enable patent owners to comply with the law and thereby enjoy their rights of recovery for direct and contributory infringement, but it would also be in the public interest because patent owners would have a selfish interest in avoiding attempts to establish monopolies in unpatented articles by complying with the statute.

A careful consideration of the problem as a whole is indicated. It seems that the vast majority of patents fall into the two classes of method and combination patents, and their owners are in a state of uncertainty as to what they must do in order to eliminate the possibility that their complaints against direct infringers as well as against contributory infringers may be dismissed and their rights of recovery denied on the ground that their methods of doing business constitute an attempt to establish monopolies in unpatented articles. Those who

are selling unpatented articles are likewise uncertain as to their right to do so. A proper statutory solution of the problem would be of great benefit to inventors and industry in general and, therefore, to the public.

Difficult as the task may be, it invites the very careful study and consideration of the committee. Such law as may be enacted should solve the whole problem. For instance, the bill under consideration states that its purpose is to protect patent rights where enforcement against direct infringers is impracticable. From cases which have been cited it appears that it makes no difference whether a suit is against a direct infringer or a contributory infringer. In other words, the question arises as to whether, if the law announced by the decisions of the Supreme Court is to be changed, will it not have to be changed with respect to suits against direct infringers as well as with reference to suits against contributory infringers inasmuch as the Supreme Court has held that the complaint should be dismissed whether the suit is against a direct infringer or against a contributory infringer? It would appear, therefore, that very careful committee consideration should be given to sections 3 and 4 of the bill in order that any necessary revision may meet the entire problem. For instance, it has been contended that there are instances in which the courts have defined contributory infringement, as in *Thompson-Houston Electric Company* v. *Ohio Brass Company* (80 F. 712, 721), and evidently those definitions should be studied in arriving at a proper statutory provision. In other words, if the definition should be so hard and fast and inflexible and mechanical as to deprive courts of the power they now have to exercise their judgment and discretion in cases in which it is alleged and denied that the plaintiff is attempting to use the patent in suit to establish a monopoly in unpatented articles, relief might be denied to patent owners in all suits for contributory infringement where the facts did not fall strictly within this definition.

It cannot be denied that at present very considerable confusion exists and that patent owners and others are left in a state of uncertainty as to their rightful procedure. Difficult as it may be, the committee necessarily is the original source of provisions to correct the situation in a measure which will obviate the confusion and do full justice to patent owners and all concerned. To accomplish this laudable purpose, very careful study of the whole problem in its various aspects is necessarily required.

Mr. BERNHARDT. Mr. Chairman, Mr. Stedman has requested an opportunity to address a few remarks to the committee.

Mr. WILLIS. I think it is entirely appropriate.

STATEMENT OF JOHN C. STEDMAN, CHIEF, LEGISLATION AND CLEARANCE SECTION, ANTITRUST DIVISION, DEPARTMENT OF JUSTICE—Resumed

Mr. STEDMAN. I think, in view of Mr. Lanham's statement, that a couple of explanations are in order.

In the first place, I made clear at the beginning of my statement the relationship of our statement last year and our statement this year. We do not consider them inconsistent. If Mr. Lanham thinks they are inconsistent, that is his privilege. The statement made today

represents the position of the Department of Justice. The question is not one of the position of the Claims Division or the position of the Antitrust Division. This is the position of the Department of Justice and of the Attorney General that was expressed today.

The whole matter has been thoroughly discussed down there, and this is the position.

I would like to clear up a slight misapprehension which Mr. Lanham is apparently under with respect to the relationship between the different units in the set-up of the Department of Justice.

As he says, the Alien Property Division has certain patent work, and the Antitrust Division has certain patent work, and the Claims Division has certain patent work. It is somewhat misleading for him to say that the Patent Section of the Claims Division is the patent department of the Department of Justice. It is the patent department of the Claims Division, which simply takes care of problems arising with respect to patents there, just as the Antitrust Division has a patent department that takes care of patent problems that arise in that section.

As a historical matter, Ex-Congressman Lanham will recall that for 2 years before Colonel Hackley was in charge of the Patent Section of the Claims Division, I was representing the Claims Division with respect to patent matters before the Congress. That was before I went into the Antitrust Division. So, I think perhaps I am as fully aware of all of the implications and problems involved as anyone would be. I thought as long as this issue came up it ought to be clarified.

Mr. WILLIS. Thank you very much.

Mr. Rich?

STATEMENT OF GILES S. RICH, ON BEHALF OF THE NEW YORK PATENT LAW ASSOCIATION, NEW YORK, N. Y.

Mr. RICH. How much time do you want me to take, Mr. Chairman?

Mr. WILLIS. We do not want to deny you your day in court.

Mr. RICH. I am Giles S. Rich, representing the New York Patent Law Association, the sponsor of this bill in favor of which I testified at the last hearing. The nature of my testimony this morning will be rebuttal, primarily, of the statement of Mr. Stedman, in the course of which I may also touch on points covered by other witnesses such as Mr. McCabe.

Mr. RICH. I think it is only fair to tell this committee the way a patent lawyer who has done nothing for 20 years except practice patent law views the statements made on behalf of the Department of Justice.

The background of the situation is, as we all recognize, that there is a cold war between the patent bar and the Antitrust Division of the Department of Justice which has been going on since about 1941, at which time the hearings of the Temporary National Economic Committee were held, and subsequently in many different Congresses the Antitrust Division has introduced and attempted to promote legislation cutting down the rights of the patentee in various respects, restricting the provisions which may be placed in license agreements, which the patent bar regards as entirely legitimate and in which it has been sustained by the Supreme Court.

So, to me, Mr. Stedman's testimony reflects the long-standing attitude of the Antitrust Division. It seems to be a question of who is selected to come and represent the Department of Justice. Certainly the views of the Department do not extend beyond the Department to other branches of the Government; so, it cannot be regarded as the general governmental attitude.

Mr. WILLIS. Let me ask you a question at this point. Is your association 100 percent in favor of this legislation? Do you not feel perhaps that in your organization you might have picked one member who might oppose your own views?

Mr. RICH. As I believe I stated the last time, the bill was drafted by a committee and then there was a general meeting of the entire association attended by perhaps 200 people, at which it was considered and it was voted to have the legislation introduced and to do all we could to promote it, and I recollect that that vote was practically unanimous.

Mr. WILLIS. Please do not misunderstand me as being critical. On the contrary, I would like to feel that all witnesses who appear here are expressing a sincere conviction; so, I am not attributing anything but the highest respect for you and your association and everyone else.

Mr. RICH. I want to bring out that this is a long-standing position of the Antitrust Division to oppose anything which appears in any way to strengthen the rights of patentees, because they regard the patent right as fundamentally in conflict with the antitrust laws. But the antitrust laws are intended to deal with monopolies of the type which subtract from the public something which it had before or has the right to have free and clear of any incumbrance. Patent rights, on the other hand, always have and always will apply only to inventions which have given to the public something new which it never had before.

While they may both be characterized as monopolies, there is a distinction between the two types. Some lawyers confuse the issue in my opinion by attempting to point out that the patent right is not really a monopoly at all. I think that is foolish, because it is obvious that monopoly is an economic power which is neither good nor evil in itself, and which can be put to use in the interest of the public to stimulate invention or can be used in a bad sense by subtracting from the public something which it already has possession of.

Now, coming to Mr. Stedman's statement in detail, he said that there is no persuasive case made out for the bill because the courts since the Mercoid decision have shown an increasing understanding of the matter; and, therefore, confusion in the law is no more a persuasive argument. I totally disagree with that position. I believe I stated last week that one of the principal reasons for this bill is the existence of confusion, confusion in the lower courts as to what the Mercoid case means, whether there is any contributory infringement left or not, and I can prove the point simply by reference to cases on both sides of the question.

There are a number of cases which say, like the Mercoid case itself, "We do not know what is left of the doctrine." Then there are certain cases which definitely follow what I believe to be the necessary logical implications of the Mercoid case, and I will state at this point what those logical implications are.

You have to take this matter of the "unpatented item" into account. What is an unpatented item or element? It is anything which the patent claims do not specifically read on, element by element. Now, in the classic Lamp case, the lamp minus its chimney was an unpatented combination of elements, an unpatented thing. There is no escape from that conclusion, and that is why recovery could not be had for direct infringement, and that is why the doctrine of contributory infringement came into existence—in that particular case called "virtual infringement."

The assembly of switch elements in the Mercoid case was regarded as an unpatented element because the claims of the patent did not read on it, because the claims included other elements like the parts of the furnace. It follows necessarily as a matter of logic, therefore, that in any case of contributory infringement, where recovery is permitted, the patentee is given control over something which is unpatented.

Now, these are the cases which have applied that logical result: *Strocco Products* v. *Muhlenbach* (67 U. S. PQ, 178), in 1944, the same year that Mercoid was decided; *Master Metal Strip* v. *Protex* (78 U. S. PQ, 119), in 1948, by the Seventh Circuit Court of Appeals.

On the other hand, we have those two cases which were referred to by Mr. Stedman, *Florence-Mayo Nuway Co.* v. *Hardy* (168 F. (2) 778), by the Fourth Circuit, also in 1948, and *Harris* v. *National Machine Works* (171 F. (2) 85), Tenth Circuit Court of Appeals, in 1948. The two latter cases simply ignored the Mercoid case, and one of them relied upon the case of *Henry* v. *Dick* as the controlling authority. The other one relied on the Florence-Mayo case. If that is not confusion, I do not know what you would call it.

Mr. WILLIS. Was not the Dick case overruled?

Mr. RICH. Of course, the Dick case was overruled in 1917, but the picture to me is that some circuit courts of appeal so thoroughly disagree with the results reached in the Mercoid case that they will find some pretext on which not to follow it. So I say that confusion exists. Certainly, that is the way that all lawyers that I know of view the matter. They do not know how to advise clients when it comes to enforcing patent rights. They do not know how to advise the clients when it comes to writing license agreements, and that is the basic reason why this bill was proposed.

So, I entirely disagree with the statement made by Mr. Stedman that the case law is neither uncertain nor confused.

He then takes up the sections of the bill and says that section 1 apparently would catch the innocent as well as the guilty. I am unable to follow his reasoning, because I cannot see how anyone who actively induces an infringement could be innocent. The question of lawyers giving advice came up last year, and nobody apparently took it seriously. You will find it discussed in the published hearing.

Section 3, which is the principal section of the first part of the bill, Mr. Stedman said works two fundamental changes in the law. He says that it would catch unintentional contributory infringers. Well, I can see nothing wrong in catching an unintentional contributory infringer so long as it is the law that you can catch an unintentional direct infringer, which is the law according to my understanding. Anyone who makes, uses, or sells an infringement of a patent, whether

or not he knows of the patent or intends to commit infringment, is liable.

So, if a person sells something especially adapted for infringing use, and having no actual commercial noninfringing use, does that act without intent to infringe, why should we not hold him likewise?

Mr. WILLIS. That is true in all tort law. You do not have to have an intent; do you?

Mr. RICH. That is right.

The second point is that the supplier of this especially adapted thing is liable even though there is no infringing use. The law always has been that, to hold anyone for contributory infringement, there must have been somewhere a direct infringement which was contributed to.

The question, it seems to me, is purely academic in any case, because, if there is no actual infringement anywhere, why is the patent owner going to bring a suit against anyone? He is not being damaged in the least. If he is not being damaged and knows that a suit is expensive, he is certainly not going to bring a suit.

Mr. WILLIS. While you are on section 3, let me ask you whether the word "especially" in section 3 is intended to modify "adapted for use as made"?

Mr. RICH. In the minds of the drafters of that section, I would say "Yes."

Mr. WILLIS. It would make a difference.

Mr. RICH. Especially made or adapted.

Mr. WILLIS. Could you say that the word "especially" is understood to be after the word "or"?

Mr. RICH. Yes, and we would have no objection to its being there if you felt that it improved the language. We actually discussed that point at the time we wrote it and we thought it was sufficiently clear to put "especially" in only once.

Now as to section 5. For the most part I agree with everything Mr. Stedman has said in his interpretation of that section, but it seems to me that he ignores the fact that that section is limited to contributory infringement as defined in the preceding parts of the bill. His citation of the Morton Salt case is irrelevant because the Morton Salt case did not deal with anything that was especially made or adapted.

It stated a general proposition which pertains to staple articles of commerce like salt tablets on which we never intended to give anybody any monopoly by means of a patent.

As I tried to make clear the last time, it is absolutely necessary, to get anywhere in the direction we are trying to go, to make some exception to the misuse doctrine because it is the conflict between the doctrine of contributory infringement and the doctrine of misuse that raises the problem. The court in Mercoid theoretically did not touch contributory infringement, they merely said where it conflicts with misuse, the misuse must control. How are you going to put any contributory infringement, which I said no longer exists, back into the picture?

I previously stated, and I wish to reiterate it, that section 5 is the most important part of the bill from the standpoint of accomplishing our purpose. The exception which we wish to make to the misuse doctrine would reverse the result in the Mercoid case; it would not reverse the result in the Carbice case.

Mr. WILLIS. Say that again, because that is the question that I am intrigued with.

Mr. RICH. The exception which we would make to the misuse doctrine would reverse the result in the Mercoid case as we read it, as logically abolishing contributory infringement.

Mr. WILLIS. All right, what would the bill do to the misuse doctrine?

Would it preserve it and to what extent?

Mr. RICH. It would preserve it in such cases as the Carbice case or the Barber Asphalt case, where the things dealt with are staple commodities of commerce and not especially for use in infringement of patents.

Mr. WILLIS. It was my understanding of the intent of the bill that it would preserve both of the doctrines before the Mercoid decision.

Mr. RICH. That is true. The only change made by the decision in the Mercoid case was to extend the misuse doctrine so as to apply to the so-called unpatented elements or so-called unpatented combinations of elements having no other use than in an infringement.

It might be worth while to point out to you in the Mercoid case the important parts of the opinion which Mr. Stedman omitted from his quotations, which are spread over several pages of the opinion of Mr. Justice Douglas. The crucial point in the case was that the Court predicated its decision on its adoption of the fact finding that the stoker switches which Mercoid sold had no use other than in the Cross combination patent. They said specifically that in the application of this misuse doctrine it makes no difference that the unpatented device is part of the patented whole. In this type of case there are parts which have other uses and those which do not have uses other than in the practice of invention. They were talking about a device which had no other use.

Then much has been said about this Leeds & Catlin case which the Court was discussing in detail, and the opinion very clearly and effectually overrules it by saying that the view that they have expressed in the Mercoid case is in substance inconsistent with the view which was expressed in the Leeds & Catlin case.

In a paper which was recently read by Mr. Justice Douglas, who wrote this opinion, before the Bar Association of the City of New York, he had a tabulation of cases in which he treated Leeds & Catlin as at least modified extensively by the Mercoid decision.

Now I want to say a word about this phonograph record situation, which was involved in the Leeds & Catlin case. You cannot regard it in the light of present conditions where phonograph records are on sale in every five- and ten-cent store. You have to go back to the time of the invention and the time of the decision and realize what this common flat type of phonograph record was at this point in history.

Prior to the invention of Berliner in this patent involved in the Leeds & Catlin case, the phonograph was the Edison phonograph that had a cylindrical record which, as Mr. McCabe explained, was associated with a screw which fed the needle along the record. Berliner revolutionized that particular art by an entirely new concept of a phonograph in which the record was flat and had a spiral groove which not only carried the sound track but also fed the needle across the record and eliminated the use of a screw.

Back at the time that Leeds & Catlin was decided that was exceedingly novel subject matter. As the Mercoid case says, it was the heart of the invention and the advance on the art. Those things were embodied in the record. The defendant's argument was that the record would be worn out and that it fell under the doctrine of the Morgan Envelope case, which refers to parts which wear out, and the court turned that down and said that obviously people buying new records were buying them not to replace worn out parts but to increase their repertory. So, I say to understand that law you have to regard it in the light of conditions back in those days rather than in the light of present conditions when phonograph records make a very different impression upon people.

Mr. WILLIS. Let me ask you this question: The Supreme Court said in the Mercoid-Mid-Continent case:

> Minneapolis-Honeywell in advertising its stoker switches stated that the "right to use" the Cross system patent was "only granted to the user" when the stoker switches of Minneapolis-Honeywell were purchased from it and used in the system. There was ample evidence to sustain the findings of the district court that respondents endeavored to use the license agreement so as to prevent the sale or use of combustion stoker switches in these heating systems unless they were the switches made by Minneapolis-Honeywell and purchased from it or its sublicensees.

Do you not think that probably that influenced the Supreme Court more than the fact that they assumed that the switch had no other purpose than for infringing uses? Suppose that element had not existed and suppose they had not participated in those acts?

Mr. RICH. What element?

Mr. WILLIS. The fact that the right to use was predicated solely upon the purchase of the element from them.

Mr. RICH. That was the thing essentially which they regarded as a misuse of the patent right. But, let me ask this rhetorical question: If you are in the business of supplying electrical equipment for furnaces and you are not in the furnace business, how are you going to enforce a patent of this type which is on the heating system? What can you do with it? What value does it have to you unless you can go to the source of the thing which has no other use which instigates all of the infringements? It is the type of situation which occurs over and over again where contributory infringement is the only practical way to get any value from your patent.

I can see nothing wrong in that method of doing business.

Mr. WILLIS. Is that one of the permissive things granted by section 5?

Mr. RICH. Yes. There was more to it than just selling switches. It is very misleading to talk about the Mercoid case in terms of selling switches as though the switches were standard articles of commerce. If you will refer to the circuit court of appeals opinion in the Mid-Continent case, you will get some more facts where it appears that the Mercoid Co. in making switch assemblies, to promote their sale of them, advertised extensively the use of the devices in the Cross combination to accomplish the same purpose and the same manner or its equivalent as does Cross with his control.

Included in these advertisements are detailed specifications and drawings to aid the purchaser in making the installation.

Another element in the misuse part of the case was that the royalty was based on the switch assemblies.

Mr. WILLIS. Yes.

Mr. RICH. Mr. Stedman's next point is that this bill is likely to create litigation. Perhaps he is right because patentees owning patents of a type unenforceable now in the opinion of their counsel, because enforcement must be based on contributory infringement, will take heart and perhaps sue people they regard as instigators of their infringement. I cannot see why patentees should not be accorded their day in court.

I am not quite sure what Mr. Stedman means when he says that the Mercoid case involved a tying-in situation. Tying-in to me involves the sort of thing present in the Dick case where you sold the machine and tied in the supplies and many other situations such as are specifically enumerated in the Clayton Act.

Then he says that another reason advanced for this bill is that the dictum in the Mercoid case virtually eliminates contributory infringement. I say it is not dictum in the first place and in the second place there is no question but what contributory infringement is entirely eliminated by a logical construction of the decision. Some courts have certainly gone along that line.

He made the point that there was no difference between the tying-in practice in Mercoid and many other tying-in cases. I think the difference is very clear. No matter what you call it, the essential difference between Mercoid and any other case that ever preceded it was the fact adopted by the Court that the things sold by the defendant had no other use except in the patented invention and, as I said previously, making use of those things in accordance with the instructions with which they were sold necessarily resulted in direct infringement by somebody.

He said also that there is no present indication of either retention of contributory infringement or confusion as to its scope. You have been referred to the testimony of Mr. Hackley last year in which he said:

> It is conceded, however, that the Mercoid case at least has created some doubt as to what remains of the historic doctrine of contributory infringement.

Mr. WILLIS. At this point I have one question that disturbs me. Since section 5 only tells us what shall not be misuse in the future, are you not in effect doing what the Supreme Court did in the Mercoid cases by not telling us what is left of misuse by defining it? I am serious about that, it does bother me. I am curious to find out what will be left unless we define it. We are defining what is contributory infringement. We are saying in section 5 what shall not be misuse, but since we are trying to put into law a definition of the whole field, do you not think we should go farther and let the courts know what is left of the misuse doctrine? And, if we do not, are we not going into a state of confusion almost as bad as the one said to exist today with regard to contributory infringement?

Mr. RICH. I think that section 5 makes it perfectly clear what is left of misuse in this way: it says that certain things under the headings (a), (b), and (c) shall not be deemed to be misuse or illegal extension of the patent monopoly.

Take the first one, (a), that the patent owner has derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent. To determine what that means you will have to look at the rest of the bill and see what we say shall be considered to be contributory infringement now and if he has derived revenue, for example, by selling these elements with an implied license, obtaining a little extra profit because of his protection granted under his patent, then that shall not be misuse.

The next subsection, (b), deals specifically with the granting of licenses for royalties. The third one deals with filing suit because in two of these cases which I cited to you which followed Mercoid, they held that filing suit in itself was not only misuse of the patent but was a violation of the antitrust laws.

Mr. WILLIS. The Clayton law?

Mr. RICH. A violation subjecting him to treble damages.

Mr. WILLIS. See what is in my mind, Mr. Rich? This bill tells us what in the future shall not be deemed to be misuse. The bill is perfectly crystal clear in the definition of contributory infringement and in outlining what shall not be misuse but then it stops short of telling us what in the future shall be misuse. I do not know that we should so provide. Probably you think otherwise and you are probably correct. But I want your thoughts on that for the record.

Mr. RICH. All right. As I said in the beginning, the purpose of section 5 is to back-track on the misuse doctrine sufficiently to protect patentees in those situations where they should be protected by having a contributory infringement doctrine made available to them which can be enforced. We say that in these situations you shall have the right to enforce your patent by a suit for infringement. If you do that you shall not be deemed guilty of having misused your patent or illegally extending it. Everything that has existed of the misuse doctrine before is left.

Mr. WILLIS. That is what we accuse the Supreme Court of having done in the Mercoid case. They said that to this extent we detract and restrict the contributory infringement doctrine. What is left we do not stop to tell you. You say that because they said that it has created all the confusion.

Mr. RICH. I said that because of what they did in the Mercoid case there is nothing left of contributory infringement.

Mr. WILLIS. I think it has created confusion but some of the cases say something is left.

Mr. RICH. I divide the cases into three categories: the first follows Mercoid logically and says there is not any more contributory infringement, merely bringing suit for contributory infringement is misuse. There are two and maybe three cases like that. Then there is the second group of cases which ignore Mercoid and hold the people liable for contributory infringement notwithstanding Mercoid. The third group says the matter is in confusion or doubt. We do not have to pass on it. We do not stop to see.

I would just like to say about one of those cases which ignored Mercoid, the Florence-Mayo Nuway Co. case that I investigated that by communicating with the attorneys and the winning attorney said:

Clearly you are right in saying that the court did not properly construe the Mercoid case and we are sure that if it ever got to the Supreme Court it

would be reversed. But fortunately we have settled the matter so that it will never get to the Supreme Court.

That is how he felt about it.

I think it should also be brought to light, which nobody has mentioned before, that the United States Government had a big hand in the Mercoid case through the Department of Justice and participated in it and filed a brief amicus curiae and I believe went to a considerable extent beyond that and you will find in the reported decision the list of the attorneys representing the Government who participated in the case.

I also wrote an article which was published in the Journal of The Patent Office Society called Stuff and Nonsense in the Government's Mercoid Brief, contemporaneously with the filing of the brief.

Mr. Stedman said that he agreed with the classic lamp case and that he saw no difficulty in the situation where the patent was used to control unpatented units because that would be like the Mercoid case, talking about the lamp chimney. Well, the Mercoid case is not at all like an attempt to control a lamp chimney for the simple reason that it was dealing with an assembly especially made and adapted and having no other commercial noninfringement use.

Now the Patent Office situation seems to trouble you from time to time and the statement is made that if you went to the Patent Office and attempted to get a patent on these unpatented elements they would not grant you such protection. They would not grant you a patent on a lamp chimney utterly lacking in novelty, naturally. Neither would they grant you a patent on the burner mechanism of the lamp because of the rule in the Patent Office that you must describe a completely operative mechanism in your claim and that is how these patents come into existence which cannot be enforced except through contributory infringement suits. It is a typical problem that patent solicitors have to deal with in prosecuting patent applications.

That sort of situation came to the Supreme Court in the case of *Special Equipment* v. *Coe*, where there was a machine for coring pears. They were granted claims on the entire machine, all of the elements, but they realized that part of this machine might be separately useful if part of the operation were performed by hand. I forget just what it was, but let us suppose that the entire machine chopped the stem off and then took the core out. They realized that you could chop the stem off by hand and then do the rest of the work with part of the machine.

So they wanted claims on part of the machine and they fought it in the courts, realizing the importance of the Mercoid doctrine. In that case, a year later than the Mercoid decision, apparently the Supreme Court took the view that the Mercoid case had definitely settled that a subcombination of elements, elements A, B, and C, in a general combination, A, B, C, and D would not be protected since Mercoid, thereby affirming in the minds of many people that Mercoid means just what we think it does.

All the machine claimed in a patent minus one element must be regarded as an unpatented thing. Attempt to control it by your patent and you are misusing it and you are out of court.

I hope I have made the matter clear?

Mr. WILLIS. Entirely.

Mr. RICH. As I said in the beginning this is a lawyer's bill dealing with an exceedingly technical subject. Patent law is called the metaphysics of law and this is the metaphysics of patent law.

Mr. WILLIS. You have made yourself entirely clear. I had wished that you had by virtue of your eminent qualifications, set forth in the record, not categorically 1, 2, 3, but practical illustrations of what is left of the misuse doctrine.

Mr. RICH. I think I have dealt with that situation. I was asked to make a speech before the New Jersey Patent Law Association last winter, long before this bill was introduced, and I did so and I reduced it to writing and in due course it will be published in the Journal of the Patent Office Society. It reviews the entire subject of contributory infringement from the beginning down to date and I should be only too pleased to leave a copy with you which you might like to read and perhaps you might see fit to put it in the record.

A copy was sent with a letter to Mr. Celler with the bill.

Mr. WILLIS. Have you one in the record already?

Mr. RICH. Not in the record. I sent one to Mr. Celler.

Mr. MCCABE. Mr. Chairman, might I ask a question?

Mr. WILLIS. Yes.

Mr. MCCABE. With regard to section 5, we have litigation a number of years prior to these suits because this question of contributory infringement was not new. They formed what was known as the Zorro Patent Trust in which a number of patent burners were placed in the hands of the Cleveland Trust Co., in Cleveland, Ohio, and they proceeded to grant licenses to oil-burner manufacturers and to make oil burners and make controls to control burners and the oil-burner manufacturer was not allowed to buy his controls only from a licensed control manufacturer. The Minneapolis-Honeywell took an exclusive license under that and they offered us a license and our attorneys advised us that it was in violation of the antitrust laws.

Controlling items were not the subject of those patents and the results was that for a number of years they would bring suit against our customer and when time came they would fail to appear in court and the suit would be dismissed and that went on and they would file another suit. That went on from 1932 until 1937.

In 1937 they had passed what was known as the Declaratory Judgment Act and we were able to file a cross bill and hauled them into court.

At the conclusion of the case the court held there was no infringement by our devices and also that one or two of those patents were invalid. As to the others there was no infringement under section 5 here, what would be the status of a manufacturer such as Minneapolis-Honeywell who had been selling controls exclusively to be used in that system and yet the control did not come in the patent.

In our case they found our controls did not come within the patent confines. There was no infringement. During all those years those people had a monopoly to themselves and they hurt our business grievously and our business dropped two-thirds in 1 year.

We could not bring it to a head although we tried to stay within the law on counsel's advice. At the end of the litigation we were proven to be right.

Furthermore, the Federal Trade Commission had gotten after them and made them cease this thing but before all of that transpired the damage was done to us. We were able to survive by developing other fields for our products and when this was settled then our business came back again.

What is the status of a contributory infringer or the use of a patent in which the man says, "This is part of a patent," and later it is found that it is not.

Mr. RICH. The court has to decide whether it meets the terms of the bill, whether it has another legitimate use or not.

Mr. McCABE. Section 5 reads as follows:

shall be denied relief or deemed guilty of misuse or—

Suppose he extends his patent and the court later finds our devices did not infringe on those patents, but so held.

If you wish, I have only one copy here, but I will arrange to get copies for your committee in which you can study this and it will probably give you an idea how this thing works.

In other words, they put a large number of patents together and they said that it will infringe these patents. Our own patent would come in from the field and would be of an entirely different nature, but they claimed and the court held otherwise, that there was no infringement.

Now, what is the status of the man who has reached out and covered the territory he had no right to cover? Suppose we had this patent and threw them all into the pool and licensed under them to make these parts and later it is found that the patent did not cover the parts?

Mr. RICH. I have not been able to follow all of the ramifications.

Mr. McCABE. That is why I am here to see that nothing like that happens again because we had a heck of a time.

Mr. RICH. There is one great difference between your approach and mine; you like to reargue the facts of the Mercoid case.

Mr. McCABE. You are dealing with a suit; we are dealing with a business where we have to operate under conditions set by the statute and here you are setting up a condition which I know will be very injurious to small business generally, including our own.

Mr. RICH. I cannot believe it, and I cannot believe that Mr. Lanham would be here supporting it on behalf of small business if he thought so.

Mr. McCABE. Mr. Lanham has not had the thing come right home as we have it where our daily orders show up.

They tell you, "We would like to buy yours, but the Zorro patent says you cannot."

Mr. RICH. When you have a dispute you have to bring it to a head and then it becomes a matter of specific legal issues, and your counsel has to decide what to do.

Mr. McCABE. Will this grant him immunity, then, from the results of the violation of antitrust laws because it is said here so-and-so and then he says, "Well, my excuse is that I thought I had a patent."

Mr. GOODWIN. Mr. Chairman, it has been a most interesting hearing.

Mr. BERNHARDT. Mr. Stedman wishes to place a few remarks in the record.

STATEMENT OF JOHN C. STEDMAN, CHIEF, LEGISLATION AND CLEARANCE SECTION, ANTITRUST DIVISION, DEPARTMENT OF JUSTICE—Resumed

Mr. STEDMAN. I should like to describe to you briefly my qualifications.

I taught patent law as well as other subjects from 1935 to 1942 at the University of Wisconsin Law School. During that period I spent 1 year at Columbia University on a fellowship during which time I spent the entire year working on the question of patents in their relationship to the antitrust laws, the very issue that is involved in H. R. 3866.

I got a higher law degree as a result of the year spent there.

I came to Washington in 1942, and for the next year and a half had nothing to do with patents; I was with the Office of Price Administration.

From the summer of 1943 until the present time I have been with three different organizations in the Government, in every one of which I was dealing almost entirely with patent matters.

I spent a year and a half with the Office of Alien Property in charge of the patent work in the general counsel's office.

I spent 2 years with the Claims Division as a special assistant to the Attorney General, and as a personal adviser to the Assistant Attorney General in charge of the Claims Division on patent, trade-mark, and copyright matters. That position involved working with such matters as patent legislation and also general review of the patent work of the Claims Division.

For the last 2 years I have been with the Antitrust Division in which my work until recently has been almost entirely patent, trade-mark, and copyright matters.

Fairly recently I have had other responsibilities in connection with legislation and additional matters having nothing to do with patents.

As you can see from the foregoing summary, it happens that I have spent considerable time in each of the three Department of Justice Divisions having to do with patent matters, and my duties were such as to compel me to obtain complete familiarity with their respective patent problems.

The cold war which Mr. Rich refers to between the patent bar and the Antitrust Division comes as somewhat of a surprise to me. I know that the Antitrust Division has no war, cold or hot, as far as the patent system is concerned.

I think it has no quarrel with the great majority of the patent bar.

The one concern that we have, and the only concern that we have, is to assure that the patent laws are not used in a way that they were never intended to be used, namely, for the purpose of branching out and controlling unpatented materials and using and imposing restrictions upon competition which are not within the framework of the patent right itself.

Action short of that, we think, is completely warranted, and, as I say, within the legitimate operation of the patent system. We are completely in accord with it.

As I say, the cold war may exist in the imagination of some patent lawyers, but I do not know of its existence in the Department of Justice during the time I have been there, although what happened before I went there, I do not know.

Mr. Rich also referred to legislation which has been introduced which would taper down and cut down the patent system. Again, I do not know what happened before I came with the Department of Justice in 1944.

Since I have been acquainted with the Department's activities, I know of no bill which has been fostered and pushed by the Department of Justice which would have the effect of cutting down in any way the patent system, with possibly a couple of exceptions—and I do not think they would be construed as being in that category—one being the royalty adjustment bill, and the other a bill with respect to technology and information in Government files which I think have been introduced.

Mr. WILLIS. Yes.

Mr. STEDMAN. The Department of Justice may have had something to do with the promotion of those bills. They do not involve the Antitrust Division and we have had nothing to do with them whatsoever.

As far as Mr. Rich's comments on my statement are concerned, I think that a careful reading of our statement by you fully answers everything that he has said.

There are one or two points I would like to make.

One, when he talks about the fact that this would not affect the Carbice case and various other cases which involve dealing with articles that are in commercial channels already, I think he tends to overlook the fact that in many of these instances—and I think this would be true of Carbice, true in cases such as the IBM case, Morton Salt case, and numerous others—it is possible for a patentee to so design his machine, or so to work out his process that he can make it impossible to operate with or under it except with a specially designed article. In that situation, to talk about freedom in commercial articles becomes illusory. I have alluded to that in my statement, but I merely call your attention to it again.

With respect to the continued insistence that the contributory infringement doctrine has been eliminated by the Mercoid decision, despite the fact that numerous cases since Mercoid have continued to apply the contributory infringement doctrine and have held people liable for contributory infringement, I can only say that I am reminded of the song that Gracie Fields used to sing, "He's dead, but he won't lie down."

It still operates despite Mr. Rich's contention.

The one other point that I would like to say a word about is the continued reiteration of the proposition that the only way the patent can be enforced is by bringing action for contributory infringement. The fact is, there are several alternative activities that could be carried on by a patentee and still leave him in a perfectly good position to sue for contributory infringement, because the contributory

infringement doctrine is still there as long as he has not misused his patent.

One, where he has a combination patent, he may sell the patented article as a whole. It is only when he attempts to sell a single unpatented unit that he gets into misuse.

I recognize that there may be cases where it is not feasible to do this.

Secondly, I see no reason why, in any event, he could not grant licenses to individuals to make and use and sell the combination provided he did not insist that the licensee buy particular unpatented parts from him.

Thirdly, if he were not in the position to manufacture the entire combination himself, there is no reason why he could not license others, who were in that business, to carry it on and manufacture the complete combination and sell it.

As I see it, in none of those cases would there be a charge of misuse of the patent. Consequently, in any of those cases, if there were an infringement or contributory infringement, I do not see under the present law why he could not bring the infringer into court.

Mr. BERNHARDT. If he gave away a free license for the use of that patent with no conditions upon the purchase of his switch, then would he collide with any prohibition?

Mr. STEDMAN. If he gave him a free license and said he could buy switches anywhere?

Mr. BERNHARDT. He would not have to say that, but if he gave him a free license?

Mr. STEDMAN. Unless he turned around and tried to prevent somebody else from selling them.

Mr. BERNHARDT. If somebody else tried to sell them, would he have a right to sue for infringement?

Mr. STEDMAN. I do not think he would, because he would be doing exactly what was done in these other cases; he would be using the contributory infringement action for the purpose of preventing others from selling unpatented parts.

That was the situation in the Strocco case that Mr. Rich and others have referred to. He just sells his article, but the minute somebody else tries to sell the article he jumps in and sues them. He does exactly what was held objectionable.

Mr. WILLIS. He misuses his patent piecemeal.

Gentlemen, this concludes today's hearing as well as the hearings on the bill.

We will take it under consideration.

(Thereupon, at 2 p. m., the subcommittee recessed, subject to the call of the Chair.)

(The following was submitted for the record:)

99588—50——6

APPENDIX

1948–49 FEDERAL COURT CASES CONSTRUING THE MERCOID CASES

(Prepared by Department of Justice)

1. Cases Discussing the Effect of the Mercoid Cases on the Contributory Infringement Doctrine

Aeration Processes, Inc. v. *Walter Kidde & Co., Inc.* (77 F. Supp. 647, 654 (W. D. N. Y., February 1948)), Judge Knight:

"It has been held in earlier cases that 'where a person furnishes a machine, composition of matter or other article, which is particularly adapted to be used in performing a patented process, and which the person furnishing the same, intends shall be thus used, that person is liable as a contributory infringer for any infringement which afterwards occurs in accordance with his intention (citing cases)' (Walker on Patents Deller's Ed., vol. 3, p. 1767).

"Defendants, however, to refute this doctrine, cite *Carbice Corp. of America* v. *American Patents Development Corporation* (283 U. S. 27), and *Mercoid Corp.* v. *Minneapolis-Honeywell Regulator Co.* (320 U. S. 680). The Carbice case was followed in *Leitch Mfg. Co.* v. *Barber Co.* (302 U. S. 458).

"In these three cases the alleged infringers sold only an unpatented article. It is not stated that they gave any specific directions for its use in connection with the plaintiff's patents. There is no conflict in them with the rule as stated in Walker on Patents, supra. Each recognizes the right of recovery for contributory infringement."

Florence-Mayo Nuway Co. v. *Hardy* (168 F. 2d 778, 785 (C. C. A. 4, May 1948), Judge Parker:

"The other defendants are guilty of contributory infringement in manufacturing and selling air-conditioning devices to be used in infringing combinations (*Henry* v. *Dick*, 224 U. S. 1). There is nothing to the contrary in the decision in *Mercoid Corporation* v. *Mid-Continent Investment Co.* (329 U. S. 661). That case merely applies the salutary rule that a combination patent may not be used to protect an unpatented part from competition. * * * Nothing of that sort is involved here. What the defendants are doing is manufacturing and selling machinery with the knowledge, purpose and intent that it shall be used in a combination which will infringe. The case is one where the plaintiff is using his patent not to monopolize the sale of what is not patented but to prevent defendants from aiding others to infringe what is patended. A clearer case of contributory infringement could not well be imagined than that presented by this record."

Harris v. *National Machine Works* (171 F. 2d 85 (C. C. A. 10, November 1948)), Judge Phillips:

"And it is urged that Gerner and National should have been denied relief under the doctrine announced in *Mercoid Corp.* v. *Mid-Continent Co.* (320 U. S. 661), * * * in the instant case Gerner and National are using the patent, not to monopolize the sale of what is not patented (Mercoid) but to prevent Harris and Calhoun from infringing and aiding others to infringe what is patented. * * * Harris and Calhoun would be guilty of contributory infringement."

Lanfare v. *Wolk* (81 U. S. P. Q. 247 (E. D. Mich. S. Div., April 1949), Judge Picard:

"At most this allegation would amount to one of 'contributory infringement' and here plaintiff does not make that charge."

2. Cases Involving Misuse of Patents, Trade-Marks, and Copyrights, in Which the Mercoid Cases Are Cited

McCullough v. *Kammerer Corporation* (166 F. 2d 759, 763 (C. C. A. 9, February 1948)), Judge Denman: Quotes from *Mercoid* v. *Mid-Continent* on the subject of illegal extension of patent monopoly.

United States v. *Line Material Co.* (333 U. S. 287, 317 (March 1948)), Justice Douglas, concurring:

"But the ingenuity of man has conceived many ways to graft attractive private perquisites onto patents. The effort through the years has been to expand the narrow monopoly of the patent. The Court, however, has generally been faithful

to the standard of the Constitution, has recognized that the public interest comes first and reward to inventors second, and has refused to let the self-interest of patentees come into ascendency. * * *

"The philosophy of those decisions [the Court is referring to *B. B. Chemical Co.* v. *Ellis* (314 U. S. 495, 498) ; *Motion Picture Patents Co.* v. *Universal Film Mfg. Co.* (243 U. S. 502), which overruled *Henry* v. *A. B. Dick Co.* (224 U. S. 1) ; and *International Salt Co.* v. *United States* (332 U. S. 392)] was summed up in *Mercoid Corp.* v. *Mid-Continent Investment Co.*" [There followed a quotation from the case respecting misuse of patents.]

United States v. *Paramount Pictures* (334 U. S. 131, 157 (May 1948)), Justice Douglas:

"That enlargement of the monopoly of the copyright was condemned below in reliance on the principle which forbids the owner of a patent to condition its use on the purchase or use of patented or unpatented materials. See *Ethyl Gasoline Corporation* v. *United States* (309 U. S. 436, 459) ; *Morton Salt Co.* v. *Suppiger Co.* (314 U. S. 488, 491) ; *Mercoid Corp.* v. *Mid-Continent Investment Co.* (320 U. S. 661, 665)."

Master Metal Strip Service, Inc. v. *Protex Weatherstrip Mfg. Co.* (169 F. 2d) 700, 704 (C. C. A. 7, July 1948), Judge Sparks:

"Evidence warranted finding that plaintiffs by their patent license and operations thereunder and patent infringement action conspired to maintain a legal monopoly in restraint of trade. * * * We base our conclusion in this respect upon the case of *Mercoid Corp.* v. *Mid-Continent Investment Co.* (320 U. S. 661)."

Calion Metallic Vault Co. v. *Edward G. Budd Mfg. Co.* (169 F. 2d 72, 75 (C. C. A. 8, July 1948), Judge McLaughlin:

"Every use of a patent as a means of obtaining a limited monopoly of unpatented material is prohibited. It applies whether the patent be for a machine, a product, or a process. It applies whatever the nature of the device by which the owner of the patent seeks to effect such unauthorized extension of the monopoly. And see the Mercoid cases, *Mercoid Corp.* v. *Mid-Continent Investment Co.* (320 U. S. 661) ; *Mercoid Corp.* v. *Minneapolis-Honeywell Regulator Co.* (320 U. S. 680)."

Alden Rochelle, Inc., v. *American Society of Composers, Authors & Publishers* (80 F. Supp. 888, 894 (S. D. N. Y., July 1948), Judge Liebell: Quotes from *Mercoid Corp.* v. *Mid-Continent Co.* concerning misuse of lawful monopoly.

M. Witmark & Sons. v. *Jensen* (80 F. Supp. 843, 848 (D. Minn. 4, September 1948), Judge Nordbye:

"It is the collective acts and agreements of plaintiffs and their associate members which have diverted their copyrights from their 'statutory purpose and became a ready instrument for economic control in domains where the antitrust acts or other laws not the patent statutes define the public policy'." [There followed a quotation from *Mercoid* v. *Mid-Continent* with respect to illegal extension of patent monopoly.]

United States v. *General Electric Co.* (80 F. Supp. 989, 1005 (S. D. N. Y., October 1948), Judge Knox:

"A patentee may not employ his patent to restrain trade beyond the scope of his grant." [Then followed a quotation from *Mercoid Corp.* v. *Mid-Continent* concerning illegal extension of patent monopoly.]

Lincoln Electric Co. v. *Linde Air Products Co.* (171 F. 2d 223, 225 (C. C. A. 6, November 1948), Judge McAllister: Quotes from *Mercoid Corp.* v. *Mid-Continent Inv.* with respect to limited monopoly of unpatented material. Recover denied because of such misuse.

United States v. *Timken Roller Bearing Co.* (83 F. Supp. 284, 316 (N. D. Ohio, E. D., March 1949), Judge Freed:

"Even the patent monopoly is not broad enough to encompass the power to engage in conduct and practices to eliminate competition such as were employed by defendant * * * *Mercoid* v. *Mid-Continent Co.* (320 U. S. 661, 665) * * *"

OFFICE OF THE SECRETARY OF DEFENSE,
Washington, May 12, 1949.

Hon. EMANUEL CELLER,
Chairman, Committee on the Judiciary,
United States House of Representatives.

DEAR MR. CHAIRMAN: Secretary Johnson has asked me to reply to your letter of May 7, 1949, extending an opportunity to the National Military Establishment

to send witnesses to the hearing scheduled by subcommittee No. 4 of the Committee on the Judiciary on May 25, 1949, with respect to the bill H. R. 3866.

We appreciate your invitation; however, our review of this matter indicates that the interest of the National Military Establishment therein is so remote that our testimony would be of little assistance to the committee. We will, therefore, refrain from sending a witness to the hearing on May 25.

Sincerely yours,

WILTON B. PERSONS,
Major General, United States Army,
Director, Office of Legislative Liaison.

REPORT ON CELLER BILL H. R. 3866 ON CONTRIBUTORY INFRINGEMENT AND MISUSE BY THE PATENT LAW ASSOCIATION OF CHICAGO

The above bill is identical with Case bill H. R. 5988 which was introduced in and considered by the last (Eightieth) Congress in the Committee on the Judiciary in the House of Representatives. The New York Patent Law Association prepared and sponsored both the Case bill and the present Celler bill.

Your subcommittee disapproves H. R. 3866 for the reasons which we will subsequently discuss. However, we do approve of legislation on the subject of contributory infringement in order to clarify its present status, and do approve of a bill for that purpose in the form of the Celler bill with amendments as proposed in this report.

The Case bill (H. R. 5988) was considered by the legislative committee of the Patent Law Association of Chicago last year on the basis of a report from a subcommittee disapproving the bill. However, because of certain disagreements with the form of the subcommittee report, no conclusion was reached by the legisaltive committee on the merits of the bill, and the subject was tabled upon the adjournment of the Eightieth Congress. Your subcommittee is taking this up anew but has reviewed all of the material accumulated on the subject over the past 1½ years. The Subcommittee on Patents, Trade-Marks, and Copyrights of the Committee on the Judiciary in the House of Representatives held hearings in May 1948 on H. R. 5988, and the printed testimony and statements have been studied by your subcommittee. Mr. Giles S. Rich, of the New York Patent Law Association, has stated that he understood that H. R. 5988 was approved by the Subcommittee on Patents, but we have no formal confirmation of this. Hearings were held May 25 and June 3, 1949, by the Patent Subcommittee of the House Judiciary Committee on H. R. 3866, but no report has been received on the trend or conclusion of such hearings.

The testimony and statements of Ralph H. Swingle, of Pittsburgh, from the congressional hearings last year have been carefully studied and discussed, and because your subcommittee agrees so completely with Mr. Swingle's position on the Case bill, we are borrowing liberally from his testimony in our present report to you.

The unnumbered first section in the Celler bill has provoked considerable discussion on the interpretation of the words "actively induce." We do not believe that it will ever be given an exaggerated meaning such, for instance, that an attorney rendering an opinion at the request of a client on the question of whether or not the client will be liable for contributory infringement of a certain patent, will himself "actively induce" infringement. We believe that a practical meaning requiring direct inducement will be applied, and that the section as a whole is necessary, for we feel that any person who shall actively induce infringement of a patent should be liable as an infringer. Under the law of torts such a person would no doubt be liable. But there is language in some of the cases, particularly in the Mercoid case (320 U. S. 661, 1944), which seems to question the applicability of this doctrine. It is therefore thought the matter should be definitely decided by statutory enactment at this time, and hence we approve the unnumbered section preceding section 2 on this basis.

As to criticism of the Celler bill: We disapprove this bill as introduced because we believe that complications and confusion can arise from the phrase in sections 3 and 4, including "suitable for actual commercial noninfringing use." The purpose of legislation on contributory infringement is to clarify its status in the light of the uncertainty resulting from the Mercoid decision in particular. The quoted language, however, will add new uncertainties so as to further complicate the position of this doctrine. We believe that there are at least three reasons for our conclusion:

(1) Contributory infringers can avoid liability by simply setting up one actual commercial noninfringing use, and this would be a defense whether the use was economically feasible or not.

(2) This would provide a shifting standard of what constitutes contributory infringement. At the time of a decision in favor of the patent owner, that defendant may have been unable to find actual "commercial nonfringing use." Some time later a second suit is filed, and that contributory infringer does find such a "use." This alone could then change the outcome of the two suits and, of course, could bring about a different result for the two defendants.

(3) Section 5 on misuse is qualified by definitions of contributory infringement in sections 3 and 4. A patent owner might grant a license to one who would otherwise be a contributory infringer, and because there were no defenses within this statute, the license would be perfectly legal. During the life of the license, however, someone might find "an actual commercial noninfringing use" for the component licensed by the patent owner, and at that time the license would become illegal solely because of this change in use of the licensed component.

We recommend the following amendments to sections 3, 4, and 5.

Section 3, line 4, after "or" insert "especially".

Section 3, line 4, after "for" insert ", and knowingly sold for,".

Section 3, delete line 5.

Section 4, line 2, after "or" insert "especially".

Section 4, line 3, delete "and suitable for actual commercial non-".

Section 4, line 4, delete "infringing use".

Section 5, add to that section: "(d) sold or licensed or authorized others to sell a component of a patented machine, manufacture, combination, or composition, or a material, or apparatus for use in practicing a patented process where the sale carries with it express or implied rights under the patent on the machine, manufacture, combination, composition or process."

The deletion of the "commercial use" phrase was discussed above. The repetition of "especially" is for the purpose of clearly modifying both the words "made" and "adapted". The addition of "and knowingly sold for," in section 3 is consistent with the "inducement" qualification in the definition of an infringer in the unnumbered first section. Furthermore, this clearly would relieve the innocent parts manufacturer who might have no knowledge whatever that the part he made and sold was going into an infringing combination.

Your subcommittee gave some though to providing for relief to the patent owner from the application of the "misuse doctrine" by an amendment to the antitrust laws, rather than by this bill defining contributory infringement. After study and discussion, however, it was concluded that this relief could be best combined with the definition so that there would be no uncertainty as to what are approved actions of a patent owner. Such patent owners proceeding under sections 1 to 4, inclusive, might still be subject to penalty for "misuse" or illegal extension of the patent monopoly under the normally accepted interpretation of the Mercoid case.

We believe it is important to encourage all component manufacturers to exert all possible efforts to not only improve their components, but to provide new combinations including their components. This would undoubtedly enlarge the sale of the components, but meanwhile the public has been given new and presumably improved combination discoveries. Encouragement in carrying on such "combination" development work is derived in the protection of the same by combination patents as well as component patents. However, without clarification of the "misuse" doctrine as now understood, the owner could be afraid to take full advantage of his combination patent, and full exploitation of his invention would not be realized. That, in time, would discourage this important development phase of our over-all progress. To illustrate a common situation which under the present state of the law appears to be illegal, a component manufacturer having a combination patent on A, B, and C elements in combination could conceivably say to a customer "If you buy my component C from me, I don't care where you buy elements A and B". This certainly promotes trade, and does the public a favor by first providing the new patented combination, and yet giving free authority for purchase of two elements so long as the customer purchased one element from the patent owner. This example could be multiplied with many different concrete examples illustrating discouragement to full inventive effort on the part of the component manufacturer.

Section 5 of the bill, therefore, is designed to protect the patent owner described, and as a matter of first impression it might seem that this section in its original form provides the patent owner with a definite relief against

all "misuse" defenses in a suit brought on a combination patent, process, etc. However, it will be noted that section 5 (in subparagraphs (a) to (c)) is specifically limited to situations where the act committed would constitute contributory infringement. Under sections 3 and 4 to constitute contributory infringement, it is necessary that the component be "especially" made or adapted for use in the infringement of a patent. Thus, the patent owner who had used his combination patent in some dealing (sale, license, suit, etc.) on a component not "especially" made or adopted might be denied all relief on a "misuse" defense against his patent. Subsection (d), however, takes care of this latter situation, for it does not require that the component material or apparatus be especially made or especially adapted for use in the patented invention. With this amendment to section 5, all proper contingencies seem to be protected.

Your subcommittee, therefore, recommends first, that the present condition in the law on contributory infringement be clarified by legislation, and secondly that amended bill H. R. 3866, as discussed herein, be proposed and supported to accomplish this.

Respectfully submitted.

ALBERT F. MECKLENBURGER.
ARTHUR W. NELSON.
CHARLES B. SPANGENBERG.
FOORMAN L. MUELLER, *Chairman.*

The above report was approved by the legislative committee on June 14, 1949, and by the board of managers of the Patent Law Association of Chicago on June 17, 1949.

ARTHUR A. OLSON,
President of the Association.

THE MICHIGAN PATENT LAW ASSOCIATION,
Detroit, June 1, 1949.

Re H. R. 3866 (Celler).

Hon. JOHN R. BRYSON
The House of Representatives,
Old House Office Building, Washington, D. C.

DEAR SIR: I have been requested by the board of managers of the Michigan Patent Law Association to inform your subcommittee, now holding hearings on the above bill, with respect to the attitude of this association toward the above bill.

At a meeting of the Michigan Patent Law Association held on May 11, 1948, the predecessor bill, H. R. 5988 (Case), which we believe to be identical to the above bill, was fully discussed and a resolution was unanimously passed which reads as follows:

"The association approves, in principle only, the Case bill relating to contributory infringement, but objects to the limited scope of the definition of contributory infringement contained therein and feels that the law should be amended to restore the doctrine of contributory infringement as established by the decisions of the courts, wherein the element of knowledge of the infringing action is a controlling criterion in determining whether or not there is a contributory infringement."

The board of managers requested me to inform your subcommittee that the above resolution was based upon a strong feeling that, while the above bill was desirable, it did not go far enough in correcting the difficulties to which it was directed. It is the view of the board of managers that the objectives of the bill could be more fully realized if section 4 were canceled and section 3 amended to read as follows:

"The sale of a component of a patented machine, combination, or composition, or a material or apparatus for use in practicing a patented process, with actual knowledge that the purchaser intends to use said component, material, or apparatus in infringing such patent, shall, in the event of infringement by the purchaser, constitute contributory infringement."

On behalf of our association, we urge that your subcommittee approve the above bill, preferably as amended in the manner suggested above but otherwise in the manner in which it is now drafted.

Very truly yours,

JOHN A. BLAIR, *President.*

STATEMENT ON H. R. 3866

(By H. C. Ramsey, chairman of the committee on patents and research of the National Association of Manufacturers)

Mr. Chairman and members of the committee, my name is H. C. Ramsey. I am chairman of the committee on patents and research of the National Association of Manufacturers and am making this statement on behalf of that association, a voluntary organization of more than 16,000 manufacturers, 70 percent of whose members have less than 500 employees each.

The NAM favors H. R. 3866 in principle and in detail. It is the belief of the NAM that it provides a long-needed and salutary clarification of the status of "contributory infringement" as a legal doctrine.

It is believed, however, that the following amendments to the bill would be desirable:

Section 1, cancel "actively" (sixth word) and substitute "willfully."

Section 2, after "shall" (fourth word) insert "knowingly."

These changes would emphasize the need for willfulness and definite understanding of the nature of his act on the part of one who is to be held liable as an infringer under the proposed enactment. It is believed to be generally acknowledged that such willfulness and knowledge are essential parts of the civil offense of contributory infringement.

Section 4, cancel "staple" (sixth word).

This word would seem to add nothing which is not inherent in the remainder of the clause, and might give rise to difficulties in interpretation and application under varying circumstances.

Section 4, cancel "the" (next to last word) and substitute "a."

This minor grammatical change would seem desirable because of the lack of a definite antecedent for the word "patent."

Section 5, subsection (b), after "constitute" (eighteenth word of the subsection insert "infringement or."

With respect to the provisions here involved, there would seem no proper basis for distinguishing between situations involving contributory infringement and those involving direct ordinary infringement.

HARPER-WYMAN CO.,
Chicago, Ill., April 22, 1949.

Hon. NEIL J. LINEHAN,
House of Representatives, Washington, D. C.

DEAR REPRESENTATIVE LINEHAN: We understand that on March 29, 1949, bill H. R. 3866 was introduced by Mr. Celler in the House of Representatives. This bill, which is essentially the same as H. R. 5988 introduced in the Eightieth Congress, attempts to correct the interpretations made by the Supreme Court with regard to contributory infringement.

Because of the interpretations and limitations made by the Supreme Court in *Mercoid* v. *Minneapolis-Honeywell* and subsequent cases with regard to contributory infringement, there have been numerous instances of contributory infringement for which the patent owner, because of these limitations, has had no recourse. This tends to destroy the incentive created by the patent system which gives a patent owner 17 years exclusive rights on his creative ideas. To destroy those rights is to destroy the fundamentals upon which the patent system was founded. This is a wrong which must be corrected.

I am sure you will see the importance of this bill and will give this vital matter considerable attention.

Very truly yours,

HARPER-WYMAN CO.,
HERBERT J. HANSEN,
Patent Engineer.

MAPLEWOOD, N. J., *June 6, 1949.*

In re H. R. 3866.

HOUSE JUDICIARY COMMITTEE,
Subcommittee No. 4, House of Representatives,
Washington, D. C.

(Attention of the Honorable Joseph R. Bryson, committee chairman.)

SIRS: I am an attorney at law, a member of the bars of the District of Columbia, of the State of New York, and of many United States circuit courts, a former

examiner of the United States Patent Office, a member of the American Bar Association, a member of the New York Patent Law Association, vice president and chairman of the legislation committee of the New Jersey Patent Law Association, and have specialized in patent law since 1905.

I am very much concerned with the effects on the whole patent system of the apparent dictum decision of the Supreme Court in the Mercoid Corp. cases, wiping out the ancient doctrine of contributory infringement for no apparently good reason. In over 40 years of active practice in patent matters, I have seen many instances where it was impracticable to sue the main infringer in a patent suit, but quite convenient to sue the concern which made the infringement possible. Under these circumstances and by reason of the Mercoid decision, the infringed patent is now of no practical value to its owner, and this seems unfair.

As you are aware, in a murder case, if two or more actively conspire to commit the crime, the lookout or the person supplying the gun is equally guilty of murder, even though he did not do the actual shooting. It seems to me that, by analogy, the same thing should apply to a patent situation.

I take this opportunity, in speaking for myself and for every patent attorney to whom I have spoken on the matter, to endorse the remarks made by Mr. Giles S. Rich of the New York Patent Law Association before your committee on May 25, 1949, advocating the passage of the bill. I am also in full agreement with the remarks made that day by Mr. Stephen Cerstvik, of the Aircraft Industries Association and the president-elect of the New Jersey Patent Law Association, approving H. R. 3866 as far as it went and advocating an amendment to the bill to include as contributory infringers those who knowingly and with intent supply a part of a patented combination to the main infringer. In most cases it would not be possible for the main infringer to make the infringing device except for the circumstances of the at present legally, but not morally, innocent contributory infringement.

I represent several concerns which make standard known unpatented items and make a practice of advising them not to supply any of these items if they know the items are to be used in an infringing device. The reputable manufacturing concern does not need to indulge in what appears to me to be immoral business practice in order to sell its wares.

I cannot help but feel that the Mercoid decisions are simply other potshots at our patent system by those who, for one reason or another, either oppose the granting of any patents or, at least, favor diluting their value.

I most heartily recommend that in good equity H. R. 3866, as amended, be approved by your committee in order to restore the previously settled and long-honored doctrine of contributory infringement.

Respectfully,

WARREN S. ORTON.

CAMPBELL, BRUMBAUGH, FREE & GRAVES,
New York, N. Y., May 31, 1949.

Re H. R. 3988 (Celler), contributory infringement of patents.

Hon. JOSEPH R. BRYSON,
Chairman, Subcommittee No. 4 of the House Judiciary Committee,
Washington, D. C.

DEAR SIR: My partners and I urge favorable action on this bill. The subject matter has had very careful study by the patent bar generally, and particularly the members of the New York Patent Law Association who have expressed themselves in favor of such a bill. We believe it to be the best solution for the reasonable and proper prevention of unwarranted contributory infringement.

We would appreciate your active support of the bill.

Sincerely yours,

W. MARTIN CAMPBELL.

PENNIE, EDMONDS, MORTON & BARROWS,
New York, N. Y., June 2, 1949.

Hon. JOSEPH R. BRYSON,
Old House Office Building, Washington, D. C.

DEAR SIR: I understand that the Committee on the Judiciary is now about to consider H. R. 3866, which relates to contributory infringement of patents, and I desire to say that I have carefully studied the bill and believe that it is an

excellent one for its intended purpose. While amendments to the bill might be made in an attempt to seek perfection, I do not believe that such amendments are necessary or important. The enactment of the bill into law will eliminate uncertainties which are now proving troublesome to businessmen and their advisers in patent matters.

Yours truly,

LESLIE B. YOUNG.

FISH, RICHARDSON & NEAVE,
New York 5, June 1, 1949.

Re H. R. 3866 (Celler).

Hon. JOSEPH R. BRYSON,
Old House Office Building, Washington, D. C.

DEAR MR. BRYSON: I am writing to urge favorable consideration and action with respect to this bill, which seeks to clarify the present confused status of the law relating to contributory infringement.

This bill was the subject of most intense consideration by a committee of the New York Patent Law Association of which I was a member, and the bill represents a sincere effort to clarify along sound lines a matter which has been clouded in uncertainty with resulting inconvenience to industry.

I know of no legislation relating to patents which has been under consideration in recent years which has received such widespread support as this bill, and I believe the passage of this bill would be highly beneficial.

Sincerely yours,

CHARLES H. WALKER.

WARD, CROSBY & NEAL,
New York 7, N. Y., May 31, 1949.

Re H. R. 3866 (Celler).

Hon. EMANUEL CELLER,
Chairman of Judiciary Committee, Washington, D. C.

DEAR SIR: This letter is written to respectfully urge the early and favorable consideration of the above bill by your committee. The bill, as you know, deals with contributory infringement and merits favorable consideration in my opinion due to the adverse effect on the rights of inventors since the decision in *Mercoid Corp.* v. *Mid-Continent Investment Co.*

Respectfully,

JAMES B. L. ORME.

SEYDEL CHEMICAL CO.,
Jersey City, N. J., May 26, 1949.

SUBCOMMITTEE ON PATENTS, TRADE-MARKS, AND COPYRIGHTS,
House Office Building, Washington, D. C.

DEAR SIRS: I am advised that you are holding a hearing on the subject of H. R. 3866 on contributory infringement of patents.

I also have before me the memorandum on H. R. 5988 submitted by the New York Patent Law Association to the previous Congress. This memorandum I understand is now before you, and I am in full agreement with the New York Patent Law Association as to the need for the statute, and particularly the protection it will afford scientists in chemical research. Having been engaged in this direction for the past 25 years, I feel warranted in saying that the patent law is practically nullified by the fact that unreliable infringers make difficult, if not impossible, the promotion of worth-while discoveries. This has cost our company much of its rightful return and considerable expense.

May I urge your committee's approval of proposed H. R. 3866.

Respectfully submitted.

HERMAN SEYDEL.

C. E. NIEHOFF & CO.,
Chicago, Ill., May 18, 1949.

Hon. CHAUNCEY W. REED,
House of Representatives, Washington, D. C.

DEAR MR. REED: It was a pleasure and a privilege to have a little visit with you and Mrs. Reed during our stay in Washington the fore part of May, and we

hope to have the privilege of seeing you this summer after Congress adjourns.

A recent problem, however, has been presented with reference to H. R. 3866, which is the same as H. R. 5988 of the last session, and I find that you are on this Judicial Committee that is handling this matter and you are probably also familiar with it from the previous year's contact of our mutual friend, Mr. McCabe, who contacted you through our good old friend, Tom Owens.

Actually, this bill, sections 3 and 4, looms as a very serious factor to us. We are engaged in the manufacture of replacement parts for the maintenance of automobiles, trucks, busses, tractors, etc., and it is only a relatively few years ago when we had to defend successfully a number of suits brought by General Motors which were carried to the court of appeals in which the same issue of supplying unpatented parts for replacement of a distributor, such as used on the automobiles of today, was determined.

The Supreme Court refused General Motors a hearing, thus sustaining our successful appeal. Had this been successful, the car manufacturers would have had complete monopoly and undoubtedly sustained a very unreasonable level of price on such unpatented parts and further might have greatly inconvenienced the car owner, the truck user, and the farmer with his tractor in getting proper repairs when and if needed. This was again emphatically demonstrated through the war period when these large concerns were unable to supply the needed parts, and it was the smaller manufacturer that helped maintain transportation during this critical period.

Actually, this bill might tend to affect our business very seriously for the future. We believe that in the hearings of May 8, 1948, comments made by J. Carter Fort, of the Association of American Railroads, emphatically sets forth the seriousness of this bill in the maintenance of railroad transportation, and it is probably even more serious so far as the automotive industry is concerned, affecting also the agricultural field.

If this bill becomes a law, undoubtedly the automotive manufacturers would proceed to secure a number of inconsequential patents on many of their products such as distributor parts, generator parts, etc., and then force the owner of the car to buy all and future parts from them as long as the patent was in force. These are the particular parts that we manufacture, and our existence, as well as that of our jobbers, distributors, and dealers, depends upon our ability to manufacture such parts.

This theory, of course, can easily be understood by any manufacturer who has had experience with the patenting of simple devices. We believe in protection for the inventor on the patents he invents, but we don't believe either we or the public would agree to giving him a coverage or monopoly on unpatented items that he may use in practicing his inventions, which is the issue of this bill.

This may have a serious effect on the whole patent situation because it tends to give the patent owner a monopoly on unpatented parts, the patents of which have long expired and are the property of the public. In the long run the public might then desire elimination of the patent system, which, we believe, would be a calamity to our country.

Your consideration and comments will be appreciated.

Yours sincerely,

C. E. NIEHOFF & CO.,
C. E. NIEHOFF, *President.*

ASSOCIATION OF AMERICAN RAILROADS,
Washington 6, D. C., May 23, 1949.

Hon. JOSEPH R. BRYSON,
Chairman, Subcommittee No. 4, Committee on the Judiciary,
House of Representatives, Washington, D. C.

MY DEAR MR. BRYSON: I am writing this letter in opposition to H. R. 3866, on behalf of the Association of American Railroads, which is a voluntary organization including in its membership railroads operating more than 95 percent of the class I mileage in the United States.

While it has been stated by proponents of the bill that it is designed to avoid confusion in the doctrine of contributory infringement, resulting from the decision of the Supreme Court of the United States in *Mercoid Corp.* v. *Mid-Continent Co.* (320 U. S. 661 (1944)), it would appear that the measure goes much further and extends the monopoly of a combination patent into new fields.

It is a long and well established doctrine that the owner of a machine covered by a combination patent has the right to replace broken or worn-out parts, not

separately patented, if such replacement constitutes repair or maintenance of the machine and does not amount to a substantial reconstruction. This right to replace parts is not restricted to articles which are not especially made or adapted for use in the patented machine, and the right includes, of course, the privilege of purchasing replacement parts in the open market. (*Wilson* v. *Simpson et al.*, 50 U. S. 109; *Chaffee* v. *Boston Belting Company*, 63 U. S. 217; *Heyer* v. *Duplicator Mfg. Co.*, 263 U. S. 100; *Shickle, Harrison & Howard I. Co.* v. *St. Louis Car-Coupler Co.*, 77 Fed. 739.)

Thus, such replacement does not constitute a direct infringement on the part of the lawful owner of the machine covered by a combination patent and for that reason cannot constitute a contributory infringement on the part of the manufacturer who makes or sells the part used for replacement purposes.

H. R. 3866 would appear to make a fundamental change in this doctrine, not only with respect to contributory infringement, but also with respect to direct infringement. I quote sections 3 and 4:

"SEC. 3. The sale of a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, if especially made or adapted for use in infringement of such patent, and not suitable for actual commercial noninfringing use, shall constitute contributory infringement.

"SEC. 4. The mere sale of any staple article or commodity of commerce not especially made or adapted for use in a patented invention, and suitable for actual commercial noninfringing use, shall not of itself constitute contributory infringement, even though sold with the knowledge or expectation that it will be used in infringement of the patent."

While the above-quoted language is not clear in its implications, it is apparently designed for the purpose of making it unlawful to replace a component part of a machine covered by a combination patent, even for purposes of maintenance and repair, when the replaced part is especially made or adapted for use in the machine. We submit that such a basic extension of the patent monopoly is wholly without justification and is entirely unnecessary for the purpose of avoiding any so-called confusion, growing out of the Mercoid case, in the doctrine of contributory infringement.

An extension of the patent monopoly such as would seem to be accomplished by this bill, would have a serious adverse effect upon the railroads as well as upon the public generally. The railroad industry buys and uses many millions of dollars worth of machinery, equipment and apparatus, much of which falls within the coverage of various combination patents. If, by reason of the passage of the bill now pending before your committee, it should become impossible for the railroads to maintain and repair this machinery by replacing an unpatented part, unless such part should be purchased from the holder of the combination patent, heavy additional expenses would be incurred by the industry because the monopoly prices for such parts would be considerably higher than prices which are available in the open market.

If the doctrine of contributory infringement is in need of clarification we would have no objection to a suitable bill to accomplish that purpose. However, as above stated, we think that H. R. 3866 is undesirable. It is not restricted to the doctrine of contributory infringement. Moreover, in our view it fails to make any worth-while contribution toward clarification of that doctrine.

I shall appreciate it if you will include this letter in the record of hearing.

Respectfully,

J. CARTER FORT.

DAWSON, OOMS, BOOTH & SPANGENBERG,
Chicago 4, Ill., May 18, 1949.

Re H. R. 3866.

Hon. EMANUEL CELLER,
Chairman, Committee on the Judiciary,
House of Representatives, Washington, D. C.

MY DEAR CONGRESSMAN CELLER: I had hoped to be able to attend the hearings of the Subcommittee on Patents on H. R. 3866, the proposed act prescribing contributory infringement as a violation of United States letters patent.

Because of litigation in which I am engaged on May 25, I am unable to appear before the committee. However, having had substantial experience in patent litigation and having had the privilege of serving 2 years as United States Com-

missioner of Patents (1945 to 1947), I am deeply interested in this legislation and unreservedly favor it.

I know there is a violent dispute in the patent bar and a great difference among the United States district courts with respect to the doctrine of contributory infringement to which this legislation is addressed. What particular school of thought may prove eventually to be properly interpreting the wholly ambiguous state of the law today is an academic question. The important thing is that valuable rights and important functions in the American industrial system are challenged and threatened by the present uncertainty of the law.

In my opinion, this bill merely clarifies what most of the legal profession has long believed the patent law to be. This bill expressly defines the law of patent infringement in terms which are recognized principles covering the law of torts in other branches of the law.

It has long been the law that any person who participates in the commission of a tort is liable therefor. Under the terms of this bill any person who participates in a patent infringement by furnishing specially adaptable materials or equipment for use in a patent infringement becomes liable as a contributory infringer.

Many attorneys believe the law still to be exactly what this bill so clearly expresses. There are others who, like myself, believe that the doctrine of contributory infringement has been repudiated by the Supreme Court of the United States and is no longer the law. Regardless of which school of thought correctly interprets the law, it is obvious that there is, in this clash of opinion, an area of doubt that should be clarified by legislation. The clear terms of this bill furnish that clarification.

There is probably no question in patent law today that causes more concern and leaves greater chasms of doubt in industrial planning than the questions which have arisen about the law of contributory infringement. Almost every patent suit that is brought at the present time immediately raises several questions bordering on this issue. The effort which the bar and the courts must expend in dissipating the confusion that surrounds this single question is probably as great as that required to dispose of the substantial issues which arise in the case.

Any doubt that this law would become burdensome upon normal commercial activities is immediately dispelled by the saving clause of section 4 which protects normal commerce and prohibits the imposition of the penalties of contributory infringement upon the vendor of ordinary commodities of commerce suitable for noninfringing use, even though sold, with the knowledge or expectation that such commodities will be used in infringement of a patent.

In my opinion, the bill is sound in principle and acceptable in terms. It is extremely simple, readily understandable and eliminates every possibility of confusion with respect to the question of contributory infringement.

For the convenience of the committee, I am enclosing two copies of this statement and hope that I may be provided with a copy of the hearings in order that I may, if it will prove helpful, comment on the criticisms that may be directed to the bill. If the hearing will be postponed or subsequent hearings called, I shall appreciate being notified.

Respectfully yours,

CASPER W. OOMS.

PATENT OFFICE SOCIETY,
Washington 4, D. C., April 25, 1949.

Hon. EMANUEL CELLER,
Chairman, Committee on the Judiciary,
House of Representatives, Washington, D. C.

SIR: Thank you for the copies of H. R. 3866, and for the legislative calendar of your committee, first session, Eighty-first Congress.

I note the following bills relating to patent rights: H. R. 98; H. R. 99; H. R. 842; H. R. 973; H. R. 974; H. J. Res. 154; H. R. 2965. The subjects of each of these bills are of considerable interest and I would appreciate it if you would direct your secretary to send us copies of same, and if available, several copies of each.

At the present time I am not in a position to advise you as to the views of the Patent Office Society in regard to H. R. 3866. I believe, however, that the society would not express an opinion on this bill, inasmuch as it relates to infringement.

It is my impression that the American Patent Law Association is in general agreement with the objects of the bill.

Respectfully,

J. HAROLD BYERS,
Member, Committee on Publicity.

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK,
New York 18, April 27, 1949.

Hon. JOSEPH R. BRYSON,
Chairman Subcommittee No. 4,
House Judiciary Committee, Washington, D. C.

MY DEAR MR. BRYSON: The patents committee of this association, at a meeting on April 20, 1949, unanimously adopted the following resolution:

"*Resolved*, That the chairman be authorized to write to the Chairman of Subcommittee No. 4 of the House Judiciary Committee respectfully suggesting that said subcommittee bring H. R. 3866 to a vote of the Judiciary Committee on the basis of last year's hearings on H. R. 5988, which is identical with H. R. 3866."

Pursuant to this resolution, I am writing to call your attention to the printed report of hearings before Subcommittee on Patents, Trade-marks and Copyrights of the Committee on the Judiciary, House of Representatives, Eightieth Congress, Second Session on H. R. 5988. From the printed report of the hearings, it appears:

(1) That the patents committee of this association endorsed the bill and that a representative of our committee, acting in cooperation with a representative of the New York Patent Law Association, testified before the subcommittee and placed before it a full explanation of the terms of the bill and the need for the bill. These statements are found on pages 3–20, 71, 72, and 73, of the printed report of the hearings.

(2) That important Government departments—the Judiciary Department, the Army, and the Navy—indicated to the subcommittee their approval of the bill. The statement of the Navy appears on pages 32, 33; the statement of the Army on page 71; and the testimony of a representative of the Department of Justice on pages 65–69 of the printed report of the hearings.

The patents committee of this association respectfully urges that, in view of the full exploration of the bill made by the subcommittee last year, and the urgent need for the bill as shown by the printed report of last year's hearings, the bill be brought to a vote of the Judiciary Committee as soon as possible.

Very respectfully,

ROBERT W. BYERB,
Chairman, Committee on Patents.

KANSAS CITY 6, MO., *April 16, 1949.*

Hon. EMANUEL CELLER,
Chairman Judiciary Committee,
House of Representatives, Washington, D. C.

DEAR SIR: I received a copy of H. R. 3866, which you introduced on March 29, 1949, from the American Patent Law Association. In reading over this bill it occurs to me that in section 1 thereof the phrase "That any person who shall actively induce infringement of a patent shall be liable as an infringer" is entirely too vague. A person might actively induce infringement of a patent on a process, for example, by buying the product, and particularly if the purchase in under contract, in demanding delivery in accordance with the contract, and that might be done entirely without knowledge of any infringement on the part of the infringer. This might even make an attorney liable who advises a client that he is not infringing, even though the advice is honestly given after careful consideration and it is later on found that the attorney was in error, because it could be said that the attorney had induced the infringement by telling the infringer to go on as he had been doing, because the attorney was convinced there was no infringement.

These are just two examples of the kind of things that it occurs to me could be considered as actively inducing infringement. Furthermore I do not believe that it belongs in a bill that relates to contributory infringement.

Respectfully,

ALFRED R. FUCHS.

NEW YORK 17, N. Y., *March 25, 1949.*

Hon. EMANUEL CELLER,
Chairman Judiciary Committee,
House of Representatives, Washington, D. C.

DEAR MR. CELLER: I had dinner last evening with Giles S. Rich, vice president of the New York Patent Law Association and I understood that he has written you relative to the reintroduction of the bill relating to contributory infringement of patents. I would respectfully urge you to take steps to get this subject before Congress, for as early consideration as possible.

You will recall that the matter was very thoroughly considered at the hearings last year on H. R. 5988. Since that time the contributory infringement question has become even more involved. The usefulness of a tremendous number of patents to inventors and manufacturers has practically vanished and the ease of evasion of patents has ballooned.

In the case of *Master Metal Strip Service, Inc.* v. *Protex Weatherstrip Mfg. Co.* (78 U. S. P. Q. 119, 122), decided by the Seventh Circuit Court of Appeals, certiorari denied, Supreme Court, December 20, 1948, the situation was as follows:

The suit started as an ordinary patent suit between a licensor and a licensee for patent infringement. In the suit the defendant, former licensee, counterclaimed for declaratory judgment and for violation of the antitrust law.

The patent in suit had two detailed claims calling for a window frame, a window sash and the various elements interconnecting the frame and sash to produce a weatherproof joint. The defendant, formerly a licensee, had manufactured the parts of the combination which would be purchased by the mill whose business is converting lumber into window frames and sash and supplying the carpenter with the so-called millwork for installation in a building. The defendant had formerly paid a license fee for these parts, but it quit paying the license fee. This precipitated the patent infringement suit which, until comparatively recently, would have been an ordinary type of proceeding.

The court, however, held, without a trial on the patent issues, that the patent owner had used the patent to collect fees on unpatentable merchandise and had violated the Antitrust Act, and the unfortunate patentee found himself subject to a decree having the following provisions which I quote:

"(1) An injunction enjoining plaintiffs and each of them, and all others acting by or under direction or authority, their successors and assigns, from: (a) Bringing suit for infringement of the Gossen patent No. 2,158,963 against defendant's customers or prospective customers, or directly or indirectly threatening defendant's customers or prospective customers with infringment suits of this patent, or from in any manner interfering with defendant's business by use of this Gossen patent; (b) enforcing or carrying out directly or indirectly against defendant, its customers or prospective customers, any of the provisions of such license or any other similar license agreement involving this Gossen patent.

"(2) An accounting for threefold damages, if any, suffered by defendant by reason of the above-named unlawful acts of the plaintiffs, together with defendant's disbursements and reasonable attorney's fees, and costs."

I believe that you will see from such a decree that it is now impossible or nearly so for a patent owner to successfully maintain his patent where the subject matter is such that the entire combination of parts required by the Patent Office to make up a "complete" claim comes into being only in the hands of the ultimate consumer or assembler. In the Master Metal Strip Service situation a suit against the ultimate consumer, i. e., owner of the building in which the windows, and so forth were installed, or the builder who erected the building would have brought the infringer into court and the bothersome question of contributory infringement would not have arisen. Such a patent owner cannot afford to bring suits against each ultimate consumer and hence for practical purposes the patent is almost valueless.

The collapse of the contributory infringement doctrine occurred in the Minneapolis-Honeywell-Mercoid cases decided by the Supreme Court. The patents there involved heating systems with furnace, room thermostat, and other controls, which were in practice assembled only in the final place of use, and the patent owner was helpless.

In my practice, the situation is particularly difficult because much of my work has to do with lighting equipment using artificial light sources and light controlling devices such as glass or metal reflectors, screens of various types to diffuse the light or shield the light source and light transmitters such as lenses

and diffusers for distributing the light rays in desired directions. Such apparatus has a law of operation or mode of operation analogous to that of a machine with moving parts. All the elements are static, even though they control light flux. It thus becomes necessary, in order to have a workable combination, to include in the patent claims in almost all cases the light source as one of the elements. The metal reflector, the egg crate or other screen, or the lens refractor or diffuser by themselves are seldom susceptible of definition, in patent claim language, apart from association with the light source.

It so happens, however, that in the ilumination field with which I have been closely connected for over 25 years, the light source (the bulb or tube) is the last thing to be put into the lighting fixture or lamp. It is installed by the ultimate consumer and is sold as such by the manufcturers of incandescent lamps and fluorescent lamps. Only two of the major manufacturers of incandescent or fluorescent lamps also manufacture complete luminaires or lighting fixtures, and they are the only ones who manufacture fixtures with complete combinations or offer them complete for sale other than, of course, the retail dealer. The ultimate consumer uses them.

Suppose, for example, in conditions as they now are, you were the inventor of a new portable lamp, a bed lamp or a lighting fixture and wanted to license a manufacturer to make such equipment. The manufacturer, let us say, would make or assemble from various sources, everything but the lamp bulb. He would distribute it through the usual channels to the retailer or electrical contractor and such retailer or contractor would complete the combination by putting in the lamp bulb. The inventor and manufacturer would be in exactly the same position legally as the parties in the window combination case involved in the Master Metal Strip Service suit.

This situation does not promote the progress of science and the arts, for should such an inventor license a fixture manufacturer who did not also supply the lamp bulb itself, he would be likely to find himself in the position of the plaintiff in the Master Metal Strip Service case. Inventors would be well advised to direct their efforts to fields where contributory infringement is unlikely, i. e. gadgets.

Again, let me point out, that many of the patents in the lighting field involve systems of lighting fixtures and their supports in the building structure along with their interrelations with ceiling or wall surface, counters, displays, etc. For example, hung ceiling and troffer systems do not come into being until the building is completed, yet all the parts except for the ceiling surfacing parts must be made by somebody in the fixture field and must be advertised and merchandised. The patentee of the system seems to be, however, utterly helpless in securing recognition of his patent rights by way of license or to enforce them by suit, unless an individual consumer is selected as a defendant. The manufacturer and merchandiser of all the parts necessary for completing the infringement is, under the law as now laid down by the courts, a public benefactor.

I trust that the Congress will not continue to condone such nefarious practices.

Very truly yours,

JOHN M. COLE.

LOS ANGELES, CALIF., *May 24, 1949.*

CHAIRMAN, COMMITTEE ON JUDICIARY,
House Office Buiding, Washington, D. C.:

We trust your committee will approve H. R. 3866 thus restoring the law that has been in force as to contributory infringement for over a hundred years and repealing the new law which was in effect enacted by the Supreme Court in the Mercoid decision.

HARRIS, KIECH, FOSTER & HARRIS.

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