

1949

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Recommended Citation

Samuel E. Eastman, *CONTRIBUTORY INFRINGEMENT AND THE COMBINATION PATENT*, 48 MICH. L. REV. 183 ().

Available at: <https://repository.law.umich.edu/mlr/vol48/iss2/3>

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CONTRIBUTORY INFRINGEMENT AND THE
COMBINATION PATENTA RECOGNITION OF MONOPOLY IN UNPATENTED ELEMENTS
CREATED BY COMBINATION PATENT ENFORCEMENT*Samuel Ewer Eastman**

INTRODUCTION

THE RIGHT OF ACTION for contributory infringement of a patent was forged by judicial legislation, and, as limited and subjected to opposing rules of law, has been tempered by that same process. The history is exemplary of the control over society exercisable by the courts according to their own individual economic outlook.

In tracing this history, buying agreements, price-fixing, agreements not to deal in the goods of a competitor, conspiracies to restrain trade through licensing, and other business arrangements subject to scrutiny under the anti-trust laws will be dealt with only incidentally.¹ It is not possible to deal only with combination patent cases in presenting a fair and accurate record of what has transpired. But since that patent was instrumental in giving rise to the doctrine of contributory infringement, and has consequently suffered the most in its limitation, it will receive predominate treatment.

While "a grant of monopoly is an exception to the general law against restraints in trade and as such exception the patent privilege should be construed strictly,"² only unreasonable restraints of trade are illegal.³ The distinction between "bad monopoly," connoting all that is evil and ruthless in modern business, and "good monopoly," less than an unreasonable restraint, and the common law background peculiar to each,⁴ should constantly be borne in mind.

As the fundamental worth of a plan for rewarding inventors has

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¹ For a more complete treatment of limitations on "user" see WOOD, PATENTS AND ANTI-TRUST LAWS 74-95 (1942).

² Brief of the United States as Amicus Curiae in *General Talking Pictures Corp. v. Western Electric Co.*, 304 U.S. 175, 58 S.Ct. 849 (1938), 305 U.S. 124, 59 S.Ct. 116 (1938); rehearing den. 305 U.S. 675, 59 S.Ct. 355 (1939); OPPENHEIM, CASES ON FEDERAL ANTI-TRUST LAWS 71-80 (1947) (discussion of the nature of monopoly and competition emphasizing degrees of each).

³ The rule of reason under §2 of the Sherman Act. *Standard Oil Co. of N.J. v. United States*, 221 U.S. 1, 31 S.Ct. 502 (1911).

⁴ For an outline of the common law background of the patent system see the dissent of Justice Burton in *United States v. Line Material Co.*, 333 U.S. 287, 68 S.Ct. 550 (1948).

been assumed, it must be recognized that the combination patent is, when issued by the Patent Office or upheld by the courts, properly the subject of invention and rightly to be accorded its special position consistent with the common weal.

I

THE GOLDEN ERA: WALLACE V. HOLMES (1871) TO MOTION
PICTURE PATENTS CO. V. UNIVERSAL FILM MFG. CO. (1917)

The complete embodiment of the patentee's express monopoly provides that "every patent shall contain . . . a grant to the patentee . . . the exclusive right to make, use, and vend the invention or discovery . . ."⁵ Whether the exclusive right to make, use, and vend for seventeen years is regarded as a species of incorporeal property,⁶ or "... a privilege which is conditioned by a public purpose,"⁷ it is generally conceded that an unlicensed appropriation of the right or privilege is a tort, analogous to trespass or trespass on the case, and, in the jargon of the patent law, an infringement. As those who participate in a trespass or aid and abet in its commission are jointly and severally liable,⁸ it was early determined that those who gave "intentional aid or co-operation in transactions, which collectively constitute complete infringement"⁹ should be liable equally with the ultimate infringer.

Partial infringement of a patent has never been actionable in the United States,¹⁰ but, from its inception, contributory infringement was actionable in the absence of an affirmative showing of collusive circumstances. It was thus distinguishable from joint infringement, recovery under which would be denied in the absence of conspiracy, even though it could be shown the defendant constructed an element of the patented combination with the intent that his successor should complete the invention and infringe.¹¹

In 1865, U.S. patent No. 49984 was granted to Michael H. Collins for an "improvement in lamps." The patentee did not claim the burner as new, as presumably he might have, but rather claimed it

⁵ 46 Stat. L. 376 (1930) §4884, 35 U.S.C.A. (1940) §40.

⁶ OPPENHEIM, *CASES ON FEDERAL ANTI-TRUST LAWS* 470 (1947).

⁷ Justice Douglas in the *Mercoird Corp. v. Mid-Continent Investment Co.*, 320 U.S. 661 at 666, 64 S.Ct. 268 (1944).

⁸ *TORTS RESTATEMENT*, §875 (1939). Mathews, "Contributory Infringement and the Mercoird Case," 27 J. PAT. OFF. SOC. 260 (1945).

⁹ 3 WALKER, *PATENTS*, Deller's ed., §507, p. 1764 (1937).

¹⁰ Thomas, "The Law of Contributory Infringement," 21 J. PAT. OFF. SOC. 811 (1939).

¹¹ Roberts, "Contributory Infringements of Patent Rights," 12 HARV. L. REV. 35 (1898).

in combination with a chimney.¹² In 1871, the assignee brought an action in the Circuit Court for the District of Connecticut¹³ alleging that the defendant, a lamp manufacturer, was making burners which, by the application of the doctrine of equivalents,¹⁴ were similar in construction to those of the plaintiff. The defendant made only the burner, "leaving the purchaser to supply the chimney." To avoid driving the plaintiff to the task of searching out the individual purchasers who actually placed the chimneys on the burners, "... a consequence which, considering the small value of each separate lamp, and the trouble and expense of prosecution, would make the complainants helpless and remediless,"¹⁵ the court, speaking through Judge Woodruff, granted relief and established the doctrine of contributory infringement. Neither defense of the defendant, first, that they sold only the burners and, even if done with knowledge, there was no infringement by them, and, second, that the user of less than all the elements of a combination even to produce the same result was not an infringer,¹⁶ was allowed to prevail. The necessary concert was found by inference, for "every sale by the defendant was an invitation to purchase a chimney," usually available in the same store, and hence ultimately resulted in an infringement. Defendant's manufacture had no independent use of its own outside the combination.

Later cases served to define more clearly the limits of the new tort in its application to specific situations. Thus it was held the plaintiff must show intent to contribute to the infringement¹⁷ and that an infringement did occur by a party to whom defendant furnished parts or materials.¹⁸ If the article furnished had no other use, the requisite

¹² "... the patentee, in his specifications and claim, instead of claiming the burner as new, and securing the exclusive right in respect to that, has claimed it in combination with a chimney, and must stand by his patent under that construction." *Wallace v. Holmes* (D.C. Conn. 1871) F. Cas. No. 17,100.

¹³ *Wallace v. Holmes*, (D.C. Conn. 1871) F. Cas. No. 17,100.

¹⁴ "The accepted rubric is that to be an 'equivalent' the infringement must attain 'substantially the same result in substantially the same way.'" Judge Learned Hand in *Royal Typewriter Co. v. Remington Rand, Inc.*, (C.C.A. 2d, 1948) 168 F. 2d 691 at 692.

¹⁵ *Wallace v. Holmes* (D.C. Conn. 1871) F. Cas. No. 17,100.

¹⁶ Where a patent is for a combination merely, it is not infringed by one who uses one or more of the parts, but not all, to produce the same results, either by themselves, or by the aid of other devices. *Prouty v. Draper*, 16 Pet. (41 U.S.) 336 (1864).

¹⁷ *Saxe v. Hammond*, (C.C. Mass. 1875) F. Cas. No. 12,411 (recovery denied where plaintiff fails to show defendant's fans sold for use in plaintiff's organ). Accord: *Keystone Bridge Co. v. Phoenix Iron Co.*, (C.C. Pa. 1872) F. Cas. No. 7751; *General Electric Co. v. Sutter*, (Pa. 1911) 186 F. 637.

¹⁸ *R.C.A. v. Andrea*, (C.C.A. 2d, 1937) 90 F. (2d) 612 (recovery allowed where defendant sold unassembled parts the only reasonable inference being that purchaser would assemble and thus infringe). An interesting case is *Fehr v. Activated Sludge Co.*, (C.C.A. 7th, 1936) 84 F. (2d) 948 where a contractor was held liable for installation of a patented process which infringed if the plant ever operated before the expiration of the patent.

intent was presumed, the defendant having the benefit of the doubt where other inferences were equally reasonable.¹⁹ Materiality of the article to the practice of the invention was always considered,²⁰ but the mere fact that it was one common to commerce was not controlling.²¹ The purchaser of the combination had an implied license to make necessary repairs²² which amounted to less than a "reconstruction" of the combination,²³ and one furnishing repair or replacement articles was not a contributory infringer.

To round out the background of the doctrine, two extreme cases, *American Cotton Tie Co. v. McCready*,²⁴ and *Henry v. A. B. Dick Co.*,²⁵ should be considered. While not directly concerned with the judicial sanction accorded the combination patent, these cases are generally considered as having been decided on the basis of contributory infringement. In the former, a patentee was granted an injunction against a carrier who shipped goods to a "one use" infringer, on the ground that, since the patentee could enjoin the consignee from a second practice of the invention, the carrier could not be engaged in any lawful business.²⁶ The second case, the last of those supporting the doctrine almost without limitation,²⁷ allowed the patentee of a mimeograph machine to recover for defendant's violation of a notice restriction which recited that the machine could be used only with unpatented supplies purchased from the plaintiff. Defendant had supplied a bottle of special ink of his own manufacture.²⁸

¹⁹ Thomas, "The Law of Contributory Infringement," 21 J. PAT. OFF. SOC. 811 (1939).

²⁰ *Thompson-Houston Electric Co. v. Ohio Brass Co.*, (C.C.A. 6th, 1897) 80 F. 712. (succinct discussion of the early doctrine at 721).

²¹ The burden was on the plaintiff to show an understanding that the purchaser was to use it in an infringing manner. *Rumford Chemical Works v. Hygienic Chemical Co.*, (N.J. 1906) 148 F. 862. The *Carbice* case is usually considered as having decided that "staple" or common articles, elements of a combination, are beyond the patentee's control.

²² *Wilson v. Simpson*, 9 How. (50 U.S.) 109 (1850).

²³ *Wilson v. Rosseau*, 4 How. (45 U.S.) 646 (1846).

²⁴ 4 Ban. & A. 558.

²⁵ 224 U.S. 1, 32 S.Ct. 364 (1912).

²⁶ The conclusion follows from the premise that it is not unlawful for the patentee to suppress or not use his invention. *American Cotton Tie Co. v. Simmons*, 106 U.S. 89, 1 S.Ct. 52 (1882); *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U.S. 405, 28 S.Ct. 748 (1908). See T. N. E. C. Monograph No. 31, PATENTS AND FREE ENTERPRISE 57-62 (1941). The ". . . root seems to be a rather primitive norm of ownership which has escaped into a more sophisticated age." *Id.* at 62.

²⁷ The decision was furthered by the previous holding in *Heaton-Peninsular Button Fastener Co. v. Eureka Specialty Co.*, (C.C.A. 6th, 1896) 77 F. 288, that the owner of a machine patent could hold his licensee to the terms of the agreement in an action for contributory infringement for using unpatented staples necessary for the machine's useful operation. Liberty of contract was one basis of decision. See T.N.E.C. Monograph No. 31, PATENTS AND FREE ENTERPRISE 64 (1941).

²⁸ A Congressional investigation resulting in Section 3 of the Clayton Act followed the decision in the case. *WOOD, PATENTS AND ANTITRUST LAW* 65 (1942).

It is not difficult to understand why the courts were so willing to extend the scope of the combination patent monopoly beyond the language of the statute. A combination by its inherent nature may be impossible to manufacture and sell as a complete unit, thus thwarting the patentee in taking the most direct means of protecting his legal monopoly. For example, take the patent involved in the *Carbice*²⁹ case concerning a refrigeration transportation package using dry ice as a refrigerant. In such a situation the remedy afforded the patentee, should he decide to proceed with his right, is unsubstantial:³⁰ he may sue the individual infringers who conceivably might number thousands. Licensing and the exaction of royalties based on usage are often impractical because of the difficulty in measuring the extent of the use. An example is a phonograph needle and record combination.³¹ The legislature having granted the patentee a right, ultimately of little value in a particular instance, the courts were willing to redefine that right by providing an effective remedy against the contributory infringer. From the beginning the patent system has sought to "promote the Progress of Science and Useful Arts"³² by private remuneration³³ to the inventor³⁴ consistent with the public welfare.

II

JUDICIAL EROSION

A. *Perishable, Active and Passive Elements*

The owner of a patented combination was always at liberty to maintain reasonable repairs and replace parts which the patentee might reasonably expect to wear in a short period of time. By the same token the supplier of the repairs or replacement parts was not liable in such

²⁹ *Carbice Corp. of America v. American Patents Development Corp.*, 283 U.S. 27, 51 S.Ct. 334 (1931). The case is discussed *infra*, p. 191.

³⁰ For a discussion of remedies available to the patentee, assuming the right to bring suit, see Wiles, "Joint Trespasses on Patent Property," 30 A. B. A. J. 454 (1944). Such a suit is considered to be not without value. *Id.* at 454.

³¹ *Leeds & Catlin Co. v. Victor Talking Machine Co. (No. 2)*, 213 U.S. 325, 29 S.Ct. 503 (1909).

³² U.S. Const., Art. I, §8, cl. 8.

³³ In considering whether to adopt a premium or a patent system, it was assumed that the inventor's rights were to be "purchased." T. N. E. C. Monograph No. 31, *PATENTS AND FREE ENTERPRISE* 25 (1941).

³⁴ More objection has been raised against the ultimate recipient of the bounty than whether there should be a recipient. "As the assignee, the corporation claimed 'the exclusive right' of the 'sole and true inventor' . . . [and] substituted the pursuit of gain for 'the progress of the useful arts' which the grant was intended to serve." T. N. E. C. Monograph No. 31, *PATENTS AND FREE ENTERPRISE* 49 (1941). Query whether corporations discriminate unsubstantially in favor of their "hired research technicians."

a case for contributory infringement—there being no infringement.³⁵

In 1894 this limitation was further extended by the decision of the Supreme Court in *Morgan Envelope Co. v. Albany Perforated Wrapping Paper Co.*³⁶ There the plaintiff, assignee of three patents, two of which related to a "combination of . . . a paper roll . . . with a mechanism for the delivery of the paper to the user in an economical manner . . .," brought suit against a supplier of paper who was alleged, among other offenses, to have sold rolls to owners of the patented combination for use therein. The Court, in holding no contributory infringement, gave cognizance to cases where relief had been granted against sales of one element of a combination where the intention was that it should be used with other elements constituting the complete invention, but it stated that the doctrine had no application where the alleged infringing article was one ". . . of manufacture perishable in its nature, which it is the object of the mechanism to deliver, and which must be renewed periodically whenever the device is put to use."³⁷

Armed with the two defenses, the Leeds and Catlin Company sold phonograph records to owners and users of Victor talking machines which had been protected under a combination patent comprising two elements, a disc sound record and a reproducing stylus. The Victor Company brought suit for contributory infringement. Balancing the record purchaser's interest in exercising his right to use and repair with the patentee's right to proceed against a manufacturer or vendor of elements designed for use in the patented combination, the Court allowed recovery, first, because the lower court had held the records unperishable, and second, because the record was an "active" element in the invention.³⁸ "To confound its [the record's] active cooperation with the mere passivity of the paper . . . is not only to confound essential distinctions made by the patent laws, but essential distinctions between entirely different things . . ."³⁹

Of two classes of repair or replacement elements, those upon which the machine operates and which must be renewed periodically whenever it is put to use and those which, although renewable periodically, actively cooperate with the remaining elements of the machine

³⁵ *Supra*, notes 22 and 23.

³⁶ 152 U.S. 425, 14 S.Ct. 627 (1894).

³⁷ *Id.* at 433.

³⁸ *Leeds & Catlin Co. v. Victor Talking Machine Co. (No. 2)*, 213 U.S. 325, 29 S.Ct. 503 (1909).

³⁹ *Id.* at 325.

in the performance of its function, contributory infringement was limited in application to the intended "infringing" supply of the latter.⁴⁰ While the distinction made is probably without much significance, especially to a doubtful would-be supplier,⁴¹ the Court, by creating it, left it open in future instances to adjust the patentee's clamor for monopoly with the public interest in the free supply of unpatented elements which go to make up patented combinations.

B. *Scope of Claims, Staple Products and Patent Misuse*

Section 3 of the Clayton Act,⁴² aimed, among other things, at providing a remedy against the evils of the tying clause, makes it unlawful to:

"... make a sale or contract for the sale of goods, wares, merchandise, machinery, supplies or other commodities, whether patented or unpatented . . . on the condition, agreement or understanding that the . . . purchaser thereof shall not use or deal in the goods, . . . supplies or other commodities of a competitor or competitors of the . . . seller, where the effect of such . . . agreement . . . may be to substantially lessen competition or tend to create a monopoly. . . ."⁴³

In the *Motion Picture Patents Co.* case,⁴⁴ the Court found it unnecessary to imply more from the statute than the "most persuasive expression of the public policy of our country," holding invalid, on other grounds, a patent license restriction limiting usage. Until recently,⁴⁵ violation of the anti-trust laws has not been held a defense to a patent infringement suit, direct or contributory. The case is important not only because the two arguments supporting the *Dick* decision—liberty of contract and suppression—were outmoded by the Court and that holding expressly overruled, but because the Court went back to the parent patent statute to redefine the patent right. Plaintiff and his licensee, owners of a patent for improvements in motion picture machines,

⁴⁰ 40 YALE L. J. 1328, 1329 (1931).

⁴¹ "The whimsical and subjective character of the distinction is indicated by its use in permitting the supply of a paper registering dial used in a patented watchman's time clock and renewable every twenty-four hours, while prohibiting the supply of stencil cards made of cardboard and used with a patented addressing machine." *Id.* at 1330 (citing cases).

⁴² 38 Stat. L. 730 (1914), 15 U.S.C.A. (1941) §12 et seq. *Supra*, note 28.

⁴³ 38 Stat. L. 731 (1914), 15 U.S.C.A. (1941) §14.

⁴⁴ *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 37 S.Ct. 416 (1917). This was not a contributory infringement situation since the films were neither patented themselves at the time of the suit nor an unpatented element of the patent in question, hence there could be no direct infringement.

⁴⁵ WOOD, PATENTS AND ANITRUST LAW 37 (1942). Note 57, *infra*.

sued a film supply company for contributory infringement,⁴⁶ the latter having supplied films to plaintiff's lessee for use in the machine. The lessee had used the films contrary to an express license plainly stated on a plate fixed to the machine. The Court limited the patent monopoly to the claims of the patent supported by the statutory right to exclusive use. Since there was nothing in the claims about films, restrictions on their usage related to the use of an unpatented article. Freed from the cloak of the patent laws, such a restriction was subject to the general law of property.⁴⁷ Justice Clark was of the opinion that this restriction was one which would "give to the plaintiff . . . a potential power for evil over an industry . . .," and hence struck it down because, if sustained, "it would be gravely injurious to the public interest, which . . . is more a favorite of the law than is the promotion of private fortunes."⁴⁸ A ready analogy was found in a decision⁴⁹ construing the exclusive right to vend as meaning "to vend but once." As both rights sprang from the same source,⁵⁰ though the patentee might lawfully suppress his invention from public use, once he "consented to use it himself or through others, such use immediately fell within the terms of the statute," and consequently any restriction was limited to the use described by the claims. Justice Holmes dissented on the theory that the greater includes the lesser,⁵¹ but it is quite probable that he later accepted the view of the majority when faced with a similar situation involving a combination patent eight years later.⁵²

After 1917 it was no longer true that "if the right of use be confined by a special restriction, the use not permitted is necessarily reserved to the patentee," the right being deductible from the nature of the patent monopoly.⁵³ It was possible, however, for a combination patentee to protect himself from the decision in the *Motion Picture* case by taking two simple precautions: including all the unpatented elements of the combination in his claims, and not granting

⁴⁶ The court called it joint infringement. *Motion Picture Patents Co. v. Univ. Film Mfg. Co.*, 243 U.S. 502 at 505, 37 S.Ct. 416 (1917).

⁴⁷ *Keeler v. Standard Folding Bed Co.*, 157 U.S. 659, 15 S.Ct. 738 (1894).

⁴⁸ *Motion Picture Patents Co. v. Univ. Film Mfg. Co.*, 243 U.S. 502 at 519, 37 S.Ct. 416 (1917).

⁴⁹ *Bauer & Cie v. O'Donnell*, 229 U.S. 1, 33 S.Ct. 616 (1912).

⁵⁰ 46 Stat. L. 376 (1930) §4884, 35 U.S.C.A. §40.

⁵¹ "Generally speaking the measure of a condition is the consequence of a breach, and if that consequence is one that the owner may impose unconditionally, he may impose it conditionally upon a certain event." 243 U.S. 502 at 519, 37 S.Ct. 416 (1917).

⁵² "As his [Holmes] strokes came into place the distinction between *Albany Paper and Leeds and Catlin* is obliterated and tacitly he accepts the decision in *Motion Picture Patents* against which he had rebelled." T.N.E.C. Monograph No. 31, PATENTS AND FREE ENTERPRISE 68 (1941).

⁵³ *Henry v. A. B. Dick Co.*, 224 U.S. 1 at 24, 32 S.Ct. 364 (1911).

express licenses relating to the use of other products outside the combination which the court could hold illegal and unenforceable. This done, the lower federal courts would allow the patentee to derive profits from his invention in the simplest manner—by controlling the unpatented elements used in combination by use of the action for contributory infringement.⁵⁴

In *Carbice Corporation of America v. American Patents Development Corporation*,⁵⁵ the plaintiff and his exclusive licensee sued a supplier of dry ice who had furnished that substance to users of plaintiff's patented transportation package which consisted of "a protective casing of insulating material having packed therein a quantity of frozen carbon dioxide in an insulating container and a quantity of freezable product . . . arranged so that said frozen carbon dioxide is less accessible for exterior heat than said freezable product."⁵⁶ Plaintiff licensee did not manufacture the container, nor did it license others to do so, but rather it depended for its source of revenue upon an invoice statement accompanying each sale of DryIce to the effect that "DryIce cabinets . . . shall be refrigerated or used only with DryIce." The Court said the *Motion Picture* case was indistinguishable and that whether the unpatented refrigerant was a "necessary" or "unperishable" element was a distinction without legal significance. However, the doctrine of contributory infringement was recognized,⁵⁷ but recovery was denied because the patent was used as an instrument for restraining trade—a practice condemned under the Sherman Act. In order to recover, plaintiff must not seek to "derive his profits . . . from the unpatented supplies with which it [the invention] is used."⁵⁸

Eight years later in the *Leitch* case⁵⁹ the Court granted certiorari to determine whether the owner of a process patent may, by suit for contributory infringement, suppress competition in the sale of unpatented material to be used in practicing the process. So phrased, the

⁵⁴ For a citation of cases see Mathews, "Contributory Infringement and the Mercoïd Case," 27 J. PAT. OFF. SOC. 260 (1945).

⁵⁵ 283 U.S. 27, 51 S.Ct. 334 (1931).

⁵⁶ Claim 6. Id. at 29.

⁵⁷ "The case at bar is wholly unlike *Leeds & Catlin v. Victor Talking Machine Co.*" Id. at 34. It may be pointed out, however, that unlike the *Motion Picture* case, this was a contributory infringement situation. The unpatented element was sold by defendant to a third party who did infringe. The analogy between extra patent control secured by use of the tying clause, and control over unpatented elements of a combination by use of the action for contributory infringement is apparent. *Infra*, Part III.

⁵⁸ In a footnote the Court stated, "In such cases, the attempt to use the patent unreasonably to restrain commerce is not only beyond the scope of the grant, but is also a direct violation of the Anti-Trust Acts." Id. at 34.

⁵⁹ *Leitch Mfg. Co. v. Barber Co.*, 302 U.S. 458, 58 S.Ct. 288 (1938).

answer, of course, was no.⁶⁰ Again the patentee, as in the *Carbice* case, did not practice the invention or license others to do so, but refrained from suing as contributory infringers those who purchased unpatented materials from it. In holding the *Carbice* rule applicable, the Court said that whether an attempt was made "by contract or notice, or otherwise to expand the patent monopoly by limitations," was without legal significance. Relief was denied on the "... broad ground that the owner of the patent monopoly, ignoring the limitation 'inherent in the patent grant,'⁶¹ sought by its method of doing business to extend the monopoly to unpatented material used in practicing the invention."⁶² Unfortunately, Justice Brandeis twice referred to monopolistic control of staple articles of commerce, and, in plowing under one distinction, overturned another.⁶³

Chief Justice Stone was next to clarify the limits of the counter doctrine, and in an action for direct infringement⁶⁴ held that plaintiff's conduct barred recovery. The issue was tried solely on the question of equitable jurisdiction,⁶⁵ and although the defendant was assumed to have infringed the patented salt tablet vending machine, the plaintiff could not obtain relief "until it is made to appear that the improper practice [control over unpatented salt tablets] has been abandoned and that the consequences of the misuse of the patent have been dissipated."⁶⁶ Well aware that the doctrine of "unclean hands" is applicable only to the particular transaction which raises the equity, the Chief Justice stated that where the maintenance of suit concerns a matter of public interest, a different rule is to be operative. The defendant need not be a competitor nor indeed need not even show injury to himself as a result of plaintiff's misuse of the patent. Successful maintenance of an infringement suit, itself persuasive to the public of the patent's validity, when coupled with the patentee's course of conduct, sufficiently thwarts the public policy underlying the patent grant. While not expressly recognized in the instant case, to allow

⁶⁰ *Id.* at 463. The *Leeds & Catlin* case was still recognized as law however.

⁶¹ As redefined by the *Motion Picture* case, 243 U.S. 502, 37 S.Ct. 416 (1917).

⁶² *Leitch Mfg. Co. v. Barber Co.*, 302 U.S. 458 at 463, 58 S.Ct. 288 (1938).

⁶³ The questionable significance of such a distinction is apparent when one considers films as "staples" but records as not. *Contra*: Thomas, "The Law of Contributory Infringement," 21 J. PAT. OFF. SOC. 811 at 840 (1939); 39 ILL. L. REV. 55 (1944).

⁶⁴ *Morton Salt Co. v. Suppiger Co.*, 314 U.S. 488, 62 S.Ct. 402 (1942).

⁶⁵ The Circuit Court of Appeals for the Seventh Circuit remanded the case to the District Court for a further inquiry into the circumstances to determine if plaintiff had violated article 3 of the Clayton Act.

⁶⁶ *Morton Salt Co. v. Suppiger Co.*, 314 U.S. 488 at 493, 62 S.Ct. 402 (1942).

an injunction for direct infringement would also serve to support plaintiff's illegal monopoly.⁶⁷ For example, if the owner of a method patent is allowed to enjoin the buyer of the unpatented article, instead of the supplier, the misuse doctrine could be circumvented.⁶⁸

That the tort of contributory infringement has been at least re-defined is aptly illustrated by the holding of the first of the *Mercoïd* cases.⁶⁹ Mid-Continent Investment Company and its exclusive licensee, Minneapolis-Honeywell, brought suit against the Mercoïd Company for contributory infringement by the latter in supplying an essential element⁷⁰ to the users of Mid-Continent's combination patent. Both Minneapolis-Honeywell and Mercoïd were manufacturers of the element, a thermostatic stoker switch, but only the former had been licensed by the patentee to make, use, and sell the invention. Royalties were computed on the basis of switches sold for use in the combination. Justice Douglas, writing the majority opinion,⁷¹ held that, the patent being for a combination, any contract relating to only one element was beyond the policy of the patent law and lay in a domain where the "anti-trust acts or other laws not the patent statute define the public policy." He went further to say that the protection given the record in the *Leeds and Catlin* case was inconsistent with this opinion, and that the rule of that case must "no longer prevail against the defense that a combination patent is being used to protect an unpatented part from competition."⁷² Thus, the "result of this decision, together with those which have preceded it, is to limit substantially the doctrine of contributory infringement."⁷³ Justice Frankfurter was of the opinion that the case presented merely a typical *Carbice* situation and that it was unnecessary to upset an idea which had been "woven into the fabric of our law and has been part of it for now more than seventy years."⁷⁴

⁶⁷ It should be recognized that this argument is 180 degrees out of phase with that of the court in *Wallace v. Holmes*, (D. C. Conn. 1871) F. Cas. No. 17,100.

⁶⁸ *American Lecithin Co. v. Warfield Co.*, (C.C.A. 7th, 1939) 105 F. (2d) 207; cert. den. 308 U.S. 522, 60 S.Ct. 292 (1939).

⁶⁹ *Mercoïd Corp. v. Mid-Continent Investment Co.*, 320 U.S. 661, 64 S.Ct. 268 (1944).

⁷⁰ The "heart of the invention." *Id.* at 667.

⁷¹ In regard to the opinion, a comment by Professor Waite in 42 MICH. L. REV. 915 (1944) states: "Four of the seven opinions clearly express intent to promulgate a new rule of law; two deny that intent; one is indefinite; and the purpose of the Court as a whole is left in doubt."

⁷² *Mercoïd Corp. v. Mid-Continent Investment Co.*, 320 U.S. 661 at 668, 64 S.Ct. 268 (1944).

⁷³ *Id.* at 669.

⁷⁴ *Id.* at 677.

III

REMEDY, RIGHT AND ANTITRUST

In the seventy-three years which have elapsed since the doctrine of contributory infringement was first particularized and applied in *Wallace v. Holmes*, one fact has become relatively certain. The inability of the patentee to secure economic gain from his combination unless he can control the elements—the basis of that decision—has been countered and overturned in favor of a policy which limits the use of legal process in securing a private extra patent monopoly. In the *Mercoïd* case the stoker switch was useful only in the combination, and by the earlier cases, proof of that without more would entitle plaintiff to recovery. Defendant's sale was formerly a wrong against plaintiff's property rights.⁷⁵ It is plausible to say that the doctrine has not been abolished but, that the plaintiff's conduct merely may be a new defense to be alleged and pleaded by the defendant. With both parties wrongdoers, the law leaves them where it finds them as it does where both parties are negligent or where they have, in some states, executed a contract on Sunday. The anti-contributory infringement doctrine could thus be supported by a general consideration of public policy only as incidentally expressed by the anti-trust laws.⁷⁶

Perhaps the result of the recent Supreme Court decisions has been to deny the patentee the right to bring suit where it appears that the patent has been misused.⁷⁷ This concept of "inherent limitation in the patent laws" would require plaintiff to allege and prove freedom from such activity in order to obtain relief. Since the main complaint seems to be the plaintiff's conduct,⁷⁸ there is much to be said for the

⁷⁵ Wood, "The Tangle of Mercoïd Case Implications," 13 GEO. WASH. L. REV. 61 (1944). The statement begs the question. In commenting on Justice Roberts' opinion in the Mercoïd case Professor Powell has remarked, "It seems monstrous to imply that when Congress as a matter of federal law lays the foundation for a right or condemns any conduct as a wrong, nothing can be done about it by courts without clear warrant in statutory language and legislative history." 57 HARV. L. REV. 900 (1944). It seems equally "monstrous" to say that the Court cannot change its mind.

⁷⁶ An interstitial judicial extension of the equitable maxim of "unclean hands." *Supra*, note 64.

⁷⁷ *Stroco Products, Inc. v. Mullenbach*, (D. C. Cal. 1944) 67 U. S. Pat. Q. 168 (act of plaintiff in bringing suit held to be a sufficient showing of misuse—plaintiff did not allege and prove non-misuse). Cf. Bateman, "Should Anti-Trust Penalties or Unenforceability of the Patent Monopoly be Invoked for Misuse of the Patent Grant?" 29 J. PAT. OFF. SOC. 16, 24 (1947).

⁷⁸ Cf. Wood, "The Tangle of Mercoïd Case Implications," 13 GEO. WASH. L. REV. 61 at 73 (1944). "What the court in effect is saying is that it is not now illegal for one to supply unpatented elements or materials to an infringer, at least where the patentee is in the business of selling parts or supplies to those using the patented invention."

idea that the right has been redefined.⁷⁹ Here again the role of the anti-trust laws is merely to abrogate a judge-made rule which is no longer supported by the public policy upon which it was conceived.

The second *Mercoïd* case,⁸⁰ concerned primarily with a price fixing and license agreement, is of significance here because of the following statement of Justice Douglas speaking for the majority:

"The legality of any attempt to bring unpatented goods within the protection of the patent is measured by the anti-trust laws not by the patent law. For the reasons stated in *Mercoïd v. Mid-Continental Investment Co.*, *supra*, the effort here made to control competition in this unpatented device plainly violates the anti-trust laws, even apart from the price-fixing provisions of the license agreements."⁸¹

Thus the issue neatly averted by Chief Justice Stone in the *Morton Salt* case⁸² is promptly disposed of. But contrary to the usual Clayton Act cases,⁸³ the Court made no inquiry into the reasonableness of the restraint imposed or the possible justification for it. Nor did the Court look to the availability of other sources of supply, the extent of the market controlled by the patentee, or the relation of the restraint to the necessity of protecting the good will of the seller. As a consequence, it has been suggested that the two cases taken together stand for the principal that the patent grant, whether or not in direct conflict with the policy of the anti-trust laws, is at least an exception to them. The monopolistic right of the patentee, it is said, is thus to be narrowly defined and is not to be extended beyond the express language of the statute. When the patentee seeks control outside his lawful grant the courts are not to be open to him. It is unnecessary to inquire into the circumstances of the individual case because, the legal area itself being an exception, anything beyond that must necessarily be illegal.⁸⁴

⁷⁹ "It will be appropriate to consider petitioner's right to relief when it is able to show that it has fully abandoned its present method of restraining competition in the sale of unpatented articles and that the consequences of that practice have been fully dissipated." Chief Justice Stone in *B. B. Chemical Co. v. Ellis*, 314 U.S. 495 at 498, 62 S.Ct. 406 (1942).

⁸⁰ *Mercoïd Corp. v. Minneapolis-Honeywell Regulator Co.*, 320 U.S. 680, 64 S.Ct. 278 (1944).

⁸¹ *Id.* at 684.

⁸² Unclean hands extension. *Supra*, note 64.

⁸³ 38 Stat. L. 731 (1914), 15 U.S.C.A. (1941) §3.

⁸⁴ Brief for the United States as Amicus Curiae in *Mercoïd Corp. v. Mid-Continent Investment Co.*, [320 U.S. 661, 64 S.Ct. 268 (1944)] *passim*; OPPENHEIM, CASES ON FEDERAL ANTI-TRUST LAWS 487-491 (1947).

IV

IN PROSPECT

Certiorari was granted in the first *Mercoïd* case because of the "public importance of the question presented." An examination of the lower federal decisions since then tends to show only that the courts are reluctant to follow the Supreme Court's mandate,⁸⁵ and that in no way has the case settled the problems which have arisen because of the misuse doctrine. It has been held that the action for contributory infringement still lies under proper circumstances,⁸⁶ each case is to be treated on its own merits. There is dicta in other cases to the effect that the doctrine has not been abrogated.⁸⁷ On the other hand, it has been held that patent misuse is a violation of the Clayton Act⁸⁸ or that the mere bringing of the action is sufficient misuse to bar recovery.⁸⁹ And again, there is dicta to the effect that the doctrine of contributory infringement has been abolished;⁹⁰ indeed, the validity of the combination patent has even been questioned in such a situation.⁹¹ In an early decision,⁹² the plaintiff had been allowed an injunction because it had convinced the court, during the pendency of the litigation, that its licensing practices had been sufficiently changed so that misuse no longer existed. Since another court has also recognized the misuse defense as temporary,⁹³ it may be assumed that this view is one more which may be tossed into the hopper of confusion. An interesting decision was *Metalizing Engineering Co. v. Metalizing Co. of America*,⁹⁴ in which the plaintiff was allowed to prevail upon a showing that its license (1) allowed the licensee to use the patented process upon paying a fixed monthly charge, (2) allowed the licensee

⁸⁵ 15 GEO. WASH. L. REV. 463 (1947).

⁸⁶ *Detroit Lubricator Co. v. Toussaint*, (D. C. Ill. 1944) 57 F. Supp. 837.

⁸⁷ *Hall v. Montgomery Ward & Co. and Hall v. Sears Roebuck & Co.*, (D. C. W. Va. 1944) 57 F. Supp. 430; *Girder Corp. v. E. I. Du Pont Nemours & Co.*, (D. C. Del. 1944) 62 U.S. Pat. Q. 451; *Conmar Products Corp. v. Tibony*, (D. C. N. Y. 1945) 63 F. Supp. 372; *Chicago Pneumatic Tool Co. v. Hughes Tool Co.*, (D. C. Del. 1945) 61 F. Supp. 767.

⁸⁸ *Landis Machine Ry. Co. v. Chaso Tool Co.*, (C. C. A. 6th, 1944) 141 F. (2d) 800, cert. den. 323 U.S. 720, 65 S.Ct. 52 (1944).

⁸⁹ *Stroco Products, Inc. v. Mullenbach*, (D. C. Cal. 1944) 67 U.S. Pat. Q. 168.

⁹⁰ *Lempco Products v. Simmons*, (C. C. A. 6th, 1944) 140 F. (2d) 58.

⁹¹ "If, under the circumstances recited, the supplier is not an infringer, is the patentee who integrates a number of unpatented devices into a combination, an inventor?" Judge Simons, *id.* at 60. [Footnote by the court].

⁹² *Universal Sewer Pipe Corp. v. General Construction Co.*, (D. C. Ohio 1941) 42 F. Supp. 132.

⁹³ *Novadel-Agene Corp. v. Penn*, (C. C. A. 5th, 1941) 119 F. (2d) 764.

⁹⁴ (D. C. N. Y. 1945) 62 F. Supp. 274.

to rent one of plaintiff's unpatented machines, (3) but allowed the licensee to use the process on any machine at the prescribed rate provided written application was made.

With the law in such an unsettled state, perhaps the greatest advantage is to be secured by reverting to first principles—examining the policy underlying both of the doctrines, contributory infringement and patent misuse.

It is apparent that not only are the two doctrines antitheses of each other but that any enforcement of the combination patent may be a "misuse." Consider the facts in the first *Mercoid* case. From the plaintiff's standpoint defendant's sale was a direct wrong. The switch had no other use, hence the vendee was sure to use the element in the patented combination and infringe. From the defendant's point of view, allowing the suit for contributory infringement gives the plaintiff a monopoly in unpatentable stoker switches. In short, the greater the wrong of the defendant, measured by contributory infringement standards, the greater the plaintiff's monopolistic control over the unpatentable elements should he be allowed to obtain. It makes no difference whether the plaintiff is seeking to profit from the control of unpatentable elements or whether he manufactures the completed combination and sells it as a unit.⁹⁵ Even if the plaintiff makes and sells nothing, deriving his remuneration by licensing others,⁹⁶ the same reasoning is applicable, only now one other than the patent owner gets the benefit of the monopoly in the first instance. If the owner can maintain suit for contributory infringement, his manufacturing licensee is insured of monopolistic control in the sale of unpatented elements, and again the greater the wrong of the contributory infringer, the greater the degree of monopoly secured by the action.

This reasoning is not exhausted by its application to contributory infringement. If the plaintiff patent owner can proceed against one who assembles the essential elements of his combination and infringes, by enjoining such infringement, he can indirectly control the purchases of his defendant. If the element has only one use, i.e., in the combination, the plaintiff can effectively destroy the supplier's competition and conceivably establish a monopoly in the unpatented element. Thus, by proceeding against the buyer and directly protecting

⁹⁵ Contra: 12 GEO. WASH. L. REV. 345 (1944).

⁹⁶ Ibid. Cf. the argument of Judge Magruder concurring in *B. B. Chemical Co. v. Ellis*, (C. C. A. 1st, 1941) 117 F. (2d) 829 at 838. The element manufacturing licensor can afford to derive less profit from the sale of the element, matching such losses with his royalty receipts, and thus has a market advantage over the licensed manufacturer of the same elements.

his express legal monopoly, the plaintiff necessarily exercises control over the market in the unpatented element. The degree of the plaintiff's control is, of course, defined by the number of uses that exist for the unpatented element. If the uses are many, the supplier may seek to profit from sales that are not contributory, but if the element has but one use, every sale may be blocked.⁹⁷

This monopolistic tendency which arises inherently from the enforcement of the combination patent, whether the action is one for direct or contributory infringement, should be distinguished from any possible positive action the patent owner might take to extend the scope of his patent beyond the limits prescribed by the legislature. Thus, for lack of better terminology, "affirmative" or "positive" monopolistic control shall refer to action taken by the patent owner by separate contract, license, or threat, and "inherent" or "in-bred" monopoly shall refer to the monopolistic control which just naturally arises from the nature of combination patent enforcement.

At the outset, two assumptions were made, namely, that a combination was a proper subject of a patent,⁹⁸ and that the legal monopoly of the patent was something other than a "bad" monopoly. Further digression to first principles requires an examination of these two policies which have so far been assumed.

The Supreme Court has recently passed judgment as to the validity of the combination. In *Special Equipment Co. v. Coe*,⁹⁹ the issue presented was whether the patentee could obtain sub-combination claims for the purpose of protecting his combination. Apparently the patentee intended to use them only to block others out of the field. The majority held that where the applicant could show two inventions, one on the sub-combination and one on the complete machine, two combination claims were proper. It was also held that the patentee's purpose in seeking the sub-combination claim was not unlawful, although in that finding three members¹⁰⁰ dissented vigorously. The Court by implication affirmed their earlier decision limiting the doctrine of contributory infringement stating that if the sub-combina-

⁹⁷ Of course, for the plaintiff to secure an absolute monopoly in the unpatented elements, not only would he have to proceed against every element manufacturer, but the element would have to be such that no alternative likeness existed.

⁹⁸ Thomas Jefferson may have been the first to question the validity of the combination patent. "I might build a stable, bring into it a cutting knife to chop straw, a hand mill to grind the grain, a curry-comb and brush to clean the horses, and by patent exclude anyone for evermore using these things without paying me." 13 Jefferson, Works, Liscomb ed., 380 (1903).

⁹⁹ 324 U.S. 370, 65 S.Ct. 741 (1945).

¹⁰⁰ Justices Douglas, Black and Murphy.

tion claim was not allowed, the patentee would have no way to protect that lesser part of his machine.

The duty of "promoting the progress of science and the useful arts" is imposed upon Congress by the Constitution. It must be conceded that the most effective way to do this so far suggested is by providing some sort of special economic advantage to the inventor. When this secondary purpose of the patent statute, private remuneration, runs afoul of the public policy against monopoly, as it does when the combination patentee seeks to benefit from the grant his government has given him, there is no question but that the broader policy should prevail, or at least be the controlling factor. That does not necessarily mean, however, that one source of stimulus to invention should be laid aside *en toto*.¹⁰¹

The interests of the respective parties involved might be generally summarized as follows: (a) the public has the right to progress in the useful arts and sciences, and the right to a competitive economy, (b) the inventor has the right to some encouragement from the state and (c) the defendant, supplier or infringer, has the right to a competitive market, either for his sales or for his purchases. With this in mind consider the possible redefinitions of the combination patentee's status as suggested in the last section. The first, misuse as an affirmative defense, emphasizes the patentee's advantage to the detriment of the public policy against monopoly. A more proper balance would require the plaintiff to allege and prove complete absence of what has been defined as affirmative misuse—this to prevent the judicial machinery from being used to thwart the public policy in favor of an unmonopolistic economy. Since affirmative misuse is wholly inconsistent with the express patent grant, there is no objection to holding such conduct a violation of the anti-trust laws, *per se* or otherwise.¹⁰² But having eliminated positive monopolistic conduct from the picture, there is no reason why the doctrine of contributory infringement should not be invoked in certain situations. To hold that any extra patent monopoly is in conflict with the anti-trust laws and hence bad without more is both to understate and overstate the problem.¹⁰³ The overstatement lies in the consideration that such a rule refuses to recognize that the

¹⁰¹ Contra: "Convenience of Patentee Does Not Justify Extension of the Patent Privilege." Brief for the United States as Amicus Curiae, in *Mercoind Corp. v. Mid-Continent Investment Co.* at 59 [320 U.S. 661, 64 S.Ct. 268 (1940)].

¹⁰² See *International Salt Co., Inc. v. United States*, 332 U.S. 392, 68 S.Ct. 12 (1947). Action by the United States under the anti-trust laws against a machine patent owner for seeking to control unpatented supplies by use of restrictive leasing agreement.

¹⁰³ *Supra*, note 84.

patentee who is not engaged in affirmative misuse has any interest which the law should protect. The rule understates the problem because it does not recognize the fact that the combination patent, however enforced, tends to support a monopoly of some degree in the sale of unpatented elements which make up the combination. It is contended that a more logical balance may be struck by examining the market available to the defendant-supplier should he be barred from making infringing sales. In passing it is interesting to note that this is a complete reversal from previously accepted contributory infringement considerations. It is believed, however, that only in this manner can the plaintiff's right to some advantage be balanced against the defendant's right to a competitive market in the sales of his products. These two interests are most in conflict.

The suggested test should be, therefore, not what has defendant done, but rather, will the action give the plaintiff a monopoly of sufficient degree to be against the policy of private control? As enforcement of the combination grant from its inherent nature commands monopoly to some degree, any affirmative steps taken by the plaintiff other than the instigation of suit should bar his recovery. Plaintiff is to allege and prove freedom from such practices. But on the other hand, where the patentee seeks only to assert his express grant, the in-bred monopolistic character of the enforcement of that grant should not bar recovery unless it unreasonably deprives the contributory supplier of the opportunity to earn his livelihood.

Applying these considerations to the facts in the *Mercoïd* case, it is apparent that the decision in that case is sound. Plaintiff would be denied recovery because he could not allege and prove freedom from affirmative misuse. But even assuming that the plaintiff manufactured and sold the completed invention and, further, that the switch had a life as long as that of the combination, he could still not obtain relief because recovery either in direct or contributory infringement would mean the destruction of the defendant's market in switches. The defendant's conduct, by older standards, is no longer a relevant factor. But since destruction of the defendant's combination market is destruction of his market, recovery is denied.

It is believed that the proposed solution most favorably balances the interests of the public as well as those of the parties. Admittedly, the application of such a test makes it necessary for the court to examine in each case the market conditions in the unpatented element under consideration, but it is submitted that the inherent fairness of the plan outweighs this objection.