# RESTRAINTS OF TRADE IN PATENTED ARTICLES

BY
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of the St. Louis Bar.

"THE FRANCHISE WHICH THE PATENT GRANTS, CONSISTS ALTOGETHER IN THE RIGHT TO EXCLUDE EVERY ONE FROM MAKING, USING OR VENDING, THE THING PATENTED, WITHOUT THE PERMISSION OF THE PATENTEE. THIS IS ALL HE OBTAINS BY THE PATENT." —*CHIEF JUSTICE TANEY* IN **BLOOMER vs. McQUEWAN** (1852) 14 HOW.539.

"THE TRUTH IS THAT LETTERS PATENT DO NOT GIVE THE PATENTEE ANY RIGHT TO USE THE INVENTION—THEY DO NOT CONFER UPON HIM A RIGHT TO MANUFACTURE ACCORDING TO HIS INVENTION. THAT IS A RIGHT WHICH HE WOULD HAVE EQUALLY EFFECTUALLY IF THERE WERE NO LETTERS PATENT AT ALL. WHAT THE LETTERS PATENT CONFER IS A RIGHT TO EXCLUDE OTHERS FROM MANUFACTURING IN A PARTICULAR WAY AND USING A PARTICULAR INVENTION."—*LORD HERSCHELL* TO THE HOUSE OF LORDS IN **STEERS vs. ROGERS** (1893) A. C. 232.

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## EXPLANATORY HEAD NOTE.

These pages comprise a discussion of contracts in restraint of trade in patented articles. The writing is not intended to be considered as a text book or digest of the law. The scope of the effort is far narrower than that. From beginning to end it consists of an expanded comment on two sentences of an opinion of Chief Justice Taney in Bloomer vs. McQuewan:

> "The franchise which the patent grants, consists altogether in the right to exclude every one from making, using, or vending the thing patented without the permission of the patentee. This is all that he obtains by the patent."

The first 99 pages constitute a sort of organon by which three groups of cases are sought to be examined and tested. These three groups are prefigured respectively by Heaton-Peninsular Button Fastener Co. vs. Eureka Specialty Co., Victor Talking Machine Co. vs. The Fair, and Rubber Tire Wheel Co. vs. Milwaukee Rubber Tire Works. Unless the reader is interested in matters cognate to one or all of these cases, the volume for him has not any significance.

Because of the narrow range and articulated character of the discussion, it has not been deemed advisable to break the pages up into insulated paragraphs, set off by catch phrases. The table of citations and the index may somewhat compensate this omitted feature.

No doubt the volume contains mistakes, typographical and otherwise. In so far as these are known to me, I have labored to eliminate them. It seems not worth while to go further and perfunctorily to hazard an apology in anticipation of the assured discoveries of others. Any designation of errors, of whatever kind, will be appreciated.

St. Louis, September, 1910. FRANK Y. GLADNEY.

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# AN ANALYSIS OF THE RIGHTS OF THE OWNER OF A PATENT.

In attempting to formulate a consistent statement of the law regarding the nature of the patent grant and the rights of the owner of a patent, there is a glaring and violent conflict between the decisions of the Supreme Court and those of the lower Federal Courts. Upon careful consideration, the conflict is seen to be the result of an erroneous apprehension by the lower courts of the import of the decisions of the Supreme Court interpreting and construing the patent law. In the search for authority on this point a group of cases decided by the lower Federal Courts is a continual stumbling block. They are a complete puzzle. Nothing like them occurs in the reports.

In general, these cases have to do with restrictions imposed in connection with the sale of patented articles, either as to the use to which the thing sold may be put, or the price at which it may be resold. The import of these decisions may be fairly comprised in two propositions. 1st. If the patentee sells a patented machine or device accompanied by a notice restricting the right of the purchaser to use the machine or device, any use in excess of that indicated by the notice will constitute the purchaser an infringer of the patent. 2nd. If the patentee sells the article, and, in the sale, exacts a stipulation that the article shall not be sold below a certain price, one who subsequently sells or purchases it below this price is an infringer of the patent. This theory was first expounded in connection with restrictions imposed on the use of an article or machine by the purchaser and owner thereof When once exploited, accepted and established by

an easy transition and valid analogy (supposing the theory sound) it was applied to uphold restrictions in connection with the resale of patented articles.

We will arrange these cases in two groups: one group comprising the cases dealing with restrictions on the use, and the other group pertaining to restrictions as to the resale of articles.

Within each group the cases are arranged in the chronological order of the decisions.

## GROUP I.

Decisions on the validity of restrictions as to the use of a machine or article sold.

Heaton-Peninsular Button Fastener Co. vs. Eureka Specialty Co. (1896 C. C. A. 6th Cir. )77 Fed. 288, reversing 65 Fed 619.

Cortelyou vs. Lowe (1901 C. C. A. 2nd Cir.) 111 Fed. 1005.

Cortelyou vs. Lowe (1902 C. C. N. Y.) 114 Fed. 1021.

Cortelyou vs. Carter's Ink Co. (1902 C. C. N. Y.) 118 Fed. 1022.

Broderick Copygraph Co .vs. Roper (1903 C. C. R. I.) 124 Fed. 1019.

Mayhew vs. Broderick Copygraph (1905 C. C. A. 7th Cir.) 137 Fed. 596; 131 Fed. 92.

Cortelyou vs. Johnson (1905 C. C. N. Y.) 138 Fed. 110.

Cortelyou vs. Johnson (1906 C. C. A. 2nd Cir.) 145 Fed. 932.

Cortelyou vs. Johnson (1907) 207 U. S. 196.

Similar to the cases in the above group but distinguishable on a ground hereafter to be pointed out are the cases of

Tubular Rivet and Stud Co. vs. O'Brien (1898 C. C. Mass.) 93 Fed. 200.

Rupp et al. vs. Elliott (1904 C. C. A. 6th Cir.) 131 Fed. 730.

## GROUP II.

Decisions on the validity of restrictions imposed by a patentee-vendor as to the resale of the article.

Edison Phonograph Co. vs. Kauffman (1901 C. C. Pa.) 105 Fed. 960.

Edison Phonograph Co. vs. Pike (1902 C. C. Mass.) 116 Fed. 863.

Victor Talking Machine Co. vs. The Fair (1903 C. C. A. 7th Cir.) 123 Fed. 424.

National Phonograph Co. vs. Schlegel (1904 C. C. A. 8th Cir.) 128 Fed. 733.

Reversing 117 Fed. 624.

Ingersoll vs. Snellenberg (1906 C. C. Pa.) 147 Fed. 522.

New Jersey Patent Co. vs. Schaeffer (1907 C. C. Pa.) 159 Fed. 171.

S. C. 144 Fed. 437.

The foregoing groups doubtless do not comprise all the decisions of the character. But at any rate, the decisions noted fully expound the doctrine under consideration and we will deal with them as typical, even if not all inclusive.

We have found these decisions puzzling in the extreme. We have read every case and text writer cited to support the reasoning of the court in the respective opinions reported. Still the theory underlying the cases does not appear to be a component part, a logical extension or necessary development of any accepted proposition in our jurisprudence.

We then attacked the problem from an entirely different viewpoint. We set about to read closely and examine thoroughly every decision of the Supreme Court, from its organization down to the

present time, dealing with the nature of the patent franchise and expounding the rights and powers of a patentee. This is not a gigantic task as one can lay entirely to one side, all decisions having to do only with the technical matter of infringement, with equivalents, improvements, primary and secondary patents and such like. But there are a score of decisions that get away from all this and are confined solely to an analysis of the franchise vested in the patentee by the government and of the rights accruing to the patentee from that grant. This is certainly the proper source to gain authoritative information regarding this perplexing problem. Indeed, it is the only source from which one may obtain such authoritative information. For as early as 1850, in the case of Wilson vs. Sanford 10 Howard 99, in speaking of the statute conferring the right of appeal to the Supreme Court in patent cases regardless of the amount involved, Chief Justice Taney said, "The peculiar privilege given to this class of cases was intended to secure uniformity of decision in the construction of the Act of Congress in relation to Patents.'

Moreover the Court has gone further and given every one distinctly to understand that it is the only final arbiter of any question pertaining to the patent laws.

In the case of Andrews vs. Hovey (1888) 124 U. S. 694, Mr. Justice Blatchford proclaimed the attitude of the court in this positive language:

"A question arising in regard to the construction of a statute of the United States concerning patents for inventions cannot be regarded as judicially settled when it has not been judicially settled by the highest judicial authority which can pass upon the question. This court has always had jurisdiction to review suits on patents to a specified extent without regard to the sum or value in dispute. No question regarding patents in any such case, reviewable by this court, can be regarded as finally settled, so as to establish the law for like cases, until it has been determined by this court."

"So as to establish the law for like cases." It is indeed remarkable that the Supreme Court has been given no opportunity to pass upon the merits of any one of the decisions above collated. Of all these decisions the case of Cortelyou vs. Johnson alone found its way to the Supreme Court (207 U. S. 196).

But the merits of the case were entirely untouched. Not only that. The court was exceedingly careful to point out that its decision did not hinge on anything at all except the question of notice, which was entirely a side issue. The deliberate caution and studied reserve of the opinion in this case is palpable in every sentence. The court below had expressed itself throughout in the phraseology and nomenclature of the patent law. We read there of "licensor" and "licensee", of "license restrictions", of "contributory infringement". The lower court used the language common to patent rights all through the opinion. The Supreme Court gets entirely away from his, and, even in stating that it is not going to go into the merits of the case and giving reasons why it is not, uses the language applicable to common law contracts only. Here is what is said:

"While in E. Bement and Sons vs. National Harrow Co. 186 U. S. 70, this court held in respect to patent rights (black ours): observe not patented "articles") that, with few exceptions, any conditions which are not in their very nature illegal with regard to this kind of property (viz. patent rights) imposed by the patentee and agreed to by the licensee for the right to manufacture or use, or sell the article (note the distinction between the "right" and the "article") will be upheld by the courts, it is unnecessary to consider how far a stipulation in a contract (not a license) between the owner of a patent right (not article) and the purchaser from him of a machine manufactured under that right, that it should be used only in a certain way will sustain an action in favor of the vendor against the purchaser in case of a breach of that stipulation." Not a word is said about "infringement" or "contributory infringement", about

"licenses" and "restrictions in licenses". Instead, the Court speaks of the "owner of a patent right" and the user of the machine is called a "purchaser" not a "licensee". We read of "a stipulation in a contract," but the Court carefully avoids the term "license." This emphatic reservation and eloquent silence is profoundly suggestive. It points to what has been said heretofore by the Court and what may be said hereafter

It provokes an inquiry as to whether the Court has not already, in effect, decided the point which here was expressly reserved and declared not to be in contest before the Court. Moreover, what is the significance of the fact that the Supreme Court states the issue understood to have been fought out below in language so radically different as to indicate that the litigants had missed the real ground of dispute?

The Court comes very near to saying that the essential question below was not as to the infringement of a patent but as to inducing a breach of an ordinary contract.

It was this deliberate restatement of this case followed by a complete declination to consider the merits even after put in a new light, that suggested to the writer the imperative necessity of going back to the beginning and tracing step by step the development of the law regarding the nature of the patent franchise as declared by the Supreme Court. The process is indeed laborious but it is luminiferous. One comes thoroughly to understand exactly what the patent franchise carries with it and precisely what the owner of that franchise can do and cannot do. It would require a volume to digest all the cases bearing upon the matter. That is wholly unnecessary. We need to understand clearly only a very few fundamental principles.

In going forward into a statement of these results we ask that the reader shall entirely put out of mind the decisions heretofore enumerated. Let us get away from them, so as not to be influenced

by them in any manner. Let us devote attention exclusively to the decisions of the Supreme Court, and study those decisions for the time being purely as an academic exercise of the mind rather than to uphold or overthrow any prepossession. It is only by assuming a disinterested attitude of this kind that we can firmly grasp the principles that must control. One always works at a great disadvantage and incurs the hazard of merely confirming his erroneous prepossessions when an attempt is made to find some ready made support for a contention intensely desired to be sustained, rather than to explore and set forth the fundamentals of the law absolutely, regardless of whether or not certain acts are to be condemned as unlawful or held valid. For the present, then, we have no concrete case in mind, no decision to criticize, and no act to adjudge legal or illegal. Instead we have the colorless abstract queries: What does the patent grant consist of? What are the rights of the patentee? What is the nature of a license contract? By what law is the patentee governed? Is he a law unto himself or is he subject to the same law as other persons?

When he sells his patented article is the transaction governed by the same law that controls a butcher selling meat, or is it some other and different law, of which the ordinary vendor knows not? We shall have occasion before we are done to look closely at the Bement case. But we ask that that, too, be suspended out of view for the time being and that we rivet attention solely upon this disinterested investigation.

To facilitate a thorough and orderly examination of the matter we have printed a chart or abstract entitled, "An Analysis of the Rights of the Owner of a Patent." This is an abstract of the entire exposition. The authorities and comment thereon are to be found under the separate and isolated tables or headings numbered on the main chart and following consecutively the same. In adopting this method we are enabled to compress much into a

small space; to keep constantly before the mind a clear statement of the very question that all the time is being considered.

Throughout this exposition,, although we shall consider decisions arising under the tax laws, general assignment statutes, police powers of the states and such like, it must be borne in mind that all this is gone through for the sole purpose of illustrating and explaining the nature and scope of the patent franchise. We have exercised no nicety to determine whether or not a given decision is sound in point of interpreting the law of taxation, of executions, of assignments and so on. The decisions are viewed in one aspect only and that has to do with the meaning and essence of the patent right. This preliminary caution is thrown out to guard against a scattering or diffusion of attention to irrelevant matters. From first to last it is imperatively desirable to focus deliberation upon one point and one only, viz, what are the rights of the owner of a patent?

## A GENERAL CONSIDERATION OF THE NATURE AND SCOPE OF THE RIGHTS OF THE OWNER OF A PATENT.

Before going into the details of this analysis it is distinctly worth while to take a broad and general view of the question and to study closely the language of the statutes and the Supreme Court.

The nature and scope of the rights of the owner of a patent are matters that have been confused and misconceived by the text writers and lower courts until at the present time it requires the most careful study of the decisions of the Supreme Court to understand the matters clearly and luminously. But these decisions when so studied make the whole problem easy of solution. In these decisions we do not encounter that vagueness of thought and looseness of expression that has given rise to so much confusion and misconception. Misunderstanding the nature of the patent grant has led to most serious and grave mistakes on the part of the lower courts.

These will be remarked on hereafter. Let us first glance at the language of the various statutes of the United States defining the patent grant.

The language of the constitution is familiar. Congress is given power "To promote the progress of science and the useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries."

The language of the various statutes follows:

Act of 1790.

"The sole and exclusive right and liberty of making, constructing, using and vending to others to be used, the said invention or discovery." Act of 1793, substitutes for the word "sole" the word "full", otherwise the language of the act of 1790 is preserved. Act of 1836. "The full and exclusive right and liberty of making, using, and vending to others to be used, the said invention or discovery." Act of 1870. (R. S. see 4884.)

The change in phraseology here is significant.

"The exclusive right to make, use and vend the said invention or discovery throughout the United States."

It is obvious that the words "sole" and "full" as used in the earlier Acts were meaningless. The Constitution said nothing about a "sole" or "full" right. "Exclusive" is the adjective used. Congress never has undertaken to grant to inventors the right to make, use and sell their inventions. This right they already had, even before the adoption of the Constitution and the enactment of Patent Laws pursuant thereto. The only room for the exercise of the power of Congress is in making the right "exclusive" in the inventor. Unless we read the clause in the Constitution and the language quoted above with a decisive emphasis upon the adjective "exclusive" we miss the vital meaning of the patent grant. The Supreme Court has repeatedly emphasized this essential characteristic of the patent franchise. Thus.

**Bloomer vs. McQuewan** (1852) 14 How. 539. Chief Justice Taney: "The franchise which the patent grants consists altogether in the right to exclude everyone from making, using or vending the thing patented without the permission of the patentee. This is all that he obtains by the patent."

**Patterson vs. Kentucky** (1878) 97 U. S. 501. Mr. Justice Harlan: "The sole operation of the statute (patent law) is to enable him to prevent others from using the products of his own labor except with his consent. But his own right of using is not enlarged or affected. The right of property in the physical substance, which is the fruit of the discovery, is altogether distinct from the right in the discovery itself, just as the property in the instruments or plates by which copies of a map are multiplied is distinct from the copyright of the map itself."

**United States vs. American Bell Telephone Co.** (1896) 167 U. S. 224. Mr. Justice Brewer:

"It (the patent) conveyed to Berliner (the patentee) so far as respects rights in the instrument itself, nothing that he did not have theretofore. The only effect of it was to restrain others from manufacturing and using that which he had invented. The patentee, so far as his personal use is concerned, received nothing which he did not have without the patent. The purpose of the patent is to protect him in his monopoly, not to give him a use, which save for the patent, he did not have before, but only to separate to him an exclusive use."

**Continental Paper Bag Co. vs. Eastern Paper Bag Co.** (1908) 210 U. S. at 424. Mr. Justice McKenna:

"Those cases (referring to the decisions cited above and others) declare that he (the patentee) received nothing from the grant that he did not have before, and that the only effect of the patent is to restrain others from manufacturing and using what he has invented."

When we consider that the Supreme Court has been propounding this analysis of the patent right for almost a century and apparently without making itself understood, a new significance attaches to these words following the passage just quoted: "We cite them (viz the decisions) because there is something more than the repetition of the same thought in so doing"!

The lower courts and text writers have many times repeated the substance of the propositions embodied in the passages already set out above, but judging by the results arrived at, they have frequently failed to apprehend the meaning of what, in form, was assented to.

We will quote a number of these authorities.

In re Brosnahan, Jr. (1883) 18 Fed. 62.

Mr. Justice Miller on Circuit: "It is to be observed that no constitutional or statutory provision of the United States was or ever has been necessary to the right of any person to make an invention, discovery or machine, or to use it when made or to sell it to some one else. Such right has always existed and would exist now, if all patent laws were repealed. It is a right which would be called a natural right, and which so far as it may be regulated by law belongs to ordinary municipal legislation; and it is unaffected by anything in the Constitution or patent laws of the United States."

Hawk vs. Swett (1875) 4 Hun. (N. Y.) 150 the Supreme Court of New York: "In order that we should not be misled by any false analogy, it should be noticed that letters patent for an invention confer nothing except a right to bring actions, and thereby to prevent persons from doing what they might otherwise lawfully do."

Celluloid Mfg. Co. vs. Goodyear (1876) Fed. Cas. 2543. Hunt, J. "The plaintiff alleges itself to be the owner of a useful invention. By the general law of the land, state as well as national, it has the right to sell that improvement to all who think it of sufficient value to induce them to purchase it, subject only to restraint from some

party having a conflicting patent. So far as its own use or manufacture is concerned, it needs no act of Congress to enable it to make, use and vend the article, and it obtains no such right from Congress. The benefit of the patent law is that the plaintiff may prevent others from making, using or vending its invention; to itself, to its own right to make, use or vend, no right or authority is added by those statutes."

Tod vs. Wick (1881) 36 Ohio St. 384. The Supreme Court of Ohio: "From these cases (citing several) it would seem clearly to follow, that the only right which the patentee acquired by his letters patent, which he did not possess before they were granted is the right to exclude others from a common use and enjoyment of the thing patented without his consent."

Jewett vs. Atwood Suspender Co. (C. C. 1900) 100 Fed. 647. "A patent does not confer even a right to use the invention. The inventor had the right before. It is merely an incorporeal right to exclude others from using the invention throughout the United States."

Victor Talking Machine Co. vs. The Fair (1903, C. C. A. 7th Cir.) 123 Fed. 426. "All that the government can and does grant him (the patentee) is the right to exclude others from practicing his invention."

Rubber Tire Wheel Co. vs. Milwaukee Rubber Co. (1907 C. C. A. 7th Cir.) 154 Fed. at 363. "The only grant to the patentee was the right to exclude others."

Blount Mfg. Co. vs. Yale & Towne Mfg. Co. (C. C. 1909) 166 Fed. at 558. "By the terms of the patent he (the patentee) has the exclusive right to make, use and vend. The right to make, use and vend he has without the grant of letters patent. When we say that a patent grants an exclusive right; we do not mean that the right to make, use and vend is granted, but only that the patentee's existing right is made exclusive by the grant."

Very few of the text writers even stop to attempt an analysis of the patent right, but there are a few definitions to be found.

Coryton (1855) on Patents [* 41]. "The right created by the grant is that of the exclusive enjoyment of a trade, secured by the indirect operation of letters patent restraining all others from doing what, but for such restriction, they would be entitled to do equally with the patentee."

Hall: on Patent Estate (1888) p. 33. "A patent would seem to be a claim in law to a qualified debarment, in fact, of making, using and vending an invention; or in other words, an exclusion, in law, of making, using and vending the invention described in the patent, for time and territory expressed; the sole difference between the rights of the inventor, respectively prior and subsequent to his patent, residing in the adjective, **exclusive**, in qualification of his right. The office of the patent, would therefore appear to rest in the exclusion it effects, as regards making, using and vending the invention."

Walker on Patents (4th Ed. 1904) Sec. 155. "The reason why a state may regulate the sale of a patented thing, and may not regulate the sale of the patent covering that thing, is explainable as follows. A patentee has two kinds of rights in his invention. He has a right to make, use and sell specimens of the invented thing; and he has a right to prevent all other persons from doing either of these acts. The first of these rights is wholly independent of the patent laws; while the second exists by virtue of those laws alone."

It would require at least ten times the space already used to point out the instances in which the nature of patent rights as above defined has been overlooked. Time and time again we find the courts repeating the proposition that the sole right granted by the patent is to exclude others and straightway setting up a result that contradicts and nullifies the proposition assented to at the outset. We will ob-

serve instances of this as we advance in other branches of the law where this nature of the patent right is recognized and enforced.

It has been constantly assumed and asserted hundreds of times by the lower federal courts, by the state courts, and by text writers that the government by awarding a patent thereby grants to the patentee an affirmative right to make, use and sell his invention. That is to say the patent is regarded as conferring upon, and creating in, the patentee, this right. It would not occur to anyone to spend time in refuting such a monstrous argument if it were not so frequently asserted and enforced with such unexpected and unjustifiable results.

Within the last score of years this erroneous preconception of the patent right has given rise to a capital affliction of judge-made law. The false initial proposition is this: the patentee by the patent law is invested with the exclusive right to make, use, and sell the thing described in his patent. When this is once asserted and accepted as sound, these conclusions necessarily are derivable; the patentee in making, using, or selling what he has invented, exercises a right conferred upon him by the government in granting the patent; in doing any or all of these things, he is acting under the protection of the patent laws, and is subject to no limitations except those imposed by the patent laws. Then the thesis is expounded with the result that the law of contracts, of sales, of trade restrictions, applicable universally to transactions involving personal property, are invalidated, explained away or excepted, in legal acts relating to patented articles.

The patentee may sell a specimen of his patented article, receive and accept the full purchase price demanded by him, and yet treat the purchaser as a "licensee" and not as an owner of what he has paid for. By accompanying the article sold with a written or printed notice, the patentee can qualify the title of the purchaser in that article; and if the purchaser uses his own property in a manner that conflicts with the terms of the notice, he thereby infringes upon the

right of the patentee to exclude others from making, using, and selling the thing without the patentee's consent.

Finally, all legislation prohibiting contracts in restraint of trade is held not to be applicable to transactions involving patented articles. This, we say, is the astonishing result that has actually sprung from the mistaken conception of the patent right. But this cannot possibly stand, and for two conclusive reasons: First, the Federal government cannot create such a right in a patentee; it has not within its power of disposition the right to make, use, and sell an article whether newly invented or not.

The right of every man to make, use and sell what he has invented is primordial. It is as Mr. Justice Miller said a "natural right." It antedates institutions and constitutions. The right to life, liberty and the gains of one's own industry is not and cannot be created or conferred by any government. The chief end and aim of every government is to protect the right. But every modern institution of government has for its bed rock and undermost substrate the concession and assumption that this right exists. Constitutional government seeks to preserve this right, anarchy would destroy it, but neither has ever been thought to have anything to do with creating it. Magna Charta and every Bill of rights that has ever been drawn up assert the right of every man to the gains of his industry and exact protection for the right, but those instruments do not purport to have anything to do with creating or conferring the right.

The government of the United States is one of delegated powers, and the constitution guarantees the right from invasion by either national or state authority, but no one has ever supposed that the congress has the power to create or confer the right, to enjoy the fruit of one's labors. The states have far greater powers than the national government but the utmost they can do is to protect and

restrict the right which existed prior to and independently of state constitutions.

In his Constitutional Limitations (6th Ed.), Judge Cooley says p. 68, "In considering state constitutions we must not commit the mistake of supposing that, because individual rights are guarded and protected by them they must also be considered as owing their origin to them. These instruments measure the powers of the rulers, but they do not measure the powers of the governed." The right to make, use and sell on the part of the inventor is a "power of the governed." A state, in the interest of the public welfare, may restrict or even suppress this right under what is known as the police powers. But the national government cannot even do this, for it has no police powers, as the Supreme Court has said with much iteration. See United States vs. De Witt (1869) 9 Wall. 41.

Thus the right to make, use and sell does not come from the Federal government, is not within its power either to confer or to deny.

It existed time out of mind before the formation and adoption of the constitution and will be asserted, exercised and defended long after that precious document has ceased to symbolize the restricted powers of the government over the governed. The patent franchise is not related in any manner to this elemental right; this assertion of all that makes life worth living, the struggle to obtain recognition for which comprises the history of institutions and is marked with the blood and tears of mankind. How utterly untenable and idle is the opposite contention that the federal government by the patent grants the right to make, use and sell! The power to grant, by a necessary limitation of thought, implies the power to deny. Then if the government can and does grant the right to make, use and sell, it can and may deny the right, condition or destroy, it. By denying an application for a patent it denies the

right, to make, use and sell! By repealing the patent law it can take away the right to make, use and sell, from every inventor!

We feel tempted to apologize for setting forth a statement of such elementary law which comes within the range of every law student in the first six months of his course, which is contained in Blackstone, in Kent, in Austin, in Holland and every other writer on the alphabet of the law. But there seems to be urgent occasion for this sort of reminder as we shall see in what follows. While throughout this writing we have referred to the right to make, use and sell, as a "common law right," we mean by this only that the right is protected, and its enjoyment measured, by the common law. We do not mean in any instance that the right is derived from the common law. This must be borne in mind as otherwise one might infer that the right is derived from some definite source just as is the patent right. The phrase "common law right" has been employed as a convenience in preference to the more objectionable (because ambiguous) term "natural right." We cannot lay our finger on the source of the right to make, use and sell, whereas the right to exclude originates in and ends with, the wording of the Act of Congress; apart from that act the patent right has no existence whatever.

# TABLE I.

**Analysis of the Rights of the Owner of a Patent.**
**Has Two Distinct Rights:**

I. Common Law Right: To make, use and sell.

II. Patent Law Right: To exclude others from making, using and selling.

The Two Rights Distinguished
By
The State Revenue Laws.

I. State can tax the property in tangible articles embodying the invention.

II. State cannot tax the intangible, incorporeal right inherent in the patent grant (viz. the right to exclude others.)

I.

There is little authority as to the right of the states to tax patented articles.

It has seldom or never been seriously questioned. Common knowledge teaches us that such property is listed on every tax roll in the United States.

Automobiles, typewriters, sewing machines, watches, farm implements, engines, railroad equipment, all embodying patented inventions constitute a most important item of taxable property in every state in the Union. and the right to tax such property is beyond question.

In Bloomer vs. McQuewan (1852) 14 How. at 549, Chief Justice Taney said: "When the (patented) machine passes to the

## ANALYSIS OF THE RIGHTS OF THE OWNER OF A PATENT WHETHER PATENTEE OR ASSIGNEE.

**Common Law Right. Rights common to all persons**

| | |
|---|---|
| To make or not to make; or to permit others to make. | The thing invented. |
| To use or not to use; or to permit others to use, | |
| To sell or not to sell; or to permit others to sell, | |

**Patent Law Right. Rights peculiar to Patentee.**

| | |
|---|---|
| Right to exclude every one from making, | The thing invented without the patentee's consent. |
| Right to exclude every one from using, | |
| Right to exclude every one from selling, | |

## THE TWO RIGHTS DISTINGUISHED.

**By operation of the Statutes and rules of the Common Law.**

| SCOPE OF RIGHTS. | COMMON LAW RIGHT. | PATENT LAW RIGHT. | FOR AUTHORITIES SEE TABLES. |
|---|---|---|---|
| BY REVENUE LAWS: | Can tax articles embodying patented Inventions. | Cannot tax right to exclude. | I. |
| BY LAW OF EXECUTION: | Can levy on and sell articles embodying patented inventions. | Cannot levy on right to exclude. | II. |
| BY ASSIGNMENTS FOR BENEFIT OF CREDITORS: | General assignment for the benefit of creditors transfers articles embodying patented inventions. | Does not transfer right to exclude. | III. |
| BY POLICE POWER OF THE STATES: | Can suppress use or sale of patented as well as unpatented articles. | Cannot suppress right to exclude. | IV. |
| BY JURISDICTION OF THE FEDERAL COURTS. | No original jurisdiction over questions pertaining to patented articles or contracts concerning same. | Exclusive jurisdiction over questions concerning right to exclude. | V. |
| SUITS FOR INFRINGEMENT: | - - - - - - - - - - | Regulated exclusively by the Patent Law. | VI. |

**By the manner of exercising and the law controlling the two rights.**

| | | | |
|---|---|---|---|
| ASSIGNMENT OF WHOLE RIGHT: | - - - - - - - - - - | Regulated exclusively by the Patent Law. | VII. |
| ASSIGNMENT OF UNDIVIDED INTEREST: | - - - - - - - - - - | Regulated exclusively by the Patent Law. | VIII. |
| ASSIGNMENT OF WHOLE RIGHT FOR TERRITORY: | - - - - - - - - - - | Regulated exclusively by the Patent Law. | IX. |
| LICENSE TO USE: | Rights of the parties determined exclusively by the Common Law. | Until License is legally withdrawn right to exclude is suspended. | X. |
| LICENSE TO MAKE AND USE: | Rights of the parties determined exclusively by the Common Law. | Until License is legally withdrawn right to exclude is suspended. | XI. |
| LICENSE TO MAKE USE AND SELL: | Rights of the parties determined exclusively by the Common Law. | Until License is legally withdrawn right to exclude is suspended. | XII. |
| MAKING AND SELLING OR AUTHORIZING ANOTHER TO MAKE AND SELL: | Rights of the vendor and purchaser are controlled exclusively by the Common Law. | The manufacture and sale of the thing invented irrevocably waives the right to exclude purchasers from using the specimen sold. | XIII |

hands of the purchaser, it is no longer within the limits of the monopoly.

The implement, or machine becomes his private individual property, not protected by the laws of the United States, but by the laws of the state in which it is situated. Like other individual property, it is then subject to state taxation and from the great number of patented articles now in use, they no doubt, in some of the states, form no inconsiderable portion of its taxable property."

In Webber vs. Virginia (1880) 103 U. S. 344, Mr. Justice Field said: "The right conferred by the patent laws of the United States to inventors to sell their inventions and discoveries does not take the tangible property in which the invention or discovery may be exhibited or carried into effect from the operation of the tax and license laws of the state." Again: "It is only the right to the invention or discovery, the incorporeal right, which the state cannot interfere with."

## II.

The authorities to the point that a state cannot tax the incorporeal, patent right,—the right too exclude are too numerous for quotation.

We will select a few of the decisions which discuss the point in a manner that throws light on the distinction we are seeking to point out. A very clear and forceful case is

**In re Sheffield** (1894 C. C. Ky.) 64 Fed. 833.

A Kentucky statute provided that "all itinerant persons vending lighting rods, patent rights or territory for the sale, use or manufacture of patent rights shall be deemed peddlers."

Another provision was "vendors of patent rights or territory for the sale of patent rights or patent articles shall pay double" the amount of the ordinary license fee. Observe the legislature entire-

ly overlooked the distinction between a "patent right" and "patent articles" although the Supreme Court of that state in the case of Patterson vs. Commonwealth (1875) 11 Bush (Ky.) 311 had pointed out the distinction with more than ordinary lucidity. "There is a manifest distinction between the right of property in the patent, which carries with it the power on the part of the patentee to assign it, and the right to sell the property resulting from the invention or patent," said the Court.

Moreover the statute quoted above is a meaningless jumble of words. How can there be a "manufacture of patent rights?" Evidently the counsel for the petitioner had not read the decisions of the Supreme Court in vain. For his client had obtained a license to sell the patented article but declined to take out a license to sell the patent right. This state of the facts presented the naked question as to the right of a state to tax the disposition or sale of the patent franchise. The court held that the Legislature of Kentucky had not the power to tax the right to exclude. The court clearly distinguishes between the right to exclude and the right to sell a chattel or an article embodying the invention.

The opinion is highly instructive; after discussing and conceding the right of the state to tax patented articles the court sums up, p 836. "But the patent right itself, i. e., the right to exclude all others from the manufacture, use or sale of the invention or discovery, which is a grant by the United States cannot be taxed by a state."

This same statute, a year later was declared invalid by the Supreme Court of Kentucky in

Commonwealth vs. Petty (1895) 96 Ky. 452. Said the court: "A patent right is not a tangible property. It is an incorporeal right. The patent secures to the patentee the exclusive right in the discovery." After commenting on the cases the court continues.

"While the states have jurisdiction to legislate on the matter

of the use or sale of the article which is brought into existence by virtue of the application of the patented process, it is an invasion of national authority for the legislature of a state to make a law which requires the patentee or his vendee to first procure and pay for a license to sell his right in his discovery—his intangible right, or the territory in which such right is granted. In so far as the statute attempts this it is in conflict with the law of Congress."

To the same effect read,

Ex parte Robinson (1870) 2 Bissell 309.

State vs. Butler (1879) 3 Lea. (71 Tenn.) 222.

People ex rel vs. Assessors (1898) 156 N. Y. 417.

People vs. Johnson (1899) 159 N. Y. 70 (copyright).

There are many cases involving this question in Pennsylvania. The decisions in these cases apparently announce the correct result, but in every instance the writer of the opinion exhibits a confused conception of the nature of the patent franchise.

The opinions throughout betray the fact that the court does not clearly and precisely apprehend the wide difference between the incorporeal, intangible right to exclude others which is the thing granted by Congress, and the tangible property in machines or articles embodying the invention. The decisions are too numerous for isolated comment.

The citations are as follows:

Com. vs. Telephone Co. (1891) 145 Pa. St. 121.

Com. vs. Ed. El. L. Co. (1891) 145 Pa. St. 131.

Com. vs. Philadelphia Co. (1891) 145 Pa. St. 142.

Com. vs. Westinghouse Co. (1892) 151 Pa. St. 265.

Com. vs. Westinghouse Co. (1892) 151 Pa. St. 276.

Com. vs. Philadelphia Co. (1893) 157 Pa. St. 527.

Com. vs. Ed. El. L. Co. (1893) 157 Pa. St. 529.

# TABLE II.

## Analysis of the Rights of the Owner of a Patent.

**Has two Distinct and Separate Rights:**

I. Common Law Right, to make, use and sell.

II. Patent Law Right, to exclude others from making, using and selling.

The Two Rights Distinguished

By

Common Law as to Executions.

I.

Articles, devices or machines embodying inventions protected by patents are subject to sale under execution, the same as any other personal property.

II.

The incorporeal right, being the right to exclude others, which is the essence of the patent franchise cannot be sold under execution at common law.

I.

There is little authority as to the right to levy upon and sell under execution, patented articles. The point is not contestable. The thing is done every day, and the right cannot be questioned.

Typewriters, automobiles, sewing machines, pianolas, farming implements, all embodying divers patented inventions, are levied upon and sold every day in all the states and this too without a

questioning of the right. However the point has been contested occasionally but unavailingly.

Thus in

Wilder vs. Kent (1883) 15 Fed. 217.

The plaintiff, a patentee, had in his possession and owned a machine which he had made embodying and externalizing his patented invention.

The machine was sold by the sheriff under execution issued on a judgment against the plaintiff and the defendant purchased the same at the execution sale. Thereupon the plaintiff sued the defendant for infringement of his patent. This suit was brought in the year of our Lord 1883, so it is painfully obvious that all of the gigantic labors of the great men on the bench of the Supreme Court extending over a period of 40 years, in the attempt to expound the nature of the patent franchise were completely without effect on the ingenious counsel for the complainant.

The court held the defendant was not liable for infringement because of his use of the machine.

Said the court:

"The purchaser of a machine from the patentee acquires no right in the patent itself, and needs none to enable him to enjoy his acquisition x x. It is very true that the patent right itself, being incorporeal and resting exclusively upon statutory grant cannot be levied upon at law. But a patenteed machine is susceptible of manual seizure, and the unrestricted sale thereof does not involve the transfer of any interest in the patent." But the gratuitous qualifications and cautious hesitation of the court evince the fact that this result was reached with great effort and with a dim apprehension of the compelling principles underlying the case.

The court says: "By implication he (the purchaser) is invested with a license to use that particular machine, and, in the absence of express stipulation to the contrary, such license passes with the

machine to successive owners as an incident of proprietorship."

This mischievous fiction is eternally cropping out. Consistency in this class of cases ought to be prized as a jewel whenever found. The court had just said: "The purchaser of a machine from the patentee acquires no rights in the patent itself, and needs none to enable him to enjoy his acquisition." Well, then, why not draw the inescapable corrolary from this proposition and say in using the machine so purchased he does not invade any right granted to the patentee? Instead the court talks about an implied license. But there is no license whatever, either express or implied. A license is a permission given to the licensee to use or enjoy something that belongs to the licensor. Without the license the licensee cannot use the thing because it is not his.

But a supposed implied license from a vendor to a vendee authorizing the latter to use what he has bought and paid for is an unspeakable monstrosity.

Suppose one buys a peck of potatoes from the grocery man, is it necessary metaphysically to posit an implied license to justify the purchaser's act in eating the potatoes or planting them in his garden? We shall have to contend with this sort of slovenly thought and cloudy perception throughout this exposition. At the proper place, however, it will vanish into thin air.

In the first place the court had no jurisdiction of this case, for no patent right was involved. After committing the capital blunder of assuming jurisdiction where there was none, the court might have disposed of the whole matter in less than ten lines from the great case of

Bloomer vs. McQuewan, cited supra.

There the Chief Justice said: "The purchaser of the (patented) implement or machine, in using it exercises no rights created by the Act of Congress, nor does he derive title to it by virture of the franchise or exclusive privilege granted to the patentee."

And this proposition was not novel or questionable; in Bloomer vs. Millinger (1863) 1 Wall, 340, after repeating it the Supreme Court give this additional twist to the persistency of counsel: "Considering that the question has been several times decided by this court, we do not think it necessary to pursue the investigation."

To the same effect as the case of

Wilder vs. Kent, see

Chapin vs. Rosenthal (1874) 1 Weekly Notes Cas. (Pa.) 106.

## II.

The authorities to the effect that a patent right or coyright is not subject to seizure and sale under execution at law are copious and unvarying. We will consider a few of them.

In Stephens vs. Cady (1852) 14 How 528, the plaintiff was the owner of a copyright for a map of Rhode Island. A judgment was recovered against him in the state court in Massachusetts, upon which an execution was issued and the copper plate engraving of the map was seized and sold and bought by the defendant.

Thereupon the defendant set about using the plate to produce copies of the map and the plaintiff brought suit for infringement of the copyright. Here then the court recognized the novel question "whether or not the property acquired by the defendant in the copperplate, at the sheriff's sale, carried with as an incident the right to print and publish the map engraved upon its face."

The opinion was written by Mr. Justice Nelson who dissented in the case of Bloomer vs. McQuewan (reported in same volume and the second case succeeding the one under consideration).

In this case he constantly confuses the right to publish, which is derived from the common law and the right to exclude others from publishing which is derived from the patent law. But the

confusion here did not affect the proper disposition of the case.

Thus, "We are satisfied that the property acquired by the sale in the engraved plate, and the copy right of the map secured to the author under the Act of Congress are altogether different and independent of each other, and have no necessary connection. The copyright is an exclusive right to the multiplication of the copies, disconnected from the plate or any other physical substance." The last sentence is not accurate. The copyright, is **not** an exclusive right, but is only a right to **exclude.**

The distinction may be characterized as subtle, nevertheless it is profound and far reaching.

"The engraved plate and the press are the mechanical instruments, or means by which the copies are multiplied. And to say that the right to print and publish the copies, adheres to and passes with the means by which they are produced, would be saying in effect, that the exclusive right to make any given work of art necessarily belonged to the person who happened to become the owner of the tools with which it was made: and, yet we suppose that the statement of any such pretension is so extravagant as to require no argument to refute it." Again, the confusion reappears, in what follows. "The copperplate engraving, like any other tangible personal property is the subject of seizure and sale on execution, and the title passes to the purchaser, the same as if made at a private sale. But the incorporeal right, secured by statute to the author, to multiply copies of the map, by the use of the plate, being intangible and resting altogether in grant, is not the subject of seizure or sale by means of this process,—certainly not at common law."

The trouble with this sentence is that it is not the fact that the statute did secure to the author the right to multiply copies of the map by the use of the plate or by any other method. That was a

right which the author had independent of the copyright statute, anterior to the enactment and which would not be affected in the slightest by the repeal of that statute.

Authors multiplied copies of their books for hundreds of years before any copyright law was dreamed of. The statute gives the author the right to exclude others and this is all that it gives him.

In this case the ownership of the copperplate had not the slightest thing to do with the copyright. It was a mere accident that the plate contained an impression of the map.

The defendant might as well have contended that by purchasing a saw and hammer from a patentee he thereby would obtain the right to make a specimen of the patentee's invention. The important thing to note is that the plate was not the subject of the copyright. It was the map that was copyrighted. The defendant might have made or purchased a dozen of the plates but neither he or anyone else could print the maps without the plaintiff's consent, because the copyright gave the plaintiff the right (not to multiply copies but) to exclude others from making copies.

There can be no doubt of the soundness of the court's conclusion that there cannot be a levy upon the incorporeal right granted by the copyright statute. However it is to be regretted that the court did not clearly propound the principle underlying.

The facts in the case of Stephens vs. Cady were again before the court two years later in the case of

Stevens vs. Gladding (1854) 17 How 477. Here the matter was reargued and the prior decision reaffirmed in an opinion by Mr. Justice Curtis. This opinion is luminous, and leaves nothing to be added. The court points out with studied precision and deliberate nicety the distinction between the copyright and the plate sold. We will quote only a few sentences from the opinion. "Upon the question of the annexation of the copyright to the plate, it is to be observed first, that there is no necessary connection between

them. They are distinct subjects of property, each capable of existing and being owned and transferred, independent of the other. It was lawful for any one to make, own and sell this copper plate." (note that). Again, "The right in question (i. e. copyright) is not parcel of the plate levied on, nor a right merely appendant or appurtenant thereto; but a distinct and independent property, subsisting in grant from the government of the United States, not annexed to any other thing, either by the act of its owner or by operation of law."

It is difficult to imagine how the court could have made a clearer exposition of the matter than this.

The sole right granted by the copyright statute was the right to exclude others from publishing and selling the map. This exclusory right the plaintiff still had in its entirety. The defendant had no part of it. The plaintiff could exclude every one from publishing or selling the map, and of course he could exclude the defendant. There cannot be any doubt about this meaning of the decision.

The Supreme Court has cited it to this proposition. See Patterson vs. Kentucky (1878) 97 U. S. 501.

One has only to turn to the citations in Rose's notes to see to what miraculous uses this decision has been put. For instance in

Dark vs. Woodhouse (1879) 40 Mich. 399, the court held that there could be no levy of an execution upon a set of manuscript abstract book citing Stevens vs. Cady as authority! Publishing Co. vs Smythe (1886) 27 Fed. 914 is perhaps the worst confusion of the principle underlying this case that can be found.

For other decisions holding the patent or copyright franchise is not subject to execution and sale at common law see

Ager vs. Murray (1881) 105 U. S. 126.

Carver vs. Peck (1881) 131 Mass 291.

Peterson vs. Sheriff (1896) 115 Cal. 211.

# TABLE III.

## Analysis of the Rights of the Owner of a Patent.

## Has Two Distinct and Separate Rights:

I. Common Law Right, to make, use and sell.

II. Patent Law Right, to exclude others from making, using and selling.

The Two Rights Distinguished

By

Law of General Assignments for Benefit of Creditors:

I.

A general assignment for the benefit of creditors, under state laws, transfers to the assignee patented as well as unpatented articles.

II.

Such general assignment does not transfer the patent right.

I.

A general assignment for the benefit of creditors transfers patented articles or machines. We have found no decision on the point, for it is too obvious to have been contested. But we see the thing done every day. If a hardware dealer makes such an assignment no one would think of questioning the title of the assignee to the patented machines, tools; the lawn mowers, drills, fireless cookers, safety razors, and other patented articles. Likewise if an automobile company should make an assignment there can be no doubt that the engines, motors, tires, speedometers, the steering apparatus—all of which is patented—would pass to the assignee. Any day one can read in the papers legal advertisements by which assignees offer to sell at public auction all manner of patented articles.

II.

On the other hand such general assignment does not reach the incorporeal, intangible right to exclude others, which is the alpha and omega of the patent franchise. Thus in the case of

Jewett vs. Atwood Suspender Co. (1900) 100 Fed. 647.

The plaintiff was an assignee for the benefit of creditors under a statute of Vermont which declared such assignee vested with all the property of the debtor, "real and personal, which he could have lawfully sold, assigned or conveyed, or which might be taken on execution."

The assignor was the owner of a patent and the plaintiff, as assignee, instituted an action against the defendant for infringement. The court held the action could not be maintained as the plaintiff had no title to the patent.

Said the court: "A patent does not confer even the right to use the invention. The inventor had that right before. It is merely an incorporeal right to exclude others from using the invention, conferred by the government upon compliance with certain requirements, and is transferable according to the laws of its creation which the state statutes cannot affect. This is a personal right. Patents can be reached under the bankruptcy law, because they are wholly subject to the laws of the United States.

They cannot be reached otherwise for debts except by proceedings which compel a personal assignment.

So the plaintiff does not appear to have had any patent to be infringed."

In the case of

Ball vs. Coker (1909 C. C. S. C.) 168 Fed. 304.

A court of common pleas of South Carolina appointed the plaintiff receiver of a patented process for hulling cotton with express authority "to take charge of, manage and control the same,

as fully and effectually as the owners thereof could do in such behalf." Thereupon the plaintiff as such receiver instituted a suit for infringement of the patent.

The answer of the defendants alleged that the plaintiff was not the owner of the patent and was not entitled to bring the bill for infringement.

The court sustained the contention of the defendants and dismissed the bill. The opinion is thorough going, discussing all the authorities. It is too long for quotations. The following quotation from Gayler vs. Wilder 10 How. 478, gives the gist of the court's reasoning. "The (patent) monopoly did not exist at common law, and the rights, therefore, which may be exercised under it cannot be regulated by the rules of common law. It is created by the act of Congress, and no rights can be acquired in it unless authorized by the statute in the manner the statute prescribes."

To same effect see:
Ashcroft vs. Walworth (1872) Holmes 152;
Keach, Petitioner (1884) 14 R. I. 571;
Barton vs. White (1887) 144 Mass. 281.

## TABLE IV.

### Analysis of the Rights of the Owner of a Patent. Has Two Distinct Rights:

I. Common Law Right, to make, use and sell.

II. Patent Law Right, to exclude others from making, using and selling.

The Two Rights Distinguished
By
The Police (or reserved) Powers of the States.

I.

The state can suppress the sale or use of an article, deleterious to the general welfare, provided only there is no discrimination against the sale or use of the article because of the fact that it embodies a patented invention.

II.

The state cannot suppress or condition the right to exclude others.

I.

On these points the authorities are numerous and those in the state courts are conflicting because of the failure (of both legislatures and courts) to distinguish between the patent right and a patented article.

However decisions of the Supreme Court clearly demark the two property rights.

The most instructive case is

Patterson vs. Commonwealth (1875) 11 Bush (Ky.) 311, S. C. (1878) 97 U. S. 501.

In this case the defendant owned a patent on an illuminating oil. A statute of Kentucky regulating the inspection and sale of oil, made it a misdemeanor for any one to sell or offer for sale an oil that would ignite below 130 degrees Fahrenheit. The defendant's patented oil had the characteristic of igniting below that temperature and in consequence of his offering it for sale he was indicted, convicted and fined. He appealed to the Court of Appeals of Kentucky and the conviction was upheld by that court.

The court made a truly lucid exposition of the law. This language is employed:

"There is a manifest distinction between the right of property in the patent which carries with it the power on the part of the patentee to assign it and the right to sell the property, resulting from the invention or patent. A state has no power

to say through its legislature that the patentee shall not sell his patent, or that its use shall be common to all of its citizens; for this would be in direct conflict with the law of Congress. The discovery or invention is made property by reason of the patent, and this right of property the patentee can dispose of under the law of Congress, and no state legislation can deprive him of this right; but when the fruits of the invention or the article made by reason of the application of the principle discovered is attempted to be sold or used within the jurisdiction of a state, it is subject to its laws, like other property; and such has been the uniform decision of all the courts, state and federal, upon this question."

The defendant obtained a reinforcement of counsel and took the cause on a writ of error to the Supreme Court.

There Mr. Justice Harlan delivered the unanimous opinion of the court which was in part as follows:

"The right of property in the physical substance, which is the fruit of the discovery, is altogether distinct from the right in the discovery itself. Just as the property in the instruments or plate by which copies of a map are multiplied is distinct from the copyright of the map itself. **The right to sell the (defendant's) Aurora oil was not derived from the patent; that right existed before the patent and,** unless prohibited by valid local laws, **could have been exercised without the grant of letters patent.** (black type ours). The right which the patent primarily secures is the exclusive right in the discovery, which is an incorporeal right, or, in the language of Lord Mansfield, in Millar vs. Taylor 4 Burr 2303, a property in a notion which has no corporeal tangible substance. The enjoyment of that incorporeal right may be secured and protected by national authority against all hostile state legislation; but the tangible property which comes into existence by the application of the discovery is not beyond the control as to its use of state legislation, simply because the inventor acquires a monopoly in the discovery."

The court then quotes with approval the following language from a decision of the Supreme Court of Ohio.

'Although the inventor had at all times the right to enjoy the fruits of his own ingenuity, in every lawful form of which its use was susceptible, yet, before the enactment of the statute, he had not the power of preventing others from participating in that enjoyment to the same extent with himself; so that, however the world might derive benefit from his labors, no profit ensued to himself.

The ingenious man was, therefore, led either to abandon pursuits of this nature, or to conceal his results from the world. The end of the statute was, to encourage useful inventions and to hold forth, as inducements to the invention, the exclusive use of his invention.

**The sole operation of the statute is to enable him to prevent others from using the products of his labors except with his consent. But his own right of using is not affected or enlarged."** (black type ours).

The case of

Webber vs. Virginia (1880) 103 U. S. 344 is highly instructive. The legislature of Virginia had enacted a statute providing that any person selling or offering for sale the manufactured articles or machines of other states or territories, unless he be the owner thereof or take orders therefor on commission should be deemed an agent and further made it a penal offense to act as such agent without first obtaining a license for that purpose.

The defendant was convicted for selling without a license a Singer sewing machine which was manufactured out of the state and protected by letters patent.

The only defense seriously pressed was that the defendant was acting as an agent for the Singer Manufacturing Company which

held a patent, "authorizing it to manufacture and sell them (the machines) anywhere in the United States."

It is indeed remarkable that the defendant should have rested his cause on this ground in the teeth of the decision in the case of Patterson vs. Kentucky supra. The Supreme Court declared the statute invalid because it imposed a restraint on interstate commerce. But this point was taken by the court of its own motion. In the report of the case below (33 Grattan 898), this defense was mooted but not urged as decisive.

As to the defense resting on the patent grant, the court said:

"The legislation respecting the articles which a state may adopt after the patents have expired, it may equally adopt during their continuance.

It is only the right to the invention or discovery, the incorporeal right which the state cannot interfere with.

Congress never intended that the patent laws should displace the police powers of the states, meaning by that term those powers by which the health, good order, peace and general welfare of the community are promoted. The patent for a dynamite powder does not prevent the state from prescribing the conditions of its manufacture, storage and sale, so as to protect the community from the danger of explosion. A patent for the manufacture and sale of a deadly poison does not lessen the right of the state to control its handling and use." Of course the argument of the defendant that the state could not tax the machine because it was patented, if upheld, would inexorably lead to the conclusion that the state cannot tax any patented article.

The case of

In re Brosnahan (1883) 18 Fed. 62, deserves conspicuous notice as a decision of Mr. Justice Miller after his elevation to the Supreme Court.

The petitioner was convicted of selling oleomargarine in violation of a penal statute of Missouri. He was sentenced to jail and sued out a writ of habeas corpus on the ground that the statute under which he was indicted was unconstitutional. The invalidity of the statute was posited on the fact that the petitioner was the owner of a patent protecting the thing offered for sale. The court made short work of this contention.

"The validity of the patent is not disputed. Has the prisoner, then a right to sell the article thus patented, notwithstanding the statute of Missouri which forbids such sale? It is to be observed that no constitutional or statutory provision of the United States was, or ever has been, necessary to the right of any person to make an invention, discovery or machine, or to use it when made or to sell it to some one else. Such a right has always existed, and would exist now if all patent laws were repealed. It is a right which may be called a natural right, and which so far as it may be regulated by law, belongs to ordinary municipal legislation; and it is unaffected by anything in the constitution or patent laws of the United States.

The sole object and purpose of the laws which constitute the patent and copyright system is to give to the author and the inventor a monopoly of what he has written or discovered, that no one else shall make or use or sell his writings or his invention without his permission; and is granted to him as the exclusive right; not the abstract right, but the right in him to the exclusion of every body else. For illustration, an author who had written or printed a book always had the right to do so, and to make and sell as many copies as he pleased; and he can do this though he takes out no copyright for his work. But if he wishes to have the benefit of the exclusive right to do this, he can get it by securing a copyright. All that he obtains, then, by his copyright, all that he asks for or needs and all it was designed to confer on him is to make the right which he had already in common with everybody else, an exclusive right

in him—a monopoly in which no one can share without his permission.

But let us suppose that the book which he has thus copyrighted is an obscene and immoral book, which by the law of the state in which it is published, may be seized and destroyed and for that reason; does this statute, which forbids anyone else but him to print or publish it, authorize him to do so? Can he violate the law because no one else can do it? Does the copyright confer on him a monopoly of vice and an immunity from crime? Suppose a discovery of a cheap mode of producing intoxicating liquor, in regard to which the inventor obtains a patent for the product; does this authorize him to defy the entire system of state legislation for the suppression of the use of such drinks? **The answer is that the purposes of the patent law and of the constitutional provision are answered when the patentee is protected against competition in the use of his invention by others; and when the law prevents others from infringing on his exclusive right to make, use or sell its object is accomplished.** (black type ours). This proposition is fully supported by the Supreme Court in the case of Patterson vs. Kentucky."

The case of

Palmer vs. The State (1883) 39 Oh. St. 236 also involved the validity of a statute regulating the sale of patented oleomargarine. The court held the statute a valid exercise of the police powers of the state. In the course of the opinion the court said:

"The patent laws of the United States give to inventors the exclusive right to their inventions, but do not give to them the right to disregard laws enacted to promote the welfare of the whole people. The state cannot discriminate against patented articles by imposing upon their sale conditions and restrictions not placed upon the sale of other similar articles; but the sale of all articles like those now under consideration, whether patented or not, may be re-

stricted, regulated or forbidden, whenever the public good requires such restriction, regulation and prohibition."

In the case of People vs. Russell (1883) 49 Mich. 617, the defendant was prosecuted for peddling a clothes wringer from door to door without having first obtained a peddler's license as required by a town ordinance. It is not surprising to learn, after what has gone before, that the defense interposed was that the clothes wringer was patented. The opinion was written by Judge Cooley who did not have to strain his clear vision to penetrate the sophistry here paraded.

"The ordinance in question does not assume to interfere with or in any way to abridge, the exclusive rights which the patentee may lay claim to under his patent. The ordinance is a police regulation, made under the general police authority of the State, and taking no notice of this or any other patent, or of the way in which any salable commodity may have come into existence. It is one of the customary regulations of a business.

The acts of Congress assume the existence of State regulations and in many respects would prove inoperative and confusing if it were otherwise. The patent laws are as forcible for illustration as any other: **They give exclusive rights, but they do not determine personal capacity to contract, or prescribe the requisite for sales of patented articles, or impose the customary restrictions which are supposed to be important to the protection of public morals. All** these matters are left to the State law. A patentee must observe the Sunday law as much as any other vendor; he must put his contracts in writing under the same circumstances which require writings of others, and he must obey all other regulations of police which are made for general observance." (black type ours).

Kindred to the above cases are two other groups of decisions which might be employed further to elucidate the distinction between the patent right and a chattel embodying the patented inven-

tion. One group of these cases deal with the right of a state to regulate the charges for the use of a patented appliance, such as a telephone, when put to a public use and the other group deals with the transfer of patent rights and the validity of promissory notes given in payment therefor. Both group of cases are confused and unsatisfactory in the reasoning advanced to justify the result set up. Thus in the rate fixing cases the process of reaching the conclusion is this: when the patentee dedicates his appliance to a public use he must submit to the power of the state to control and regulate the exercise of a public franchise.

This form of statement is misleading and fallacious. It implies that it is only because the patentee has put his appliance to a public use that he is subject to be controlled as to the rates charged, and that so long as he does not do so he is not amenable to the state laws but may do with his patented article as he pleases. But this is not true.

We have just seen that the state may make any regulation as to the sale or use of patented articles that it can make in the case of unpatented articles. In the railway rate cases what would be thought of a lawyer who would contend that the State had no power to fix rates because the equipment comprised patented air brakes, patented smoke arresters, patented block signals and such like? Does anyone imagine that when the Interstate Commerce Commission shall attempt to established a rate for a common carrier that it is thereby invading a right of the patentees of the hundreds of improved appliances used on the road?

In every rate fixing case only two questions are presented. 1st. Has the state any power whatever to regulate rates? This question puzzles no one who has ever read the case of Munn vs. Illinois. 2nd. Is the statute a reasonable regulation? Does it allow a fair remuneration for the service rendered? Whether or not

the instrumentalities employed embody patented inventions is an utterly irrelevant circumstance.

The group of cases dealing with promissory notes given in payment of the purchase price of a patent right or of a patented article, is even more unsatisfactory, for neither the state courts nor the legislatures observe the distinction between the patent franchise and a specimen of merchandise embodying the patented invention. The two are placed in the same category and attempted to be subjected to the same control. One phase of the question has been settled for the present at least by the Supreme Court in the cases of

Allen vs. Riley (1906) 203 U. S. 347, and

Woods vs. Carl (1906) 203 U. S. 358.

These decisions are binding as authorities but the reasoning of the court does not appear to be compelling.

Already too much space has been given to this topic, though it is important. From the foregoing these deductions would seem to follow: A state in the exercise of its police powers can entirely suppress the use or sale of an article whether patented or not: can compel the vendor of an article to take out a license whether he be a patentee or not: can regulate the charges for the use of an appliance devoted to a public use, whether the appliance is patented or unpatented: as Mr. Justice Field puts the matter: "The legislation respecting the articles which a state may adopt after the patents have expired, it may equally adopt during their continuance."

Indeed, then let us put this problem, The anti-trust acts of the various states are all adopted in the exercise of the reserved or police powers: These statutes all declare contracts, agreements, in restraint of trade to be not only illegal and void but criminal. Is it possible to escape the unbending logic of the Supreme Court and hold that these anti-trust acts do not apply to restraints of trade in patented articles? We simply moot the question and pass on. It is distinctly worth while to reflect on it.

## II.

The states have no power to limit or suppress the incorporeal intangible right to exclude others which is the sole benefit of the patent grant. Authority on this point is quite meager for the thing has seldom been attempted.

In Patterson vs. Commonwealth cited supra the court of appeals of Kentucky said, "The discovery or invention is made property by reason of the patent and this right of property the patentee can dispose of under the law of Congress and no state legislation can deprive him of this right."

In the same case on appeal to the Supreme Court Mr. Justice Harlan said:

"The enjoyment of the incorporeal right may be secured and protected by national authority against all hostile state legislation."

In Webber vs. Virginia, Mr. Justice Field said: "It is only the right to the invention or discovery, the incorporeal right which the state cannot interfere with."

Of course the most frequent exercise of the right to exclude is in bringing infringement suits. This is a right created and controlled by the Federal Government. There are many cases in which state courts have been called upon to pass upon questions of infringement but almost invariably they have declined. One exception has been noted and it is too remarkable to pass unnoticed. It is a truly wonderful manifestation of the police power. The case is

Vanini vs. Paine (1833) 1 Harrington (Del.) 65. Plaintiffs were assignees for the State of Delaware of a patent on a device for drawing lottery tickets. They brought suit in the state courts to enjoin the defendants from using a device alleged to infringe that described in the letters patent.

There was in Delaware a statute forbidding lotteries. The court after referring to this statute said, "It cannot therefore, be

admitted that the plaintiffs have a right to use an invention for drawing lotteries in this state merely because they have a patent for it under the United States. A person might with as much propriety claim a right to commit murder with an instrument because he held a patent for it as a new and useful invention."

This is quite a forceful illustration but it is not in point. The plaintiffs were not seeking to use any invention; they were seeking to exclude the defendants, which they had an irrefragable right to do, any state statute to the contrary. The court not only missed the only point in the case but committed the unpardonable blunder of adjudicating upon the rights of the parties when it had no jurisdiction whatever.

The court said "the question of jurisdiction has been elaborately argued" but the court deemed "it unnecessary to express an opinion" on the point! The court had no jurisdiction, declined to discuss the question. Then assumed jurisdiction and denied the plaintiff's right of recovery in violation of the express letter of the supreme law of the land!

## TABLE V.

### Analysis of the Rights of the Owner of a Patent. Has Two Distinct and Separate Rights.

I. Common Law Right, To Make, Use and Sell.

II. Patent Law Right, To exclude others from making, using and selling.

### The Two Rights Distinguished By Jurisdiction of the Courts.

I.

The Federal courts have no jurisdiction (apart from that based on diversity of citizenship and the amount in dispute) of a case involving the common law rights of the owner of a patent.

II.

The Federal courts have exclusive jurisdiction over a case involving the right of the owner of a patent to exclude others, and this is true regardless of the amount involved or the citizenship of the parties to the suit.

I.

We desire carefully to guard against a discussion of the difficult question of jurisdiction. A brief consideration of a few of the cases will suffice.

The decisions are numerous and of the utmost perplexity. However the difficulty is altogether in the application of the rule and not in formulating a correct statement of the principle underlying. The sole purpose of touching upon the vexed question here is further to elucidate the distinction between the two rights enjoyed by the owner of a patent. We shall stick closely to the decisions of the Supreme Court, for nothing but confusion would result from attending to cases in the subordinate courts and propositions of the text writers.

Dale Tile Mfg. Co. vs. Hyatt (1887) 125 U. S. 46. The plaintiff was the owner of a patent for an improvement in illuminated basements and basement extensions.

She entered into an agreement with the defendant whereby the latter was licensed to make and sell the invention during the full term of the patent and any extension thereof in certain states and districts: and the plaintiff agreed not to manufacture herself or to license others to manufacture within the same the territory. The defendant acknowledged the validity of the letters patent; promised to pay a royalty of 70 cents for each square foot of surface, provided, however, that "until a court shall have given a decree sustaining the validity of the above named patents," the royalty should be only 30 cents, in lieu of 70 cents, and that "if at any time an adverse decision shall be rendered against the validity of the patent

which shall not be appealed from in three months" the royalties should cease. The plaintiff sued the defendant in the state court for royalties and among the defenses set up was that the court had no jurisdiction to try the case. This defense was denied in the state court and the defendant sued out a writ to the Supreme Court. Let it be observed that here was no assignment of the patent franchise or of any part of it. The defendant owned no fraction of the right to exclude: it could exclude the plaintiff by her own agreement. But the incorporeal benefit granted by the Federal Government was wholly with the plaintiff.

The defendant acknowledged the validity of the letters patent; of course it would not have gone through the mockery of acknowledging the validity of its own patents.

Mr. Justice Gray said: "The defendant contended that this was a case arising under the patent laws, of which the courts of the United States have exclusive jurisdiction. But it is clearly established by a series of decisions of this court that an action upon such an agreement as that here sued on is not a case arising under the patent law." Then follows a summary of many prior decisions of the court holding that suits on contracts pertaining to patented inventions are not cognizable by the Federal Courts on the ground that the patent laws are in contest.

In the case just following the preceding,

Felix vs. Scharnweber (1887) 125 U. S. 54, Mr. Justice Gray said: "The action was brought upon a contract in writing between the parties, being the joint owners of a patent for an improved rope reel, by which it was agreed that the defendant should have the exclusive control of the manufacture and sale of the reel, paying to the plaintiff a certain royalty on each reel sold.

This was not a case arising under the patent laws within the exclusive jurisdiction of the federal courts."

Similar rulings are to be found in Marsh vs. Nichols (1890) 140 U. S. 344, Wade vs. Lawler (1896) 165 U. S. 624.

## II.

The exclusive jurisdiction of the Federal Courts over causes involving rights incident to the exclusory franchise is so positively conferred by statute and so well known in practice that it seems superfluous to attempt to further emphasize the fact by citing authorities. We have already noted the isolated and glaring exception erected in the case of Vanini vs. Paine (1833) cited supra, from the Supreme Court of Delaware.

One case alone will be sufficient here.

Smith vs. McClelland (1875) 11 Bush (Ky) 523. This case is interesting in that it was decided by the Court of Appeals of Kentucky on November 6th, 1875, whereas the same court had on September 22, 1875 decided the great case of Patterson vs. Commonwealth, reported in the same volume as the case now under consideration, at page 311.

We have already seen that in the Patterson case the Court clearly analyzed the rights of the owner of a patent, and asserted the power of the state over his common law right. And this decision was **adopted** and **approved** by the Supreme Court. Now the Court of Appeals two months later must deal with the other distinct and separate right of the owner of a patent.

The facts: McClelland was the owner of two patents, one for an improved material for dental plates, and the other on a process for preparing compounds containing **collodion.** McClelland assigned to Smith an undivided one-half interest in the patents. Later differences having arisen, Smith surrendered back all interests in the patents to McClelland and the latter returned the purchase money except $400 for which he gave Smith his note.

This note was not paid at maturity and Smith sued thereon. McClelland pleaded as a set off a claim for damages against Smith in that the latter, after retransferring the interest in the patents, had made and sold the inventions in infringement of the patents. The lower court solemnly entertained this defense and allowed the set off. After having afforded cogent proof in the case of Patterson vs. Commonwealth of the possession of a clear head on the subject of patent rights, it is not to be expected that the Kentucky Court of Appeals should go wrong here. Indeed the court does not disappoint our expectations.

Said Chief Justice Peters: "The acts of Congress have vested the federal courts with exclusive cognizances of all infringements of patent rights.

If the right to legislate on the subject has been reserved to the states Kentucky has not exercised that right, and if the patent rights of appellant have been violated or infringed (and the injury complained of is an infringement of the rights secured to him by his patents) his remedy must be in the tribunals provided by the acts of Congress, as the courts of this state have no jurisdiction of the subject matter.

Wherefore the judgment of the vice chancellor is reversed and the cause is remanded with directions to dismiss the set off relied upon in the answer."

## TABLE VI.

### Analysis of the Rights of the Owner of a Patent. Has Two Distinct and Separate Rights.

I Common Law Right to make, use and sell.

II Patent Law Right, to exclude others from making, using and selling.

## The Two Rights Distinguished
## By
## The Mode of Exercising and the Law Controlling the Two Rights.

### I. The Patent Right,

#### a. Suits for Infringement.

The owner of a patent can exercise his patent right in four different ways.

1st. In excluding all persons whatsoever from making, using or selling his invention without his consent, by infringement suits.

2nd. By an assignment of his whole right in the patent to another. Then the assignee has the entire right to exclude.

3rd. By an assignment of an undivided part of his incorporeal right to another. Then he and the assignee both possess the right to exclude.

4th. By an assignment of the right to exclude for a specified part or district of the United States. Then the assignee has the entire right to exclude within the territory specified.

Within that territory the assignee can exclude the assignor, although the latter still possesses the exclusory right for the remaining territory of the United States. By the first form of assignment the assignee acquires the entire "monopoly," that is to say the entire right to exclude: by the second he acquires an undivided portion of the entire monopoly: and by the third he acquires the entire monopoly within and for a specified territory.

The right of the owner of a patent to exercise his franchise in the four respects named is expressly conferred by the Federal statutes. (R. S. secs. 4919, 4898). Not one of these rights existed at common law; all are granted by the National Government.

But the fact desired here to be emphasized is that the foregoing fourfold enumeration is complete and exhaustive.

Aside from the right to exclude and the exercise of that right in the four ways pointed out above not one other thing can the own-

er of a patent do by virtue of the grant from the government.

There can be no equivocation or dispute as to this. We have already seen that it is not, and never was, in the power of Congress to grant the right to make, use and sell. Moreover, the Supreme Court has repeatedly said that the grant consists altogether in the right to exclude. The Statutes create the right, and at the same time define the manner in which it may be exercised.

Those statutes, provide for infringement suits and for the three forms of assignment above noted and in conferring these rights, the force of the enactment is completely spent; the power is entirely exhausted, the effect is wholly comprehended. This may seem a trite comment on the patent law, but it seems trite only because long familiarity has deadened us to the significance of the limited scope of that law.

The Statute says nothing, either expressly or by the most recondite implication, about the inventor's own right to make, use or sell: nor does it say anything about his right not to do any or all of these things.

This is not all, it says nothing about his right to permit others to make, or use, or sell: or about his right and power to contract. The right to contract, to use or not use, to make or not make, to sell or not sell, or to permit another to do any one or all of these things is an inalienable, primordial, blood right, entirely beyond the reach of Congress either to grant or to deny. A farmer owns a pond containing many fish; without the aid of any constitution, statute or ordinance, and in spite of them all (subject only to certain restrictions imposed out of regard to the public welfare) he has a right to fish in that pond or not; to permit others to do so or not, or to exclude others from doing so, all just as he sees fit. Now he can exclude others from fishing because he owns the pond, the contiguous soil and the fish, completely, and exclusively. No one can put a line in that pond without invading his right. He can exclude others be-

cause he has complete dominion over the physical thing. The inventor has the same right to make, use and sell his invention before he applies for a patent that the farmer has to fish in his pond, to eat the fish and sell them. The inventor however, has not an enforceable right to exclude other persons from making, using and selling his invention. We employ the qualifying adjective "enforceable". advisedly, for in Gayler vs. Wilder (1850) 10 How, 477 Chief Justice Taney said: "The discoverer of a new and useful improvement is vested by law with an inchoate right to its exclusive use, which he may perfect and make absolute by proceeding in the manner which the law requires." The only right that accrues to the inventor when he qualifies and becomes a patentee is this bare, intangible, incorporeal right to exclude others for 17 years.

The patentee with his patent and farmer with his pond each have the right to exclude others—the one from appropriating his fish the other from appropriating his invention. But the analogy is far from complete and is very apt to be misleading. The source of the farmer's right, is, what for want of a better term, we must call a law of nature: the right existed long before the constitution and will be enjoyed by his heirs long after the constitution is done for. The patentee's right has its source in less than four lines of a statute book and we know just exactly when and where he gets the right. Moreover his right is only for a brief time while the farmer's is for all time.

We have said that the farmer can exclude because he has complete dominion over the physical thing. The inventor can exclude, but not for the same reason or in virtue of the same fact. For he has no dominion over the subject of his exclusory right. An invention is an idea externalized: discovery and the act of inventing, is a surge forward of the mind, a leap of the imagination. But ideas, thoughts and imagination are not subjects of physical dominion. They cannot be seized by a constable, inventoried by an assesssor

nor confiscated by a government. They are every where and nowhere. An inventor has no power to prevent another from thinking his thought but only from externalizing it so as to imitate, duplicate and recreate the invention. The patent franchise gives the inventor the right to exclude every one from thinking his thought and externalizing it so as to make, use or sell the thing invented. The government, then, by the patent invests the inventor with an exclusory dominion over a mental concept, a viewless abstraction.

This is the peculiar nature of the patent right, and it should never be lost sight of for a moment. It is an exceedingly narrow right but within its scope the most absolute known to civilized institutions. We have seen that it escapes the heavy hand of taxation, it eludes the sheriff's grasp; the drag net of a general assignment does not contain it. The police powers of the state cannot reach it and the sovereign government itself bends to the excluding power.

This brings us to what is the central thought here, namely infringement consists altogether in thinking the thought of the inventor and externalizing this thought in making, using or selling the thing conceived by the inventor's mind and wrought out by his hand, without the inventor's permission.

The patent law is not a code of ethics nor does it deal with things metaphysical. The patentee cannot control the thoughts and imagination of other persons: he cannot exclude them from thinking what he has already thought, but he can exclude them from externalizing his thought, and embodying it forth so as to make, use or sell the physical symbol of his mental efforts.

In every infringement suit the first fact put in issue is title to the patent. Thus in Excelsior Wooden Pipe Co. vs. Pacific Bridge Co. (1902) 185 U. S. at 205 the Supreme Court said, "The title to the patent is put in issue in every suit for infringement." It is for this reason that an assignee under a general assignment and a receiver appointed by a state court, cannot sue for the infringement of a pat-

ent belonging to the insolvent. Neither has title to the patent as we have seen already under topic III. It is for the same reason that a licensee cannot sue. He has not the right to exclude. An exception in favor of the licensee is allowed where the owner of the patent is invading the right of the licensee under his contract. But this is recognized as an inversion of the natural order of things. Littlefield vs. Perry (1874) 21 Wall. 205. Aside from the validity of the patent, then, the plaintiff must show title in himself. We will find this fundamental principle confused and overlooked.

The defendant to be guilty of infringement must have made, used, or sold the invention without the patentee's consent or permission. This appears simple and plain but it is more difficult than at first glance it appears. Of the three terms—"making," "using," and "selling"—"using" is obviously, the most comprehensive. For while a machine, an article, product or device can be made, used and sold, a process can be used only: it can neither be made or sold. And the only manner in which a patent for a process can be infringed is by using it. Neither the sale nor the use of the product can constitute infringement of a patent for the process employed in making the product. Likewise a patent for a machine is not infringed by the sale or use of the product of the machine.

This is incontestably settled. See the following cases:

Keplinger vs. DeYoung (1825) 10 Wheat U. S. 358.

Boyd vs. McAlpin (1844) 3 McLean, 427.

Anoymous (1845) 1 Fed. Cases, 477.

Goodyear vs. Cent. R. R. Co. (1853) Fed. Cases No. 5563.

Draper vs. Hudson (1873) 7 Fed. Cases, No. 4069 (p. 1059).

Merrill vs. Yeomans (1877) 94 U. S. 568.

McKay vs. Jackman (1882) 12 Fed. Rep., 625.

Brown vs. District of Columbia (1844) 14 D. C. Rep., (3 McKay) 502.

Durand vs. Schulze (1891) 61 Fed. Rep., 819. S. C. 60 Fed. Rep., 392.

Ferris vs. Batchelor (1895) 70 Fed. Rep. 714.

Welsbach Light Co. vs. Union Incandescent Light Co. (1900). 101 Fed. 131.

National Phonograph Co. vs. Lambert Co. (1903) 125 Fed. 388, (disposed of on other grounds on appeal 142 Fed. 164).

With the above reservation anyone who, without the consent of the patent owner, makes, uses or sells the thing invented is an infringer. Now the gist of infringement consists in doing one or more of these acts **without the consent** of the owner of the patent.

The consent of the inventor-patentee may be given under the provisions of Sec. 4899, as explained in Wade vs. Metcalf (1889) 129 U. S. 202. We are not concerned here with this form of consent or permission. We may eliminate the act of "making" as it is the "using" and "selling" alone that concerns us here. A license to use or sell is a contract by which the patentee gives his permission to use or sell.

We come now to the final point. If the patent owner himself makes the article and sells the same, the purchaser acquires a complete and unqualified right to use the article as long as it lasts.

Here the patentee exercised his natural right in making the article and in selling it. The purchaser acquired no right under the patent and incurs no liability for infringement. "In the case of a license or a sale by the patentee, the rights of the licensee or the vendee arise out of the contract with him. In the case of infringement the liability of infringers arises out of their own wrongful invasion of his rights." Birdsell vs. Shaliol (1884) 112 U. S. 485. This point will be elaborately presented hereafter. It is thrust forward now only to indicate in what infringement consists.

Bringing an infringement suit is one of the four methods in which the patentee may exercise his exclusory franchise. Both the

right and the remedy are given exclusively by the federal statute. No state has any power over the right or the remedy. On the other hand the patentee in exercising the right does not exercise any right recognized, protected or guaranteed by the common law. The right he exercises is peculiar to him, owes its origin entirely to the national government, is regulated, limited and caused to expire by the rule of law of that government.

## TABLE VII.

### Analysis of the Rights of the Owner of a Patent.
### Has two Distinct and Separate Rights.

I. Common Law Right, to make, use and sell.

II Patent Law Right, to exclude, others from making, using and selling.

The Two Rights Distinguished

By

The Mode of Exercising and the Law Controlling the Two Rights.

I The Patent Right.

b. Assignment of the Whole Right.

The first patent statute enacted, that of 1790, did not contain any provisions regarding assignments. The patent grant run to the patentee and his assigns but there was no express provision for a transfer of the franchise by assignment.

Sec. 4 of the act of 1793 contained this: "It shall be lawful for any inventor, his executor or administrator, to assign the title and interest in said invention, at any time, and the assignee having recorded the said assignment in the office of the Secretary of state, shall thereafter stand in the place of the original inventor, both as to right and responsibility, and so to the assignees of assigns to any degree."

The right intended to be conferred by this section has been preserved and protected by all later patent acts. But the language of

the above quoted section is striking and peculiar. The inventor is given a right "to assign the title and interest in said invention." Taken literally this section would be meaningless. For the inventor has a right to assign his invention without any act of Congress and despite any power of Congress. His title and right are complete whether he ever applies to the government for an exclusory franchise or not. It is only when the inventor becomes a patentee and is awarded the new right to exclude that he is possessed of a right to assign which some act of Congress is necessary. Now this slip in legislation is clearly recognized in the subsequent Acts of Congress.

The next general enactment was that of 1836. Here the language is completely changed. Sec. 11 contains this, "That every patent shall be assignable in law, either as to the whole interest or any undivided part thereof by an instrument in writing:"

Here the subject of the transfer is recognized to be the right to exclude.

The final act and the one in force today was passed in 1870. Sec. 36 (now R. S. 4898) is still clearer: "Every patent or any interest therein shall be, assignable in law, by an instrument in writing," etc.

We have noted these enactment solely for the purpose of further bringing to light the distinction between he two rights which is the burden of this exposition.

Here then we have provision for the second of the four ways in which the patentee may exercise his patent franchise. It is not at all necessary to dwell on this right further than to note that the right to assign the franchise is derived solely from the Act of Congress.

That authority created the franchise and also provided for its enjoyment. But we must never lose sight of the fact that the transfer is of that only which congress has created, the right to exclude.

Before the assignment, the assignee might have made, used and sold the invention in virtue of the natural right of every man to labor

and enjoy the results of his labors, except for the excluding power of the assignor. When the assignment takes place, the assignee has the excluding power. The excluder and excluded are one and the assignee's right to make, use and sell is then no longer under a ban. But the assignor does not transfer the right to make, use and sell.

The manner and method of the assignment is provided for by the patent law. No state can control it, hedge it about with limitations or condition it.

When the patent owner assigns the whole interest the assignee gets the right to exclude every one throughout the entire United States, for the full term of the patent. He can exclude the assignor and the government itself. But the assignment does not transfer any right protected or exercisable at common law.

## TABLE VIII.

### Analysis of the Rights of the Owner of a Patent. Has Two Distinct and Separate Rights.

I Common Law Right: To make, use and sell.

II Patent Law Right: To exclude others from making, using and selling.

The Two Rights Distinguished

By

The Mode of Exercising and the Law Controlling the Two Rights.

I. The Patent Right.

c. An assignment of an undivided interest in the Whole Right.

Here we have the third form in which the patentee may exercise his exclusory right. We have already noted the fact that the first act of Congress (1790) made no provision whatever for assignments.

The Act of 1793, gave the "inventor the right to assign the title and interest in the said invention." We have previously commented on this clause. But here is no right to assign an undivided interest in the franchise.

And in the case of

Tyler vs. Tuel (1810) 6 Cranch 324, the Supreme Court held that an assignee of a part of a patent right could not maintain an action for infringement.

This necessarily followed from the terms of the statute: no provision was made for such a splitting up of the right to exclude. But on the other hand this indicated the imperfection of the statute.

For if the assignee of an undivided interest could not sue, then an inevitable corollary would be that the patentee—assignor, owning only an undivided interest could not sue. By an assignment of an undivided portion of the franchise the whole became worthless and unenforceable.

The Act of 1836, (sec. 11) obviated this defect, in enacting that "every patent shall be assignable in law, either as to the whole interest or **any undivided part thereof.**" (black ours). We shall see later that the remaining portion of this section confused matters worse than ever, but for the present we are attending to one feature only.

The Act of 1870 (R. S. 4 898) puts the right clearer still. "Every patent or any interest therein (viz. in the right to exclude) shall be assignable in law, by an instrument in writing.

By this form of assignment the assignor and assignee each have an undivided interest in right to exclude.

But "the monopoly ( right to exclude) granted to the patentee is for one entire thing." Gayler vs. Wilder (1850) 10 How. 477. And "where the assignment is of an undivided part of the patent, the action for infringement should be brought in the joint names of the patentee and assignee, as representing the entire interest." Moore vs.

Marsh (1868) 7 Wall. 515. And see Aspinwall vs. Gill, 32 Fed. 697; S. C. 140 U. S. 669.

## TABLE IX.

### Analysis of the Rights of the Owner of a Patent.
### Has Two Distinct and Separate Rights.

I Common Law Right, To make, use and sell.

II. Patent Law Right, to exclude others from making, using and selling.

The Two Rights Distinguished
By
The Mode of Exercising and the Law Controlling the Two Rights.

I. The Patent Right.

d. An Assignment of the Whole Right for a Specified Part of the United States.

This is the third form of assignment and the fourth and last way in which the owner of a patent can make use of and enjoy his exclusory franchise. Much circumspection and close study is required at this point. Here confusion is rife. It is only in the decisions of the Supreme Court that we will find either precision of thought or consistency of statement as to when we are dealing with this form of transfer and when not. We will first take the statutes. There are four acts dealing generally with the subject of patents, though there are many amendments as to minor points but these are not relevant here. The four acts are of the years 1790, 1793, 1836 and 1870.

We have already adverted to the fact that the act of 1790 made no provision for any form of assignment whatever. The act of 1793, contained a vague clause authorizing the inventor to assign title and interest in his invention. The insufficiency of this was exposed in

the case of Tyler vs. Tuel cited in the last topic. The act of 1836 undoubtedly was intended to obviate the defect of the prior acts and also to fully define and establish the rights of the patentee in dealing with his franchise. The first clause of sec. 11 of the act of 1836, undoubtedly remedied the shortcoming of the prior law pointed in the case of Tyler vs. Tuel. The first clause reads "That every patent shall be assignable in law, either as to the whole interest, or any undivided part thereof, by an instrument in writing:"

If the statute had stopped here its meaning would have been perfectly clear and not open to ambiguity or misunderstanding. We would then have two forms of assignment provided for: One of the whole interest and another of any undivided part thereof. And if the Congress had omitted the word "undivided" then the statute would have read, "Every patent shall be assignable either as to the whole interest or any part thereof." This would have embraced every form of assignment in simple and few words. But whoever drew the act misconceived the nature of the franchise, and also misconceived the power of the Congress to legislate on the matter. For the next clause of the statute reads as follows: "which assignment, **and also every grant and conveyance of the exclusive right, under any patent, to make and use, and to grant to others to make and use the thing** patented within and throughout any specified part or portion of the United States, shall be recorded in the Patent Office," etc. It is very evident that this last clause was supposed to be co-ordinate with the first one. That is to say the enactment was supposed to describe three forms of transfer of the patent franchise; 1st, of the whole interest, 2nd of any undivided interest, 3rd of an exclusive right **under any patent** to make and use and to grant to others to make and use the thing patented, throughout a given territory. Considered as a transfer of an interest in a patent, as a part of the franchise, this second clause is meaningless. For the clause omits the term "sell." However exclusive the grantee's right to make and use might be, he was

given no right to exclude others from selling. If others sold the thing within the district the grantee's right under the express wording of the statute would be uninvaded and he would have no right or power to exclude.

The patent right consists altogether in the right to exclude every one from making, using and selling. This right is one entire thing. incorporeal and intangible. The second form of assignment—of any undivided interest therein is consistent with the nature of the right. But the second clause of this section attempts to provide for a subdivision of the franchise that is contradictory of the terms of the grant. If a patentee could "grant" or "assign" to A an exclusive right to make, to B an exclusive right to use, and to C an exclusive to sell, for the State of New York, within that territory we would have the franchise cut into three parts, subdivided in respect to the kind of enjoyment conferred.

Now let us suppose X makes a specimen of the patented invention, uses it for a time and then sells it. He has been guilty of making, using and selling the patented article, without the consent of the patentee. As we have seen in every infringement suit title to the patent is put in issue, so here the first question is, who will sue X for infringement? Not the patentee, for to give effect to the language of the statute, we must regard him as having parted with his monopoly for New York. He is excluded from making, using or selling in the state by the "grant." Then A, B, and C, among themselves own the monopoly and it is subdivided. A sues X for infringement in making the article, and gets a judgment for three fold damages. However he can not have an injunction against X's act in using or selling the article. Now B sues X for using and gets a judgment for threefold damages but cannot enjoin X from making and selling. Then C sues X for selling and gets a judgment for threefold damages, but he cannot enjoin the making and using. Suppose X having been mulcted in nine fold damages is in a repentant state of mind, and desires to ob-

tain a license. He gets a license from A to make and for that pays a royalty, but that does not enable him to use or sell. He gets a separate license from B to use and for that pays a second royalty, still he cannot sell without becoming liable as an infringer. So he then gets another separate license from C to sell and for this pays a third royalty. But in the case supposed the title to the patent is still in the patentee, A, B, and C, have it not, neither separately nor among themselves jointly.

In the case of Blanchard vs. Eldridge (1849) Fed. Cas. 1510, Circuit Judge Grier said: "This statute (1836) renders the monopoly capable of subdivision in the category of its locality, but in no other way. The patentee is not allowed to carve out his monopoly, which is an unity, into a hundred or more, all acting in the same place, and liable to come into conflict." This passage admirably sets forth the inconvenience of the enactment, but it does not explain why effect cannot be given to the solemn words of Congress.

The real trouble with the statute is that it is drawn on the false supposition that congress can grant the right to make and use, and, therefore, that the patentee can be empowered to assign the exclusive right to make and use. But both suppositions are false. Congress cannot grant the right to make and use and cannot give the patentee the power to assign the right to make and use. If those who drew this act had had in mind that the power of Congress was completely exhausted in granting the right to exclude others, this clause never would have been so worded. The right to permit others to make and use the invention is a right of the inventor which Congress cannot confer or deny. We have dwelt on this point at great length because it is one that is confused throughout the reports and text writers. We can easily demonstrate this. In the case of

Gayler vs. Wilder (1850) 10 How 477.

The "grant" was like this: To one Herring the exclusive right to make and vend a patented safe in the City, County and State of New

York; and Herring agreed to pay to the "assignor" a cent a pound for every pound the safe might weigh as royalty. At the same time the assignment reserved to Wilder the right to make the safe within the State, provided not within 50 miles of New York City and to sell them in the State of New York paying to Herring a cent a pound for each safe so sold within the State. The point at issue was whether or not Wilder the patent owner could maintain suit for infringement in New York. Both sides conceded that this hinged on whether or not Wilder had parted with his franchise for the State of New York or any part of that State. The cause was argued by able counsel. Listen to the argument of Daniel Webster for Wilder: "Wilder has clearly the right to maintain an action, for the reason that he has not parted with all his interest. **He still has an interest to the value of one cent per pound,"** (black ours).

In other words if a man has sold a horse and taken a promissory note in payment he still has an interest in the horse!

Now hear the opposing counsel who is contending that Wilder has parted with his right to exclude: "It is said that the invention would be assignable, independent of the patent law. It is submitted that this is not correct. Except by the statute, the inventor has no right of property in his invention. (This is bad enough, but worse is yet to come). The statute was intended to confer that very right"! Let us suppose A, has discovered a process for making a serum that is an unfailing cure for tuberculosis. It has been proven to be a genuinely infallible remedy; how it is made is a secret known only to A. He has cured himself of the disease and is selling the serum at $1000 an ounce. Would any one contend that A has no right of property in his discovery, except by the patent statute? But this is the argument of counsel. He continues:

"It is said that the plaintiff has reserved one cent per pound, and can therefore maintain this action. **It will be seen however that this part of the agreement is a penalty"!** (black ours). Here then both

counsel have cast the issue on the royalty of one cent per pound, an utterly colorless fact. It is perfectly clear that Wilder had not parted with the franchise to exclude others. He had expressly reserved the right to manufacture the safes anywhere within the state more than 50 miles from New York City and to sell them everywhere in the State. Besides not a word was said about the right to exclude others from using. No wonder that Chief Justice Taney said: "The agreement is singularly confused and complicated."

Then the Chief Justice unravels the tangled skein as follows:

"The monopoly granted to the patentee is for one entire thing; it is the exclusive right of making, using and vending to others to be used the improvement he has invented and for which the patent is granted. (Later we will find the Chief Justice entirely avoiding the insidious ambiguity in the phrase "exclusive right" and employing instead of these words the unmistakable, unequivocable and exact formula: "the right to exclude").

"The monopoly did not exist at common law, and the rights, therefore, which may be exercised under it cannot be regulated by the rules of the common law. It is created by the Act of Congress; and no rights can be acquired in it unless authorized by statute, and in the manner the statute prescribes. The patentee may assign his exclusive right (—right to exclude) within and throughout any specified part of the United States and upon such an assignment the assignee may sue in his own name for an infringement of his rights. But in order to enable him to sue, the assignment must undoubtedly convey to him **the entire and unqualified monopoly which the patentee held in the territory specified**—excluding the patentee himself as well as others (black ours). And any assignment short of this is a mere license. For it was obviously not the intention of the legislature to permit several monopolies to be made out of one and divided among different persons within the same limits. Such a division would inevitably lead to fraudulent imposition upon persons who desired to purchase the use of the improvement, and would subject a party who,

under a mistake as to his rights, used the invention without authority to be harassed by a multiplicity of suits instead of one and to successive recoveries of damages by different persons holding different portions of the patent right in the same place. Unquestionably, a contract for the purchase of any portion of the patent right may be good as between the parties as a license, and enforced as such in the courts of justice. (This sentence is not entirely accurate). But the legal right in the monopoly remains in the patentee and he alone can maintain an action against a third party who commits an infringement upon it." This is unquestionably sound but it ignores the very words of the act of 1836.

Under sec. 14 of the act of 1836, any person "interested, whether as patentees, assignees, or as grantees of the exclusive right," etc., are given a right to sue for damages for infringement. This again is a confusion of the obvious difference between an owner of the franchise and a licensee. But the Court in the case of

Moore vs. Marsh (1868) 7 Wall 515.

ignored this defect in the statute. "Grants, as well as assignments, must be in writing and they must convey the exclusive right under the patent, to make and use and vend to others to be used, (note all three rights) the thing patented within and throughout some specified district or portion of the United States, and such right must be exclusive of the patentee, as well as of all others except the grantee."

Now the Act of 1870 (R. S. 4898) partially does away with the great confusion in the act of 1836, but not entirely so. It reads, "Every patent or any interest therein shall be assignable in law, by an instrument in writing; and the patentee or his assigns or legal representatives may, in like manner grant and convey an exclusive right under his patent to the whole or any specified part of the United States."

Here is the same defect in a more subtle form. The word "undivided", as qualifying interest in the first clause, is dropped. But why preserve a distinction in words between an "assignment" and a

"grant" when there is none in fact? Each is an interest in the right to exclude; the assignee has an undivided interest in the entire right; the grantee has the entire right for a specified territory. Both must be recorded, both are purely statutory rights; whole chapters in text books are filled with meaningless refinements upon the distinction between an assignment and a grant, when there is no basis for the distinction whatever.

If the statute had read:"Every patent, or any interest therein, **or the entire interest therein for any specified territory of the United States, shall be assignable,"** etc., no one could mistake its meaning.

As it is, there is not a single text writer that makes clear the difference between a transfer of a portion of the franchise and a mere license.

Take these instances from Curtis on Patents (4th Ed.) sec. 211. "Thus when a patentee sells to another a patented machine made by himself, or permits another to make the machine, without making the permission exclusive as to any particular territory, the party thus authorized becomes a licensee, and does not acquire the rights and position of an assignee." This is bad grammar, bad logic and bad law. The last clause, "the party thus authorized" has no relevancy whatever to the instance "when a patentee sells." Moreover a purchaser of a machine from the patentee owns it and he needs no authority to do as he pleases with his own. He is not in the same category with one who is permitted to make the machine. The latter is a mere licensee. Finally if the permission to make is exclusive, still the maker is a mere licensee.

Again the author says: "We come now to that other class of contracts made by patentees, which, not being assignments, confer upon another the right to exercise in some way the privileges secured by the patent—contracts which are popularly as well as technically known as licenses."

Again the whole sentence is wrong. The only privilege secured by a patent is the right to exclude: This is the precise thing that a

license does not in any manner embrace. A license is a mere immunity from suit, nothing more whatever. Sec. 213, "A license, being an authority to exercise some of the privileges secured by the patent but which still leaves an interest in the monopoly in the patentee, the first question that arises is whether it is assignable"? Indeed but a previous question is, what happened to the author after he wrote Sec. 211 and before he begun 213, for in 211 he wrote: "A license is a grant or permission to practice the invention or to use the thing patented, **which leaves the interest of the patentee just as extensive as it was before**" (black ours).

Again and finally sec. 216, "A license to use a patent privilege"!

But all the text writers, without exception and the digests contain this same sort of thing.

Finally in 1908 the Circuit Court of appeals for the 8th Circuit gravely held that one who had the exclusive right to sell (but had no right to make or use) could maintain an infringement suit!

National Phonograph Co. vs. Schlegel (1904) 128 Fed. 733.

In the case of Waterman vs. Mackenzie (1890) 138 U. S., 252, Mr. Justice Gray reitérated the law on this point in a truly luminous manner.

"Whether a transfer of a particular right or interest under a patent is an assignment or a license does not depend upon the name by which it calls itself, but upon the legal effect of its provisions. The grant of an exclusive right under a patent within a certain district, which does not include the right to make and the right to use, and the right to sell, is not a grant of a title in the whole patent right within, the district and is therefore only a license."

This concludes the third form of assignment and the fourth and last way in which the patentee can enjoy his franchise. Congress gives him these four benefits and these only. We now pass over to his right to make, use and sell and to his right to permit others to do these things. In passing over we leave the patent law and enter the domain of the common law.

## TABLE X.

Analysis of the Rights of the Owner of a Patent.

Has Two Distinct and Separate Rights.

I. Common Law Right, To Make, Use and Sell.

II. Patent Law Right, To Exclude others from making, using and selling.

The Two Rights Distinguished
By
The Mode of Exercising and The Law Controlling the Two Rights.

I. Common Law Right.

a. License to Use.

It is at this point that the utmost confusion arises. Under this and the three following heads it is wholly impossible to reconcile the decisions. They not only vary in statement and reasoning but are completely contradictory. Long and patient study of these decisions drives one back to that primal law of all thought that is knocked into the head of every college boy! "Nothing can both be and not be." We will start here with the simplest propositions as we have done under the other headings. Already we have insisted with much elaboration on the assertion that the only right granted by the patent is the right to exclude. This must be finally accepted if we are to attribute to the courts any seriousness of thought whatever and if we are not to infer that they do but play with words to make fools of us. We have pointed out that this right to exclude is created by the Patent Law that that is all that is conferred by that Law: that this right is measured as to exercise by the Patent Law and that apart

from the patent law it has no existence whatever. Finally we have analyzed the only four ways in which it is possible for the owner of a patent to enjoy the right to exclude. Now we pass over to the other right which the Owner of a Patent has. This is the right to make, use and sell and to permit others to make, use and sell. This is a right protected entirely by the common law and with it the Patent Law is not concerned in the remotest manner. It is one thing to assent to this formally and quite another fully to apprehend the meaning of it and appreciate the inevitable consequences that flow from it. Let us at this point reinvest ourselves with the certainty that the right to make, use and sell and the right to permit others to do so, is a right that has always existed independently of the patent law, to which nothing is added and from which nothing is taken, by the patent law. We go back to the beginning. No government, at least in the United States, can grant the right, to make use and sell. The government has it in its power to grant and deny only those things over which the people have given it such power. No citizen can coin the money of the United States for the reason that the people have granted to the government that right and with the power to deny it to every citizen. But the rights of the government like this are very few, and we can place our finger directly on the source of the power and tell when and how the people surrendered it. But men have always had the right to make, use and sell, and the National government has no control over it whatever. Take one of the revolutionary forefathers who was familiar with the steps leading up to the adoption of the Constitution. Suppose it had been suggested to him that the National government by the Constitution was to be given the power to grant or deny (for the power to grant always and necessarily implies the power to deny) to him the right to make, use and sell an ax, a musket, a broom or a pair of shoes. Nothing would have surprised him more or more thoroughly aroused his resentment and fierce opposition. This fundamental right to make,

use and sell has never been surrendered in whole or in part to the government. On the contrary the government is most solemnly pledged to guarantee and protect it.

When we deal with the right of the owner of a patent to use his invention we are dealing with a right that is far older, far more durable, far more precious than any thing contained in the patent law. The right to let some one else use the thing invented is of the same nature. It is only another aspect of the right to use for oneself.

I have a right to use the pen with which these words are written. The National government did not grant me that right and since the pen is mine it cannot deny me that right. If I should apply for a patent on this pen, the government, cannot, either by granting or refusing the application, enlarge or diminish or in any manner affect my right to use the pen. Likewise if some one wishes to hire the use of the pen, I have a right to rent the same to him and this, too, entirely independently of the Constitution or any law of Congress.

This brings us to a consideration of "a license to use." Now a license is a mere permission: it is not anything more. We are not here dealing with the difficult conception of a license "coupled with an interest." A license in and of itself, as the etymology of the word indicates is a mere letting, suffering or permitting. Over two centuries ago Sir John Vaughan said: "A license passeth no interest, nor alters, or transfers property in anything, but only makes an action lawful which without it had been unlawful," (quoted in Holland on jurisprudence, 10th Ed. p. 221). Note those words "passeth no interest, nor alters or transfers property in any thing." A license is a permission to do an act. A man obtains a license to dig a ditch in the street or to conduct a barber shop. The license grants him no interest or property to the street or the shop. It only makes lawful an act which without the license had been unlawful. When the license expires, is revoked or legally forfeited, then, the doing of the act is a violation of the law. All this is aggravatingly trite to every

lawyer, but when we come to deal with licenses in connection with patents men seem to forget it and to throw away their power of reasoning, submitting themselves to some vague notion about the mystery of a patent. For example, we read in all the text books and in hundreds of the cases about a "license of a patent right" or of a "license to use a patent right" or, again, of a "license to exercise some privilege under a patent." All these exemplify an abuse of language; they are phrases of words that do not correspond to any reality. There can be no such thing as a "license of a patent right"; the patent right is the right to exclude, and the owner of the right to exclude cannot permit another to exclude. A licensee can exclude no one. If I get a license to fish in a pond, my license does not enable me to exclude others from fishing there. So of the phrase "license to use a patent right." The last form of statement; "a license to exercise some privilege under a patent" is constantly occurring, but it has no meaning. The only privilege that can "exist under a patent" is the right to exclude, and this cannot be the subject of a license. It is property and may be transferred by an assignment but "a license passeth no interest, nor alters, or transfers property in any thing."

A license to use means just what the words indicate,—a permission to use some tangible, objective thing.

Already we have adverted to the fact that the term "use" is broader than the terms "make" and "sell" as applied to the subject of a patent right. For devices, articles and machines may be made, used and sold but a process or method can be used only. It cannot be made or sold. If A, who owns a patent on a process for bolting flour issues a license to B, it can only for one thing, to use the process, to practice it, to go through the form of action described in the patent. A, himself cannot "make" the process, nor "sell" it, neither can B.

Take a patented machine, A gives B a license to use the machine. Now A's right to use the machine is not a patent right; A's right to

license B to use the machine is not a patent right. When B uses the machine he does not "use a patent right" nor "exercise any privilege under a patent." He simply uses the machine, that is all. He has not the right to make it; he cannot sell it. He does not own it. He can use it and only for the period and within the limitations expressed or implied in the permission. When, for any reason or in any manner, the permission is legally withdrawn or at an end, any further use on the part of B, is unlawful. A, owns the machine; it is his, and by virtue of the patent he has the right to exclude B, and all other persons from its use. When the permission is out of the way A, can exercise his right to exclude but not till then. One leading case will make all of the foregoing clear in point of authority of the Supreme Court.

Wilson vs. Sanford (1850) 10 How. 99.

In this case the plaintiff was the owner of the patent for the entire United States (except Vermont), protecting the Woodworth planing machine. Now the plaintiff licensed the defendants to use one of the machines. It is not stated how long the license was to run, but presumably it was to run so long as the machine lasted. The plaintiff did not sell the machine, he did not license the defendants to make the machine or to sell it. The defendants by the license got solely the right to use the machine, and it was not an exclusive use but a use in common with any other person to whom the plaintiff might subsequently extend a similar privilege. The defendants were in precisely the position of one who hires a horse from a liveryman. The defendants were to pay $1400, for the right to use the machine: that is to say $250, in cash and the remainder in five installments, four of which were for $250 each and one for $150.

Promissory notes were given to secure the payment of the installments. These notes were fearfully and wonderfully drawn. The counsel who conceived and wrote them had read the decisions of the

Supreme Court relating to patents in vain, if he had read them at all. All the notes contained this provision:

"And if the said notes, or either of them be not punctually paid upon the maturity thereof, then all and singular the rights hereby granted are to revert to the said Wilson (the plaintiff) **who shall be reinvested in the same manner as if this license had not been made.**" (Black ours).

Suppose A, should let the use of a horse to B for 30 days in consideration of B's paying $30; B pays $15 cash and gives his note for $15 payable fifteen days after date. What would be thought of this provision in such note: "If the said note be not paid punctually upon the maturity **A shall be reinvested in the same manner as if the horse had not been hired**"? Re-invested with what? Title to the horse? That has not been parted with. Whoever drew the notes in the case under consideration manifestly thought that the plaintiff was parting with some part of his patent right, to re-invest which he was seeking to provide. But the patent law gave the patent owner no right to use the machine and no right to permit another for hire to use it. These were common law rights. In his bill the plaintiff prayed for an injunction and for a "re-investiture of title." Now there being less than $2,000 involved the issue was whether or not the Federal Court had jurisdiction of the case as one arising under the patent laws. Chief Justice Taney, in less than 30 lines put the matter in a light which ought to have made it plain for all time. He said l. c. 101-102.

"Now the dispute in this case does not arise under any act of Congress; nor does the decision depend upon the construction of any law in relation to patents. It arises out of a contract stated in the bill; and there is no act of Congress providing for or regulating contracts of this kind. The rights of the parties depend altogether upon common law and equity principles. The object of the bill is to have this contract set aside and declared to be forfeited; and the prayer is "that appellant's re-investiture of title to the license granted to the

appellees, by reason of the forfeiture of the contract, may be sanctioned by the court," and for an injunction. But the injunction he asks for is to be the consequence of the decree of the court sanctioning the forfeiture. (Observe that the Chief Justice says nothing about the "re-investiture"). He alleges no ground for the forfeiture unless the contract is set aside. And if the case made in the bill was a fit one for relief in equity, it is very clear that whether the contract ought to be declared forfeited or not, in a court of chancery, depended altogether upon the rules and principles of equity and in no degree whatever upon any act of Congress—concerning patent rights. And whenever a contract is made in relation to them which is not provided for and regulated by Congress, the parties if any dispute arises the parties stand upon the same ground as other litigants as to the right of appeal."

This decision has repeatedly been affirmed by the Supreme Court as can be noted by a glance at any citator. It is today the supreme law of the land. Its meaning is so free from ambiguity that we could not believe its import capable of misconstruction if it were not that proof of such misconstruction is abundant.

Thus in 4 Rose's Notes on United States Reports 900, the decision is digested thus: "Patents—Federal Courts. BILL TO SET ASIDE ASSIGNMENT OF A PATENT does not come within the class of patent cases in which appeal is allowed," etc., (caps ours). The Chief Justice did not use the word "assignment" once and he certainly made every effort to show that no phase of the patent law was involved.

In the official head note to the case it is written "A bill to set aside an assignment on the ground that the assignee had not complied with the contract," etc.

Rose in the same learned note above referred to writes further: "Distinguished in Plow Works vs. Starling 127 U. S. 378, holding Circuit Court, has cognizance of action by patentee for breach of

agreement by licensee." The latter case stands for no such proposition. It was there held that where "the questions whether the patent was valid and whether it had been infringed, were put in issue and decided by the Circuit Court" the Supreme Court had jurisdiction on appeal. We have pointed out these misconstructions of a simple case to demonstrate what appears throughout. That neither text writers nor the lower courts distinguish between an exercise of the natural right protected by the common law and an exercise of the patent franchise created and controlled by Federal statutes, although the two things are as far removed as the East is from the West.

The Supreme Court has repeatedly declared that the patent law has nothing to do with license that the latter are common law contracts. The logic of this statement is inescapable. If a license is a common law contract, it is to be dealt with as any other contract.

If in the case just considered the notes had provided for usurious interest the licensor would have suffered the penalty, notwithstanding the notes were given for a "patent right." Let us now pass over to a broader form of license.

# TABLE XI.

**An Analysis of the Rights of the Owner of a Patent.**
**Has Two Distinct Rights.**

I Common Law Right, To make, use and sell.

II Patent Law Right, To exclude others, from making, using and selling.

The Two Rights Distinguished
By
Mode of Exercising and the Law Controlling the Two Rights.

II Common Law Right.

b. License to make and use.

We shall not loiter long on this topic. It is not a frequent form of license but at the same time, not at all remarkable. We select this topic to call attention to still another phase of the distinction between right granted by the patent and that protected by the common law. The lower courts never tire of quoting the Supreme Court to the effect that the right to make, use and sell is a separable right and that these three can be split apart and granted in isolation.

This proposition is cited as if the power of the patentee to split apart these three things came from the patent law.

But it does not come from that law. Independent of the patent law a man has a separate and distinct right to make, use and sell a thing of his own.

He can split these rights apart and exercise them isolatedly, if he desires. He can permit A to make, B to use, and C to sell. But this is not a patent right.

On the contrary we have seen in Gayler vs. Wilder that the owner of a patent cannot split the right to exclude into three parts, and convey the right to exclude from using to one, the right to exclude from making to another, and the right to exclude from selling to still another. The courts confuse an "exclusive right" with a "right to exclude."

A deceptive ambiguity is contained in the phrase an "exclusive right" when applied to a license. If A, gives B an "exclusive license" to use a patented machine that means this only: A has extended to B a permission to use the machine and at the same has agreed not to extend a like permission to others. The transaction results in the permission of a use plus an agreement not to permit others to do likewise. In such case B is said to have the right to the "exclusive use" of the machine. But we should never forget B's right is a mere permission and that the **exclusive feature** is only a quantification of this permission.

B has no part of the right to exclude. If others start in to use the machine he cannot exclude them, for he has no title to the patent and cannot maintain an infringement suit.

Yet there are any number of instances where instrumnts by which the owner of a patent has extended an "exclusive right to make and sell, and the parties have caused the same to be recorded in the patent office as though it were an assignment of the patent franchise! All this cloudiness of perception follows upon a failure to guard against confusing an "exclusive right" and a "right to exclude."

The "exclusive" character of B's right in the foregoing hypothetical case is derived entirely from the contract with A. The "right to exclude" is derived solely from the Act of Congress. It cannot be delegated or hired: it may be sold and transferred to another.

## TABLE XII.

### An Analysis of the Rights of the Owner of a Patent.

### Has Two Distinct Rights.

I Common Law Right, To make, use and sell.

II Patent Law Right, To exclude others from making, using and selling.

The Two Rights Distinguished
By
Mode of Exercising and the Law Controlling the Two Rights.

II Common Law Right.

c. License to make, use and sell.

We have here the most complete form of license—a permission to make, use and sell. In the case of a process the permission would be to use only: in case of a machine it is frequently to make use, but not to sell. In the case of an article which is sold for consumption and which perishes in the use the license ordinarily permits the making, using and selling. But merely because we have here combined all three of the common law rights of the patent owner—to make, use and sell,—we must not jump to the conclusion that we are dealing with the patent franchise. This is an exercise of the common law right just as are the other forms of license. The contract providing for the license is a common law contract, protected, guaranteed and subject to be restricted by the common law.

But this is constantly overlooked. For example the latest Digest of the Supreme Court, published by the Lawyers Co-operative

Publishing Company, Vol. IV, p. 4277 contains this analysis of the digest:

"XIII Transfer of Rights: License.

a. In General.

b. Assignment.

c. Mortgage.

d. License," etc.

Here the compiler has placed licenses in the same category with assignments and mortgages, and he characterizes a license as a form of transfer of rights. But a license transfers nothing. It "passeth no property or interest in any thing." And this is true even though the license be to make, use, and sell.

Sometimes we have this perplexing state of facts. The owner of a patent extends to another an exclusive license to make, use and sell throughout the United States for the full term of the patent. Many times this is mistaken for a transfer of the patent right. But it is nothing of the kind. It is a mere license. Suppose in such case the patent should be revoked for fraud in its procurement. Clearly the loss would fall on the licensor and not on the licensee. The latter could go on making, using and selling without any hindrance from the licensor.

Suppose again that the license makes no provision for an extension and that before the expiration of the original term an extension is granted by the Patent Office. This inures entirely to the benefit of the Licensor who owns the patent.

A license, then, of whatever form is a mere permission. It is a common law contract: an exercise of a right protected by the common law and has nothing whatever to do with the patent law. Time and again we are told with an air of apodictic certainty that the patentee has a right not to grant a license and having that right he can state the terms of the license and make them as he chooses. Nothing could be more fallacious or misleading. The pat-

entee as patentee has no right to license any one to do anything. The right to license another is not derived from the patent law. We apologize for reiterating this so much. But the only way to combat the repetition of an error is to repeat the assertion of what is true. We have already seen that the states can regulate the sale of a patented article or entirely suppress its use. Surely then government has some power over a license contract.

Suppose in the Patterson case that the defendant had been a licensee for the sale of the oil in Kentucky. How long would the Supreme Court have listened to this argument: "The oil is patented: the defendant is a licensee from the patent owner: the latter has a right to license or not license as he sees fit: he can refuse to grant a license and if he inclines to grant one he can state the terms of the license: here the patentee has licensed the defendant to sell the oil in the State of Kentucky. The right to do this is granted by the patent laws and the State of Kentucky cannot abridge it." But the Supreme Court has had to listen to arguments equally as absurd. And this view of the law is acquiesced in today by lawyers generally and courts throughout the United States. Some of these days the attorneys general of the various states will awaken to the fact that combinations of capital are playing havoc with the anti-trust laws of their respective states and covering up the deal by much palaver about "patent rights."

We pass now to the conclusion of the whole matter. All that has gone before is preliminary to make straight the path. There is so much prepossession against what is to be asserted in the next topic that we need to fortify our premises in strongest manner possible so as to compel assent to the conclusion.

All that has gone before has been wrought out painfully with much elaboration to make clear beyond the power of misunderstanding that the sole right embraced by the patent franchise is the right to exclude. The patent right is like Mephistopholes: it

is the spirit that denies. It negates, and that is all that it does. It never made anything or used any thing or sold anything. The right to exclude in and of itself has never contributed anything to progress or the useful arts. Patentees are proverbially poor and die poor. They have the right to exclude but riches flow from the other right, the "natural right," to make, use and sell. There negation is wholly profitless, as Faust learned after he bit the dust. We must not miss the point that the sole value of the right to exclude consists in this: it renders valuable the right to make use and sell, because others have to obtain the right from the inventor. As the Supreme Court said in the Bell Telephone case "it separates to the patentee an exclusive use." But apart from the natural right to make, use and sell and except as an adjunct to that right, the patent franchise is utterly useless and worthless. Take Patterson and the Aurora oil. What was his right to exclude worth in the State of Kentucky after the legislature had passed a statute which condemned the making, using and selling of the oil? What was Brosnahan's right to exclude others from the oleomargarine business in Missouri worth, after the legislature had excluded him therefrom?

## TABLE XIII.

### An Analysis of the Rights of the Owner of a Patent.
### Has Two Distinct Rights.

I Common Law Right, To make, use and sell.

II Patent Law Right, To exclude others from making, using and selling.

The Two Rights Distinguished

By

Mode of Exercising and the Law Controlling the Two Rights.

II Common Law Right.

d. Making and Selling or Authorizing another to make and sell.

Now here we are at the last stage of our journey. The value of all that we have done heretofore depends solely upon what assistance it will afford us at this point. Having wrought at the thing with such persistent elaboration and varied repetition, we should now have some enduring, positive, obstinate ideas on this topic. We cannot idle or play with propositions of law.

We cannot be indifferent towards them. We must either accept and be guided by them or refute and ignore them.

Well then, the Supreme Court has said that the franchise which the patent grants consists altogether in the right to exclude others. This is all he (the patentee) obtains by the patent.

Conversely it has said the right to sell the thing invented is not derived from the patent law; that that right existed before the patent, and could have been exercised without the grant of letters patent. The Supreme Court and the other courts (the latter often without clearly understanding how or why) have exemplified and enforced this distinction in many other branches of the law.

The states tax the natural right but cannot tax the patent right; a general assignment reaches the natural right but does not touch the patent right; a creditor armed with a judgment and accompanied by a constable can seize upon and sell the embodiment of the natural right but cannot lay hands upon the patent right; the states in the exercise of the right to protect their citizens, to conserve their welfare and guard their safety can regulate, the sale or use or entirely suppress the sale or use of the tangible realization of the natural right but with this great and all but omnipotent power they cannot in any manner affect the patent right. All this means something. It has a significance. Lines projected that far can be extended still farther. Let us see.

To begin with it would be startling to be asked to concede that the Congress had the power to grant to any one the right to sell the product of his own labors. The congress has no such power. Bartering, trading and selling is as old as human society. Man might almost be called a trading animal. Undoubtedly the most fundamental right of man is the right to live, which implies a right to have food and clothing. The right next in order most highly prized is the right to enjoy something more than a bare existence, to have something, to use something, to sell something. Aye, to sell something. That right was a matter of ancient history when Tyre and Sidon were in the glory of their youth. When men start in to delegate certain rights to a government and reserve important rights to themselves, they never delegate power over this right to sell. That is kept back and over it our national government has no control.

When the patentee makes and sells an article embodying the patented invention or authorizes another to do so he does not exercise any right under the patent law. The purchaser does not acquire any right under the patent law. Without any patent the inventor could have made and sold it and the purchaser could have bought. The thing transferred is the result of the inventor's skill and labor. It is just as useful to the purchaser, will last just as long and serve him equally well whether patented or unpatented. The inventor has sold the creation of his labor and skill and the purchaser has bought it. It belonged to inventor but now he has received the compensation for his skill and so much of his labor as is embodied in that specimen and it is no longer his but purchaser's.

An old proverb says it is useless to cling to the money and at the same time hanker for the wares. We may convert this and say of the inventor patentee, it is useless to cling to the patented article and hanker for the money. When the latter comes the former goes. The vendor and purchaser of a patented article do not have to consult the patent law to determine their respective rights in the transaction

they are about to close. This is not all. It is useless and foolish for them to consult the patent law. That law has no more to do with the contemplated transaction than the law regulating the currency, post roads or bankruptcy. Let us now turn to the Supreme Court and see if this conclusion is not inexorable.

We begin again with the great land-mark of juristic thinking on the nature of the patent franchise,

**Bloomer vs. McQuewan (1852) 14 How. 539.**

The Patent Act of 1836 was very imperfectly drawn. Among its many ambiguities was this: In provided for an extension of the patent franchise for an additional period of time and preserved the rights of "assignees and grantees of the right to use the thing patented to the extent of their respective interests therein." No one knows what Congress meant by those words. What is meant by the words "assignees and grantees of the right to use"? Does this mean licensees, assignees of the patent monopoly, or purchasers of specimens of the thing invented? For many years various constructions had been placed on this clause. In the case before us the defendant had purchased and paid for a patented planing machine. He bought it from the owner of the patent during the original term. These facts are not plainly stated in the report but they appear upon close reading of it and from subsequent interpretations of the decision. The plaintiff was the owner of the patent for the extended term. He sued the defendant for using the machine during the extended term in infringement of his rights. The question was squarely presented as to whether or not a purchaser of a machine from the owner of the patent for the original term could continue the use of the same during the extended term. And in determining this point Chief Justice Taney made use of those words which every lawyer having any thing to do with patents should take for a sign upon his hand and for front-

lets between his eyes and nail them to the lintels of his office door so long as he toils in this vale of tears:

"**The franchise which the patent grants consists altogether in the right to exclude everyone from making, using or vending the thing patented, without the permission of the patentee. This is all that he obtains by the patent.** And when he sells the exclusive privilege of making or vending it for use in a particular place, the purchaser buys a portion of the franchise which the patent confers, (the court has in mind an assignment but failed to describe it). He obtains a share in the monopoly, and that monopoly is derived from, and exercised under the protection of the United States. And the interest he acquires, necessarily terminates at the time limited for its continuance by the law which created it. The patentee cannot sell it for a longer time. And the purchaser buys with reference to that period; the time for which the exclusive privilege is to endure being one of the chief elements of its value. He therefore has no just claim to share in a further monopoly subsequently acquired by the patentee. He does not purchase or pay for it."

Now observe the contrast when the Chief Justice sets out in the next paragraph.

"But the purchaser of the implement or machine for the purpose of using it in the ordinary pursuits of life, stands on different ground. In using it, he exercises no rights created by the Act of Congress, nor does he derive title to it by virtue of the franchise or exclusive privilege granted to the patentee. The inventor might lawfully sell it to him whether he had a patent or not, if no other patentee stood in the way. And when the machine passes to the hands of the purchaser it is no longer within the limits of the monopoly. It passes outside of it, and is no longer under the protection of the Act of Congress. And if his right to the implement or machine is infringed, he must seek redress in the courts of the state, according to the laws of the State, and not in the courts of the United States, nor under the laws

of Congress granting the patent. The implement or machine becomes his private, individual property, not protected by the laws of the exclusion of others from its use. For example, in the various the United States, but by the laws of the State in which it is situated. Contracts in relation to it are regulated by the laws of the State and are subject to state jurisdiction.

Like other individual property, it is then subject to state taxation; and from the great number of patented articles now in use, they no doubt, in some of the states, form no inconsiderable portion of its taxable property."

The Chief Justice knew he was struggling against obstinate prepossessions, so he continues the contrast.

"Moreover, the value of the implement or machine in the hands of the purchaser for use, does not in any degree depend on the time for which the exclusive privilege is granted to the patentee; nor upon patented articles used in agriculture, in milling, in manufactures of different kinds, in steam engines, or for household or other purposes, the value to the purchaser is not enhanced by the continuance of the monopoly. He does not look to the duration of the exclusive privilege, but to the usefulness of the thing he buys and the advantages he will derive from its use. He buys the article for the purpose of using it as long as it is fit for the use and found to be profitable."

After commenting on the Act of 1836 and explaining the provision above quoted, Chief Justice Taney reminds us that Congress has no power to confer on a patentee any such right as the plaintiff here asserted.

"Congress undoubtedly have power to promote the progress of science and the useful arts, by securing for limited times, to authors and inventors the exclusive right to their respective writings discoveries.

But it does not follow that Congress may, from time to time as often as they think proper, authorize an inventor to recall rights

which he had granted to others; or reinvest in him rights of property which he had before conveyed for a valuable and fair consideration."

What more could be asked than this? The justices who dissented misconceived the nature of the patent franchise and the rights of a purchaser of a patented machine. One or two sentences will demonstrate this:

"The extension (to the purchaser of a machine) of the right to use, while the extended patent continues, does a wrong to the patentee, by taking his property and giving it to the licensee. The franchise is property, and it can no more be transferred to another, without compensation or contract, than any other property.' This betrays the misconception in every clause. The purchaser is not a licensee; he gets no part of the franchise, he simply buys a machine and then it is his.

The next case in order was.

## Chaffee vs. Boston Belting Co. (1859) 22 How. 217.

It is not worth while setting forth the facts here as the court only stated the principle in question to show that facts did not come within it. Mr. Justice Clifford said:

"It has repeatedly been held by this Court, that a party who had purchased a patented machine, and was using it during the original term for which the patent was granted, might continue to use the machine during the extended term.

That rule rests upon the doctrine, that the purchaser in using the machine, under such circumstances, exercises no rights created by the Act of Congress, nor does he derive title to it by virtue of the franchise or the exclusive privilege granted to the patentee." (Observe that this necessarily implies that the vendor in such case does not transfer title by virtue of the franchise.) The court continues: "When the patented machine rightfully passes to the hands of the

purchaser from the patentee, or from any other person by him authorized to convey it, the machine is no longer within the limits of the monopoly. According to the decision of this court it then passes outside of the monopoly, and is no longer under the peculiar protection granted to patent rights. By a valid sale and purchase, the patented machine becomes the private individual property of the purchaser, and is no longer protected by the laws of the United States, but by the laws of the State in which it is situated."

Next we come to the case of

**Bloomer vs. Millinger (1863) 1 Wall. 340.**

Here again we have the patent on Woodworth's planing machine. The same as was the subject of contest in the case of Bloomer vs. McQuewan.

There was granted two extensions of that patent, and this was a suit for infringement in using one of the machines during the term of the second extension. Here again the defendant owned the machine and had acquired title during the original term of the patent. Counsel for the complainant had the temerity to ask the court to overrule the case of Bloomer vs. McQuewan. Evidently he thought there was some hope of a reversal of that decision in the fact that there two of the judges, Mr. Justice McLean and Mr. Justice Nelson dissented. But he overlooked the more significant fact that nine years later the court was unanimous in the strong and clear opinion in the case of Chaffee vs. Belting Co., just cited. Here again the unanimous opinion of the Court was delivered by Mr. Justice Clifford. He reiterates much of what was said in the earlier case but the language is varied so as to throw new light on the problem that counsel had failed to solve. We cannot forbear quotation. Listen.

"Patentees acquire the exclusive right to make and use and vend to others to be used, their patented inventions for the period of time

specified in the patent, (the language of this clause—"exclusive right,"—is unfortunate) but when they have made and vended to others to be used one or more of the things patented, to that extent they have parted with their exclusive right (—right to exclude) They are entitled to but one royalty for a patented machine, and, consequently, when a patentee has himself constructed the patented machine and sold it, or authorized another to construct and sell it, or to construct and use it and operate it, and the consideration has been paid to him for the right, he has then to that extent parted with his monopoly, and ceased to have any interest whatever in the machine sold or authorized to be constructed and operated. Where such circumstances appear, the owner of the machine, whether he built it or purchased it, if he has also acquired the right to use and operate it during the lifetime of the patent, may continue to use it until it is worn out, in spite of any and every extension subsequently obtained by the patentee or assigns." It has repeatedly been held by this court that a party who had purchased and was using a patented machine during the original term for which the patent was granted, had a right to continue to use the same during the -extension. Founded as that rule is upon the distinction between the grant of the right to make and vend the machine, and the grant of the right to use it, the justice of the case will always be obvious, if that distinction is kept in view and the rule itself is properly applied." He then repeats the substance of the earlier decisions and continues: "Such, certainly, were the views of this court in Bloomer vs. McQuewan where the whole subject was very fully considered. Attention is drawn to the fact that there was considerable diversity of opinion among the judges in disposing of that case, (so much for the forlorn hope of counsel) but the circumstance is entitled to no weight in this case, because the court has since unanimously affirmed the same rule. Chaffee vs. Boston Belting Co. In the case last mentioned the court say, that when the patented machine

rightfully passes from the patentee to the purchaser, or from any other person by him authorized to convey it, the machine is no longer within the limits of the monopoly. By a valid sale and purchase the patented machine becomes the private individual property of the purchaser, and is no longer specially protected by the laws of the United States, but by the law of the State in which it is situated. Hence it is obvious, say the court, that if a person legally acquires a title to that which is the subject of letters patent, he may continue to use it until it is worn out, or he may repair it or improve upon it as he pleases, in the same manner as if dealing with property of any other kind." Citing, Crane vs. Price; Webster's Patent cases 413 not p.

The counsel for the plaintiff apparently thought the Court had lightly disposed of the case of Bloomer vs. McQuewan. The Court returns this warm compliment: "Considering that the question has been several times decided by this court, we do not think it necessary to pursue the investigation."

We have been careful to look up the note to Crane vs. Price cited by the Court. The volume containing the annotation was published in 1844, twenty years prior to the decision here. There could be no reason for citing the note of a commentator unless it contained an approved expression of some principle. The note is indeed worth quotation since it has been so cited.

"Suppose a particular article, starch for instance, to be the subject of letters patent, and that all the starch in the country was patent starch; there are attached to the making and selling of that article certain exclusive privileges, but the individual who has purchased it of the patentee has a right to sell it again, and to use at his will and pleasure; the exclusive privileges are, in respect of that particular portion of the article so sold, at an end, and do not pursue it through any subsequent stage of its use and existence, otherwise every purchaser of starch would be obliged, according to the terms of the letters patent, to have a license in writing, under the hand and seal of

the patentee; the absurdity of which is manifest. Hence it is obvious, that if a person legally acquires, by license or purchase, a title to that which is the subject of letters patent he may use it, or improve upon it in whatever manner he pleases: in the same manner as if dealing with property of any other kind."

The case of

**Mitchell vs. Hawley (1873) 16 Wall. 544.**

indicates how careful the Supreme Court had been in formulating this rule. Each time the court has said "when the machine rightfully passes from the patentee," etc.

Here the machines did not "rightfully" pass as they were sold by a licensee to make and sell, but whose license expressly inhibited him from selling any machine for use beyond the original term of the patent. The owner of the extension successfully maintained a suit for infringement for using the machine during the extended term. The defendant purchased from a licensee to sell and was bound to know the extent of the permission extended in the license.

Again Mr. Justice Clifford delivered the unanimous opinion of the court. He goes over the same ground traversed in the previous decisions. Again he points the distinction between an assignee of a portion of the franchise and a purchaser of a specimen of the invention and comes to the same inevitable conclusion. "The purchaser of the implement or machine for the purpose of using it in the ordinary pursuits of life stands on different grounds, as he does not acquire any right to construct another machine either for his own use or to be vended to another for any purpose. Complete title to the implement or machine purchased becomes vested in the vendee by the sale and purchase, but he acquires no portion of the franchise, as the machine,

when it rightfully passes from the patentee to the purchaser, ceases to be within the limits of the monopoly.

In the paragraph following the Court say "Sales by the patentee may be made with or without conditions," we shall find the meaning of this explained later.

In this case the machine did not "cease to be within the limits of the monopoly" because it was sold by one who had no part of the monopoly but who was a mere licensee with a restricted power to sell. But we must remember that there is the widest possible difference between a sale by one having only a restricted right to sell and a sale by the patentee with a restriction or condition. Nothing could be further apart than these two. In the former case the restriction is on the vendor and qualifes the property rights conveyed; in the latter case the restriction is imposed by the vendor on the purchaser. The first restriction affects the property conveyed; the second is a mere contract. The next case is the converse of the one just considered. Here the article was sold by an owner of the entire patent right for a particular district,

**Adams vs. Burke (1873) 17 Wall. 453.**

This is a very great case and should be studied most carefully. The plaintiff owned a patent on a coffin plate. He assigned the whole right to L. and S. for a district comprised by a circle whose radius is ten miles having the city of Boston for its center, outside of that district the plaintiff still owned the right to exclude. The defendant went within this circle and bought a quantity of the patented lids, took them outside of the district and used them. Thereupon the plaintiff sued him for infringement. The argument of the counsel for defendant was directly to the point. We cannot quote it all but only a few sentences.

"When the patented article has been lawfully made, added to

the chattels in existence, and sold by the patentee, or by an assignee of the right to make and sell, there has been no infringement of the monopoly, and all the rights secured by the patent have been exercised. The purchaser's right to use is a common law right, unprotected by and independent of the patent. In using he exercises no right created by the Act of Congress. No further right as to that particular article is secured to anyone by the patent."

The opinion of the Court was written by Mr. Justice Miller, who on Circuit wrote the powerful opinion in the case of In re Brosnahan, considered heretofore.

He said in part, "The vast pecuniary results involved in such cases, as well as the public interest, admonish us to proceed with care and to decide in each case no more than what is directly in issue." After stating the principle of the earlier cases, he continues: "The true ground on which these decisions rest is, that a sale by a person who has the full right to make, sell and use such a machine carries with it the right to the use of that machine to the full extent to which it can be used in point of time. The right to manufacture, the right to sell and the right to use are each substantive rights and may be granted or conferred separately by the patentee. (Now listen). **But, in the essential nature of things, when the patentee, or the person having his rights, sells a machine or instrument whose sole value is in its use, he receives the consideration for its use and he parts with the right to restrict that use.** The article, in the language of the court passes without the limit of the monopoly. That is to say, the patentee or his assignee having in the act of sale received all the royalty or consideration which he claims for the use of his invention in that particular machine or instrument, it is open to the use of the purchaser without further restriction on account of the monopoly of the patentees."

The next case involving this important point is **Hobbie vs. Jennison** (1893) 149 U. S. 355. The facts here were very similar to the facts in Adams vs. Burke. The defendant was an assignee for the State of Michigan of a patent on a wooden pipe. The plaintiff owned the patent for the State of Connecticut. A contractor at Hartford, Connecticut, knowing these facts, bought a quantity of the pipe in Michigan from the defendant, shipped it to Hartford and there used it. The plaintiff sued the defendant for infringement in selling the pipe in Michigan for use in Connecticut, where the plaintiff owned the monopoly. It was sought to distinguish the case from Adams vs. Burke on the ground that here both defendant and the vendee knew that the pipe was sold for use outside of the State of Michigan, but the Court refused to put any such limitation upon its prior decision. The opinion of the Court was delivered by Mr. Justice Blatchford and there was no dissent. The Court said:

"The Circuit Court further said that there was no evidence in Adams vs. Burke that the sale was made under the belief on the part of the seller that the article was to be used within his territory, and that the case was authority for the broad proposition, that the sale of the patented article by an assignee within his territory, carries the right to use it everywhere, notwithstanding the knowledge of both parties that a use outside of the territory is intended. We understand that to be the true interpretation of the decision in Adams vs. Burke. It is said in the opinion in that case, that when the patentee, or the person having his rights, sells a machine or instrument whose sole value is in its use, he receives the consideration for its use and parts with the right to restrict that use; that the patentee, or his assignee, having in the act of sale received all the royalty or consideration which he claims for the use of his invention in that particular machine or instrument, it is open to the use of the purchaser without further restriction on account of the monopoly of the patentee; that, although the right of the assignees of the coffin-lid patent to manufacture, to sell,

and to use the coffin-lids was limited to the circle of ten miles around Boston, a purchaser from them of a single coffin acquired the right to use that coffin for the purpose for which all coffins are used; that, so far as the use of it was concerned, the patentee had received his consideration and it was no longer within the monopoly of the patent."

In the concluding paragraph, the Court threw out a suggestion which apparently was intended to indicate to counsel the manner in which the rights of the parties could be limited in accordance with the argument of the counsel, but not under the patent law. The Court said:

"It is easy for a patentee to protect himself and his assignees, when he conveys exclusive rights under the patent for a particular territory. He can take care to bind every licensee or assignee if he gives him the right to sell articles made under the patent, by imposing conditions which will prevent any other licensee or assignee from being interfered with. There is no condition or restriction in the present case in the title of the defendant. He was the assignee and the owner of the patent for the State of Michigan."

It is to be observed that this last paragraph has to do entirely with a common law contract. In other words, the Court says that the patentee, by extending a license in the form of a common law contract and imposing a condition as a term of the license, can restrict the power of the licensee to sell for use beyond his territory. But, since the defendant in this case was not a licensee but an owner of the patent for the State of Michigan, he had all the power in that State over the monopoly that a patentee could have anywhere. Time and again the lower courts have attempted to restrict this case by interpreting it to mean that a patentee, by making and selling a specimen of his invention cannot restrict the use as to **place.** This distinction proceeds on the same ground that a similar distinction with reference to the case of Bloomer vs. McQuewan was taken in the minority opinion in the case of Adams vs. Burke. But neither case can be limited in such manner.

The effect of the two decisions is to declare it impossible for a vendor of a patented article, under the patent law, to restrict the use of the article which he has made and sold, in any manner whatever. The lower courts have been reluctant to give in to this view because of the erroneous notion that in some way or somehow, which is not explained, the exclusory franchise of the patent accompanies every article sold by the patentee. We have long since learned that this is wholly untenable. But we will go forward and further demonstrate it by the decisions of the Supreme Court.

In the case of Morgan Envelope Company vs. Albany Wrapper Company, (1893) 152 U. S. 425, the plaintiff brought an infringement suit against the defendant on the following state of facts: The plaintiff owned a patent on a metal fixture which was intended to deliver perforated strips of paper for toilet use in hotels and houses. The patent was on the combination of the paper roll with the mechanism for its delivery. The plaintiff made it a business practice to sell the mechanism only to persons who would buy from it the paper. The defendant bought a quantity of the fixtures from persons who had purchased them from the plaintiff and resold such fixtures and at the same time sold paper for use in the fixtures. One charge of infringement was that the defendant had sold the fixtures without the consent of the plaintiff. With reference to this phase of the case, the Court said: "So far as fixtures sold by defendants, which have been originally manufactured and sold by the patentee to other parties, are concerned, it is evident that, by such original sale by the patentee, they passed out of the limits of the monopoly, and might be used or sold by anyone who had purchased them from the original vendees. The patentee having once received his royalty upon such device, he cannot treat the subsequent seller or user as an infringer." The Court then cites with approval and quotes from the cases heretofore discussed.

Finally, in the case of **Keeler vs. The Folding Bed Company** (1895) 157 U. S. 659, the Court went over the whole question again with great

thoroughness and settled the law in accordance with the view for which we have been insisting throughout this essay. The facts were very simple. Plaintiff was the assignee for the State of Massachusetts of a patent for an improvement in folding bedsteads. The Welch Folding Bed Company owned the patent right for the State of Michigan, and the defendants who conducted a business in Massachusetts, purchased a carload of the beds from the Welch Company in Michigan, for the purpose of sale in Massachusetts, and afterwards sold them in Massachusetts. The lower Court gave judgment against the defendant for infringement and awarded an injunction. The opinion of the Court was written by Mr. Justice Shiras. We hesitate to quote from the opinion for not a sentence of it can well be spared. The Court discusses all of the cases which we have hitherto considered and others even. It re-affirms the doctrine announced in Bloomer vs. McQuewan in Adams vs. Burke, in Hobbie vs. Jennison, and insists that these cases cannot be restricted or distinguished away. We will quote two paragraphs from this opinion; they are as follows:

"Where the patentee has not parted, by assignment, with any of his original rights, but chooses himself to make and vend a patented article of manufacture, it is obvious that a purchaser can use the article in any part of the United States, and unless restrained by contract with the patentee, can sell and dispose of the same. It has passed outside of the monopoly, and is no longer under the peculiar protection granted to patented rights." Then after discussing all of the cases, the Court concludes: "Upon the doctrines of these cases we think it follows that one who buys patented articles of manufacture from one authorized to sell them becomes possessed of an absolute property in such articles, unrestricted in time or place." The concluding sentences deserve the closest attention: "**Whether a patentee may protect himself and his assignees by special contract brought home to the purchasers, is not a question before us, and upon which we express no opinion. It is, however, obvious that such a question would arise as**

a question of contract, and not as one under the inherent meaning and effect of the patent laws. The conclusion reached does not deprive a patentee of his just rights, because no article can be unfettered from the claim of his monopoly without paying its tribute. The inconvenience and annoyance to the public that an opposite conclusion would occasion, are too obvious to require illustration. These views render it unnecessary to consider other features of the case." (Black ours.)

This ought to make it clear to any one who appreciates plain language that the only way in which a patentee can impose a restriction of any kind or character in connection with a patented article which he has made and sold, is by means of a common law contract. His power under the patent law cannot be used for any such purpose. The only possible control that he can maintain over the article is a control arising from a contract and is precisely similar to the control which the vendor of a horse would have over a horse that he had sold under a contract that the horse could be driven only four days in the week. If the purchaser of the horse should drive it seven days in the week, he would break his contract and lay himself liable to a suit and damages therefor, but he would still own and have title to the horse. This is the exact situation of the patentee. He, like anyone else, can impose a restriction when he sells an article, device, or machine, that he has manufactured, but the restriction is a restriction that arises from a contract. Its force, effect, and validity is to be determined by common law principles applicable to common law contracts. All of this necessarily and inevitably follows from the doctrine running through all the cases that we have discussed to the effect that the sole right granted in the patent is the right to exclude, and when the patentee makes and sells a patented article, he exercises no right created by the patent law, confers on the purchaser no right created or protected by that law, and cannot, in virtue of that law, impose any restriction on the purchaser whatever. We must choose between the doctrine announced in these cases and that promulgated in the cases collated in

the first pages of this volume. It is not possible to reconcile the decisions of the Supreme Court, which we have just finished discussing, with the decisions referred to. They are completely and totally contradictory and we are compelled to accept one ruling and reject the other.

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The use to which we wish to put the foregoing exposition and analysis is to obtain a positive and unwavering answer to one broad and general question and three narrow and specific ones.

The broad general question is this: In what respect, if any, do the rights and powers of a patentee in selling a patented article, differ from those of any other vendor, selling an unpatented article?

The three concrete specific questions are these: (1) What are the rights and powers of the patentee to impose restrictions as to the use of a patented article which he has sold to another? (2) What are the rights and powers of the patentee to impose restrictions as to the resale price of a patented article which he has sold and for which he has received the purchase price? (3) Does the Antitrust Legislation of the Federal Government and of the States apply to contracts in restraint of trade in patented articles?

No one of those four questions seems at all puzzling if the foregoing analysis is sound.

Those questions would not present any difficulty whatever, but for a wholly variant doctrine hereafter to be contended with. As to the broad question, it is obvious that a patentee in every respect and without exception has no more, no greater and no different rights than any other vendor of an unpatented article. He does not get the right to sell from the patent law. He had that right in full before application for the patent and will have it undiminished after the patent expires.

The patent excludes others from selling imitations of the article, but that does not enlarge or in any manner effect the patentee's right

to sell; when he goes about selling his patented device he does not avail himself of any right granted by the patent and is subject to all the limitations that are imposed on any vendor. We have seen in Patterson vs. Kentucky that the patentee's right to sell his patented oil was entirely suppressed; though this did not affect his patent right to exclude others. In People vs. Russell, 49 Mich. 617 Judge Cooley said: "The patent laws do not determine personal capacity to contract, or prescribe the requisite for sale of patented articles or impose the customary restrictions which are supposed to be important to the protection of public morals. A patentee must observe the Sunday law as much as any other vendor: he must put his contracts in writing under the same circumstances which require writings of others, and he must obey all other regulatons which are made for general observance."

In Webber vs. Virginia Mr. Justice Field said: "The legislation respecting the articles which a state may adopt after the patents have expired it may equally adopt during their continuance."

From all this it abundantly appears that the patentee is on a dead equality with any other vendor of an unpatented article. He does not have to sell at all: neither does the owner of an unpatented article. He can state on what terms he will sell; so can the owner of an unpatented article. He can sell for cash or on credit; absolutely or conditionally; so likewise can any other vendor. Each has the same power, each exercises the same right, each is limited and restricted by the same law. All this seems painfully trite, but the inevitable consequences of this premise are stoutly denied by many courts in the United States. The same courts that declare contracts in restraint of trade in unpatented articles void as criminal, declare contracts embracing the most vicious restraints of trade in patented articles not only not void, but perfectly valid and beyond the reach of any statute or arm of public policy.

We might cut the whole matter short and say in the language of

the text writers "that such decisions are opposed to the greater weight of authority." But that specious excuse for indolence satisfies no one.

If the decisions are not supported by the law of the land, as declared by the highest source of authority they do not embody the law but only an erroneous speculation about what the Court thinks the law is. A decision which is opposed to the greater weight of ultimate authority is not an exposition of the law, though it may be promulgated and enforced by the terrorizing power of the Court, but the day will come when it will be only so much waste paper and useless mongering of words. We are deeply persuaded that the decisions we are now going to discuss not only are illogical, inconsistent, and within their own boundaries contradictory, but are flatly opposed to the law as declared by the Supreme Court for sixty years. They are not only opposed to "the greater weight of authority," but are opposed to all real authority, shock the innate sense of justice and outrage common sense, apart from any knowledge of the law. Of course when we use such language as that we thereby place ourselves under a duty to present a bill of particulars.

Every assertion of a proposition arouses a tendency to uphold the opposite. And one can only gain assent by going into details and forcing the dispute back to fundamentals where the disputants agree because both disputants are caught in the tightened grip of the same necessary truth. That is what we shall attempt here by a minute examination of all the decisions which we have put under a sweeping ban.

It requires much labor, much space and much time. One must not be surprised in observing that the space devoted to the discussion of these cases bulks larger than that necessary for the preceding analysis. It always requires much more time to analyze, dissect and explain away an erroneous proposition than it does to assert and prove a correct one. That is the essential nature of error: it only confuses and does not advance us. When we have finished with these cases, it will

be very apparent that in a sense the work has been wholly useless. We are back again at the starting point.

This brings us to a consideration of the cases involving the first specific question proposed above.

## I.

### Decisions as to the Right of a Patentee to Impose Restrictions as to the Use of a Patented Article or Device Which He has Sold.

The first case here, and the most powerful one, we shall have to deal with is

Heaton-Peninsular Button Fastener Co. vs. Eureka Specialty Co. (1896) 77 Fed. 288,

decided by the Court of Appeals for the Sixth Circuit. This is the first decision of the character announcing a strange doctrine that is now familiar to most lawyers. As an authority it has had great influence with the lower courts. For this reason and for the fact of its being promulgated by high authority, it deserves and shall receive the most thorough-going attention. The opinion is powerfully and lucidly written. Macaulay himself never wrote in a more luminous and flowing style. But, for all this, the opinion from the opening sentence to the final conclusion is one huge, monstrous and towering error. We have weighed these words. And we assert unflinchingly that consistency compels every one to choose once and for all between the decision in this case and the decisions of the Supreme Court. It is not possible by any casuistry or dialectical ingenuity to reconcile this decision with those of the highest tribunal in the nation, much less support it by those decisions. This is as certainly demonstrable as any proposition in geometry. It is not necessary to resort to any recondite prepossessions of the law involved, but only to attend to the plain language of the Supreme Court.

## THE FACTS AND ISSUES.

We will abridge the Court's statement of the facts and issues. "This is an appeal from the dccree of the Circuit Court for the Western District of Michigan sustaining a demurrer filed by the defendants, and dismissing the bill of complaint. The averments of the bill are substantially these: The complainant, a corporation, is by assignment the sole owner of several patents for inventions relating to the art of fastening buttons to shoes with mettalic fasteners. The validity of these patents is not involved. The objects of these patents was to produce a machine wherein the buttons and staples should be automatically presented to a guide or carricr having a combined driver or former co-operating therewith; the driver causing the insertion of the staple through the leather, or other material of the shoe, shaping and forming the head of the staple, the legs of the staple being clinched upon a suitable anvil. The principal and earlier of these patents—No. 293,234—describes the invention as intcnded to produce a setting device

> 'which can be used conveniently for setting and clinching an ordinary metallic staple (black ours), and have two prongs of the staple, if desired, in a line at right angles with the strain on the buttons.'

The mechanism by which such results are reached includes a staple chute or raccway, into which wire staples of suitable size arc fed and automatically conveyed, sct and clinched. The size of the staples to be used in the machine depends upon thc size of the chute or raceway, and this depends upon the judgment of the manufacturer of the machines. No staple can be used in the machine which is not adapted in size to this raceway, and a variation of a very slight character between the staple and the diameter of the raceway will prevent the operativeness of the machine. The bill alleges that neither the complainant nor its predecessors in title have ever sold any right to manufacture ma-

chines, but have reserved to themselves the monopoly of the manufacture and sale.

It also alleges that no machines have ever been sold except upon condition, and that there is attached to each machine a conspicuous metal plate, on which is plainly expressed a restriction upon the use of the machine, to the effect that the machine was sold and purchased "to use only with fasteners" made by the complainant or predecessors in title to the patents embodied in the machine, and that title should revert at once upon any violation of this restriction. Every user of the machine is alleged to have had full notice of this restriction upon the use of the machines, and to buy and use the machines subject to this restriction upon their use. These machines have been placed in the hands of shoe dealers to the number of 49,000, at the actual cost of the machines to the makers, they expecting a profit on their monopoly alone from the sale of fasteners or staples to those having the machines. Complainant then alleges that the defendants, with full knowledge of this method of putting complainant's monopoly in general use, are making and selling staples adapted only to use with these machines, and they are guilty of infringement, by reason of the fact that the staples so made and sold by them are adapted only to use in these machines, and are made and sold with intent that they shall be used in violation of the restriction placed by complainant upon the use of machines made and sold by it. It is not charged that the defendants either make, sell or use said machines, but that they are guilty of contributory infringement, by inducing others to use the machine in excess of the license, and by furnishing them with the means for such infringement, with the express intent that the staples so sold and bought shall be so used."

## THE OPINION.

The opinion was written by Lurton, Circuit Judge. The two opening sentences are of great importance.

"Staples in size and form adapted to use in such machines are unpatented articles, and not even an element in a combination claim. They are therefore no more within the direct monopoly of the patents than are the buttons to be affixed by means of the staples, or the shoe to which both are attached."

The Court then quotes the notice which was inscribed on a metal plate attached to each machine, as follows:

"Condition of Sale."

"This machine is sold and purchased to use only with fasteners made by the Peninsular Novelty Company, to whom the title to said machine immediately reverts upon violation of this contract of sale."

From here on we shall study the opinion with the utmost care.

"Undoubtedly the general rule is that if a patentee make a structure embodying his invention, and unconditionally make a sale of it, the buyer acquires the right to use the machine without restrictions, and when such machine is lawfully made and unconditionally sold, no restriction will be implied in favor of the patentee. By such unconditional sale the machine passes without the limits of the monopoly."

For this proposition the Court cites:

Adams vs. Burke, 17 Wall 453.

Mitchell vs. Hawley, 16 Wall 544.

The Court says: "By such unconditional sale the machine passes without the limits of the monopoly," impliedly asserting that if the machine is "conditionally" sold it does **not** pass without the limits of the monopoly. But neither of the cases cited support the proposition. In Mitchell vs Hawley, the sale was not made by the owner of the

patent, but by a licensee whose license expressly forbade him to "in any way or form to dispose of or sell or grant any license to use, the said machine beyond the third day of May,1867." Of course the vendor could only sell in virtue of that license; he could sell no more than his license permitted and the purchaser could get no more than he could transfer.

Now all that the Supreme Court decided in that case was that a purchaser from the licensee to sell did not acquire a right to use the machine beyond the third day of May, 1867. Why? Because he purchased from one who had only a limited power to sell, who did not own the right to exclude. Since the purchaser was buying from a licensee to sell, he was bound to know terms of the license and necessarily, he could gain no greater right than the licensee could sell. The licensee, by the unmistakable limitation of his permission, could not sell a machine to be used beyond May, 1867.

The machine here did not rightfully pass from the patentee, at all: it passed from a mere licensee under a license limiting the extent of the right to the use which he could grant.

But in this very decision the Court was most careful to point out the distinction between a licensee and an assignee on the one hand, and a purchaser of a specimen of the invention from the patentee or a licensee with an unrestricted power to sell.

In Adams vs. Burke (1873) 17 Wall 453, Mr. Justice Miller (who wrote the powerful opinion in the case of In re Brosnahan supra, p. 11) dealt with the rule and the exception now being considered He said: "In the essential nature of things, when the patentee, or the person having his rights (viz to exclude others from making, using and selling) sells a machine or instrument whose sole value is in its use, he receives the consideration for its use and he parts with the right to restrict that use. The article, in the language of the (this) Court, passes without the limit of the monopoly (right to exclude). That is to say, the patentee or his assignee having in the act of sale re-

ceived all the royalty or consideration which he claims for the use of his invention in that particular machine or instrument, it is open to the use of the purchaser without further restriction on account of the monopoly (right to exclude) of the patentees." Notice those last words: "on account of the monopoly of the patentees".

In other words, the sale and transfer of the physical thing and receiving the purchase price therefor is what operates to take the instrument out of the monopoly. When the patentee has received the purchase price, then no further restriction can be imposed "on account of the monopoly of the patentee". Observe that the Court does not say that the vendor in such case is powerless to impose any further restriction in the exercise of some other right. But it does say that the patentee's power to impose restrictions "on account of the monopoly of the patentee" is ended when he sells the instrument. Of course, the patentee, like any other vendor, can sell an article, a machine or a horse, and by a common law contract with the vendee restrict the right of the latter to use the thing sold. But in either case, whether the vendor is selling a patented or an unpatented article, the restriction is a common law contract and has nothing whatever to do with the patent law. Why does Mr. Justice Miller begin the above quoted statement with "in the essential nature of things". Because the Court had said, in Bloomer vs. McQuewan: "In using it (the machine purchased from the patentee), he (the purchaser) exercises no rights created by the Act of Congress, nor does he derive title to it by virtue of the franchise or exclusive privilege granted to the patentee." This statement is repeated in Chaffee vs. Boston Belting Co., in Bloomer vs. Millinger, in Mitchell vs. Hawley, and in all later cases. And, of course, if the purchaser by using the instrument does not exercise a patent right and does not derive title by virtue of the patent franchise, it follows as a necessary and unescapable corrollary that the patentee does not transfer title by virtue of the patent franchise. The derivation of title, the transfer of title and the holding of title by the pur-

chaser is not in any way connected with or dependent on the patent And since the right of the purchaser to use the thing purchased is not derived from the patent franchise, a restriction on the right to use is not imposed in the exercise of the patent right.

The condition imposed originates from the same source as the title. The condition is imposed by the vendor as a burden on the title.

The title is derived from the "natural right" of the patentee to sell the results of his labor: the restriction is derived from the "natural right" of the patentee to say on what terms he will sell the results of his labor. Just as the owner of a horse can sell the horse on condition that the purchaser buy from the vendor all feed for the horse. But in the sale by the patentee, when the restriction is broken, it is only the "natural right" or common law right of the patentee that is invaded. There has been a breach of a common law contract, and that is all. The vendor parted with no right under the patent, the purchaser got no such right and when the purchaser breaks the terms of the contract by which he purchased he does not thereby invade any right of the vendor under the patent law.

This is not a matter of conjecture. In the case of Keeler vs. Folding Bed Co. (1894) 157 U. S. 655, the Court said: "One who buys patented articles of manufacture from one authorized to sell them becomes possessed of an absolute property in such articles, unrestricted in time or place. Whether a patentee may protect himself and his assignees by special contracts brought home to the purchasers is not a question before us, and upon which we express no opinion. **It is, however, obvious that such a question would arise as a question of contract, and not as one under the inherent meaning and effect of the patent laws.** The conclusion reached does not deprive a patentee of his just rights, because no article can be unfettered from the claim of his monopoly without paying its tribute." This opinion was published in 1894. The Court seemed to have had a prophetic insight into what was coming two years later, for it adds warningly: "The inconven-

ience and annoyance to the public that an opposite conclusion would occasion are too obvious to require illustration." A vivid and terrible illustration has been offered us frequently since 1894.

In addition to this there is a latent ambiguity in the terms "unconditionally" and "conditionally sold" as applied to personal property. A conditional sale or sale upon condition means that the ownership of the chattel does not pass until the purchaser has paid the purchase money. But if the price is agreed upon and paid over and the transfer is made, the purchaser gets all the property in that specific thing that the seller had. The title passes and the purchaser becomes the owner. The purchaser may at the same time enter into a contract that he will use the thing bought only in a certain way, but that does not make the sale "conditional".

But we must get back to the text and see to what use this perverted notion of the patent law will lead to. The next sentence is: "The buyer of the machine undoubtedly obtains the title to the materials embodying the invention subject to a reverter in case of violation of the conditions of the sale." But the plaintiff here did not claim there had been a reverter of title; he did not even sue the holder of the title to have a condition of reverter enforced.

If there had been an adjudication of a forfeiture of the title, then the plaintiff could have maintained a replevin suit for possession of the machine and that would have ended the matter. But the plaintiff left the title undisturbed in the purchaser and sued a total stranger to the title. The confusion here evinced now approaches a climax. "But as to the right to use the invention, he is obviously a mere licensee, having no interest in the monopoly granted by the letters patent." No more remarkable words were ever written in law book than those.

The purchaser of a patented machine, who has paid for it, who owns it, pays taxes on it, keeps it insured, in whose hands it is subject to be levied on and sold under execution by a judgment creditor, at whose death it passes to the administrator:—such a purchaser as

to the use of the machine is a mere licensee! And why is this? The answer appears to be, "having no interest in the monopoly granted by the letters patent." Certainly the purchaser of the machine has no interest in the right to exclude granted by the letters patent. He cares nothing about an interest in the patent; he does not want to exclude others. He wants a machine to use, that is all. When the purchaser buys a machine he not only gets no interest in the patent, but in owning and using the machine he enjoys no right created or protected by the patent laws. We have quoted the Supreme Court on this so many times, that it is becoming stale. Because the purchaser has no interest in the patent it does not follow that he is a licensee. Having no interest in the patent, is a characterization that applies to a licensee to use and also to a purchaser of the patented machine from the patentee. But this negative characterization throws no light whatever on the origin or extent of the right to use in the respective instances. We might as well argue that the animate object on the front porch is obviously a man, "having only two legs," but it may be instead a bird, for it, too, has only two legs. The licensee to use and the purchaser of the patented machine, each has a right to use the thing possessed, but the right to use in the two instances is as distinct in nature and scope as can possibly be imagined.

The licensee to use derives his right from a mere permission of the patentee to use something that belongs to the patentee. The purchaser's right to use is an incident to the ownership of personal property. He can use the machine because it is his, just as a boy can use a pocket-knife that he has bought. Ownership of personal property means nothing but title and the right to use it. Here the patentee transferred the title and ownership to the purchaser, and the latter got such title and ownership with an incident, namely the right to use. This is the very point the Supreme Court has been laboring so hard to point out in all the cases where there has been an extension of the patent and an attempt has been made to sue a purchaser of a ma-

chine from the owner of the patent for the original term, as an infringer, for using the machine during the extension.

The purchaser is not in any manner affected by such extension, whereas the licensee's right to use is ended with the original term and cannot be exercised during the extension unless the license provides for the extension. The error still persists. "A license operates only as a waiver of the monopoly (right to exclude) as to the licensee." True, "It has been said that the sole matter conveyed in a license is a right not to be sued." This is correctly said. "A licensee is one who is not the owner of an interest in the patent, but, who has, by contract, acquired a right to make or use or sell machines embodying the invention."

Right again, but the converse of this namely that one who has acquired a right to use a machine is a licensee, is not by any means necessarily true. A purchaser has acquired a right to use the machine, but he is not a licensee. His right is to use his own machine which he has bought and paid for. "All alienations of a mere right to use the invention operate only as licenses." This is inexorably true. But by the same token all alienations of a chattel, a sewing machine or a button fastener, operate as sales of personal property and the alienee as an incident of ownership of personal property has the right to use and enjoy it.

Here we reach the climax of this utterly untenable process of reasoning. "It must follow, therefore (i. e. since the purchaser is a mere licensee to use), that the purchaser of one of complainant's machines subject to a restricted use takes the structure with a license to use the invention only with staples made by the patentee." So it appears very fully that the whole strength and weakness of this opinion hinges upon attributing to a licensee to use, and a vendee of the machine under a restrictive contract as to its use, the same rights and liabilities.

Again we will try to make the obvious difference so obvious that not even a plain man can easily forget it. In the case of Thomas vs.

Sorrell, 3 Vaughan 351, counsel argued for several days concerning the nature of a license and in delivering the opinion of the Court of Common Pleas, Chief Justice Vaughan said: "A dispensation or license properly passeth no interest, nor alters or transfers property in anything, but only makes an action lawful, which without it had been unlawful. As a license to go beyond the seas, to hunt in a man's park, to come into his house, are only actions, which without license, had been unlawful."

This definition cannot be improved upon and we quote it because the Courts have lost the power to write such English. By the fundamental mental law of contradiction a thing cannot both be and not be.

If a license passeth no interest, nor alters or transfers property in any thing, it cannot be the same as a sale which alters and passes all the interest and transfers all the property in the thing sold. If a licensee to use has no interest or property in the thing used, he cannot be in the same position as a purchaser who has all the interest and all the property in the thing purchased. But this is not all; a license to use a machine and a sale of the machine as legal acts are mutually contradictory and destructive of each other. A man cannot license the use of a machine, and as an incident of the license sell the machine to the licensee. Conversely he cannot sell the machine and as an incident license the use thereof.

A license means that the licensor has reserved all interest and property in the machine and has only limitedly liberated the use. He may hedge about the permission to use with various conditions and in such case we speak of the restrictive terms of the license. But a sale of the machine transfers all the interest and property in the machine to the purchaser and as an incident of ownership in personal property the owner has an inalienable right unrestrictedly to use that machine. To speak of a vendor granting to a vendee a license to use what the latter has bought, paid for and owns is to go to the extreme

boundary of absurdity and there abandon common sense for a meaningless jargon of contradictory words.

This wonderful metal plate attached to the Heaton machine, which has caused such havoc in the law when reduced to its lowest terms, means this: "This machine is sold under a common law contract of sale whereby the purchaser agrees not to use the machine except in conjunction with unpatented staples purchased from the vendor, and upon breach of this contract, title to the machine shall immediately revert to the vendor." When the purchaser used staples obtained from another than the vendor he broke a common law contract, but that was all.

He did not exceed a "license" to use, because there was no "license". The purchaser contracted not to use his own property in a certain way, now he has used it in a different way, in so doing he has violated his contract, but he has not invaded any right granted by the patent law. Of course, if the vendor wants to stop the vendee from using the machine, the only way to do it is to enforce the condition of reverter and then replevin the machine. For, after title has in fact reverted to the vendor the vendee no longer owns the machine and the seller is entitled to recover possession. But until the reverter has been enforced, the owner of the machine of course can use it even though in so doing he violates his contract (not exceeds or abuses a "license"). The case of the licensee to use is entirely distinct and different.

When he (a licensee) exceeds or abuses his license and the patentee legally withdraws the permission he has given, then, the further use of the machine is an infringement because the consent of the patentee has been withdrawn. But mark well that the licensee does not own the machine; nor any interest in it; the property and interest belongs to the patentee. When the patentee's consent to use his (the patentee's) machine is legally withdrawn, then the licensee is no longer a licensee; he is using the thing invented without the consent of the

patentee and that is infringement within the very letter of the statute. Observe that we have said all along that the license must be "legally" withdrawn. The patentee cannot convert a licensee into an infringer by hurling epithets. This was attempted in the case of Wilson vs. Sanford, but failed. In the case of the purchaser there is no "license" to be forfeited or withdrawn.

The patentee by the sale of the machine, as was said in Adams vs. Burke, "receives the consideration for its use and parts with the right to restrict that use." The Court says this is "in the essential nature of things." It is quite true that as a part of the contract of sale the patentee may exact of the purchaser an agreement that the latter will only use the machine in a certain way. But this is not a "license" and is the antithesis of a license. A license always creates a new right in the licensee and cuts down the right of the licensor. But the restriction in the Heaton case not only did not create a new right in the purchaser, but took away the right to an unrestricted use which transfer of title gave him.

At the middle of page 291, the Court says: "The license defines the boundaries of a lawful use, and estops the licensor from the assertion of his monopoly contrary to its terms."

That is undoubtedly a correct statement, but apply it to the facts of his case and the havoc of confusing a license to use with a sale of the machine becomes glaring. A license, then, "defines the boundaries of a lawful use and estops the licensor from the assertion of his monopoly contrary to its terms." All right. Suppose the vendor had removed the plate on the machines involved in this case. Then, there would have been no definition of a lawful use, and no terms to contradict which, the patentee would be estopped. The purchaser pays for the machine, gets a bill of sale for it, sets it up in his shop. No license has been granted, no lawful use has been defined, no estoppel has been placed on the patentee. The next day the purchaser starts to use his machine and at once the vendor sues him for infringement!

We cannot hark back in such case to the fiction of an implied license. We might as well speak of an implied license in favor of the purchaser of a cigar that he may smoke the same. All the cases cited by the Court on this point are cases of genuine licenses and not of sales of the thing invented.

These cases require no further consideration. But before we quit this feature of the case we must note the use made of the decision in the famous cotton tie case (1882) 106 U. S. 89. The Court here cites that decision as authority for the proposition that the jobbers buying and selling the Heaton machine have notice of the restriction expressed by the language on the metal plate and are bound thereby. There the cotton bale ties were sold, each bearing the words, stamped in the metal: "Licensed to use only once." No case in all the books has been more consistently misunderstood and misconstrued than this.

The words "licensed to use only once" inscribed upon the tie had not the slightest thing in the world to do with the rights of the parties in the suit. The defendants were held liable as infringers in that case not because they violated a "license to use only once," but because they reconstructed and remade the invention after it had been destroyed. The Supreme Court was exceedingly careful on this point. At pp. 93-94 the Court said: "Whatever right the defendants could acquire to the use of the old buckle, they acquired no right to combine it with a substantially new band, to make a cotton bale tie. What the defendants did in piecing together the pieces of the old band **was not a repair of the band or tie, in any proper sense.** The band was voluntarily severed by the consumer at the cotton mill because the tie had performed its function of confining the bale of cotton in its transit from the plantation or the press to the mill. **Its capacity for use as a tie was voluntarily destroyed. As it left the bale it could not be used again as a tie. As a tie the defendants reconstructed it,** although they used the old buckle without repairing that." (Black throughout ours.) Here in seven sentences, the Court seven times re-

iterates the assertion that the defendant's liability as infringers was posited on the fact that they **made** the invention without the patentee's consent. The Court returns to the matter again on p. 95, and, apparently to further guard against a misunderstanding as to the scope of the decision says: "Because the defendants **prepare** (black ours) and sell the arrow tie, composed of the buckle or link and band, intending to have it used to bale cotton and to produce the results set forth in the patents, they infringe those patents (citing two decisions where the defendants **made** the thing invented). We do not decide that they are liable as infringers of the patents merely because they have sold the buckle considered apart from the band or from the entire structure as a tie." In other words, so long as the defendants did not reconstruct the tie, or make the thing invented (which was a combination) they could use the buckle a thousand times.

This view of the decision has been graphically re-asserted by the Supreme Court. Thus in the Morgan Envelope Co. case 152 U. S. at 434, Mr. Justice Brown, in commenting on the cotton tie case, said: "It is evident that the use of the tie was intended to be as complete a destruction of it as would be the explosion of a patented torpedo. In either case, the repair of the band or the filling of the shell would be a practical reconstruction of the device." Indeed to use either the tie or the torpedo more than once was as physically impossible as eating an apple twice. And in the Cotton Tie case, the patentee by inscribing the words "Licensed to use only once" on his tie, played the part of one who would label a bottle of mineral water (patented), "Licensed to be drunk only once".

But in the Heaton case and many of the decisions following it, the cotton tie case is cited as authority for the proposition that a patentee can sell his patented article and at the same time restrict its use by a "license". What is the use for the Supreme Court to bend such huge labors on precision and accuracy?

## RIGHT OF NON USE.

We have not by any means attended to all the phases of the opinion confusing a license to use, with a sale of the machine, but we must pass to other aspects of the opinion. The next in order is the glowing passage on p. 294-295 concerning the right of non use. The paragraph beginning "If he (the patentee) see fit, he may reserve to himself the exclusive use of his invention or discovery. If he will neither use his device or permit others to do so, he has but suppressed his own"—is too familiar to call for quotation. We would not stop to examine it but for the fact that the paragraph has been widely quoted as though it set forth a peculiar characteristic of property in patented articles. The Supreme Court has quoted the passage, but as we shall show, with a knowing eye as to its real significance. If the paragraph has any valid meaning, it is that, in respect to the characteristics mentioned, patented articles differ from other property. If all the assertions apply with equal force to all sorts of personal property then we have a facile truism universally valid, erected into an emphatic exception. It is meaningless to affirm with unusual emphasis the existence of one quality in patented personal property unless we are prepared to deny the same quality to other personal property. Truth is forceful by contrast and relativity. The assertion that all horses have four feet is an incontestable common place, because a horse is never thought of without positing the existence of four feet. But to say that a patentee may use or not use his device as he sees fit is not to assert anything peculiar to the rights of a patentee. The owner of a horse may use the horse or not as he sees fit. So likewise of the owner of land, ships, money, merchandise or any sort of private property.

Self-interest of the owner is the only security that the public has retained that any kind of private property will be put to use.

This is very ancient law. Thus in the great case of Charles River Bridge vs. Warren Bridge (1837) 11 Peters at 639, Mr. Justice Story

said: "As long ago as in the case in the year book, 22 Hen. VI 14, the difference was pointed out in argument, between such grants as involve public duties and public matters for the common benefit of the people, and such as are for the mere private benefit, involving no such consideration.

If a bank, or insurance company is established in any town, by any act of incorporation; no one ever imagined that the corporation was bound to do business, to employ its capital, to manufacture goods, to make insurance. The privilege is a mere private corporate privilege, for the benefit of the stockholders, to be used or not at their own pleasure; to operate when they please and to stop when they please. Did any man ever imagine that he had a right to have a note discounted by a bank, or a policy underwritten by an insurance company? Such grants are always **privati juris.** No indictment lies for non user." (Black in the text.)

In his Constitutional Limitations (6th Ed.) p. 549, Judge Cooley says: "The right of every man to do what he will with his own, not interfering with the reciprocal rights of others, is accepted among the fundamentals of our law. The instances of attempts to interfere with it have not been numerous since the early Colonial days." Indeed we have searched in vain for a single instance in addition to the one referred to in the text, but that authority is altogether worthy of note. The legislature of Kentucky enacted a statute requiring the owners of swamp lands to make certain improvements within a stated time, on penalty of forfeiture of title for failure to do so. This statute was brought before the Court of Appeals in the case of Gaines vs. Buford (1833) 1 Dana (Ky. Appeals) 481 at p. 489, Underwood, J., said: "I am unwilling, however, to concede, that the Legislature can, under the pretext of promoting the interest of the state, control and direct the citizen in the use he shall make of his private property. I subscribe to the maxim **sic utere tuo, ut alienum non laedas**; and I admit the power to punish for an injury done to individuals or the public.

But I deny that the legislature can constitutionally prescribe, under color of preventing public or private mischief, the quantity of labor the citizen shall perform on his farm, the kinds of improvement he shall make, and the time within which they must be constructed. The toleration of such power on the part of the government would be conceding to it the right of controlling every man and directing what road he shall travel in the 'pursuit of happiness.' Thus the freedom of the citizen would be lost in the despotic will of the government and under the semblance of liberty, we should have the essence of tyranny."

Again, p. 491: "If the power to forfeit lands for non-improvement exists, it would only require an act prescribing irksome or impossible conditions, to strip the citizen of all his property. In regard to the power, there is no difference between real and personal estate. In the nature of things, there is as much propriety, it seems to me, in forfeiting a horse to a government, because his proprietor does not curry and rub him well, or break him to labor gently in the gear, as there is in forfeiting land because the owner does not choose to clear and cultivate a part and deaden the trees growing on another part.

"Such interferences on the part of the government with the private affairs of individuals would ever be a source of discontent, if they were expressly tolerated by the constitution.

"The members of the convention, anxious to place the enjoyment of life, liberty and property upon secure foundations, cannot well be imagined to have left all property subject to the absolute and arbitrary control of the legislature."

The Supreme Court in the Paper Bag Patent Case (1907) 210 U. S. at 425 quoted the paragraph, but not in the loose sense it is usually employed. For at page 429 the Court said: "As to the suggestion that competitors were excluded from the use of the new patent, we answer that such exclusion may be said to have been of the very essence of the right conferred by the patent, as it is the privilege of any

**owner of property to use or not use it without question of motive."** (Black ours.)

Finally Judge Lurton in the case of Park vs. Hartman, cited infra. in commenting on the rights of an owner of a secret formula for compounding a proprietary medicine said (1.c.33): "To say that the owner of this secret need not make the medicine, nor sell it when made unless it suits his convenience, is true. **But the same thing may be said of the man who grows potatoes. He need not grow them and need not sell them when grown."** (Black ours.)

In the same connection he quotes, apparently with approval, from the opinion of the trial court the following language: "It is true that the manufacturer and owner of the articles made under the secret process may refrain from making them and selling them to purchasers and thus putting them on the market. Equally so the manufacturer and owner of any other articles may refrain from so doing. So, also, the owner of articles that he has not made, but purchased or obtained otherwise from the manufacturer may refrain from selling them to purchasers and thus putting them on the market."

All this has nothing whatever to do with suppressing property, or the use of it, in keeping with a contract and pursuant to a combination or conspiracy in restraint of trade. That sort of thing in connection with patented property is dealt with in masterly fashion in the case of Blount Mfg. Co. vs. Yale and Towne Mfg. Co. (1909) 166. Fed. 555.

In this Heaton case we have never been able to see the relevancy of the passage in question. There was nothing like non use involved. On the contrary, the owner of the patent had made and sold 49,000 of the machines and was putting the device to the most extensive use possible.

**The Heaton case compared with John D. Park and Sons vs. Hartman (1907 C. C. A. 6th Cir.) 153 Fed. 24.** This Hartman case was decided by the Court that disposed of the Heaton case, and the opinions in both cases were prepared by Judge Lurton. It is both interesting

and instructive to compare the course of reasoning in these two decisions. Hartman was the owner of a secret formula for compounding a "patent medicine" which was widely sold under the trade name of "Peruna." No patent, trademark, or copyright was involved. Hartman was the sole maker and vendor of "Peruna" by virtue of the fact that he alone knew the secret of its preparation. He had built up a system of contracts pursuant to the terms of which the stuff was sold to wholesale druggists. The contracts provided that the wholesaler should not sell to any retailer except under an agreement binding the latter to maintain a uniform arbitrary resale price established by Hartman. The latter had drawn up a list of retailers, parting them off as sheep and goats, according to whether they maintained or cut prices. The defendants, Park and Sons, were clearly goats according to Hartman's classification, as they were "demoralizing" price cutters. Hartman sued Park and Sons, by bill in equity, to enjoin price-cutting and for damages. The bill failed and woefully so. Hartman and his counsel will long remember what is written in 153 Federal Reporter, pp. 25-46.

Let us carefully compare these two cases. In both instances the vendor of personal property, chattels, asserted the right to sell the same and at the same time control the future enjoyment of the property in the hands of the purchaser. The method adopted was substantially the same. Hartman employed a system of express contracts, knowledge of which he charged to the defendant.

In the Heaton case the vendor made use of a notice attached to the machine, knowledge of which was shown to exist in the defendant. Hartman relied on a breach of an express contract, the duty to observe which he devolved by implication from the law protecting his trade secret. In the Heaton case the vendor relied on a contract implied in fact from circumstances, the duty to observe which was posited on the patent laws. Hartman made out a much stronger case from the viewpoint of contract law than was proven in the Heaton

case. The only difference between the cases is this: Hartman's article was not patented and the restriction sought to be imposed affected the resale of the article; the Heaton machine was patented and the restraint imposed pertained to the purchaser's right to use the machine. Of course no importance can be attached to the fact that in one case the restraint affected the purchaser's right to sell and in the other, his right to use. The essential feature in each instance is that the vendor attempted, **by contract,** to restrict the rights of the vendee in personal property which the latter had bought and paid for. In the Hartman case the contracts were denounced as being restraints of trade; in the Heaton case, the contracts, although reticulated into a vast system, radiating in every direction to the owners of 49,000 of the machines, were upheld. This wide difference in result, as the opinion of the court incontestably indicates, is explicable solely on the ground that the Heaton machine was patented and the "Peruna" was not. But the powerful reasoning in the Hartman case completely demolishes the spurious doctrine in the Heaton case. That this is true is easily demonstrated.

The whole fallacy underlying the Heaton case is expressed in one sentence of the opinion in the Hartman case: "The patent grants an exclusive right to use, to make and to sell." That is not true, never has been true and never can be true until our whole system of laws is changed and until the decisions of the Supreme Court beginning with Bloomer vs. McQuewan in 1852, and running in an unbroken succession through Continental Paper Bag Co. vs. Eastern Paper Bag Co. in 1908, are abrogated.

In the Heaton case the vendor derived his right to make, use and sell from the same source that Hartman derived the same rights with respect to "Peruna." In both instances the rights are what Mr. Justice Miller called "natural rights", protected only by the common law. The vendor of the Heaton machine got no right whatever to make, use or sell the same from the patent grant. His right to sell and state

the terms of sale did not differ in any respect from the same right in Hartman. By the patent grant the plaintiff in the Heaton case had the right to exclude others from using the machine. Hartman had identically the same right and advantage derived from a different source. No one else could make and sell "Peruna" because no one else knew the secret of its preparation. And Hartman's right to his secret, to this power of excluding others, was a property right, recognized as such by the court. No power in the land could compel him to render his secret available to others. Moreover, the Court pointed out that Hartman could invoke the might of a court of equity to restrain any one from publishing the secret in breach of confidence. Thus Hartman's secret formula was efficient to exclude and could be availed of by others only as the result of independent discovery. But in neither case was the right to exclude others, the subject of contest. Hartman was exercising his natural right in making and selling "Peruna"; the patent owner was exercising his natural right in making and selling 49,000 machines. Making and selling machines is not excluding others from making, using and selling them. Selling them to others for use, is the very opposite; it is permitting others to use their property after they have purchased it.

This is clearly brought out in the Hartman case. At page 32, Judge Lurton said: "We have here to deal, not with contracts which relate to the secret formula itself, or the right to use the trade name or dress, but with the preparation when made by the owners of the process. The preparation, when ready for market, and the formula, are two separate and distinct things and may have distinct ownerships. Contracts in respect of a restricted use of the formula are not within the rule against restraint because of the character of the property right in such secret. But this is not the case with contracts which affect only traffic in the manufactured product of the secret formula. Freedom of traffic in that is consistent with its value and does not involve exposure of the formula."

Exactly so. And every proposition there laid down applies with equal force to the Heaton case. There the Court had not to deal with contracts relating to the patent right, the right to exclude, but with the machines when made by the owner of the patent. The machine (like the preparation) when ready for the market, and the patent right to exclude (like the formula), are two separate and distinct things and may have distinct ownerships. Contracts in respect of a restricted use of the right to exclude (if such a thing be conceivable), are not within the rule against restraint because of the character of the property right in such right to exclude, but this is not the case with contracts which effect only traffic in the manufactured article. Freedom of traffic in that, is consistent with the value of the right to exclude and does not involve any curtailment of that right.

This language of the Court as applied to the distinction between the property right in the secret formula and in the manufactured medicine, has been paralleled time and again by the Supreme Court in dealing with the patent right and patented articles. Thus in Patterson vs. Kentucky, the Court said: "The right of property in the physical substance, which is the fruit of the discovery, is altogether distinct from the right in the discovery itself. Just as the property in the instruments or plate by which copies of a map are multiplied, is distinct from the copyright of the map itself." In the same case the Kentucky Court of Appeals had said: "There is a manifest distinction between the right of property in the patent which carries with it the power of the patentee to assign it and the right to sell the property resulting from the invention or patent." In Stevens vs. Gladding, (1854) 17 How. 477, the Court said of the copyright: "The right in question is not parcel of the plate levied on, nor a right merely appendant or appurtenant thereto; but a distinct and independent property, subsisting in grant from the government of the United States, not annexed to any other thing, either by the act of the owner or by operation of law." Still earlier in Bloomer vs. Mc-

Quewan, Chief Justice Taney used simliar language in reference to the purchaser of a patented machine: "In using it, he exercises no rights created by the Act of Congress, nor does he derive title to it by virtue of the franchise or exclusive privilege granted by the patent." Thus it is obvious that the Supreme Court has always recognized the fact that a patented article is entirely distinct from the incorporeal patent right to exclude others. This is true of the copyright and the printed subject matter of the right. It is also true of the secret formula and the nostrum prepared therefrom, as the Court pointed out in the Hartman case.

The right of contract, of sale, in Hartman, was precisely the same in the vendor of the Heaton machine. The respective rights had the same origin, are protected by the same law and subject to the same limitations. The vendor of the Heaton machine was not vested by the patent laws with any right to sell and to contract in that regard, and as Mr. Justice Miller said, would have had the right if all patent laws had been repealed. Had Hartman obtained a patent on his secret formula, still his right to sell the medicine and contract with reference to such sale would have remained just what the Court found it to be.

The trial court firmly grasped and lucidly expressed, the exact identity in the right of contract and of sale in the patent owner and in Hartman. The Court said: (145 Fed., at 372) "Then, as to the right to put in force such a system of contracts in relation to things patented or copyrighted with such effect as it has, that does not grow out of the exclusive right which the statutes confer, and the owner of the patent or copyright does not have such right by virtue at all of said statutes. The right to sell the things patented or copyrighted, the right to license others to sell them, and the right to enter into contract with the vendee and subvendee that they shall not exceed the license, are solely creatures of the common law and they arise therefrom alone." That is established beyond dispute. The trial court

logically conceded to Hartman the same common law right which the vendor of the Heaton machine had. And the Court wisely concluded that if these common law rights could be put to such striking use in the circumstances of the Heaton case, there could be no valid reason for denying the same privilege to Hartman who had occupied and addressed the Court from the same vantage ground. But the Court of Appeals turned right about and completely upset the rules of law announced in the Heaton case, although the issues in both cases were entirely of common law cognizance and were completely assimilated as the Trial Court convincingly indicated. Let us compare the two opinions of the Court of Appeals on points common to both cases and in respect to common law principles. These shall be (1) the right of non use, (2) the effect of a sale of a chattel, (3) and contract implied from a notice.

| HEATON CASE. | HARTMAN CASE. |
|---|---|
| "If he (the patentee) see fit, he may reserve to himself the exclusive use of his invention or discovery. If he will neither use his device nor permit others to use, he has but suppressed his own. * * * His title is exclusive and so clearly within the constitutional provisions in respect of private property that he is neither bound to use his discovery himself nor permit others to use it." | "To say that the owner of this secret need not make the medicine, nor sell it when made, unless it suits his convenience is true. But the same thing may be said of the man who grows potatoes. He need not grow them and need not sell them when grown." |

Why is it that the right of non use is so strongly emphasized as being of decisive importance in one instance and in the other is degraded by an invidious assimilation to the commonplace prerogative of a potato raiser?

Now observe the vast difference between the effect of an ordinary sale when it involves a patented machine in one instance, and in the other a proprietary medicine, although the patent laws have no more to do with sales of chattels than do the laws of Solon or Lycurgus.

### HEATON CASE.

"The buyer of the machine undoubtedly obtains the title to the materials embodying the invention (we suppose this means the machine) subject to a reverter in case of violation of the conditions of sale. But as to the right to use the invention (machine?) he is obviously a merely licensee, having no interest in the monopoly by the letters patent."

### HARTMAN CASE.

"'Sale' is a word of precise legal import, and every wholesaler who orders goods under one of complainant's uniform contracts, becomes a buyer, obtains the title and may convey the title to another. The transactions described in the bill plainly constitute sales of complainant's medicines and the general title passes to every purchaser and sub-purchaser."

How can this difference be justified? What did the purchaser of the Heaton machine get? Were his worldly goods increased or not when possession of the "materials embodying the invention" was delivered to him consequent to his payment of the purchase price? What is meant by "his right to use the invention?" The Court says he got the title to the machine, but as to the "invention" was a mere licensee. And this seems to be because the purchaser got "no interest in the monopoly granted by the letters patent." But let us look at Park and Sons. Undoubtedly they obtained title to the nostrum embodying the secret formula. Then why not "subject to a reverter in case of violation of the conditions of sale?" They obtained no interest in the monopoly of the secret formula. Then why was not their right to resell obviously that of licensees? If in the instance of Hartman's medicine "the general title passes to every purchaser and sub-purchaser," why is not the same true of the Heaton machine? "Sale" is a word of precise legal import, whether used in reference to a patented article or a bushel of potatoes.

In the Hartman case, the Court said: "The right of alienation is one of the essential incidents of a right of general property in movables." Is not the right of use in the same category? The manner in which the Court deals with the question of contract implied from notice is most puzzling of all. This is what is said in the two opinions:

### HEATON CASE.

That the complainant sells the machine through jobbers, and not directly to those who buy for use, is immaterial, under the facts stated on the face of the bill. The jobber buys and sells subject to the restriction, and both have notice of the conditional character of the sale and of the restriction on the use.

### HARTMAN CASE.

That Park and Sons Company knew complainant's plans of business, and that in selling to them, every such vendor thereby breached his agreement, is also charged, and for the purpose of the demurrer, admitted. What is the result? Did the defendants by so purchasing, with knowledge of the restrictions imposed upon sales thereby enter into contractual relations with complainant? Manifestly not. Did they obtain the absolute title, notwithstanding their knowledge that the sale was in breach of restrictions imposed upon the seller? Undoubtedly. The restrictions imposed by complainant upon sales and resales, if valid at all, are only so because they constitute personal contracts upon which an action will lie only against the contracting party.

But this is not all. The Court in the Hartman case went further and said: "It is also a general rule of the common law that a contract restricting the **use** (black ours) or controlling subsales cannot be annexed to a chattel so as to follow the article and obligate the subpurchaser by operation of notice." It seems almost a waste of time to criticize the decision in the Heaton case when the Court that promulgated the opinion has so successfully accomplished the demolition of the doctrine there announced. It is clear from contrasting the opinions in the two cases that in the Heaton case the Court started in with the initial false postulate that the patent grants the right to make, use and sell. When this fallacy was once gratuitously accepted the law of sales, of contracts, and the anti-trust Act were all twisted and wrenched about to fit in with the erroneous preconception.

The opinion in the Heaton case contains one far-reaching concession. The Court said, page 293: "Neither the patentee nor the machine involving his invention, nor a licensee for use, can be exempted from the **liabilities** and **regulations** which **in the public interest, attach to all persons and property under the general law of the**

land. Neither is the right to make and sell or use a patented invention or process free from restraints imposed by the police powers of the States." (black ours.)

Well, the anti-trust Acts of the various states notoriously are "restraints imposed by the police powers." They are regulations "in the public interest" which "attach to all persons and property under the general law of the land." That no longer can be doubted.

Smiley vs. Kansas (1904) 196 U. S. 447;
National Cotton Oil Co. vs. Texas (1904) 197 U. S. 115;
Waters-Pierce Oil Co. vs. Texas (1908) 212 U. S. 86;
Grenada Lumber Co. vs. Mississippi (1910) 30 Sup. Ct. Rep. 535.

## CONTRIBUTORY INFRINGEMENT.

Finally we come to the question of contributory infringement. As to this, the Court said: "The principle governing intringement of combination patents by furnishing a necessary element in the combination is applicable to the case at bar. To make or sell a single element may be quite an innocent act, for a combination is not infringed except by uniting all of the necessary elements. But to make or sell a single element with the intent that it shall be united to the other elements and so complete the combination is infringement." Now the Court said in the opening sentence of the opinion, that the staples were "not even an element in a combination claim". "They are, therefore, no more within the direct monopoly of the patent than are the buttons to be affixed by means of the staples, or the shoes to which both are to be attached."

Then in the name of reason and common sense, why apply to the case a principle that is only applicable where the defendant has made or sold an element with the intent that it shall be united to the other elements, and so complete the combination? Here what the defendants

made and sold was no element of the invention as the Court asserted in the first two sentences. The patented mechanism was complete without the staples. In the language of the opinion, staples had no more to do with the patented machine than the buttons or shoes, in part completed by using the machine.

Nine decisions are cited to support the contention, every one of which is directly opposed to it, and taken together they entirely wipe out the reasoning here indulged. We will consider these cases.

Saxe vs. Hammond (1871), Fed. Cas. No. 17,100. In this case, the patent was for a combination consisting of an oil burner and a glass chimney, comprising together a kerosene lamp. The defendants made and sold the burner alone, and did not make or sell the chimney.

The defendants were sued for infringing the patent and they contended they were not liable as they made and sold only burners, but not chimneys. The Court answered this with the passage quoted in this case. "Different parties may all infringe by respectively making or selling each of them, one of the elements of a patented combination, provided those separate elements are made for the purpose and with the intent **of their being combined by a party having no right to combine them.**" (Black ours.)

The Court then quotes the vital part of the opinion, but only to misapply it.

"If, in actual concert with a third party, with a view to the **actual production of the patented improvement in lamps** (black ours), and the sale and use thereof, they (the defendants) consented to manufacture the burner, and such other party to make the chimney, **and in such concert, they actually make and sell the burner, and the chimney** (black ours); each utterly useless without the other, and each intended to be used, and actually sold to be used, with the other, it cannot be doubtful that they must be deemed to be joint infringers of complainants' patent. In such case, all are tort feasors engaged in

a common purpose to infringe the patent, and actually, by their concerted action, producing that result."

Now the Court held in this case that the chimney was, an element and that the patent was for a combination of the burner and chimney; when the defendants made and sold the burners and the purchasers supplied the chimneys, the two acting concertedly and co-operating, made, and sold the thing invented: they re-created the invention, re-thought the inventor's thought and externalized it in tangible form, without his consent. But in the Heaton case, the staples were not an element of any combination. We suppose if the Court had sat in judgment in this case of Saxe vs. Hammond it would have held guilty of contributory infringement all who supplied oil or wicks to burn in the lamp, matches to light the burner, cloths to clean the chimney, and even the Almighty who supplied the oxygen for combustion.

For all of these are absolutely essential to the use of the lamp and all are as directly related to the use of the lamps as the staples to the use of the machine.

The next case cited is: Holly vs. Vergennes Machine Co. (1880), 4 Fed. 1880.

Here the patent was for a system or apparatus for supplying water to cities. The object of the invention was to equalize the pressure of the water throughout the mains and to counteract the effect of suddenly starting and stopping the flow of water on the pipes and pumping machinery.

Under the old system, the sudden drawing off of water from all parts of the system caused the pumps to work violently and a great momentum of flow from the reservoir. When the drawing off was suddenly stopped the resistance to the continued working of the pumps and the momentum of pressure resulted in injury to the machinery or the bursting of the pipes. Now the plaintiff owned a patent on an entire system of apparatus to obviate this danger. The invention comprised pumps and valves as distinct elements in a com-

pleted whole. The defendants made and sold pumps identical as to function with that of the plaintiff, and the purchaser used the same to construct a system of water works substantially similar to that of the plaintiff. The Court said (p. 82): "The effect of the whole (viz, the acts of defendants and of third parties) is that they (the defendants) participated and concurred in putting in the whole (i. e. invention) by furnishing the pumps for that purpose, and this is sufficient to make them liable as infringers." Here again the defendants co-operated with others to make the very thing described in the letters patent. The defendants made and sold the pumps which constituted an integral part, an indispensable element of the invention; one of the very things that the inventor's mind discovered and embodied forth. But in the Heaton case the staples were no part of the invention.

In this case, the patented system of pumps, valves and mains was not of even imaginary value or use apart from water. Suppose the patentee had sold the entire apparatus to the town of Hoboken, and on every part of the machine had attached a metal plate, conspicuous and glaring, bearing these words, inscribed in raised letters, so that they might be read even by the blind:

"Condition of Sale."

"This apparatus is sold and purchased for use only with water supplied by the patentee to whom the title to said apparatus immediately reverts upon violation of this contract of sale."

The Almighty sends rain on the just and the unjust alike. Would the Court of Appeals for the Sixth Circuit hold that in using in the apparatus the rain and the latter rain Hoboken, was a principal infringer and the Almighty in sending the rain on Hoboken a contributory infringer?

Yet this is the logic of the Heaton case. The water had just as much and no more, to do with the patented water works system as

the staples had to do with the patented machine. Neither constituted an element in the respective inventions. Each was indefinitely older than the respective inventions. For in the statement of the facts in the Heaton case, the Court said: "The principal and earlier of these patents describes the invention as intended to produce a setting device which can be used conveniently for setting and clinching an ordinary (black ours) metallic staple."

The next case cited by the Court is Travers vs. Beyer (1886) 26 Fed. 450.

The claim of the patent here alleged to have been infringed was as follows: "The combination of a hammock A. having suspension ropes, f. f., with detachable distending blocks g. g., which are notched at their lower edge to space said ropes f. f. substantially as specified." It was alleged and proved that the defendants made and sold the "detachable notched distending blocks" without the consent of the plaintiff, the owner of the patent. The Court said: "The detachable notched distending blocks are the essence of the invention. The blocks are of no practical utility or value except for the special purpose of the patentee. The defendants do not make or sell hammocks, but they are manufacturers of the blocks described in the specification, and sell them to dealers in hammocks, who sell them with or without the hammocks, at the option of the purchasers.

"They thereby concert with those to whom they sell the blocks to invade the complainant's rights. They are intentional promoters of the ultimate act of infringement." (Black ours.)

Here, once more, the defendants made and sold the very essence of the invention. They re-created, externalized and sold the very thing that the inventor's imagination conceived and that his hands physically embodied as an original idea.

But in the Heaton case the staples were not only not the essence of the invention, but were not even remotely related to the invention.

They had no more to do with the patented machine than screws have to do with a patented screwdriver.

Suppose the patentee had sold this hammock with this condition attached: "This hammock is sold and purchased to use only to swing a baby furnished by the patentee, to whom the title to said hammock immediately reverts upon violation of this contract of sale." A proud father purchases one of these hammocks, suspends it at each end and places therein his darling son, Priam, whose white head shines like a star, and swings said Priam in the hammock. Would the Court of Appeals hold that the father was an infringer of the patent? Yet the boy swung bears the same relation to the hammock that the staples do to the Heaton machine. The latter was made to be used "conveniently for setting and clinching an ordinary metallic staple." The hammock was designed to swing an ordinary hard-headed person. The Heaton machine would not accommodate itself to all sizes of staples, neither would the patented hammock contain all sizes of persons; i. e., one of the judges who concurred in the decision in the Heaton case.

But neither in one case or the other did this circumstance have anything to do with the rights of the owners of the respective patents.

The next case cited is Willis vs. McCullan (1886), 29 Fed. 641. There is no statement of facts here sufficient to enable us to ascertain precisely the issue involved. The opening sentence gives the only hint as to the facts: "The respondent had a license to use the patented process, and also a license to sell the materials for the process to other licensees." The charge against the defendant was that he sold the materials to others than licensees, for use in the process. The Court said: "By these sales thus made the respondent became a party to their use (viz the use of the materials in practicing the patented process).

Now the soundness of the decision depends entirely upon whether or not the "materials" were patented.

If not, then the defendant needed no license to justify his selling them to anyone and everyone, as he saw fit.

A process cannot be "made" or "sold"; it can only be "used". A patent for a process cannot be infringed except by "using" it; by going through the form of action described in the patent. And neither the vendor of unpatented materials used by the purchaser to infringe a process, nor the purchaser of an unpatented product made by an infringing process, is liable as an infringer of the patent.

A vendor in such case is not liable because he no more participates in the use of the process than the landlord who rents a factory premises to the infringer, or the man who supplies him with coal.

The purchaser is not liable, for he has no more to do with using the process than has the vendor of the materials.

The point has been directly adjudicated time and again. See Merrill vs. Yeomans (1876), 94 U. S. 568.

But, assuming in the case under consideration that the "materials", too, were patented, then the defendant in making and selling them to others without warrant, thereby enabled others to "use" the patented processes. The defendant, co-operating with others, went through the very form of action described in the patent and this is precisely to infringe a process patent.

But this decision affords no imaginary support for the opinion in the Heaton case. It has been settled ever since the case of Corning vs. Burden (1853), 15 How. 252, that "a man cannot have a patent for the function or abstract effect of a machine, but only for the machine which produces it." In Burr vs. Duryee (1863), 1 Wall 531 at 570, the Court said: "It requires no great ingenuity to mystify a subject by the use of abstract terms of indefinite or equivocal meaning. Because the law requires a patentee to explain the mode of operation of his peculiar machine, which distinguishes it from others, it does not authorize a patent for a mode of operation as exhibited in a machine."

In the Heaton case this "mystifying ingenuity" was employed with the result that the plaintiff was given a patent on the "function or abstract effect of the machine." The only thing the defendant did was to supply an ordinary unpatented chattel which was used to enable the purchaser to enjoy "the function or abstract effect of the machine," which is not patentable.

Anyone who supplies oil to lubricate, a cloth to clean, power to run, or a building to protect, the mechanism, was on an exact parity with the defendants with respect to infringement.

Such persons like the defendants contributed to facilitate the "function or abstract effect of the machine".

This is all that was done in either case. If the defendants were guilty of contributory infringement, so would be the persons mentioned. If the latter could not be held liable for infringement, neither can the defendants in the Heaton case, for the Court said the staples had no more to do with the patented machine than the "buttons to be affixed by means of the staples, on the shoes to which both are to be attached". Why did not the Court include the man who supplied the buttons and him who supplied the leather in the category of contributory infringers?

The next case cited is: Alabastine Co. vs. Payne (1886), 27 Fed. 559. The patent here was for an improvement in calcimine. The claim was for a compound; consisting of pulverized calcined gypsum and white glue, the latter being dissolved in hot water, and when cold, stirred into the gypsum with sufficient cold water to bring the mixture to proper consistency to be applied with a brush." Of course, the patentee made the compound in accordance with this method and sold it to the public. Now the defendant made and sold a dry mixture composed of pulverized calcined gypsum and glue put up in packages **with printed directions for reducing the dry mixture to a liquid in accordance with the formula of the patent.** It was unavoidably held that the defendant was a contributory infringer.

The defendant performed every act necessary to make the thing invented, except the addition of water, and he directed the purchaser to do this. When the purchaser followed the directions, he, in conjunction with the defendant, created and made the identical thing invented and patented. But this decision has no relevancy whatever to the Heaton case.

In the latter case the defendant did not co-operate with the purchaser to make the machine. He sold materials for use in a machine which the purchaser had bought and paid for and owned.

Suppose again, in the Alabastine case, the patentee had sold a gallon of the mixture accompanied by this notice: "This calcimine is sold and purchased to use only on a wall 12 by 8 feet in dimensions, title to said calcimine immediately reverts to the patentee upon violation of this contract of sale." A carpenter is employed by the purchaser to build a wall 16 by 10 feet in dimensions. The carpenter knows the calcimine is to be used on the wall; he reads the "license". After finishing the wall he stands by and consents, abets and aids in the spreading on of the calcimine.

Is the carpenter guilty of contributory infringement? He had guilty knowledge; he knew of the wicked intent of the purchaser to violate the "license" and he furnished the means by which it was done.

If the Heaton case was correctly decided, the carpenter in the case supposed would be guilty of contributory infringement. If he would not be, then neither was the defendant in the Heaton case.

We come next to Celluloid Mfg. Co. vs. American Zylonite Co. (1887), 30 Fed. 437.

In this case, the patent was on an improved collar, made in part of celluloid; more accurately speaking it was the fabric made of celluloid. The single claim was as follows:

"A fabric for collars and cuffs, or other similar articles, having

outer sheets or layers of celluloid, and an interlining of textile or fibrous material, substantially as and for the purpose specified." The alleged infringement was accomplished by three parties, who, for the sake of convenience we shall designate as A, B (the defendant) and C. It was done in this manner. A fabric, consisting of two sheets of cloth or muslin, with a paper interlining, was made by A. B (the defendant) then took the fabric from A and placed on one side of it, a thin sheet of zylonite (i. e. Celluloid), and returned the fabric thus compounded to A. A in turn cut off the top edge of the cloth and folded the top edge of the celluloid back on itself, so that there was a surface of celluloid upon both sides at all the edges of the collar except at the neck band. The body of the inside of the collar was not covered with celluloid, but the parts which demanded strength, neatness and finish and which are most liable to become soiled had a double sheet of celluloid, which enclosed an interlining of textile material. The other party, C, took the collars so made and sold them. The defendant put up many ingenious defenses, but the Court struck at the heart of the matter when it said "C receives from the manufacturers and sells collars which contain so much of the new fabric as is needed to make a collar. So much as is unnecessary had not been used. It (the defendant) has a double sheet (of celluloid) where such a sheet is indispensable, and thereby has taken the kernel of the invention to its own use, and has become to the extent to which it employs the improvement, an infringer. It is apparent that B (the defendant) made the compound sheet for A, with knowledge of the method in which it was to be used by that company in the manufacture of collars." Here then A and B co-operated, acted concertedly to a definitely conceived, common result—to take "the kernel of the invention" to their own use. But in the Heaton case, the defendant did not, either alone, or in conjunction with the purchaser "take the kernel of the invention ' or even a shred of the outermost husk, to his own use.

The defendant there had nothing whatever to do with the invention.

If in this Celluloid Collar Case the Court had held that the merchant who supplied collar buttons or shirts to use with the collars, was a contributory infringer then, the decision would have been relevant to the proposition announced in the Heaton case. But as it stands, the Court might just as well have cited the Squib case or the Dartmouth College case.

This is getting wearisome, but we have three more decisions to come. The next is: Boyd vs. Cherry (1883), 50 Fed. 279. In this case there was a conflict between two patents, both on milk cans. The earlier patent belonged to the plaintiff and the later to the defendant. In both patents, the thing contemplated was a can sealed water tight and submerged in cold water to drive out the heat and facilitate the separation of the cream. The plaintiff characterized his patent as for a process to be carried out by the use of the can. The defendant claimed a patented can to be used in doing what the plaintiff claimed as his "process". The parties were disputing over words, not things. The Court held that the defendant's can was substantially the same as the plaintiff's. The defendant sold his can with directions, which, in effect, told the purchaser to do just those things described in the plaintiff's patent for a process. But the Court refused to be deceived by mere words and insisted on dealing with things instead. The Court said: "When it is added (to what already has been said) that they (the cans sold by the defendant) are generally if not always accompanied by directions to purchasers as to the mode of using them, **which directions require the adoption and use of the Cooley (plaintiff's) process** (black ours), it becomes very clear that the fact of infringement is established."

Here the defendant sold a duplicate of the appliance discovered by the plaintiff and taught purchasers how to use the mechanism invented so as to infringe the "process" patented.

This is just like the Alabastine case above. But it would indeed require a "mystifying ingenuity" to imagine a bearing of this decision on the Heaton case.

The last decision of the lower courts relied on, is the case of American Cotton Tie and Supply Co. vs. McCready (1879) Fed. Cas. 295. This case was one phase of the famous controversy over the patented cotton bale tie. Here the defendant was a common carrier, and the charge against it was that it was knowingly transporting infringing ties for sale in the Southern states and refused to disclose the name of the shippers. The plaintiff swore that the ties infringed its patent; the defendant denied any knowledge on the point, but admitted its refusal to disclose the name of the shippers. Here then the making and selling of the ties was established conclusively by the only proof on the point, and the plaintiff was powerless to prevent the infringement because the identity of maker, vendor and vendee was concealed. Conceding the infringement, the defendant's refusal to disclose the names of the shippers was construed by the Court to be a participation in an infringement of the patent for the defendant was the agent of the purchasers of the infringing ties.

It is exceedingly difficult to work out a duty on the part of the defendant to disclose to the plaintiff the names of shippers by its conveyances.

But accepting the view of the Court, the decision does not touch the Heaton case. There the plaintiff had made and sold the device for use in the only way it could be used, to clinch ordinary metal staples. The defendant had nothing to do with making or selling the machine. It supplied the "ordinary metallic staples" for use in the machine, just as a hardware dealer supplies ordinary metallic screws to be driven by a patented screwdriver.

To distort this case into an authority for the Heaton case, we would have to re-shape the facts thus: The plaintiff made and sold a package of the patented ties accompanied by this notice: "These

ties are sold and purchased for use only in case they are transported to the cotton states on pack mules; the title to these ties reverts to the patentee immediately upon violation of this contract of sale." The purchaser, we will suppose, gets anxious to deliver the ties in shorter time than by the method prescribed in the "license" and ships the same by the defendant's line of steam ships. In such case, would the Court hold the defendant guilty of contributory infringement?

We come finally to the great case of Morgan Envelope vs. Albany Perforated Wrapping Paper Co. (1894) 152 U. S. 425. This is the last case cited by the Court and is discussed at length. The Court had gained considerable momentum in error by the mistaken application of the nine decisions already commented on, but with all this, how the Court found it possible to drive through or around the case now to be dealt with, we have never been able to understand, though we have read both decisions scores of times.

The facts in the envelope case were these: The plaintiff owned two patents; both were for a combination of a roll of toilet paper with a mechanism for the delivery of the paper. A prior patent on the paper roll alone was declared void for want of novelty. The Court held that the patent on the mechanism was valid, but declined to decide whether or not the claim for the combination of the roll with the fixture was a valid claim for a combination. The Court said that conceding the combination valid, the defendant had not infringed, hence it was unnecessary to decide whether or not the claim for combination was well taken.

The plaintiff had made it a practice to sell the fixtures only to such parties as dealt in and used its paper. "The fixtures were also sold to hotels and other public buildings, with the understanding that their paper would be subsequently purchased of the plaintiff company. It appears to have been its invariable rule to refuse to sell fixtures except to persons also ordering paper." (Compare this with the Heaton case.)

Now the defendant purchased a quantity of these fixtures from persons who had bought them of the plaintiff and sold the same again, and at the same time supplied the vendees with paper to be used in the fixtures. The plaintiff charged that these acts constituted infringement.

The cause was argued on two days and the opinion was unanimous on the part of all the members of the court who heard the argument. It does not betray any lack of care in preparation.

Mr. Justice Brown, in writing the opinion, proceeds to divide the question disputed into parts and to discuss them separately. That way is the way to clearness and precision.

He first dealt with the question of infringement on the part of the defendant in selling the fixtures he had purchased from the plaintiff's vendees. We have already devoted an abundance of time and space to this, so we pass it up with the quotation of one sentence: "The patentee having once received his royalty upon such device, he cannot treat the subsequent seller or user as an infringer."

Now he passes to the other question and says: "The real question in this case is, whether, conceding (observe, not deciding), the combination of the oval roll with the fixture to be a valid combination, the sale of one element of such combination, with the intent that it shall be used with the other element is an infringement. We are of the opinion that it is not." In other words, the statement is thus: If we should decide that the claim for combination is invalid it would necessarily follow that the sale of the paper would not constitute infringement as the paper roll would constitute no part of the invention. But, for argument's sake, we will make the case stronger and concede the claim for combination valid, and even then there would be no infringement. Now in dealing with the decision the Court in the Heaton case inverts the argument employed by the Supreme Court. It says: "It is true that Mr. Justice Brown, in discussing the question involved in that case assumes that a combination of the machine

for delivering the paper with the paper to be delivered was valid. But before he finishes the argument, he shows that the assumption leads to an absurdity." Indeed, he did show that the case when strengthened by the concession led to an absurdity. But without the assumption the absurdity would have been infinitely worse than the Court made it out. The assumption was in favor of the plaintiff's contention and even then that contention was seen to be absurd. Without the assumption the Court would have held it unthinkable.

The Court in the Heaton case says again: "The illustration of the result of such a combination shows that what the (Supreme) Court was deciding was that a combination of the machine with an unpatentable paper or material to be operated upon by the machine was an impossibility." The Court **might** have decided that, but it found it unnecessary and declined to do so. What it **did** decide was that conceding that the plaintiff had a patent on the combination, it was impossible to hold the defendant liable as an infringer for selling the rolls of toilet paper.

The following passage in the opinion is levelled as squarely at the mistaken theory in the Heaton case as if it had been prepared by the Supreme Court to dispose of the issue there joined: "There are doubtless many cases to the effect that the manufacture and sale of a single element of a combination, with intent that it shall be united to the other elements, and so complete the combination is an infringement. But we think these cases have no application to one where the element made by the alleged infringer is an article of manufacture perishable in its nature (staples) which it is the object of the mechanism to deliver (staples) and which must be renewed periodically whenever the device (Heaton machine) is put to use. Of course, if the product itself is the subject of a valid patent (the staples were not) it would be an infringement of that patent to purchase such product from another than the patentee; but, if the product be unpatentable, it is giving to the patentee of the machine the benefit of a

patent upon the product (staples) by requiring such product to be bought of him. To repeat an illustration already put: If a log (staple) were an element of a patentable mechanism for sawing such log (machine for fastening such staple) it would, upon the construction claimed by the plaintiff, require the purchaser of the sawing (fastening) device to buy his logs (staples) of the patentee of the mechanism, or subject himself to a charge of infringement. **This exhibits not only the impossibility of this construction of the patent, but the difficulty of treating the paper as an element of the combination at all.**" (Black ours.) It is utterly and wholly impossible to distinguish the two cases: The toilet fixture was useless and worthless without the paper. The Heaton machine was useless and worthless without the staples. The fixture was made solely to deliver the paper; the machine was made solely to fasten staples. The paper was perishable and could be used but once, so were the staples. The paper had to be renewed each time the fixture was used; the staples likewise had to be renewed each time the fastener was used. The Supreme Court said, even considering the paper was part of a patented combination, yet, supplying it was not infringement. The Court of Appeals said that although the staples had no more to do with the patented machine than the buttons on the shoes, yet, that the defendant in supplying them, invaded the patent right of the plaintiff and was a contributory infringer!

But it is not necessary to discuss further the rule of contributory infringement in the Heaton case. That doctrine has no basis in reason or in law. Infringement always consists in making, using or selling the thing invented **without the patentee's consent.** Here the owner of the patent made the machine and sold it; the only value of the machine consists in the right to use it. That was just the thing the purchaser paid for. No machine was ever made or purchased except for use. If the vendor did not sell the right to use the machine, he sold nothing at all. It is perfectly clear that by the sale the machine

passed out of the limits of the right to exclude and became the absolute property of the purchaser.

The vendor irrevocably consented to its use until worn out. The "condition" or "license" if we can imagine the purchaser bound by it, was simply a common law contract in restraint of trade, violating statutes of the State of Michigan or the Federal Antitrust Act, or both.

The rule of contributory infringement announced in this case has been consciously ignored by the Supreme Court. In the case of Leeds and Catlin vs. Victor Talking Machine Co. (1908), 213 U. S. 325, the Court of Appeals had dealt with a case of real contributory infringement; in holding that the defendant was guilty, the Court of Appeals said: "Upon these facts it is clear that the Leeds and Catlin Company **have made and sold a single element of the claims** of the Berlin patent, **with the intent that it should be united to the other element and complete the combination; and this is infringement.**" (Black ours.) Citing as authority the Heaton case! But that was the precise thing the defendant in the Heaton case had not done, as stated by the Court in the first two sentences of the opinion. This was the only authority relied on by the Court of Appeals. Now the Supreme Court quotes the above passage (213 U. S. 332,) but is careful to put it in quotation marks. It then decides the issue of infringement by considering and applying prior decisions of its own, but does not once mention the Heaton case, or the rule there announced.

The Heaton case is wholly unsupported by authority and is opposed to every notion of infringement to be found in the Supreme Court reports. We must pass on to consider other cases, in the course of which we will take up questions here passed over. The question of jurisdiction, of the effect of the notice to constitute a contract, of the defendant's "guilty" knowledge, of the fact that the staples were "peculiarly adapted" to the "infringing use", none of these has been

overlooked and all will be discussed. Viewed in any aspect and from all different aspects, the case is wholly unsupportable. This will more fully appear in what follows.

The two cases now to be considered are:

**Tubular Rivet & Stud Co. vs. O'Brien (1898), 93 Fed. 200, and Rupp vs. Elliott (1904), 131 Fed. 730.**

We will refer to these two decisions as the "rivet case" and the "Rupp case". This for brevity and convenience. These two decisions are aside from the main question we are considering. What we are trying to elucidate is the right of the owner of a patent to control the use of an article embodying the invention which has been **sold** by the patentee, and paid for by the purchaser. In the two cases now to be considered there was no sale of the machine, no transfer of title; the entire interest and property in the machine remained in the patentee-vendor. The lessee did not own the machine any more than a man who has rented a horse or an automobile for use for a day, owns the horse or automobile. But, strange as it may seem, neither opinion even refers to this fact as operative in any manner. Both opinions treat the lessee just as the opinion in the Heaton case treated the purchaser. We have nominated this confusion of a licensee to use with a purchaser of the thing used, as the master fallacy, the towering error, the gigantic blunder of the Heaton case.

If upon full consideration, one confesses to an inability to appreciate the difference, as to their respective rights, between a licensee to use a machine and a purchaser of the machine, we have nothing further to say on the point. It ought not to require much comprehension to perceive the difference between the right of one who owns a house and one who rents the same house. Any tenant will explain the difference. A man of a very vivid imagination who hires an automobile from a garage may experience moments during an all night's ride in which he feels as if he owned the automobile. But in the cold grey dawn of the morning after, before the police magistrate and

in the presence of the outraged owner of a smashed vehicle, he does not doubt that the machine was, and the wreck is, the property of another. We shall not dwell further on the distinction and difference between a licensee and an owner. In our own mind, there never has been and never will be any doubt. If this is regarded as impertinent, we add that doubt on the point or confusion of the respective rights of a purchaser and a licensee cannot be attributed to anything that the Supreme Court has said.

In the Rupp case the Bement case is made to do valiant service on a false errand. There the Court said: "The general rule is absolute freedom in the use or sale of rights (black ours) under the patent laws of the United States." For sixty years the Supreme Court has been trying to force an acceptance of the obvious fact that the sole right under the patent laws is the right to exclude.

The Supreme Court has never said and unless stricken with locomotor ataxia, never will say "the general rule is absolute freedom in the sale or use of patented machines or patented articles". On the contrary, it has repeatedly declared that there is no connection whatever between the incorporcal, intangible right to exclude and the corporeal, tangible merchandise, physically symbolizing the genius of the inventor. In Patterson vs. Kentucky, the Court held that the State of Kentucky had the power to entirely interdict the sale or use of the patented oil. In Webber vs. Virginia, the Court planted itself on the proposition that: "The legislation respecting the (patented) articles which a state may adopt after the patents have expired, it may equally adopt during their continuance."

Then, lest the unwary might be misled, the Court adds the complementary: "It is only the right to the invention or discovery, the incorporeal right, which the State cannot interfere with." He that has a heart to understand, let him understand. We pass over this point, and it is only taken here to prevent a misconception of the Bement case. Let that case rest until it is up for consideration on its

merits. Then we will see what the Court there said.

In the Rupp case the Court emphasized throughout the opinion, by the use of glaring italics, the allegation of the bill of complaint, that the wire sold by the defendant to the lessees of the machines "has been and is put up on spools or coils of the exact form, size and shape suitable for use upon the (leased machine) and **suitable for no other use**". Of course, this allegation was false. It was just as false as a similar allegation with reference to the rolls of toilet paper would have been in the Morgan Envelope case. The wire was of "a certain size, and a certain temper or color, and coiled or put up in packages so shaped as to be received into the appropriate part of the machine". Suppose the patentee of the machine had presented a claim in the exact words just quoted and asked for a patent on the wire so put up. He would have had his trouble for his pains. No patent would be granted for the reason that such copper wire is old, very old and likewise the spools or package. This wire could have been used and was suited to be used in a hundred different ways. It is the same case as the patented hammer and the nails, or screwdriver and screws. When we say that the wire is no part of the invention, no element in a combination, that is the end of the matter. What a time the Courts have in explaining and trying to uphold this theory!

In the Rivet case, there was no allegation that the studs sold by the defendant were adapted solely to use in complainant's machines. Now certainly the counsel for the defendant was justified in attempting to get from under the Heaton case because of the peculiar stress put on that point in that case. However, the Court said "but in the Heaton case, the Court laid little stress upon that statement, and based its decision mainly upon the allegation which is found in both bills, that the respondent induced the users of the complainant's machines to infringe the complainant's patent". But the reason it was held there was such inducement, was **because** the staples sold were "peculiarly adapted" to the infringing use.

For in the case of Edison Electric Light Co. vs. Peninsular Light, Power and Heat Co. (1900), 101 Fed. 831, the Court of Appeals for the Sixth Circuit, Judge Lurton himself writing the opinion, held that one who supplied electric current to a customer using an infringing apparatus was not a contributory infringer. And it is there said (l. c. 833): "In the case of (Heaton) the fasteners made and sold were not only peculiarly adapted to the infringing use, but they were made and sold with the definite intent that they should be so used." Now these three decisions complete the circle. In the Heaton case the Court **did** make the fact that the staples were peculiarly adapted to use in the machine, a turning point in the contest. In the Rivet case the Court held that the fact that the rivets were of a common size and standard make, made no difference.

In the Light Co. case, the Court defeated the charge of contributory infringement because the thing furnished—electric current—was not peculiarly adapted to the infringing use. Of course, the defendant in this last case knew what use was being made of the current and hence the element of "guilty" knowledge is ignored. If this is not playing with a baseless distinction we know not what to call it. In the Heaton case (to compare the three decisions again) two factors controlled, co-ordinately, the peculiar adaptability of the article, and guilty intent. In the Rivet case the guilty intent alone controlled. In the Light Co. case the guilty intent alone was thought to be present and it was ignored.

In the Light Co. case the electric current was just as peculiarly adapted to use with the infringing apparatus as were the staples to the Heaton machine. The staples had to be of a certain shape and dimension, so the current had to be of a certain voltage and applied to the mechanism in form of direct or alternating power, depending upon which form the mechanism was designed to utilize.

Staples varying in size or shape were not "peculiarly" adapted

to use in the machine; so a voltage too high or too low, or a current not meeting the requirements of the mechanism, as to its direct or alternating form, was not "peculiarly" adapted to use in the apparatus, to which the defendant supplied it.

In the instance of the staples we test the adaptability by a dimensional standard; in the case of the current by a kinetical standard. The attribute of peculiar adaptability for use cannot be affirmed in one instance and denied in the other.

But all this contention about "peculiar adaptability" for use, is labor wasted. The notion is a mere bugaboo. The peculiar adaptability to use it not in the thing, but in the mind of man. The attempt to make it the turning point of a decision is as useless as speculation about "reasonable" and "unreasonable" restraints of trade in connection with the Antitrust Act. The Supreme Court has always refused to embark in metaphysical hair-splitting to determine whether or not a given restraint is reasonable or unreasonable. And pray when is a thing "peculiarly adapted" for use?

Let us take corn. Corn may be ground for bread, planted to increase the quantity, fed to animals to be converted into fat, distilled in the form of alcohol. Now is corn peculiarly adapted to one, some, or all of these uses? Suppose M. obtains a patent on a grinder, N. on a planter, R. on a feeding trough, and S. on a distilling apparatus. Each sells or leases his separate device subject to the terms of a "license" which permits the purchaser to use the same only in conjunction with corn supplied by the patentee. The corn is "peculiarly adapted" for use in each patented device. If we submit to the logic of these decisions, how is it possible to escape the conclusion that one who supplies corn to any one of the "licensees" in violation of the terms of the "license" is a "contributory infringer"? If this is thought fantastical, let us take the actual decisions and vary them slightly.

In the Heaton case, suppose the staples sold by the defendant had

varied somewhat in size, being considerably longer or shorter and of smaller cross section, and had worked poorly and imperfectly in the machine, about one-half failing to be clinched. What would the Court have done in such case? Would the Court have held the defendant guilty of supplying staples "peculiarly adapted" to use in the machine? Suppose in the Rupp case that the wire had been made of wrought steel instead of copper, had been of smaller diameter and unwound from a flat coil instead of a spool. Would the Court have held that such wire was "peculiarly adapted" to the use instanced? Or suppose the galvanized wire had been cut into lengths and delivered to the crimping mechanism by the hand of a person? What then?

The reason why one who furnishes an unpatented element with knowledge that it is to be used to constitute a part of a patented combination, is held to be an infringer when the element has been so used in fact, is that he has co-operated in making the thing invented. The element furnished is not only "peculiarly adapted" to the use, which is a colorless fact, but the use to which it is put is "peculiar" in this, that it was a use discovered by the inventor and its novelty has been certified by the Patent Office. One has no right to take pieces of iron and wood that are "peculiarly adapted" to a hundred different uses and of them construct a patented device. That is not because the materials are not adapted, but because the use is forbidden.

It is not possible to be delivered from the body of this monster except by entirely cutting it away. It was not necessary to do so in the Heaton case because the entire absence of any basis for sustaining a charge of infringement was superlatively palpable from the circumstance that the user of the machine owned it. And "in the essential nature of things" (as Mr. Justice Miller said in Adams vs. Burke) the patentee in the exercise of the patent monopoly could no longer restrict the use of what belonged to the purchaser. But here the question of infringement or not, is more evasive and subtle, by reason of

the fact that the patentee still owns the machine used. We apologize for tarrying so long before getting at the heart of the difficulty, but there was much underbrush to be cut away before the exact configuration of the ground could be clearly seen. Now we are ready to grapple with the Rivet and Rupp cases and we think the doctrine of these two cases is such stuff as dreams are made of.

These two decisions are alike in the circumstance of guilty intent: they are unlike in circumstance of "peculiar adaptability" for use. After what has been said about the last factor, we shall bid a definite and final good bye as to it. We have left, then, only this narrow question: A patentee leases a patented machine; a condition of the lease is that the lessee shall use the machine in conjunction with materials purchased of the patentee-vendor. The lessee purchases the materials from another and operates the machine in conjunction with such materials. Has he infringed the patent?

We have deliberately left out the qualification "peculiarly adapted to use," for it was left out of Rivet case and we have seen its utter uselessness. But the precise question has not yet been stated. It is: Is the person who furnishes materials for use in such case, knowing that in using them, the lessee will violate a term of his lease, a contributory infringer? At this stage the question is scarcely worth answering. We shall answer it for the pure delight of doing so, but not under the delusion that we shall impart any knowledge of the law in the process. Unfortunately the precise terms of the "licenses" are not stated in either of these cases. But we presume it safe to rely on the language of the Court. In the Rivet case (p. 200) we read: "These machines it (complainant) does not sell, but licenses their use by a lease which provides that the licensees shall use in the machines only those studs which are manufactured by the complainant." In the Rupp case (p. 730): These machines are never sold, but "placed in the hands of users under a license to use only in connection with staple wire purchased from the patentee".

Now the whole trouble inheres in the phrases "use in the machine" and "use in connection with staple wire". Using studs in the riveting machine is not using the invention in the meaning of the patent law. So of using staple wire in the Rupp machine. No one has to obtain permission from a patentee to use studs or staple wire. They are public property; if one desires to use them he has only to go into the market, buy and use. That is all. But it is said the patentee-lessor leased the machine "on condition" that it should only be used "in connection with" studs or staple wire purchased of the lessor. Certainly that is the condition. But it seems not to be well understood how totally disconnected that condition is from an infringement of the patent. The gleam of light in the Heaton case illuminates the darkness here. There the Court said: "They (the staples) are no more within the direct (black ours) monopoly of the patents than are the buttons to be affixed by means of the staples or the shoes to which both are to be attached." The word "direct" in this sentence is meaningless, and misleading. It implies that while there was no "direct" connection there was an "indirect" connection. But this was not true. Suppose the 'license" or lease in this case had provided "This machine is licensed for use only in connection with power generated by a gasoline engine." A. comes into the lessee's establishment and reads the condition on the machine and straightway induces the lessee to do away with the gasoline engine and install A's windmill. Is A. guilty of contributory infringement? Power of some kind is just as essential to the use of the machine as studs or staple wire. Both factors are absolutely essential; neither can possibly be dispensed with. If the staple wire and studs are used "in" or "in connection with" the machine so is the power. Not one button can be fastened or one stud riveted without both. And it is just as foolish to dispute as to which has the more to do with the use of the machine as it is to argue about which of two scissor blades has the more to do with cutting a

piece of cloth, or which of the two elements, water and air, has the more to do with the growth of a plant.

Then if the studs and windmill can be brought directly or indirectly, within the monopoly of the patent, how can it be done? We answer that it cannot be done at all, by any stretch of our patent law. The patentee did not invent either the studs or the windmill and he cannot exclude anyone from using either. In these two cases the leases extended to the lessees the permission to use the patented machine and connected the use of the machines with the use of studs and staple wire purchased only of the respective lessors. All things can be connected by contract.

I can license my patented fountain pen for use only "in" or "in connection with" the licensee's right hand, but that does not bring his right hand either "directly" or "indirectly" within the monopoly of the patent, any Court to the contrary notwithstanding. There is no such thing conceivable as a contributory infringer without there being another, whom we may call a principal infringer.

Now in all these cases, the defendants were charged as contributory infringers, so we turn for last glance at the lessees as direct or principal infringers. The only way it is possible for a licensee or lessee to become an infringer is for him to cease to be a licensee or lessee. One cannot be both at the same time. A licensee is one who uses with the consent of the licensor; an infringer is one who uses without that consent. The licensee either has, or has not, that consent. There is no such thing as a cross between an infringer and a licensee. Such a hybrid is recognized by the lower federal courts, but the pedigree is not vouched for by the Supreme Tribunal of the nation. It does not believe in juristic cross polenization. If the licensee can and does legally and validly withdraw his consent and permission, immediately the (he who was a) licensee by a further use, becomes an infringer.

Or if the licensee repudiates the licensee, totally disregards the

permission, thereby he becomes an infringer. But the important thing to remember is that the licensor has given his consent by a contract, and the fact that he is a patentee does not give him any more power to rescind a contract than any other person. A contract cannot be rescinded by one party. There may be a forfeiture clause or a condition, breach of which, goes to the essence of the contract and wipes it out. But whether the forfeiture is enforceable or the condition goes to the essence of the agreement, are matters which the licensor cannot decide for himself. A Court must decide for him. It is sometimes exceedingly difficult to tell whether or not breach of a condition does away with a contract. But whether it does or not is a question of law for a Court to decide.

A licensor then cannot convert a licensee into an infringer by hurling epithets, as we have already said. Perhaps one could find a hundred decisions in the lower courts to the effect that breach of a license agreement is per se infringement. But we have not found any such decision in the Supreme Court Reports,though we have found an unbroken line to the effect that if a licensor sues a licensee for breach of a term of a license the suit is one for breach of contract and not for an infringement of a patent, and of such suit the Federal Courts have no jurisdiction apart from diversity of citizenship and the requisite amount involved. Sometimes a licensor treats the license as annulled by the licensee's acts and sues the latter for infringement. In such case the Court will determine whether or not the license has been forfeited, and after it has **determined that,** then, it will determine whether the defendant is to be treated as a licensee and liable for breach of contract or as an infringer and liable for invading the patentee's rights under his patent. But the two things are quite distinct. We will discuss the authorities involved later.

Let us suppose, then, that in the Rupp and Rivet cases the patent owner goes into court and has the license contract annulled or that he and the licensee mutually cancel it.

Then, the permission or license is withdrawn, done away with, gone. There is no licensee or lessee. If the person who was such uses the machine once, with any staple wire or any stud whatever, he is an infringer of the patent. And it makes no difference who supplies him with staples, or studs, or power. He lacks the consent of the patentee to use the machine. It is thus seen that furnishing of studs, staple wire, electric current or what not, has no more to do with infringing the patent than supplying the licensee with oxygen to breathe.

In the Rivet case, the Court made everything turn on the intent and purpose of the defendant. Indeed, no other course was open. It was shown that the studs were not "peculiarly adapted" or fitted for use in the machine. That guilty knowledge of the defendant was his sole contribution to the infringement of complainant's patent, but that was enough to satisfy the Court. This blots out the distinction between a thought and an act, and renders a murderous thought a capital offense as well as the act of murder. The man who looks through the interstices of the cashier's iron cage and secretly plans or meditates seizing a roll of bills is a felon. This was taught a long time ago, but we are not accustomed to have it propounded by courts of law.

The reason why the courts in all these cases felt that knowledge on the part of the defendant was an indispensable precedent to liability, is that in no other way was it possible to build up a theory of wrong doing on the part of the defendant. And what was it of which the defendant had this wicked knowledge? Not the patented machine: the metal plate was not a magnifying glass through which alone the defendant could see the machine. **It was the metal plate**; the gilt inscription a knowledge of which undid the defendants.

This means, of course, that it was the defendant's knowledge of a **Contract** between the plaintiff and the licensee that rendered him guilty of contributory infringement. The actions were, all of them, for

a breach of contract and the Court had no jurisdiction in any single instance. Each time the plaintiff alleges the contract; each time he alleges the defendant's knowledge of the contract and purpose to induce its violation, though this is called "infringement".

There was not the semblance of contributory infringement in either the Rupp or Rivet case. There was no complaint as to making or selling. In each instance the owner of the patent had made the device and there was no sale. In order for the use of the machine so made to constitute infringement, such use must have been unauthorized and without the consent of the patent owner. The latter had leased the machines; placed them in possession of the lessees and encouraged the use of them and obtained a profit thereby. It is quite true that the leases provided that the machines could only be used in connection with materials supplied by the lessors and that that term was broken. However, it by no means follows that by such breach the lessee instanter became an infringer. So long as the relation of lessor and lessee continued, the latter could not possibly be regarded as an infringer. A lessee has the consent of the patent owner. An infringer has it not. One and the same person cannot be both at the same time. Neither can one and the same act be a licensed act and an infringing act. Were the users of these machines lessees or infringers? Under many states of fact that might be difficult of determination. Whether or not a breach of a condition or term of a contract operates completely to annul and forfeit all rights of the offending party, is often a very difficult question to decide. We need not struggle with the difficulty here because the complainants sued in affirmance of the contracts. They made no effort to have the leases rescinded. They alleged the existence of the leases, asserted their validity and prayed the court to perpetuate them. Their longing desires were that the lessees should continue to be lessees; that they might continue to use the machines during the existence of the patent. But at the same time these ambitious lessors were bent to

having the defendants treated as **contributory** infringers. However, on the showing made by the bills of complaint, there was no infringing use to which the defendants contributed. Notwithstanding the lessees had violated their leases, the lessors did not repudiate the letting but stood by it. So long as this was the state of affairs, there was no infringement to which the defendants could rightly be charged as contributors. The case against the defendants must necessarily stand or fall with the case against the lessees. The defendants were not charged with infringement, apart from concert of action with the licensees. They could not be regarded as infringers unless the lessees also were infringers. The startling thing about the two decisions is that the lessees are treated as lessees and so regarded in the pleading, although the defendants who did nothing more than lend a hand to the lessees are mulcted in damages as "contributory infringers." This makes a part greater than the whole. The licensees are not infringers, but the defendants who furnish them with supplies are "contributory infringers." This is just as if A should bring an action against B as a joint tort feasor with C, and in his pleading entirely exonerate C, and thereupon the Court should give judgement against B as a joint wrong doer. The only colorable cause of action which these plaintiffs had was one for damages for inducing a breach of contract. This is what the Supreme Court mooted in the case of Cortelyou vs. Johnson. Such a cause of action would not involve the patent law and of it the Federal Court would have no jurisdiction apart from a diversity of citizenship and the requisite amount involved. However, it is easy to see why the complainants did not wish to bring such an action in the State Courts and it is not difficult to appreciate the hazard of such attempt.

Why did it happen in every one of these cases that the suit was brought against a third party, a contributory infringer? Why not go after the purchaser or lessee as a principal infringer? What is the use to be so zealous in prosecuting an accessory, without in any manner

molesting the chief offenders? Why is it that the Court invariably excoriates the defendant for his malicious motives and wicked purposes but has not a word to say about the criminal licensee who is reaping the full fruit of the unauthorized use? If the defendant was a bad citizen, the licensee ought to have been deported with a convict gang.

The reason for all this is plain. Suppose in the Heaton case, the suit had been brought against the purchaser, the bill of complaint would have run something like this:

"Your orator complains and says that it is the owner of letters patent on a machine for fastening buttons. That your orator made divers of said machines and duly advertised the same for sale and that defendant knowing all the facts, unlawfully, maliciously and wickedly purchased one of said machines and paid the full purchase price for the same, and took from your orator a bill of sale receipted in full, a copy of which is hereto annexed and marked exhibit "A". The original, as your orator verily believes is now wholly within the possession of the afore characterized defendant.

II.

Your orator further complains that said defendant, after having purchased said machine and paid for it, unlawfully as aforesaid, set the same up in his place of business, and there maliciously, unlawfully, and with guilty intent used the same.

Your orator further and finally avers that though said defendant did buy and pay for said machine and even now, as your orator avers on suspicion, information and belief, holds your orator's receipt in full for the purchase price, and that though said defendant owned said machine and entire interest therein, yet the said defendant (particular reference being made to his character as hereinbefore averred

to) did use his said machine, and in so doing did infringe your orator's patent rights under the Constitution, all of which was against the peace and dignity of the nation and occasioned the highest indignation of your orator."

If these cases had been brought in the State Court, which alone had jurisdiction, the farce of the whole proceeding would have been unavoidably palpable. It would then have been plain that the respective complainants who had patent monopolies on their machines were attempting to acquire, by contract, an unlawful monopoly in common staple articles of trade. One who has a patent on a railway block signal with equal reason claims the right to furnish all the rolling stock "used in connection" therewith. Mr. Justice Brown in the Morgan Envelope case put more absurd consequences to the rule than this. Yet in all three of these cases, the courts issued injunctions against the defendants where there was no infringement whatever and deprived them of a right to conduct a lawful business. Protection to civil rights and property rights is the only excuse for the existence of any government. But in these cases the courts bound the person of the defendants in the iron grip of a writ running in personam and at the same time took away their rights to pursue a perfectly legitimate trade. And in granting the injunctions they gave the complainants a monopoly in an unpatented article, built up by a system of contracts, in clear violation of the law of every state in the Union. Yet this is "encouraging progress in science and the useful arts"! It is foreing something else, too, which will manifest itself some of these days and then the conservators of the peace will be as powerless as grasshoppers in the van of an army.

**Cortelyou vs. Lowe (1901 C. C. A. 2d Cir.) 111 Fed. 1005.**

No facts are stated, but the defendant here was led like an ox to the slaughter. The memorandum states: "The case upon which the order was granted is in its facts practieally identical with the one which was before the Circuit Court of Appeals of the Sixth Circuit

(in the Heaton case). We fully agree with the opinion of the Court in that case and think the case should control the case at bar. The order is affirmed with **Costs**". Injustice, as well as justice, costs these days.

**Cortelyou vs. Lowe (C. C. S. D. N. Y. 1902) 114 Fed. 1021.**

Again no facts, no opinion and no reasons. "This demurrer to the bill cannot be sustained without disregarding the decision of Judge Thomas granting a preliminary injunction thereon and that of the Circuit Court of Appeals affirming the same. 111 Fed. 1005."

**Cortelyou vs. Carter's Ink Co. (C. C. S. D. N. Y. 1902) 118 Fed. 1022.**

"Complainant may take a restraining order in the general form of the injunction in the Lowe case." It is so easy.

**Brodrick Copygraph vs. Roper (C. C. R. I. 1903) 124 Fed. 1019.**

We are still dealing with fine print memorandums. "I am of the opinion that the complainant is entitled to a preliminary injunction upon the authority of the following cases:" Heaton case, Cortelyou vs. Lowe, Tubular River and Stud case, and then this "See also" Victor Talking Machine Co. case, and the Bement case. But we insist that the decisions of the Supreme Court shall not be insinuated into upholding the doctrine here enforced by even a "see also".

In the Bement case there was no infringement or contributory infringement.

**Brodrick Copygraph Co. vs. Mayhew (C. C. Wis. 1904) 131 Fed. 92.**

We have dealt with four decisions now in which the courts have abdicated their power of reasoning in deference to the opinion in the Heaton case. Fortunately in this instance the defendants' rights are not disposed of in the oblivion of fine print with ditto marks for an opinion. Here we have a few facts stated, and they appear to be these: The bill is founded on letters patent for a machine known as.

a "Rotary Neostyle". We quote: "These machines are sold with the restriction that they are licensed to be used only with stencil paper and ink (both of which are patented) made by the Neostyle Company and the defendant is charged as a contributory infringer, with making a Rotary Neostyle Ink specially designed for use with such machines, and so sold to purchasers thus licensed to be so used in derogation of the rights reserved to the patentees." The Court then cites the Victor Talking Machine case as controlling and the Lowe cases. We will deal with the Talking Machine case later. Thus far we have no ground for the decision whatever. But now comes the juristic philosophy "Not only are these rulings (cases just mentioned) controlling and well supported by the cases there cited (they all rest on the Heaton case), but I am satisfied that the doctrine for which the defendant contends is inconsistent with the unlimited right of monopoly intended by the patent law." Now what is this "unlimited right of monopoly"? It would be interesting to know because "unlimited" is certainly a superlative term. The beginning and end of the Court's argument is contained in the two concluding sentences: "It rests with the patentee to determine the method for its (i. e. unlimited right of monopoly) exercise and he is at liberty to fix any price for the machine, and reserve as well any benefit in its use. The sales in question are not unrestricted, but are plainly limited or conditional in use, and if the allegations of the bill are sustained by proof, the complainant is entitled to the relief sought."

What can this mean? The "unlimited right of monopoly" is a concatenation of sounds which can only indicate the right to exclude others, and has nothing whatever to do with "liberty to fix any price for the machine". Again a purchaser, an owner of the chattel, is treated as a mere "licensee". A man who owns a horse has no greater rights in the horse than one who has rented one from a livery barn.

"He is at liberty to fix any price for the machine and reserve as well any benefit in its use." Indeed, let us test this. Suppose a patent

on a piano. The owner of the patent manufactures one of the patented pianos and sells it to a customer for $1,000 cash. A bill of sale is given and payment is receipted in full.

In the front of this instrument, just above the music rest, in plain view of the performer, is that inevitable metal plate, the sheet anchor of a patentee-vendor. This plate has inscribed on it in raised letters of lucent gilt these words: "This piano is sold and purchased with the restriction that the purchaser is licensed to play on it the tune of Yankee Doodle, and none other whatever, and on breach of the license title reverts to the patentee-vendor." The purchaser's attention is called to this plate before he pays the money. Nevertheless he takes the piano and the first thing he does in his home after the instrument is delivered is to seat himself squarely in front of the staring metal plate and lustily pound out the melody of "Dixie".

We do not understand how a court that assents to the doctrine of the Heaton and Neostyle cases, without contradicting itself, could escape holding the purchaser of the piano in the case supposed, an infringer of the patent. The purchaser under the rule announced in those cases is a mere "licensee" as to the use of the piano.

In the Brodrick case the defendant sold to the purchaser a common article—ink. The Court informs us, parenthetically, that the plaintiff had a patent on "stencil paper and ink," but there was no charge that those patents were infringed. We will not discuss the point of contributory infringement, as it is precisely the same as in the Heaton case.

The decision in this case was on appeal affirmed by the Court of Appeals for the Seventh Circuit (137 Fed. 596) in a Per Curiam memorandum, without the citation of an authority.

**Cortelyou vs. Johnson (S. D. N. Y. 1904) 138 Fed. 110.**

This is the sixth case we have noted following the lead of the Heaton case, and the first the opinion in which sets out at length the

reasoning to support the decree of the Court. This action on the part of the Court is gratifying, for it is at least a mournful consolation to know by what means and for what cause one was vanquished.

The Court here seals the doom of the defendant in thirteen closely printed pages, so that the defendant did not have to guess at what moved the Court to decide against him.

We cannot examine all parts of the opinion: it is too long for that purpose, and it was wiped out by the Appellate Court at any rate. Then, too, there are long extracts from the Heaton case. These we will pass over. For the rest we shall follow the arguments seriatim as presented.

## THE FACTS.

The plaintiff was the owner of letters patent No. 584,787 covering the machine known as the "rotary neostyle". The plaintiff sold the patented "neostyle" having attached to the baseboard thereof, in a conspicious manner, a white celluloid plate on which was, and is, inscribed in black letters the following:

"License Agreement."

"This machine is sold by the Neostyle Co. and purchased by the owner, with the express understanding that it is licensed to be used only with stencil paper and ink (both of which are patented) made by the Neostyle Company." The defendant was sued as a contributory infringer of the patent for that he sold paper and ink to the purchaser for use in conjunction with the patented appliance. Now to begin with we will once and for all put entirely out of the case the fact that the complainant's paper and ink were patented. No one was charged with infringing these patents. The plaintiff was not fussing because some one had used his patented paper and ink; his grievance

was that his ink and paper had **not** been used. It is only another step, however, for some Court to hold that some defendant is liable as a contributory infringer because he has not sold and supplied the patented article of the complainant. Then the patent monopoly will indeed be complete.

The first three pages of the opinion, 111, 112, 113, are devoted to an exposition which may be summed up as follows: The complainant had learned from experience that selling the machine without restrictions had resulted in dissatisfaction on the part of purchasers because of the fact that they had used all sorts of ink on the machines and thereby gotten poor service from the machines. The machines were in a bad way. They were about to come into disrepute and fall into disuse because the purchasers did not have sense enough to appreciate the superior quality of the ink and paper that the vendor of the machine was anxious to sell. Thereupon the patentee conceived a most ingenious scheme. It was deemed unwise to increase the price of the machine. The plan was then formed of selling the machine under a "license restriction". Now observe the next: "The machine was improved, and placed in the hands of users at the price of $50.00, **the same before charged**"! (Black ours).

Of course the counsel who drew up this notice had before him the opinion in the Heaton case. But what are we to say about the impudence of counsel's argument that the "license" was to be justified because the purchasers of the machine were using with them inferior ink? The counsel who made this argument ought to have been hobbled by the Court and put in the court-yard to eat grass for three days.

Let us apply this argument: The Singer Sewing Machine Company suddenly discovers that its machines are losing caste because the housewives use rotten thread. Hence the Singer Company, to save its dear reputation, will sell the machines at the same old price, but will "license" them only for use with thread purchased from the Singer

Company. Now its reputation is saved and incidentally it has a monopoly of the thread supply.

The Harvester Trust suddenly discovers that its automatic binders are coming into disrepute, all because the farmers use poor twine. Its attorney, a "corporation lawyer," or it may be he is a "constitutional lawyer," reads up the Heaton case, and under his high-priced counsel the Harvester Trust sells the machine at the same price, but under a "license" that takes over the twine business.

Still the Singer machine does not give entire satisfaction. The directors and expert mechanics ponder the problem and their hearts are burdened with the loud complaints of the housewives.

Much hard study and close examination reveal the fact that the housewives had no lubricating oil handy and used sorghum instead. There's the whole trouble. Now the "license" is broadened, and the machines, though sold at the same price, can only be used with **thread and oil** purchased of the Singer Company. A woman who lubricates with sorghum now becomes an "infringer". Here is one put over on the "Constitutional lawyer" for the Harvester Trust. He learns of the instance and goes to his client and says in a loud harsh voice: "I knew those farmers were not using our machine properly. I know what the trouble is now. Why did not you tell me they were using tar instead of our fine lubricating oil? I have changed this license so that the farmers will either use our oil, or I will prosecute them for infringement. Here is my bill for $10,000. Let me have the money.

Of course, the Neostyle machine may become rusty and be ruined for use; it may be clogged with dust. The office boy may run out of ink and use poke berry juice to get off a baseball score card for Saturday afternoon, and thereby put the machine in bad shape. But what has all this to do with "infringement?" Gillett ought to sell his safety razor under a "license" not only restricting the right to resell the same at not less than $5.00, but forbidding the use of the razor except in conjunction with shaving soap purchased of Gillett.

No doubt many a man has become disgusted with one of these razors, without knowing that the real cause was the bad soap used. Gillett ought to awake to this fact and take over the shaving soap business.

The "constitutional lawyer" who advanced this argument in this case capitalized sophistry at the highest figure and should have been well paid for it, and doubtless was; a sleight of hand performance always comes high.

The Court next starts in at the bottom of page 113 to define the right of the owner of a patent. "We start here with the proposition that the complainants have a valid patent and so far as this case is concerned, the exclusive right thereto, and to the invention covered thereby, to keep, lock up, hide, use, or sell." Already things look in a bad way. To know just how one can have an "exclusive right" to a "patent" requires much pondering. We suppose what is meant is that complainants have an "exclusive right" to a valid "exclusive right", for, that is all there is to a patent. And what is it that the complainant may keep, lock up, hide, use, or sell? Is it the thing invented, or the patent right? It is fairly difficult to see how one could "lock up" or "hide" the latter; it is an incorporeal, intangible thing. "They (the complainants) may use it themselves and refuse the privilege to any one else." The "it" still squints. But in the next we learn its antecedent. "It is theirs (complainant's), like the dollar of the one who has earned it, and they have the exclusive right to it; the right of the owner of the dollar, to throw it in the ocean or to bury it in the earth; the right to put it at interest or to let it lie idle and wholly unproductive."

Now we have it, of course the Court has been referring to the Neostyle, a chattel, and not to the patent right. For Lord Mansfield said the latter is "property in a notion" (supra p. 32), and of course the Court does not mean that even a patentee can bury a thought or drown an idea, like a cat.

The above sentence is illuminating. Metaphors and similes do not

advance an argument or strengthen it, but they vividly illustrate what is in the mind of the arguer. Indeed we agree that the Neostyle is just like the dollar of one who has earned it; but when we say this we stick to it. When I transfer my dollar to another, it is his and not mine; then he can bury it or throw it into the ocean; he can put it at interest or let it lie idle and wholly unproductive, and I cannot restrain him from so doing by any sort of "license". This is what the simile of the dollar leads to.

We skip page 114, remarking only that in the Bement case there was no sale whatever of a chattel by the patentee. On page 115 the Bement case is again made to support the proposition that a purchaser of a patented machine is a "licensee," but the Supreme Court has not said that and never will say it. "It seems to this Court that this doctrine (viz, that the purchaser is a "licensee") is too firmly settled to be seriously questioned." The only new light thrown on this doctrine is citation of the Tubular Rivet and Stud case, which we have already reviewed.

The Court preserves perfectly intact the false identity between a purchaser of a patented appliance and a licensee to use such appliance belonging to the patent owner. At the middle of page 118, the Court begins to draw in its lines to hold the defendant as a contributory infringer. "The purchaser of personal property with certain exceptions takes it subject to all defects plainly observable." This label was plainly observable, therefore, the purchaser took the machine subject to this "defect". That is certainly a new name for a "license". But the nomenclature of the law increases and becomes more varied and beautiful as time goes on.

Then in leading up to the matter of contributory infringement it is said "There was no fraud or deceit". This, too, is novel. We never read before that it was possible for an issue of contributory infringement to hinge on "fraud or deceit". "A patent may be infringed in either of three ways: by the unlawful making or by the unlawful

selling, or by the unlawful using of a patented invention. This is elementary." At the same time we must remember that the word "unlawful" here is a mere question begging epithet. The making, using, or selling is unlawful, only if without the consent of the patentee. For the above sentence the Court cited the case of Goodyear Shoe Machine Co. vs. Jackson (1901) 112 Fed. 146, decided Court of Appeals, First Circuit. That was indeed a case of alleged contributory infringement, and the Court dealt with the question in masterly fashion. The following passage from the opinion in that case goes through the loose fallacy of this Cortelyou case like a bolt of lightning through a cloud. "In approaching the question of infringement by the purchaser of a patented machine, it is important to bear in mind what the patentee sold and the purchaser bought. (This is getting down to bed rock.) The patentee has parted with his machine and the monopoly that goes with it, and the purchaser has bought the machine with the right to use the patented invention until the machine is worn out and destroyed. * * * When the patented machine has passed outside the monopoly by a sale and purchase, the patentee has no right to impose any restrictions on its use for his own benefit. He cannot forbid the further use of the machine because it is out of repair in consequence of the wearing out or breaking of some of its parts.

The purchased machine has become the individual property of the purchaser, and it is like any other piece of property which he owns. (That's the point.) He may sell it, or he may use it so long as its usefulness lasts, and then throw it away or dispose of it for junk. He is only prohibited from constructing a substantially new machine. He cannot, under the pretext of repairs, build another machine." That is the doctrine of contributory infringement stated with unsurpassed accuracy, and that statement is founded on unassailable authority.

Now the Court in the Cortelyou case quotes from the Goodyear case the syllabus to this effect: "The essence of contributory in-

fringement of a patent lies in concerting or planning with others in an unlawful invasion of the patentee's right which is usually done by mak'ng or selling **a part of the patented invention with the intent and purpose of aiding** (black ours) another in its use."

But here the ink and paper constitute no part of the invention. The patent was not for a combination. The ink and paper had no more to do with the Neostyle than powder has to do with a patented fire arm; or human eyesight with a patented microscope.

The Court then says, "See also Thompson-Houston Electric Co vs. Ry. 72 Fed. 1016," but that was a case of a patent for a combination.

At page 122, the Court says: "It would appear from the evidence that the defendant is not only guilty of contributory infringement, but of unfair competition in trade"! No doubt the defendant had been guilty of wife beating or poker playing if the Court had but investigated his past sufficiently thorough. Next the Court quotes the "license notice" which accompanied the plaintiff's ink (not the Neostyle). This is thrown in as a makeweight against the defendant.

At the bottom of page 122, the Court says: "The defendant has the right to make ink and to sell ink, and to make and sell the same kind of ink it sold or caused to be sold to the licensee or licensees of the complainants, but it has no right (now listen) directly or indirectly to dispose of the same with intent or purpose that it shall reach the hands of the users of rotary Neostyles." The Court here takes the golden axiom of the philosophy of the spirit of man, "As a man thinketh in his heart so is he," converts it into a principle of law thus: "As a defendant thinketh in his heart so shall he be punished or not by this Court." Let us suppose two boys enter the defendant's store; both want ink. The defendant still has the fear of the Court's wrath before his mind's eye. He asks both boys for what purpose they want the ink. The first wants the ink to use on a Neostyle, but lies and says he wants it to copy the phrases from his copy book, one of which

is "The way of the transgressor is hard". The other boy is a joker and does not care whether he gets the ink or not for his employer. The ink he is after is not for use on the Neostyle, but he says: "We want it for one of them Brodrick machines." The defendant sells the first boy openly, but in the case of the second boy he conceals the ink in a plain wrapper and tells the boy not to explain where the ink came from. The ink parted with by the first sale is used on the Neostyle, but the defendant is not guilty of infringement because he did not intend or purpose that it should be so used: the ink sold in the second instance is not used on the Neostyle, but the defendant is liable as a contributory infringer because he sold it with the intent and purpose that it should be so used. The power of the Federal Court is a matter that hinges on the secret thoughts of the defendant. And the question of jurisdiction becomes one of occult science. Goethe says: "Out of error nothing is evolved, it only involves us."

This decision is perfectly brutal. The purchaser of the machine was not an infringer; he was using his own machine that he had bought and paid for. The defendant was not a contributory infringer by every test ever laid down by the Supreme Court. The purchaser was not even guilty of a breach of contract. There was no contract: the plaintiff never agreed to supply any ink or paper. The Court had no jurisdiction to try the case. The Court allowed the plaintiff to sell his machine for $50.00, which was the price before the license scheme was put in vogue, and then play the glutton by monopolizing the trade in ink and paper. All this was done under the guise of the patent!

This case was appealed to the Court of Appeals and is reported in 145 Fed. 933.

Here the Court of Appeals was confronted with an odd dilemma. It had previously affirmed the doctrine of the Heaton case in the memorandum in one of the Lowe cases, 111 Fed. 1005.

And even more, the Court says: "The opinion of Judge Lurton

in the Peninsular case covers the entire field of controversy and presents the arguments and all the arguments, in support of the complainants' contention. It is a clear, comprehensive and convincing exposition of the law as applicable to the facts as stated in the bill and admitted by the demurrer."

Nevertheless the Court glances mournfully over the high bulwark of precedent and utters a confession of unconvinced reason, "even though as an original question we might have reached a different conclusion."

The majority of the Court undoubtedly felt that the Heaton case was wrong in principle even though "correct on the facts". The Court then "distinguishes" the present case on the ground of want of notice on the part of the defendant.

The Court seems to draw a distinction between the two cases on the further ground that in the Heaton case the staples were especially adapted in size to be used in the machine, while in the case at bar the ink was manufactured without being designed for use on the Neostyle. But the distinction is a fiction. The Court says, page 935: "When confined to articles, whether covered by patent or not, which are made for the express purpose of inducing infringement and are not intended for any legitimate use, the doctrine of contributory infringement is logical, just and salutary." It would be difficult to find a sentence more crowded with ambiguities and latent fallacies than that one. "When confined to articles whether covered by patent or not." What does the Court mean by "covered by patent"? Does it mean that the article is itself patented or is an unpatented part of a patented combination? There is much difference between the two. When we define contributory infringement as furnishing an article for the express purpose of inducing contributory infringement, we have only said it is what it is. Again, whether or not the article is intended for a legitimate use, is of course, dependent upon whether or not it is intended to induce infringement.

It is difficult to call such a doctrine "logical, just and salutary" because we do not know what it is.

The Heaton case cannot be distinguished on the ground that there the staples were made and designed to fit the machine. We might as well say that if a purchaser was "licensed" to use a patented hammer in conjunction with nails to be furnished by the patentee, that one who furnished him nails to be driven with the hammer would be a contributory infringer, but one who furnished carpet tacks for the same purpose would not be.

In the Morgan Envelope case the rolls of toilet paper undoubtedly were made to fit the fixture alleged to have been misused. In the Heaton case nothing whatever depends on the size and shape of the staples. The patentee did not claim any patent on the staples: he did not any more assert them to be novel than does a patentee of a screw-driver assert that screws are novel. He made the machine with a capacity for a staple of a certain size and shape, and no doubt this was done so that it would not be so easy for the purchaser of the machine to supply himself with staples elsewhere than from the patentee. But the fact remains that the staples had no more to do with the patented mechanism, as the Court there truly said, than the buttons on the shoes. The patentee was no more entitled to a monopoly on the staples than on the buttons on shoes, or we may add, the groceries which the purchaser of the machine consumed on his table.

If the reader is inclined to think that the cases we have heretofore supposed, to illustrate the inconvenience of this doctrine, are extravagant, let him examine the hypothetical cases stated by the Court on page 935.

Take this: (If the doctrine be pushed to its logical extent). "No one may safely sell coffee to the consumer but the patentee of his coffee mill, no one can furnish him flour but the patentee of his baking pans and he may yet be compelled to buy milk from the patentee of his milk can and soap from the patentee of his bath tub. It is mani-

fest that the doctrine can be expanded ad infinitum." Indeed, we have so contended from the start.

The dissenting opinion here at least has the merit of being consistent. The member of the Court who wrote it believes in thinking one's thoughts to the bitter end. That is the way to find out whether or not one is going in the right direction. If we are in doubt whether or not one line is parallel with another, all we have to do is to project both far enough; if they are not parallel, they will cross.

We are tired of pointing out misapplications of the Bement case, so we pass over that feature.

The dissenting opinion then quotes the master fallacy of the Heaton case. "As to the right to use the invention, he, the purchaser, is obviously a licensee, having no interest in the monopoly created by the letters patent." That is the rock on which the courts split every time.

It is then said that we should not make the law swerve because of considerations of supposed inconvenience. This is sound. The argument of inconvenience does not establish anything. It merely illustrates and emphasizes what is susceptible of being demonstrated on principle.

The doctrine of so-called contributory infringement announced in these cases is not unsound because it leads to inconvenience. It leads to inconvenience because it is unsound. The test to be applied to every case is this: Has the defendant alone or in conjunction with others used the patented invention without the patentee's consent?

The patentee here had sold this specimen of his invention and he had no more right to control or circumscribe its use than he had a right to give orders to defendant's office boy, so far as the patent law is concerned. In the concluding page of the opinion we are challenged to accept the view that the patentee of a gun should be given a monopoly on the powder used in it and that a patentee of a "delicate mechanism" (An adding machine, for example) should have a monopoly

on the oil used therewith. One last sentence must not pass. "Or suppose, as in the case at bar (black ours), the patentee, having created an invention which is of great benefit to the public, finds that his chief profit may be derived from selling the patented article at a nominal figure to the public, on condition that the public shall use certain unpatented materials in connection with it." But that is not the case at bar. The complainant did not sell his patented article at a nominal figure; he sold the Neostyle for $50.00. And what is more important, that is all he asked for it before he attempted to monopolize the supply of paper and ink.

This has nothing to do with the merits of the case, but we are reluctant to see a complainant, possessed of monumental greed, and having no cause of action whatever, consoled with false commiseration when he has been turned out of court.

This case was taken on a writ of certiorori to the Supreme Court and is there reported in Vol. 207 of the Supreme Court reports, and will be considered later.

## II.

## RESTRICTIONS ON THE RIGHT OF A PURCHASER OF A PATENTED ARTICLE TO RESELL THE SAME.

We now take up the decisions dealing with the right of a patent owner to restrict the price at which a purchaser from him of a specimen of the patented article shall resell the same. These decisions, in point of time, follow the cases we have just considered and the most of them are referable to the decision in the Heaton case. This will clearly appear as we advance. We shall proceed slowly. It may appear foolish to the reader that we should spend so much time in the detailed examination of these cases. It might be thought that we ought to compress a statement of the law within ten pages. Indeed such a thing would not be difficult, at all. But it would be worthless. The strength of an analysis, the compelling force of a conclusion, depends altogether upon thoroughly clarifying all the intermediate steps by which the final result is reached. A mere abstracted, abbreviated discussion always invites the easy conjecture that certain unmentioned "important facts" have been overlooked. Deductions from

general propositions by the use of abstract terms may satisfy mathematicians, but it is dangerous in legal expositions. It is so easy to deny the application of a general proposition to a given case by falling back on the "particular facts" there involved. The "particular facts of the case" has always constituted a hook on which lawyers hang any makeshift for conclusive, self satisfying reasoning. When once a bubble is discovered at the center of a decision, immediately the unpleasant task of confessing and undoing the mistake is evaded by suspending the thing out of view on that much used hook. What we have in mind is to attend to the "particular facts" of each case. It may be that decisions devoid of differentiating particular facts have been impaled on this hook. An examination of each case in detail requires time and effort, but it seems distinctly worth while. Sustained attention is not possible unless the view point is shifted continually and new aspects are brought to light. The concrete facts of each case hold attention and facilitate a prolonged examination of each step in the process of reasoning.

What we have to deal with here is best indicated by a supposi-
tious case

Let us suppose that some one has invented a phonoscope or an audiograph. These have not yet been put on the market, reader. But they will be invented and of course patented. A phonoscope is an instrument by which one can see the human voice. With it an absolutely deaf man can see a melody or a lawyer's voice. The audiograph is an instrument by means of which one can hear a printed page. When it is perfected and applied to the reports of the Supreme Court, there are going to be many ear drums ruptured by the terrible noise.

We do not know just who will invent these instruments, but we do know that the inventions, and all of them will be claimed by certain citizens of New York and New Jersey. That phase of the prophesy is certain of fulfillment.

Then we will take one of these instruments—the audiograph. The Audiograph Company of America owns the patent and has manufactured several thousand of the instruments. Now the Patent Owner has the right to exclude every one from making, using and selling this audiograph without his consent.

In the cases already dealt with, it was the **using** that constituted the problem, because it was only by controlling the use that the patent owner was enabled to dispose of a lot of scrap iron or junk in the shape of wire, studs, staples, or common paper and ink. But here nothing is needed but the human ear to use the instrument and it would require a longer opinion than the one in Heaton case to persuade a man with ears that his ears were part of a patented combination and that by using them in excess of the "terms of a license" said ears had been put to an infringing "use" and he, the bearer of those ears, had become a contributory infringer. No court has yet enjoined hearing with one's ears, though the thing is susceptible of justification, provided we do not cavil at the source of the authority. There is a very ancient injunction to the opposite that is very commonly disobeyed; which reads: "He that hath ears to hear let **him hear.**"

So in this instance the Audiograph Company of America turns away from the field of use and considers what is left. The field of "making" likewise appears barren: no one else wants to cultivate it. Selling alone remains. The instruments cannot be sold until they are made. So it makes several thousand, as we have above supposed. The problem now is to "monopolize," the sale of the instruments. No profit can be seen in an attempt to monopolize the "use" as was done in the earlier cases. The Company, of course, can exclude everyone

entirely from making, using or selling the things, but it knows that not a dollar was ever made in such a manner by any patent owner.

The precise question is how to make the things and sell them and at the same time not sell them. That is, sell them and yet be able to say that they have not been sold. The thing is difficult, but has been done as we shall see. This is the method of procedure. The American Company draws up two forms of agreements: one a form of Jobbers Agreement and the other a form of Dealers' Agreement. The price of the Audiograph to the Consumer is $50.00; its cost of manufacture is $4.00. The price to the Jobber is $25.00, to the Dealer it is $35.00. The Jobber's Agreement contains this clause: "The retail price of the Audiograph is $50.00; the purchaser herein (Jobber) is "licensed" to sell the same to Dealers only at $35.00 and then only pursuant to the terms of a Dealer's Contract whereby the latter is "licensed" to sell it at retail only at $50.00. Then it is stated in addition that the Audiograph is patented and that any jobber or dealer selling the same at less than the "licensed resale" price is an infringer of the American Company's patent. But this is not all. On a conspicuous part of the instrument, is securely fastened this skull and bones:

"Notice."

"This Audiograph is patented and is licensed for sale at retail only at the price of $50.00; any one purchasing or selling the same at a less price will be prosecuted for infringement to the full extent of the law.

(Signed) Audiograph Company of America,
Hoboken, N. J."

Now let us take one Audiograph and follow it from the American Company to a parlor in a Chicago flat. The American Company executes an Agreement with a Jobber in Chicago, and sells to him

one of the Audiographs at $25.00. Of course the Jobber is "licensed" to sell the same to the Dealer at not less than $35.00. The Jobber tries long and hard to sell the instrument, but Dealers in looking through his stock, say they do not want to buy an experiment. Says the Dealer, "What is an Audiograph anyhow?" The Jobber looks in amazement and replies, "What? Don't you know what this is. I will show you." He gets a copy of the "First Battle," opens it out at the proper page, adjusts the instrument to the book and the Dealer's ears, and the latter is all but paralyzed in hearing a voice that roars like the winds in a cave. He recognizes the voice of the Great Commoner, thundering about the thorny crown and the golden cross. The Dealer is determined to have the instrument, but he conceals his interest and insists that the price is too high. The Jobber shows him the License Contract. Finally they agree to the price of $30.00; both agree to say nothing about the cut. The Dealer promises faithfully to sell at not less than $50.00 and signs the License agreement to that effect. The Dealer keeps the instrument until he has heard all the great books, Socrates talking with the hemlock cup in his uplifted hand, Napoleon's voice reverberating from the base of the Pyramids, Garrison standing in the streets of Boston, covered with dust and blood, surrounded by ruffians and uttering words that through this instrument blister the very tympanum of the ear.

He knows that all he has to do is to get this instrument going and his fortune is made in Dealer's profits. This is the only one he has. But he decides to sell it at the price of $40.00 in order to introduce it into the parlor of a Chicago flat.

He says to the purchaser: "What do you and I care about that 'price'? I have bought this thing and paid for it and own it. You pay me $40.00 for it and it's yours, just like a horse trade." The customer pays the money and carries his instrument to the parlor flat and being of a different turn of mind he uses the instrument to "hear" Mark Twain laugh and Lincoln tell a story.

Oh! Mr. Jobber, Dealer, and Consumer, you know not what you have done! You have invaded the "patent monopoly" of the (American) Audiograph Company.

That Company hears of what a terrible thing has been done. Its directors hold an indignation meeting. The president weeps to think its "Constitutional" rights should be so flagrantly outraged. The directors determine to spare no expense or effort to punish the offenders. The amount involved is small, but a great principle, underlying the patent monopoly is at stake. No ordinary lawyer can properly handle such a case.

The directors look over the names of those on the legal staff, but none is "peculiarly adapted" to the use here contemplated. They go outside and hire a "Constitutional lawyer." We must not use phrases or definitions of doubtful meaning and it seems worth while to remark that a "Constitutional lawyer" is a rare individual. He is a peculiar product of the American soil. He is an extraordinary man. There are but few of them in this country. The peculiar characteristics are fine apparel, a gruff voice, a face hard as the point of a drill bit and as devoid of a smile as the coffin plate in Adams vs. Burke. One thing further, he is nearly always an "ex" something; an "ex"-Judge, "ex"-Attorney General, or it may be an "ex"-Alderman. We have never heard of one converted from an "ex"-convict, though there may be instances. Well, he is retained for $50,000. The reason for holding indispensable in such a case the services of a "Constitutional lawyer'' is that, by the client, he is considered more powerful than the Court, and he tacitly entertains the same view.

This great Lawyer sues the Jobber for "infringement" and gets threefold damages, or $15.00 and costs; he then sues the Dealer and gets threefold damages, or $30.00 and costs. His client is tickled. But the "Constitutional lawyer" is not done.

He goes further and sues the wicked occupant of that Chicago

flat, for he, too, is an "infringer". Did he not buy at less than the "license" price? He, too, is stuck for threefold damages, or $30.00 and costs and the "infringing" property is taken from him. The Court savagely denounces all three defendants for violating the patent rights of the American Company, asserting at the same time that a rigid protection of patent rights is absolutely essential to the stability and progress of the industries of the nation. Selah. The "Constitutional lawyer" mops the sweat from his brow, lights a big very black cigar and silently retires to the gloomy recesses of his great office, like a huge spider in the dark center of its web. The directors meet and all agree that a high priced "Constitutional lawyer" always pays. They take an inventory of damages collected: $15.00 from the Jobber, $30.00 from the Dealer, and $30.00 from the man in the flat. In the first instance, the American Company sold the entire property in the instrument for $25.00, but "reserved an ungranted portion of its monopoly of sale" through the medium of the "license agreement" and by means of this, properly interpreted to the Court, by the "Constitutional lawyer," in the light of the patent law, the Company now has obtained $75.00 additional or all told $100.00 for the instrument! Oh! reader marvel not nor laugh at this as an exaggeration. We will show you that this thing has been done many times.

We will take up first the case of **Edison Phonograph Co. vs. Kaufman (C. C. W. D. Pa. 1901) 105 Fed. 960.**

By very close reading of the opinion here we learn in one sentence of nine words in next to the last line that the defendants were sued as infringers. From no other part of the opinion does this conclusion appear warrantable. The facts are simple. The complainant owned a patent on a phonograph. It sold these patented instruments only under their "Jobber's Agreement" (we follow the lead of the Court in suspending the appellation of this remarkable instrument between inverted commas). The defendants were presented with this "Agreement", and their signature to it required as a condition concurrent to

the sale of the instruments, but they declined to sign because they would not "be bound by any trade restrictions"!! Then the defendants made use of one, Woods, for a very essential service, so they thought. Woods was a go-between, a sort of commercial match maker for the complainant and defendant. He got himself and everybody else into trouble, as go-betweens usually do. Woods undertook to get some of the instruments from the complainant and deliver them to the defendants without the interposition of that "Jobber's Agreement". But he pleaded for delay. The president of the complainant was then in Europe (no doubt in company with a "Constitutional lawyer"). Matters would have to rest until he returned. For as Woods truly said: "There was no use for him to talk to anybody else; **that when one wants on the inside one must go to the head man**" (black ours). All our experience confirms the fact that the last pair of semicolons here, stake off the expression of a truth of the greatest value in life. Never stop with the office boy. He is fully as dangerous as the "head man", but has nothing to give you. Always bring out the "head man" if you have to yell "Fire" or shatter a plate glass window to do so. Woods later saw the "head man", got the phonographs and delivered them to the defendant without the execution of a "Jobber's Agreement". Now Woods acted on the right principle, but he was mistaken as to who was the "head man". In attempting to go around a "Jobber's Agreement" like the one here, one must not ignore the "Constitutional lawyer". It is worse than taking the office boy's cigarettes.

The defendants bought the phonographs and apparently paid for the same. They were about to sell the same when the complainant sued them for infringement. The opinion is short; our comment will be shorter still

Says the Court: "**I cannot doubt** (black ours) that the complainants have the right to sell their patented phonographs with the restrictions and upon the conditions contained in their 'Jobber's agree-

ment' and that Dealers buying the patented instruments from the Jobbers with notice of those restrictions and conditions are bound thereby."

Dickerson vs. Matheson, 57 Fed. 524.

Same vs. Tinling, 84 Fed. 192, 195.

This is the only proposition of law stated in the opinion. In next to the last line the Court says: "The defendants, **I think** (black ours) must be treated as infringers". The Court started in with "I cannot doubt" and ended up with "I think", though it might as well have concluded with a "dream".

There are many thinks yet to come on that decision. We cannot discuss this opinion. There is nothing to discuss. If the Court had entered up a decree adjudging Woods of unsound mind or divorcing one of the defendants from his wife we could not be more completely mystified. We will have to wait until we reach a decision that contains some intelligible proposition of law before we can discuss any principle. We cannot stab water, fight the air or wrestle with a spook. There must be something for us to get a grip on, something to accept or reject, affirm or deny.

The Court cites two cases involving the same state of facts. The point involved in each case is painfully obvious. We will drop the long German names and call the owner of the patent A. A. owned a patent on a chemical preparation. He owned the patent under the laws of Germany, for that country, and also owned a patent on the same article under the laws of the United States. Now A made and sold, or authorized the making and selling of, the article in Germany and also in the United States. On the article made in Germany there was placed a label forbidding its importation into and sale in the United States. A quantity of the preparation was made in Germany and sold there, but bearing the restrictive placard against importation to the United States. Thereafter the patent owner assigned the letters patent for the United States to the complainant together with

the "right to sue for past infringement". Meanwhile the defendants, in violation of the placard restriction, had imported some of the stuff to the United States and here were selling it. They were sued for infringement and set up as a defense that they bought the stuff in Europe where it had been made and sold under the authority of A, who owned the patent monopoly for Germany and for the United States also, and since it was sold to them by authority of the person who then owned the patent for the United States, they were free to use it here without incurring the hazard of infringement. And (heaven save the mark) they cited Adams vs. Burke and similar cases to sustain the contention!! In the case reported in 57 Federal, the Court decided the issue correctly without a struggle by referring to Boesch vs. Graff, 133 U. S. 697. In the case reported in 84 Federal also, the Court referred to the same authority and reached the same result, but in doing so threw out some remarks under "conceding—but not deciding", which caused the Court in this Phonograph case to stumble. The two cases cited are very simple. If the same person owns a patent right under the laws of Germany and also a patent right on the same article under the laws of the United States he has two separate rights, just as distinct as if the two rights pertained to different articles and were vested in two different persons. The laws of Germany have no force in the United States and vice versa. And it is a maxim as old as the law that when two rights meet in the same person it is the same as if they were in different persons. Every executor, trustee, and agent, in fact the whole law of representation exemplifies, this fundamental postulate of jurisprudence. The Latin of it is: Cum duo jura concurrent in una persona acquum est ac si essent in duobus. The "Constitutional Lawyer" will relish that. That right for Germany consists in the right to exclude everyone from making, using and selling in Germany. The patent right for the United States consists in the right to exclude every one from making, using and selling in the United States. When the patentee made and sold the patented

article in Germany he exercised no right under his patent right there, but he passed the article out of the limit of the right to exclude under his German patent. When he made and sold the article in Germany he did so pursuant to a right protected by the general law of that Empire, but he did not confer on the purchaser any right protected by the laws of the United States. When the purchaser brought the article to the American port, the moment it touched the land he had invaded the exclusory right under the patent granted by the United States. The defendant in relying on Adams vs. Burke showed that he regarded the states of the American Union foreign countries in the same sense that England is foreign to Germany. However, the important point to note is that the restrictive placard had nothing whatever to do with the matter. The man who wrote that restriction knew just as much and no more about the patent law than he who wrote the inscription for the Cotton Tie "Licensed for use once only". This explains the fallacy of the citation of the Court, "84 Fed. 192, 195". There the Court said: "There can be no doubt that a patentee has the same right and power to sell the patented article upon conditions or with restrictions that he has to sell it at all." But the important thing is omitted; the patent gives him no right to sell at all, much less to sell with restrictions. "Bayer & Co. (the patentee) had the right to sell its phenacetine in Germany without restrictions. (But this was not a right under the patent.) It had an equal right to subject to the limitations that it should not be sold or used in any way that would curtail or affect **the exclusive right which that corporation held under this patent to make, use and vend** (black ours) the phenacetine in the United States." There's the whole fallacy. The patentee has **not** "an exclusive right to make, use and sell" under his patent. He has only the right to exclude others from doing those things. The Supreme Court has long ago clinched that. The statement quoted implies, and asserts by implication, that if the patentee had not imposed the "restriction" the defendants would not have been infringers, but that

is not true. They were infringers independently of the foolish restriction because they sold the phenacetine in the United States without the consent of Bayer & Co. **in their right or capacity as owners of the United States patent.**

Had Bayer & Co. in the United States made and sold the article to the defendants **by that act,** the article would have passed out of the monopoly granted by the patent laws of the United States. Had Bayer & Co. sold the article in Germany to the defendant and at the same time entered into a contract with the defendants giving the latter the right to sell in the United States, that contract would have constituted an estoppel personal to Bayer & Co. and prevented them from suing for infringement. But it would not have affected the rights of a subsequent assignee of the United States patent without notice of the contract and with a right to sue for past infringement. In such case Bayer & Co., before the assignment, could not sue because of a personal estoppel, but that would not avail against a subsequent assignee without notice. If Bayer & Co. had made and sold the article in the United States they could not have sued the defendants for infringement, but for an entirely different reason, as we have pointed out. All the confusion arose from the fact that the two distinct and separate rights were owned by one and the same person. Yet we cannot suppose that the Court would have any difficulty in grasping the fact that a governor of a state in his right as an executive can pardon a convicted criminal, but in his right as an individual, can do no such thing. Yet it is the same individual who for the time being unites in himself both rights, or capacities. We have dwelt on this case at length because it is continually bobbing up in the decisions hereafter to be considered and we desire to have done with it. We have asserted nothing novel in explaining the decision. It is all contained in Boesch vs. Graff, 133 U. S., and rather dubiously expounded in Daimler Mfg. Co. vs. Conklin (1909) 170 Fed. 70, but there the Court misconstrues Adams vs. Burke and similar cases.

In this Phonograph case, the Court seized upon a "conceding—but not deciding" dictum which was completely and totally erroneous, and applied it to outrage the rights of the defendants.

A "dictum" is a terrible thing. It does no good whatever in the opinion which contains it and no harm, but it may be seized upon later and turned to a destructive use.

In this Phonograph case the defendants had bought the instruments and paid for them. The complainant got the full purchase price which it asked for the same and no doubt deposited the money in the bank. And by the law of the land as announced for the last sixty years, the defendants owned the phonographs absolutely and unqualifiedly to do with as they pleased.

They could have given them away or smashed them up with a hammer, and it would have been none of complainant's business. We "cannot doubt" that this was their unquestioned right. We do not "think", but know they were not infringers. The Court had no jurisdiction of the case and should have dismissed the bill at complainant's costs.

**Edison Phonograph Co. vs. Pike (1902 C. C. Mass.), 116 Fed. 863,**

is the next case in order. And, reader, if you will turn back and read the Audiograph case, which we tried out in the forum of the imagination, you will here recognize its deadly parallel. Here again the facts are very simple. The complainant owned two patents pertaining to improvements in phonographs and records for the same. The Eastern Talking Machine Co. entered into a "Jobber's Agreement" which forbade it to sell the patented phonographs below certain scheduled prices. This "Agreement" contained the following additional clauses:

"(5) Jobbers must not sell or supply, either directly or indi-

rectly, Edison phonographs or parts thereof, records or blanks to any dealer who will not sign the agreement governing and controlling the sale of the same, nor to dealers who are on our suspended list''!

"(11) All Edison phonographs, records, and blanks are covered by United States patents, and are sold under the condition that the license to use and vend them implied from such sale is dependent on the observance by the vendor of all the foregoing conditions. Upon the breach of any of said conditions the license to use or vend said phonographs, records and blanks immediately ceases, and any vendor or user thereafter becomes an infringer of said patents and he may be proceeded against by suit for injunction or damages or both.''

But this is not all. The phonographs purchased by the Eastern Talking Machine Co. of complainant were contained in boxes. Each box was marked as follows: "Notice to dealers: This record is sold subject to restrictions as to persons and the prices at which it may be sold. Any violation of such restrictions makes (listen) the seller or user an infringer of the Edison patents!'' The wretched defendant "knew of the said agreement, and the restriction contained therein, and having such knowledge, and without signing the agreement, bought from the Eastern Talking Machine Co. phonographs and records and sold the same.'' Moreover, "the defendant has in his possession phonographs and records **purchased** (note that) not only from the Eastern Talking Machine Co., but from other vendees of complainant bound by similar agreements (and this without petitioner's(?) having signed the required agreement), which last mentioned phonographs and records the petitioner (we suppose by "petitioner'' is meant the defendant) is using, vending and threatening to vend. Wherefore the defendant is guilty of infringement of the patents in question.'' And the Court so held.

This is where the "Constitutional lawyer'' got in his work.

We know from reading history that Sir Matthew Hale solemnly tried and convicted and condemned to suffer certain persons for

that they were "witches". We are accustomed to regard this conduct of Sir Matthew with horror and to commiserate him and tender to his memory a tribute of mild and urbane pity for his awful mistake. This is well, but no one who accepts the doctrine of the case now under consideration ought ever to cast a stone at Sir Matthew sentencing a witch. Sir Matthew did but give a lurid interpretation to a mistaken statute. Here the Court unreservedly confiscated the property of the defendant in the teeth of overwhelming authority to the contrary. In the witch case, the statute is the occasion of regret; in the phonograph case, the occasion is the Court's construction.

In the opinion here to be dealt with there is much authority which we have already considered and some that we shall look into hereafter. We lay entirely to one side the long quotation from the Heaton case. The two Dickerson cases, the Kauffman and Cortelyou cases we have already dwelt on. The Bement case is yet to come, but we are not bound by what is said of it in this opinion.

This leaves three decisions to be summarily disposed of preliminary to getting at the merits of this case. These three decisions are:

Featherston vs. Cycle Co. (1892) 52 Fed. 113, where the defendant was sued for infringement for making a tire like the one described in complainant's patent. The last two sentences of the opinion read: "Infringement has not been seriously and cannot be successfully, denied (and now follows the reason). Plaintiff's and defendant's tires, when completed, are substantially the same." That is easy. The defendant, without the patentee's consent had made the patented tire. What would the Court have said if the plaintiff had alleged that he himself made the tire and sold it to the defendant and then had the purchase money in his pocket, but that the defendant was an infringer because he was using or about to sell the tire so bought and paid for?

Edison Electric Light Co. vs. Goelet (1894), 65 Fed. 612, 613 (two cases), is a powerful counterblast to the point for which it was cited. In the first of the two cases the defendant was sued for handling in-

fringing lamps. The point being that the person who made the lamps, made them in infringement of the patent. Such lamps never were within the "monopoly," but were conceived and created in violation of the patentee's right to exclude. Of course no one could use or sell such lamps without being an infringer. In the second case the Court dealt with lamps made and sold by the owner of the patent, but accompanied by divers "license restrictions as to the use". The Court, with great reluctance, but none the less positively, followed the great cases of Adams vs. Burke and Hobbie vs. Jennison. "The Supreme Court has so held and there is nothing for this Court to do but conform to such decision."

The very highest quality of the human mind is that which recognizes what is really over and above us and fixes our gaze steadfastly on that.

The Court concludes: "The patentee's remedy is against those who, after binding themselves to his restrictions, have violated their agreements. He may protect himself either by selling his lamps only to persons on whose honesty and responsibility he can rely or by requiring from them sufficient security that they will respond for any damages he may sustain by their failure to keep faith with him". That is a harsh alternative, but in no other way in heaven or on the earth can the patentee "protect himself" in such case. Now suppose the complainant here had taken one of its most brilliant lamps and, like the ancient philosopher, looked for one of the class of men mentioned in the first supposition. It cannot find one and is driven to the second method. The stipulation is made and broken. It has sold the lamps and got the money for them, now they belong to the purchaser! Suppose he gives them away, or breaks them up, or sends them up in a balloon or sells them for ten per cent of what he paid for them. What imaginable damages has the complainant suffered? If it attempted to try out such a case in court, we can see how somebody would have a good chance to be fined or sent to jail for violating the-

state anti-trust act. But that is the only "damage" or danger we can see in or about such a case. The Court concludes: "The purchaser of lamps once sold by the patentee or by the person whom he authorized to make and sell them, cannot, under the decisions supra, be charged with knowledge of the restrictions upon resale, which are matter of agreement between the patentee or the licensed manufacturer and the first purchaser". Even so, and if he could be successfully so charged it would be with knowledge of an "agreement," which agreement violated the law of every state in the Union and the Federal anti-trust act as well. The Court said, finally: "Motion to punish for contempt is denied" and it should have added, "all papers in this case will be sent to the Grand Jury for their especial attention".

The last of the three cases cited is Wiggin vs. Shoe Co. (1894), 161 Mass. 597. It is not worth while even mentioning this case, as it was a suit for a breach of contract, in the state court. Anyone who cares to read the opinion will ascertain that the Supreme Court of Massachusetts understands exactly what the case of Hobbie vs. Jennison means. We should say that it is a dangerous thing in the class of cases now being considered to refer to the Massachusetts Supreme Court decisions. We are apt to be reminded of the fact that that state sent to the bench, Shaw, Story and Gray, and if we should set about reading the opinions of the latter two of these three giants on patent rights, these cases would look rather strange. Moreover, in the year of our Lord, 1907, the Supreme Court of Massachusetts, in response to an inquiry of the legislature, had some strange things to say about patent rights and patented articles (193 Mass. 608). At page 611, the Court said this: "We find nothing in (the Heaton case) which seems to us at variance with our opinion. That case simply decides that a stipulation like those considered may by contract be made incident to a sale of the patented machine. In the absence of prohibiting legislation, we do not doubt this. (Massachusetts in 1907 had no anti-trust act.) What the effect of such a statute would be was not

considered in that case. (All the same, the State of Michigan had a statute, Acts 1889, page 331, then in force, providing, among other things, that "all contracts, agreements, understandings and combinations", the purpose or object or intent of which shall be to enhance, control or regulate the market price of any article or commodity or in any manner to prevent or restrict free competition in the production or sale of any article shall be utterly illegal and void and every such contract shall constitute a criminal conspiracy"! And, on conviction, the offenders shall be punished by imprisonment in the state prison for not more than one year"!)

The passage continues: "Nor was that case decided upon any distinction between a patented and an unpatented article. The discussion (decision?) rested upon the general right of the owner of any property to dispose of it as he sees fit. The decision would have been the same if the article had not been patented. The same may be said of Bement vs. National Harrow Co., 186 U. S. 70." That paragraph is an imperishable and indestructible contribution of the Supreme Court of Massachusetts to the juristic literature of the nation. Any one who takes from or adds to, that, is bungler.

Now we come back for just a few minutes to this Pike case. All of the opinion is rid of except page 864 and four lines on page 865. The opening sentence of the opinion is alarming. "The extent to which restrictions can be placed by a patentee upon the use of patented goods sold by him is not clearly settled"! We cannot so agree, but point blank to the opposite quote the words of Chief Justice Taney, uttered just fifty years earlier: "The (patented) implement or machine (purchased from the patentee) becomes his (purchaser's) private, individual property, not protected by the laws of the United States, but by the laws of the state in which it is situated.

(Now listen.) "Contracts in relation to it are regulated by the laws of the State and are subject to state jurisdiction." (Bloomer vs. McQuewan.) This principle has been so often declared by the

Supreme Court that we cannot understand how it can be regarded as unsettled.

As early as 1863 the Supreme Court said in Bloomer vs. Millinger: "Considering that the question has been several times decided by this Court, we do not think it necessary to pursue the investigation." We have this repeated over and over again. The language of the Supreme Court becomes more intense and positive with every repetition. If we could only apply the Audiograph to Adams vs. Burke we could hear the teeth of Mr. Justice Miller fairly grind, as, after congregating all the earlier decisions into one mighty summary, he pounds the desk with this: "**But, in the essential nature of things, when the patentee, or the person having his rights, sells a machine or instrument whose sole value is in its use, he receives the consideration for its use and he parts with the right to restrict that use.**"

Then, "in the essential nature of things," when the patentee sells the article, he parts with the right to restrict that use" (of the thing sold). "That is to say (the Court further explains), it is open to the use of the purchaser without further restriction on account of the monopoly of the patentee."

Now, twenty-one years later, the Supreme Court in the Folding Bed case (157 U. S. 659), in speaking of the right of a patentee to control the use of a patented article after it had been sold by the patentee or an assignee, said: "It is, however, obvious (not questionable or doubtful) that such a question would arise as a question of **contract,** and not as one under the inherent meaning and effect of the patent laws." The Court in this Pike case says, "If the last sentence (the one just quoted) means that the special contracts alluded to can be enforced only like any other contract, the dictum disposes of the case at bar." Well that is just exactly what it means. Here the Court stood at the parting of the ways. There are times in our thinking as in our lives, when if we deflect even imperceptibly from the straight path and persist in the changed course, the consequence is precisely

analogous to projecting two lines, thought to be, but, in fact, not quite parallel, to infinity—they cross each other and the parallel is destroyed. Before following the deflected path, the Court took a glance backwards to the starting point. "See Harrison vs. Maynard, 61 Fed. 689." Yes, see it. For it is well worth whole hours or days of seeing. There the Court was dealing with the right of the owner of a copyright to restrict the alienation of a copy of the book which he had sold. Page 691, "The right to restrain the sale of a particular copy of the book by virtue of the copyright statutes has gone when the owner of the copyright and of that copy has parted with all his title to it, and has conferred an absolute title to the copy upon a purchaser, although with an agreement for a restricted use (black ours). The exclusive right to vend the particular copy no longer remains in the owner of the copyright by the copyright statutes. The new purchaser cannot reprint the copy. He cannot print or publish a new edition of the book; but the copy having been absolutely sold to him, the ordinary incidents of ownership in personal property, among which is the right of alienation, attach to it. If he has agreed that he will not sell it for certain purposes or to certain persons, and violates his agreement and sells to an innocent purchaser, he can be punished for a violation of his agreement; but neither is guilty, under the copyright statutes, of an infringement." (black ours.)

That is as clear cut as the acanthus leaves on a Greek temple, and equally beyond the reach of criticism. And there is no use to take to cover by asserting the wide difference between the patent right and the copyright franchise. We will nail this up to dry later, but we now interpose the suggestion that the noble faculty of the human mind by which differences are recognized as differences, is worthless unless we make use of it likewise to recognize as similar things that are similar. The copyright franchise and the patent franchise are absolutely identical in this: that the copyright franchise consists altogether in the right to exclude everyone from multiplying and vend-

ing copies of the thing copyrighted without the consent of the owner of the copyright; and the patent franchise consists altogether in the right to exclude every one from making, using and vending the thing invented without the patentee's consent. Point out a thousand differences, if you will, but, in the name of common sense, please do not overlook the vital fact that when we get to the root of the matter each consists altogether in the right to exclude. We will later show that in this fundamental aspect, the Supreme Court has always joined the two rights together and what that vast repository of wisdom has joined together, let no man put asunder.

We have done with this case and place it behind us. The Court had no jurisdiction to try the case. The defendant was not an infringer. He was using and selling his own property. He had not even violated an agreement. The defendant's right to use and sell these phonographs was an inalienable right, a blood right, a right that has been fought for and won with pikes and muskets, a right the fierce assertion of which caused King John to tremble, a right which if denied generally to men, as it was to the defendant in this particular instance, would cause a greater insurrection than ever yet confused the affairs of men.

But the Court denied the defendant the right to what was his, denied him the right to the gains of his own industry, nay, denied to him a legitimate pursuit of happiness. And enforced this denial with an injunction, the most terrible instrument of the law, after the deadfall of the gallows.

Oh! reader, whoever you may be, you will see our Audiograph case more completely translated into terms of every-day life than this. Watch the next case.

Victor Talking Machine Co. vs. The Fair (1903 C. C. A. 7th Cir.) 125 Fed. Rep. 424.

This is a case of the utmost importance. It is much the most influential decision of the character after the Heaton case. We are going completely to surround it and then advance on all sides until we stand right at its center. No proposition asserted in this opinion shall escape the measuring rod (as best we know how to apply it) of the Supreme Court. This case originated in the Circuit Court of the Northern District of Illinois.

We are getting close to that Chicago flat.

## THE FACTS.

The Victor Talking Machine Company owned patent No. 534,543, pertaining to a graphophone. It made a quantity of these instruments so indigenous to Chicago and sold them. Each instrument bore on it these words:

"Notice."

"This machine, which is registered on our book No. ....., is licensed by us for sale and use only when sold to the public at a price not less than $..... No license is granted to use this machine when sold at a less price. Any sale or use of this machine when sold in violation of this condition will be considered as an infringement of our United States patent (black ours) under which this machine and records used in connection therewith are constructed, and all parties so selling or using this machine contrary to the terms of this license will be treated as infringers of said patents, and will render themselves liable to suit and damages.

"This license is good only so long as this label and the above-noted registered number remain upon the machine, and the erasure or removal of this label will be construed as a violation of the license.

A purchase is an acceptance of these conditions. All rights revert to the undersigned in the event of any violation.

Victor Talking Machine Co."

Now this wise complainant filled in the blanks on each notice with the appropriate number and the price of $25.00. It then sold them to a jobber, subject to all the restrictions set forth in the notice, which restrictions the jobber agreed to at the time of the purchase. The defendant, a large department store in Chicago, with full knowledge of the restrictions under which the jobber took the machine, purhased and acquired possession of them from such jobber with labels conspicuously attached thereto, and advertised them for sale at $18.00 each; "and sold some and insisted upon its right to sell others at the cut price."

The complainant, of course, sued for infringement at once.

We desire to call attention to one eye opener in connection with this amazing notice. It informs us that an erasure or removal of the label will be construed as a violation of the license. That means that if the owner's small boy took a penknife and removed the label, the owner, who had paid the full Trust price for it, would be an infringer! We dare not stop to comment on this notice; it would require forty pages.

The defendant demurred on the ground that it had the right to sell the machines at any price it chose, and the plaintiff's cause of action, if any, was for a breach of contract. We undertake here and now to sustain both of those defenses and further to show the complainant had no cause of action whatever.

The Court divided its discussion into two parts, one pertaining to the question of jurisdiction, and one to the merits of the case. We will follow the same course.

So far as we can now recall this is the first case of this character in which the jurisdiction of the Court has been questioned. We have, therefore, had no occasion to consider it with thoroughness.

The question of jurisdiction is always the greatest that can ever be discussed by any court. Jurisdiction is the power of the Court to decide the contest. Justice is said to be the greatest interest in the earth. Jurisdiction is the measure of the power to deal out justice. When a litigant questions the jurisdiction of the Court, he asks the Court to sit in judgment and mark the boundaries to its own powers. An appeal is made to sovereignty to limit itself. Many times the appeal fails.

Here the Court says: The test is: "If the plaintiff is seeking a judgment for debt or damages, or a decree for cancellation or specific performance on account of the defendant's breach of his covenant, the cause of action arises out of the contract, and though the determination of the issue of breach or no breach may involve the interpretation of the patent and of the prior art, the insistence of the defendant that his device according to the true construction of the patent and of the prior art, is not within the patent right granted him in the contract, cannot change the nature of the action. On the other hand, if the plaintiff is seeking a judgment for damages, or a decree for an injunction and an accounting, on account of the defendant's unauthorized use of the patent right in making or using or selling the device without license, the cause of action arises out of the patent laws; and though the determination of the issue of infringement or no infringement may involve the interpretation of the contract, the insistence that his act was within his rights under the contract, if properly construed, cannot change the nature of the action."

These two long sentences may be summed up in one very short one: If the plaintiff is suing for breach of contract, the Federal Court has no original jurisdiction; if he is suing for infringement, it has. But this does not tend in the least to determine the matter

The question still is: What is the nature of the suit? It makes no difference by what name the plaintiff calls the action. It depends entirely upon the facts which the Court has to weigh in order to deter-

mine whether or not the plaintiff's right has been invaded. If the Court has to examine the specification of a patent and also examine a machine, device or process alleged to have been made, used or sold without the patentee's consent, and determine whether or not the thing handled by the defendant corresponds substantially with the specification of a patent then the suit is one for infringement. But if no question is raised about the fact that the thing in controversy is that described by the patent and was made by the patentee and the only fact in dispute be whether or not the plaintiff has consented to what the defendant has done, then the suit is for a breach of contract. Here there was no dispute as to the validity of the patent; the plaintiff had made the machine in accordance with the description in its patent, and there could be no dispute that the graphophone was identically the one patented. The sole issue was whether or not the plaintiff had given its consent to the sale of the graphophones by the defendant. Consent is always a matter of contract.

What a strange spectacle the plaintiff presented! It set out a contract in its bill; set out all the terms of the contract, the facts showing that such contract was in force between it and the defendant (this corresponds to class of allegations described in the first sentence quoted above from the opinion). Then it asked for an injunction (which is a part of a suit characterized by the second sentence).

In other words, the plaintiff throughout the charging part of its bill treats the defendant as a contractee, a licensee; in the prayer for relief it treats the defendant as an infringer. The plaintiff sued on one cause of action and prayed for relief on an entirely different one.

The Court says at the top of page 426: "In the present case, it is hardly conceivable that the question of jurisdiction would have been broached, **if appellants had confined themselves to drafting and filing a straight bill for infringement** (black type ours). But again, the defense, whether put in by the defendant, or by the plaintiff, cannot

change the nature of the action." But no defense was put in by the defendant; it demurred to the bill. What defense was put in by the plaintiff? Does the Court mean that the contract was a defense and if this had been left out we would have had a "straight bill for infringement"? Let us try it. We strike out the jobber's agreement, the "Notice" and all knowledge of it by defendant. Now what is left? These allegations: The plaintiff owns a patent covering a graphophone: it made a quantity of these patented instruments, sold them and got the purchase money: subsequently the defendant bought them from the owner and paid for them: Now it owns them and is advertising them for sale. Wherefore plaintiff prays for a "preliminary and a perpetual injunction and an accounting of profits and damages"! This would have been a "straight bill for infringement" in this case and if it had been so drawn, the complainant's counsel would have been sent "straight" out of court. Yet this is all there is to the case and all that can be made out of it.

But we are not going into the merits for a moment: we are going to stick at this dry question of jurisdiction. Let us try to imagine that there was a "license" of some kind in this case and that somehow the defendant was a "licensee" that had violated its "license".

The plaintiff had to stick to the Jobber's Agreement, and "Notice" in this case to get any standing in court at all. So it repeats and reiterates that the defendant had "full knowledge of the restrictions under which the jobber took the machines" and "acquired possession of them with the labels conspicuously attached thereto". All these allegations are nonsensical except for the purpose of showing a contract in effect between plaintiff and defendant.

But a defendant cannot be both a "licensee" and an infringer. No such thing is possible. If he has the plaintiff's consent, he is a "Licensee"; if he has it not, he is an infringer. If the plaintiff has licensed the defendant, whether or not the plaintiff can sue for infringement, depends upon whether or not he is justified in entirely re-

.pudiating the license contract and holding it for naught. It is for the Court to decide when he tries it; if the defendant pleads a license as a justification, the Court will determine whether or not the defendant's breach went to the essence of the contract and wiped out the consent. If yes, there is no consent or license; if no, there is a consent which has been violated and for which the plaintiff may have damages, but which consent he cannot withdraw. It is a hazardous thing for a licensor to jump to the conclusion that he can sue his licensee in a "straight bill for infringement". It depends entirely on whether or not he is entitled under the circumstances to treat as completely rescinded a contract to which the defendant is a party. Courts are constantly saying that any use in excess of a license constitutes infringement, but the Supreme Court cannot be charged with responsibility for such language. According to its doctrine, so long as there is a license, a consent, there is no infringement. When the license or consent is validly and legally withdrawn, any making, using or selling is infringement.

There are six cases that cover this whole question in masterly fashion. They progressively develop the entire doctrine. These are:

(1) Wilson vs. Sanford (1850), 10 How. 99.
(2) Littlefield vs. Perry (1874). 21 Wall. 205.
(3) Hartell vs. Tilghman (1878), 99 U. S. 547.
(4) Marsh vs. Nichols (1890), 140 U. S. 344.
(5) White vs. Rankin (1891), 144 U. S. 628.
(6) Excelsior Pipe Co. vs. Bridge Co. (1901), 185 U. S. 282.

Wilson vs. Sanford, we have already discussed and quoted elaborately, see supra page 69 et. seq. In that case, the plaintiff attempted precisely what was successfully accomplished in the case now under discussion. If we follow the Court here and treat the defendant as a party to a "license contract" (and in no other way is the language of the opinion intelligible), it is wholly impossible to distinguish the

two cases. In both cases a contract is pleaded as the basis of the action: in both cases, the right alleged to have been invaded is a covenant; in both cases the relief prayed for included an injunction. In the earlier case, Chief Justice Taney said the plaintiff "alleges no ground for an injunction unless the contract is set aside". Precisely. The plaintiff had given his consent; had made the defendant a licensee by a common law contract. He cannot now treat the defendant as an infringer until the "contract is set aside". Whether or not the contract has been forfeited and should be set aside is not even remotely dependent on the patent law.

In deciding that question, the validity of the patent, the novelty of the invention and such matters are irrelevant. The sole question is, has the defendant lived up to his contract? If the defendant has completely repudiated the contract and the plaintiff has joined him in this repudiation, the contract is gone. However, if the defendant has merely broken one of the terms of the contract, the plaintiff is entitled only to damages for that breach. But all such questions are matters of general contract law, of which the state court alone has jurisdiction.

Now Littlefield vs. Perry is, at first reading, exceedingly perplexing, but upon further study and with a little looking before and after it becomes surprisingly simple. There the patent owner had extended an exclusive license to the licensee and then violated it. The licensee brought a suit for infringement, and the jurisdiction was affirmed. This seems to overthrow the rule running through all the cases; that a licensee cannot maintain a suit for infringement, because he has not title to the patent. But here jurisdiction is assumed out of pure necessity. Said Chief Justice Waite (l. c. 223) "A mere licensee cannot sue strangers. Here, however, the patentee is the infringer, and as he cannot sue himself, the licensee is powerless, so far as the courts of the United States are concerned, unless he can sue in his own name" (black ours). There is the reason for the exception, and Littlefield vs.

Perry is not in any manner relevant to Victor Talking Machine vs. Fair.

Hartell vs. Tilgham simply re-affirms Wilson vs. Sanford. Marsh vs. Nichols is to the same effect.

White vs. Rankin is also puzzling at first, but easy when closely attended to. The plaintiff filed a "straight bill for infringement". The defendant pleaded a license in his answer, and the plaintiff came back with a replication. The parties then stipulated that the defendant had made and sold articles embodying the patented invention. Thereupon the Circuit Court dismissed the bill for want of jurisdiction. The Supreme Court declared this to be an error. It said, l. c. 635:

"The Circuit Court did not decide the case upon the facts contained in the stipulation, nor did it adjudicate upon the legal effect of those facts. It did not hold that those facts were facts in the case and then dismiss the bill because the existence of those facts as facts removed the case from the cognizance of the Court. (Black ours: there's the test.) It appears to have dismissed the bill on the simple ground that the defendants set up a contract of license from White." Then the paragraph concludes with this: "All of the parties to the suit were citizens of California, and if jurisdiction did not exist under the patent laws, it did not exist at all." And whether it existed under the patent laws depends upon adjudicating upon the facts set up by the answer and denied by the replication.

If upon hearing the evidence, the Court should decide that there was then in effect a license from White to Rankin, then jurisdiction by the Federal Court "did not exist at all", for "all the parties to the suit were citizens of California."

Near the bottom of page 636, the Court said: "All these matters and questions should have been adjudicated by the Circuit Court before it could find grounds to determine whether or not it should dismiss the bill." (Black ours.)

But the Circuit Court did not follow this plan. It denied its own jurisdiction simply because the defendant said it had none.

Jurisdiction never depends upon what is alleged unless it be also proven. The last sentence of testimony in a case may show the court has no jurisdiction. Suppose at the end of a ten days' trial in a civil case, the last question put to the defendant on cross examination by a smart lawyer for the plaintiff is this: "Now face the Court and tell his Honor how old you are." The defendant, in utter helplessness, turns and says: "Twenty, last March." It is all over. The only thing left is for the clerk to make out a bill of costs and hand it to learned counsel for the plaintiff. See the stinging remarks of Chief Justice Marshall (1834), 8 Peters at 144.

The case of: Excelsior Pipe Co. vs. Bridge Co. is a powerful restatement of the entire rule and we cite it only to quote one sentence. It is the last in the opinion: "We regard this question as conclusively settled in Littlefield vs. Perry and White vs. Rankin, and have no disposition to disturb it." That time the Court struck twelve, reader.

Tested by these decisions, the Court had no jurisdiction to enter up any decree in this Victor Talking Machine Case. Moreover the courts had no jurisdiction in the Heaton case or any of the Neostyle cases. There was no jurisdiction in any of the graphophone cases, which we have already considered or that we shall hereafter consider. In the Heaton case, the Court said, "the remedy of the complainant may be (black ours) a double one." But we know of no instance where the Supreme Court has decided the question of jurisdiction by hazarding a conjecture or positing a surmise. It invariably goes to rockbottom whenever that question is raised. And it does not wield its great power unless its right to do so is utterly beyond question.

## II

We come now to the merits of this case. The Court starts off on firm ground: "Without applying to the patent office one may make, use and sell the device that embodies his invention. That is his natural right." We would prefer to substitute for the phrase "that embodies his invention" the words "that is described in the letters patent". We shall see that there is much grievous ambiguity in the word "invention". Assuming the substitution made, the sentence then would be among those things that abide. Watch the word "invention". "All that the government can and does grant him is the right to exclude others from practicing his invention without consent." There is much subtle ambiguity in the use of the phrase "practicing his invention". Obviously what the Court means is "making, using and selling the device described in the letters patent". Let us substitute equals for equals and then we have: "All the government can and does grant him is the right to exclude others from making, using and selling the device described by the letters patent without his consent."

The Court then says: "Within his domain he is Czar." But remember the Court has already marked out the boundaries of the domain. All that it is, is the right to exclude others. We go on. "The people must take the invention on the terms he dictates or let it alone for seventeen years." What does "invention" mean here? It makes all the difference in the world whether the Court means "the right to exclude others" or "the device embodying his invention". We will try substituting both of these. "The people must take the (right to exclude others—invention) on the terms he dictates or let it alone for seventeen years." And when the seventeen years are up, the people and no one else can take it. on the patentee's terms or anyone else's terms, for it vanishes into thin air and disappears utterly like a disimprisoned spirit. At the end of that period the sceptre of

the Czar crumbles into dust and is blown away into utter non existence. His domain can no longer be found; it has gone the way that no fowl knoweth and that the vulture's eye hath not seen. It is to be found neither in the sea nor on the earth, and the places that knew it shall know it no more forever. That is what happens to that right at the end of seventeen years.

But now let us try the other meaning of "invention" in this sentence, and see how it works. "The people must take it (the device embodying the invention—invention) on the terms he dictates or let it alone for seventeen years." Aye, and for seven times seventeen years. Not when the seventeen years are up nor any multiple thereof can the people take that device except on the terms dictated by the owner unless in the meantime the black pall of socialism is draped from the Golden Gates to Buzzard's Bay and from the Great Lakes to Mexico. For the right to that device is not granted by the Patent Law. It is as the Court said "a natural right". If a man has made and owns a graphophone or purchased a horse and has it in his stable, his right to that graphophone or that horse is not a patent right, granted by the Federal government and perishing of inherent weakness in seventeen years.

Oh, no; it is "a natural right," older than the Constitution, more vital than the Republic itself. We have called it a battle field right. for it has its origin away back there in the boom of cannons and the clash of sabres. Some times when this right—the right to enjoy the fruit of one's own industry, has been denied to men generally, the wild grass has been torn up to the horizon and whole nations turned into a trampled corn field and a bloody street. But, mark you, when the man who owns the graphophone and the horse sells both to another man, there are then two blood rights. The man who buys, parts with a blood right in the purchase money and then he gets a blood right in the graphophone and the horse. And a court, acting within the law, has no more right to take away the right of the purchaser in

the graphophone and the horse at the instance of the seller than it has the right to take away the right of the seller in the purchase money, at the instance of the buyer. A sale is an exchange of blood rights. This is warm, reader, but everything is hot when you get at its center.

Next the Court says: "Cries of restraint of trade and impairment of the freedom of sales are unavailing, because for the promotion of the useful arts the Constitution and statutes authorize this very monopoly." To us those are strange looking words. Let us try them out. We will start with the last word, "monopoly". What is the monopoly of a patent? Why, it is the right to exclude, that is all. The patent monopoly consists **altogether** in the right to exclude others. Fifty-eight years ago, Chief Justice Taney fashioned that out of the heart of the law, and the Supreme Court has been remaking and restating it ever since. A right to exclude is not trade, restraining a right to exclude is not restraining trade. The patentee, in the exercise of his right to exclude cannot either trade or restrain trade. An exercise of the right to exclude has never made anything, used anything or sold anything. The patent monopoly consists **altogether** in the right to exclude. And if a patentee simply exercises his right to exclude and does nothing more and has no other means of subsistence, he will starve and if his successor in interest is in the same situation and imitates the wisdom of his departed predecessor he also will soon be gathered to his fathers. The right to exclude is as barren as the wild fig tree that casts its untimely fruit.

The right to exclude only keeps others from making the thing described in the letters patent without the patentee's consent, and from selling or using such thing made by a third party, without the patentee's consent. But when the patentee himself or someone else by his authority has made the thing described in the patent, it constitutes a visible, tangible thing, that can be traded. Cries with reference to restraints of trade have nothing to do with the intangible, incorporeal right to exclude. Nobody cares anything about the trade in that.

We must revise this sentence then, so that it will read as follows: "Cries of restraint of trade (in the right to exclude) and impairment of the freedom of sales (of the right to exclude) are unavailing because for the promotion of the useful arts, the Constitution and the statutes authorize this very (right to exclude) monopoly." So stated, the sentence is correct.

We are still in the outer periphery of this opinion and we must advance inward. When we get our breath and start again, we encounter this:

"By its terms, the grant covers three separate fields." That looks bad. The grant by its terms consists altogether in the right to exclude others from making, using and vending, but where does the "field" come in? Suppose A goes to the patentee and says: "Czar, let me make a graphophone," and the patentee, answering harshly, says, "No, I exclude you." What "field", even in a figurative sense has A been excluded from? We go to the next. "The patentee may agree with one that he will not exclude him from making, with another from using, and with yet another from selling devices that exemplify the principles of his invention." Indeed he may. But he gets no such right from the patent. The patent grant says nothing about **not** excluding, nothing about an agreement **not** to exclude. The right not to exclude or in other words the right to let in or, stated still more intelligibly, the right to permit another to enjoy the results of one's own industry is that natural, or primordial right, with which the patent law has nothing to do. Suppose X discovers a secret process for making diamonds out of carbon. It is known only to him. He does not have to go to the patent office to get the right not to exclude others or the right to agree not to exclude others from using the process after he has disclosed it to them. Moreover, he can license them to use under proper contracts and his discovery will be just as valuable to him and as useful to the licensees as if he had taken out the patent. Chancellor Kent, in defining the different kinds of personal property,

says: "Another instance of property acquired by one's own act and power is that of mechanical inventions, consisting of useful machines or discoveries, produced by the joint result of intellectual and manual labor." Now all that the patent does is to prevent others during seventeen years from stealing or appropriating the results of this intellectual labor without the patentee's consent.

But we must go on. "Within the field of making (which is an exercise of the natural right), it has never been doubted, so far as we are aware that he may subdivide as he pleases and offer to sell or lease in the most fanciful parcels on the hardest terms; that whether purchasers and tenants come or not is purely his own concern: and if purchasers do come, the courts will enforce the terms of the sale or lease."

The "field of making" is an exercise of the natural right. Of course he may offer to sell or lease in the most fanciful parcels on the harshest terms, but what of it? A livery man may offer to rent a Shetland pony at $10.00 an hour, or sell it for not less than $10,000, and whether purchasers and tenants come is purely his own concern, but neither instance has anything to do with the patent right. "And if purchasers do come, the courts will enforce the terms of the sale or lease." But some of these days, they are going to quit doing it as they have in the past. For the sale or the lease is an ordinary, common law transaction. And if a man should lease a house to another on condition that that other perjure himself before the Court, that term the Court would not enforce.

The opinion becomes more interesting: "And how could it be otherwise? Owning the whole, he owns every part. The field being his property, and there being no law for seizing it and adjudging his damages, he cannot be compelled to part with his own except on inducements to his liking." It is very obvious that during all this time the Court has been thinking of the device that embodies the "invention" and using strong language applicable only to the incorporeal

right to exclude. This simile of the "field" running all through has to do only with the physical device. But this will not stand; in Patterson vs. Kentucky, the legislature of Kentucky sunk all the "fields" —making, using and selling—of the Aurora oil lower than the bed of the Ohio river. In the case of In re Brosnahan, Judge Miller upheld the legislature of Missouri in destroying all three "fields" in the patented oleo-margarine. And in Webber vs. Virginia, Mr. Justice Field said that the legislation which the state may adopt after the patents have expired, it may equally adopt during their continuance. We cannot agree with this statement, "he cannot be compelled to part with his own, except on inducements to his liking." Patterson, who lost his Aurora oil in Kentucky and Brosnahan remanded to jail, know better. "The same conditions must prevail within the field of use, for how can it be distinguished?" The same conditions do prevail.

The Court then cites the Heaton case as a case "we thoroughly approve". We have nothing to say as to that. Then follows Cortelyou vs. Lowe, we pass that also, but not the citation of the Bement case to this: "The field of sale is as much within the monopoly as the others, and so it has been decided." But not by the Supreme Court.

When that great tribunal declares it to be the supreme law of the land that the owner of a patented phonograph can sell the same, put the whole of the agreed purchase money in his pocket and the next day sue the owner for using it, get a judgment in damages against him for purchasing it and an injunction against his use or sale of it, we shall not be surprised to learn that Hamilton has whirled over in his bloody shroud and that the Washington Monument has leaped into the Potomac. We believe that the Supreme Court will stick to the "essential nature of things".

We learn now what was the doctrine of the earlier phonograph decisions. "The holdings were that a patentee may reserve to himself as an ungranted part of his monopoly of sale, the right to fix and con-

trol the prices at which jobbers and dealers may sell the patented article to the public, and that whoever without permission enters the reserved portion is an infringer."

We are glad to learn that those cases held just that. Blaise Pascal, who had one of the most penetrative minds that ever inhabited the skull box of man, advised one dealing with a difficult problem to split it into as many parts as possible and consider each part separately. We think that is the part of wisdom. We are here interested in the sale of a patented graphophone, and have concerning it quite a lengthy sentence. Let us cut off a part of this sentence, drag the fragment to a quiet, isolated spot and think on it earnestly to the exclusion of all else. Let us consider this segment: "A patentee may reserve to himself as an ungranted part of his monopoly of sale."

On the page preceding, the Court had said that all the government can and does grant is the right to exclude others and that without applying to the Patent Office, one may sell his graphophone. We may remark here that consequences are unpitying.

Where, then, does the patentee get his monopoly of sale? He gets no right to sell at all from the patent office: the Court is committed to that.

In the great Northern Securities case, a case which all the members of the Supreme Court searched to the very marrow, Mr. Justice Holmes (l. c. 193 U. S. 403) said: "Much trouble is made by substituting other phrases assumed to be equivalent which then are reasoned from as if they were in the act." That is the danger of substituting in connection with a patent, the word "monopoly" for the phrase "right to exclude". If a patentee in selling his patented graphophone reserves an ungranted part of his monopoly of sale, then it must follow that he parts with and grants a part of the monopoly when he sells. That is what must be meant by the words "reserve" and "ungranted". When we speak of a part being "reserved" and "ungranted", because of the inherent relative character of those

terms, we must mean that another part is not reserved, but granted away. Then the purchaser has a part of the monopoly. If the patentee-vendor is a Czar, we suppose the purchaser is a little czar; belonging to the same order of royal blood as the patentee, but on a lower rung of the ladder of aristocracy. But when does this Czar pollen rub off? Do subsequent purchasers get an unreserved and granted portion of this monopoly and all say to the patentee, like the mutual greeting of the Homeric heroes in hades: "Hail, chief, we have become like unto thee"? The above segment is enough. Away back in 1852, in Bloomer vs. McQuewan, Chief Justice Taney said: "The purchaser of the (patented) machine (from the patentee) in using it exercises no right created by the Act of Congress, nor does he derive title to it by virtue of the franchise or exclusive privilege granted to the patentee." That is enough. The purchaser gets no part of the Czar's power and when he uses or sells the graphophone, he uses and sells his own property and does not enter anyone's reserved portion. He is no infringer.

But we must hurry to the conclusion of this long examination.

The Court now puts into the mouth of the complainant a speech, which the latter is supposed to have addressed to the jobber. "We are unwilling to part with the whole of our monopoly (right to exclude). There are no terms on which we will give you an unrestricted right to deal in our machines. (Now remember the complainant is about to sell the machines, and when he does the machines belong to the jobber). However, if you choose to pay our price (think of it!) for a limited right, we will place our machines in your hands to be sold by you, or by dealers under you, to the public at not less than $25.00 each." We do not care if the complainant said even so, his acts belied his words. He sold the machines and got for them every penny of the purchase money, otherwise he would not have sold them. A sale of a chattel, of personal property, and the payment of the agreed purchase price, transfers the thing sold to the purchaser. It is his. The

sale may be conditional. That is to say; that the title shall not pass until the purchase price is paid. But when the parties agree on the price, and the vendor accepts it and delivers the thing, that thing belongs absolutely and unqualifiedly to the purchaser. Title and possession is the beginning and end of personal property. Here the vendor transferred the property or interest in the graphophones and delivered possession of them. He received therefor from the jobber all the compensation he asked for the instruments and it is idle to talk about his having some further interest in them. And how is it possible to speak of infringement in such a case? The jobber nor the defendants made the graphophones: the patentee made them. If he did not want them used or sold he could easily have prevented this by keeping them. What did he mean by selling them to a jobber if he did not consent to their being sold again and used by the purchaser? Ownership of property without the right to use and sell it is a deception and a snare.

But the matter is quite free from difficulty. We need only one sentence from Adams vs. Burke. "In the essential nature of things, when the patentee, or the person having his rights, sells a machine or instrument whose sole value is in its use, he parts with the right to restrict that use." What the complainant did here was to impose a restraint on the sale and use of ordinary personal property that belonged not to him but to others, who had bought it from him, and paid him the full purchase price therefor. There is no magic about a patented article. It is a common chattel.

The patentee in selling it can impose no more restrictions on the use of or resale of it, than he could the day before the patent was granted or the day after it expires. This is because the patent consists altogether in the right to exclude The patent is an intangible right: it does not go along with every patent article, breathing from the pores thereof and shouting, "hands off".

The attempt juridically to endow a patented article with some

inherent vigour that per se limits the purchaser's right in the article is a mere **tour de force.** It is as incomprehensible as the blind man's description of the color of scarlet which he declared to be like the sound of a trumpet.

The Court here stuck the defendant as an infringer because it had knowledge of a contract. But infringement, never by any possibility, can depend upon knowledge of any contract. It consists in making the thing invented without the patentee's consent or in using or selling the thing invented after it has been made by some one else without the patentee's consent.

Here the Court follows the lead of the Heaton case and treats a purchaser and owner of property as a "licensee" to use! Before long that famous "license notice" will be hung up among other legal curios.

"It is axiomatic in all departments of the law that unless the quality of innocence intervenes, the title of the purchaser is no better than his seller's."

That would be relevant if we were dealing with a sale by a thief or a felon. But the jobber bought and paid for the machines and owned them. Had he died, they would have gone to his personal representative. If he had made an assignment for the benefit of creditors the assignee would have taken title and owned the instruments. If he had gone into bankruptcy and the trustee had sold these machines for about $6.00, we suppose that the Court would have muleted the trustee and every purchaser in damages for "the trespass in entering a reserved portion of the monopoly"! And we suppose, finally, if some wretched scrub woman, with her imagination filled with the wonder of this screeching device had saved pennies in an iron box until she had sweated out $24.99 and picked up one of the things on bargain day with the last penny, that the Court would have invaded her squalid hovel, had the marshal haul her into the court-room by the scruff of the neck and would then have addressed to her these dulcet words: "Madam, you are an infringer: you have invaded the

reserved portion of the patentee's monopoly. He is a Czar and you are a serf. If you had given one penny more for the machine, it would have been yours; but as matters stand, it will have to be delivered up and destroyed as infringing property. Let it be so ordered."

This decision far outstrips the Heaton and Neostyle cases. Those decisions only restrained the "contributory infringer" from furnishing ink, paper and staples to the "licensee". But here the Court confiscated the property which the defendant had bought and paid for.

When he parted with his money, he parted with an inalienable blood right, when he got the machines he got the same sort of right, but the Court took it from him. In Bloomer vs. McQuewan, Chief Justice Taney said that under the Constitution, Congress had no power to enable a patentee to recall rights that he had parted with. But now a way around this has been discovered.

Let us ask in conclusion what possible or imaginable harm could the patentee have suffered here, whatever the jobber had done with the graphophones? Suppose he cut the price, it made more sales. Suppose he gave away a gross, he would buy more for his customers. In any event, the patentee gets just what he demands for the graphophone when he sells it. The result of the decision of the Court is to outrage the anti-trust laws of the sovereign State of Illinois.

Now, reader, the Audiograph case is a reality and not a creation of the fancy.

**National Phonograph Co. vs. Schlegel (1904 C. C. A. 8th Cir.) 128 Fed. 733.** Reversing 117 Fed. 624.

This case almost makes us weep aloud. After reading it over many times, we feel like shrieking with anguish. It was decided by the Court of Appeals for the 8th Circuit. That is getting close to home. Indeed, it embraces home.

After reading this decision, we foreswore purchasing any patented appliance whatever.

Instead of using a patented lawn mower made by a Czar, we use a common grass-hook hammered out by an honest blacksmith. This is not patented and no doubt an instrument very similar was used by Nebuchednezzar some thousands of years ago when that eccentric prophet got to his knees on the hills of Babylon and gathered his breakfast from the blanket of the dead. Why do we not use a patented lawn-mower? Because if we should, this would be the danger. Some night, after an awful day's labor, in an effort to understand the law, when we have dropped into an old worn chair and reached for a copy of a very old book, and in it are reading these words which an ancient judge spake of himself: "I was eyes to the blind and feet was I to the lame: The cause that I knew not I searched out and I caused the widow's heart to sing for joy. I brake the jaws of the wicked and plucked the spoil from his teeth and my judgment clothed me as a robe and as a diadem,"—we have just read that passage and closed our eyes, and there we can see the smashed jaws and the spoil, ransomed from gnashing teeth. The cause has been searched out. But that is not the focal point of meditative vision. It is the judge. His countenance, terrible as an army with banners and majestic as the tomb of a dead King. And we are pondering with inexpressible delight his implacable and righteous judgment, symbolized in the robe and the diadem, when there comes an awful knock at the door. We hurry down because we know that that knock is as of one having authority. We open the door and there stands the United States Marshal. This officer, reader, is more terrible than a messenger from Caesar's tent, for the Court that sends him wields greater power than Julius Caesar ever dreamed of.

The predicament is disclosed at once. The lawn-mower was patented: the "Licensed resale price" was $7.50. The one purchased was sold for $6.49, for that it was shopworn and rusty, but the Czar is

obdurate: he cares not for shop wear, rust or bargain day. We hurry out in the back yard to examine the precious thing and on it is pasted the fatal "license notice". The user is an "infringer". Some days later we appear in court. The cause is heard and the Czar takes judgment for three times the damages, which means, we suppose, three times the difference between the "licensed price" of $7.50 and the "infringing price" of $6.49, and costs. But this is not all; the Czar had sold the lawn-mower for $3.00 and has spent the blood money of the purchaser. Now the thing has become "infringing" property and must be delivered up and, we suppose, destroyed, unless the Czar slips it out the back door, paints it up and sells it again with a fresh license label. As for us, the mower has cost $9.52, with the costs added, and yet we have no mower. Nevertheless, the judgment must be true and righteous altogether.

We make a hasty levy on the young lawyers in the court room, collect the amount of the "damages" and costs, and after handing the same to the affable and commiserating clerk, we depart from the court room. As we leave, we glance back, the robe has now become a black rag and the diadem has gone forever.

The night of that day, after studying what the law is not, in order to recoup the "damages" and costs, we read again, for reading is a necessity of life. But we read not in the same book as before. In order to still the violent tumult within, we read history, for Lord Bacon says that makes men wise. With a strange delight, we turn to the pages that depict John Hampden in jail and old Sam Adams raging in the streets of Boston, seeking a King to devour. We put aside the book again and this time gaze on the wall where hangs the ancestral rifle, and underneath, suspended by a thong, is the powder horn and on it carved by a rude hand the figures "1839". Thank heaven, the rifle is not patented! We have a "license" to use it, but not from any czar. We have a "license to use" that rifle in virtue of a glorious prerogative, vested in a sire and handed down to the son.

And the second amendment to the Constitution does not create, but guarantees the right, for it says, "the right of the people to keep and bear arms shall not be infringed." Don't be misled by the word "infringed"; it does not mean that all arms are patented.

Reader, if you should be so fortunate as to be on the top of the last mountain in the deluge and should there decide to exalt your final agony by contemplating the imperishable mementos of the law, among the other sacred things that will stud your fading ultimate horizon will be John Hampden, Sam Adams, a long rifle and that fragment of the constitution. They constitute a part of "the essential nature of things."

This decision is of great importance. It is law for the Eighth Circuit and that Circuit embraces within the bounds of its jurisdiction an empire.

Enough soldiers could be mustered out of its boundaries to outdo Wellington at Waterloo and from it enough food stuffs could be gathered to convert the problem in India from one of famine to one of gout. And the law of this decision is law for all that territory. A cowboy using a patented lariat in Wyoming, a farmer driving a patented reaper in North Dakota, a woman that taketh hold with her hands and is hanging out her washed scarlet in a Kansas back yard by the use of a patented clothes pin, and even a little lad spinning a patented top on the streets of Denver,all may be violating the law of this case beeause they did not pay the "licensed price" for the patented thing used. They may not know it, but when the judges get in earnest they say that ignoranee of the law excuses no one. And Judge Pilate said: "What I have written, I have written."

If we violate the law as pronounced by the Court in this decision, we shall never plead ignoranee of the opinion as an excuse, but we certainly would ask for leave to reargue the point, and not quit the case as did counsel for the defendant

But let us get at it. The facts as to the "licensee agreement" are

identical with those in the Victor Talking Machine case. We shall not repeat them. Notice this, however. Here the defendant was a party to the agreement; he signed it with his own hand. Again in this instance, the complainant was an "exclusive licensee for the sale" of the patented phonographs. Drive a stake right there and put a red flag on it, because we must not lose that place. The defendant, then, signed the agreement, purchased the graphophones, paid for them and was about selling at a cut price, when the complainant with its "Constitutional lawyer" rushed into Court and sued him.

## THE OPINION.

The Court starts off with the statement that "this is not *a* suit to enjoin the infringement of a pâtent". Let us ask then, in the name of Daniel Webster and Rufus Choate, what the suit is "for"? In this very first paragraph the Court quotes from Revised Statutes, sec. 4884. If there is anything in that section about anything but patent rights, we have never been able to find it.

Then the Court cites all the cases we have been dealing with, every one of which was for "infringement". On page 736, the Court says "any sale by defendants outside of the terms of their under license or contract was an invasion of complainant's lawful monopoly." What is this but invading the domain of the Czar? We think that we must call such a culprit an "infringer" because he has no other name to go by. Yes, this, like the other cases, was a suit for "infringement". The complainant did not call it that, nor file "a straight bill for infringement," as was advised in the Victor Talking Machine case, for he knew better than to attempt either. He was not anxious about the name by which the cause of action was labelled. What he wanted to do was to have the Court sanction a rule of conduct that would affect the rights of every man, woman and child in the empire of the

Eighth Circuit and he got what he wanted. We must believe that he was a "Constitutional lawyer".

The lower Court at first got the impression that this suit was collusive, but later was converted by counsel to the opposite opinion. Belief and conviction on any point is an unconditioned prerogative of the individual. We cannot believe that the suit was not collusive, and it would require the unanimous and positive word of a cloud of witnesses, all of the stripe of Cato, the Younger, to change our belief. Why was the defendant so anxious to have the decree entered against him? If the complainant had a valid cause of action, why waive all the "damages", and shoulder the burden of the costs? What was there to fight over when the defendant had conceded everything? We are deeply persuaded that the lower court spoke the words of truth and insight when it said: "As an injunction is not required to coeree, the defendants in this case, they, in effect, having agreed to comply with complainant's demands, **for what can the writ be used? Undoubtedly to intimidate or terrorize others engaged in the like business. It will be used to hold up others that this Court has recognized the validity of the contract. The decree of this Court will be used for advertising literature.**" (Black ours.)

We have no authority for even suggesting that the judge who wrote those words considers himself a prophet. But we think subsequent developments afford abundant proof that in the above passage he used the divining stick of Jeremiah. His prophesy is become history.

We have said that this suit must be considered as one for infringement. There is an allegation of a diversity of citizenship; but there is no allegation that we can find in either report that the requisite amount of $2,000 was involved so as to confer jurisdiction.

It was only in virtue of the fact that the patent law was thought to be involved that the Court could have been persuaded to read through the bill of complaint. But the Court had no jurisdiction, for

there was no infringement. We have already discussed this phase of jurisdiction in connection with the other cases and will not repeat what was there said.

But for an entirely different and additional reason there was not the shade of a shadow of jurisdiction here. In both reports, it is emphatically stated that complainant was an "exclusive **licensee** for the sale" of the phonograph.

When we stated this fact earlier, we asked a stake be driven there. We come back to that stake now. All licensees are alike whether they look alike or not. Not one can bring a suit for infringement except where the patent owner is defendant. We do not know how many times the Supreme Court has ruled so, but three instances will be enough.

Paper Bag Cases (1881), 105 U. S. 766.
Birdsell vs. Shalliol (1884) 112 U. S. 485.
Waterman vs. Mackenzie (1890), 138 U. S. 252.

And these rulings are all based upon the fact that a licensee has no part of the right to exclude; he has not title to the patent which is put in issue in every infringement suit. It would be absurd to allow a licensee to maintain a suit for infringement for it would be no bar to a subsequent suit by the owner of the patent. In the case under consideration, the patentee could not have sued for "infringement," for he was not a party to the "licensee agreement" and that "licensee agreement" was the umbilical cord of complainant's cause of action.

This fact alone shows indubitably that even if the Court was bent on considering a purchaser and owner of property a mere "licensee," yet complainant had no standing in court. This is why complainant's counsel did not call the suit one for "infringement". That word would have ended the game.

We shall not discuss the authorities cited by the Court and heretofore considered.

The Bement case is again quoted, but we looked at that in connection with the Victor Talking Machine case. In addition, Fowle vs. Park, 131 U. S. 88, is referred to, but it must be thrown out at two exits. It had to do with a "patent" medicine, a secret process, of which the Patent Office had never heard and again it was decided in 1888, two years prior to the enactment of the antitrust act of Congress. Garst vs. Harris (1900) 177 Mass. 72, is also relied on; it was also a case regarding a "proprietary medicine". We have already remarked that it is dangerous to go to the Supreme Court of Massachusetts for authority in this class of cases.

In Garst vs. Harris, the plaintiff sold the defendant a quantity of proprietary medicine under an agreement that the defendant should not retail it below a stipulated price. The defendant violated the covenant and the plaintiff sued him for damages and recovered. The Court said the contract was not void as in restraint of trade. Massachusetts has since made known its public policy in such matters. That is one phase of Garst vs. Harris. But in Garst vs. Lyon (1901) 179 Mass. 588 this same Julius Garst went back to the Supreme Court to obtain a different sort of relief. His "phenyo Coffein" was made from a secret formula. He sold it under a trade mark registered in the patent office of the United States, and in the office of the Secretary of the Commonwealth of Massachusetts. This certainly was a deliberate attempt on the part of Garst to so change his form and being that every man who came in contact with him would say: "Here is a czar." Having done thus Garst sold some of his stuff bearing the trade mark so registered, and the defendant bought some of it from some "licensee" and was selling it at a cut price.

The plaintiff charged that the defendant had "fraudulently" bought it, and he prayed for an injunction to restrain a sale of it. Of course it was only by making use of the epithet "fraudulently"

that the plaintiff could get up enough steam to start. There is no reason why he should not have gone into the Federal court after having substituted for the word "fraudulently" the phrase "in infringement of your orator's trade mark". In the year 1901, he would have found very strong analagous authorities. But the Court said it could not attach any importance to the ugly adverb. The defendant had bought and paid for the medicine, and it was his. Said the Court: "The plaintiff has contracts from his vendees in regard to which they will sell if they sell at all. If they sell in violation of their contracts with the plaintiff he has a remedy against them to recover damages (citing the earlier case of Julius). This right is founded on the personal contract alone, and it can be enforced only against the contracting party. To say that this contract is attached to the property and follows it through successive sales which severally pass title is a very different proposition. We know of no authority nor of any sound principle which will justify us in so holding."

Then the Court made this remark: "The plaintiff's trade mark does not give him the rights of a patentee in property manufactured under a patent." But that is not saying that the plaintiff would have prevailed had the article sold been patented. The plaintiff had cited to the Court the two Dickerson cases that we have already struggled with and the Court took this way of not entangling itself in these cases.

Besides it is unfair to seize upon a mere aside remark as the gist of a decision. It is like holding a stop watch on a thoroughbred after the animal has broken the world's record and is slowing down. It is not often that the Supreme Court of Massachusetts gets far away from the "essential nature of things."

We must now finish up with this opinion. We pass over what is said on page 735, in view of the authorities relied on. On page 736 we have this: "The condition against sales to retail dealers who do not sign a similar agreement governing sales by them was imposed by

complainant who was a mere licensee in the legitimate exercise of its property right, in the monopoly (right to exclude) and for the purpose of rendering it (right to exclude) valuable."

Then this is the state of affairs: In order to render valuable the right of the patentee to exclude others from making, using and selling without his consent, we must enable him also to exclude others from using and selling what he has made and sold to them and for which they have paid him the full purchase price—the price named by him as the maximum compensation for his labor and skill, the full royalty he demands for his property in a notion. "Any sale by defendants outside of the terms of their under license or contract was an invasion of complainant's lawful monopoly" (right to exclude). We quote this sentence only to mark the growth of language. Here we have an "underlicense". Of course there must be then an "underlicensee". May all the saints help and watch over him.

In this case, we have a repetition of what is now familiar. A purchaser of property, one who owns it and every part of it is a "licensee" or it may be only an "under licensee". He is an infringer. The Court issued the terrible writ of injunction against the man for attempting to sell his own property. We have already said that an injunction is the next thing to a sentence to be hanged. In one aspect it might be worse. For if courts are going to persist in denying to a man the right to his own property, which he has bought with his hard earned money and paid for and if the victim repeats the awful offense of using and selling his own property, sending him to jail for contempt for so doing; if they are going to keep him in jail until he promises not again to use and sell his own property, then we say hanging is preferable to being enjoined.

We conclude with a few sentences of the lower court. "In the month of May last (the opinion is dated October 6th) I filed an opinion herein, but subsequently granted a rehearing. I have given the case on rehearing full consideration, having considered not only all

cases cited by counsel, but having given the question an independent consideration, and for the second time present my views." Then on 627 the Court says: "Now, what has the patentee? The answer is the exclusive right to make, the exclusive right to sell the article covered by the patent." Hardly. The patentee, as patentee has only the right to exclude. Notwithstanding this slip, the Court breaks away from mere words and deals with things. Next we read: "No one, as presented by the bill in this case, is seeking to interfere with complainant in the making or using, and all that is complained of is that complainant's exclusive right to sell is being interfered with. When, and by whom? There is not the pretense in the bill that by any act of the defendants are the number of sales lessened, **or that the price which complainant fixes is in any way cut down** (black ours). All the phonographs covered by the Edison patents that the public wants must come from and do come from complainant's warehouse. (Now listen) **and come from there at complainant's prices** (black ours). But because defendants, in selling them as leaders, or for some other reason, sell them at a less price than does complainant sell them for, is the only reason for an injunction." There's the rub.

The Court gets warmer still. It quotes an antiquated assertion of Mr. Justice Swayne's to this effect: "Patentees as a class are public benefactors, and their rights should be protected. But the public has rights also. The rights of both should be upheld and enforced by an equally firm hand, whenever they come under judicial decision." What can that mean?

Then we have for once a correct statement of the Cotton Tie case, and this ground swell in conclusion: "I find no authority, and none has been cited by counsel, that, in my judgment sustains complainant's contention; and, aside from the phases of the patent law that have been argued, in my judgment, the contract in suit cannot be the basis of an action at either law or in equity, and it likewise is my judgment that the contract cannot be upheld, even though the

articles of merchandise are covered by patents. The writ of injunction will be denied and the bill dismissed." We know not how the Court spent the time from "May last" to October 6, but we have ample proof that it gave this case "an independent consideration."

The counsel for the defendant seems not to have entered an appearance in the appellate court. We do not wonder; after giving all possible assistance to the plaintiff below, even then, the case was lost. He may well have concluded that there was no use for him to appear on the appeal.

The contract cannot be upheld, patented articles or unpatented articles. It violated the antitrust act of Iowa as clearly as any contract could possibly do.

Reader, our audiograph case is now the law of the land from the Rockies to the Mississippi and from North Dakota to Arkansas. What the Court has written, it has written.

**Robert H. Ingersoll & Bro. vs. Snellenberg (1906 E. D. Pa.) 147 Fed. 522.**

This is a most interesting case. It all turns about that dollar watch, known to every boy. This is getting close to the ordinary citizen. Only shoe men want a button fastening machine, the number who are interested in Neostyles or riveting contrivances is small, graphophones are "peculiarly adapted" to use only in Chicago flats, but not so with a dollar watch. A dollar watch is in the same category with pocket knives, fishing tackle and air guns. The Court is apt to find its own household entangled by "infringing uses" when we get to that.

More interesting still, in this case the dollar watch was advertised for 79 cents. At that price it is within easy reaching distance of all. But then if one parts with the 79 cents only to become an "infringer," it is better to spend the money for something more than seventeen years old.

## THE FACTS

The facts here are very simple as in all these cases. The Waterbury Clock Company owned the patent and made the watches; it gave Robert H. Ingersoll & Bro. an exclusive license to sell the watches, and itself did not sell them. Ingersoll Bros. undoubtedly took counsel from a thoughtful source. For they pasted on each box containing a watch sold by them to the retail trade this notice:

"Yankee Watch. Nickel. Notice."

As manufacturers of the Yankee Watch under various United States patents (there were just two) and trade marks owned and controlled exclusively by us (listen), **which according to recent court decisions establish our right and privilege to fix the retail price** (black ours) we do hereby fix such price at one dollar ($1.00) and we sell this watch only on condition that the retail dealer will not sell it for less than one dollar ($1.00).

The retail dealer acknowledges that the receipt and acceptance of this watch shall be an assent to the above terms and an agreement directly with the manufacturers to sell subject to the above fixed price."

"Robert H. Ingersoll & Bro., Manufacturers."

It is obvious at the outset that the firm of Robert H. Ingersoll and Bro., Manufacturers, do not always mark with requisite precision. where the realm of fact leaves off and that of imagination begins. It is asserted at least three times in that "Notice" that they manufactured the watches; that was not the fact. It is asserted once that they owned the patents; that was not the fact. The Waterbury Clock

Company owned the two patents and manufactured the watches. It was the czar.

The defendants who owned a department store in Philadelphia, bought a quantity of the watches accompanied by the aforesaid "Notice" and against the peace and dignity of all czars advertised the same for sale at 79 cents. Why not?

No doubt they had advertised literally thousands of patented articles at "cut prices" before, and sold the same and bought more and sold those likewise. They owned the watches, just as The Fair owned the graphophones, and the exception to the rule, that one can not sell what one owns, had not become sufficiently known to the advertising manager in Philadelphia.

Ingersoll & Bro. and the Waterbury Clock Co., as complainants, sued the department store proprietors for "infringement". It was necessary for the Clock Company to be in court in order that the title to the patents might be in issue. In the Eighth Circuit that seems not to be the law. The Court held the defendants were not liable as infringers, because Ingersoll and Bro. had no right or power to impose the restriction. And this was put on the ground that they were only licensees, and a licensee cannot impose such restrictions, but only the patentee. Indeed, the Court intimates that the patentee might have authorized the restriction and then the licensee could have imposed the same validly.

This decision is directly counter to National Phonograph Co. vs. Schlegel on that point, but that is far from stating that the decision is defensible.

The result reached was correct, but the reasons assigned therefor are a part of what has gone before. One sentence is enough to show this. "The decisions that support the right of a patentee to impose restrictions upon the future sale or use of the patented article are based upon his ownership of a monopoly and his consequent right to declare

upon what terms he will admit the public to share in such ownership, or to profit by the use of the article."

We have here a new statement of what these decisions mean. Let us look at it closer. May be we will find out after a while. We are going to substitute for the word "monopoly" the phrase "right to exclude others" and see how it works.

These decisions, then are based upon the patentee's "ownership of a (right to exclude others) and his consequent right to declare upon what terms he will admit the public to share in such ownership (of the right to exclude others), or to profit by the use of the article." That is how it works. The Court follows the above sentence with this: "This principle is now thoroughly established." Then with the other decisions is collated the Bement case, but we are going to quit separating that case from the decisions of the lower courts until we come to consider the decision apart.

We hope this principle is not thoroughly established. It is true the lines have gone out through nearly all the land, but may be they will be drawn in some day. At any rate there is going to be a change in the affairs of men when the "principle is once thoroughly established."

See what a narrow escape there was here. The Waterbury Clock Company did not paste the notice on the box, nor authorize it done. Had it done so; the watches would have cost the department store just the same; it would have sold them to the same customers. The people's money would have paid tribute to the same patentee. The watches belonged to the defendants in the same right that the counters and shelving, the ginghams and domestics and the thousands of other articles in the store belonged to them. They had paid for the watches, and may be were paying interest on the money invested in them. Certainly they were paying taxes, insurance premiums, and clerk hire in order to own and sell the watches. These patentees seem to have an inverted ambition; instead of desiring to get rid of their

product, they want to prevent its being sold. We had always supposed that the only reason on earth for manufacturing articles in large numbers was to sell them at a profit. Here the manufacturer's profit on the watches had already been realized, and whether the watches were sold at 79 cents or one dollar, could not affect his profits in the slightest. If the department store had undertaken to give one to every boy in Philadelphia, how would that have injured the complainant? The boys thereby would have acquired the "watch habit", broke or lost a large number and come back to purchase others. From what book has this czar learned his industrial science?

The boys in Philadelphia had a narrow escape indeed. Had the name on that box been that of the Clock Company, every boy that could read, purchasing one of those watches at 79 cents would have been an "infringer" and subject to suit therefor. For in the Victor Talking Machine case, we are told that "unless the quality of innocence intervenes the title of the purchaser is no better than that of the seller." What a time the Marshal would have had to bring in that flock of "infringers"! And they would not be joint, but separate "infringers", each demanding a separate trial. When the Court got through with that case, in its mind at least, "the principle would be thoroughly established".

Reader, this is not the essential nature of things; it is only the superficial aspect of words.

**New Jersey Patent Co. vs. Schaefer (C. C. E. D. Pa. 1907) 144 Fed. 437; S. C. (Final Hearing), 159 Fed. 171.**

Here we come back to the phonograph again. We much prefer the dollar watch, sold at 79 cents, but in the order that is marked out for us, it is now our duty to consider an "infringing" sale of a phonograph record at less than the "licensed" price of 35 cents. We are confident that the "Constitutional lawyer" put one over on the Court

in this instance. Watch the facts. There were two complainants. The New Jersey Patent Company owned the patents. The National Phonograph Company was an exclusive licensee to manufacture, use and sell throughout the United States. Both were New Jersey Corporations. It is usually so. Some of these days New Jersey is going to get a patent on a corporation and then the other states in that business will be only "licensees". Here the "Notice" and "Jobber's" and "Retailer's" agreement are in the usual form, just as we found them in the Victor Talking Machine case.

But here's the trouble. The National Phonograph Company, the licensee, sold the records; it executed the agreements and affixed the notices. We are fresh from the consideration of a case by this Court, where it was held that a licensee could not do that sort of thing. Now we swing back to the rule announced in the 8th Circuit. It is true the New Jersey Patent Company is stalked in here as owner of the Patent, but it had no more to do with selling the records and signing up the agreements pertaining thereto than the wooden Indian standing in front of a cigar store. The licensees made the contracts, sold the records and were back of the notices. The defendant was held to be an "infringer" because he had broken a contract executed by the licensee only, not by the owner of the patent. The owner of the patent could not maintain the suit, because it was not a party to the contract. The licensee could not maintain an infringement suit unless we are to ignore all rules as to jurisdiction. It is just as if we should say that one infant without the appointment of a next friend cannot maintain a suit, but two acting jointly can. That is the first novel point in this case. The Court had no jurisdiction whatever. The defendant had bought the records and paid for them and owned them and had an inalienable right to do with them as he pleased.

There are two opinions; the one reported in 144 Fed. 437, contains nothing we can get a grip on. A few sentences from the later opinion in 159 Fed. will suffice. Near the bottom of page 173, the Court

says: "The patentee has an exclusive monopoly of the right to manufacture, use and sell the patented article." We deny it. The expression "exclusive monopoly" is entirely unthinkable. It corresponds to nothing conceivable by the mind of man. "Monopoly" means nothing but a sole or exclusive right. How can a man have an exclusively exclusive right? This is like attempting to add to the roundness of a circle. The patentee as patentee has no right to manufacture, use or sell. The man who got the patent had those rights before he applied for his patent and will have those rights seventy years after the patent has expired.

The patent grants only the right to exclude others from making, using and selling. That is all it grants. If in the above sentence we substitute for the word "monopoly" the legitmate phrase "right to exclude others" that sentence becomes meaningless. "These substantive rights to manufacture, use and sell may be granted together or separately and subject to such restrictions in each case as the patentee may see fit to impose." That's true; but the patent law has no more to do with these substantive rights than the law of the Medes and Persians. They are "natural rights". They change not by granting or denying of a patent. But the insubstantive, incorporeal right granted by the patent, to exclude others, cannot be split into three parts and separately assigned. We pointed that out in connection with Gayler vs. Wilder sometime ago.

Finally the Court says: "He (the patentee) may limit the minimum price at which his licensee may sell at retail to the public, and a violation of the license by the latter is an infringement." In the first place the patentee here had not made any attempt whatever to limit anything; he had given the National Phonograph Company an exclusive license, to make, use and sell. In the second place, the defendant was not a "licensee" but a purchaser and owner of the records. In the third place, a patentee has no more right to limit the minimum

price at which a purchaser from him of an article shall sell the same, than a farmer who sells his grain to a commission merchant has a right to limit the minimum price at which the latter will resell the grain to a miller. The two rights are precisely co-extensive and absolutely identical. In the fourth place, a violator of the "license" which we call an ordinary contract in restraint of trade is not an "infringer" under the patent law, although he and the patentee are both "infringers" under the antitrust act. Pennsylvania has no antitrust statute, but the Supreme Court of that state knows what a contract in restraint of trade is. It also knows that patented articles are just like any other articles, although its exposition of why that is so is subject to emendation.

See the great case of Commonwealth vs. Central D. and P. Telephone Co. (1891), 145 Pa. St. 121.

In that case the Court dealt thus with the "Constitutional lawyer": "The trouble with this rule is that it overlooks the distinction between the incorporeal right secured by letters patent, and the tangible commodity or finished product which is its fruit. This finished product, or fruit of the right secured by letters patent, is merchandise, whether it takes the form of a patent reaper, a power printing press, a fountain pen, a pencil sharpener, or an instrument called a telephone. (Now we get it straight) **If the manufacturer sells his product, the right to use it is an implied term of the contract of sale. If he leases it, the same is true, whether he sells or leases, he deals not in a patent right, but in manufactured goods. The buyer or lessee gets no right under the letters patent, except that which follows as a necessary incident from his purchase or hiring, viz; the right to use the article bought or hired without other liability than that which his contract provides for"** (black type ours).

That is a pure diamond; it will not perish. The judgment of the judge who wrote those words indeed clothed him as a robe and a diadem, and long may he be so clothed. That sort of performance

cannot be had for gold and the price of it is far beyond rubics. It requires concentrated, persistent logical thinking, the value of which is wholly inestimable in the coin of the realm. If the defendant in this graphophone case by some paradoxical sort of procedure, only could have sued out a writ of error to the Supreme Court of Pennsylvania!

But to wind up this opinion. The Court generated some heat because of the fact that the defendant did not stick to the truth. We have already seen in what low estimation Ingersoll & Bro. held that rare quality. There, however, the Court passed over it. We are glad the Court here pointed out to the defendant the error of his way in departing from the truth, but in the particular instance we have it not in us to cast at the defendant a stone. The defendant was in a desperate plight. He was trying to keep and save what he had bought and owned. The Court was bent on cornering him and taking it from him and did even so. In this tough struggle what wonder is it that the defendant strayed from the truth? It was not the truth, but his property that was the subject of the defendant's anxiety. The important truth, namely, that the defendant had bought the records and paid for them, apparently was not disguised or glossed over with fancy. After that decision and opinion the defendant might well have said with Pilate: "What is truth?"

This is the last of the decisions of the character that we have noted. The lower court in the Schlegel case and the upper court in the case of Cortelyou vs. Johnson, balked at the monstrous result sought to be attained, but for the rest the Courts, both trial and appellate, went the whole way with much snap and vim. In an old English case, Birks vs. Trippett, 1 Wm. Saunders at 33, the Court said to counsel: "What makes you labor so? The Court is of your opinion and the matter is clear." We may say of all these cases, except the two mentioned, that there was no occasion for counsel for plaintiffs to labour. The Court was with them. In all

these cases, reader, an inalienable right of the defendant was sacrificed because of the supposed compulsion in the mistaken proposition that the patent grants to the patentee an exclusive right to make, use and sell his patented article.

**Cortelyou vs. Johnson (1907), 207 U. S. 196.**

We have already discussed this case as reported in the lower courts (see supra p. 161). Of all the cases we have considered in the preceding groups this one alone, so far as we have been able to search, found its way to the Supreme Court. It was taken there on a writ of certiorari by the plaintiff who lost out below. We are truly thankful it got there. Our deep regret is that the Heaton case was not taken there, but then it was not. We are out of the woods now, and back in the same clear country where we journeyed with Bloomer vs. McQuewan, Adams vs. Burke and Keeler vs. Folding Bed Co. The opinion in this case is ominous by reason of what is said, the manner in which it is said and by what is not said. It contains no more than is barely necessary to dispose of the issue. That's the customary method of the Supreme Court. In Adams vs. Burke, Mr. Justice Miller said: "The vast pecuniary results involved in such cases, as well as the public interest, admonish us to proceed with care and to decide in each case no more than what is directly in issue." We will find that rule lived up to rigidly in this opinion.

The plaintiff had sued the defendant as a contributory "infringer" for selling ink to a purchaser of a patented neostyle in violation of the terms of the "license" by which the purchaser was authorized to use his neostyle. The upper court divided on the question: Two members appear to have taken the view that the doctrine of the Heaton case was not applicable for the reason that the article furnished was not "peculiarly" adapted to the infringing use; the other member of the court took the opposite view, but all agreed that there

was not sufficient proof that the defendant knew of the license. This resulted in a decree for the defendant. Now if what we have already written thus far is anything like sound, we would naturally expect the Supreme Court to decide that the defendant was not liable, and that is exactly what it held. But in order to do that, it was not necessary to do anything more than deal with the point as to notice, provided the Court agreed with the majority of the judges below. The Supreme Court did agree on that point. So all we have **decided** in the case is that the proof did not sufficiently show that the defendant had knowledge of the "infringing" use to which the ink was put. But when we properly understood the opinion it is positively luminous.

It is always helpful in attempting to understand the Court, first to see what counsel argued before the Court. Fortunately the report contains a summary of counsel's brief for the plaintiff. In it we find this: "The question of notice to the defendant sifts down, in the last analysis to the inquiry as to whether or not, under the proofs before the Court, the defendant sold the ink with guilty intent, i. e., with the intent that it be unlawfully used upon the licensed machines in question. (Now listen.) Under such circumstances defendant need not be shown to have made such a sale. The intent to do so is what governs." Just think of that!

A man has ink in his store. If he intends to sell it to one who has purchased a neostyle from plaintiff under a "license," such intention per se and alone makes him an "infringer". That is the "Constitutional lawyer," but he is out of his proper sphere now. Among the authorities cited to sustain that remarkable proposition, the learned counsel cited three cases with which we are now on most intimate terms, namely:

Heaton Case,
Rupp vs. Elliot, and
The Rivet Case.

The extract does not indicate that the Bement case was cited, but then the Heaton case was, and counsel no doubt, thought by citing the latter he involved the rule in the former and that the Supreme Court would have a care to correctly apply its own decisions. It always takes such care and exemplified it here.It is exceedingly difficult to abridge the opinion in any particular. However, remembering the issues contested below and the brief of counsel which we have just noted, the following sentences from the statement of fact in the opinion are highly interesting.

"This is a suit to restrain an alleged infringement of a patent for the stencil duplicating machine known as the rotary neostyle. There is no claim of any infringement by using or selling the patented machine, but of an indirect infringement in the following manner," (here follows a statement of facts in regard to the notice).

Then the Court states the ruling of the courts below, following those courts in using the language applicable to infringement cases. The statement of facts concludes with this: "The majority (i. e., of the judges of the court of appeals) were of the opinion that the doctrine of contributory infringement, which they conceded to exist, should not be extended beyond those articles which are either parts of a patented combination or device, or which are produced for the sole purpose of being so used (Heaton case) and should not be applied to the staple articles of commerce. In that view of the case, the article supplied, being ink, a thing of common use, its sale to a purchaser of the Neostyle machine would be no infringement."

Let us pause now for just a moment before we go into the law of the case. The court of appeals had divided articles into three classes

1. Articles—parts of a patented combination or device.

2. Articles—which are produced for the sole purpose of being so used (i. e. in or with a patented device).

3. Articles—staple articles of commerce.

The court of appeals held that one who furnished the first or second class of articles was a contributory infringer, but not so one who furnished a "staple article of commerce".

It is obvious that the second classification based on the fact that the articles were produced for the sole purpose of being used in or in connection with a patented device, is no classification at all.

How can we know that such article has not a hundred other uses? In the Heaton case, the patent described the staple as an "ordinary staple". The peculiar size and shape of staple may have been in use in other machines, unpatented. Men may have been clinching them by hand or with a hammer and iron. The sole and only test is this: Does the article, whether patented or unpatented, when furnished and used, together with other elements, constitute the novel thing discovered by the inventor and claimed in his patent? If so, the man who used the combination so put together is an infringer, regardless of his knowledge or ignorance of the patent. One who furnished the element with the knowledge (not that the purchaser in purchasing it violated a contract, but) that it was intended to be used to constitute an element, a part in a patented combination, is a contributory infringer. This, for the reason that he has consciously co-operated and taken part in making or in making and using, the thing discovered by the inventor and patented. It is not difficult to fancy that a sardonic grin spread over the face of the justice writing that opinion as he set forth the views of the court below.

Counsel has brought a case of "contributory infringement," he has argued at length the effect of at least three of the cases we have considered. The Supreme Court has found it necessary to consider only the point as to notice, but before it gets to that it restates the case tried out below and throws out some strange hints on the essential nature of things.

"While in Bement vs. National Harrow Company, this court held,

in respect to patent **rights** (black ours) that with few exceptions,

> 'Any conditions which are not in their very nature illegal with regard to this kind of property (viz. patent **rights**) imposed by the patentee and agreed to by the licensee for the right to manufacture or use or sell the article, will be upheld by the courts,'

it is unnecessary to consider (now comes Johnson vs. Cortelyou) how far a stipulation in a contract between the owner of a patent **right** (black ours) and the purchaser (not a licensee) from him of a machine manufactured under that right, that it should be used only in a certain way, will sustain an action in favor of the vendor against the purchaser in case of a breach of that stipulation.'' ( Where is the contributory infringement there?)

Next, the so-called contract itself is given a terrible under-hand thrust. The opinion continues:

> ''So, although
>
> 'if one maliciously interferes in a contract between two parties, and induces one of them to break that contract to the injury of the other, the party injured can maintain an action against the wrongdoer: Angle vs. Chicago, St. Paul Railway, 151 U. S. 1, 13,'

it is also unnecessary to determine whether this states the full measure of liability resting upon a party interfering and inducing the breaking of a contract (and it is unnecessary to so determine), for we concur in the view, that there is no sufficient evidence of notice.''

It is not within the scope of our duty to attempt to state whether or not the passage quoted states the ''full measure of such liability,'' but it may be stated with the utmost confidence that unless there is a valid and binding contract, there is nothing on which to predicate malicious interference by a third party; there is no bond, breach of which, the third party may induce. Interference means that a third

party comes between two others who are together. Breach implies something to break.

But in the Neostyle cases, in the Rivet case, in the Rupp case and in the Heaton case, there was no contract. The plaintiffs in all those cases did not undertake to supply the thing which the courts permitted them to monopolize. In the Heaton case, the patentee did not agree to supply a single staple at any price. In the Neostyle cases, the patentee did not undertake to supply a sheet of paper or an ounce of ink. In the Rupp and Rivet cases there was no agreement to supply staple wire and rivets. In all of these cases, if the plaintiff had declined to furnish the article in question, or had gone into bankruptcy, or quit the business entirely, the respective defendants could not have maintained any sort of action against the respective plaintiffs. The plaintiffs had not agreed to furnish the thing used and of course would not be liable for failure to do so. A contract is not binding on either party unless it binds both; it must be mutually obligatory, or it is a rope of sand. This is very ancient law. Some time ago, in Dorsey vs. Packard (1851), 12 How. 126 at 136, the Court said: "There is no allegation in the bill or proof that any clause was omitted from this instrument, either through mistake or inadvertence. It is signed by both parties in the presence of attesting witnesses; and it is expressed in clear and precise terms. But there is one characteristic necessary to give it validity as a binding contract in which it is entirely deficient. It wants mutuality. It imposes no obligation on Dorsey whatever. He is not bound either to render services or to pay money." therefore, the contract was held to be a **nude pact.**

In none of the cases we have considered was Dorsey bound.

The foregoing extract constituted the only proposition of law hinted at by the Supreme Court. It does not mention the Heaton case or any similar. It does mention the Bement case, but only to rescue it from bad company. The Court states the case at bar, as though it

involved an alleged breach of an ordinary contract, and then excludes the surmise that there could be anything to it in that aspect.

Then in conclusion the Court take this parting glance at "contributory infringement", purchasers "licensed to use" and other such matters discussed by counsel: "After reviewing all the minor (black ours) considerations we see no sufficient reason for disagreeing with the opinion of the Circuit Court of appeals in respect to the matter of notice (black ours) and its decree is affirmed."

The "Constitutional lawyer" missed the point that time. We will show that he missed it again in the next case to be considered.

**Bobbs-Merrill Co. vs. Straus (1908), 210 U. S. 339.**
S. C. (C. C. N. Y. 1905), 139 Fed. 155.
S. C. (C. C. A. 2nd Cir. 1906), 147 Fed. 155.

Reader, this is the point where the light breaks. We have struggled through darkness during the last several score of pages. It has been a tough wrestling. Every time that battlefield right, the right of every man to his own property was put down, except in the isolated instance of Johnson vs. Cortelyou, and there until the case gets in the Supreme Court, we feel as if the defendant was saved by a pure accident.

The Court of Appeals saved him, but only because of their finding that the defendant did not know that the Neostyle owned by the man to whom he sold his ink had attached to it a small plate indicating that the patentee desired also a monopoly of the supply of ink as well as the supply of patented Neostyles. Two of the judges went further, though hesitatingly, and expressed their unwillingness to deny to the defendant the right to sell his ink, because they said the doctrine of the Heaton case should not be applied where the article was a staple of commerce like ink. But it implies that if the machine or device owned by the purchaser has on it an inscribed plate or a notice

or printed label, one had better be careful how he supplies to that owner such extraordinary artieles as staple wire, staples, rivets and such like. We repeat that Johnson had not much margin to go on until the last heat was run before the Supreme Court. There he could safely have assumed the heaviest handicap of "guilty knowledge" of that skull and bones notice and then won out hands down. The court below had no jurisdiction to try the defendant for his "guilty knowledge" and, had the Court of Appeals given judgment against the defendant, the Supreme Court of necessity would have reversed the decree because of the lack of jurisdiction. Jurisdiction is power to decide the controversy and where that power is lacking, there is no use to empty the dust box of vituperation on the head of the defendant.

In the law of the land, it was written that the Circuit Court had not the power to bind the defendant in judgment for the deed he had done.

But now we go back to the old path where all is straight and clear. We go back to Bloomer vs. McQuewan, to Adams vs. Burke; to Hobbie vs. Jennison and Keeler vs. The Folding Bed. Co. We go back not to attend to facts similar to the facts there involved, but to consider the principle underlying. This case of Bobbs-Merrill Co. vs. Straus had to do with the copyright franchise, but, for reasons soon to be asserted, it is entirely apposite here. It is not meet to go into the complicated facts there put in contest until we have indicated the necessity for so doing.

Already we have instanced the practice of the courts in stating that there are essential differences between the copyright franchise and the patent right. No straining is required to gain assent to that. But, back of all differences, there is a vital likeness, even an identity. No ingenuity is needed to note minor differences, such as that books and writings are the subjects of one grant and processes, machines and devices are the subjects of the other. Many divergences are palpable

in the respective statutes defining the rights and guarding against their invasion. But back of all these differences, there is an elemental similarity. Both are grants from the national government; both are franchises for limited periods only; both enhance temporarily the value of a right, in the respective beneficiaries, that antedates the grants and that exists in its original integrity after the grants have expired by limitation. Both grants are property, consisting of incorporeal rights.

When we disregard all superfluous differences and reduce the grants to their lowest terms, they are both found to comprise only the right to exclude others.

The patent franchise is summed up in the right to exclude others from making, using and vending the thing patented. The copyright franchise is summed up in the right to exclude others from multiplying and vending the subject of the copyright. The right of the inventor to make, use and sell the thing invented is not in any manner affected by his securing a patent. The right of an author to multiply and vend copies of his writings remains the same before, during the existence of the copyright, and after it has expired. This essential predominant and identical characteristic of the two grants as an exclusory franchise runs through all the decisions of the Supreme Court, where the nature of either right is discussed.

Thus in Stevens vs. Gladding (1854), 17 How. 447, the issue was whether or not one who purchases at a sale under execution a copper plate engraving containing the impress of a copyrighted map could use the same and print and vend copies of the map without the consent of the owner of the copyright.

The Court held that the copyright did not pass by a sale of the plate, and in discussing the nature of the copyright franchise as an incorporeal right, the Court put the two rights in the same category. Mr. Justice Curtis said: "There certainly would be great difficulty in assenting to the proposition that patent (black ours) and copyrights held under the laws of the United States, are subject to seizure

and sale on execution." Again—"these incorporeal rights do not exist in any particular state or district; they are co-extensive with the United States." Later in the opinion it is said: "And upon this question of the annexation of the copyright to the plate it is to be observed, first, that there is no necessary connection between them. They are distinct subjects of property, each capable of existing, and being owned and transferred, independent of the others."

In Ayer vs. Murray (1881), 105 U. S. 126, Mr. Justice Gray considered the point as to whether or not a patent right was subject to seizure and sale on execution, and in declaring it was not, linked the patent and copyright together, throughout the discussion. In stating the difficulty of allowing that the patent right could be so dealt with, he quotes from Stevens vs. Gladding and uses the instance of the copyright for illustration.

In Patterson vs. Kentucky (1878), 97 U. S. 501, Mr. Justice Harlan, speaking for the Court, defined the nature of the patent right. He said in part: "The right of property in the physical substance is altogether distinct from the right in the discovery itself. Just as the property in the instruments or plate by which copies of a map are multiplied is distinct from the copyright of the map itself. (Citing Stevens vs. Gladding, supra.) The right to sell the (patented) Aurora oil was not derived from letters patent, but it existed and could have been exercised before they were issued, unless it was prohibited by valid local legislation. All which they primarily secure, is the exclusive right in the discovery. That is an incorporeal right, or, in the language of Lord Mansfield, in Miller vs. Taylor (4 Burr 2303) 'a property in a notion having no corporeal, tangible substance.'" Now Miller vs. Taylor was notoriously a case pertaining to the copyright.

Finally, Mr. Justice Miller, in the case of In re Brosnahan (1881), 18 Fed. 62, in an opinion delivered on Circuit, made extensive use of the privilege exercisable under the copyright franchise to define the nature of the patent right. He summed up: "The sole ob-

ject and purpose of the laws which constitute the patent and the copyright system is to give to the author and the inventor a monopoly of what he has written or discovered, that no one else shall make or use or sell his writings or his invention without his permission; and is granted to him as the exclusive right; not the abstract right, but the right in him to the exclusion of everybody else. For illustration: An author who had written or printed a book always had a right to do so, and to make and sell as many copies as he pleased; and he can do this though he takes out no copyright for his work. But, if he wishes to have the benefit of the exclusive right to do this, he can get it by securing a copyright.

All that he obtains, then, by his copyright, all that he asks for or needs, and all it was designed to confer on him is to make the right which he had already in common with everybody else, an exclusive right in him—a monopoly in which no one else can share without his permission."

Now he is dealing with the rights of a patentee here and concludes the argument by citing as authority Patterson vs. Kentucky, in the decision of which he participated and concurred.

This language which Mr. Justice Miller uses to define the nature of a copyright in a case involving the patent right only, is but an expanded counterpart of Chief Justice Taney's analysis of the patent right in the earlier case of Bloomer vs. McQuewan (1852), 14 How. 439. There the Chief Justice said: "The franchise which the patent grants consists altogether in the right to exclude everyone from making, using or vending the thing patented, without the permission of the patentee. This is all that he obtains by the patent."

In United States vs. American Bell Telephone Co. (1896), 167 U. S. 224, Mr. Justice Brewer, having in mind the effect of the patent grant on the inventor, uses language in substance identical with that which we have just quoted from In re Brosnahan, concerning the resultant to an author from the copyright. He said: "The only effect of it (the

patent) was to restrain others from manufacturing and using that which he (patentee) had invented. The patentee, so far as his personal use is concerned, received nothing which he did not have without the patent. The purpose of the patent is to protect him in his monopoly, not to give him a use, which, save for the patent, he did not have before, but only to separate to him an exclusive use."

Other similar passages are within easy reach, but enough has been said. It is not necessary to pile up mountains of judicial learning to implant conviction of the soundness of such an obvious truism. Our reason, however, for fortifying ourselves on this plain proposition by going to the undisputed source of authority appears in the sequel. The two rights, then, in the final analysis and considered as grants are identical in the character of the benefit conferred by the sovereign.

The right to exclude is an ineffaceable mark, common to these two franchises, and not found in any other franchise whatever. Each signifies the right to exclude; taken in the composite, both signify nothing else. Searching for a rod that divines both, we find only this right to exclude. In United States vs. American Bell Telephone Co., 167 U. S., the Court compared the patent for an invention with the patent for land, and the wide difference is sensed by cursory inspection. In the case of a patent for land the government barters away a thing of value which it owned. The patentee of the land grant, gets title to the land and the right to exclude others, but his right to exclude is a necessary concomitant to unrestricted ownership and complete physical dominion of the subject matter. But in the case of the inventor or author the government has nothing to barter away. The invention or the writing has been created and brought forth by the applicant for the grant. In the forceful language of Mr. Justice Willes in the case of Miller vs. Taylor (1769), 4 Burrow 2303 at 2338, it is "the fruit of his own cares and sweat". The most that the sovereign can and does do is to certify to the origin of

the thing in said "cares and sweat" of the grantee, and then issue a seventeen year prohibition against all false-claimants who would appropriate the results of the beneficiary's labor without his consent, and if the certification for any reason turns out to have been a mistake, the prohibition fails.

The grantee has the right to exclude, but not in virtue of the same power that enables the land patentee to exclude. For the property precious in the eyes of the inventor or author is as Lord Mansfield puts it: "a notion, incorporeal and intangible". It is not subject to gross dominion; and on it hands may not be laid. It is a thought, an idea, an excursus of the imagination. And the patent grant, like the copyright, gives the grantee dominion over "the fruit of his own sweat and pains" by projecting a sweeping mandate into the realm of metaphysics.

Infringement is grand larceny of a concept. An infringement suit, whether of a patent or copy right imposes on a court the necessity of weighing thoughts alleged to be equivalent, and in disposing of the issue the court, like the candle of the Almighty, searches the innermost parts of man. A suitor who comes with a charge of infringement, bears with him altogether the most mysterious and elusive complaint that ever was lodged in the bosom of a court. He asks the Court to put in captivity the mind of the defendant in so far as that mind co-operates with the defendant's hands to create or handle the tangible symbol of the suitor's thought. Infringement—a breaking the close of the plaintiff's intellectual premises. It is indeed burglary of the palace of creative thought. That is the unrivable core of infringement. When unquestionably established, infringement ought to be punished by the death penalty. For in what other manner can society avenge itself for the theft of the noblest attribute of genius? Oh, reader, ponder infringement, but do not infringe.

An attempt has been made very recently to put a badge on the copyright, serving to distinguish it from the patent grant in the very

quality here asserted to be common to both. It was conceived that at the common law, independent of the statute, an author had a right to exclude others from multiplying and vending copies without his consent. Much learning was brought to bear on the point and the argument was fretted with resourceful ingenuity But the Supreme Court declared that not to be the law of the land: that for the right to exclude, the author must have a single eye to the statute The proposition seems to be necessarily acceptable, see Globe Newspaper Co. vs. Walker (1907), 210 U. S. 356.

This extended digression appeared necessary to enable us properly to understand and fittingly to use, the decision under specific contemplation. The height we are trying to scale is this: what right and power, if any, has a patentee, as patentee, under the patent laws, to control the use or alienation of a patented article that he has made and sold? In a general way we have asserted many times that there is no such right or power, but we cannot point to a decision of the Supreme Court where the matter has been dealt with in the concrete form that we encounter in the decisions of the lower courts .

The lawyers always want a decision on "all fours" with the case at bar. Sometimes the "all fours" are there, but the loci of the support are unusual and unexpected; we look casually and see them not. This gives rise to the impression that the case is held up by props not adapted to the desired use. Knowing when the "all fours" are there, and where they are, and pointing them out to the Court, is at once the superlative duty and the grand prerogative of counsel. When his vision fails him at that task the client is on a precipice.

Now we consider that as to the issue here in dispute we have a case on "all fours". It is one involving the copyright, but that cannot minimize its compelling force; we have already had that out. The copyright and the patent right consists in the right to exclude; a decision that expounds the right of the owner of a copyright to control the use and future disposition of specimen copies that he has sold

must apply to the instance of a patentee selling a patented article. To hesitate as to that, we must discard the faculty of reasoning by analogy as useless and pernicious, and charge the Supreme Court with adorning an idle counsel with pompous and hollow nomenclature. We have no thought of doing either. The case is in point to our way of thinking: it is on "all fours" with the patentee and his patented article; we propose to use the irrefragable props to plant firmly under the thesis here erected. We invite attention now to the truly great case of Bobbs-Merrill Co. vs. Straus.

This case originated in a suit instituted in the Circuit Court for the Southern District of New York. It was there tried out and lost to the plaintiff. An appeal was taken to the court of appeals for the second circuit, and again the plaintiff lost. But the plaintiff was obstinate and stiff in error; it was determined to be convicted of a false notion of the law by the highest tribunal in the land.

Verily it has its reward and we hope it is therewith content, for the Supreme Court of the United States, unanimously, and as far as we can discern without any effort beyond that incident to writing out a few trite propositions of law, decided against it. Thrice successively defeated the plaintiff's fitful fever ought to be over.

We will consider the report of these three decisions seriatim. This order makes 139 Fed. 155 the first for attention. A brief statement of the facts in the first instance will suffice for all three reviews. The facts amounted to this:

Bobbs-Merrill Co., published a novel entitled "The Castaway" which embodied the "cares and sweat" of one Hallie Erminie Rives. We do not know either, the book or Hallie. The Court says nothing of the latter and omits to quote from the former.

At any rate Bobbs-Merrill Co. took the requisite steps to secure a right of copy in Hallie's said book and secured it, because the Court found the book was copyrighted. Before starting out to vend copies

of the book Bobbs-Merrill Co. took counsel with its corporate self or some one else and conceived and drew out this notice:

"The price of this book at retail is one dollar net. No dealer is licensed to sell it at a less price, and a sale at a less price will be treated as an infringement of the copyright. The Bobbs-Merrill Co."

Each and every copy of "The Castaway;" printed, published or issued by complainant contained, at the time of such publication and issue, printed upon the page of the book, immediately following the title page, and just below the statutory claim of copyright, the above notice. It was there in plain view of every person into whose hands should come this visible symbol of the thought of Hallie Erminie Rives.

Bobbs-Merrill Co. sold a large number of copies of said book, each containing as a part of its interesting contents, the aforesaid notice printed how and where, indicated. The facts reported clearly warrant the assumption that Bobbs-Merrill Co. when it sold the copies sold them at the price acceptable to it and received the full sum it chose to exact as compensation for the same, and made its own proper use of the purchase money. There was no contract running between Bobbs-Merrill Co. and the vendees of said copies, other than one to be implied from the sale and delivery of the copies bearing the notice and the receipt of the purchase money. The defendant conducted a department store (much like The Fair at Chicago) and purchased many copies of the book at about 60c each. But it was not able to get an adequate supply at this choice figure, so it purchased a small quantity at the full retail price, thus averaging the load. Now the defendant, invested with sufficient intelligence to possess and conduct a great trading mart, knew of the existence of this notice in each and every purchase, and be it understood that the defendant's knowledge was not conjectural nor forcedly assumed by the Court, delivering itself over to the fiction of constructive notice. The Court did not charge the defendant with notice; it charged itself, and was as positive in

the concession of this knowledge, and with far more justification, as Macbeth when he said, "If I stand here I saw it".

The defendant knew the whole course of the plaintiff's dealings with this "Castaway", comprehended the purpose of the notice and dared the consequences of its violation. We dwell on this positive element in the case because we do not purpose to leave room for ingenuity to attenuate the force of the final decision by declaring there was no sufficint proof of notice as in the case of Johnson vs. Cortelyou.

Having so possessed itself of the copies the defendant then and there advertised the same for sale to all who cared to purchase at 89 cents the copy.

Certainly Judge Baker, who wrote the opinion in the case of Victor Talking Machine Co. vs. The Fair, would say that here the "quality of innocence did not intervene".

The Bobbs-Merrill Co. thereupon sued the defendant for infringement of its right of copy in said "Castaway" book. This was the issue. In addition to this, the report of Circuit Court decision has much to do with other facts not now pertinent. The defendant alleged the plaintiff was a member of the book trust, that the combination was illegal and many other similar averments were lodged, all of which may have been true. These matters are of great importance considered apart, and in the proper place they will be, but for the present we desire entirely to ignore them. Neither the court of appeals nor the Supreme Court dealt with them, but disposed of the case solely on the issue of infringement or no infringement.

It is to be noted that the case cannot be distinguished on the facts from Johnson vs. Cortelyou, except in two particulars. This case is one of copyright; that one of patent right. In that case there was no sufficient proof of notice; in this there was indisputable proof of notice. That case was lost apparently because there was not sufficient proof of notice, but not in fact so lost. This case was lost in spite of the fullest proof of notice.

The same judge tried both cases at Circuit, wrote an elaborate opinion in each case and came to conclusions in the one case destructive of the result arrived at in the other.

In the second case he acted the part of Hamlet: he struck through the arras and killed the wax Polonius, he had known so well. without knowing what he had done, and when the curtain is pulled aside, as it will be, so that he may see the result of his unpremeditated slaughter, we have no doubt he will exclaim and rejoice as did Hamlet.

Of all the deadly contradictions that we have ever read in a law book, that contained in 139 Federal Reporter from the bottom of page 178 to the middle of page 182, is the most astounding, and it was drawn apparently without any consciousness that there was any contradiction whatever.

At the bottom of page 178, we read this:

"Is such notice (as was contained in the copies of the "Cast-away") in such books sufficiently explicit in its terms to constitute a license agreement or contract, or any restriction or a modification of the absolute title thereto in the defendant? It does not purport to reserve to the complainant any interest in the book, or any right to control it, or the action of the owner in his use and disposition of it **except by possible inference.**" (Black ours.) Now near the bottom of page 181, after quoting the statute as to infringements of copyrights, the Court continues:

"From this it would appear that an infringement by the sale of a copyrighted book consists in selling or exposing for sale (of) a copy of such book that has been unlawfully printed or imported.

"If this be the law, it is not an infringement of a copyright to sell or expose for sale a copy or copies of said book, when the same was lawfully printed or lawfully imported. The result would be that it is not an infringement of the copyright of a book to sell a copy or copies thereof lawfully printed, as in this case, in violation of a mere

condition imposed upon a dealer by the publisher, by which said dealer agrees not to sell below a certain price; the title to the book having been vested in such dealer by the publisher thereof or even in cases where the title had not passed to the dealer. If the publisher of the book, being the proprietor of the copyright, parts with the title of such book, either a copy or a single number, and received his pay therefor, he has voluntarily parted with all control over that or those particular books. **The owner of these books is neither a licensee nor an agent. He has the absolute property therein and the absolute ownership of an article of personal property carries with it the right to give away or sell for such consideration as the owner sees fit to impose, prescribe or demand so long as he violates no law.''** (Black ours.)

After quoting a text writer, the Court goes on p. 182:

''We find no suggestion that it is an infringement of the copyright of a book for the owner of the book to sell copies at a price which violates a valid contract between the publisher of the book and the dealer, and which was made at the time such dealer became the owner.''

At the end of the first full paragraph, on page 184, the Court states: ''A person cannot be both licensee and absolute owner.''

Every proposition in the foregoing extracts, without any exception, applies with equal force to the sale of a patented article by a patentee. If we substitute for ''owner of the copyright,'' the phrase ''owner of the patent right'' and for ''book'', ''patented article'', the assertions are equally sound. Not a one can be disputed. The Court cites its own decision in the Neostyle case as an authority and then turns right about and wipes that decision out. It cites the Heaton case, the phonograph and graphophone decisions, only to contradict and refute every proposition of law asserted in those decisions. And yet all these decisions are relied on as authorities!

In the Neostyle case, a purchaser who paid the full purchase price

of $50 for a patented device is a mere licensee. In this case: "A person cannot be both licensee and absolute owner." And the Neo-style case is an authority for the book case!

This object is jet black: that one is perfectly white, therefore, they are of one and the same color.

The Court, not content with this absolutely fatal contradiction, pushes inconsistency to an exalted state by discussing and quoting from Keeler vs. Folding Bed Co. and Mitchell vs. Hawley. Finally, on page 188, the Court completes the circle, not only in argument, but in express language: "**The purchaser of an article made under a patent right, may not duplicate it, but he may use the article purchased and sell the same as his own in any way or for any price he sees fit**" (black ours). Once more, and finally, "The owner of an article made under a patent right or of a book printed under a copyright is in no sense a licensee of the patentee or of the owner of the copyright. With reference to personal property license implies and carries the power to do some act upon or in reference to, ***or to do something with, the property of another.***" (Black ours.)

Language fails us here. How these passages could occur in the same opinion as the quotations from and citations of the Heaton case, the phonograph cases and all similar ones, we shall never be able to understand. We attempt no explanation whatever.

147 Fed. 15.

The court of appeals deals with the case in an entirely different manner, but does not itself escape falling into glaring inconsistences. The opinion is compact and loaded with authorities. Little time and space is required to get over it.

It is to be remembered that this court of appeals in the case of Cortelyou vs. Lowe, 111 Fed. 1005, swallowed the doctrine of the Heaton case at one fell gulp. It said, "We entirely agree with the opin-

ion in that case, and think the decision should control the case at bar." In the Heaton case the proposition is this: "The buyer of the (patented machine) undoubtedly obtains title to the materials embodying the invention subject to a reverter in case of a violation of the conditions of the sale. But, as to the right to use the invention, it is obviously a mere licensee."

This is the resplendent and glossy tinsel this Court branded as real, although it squirmed and twisted away from it in Johnson vs. Cortelyou. Now let us see where it is going to stand here. At p. 22 we come to this: "If the statutory owner desires after publication to control the lawfully published copies, such control can only be secured by means of positive contract or conditions, so accepted by the party to be charged or so brought to his knowledge that it would be inequitable to permit him to violate them. But while his right might be protected at law or enforced by a court of equity, it is not a statutory right, but a common law right **attached generally to the ownership of all species of property**" (black ours). Citing Keeler vs. Folding Bed Co. (patented article)!

Now the rules announced respectively in the Heaton case and Keeler vs. Folding Bed Co. are mutually repellant and completely contradictory. The Heaton case is not mentioned once, nor that of Cortelyou vs. Lowe, although the Heaton case was sufficient authority to justify the judicial confiscation of Lowe's property. It is evident that all the cases heretofore discussed were placed before the Court in argument. This is necessarily inferable because the circuit court had discussed these cases and counsel confidently inserts them in his brief filed in the Supreme Court.

We think the explanation is to be found in the fact that the Court's innate and rugged sense of justice had induced it entirely to repudiate the preposterous and brutal doctrine of those cases, but the

Court had not clearly worked out and precisely apprehended the fallacy underlying.

This seems inferable from such language as this: "It is unnecessary to express any opinion as to the scope of such attempted restrictions in the case of patented articles. (Now listen.) It may be said **generally**, however, that there is such a distinction between rights of copyright and patent rights that the decision of cases under one class would not necessarily be controlling in the other class." Well, now we will listen for an exposition of the distinction with all our ears. "The protection afforded by the patent law is broader in the case of patents than in that of copyrights." In what respect? "By a grant of copyright the owner of the work acquires the exclusive right of multiplication of copies; by the grant of a patent the patentee acquires the exclusive right to make and use the thing patented."

Both statements are wrong and the Court had quoted Mr. Justice Miller's language from the case of In re Brosnahan, which does away with both assertions.

"The patent law protects the production and use of the **creative conception** (black ours) reduced to practical shape in various forms: the copyright law protects the publication of copies in the form or substance of the particular **creative conception** (blaek ours) in which it has been expressed by the author."

What is meant by "protects", "creative conception" and "the substance of the particular creative conception"?

How can a "conception" be "reduced"? From what and to what? The whole riddle is pushed aside thus: "But in view of the conflicting opinions of various judges as to the scope of the restrictions imposed by patentees upon the use of patented articles, we express no opinion upon this question." All the same the Court handled two terrible opinions on "this question" when it touched upon Keeler vs. Folding Bed Co. and In re Brosnahan.

Why not avoid all this confusion, avoid this excruciating incon-

sistency and obvious contradiction by following the Supreme Court? That Court has made it plain to all who will attentively read its decisions that the patent right and copyright consists altogether in a bare naked right to exclude. It seems absurd to imagine that Congress has power to grant the right to make and publish a book or make and sell an article. Those are rights of the individual which the government guarantees and protects but does not create. Those rights are parts and parcels of the right of every man to enjoy "the fruit of his own cares and sweat".

In the two decisions here noticed the rights of the defendant in his own property was not denied, but conserved and saved to him. We are unable to understand how any other result can be justified by any process of reasoning but the opposite result was declared and enforced in nearly all the other cases. Now we come to the last phase of this case and to the authoritative exposition of the law, and the result announced here could not have been otherwise had the transaction involved the sale of patented articles instead of copyrighted books. The owner of a copyright has the right to exclude others from vending copies without his consent. The owner of a patent has the right to exclude others from vending the patented article without his consent. The extent of the right is the same in both cases. At the point where the copyright statute fails the owner of the copyright to control a copy of the book, at the same point the patent law fails the patentee to control the patented article.

## 210 U. S. 339.

Manifestly the counsel for plaintiff had not lost faith in the authorities that he had relied on with such confidence and sad disappointment below: he brings all to the Supreme Court. The briefs of both parties are summarized in the report and are interesting, particularly that for the plaintiff. The plaintiff relied on the patent cases

throughout and, strange to say, the defendant impliedly conceded the validity of those cases and sought to distinguish them from the case involving the right of copy.

We will copy extracts from the plaintiff's brief, for it contains some deadly implications.

"Appellant claims the right to control the price under the provision of the statute which gives the owner of the copyright the "sole" right of vending **is in strict analogy to the right of the owner of a patent to control the price of the patented article under** the statutory use of the same word. (Black ours.) The analogy is complete between the case at bar and those numerous patent cases wherein the courts have upheld the right of patentees to impose restrictions upon the sale of the patented article or its products(!!) and to exercise a certain control over the thing sold after the completion of the sale."

There can be no doubt about the existence of the analogy asserted.

It is interesting to note the list of authorities cited for that proposition and also to note how much those authorities have to do with the disposition of the case. The authorities cited are:

"Phonograph Co. vs. Kaufmann
Edison Phonograph Co. vs. Pike
National Phonograph Co. vs. Schlegel
Heaton case
Cortelyou vs. Lowe
Victor Talking Machine Co. vs. The Fair."

Then this follows: "Numerous other cases might be cited. See also Dickerson vs. Tinling, 84 Fed. 192

Dickerson vs. Matheson, 57 Fed. 524."

The learned counsel evidently appreciated that he had not cited to the foregoing proposition any decision of the Supreme Court, so he framed up another proposition in support of which he felt confident of his right to invoke prior rulings of the Court. This meaningless gen-

erality is asserted. "The power of the owner of the patent to limit price (of what?) has been expressly decided by this Court." Now observe the strange conglomerate of citation.

"**Bement vs. National Harrow Co.**

National Phonograph Co. vs. Pike

See also:

Cortelyou vs. Johnson

Dick Co. vs. Roper, 126 Fed. 966

Brodrick Copygraph Co. vs. Roper

**Cotton Tie Co. vs Simmons**

**Morgan Envelope Co. vs. Paper Co.**"

We will see that the Supreme Court always takes notice when its own decisions are cited and relied on, and has a care that they shall not be misapplied. It does not, however, assume the burden and invidious task of pointing out errors in the decisions of lower courts; that would be endless. But it does stand guard above its own. We shall see that the Court clearly indicates the only use to which the three decisions of its own cited can be put.

The defendant cites only cases dealing with the copyright, and as to the patent cases pleads this confession and avoidance:

"Owing to differences, both **in the theory** (black ours) and the **letter** (black ours) of the patent and copyright statutes, the patent cases relied upon by complainant are inapplicable to the question of copyright here presented." What is meant by differences in "The theory and letter" of the statutes. Are not these vague subterfuges for indolent thinking?

We know what the "letter" of both statutes is. That of both statutes can be read in five minutes. Now what is the "theory" of the statutes and in what respect does the "theory" of one statute differ from the "theory" of the other? The power of Congress to enact both statutes is conferred in the same article, section and clause of the constitution. "To promote the progress of science and the useful arts,

by securing for limited terms to authors and inventors the exclusive right to their respective writings and discoveries." Here congress is given the power to pass both statutes for the accomplishment of the same identical object, "to promote progress in science and the useful arts." Both statutes are to confer an exclusive right for limited terms. One statute concerns authors and protects writings; the other concerns inventors and protects inventions. Authors and inventors are alike men: Science and the useful arts embrace both writings and inventions. Where, then, is the difference in "theory"? Surely we are not to posit a difference in "theory" on the fact that the term of the copyright is larger than that of the patent; nor can any difference be grounded on the fact that the copyright employs the language, "multiply and vend", while the patent act instead contains these words, "make, use and sell". Multiplying copies is certainly not distinguishable from "making" copies. The term "use" has no place in the copyright statute. How could one use a book or writing without availing himself of a copy? On the other hand the term fits a patent for a process, and no other does, for obviously a process cannot be made or sold.

We conclude that there is no ground whatever for predicating a difference "in theory" between the patent and copyright statutes.

The opinion in this case was written by Mr. Justice Day, and he goes over the case with the greatest ease and no apparent effort; after stating the facts, he says, p. 342:

"Much of the argument on behalf of the appellant is based upon the alleged analogy between the statutes of the United States securing patent rights to inventors and the copyright act securing rights and privileges to authors and others, and this analogy, it is contended, is so complete that decisions under the patent statutes in respect to the rights claimed in this suit under the copyright act are necessarily controlling." "In the main brief submitted by the learned counsel for the appellant it is said:

'All of the argument has been upon the assumption that the very numerous decisions of the Circuit Courts and Circuit Courts of Appeals, such as the Heaton case, the Victor Talking Machine case, and others along the same line, as well as the Cotton Tie case in this court, upholding this restriction, with reference to sales of patented Articles, express the law; and we have been especially confident that such must be the case, for the reason that this court (in the Bement case) has given its sanction to the broad doctrines laid down in' (the Heaton case).

That is what the Court says learned counsel had asserted, and that passage the Court in its own way attends to during what follows. The opinion continues:

"The present case involves rights under the copyright act. The facts disclose a sale of books at wholesale by the owners of the copyright, at a satisfactory price, and this without agreement between the parties to such sale obligating the purchaser to control future sales, and where the alleged right springs from the protection of the copyright alone. It is contended that this power to control further sales is given by statute to the owner of the copyright in conferring the sole right to 'vend' a copyrighted book." In those last two sentences the Court accurately defines the precise question involved in the case.

The Court then sets in first of all to defend its own decisions and prevent a misconstruction of them. "A case such as the present one concerning inventions, protected by letters patent of the United States, has not been decided in this Court, so far as we are able to discover."

So much as a general repudiation of counsel's construction of the Court's decisions. But then follows a specific restatement of the plain meaning of all three decisions cited. Again it is explained that the license inscription: "Licensed to use once only" had nothing to do with the result in the Cotton Tie case. Again it is pointed out that

the comment in the Morgan Envelope case "enforces the view that" the Cotton Tie case "was one of infringement because of reconstruction of the patented device." This ought to be understood, in time, with such emphatic explanations repeated.

Next the Bement case is put out and counsel is reminded that that case was a suit in State court on a common law contract. How can it be on "all fours" with a suit for infringement in the Federal Court? Finally, the Court touches upon its own very recent decision in the case of Cortelyou vs. Johnson: "while the question as to the validity of such license restriction was fully and ably argued by counsel, the case went off upon the finding that notice of the license restriction was not brought home to the defendant company." But it is not irrelevant to recall that in concluding the opinion in the case of Cortelyou vs. Johnson, the Court referred to the validity of such "license restriction" and which was "fully and ably argued" as, "minor considerations."

The opinion proceeds: "If we were to follow the course taken in the argument, and discuss the rights of a patentee, under letters patent, and then by analogy, apply the conclusions to copyrights we might greatly embarrass the consideration of a case under letters patent, when one of that character shall be presented to this Court." Exactly so, let each case stand on its particular statute. The czars are not in court and there is no occasion to pass upon their rights in their absence. It is said that art consists in concealing the art. We are inclined to think that the aphorism is exemplified in the next sentence of the Court.

"We may say in passing, disclaiming any intention to indicate our views as to what would be the rights of parties in circumstances similar to the present case under the patent laws, that there are differences between the patent and copyright statutes **in the extent of the protection granted by them**" (black ours). Counsel for the plaintiff had asserted that there was a valid analogy between the statutes

in respect to the control vested in the grantee over the tangible article. The Court does not even inferentially deny that. Counsel for defendant had asserted a difference in the "extent of the protection granted". That is another sort of difference altogether.

The Court gets rid of several preliminary matters before coming finally to the merits. It reviews the copyright legislation and analyzes the nature of the right of copy. In the course of this discussion, we find this, p. 347: "While the nature of the property and the protection intended to be given to the **inventor** (black ours) or author as the reward of his genius or intellect in the production of his book or **work of art** (black ours) is to be considered in construing the act of Congress, it is evident that to secure the author the right to multiply copies of his work may be said to have been the main purpose of the copyright statutes."

Here the Court links the copy and patent right in the same sentence and as authority for the proposition asserted quotes from Stephens vs. Cady and Millar vs. Taylor. This was the precise reasoning and the very authorities employed by the Court in the great case of Patterson vs. Kentucky in expounding the nature of the patent grant.

At the bottom of page 349 the Court finally takes up the merits of the case and disposes of it without an effort. When one strives he errs. There was no striving here.

"What does the statute mean in granting the sole right of vending the same (i. e. copy)? Was it intended to create a right which would permit the holder of the copyright to fasten by notice in a book or upon one of the articles mentioned within the statutes, a restriction upon the subsequent alienation of the subject matter of copyright after the owner had parted with the title to one who had acquired full dominion over it and had given a satisfactory price for it?" If one will mentally substitute for "copyright" and "book" the terms "patent right" and "patented article" in that sentence and those that

follow no further doubt can be entertained upon the question we have so long debated.

"It is not denied that one who has sold a copyrighted article, without restriction, has parted with all right to control the sale of it. The purchaser of a book, once sold by authority of the owner of the copy right may sell it again, although he could not publish a new edition of it."

Continuing, "The precise question, therefore, in this case is, does the sole right to vend secure to the owner of the copyright, the right, after a sale of the book to a purchaser, to restrict further sales of the book at retail, to the right to sell it at a certain price per copy, because of a notice in the book that a sale at a different price will be treated as an infringement, which notice has been brought home to one undertaking to sell for less than the named sum?"

It is to be observed that this is entirely analogous to the question presented in the Heaton case, in the Neostyle case, in the Victor Talking Machine case and in most of the phonograph cases.

"We do not think that the statute can be given such a construction, and it is to be remembered that this is purely a question of statutory construction. There is no claim in this case of contract limitation nor license agreement controlling subsequent sales of the book.

"In our view the copyright statutes, while protecting the owner of the copyright in his right to multiply and sell his production, do not create the right to impose, by notice, such as disclosed in this case, a limitation as to the price at which the book shall be sold at retail by future purchasers, with whom there is no privity of contract. This conclusion is reached in view of the language of the statute, read in the light of its main purpose to secure the right of multiplying copies of the work, a right which is the special creation of the statute. True, the statute also secures, to make this right of publication effectual, the sole right to vend copies of the book, the production of the author's thought and conception (now listen). The owner of the copyright in

this case did sell copies of the book in quantities and at a price satisfactory to it. It has exercised the right to vend (black ours). What the complainant contends for embraces not only the right to sell the copies, but to qualify the title (black ours) of a future purchaser by the reservation of the right to have the remedies of the statute against an infringer because of the printed notice of its purpose so to do, unless the purchaser sells at a price fixed in the notice. To add to the right of exclusive sale the authority to control all future retail sales, by a notice that such sales must be made at a fixed sum would give a right not included in the terms of the statute, and, in our view (notice the repetition of "**our view**") extend its operation by construction, beyond its meaning, when interpreted with a view to ascertaining the legislative intent in its enactment."

It was fortunate indeed for the plaintiff that the defendant had not signed an agreement to maintain prices. The concluding lines of the Court's opinion indicate clearly that in its view there was no occasion to "examine into the validity of the publisher's agreements, alleged to be in violation of the acts to restrain combinations creating a monopoly or directly tending to the restraint of trade." The validity of the contract was not in contest. Plaintiff was not seeking for any relief under it, and defendant did not claim that it had been injured by the combination.

Here at last we have the solution of the whole foolish question without any straining whatever on the part of the Supreme Court. Not one of the cases so confidently relied on by Counsel is even so much as cited by the Court, except its own decisions and these are referred to only to repudiate the erroneous interpretation placed upon them by counsel. The difference in "theory" asserted by counsel for the defendant to exist between the copyright and patent statutes does not seem to impress the Court, as it is passed over in silence.

This case was the second time that all of these decisoins have been held up before the Supreme Court in elaborate arguments. They were

confidently relied on in the case of Cortelyou vs. Johnson, where the Court labelled them "minor considerations" and hurled them out over the transom. They were brought back in this case and the Court passes them by in dumb silence.

In the case just succeeding, Scribner vs. Straus, the Court preserves the same grim reticence, adding quietly that the court below had no jurisdiction to try out the issue as to the agreement and breach thereof. But this is not the end. In this same volume, 210 U. S. 405, Paper Bag Patent case, learned counsel again carries all these decisions back and in one huge conglomerate mass hurls them in the face of the Court. All these decisions are by the Court crowded in fine print and placed at the bottom of the page, 425. The Court says nothing of them. But how the Court does clear the air with respect to the nature of the patent right! On page 423 we read this:

"It may be well, however, before considering what remedies a patentee is entitled to, to consider what rights are conferred upon him. The source of the rights is, of course, the law, and we are admonished at the outset that we must look for the policy of statute, not in matters outside of it—not to circumstances of expediency and to supposed purposes not expressed by words. (In the patent law nothing is said about contracts, licenses or conditional sales.) The (patent) law is the execution of a policy having its first expression in the constitution, and it may be supposed that all was deemed necessary to accomplished and safeguard, it must have been studied and provided for. (Now watch.)

It is worthy of note that all that has been deemed necessary for that purpose, through the experience of years, has been to provide for an exclusive right to inventors to make, use and vend their inventions." That is indeed worthy of note.

On page 424 the Court advances: "It (patent right) has, however, received explanation in a number of cases which bring out clearly the services rendered by an inventor to the arts and sciences and to the public. **Those cases declare that he (patentee) receives nothing from the law that he did not have before, and that the only effect of the patent is to restrain others from manufacturing and using that which he has invented**" (black ours). Then the Court quotes from some of its earlier decisons and cites many others and in so doing, hands out this: "We cite them because there is something more than the repetition of the same thought by so doing." We should certainly think so, if the argument of counsel in all these cases was not before us.

At the bottom of page 425, the Court quotes the famous paragraph from the Heaton case as to the right of non use, but at page 429 the Court accurately defines what is meant. It says: "As to the suggestion that competitors were excluded from the use of the new patent, we answer that such exclusion may be said to have been the very essence of the right conferred by the patent, **as it is the privilege of any owner of property to use or not to use it, without question of motive**" (black ours).

The Court makes no distinction between patented and unpatented property, and it says nothing about the right of the owner of property to contract or agree not to use it, or to suppress the use of it pursuant to a scheme or combination to restrain trade. That's a different question.

The plaintiff here escaped by a hair's breadth. The Court said there was no question of "a diminished supply or of increase of price". It was shown that "the expense would have been considerable" to use the new machine. Those were the considerations that saved the plaintiff.

This caution is dropped in the last lines: "Whether, however, a case cannot arise where, regarding the situation of the parties in view

of the public interest a court of equity might be justified in withholding relief by injunction, we do not decide."

Even then, Mr. Justice Harlan, who wrote the opinion in Patterson vs Kentucky, dissented.

The case of Bobbs-Merrill Co. vs. Straus is the supreme law of the land. It puts an end to all the decisions we have been struggling with It does away with the vicious rule that a vendor can sell personal property, use the purchase money and at the same time stop the purchaser from using or selling what he has bought.

The Supreme Court has never thought of promulgating such a revolutionary and confiseatory doctrine. It disposed of the Bobbs-Merrill case in the way it did because no other disposition was possible or even conceivable. Let us try to imagine that the Court took the other view and upheld the plaintiff's contention; then the defendant was an infringer because it bought a book for about 60 cents, paid for it and sold it at 89 cents. The principle is then established that if a purchaser of a copyright book or patented article does anything with the thing purchased contrary to the wishes of the vendor, as expressed in a printed notice, accompanying the thing sold, he is an infringer. Under such law the vendor can build up any sort of monopoly on earth. He can compel the purchaser to have a special display of the book every day; to sell not less than ten nor more than one hundred copies a day; to sell only to customers who will read the book entirely through, however stupid, and only read it once, however absorbing, and if the purchaser violates any of these "restrictions" he becomes thereby an infringer of the copyright!

What sort of presumption ever made it possible for counsel to argue such a point before the Supreme Court? Did he think those great men had forgotten all previous decisions of the Court or was he himself oblivous of them? Did he suppose that Mr. Justice Harlan and the other members of the Court had forgotten what the former had written in Patterson vs. Kentucky. or that any member of the

court was oblivious to what had been decided in the scores of other cases, such as Bloomer vs. McQuewan, that we have discussed? It would seem that one obvious preparation for an argument in the Supreme Court would be to read the decisions of that court on the matters relevant to the issue.

Reader, the "Constitutional lawyer" is out of his sphere in the Supreme Court. He has not time to read its decisions. He is living for the mighty things he has accomplished in the past.

Here were a large number of cases on "all fours" with the case at bar, but the "all fours" did not reach to the ground, and, of course would support nothing, much less a decision of the Supreme Court which instantly becomes the law of the land, affecting the rights of every man, woman and child in the nation.

The blood right, that battlefield trophy is safe. The Supreme Court always guards that.

In the early case of Chisholm vs. Georgia, (1793), 2 Dall., at 454. Mr. Justice Wilson said: "In an instrument well drawn, as in a poem well composed, silence is sometimes most expressive."

The reader should bear this in mind in taking up Cortelyou vs. Johnson, and Bobbs-Merrill Co. vs. Straus. To thoroughly appreciate these decisions one must have an ear for grace notes, a tact for omissions. an understanding that can complete the circle from the arc given.

## SUMMARY OF THE TWO GROUPS OF CASES PRECEDING.

If we stop for a short time to consider what we have accomplished in this long drawn out analysis of these cases, we see at once it is nothing. We have not learned any law but merely unlearned something that was not law. But as we have said that is the peculiar nature of all error. By discovering the mistake and avoiding it, we do not progress, we simply revert to the beginning point and start over.

Our consideration of these decisions we have intimated might be compared to the mounds and trenches constructed by an enemy in taking a city; when the capture has been effected, the improvised aids become useless and worthless. We can almost apply the simile literally, for the decisions for some time, like the mounds and trenches, will constitute obstructions and pitfalls, to the injury of persons not interested or involved in the contest, on account of which the same were brought into existence.

We think it distinctly worth while to summarize a view of these decisions. These cases clearly stand for this proposition: A patentee may sell a patented article and accompany the sale by a license which restricts the use of the article or restricts the right of the purchaser to sell the same, and any violation of the restriction constitutes the purchaser, his vendee, or one assisting the purchaser to use the article in excess of the license, an infringer.

There are at least three fatal errors in this proposition, all of which grow out of an erroneous conception of the nature of the patent right.

The specific fallacies are these:

1. A misconception of infringement.
2. An erroneous conception of the nature of a sale of personal property.
3. Failure to distinguish between a license and a sale.

We shall discuss each briefly.

1. Infringement—Infringement means just what it says, a breaking in upon some right or privilege of another.

It is a trespass, but in case of a patent it is a very peculiar form of trespass or breaking in. The right trespassed upon is an incorporeal right. The trespass may be committed 3000 miles away from the owner of the right (see the fine paragraph of Mr. Justice Holmes, 209 U. S. at 19) and the trespasser may know nothing of the existence of the right.

Suppose A has a patent on a Neostyle. How can B infringe that patent? The most obvious way is to make one like it. That is a breaking in upon, a cutting down of A's right to exclude every one from making the device. B sells the infringing appliance to C, a dealer, and he in turn sells it to D, a consumer. B has gone further now and infringed A's right to exclude every one from selling the device. C has also infringed A's right to exclude every one from selling: D by using the instrument has infringed A's right to exclude from the use; A has the right to exclude from the making, using or selling of the machine, and this right has been trespassed upon by B, C and D.

But suppose A himself makes a Neostyle; that machine is totally disconnected from and has nothing to do with, his right to exclude. With respect to the making of the machine, he has two rights: to make it plus the right to exclude others from making it. The latter part of the sum is all he gets from the patent law. He has made it and his patent right has not been infringed. He may use the machine himself, his right to do so is not a part of his patent franchise. Suppose he decides to sell it. When he sells it he exercises not his patent right, but his "natural right".

The purchaser, by purchasing it does not infringe upon A's right to sell. He does not decrease, cut down or diminish A's right of selling, but the very opposite. He recognizes the patentee's exclusive right and buys from him, thus contributing to the "monopoly". When the purchaser buys what does he get? This brings us to the nature of a sale.

2. Sale of Personal Property.—In his invaluable book on the Common Law (Lecture XI) published 30 years ago, Mr. Justice Holmes has pointed out that a sale was originally a form of succession **inter vivos.**

The buyer succeeded to the estate or personal status of the seller with reference to the thing transferred; the buyer stands in the shoes of the seller, he gets no more than the seller had to transfer, but he

gets all he had: he succeeds him. That is everywhere the law to-day. A warranty transfers nothing, it is simply a contract by which the seller agrees to respond in damages in case it turns out that he had less, or something different than he represented, to transfer. In the case above supposed, when A sells the patented Neostyle, the purchaser gets A's entire interest in that machine. A parts with no part of his right to exclude; that is an incorporeal right. But as to that particular device the purchaser succeeds A; stands in his shoes and has every right that the patentee had in that specific article. All that the purchaser wants is that particular chattel, and that is all that the patentee sells him. Now the device is worthless except for one purpose, and that is to use it. The purchaser may want to sell, and thereby gain a profit in transferring the use of it to some one else. But the ultimate destiny of the machine is use by some one. Property is worthless aside from the right to use and enjoy it. In the great case of Miller vs. Taylor (1769) 4 Burrows 2303, one of the judges said: "Property without the use is an empty sound." Had the patentee kept the Neostyle and not used it, it would have been to him "an empty sound". When the patentee sells the machine, the purchaser owns it in the same right that the vendor owned it. The right to use it, or sell it to another for use, is the very essence of the property right in the device. Apart from the right to use, or sell to some one else for use, the Neostyle is worthless. In using it the purchaser does not infringe upon the right of the patentee to exclude from the use, since the only worth of the machine consists in its use, by selling it the patentee consents to its being used. The sale can mean nothing else. The patentee knows that the only right in the device that he or any one else cares for is to use it; that is the purpose for which he invented and perfected it. He could have had no other object in view than the use, when he made the particular specimen supposed. The invention and that individual embodiment of it is "the fruit of his cares and sweat"; on the other hand the purchase money is the fruit

of the purchaser's "cares and sweat". When the device is exchanged for the purchase money, each party succeeds to all the rights which the other had in the thing transferred.

The purchaser had the same arbitrary right not to part with his money that the patentee had in the Neostyle. But when he transfers the money to the patentee, he intends and consents that the latter shall use the money as he sees fit, and the purchaser has all the rights in the machine that the vendor has in the money. This enables us to understand what is meant by a formula that runs all through the opinions of the Supreme Court. It occurs first in Bloomer vs. McQuewan, and is repeated with great frequency thereafter. It is this: "When the machine passes to the hands of the purchaser, it is no longer within the limits of the monopoly. It passes outside of it, and is no longer under the protection of the Act of Congress." Here are two phrases that obviously are exact equivalents, namely, "within the limits of the monopoly" and "under the protection of the Act of Congress". Both mean the right to exclude. But it is well to remember that when we employ such phrases, "passes outside of" and "is under the protection of," we are using figurative language applied to a pure abstraction. The "limits" and the "protection" are invisible, intangible, incorporeal. The article cannot be caused to pass without the "limits" and from under the "protection" by any physical transposition. It may be a thousand miles from the patentee and still within the "limits" and under the "protection". It is the approbation, the will, the consent of the patentee that operates to pass the article outside the "limits" and from under the "protection". The patent grant places the thing for seventeen years within "limits", circumscribed by his consent, and under a "protection" measured by his will. If he does not pass it "without the limits" or from under the protection, nothing and no one else can, for he has the right to exclude. Now why does a sale, in and of itself, pass the article without the "limits" and from under the "protection"?

Mr. Justice Miller explains this with unexampled precision and clearness in Adams vs. Burke: "In the essential nature of things when the patentee, or a person having his rights, sells a machine or instrument whose sole value is in its use, he receives the consideration for its use and parts with the right to restrict that use. The article in the language of the Court passes without the limits of the monopoly. That is to say, the patentee or his assignee having in the act of sale received all the royalty or consideration which he claims for **the use of his invention** (black ours) in that particular machine or instrument it is open to the use of the purchaser without further restriction **on account of the monopoly of the patentee**" (black ours).

That passage is informed with meaning. Why does the patentee part with the right to restrict the use? Because the right to use the machine is the very thing parted with by the sale.

The machine is utility embodied and externalized in a particular form. That is all it is. The purchaser could easily get elsewhere the same materials in different form and compositon and at a much smaller price. He wants that particular object because of its special utility, owing to its unique formation. When the patentee sells it he annuls, waives and foregoes, his right to exclude from the use of that specimen. The consideration is paid only for the right to use; that is all there was to sell. To say that a patentee can sell a patented article, and at the same time in virtue of his right to exclude, restrict the right to use, is on a par with saying that a baker can sell a loaf of bread, and at the same time restrict the right of the purchaser to eat it. It is to say that the patentee can sell his right to exclude in exchange for the purchase money, and yet still have that right. Such sale is a contradiction in terms. The vendor cannot part with, and at the same time withhold, the sole subject matter of the sale. And if he imposes conditions and restrictions, these do not qualify the title or ownership of the chattel. We must sharply demark a sale with conditions or restrictions from a conditional sale. The two things are

quite different. A conditional sale is a transaction whereby the right to enjoy and use the chattel, the ownership, does not pass from, but remains in the vendor, until a condition is complied with, namely payment of the purchase money. The vendor does not consent to the transfer of ownership until that contingency is made certain. But a sale accompanied by a restriction upon the right to use the thing sold is wholly unlike a conditional sale. It is a completed sale at the time of the transaction. The title and ownership is exchanged for the purchase money. The ownership of the purchaser is not inchoate, or contingent upon the performance of some condition. The restriction is the subject matter of a consent of the parties quite apart from the sale and transfer of the chattel. In such case we have two legal acts; a transfer of the right to use and an agreement to use only in a certain way. The sale, in and of itself, operates to give the purchaser a right of unrestricted use and unlimited disposition: he stands in the shoes of the seller.

The restriction, then, is a concession exacted by the vendor and yielded by the vendee. It does not pass anything to the vendor, it only cuts down the rights of the vendee. It is thus the exact antithesis of a license. The latter takes from the rights of the licensor and enlarges the rights of the licensee. The licensee gains a new right where he had none before: the licensor suspends his right to exclude in the particular instance. If the restriction, in the case of the sale, is done away with, the vendee has only the rights vested in him by the sale, the ownership of the chattel. If the license is done away with, the licensee has nothing whatever and the licensor resumes all the rights he ever had before the license was granted. The restriction is a matter of contract totally dissevered from the transfer of property. This is why Mr. Justice Miller says that "the particular machine or instrument is open to the use of the purchaser without further restriction on account of the monopoly" (black ours). This is why Chief Justice Taney says, "Contracts in relation to it (a patented

machine sold by the patentee) are regulated by the laws of the State, and are subject to state jurisdiction."

This renders perfectly clear the meaning of the Supreme Court, in Keeler vs. Folding Bed Co. (157 U. S. 659), when it states: "One who buys patented articles of manufacture from one authorized to sell them becomes possessed of an absolute property in such articles, unrestricted in time or place. Whether a patentee may protect himself and his assignees by special contracts brought home to the purchaser is not a question before us, and upon which we express no opinion.

**It is, however, obvious that such a question would arise as a question of contract, and not as one under the inherent meaning and effect of the patent laws."** (Black ours.)

It is conceived that the dissenting opinion in the cases of Adams vs. Burke, and Keeler vs. Folding Bed Co., and the various attempts to limit the plain language of those decisoins to the particular facts there in dispute, are all founded on a misunderstanding of the patent right. For example, Mr. Justice Brown lodged a strong dissent in Keeler vs. Folding Bed Co. As circuit judge, he tried the earlier case of Hobbie vs. Jennison, reported in 40 Fed. Rep. 887. Throughout that opinion it is clear that the Court is entirely dissatisfied with the reasoning of Adams vs. Burke, and yields only because of the force of the decision as a compelling authority.

His subsequent dissent in Keeler vs. Folding Bed is foreshadowed in this passage: "Were this an original proposition, we should be strongly inclined to hold that the vendor of a patented article, who sells the same for the purpose of or knowing that it will be resold or used in territory belonging to another is equally amenable to suit as if the sale were made in such other territory. The patent laws give to the patentee the exclusive right to use, as well as to manufacture and sell, within the territory properly belonging to him, but it is difficult to see how this right can be properly protected, if the assignee of other territory, who may perhaps possess greater facilities, superior

energy or a larger amount of capital than himself, may flood his territory with the patented article, by means of the easy device of selling and passing property within the territory owned by himself."

It is clear that such contention is founded on an erroneous conception of the nature of the patent right, and the effect of an assignment of the right for a particular district. The second sentence above is misleading: The patent laws do **not** give the patentee an exclusive right, but rather a right to exclude. An assignment of the right for a territory gives the assignee the whole right for that locality. It is a complete and thorough-going subdivision in the category of locality. In that locality, the assignee has all the rights which the patentee formerly had; and the latter has none. In his territory, the assignee can maintain suits for infringement, grant licenses or further assign the right; and when he makes and sells an article in his territory that sale operates to pass the article without the limits of the monopoly, and from under the protection of the patent law, just as completely as a sale by the patentee in the territory by him reserved. There is no escape from this conclusion. At all times the article is altogether distinct from the incorporeal right. When the owner of the right to exclude consents that the article shall pass without the limits, it passes and becomes the absolute property of the purchaser. The assignee acting within his district, has all the power to consent that the patentee has anywhere. The only limitation upon the right of a territorial assignee is as to the territory within which he may exercise it; but acting within that territory, he has all the liberating power that the original patentee ever had. When he gives his consent and the article passes, no part or parcel of the patent right is granted. Of course, territorial assignees are competitors as among themselves and with the patentee. But this is so because of the fact that in making and selling, they do not exercise any right granted by the patent.

The view set forth in the minority opinions would lead to this: That a patentee could subdivide his right into as many parts as there

are states in the union, each assignee possessing the right for one state, and having no power to confer on a purchaser the right to use the thing sold beyond the borders of the state. If the patent was on a locomotive, purchased by a large railroad having a system of tracks in a dozen states, the use of the locomotive in every state other than in the one where it was purchased would constitute a separate and distinct infringement, and subject the owner to suits for damages and an injunction in all those states.

The law is that when the article is once passed beyond the limits of the right to exclude by one who has that power, if only within a township, that article has become unfettered from the patent monopoly and is the absolute property of the purchaser.

The opinion in Keeler vs. Folding Bed Co. concludes thus: "The conclusion reached does not deprive a patentee of his just rights, because no article can be unfettered from the claim of his monopoly without paying its tribute. The inconvenience and annoyance to the public that an opposite conclusion would occasion are too obvious to require illustration."

In the dissenting opinion in Keeler vs. Folding Bed there seems to be a complete identification of an assignee with a licensee so far as respects the patent right. Thus it is said: "Under this rule a patentee may **assign** (black ours) his right to make and sell the patented article in every state in the union, except his own; may there establish a manufactory, and may, by his superior facilities, etc., undersell his own **licensees**" (black ours).

Of course an assignment of the right to make and sell, without including the right to use, is not an assignment of any part of the patent right. See Waterman vs. McKenzie (1890), 138 U. S. 252.

But again there is a wide difference between an assignee proper and a licensee. The latter has no part of the monopoly, while the former owns the whole of it for a locality. The inconvenience, if any,

inherent in the circumstances supposed, certainly cannot be obviated by the patent law. It can only be done by contract.

Moreover, the dissenting opinion in Keeler vs. Folding Bed Co. states the import of the decisions in the two earlier cases of Bloomer vs. McQuewan and Mitchell vs. Hawley in a way that appears confusing. Of Mitchell vs. Hawley it is said (157 U. S. at 669): "In this case the purchaser from the original grantee (black ours) of the term was held affected with knowledge of the terms of the grant from the patentee, which expressly took from the assignee (black ours) the right to sell or grant any license to use the machines beyond (black in the text) the expiration of the original term. This case seems to be a limitation upon the general doctrine of the prior cases, that, by a purchase of the patentee, the patented article is thereby taken out of the monopoly. So far as the case is pertinent at all to the instant case (i. e. Keeler vs. Bed Co.) it favors the positon taken by the court below."

We find it beyond us to read such a construction into the decision in Mitchell vs. Hawley. There, the vendor was not an assignee of the whole monopoly for a limited territory; he owned no part of the right to exclude, much less the entire right for a defined locality. Not having the right to exclude his consent could by no possibility pass the thing sold beyond the limits of the monopoly. He was a mere licensee, acting within the authority conferred upon him by a permission of the patent owner. Obviously he could not confer upon the purchaser a right to a more extensive use than the permission authorized. The passage quoted confuses an assignee and a grantee with a licensee. We have commented on this same confusion in the statutes. The transferee of the entire right or an undivided interest in the entire right is nominated an "assignee", whereas the transferee of the entire right for a locality is designated a "grantee". We have never been able to understand why a subdivision of the same right, but in a different category, should necessitate a confusing substitu-

tion of the language of grants for that of assignments, but it so stands and the gratuitous transition has entailed much wasted effort.

The case of Bloomer vs. McQuewan is subjected to this interpretation (157 U. S. at 688): "The question in that case, however, concerned only the rights of an **assignee of a patent** (black ours) which had been extended, and the point decided was that the **assignee** (black ours) was entitled to continue to use the **patent** (black ours) during the extended term. In this connection there can be no question of the propriety of the language quoted (i. e. when the patented machine passes to the hands of the purchaser it is no longer within the limits of the monopoly). It would indeed be a strange principle to hold, that a party who had bought a patented article during the original term of the patent, should be obliged to pay an additional royalty for its use, if the term were extended."

This passage is even more perplexing. In the first place in Bloomer vs. McQuewan, the defendant was not an "assignee" of the patent. He did not assert a claim to any part of the right to exclude. Moreover, what conception of things can be thought into the phrase "to use the **patent** during the extended term"? How can one ever be said to "use a patent", a right to exclude, unless by employing those words we mean bringing an infringement suit and thus excluding others?

We have given much anxious thought to Bloomer vs. McQuewan. The case is exceedingly difficult to understand because the opinion embodies, in many portions, the misleading phraseology of the Act of 1836. The defendant is several times called an "assignee", but when we shift our thoughts from the words and get down to the things dealt with there is no difficulty. In that case the owner of the patent for the original term sold to the defendants "the right to construct and use" and vend to others the right to construct and use a Woodworth's planing machine "within the limits of the city of Pittsburg and Allegheny County." Subsequently the Congress by special en-

actment, granted an extension of the patent. The plaintiff became the owner of the patent for the extended term, and, as such, sued the defendants for infringement on the ground that their use of the machine was an invasion of his right to exclude for the term as extended. The only point of difficulty is to determine what the defendant got when the owner of the patent sold him "the right to construct and use the machine and to vend to others such right "within the limits of the City of Pittsburg and Allegheny County". Neither party to the transaction expressed any contemplation of an extension of the patent. Both negotiated on the assumption that the expiration of the original term would end the patent owner's right to exclude. As they then viewed it, the utmost that the vendor could sell was the right to use the machine for the original term; after that any one would be free to make and use the machine. This must have been the common view point, for neither could have foreseen that the Congress by special grant would extend the patent and no such contingency was provided for in the sale contract. The defendants bought the right to make and use the machine, and they bought the full measure of this right as respects the duration. They owned the materials and furnished the labor to construct the machine. When they thus made the machine, their rights with respect to it clearly were these: To use their materials wrought into the formation of the invention for the full period of the original term of the patent and to sell the right to such use to others; the right to so make and so use and sell, the patent owner had sold them. Beyond that term he could not have sold them the right. That would be like a lessee for twenty years selling a term for 25 years. "The patent right gives no title in the thing made in violation of the patent" (Belknap vs. Child, 161 U. S. at 24), much less title to the thing made pursuant to a right purchased from the patent owner. So that the defendants owned the title to the physical embodiment of the invention and as respects the duration of the right to use and sell, the patent owner had given the full measure of

the consent at his disposal. In point of the duration of the right to exclude, the owner of the patent withheld nothing and imposed no qualification. The defendants, at the expiration of the term would go on using the machine which they owned, the right to use being open to all persons.

In other words, the owner of the patent by selling the right to make the machine, and use it for the full term of the patent or to sell it to others for such use, passed the machine without the limits of the monopoly. The transaction was no different from what it would have been if the owner of the patent himself had made the machine and sold it to the defendants to use for the full term of the patent or to sell to others for such use. That is the utmost that any patentee can ever sell, namely the right to use the thing sold for the term of the patent and to confer that right on others. Now the Court held that a subsequent extension of the patent could not operate to destroy the defendant's right to continue using the machine. Said the Chief Justice: "The Fifth Amendment of the Constitution of the United States declares that no person shall be deprived of life, liberty or property without due process of law. The right to construct and use these planing machines, had been purchased and paid for without any limitation **as to the time for which they were to be used** (black ours). They were the property of the respondents. Their only value consists in their use, and a special act of Congress, passed afterwards, depriving the appellants (respondents?) of the right to use them, certainly could not be regarded as due process of law. Congress undoubtedly have power to promote the progress of science and the useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries. But it does not follow that Congress may from time to time, as often as they may think proper, authorize an inventor to recall rights which he had granted to others, or reinvest in him rights of property which he had before conveyed for a valuable and fair consideration". In

other words the defendants owned the machines; not only the physical substances of which they were made, but the right to use them during the term of the patent from the patent owner; the right to use them after that term was a "natural" right which the patentee could not grant..

But what about the qualification "within" the limits of the "City of Pittsburg and Allegheny County"? There was no attempt to use the machine elsewhere, and consequently no contest as to the meaning and effect of this limitation. But it is clear that this limitation was merely contractual and had no binding effect except as a contract between vendor and vendee. If the defendants had used the machines elsewhere they could not have invaded the patent right: By the sale of machine the patent owner passed that particular physical embodiment of the invention beyond the limits of the monopoly. He fully consented to its use and sale, not only within the territorial limits specified but throughout the United States. The restriction imposed was a mere contractual limitation upon the purchaser's right of complete dominion to use any where and every where. It was a restriction exactly on par with those in all the cases we have been discussing.

Had the defendants used the machines elsewhere, their only liability, if any, would have been for breach of contract. For the Court said: "Contracts in relation to it (i. e. patented machine purchased from the owner of the patent) are regulated by the laws of the state and are subject to state jurisdiction."

It thus appears that Bloomer vs. McQuewan is not only not in conflict with Adams vs. Burke, but both decisions announce precisely the same principle: "In the essential nature of things when the patentee, or the person having his rights, sells a machine or instrument whose sole value is in its use, he receives the consideration for its use and he parts with the right to restrict that use. The article in the language of the Court, passes without the limits of the monopoly. That is to say, the patentee or his assignee having in the act

of sale received all the royalty or consideration which he claims for the use of the invention in that particular machine, it is open to the use of the purchaser without further restriction on account of the monopoly of the patentee."

It is receiving the consideration which the patentee claims for the use of his invention in the particular specimen and parting with title to that specimen that causes the patented article to pass without the limits of the monopoly. That is the physical manifestation of the patentee's consent to the use. He transfers the object and at the same time consents to its use, and thereafter the physical thing and the use of it are liberated from the monopoly.

Bloomer vs. McQuewan denied the right of the patentee to limit the use of a patented device which he had sold, in the category of time. Adams vs. Burke denied the right to limit the use in such case in the category of place; but the principle underlying each case is the same and applies with equal force to the facts involved in the other. The opinion in the one case applies to the facts in the other. Both announce a rule that a sale by a patentee, places the purchaser, with respect to the thing sold, in the shoes of the vendor. If the patentee could have used the article unrestricted in time or place so also can his successor to that article, the purchaser. This follows from the initial postulate that the article is entirely distinct from the incorporeal right to exclude.

Bloomer vs. McQuewan, Adams vs. Burke, and Keeler vs. Folding Bed Co. are profound expositions of an exceedingly elusive principle. They are closed to a hasty glance or a cursory perusal. Nothing short of unintermitted and persistent attention will ever bring the average reader to a correct apprehension of their vast import.

Third: A License; A sale of personal property passes all the interest or property in the thing sold to the purchaser, whereas a license does not pass any. The license is a mere permission.

If a patentee delivers possession of his patented machine to an-

other and licenses the other to use it, the latter is a licensee, but obviously does not own the machine. Likewise if the patentee licenses another to make a specimen of the machine, and to use it for one year's time, at the expiration of the year the licensee's right to use the machine terminates, although he may own the materials of which it is made. "Title to the thing manufactured does not give the right to use the patented invention" Belknap vs. Schild, 161 U. S. at 24. But in either case supposed, the right of the licensee to use springs from a mere permission of the patentee. The latter has not irrevocably parted with the right to use that machine. In the first instance the machine has not passed without the limits of the monopoly; and in the second, the patentee consented to the making of the machine only on condition that it could be used for a limited period. At the expiration of that period the machine is within the limits of the right to exclude and under the protection of the patent law.

The cases included in the two groups we have discussed confuse the right to exclude with an exclusive right: they overlook the effect of a sale of a patented article to release it from the monopoly of the patent, and finally they concede no greater rights to a purchaser from the patentee and owner of property than is allowed to a mere licensee who enjoys the thing used by virtue of a mere permission of the licensee.

Finally the cases announce an unthinkable notion of infringement, which invariably and necessarily involves, a making, using or selling without the consent of the patentee. When the patentee has himself made and sold the article he has irrevocably consented to the free use and sale of that article by the purchaser. The purchaser in using the article or selling it, may do so under circumstances that violate his contractual obligation to his vendor, but he does not infringe upon the right of the patentee to exclude. Moreover, the validity of the contract violated depends not upon the patent law, but upon the law of contracts and the public policy of the government.

Whether the contract restricting the use or sale of the article is valid must be determined by the general principles of law and statutes applicable to all contracts in restraint of trade. That brings us to the next and final topic of this writing.

## COMBINATIONS IN RESTRAINT OF TRADE IN PATENTED ARTICLES.

Text writers generally, and without exception so far as we have discovered, announce the proposition with unimportant qualifications, that the law inhibiting contracts in restraint of trade does not apply to contracts pertaining to trade in patented articles. Startling as is this proposition, we have a greater extreme vouched for in the assertion that patented articles are not articles of commerce or trade at all. This last statement is little short of amazing. It is not worth while to quote passages from the books as we shall come upon the expressions first hand in the cases to be considered.

In a general way the argument is much like this: The statutes and principles of public policy condemning restraints of trade are levelled at illegal monopolies. Under the patent law a patentee has a legalized monopoly in his patented articles. Therefore, it cannot be that the statutes forbidding restraints of trade apply to trade in patented articles. It requires no ingenuity to show that such an argument comes to nothing. The word "monopoly" as used in legislation inhibiting restraints of trade is not only not synonymous with the same word used in connection with the patent right but is totally foreign to it. The "monopoly" of a patent is not of things or possessions: it is of a pure abstraction, a notion, an incorporeal creation of the mind. The "monopoly" to which public policy is opposed is of goods, tangibles, corporeal objects, subject to manual dominion. The patent monopoly is entirely comprehended within the naked right to exclude.

The difference is obvious. Suppose A. has on his land a mineral spring sending forth a water possessing medicinal qualities unlike any other water in the world. And suppose the water has certain properties that create for it the strongest demand, causing it to sell at a fabulous price. A, has in such case a genuine, thorough going monopoly. He has the sole right of selling because he owns and has dominion over the one subject matter of all the sales. For the same reason he can exclude all other persons from selling. But suppose some one, a hundred miles away, sinks a well and intercepts the supply at A's spring and it ceases to be. A. has now lost his monopoly and another instead has it.

Now suppose A invents a process by which chemicals are compounded and dissolved resulting in a water unlike anything hitherto known and far more precious. He obtains a patent on his process and product. Then other persons may possess all the materials necessary to make the identical liquid; they may possess these in much greater abundance than the inventor and in conjunction with facilities for manufacture that make the production of the liquid far easier at their hands than by the inventor. Nevertheless they cannot make, use or sell the mixture without the inventor's consent.

Suppose again that X invents a corliss engine and gets a patent on the same, but has no means or facilities for manufacturing or multiplying specimens. His patent monopoly is complete but to him, in his condition, it is profitless because what men want to buy, sell and use is the engine, not the notion of it.

Suppose finally that a vast aggregation of capital is employed to buy up all the timber and lumber of the nation and succeeds in so doing. Here is a monopoly in virtue of complete physical dominion over the thing dealt in. There is no abstract right to exclude others. But others are excluded from dealing in lumber for the reason that the source of supply is completely vested in an ownership in which they cannot participate.

A natural monopoly or an industrial monopoly consists in a more or less complete possession of the actual, physical objects dealt in. The patent monopoly consists only in the right to prohibit others from possessing, using and selling the thing patented without the patentee's consent.

It is entirely negative. It does not imply the existence of an available supply of the tangible objects. The thing described in the patent may be undesirable or unmarketable, but this does not impair the patent monopoly. And when the patented article is made and available for sale in great quantities it is not in any manner related to the right to exclude. When the article is sold and used there is no sale or use of the incorporeal right. A restraint of trade in a notion, an incorporeal, intangible right is utterly inconceivable. A corporeal object is the only possible subject matter of trade and commerce. Trade and commerce in this has not the remotest bearing on the incorporeal right; likewise of a restraint of trade in the same. Finally,forbidding restraints of trade in the tangible objects does not in any manner abridge, affect or infringe upon the incorporeal right. When the State of Kentucky completely suppressed all trade in the patented Aurora oil of Patterson it did not take from or cut down the patentee's right to exclude. In that commonwealth he still had an irrefragable right to bring infringement suits and exclude every one from making, using or selling the oil itself. In the instance of In re Brosnahan, the State of Missouri entirely interdicted trade in the patent protected oleomargarine, but this did not touch the patentee's right to exclude others from making, using or selling the thing invented. Though every state in the Union had passed similar statutes and enforced the same, the negative power in the patentee to prohibit others from engaging in the business of supplying and using the patented article, would have remained unimpaired for the full term of the patent. These cases drive home the true conception of the nature of the

patent franchise. They vividly bring out the elemental fact; the right to make, use, and sell does not come from and is not in any manner related to, the patent law. That right is a "natural" right, antedating governmental institutions and laws, protected by the latter but also limited and qualified by the latter.

These cases cannot be brushed aside with the suggestion that the articles, trade in which was suppressed, were inherently harmful and the traffic therein necessarily inimical to the welfare of the citizens. That was undoubtedly the conception underlying the statutes construed in the two cases mentioned. But we entirely mistake the power of a state to control its internal affairs when we limit it to regulating or suppressing the sale of things conceived to be essentially harmful in the only use to which they can be put. Fire arms are indispensable in the day of the nation's agony in war; arsenals are crowded with them, the Constitution guarantees to every citizen the right to own and possess them, and yet it is everywhere a crime for a private citizen to carry a loaded fire arm concealed on his person. Bread is not only not harmful in its use, but is the very symbol of the corporeal things necessary to be available in order to maintain and prolong existence. It is from of old called the staff of life. A contract, combination or conspiracy to decrease the supply, or increase the price of bread is a crime of the deepest dye. It arouses all the latent resentment of society and men's hearts grow hot in contemplation of the enormity of the offense.

The fact is that, with isolated exceptions, the law deals not with things, but with persons. The force of it is directed to controlling the acts of men: it is not exerted on inanimate objects. Crimes and wrongs are attributes of the existence of members of society. What is deemed harmful in law is the tendency, the quality, of an act of men, not a quality or property of an inanimate object. The unlawfulness of a contract in restraint of trade is predicated on the implication that the subject matter of the restrained traffic is useful and

desirable. The gist of the wrong is in interposing an artificial, astrictive barrier between the source of supply and the ultimate destiny of the thing demanded. What is vaguely called the police power of the State is not exhausted in regulating the handling of those things, the ordinary use of which usually results in harm.

The "police power" in its casual acceptation is a misnomer. "Every right acknowledged to the individual by the state may be abused by him to the detriment of the State. The State must therefore confer upon the government the power to **watch for and prevent** (black in the text) such abuse. **This** (black ours) is the police power. Its realm is, therefore, the counterpart of the realm of individual liberty. It is the guard which the state sets upon the abuse of individual liberty. It does not prescribe the method according to which that liberty may be enjoyed, but it fixes the point past which it may not be pursued, and contains summary governmental authority for preventing its abuse." Burgess: Political Science and Constitutional Law, Vol. I, page 216. This is the true conception of the police power. The individual may abuse his right to bear arms by carrying them concealed upon his person; then, the abuse of his liberty becomes a crime; he may abuse his right to make and sell carbolic acid by making and selling the same to unwitting infants; then his selling becomes a crime. He may abuse his right to make and sell bread, and to contract to sell the same, by entering into a contract, combination or conspiracy to fix the price, decrease the amount, or cheapen the quality of the bread, then the contract, combination or conspiracy becomes a crime. The state, with **rare exceptions, such as the inflammable oil and the artificial butter,** acknowledges the pre-existing right of every patentee to make, use and sell and contract for the sale of the tangible embodiment of his mental labors, but when the patentee enters into a contract, combination or conspiracy to limit the output, fix the price or in any manner restrain trade in his patented article, which has been made by him or some one under his authority,

such contract, combination or conspiracy is an abuse of the patentee's acknowledged right as surely detrimental to the state as any contract in restraint of trade and as inevitably within the enumeration of crimes in every instance of anti-trust legislation as is a similar contract with reference to bread or meat. There can be no consistent withholding of assent to this proposition. A fire arm may be patented, but it is a crime to carry one concealed on the person. An automobile may be patented, but one may not be driven without a license, and the attempt to do so is a misdemeanor. A medicine may be patented, but an attempt by the patentee to administer it without the license requisite may send him to jail (see 4 Ohio 294). A clothes wringer may be patented, but when the patentee, even, sets about selling it as an itinerant peddler without first complying with a town ordinance, he violates the law (See People vs. Russell, 49 Mich. 617), and is liable to punishment the same as a vendor of an unpatented article. All these are instances of the exercise by the state of its power to protect the members of society from an abuse of his acknowledged rights by the individual.

It is an entire misconception of the rights of the individual, of the power of the state over the individual, and of the nature of the patent franchise to suppose that the state has any less control over trade in patented articles than in unpatented articles. Try to imagine the utterly unacceptable consequences to which we are inevitably driven by the opposite theory. Suppose A invents an exceedingly useful implement for farming purposes and there is very great demand for it. He manufactures the same and has on hand a large quantity of them for sale. He has not applied for a patent and need not do so for two years (R. S. 4886).

The article is unpatented and we will suppose A enters into various contracts and combinations that concededly restrict trade in the implement, both within the scope of the Federal anti-trust act and the acts of many of the states. These contracts are all operative for

two years. Then by hypothesis A has been guilty of a crime under both national and state law. Now he applies for and obtains a patent and at the same time renews his former contracts and participates in the same combinations, operative to the same ends. Can it be seriously asked that we accept the conclusion that what, in the first instance, was a series of crimes has now become innocent and harmless acts because A has the right to exclude others from selling the implement without his consent? Is the right to exclude others from selling an excuse for contracting and combining with others to abuse his own and their right of selling? Can there be any answer but an unhesitating negative to the stinging questions propounded by Mr. Justice Miller in the case of In re Brosnahan in reference to the copyright, but equally applicable to the patent right? "Can he (owner of the copyright) violate the law because no one else can? Does the copyright confer on him a monopoly of vice and an immunity from crime"?

Let us carry the supposition a step in advance. Imagine that after the patent has been secured and the patentee has renewed all his former connections, then, there is a contest over the validity of the patent and it is declared absolutely void for want of novelty by the Supreme Court of the United States: that neither adds to or takes from, the right and power of the patentee to make, use and sell his implement, it only releases the inhibited spontaneity of others to do the same thing. Does the determination that the implement had been made and in use more than two years prior to the application for a patent, convert a series of innocent acts into misdemeanors and felonies? Or suppose such contracts and combinations are entered into six months before the date of the expiration of the patent and are to run for one year. Then the day after the patent expires dealers scattered throughout the nation, who, the day before were parties to a perfectly legitimate business, have become infamous law breakers and vile conspirators although conducting their business in precisely the same

manner as they did the day previously. Thus whether or not men have committed a crime under the laws of any one of a half hundred of States is dependent upon the records of the Patent Office at Washington.

If those records are in proper form and contain truthful statements, then all members of the combination are innocent. But if the patent was obtained by fraud, if the certification of the existence of novelty in the invention was untrue in point of fact, or if for any reason there is not a valid patent on the implement, then the members of the combine are guilty of crimes. Thus the determination of the guilt of men hinges upon the validity of a patent, and whether or not all the participants in the combination have acted in a manner detrimental to society depends upon who was the first to conceive of the implement as vouched for by the Patent Office. And yet, under any and all of these circumstances, without exception, the manufacturer's own right to make, use and sell the implement has remained exactly the same. Procuring a patent did not enlarge, the invalidation of the patent, in whatever manner, did not diminish it. That right existed before the patent was obtained, it remains unimpaired after the patent right is gone, and during the existence of the patent it was not enlarged. It is not within the duty of patient analysis to catalogue all of the grotesque absurdities that are consequent upon the assertion that the state has no power to prohibit a contract in restraint of trade in patented articles.

We discard words and deal with things. In Patterson vs. Kentucky Mr. Justice Harlan said: "The right of property in the physical substance, which is the fruit of the discovery is altogether distinct from the right in the discovery itself. The right to sell the (patented) Aurora oil was not derived from the patent: that right existed before the patent, and unless prohibited by valid local laws could have been exercised without the grant of letters patent."

In Webber vs. Virginia, Mr. Justice Field said: "The legislation

respecting the (patented) articles which a state may adopt after the patents have expired, it may equally adopt during their continuance. It is only the right to the invention or discovery, the incorporeal right, which the state cannot interfere with. Congress never intended that the patent laws should displace the police powers of the states, meaning by that term those powers by which the health, good order, peace and general welfare of the community are promoted."

Those two quotations announce the principles that control. The fact that an article is patented is utterly irrelevant to the inquiry as to whether or not a given contract restrains trade in that article. The whole argument that state legislation as to restraints of trade has no application to a contract pertaining to patented articles, is grounded upon the false assertion that the patent invests the inventor with the right to make and sell and to contract in that regard. Until that fallacy is thought away, the erroneous conclusion will persist

It is equally clear that a contract restraining trade among the states in a patented article is a violation of the Federal anti-trust act. Many authorities posit some sort of conflict or interference between the anti-trust act and the patent law and then resolve the conflict by asserting that the latter statute is the more fundamental and at the point of interference overrides the former. In dealing with a contract on its face, clearly in restraint of interstate commerce in a patented article the difficulty of upholding the contract, is, in this view, obviated by working out an exception to the anti-trust act in the case of patented articles. But this cannot be done by any possibility. There is no imaginable conflict or interference between the two statutes. The patent law has nothing to do with trade or commerce: no casuistry can read into it any provision as to trade and commerce or as to agreements, contract, and combinations in restraint of trade and commerce. It is not a criminal statute and has nothing to do with the punishment of crime.

On the other hand the anti-trust act has nothing whatever to do

with the creation of incorporeal franchises: property in notions and thoughts, that exists for seventeen years and then passes utterly away. It does not involve the right of any person to make, use or sell anything whatever. A man may engage in interstate trade and commerce or not, just as he sees fit without consulting that law. The whole policy and all the provisions of the statute are exhausted in declaring all agreements, contracts, and combinations in restraint of interstate trade and commerce and attempts to monopolize that trade, null and void as contracts and criminal as the acts of persons. How is it possible for a patentee as patentee in the exercise of his patent right to restrain trade? He has the sole right to make and sell the article, but that is not a patent right.

Restraining infringers from making and selling the article does not by any stretch of inference imply a contract, agreement or combination in restraint of interstate commerce. Excluding others in not entering into a contract of any kind. Assigning the patent right is not restraining interstate trade, by a contract or otherwise. We have seen that the only manner in which the patent owner can exercise his patent right is in excluding others through the medium of infringement suits, and in assigning his right in the three ways provided for by statute.

No exercise of the right in any one or all four of these ways can possibly be construed as a contract in restraint of trade. No subject matter of interstate commerce or trade can be brought into existence by any exercise of the patent right. Nor is it possible to suppress the patent right in a way indirectly to restrain trade. For the right is entirely negative and if the patentee should agree not to exclude persons that would tend to encourage and increase trade.

The surmise that the Federal anti-trust act does not apply to contracts in restraint of trade in patented articles is just as untenable and leads to results just as absurd as the analogous contention with

reference to state legislation. It is not necessary to repeat the argument in detail to suggest its applicability.

We must, however, keep constantly in mind that the Federal anti-trust act was enacted pursuant to the power of congress to control interstate commerce, whereas the state statutes originate in the power of the respective states to control their entire internal affairs.

The National government, having no police powers, may regulate intercourse or traffic among and between the states, but cannot legislate in reference to such commerce under the guise of protecting the morals, health or welfare of citizens within the states. United States vs. DeWitt (1869), 9 Wall 41.

One and the same contract or combination may restrain interstate commerce and also commerce within a given state. In such case the arrangement violates both state and national statutes.

Whether a given contract in restraint of trade violates one law or the other is not dependent upon the character of the restraint or the precise manner of its imposition, but upon whether the trade restrained is interstate or trade internal to an isolated state.

It becomes important then to consider with some nicety the character of a contract which comes within the legislative inhibition of restraints on trade. This question is the same whether we have in mind interstate trade or trade in a single state. It is sometimes said that a contract in restraint of trade is one that is opposed to public policy and then this is turned about to the assertion that public policy is opposed to restraints of trade. This is using undefined terms to formulate a meaningless proposition. Neither statement throws any light on what is meant by either term. We have to push the matter further back than this. We turn to the great case of Northern Securities Co. vs. United States (1903), 193 U. S. 197. This cause was elaborately argued by the ablest lawyers in the nation. The question as to restraints of trade was probed to the very bottom by all members of the court and the three opinions handed down comprise a vast re-

pository of learning on the subject. No one needs any other source from which to gain clear, exact ideas as to what is meant by a contract or combination in restraint of trade. A very short consideration of some of the propositions there asserted will serve our purpose.

We deliberately select the dissenting opinion of Mr. Justice Holmes, for he laid down an exceedingly concise and exact definition of such contracts which was apparently narrower than that which met the approval of the majority. And if a contract comes within the narrower classification, necessarily it will be comprised within the broader. At 193 U. S. 404, Mr. Justice Holmes said: "Contracts in restraint of trade are dealt with and defined by the common law. **They are contracts with a stranger to the contractor's business (although in some cases carrying on a similar one) which wholly or partially restrict the freedom of the contractor in carrying on that business as otherwise he would**" (black ours).

In order to indicate clearly that he meant exactly what he had written down, ten lines later he reiterates: "Contracts in restraint of trade, I repeat, were contracts with strangers to the contractor's business and the trade restrained was the contractor's own."

He further says: "The objection of the common law (not of the anti-trust act) to them (such contracts) was primarily on the contractor's own account." In those three propositions we have a perfectly clear, tangible, and precise delineation of a contract in restraint of trade. Suppose we apply that definition to the cases we have already discussed.

Take for example the Heaton case. There the owner of the patent sold the machine to the shoe manufacturer and received the purchase price. He was not in the shoe business nor interested in the shoe business of the purchaser. The latter owned the machine and bore all the burden of ownership, such as interest, taxes, insurance and repairs. The vendor was a total stranger to that business, yet under the court's decision, the purchaser was bound by a contract which completely did

away with his freedom in the business and trade of buying staples. He could buy staples from no one else at any price and no one else could sell them to him. Nay, he could not have initiated the business of making even his own staples. And there was no sort of consideration for this alleged covenant that destroyed the purchaser's freedom. The vendor could have raised the price of the staples, made them of poorer quality and even decreased the supply and still the purchaser had no freedom in the matter of availing himself of the staples necessary for his use.

This is delivering control of the contractor's business into the hands of a stranger with a vengeance. The same is true of the Neostyle cases, which are precisely analagous.

In the Rupp and Rivet cases, the same result was reached. The staple wire and rivets were common articles of trade and commerce. Anyone has a right to manufacture and sell or to purchase the same. The plaintiffs leased their patented machines to the users and exacted a stipulation that the lessees should confine their purchases of the unpatented article exclusively to the lessors. The lessors were strangers to the business of the lessees. The latter paid a rental for the use of the patented machine, but not for the privilege of purchasing staple wire and rivets from the lessors: these could have been purchased elsewhere. Moreover we cannot find in either case any suggestion that the lessors had agreed to supply the articles, monopolized, at any price. The lessees were by the Court compelled to purchase common unpatented staple articles, like nails or screws, exclusively from the lessors at whatever arbitrary price the latter should dictate. They might raise the price, cut down the portion allowed to the lessees, or furnish articles made of cheap or shoddy material, and yet the lessees were helpless. Without any consideration whatever, the freedom of the lessees to buy these articles wherever they saw fit and on the most favorable terms they could negotiate, was gratiously construed away by the Court. We know of no more terrifying illustration of the

maxim that the power to construe is the power to destroy, than that afforded by these decisions.

When we come to the graphophone and phonograph cases, the restraint of trade is even more glaring and exaggerated. The owners of the patent in every instance had sold the instruments and transferred the perfect title to the purchasers. In Bloomer vs. Millinger (1863), 1 Wall 340, the Court said: "They (the patentees) **are entitled to but one royalty for a patented machine** (black ours), consequently, when a patentee has himself constructed the patented machine and sold it, or authorized another to construct and sell it, he has then to that extent parted with his monopoly, and **ceased to have any interest in the machine sold**" (black ours).

This principle is repeated over and over again by the Supreme Court. It precisely fits the phonograph and graphophone cases. There the patentees had received the full royalty from the jobbers and had ceased to have any interest in the instruments sold. In the Victor Talking Machine case if The Fair had taken every instrument in its possession and sunk it to the bottom of Lake Michigan, no right or interest of the plaintiff would have been even infinitessimally affected. The plaintiffs in all those cases were strangers to the jobber's business, outside of it and totally disconnected from it. The same is true of the dealer. Both jobber and dealer, in virtue of an inalienable right guaranteed by the Constitution and laws to every man to sell his own property without external restraints, had the right to sell the instruments at such prices and to such persons as they saw fit or to give them away or hurl them into a junk pile. Under the ruling of the courts, the vendors were not only permitted to completely suppress all freedom of the jobber to trade in his own property, but the dealer between whom and the vendor there was no privity of contract, was crushed in the vise of the same despotism. If a jobber or dealer had found himself in the midst of a panic, overstocked with these instruments, and had been closed in on by the kind hearted banker: if in

that hour of sudden terror and perspiring anguish, searching for ballast to dump overboard in order to save himself from bankruptcy, he had seized upon these instruments and sold them at a sacrifice, the courts would have muleted him in damages for doing so. If the instruments had become shop worn, broken or abused, if they had become unmarketable in virtue of improved devices superseding them, still they could not have been sold at less than the "licensed" price without the seller subjecting himself to the abounding wrath of a Federal Court. And there was no qualification or limitation put upon the "license condition." It was not limited as to time; a sale of the machine at a cut price ten years after the date of the contract, would have been "infringement." Had the jobber died, gone into bankruptcy, or had a great conflagration destroyed the entire city except a few blocks including the jobber's place of business, still a sale at a cut price consequent to any of these disasters would have sent the seller to jail for contempt. Yet there was no consideration for this monstrous covenant. The patentee received the full compensation for his articles. Not one thing did he do or agree to do, suffer or agree to suffer, in consideration of this suicidal pledge given by the purchaser.

No case can be found involving any more perfect and absolute restraint of trade than these cases. These contracts as means of restraining trade were far more vicious than any that have ever been denounced by the Supreme Court under the Anti-trust Act.

The Addyston Pipe Co. case is tame in comparison. There the restraint only affected the freedom of the members of the combination in the first instance to sell the pipe. There was no attempt on the part of the seller to prevent the purchaser from dealing with the pipe exactly as he saw fit.

It is very clear that the contracts involved in all the cases we have discussed dealing with the right to restrict the use or resale of an article violated the statutes prohibiting restraints of trade.

These were common law contracts, the remedy, if any, to enforce which, was limited by state laws as interpreted by the State Courts. The Heaton case arose in Michigan. If the plaintiff had brought suit in the State Court its own pleadings would have constituted as complete confession of a crime as any penitent horse thief ever made.

Most of the Neostyle cases arose in New York. In 1899 the legislature of that State passed an Act (laws 1899, Chap. 690) which provided among other things, the following: "Every contract agreement, **arrangement** (black ours) or combination whereby competition in this State in the supply or price of any article or commodity of common use (ink and paper) is or may be restrained or prevented or whereby the free pursuit in this state of any lawful business, trade or occupation is or may be restricted or prevented is hereby declared illegal and void "and every person who shall enter into any such contract" is guilty of a **misdemeanor** (black ours) and on conviction thereof, shall if a natural person, be punished by a fine not exceeding **five thousand dollars or by imprisonment for not longer than one year,** or by both such fine and imprisonment; and if a corporation, by a fine of **not exceeding five thousand dollars"** (black ours). By every valid method of reasoning that is law that should have been meted out in the Neostyle cases. That was the statute the Court of Appeals of New York applied to the Book trust in its attempt to monopolize the sale of uncopyrighted books (see 177 N. Y. 473) but the Court of Appeals committed the great blunder of supposing that a combination to restrain trade in copyrighted books did not come within the plain meaning of the statute. But the decision of the Supreme Court in the case of Bobbs-Merrill Co. vs. Straus shows that this was wrong and at least some of the New York judges now recognize the error (see 127 App., Div. N. Y. 935 and 86 N. E. 525).

The graphophone cases involving contracts enforceable only under the laws of the States of Iowa and Illinois undoubtedly called for an application of the Anti-trust Acts of those States. And within

those statutes the contracts were criminal and the parties thereto subject to punishment by fine and imprisonment or both.

We go back now to the Northern Securities Case. After defining contracts in restraint of trade Mr. Justice Holmes proceeds (193. U. S. 404), "Combinations or conspiracies in restraint of trade, were combinations to keep strangers to the agreement out of the business, (black ours). The objection to them was not an objection to their effect upon the parties making the contract, the members of the combination or firm, but an objection to their intended effect upon strangers to the firm and their supposed consequent effect upon the public at large. In other words they were regarded as contrary to public policy because they monopolized some portion of the trade or commerce of the realm." Here then, is a clear and precise definition of a combination or conspiracy as distinguished from a contract, in restraint of trade.

It is illegal because of its effect on persons out of the combination who are prevented from engaging in the business, and because of its effect on the public in raising prices, decreasing the supply or deteriorating quality or all three. And it must be constantly borne in mind that the final and vital objection to a combination or conspiracy is the **power** incident to combined and confederated action. In this Northern Securities Case at page 340 the Court said: "In all such combinations where the purpose is injurious or unlawful, the gist of the offense is the conspiracy; men can often do by the combination of many what severally no one could accomplish, and even what when done by one would be innocent. **There is a potency in numbers when combined** (black in the text) which the law cannot overlook, where injury is the consequence."

We will now take up the cases dealing with combinations and conspiracies in restraint of trade in patented articles. But before discussing the cases which involve the precise question we are studying it is worth while to glance at those cases where infringement

suits have been brought and the defendant has set up as a defense that the plaintiff was a party to a combination in restraint of trade. This defense has always failed and must of necessity fail, but the remarkable part of it is that other courts have set up the rulings in these cases as authority for the proposition that there can be no combination in restraint of trade in patented articles and that the state Anti-trust Acts do not apply to such combinations. But there is not the remotest connection between the two propositions. Maintaining a suit for infringement has no relevancy whatever to a contract or combination of any kind.

Thus in Strait vs. National Harrow Co. (1892) 51 Fed. 819., the plaintiff brought suit **to obtain an injunction to restrain the defendant from instituting an action against the plaintiff for infringement** on the ground that the defendant had entered into a combination in restraint of trade! That bill of complaint ought to be inserted in the office boy's note book. The plaintiff sought to exclude the defendant from excluding the plaintiff. In other words the purpose was to unpatent the patentee. The Court said: "In a suit brought for the infringement of a patent by the owner any such inquiry (as to patentee's being a party to an unlawful combination) at the behest of the infringer would be as impertinent as one in respect to the moral character or antecedents of the plaintiff in an ordinary suit for trespass upon his property. Even a gambler, or the keeper of a brothel, cannot be deprived of his property because he is an abnoxious person or a criminal."

That is the true ground on which all cases of the character are decided. The following belong to the same class.

Edison Elec. Light Co. vs. Sawyer-Mann Co. (1892 C. C. A. 2d Cir), 52 Fed. 592;

American Soda Fountain Co. vs. Green (1895) 69 Fed. 333;

Columbia Wire Co. vs. Freeman Wire Co. (C. C. Mo. 1895), 71 Fed. 302;

General Electric Co. vs. Wise (C. C. N. Y. 1903) 119 Fed. 922;

In all these cases the defendants sought to answer the charge of infringement by asserting that the plaintiffs were violating the Anti-trust Act. It would have been just as relevant to allege that the plaintiffs had not paid taxes assessed against their property or that they were using the mails as a part of a scheme to defraud.

But what is to be thought of this passage in the opinion in the Columbia Wire Co. Case: "In consideration that the patentee will give his **invention** (black ours) to the public with full drawings and specifications so as to enable the public freely to use it at the expiration of 17 years, a grant is made to him of an **exclusive right to the monopoly** (black ours) of the patented article or device during that term. The rights so acquired by the patentee under a grant from the United States are entirely inconsistent with the patentee's being made subject to the Anti-trust laws of the several States. Under this grant he has been given, and for the consideration already alluded to he is entitled to maintain, a monopoly in the disposition and use of the patented article or device."

This passage is entirely aside from the question before the Court. The suit was one for infringement and the defendant's plea that the plaintiff was an unlawful combination did not invite the above propositions which are cited in other cases as authority for the assertion that the State Anti-trust Laws do not apply to combinations in restraint of trade in patented articles. It is for this reason that we have marked the paragraph for examination. What is meant by the word "invention" in the first sentence? The patentee never does give to the public the manufacturd tangible article. "Invention" is put in as something additional to the drawings and specifications and yet we know that the latter is all that the patentee ever does give to the public. The drawings and specifications do not enable the public freely to use anything but the drawings and speci-

fications. A book describing a horse does not enable the reader to possess himself of the horse.

Then we have "a grant is made to him of an exclusive right to the monopoly of the patented article." What can be an exclusive right to a monopoly? The Supreme Court has been saying for 60 years that the sole right granted by the patent is the right to exclude. How can there be an exclusive right to the right to exclude? That appears like adding to white, whiteness. Then we have this jump from that sentence. "The rights (viz; right to exclude) so acquired by the patentee under a grant from the United States are entirely inconsistent with the patentee's being made subject to the provisions of the Anti-trust Laws of the various States." Now why is this? The answer appears to be "the (patentee) has been given a monopoly (right to exclude) in the disposition or use of the patented article."

But we entirely deny the conclusion. The patentee has the right to exclude others from making, using or selling the device without his consent. That is all he gets by the grant. His own right to make, use or sell is not in any manner affected. Chief Justice Taney in 1852 announced this as the law and the Supreme Court has been reiterating it ever since, even as late as 1908 (210 U. S. at 424). Now suppose the patentee is himself manufacturing a patented wire fence and selling the same and he enters into a contract with a rival concern whereby he agrees to cut down his output by half or establish a uniform fixed price the same as his rival, can there be any possible doubt that that would be a violation of the state Anti-trust Act? The patent laws do not purport to give a patentee any immunity from criminal statutes. They make no provision as to his right or power to contract, much less confer on him some mysterious privilege, in the exercise of which, he can invade the laws of a state. The right acquired by the patentee from the United States is not affected by the Anti-trust Laws of the several

states. Those laws do not forbid the patentee to bring infringement suits or to assign his patent. They only forbid him from entering into contracts or combinations whereby trade in his patented article is restrained. That the Anti-trust Acts do validly provide this we have no doubt. "The legislation respecting the article which the State may adopt after the patents have expired it may equally adopt during their continuance. It is only the right to the invention or discovery, the incorporeal right which the state cannot interfere with," Webber vs. Virginia.

It is next in order to consider the various phases of the litigation in connection with the combination known as the National Harrow Co.

There are at least nine reported decisions involving this combination and two altogether distinct features of the law are dealt with in these cases. But subsequent use to which the decisions have been put does not indicate that the marked cleavage between the two groups of decisions, has been heeded. A brief statement of the facts will suffice for noticing all the cases. The National Harrow Co. was organized as a holding corporation. Practically all concerns in the United States engaged in the business of manufacturing and selling harrows were interested in the corporation. That is to say, each of such concerns assigned to the holding company all patents which it owned on harrows and took back from the National Company an exclusive license to manufacture just the harrows covered by the patents assigned and no others. The licenses were all similar, and established the price at which harrows were to be sold. A royalty was to be paid on each harrow sold. The result of the combination was that the National Company owned about 85 patents covering practically the entire business in improved harrows and each licensee conducted the same business after, as before, the assignment of its patents, except that a uniform schedule of prices was to be observed. Now this phase of the National Harrow Company was before the

courts for consideration at least five times and every time was declared to be an illegal combination in restraint of trade.

Those decisions are:

Strait vs. National Harrow Co. (1891) 18 N. Y. Sup. 224;
National Harrow Co. vs. Quick (1895 C. C. Ind.) 67 Fed. 130;
National Harrow Co. vs. Hench (1896 C. C. Pa.) 76 Fed. 667;
National Harrow Co. vs. Hench (1897 C. C. A. 3d. Cir.) 83 Fed. 36;
National Harrow vs. Hench (1897 C. C. N. Y.) 84 Fed. 226.
National Harrow Co. vs. Hench (1897 C. C. A. 3d. Cir.) 85 Fed. 991.

In all five of the foregoing cases the Courts declared the combination known as the National Harrow Company to be an illegal restraint of trade. The license contracts were held unenforceable and, too, the licensees were held entitled to rescind them and free themselves from liability for royalties.

One of the decisions—National Harrow Co. vs. Quick—seems questionable on principle. There the complainant instituted a suit for infringement against one who was not, and never had been, a licensee. The court denied the relief on two grounds: 1st. That the complainant was an illegal combination and 2d, that the harrow sold by the defendant was not an infringing device. As to the first ground the court said: "It seems to me that the Court cannot sustain the present bill without giving aid to the unlawful combination or trust represented by the complainant." However, we cannot escape the conclusion that this was a fact irrelevant to the right of the complainant to prevent infringements of its patented device. The right to exclude others, granted to the patentee by the government, is not conditioned upon compliance with all laws declaring the public policy of the nation.

We regret that in none of these cases was there any attempt to analyze the nature of the patent grant for the purpose of demon-

strating that combinations in restraint of trade in patented articles violate the law to precisely the same extent as a similar combination dealing in an unpatented article.

Thus in 83 Fed. 36, the Court of Appeals for the 3d Circuit said: "The fact that the property involved is covered by letters patent is urged as a justification; but we do not see how any importance can be attributed to this fact." Again, "Such combinations are conspiracies against the public interests and abuses of patent privileges. The object of these privileges is to promote the public benefit, as well as to reward inventors." In addition to this it might have been pointed out that the patentee is not enabled to make and sell the patented article in virtue of the patent grant; that a license is a common law contract and its legality or illegality must be determined by the same tests that are applied to other ordinary contracts.

Now the other phase of litigation involving the National Harrow Co. is altogether distinct and different from the foregoing. As to this phase we have three reported decisions dealing with the same state of facts.

These are:

National Harrow Co. vs. Bement & Sons (1897) 21 App. Div. (N. Y.) 290;

National Harrow Co. vs. Bement & Sons (1900) 163 N. Y. 70;

National Harrow Co. vs. Bement & Sons (1902) 186 U. S. 70.

The National Harrow Co. here involved is not the same corporation as that considered in the other cases. It bears the same name and style, but is quite distinct, being organized under the laws of a different State. And it is only necessary to devote a little space to the report of the Supreme Court's decison to show that there was no combination involved in the case at all. The suit was originally instituted in the State Court in New York. No phase of the patent law was involved. Bement and Sons, according to the finding of the

referee, had sold outright certain patents to the National Harrow Co. and received a satisfactory compensation therefor.

Bement and Sons then obtained an **exclusive** license to manufacture the harrows described in the patents assigned and at the same time agreed to manufacture no other type of harrow. The license was to be operative for the full term of the patents; it provided for a royalty and liquidated damages in case of breach. There was attached to the license a schedule of prices to be maintained by the licensor, but we should never forget a fact that is not mentioned once in all the citations and applications of this decision. It is this: the National Harrow Co., the licensor, **Reserved the right to decrease the selling price and to make the terms of payment and delivery more favorable to the purchasers.** (See 186 U. S. at 72 paragraph 4). In this license the owner of the patent had complete control over the price at which the harrows were to be sold and was not restrained by contract in its freedom to establish prices on its patented articles. The referee not only did not find that there was a combination of the various harrow manufacturers, but he distinctly found that the contracts in suit were not part of a scheme and combination to restrain trade. The suit was brought to recover royalties and damages and to restrain future violations of the contract.

In the course of the opinion, Mr. Justice Peckham at least eight times specifically asserts that there was no proof before the court of the existence of a combination among the manufacturers of harrows.

These assertions are as follows:

1. "The only Federal question raised in the record is as to the validity of contracts A. and B., with regard to the act of congress on the subject of trusts. If facts not found by the referee are necessary for the purpose of connecting those contracts with others not found in such report, **we cannot supply the omission to find those facts.** (black ours)".

2. "The referee made no finding of any fact connecting the

contracts A. and B. with prior contracts of a like nature including other parties, as alleged in the answer of the Defendant".

3. "**The omission of the referee to find from the evidence** (black ours), that the contracts A. and B. were a combination of former contracts held to have been void, and that there were in fact other manufacturers of harrows who had entered into the same kind of contracts with plaintiff as those denominated A. and B., and that there was a general combination among the **dealers in patented harrows** (black ours) to regulate the sale and price of said harrows, **furnishes no ground for this court to assume such facts.**" (black ours).

4. "The contracts A. and B. are to be judged by their own contents alone and construed accordingly."

5. "When he (the referee) speaks of all the contracts in evidence the referee plainly means all the contracts in evidence between the parties to this action, for it was of such contracts only that he had been speaking. There were, in fact, other contracts than those designated A. and B. between those parties, and such other contracts had been put in evidence, and previously referred to by the referee. He, therefore, must have included what is termed the escrow agreement in his finding, that all agreements made by the defendant with the plaintiff were valid. That agreement is set forth in the margin."

6. "There is no finding by the referee that this agreement was ever signed by anyone other than the parties to this action, or that any other person received the licenses from and made contracts with, the plaintiff, similar to the ones entered into between these parties."

7. "In the absence of any finding as to the escrow agreement having been signed by others, **it must be regarded as unimportant,** (black ours) and we are brought back to the question whether these contracts, A. and B. **irrespective of any con-**

tracts not found by the referee as in any way connected with, or forming a part thereof, (black ours) are void as a violation of the Act of Congress."

After pointedly stating at least seven times, as just indicated, that the Court was not dealing with facts involving a combination, the Court returns to the matter at the conclusion of the opinion and again emphasizes the absence of any proof as to combination.

8. "*It must*, however, be conceded that the escrow agreement above set forth, looks to the signing, by the parties mentioned therein, of contracts similar to those between the parties to this suit, designated A. and B. and containing like conditions relating to the patents respectively, owned by such parties.

**But there is no finding by the referee that such contracts were in fact entered into by those other parties** nor that they constituted a combination of most if not all of the persons or corporations engaged in the business concerning which the agreements between the parties to this suit were made. If such similar agreements had been made, and if, when executed, they would have formed an illegal combination within the Act of Congress, **we cannot presume for the purpose of reversing this judgment, in the absence of any finding to that effect, that they were made and become effective as an illegal combination.** As between these parties, we hold that the agreemnts A. and B. actually entered into were not a violation of the Act. **We are not called upon to express an opinion on a state of facts not found.**" (black ours).

We have never read an opinion in any case where the Court exercised more vigilant and persistent care to define the exact scope of the decision than is here illustrated. The court through all varying forms reiterates the entire absence of any proof of a combina-

tion and concludes with two terse sentences, defining both affirmatively and negatively, the limitations of the decision.

What the case involves is this: One licensor and a single licensee; an exclusive license for the full term of the patents; a fixed royalty. The price at which the article was to be sold was entirely dependent upon the dictate of the owner of the patent. The licensee agreed to sell at the price fixed in the license, but the licensor had the right to change prices by lowering them. It is thus seen that the only restraint, if such it can be called, imposed upon the licensor was an inhibition against his raising prices. Aside from this the owner of the patent was free to make prices such as he saw fit whereas, the licensee had no power or voice in the matter whatever. The owner of the patent at all times was free to meet the changing conditions of supply and demand. Its royalty was a fixed amount on each harrow sold and was not computed as a percentage of the total value of the harrows sold. So that the owner of the patent was free to make its own price on the patented article to be sold, and so far as the facts in contest indicated, it had every motive for making the price such as to bring about the largest number of sales. The license was exclusive and the owner of the patent had certainly a right to grant an exclusive license. There was no stifling of competition, for the sole maker and vendor of the harrows was the licensee. Whether the price agreed upon was exorbitantly high or was reasonable; what was the reasonable value of the harrows; what other similar implements were on the market,—does not appear in the record. Looked at from every view point there was no element of combination in the case and no restraint of trade within the meaning of any decision of the Supreme Court. Apparently the defendant made the mistake of supposing that ugly allegations of the existence of a combination unsupported by any proof would constitute a defense. But it has long been settled that allegations without

proofs carry a suitor no nearer the goal than proofs without allegation. Either without the other is useless.

When the Bement case is properly understood as to the facts involved the decision presents no difficulty whatever. The gist is in these sentences: "The general rule is absolute freedom in the use or sale of **rights** (black ours) under the patent laws of the United States. The very object of these laws is monopoly, and the rule is, with few exceptions, that any conditions which are not in their very nature illegal with regard to this kind of property (that is patent **rights,** not chattels) **imposed by the patentee and agreed to by the licensee** (black ours) for the right to manufacture, use or sell the article, will be upheld by the courts. The fact that the conditions in the contracts keep up the monopoly or fix prices does not render them illegal." Again the Court says the Anti-trust Statute "clearly does not refer to that kind of restraint of interstate commerce which may arise from reasonable and legal conditions **imposed upon the assignee or licensee of a patent by the owner thereof** (blaek ours), restricting the terms upon which the article may be used and the price to be demanded therefor."

But this case has nothing in common with such decisions as the Heaton, Neostyle and graphophone cases. Here the condition was imposed by the patentee upon a licensee to make and sell the article. Until the licensee sold the harrows they were within the limits of the monopoly. The licensee in selling the harrows made no attempt to restrict the right of the purchasers to use or resell the implements. It did not place a brass plate on each harrow, reading, "Licensed for use only in connection with other implements supplied exclusively by the vendor" or "This harrow is sold under a license which restricts the right of the purchaser to resell the same to the price named and any one selling or purchasing the harrow at a less price is an infringer of the patent." There is nothing akin to that in the

case. The Bement case, by no distorting sophistry, can be made to support the two groups of cases previously discussed.

All the cases we have met with thus far where the courts found a combination in restraint of trade in patented articles resulted in the decision of the courts that the combination was illegal.

We now come to an unexpected and unforeseen result to the opposite in the case of,

**United States Consolidated Seeded Raisin Co. vs. Griffin & Skelly Co. (1903 C. C. A. 9th Cir.), 126 Fed. 364.**

It is not worth while to state the facts in any detail here or to examine at length the reasoning of the Court to sustain its judgment. It is sufficient to say that no clearer case of a combination can be found. Eight concerns were interested. The plaintiff was a mere dummy, and to it, the other concerns assigned the patents respectively owned by them. Then licenses were issued to each assignor. The licenses were not exclusive, but mere permissions to use the machines and processes. Notwithstanding this, the licensor agreed not to license other parties without the consent of four of the licensees. This is a clear restraint on the owner of the patents. A committee of four was appointed to determine to whom licenses should be issued. This was another restraint on the owner of the patents.

Aside from this the assignment of the patents and instituting the license system was a palpable ruse to combine competing businesses under a single control. The licensees agreed not to use any other machines during the life of the contract than those furnished by the licensor.

As to this combination the Court said: "We think the principles announced in that case (Bement Case) must control our decision of the question here presented." Then we look with both eyes to find what possible construction is to be put upon the Bement Case. And here it

is: "That **such a contract** (black ours) is not void as against public policy, in that it tends to create a monopoly has been decided by the Supreme Court in the (Bement Case.) In **that case** (black ours) a contract had been entered into between the National Harrow Company and various other corporations and firms engaged in manufacturing float spring tooth harrows, their frames and attachments, under various patents, 85 in number, which were assigned to the National Harrow Company. That corporation then entered into contracts with the other parties to the agreement and gave to each a license **very similar to the license in question in the present suit"** (black ours).

The court posits the assertion that the combination was not illegal entirely on the above interpretation of the Bement case. It may seem strange that the Court should construe the Bement case as authority for a proposition that the Supreme Court stated specifically at least eight times was **not** involved, but let us judge not. If there is any similarity at all between the Bement case and the one now under notice other than that each had to do with a license agreement we have never been able to discover it.

We do not deem it necessary to attempt to make clearer the fact that the Bement case affords no warrant whatever for this decision, and since the Court grounded its judgment on a totally mistaken supposition of the Bement case there is nothing at all to uphold the decision. The Court overrides the California Anti-trust Law by flourishing the baseless dicta from Columbia Wire Co. case but we have already dealt with that. The Supreme Court of California has applied the very same law to declare illegal a combination under patents. See Vulcan Powder Co. vs. Powder Co. (1892) 96 Cal. 510. And we must remember that this was a common law contract, the validity of which depended entirely upon state laws. The Court had no jurisdiction apart from the fact that there was a diversity of citizenship and more than $2,000.00 in amount involved. We cannot believe that the Seeded Raisin Case adds much color or reason to the false notion that a con-

tract in restraint of trade in patented articles does not come within the Anti-trust Acts. Thus far, we have dealt with about six cases involving combinations to restrain trade in patented articles. In all of them, except the mistaken judgment just noted, the combination was declared illegal.

We come now to a case where a combination of the character was upheld and by the most remarkable process of reasoning anywhere to be found in the books. It is the case of

**Rubber Tire Wheel Co. vs. Milwaukee Rubber Tire Works (1907 C. C. A. 7th Cir.), 154 Fed. 358.**

This is a case of great importance because it is the only stronghold of those who cling to the notion that the Anti-trust legislation is not applicable to a combination in the restraint of trade in patented articles. We shall study the opinion with all the insight, precision and thoroughness at our command. If the decision is a sound one it is exceedingly valuable to know it. Whether or not it is sound must be determined by the holdings of the Supreme Court of the United States.

Before going into the case we must take notice that here the point of view is shifted from what it was in the two groups of cases involving restrictions on the Use and Resale of Articles which the patentee has sold. There the restraint was imposed on the purchaser and inhibited his freedom in the use and sale of his property. We saw that the effect of the court's action in upholding the restriction was to confiscate the purchaser's property in the resale cases; and in the cases of use, it was to drive supposed "contributory infringers" out of a lawful business and give the patentee a monopoly in an unpatented article after he had sold his patented article and received the purchase money.

But here the locus of the restraint is different: it is not imposed on the purchaser in the first instance though the burden of it falls on him ultimately. In every case of a combination or contract in restraint of trade the purchaser, the ultimate consumer, pays the full cost of the restriction. That is what men combine and conspire for, to oppress and rob the public. It is never for any other purpose. The real object

is to deprive the purchaser of a free and open market and compel him to pay for the article more than he would have to pay if the law was observed and the market left open.

In the class of cases typified by the one now to be discussed the point at which the restraint is applied is on the parties who sell the article to the purchaser. The restraint is capitalized in the price at which the combination sells to the public. The restraint here is imposed upon the patentee by the other members of the combination and on each member of the combination by the united influence of all others, so that there is no freedom whatever on the part of any member.

Two other observations need to be made before we take up a consideration of the facts involved. *First:* The suit was on a contract to recover royalties: the Federal Court had jurisdiction only in virtue of the fact that there was a diversity of citizenship and more than $2000.00 involved. It was not an infringement suit, therefore, the validity or invalidity of the contract is to be determined by the general laws applicable to Wisconsin contracts including the Anti-trust Act of the State and the Federal Anti-trust Act. *Second:* The court expressly declares that the case is not within the principles of the Bement case. "We cannot dispose of the question on the authority of Bement vs. National Harrow Co. for according to our reading the question was expressly excepted from the decision; and so, aided by the declaration of general principles in that and other cases, we must formulate our own answer." This is gratifying. We have the Bement case eliminated and the court is going to formulate its own answer. There is no use to have a power to reason without using it. And the privilege of reasoning is entirely ignoble unless one dares to think his thoughts to the bitter end and then convert them into rules of conduct. To think is difficult, to act without thinking is easy, to act consistently in precise conformity to accurate, consistent thought is very rare. We shall see that the court had an opinion of its own and put that opinion into effect, and in studying the opinion we are brought to face an unexpected result, an unforeseen possibility of the patent law.

## THE FACTS.

The facts are not difficult to understand, but a careful statement of them is advisable. As before stated, the suit was grounded on a license contract and the object of it was to obtain a judgment for royalties under the contract. The patent pertained to an automobile tire, and the license contract was entered into consequent upon the following happenings:

The complainant was the owner of patent No. 554,675. Prior to the decision in this case the patent had had an eventful court history. It had been sustained as valid and infringed in a number of Circuits, but by the Court of Appeals for the 6th Circuit it had been declared void for want of novelty (116 Fed. 363) and the Supreme Court of the United States had denied a writ to review this decision (206 U. S. 285). The patent has since been involved in infringement suits but at this point we are concerned only with the legal status of the patent at the date of this decision. After the decision of the Circuit Court of Appeals for the 6th Circuit the "manufacturers of tires disregarded the patent, paid no royalties and cut the prices of the respective qualities to 50 and 40 cents a pound." That was very bad. Notwithstanding this condition of affairs "all of the parties to the contracts in suit entered into the arrangement in good faith, believing that the patent was valid and **that the adverse decision was erroneous.**" What is to be thought of a set of men who "in good faith" believe a patent to be valid when the highest court in a circuit has declared the patent absolutely void?

However, in this lamentable state of affairs "all of the manufacturers **that had been infringing,** except two small concerns, came into the **pool.**" That was a consummation devoutly to be wished. The defendant went into the "pool," which had these characteristics. Plaintiff licensed 18 concerns of which defendant was one, to make, use and sell the tires under the patent for one year; each licensee's share of the trade was fixed at a certain proportion of the whole, defendant's at 2

per cent; two qualities of tires were to be made; the minimum selling price of the first quality was established at 65 cents per pound, of the second quality at 55 cents per pound.

Each concern agreed to pay plaintiff monthly 4 per cent of its sales, and if in any month its sales proved to be larger than its proportionate share of the total sales for that month, to pay plaintiff an additional "royalty" of 20 per cent of the amount over its quota; plaintiff agreed to employ a commission of five persons to supervise the transactions of all the parties (now listen: remember we are dealing with the Czar), and **"to turn over to the commission all royalties in excess of two per cent."** We must stop now and carefully examine the operative effect of this "pool." It is full worthy of the closest scrutiny, for nothing like it was ever known in a law book before, and we hope will never be there seen again. We have already noted the fact that the competitive prices of the tires were 50 and 40 cents a pound; it is so stated by the Court. The "pool" prices for the corresponding qualities are 65 and 55 cents per pound, the gross advance in each price being 15 cents per pound. To study the effect of this wonderful transformation in the business of supplying rubber tires we will consider the changed status of the first quality tire. It is entirely fair to the "pool" to thus proceed as the per centage of increase is smaller than in the case of the cheaper quality, though the unit increase per pound is the same. Let us suppose a sale by a member of the "pool" of 10,000 pounds of the first quality at 65 cents per pound. In this sale we want to consider the interest of four parties. 1st. The owner of the patent. 2nd. The licensee manufacturer, who was an "infringer." 3rd. The "pool"; and 4th, The public, impersonated in the purchaser. In these "pool" cases the interest of the people are always put last though the money of the people is kept always in the front.

1st. Then the owner of the patent. Ten thousand pounds are sold for $6500.00, of this sum the patent owner gets 2 per cent or $130. To start with this result is amazing. By hypothesis he is a Czar and has a complete monopoly. This court said in the Victor Talking Machine

Case (123 Fed. at 426) "that whether purchasers come or not is purely his own concern, and if purchasers do come, the courts will enforce the terms of the sale." Again "the field of using is as much within the monopoly as" the field of making and selling. Let us apply that logic here. The competitive price of this 10,000 pounds was $5000.00. Surely it is safe to assume that that was not below cost, as we read nothing of bankruptcies among those who sold it at that sum. Suppose then that $5,000.00 represents the cost of the 10,000 pounds though we have to stretch credulity to the cracking point to make such supposition. The Czar has increased this to $6500.00 which leaves $1500.00 clear profit, over and above all expenses. What idiotic prepossession induced the Czar to accept $130.00 in royalties in lieu of this $1500.00 *in profits from sales?* How long could the ordinary business man escape having a guardian appointed if his friends knew that every week and month he was deliberately sacrificing an assured profit of $1500.00 *for a "royalty" of $130.00?* How long would the stockholders of a corporation hesitate to demand the expulsion of a board of directors who would accept a "royalty" of $130.00, when by the Patent Laws of the United States, the corporation was entitled to earn and could have earned $1500.00 instead?

There is no use to say the patent owner was not equipped to manufacture the tires. It could readily have hired them made. There is no use to mumble about the owner of the patent having no facilities for selling. One who has produced "a new integer in the useful arts" greatly in demand, does not experience difficulty in selling it. This then, is the first amazing and shocking result of this "pool." The Czar who can exclude all persons whatsoever, even to the Federal government, drops a profit of $1500.00 to pick up a royalty of $130.00. What must we think of the stockholders of that corporation?

2nd. We must consider the licensees, who formerly were "infringers." A bona fide license granted in good faith under a valid patent must of necessity imply a financial benefit to the licensor and a tax or burden upon the licensee. The licensor parts with a right which he

might withhold; the licensee gains a permission that he could not force and assumes a burden in the royalty.

While doing the licensed act is profitable to the licensee nevertheless he could not have done the act at all without the license and the sale of the privilege must result in a profit to the licensor, or he would not sell it. Likewise the paying the royalty must gain the licensee a new right or he would not pay it. We have already seen that the licensor here gained nothing by the licenses; on the contrary for every $130.00 received in royalties, it sacrificed an assured profit of $1500.00 in sales. We turn now to see what burden the license cast upon the "infringing" manufacturer when he entered the pale of the "pool." The price at which he formerly sold the 10,000 pounds was $5,000.00; under the "pool" regime he gets $6500.00 for the same subject matter. This represents a gross increase in his profit of $1500.00. Out of this $1500.00, he pays a total royalty of 4 per cent or $260.00; which is divided between the "pool" and the patentee, one-half going to each. By taking out a "license" and selling 10,000 pounds of tires at the "pool" price, the manufacturer makes a clear net profit of $1240.00 **in excess of the profit he made on the sale of the identical goods prior to the license.** Did anyone ever before hear of such a beneficent Czar? His charity is not only very costly to himself but is vastly profitable to the licensee.

Here the licensor not only did not charge any royalty at all but hired the licensee to operate under the license for he enabled the licensee to make a profit of $1240.00 in addition to what was made without it. If licensor and licensee had each spoken their respective attitudes the result would have found some such expression as this: Licensor: "I have a valid patent on the rubber tires, can exclude every one from selling the same and I can realize a profit of $1500.00 on every 10,000 pounds sold. But if you, Mr. Licensee, will come into my 'pool' I will allow you to make $1240.00 on every 10,000 pounds sold and all you need to do is divide $260.00 between me and my 'pool.'"

Licensee: "I do not believe that you have a valid patent and I care nothing about a permission from you to manufacture and sell tires.

But if you and your 'pool' will enable me to make on every 10,000 pounds sold an additional profit of $1240.00 without any cost to me, and the courts can be persuaded that this is legal because pulled off under much talk about 'patent monopolies,' I am not such a fool as to decline the offer; for I am in the business to get the people's money."

This, then, is the second amazing result that comes out of the remarkable circumstances here given. The licensee is given a bonus of $1240.00 on every 10,000 pounds just for the privilege accorded to the patent owner of calling him a "licensee."

3rd. The "pool." We come now to a more interesting phase of the matter than we have yet noted. The "pool" is not the owner of any interest in the patent. It is neither a licensor or a licensee. It is labelled here "a commission of five persons" employed by the owner of the patent. The name by which it goes is of no importance; what we want to deal with is the thing, not its cognomen. This commission could not grant a license and did not manufacture any tires. Let us see what was its mysterious function.

The book says that each licensee paid to the licensor a royalty of four per cent and in addition 20 per cent of the amount of its business in excess of its determined quota of the total business. Further, the licensor turned over to the commission "all royalties in excess of two per cent." That means that the owner of the patent turned over to the "pool" one-half of the royalties, and all of the twenty per cent paid in by the licensees who exceeded their respective quota. We think it distinctly worth while to see how this would work in a concrete instance. Suppose the business for a given month totalled $100,000.00. This is a mere bagatelle in comparison with the amount in fact involved, but it will serve for illustration.

Suppose of this total business, licensee, A, did $5,000.00. Then all other licensees combined did a business of $95,000.00. A's per centage was 5/100 and that of the remaining licensees, in the aggregate, 95/100. Now the month following the total business is $105,000.00, of which A does $10,000.00 and the other pool members $95,000.00 as

for the preceding month. Something must be done in such case. A is growing too fast. He was entitled to do 5/100 of a total of $105,000.00, or $5250.00; instead he has pushed up to $10,000.00 or exceeded his quota by $4750.00. The other members of the "pool," by the law of fixed quotas, were entitled to do an aggregate business of 95/100 of $105,000.00 or $99,750, instead they have fallen short $4750.00. Here the "pool" steps in, takes twenty per cent of the $4750.00, which represents the sum in excess by A's quota, said twenty per cent, amounting to $950.00, and distributes the same among the other "pool" members; thereby making good to them twenty per cent of their loss, due to indolence and inertia. Remember that no part of this $950.00 goes to the owner of the patent. It is not a tax imposed by him to limit the licensee's business.

This is not a case where each licensee was limited to making a certain number of tires. The patentee got nothing out of the twenty per cent at all. On the other hand A had to pay the full royalty of four per cent on his total sales of $10,000.00 and in addition had to give approximately ten per cent of the total sales to the other "pool" members simply because he was industrious and energetic and they were going on in the same old rut. The patentee gains nothing by the transaction; and at first glance the "pool" seems not to profit by it. But when we look closer we see that the first impression is wrong. One may always carry in one's mind the irrebutable presumption that the manipulators of a "pool" do not do anything whatever without being paid well. We look at the book again and it says: from the moneys so put into their hands (i. e., by the patentee, turning over all "royalties" in excess of two per cent.) the commission **after deducting their expenses and compensation for services in supervising and auditing,** (black ours) were to" distribute monthly to any lazy licensee 20 per cent of the cost to him of his indolence. "Expenses and compensation for their services." There's the rub. Lobster salad, champagne, black cigars, automobiles and little flunkies running everywhere, these are some of the items of expenses of "pool" managers. These are necessary to put

up a front and keep a bluff going. And "compensation for their services in supervising and auditing." What this really means is watching the licensees to see that they do not "cut prices." This is weighty business. The licensees have been induced to sign a contract under which every sale is a crime and it requires vigilance to make 18 licensees constant in crime. If one obeys the law and sells at his own price, a competitive price, he must be punished. It is just like 12 jurors who have secretly agreed to return a verdict in keeping with a compact of bribery, and one breaks over and is about to follow the court's instruction to render a verdict according to the law and the evidence. The man who can bring such a juror back and make him keep the corrupt bargain he has made, is, in this age of shame and lawlessness, well paid always. He ought to be, for he is playing dangerously near the portals of the *penitentiary* in performing the services. Hazardous employments always come high. It was for similar services that the "commission" here was to be paid, including expenses, out of the funds turned over by the owner of the patent. In the transaction supposed, A has fared thus on his sales amounting to $10,000; he has paid $200.00 to the patentee as a royalty; $200.00 to the "pool" in royalties, and $950.00 to the "pool" as a tax on his industry and as a tribute to the criminality of the commission. Not a thing does A gain by paying the $1150.00 to the "pool," except that it is a step on his part in violating the law and a link in the chain that keeps the other licensees violating the law. Of course, the patentee gains nothing whatever by this payment. But the "pool" has something more to do than transfer the 20 per cent from the industrious to the shiftless members of the combine. It is to accumulate $50,000.00; to distribute any sums in excess monthly among the concerns licensed. Then the "pool" has power upon the written consent of a majority of the parties at interest (including one patentee and 18 licensees) to purchase tires from any or all of the parties hereto at the prices named in the license and to "**dispose of such tires to the trade at such prices as said commission shall deem to the interest of all the parties hereto**" (black ours.)

Now we appreciate the real purpose of the $50,000, and the use to which it is to be put by the "pool". Mr. Justice Holmes in the Northern Securities case, said that a combination or conspiracy in restraint of trade is a conspiracy to keep strangers out of the business. That is exactly the purpose for which this "commission" accumulated the $50,000. Sell the tires to the trade at such prices as said commission shall deem to the interest of the combine. In other words, if a new concern starts in the business, go to its customers and give away the tires if necessary or sell them at such price as will destroy the custom of the new concern and "keep strangers out of the business." Undoubtedly the "commission", with this barrel, should have been successful for the opinion says "all of the manufacturers that had been infringers, **except two small concerns** (black ours) came into the "pool." No doubt the "pool" has long since put them out of business or brought them within the fold. Here then we have a "commission" with $50,000 accumulated for the sole purpose of destroying other persons who attempt to start up in a legitimate business. This fund was accumulated from the licensees, not from the patentee, though it went through his hands. This then is the third amazing result of the combination dealt with. But the most important interest has yet to be considered.

4th. The Public. We must now take a look at the interests of the people and see how they fare in this mix-up. The people, the consumers, the ultimate purchasers and users of these tires, must be given some after-thought at least. Without them the patentee's patent would be worthless; the "pool" could not exist. Without the ignorance and credulity of the public, the "commission" would be given employment of far more certain duration and tenure, accompanied by a gratuitous supply of food and clothing, according to a well-known practice. Moreover the "pool" always has a care that no other "pool" shall be formed to do unto it even as it does unto the people. For example, if the workingmen form a "pool" of their own to increase cost of their labor to the "pool," the latter straightway rushes into a court of equity crying "combination" and "conspiracy," and gets an injunction against the

labor "pool." And if it runs into another "pool" in the business of supplying raw materials needed in manufacturing, it smiles a knowing smile and says, "Don't try to work my own game on me. You can go on fooling the people and taxing their stupidity. We are doing the same thing. But you must cut the 'pool' price to us and we will do the same to you. This is a case where we must hang together or hang separately. Highwaymen never attempt to hold up one another; but many times they share the spoils of their separate robberies." And it is done even so. There is this bond of sympathy and apostate honor between all "pools." Well, let us take the interests of the public in hand now and see how thoroughly the fleece is shorn off. We will make a rough estimate of what the public would purchase from the "pool" in the course of a year's time. No statistics are given in the opinion but by a little thought we can get at the matter pretty accurately.

The report states that the defendant's quota of the business was 2 per cent. There was a claim for royalties for several months (the contract only run for one year) amounting to $4,000. From this we can easily form an accurate estimate of the business done during the period by the combination. The defendant owed $4,000.00 in royalties which amounted to 4 per cent of its sales. The total amount of its sales for the period obviously may be arrived at by taking one-fourth of $4,000 for one per cent, and multiplying this sum by 100. When this is done, we have $100,000, 4 per cent of which is $4,000, the amount of royalty sued for. But by the authentic report, the defendant's quota was just 2 per cent of the total, so that we must multiply the 2 per cent represented in the $100,000 by 50, in order to arrive at the grand total—100 per cent—$5,000,000—the business done during the period by the combination. Thus by following the method of the scientist who, possessed of only the maxillary bone, reconstructs the entire skeleton of a mastodon, we have all the huge proportions of the business accurately delineated before the mind's eye. There is no guess work or speculation about it. Granted, the defendant's royalties of 4 per cent aggregated $4,000, the sum total of the combine's sales for the period, must

have been $5,000,000, or the multiplication table is no longer reliable. We will suppose these sales were all of first quality at 65 per cent per pound. This is the part of fairness to the combination as the percentage of increase in the price was slightly less in case of the high priced tire than in that of the second quality. This supposition seems reasonable, too. For most people who own automobiles thus far, are themselves in some sort of a "pool" and thereby take occasion to buy the high priced article, if for no other reason than to have the reputation of being "swell" and advertising the fact that the possessor, too, understands how to take the money from the people. Now the advance in the sale price of the first quality was from 50 to 65 cents per pound or exactly 30 per cent. Here, then, is where the dear people come out. Before the formation of the "pool" in connection with the unassailable "license system," the people, the automobile riders, could have purchased the same quantity of the identical tires at 50 cents per pound, or a total cost of $3,500,000 whereas under the regime of the "pool" manipulated by the "commission," they pay $5,000,000 for the same thing. By the court's own statement the manufacturers were selling the same "infringing" tire at 50 cents per pound prior to the "pool," so that the utmost aggregate they would have gotten for the quantity mentioned would have been $3,500,000, whereas they in fact obtained $5,000,000, or $1,500,000 in excess of the former price. Now let us do a little "auditing and supervising" here, of transactions between the "pool" and the people and then go over the "pool's" books apart.

First let us see what effect the "pool" had on the pocket-books of the people.

| | | |
|---|---|---|
| People's Investment in rubber tires..... | | $5,000,000 |
| Competitive sale price of tires..... | $3,500,000 | |
| "Pool" price of same tires..... | 5,000,000 | |
| Cost to the people of the "license system and "supervision, auditing," "expenses and services" of "commission" ..... | $1,500,000 | |

That is the balance sheet of the people in account with the "pool." But we are strong on details and we desire now to go over and "audit and supervise" the accounts of the "pool." The balance sheet here, indicating the profits and losses is very remarkable. Here it is:

| | | |
|---|---|---|
| "Pool's" sales to the people for the period..... | | $5,000,000 |
| To 2 per cent net royalty to the Czar..... | $ 100,000 | |
| To 2 per cent royalty to "commission" for expenses, services and anti-competition fund.... | 100,000 | |
| To competitive sale price of tires..... | 3,500,000 | |
| To licensees' swollen profits in excess of competitive prices, under the "pool" system..... | 1,300,000 | |
| | | $5,000,000 |

That is the ledger account of the "pool" and the people and of the "pool" in account with itself.

Now, reader, you are prepared for a few ideas about these "pools" and business generally. Business has many diversified aspects but the one phase which always is to be found in all of its changed forms is other people's money. That is invariably the case. A "pool" is a device whereby all the concerns in one line of business make a concerted assault on the people. They are like a string of highwaymen who waylay every road, so that the people cannot escape, for there is no road uninfested. A "commission" keeps tab on all the "pool" members, whistles to enable them to keep up their courage and punishes any one who falters in the desperate work.

A patent is the latest devised means of proving an alibi when the people complain of being robbed. Thus far it has served its purpose. When the sort of thing described in this case can be done right under our eyes and be stamped with approval by the courts right before our eyes, we ought not to wonder that some men can afford to build libraries, endow hospitals, foundling asylums and colleges, ride in yachts and play golf to drive away the time. But we do wonder and shall continue to wonder why the courts should continue to punish petty thefts. It

may seem strange that a man who steals $10, it may be, to dull the edge of a gnawing hunger or fence his limbs from the cold, should be sent to jail as a thief, while a set of men who steal $1,500,000 should be commended for contributing to the progress of science and the useful arts, but let us judge not, that we be not judged. We have not yet examined the attempted legal justification for this, but shall do so presently. We may say, however, that if such a result can be justified under the supreme law of the land, it would be worth walking bare-footed from the Gulf of Mexico to the St. Lawrence River to learn how. Thus far no case has foreshadowed that such a thing was coming. Let us see then what is to be said as to the law of this "pool," "license system" and "commission":

## THE OPINION.

The defendant pleaded the Federal Anti-trust Act, the Anti-trust Act of Wisconsin, which prohibits Wisconsin corporations (of which defendant was one) from entering into any arrangement or contract intended to restrain competition in the supply or price of any commodity constituting a subject of commerce within the State.

The defendant further pleaded that the patent was invalid, known by the parties to be invalid and that the license system was fraudulently devised to enable the parties to evade the laws against combinations in restraint of trade.

At 154 Fed. 361, the court goes into the merits of the case. "The Wisconsin (anti-trust) statute is eliminated not only because it is not involved in any assignment of errors," What a strange start this is. The Wisconsin statute was pleaded in the answer as a defense to an action on a Wisconsin contract. The Court below held the contract invalid and gave judgment for the defendant. It was the plaintiff that appealed from that decree. There was no occasion for the defendant to bring up any assignment of errors. Now, because the defendant did not assign as an error, the publication of a public statute, contravened

by the contract sued on, the Court will "eliminate" the statute. Suppose a criminal is convicted of murder and appeals. In the assignment of errors he omits all reference to the statute punishing murder with death. Would the Appellate Court "eliminate" that statute on murder? The Federal Courts are bound to take notice of State statutes, exactly the same as they do of National laws. As early as 1835, in the case of Owings vs. Hull, 9 Peters 607, at 625, Mr. Justice Story said: "The Circuit Courts of the United States are created by Congress, not for the purpose of administering the local law of a single State alone, but to administer the laws of all the States in the Union, in cases to which they respectively apply. The judicial power conferred on the general government by the Constitution, extends to many cases arising under the laws of the different States. And this Court is called upon in the exercise of its appellate jurisdiction, constantly to take notice of and administer the jurisprudence of all the States. The jurisprudence is, then, in no just sense, a foreign jurisprudence, to be proved in the courts of the United States, by the ordinary modes of proof by which the laws of a foreign country are to be established: **but it is to be judicially taken notice of, in the same manner as the laws of the United States are taken notice of by these Courts.**" (black ours). This has always been the law and is the law today. See Martin vs. B. and O. Railroad Co. (1894) 151 U. S. 673 at 678.

The Wisconsin Act, then, cannot be eliminated" on that ground. We turn to the other reason, "but also because a State cannot **subtract from the right conferred upon a patentee** (black ours) and his assigns by the Federal laws." For this proposition we are cited to the Columbia Wire Co. Case, and The Seeded Raisin Co. Case. We have already seen that the statement in the former case was not only unfounded, but was a mere aside remark, not within the issues. This was taken up and made controlling in the Seeded Raisin Case and now we have the two decisions yoked as authorities. Fortunately each time the rule is announced, we have a varying statement of it and thus it can be exam-

ined from all view points. Here we have a new formulation of it. "A State cannot subtract from the right conferred upon a patentee * * * by the Federal laws." We will stick to the Court's simile, dangerous as figures of speech always are in argument. Before we can determine whether a given subtraction can be made, we must ascertain the minuend and the subtrahend, and if it turns out that the two sums are in different categories, the operation becomes impossible and no result is derivable. We cannot subtract ten horses from twelve stars. In the problem given the minuend—the right conferred upon the patentee—is the right to exclude others. We concede without a struggle that the State of Wisconsin cannot subtract from that right. It cannot impose conditions on the right of the patentee to bring suits for infringement, or to assign his patent. And we stoutly deny the legislature of that State has attempted such a thing in the Anti-trust Act. The statute does not attempt to punish a patentee for keeping his device to himself and excluding others from its sale or use. On the other hand, the patentee and all other persons have a right to enter into contracts, to enjoy and dispose of the fruits of their own labors, and to employ contracts as a means of doing this. This is a fundamental right of every citizen, not derived from any law, State or National. It is the same for the patentee as for any one else. This general right to contract is the minuend in our calculation. From this, the State of Wisconsin *can* subtract the right to enter into contracts and combinations intended to restrain competition in the supply or *price* of any commodity constituting a subject of commerce within the State. And when that juristic subtraction is carefully made, the remainder is momentous; it is a crime. We think the computation made in this case is erroneous because the minuend was not properly understood, and the result consequently is altogether unaccountable.

We proceed, and have this further observation on the power of a State over trade in patented articles: "For the protection of the physical or moral health of its citizens, a State may restrain the use of 'the

corporeal thing or article brought into existence by the application of the patented discovery, (citing Patterson vs. Kentucky) but **such a laying on of hands does not touch the monopoly of the federal grant.** (black ours). Nothing in this record questions the innocence of rubber tires." But the power of a State is not limited to the protection of the physical or moral health of its citizens. In what manner is the "physical and moral health" of citizens threatened or imperilled by cast-iron pipe (175 U. S. 211), blue stone (44 N. Y. Supp. 787), wire cloth (14 N. Y. Supp. 277), candles (47 Ohio St. 320), or cotton bags (14 La. Ann. 168)? Are not all these equally as "innocent" as rubber tires? And yet contracts in restraint of trade, in all of them, have been declared illegal and void, and these decisions are recognized as enunciating the public policy of the Nation. We quite agree that "such a laying on of hands does **not** touch the monopoly of the federal grant," which consists altogether in the incorporeal right to exclude others, which is beyond the laying on of any legislative hand, but such a laying on of hands, does touch, or ought to be made to touch, contracts, conspiracies, and combinations in restraint of trade in articles of trade and merchandise. These are no part of the "monopoly of the Federal grant." We hear the voice in Webber vs. Virginia, crying out like a prophet in the wilderness: "The Legislation respecting the articles which a State may adopt after the patents have expired, it may equally adopt during their continuance. It is only the right to the invention or discovery, the incorporeal right which the State cannot interfere with."

Now we pass over to consider the Federal Anti-trust Act. The State statute was eliminated for that it was not involved in any assignment of errors and also because a State cannot subtract from the monopoly of the federal grant. The federal statute also is to be "eliminated," but for a different reason. The National law is "eliminated" after this extensive fashion: "Under its constitutional right to legislate for the promotion of the useful Arts, Congress passed the patent statutes. The

public policy thereby declared, is this: Inventive minds may fail to produce many useful things that they would produce if stimulated by the promise of a substantial reward; what is produced, is the property of the inventor; he and his heirs and assigns may hold it as a secret till the end of time; the public would be largely benefited **by obtaining conveyances of these new properties** (black ours); so the people, through their representatives, say to the inventor: "**Deed us your property, possession to be yielded at the end of 17 years, and in the meantime we will protect you absolutely in the right to exclude every one from making, using, or vending, the thing patented, without your permission.**" (black ours.) How can it enter into the heart of man to conceive a meaning in those sentences? The only "conveyance" made by the patentee is of a piece of paper. The property consists in a collocation of words comprising a description. If I deliver to another, a highly embellished and accurate description, in writing, of an air-ship, I hardly render it possible for the donee to sail away in the air-ship described. All the inventor "conveys," is a specification, and it may be, a drawing. "Deed us your property," and he does deed a written description, "possession to be yielded at the end of 17 years," but possession of the only thing deeded, is yielded in the very act of deeding. "And in the meantime (i. e., after the property has been deeded to the people), we will protect you absolutely in the right to exclude from making, using, or vending the thing patented, without your permission." We have here to contemplate, two things: one is a mere description, an expression in words of the inventor's thoughts; the other is a physical object symbolizing those thoughts. The written description is deeded to the people and possession is given at once. The physical object is never deeded to the people except in return for their good money, and possession is not given on any other condition before, during, or after the 17 years. What the people, in substance, say, is this: Give us a full and accurate description of some useful thing concerning which you can truthfully swear that it originated in your own "cares and sweat" and

we will see to it that for 17 years no one else shall be permitted to make, use, or sell that thing without your consent, but we cannot and do not, enlarge or restrict your own right to deal with what you have made. You, yourself, will have all the privileges and be subjected to all the limitations that pertains to any other person in dealing with his own.

For the above passage, the Court cites a number of authorities, none of which requires any notice except the case of Good vs. Daland, 121 N. Y. 1.

If the reader is curious and desires to account for some of the strange seeming expressions in the opinion in the Bement case, let him consider carefully the case of Good vs. Daland and follow Mr. Justice Peckham from that opinion to the Bement case. During the interim, we cannot find that the writer of the two opinions wrote anything else on the nature of the patent grant.

We think the Anti-trust Act of Congress is not yet eliminated, but the effort to accomplish that result is not yet ended. We go on with the struggle: "Congress put no limitations excepting time, upon the monopoly (right to exclude). Courts can create none without legislating." That is true, but it is also true that *by legislating,* the Courts are adding to the "monopoly" many things that Congress never dreamed of in connection with the patent laws. "The monopoly (right to exclude) is of the invention, the mental concept as distinguished from the materials that are brought to give it a body. Use of the materials, as noted above, may be enjoined as injurious to the public; but that does not invade the monopoly. Use of the invention cannot be had except on the inventor's terms." Now let us get our bearings again. The monopoly has for its subject matter, the invention, which is a mental concept. That's the first proposition. The next is that restraint upon the use of the physical thing that gives body to the mental concept, does not invade the monopoly which embraces only the mental concept. Down to the last one of the sentences quoted we have the three

terms, monopoly, mental concept, and invention, used synonymously; each as the equivalent of the other two and all three designating an invisible, intangible, intellectual process. In the last sentence quoted, the word "invention" is switched over to designate a physical, dimensional, gross object. "Use of the invention (mental concept) cannot be had except on the inventor's terms." We have here, then, the same double use of the word "invention" as in the Victor Talking Machine Case. Of course when one makes use of the same word to denote two things entirely distinct, contradiction, in the literal sense, is inevitable. The fact is that the word "invention" is an exceedingly deceptive one. It may easily have four separate counterparts in our thinking; it may refer to an activity, either mental or physical, or a product either mental or physical. The poet "invents" a poem. The poem is his invention. A genius "invents" a telegraph. The telegraph is then the "invention" of the genius. But after all it is the thing and not words that is important. We proceed: "Without paying or doing whatever he (the inventor) exacts, no one can be exempted from his right to exclude." But from what, "the mental concept" or "the materials brought together to give it a body?" "Whatever the terms, Courts will enforce them, provided only that the licensee is not thereby required to violate some law outside of the patent law, like the doing of murder or arson." Now we know that the Court has been using the word "invention" latterly, as a name for the "physical materials," because a license of a mental concept or of a right to exclude is altogether inconceivable. The problem is now stated: "Does the requirement that the licensee join other licensees in a 'combination' or 'pool' to control the prices and output of an **innocuous** (black ours) patented article, violate the Sherman law?" Consistency required the Court to interpolate the term "innocuous" into the problem, for the reason that it had just "eliminated" the Wisconsin Statute because the article was innocent. If the article had been dangerous, like nitro-glycerine or arsenic, the Court's logic would have conducted to the result that the combination was sup-

pressable under the State law. Since the article is not noxious, the State has no power to prohibit restraints of trade in it. Now we swing to the opposite boundary and inquire whether or not the Federal Act applies to a restraint by contract in the trade in an "innocuous" patented article, the suppressed correlative being, that such Act does not forbid the restraint if the article is harmful to the morals and physical health of the citizen. But neither State or National statute predicates anything whatever on the character of the article, as harmful or innocent. Congress has no power to legislate in the domain of police protection to the citizens of the States. On the other hand the State Anti-trust Acts do not classify articles or commodities as innocent or harmful, forbidding restraints of trade in the latter and winking at the same in the former. Many persons would aver that beer (27 S. W. Texas 692) and whiskey (156 Ill. 448) are far from innocent, but State statutes have been successfully invoked to destroy restraints of trade in both. In Patterson vs. Kentucky, the patented oil was suppressed as dangerous but not under any Anti-trust Act. It was suppressed under a statute announcing the public policy of the commonwealth to protect its citizens from the particular danger inherent in the inflammable nature of the oil. The Anti-trust Acts are intended to protect citizens from the danger of the vicious tendency of men to contract, combine, and conspire to limit and restrict trade in any and all articles, regardless of the supposed innocent or harmful character of the articles in themselves.

We go now to learn how this "innocuous" patented article is to fare under the Sherman Act. "Congress, having created the patent law, had the right to repeal or modify it, in whole or in part, directly or by necessary implication. The Sherman law contains no reference to the patent law. Each was passed under a separate and distinct constitutional grant of power; each was passed professedly to advantage the public." Let us stop a moment and see whither we are tending. Thus far we have repeated for us in various forms, the assertion that the two statutes are quite distinct, each dealing with its own isolated sub-

ject matter. One is to encourage progress, science, and the useful arts; the other to punish crimes committed in connection with interstate commerce. This is our premises. The interrupted sentence continues: "the necessary implication is not that one iota was taken away from the patent law" (by the Anti-trust Act). So we might say with equal force that not one iota is taken away from the currency law by the Bankruptcy Act, but that does not define the scope and operation of either of those laws. Now attend to the amazing conclusion that flows from this long contrast based on negatives; "**the necessary implication is that patented articles, unless or until they are released by the owner of the patent from the dominion of his monopoly, are not articles of trade or commerce among the several States.**" (black ours).**That** is the necessary implication from the conceded fact that the patent law and the Anti-trust Act were passed under separate and distinct grants of power and each contains no reference to the other. A parallel argument is this: a bankrupt is not guilty of perjury in making a false oath in a bankruptcy proceeding because the currency law prohibits a private citizen from coining the money of the realm.

If patented articles are not articles of trade or commerce among the several States, then, obviously the whole discussion past, as well as that yet to follow, is interdicted as an idle and foolish waste of time. A patented article is certainly an article, even though it be patented. If that article is sold in one State and shipped into another, why is not that an article of trade or commerce among the several States? But then we have the mystifying qualification,, "unless or until they are released by the owner of the patent from the dominion of his monopoly." That looks queer. Let us experiment with it; try it out. That is the only way to determine whether it is words or things we are handling.

Suppose X, an inventor in Massachusetts, has a patent on an adding machine; he has made 5000 of them and they are still within the "dominion of his monopoly." He determines to load them on a freight train and take them to the far West for sale. He is destined for, and arrives in, a State considerably westward to the Mississippi River.

There are odd statutes on the books of this State; one provides that no hotel keeper shall furnish for guests, bed sheets less than nine feet in length. X, the patentee, does not object to that. Perhaps he is grateful for it. But there is another statute (let us suppose) adopted late in the session of 1907, which provides that any non-resident patentee coming within the State and possessed of patented articles not yet released from the "dominion of his monopoly," shall pay a tax equal to 10 per cent of the value of these articles. The collector reads the law and demands the tax. The patentee rushes into a Federal Court crying out about his constitutional rights and a restraint upon interstate commerce. But the State's attorney-general is lean and hungry-looking. His light burns late at night and he has read the latest decision. He informs the Court that the legislature has acted within its prerogative. The Court looks puzzled but is determined not to be trapped by this astute official who toils at the law when others dream dreams and see visions. The attorney-general then says: "The latest statement of the law is that 'patented articles, unless or until they are released by the owner of the patent from the dominion of his monopoly, are not articles of trade or commerce among the several States.'" He starts to lay down the volume and show that the adding machines are still unreleased, but the Court quickly interrupts with "Hand me that book." We can easily imagine that shortly after the passage is perused, something breaks loose in that Court room. But it is useless to idle thus. In Webber vs. Virginia, the Supreme Court held that a patented sewing machine was an article of interstate commerce and that the State of Virginia could not tax interstate trade in it. In the Bement Case the Court held that the patented harrows were articles of interstate commerce and trade. It is clear, beyond questioning, that any article or thing whatsoever, patented or unpatented, that is sold and transported from one State into another, is an article of interstate trade or com-

merce. The obvious meaning of plain words precludes any other notion.

We switch from this argument to an entirely different one. No decisive conclusion is drawn from the premises that patented articles are not articles of trade among the States. We are still in search of a principle of cancellation by which this troublesome anti-trust act may be eliminated. A different theory is now advanced.

"The evils to be remedied by the Sherman law, are well understood. Articles in which the people are entitled to freedom of trade, were being taken as the subjects of monopoly; instrumentalities between which the people are entitled to free competition, were being combined. The means of effecting, and the form of combination, are immaterial; the result is the criterion. The true test of violation of the Sherman law is whether the people are injured, whether they are deprived of something to which they have a right."

We have an entirely new argument to deal with, and yet no decisive result is in sight. The argument here, is this: The Sherman law only forbids restraints of trade in articles with respect to which the people are entitled to freedom of trade or free competition. The people are not entitled to freedom of trade or free competition in patented articles. Therefore, the Sherman law does not apply to restraints of trade by contracts in patented articles. This, too, is a rope of sand. The patent law says nothing expressly or impliedly about freedom of trade and competition. It says that the patentee shall have the right to exclude others from selling. That does not mean that he may exclude himself by a contract or combination. On the other hand, the anti-trust act deals with persons, not abstractions. It makes it a crime for the persons engaged in interstate trade to restrict their freedom to trade by contracts, combinations and conspiracies. "Free competition" and "freedom of trade" are mere abstractions that we apply to describe the results of men being free to trade and free to compete in the trade. No legislature or Court can create either trade or competition, much less

free trade and free competition. Men always have and always will trade, and their trade will be free and competitive if only they are forbidden to contract, combine and conspire to eliminate the natural spontaneity and competitive feature. This is the sole function of the Anti-trust Act; it is entirely negative. It says to every embryo trader: "You may engage in interstate trade or not, just as you please. It makes no difference in the policy of this statute whether you trade or not, so long as you are free in the matter. But you are forbidden to enter into any contract, combination, or conspiracy, the effect of which is to restrain trade or commerce among the States." Now the patentee has the sole right of trading in his article. He personifies the freedom of trade in his patented article. If he enters into a contract, combination, or conspiracy, whereby his freedom to trade in that article is restricted, that is the most palpable, the most emphatic violation of the statute conceivable. The freedom of the only person who has any freedom of trade in the article, is gone. The restriction is thoroughgoing and not partial. The patent law made the freedom of all other persons to trade in that article contingent upon the consent of the patentee. Now he has gone and pledged his sole and unvexed freedom to a combination or a band of conspirators. That is the awfulness of a restraint of trade imposed upon a patentee by contract or combination. Suppose a man has invented an entirely new typewriter and patented it. He has manufactured several thousand, and is selling them throughout the nation very cheaply. The concerns engaged in manufacturing and selling the old and costlier machines, foresee disaster in their inability to market their manufactured product and in the loss incident to investments in equipment soon to become worthless. They go to the inventor of the new machine and persuade him to enter into a contract whereby for a consideration of $1000 a month, he agrees not to sell any more of his machines for 5 years. Can sophistry or ingenuity devise an argument to show that that would not constitute a violation of the anti-trust act? And yet the case in hand is just as em-

phatically a violation of the same law. But we do not want to interrupt following this argument to the end.

Next we have this: "Grant (the patentee) produced a new integer in the useful arts." The Court of Appeals for the Second Circuit is called upon to vouch for that. But the Court of Appeals for the 6th Circuit had held just as positively that Grant had produced nothing of the kind: that the patent was void for anticipation (116 Fed. 363) and the Supreme Court had refused to review the finding. How about that? But we waive this for the moment in order to follow closely the steps of the argument. This brings us to the top of page 363. Here we start off again. We take the liberty of accompanying the ill-defined term "monopoly" with a pair of parentheses enclosing the words "right to exclude." We have this: "The only grant to the patentee was the right to exclude others, to have and hold for himself and his assigns a monopoly (=right to exclude others) not a right limited or conditioned according to the sentiment of judges, but an absolute monopoly (=right to exclude others) constitutionally conferred by the sovereign lawmakers. Over and above an absolute monopoly (=right to exclude others), how can there be a further and an unlawful monopoly (=right to exclude others) in the same thing?" That is like attempting to lift one's self off the ground by pulling on one's boot-straps. It's very well to call the patent a monopoly, but in that event we are inexorably compelled to inform the term "monopoly" with this precise, limited meaning,—the right to exclude others. It's an incorporeal, abstract, negative, inhibitory power. Its exercise results only in paralysis of the trade of others, in the subject matter of the exclusion. That's its only possible use to the possessor. The exercise of that right never resulted in the making, using, or selling of anything whatever. It precludes and interdicts the natural inclination of others but leaves the scope of the patentee's own right and power to make and sell, exactly as it was prior to the patent, and as it will be after the patent has expired. We shall see that this is overlooked in the sentences that now succeed.

"If the plaintiff were the sole maker of Grant tires, how could plaintiff's control of prices and output injure the people, deprive them of something to which they have a right?" It could not injure the people at all. If the plaintiff were the sole maker of the tires, he could put his own prices on them, $5.00 per pound if he saw fit, and it would be nobody's business. It's the sovereign right of every sovereign citizen to put his own estimate on the value of what is his, and, as was said in the Victor Talking Machine Case, whether purchasers or tenants come, or not, is a matter of his concern alone. But the patent law does not confer this right and the Anti-trust Act does not abridge it in any manner whatever. This is a right older than both of those statutes and is not affected by either. "Is a greater (why the comparative?) injury or deprivation inflicted, if plaintiff **authorizes a combination or pool to do what plaintiff can do directly?"** (black ours). No injury at all is predicable under the first supposition. Under the hypothesis (now posited) the injury is as certain as anything in law. The patent law does not say that the patentee may authorize a pool or combination to do anything; it does not even confer on him the right to contract in any regard. On the other hand the Anti-trust Acts says that any person who shall enter into any contract, combination, or conspiracy in restraint of trade, is guilty of a crime. When the plaintiff authorizes a pool or combination to control prices at which he will sell his tires, he thereby enters into a combination to restrain trade. His freedom to trade in his patented article has been bartered away to strangers to the business. Who ever supposed progress in science and the useful arts could be encouraged by placing a pool or combination in control? A pool or combination never invented anything but a scheme and makeshift to evade the law, deceive the Courts and extort money from the public. Take the Addyston Pipe Case and apply the question there. Each member had the unqualified right to determine at what price he, acting independently, should sell his own pipe. "Is a greater injury inflicted if one pipe manufacturer authorizes a pool or combination to

do what the same manufacturer can do directly?" The Supreme Court has already answered the question. But when more closely inspected, the interrogation is meaningless, "if plaintiff authorizes a pool or combination to do what plaintiff can do **directly.**" (Black ours.) The contrast between the plaintiff fixing its own prices and authorizing a pool or combination to fix prices, is not a contrast hinging on a different form of exercising the same right and expressed in the terms "directly" and "indirectly." The contrast is between a lawful act and a crime. When the plaintiff fixes his own prices, he is doing a lawful act, whether the thing priced is patented or unpatented; when a pool or combination fixes prices, a crime is committed, whether the article is patented or unpatented. The very existence of the pool or combination to fix prices and thereby restrain trade, is criminal. Whoever joins the pool or combination, enmeshes himself in the criminal law. There is no agency in crime; a man cannot "authorize" a pool or combination, to do an act which, if done by him, would be lawful. We might as well attempt to conceive of "authorizing" another to steal or murder. Following upon this question we are told: "To say yes means that substance is disregarded, that mere words confer upon the people some sort of a right or interest counter to the monopoly (right to exclude), when by the terms of the bargain the people agreed to claim none until Grant's deed to them shall have matured." We cannot so agree. The people are perfectly willing for Grant to exclude to his heart's content; they have never yet said, however, that he can take a right which he has in exclusion by virtue of their desire to encourage him and turn it over to a pool or combination to gouge the pockets of the public. The people have not said this and never will say it. In the next paragraph the Court says: "But worthless patents and other suppositions cases are not on review." However, we have just been wrestling toughly with three formulated by the Court.

At the bottom of page 363, we go forward. "None of the provi-

sions of the contract, in our judgment, touched any matter outside of the monopoly (right to exclude) under the patent." We are deeply persuaded that all of them except the 2 per cent net royalty, which was a mere pretext, "touched" nothing but what was outside of the right to exclude. "The control of prices and output, for reasons already stated (black ours) did not deprive the public of any right." This is certainly a remarkable result to be justified on the ground of the "reasons already stated." Let us rub our wearied eyes and glance back at all the "reasons already stated" and see how this height of assured confidence is attained. The control of prices and output did not deprive the public of any right, because:

1st. The Wisconsin anti-trust act is "eliminated" because (a) it is not included in the assignment of errors; (b) a State cannot subtract from the incorporeal right to exclude others; (c) rubber tires are innocuous to the physical and moral health of the citizens.

2nd. The Federal anti-trust act does not apply because (a) the patented tires are innocuous patented articles; (b) patented articles unless and until released from the dominion of the patent, are not articles of trade or commerce at all; (c) the people are not entitled to freedom of trade in patented articles; (d) the patentee had the right to exclude others, not a right limited or conditioned according to the sentiment of the judges, but an absolute right to exclude, and over and above an absolute right to exclude there can be no further and unlawful right to exclude in the same thing; (e) if a man can lawfully control the sale of his own goods, he can authorize a pool or combination to do the same thing.

These are the "reasons already stated" and for these "reasons" the control of prices and output, "did not deprive the public of any right." Those reasons we must leave to justify what they will.

"Both before and after the period covered by the contract, the market was demoralized, and the owner of the patent was getting nothing except by the slow and expensive process of litigation; but the pub-

lic was not entitled to profit by competition among infringers. What bearing has that on the legality of the scheme? How was the "market demoralized?" By men making their tires and selling them. "The owner of the patent was getting nothing except by the slow and expensive process of litigation." What other method has the patent law provided? Is it possible to read into the statute some quick and cheap method whereby the patentee may "get" something? "The public was not entitled to profit by competition among infringers." But how can we speak of them as "infringers?" One Court of Appeals had finally determined, not only that the tire made by the defendant in that suit did not infringe the plaintiff's patent, but that said patent was void and of no effect whatever; that it could not be infringed for there was nothing to infringe. The Supreme Court had declined to review this adjudication. How can it be said that there could be an infringement of such alleged patent? But plaintiff's conduct completely belied the notion that it regarded any of the combine members as infringers. The plaintiff with its eyes wide open accepted as its full compensation for its patent, 8 per cent of the swollen profits that the "infringers" made in addition to the price at which the tires previously had been sold. Because it had a "valid patent," it deliberately threw away 92 per cent of its potential profits. Because there was a "valid patent," the "infringers" consented to bend the pregnant hinges of their stiff knees to the Czar, and contribute 8 per cent of an extortionate grab from the public, but only on condition that they be allowed to pocket the remaining 92 per cent without molestation on account of the anti-trust laws. No one can point out another instance of such consummate magnanimity on the part of any owner of a valid and valuable patent. Did Westinghouse follow such a course with his air-brake? Did Morse exemplify such idiocy with his telegraph? Did Bell exhibit such slobbering business charity with his telephone? "The internal agreements relating to royalties, proportioning the business, supervision and penalties, did not affect or concern

the public at all." That depends entirely upon whether or not the entire scheme of which the matters mentioned, were component parts, was legal or illegal. If, as we contend, that scheme constituted a crime in that it was a violation of the anti-trust act, then the public was deeply and vitally concerned. When we arrive at the point that the public is denied the right of being concerned in the enforcement of the criminal laws, it is time for the public to retire into unobtrusive oblivion and leave the "pools" and combines unvexed to divide the spoils.

"Equally innocuous in our view, was the matter stated in the fifth conclusion of law" (by the lower Court). That conclusion was this: "That the contracts authorized the creation of a fund for crushing competition in inter-state commerce throughout the whole country, not only in Grant tires but in all other rubber tires." This is facilely disposed of thus: "First, the public was not injured, because the finding of fact is that the provision was never acted upon in any way." But this is a totally irrelevant circumstance. The single question is whether or not the combination had it in its *power* to injure the public. To what extent it has exercised that power, or whether it has exercised it at all, is quite beside the mark. The Supreme Court has expressed this view of the law with emphatic earnestness. In the Northern Securities Case (193 U. S. at 340) the Court quoted from the Supreme Court of Ohio, this view and accentuated its approval of the language quoted by couching it in glaring italics. The language is: *"Courts will not stop to inquire as to the degree of injury inflicted upon the public; it is enough to know that the inevitable tendency of such contracts is injurious to the public."*

But, again, "Second, if a defense had been predicated on the presence of that provision in the contract, it would have been unavailing, **because that provision is separable from the royalty and other valid parts of the contract."** (black ours). But is it? The rule is: "Whenever the unlawful part of the contract can be separated from the rest,

it will be rejected and the remainder established. McCulloch vs. Virginia (1898) 172 U. S. at 115. Now how is it possible to separate the stipulation providing for the bludgeon fund from the remainder of the contract? The fund was accumulated from royalties; it was placed entirely in the keeping of the commission. The patentee had no power of supervision, no right under the contract to purchase tires and give the same away. The licensees consented to pay the money from which the fund was derived, in contemplation of the distinct use to which the payment was to be applied. Do away with that fund. Then the patentee is not entitled to receive it. The licensees are under no obligation to pay it, and the commission is out of a job, except to "supervise and audit," and a bookkeeper hired at $75.00 per month could do that. The fund and its designed use was the very kernel and essence, the innermost strength of the entire scheme. Destroy that, and the whole structure falls to the ground.

Still other grounds are laid to support this clever crime. "And, third, the owner of the patent had the right, either alone or through licensees, to accumulate funds with which to push the Grant tire on the market, and in so doing to undersell the makers of other tires and the infringing makers of Grant tires." We have become so familiar with amazing statements in this opinion, that the repetition of them ceases to be impressive. By long association, we suppose that a circus man becomes accustomed to handling a boa constrictor without unusual emotions. Let us paraphrase this sentence and apply it in a well-known instance:

"The Blank Oil Company had the right, either alone or through secret rebates from all the railroads, to accumulate funds with which to push its oil on the market and in so doing to undersell the vendors of other oil." That is what it comes to. To "undersell the infringing makers of Grant tires." Has it come to that? Here is the owner of a "valid patent," an absolute monopoly, that cannot be subtracted from by the States, that is enforceable against the sovereign will of the Na-

tional government. The law provides that such patent owner shall recover threefold the damages suffered by infringement, and an injunction can be obtained at midnight while the infringers sleep. By the use of that sacred writ, the patentee can send the infringers to jail amid the lamentations and tears of their dear ones. Is the price of justice so dear, or withholding infringement suits so sweet, that the patentee is reduced to the miserable expedient of underselling the brazen pilferers of the products of his genius? Let us suppose that a man has written a great book like "King Lear." It is inestimably precious in the eyes of all serious minded readers. The author gets a copyright and begins to multiply and vend copies. At the same time, the copy is pirated by two dozen publishers, and the market flooded with cheap editions. What would be thought of the author if he should go to his authorized publisher and say: "We have left, only one expedient; the slow and expensive process of litigation is out of the question; we must accumulate a fund to enable us to undersell the pirates. They are selling the book very cheaply. It may be that we will have to give away copies, but that is our only hope to defeat infringers of the copyright." That is exactly parallel with the Court's justification of the scheme here involved.

"It is not for the defendant's sake that Courts listen to the defense that he ought not to pay because his promise was under an arrangement to injure the public." That is quite true. But how about the public's "sake"? When is that to get a hearing?

"The public is not injured by an arrangement to compete with adversaries for the public's patronage." We agree, but what is to be said of an "arrangement" the sole purpose and result of which was to wipe out all competition for the public's patronage as between the 18 parties to the "arrangement," force the said patronage to bear an additional burden of 30 per cent and then illegally to destroy all competitive adversaries for that patronage, outside of the "arrangement"? Let us summarize the justification of this fund and its purpose.

1st. The provision was not acted upon.

2nd. The provision was separable from other valid parts of the contract.

3rd. The provision was legal and valid.

4th. The Court for a defendant's sake will not enforce a statute adopted for the public's sake.

5th. The public is not injured by an "arrangement" which destroys all competition between all but two small manufacturers of an important commodity and provides for the destruction of those two. In the Threshing Machine Case just following the one under discussion, (154 Fed. at 371) this Court characterizing an argument of counsel said: "Naught plus naught; the sum of two naughts is a substantive quantity." It is only by adopting that method of computation that we can ever obtain a substantive result from an aggregation of the reasons just summarized.

## CONCURRING OPINION.

We will glance briefly at the concurring opinion. The member of the Court that stood sponsor for this opinion, was unwilling to go the length of conceding that "patented articles are never under any circumstances, articles of trade or commerce among the several States, within the meaning of the Sherman Act." This refusal was made on the ground that it was not thought that that "premise is essential to the conclusion arrived at." We think the point is well taken. Anyone of the dozen premises posited by the majority opinion was all that was "essential to the conclusion arrived at" without hazarding so many of no greater strength or weakness.. For example, this would have been sufficient: "A State cannot subtract from the right conferred upon a patentee and his assigns by the federal laws." Why not say: This is a contract controlled by the laws of Wisconsin, assert the last quoted proposition, and add, "judgment for the plaintiff"? There is no use to pile up sound reasons for a judgment; one is enough, and to

assert more than one is to increase the hazard incident to an after inspection of one's logic.

With the reservation noted, the concurring opinion expands. "The patentee, in this case, in good faith, believed the patent valid, as did also the parties entering into the contracts." We have already seen how naive and trusting was that faith, and though small as a grain of mustard seed, it enabled the faithful to move mountains. An old saw has it that none are so blind as those who do not wish to see. The members of this combine found it exceedingly profitable not to see any bad faith in the "arrangement."

"Whatever, therefore, their effect may have actually been, the contracts were not intended to affect prices, except as the parties believed they had the right, because of the patent, to fix and maintain prices." But what conceivable force and effect can be given to the belief of the parties as to their rights to restrain trade? The Anti-trust Act does not say that only those contracts *which the parties believe are in restraint of trade* are criminal. The statute says nothing about anyone's belief or good faith. It does not deal with faith but with works. In the majority opinion here it is said: "The means of effecting and the form of the combination are immaterial; **the result is the criterion**" (black ours). Now we have a new criterion set up. The combination is legal, provided only the parties have faith and believe it is legal. So it seems that the Courts in the realm of jurisprudence hold out a more palpable and luscious reward to faith than religion offers to zealous adherents to the creed. Good faith and belief, however preposterous and contradictory of conduct, are not to the Court's thinking what the Good Book calls them, wells without water, and clouds without rain, but are a purse full to bursting and a defense to crime.

"Now were the patentee the manufacturer, he would unquestionably have had the right to fix and maintain his own prices." However, not in virtue of the patent law or because he was a patentee, but merely because he had manufactured the goods, owned them and of course

would have the right to say at what price he would sell them. This right over his own property every man has, from a peddler of shoestrings to a dealer in gold mines, but the patent law has nothing to do with that. Such right is what, in the Victor Talking Machine Case, was called "a natural right." The sentence goes on, "and were the other parties to the contract manufacturers for the patentee, at a given figure for such manufacture, the patentee's right to fix and maintain the selling price would still remain; nor could this be questioned were he to make the manufacturers his selling agents." But under both suppositions the tires would belong to the patentee in exactly the same sense that potatoes belong to a farmer where the latter has grown the potatoes on his land and hired one set of men to dig them and another to peddle them to the consumer on a commission or for a wage. After entertaining these three perfectly innocent and trite suppositions we are invited to accept this: "How, then, does the contract under review, make a case in which the patentee, through his manufacturer, is not entitled to fix and maintain prices—how is the arrangement, in effect, different in any way of restraining trade or competition, from the arrangement just supposed, in which the patentee unquestionably has that right?" Let us back off and take a look at this. Let us first inquire, Is it not singular that both the majority and minority opinion here dispose of the merits of an issue involving literally millions of dollars in the form of interrogations supposedly admitting of but one answer? In the first opinion, at the top of page 363, the entire puzzle is gotten rid of by three rhetorical questions. Here in the concurring opinion the same method is employed without the citation of a single authority. The matter is sufficiently difficult, it would seem, without the confusion of questions, one following another. Every case propounds a problem to the Court and what we naturally expect to find in the opinion is a solution; something positive, apodictically certain. Instead, we have a problem made even more problematical. After this breathing spell, we go back to this last question and see what

is the answer to it. The "contract under review" does *not* make a case in which the patentee through his (the patentee's) manufacturer is entitled to fix and maintain prices. The licensees were *not* the patentee's manufacturer; the tires when made by them were not the property of the patentee. The licensees bought the material, hired the labor, employed their own facilities in making the tires, and when the tires were made, they (the licensees) owned them. When the licensees sold the tires, they sold their own property, not that of the patentee. When they fixed the prices, they dealt with their own property, not with that of the patentee. See Belknap vs. Schild (1895) 161 U. S. at 23 and 24. That is the answer to the first part of the question propounded. As to the second part: The "arrangement" in effect was different in the way of restraining trade and competition from the arrangement "just supposed" in this. In the arrangement "just supposed," the tires under all three hypotheses were the sole property of the patentee; he was the only proprietor of the business. There was no contract whatever with a stranger to the business and no semblance of a combination or conspiracy in restraint of trade. The "arrangement" in the "contract under review" embraced a combination by which the patentee surrendered all power under his patent to a pool; no licensee could sell his own goods at his own price. Moreover no licensee and the patentee could alter or vary prices. The freedom of all nineteen parties to the contract was completely destroyed and no one could do anything without the consent of the pool. Observe that the patentee and nine separate and distinct licensees conducting businesses entirely isolated and apart, by mutual consent, could not have changed the prices or terms at which such nine licensees were to sell tires of their own manufacture.

The whole power under the "arrangement" was vested in mere numbers. A majority in number completely overrode the minority, and yet there was no basis for this surrender of individual freedom. Each licensee had assumed a separate and distinct obligation to the

patentee; each obtained a permission available for his individual enjoyment. Each licensee must pay his royalty regardless of what all the others did. Having fulfilled his obligations to the patentee, each licensee had a right to enjoy the non-exclusive permission granted to him by the patentee regardless of the desert and disposition of all other licensees. Each licensee conducted his affairs singly and separately, bore the burdens and enjoyed the benefits of his enterprise without sharing either, with any other licensee. The patentee and any one licensee by mutual consent might have cancelled the contract as between them without affecting the rights of any other licensee. Thus it is clear that each licensee was a stranger to the business of every other licensee, although engaged in the same line of business. But the entire control of the aggregate business of all parties was vested in the "pool." The "pool" was a connecting ligature by which all the licenses were as effectively bound together and the individual freedom of each obliterated, as the Siamese twins. The "pool" was not legitimately engaged in any phase of the business; it was neither licensor nor licensee; it owned no patent and paid no royalty; yet its restraining power gripped the freedom of every licensee into forced servility. It had the power to make and unmake any licensee. Suppose an "infringing manufacturer" has sprung up in a territory, the trade in which was principally supplied by licensee X; this "infringing manufacturer" is cutting prices to all of X's customers. Suppose further that X has become obnoxious to the "pool" and the "pool" is anxious to be rid of him. By occupying a purely negative attitude, by refusing to allow X to cut prices and declining to purchase tires and undersell the "infringing manufacturers," the "pool" could shortly eliminate X. Thus the "pool" could play favorites; could despotically control the fortunes of any licensee or a minority of them. It is in this manner that the interrogation propounded in the minority opinion is easily answered.

This opinion continues: "True, in the case under review, the manu-

facturers, as to the public, are not competitors; (now listen) but neither would they be in the cases supposed." But for entirely different reasons. In "the cases supposed" there was only one vendor, one proprietor, a single, indivisible interest. One concern cannot compete with itself. In "the cases supposed" there was no semblance of restraint. How can a man, acting alone, restrain himself by contract? In the case "under review," competition between eighteen separate and independent concerns was wiped out by a combination or pool.

The sentence continues: "In both cases the public suffering nothing except what the patentee had the right to exact." Again we must dissent. In "the case supposed," the public "suffered" the exercise of the right of every man to freely demand what price he will for his goods; in "the case under review," the public "suffered" the commission of a crime. We advance to, "for so long, at least, as the patentee is not exacting, as the value of his invention (let us ask what is meant by 'invention' here; the incorporeal right or the rubber tire?) an unreasonable sum, (and his action in that respect is not here questioned) it is within his own right to say whether the price exacted (for what?) should be retained by himself or shall be distributed among the people **manufacturing for him**" (black ours.)

It always may be observed that difficulties multiply as we undertake the rounding out and final completion of any task. Right here, in next to the last sentence of this concurring opinion, the whole involved and intricate difficulty of this case is again thrust before us. We are compelled briefly to restate and resolve the problem running all through. Let us unfold these phrases and inspect them isolatedly. "So long, at least, as the patentee is not exacting, as the value of his **invention,** an unreasonable sum, it is within his own right," etc. What is meant here by "the value of his invention"? If one has a rubber tire and owns it, he may demand his price for it, $2.00 or $5.00 per pound. No court and no government can possibly compel him to sell it for less. Likewise, if one has a valid patent

on a tire, he has an inalienable, an irrefragable right. to exact any sum whatever as a royalty for the consent granted to another to make and sell a tire which, within the meaning of the patent law, is a duplicate. Instead of 2 per cent., he may charge 100 per cent. The patentee has two entirely distinct and separate subject matters, altogether within his disposition. In the instance we have before us, the two subject matters are a rubber tire of a given construction and weight, and an incorporeal right to exclude others from enjoying a replica of that tire, in making, using, or selling it. Let us suppose now that the patentee here contemplated, has a number of the tires manufactured and on hand ready to sell. Two men, conveniently designated as A. and B., come before him. A. wants to purchase 100 of the tires manufactured and then ready for sale. B. wants the privilege himself of making 100 similar tires out of materials and with labor to be supplied by him, B. The patentee can refuse to sell to A. or if he consents to part with the tires to A. he can exact as a compensation for his consent, any sum of money, whatever; whether it is reasonable or unreasonable. Likewise, he can refuse to permit B. to make 100 of the tires, or if he consents, he may exact as a royalty, any sum whatever, reasonable or unreasonable. He may consent or not, just as he pleases, in either case. His determination in either case is absolutely within his power. His right to grant or withhold his consent in either or both instances, cannot be made to hinge on any "at least," pointing to the reasonable or unreasonable character of his demand. But let us observe with all concentrated speculation that in neither case is the patentee parting with or withholding his "invention," if by that word we mean the subject of his patent grant. The incorporeal, intangible property in a notion he does not sell in either case. What A. wants is so many pounds of rubber and other materials belonging to the patentee and wrought into a particular composition and form. What B. wants is the permission to take his own materials and employ his own hands to bring his own raw substances

into the particular formation and likeness. The patentee did not "think out" the rubber, cloth, metal, and other materials; he thought out only a hitherto unknown combination, juxtaposition, or specialized assemblage of them. B. desires to obtain no more than the permission to follow that unique pattern in imparting to his raw materials a new and demanded utility.

Suppose the patentee grants the wish of both A. and B. A. gets 100 physical things fashioned into a form, in accordance with the patentee's ideas. For this, he pays the purchase money, which is a compensation for two factors. 1st, so many pounds of rubber and other materials; 2nd, the idea, pattern, or conception of the inventor embodied and externalized 100 times. Then A. owns absolutely those 100 tires, and it is not possible to separate the value of the tires from the value of the pattern externalized in them. No mutuality of consent between the patentee and A. could by any possibility result in a partial rescission of the sale whereby the patentee could take back his incorporeal factor and leave the physical objects with A. One might as well attempt to separate the convex from the concave of an arc. A. in virtue of his purchase, owns the 100 tires; they are his and the patentee has no interest in them. When the patentee parted with them, he accepted the purchase money and precluded a continuance of his interest in those specimens of materials, each unit physically symbolizing his thought. On the other hand, B. desires to be possessed of the same things A. acquired by his purchase. But B. has it in mind to arrive at the same acquisition by a different method. He has already or can easily obtain, all the materials, applicances, and facilities for supplying himself with the identical tires. Not one tangible, visible, dimensional thing does he need from the patentee to put himself in possession of what A. obtained by his purchase. But he must obtain from the patentee a permission to think the latter's thought, to inform his materials with the pattern, plan, and scheme of the inventor. By reading over the patent specifications, he

can learn exactly how this is to be done. But without the let or permission of the patentee, his hand is stayed, his spontaneous tendency to create the physical likeness of the imaged object that his mind has perceived and pronounced good, is inhibited and bottled up. When the patentee grants the permission, there is no transfer of anything whatever to B. The latter has no more and no different possessions after the letting, than before. His inhibited tendency to fashion certain given materials into a highly specialized combination, is limitedly released. That is all. B. makes the tires. What is due to the patentee? B. does not owe him for the materials, the time, and labor; or the factory cost of making them; all these B. supplied to himself and derived them not from the patentee. All that B. owes to the patentee is a compensation for the permission to externalize and embody the inventor's mental image. This compensation is called a royalty and well may it be so called, for it is the tribute which mean men render to genius. The idea, the plan, the schematized abstraction, the hitherto unrealized form of combining materials,—that is the fruit of the inventor's own "cares and sweat". It is a fruit that does not materialize by reason of the "cares and sweat" of ordinary mortals. It is, by the inventor, spun out of the inner texture of his mental web, like the mansion of the spider drawn out from the vital center of the builder.

The patentee may exact what royalty he will, reasonable or unreasonable, but when the royalty is paid, the tires belong as absolutely and completely to B as do those which A, within our supposition, has purchased. The property in the notion, or incorporeal idea, is not related to property in the rubber tires. In the two instances supposed, the patentee obviously cannot dictate the price at which A will sell the tires which he (A) has bought and paid for. It is equally certain that the patentee has no more right or power as patentee to say at what price B will sell his (B's) tires. The patentee never had any interest in the materials composing B's tires and he has been paid a royalty for

the privilege of utilizing his mental concept in 100 concrete embodiments. He is entitled to but one royalty for each separate symbol of his thought, and he has that. After he has received that, his reward as patentee cannot be enlarged or cut down by any disposition made of the physical objects.

Let us now get back to our text. The patentee in this case exacted a most niggardly sum, 2 per cent, for the privilege of externalizing the inventor's thought. That was for the obvious reason that he had learned that the alleged inventor had not invented anything. Indeed, "his action in *that* respect is not here questioned," to use the language of the Court. But there was an entirely different exaction in this case; that with respect to the selling price of the rubber tires, which were manufactured and owned by the respective licensees. That was most earnestly questioned. With reference to that the answer says (cf. l. c. 360) "by reason thereof (viz., the license agreement) the price of the articles of commerce mentioned in plaintiff's complaint, **was raised beyond the former price thereof and beyond the natural and legitimate price thereof**" (black ours). That is how that was questioned.

The sentence over which we have been so long hovering, ends thus (so long as the patentee is not exacting an unreasonable sum for his invention): "It is within his own right to say whether the price exacted should be retained by himself or shall be distributed among **the people manufacturing for him**" (italics ours). But the licensees did not "manufacture for him"; they manufactured for themselves. They owned the tires they manufactured, just as they owned the materials out of which they were made. "The price exacted,"—but for what? If by this is meant the royalty exacted, of course, the statement is correct. For the patentee might have distributed that among the Hottentots, and it would have been no one else's business. But the price exacted for the tires was the concern only of the licensee. That price was theirs, and constituted no part of the patentee's assets. Whether the royalty as such, was "reasonable or unreasonable" was of

no moment whatever. But the exaction of the "pool" as to the selling price whether "reasonable or unreasonable" was illegal; it was criminal.

Finally, we have the last word on the subject. "The contracts, therefore, in the case before us, having been made in good faith, and not as a mere subterfuge, I can see in them nothing that the Sherman Act was intended to prevent." It is to be observed, without effort, that this last sentence is disparate from the preceding argument. It is not a connecting link or culminating step in a progressive contention. It is complete in itself. We have it asserted that the contracts did not violate the anti-trust Act *because* they were "made in good faith and not as a mere subterfuge." Frankness, guilelessness, naive straightforwardness, with whatever grievous consequences its manifestation is attended, is a defense to crime. But we know it is not even a defense to a civil liability. If a man takes my watch in "good faith and not as a mere subterfuge," he is nevertheless liable in damages for conversion. We do not read anything about bad faith and subterfuges in the great cases before the Supreme Court where contracts have been declared illegal as in restraint of trade. It may be that the industrious counsel who represented the defendants in all those cases, were essentially remiss in their duty in not pointing out the evidence of good faith and the absence of all indications of subterfuge and legal ambuscades. However, if this surmise is well founded, the Anti-trust Act should be legislatively interpolated so as to strike at only those contracts, combinations, and conspiracies in restraint of trade entered into in bad faith or as crafty subterfuge. If that ever should be done, we may expect a more abundant proof of "good faith" than any one has yet dreamed of. And when this novel justification has been put in, it may be the Courts will say to the big, lubberly, innocent seeming ones: "Go your way; your faith has made you whole." When that day comes, there will be joy for a little while among the few, and then terror everywhere. For we believe that men are going to continue

to feel the strength and weakness of the law in their works and not in their faith.

Let us summarize the reasoning of this concurring opinion in the form of short propositions.

First. Patented articles under some circumstances may be articles of commerce or trade among the several States.

Second. But if we concede that the articles here involved are such, the contracts do not illegally restrain trade for the following reasons:

a. They were entered into in good faith.

b. The patentee could maintain prices on tires of his own manufacture.

c. The patentee could maintain prices on tires which he has hired others to manufacture for him.

d. The patentee could maintain prices on his own tires sold through his agents.

e. The case under review does not differ from that suggested in b, c, and d.

f. So long as the patentee does not exact an unreasonable royalty, he can "pool" the business of his licensees.

g. This all follows because the contracts were made in good faith and not as a subterfuge.

At the outset, we stated that if the result set up in this case can be justified by accepted principles of law. it would be worth the extreme of human exertion to learn how. We have studied this opinion long and intently but cannot see the glimmer of the road to such justification. According to the deepest incursion we have been able to make, the decision cannot be supported or explained in the terms of the law of the land. There is no sound proposition or principle underlying it. The only support for it that we can discover by the most earnest speculation, is that which rests upon a mistaken conception of the patent grant and a misconstruction of the anti-trust legislation.

The lower Court held the system of contracts invalid, among other

reasons, for that they operated to restrain trade in the territory comprised by the Sixth Circuit. Whatever view any one may take of the patent law and a patentee's rights over his patented article, that point was undoubtedly well taken. In the Sixth Circuit the patent was a dead and gone thing. The Court of Appeals had so declared it and the Supreme Court had refused to modify or review its declaration. The decision of the Court of Appeals struck and thrust through the heart of the patent; it did not stop with deciding that the defendan in that case had not infringed. The Court went to the extreme boundary of the defense and wiped the patent out; repudiated the claim of novelty, denied that the inventor had discovered anything, and concluded that all his "cares and sweat" had only resulted in something that was old. In the opinion, here considered, the decision of the Court of Appeals for the Sixth Circuit, is referred to as "an erroneous degree." Maybe it was. Nevertheless, it was law for the Sixth Circuit, and the proposition for which that decision stood, was this: patent No. 554,675 to grant for an improvement in rubber tired wheels, is void. It is impossible to believe that that Court of Appeals would have vibrated back and forth, holding the patent valid as against one defendant and void as against another. The defendant in the case tried out was held not to be an infringer because there was nothing to infringe. There was no right on which to predicate a trespass in the Sixth Circuit. So that if we accept all of the scattering philosophy of this opinion, still we have no support whatever for the combination so far as it was operative in the territory of the Sixth Circuit. If we say that the Anti-trust Acts of the States do not subtract from the patent grant, yet in the Sixth Circuit there was no patent right. If we say that patented articles are not articles of trade and commerce within the terms of the Federal Anti-trust Act, yet, in the Sixth Circuit these tires were not and could not be patented articles. If we say that the people are not entitled to freedom of trade in patented articles, that does not help us in this Circuit. Nor

can we talk about good faith in the validity of the patent in so far as trade in the tires was carried on in that Circuit. Faith is of things not seen, but the patent had been completely and utterly destroyed in the Sixth Circuit. No man who could read plain English, could honestly aver a faith in the validity of the patent in those States. We do not think the faith of this combination in the validity of the patent was half so large as a grain of mustard seed.

But see what happened. In the short space of time covered by the period for which a royalty was claimed, the "pool" extorted from the people the sum of $1,500,000 in excess of the competitive price. We cannot hesitate or doubt as to the vital concern of the people in this combination and the emphatic approval stamped upon it by the Court. By the deliberate, unequivocal figures embodied in the opinion, the people were taxed $1,500,000 through the existence and operation of this "pool." That fact cannot be glossed over or explained away. It stands incontestably. To the extent of the sum named, the people, literally and not figuratively, were held up. There was no alternative. They had to pay that blood money or do without the goods. The excessive sum extorted by the "pool" from the people, is so large as almost to stagger an ordinary mortal, unfamiliar with extending ciphers after the dollar sign, as "pool" members are. This sum of $1,500,000 would pay the salary of all the judges of the Supreme Court for 15 years; it would pay the salary of the President for 20 years, or the salary of three judges of the Court of Appeals for 70 years. All these sums are sweated out of the people by taxation and they complain not, for the officers of the government are the servants of the people and the laborer is worthy of his hire. But there is no excuse or justification for this enforced contribution to the "pool." It cannot be upheld by any law; it cannot be excused by exigencies of business; it cannot be palliated or solved by any economic theory. The decision runs counter to the decisions of the Supreme Court; it flouts the statutes and public policy of the Nation; it tenders an inexplicable

affront to common sense in treating seriously the pompous asseverations of "good faith" on the part of the members of the "pool." It is fortunate indeed, for the tranquility and peace of the Nation, that the people are blind to much that goes on; it is well that they are not sensitive to a blow at their welfare delivered obliquely, instead of directly and in the open. Otherwise, insurrections, clamorous gatherings like the Boston tea-party, the haggard and ominous countenances of seething crowds would be familiar without reading history or fiction. In the case of American Banana Co. vs. United Fruit Co. (1908), 213 U. S. at 356, Mr. Justice Holmes said: "Law is a statement of the circumstances in which the public force will be brought to bear upon men through the Courts." So it is. But suppose the Courts turn aside at an ambiguity like the term "monopoly," explain away the real circumstances indicated by the words "right to exclude others" and attenuate the public force until it falls as harmless upon men engaged in crime as shadows upon the water. What then? Suppose that the public force is turned awry and thick-skinned citizens, conspirators against the welfare of the people, by sophistry and skilfull word jugglery are enabled to shove by justice. What becomes of the equilibrium on which the republic rests—love of liberty and reverence for law? How long and to what extent the Courts will be instruments by which the public force will be brought to bear upon men, is a matter for curious speculation. But one may safely forecast that the public force is an abiding factor of civilization, growing more irresistible all the time. The people are not only the source of the force, but in the final analysis, determine under what circumstances it shall be brought to bear. If the Courts nullify the force by stating away the circumstances for its application, the people will never abnegate the force. Instead, they will themselves wield the force without tempering its ferocity through the conserving deliberation of the Courts. History bears witness to this familiar instance of power resumed by the ultimate sovereigns. When such a period is ushered

in, the money grubbers and commercial pirates, the industrial boll weevils, are swept away like gnats in a tornado. They do not bother about labored ingenuity in the Courts to justify holding on to millions wrung illegally from the hard-wrought accumulations of the inglorious and unprivileged multitude. It is well for them if they are permitted to enjoy a bowl of soup and a trencher of bread at the rear veranda of a day servant's cottage. The woe is on him by whom the offense comes.

Oh, reader, the final word in this rubber tire case you will find in 210 U. S. at 439. There this is written:

"Milwaukee Rubber Tire Works Company, Petitioner, vs. Rubber Tire Wheel Co., on Writ of Certiorari to the United States Circuit Court of Appeals for the Seventh Circuit.

June 1, 1908. **Dismissed, per stipulation**" (italic ours).

That is what happened to that case. The pool "dismissed, per stipulation." That was a wise pool, a wise stipulation, and a wise dismissal. The pool had no thought of pleading its miraculous justification by faith before the all-seeing eyes of that great tribunal. The pool knew, and its counsel knew, that there was no more chance of convincing the Supreme Court of the legality of its system of contracts, of its sandbagging commission, of its valiant good faith, than there is of driving a forty-horse power automobile through a finger ring. It will not be surprising if the Courts of other Circuits assume the same attitude towards this decision that the Court rendering it did towards the decision of the Court of Appeals for the Sixth Circuit adjudicating the tire patent void. In good faith, they will regard the decision erroneous.

**Indiana Mfg. Co. vs. Case Threshing Machine Co. (1907 C. C. A., Seventh Circuit), 154 Fed. 365.**

This is a companion case to the rubber tire case just discussed, and because of the extended space devoted to that decision, it seems inappropriate to dwell at any length on this. The two decisions were

promulgated on the same day. In fact, the decision in the rubber tire case is the principal authority relied on here. The question involved was whether or not an illegal combination was built up by all the makers of threshing machinery becoming licensees of the owner of a patent on a stacker, the terms of the license fixing a uniform sale price of $250.00 for each stacker sold by a licensee. The Court justified the scheme in this way: "The public could not force it (the licensor) to license another device. Have not the people been given something beyond their power to demand, in a policy that permits a customer to get a stacker as a part of the separator of his choice, not merely in connection with a favored separator?" Such an argument if heeded, will sustain any combination that ever was schemed out. Take the Addyston pipe case. The public could not force a single member of the combine to make or sell a single foot of pipe. Let us ask there: Have not the people been given something beyond their power to demand, in a policy that permits a customer to get a quantity of the pipe even though at a trust price? Back in the rubber tire case, the Court said: "The means of effecting and the form of the combination are immaterial; the result is the criterion." Here the Court parries the charge of combination with this: "This (the combination) resulted, without any concert of action on the part of the licensees, solely from a policy pursued by appellant through a course of years." What difference does that make if "the criterion is the result?" Another charge was founded on the number of patents merged in a single ownership. The Court disposes of this by positing a hypothetical case of two "competing patents" owned by one person and then follows this comment:

"The public has no right in either invention; therefore the public has the right to have them both in the market competing for buyers Naught plus naught; the sum of two naughts is a substantive quantity." Let us test this facile computation. There are two bakeries in a town and only two; they constitute the sole source of the bread supply.

The "public has no right in either"; it cannot force either to sell bread, much less both. Suppose the two proprietors enter into an agreement to raise the price of bread to 10 cents a loaf. Naught plus naught; the sum of the two naughts is a **crime.** That is not the Threshing Machine case, but it is a fair test of the strength of the argument expounded. It is not necessary to dwell on this opinion at length. It is of a part with the Rubber Tire case, and went the same road. It, too, was taken to the Supreme Court and, too, was "dismissed without costs to either party per stipulation" (207 U. S. at 603). The pool when dragged to the front door of the Supreme Court, always escapes dissolution and the hot branding iron of condemnation in some way and as a last resort "per stipulation." But what would happen if the government itself should start out after the pool. What recourse then could be had "per stipulation"?

**Blount Mfg. Co. vs. Yale Towne Mfg. Co. (1909 C. C. Mass.), 166 Fed. 555.**

In conclusion we come now to deal with a truly magnanimous opinion. The case entitled as above is vastly important. No decision that we have anywhere chanced upon, evinces more care and precision than the one here to be considered. The argument exhibits the sure and easy progress of complete mastery. It is unfolded without dogmatism and convinces without triumph. When the premises are fairly laid out we feel instantly the tightened grip of the conclusion. The preliminary propositions force the conclusion announced with all the inexorable certainty of an euclidean demonstration. The understanding is captivated and bound by the irrefragable ligatures of ultimate thinking. Indeterminate prepossessions, obstinate prejudices and undefined vagaries are squeezed out like liquid from a pulpy mass under hydraulic pressure.

## THE FACTS.

Properly to understand the searching analysis we must possess ourselves of a lively apprehension of the facts. The statement of facts though luminous as far as it goes, is slight and elliptical. It requires some pondering to give weight to the circumstances stated only by inference. It appears that the suit touched the affairs of four concerns, but we need attend to only three, as the participation of the fourth is not dwelt on with any decisive result. The three concerns on whose business we desire to focus attention, were engaged in manufacturing and selling "liquid door checks."

The three concerns at interest here we shall designate abbreviatedly as The Blount Co., The Yale Co., and the Corbin Co. All owned patents on door locks and manufactured and sold said locks so patented. They underwent the ordeal of business pursuant to a three-cornered agreement. The Blount Co. sued the Yale Co. under the terms of the tripartite arrangement which affected those two. But the Court found it necessary to pull in the line that fastened the Corbin Co. When this was done, it was found that the contractural lines radiated from each concern to the other two. All three were bottled up in the same liquid container and pressure exerted on or by, any one, was transmitted equally to the other two. The three concerns were organs of one body; the individual business identity of each was lost in the tesselated uniformity of a combine or pool. The three concerns, each a stranger to the business of the other two, struck a triangular truce in the bitter war of competition, engraved upon their respective shields the catching industrial insignia, "In unity there is strength," and thereafter went forth to conquer the elusive patronage of the public, not singly and isolatedly, but in bands like grasshoppers or ants, guarding all exits of supply and answering every inquiring demand with the chorded harmony of three separate voices blended into one. In such circumstances one hears the full choir

of the pool. It is pleasant to those who sing but woe to the dancers.

The Blount Company had a contract with the Yale Co.; this is called exhibit A. The Blount Co. had also a contract with the Corbin Co. called exhibit B. Thus the Blount Co. stood at the apex of the isosceles arrangement, while the Yale and Corbin concerns were stationed at the disparate bases. Here we have the affairs of commerce sublimated to the clarified beauty of geometry. The Yale Co. as an "associate" signed exhibit B. Thus the two contracts read as one instrument brought all three concerns into juristic contiguity. The rights and interests of the parties were interlocked this way: The profits under exhibit A were arrived at by striking the difference between "contract cost" and the selling price of the locks. Apparently this sum was distributable in equal parts to the Blount and Yale concerns. But in making such distribution, an accounting was first to be had under exhibit B between Blount and Corbin. Then the sum derived under the terms of exhibit A, was to be "increased or diminished by one-half of the net amount received in settlements" under exhibit B. It is not entirely clear to our understanding just how the second sum could be added to the first so as to "diminish" the first, unless, indeed, the contingency of a minus quantity was contemplated. At any rate, the plan comprehended "the maintaining of prices, the pooling of profits, the elimination of competition and the restraint of improvements." Prices were to be determined from time to time by agreement between the three concerns. This was the course deliberately marked out although each concern owned patents protecting the subject matter of their respective industrial efforts.

The Blount Co. sued the Yale Co. for an accounting under the arrangement just delineated. The Yale Co. admitted the existence of the triangular compact and asked the Court to measure the same by the law of the land. It demurred to the petitioner. The Court meted out the law and removed the enclosing boundaries of the agreements.

## THE OPINION.

Extended comment on the language of this opinion would be a tantalizing excrescence. The thing is clear beyond the occasion of extended elucidation.

We start: "If relating to ordinary articles of trade or commerce, it seems reasonably clear that these contracts would be in violation of 'The Sherman Anti-trust Act' and therefore unenforceable. The complainant contends that the demurrer should be overruled, because such contracts are legal and valid when the subject matter of the contract comprises solely articles, the manufacture and sale of which are protected by patents."

We have the issue clearly defined in that statement. The Court restates the issue again: "The principal question is whether the fact that the articles to which the agreements relate, embodying patented inventions is sufficient to make the Sherman Act inapplicable." It is open to the observation of any careful reader that the Court does not once stray away from that inquiry. Unavailable props are at once discarded. "This question was not passed upon by the Supreme Court in the (Bement Case). **That decision related to restraints and conditions imposed in connection with the grant of patent rights"** (black ours). The Court next brushes aside the Rubber Tire and Threshing Machine cases with this,—"the decisions are not directly in point." At any rate those decisions do not "point" in the direction traveled by the Court here. On the contrary the sponsor for this opinion turned about face and marched point blank opposite. We gladly follow. "It seems self-evident that a contract which is only co-extensive with the monopoly conferred by letters patent, and which creates no additional restraint of trade or monopoly, does not conflict with the Sherman Act." We cannot conceive of a more accurate abstract of the actual decision in the Bement case than that.

"The monopoly granted by letters patent is of a particular inven-

tion. (Think of the Threshing Machine case!) Devices thus protected by patents are as a matter of fact in commercial competition with both patented and unpatented devices. A contract whereby the manufacturers of two independent patented inventions agree not to compete in the same commercial field, deprives the public of the benefits of competition and creates a restraint of trade which results, not from the granting of letters patent, but from agreement. While the monopoly of the patented articles is not increased, the monopoly of the commercial field is increased by the 'unified tactics' as to prices."

That paragraph is within the firm grasp of an unmystified apprehension. Later in the opinion the Court writes of "**independent** patents," but we are not treated to the unthinkable monstrosity of "competitive patents." What possible determinate meaning can be attached to this last phrase? How can we go about conceiving of "competitive patents" or "competition" between different patents? Let us take the patents protecting respectively the monotype and linotype printing presses. Those are instanced in the Threshing Machine Case. One patentee has a right to exclude others from making, using, or selling the monotype machine. The other patentee has the right similarly to exclude from the linotype device. But this does not implicate any possible competition between the two respective rights to exclude, and those two rights to exclude comprsie the whole of the two patents. "Competition" is not apposite to abstract, incorporeal, rights. We cannot predicate the juridicial meaning of competition with reference to incorporeal rights. Juristically speaking, competitors are always persons; competition is between the tangible instrumentalities of trade conducted by persons. As the Court says: "**Devices** (black ours) thus protected by patents, are as a matter of fact in commercial competition with both patented and unpatented devices." This is inevitably so. Webster defines competition as "The efforts of two or more parties, acting independently, to secure the custom of a third party by the offer of the most favorable terms." The essence of the

phenomenon is the struggle for the custom or patronage. The struggle is not confined to contestants offering identical objects, or even objects regarded as commercial or industrial equivalents, capable of being substituted one for the other. The acme of competition may be evinced between the proprietor of a popcorn cart and an itinerant balloon vendor, for the patronage of a small boy who has only one hot dime. The thing sought is the patronage always. The strugglers limited sum, he has long been accustomed to look before and after. The problem is to economize in the expenditure for his household cooking. He has already a sturdy coal range but desires to progress for the prize are many. The factors on which the contest hinges are all of the seductive attributes of the thing dangled before the eyes of the dispenser of the patronage, together with the alluring glamour with which the vendor succeeds in investing the object offered for sale. Suppose a man whose means are such that in laying out his beyond the use of that. He may go down town, after reading the alluring advertisements in the magazines, and post himself as to the advisability of buying a gas range, an electric stove, a steam heated device or a fireless cooker, and yet end up by purchasing a year's supply of coal for the old stove. Now the vendors of all these distinct contrivances are in competition as among themselves and with the coal dealer for the contents of the anxious man's purse. Each holds out all the known inducements to compel a severance between the man and his money. All of the devices mentioned may be patented but that does not lessen the intensity of the strife.

Webster illustrates the above stated definition with this excerpt: "When competition does not act at all, there is complete monopoly." That is the sort of thing with which Court is here dealing.

The Court next cites and quotes from the decisions dealing with the National Harrow Combination. These decisions are ignored in the Rubber Tire, Threshing Machine and Seeded Raisin cases.

"While the contracts provide that the parties are licensed to use

patented inventions of the other, this does not alter the fact that by the terms of the contract each party is restrained in the exercise of its rights, and in the sale of articles made solely under its own patents" (black ours).

There's the rub. That is the hand of the stranger in the contractor's business. That is what Mr. Justice Holmes in the Northern Securities Case, nominated a contract in restraint of trade. "If as a result of mutual licenses, there is put upon the market an article embodying the inventions of both patentees, so as the effect of the exchange of licenses a new article of commerce is developed, it is doubtful if the public is thereby unlawfully deprived of any of its rights or expectations of free competition. (That is a twister.) Where, however, each patentee continues to make his own goods under his own patents, and seeks to enhance his profits by an agreement with competitors, who make either patented or unpatented articles (the circumstances now in hand), then it seems to follow that the agreement of each to restrain his own trade cannot be regarded merely as an incident to the assignment of patent rights. The patentee then restrains his own trade, not for the purpose of enhancing the value of the license which he grants (Bement Case), but for the purpose of enhancing the value of his trade by removing competition." That is the precise purpose and result of all such agreements. What conceivable reason has one patentee for agreeing to maintain an arbitrarily fixed price on his patented article unless it be the consideration tendered to induce another person (it may be a patentee) to agree similarly to restrain himself in disposing of his goods? If there can be no competition in the trade in patented articles, what possible motive had these parties for entering into this arrangement? If a patented article, in virtue of the fact that it is patented, is thereby energized with an irresistible selling potency, so that competition is ineffective to lessen its chances of extracting the consumers' money, why should the own-

ers of distinct patents bind themselves together and each forbid the other to be free in seeking that money?

The opinion continues. "A sale or license, with a covenant not to compete, made as an ordinary incident to enhance the value of the thing conveyed, is not within the Sherman law." Now that is the exact point to the Bement Case. There the patentee granted an exclusive license for the full term of the patent. In other words, the license contract operated to place the business of manufacturing the kind of harrows described in the patent entirely in the hands of the licensee. The exclusive feature of the license, that is to say the stipulation on the part of the patent owner not to engage in the business, was easily validated as a concomitant to enhance the value of the license granted. The decision has been cited to the exact point by the Supreme Court. Thus in Cincinnati Packet Co. vs. Bay (1905), 200 U. S. at 185, Mr. Justice Holmes, expressing the view of the full Court, said: "Whatever differences of opinion there may have been with regard to the scope of the (Anti-trust Act) there has been no intimation from anyone, we believe, that such a contract, made as part of the sale of a business, and not as a device to control commerce, would fall within the Act. On the contrary, it has been suggested repeatedly that such a contract is not within the letter or spirit of the statute (citing prior decisions and then continuing with this), **and it was so decided in the case of a patent**" (black ours; citing the Bement Case). The maintenance of price feature in the Bement Case is a stumbling block. That stipulation, considered in the light of the precise facts presented to the Supreme Court, is absolutely meaningless. What conceivable harm could result to the licensor in such case from the action of the licensee in cutting prices? The licensor had stipulated for a royalty of so much on each harrow sold. His profits were fixed at a certain sum, regardless of the amount at which the implements were sold. We repeat that so long as one sticks in the circumstances actually proven to exist in that case, the selling price clause of the contract is

inexplicably foolish. But when we glance outside of the record and at the circumstances heatedly averred, but not proven by the licensee, the thing is sensible and clear. The license in contest undoubtedly was designed with the consciousness that it would be one of many similar licenses pertaining to other harrows, patents for which were owned by the licensor. The licensor foresaw competition between a multiude of licensees operating under separate contracts and selling competitive equivalent implements. The stipulation as to the selling price was a reservation by the licensor in all the contracts and was intended to enable him to control, restrain and repress competition between all the disparate licensees. And the scheme was admirably adapted to vest this power in the licensor to the fullest extent. For the licensor was left free **to lower the price.** Now the trouble with the wretched case is that the defendant failed to prove the existence of the scheme. The combination was alleged to exist, but there was no proof of it. The answer averred much ugly stuff of a multitude of licensees, of similar contracts, of uniform prices, of competition wiped out, but the proof failed as to all this. The actual record on which the defendant asked judgment was like the play of Hamlet with the principal character left out. A conspiracy was asserted but only one party to the alleged conspiracy was shown to exist. There could be no conspiracy or combination between a single licensor and one licensee. The appearance of restraint, affirmable of the exclusive feature of the license, was no restraint at all, as it was an incident to the sale of a business. The maintenance of a fixed price was harmless for two reasons. First, it left the owner of the patent at liberty to lower prices whenever the conditions of the business made it advisable. Secondly, the licensee's agreement to maintain prices was not articulated in any scheme or combination to affect, generally, prices in such implements. The covenant was not given in consideration of an analogous stipulation on the part of other manufacturers similarly to impede the distribution of their products. On the contrary, the agree-

ment to maintain the schedule of prices was insulated, ran only to the licensor in his capacity as owner of those patents under which defendant was licensed and bore no reference to other similar undertakings.

The counsel for the defendant apparently expected the Court to fill up the gaps in his proof by conjecture and surmise, stimulated into activity by heated allegations in the answer, unpropped by any proof. The Court declined to embark on any speculation; held itself bound by the record, and that the record did not warrant the finding of any combination. This wide gaping discrepancy between the pleadings and the evidence easily accounts for the studious and almost redundant expressions in the opinion, to the import that the Court cannot assume the existence of a combination where the trier of the facts had deliberately asserted there was none. But we can discover no warrant for citing the Bement Case as authority for the proposition that a patentee, as patentee, and by virtue of some vigour peculiarily invested in him by the patent law, can stipulate the price at which a licensee shall sell the patented article. We think that the Supreme Court of Massachusetts uttered sound doctrine when it stated (193 Mass. at 611) that "The decision (in the Bement Case) would have been the same if the article had not been patented." To put the case in this light, suppose A has a factory completely equipped for making ax handles. B has no such factory. A hires the use of the factory to B for five years, the terms being that A shall not, during the period, engage in the business; that B shall pay a rental for the use of the equipment and shall maintain a fixed schedule of prices, subject to A's rights to lower the same. We know of no process of reasoning whereby such contract can be brought within the category of agreements illegal because in restraint of trade. Yet to our discernment that is a fair abstracted statement of the Bement Case.

The opinion digressed from, continues:

"By the terms of the present contracts, each party limits its trade in goods made under its patents."

After a glance at the Rubber Tire Case, we have this:

"The question whether agreements concerning patented articles are within the Sherman Anti-trust Act, must be determined by **a consideration of the nature of the rights conferred by the grant of a patent**" (black ours).

Now we have that consideration stated with unmistakable directness.

"While it is the ordinary privilege of the owner of patent rights to use or not to use them without question of motive, the grant of letters patent confers upon the patentee **no** right **not** to use his own invention, or to make an agreement in restraint of trade in that article, save in connection with an assignment of the rights conferred by letters patent. The proposition than an **agreement** not to manufacture, or an agreement to restrain trade, is within some rights of nonuse conferred upon a patentee, seems unsound, **if we consider the nature of the grant of letters patent. The right of the patentee or the assignee to withhold the invention, is quite apart from any grant contained in the letters patent.** The privilege of restraining others is granted to the owners of letters patent. **He is given no right or privilege to restrain himself.** By the terms of the patent he has the exclusive right to make, use and vend. The right to make, use and vend he has without the grant of letters patent. When we say that a patent grants an 'exclusive right' we do not mean that the right to make, use and vend is granted, **but only that the patentee's existing right is made exclusive by the grant.**" (black throughout paragraph ours).

There we have meaningless common places, reiterated as a matter of rote, enlivened, energized and truly expounded. That is the mark of penetrative insight. That "consideration" is buttressed by two Supreme Court decisions. Then we have the same proposition stated differently, further clarifying the matter. Incidentally we get a new light on the frequently quoted paragraph as to the right of nonuse in the Heaton Case.

"The right of a patentee to suppress his own, **rests upon ordinary considerations of property right** (black ours). The public has no right

to compel the use of patented devices or unpatented devices, when that is inconsistent with fundamental rules of property. When a patentee agrees, however, to restrain his own trade in the article of his own invention, not as an incident to the granting of rights, but for the purpose of enhancing his price by the removal of competition, he is then quite outside the sphere of any right granted him by the government. He may engage in interstate trade or not as he pleases; but being engaged in that trade, he is subject to all restrictions upon interstate **traders''** (black ours). Observe that by the use of the term "traders" the Court recognizes the fact that the objective point of the Anti-trust Act is persons and not abstractions.

Near the bottom of page 559, we came upon this: "It must be recognized that an inventor stands in a special relation to the product of his faculties. When he has secured his patent, he may derive profit from an **agreement** (black ours) not to use it." The second of these two sentences appears to us to squint. It is the only sentence in the opinion which is even slightly ambiguous. What is meant by "an agreement not to use" the invention? Are we to understand by this an agreement not to use as an incident of a sale of that privilege to another? If so, the Court has already dealt with that right in admirable fashion. The words of the sentence seem open to the unstrained construction that a patentee may derive a profit from an agreement not to use his invention, entered into designedly to suppress the patented article as a factor in commerce. But then this construction is repelled by a strong passage on the page following:

"Granting that nonuse of an invention is fully within the right of an owner of a patent, **it does not follow that he may by agreement bind himself to nonuse,** save in connection with an assignment of his letters patent. Ownership of a patent involves no obligation to use, nor does ownership of other property. Nonuse ordinarily violates no law; **but contracting with another, putting it in the power of another to com-**

**pel one not to use, is a contract in restraint of trade, designed for the purpose of suppressing competition''** (black ours).

Two more extracts must suffice though the entire opinion is worthy of the intense study fabled to have been devoted to Thucidides by Demosthenes. "If there is secured to the patentee all profits legitimately arising from the manufacture, use, and sale of his invention, that is all that is within the terms of the grant. (That is a correct definition of the rights of the owner of a patent in the category of the natural right and in an affirmative aspect, complementary to the negative right to exclude others.) To prohibit **contracts** (black ours) for the suppression or restraint of his own trade by the application of the Sherman Anti-trust Act is not inconsistent with his right to manufacture, use and vend. That the Sherman Act interferes with some supposed right granted by the patent, to suppress an invention, **is an unsound proposition, for the reason that letters patent grant no such rights** (black ours), either in terms or by reasonable implication."

Again. "The profit which arises from suppressing an invention, from nonuse, flows from commercial tactics and not from the use of the invention. The public interest which forbids contracts in restraint of trade, arises from no right in the public to create trade by compulsion, but only from the expectation of the ordinary course of conduct, and the harmful results of interference with it by monopolistic schemes. (Those sentences contain a profound implication which searches beyond the facts in contest.) The inventor who has not patented his invention cannot make an agreement in restraint of interstate trade without violating the Sherman Act, even though he is in fact an inventor. The rules of public policy, expressed in the Sherman Act, apply to him, and I do not think are affected by his taking out a patent, except in the single particular of an assignment or license. The Sherman Act is not inconsistent with any rights acquired by the patentee when it prevents agreements in restraint of trade which are not designed to make valuable the right to use. **There is no inconsistency between**

**the grant of an exclusive and assignable right to make, use and vend, and the prohibition of an agreement restraining or suppressing the sale of the article in interstate commerce, because any profit from such an agreement does not arise from the value of making, using and vending. There is no inconsistency between the proposition that an inventor may withhold his invention from use as he sees fit, and the proposition that he may not make an agreement whereby, for the advantage of a competitor, trade in his patented article is restrained or suppressed''** (black ours).

Such an argument must prevail by the irresistible force of demonstration. Granted, that all the inventor obtains by the patent franchise is the right to exclude and that the Anti-trust Act inhibits every trader who does an interstate business from entering into a contract whereby his trade in his goods is restrained, the conclusion that a contract of the patentee restraining his trade violates the act, is relentless, compelling, inexorable.

Let us now attempt an abstract of the various arguments advanced to support the decisions that we have discussed and then in conclusion turn the whole matter about for a view in a different aspect. In summarizing the arguments we place in contrast the views of the Supreme Court. The various legal propositions advanced to justify the paradoxical rule may be brought under the following heads:

1. The patent franchise grants to the patentee the exclusive right to make, to use, and to sell. This is assumed as the law in all the cases; in a number of them it is expressly so declared.

The Supreme Court:

1852. Bloomer vs. McQuewan: "The franchise which the patent grants consists altogether in the right to exclude every one from making, using or vending the thing patented, without the permission of the patentee. This is all he obtains by the patent."

1878. Patterson vs. Kentucky: "The right to sell the (patented) Aurora oil was not derived from the patent; that right existed before the patent and could have been exercised without the grant of letters patent."

2. The purchasers of a patented device accompanied by a notice (or sold under a contract) restricting the purchaser's right to sell or use the thing purchased, is, as to such right to use or sell, a mere licensee, and any use or sale in violation of the contract is an infringement of the patent. This view is expressed in all the cases. Sometimes such sales are called "conditional" or "restrictive;" at other times it is said the vendor sells only a part of his monopoly and reserves to himself as an ungranted portion of his monopoly the right to control the future use or sale. The climax is reached in Brodrick Copygraph vs. Mayhew (1904), 131 Fed. 92: "He (the patentee) is at liberty to fix any price for the machine and as well reserve any benefit in its use."

The Supreme Court:

1873. Mitchell vs. Hawley: "Complete title to the implement or machine purchased becomes vested in the vendee by the sale and purchase, but he (the purchaser) acquires no portion of the franchise, as the machine, when it rightfully passes from the patentee to the purchaser ceases to be within the limits of the monopoly."

1873. Adams vs. Burke: "In the essential nature of things, when, the patentee, or the person having his rights, sells a machine or instrument whose sole value is in its use, he receives the consideration for its use and he parts with the right to restrict that use. The article, in the language of the court, passes without the limit of the monopoly. That is to say, the patentee or his assignee having in the act of sale received all the royalty or consideration which he claims for the use of his invention

in that particular machine or instrument, it is open to the use of the purchaser without further restriction on account of the monopoly of the patentees."

1894. Keeler vs. Folding Bed Co: "As between the owner of a patent on the one side, and a purchaser of an article made under the patent on the other, the payment of a royalty once, or, (N. B.) what is the same thing, the purchase of the article from one authorized by the patentee to sell it, emancipates such article from any further subjection to the patent throughout the entire life of the patent. It follows that one who buys patented articles of manufacture from one authorized to sell them becomes possessed of an absolute property in such articles, unrestricted in time or place; whether a patentee may protect himself and his assignee by special contracts brought home to the purchaser is not a question before us, and upon which we express no opinion. It is, however, obvious, that such a question would arise as a question of contract and not as one under the inherent meaning and effect of the patent laws."

1852. Bloomer vs. McQuewan: "And when the (patented) machine passes to the hands of the purchaser, it is no longer within the limits of the monopoly. It passes outside of it, and is no longer under the protection of the Act of Congress. And, if his right to the implement or machine is infringed, he must seek redress in the Courts of the State, according to the laws of the state, and not in the Courts of the United States, nor under the law of Congress granting the patent. The implement or machine becomes his private, individual property, not protected by the laws of the United States, but by the laws of the state in which it is situated. Contracts in relation to it are regulated by the laws of the state, and are subject to state jurisdiction."

1908. Bobbs-Merrill Co. vs. Straus. "The owner of the copyright in this case did sell copies of the book in quantities and

at a price satisfactory to it. It has exercised the right to vend, what the complainant contends for embraces not only the right to sell the copies but to qualify the title of a future purchaser by the reservation of the right to have the remedies of the statute against an infringer because of the printed notice of its purpose to do so, unless the purchaser sells at a price fixed in the notice. To add to the right of exclusive sale the authority to control all future retail sales, by a notice that such sales must be made at a fixed sum would give a right not included in the terms of the statute."

3. Violation of a license contract, is per se an infringement. This position is expressed or assumed in all the cases. It is emphasized in the Rupp and Rivet cases.

The Supreme Court:

1850. Wilson vs. Sanford (In a suit involving breach of a license contract): "The dispute in this case does not arise under any Act of Congress, nor does the decision depend upon the construction of any law in relation to patents. It arises out of the contract stated in the bill; and there is no act of Congress providing for or regulating contracts of this kind. The rights of the parties depend altogether upon common law and equity principles. If the case made by the bill was a fit one for relief in equity, it is very clear that whether the contract ought to be declared forfeited or not, in a court of chancery, depended altogether upon the rules and principles of equity, and in no degree whatever upon any act of Congress concerning patent rights."

1878. Hartell vs. Tilghman: "If it (license contract) is to be rescinded it can be done only by mutual agreement, or by the decree of a court of justice. If either party disregards it, it can be specifically enforced against him or damages can be recovered for its violation. But, until so rescinded or set aside, it is a subsisting agreement, which, whatever it is, or may be shown to be,

must govern the rights of these parties. Such a case is not cognizable in a court of the United States, by reason of its subject matter."

1902. Excelsior Wooden Pipe Co. vs. Pacific Bridge Co: "It may be freely conceded that if the licensee had failed to observe any one of the three conditions of the license, the licensor would have been obliged to resort to the state courts. either to recover the royalty or to procure a revocation of the license."

When the legality of a license contract under letters patent is attacked on the ground that its terms violate the law against restraints of trade by contract, several positions are assumed to escape the force of the objection.

4. It is said the patentee does not have to sell his patented product or license any one else to do so. Therefore, if he elects to do that which is not compellable he can state the terms on which his consent can be had. This view was glaringly voiced in the Heaton, Rubber Tire and Threshing Machine cases. The premised assertion as to the right of non activity in so far as it differentiates this right in the patentee from the same right in the owners of other private property is the expression of an unreality. The same may be said of the man who grows potatoes. (Park vs. Hartman.)

> "It is the privilege of any owner of property to use or not use it without question of motive." (1908. Paper Bag Patent Case.)

The assertion when predicated of all owners of private property is a meaningless platitude

From the conceded existence of the right of non use in the owners of all private property, nothing can be concluded as to the right to enter into a contract in restraint of trade in chatttels.

The law does not have as one of its objects compelling private industrial activity; nor does it punish voluntary, non contractual quiescence. The sluggard is left to his deserts; he has his reward

5. The Federal Anti-trust Act is brushed aside with various conflicting suggestions.

(a). The patented articles are not articles of interstate commerce. Nearly 30 years earlier this was anticipated and invalidated by Webber vs. Virginia.

(b). The patent law overrides the Anti-trust Act; the sufficient answer to which is that they are not in conflict at any point.

The patent law creates in the patentee the naked right to exclude; the Anti-trust Act forbids all contracts, in restraint of interstate trade. The two laws might be represented by two circles whose circumferences do not touch.

The Supreme Court:

1878. Patterson vs. Kentucky: "The right of property in the physical substance is altogether distinct from the right in the discovery itself. The right to sell the (patented) Aurora oil was not derived from the patent."

1903. Northern Securities Case: "Congress has the power to establish rules by which interstate and international commerce shall be governed, and, by the Anti-trust Act has prescribed the rule of free competition among those engaged in such commerce."

6. The State Anti-trust Acts are avoided under various indeterminate reasons, expressed in inconclusive phraseology.

(a). The State Anti-trust Act cannot subtract from the right conferred upon the patentee by Congress. This is true, but the State Anti-trust Acts do not have such purpose or effect. They have to do with contracts pertaining to tangible, visible objects; not with incorporeal franchises.

(b). The right acquired by the patentee from the government is inconsistent with the patentee's being made subject to the provisions of the Anti-trust Acts of the various states. The unexpressed assumption here, is that the government grants to the patentee the right to make, use, and sell. The assumption and the predicate thereon are

wholly unsupported. The Anti-trust Acts of the states are all enacted in the exercise of the reserved or police powers.

People vs. Russell (1883), 49 Mich., 617. Judge Cooley: "The patent laws do not determine personal capacity to contract or prescribe the requisite for sales of patented articles, or impose the customary restrictions which are supposed to be important to the protection of public morals. A patentee must obey all other regulations of police which are made for general observance."

The Supreme Court:

1852. Bloomer vs. McQuewan: "Contracts in relation to it (patented article) are regulated by the laws of the state."

1878. Patterson vs. Kentucky: "The right of property in the physical substance which is the fruit of the discovery is altogether from the right in the discovery itself."

1880. Webber vs. Virginia: "The legislation respecting the articles which the state may adopt after the patents have expired, it may equally adopt during their continuance. It is only the right to the invention or discovery, the incorporeal right, which the state cannot interfere with. Congress never intended that the patent laws should displace the police powers of the states, meaning by that term those powers by which the health, good order, peace and general welfare of the community are promoted. Whatever rights are secured to inventors must be enjoyed in subordination to this general authority of the state over all property within its limits."

It is a grievous mistake to suppose that the police power of the state over the sales of personal property is limited to suppressing traffic in noxious goods. In Gibbons vs. Ogden, Chief Justice Marshall said:

"Of course, there is no limit to the power to be derived from the purpose for which it is exercised. If exercised for one purpose, it may be also for another. No one can inquire into the mo-

tives which influence sovereign authority. It is enough that such power manifests its will."

## CONCLUSION.

If we glance back at the long elaboration which we have just inflicted on the reader, certain reflections are forced upon us in the mass. In every contention or argument, there is an ultimate fact as to which the disputants are agreed: The argument that grows up is a clash of contradictory opinions or mutually destructive assertions about the fact conceded by both sides. Always there must be this common starting point, otherwise no dispute can be initiated, much less pressed out into detailed argument.

This common ground may be a fact, the existence of which, is established by proof unquestioned by either side. Or it may be an assertion which is assented to by all parties. In the discussion just terminated the rallying point for all the divergent views takes this latter form, of an assertion which is assented to by those who deduce the variant conclusions. The assertion which gains the assent of all courts and text writers is this: The patent right consists altogether in the right to exclude every one from making, using or selling the thing invented without the patentee's consent. The Supreme Court, as we have shown, has striven for decades to thump this idea into the heads of those who peruse its decisions. But more than this, the proposition is, in form, assented to by all the lower courts whenever they come in the way of defining the patent right. We have noted this repeatedly, but even though the assertion in question is expressed and formally assented to, we find it nullified in the application and denied in the result.

This is poignantly to be regretted, for it seems to be a denial of, a refusal to accept, a consequence that is unequivocally bargained for in the universally approved definition of the patent right. If there is anything in the world by which men ought to consent to be bound,

it is the limitations which they deliberately impose upon themselves in argumentation or exposition. Unless they will consent to the compulsion of their own admissions, such a thing as a conclusion is out of the question.

When it is said that the patent franchise consists altogether in the right to exclude, the consequence, that the patentee as patentee, has no power to sell or restrain the sale of his patented article seems to us wholly irresistible. It presses in on us with all the persistency of water straining against a dam. It is no more to be escaped than the result of 20 when we have multiplied 10 by 2. It is not a conjectured conclusion, dubiously verifiable by experience. It is simply a different form of asserting the same proposition.

It may be that we can get the notion here sought to be enforced clearer by one further brief effort. In Holmes on The Common Law, page 214, we have this: "A legal right is nothing but a permission to exercise certain natural powers and upon certain conditions to obtain protection, restitution, or compensation by the aid of the public force. Just so far as the aid of the public force is given to a man, he has a legal right, and this right is the same whether his claim is founded in righteousness or iniquity."

Those thoughtful words are not found in a discussion of the nature of the patent grant, but they throw light thereon obliquely. "**Just so far as the aid of the public force is given to a man he has a legal right.**" How far is the aid of the public force given to a patentee by the patent law? Just so far as to enable him to exclude others from acting in the way of making, using and selling the thing he has invented without his consent. But not a whit further, according to the solemn and deliberate reiteration of the Supreme Court.

Look again. On page 220 of the volume just quoted, we have this further illumination: "**Again, a large part of the advantages enjoyed by one who has a right are not created by the law. The law does not enable me to use or abuse this book which lies before me. That is a**

physical power which I have without the aid of the law (black ours). What the law does is simply to prevent other men to a greater or less extent from interfering with my use or abuse." That passage also hits the patentee: a large part (we might say the larger part) of the rights enjoyed by him are not created by the patent law. The patent law does not enable him to use or abuse the invented thing before him, —the fruit of his "cares and sweat". This is a physical power which he has without the aid of the patent law.

What the patent law does is simply to prevent other men for 17 years from interfering with his use or abuse, which they do when they themselves make a specimen of the thing invented without his consent, or use such specimen so made without his consent or sell such specimen so made without his consent.

But the patentee's own right to make, use and sell is not an advantage created by the patent law. That right of the patentee (in the language above quoted) is "nothing but a permission to exercise certain natural powers, and upon certain conditions to obtain protection, restitution, or compensation by the aid of the public force". Thus one who occupies the status of a patentee has two separate and distinct claims upon the aid bestowed in the public force. One is to protect him in the exercise of "certain natural powers", viz: making, using and selling. The other is to protect him in the exercise of a certain artificial, made power, generated in him by the national government, viz: to exclude others. The patentee, as patentee, has a claim on the aid of the public force only in this second function. All men have the first claim, though it is not infrequently denied to them. The aid of the public force, given through the instrumentality of the patent law is not scattered or diffused: it is bent and confined to one narrow specific object, namely to exclude, inhibit and interdict the activity of others. When the patentee's own right to make, use and sell is imperilled, he does not, and cannot, invoke the aid of the public force through the medium of the patent law. He employs a dif-

ferent incantation and evokes a far broader, more durable and more terrific force. He calls down upon the head of his antagonist that great force that is designed to protect every man in the enjoyment of the fruit of his own cares and sweat. Thus it is manifest that when we define the **patent right** as an "exclusive right to make, use and sell," we misdescribe the thing. We speak as if the patentee may lay claim upon the public force through the promise of it in the patent law to enable him to make, use and sell. But that is not true. And it is well for the patentee that it is not true. For if that were the case, when the patent should expire, the aid of the public force would be denied him as a protection in his right to make, use and sell.

When we employ the above quoted phrase, we misconceive the bent of the public force as directed through the patent law. We confuse and obliterate the distinction between the patentee's two claims for aid in that force. The stereotype phrase would lead to the conclusion that the patent grant created the right and then quantified it in the degree signified by the term **exclusive.** This is not the case. The patent grant does not create the right at all. The right is a mere permission to exercise certain natural powers: the source of this permission is hidden away back in the unlifting mists of civilization. The patent grant does create a right, but it is something else. It does create in the patentee the power to exclude others, but that is all that it creates, despite mountainous implications to the opposite. The patentee, in virtue of his being the beneficiary of two separately derived advantages, may be said to have the "exclusive right to make, use and sell". But it is of vast importance not to lose sight for one moment of the fact, that the fructifying advantage enjoyable by him comes not from the patent law, and the exclusive feature of his right is a mere correlative to the interdicted claims of others. His right is exclusive as a consequence of the negation of their rights. The exclusive feature of his right is, in the first instance, a

mark, not of his strength, but of their weakness. The patent law, as said in the United States vs. American Bell Telephone Company, does not give him a use, which save for the patent he did not have before, but only separates to him an exclusive use. And this is done by recognizing the use to which he had entitled himself before he applied for the patent and parting it off to be enjoyed by him alone, while at the same time it is denied to others who have not his consent. Thus we come around to a repetition of what so often we have said: the patent right is purely negative.

The patentee's advantage through it is confined exclusively to his power to frustrate and inhibit the spontaneous activity of others: he is enabled to hold in check their tendency to make, use and sell without first obtaining his consent.

Furthermore, in the cases, a number of phrases are thrown loosely about with the effect of confusing the subject. The word "monopoly" as applied to the patent franchise is misleading unless consciously affixed to a single aspect, in the right to exclude. To call the patentee a "czar" is to employ a figurative epithet that implicates many false notions. A czar, whose powers are exhausted in negation, all of whose edicts are comprised in a stilted redundancy of "thou shalt not" is wanting in the essential attribute of imperative power. The patentee is a man of authority only in the sense that he can say to one "go not" and he goeth not, but he can not say "go" and thereby impel the going.

What meaning can be thought into such expressions as "fruit of the patent," "product of the patent," and "made under a patent," or "made in the exercise of a patent right?" The only "fruit" or "product" of a right to exclude, is exclusion. No other thing can possibly be derived from it. An article cannot be made "under a patent," if by such indeterminate verbiage is meant that the patent grant enabled the patentee to make it or even protected him in so doing. To say that an article was made, or used or sold by the pat-

entee "in the exercise of a patent right" is a gratuitous occultation; the phrase is devoid of meaning. It might be asserted accurately that "under a patent" or "in the exercise of a patent right," others than the patentee are forbidden to make the article. In so far as the phrases in the connection implicate an aid or protection to the patentee, they are purely negative and indicate nothing further than the restraint imposed on others. Finally, the words "patented article" are apt to have a false counterpart in our thinking. From the manner in which these two words are bandied about, one might readily infer that a patent owner who has made and has in his possession a specimen patented article, with reference to that chattel, is vested with rights unique in character, fundamentally different from his rights in his other personal property; that the law of contracts and of sales, applicable to him and his property in that article is sui generis; that the sale of a horse is one thing and that of a patented device is quite another; that a contract with reference to a patented article is in complete contrast with a contract pertaining to an unpatented chattel. According to this view, a breach of contract of the former kind is an infringement of a patent; while a broken contract of the latter kind gives rise to a claim in damages and nothing more. But again this view is wholly unfounded. A patented article when brought into existence by or under authority of the patentee, is an ordinary chattel, governed as to the disposition of it through the medium of a contract or sale by the same law that prevails in reference to other chattels.

These terms and epithets and many other like expressions do not envisage the patent right. They are glinted out in sporadic attempts to express an erroneous preconception of the thing struggled with. They are inadequate forms of expression and should be discarded in the interest of precision and distinctness.

In Gibbons vs. Ogden, Mr. Justice Johnson said: "One-half the doubts in life arise from defects of language."

One further aspect deserves notice. "A legal right is nothing but a permission to exercise certain natural powers." Of course, the right is the correlative of a duty. The duty is an obverse, a counterpart of the right. One who claims the benefit of the right must of necessity concede and submit to the burden of the duty. The right demarks the benefits accruing to the possessor and, the burdens imposed on others. The duty, on the other hand, delineates the claims of others and the burden impressed on the asserter of the right. The aid of the public force, when invoked to protect the right, at the same time presses home the burden of the duty.

A patentee can invoke the aid of the public force, given through the patent law, to exclude others, but in so doing he is hedged about with limitations. The aid is pledged for a limited period only: it can be had only through certain tribunals. If one poses as a patentee, when in fact he is none, and labels a thing patented when it is not, he may become a victim of the public force, instead of its beneficiary.

When the patentee sets about making and selling his patented article, or licensing another so to do, as we have already seen, he does not and cannot, claim the protecting aid of the public force pledged through the medium of the patent law. He is then acting in a right that is protected and limited by the public force brought to bear under the circumstances defined by other branches of the law, older, more fundamental than the patent law.

In the sphere of this right, the aid promised is qualified and conditioned by many inescapable burdens. If the patented article, a right to make, use and sell which is claimed, is in contemplation of law deemed harmful in the use for which it was designed the aid of the public force to protect the right of making and selling may be denied the patentee. This happened in the cases of Patterson vs. Kentucky and In re Brosnahan. In these instances the authoritative expounders of the circumstances under which the aid of the public force

is given or withheld conceived it necessary, completely to subvert the right to make and sell on the part of the patentee, in order that the claim of the people to the aid as a protection against a harmful thing, might be recognized and enforced. Now the aid of the public force to put down and annul all contracts in restraint of trade is solemnly and unmistakeably pledged to the people in the anti-trust legislation. These compacts, agreements and conspiracies are recognized in legislation to be as dangerous to the welfare of the people as arson, larceny or homicide. They are placed in the same category of dreaded acts and catalogued as crimes. A crime is a blow at the welfare of the community. It is a stab at the heart of institutional stability. That is true, whether the crime consists in killing a member of society, or in knotting the arteries of commerce with ligatures that impede and interrupt the freedom of trade. When a patentee enters into a contract, agreement, or conspiracy the effect of which is to restrain trade in his patented article he no longer is in a position to invoke the aid of the public force. On the contrary he has erected a lightning rod calculated to attract and bring down upon himself the consuming fire; the destructive might of that force.

Reverting now to the starting point of this summary, the three groups of cases discussed in the preceeding pages evince a misdirection of the public force.

All of the opinions assent to the proposition that the patent franchise is completely bound up and comprised in the right to exclude others. In the Heaton case this is expressly conceded. In that case the owner of the patent had made the machines and sold them. No one had interfered with him in the enjoyment of that right. He had claimed and received the aid of the public force, pledged through the patent law, in full, heaped and rounded measure. The purchaser had paid for the machines and owned them. He had a right to use them. He was entitled to the full bent of the public force to protect him in that right. The defendant was likewise entitled to the advantages

accruing to him in the exercise of his physical power in making and selling unpatented staples. This was a sovereign right; the legislature of Michigan had vehemently denounced any attempt by contract or combination to repress this right as a crime deserving the punishment meted out to barn burners and burglars. The decision had the effect of wrenching the public force out of its declared function, of giving the patentee an aid he was in no wise entitled to; concommitantly, the decision had the effect of denying to the purchaser and the defendant an aid which to them, was guaranteed by a law more fundamental that that by which the Court was created.

The characterization applies to the Neostyle, graphophone and phonograph cases. The distortion of the aid of the public force exhibited in the Rubber Tire case is even more flagrant.

In the instance of the rubber tire patent one Court of Appeals had finally repudiated the claim of the patentee to the aid of the public force through the patent law. The patentee overtly abandoned his claim through that medium; he gave up infringement suits, artificially characterizing them as "slow and expensive." Nevertheless, the patentee succeeded in parrying the fell thrust of the public force directed against combinations and conspiracies in restraint of trade by a hollow incantation concerning the protection granted by the patent law which he had in fact found inoperative to the end proposed. The aid of the public force which was dedicated to the people, by a strange transmutation, was converted into a defensive bulwark for the combine and its straw man, the patentee. We have a strange feeling, as if the armoury of the people had been ransacked at night while the sentinel was off guard and one of the most effective weapons delivered over to an insidious enemy.

Finally, if it be objected that what has gone before is wire drawn, fabricated ingeniously and expounded with abstract over nicety, we may fall back on a curt and blunt view; a sort of coarse rule of thumb. We turn again to Holmes on The Common Law. On the very first

page we chance upon this: "The substance of the law at any given time pretty nearly corresponds, so far as it then goes, with what is then understood to be convenient." Let us, then, regard these cases from the short view of convenience. We get an abrupt shock direct from the Supreme Court. In Keeler vs. Folding Bed Co. (157 U. S. at 667) that Court, in denying the rule enforced by the decisions which we have pertinaciously criticized, used this language: "The inconvenience and annoyance to the public that an opposite conclusion would occasion are too obvious to require illustration." It seems perfunctory to attempt an illustration of that which the brooding care of the Supreme Court has marked off as clear beyond the need of illustration. But if we ruminate the rule slightly the inconveniences of it accumulate in multitudes like drops of summer rain. In the case of Cortelyou vs. Johnson the Court of Appeals set forth some of them. Enforce the rule generally, and the entire public will soon be inextricably entangled in the meshes of infringement charges. A woman purchasing a patented egg beater for 9 cents may be an infringer because she did not pay the "licensed price" of 10 cents. Consider the Coffin plate in Adams vs. Burke. Suppose it sold with this metal plate inscription: "This lid is sold subject to condition that it can be used only in conjunction with a mortuary receptacle supplied by the patentee-vendor." The distracted relatives unwittingly violate the "license" and make use of a stranger's enclosure. Will the Court send its ubiquitous marshal prowling into the church yard to finger the resting places of the wearied sleepers in search of infringing property? Under this rule, the most implacably righteous citizen in the nation may involve himself in a hundred charges of infringement every year merely because he does not notice and heed the fine print warnings posted promiscuously about on the chattels which he buys and pays for.

Glancing further at this view of the matter we find this pretentious postulate of hard common sense "Law should follow business."

Bigelow: The Law of Bills, Notes and Cheques (2d Ed.) 7. We reverently venture the assertion that not one member of the judiciary who wrote the opinions heretofore dwelt on at length would himself spontaneously submit to the business regulation justified by these decisions. The proposition that one who goes into a department store and purchases and pays for an article which the proprietor owned, is an infringer, because he did not pay the price which the manufacturer said must be demanded for it, contradicts and overrides every conscious and every unconscious prepossession concerning business affairs.

Aside from any law relevant to the transaction, the notion is revolting. We instinctively recoil from it. We feel that the thing is beyond justification or intelligible explanation. Almost weekly the average citizen is purchasing various articles, patented and unpatented. He certainly does not distinguish the character or extent of his ownership in the two classes by reference to the accident of their being patented or unpatented. If we should confront one who had just purchased a pound of butter and also a patented door lock with the double pronged affirmation, that as to the butter he was absolute owner, but as to his right to use the lock he was "obviously a mere licensee" we might expect to titilate his sense of humor or arouse his resentment, but we certainly could not reasonably hope to engage him in serious debate. Waiving any question as to the title of the vendor, the purchaser knows that the butter and lock are his, to do with as he pleases. He would risk his business fortune on the certitude of that conviction. For when one buys a chattel from the owner he has, holds, owns, enjoys that thing. This is law, business practice, morals and the rules of physical force fused into one and the same indisputable theorem of society. No one can discover a warrant for doubting it at this late day. No amount of argument can upset even a mean man in that conviction.

For this bearing there are some ancient land marks. Their original finger pointings are still encrusted in stiff Latin. It may be that

this is an instinctive attempt on the part of society to preserve its juridicial postulates against the thoughtless effacements of undue familiarity with maxims couched in the vernacular. For, after all, common places are great truths which from long being lodged in the flimsy texture of men's thoughts have lost the attribute of weight and ceased to arouse. We have these venerable stops interpreted by the lexicographers.

**Pretium in loco rei succedit,** the price takes the place of the thing. **Nemo praedo est qui pretium numeravit,** he is no robber who has counted out the price. **Imaginaria venditio non est pretio accidente,** it is not an imaginary sale at which the price is paid. No one knows how far back we should have to go to find a man whose memory run contrary to those truths.

It seems worth while to throw out one more anchor to secure us in this mooring. We are unable to go further in the argument from an analytical view point. Of late we have been tugging at the matter from the standing ground of convenience. This is always, to a degree, a treacherous procedure.

For the argument from inconvenience, frequently is bottomed upon an uncleared prepossession, an obstinate prejudice rooted in the conglomerate mass of individual experiences and past adumberations of thought. But all of us live on the past and by the past are saved or destroyed. Nothing is more natural or praiseworthy than an attempt to conserve what is past, to give a rational explanation for it, to justify it in the light of subsequently derived reflections, and to force the past into unbroken continuity with the present and effective use in the future.

If the view combatted in these pages is to guide us in the future, what are we to think of the decisions already promulgated by Supreme Court in interpreting, upholding and enforcing the Anti-trust Act? It seems to us that by a slight alteration of the facts, in a mere accidental aspect, that all those decisions can be turned into a sound-

ing brass and a clanging cymbal. Let us regard them for a moment. Those decisions may be roughly parted off into two groups. One group has to do with contracts in restraint of trade, effective as between the manufacturers and vendors of chattels. Typical here are Addyston Pipe & Steel Co., Montague vs. Lowry, 193, U. S. 38, and the very recent case of Continental Wall Paper Co. vs. Voight, 212 U. S. 227. The other group comprises the carrier cases, and is represented by the Northern Securities decision. But we must keep in mind that any such classification is a conscious artifice.

All of these decisions are reducible to a common finality. "Congress has the power to establish **rules** by which **interstate and international** commerce shall be governed, and, by the Anti-trust Act. has prescribed the rule of free competition among those engaged in such commerce." Again "the natural effect of competition is to increase commerce, and an agreement whose direct effect is to prevent this merce." (193 U. S. at 331.) That, according to the Supreme Court, is the philosophy underlying the Anti-trust Act. It is true that the Act says nothing about competition, or free competition and it says nothing about forcing into existence, by proffered subsidy or threatened penalty, either competition or free competition. Nevertheless, competition and free competition undoubtedly was the industrial phenomenon prospectively contemplated and pronounced desirable by the people through Congress. That fact presses in on us at all angles. The method adopted to realize the desired condition was to forbid and remove all obstacles designed to swerve the irresistible momentum of trade out of the line of least resistance. Trade and commerce are wholly irrepressible; the attempt to completely suppress either would be as hopeless as trying to dip the ocean dry with a gourd. By a necessary law of men associated in geographical contiguity and struggling to appease an insatiable desire for patronage from a patronage that is at all times limited, competition is wholly inevitable, unless it be repressed by compacts that bottle up the spon-

taneous tendencies of the traders. The Anti-trust Act as expounded by the Court, hits at every restraint on the freedom of interstate traders regardless of the locus of the pressure. Whether the ligature that fetters this buoyant propensity to trade binds the vendor or the distributor of the subject matter, makes no difference. Either circumstance frustrates the accomplishment of the law. The people are bent on having interstate traders and their trade as free as the unlashed, speeding winds.

Now take this, "the Anti-trust Act has prescribed the rule of free competition **among those engaged in such** (i. e. interstate) commerce."

Suppose in the Addyston Pipe Co. case the fact had been that the defendants were selling a pipe that embodied a patented improvement of some kind. It is easily conceivable that the pipe might have contained a uniting device, a lip or joint that was patented; it might have been coated with a patented non-corrosive or tempered to resisting toughness by the amalgamation of a patented metallic compound. In spite of all this, the defendants would have been interstate traders; the subject matter of their trade would have been an article of interstate commerce. The combination shown to exist unavoidably would have been characterized as a restraint of that trade. Can any one imagine that the Supreme Court would have held the combination without the pale of the law because it involved a patented article? Look at Montague vs. Lowry. Suppose the tiles, mantels, and grates had all embodied patented improvements. Such a state of facts is readily imaginable. Patented designs may have ornated the mantels. The tiles might have been cut in an unique form so as to be secured by interlocking after a patented fashion. But it is impossible to believe the Supreme Court would have reached a different result had such facts formed a part of the proof.

Then we come to the Northern Securities case. In that great case the Court tore away the manacles that fettered the freedom of

three carriers to distribute goods. There was no question of rate-fixing in the case. The Federal government has no power to deal with a state corporation for a mere abuser of franchise. That government has no power under the Anti-trust Act to segregate occupations into public and private pursuits. There the Court declared the industrial entanglement illegal because its operative effect was to restrain interstate traders. The fact that the defendants were the beneficairies of state franchises, implicating public duties, was not of even slight (much less essential) importance. The defendants were engaged in interstate commerce; they were bound to each other in such a manner that the Court regarded their individual freedom to trade as bartered away by a compact. This was sufficient. There can be no doubt whatever, that the complicated industrial machinery of the three railroads embraced literally hundreds of patented improvements. The railroads doubtless owned many of the patents and enjoyed many other improvements protected by patents through license arrangements. Now, who would not smile at the presumption that would have attempted to stay the terrific sweep of that opinion by an eleventh hour suggestion that the Court was dealing with patented devices, with "instrumentalities of commerce" among which the people were not entitled to free competition? Yet that was the fact; the Court did in fact lay down the law governing trade and competition in the use of patented appliances.

We may go further and press out to an extreme of absurdity. Patented processes and patented machinery are very extensively employed in all our great industries. Sewing machines and flour mills are patented. The patentee of the machine or the mill has the right to use or license his apparatus or not, just as he sees fit. If he does license the use of it, he can state the terms of the license and the courts will enforce the terms of the contract. That is what we are told. Very well. The clothing manufacturers and the flour millers get together,

as did the makers of rubber tires. They discover an easy way around the whole vexatious Anti-trust program. The respective patentees are persuaded to issue a "license" for a nominal royalty, and bring all the manufacturers into a pool, at the same time elevating the price of clothing and bread 100 per cent. and making a dead uniformity of price for all the traders. Let us not hear it muttered that bread and clothing are not patented. That is beside the question. The producing means are: the patentee is a Czar, and he can dictate the terms upon which their use may be enjoyed. This whole contention about contracts in restraint of trade in patented articles not being prohibited by the Anti-trust Act is a gratuitous misconception of both the patent law and the Anti-trust legislation.

The patent laws and the anti-trust acts are not in conflict: They do not clash or interfere in their operation. The Federal Act is a regulation of interstate commerce. The state acts are regulations of the trade and commerce internal to the respective states. These statutes are criminal laws forbidding and punishing attempts by contract or combination to restrain trade or commerce. The patent laws have nothing whatever to do with trade or commerce. They have nothing to do with sales of chattels or with contracts in that regard. Those laws do not import any regulation of trade or commerce. They do not so much as empower or authorize the inventor to engage in trade or commerce; nor even protect him in so doing. They leave the inventor, trade and commerce as they were. Those laws grant to the inventor an incorporeal franchise empowering him to exclude others. That is all the patent laws accomplish. The right to exclude is no part of trade or commerce: it is not a tangible commodity: it cannot be traded in, handled or consumed. Exercising the right to exclude is not engaging in trade or commerce.

An incorporeal franchise cannot be the subject matter of trade and commerce. This right is the sole resultant of the patent laws. On the other hand the physical, material subject matter of the patent

is entirely distinct from the incorporeal right to exclude. The property in the right is one thing; the property in the tangible, manufactured article is another thing. A policeman is vested with the power to keep trsepassers off the court yard grass, but his official power to exclude is not to be confused with the grass and flowers. No more is the incorporeal right to exclude to be confused with a patented article. Patented articles form a large part of all trade and commerce. The patentee's right to make, use and sell them is not derived from the patent law. His right to contract with reference to them is not derived from or sanctioned by the patent law. If he is making, using and selling the patented article within a given state, he is subject to the law of that state applicable to all property within its borders. This is exactly what was said by the Supreme Court in Webber vs. Virginia: "Whatever rights are secured to inventors must be enjoyed in subordination to this general authority of the state over all property within its limits."

If the patent owner engages in interstate commerce, the only protection he can claim is that applicable to all persons similarly engaged. The anti-trust act denies to him the right to enter into a contract or combination that will operate to restrain trade in his patented article. And this is not a denial of any right or privilege sanctioned in the remotest degree by any patent statute. The patent statute has no more to do with contracts, combinations, trade and commerce than the anti-trust act has to do with the creation and assignment of incorporeal franchises.

Trading is a sovereign right of sovereign citizens. When an individual contracts to restrain his trade, he thereby denudes himself of an attribute of industrial freedom. He lowers himself to the condition of an industrial serf, subject to the beck and call of strangers to his affairs. When a corporation enters into such a compact, it has shown itself unworthy of further protection. The Supreme Court

challenges all men to the noblest conception of the exalted privilege of engaging in interstate commerce. It is a truly kingly prerogative. The products of men's cares and sweat can be hurled across an Empire with almost the rapidity of shadows on the water, without let or hindrance from any State. The facilities for transportation have already been worked up to almost diabolical perfection. Strawberries may be relished at breakfast which the evening before were picked from a divine soil five hundred miles away. Maine and Texas, Oregon and Florida may exchange products with all the ease of boys seated on the front steps swapping knives. Wonders more paralyzing are in sight. Men now living may yet contemplate the actuality of great white albatross of commerce swooping across the continent: taking the wings of the morning in the East and with the setting of the sun, lowering their burdens in the citron groves of California. Then, indeed, the heavens will be filled with shouting and the horizon darkened with the troops of sailing argosies. Tennyson's dream will yet turn reality, though the reality, as is always the case, will be stranger than the dream. If, and when, that day comes, the Supreme Court will turn to the Anti-trust Act and Gibbons vs. Ogden, and declare that the aerial inter-ocean and inter-state commerce, too, shall be free from contractual restraints. Gibbons vs. Ogden is as surely impregnated with the force of imaginative insight as Hamlet or Faust. That great decision as well as the whole overpowering magnitude of inter-state commerce cannot be fully apprehended unless the inquirer's "reach exceeds his grasp." It is one of the fundamental tenets of a masterful people that trade and traders shall be free. The real sovereigns of this great nation are unalterable in that conviction.

But we must end the whole matter. In the Northern Securities case, Mr. Justice Holmes in speaking of the Anti-trust Act, said: "The statute of which we have to find the meaning, is a criminal statute. The two sections on which the government relies, both make certain acts crimes. That is their immediate purpose and that is

what they say. It is vain to insist that this is not a criminal proceeding." Those lapidary sentences are terrible; but they express the truth. Men who enter into contracts, combinations, and conspiracies in restraint of trade, are thumbing the touch hole of a cannon, whether they know it or not. For the present, business men generally, many of whom would shudder at the thought of stealing a roll of bills or burning an enemy's house, yet regard such combinations formed by them as mere conventional crimes. They even regard their acts in forming them as clever, smart, and more than respectable. The lower Courts at times seem fascinated by the very magnitude and far-reaching effect of the broken law; they almost explain away the viciousness of the crime by dressing up the respectability of the wrong-doers. Somehow, we are reluctant to divest these combinations and conspiracies of the protective coloration of business exigency and invest them with the harrowing aspect of thorough going crimes. The atmosphere that shimmers about such acts does not seem to affect our sensibility like that which we appreciate when we reflect on theft or fractricide. It is so natural when we come to deal with fair named, high stationed, "influential" law violators, to condemn in terms of slack censure that all but condone the offense. But when we come to mete out the deserts of some inglorious criminal, some unobtrusive short changer heaved up out of oblivion by the merciless hand of the law, the air quivers with severe speech and acrimonious denunciation. The vocabulary of acerb invective is plundered for blistering epithets with which to seal the doom of a detested criminal. We marvel not at this; but we do marvel at the unbalanced emphasis, at the disproportionate resentment evoked by proof of the respective crimes. Both are heinous, but a conspiracy or combination in restraint of trade strikes us as being informed with more horror. It bulks larger to an eye fixed upon the welfare of persons in the mass. Theft, arson, kidnapping, or homicide, injure directly only the premeditated victims, though an individual criminal act unpunished,

threatens the welfare of hundreds. But the injury inflicted by a combination or conspiracy in restraint of trade directly, of its own operation, unjustly deprives thousands of their property. It is not what the conspiracy connotes or implies, but what is actually signified or denoted by it, that is terrorizing.

The lawyers who defend the actions brought to enforce the Anti-trust Act, hazard some amazing defenses. At times they concede the violation of the law for the sake of argument, and then offer as a defense the exigencies of trade, the "convenience of business," the appalling confusion incident to an enforcement of the act. "Why not analogously justify embezzlement on the ground of the defendant's urgent need of the money? Why not explain away the wrong of counterfeiting by eloquent dissertations on the inadequacy of the circulating medium? Why not glorify perjury by delineating the indicted man's irrepressible tendency to give rein to a flighty imagination? Again, these lawyers always confront the courts with one of two sophistries; they say the time is out of joint. Either the people are too much aroused about combinations and it is dangerous to take the cue of enforcement from their excited passion; or on the other hand the people are apathetic and indifferent. The statute no longer expresses the keynote of public sentiment and the courts should emasculate its literal severity in the interest of "businss convenience." Such a thing might come about, for the power to construe carries with it always the power to destroy. But there is great cause for profound thanks in the intrepid attitude of the Supreme Court. It has given abundant proof that it will not temporize the cleaving power of the act to accommodate "special interests" or to fend the remorseless consequences of criminal conduct.

The people know the inestimable importance of the law. It cannot be repealed or attenuated into ineffectiveness by insidious amendments. It is there to stay. Some of these days the public mindedness of the people's prosecutors will be aroused to a vivid apprehen-

sion of the vital import of this legislation, both national and state. The mighty nation, awakened to its untried strength, will rise to the full stature of its indomitable will, and snap all the cords that fetter its trade like a giant leashed in horse hairs or spider ropes.

Macaulay reminds us of a narrative in Oriental folk lore. The spirit of liberty had been taken captive and imprisoned. She begged for liberty and offered her captors all sorts of rewards if they would but free her. Furthermore, she promised not to avenge the insult she had suffered. But all her entreaties fell on deaf ears. The captors only accentuated her galling servitude by derisive flings and insolent jeers. Finally, having satiated the brutal appetite for unmitigated torture, the arrogant tantalizers, in a thoughtless moment, released the outraged spirit, whereupon she pounced upon them, astonished and amazed, and tore them limb from limb.

One extreme always is followed by another. The rebound is inevitable. It may be that combinations and conspiracies in restraint of trade have not grown sufficiently portentous to initiate the crashing reaction. But it cannot require much further development to reach the point of exasperating recoil. We think the long receding tide has even now set in on an incoming inundation.

It is conceivable that the day may soon come when the people's prosecutors will regard combinations and conspiracies in restraint of trade in the same light as they now regard counterfeiting, mail robberies, or kidnapping.

When that day of the people's wrath does come, splutternig about "constitutional rights" and liberty to contract, sophistical temporizing about the sacredness of property and the importance of "business" will be unavailing. These will but exasperate the avengers and add to the confusion like "rockets hurled into a midnight storm."

The Supreme Court of the nation, that ultimate conservator of our safety, the noblest governmental institution on the planet, which we pray will ever stand, but which, if it ever should go down with all

else, will fall like the last sentinel on the battlefield, like the last oak in the tornado,—it has more than once announced the only rule that points to security or appeals to patriotism. In United States vs. Lee (1882), 106 U. S. 196, these mordant apothegms come hot and quick: "Under our system (of government) the **people** are the sovereign. No man in this country is so high that he is above the law. No officer of the law may set that law at defiance with impunity. It is the only supreme power in our system of government." This was reinvigorated in the Northern Securities case (193 U. S. at 350): "So long as Congress keeps within the limits of its authority as defined by the Constitution, infringing no rights recognized or secured by that instrument, its regulation of interstate and international commerce, whether founded in wisdom or not, must be submitted to by all.

**Harm, and only harm, can come from the failure of the courts to recognize this fundamental principle of constitutional construction. To depart from it because of the circumstances of special cases, or because the rule in its operation, may possibly affect the interests of business, is to endanger the safety and integrity of our institutions and make the constitution mean not what it says; but what interested parties wish it to mean at a particular time and under particular circumstances. The supremacy of the law is the foundation rock on which our institutions rest"** (black ours). That is the rainbow in the sky; when that ceases to reappear, then government of the people, by the people, and for the people, will indeed perish from the earth.

THE END.

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