REVISION OF PATENT LAWS.

SPEECH

OF

HON. BENJAMIN DEAN,

OF MASSACHUSETTS,

IN THE

HOUSE OF REPRESENTATIVES,

FEBRUARY 14, 1879.

WASHINGTON.
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On the bill (S. No. 300) to amend the statutes in relation to patents and for other purposes—

Mr. DEAN said:

Mr. SPEAKER: I have received some letters from constituents whom I respect, who are apprehensive there is some lurking evil in this bill. I have also received a circular cautioning me against it in addition to some newspaper articles in which the writers express some alarm at the attacks upon the rights of inventors, which they think they see in the bill, and at the evil destiny it will bring upon the industries of the country. I think all of these fears are unfounded and I am therefore impelled to discuss this subject somewhat. I will notice some of these apprehensions at the outset.

One writer thinks section 2 takes away from the inventor the control of his own invention and gives the right to others to use the patent against his will. Now, in fact, there is no change in this respect. The patentee always had a right to two things unless he had voluntarily parted with them—a money compensation for his damages or profits, (and I shall hereafter use the word damages alone,) and a right to enjoin any one from using the patent against his will. The proposed statute does nothing in the world in this regard but affect the question of damages; the other right remains preserved to the patentee as fully as it ever was. No one can infringe a patent or make use of the invention without leave, under the proposed any more than under the existing law. If that could be done it would be an important change; but no such thing is in this bill. The well established right to an injunction is expressly and in terms preserved unimpaired.

Complaint is also made of the fourth section. This complaint is made in behalf of the patentee. This is astonishing, for it is certainly a provision in favor of the patentee. It expedites the cause. It hastens the determination of the rights of the patentee. Now, before an appeal can be taken, the cause has to wait the long and tedious accounting or determining of the damages; then comes the appeal, and all the time between the interlocutory decree and the accounting is lost to the patentee. He only loses by that delay. Why he should complain of the expediting of the cause it is difficult to see. The only fault with this section is that instead of giving the court power to authorize the defendant to appeal, it should require the defendant to appeal, if at all, from the interlocutory decree, and authorize the plaintiff to take his account and have that account sent up and become a part of the appeal, though the appeal may have been already

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entered, so that all questions relating to the damages or account may be determined at the same and earliest time.

Neither the patentee nor the defendant can complain of the fifth section, for it authorizes the court to grant injunctions after the appeal as well as to suspend them. Patentees have never had occasion to complain of the unfriendliness of our courts; they have always been the protectors of the rights of patentees. In fact a recent rule of the Supreme Court seeks to accomplish pretty much the same end. Some complain of the ninth section, which authorizes the taking of testimony by either party which is liable to be lost by delay. This is but fair to both parties. In no case can it be determined which party it will benefit, but whichever is benefited it is just and equitable. This provision would be very seldom used. Every litigant studies to keep the other uninformed regarding his intentions and regarding his evidence till he has to use it in court. Nothing but necessity or the danger of the immediate loss of valuable testimony would induce a person interested either for or against a patent to do anything to discover his evidence to his adversary or to the world.

Section 10 authorizes the bringing of suits by parties adversely interested, to have the patent declared void, when the patentee unreasonably delays to bring a suit for an infringement. This is surely a just provision. No patentee should keep his patent merely for a threat. One of the greatest difficulties meritorious inventors encounter at the present day is the existence of a multitude of patents upon the same subject-matter, which though of doubtful validity stand in the way of other more meritorious inventions. They stifle and deter invention and the development of the very industries the inventions were intended to subserve, because the uncertainty attending them frightens off the capital needed for that development. But more of this by and by. The eleventh section is also so just that no one can fairly object to it.

Why should one who is carrying on an extensive business be compelled to carry it on in the face of a constant threat from some patentee whose patent may not be valid and which the person carrying on the business believes to be invalid, without the law affording him means of determining whether or not he must stop his business or submit to the demands of the patentee?

Why should a patentee be at liberty to stand by and say, "I will let this manufacturer do an immense business, he believing he can do it in security, and when the amount of business done is so large that the damages will be great I will pounce upon him with a suit for infringement?" It is this class of men—it is the men who think this use of patents to be just, and who cry "Wolf!" "Wolf!" when any just legislation is proposed—that are the great enemies of the patent system. In presence of such an unwillingness to submit to what is fair and just, and in presence of such loud cries, when any legislation to correct evils and while so many patentees "No say turkey to Injun once," how can we wonder that the whole patent system becomes unpopular and we are called upon to defend it against its utter abolishment?

These remarks will also apply to section 1. It is better for the patentee that he should be prompt in the assertion of his claims. He will get more money by collecting of every infringer with promptness than by lulling a few into security by his acquiesence in their acts, and finally attempting to make them pay large damages. I have now taken a bird's-eye view of the more important objections to the bill, excepting its principal provisions, to which I shall now call the atten-

tion of the House. I would go over the provisions of the bill in detail were I not in danger of making my remarks too long to command attention.

When a patent has been adjudged valid by a court of equity it is many times but the beginning of the plaintiff's labors and troubles. The case is referred to a master to state an account of the defendant's profits which have accrued to him by the use of the plaintiff's invention. This is a long, tedious, and expensive part of the litigation, occupying in important cases months of arduous labor on the part of the master, counsel, and parties.

The master and counsel charge a liberal per diem fee, as it takes all their time, and clients devote all their time to the accounting to the exclusion of everything else. In a single important cause many thousand dollars are frequently expended. Anything which will tend to simplify the process of accounting is a benefit and saving to the parties ligitant, but it is of especial benefit to the patentee, as time is constantly running against his patent.

Every day makes its life shorter, and there is nothing so injarious as the delays he encounters by the wayside in the final establishment of his patent. This bill does tend to simplicity; it makes the damages alike, both in law and in equity; it furnishes a sort of compass to direct parties in the ascertainment of the actual damages. The use of patented inventions is so completely mixed up with everything that we make and use that we must be guided by the light of experience, and a recurrence to the working of a rule will help us in testing it.

Take the case of the "kindling-wood machine." Because the use of the plaintiff's device would make kindling-wood, as far as the master could ascertain, seventy-five cents per cord cheaper than by the hand or any known method, the defendant was decreed to pay that amount, though he had not made any profits at all by the use of the machine. So that we had in this case the defendant liable for profits that he had never made. He was held to be a trustee for what he had never received, and he would not have used the machine at all if he had known he should be subjected to any such damages, and yet it is for the benefit of the patentee that his machine should be used.

Besides, to change the habits of the people and to induce them to buy kindlings already manufactured, they must be made and put into the market at a much lower rate than before. If the patentee is going to obtain all the profit he would give to the community no inducement to change their habits and buy machine-made kindling-wood, and his invention would bring him no profit. Therefore the rule which would give him all the profit would prevent the use of his patent altogether and make it worthless. This rule, therefore, was not the true rule, but a fallacious and jack-with-the-lantern rule. I have known it to work wrong in other than patent cases. There was once a case where one railroad sought damages against another railroad because the latter railroad crossed the former at grade. Experts testified that the damages to the plaintiff's cars and engines amounted to a certain sum by the injury to the engines and cars caused by the shaking and jarring in crossing the tracks. The fallacy in the testimony could not be readily discovered, but when the aggregate of the damages sworn to by the experts was proved to be greater than the profits of the entire business on the road, it was evident that there was a fallacy somewhere, and the method was thereby proved to be a wrong one.

In another case a plaintiff proved that he suffered enormous dam-

ages by a road being laid out through his land, which contained large quantities of clay suitable for making bricks. He proved that the land contained so much clay, that so many bricks could be made of it, that it cost so much to make the bricks, and that the market value of the bricks was so much more than the cost of making; and the aggregate damage came to a very large sum. The defendant was unable to point out any error in the calculation, but he did prove that any quantity of just such land containing just such clay, in the immediate vicinity, could be bought for a trifle compared with the amount of damages the plaintiff had proved; and the jury found for a very much less amount. There was, of course, a fallacy somewhere in the plaintiff's case, though it could not be detected.

In a recent case a board of railroad commissioners decided that a street railroad should pay to another street railroad company 3.8 cents per mile for the use of the latter road's track, that is 3.8 cents for every mile run by any car over the tracks. They estimated the wear and tear of the track and every element of damage for the use of the track, but it turned out after a careful finding of all the profits of the road using the track that its entire profits, including the use of stables, horses, and cars, amounted to but 3.62 cents per mile. There was a fallacy somewhere in the way in which the commissioners got at the damages. They probably would be unable even now to find out.

These instances are sufficient to prove that the doctrine of savings is not correct and reliable. Its absurd results, to say nothing of the expense of arriving at them, compels an alteration of the law in this respect.

A person invents some device which cheapens a certain manufacture or the manufacture of a certain product. He thereupon claims the entire gain, forgetful of the fact that the cheapening in manufactures of all kinds is constantly going on, his invention is of no earthly use unless used by the manufacturer, and he must take his share of the profits of the business. The manufacturer does the inventor a service by using the invention if he pays for the use as certainly as he benefits the manufacturer by allowing him the use of the invention. If I remember rightly it appeared at the lengthy hearing recently before the Patent Committee of the Senate that inventors, as a rule, when left to themselves and not troubled by infringers, receive but a small percentage of the apparent savings resulting from their inventions.

This must necessarily be the result in this age of progress and invention, where device after device and process after process are constantly rivaling and supplanting one another in the long run. Therefore the rule which provides for the ascertainment of a proper license fee, admitting all the evidence that can bear upon the question, excluding only the account of savings, which is a long, tedious, and expensive inquiry, is about as correct a one as in the present state of things can well be devised.

In order that we may discuss this part of the bill more intelligently, let us have it before us. It reads:

> No account of savings shall in any case be allowed; and no evidence or account of the defendant's profits shall in any case be admitted, except as to actual profits resulting from making for sale, or selling the thing patented or the product thereof as aforesaid: *Provided*, That nothing herein contained shall exclude other evidence as to the utility and advantage of the invention as one element to aid in determining a license fee where none has been established. Nothing in this section shall affect the right of a plaintiff to an injunction.

The section does nothing but exclude the technical account of the

savings actually made by the defendant, and the account as evidence of defendant's profits. That is, you shall not investigate the defendant's business, compel the examination of his books, and get at what he has actually saved by the use of the plaintiff's invention. It does not exclude evidence of other testimony that the invention is a saving invention; that it yields a profit to any user. The bill expressly provides that it does not "exclude other evidence" (than the account) as to the utility and advantage of the invention, as one element to aid in determining a license fee where none has been established.

It does not alter the rights of parties as to the amount of the damages the present law intended to give them. The present law—and bill No. 300—undertakes to give the inventor the actual damages he sustains by the infringement. In the administering of the law the courts had become switched off upon a side-track that has been adhered to until it is found landed inextricably in a quagmire from which it cannot extricate itself. Congress must come to the rescue. There is nothing remarkable in this. The rule adopted by the court seemed to be simple. When put to the test of experience it has proved a failure. This was not and perhaps could not be foreseen. It was a departure from the rule of giving the actual, the real damages, and making the claim simply an account of savings—a rule just in some cases, unjust in others.

I see one writer complains of an inventor being bound by a license fee established by himself, because sometimes a poor man will establish too small a license fee. But that is the law to-day, and it is therefore unnecessary to discuss the natural proclivities of a poor man not to take the most he can get for his invention. It is, however, and will continue to be the law that a license fee fixed under peculiar circumstances will not always govern. A patentee may therefore prove that the merit of his invention consists wholly in the saving it makes in the cost of manufacture and may claim that this saving should be the amount of his license fee. Defendant may dispute his evidence on that point as well as put in other evidence on the question of savings; but after the plaintiff has proved the power of the invention to save, the defendant cannot prove by his accounts what he did save, to disprove by his accounts the plaintiff's case, nor can plaintiff compel such an account.

It will be asked, why should not each party have this right? The answer is that though legitimate as an element in the proof of damages, experience proves that this evidence is delusive. It leads to error and injustice. It is also a long and a tedious, expensive, and needlessly inquisitorial process. In other words, the plan has been tried in the balances of experience and found wanting. That is all there is of it.

This evidence is not theoretically inadmissible as one element, but practically justice is more just without it; and as a positive rule of damages it is neither theoretically nor practically correct. The twelfth section as amended in the House committee requires the payment of $20 at the end of four years, and fifty at the end of ten years, to keep a patent alive.

One of the chief troubles in our present patent system is the immense number of patents that are outstanding. I have always advised patentees when about to enter into a manufacture under a patent to have the Patent Office examined for unused patents relating to the proposed manufacture, which patents, on account of some defect or other cause, failed to succeed, and buy them up or get them out of the path in some way. It always turns out that there are such pat-

onts which, although unsuccessful in themselves, might be held to be infringed; and if not, there would be great danger of some rival springing up as soon as the new manufacture should prove profitable, who might buy the outstanding patent and have it reissued so as to cover the later and better invention.

Those questions arise between patentees. The evil falls on patentees who are making new machinery and therefore this section is of especial benefit to inventors. It is a process of separating the chaff from the wheat. As the wheat is more valuable after the wheat is cleaned, so the useful patents are patents more valuable after they are cleaned by the falling away of the worthless ones. There are patents for devices for cleaning wheat and other cereals. This bill is a thousand-fold more valuable to the community and especially to patentees than any patent for cleaning grain.

The surviving patents are much more valuable. It is a cheap process of cleaning them. They become more valuable than the cost of the process. I do not mean to say that I want to get out of the way all the patents that are not in profitable use. A great many inventions for many years only serve to keep people at work inventing improvements to go with them; they are useful in anticipation at least. The patents that will be winnowed out like chaff are those which are forgotten, because nobody uses them and nobody thinks it worth while to try to improve them.

I have heard the objection to Senate bill No. 300, that its provisions relating to damages are applicable to suits already pending; but it will be observed that it only applies to such in case no verdict has been rendered or no decree for an account or assessment of damages has been pronounced. These suits are therefore in the situation of actions which might be instituted after the passage of the bill, and the question is the same as to both of them alike, and that is: is this method of getting at the damages on the whole a good one? I do not see any virtue in the attempt to draw a distinction between the damages in pending cases and those hereafter to be brought, unless something has been done relating to the damages. The law expressly excepts the latter class of cases from any effect on this bill. But if this is a stumbling-block to any I would not insist upon keeping it in the bill.

The great glory of the proposed law is that it limits reissues. There is nothing so illogical, absurd, and unfair to one who has studied the common law as the present law regarding reissues. It is possible that in this regard I may have more positive opinions than I should have had were I less acquainted with the wrong and injustice that is done under the law now in existence. I will give the history of a single case which came to my attention as counsel. A mechanic made a useful and valuable invention relative to the use of steam. A man who manufactured and dealt in things kindred to the invention asked the mechanic to join with him in the manufacture and sale of the mechanic's device. He declined, desiring to carry on the business relative to his own patent in his own way. To use the language of the manufacturer, as near as I can remember, he said:

I got mad; I wrote to Washington to see if there was not something in the Patent Office that would anticipate the invention. The reply was that there was nothing. I wrote again that among all the things in the Patent Office there must be some such thing, but they could find nothing of the kind. Then I went myself and I hunted up this patent taken out by an Englishman. I went to London and bought the patent, and came back and got it reissued, and now I've got him.

Telling this story to a member of this House a few days since, he

replied that he knew of a similar case. But to return to the story. The manufacturer did bring an action on the patent he had thus bought and procured to be reissued. He failed to sustain his patent, but not until he had carried it to the Supreme Court. The litigation was very expensive, occupied a great deal of time, and did great injury to the mechanic.

I know persons of good character and standing who got patents reissued to cover as far as possible everything valuable within the reach of the patent down to the date of the reissue.

If called upon with reference to a patent, the first question is, can it be made better and stronger by a reissue; if it can be, a reissue is obtained. How it is done I do not know, but it is done; and then a suit is brought on the reissued patent. Sometimes a suit fails, and then the patent is surrendered and a new suit brought on the reissued patent. This reissue is obtained behind the back of the defendant, on *ex parte* testimony in certain cases under the old law.

Mr. Speaker, can you conceive of anyting more revolting to a fair-minded man than this? In every other part of the case, and in every other kind of a case, if a party has evidence he brings it before the court and the other party has the right to cross-examine and disprove. This is not so here. If a patentee is defendant, or if he finds his patent does not cover the defendant's machine, instead of having a fair trial, he goes to the Patent Office, surrenders his patent, and then comes forth and attacks the defendant with the new patent obtained behind the back and without the knowledge of the defendant.

To state the case is to tell a story of meanness and cowardice. How curious a spectacle it is, Mr. Speaker, to see an educated gentleman, who looks to some extent after the morals of the community, one you can depend on upon all ordinary occasions and with reference to all ordinary offenses, and in fact with reference to every kind of wrong except the one they are engaged in, guilty of such conduct as this. Besides the law itself contemplates and opens the door and furnishes the machinery for these practices. Who can justly object to this Senate bill No. 300 in its limit of reissues? It says:

> But no new matter shall be introduced into the specification not shown, contained, or substantially indicated in the specification or drawings of the original application or its amendments, and which the patentee would have been entitled to include as a part of his invention in the patent originally granted.

What a commentary upon our present patent system it is that such a provision should be necessary; that now, in the year 1879, we should have to pass an act that a man shall not have in a reissued patent what was never "shown, contained, or substantially indicated in the specification or drawing of the original application or its amendments."

But so it is. And now when it is attempted to remedy a great evil in this great system affecting the business relations of our whole people great efforts are made to prevent the remedy.

It is true that our courts have of late been deciding cases in accordance with the provisions of the proposed law, but they do not prevent the evil in the Patent-Office of reissues on *ex parte* evidence, which take by surprise other inventors and shock their sense of justice and right.

Now, what is there in this system of patents with its reissues and its limitations of reissues, its limitations of the life of patents—what is there in all this which affects one man more than another? Nothing at all; I repeat it, nothing at all. It is equal and just to all; it is an improvement on the present laws. Have you a patent not

worth $20? If yes, it had better die at the end of four years. Have you a patent worth more than $20? If yes, it is better for you that those patents should die which are worth nothing, but which stand a threat against the use of yours. Have you a patent which is worthless unless reissued for something which is not in either the original drawings, models, or amendments thereto, nor substantially indicated therein, then I say you ought not to have it. Have you a patent that is valuable, then it is not injured by having anterior patents, which might under the present law be reissued to cover yours, confined to what is shown in the model, drawings, and specifications. All those parts of the bill which we have discussed are eminently just. They are calculated to prevent fraud and wrong dealing.

If again we look at the case of an inventor who seeks for a reissue and obtains it because he was careless enough to misdescribe his invention. Well, he covers by his reissue machinery which was not touched by the original patent, and which was lawfully built and used at a time when no patent covered it, and when it was of course lawfully built and used. But a reissue under the present law relates back to the date of the original patent, and covers and enables the patentee to stop such lawfully built machinery. Many a man who could well have avoided the use of the device had it been covered by any claim in existence when he built his machine, now finds the cost of the change so great that he must submit to heavy terms imposed by the owner of the reissued patent.

This power offers great inducement to the patent speculator and leads to most of the evil which flows from the right to reissue. Section 7 takes away this retroactive feature of the law. On the other hand, the surrender and reissue of a patent has been held to destroy the patentee's right to all the damages which had accrued under the original patent up to the time of the surrender. This section remedies this plain injustice and enables a recovery to be had upon the patent actually surrendered. I have not called attention to everything in the bill. It has certainly been considered a great length of time. Two whole years have been passed in its discussion and perfection. The greatest pains were taken to give it publicity. Written requests for opinions regarding it were sent generally to those known to be interested in the patent law.

Notwithstanding all this I am satisfied this bill, owing to the lateness of time, cannot be passed the present session. I have had so many inquiries made of me regarding it that I somewhat hurriedly take this means of answering the questions. If it does not affect the legislation at this session, this expression may help to keep attention to the details of one of the most important branches of our national jurisprudence.

The patent system is credited with the great progress of our people in the arts and sciences. It should be touched by cautious hand. Its abuses must be removed. This bill will, if passed, remove abuses which do not belong to and form no part of the system itself, but excrescences grow upon it. The attempt should be to preserve that which encourages invention, and destroy those features which lead inventors to worry and prey upon each other.