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Regulation of Business - Patents - Effect of Section 271 on the Doctrine of Contributory Infringement

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COMMENTS

REGULATION OF BUSINESS—PATENTS—EFFECT OF SECTION 271
ON THE DOCTRINE OF CONTRIBUTORY INFRINGEMENT—Prior to 1952
the judiciary had sole control of questions involving the infringe-

ment of patents. The courts evolved their own concepts and rules of interpretation without legislative guidance. The Patent Act of 1952 marked a radical departure from this policy. Section 271 of the new patent act is an attempt on the part of Congress to codify the doctrine of contributory infringement.¹ Prior to the enactment of this section there was considerable doubt as to the scope of this doctrine and even as to its continued existence. Supreme Court recognition of the defense of patent misuse appears to have diluted the effectiveness of the contributory infringement suit in a number of different situations. Whether section 271 has altered the rights of patentees is an important and unsolved problem. While legislative history abounds with statements that the new provisions do not alter earlier rules,² there is a noticeable trend in recent judicial evaluations of section 271 to treat it as making substantial revisions in the law. These decisions raise questions as to the scope of the present doctrine of contributory infringement and patent misuse. It is the purpose of this comment to evaluate the rights of the patentee in the light of these decisions. A thorough knowledge of the judicial doctrines of contributory infringement and patent misuse is a prerequisite to an understanding of the present position of the patentee. Therefore the first section of this comment is devoted to a review of the important principles which were developed in the decisions before 1952.

1 35 U.S.C. (1952) §271 provides:

(a) Except as otherwise provided in this title, whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent.

(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

(c) Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial non-infringing use, shall be liable as a contributory infringer.

(d) 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 right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement.

² The Judiciary Committee of the House stated in its Report on §271, "The major changes or innovations in this title consist of incorporating a requirement for invention in §103 and the *judicial* doctrine of contributory infringement in §271." H. Rep. 1923, 82d Cong., 2d sess., 5 (1952) (emphasis supplied). The Report also states at 9, "Considerable doubt and confusion as to the scope of contributory infringement has resulted from a number of decisions of the courts in recent years. The purpose of this section is to codify in statutory form principles of contributory infringement and at the same time eliminate this doubt and confusion."

I. *The Judicial Doctrines of Contributory Infringement and Patent Misuse*

Direct infringement of a patent occurs when a person makes, vend, or uses a patented invention without the authorization of the patentee.³ In direct infringement actions inquiry is principally directed to the question of whether the defendant has accomplished the same result as that contemplated by the patentee, by substantially the same means as those specified in the patent claim. This is particularly true in cases involving a patent on a novel combination of unpatentable elements. The manufacture, sale, or use of an element of a patented combination or of any number of such elements in a combination different from that recited in the patent claim is not direct infringement.⁴ To give a patentee more effective protection, the American courts developed the doctrine of contributory infringement. Under this doctrine, anyone who supplied parts of a combination to a direct infringer,⁵ or who induced another to infringe directly,⁶ is liable as a contributory in-

³ *George Close Co. v. Ideal Wrapping Machine Co.*, (1st Cir. 1928) 29 F. (2d) 533.

⁴ A claim is not infringed by use of less than the entire combination. *Burdett v. Estey*, (2d Cir. 1879) 16 Blatch. 105; *Sharp v. Tift*, (2d Cir. 1880) 18 Blatch. 132; *Vance v. Campbell*, 66 U.S. 427 (1861); *Prouty v. Draper Ruggles & Co.*, 41 U.S. 335 (1841); *Band-it Co. v. McAneny*, (10th Cir. 1942) 131 F. (2d) 766. See *Wiles*, "Joint Trespasses on Patent Property," 30 A.B.A.J. 454 (1944).

⁵ *Wallace v. Holmes*, (C.C. Conn. 1871) 29 Fed. Cas. 74, No. 17,100; *Schneider v. Pountney*, (C.C. N.J. 1884) 21 F. 399; *Thomson-Houston Elec. Co. v. Ohio Brass Co.*, (6th Cir. 1897) 80 F. 712. See *Roberts*, "Contributory Infringement of Patent Rights," 12 HARV. L. REV. 35 (1898). The first case to use the term "contributory infringement" was *Snyder v. Bunnell*, (S.D. N.Y. 1886) 29 F. 47. There can be no contributory infringement unless there is direct infringement. *Sutton v. Gulf Smokeless Coal Co.*, (4th Cir. 1935) 77 F. (2d) 439, cert. den. 280 U.S. 609 (1930); *Fehr v. Activated Sludge, Inc.*, (7th Cir. 1936) 84 F. (2d) 948. A presumption that materials have been used in an infringing manner arises if they were furnished with an intent that they be used in such a manner. *American Stainless Steel v. Ludlum Steel Co.*, (S.D. N.Y. 1926) 16 F. (2d) 823. This presumption is rebuttable, and may amount only to a permissive inference in the absence of other evidence. *Stearns-Roger Mfg. Co. v. Ruth*, (10th Cir. 1936) 87 F. (2d) 35.

⁶ A wide number of activities may be described as inducing infringement. E.g., *Graham v. Earl*, (9th Cir. 1897) 92 F. 155 (leasing machinery to be used in infringing a patent); *Toppan v. Tiffany Refrigerator Car Co.*, (N.D. Ill. 1889) 39 F. 420 (furnishing expert advice on constructing infringing machinery); *Conmar Products Corp. v. Tibony*, (E.D. N.Y. 1945) 63 F. Supp. 372 (building and selling machinery to be used in infringing); *American Tel. & Tel. v. Radio Audion Co.*, (D.C. Del. 1922) 281 F. 200, affd. (3d Cir. 1922) 284 F. 1020 (ordering goods from a manufacturer which can only be produced by infringing a patented process belonging to a third manufacturer); *Ames Safety Envelope Co. v. Randell*, (D.C. Mass. 1937) 19 F. Supp. 613 (lending money to a direct infringer with intent to aid him in infringing); *Trent v. Risdon Iron and Locomotive Works*, (9th Cir. 1900) 102 F. 635 (supervising the building of an infringing structure). The most common type of inducement is selling an article to be used in infringement, coupled with instructions which direct the buyer in infringing the patent. See, e.g., *American Stainless Steel Co. v. Ludlum Steel Co.*, (S.D. N.Y. 1926) 16 F. (2d) 823; *Imperial Chemical Mfg. Co. v. Stein*, (C.C. N.Y. 1895) 69 F. 161, modified (2d Cir. 1896) 77 F. 612 (sale of articles capable of being used in a non-infringing way); *Cugley v. Bundy Incubator Co.*, (6th Cir. 1937) 93 F. (2d) 932;

fringer. However, this liability will not attach to a supplier of unpatented elements unless he is shown to intend that the unpatented element be used in infringing the patent.⁷ Such intent can generally be demonstrated by showing that the element sold is unsuited for any but infringing uses.⁸

The protection afforded the patentee was buttressed, at the turn of the century, by the fact that most courts would allow a patentee to dictate the type of supplies that were to be used with his patented invention.⁹ Thus in *Henry v. A. B. Dick Co.*,¹⁰ a patentee selling its mimeograph machine on the condition that the ink used in the operation of the machine be purchased from him, was permitted to enjoin a competitor from supplying ink to purchasers of the mimeograph machine. This broad interpretation of the rights incident to the patent grant was short-lived. A change in the personnel of the Supreme Court and a growing awareness of the monopolistic abuses of the tying clause led to a sweeping revision of this doctrine. In *Motion Picture Patents Co. v. Uni-*

Metallizing Engineering Co. v. Metallizing Co., (S.D. N.Y. 1945) 62 F. Supp. 274 (sale of articles capable of use only in infringing manner).

⁷ *Chas. H. Lilly Co. v. I. F. Laucks, Inc.*, (9th Cir. 1933) 68 F. (2d) 175, cert. den. 293 U.S. 573 (1934); *Rumford Chemical Works v. Hygienic Chemical Co.*, (C.C. N.J. 1906) 148 F. 862, affd. (3d Cir. 1907) 154 F. 65, cert. den. 207 U.S. 592 (1907).

⁸ *New York Scaffolding Co. v. Whitney*, (8th Cir. 1915) 224 F. 452, cert. den. 239 U.S. 640 (1915); *Canada v. Michigan Malleable Iron Co.*, (6th Cir. 1903) 128 F. 486; *American Gramophone Co. v. Hawthorne*, (C.C. Pa. 1899) 92 F. 516. An action for contributory infringement will not lie unless it is shown that the unpatented article being sold by the defendant is not capable of any other use. *Saxe v. Hammond*, (C.C. Mass. 1875) 21 Fed. Cas. 593, No. 12,411; *Snyder v. Bunnell*, (C.C. N.Y. 1886) 29 F. 47; *Millner v. Schofield*, (C.C. Va. 1881) 17 Fed. Cas. 392, No. 9609a. *Contra*, *Sandusky Foundry & Mach. Co. v. DeLavaud*, (6th Cir. 1921) 274 F. 607; *Young Radiator Co. v. Modine Mfg. Co.*, (7th Cir. 1931) 55 F. (2d) 545. Where intent was shown by the directions to use the product in an infringing manner, an action for contributory infringement would lie even though the article sold was capable of non-infringing uses. *American Stainless Steel Co. v. Ludlum Steel Co.*, (S.D. N.Y. 1926) 16 F. (2d) 923; *Imperial Chemical Mfg. Co. v. Stein*, (C.C. N.Y. 1895) 69 F. 616, modified (2d Cir. 1896) 77 F. 612.

⁹ During this period a patentee was legally entitled to insist that all supplies used in a patented machine are purchased from him. *Heaton-Peninsular Button-Fastener Co. v. Eureka Specialty Co.*, (6th Cir. 1896) 77 F. 288; *Tubular Rivet and Stud Co. v. O'Brien*, (C.C. Mass. 1898) 93 F. 200; *Rupp & Wittgenfeld v. Elliott*, (6th Cir. 1904) 131 F. 730; *Leeds & Catlin Co. v. Victor Talking Mach. Co.*, (2d Cir. 1907) 154 F. 58; *Aeolian Co. v. Juelg Co.*, (2d Cir. 1907) 155 F. 119; *A.B. Dick Co. v. Milwaukee Office Specialty Co.*, (C.C. Wis. 1908) 168 F. 930; *Crown Cork & Seal Co. v. Brooklyn Bottle Stopper Co.*, (C.C. N.Y. 1909) 172 F. 225; *Crown Cork & Seal Co. v. Standard Brewery*, (C.C. Ill. 1909) 174 F. 252; *Commercial Acetylene Co. v. Autolux Co.*, (C.C. Wis. 1910) 181 F. 387; *Rajah Auto Supply Co. v. Rex Ignition Mfg. Co.*, (S.D. N.Y. 1913) 209 F. 622. *Contra*, *Cortelyou v. Johnson & Co.*, (2d Cir. 1906) 145 F. 933.

¹⁰ 224 U.S. 1 (1912). Partially as a result of the Dick decision Congress enacted §3 of the Clayton Act, 38 Stat. 731 (1914), 15 U.S.C. (1952) §14 which condemns exclusive dealing arrangements and tying clauses which may have tendency substantially to lessen competition or create a monopoly.

versal Film Mfg. Co.,¹¹ the Supreme Court held that a patentee conditioning licenses upon the purchase of unpatented supplies from him, was unable to enforce his patent against contributory infringers. In reaching this conclusion the court did not narrow the scope of the doctrine of contributory infringement. The court felt that the patentee was guilty of inequitable conduct in attempting to restrain commerce in unpatented supplies. Thus the patentee could be denied an equity remedy because of his own misconduct, without any reference to what the defendant had done. This was the first expression by the Supreme Court of the so-called doctrine of patent misuse. The defense of misuse was extended by the Supreme Court in *Carbice Corp. of America v. American Patents Development Corp.*,¹² to embrace cases where the patentee tried to control competition in the unpatented elements of a combination patent. In the *Carbice* case, Justice Brandeis, writing for a unanimous Court, held that the misuse doctrine would bar a contributory infringement action by a patentee who required licensees to purchase all elements of the combination patent from itself. The *Carbice* doctrine was subsequently held equally applicable to attempts by a patentee to achieve the same result without an express restriction by means of limiting licenses to those who purchased components solely from it.¹³ The misuse doctrine is not limited to contributory infringement suits. In *Morton Salt v. Suppiger Co.*,¹⁴ direct infringement actions were barred where the patentee sought to use his patent as a means to monopolize unpatented goods.¹⁵

¹¹ 243 U.S. 502 (1917). The decision in the Motion Picture Patents Case was not based on the Clayton Act, but was based solely on the policy of the patent laws. Patent policy and the antitrust policy, under §3 of the Clayton Act, are differentiated by the fact that a violation of the Clayton Act occurs only when the restrictive practice may substantially lessen competition, or tend to create a monopoly. *Morton Salt Co. v. Suppiger Co.*, 314 U.S. 488 (1942).

¹² 283 U.S. 27 (1931). Some authorities would cite the *Carbice* decision as being the first case to utilize the misuse doctrine. See Rich, "Infringement under Section 271 of the Patent Act of 1952," 21 GEO. WASH. L. REV. 521 at 529 (1953). However, there would appear to be very little reason to distinguish the theory of the *Carbice* case from that stated in the Motion Picture Patents case. See *Mercoid Corp. v. Mid-Continent Investment Co.*, 320 U.S. 661 at 668 (1944).

¹³ *Leitch Mfg. Co. v. Barber Co.*, 302 U.S. 458 (1938). The courts also found misuse where the patentee, while freely licensing all, discriminated in royalty rates between those who purchased from him and those who purchased from his competitor. *Barber Asphalt Corp. v. La Fera Grecco Constr. Co.*, (3d Cir. 1940) 116 F. (2d) 211; *Dehydrators, Ltd. v. Petrolite Corp.*, (9th Cir. 1941) 117 F. (2d) 183.

¹⁴ 314 U.S. 488 (1942).

¹⁵ A similar view had previously been propounded in *American Lecithen Co. v. Warfield Co.*, (7th Cir. 1939) 105 F. (2d) 207, cert. den. 308 U.S. 609 (1939); *B.B. Chemical Co. v. Ellis*, (1st Cir. 1941) 117 F. (2d) 829 (concurring opinion of Magruder, J.), aff'd. 314 U.S. 495 (1942).

While the misuse cases limited the effectiveness of contributory infringement actions, they in no way tampered with the basic doctrine of contributory infringement.¹⁶ Thus it was a great shock to the patent bar when the Supreme Court suggested in *Mercoïd v. Midcontinent Investment Co.*¹⁷ that the doctrine of contributory infringement had been whittled down to a mere residuum. In the *Mercoïd* case, combination patents for domestic heating systems were sublicensed by an exclusive licensee to those purchasing stoker switches exclusively from him. These switches could be used only in the patented invention. Neither the patentee nor the licensee manufactured or assembled the complete heating unit, and the patentee's royalties were measured by the number of switches the licensee sold. The owner of the patent attempted to enjoin Mercoïd from furnishing the stoker switches to direct infringers, but the Supreme Court denied relief. The precise ground of the decision was not clearly delimited by the majority opinion of Justice Douglas. In all probability the decision rested upon the fact that the patentee was restricting the use of unpatented supplies to be used in the patented invention. Nevertheless, the opinion contained dicta which cast doubt on the validity of the whole doctrine of contributory infringement.¹⁸ Viewed in the light of previous cases, this decision seemed to indicate that a court would be quick to find misuse of the patent if the patentee made his profit by selling elements of the patented invention or supplies, rather than by licensing the patent.¹⁹ This interpretation was bolstered by the fact that the switches could be used only in the patented invention.²⁰ The effect of the *Mercoïd* decision was to

¹⁶ However, the language in the Carbice opinion can be read to state that the doctrine of contributory infringement had been narrowed to deal only with cases where the defendant sold articles capable of use solely in infringing a patent. *Carbice Corp. of America v. American Patents Dev. Co.*, 283 U.S. 27 (1931).

¹⁷ 320 U.S. 661 (1944).

¹⁸ "*Leeds & Catlin Co. v. Victor Talking Machine Co.* (No. 2), *supra*, is authority for the conclusion that he who sells an unpatented part of a combination patent for use in the assembled machine may be guilty of contributory infringement. The protection which the Court in that case extended to the phonograph record, which was an unpatented part of the patented phonograph, is in substance inconsistent with the view which we have expressed in this case." Douglas, J., in *Mercoïd Corp. v. Mid-Continent Investment Co.*, 320 U.S. 661 at 668 (1944).

¹⁹ For a similar interpretation of these cases, see *American Lecithen Co. v. Warfield Co.*, (7th Cir. 1939) 105 F. (2d) 207, cert. den. 308 U.S. 522 (1939).

²⁰ Some interpreters felt that the doctrine of misuse as expounded by the *Mercoïd* decision was applicable only when the patentee was trying to control unpatented articles capable of substantial non-infringing use (generally referred to as staples). See Diamond, "The Status of Combination Patents Owned by Sellers of an Element of the Combination," 21 J. PAT. OFF. SOC. 843 (1939). But there was little support for such a distinction in the

leave lower courts and members of the patent bar in confusion as to the status of contributory infringement suits. Indeed, several lower courts expressed the opinion that *Mercoïd* abolished contributory infringement.²¹ Most courts, however, though uncertain of the meaning of *Mercoïd*, continued to entertain contributory infringement suits.²²

II. *Scope of the Misuse Doctrine Under Section 271*

Paragraph (d) of section 271 provides that a patentee shall not be guilty of misuse if he does one or more of the following: (1) derives revenue from acts which if performed by another would constitute contributory infringement; (2) licenses or authorizes another to perform acts which if performed without his consent would constitute contributory infringement; (3) enforces his patent rights against infringement or contributory infringement. There is at least a possibility that section 271 will result in some changes in the misuse doctrine. However, the legislative history of the section and its language do not point out clearly where those changes might take place. A clearer understanding of the problems inherent in section 271 can be gained by trying to determine how its provisions would operate in specific factual situations. Some fact situations and possible problems are presented below.

A. The patentee derives his whole income from licensing the patent. He sells no component parts of his unpatented combina-

cases that immediately preceded the *Mercoïd* decision. Cf. *Philad. Co. v. Lechler Laboratories, Inc.*, (2d Cir. 1939) 107 F. (2d) 747; *Autographic Register Co. v. Sturgis Register Co.*, (6th Cir. 1940) 110 F. (2d) 883; *B.B. Chemical Co. v. Ellis*, (1st Cir. 1941) 117 F. (2d) 829, *affd.* 314 U.S. 495 (1942).

²¹ *Stroco Products, Inc. v. Mullenbach*, (S.D. Cal. 1944) 67 U.S.P.Q. 168. See also *Stokes & Smith Co. v. Transparent-Wrap Machine Corp.*, (2d Cir. 1946) 156 F. (2d) 198; *Landis Mach. Co. v. Chaso Tool Co.*, (6th Cir. 1944) 141 F. (2d) 800; *Lempco Products, Inc., v. Simmons*, (6th Cir. 1944) 140 F. (2d) 58. The Supreme Court's decision in *Special Equipment Co. v. Coe*, 324 U.S. 370 (1945), also lends support to the view that *Mercoïd* reduced to a shadow the doctrine of contributory infringement. The court allowed a patent on a part of a combination on the ground that a patent on the whole combination would not alone adequately protect the patentee.

²² *Conmar Products v. Tibony*, (E.D. N.Y. 1945) 63 F. Supp. 372; *Detroit Lubricator v. Toussaint*, (N.D. Ill. 1944) 57 F. Supp. 837; *Hall v. Montgomery Ward*, (N.D. W.Va. 1944) 57 F. Supp. 430; *Metallizing Engineering Co. v. Metallizing Co.*, (S.D. N.Y. 1945) 62 F. Supp. 274. See also *Chicago Pneumatic Tool Co. v. Hughes Tool Co.*, (Del. 1945) 61 F. Supp. 767; *Feinstein v. I.T.S. Co.*, (N.D. Ohio 1946) 69 U.S.P.Q. 405; *Girdler Corp. v. Dupont*, (D.C. Del. 1944) 56 F. Supp. 871; *Johnson v. Atlas Mineral Products Co.*, (6th Cir. 1944) 140 F. (2d) 282; *Amalgamated Dental Co. v. William Getz Corp.*, (N.D. Ill. 1951) 90 U.S.P.Q. 339.

tion. He brings suit against contributory infringers who sell parts of his combination to direct infringers.

This is probably the clearest case that could arise under section 271. In all probability the patentee would have been granted relief prior to the *Mercoïd* decision. After *Mercoïd*, a California district court intimated that the mere act of bringing suit against a contributory infringer could be called misuse of the patent.²³ The legislative history of section 271 shows that paragraph (d) (3) is intended to overrule this decision.²⁴ The statutory language clearly states that no patentee shall be deemed guilty of misuse because he has sought to enforce his patent rights against infringement or contributory infringement. The opinion of the Court of Appeals for the Tenth Circuit in *D.B. Cole v. Hughes Tool Co.*²⁵ indicates that a patentee has little reason to fear that a court will ignore the express terminology of section 271 (d) (3). While the decision turned upon other grounds, the court specifically ruled that the mere act of bringing suit could not constitute misuse.²⁶

B. The patentee derives all of his revenue from selling unpatented wares which are used with his patented invention. He licenses only corporations which buy all of their unpatented wares from him.

Prior to the enactment of section 271 (d) there is no doubt that this patentee would have been deemed guilty of misuse. The facts in this case are very similar to those in the *Leitch* and *Mercoïd* cases. In this type of case it seems quite clear that the patentee uses his patent only for the purpose of increasing his sales of unpatented wares. Whether section 271 has given this right to the patentee is one of the thorniest issues that can arise under the new patent code. This problem was recently considered by the District Court for the Northern District of Illinois in *Sola Electric Co. v. General Electric Co.*²⁷ The plaintiff had a patent on a combination of unpatented elements to be used in an alternating current supply system, but like the patentee in *Mercoïd*, the plaintiff and his licensees derived their income from sales of unpatented elements. Licenses were granted to those who purchased the unpatented elements from the plaintiff or his licensees. The court was able

²³ *Stroco Products, Inc. v. Mullenbach*, (S.D. Cal. 1944) 67 U.S.P.Q. 168.

²⁴ Hearings before the Committee on the Judiciary on H.R. 3760, 82d Cong., 1st sess., 174 (1951).

²⁵ (10th Cir. 1954) 215 F. (2d) 924.

²⁶ *Id.* at 935.

²⁷ (N.D. Ill. 1956) 111 U.S.P.Q. 203.

to decide the case by finding that the patents in question were invalid. However, careful consideration was given to the effect of section 271 (d) upon the doctrine of the *Mercoïd* case. The court was strongly inclined to believe that the plaintiff's conduct was violative of the *Mercoïd* doctrine, but found that section 271 (d) had overruled the principles set down in *Mercoïd*. The grounds for this decision were stated succinctly:

"It seems to the court that the defendant's thesis above set forth merely shows that the plaintiff has derived revenue from acts which, if performed by another without plaintiff's consent, would constitute contributory infringement of the patent, that the plaintiff has licensed or authorized others to perform acts which if performed without the plaintiff's consent would constitute contributory infringement of the patent, and that the plaintiff has sought to enforce its patent rights against infringement and contributory infringement. These acts are by paragraph (d) of Section 271, above quoted, declared not to be misuse of the patent right. The court holds, accordingly, that the said Act of 1952 makes proper and lawful that which under the doctrine of the *Mercoïd* cases, above cited, would have been misuse of the patent."²⁸

Nothing in the language or the legislative history of section 271 (d) compels this interpretation. Although some patent authorities stated to the House Judiciary Committee that section 271 would overrule *Mercoïd*, there seems to have been no unanimity among the legislators that such a result should take place.²⁹ Admittedly paragraph (d) (1) does exempt a patentee who is merely deriving an income from the sale of component parts, but it does not expressly deal with the patentee who refuses to license his patent to those buying component parts from another seller. The mere act of selling component parts is not the act which constitutes

²⁸ *Id.* at 220.

²⁹ Mr. Giles Rich, one of the principal authors of the section, told the House Committee on the Judiciary that the bill covered the *Mercoïd* type of situation, but it is possible that he was speaking of §271 (d) (2) which permits a patentee to license or authorize others to sell component parts of a patented combination. Hearings before Committee on Judiciary on H.R. 3760, 82d Cong., 1st sess., 178 (1951). A more positive statement by Mr. Rich that the result in *Mercoïd* would be changed by §271 (d) was made during the hearings on an earlier bill containing substantially the same language. Hearings before Committee on Judiciary on H.R. 3866, 81st Cong., 1st sess., at 14 and 20 (1949). H. Rep. 1923, 82d Cong., 2d sess., 9, 28 (1952), and S. Rep. 1979, 82d Cong., 2d sess., 8, 28 (1952), merely state that the section's purpose is "clarification and stabilization." There was no debate on any part of the bill in the House of Representatives and the Senate debate throws little new light on this question. Senator McCarran's statement mentions some changes in the patent law, but does not deal specifically with the *Mercoïd* situation. 98 CONG. REC. 9323 (1952).

misuse in this type of case. Coercion of potential licensees is the factor which signals patent misuse.

In all probability paragraph (d) (1) was intended to protect patentees from the misuse defense in a case where the patentee was not guilty of trying to restrict competition in unpatented supplies or parts. An excellent example of this type of case is seen in *Hall Laboratories, Inc. v. Springs Cotton Mills, Inc.*,³⁰ decided shortly after the 1952 act became effective. The plaintiff had a patent on a process which reduced the corrosion of water pipes by treating them with a mixture of metaphosphate and water. The plaintiff derived revenue from selling metaphosphate and also from licensing his patent. There was no requirement that licensees buy their supplies of metaphosphate from the plaintiff. Licenses were granted to any person agreeing to a stipulated royalty. The court emphasized the absence of restrictive license provisions in finding that the plaintiff was not guilty of misuse. Although the court did not make any extensive reference to section 271, it is apparent that the factors considered should be of importance in any case arising under that section. This type of case is readily distinguished from *Leitch, Mercoïd*, and *Sola*. It does not involve an attempt to coerce a licensee in areas beyond the scope of the patent grant. Absent clear legislative intent to overrule *Mercoïd*, it would seem probable that section 271 (d) (1) was intended to deal with a case similar to *Hall Laboratories*.³¹

C. The patentee is in the business of marketing a patented system covered by its combination patent. Although the patentee does not install the system for its customers, it designs the system, furnishes instructions for installation, and guarantees its performance. Purchasers of the system are required to buy unpatented component parts from the patentee.

In substance, these were the facts presented to the Second Circuit in *Electric Pipe Line, Inc. v. Fluid Systems, Inc.*³² The patentee argued that the impact of section 271 (d) was to relieve a patentee selling component parts of a combination from the stigma of misuse. The court refused to rule on this point, basing its

³⁰ (W.D. S.C. 1953) 112 F. Supp. 29.

³¹ Representative Crumpacker said of §271 (d), "It says that he shall not be deemed guilty of misuse because he has done one of these three things. It doesn't say that he shall be deemed not guilty of misuse because he has done this." Hearings before Committee on Judiciary on H.R. 3760, 82d Cong., 1st sess., 167 (1951). See also the statements of Representative Rogers, *ibid.*

³² (D.C. Conn. 1955) 132 F. Supp. 123, *affd.* (2d Cir. 1956) 231 F. (2d) 370.

decision upon the narrower ground that the sale of component parts was incidental to the sale of the patented system as a whole. Even though the system could be purchased only if the purchaser obtained the unpatented parts from the patentee, and in spite of the fact that the patentee's source of revenue was the unpatented components and not the sale of the patented system as such, the court held there was no misuse. The *Mercoïd* decision was distinguished by virtue of the following factors:

"Although Fluid (the patentee), does not install or manufacture its oil transportation system, it does much more than just sell unpatented components. Fluid designs the oil transportation system to meet the individualized needs of the customer; where necessary it designs and modifies the components of the system according to its own specifications; instructions are furnished for installation; the final installation is inspected by Fluid; and a performance guarantee that a system will work is given."³³

According to the factors heretofore considered by the courts in determining patent misuse, it does not appear that the reason given by Judge Medina for distinguishing the *Mercoïd* case should lead to the conclusion that there was no misuse. Unquestionably the arrangement between the patentee and the customer was such that the customer could not use the system without buying the unpatented components from the patentee. By all recognized standards there was misuse. While there may be sound policy reason for this decision—in that it will encourage sellers of goods to develop new inventions which will utilize their wares—it is doubtful that a patentee can rely upon such a favorable result in all courts. Until the courts reach a general agreement on the question of whether section 271 (d) overrules the *Mercoïd* result, it would seem that a patentee would be well advised to avoid conditioning its licenses upon the purchase of component parts.

III. *The Doctrine of Contributory Infringement Under Section 271 (b) and (c)*

It is generally supposed that section 271 (b) and (c) were intended to codify the doctrine of contributory infringement as it existed prior to the *Mercoïd* decision. Yet there is room for wide

³³ Id. at 372. This decision may be interpreted as overruling *Mercoïd* by implication. For such an interpretation, see 66 YALE L.J. 132 at 137 (1956).

disagreement as to the type of acts that will constitute contributory infringement under section 271. For example, paragraph (c) states that the mere sale of an unpatented staple, capable of substantial non-infringing use, will not amount to contributory infringement. Already there has been some degree of confusion as to the proper interpretation of the terms "staple" and "substantial non-infringing use." Dicta in several cases has suggested that any unpatented commodity may be regarded as a staple which is capable of non-infringing use.³⁴ There is nothing to indicate that any such interpretation was intended by Congress. It is to be hoped that such language can be dismissed as an unfortunate ambiguity which is likely to occur in the initial stages of interpretation of any statute.

A problem which promises to be of more lasting difficulty is raised when a defendant sells staples which are capable of substantial non-infringing use and also provides directions to purchasers which will aid them to infringe the plaintiff's patent. Although a number of cases prior to *Mercoïd* suggested that a patentee could take action against such a defendant,³⁵ it is unclear whether such rights continue to exist under section 271. While it is certain that such conduct would not be actionable under paragraph (c), there is a possibility that the prohibition against actively inducing infringement in paragraph (b) would cover the situation. As there is no indication of its coverage, the sanction in (b) against one who "actively induces infringement" will support nearly any interpretation.

The first case to deal with the scope of paragraph (b) was *Jones v. Radio Corporation of America*.³⁶ There the patentee sued a defendant who imparted confidential information to potential infringers. As the defendant did not sell any component parts of the patented combination, or supplies to be used with it, the plaintiff could not rely upon paragraph (c) to support his contributory infringement action. The court held that the conduct of the defendant fell within the language of (b). The decision in this case

³⁴ *Gagnier Fibre Co. Products v. Fourslides, Inc.*, (E.D. Mich. 1953) 112 F. Supp. 926. See Martin, "The Patent Codification Act," 36 J. PAT. OFF. SOC. 625 at 639 (1954). *Contra*, *Southern States Equipment Corp. v. USCO Power Equipment Corp.*, (5th Cir. 1953) 209 F. (2d) 111 at 121.

³⁵ See *Individual Drinking Cup Co. v. Public Serv. Cup Co.*, (2d Cir. 1918) 250 F. 620; *Canada v. Michigan Malleable Iron Co.*, (6th Cir. 1903) 124 F. 486; *American Stainless Steel Co. v. Ludlum Steel Co.*, (S.D. N.Y. 1926) 16 F. (2d) 823; *Imperial Chemical Mfg. Co. v. Stein*, (S.D. N.Y. 1895) 69 F. 616, modified (2d Cir. 1896) 77 F. 612. However, it may well be that the drafters of the bill felt that since the *Carbice* case, relief would be denied to a patentee who had attempted to stop a seller dealing in unpatented goods.

³⁶ (S.D. N.Y. 1955) 131 F. Supp. 82.

is important in two respects: (1) the court based the decision upon the fact that section 271 (b) embraces all conduct, other than sales of component parts, which had been contributory infringement prior to the passage of section 271; (2) conduct which is not actionable under paragraph (c) may be actionable under (b). While the court did not venture any opinion as to whether 271 (b) included cases where the defendant sells articles which are capable of substantial non-infringing use, the reasoning of the case would seem to point to the conclusion that such fact situations would be included.³⁷

The courts have devoted little attention to the problem of the defendant who sells staples capable of non-infringing use in the few cases where it has been squarely presented. An example of this treatment is *Dr. Salsbury's Laboratories v. I. D. Russell Co. Laboratories*,³⁸ where the plaintiff had a patent on a mixture of water and a chemical called 3-Nitro. The chemical was apparently capable of substantial non-infringing uses. Both the patentee and the defendant were engaged in selling the unpatented chemical with instructions as to how it should be mixed with water. The patentee sought to take advantage of section 271 (b) and (c) to enjoin the defendant's activities. The Court of Appeals for the Eighth Circuit felt that the *Carbice* and *Mercoïd* decisions had limited the action of contributory infringement to cases where the defendant was selling articles which could be used only for infringing purposes. The court assumed that these limitations were automatically incorporated in paragraph (b) of section 271.

This problem was also ignored by the Court of Appeals for the Second Circuit in *Electric Pipe Line, Inc. v. Fluid Systems, Inc.*³⁹ The plaintiff, who was accused of contributory infringement, marketed component parts of the patentee's system which may have been capable of a substantial non-infringing use. The district court apparently assumed that these components were capable of such a non-infringing use.⁴⁰ Nevertheless, the patentee was allowed

³⁷ If we assume that §271 (b) codifies the pre-Mercoïd law of contributory infringement, we would still have problems in determining whether the seller of a staple can be liable for contributory infringement. There is a diversity of opinion on what the law was in regard to this question, prior to Mercoïd. See note 35 supra.

³⁸ (W.D. Mo. 1953) 121 F. Supp. 709, affd. (8th Cir. 1954) 212 F. (2d) 414.

³⁹ (D.C. Conn. 1955) 132 F. Supp. 123, affd. (2d Cir. 1956) 231 F. (2d) 370.

⁴⁰ The findings of fact state, "For the most part the items that go to make up the patented system such as the thermostat, transformer, insulated flanges, etc., are old and unpatented although some are specially modified or designed for this purpose." *Electric Pipe Line, Inc. v. Fluid Systems, Inc.*, (D.C. Conn. 1955) 132 F. Supp. 123 at 125. The court also found that the defendant had no intention of restraining any sale of parts except those used to infringe its patent. *Id.* at 127.

to protect himself against the plaintiff's sales. Whether the decision is based on the provisions of (b) or (c) is not clear from the opinion. Similar ambiguity is found in the opinion of the court of appeals. Judge Medina felt that the plaintiff made components for special use in the defendant's system.⁴¹ It is not clear, however, whether he agreed with the district court's apparent assumption that these products were capable of non-infringing use. The opinion is capable of three conflicting interpretations: (1) the court ignored the problem of whether the article sold was capable of substantial non-infringing use; (2) the court felt that while the article sold was capable of non-infringing use, such use was not "substantial" within the meaning of (c); or (3) the plaintiff was guilty of actively inducing infringement of a patent under (b) even though he sold an article capable of substantial non-infringing uses.

It is difficult to draw a comprehensive rule from these confusing decisions. Nevertheless, it is clear from the legislative history of section 271 (b) and (c) that a seller is not liable for the *mere sale* of a staple which is capable of substantial non-infringing use.⁴² Congress could hardly have intended to alter this result by allowing a patentee to sue a seller under (b) on the ground that the mere sale of a staple actively induces infringement. On the other hand, there is no indication that the draftsmen felt that (b) should not operate where the vendor's actions go beyond the mere sale of an article capable of a substantial non-infringing use. In a case where the defendant's advertisements suggest a method of infringing a patent, it would seem that the plaintiff should have a remedy under (b). The mere fact that the defendant sells an article which is capable of a substantial non-infringing use should not immunize him from the force of (b).

⁴¹ *Electric Pipe Line, Inc. v. Fluid Systems, Inc.*, (2d Cir. 1956) 231 F. (2d) 370 at 372.

⁴² Bills were introduced in the 80th and 81st Congresses which made this intent clear. They contained sections substantially similar to paragraphs (b) and (d) of the present act. The equivalent of paragraph (c) was contained in three separate paragraphs, sections 2, 3, and 4. They stated: Section 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. Section 3. The sale of a component of a patented machine, manufacture, combination or composition . . . if especially made or adopted for use in an infringement of such patent, and not suitable for actual commercial noninfringing use, shall constitute contributory infringement. Section 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 non-infringing 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." Emphasis added. H.R. 5988, 80th Cong., 2d sess. (1948); H.R. 3866, 81st Cong., 1st sess. (1949). Sections 3 and 4 were consolidated into §271 (c) with the unfortunate effect of obscuring some of the meaning of the drafters.

IV. *Conclusion*

A study of the cases which have been decided under section 271 would indicate that there are very few landmarks to aid a patentee in choosing a sound licensing policy. To a large extent, the rights of patentees under section 271 will depend upon the future course of the judiciary. The decisions in the *Sola* and *Fluid Systems* cases would seem to indicate that there is some trend toward an interpretation of section 271 which would overrule the misuse doctrine as stated in the *Mercoid* decision. Such liberality is strongly reminiscent of the attitude of American courts prior to the *Motion Picture Patents* case. It is difficult to believe that future judicial opinions will support this trend. No such decisive trend has appeared among the cases which have dealt with the scope of the contributory infringement doctrine under section 271 (b) and (c). In particular, it is difficult to tell whether the provisions of section 271 (b) will be applied to prevent a seller of staples from inducing infringement. There is no strong policy reason to prevent such an interpretation. The *Fluid System* decision is to be approved, to the extent that it can be read to indorse this view. It is to be hoped that courts in the future will allow contributory infringement actions against those who actively induce infringement while selling products capable of non-infringing use. For the present time, the patentee is in the position of awaiting a more definite trend of judicial opinion to reinforce his rights in this area.

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