AFTERNOON SESSION

ttee reconvened at 2 p. m. at the expiration of the recess.

s. Come to order, please.

obillard, will you come forward, please?

OF CAPT. GEORGE N. ROBILLARD, UNITED STATES PPEARING FOR THE DEPARTMENT OF DEFENSE

BILLARD. Mr. Chairman, I only want to take about a half erday I discussed the eight suggestions the Department id to make, but I failed to note in the record that we prove the bill.

s. Thank you so much. When you say "we" whom do

BILLARD. The Department of Defense approves the bill.

s. You speak for all three of the branches?

BILLARD. I am representing the Department of De- my, Navy, and Air Force.

. We are glad to see that they finally are coordinating.

BILLARD. It happens occasionally.

. Mr. Rich, we spoke to you informally before the noon ou come forward please, and identify yourself for the your name and in what capacity you appear.

MENT OF GILES S. RICH, ESQ., NEW YORK, N. Y.

Mr. Chairman, my name is Giles S. Rich and I am from am a practicing patent lawyer and have been in practice I appear here as a member of the advisory committee nating Committee of which Mr. Ashton spoke in his

recall he also stated that I am and have been a member g committees which assisted in the preparation of the hich the Coordinating Committee submitted to the com- mittees.

. Do you have a prepared statement?

I do not have any prepared statement.

. All right, sir; you may proceed.

have been asked to address my remarks to section 231, infringement section of this bill. I should perhaps ex- should be selected to deal with this particular part of, , of course, very familiar, due to my activities on the Committee, with the very great amount of work which the entire bill on the part of the committee counsel and ing Committee and all of the associations which worked and sent the fruits of their labors to the Coordinating

of course, how the labors of the Coordinating Committ- l on the basis of your committee print which was pre- dies of all the legislative proposals of the past 25 years. ment section, however, has perhaps received even more han any other part of the bill. As Mr. McCabe pointed

out to you this morning, much of section 231 is based upon two prior bills which were considered in two previous Congresses—H. R. 5988 of the Eightieth Congress and H. R. 4800 of the Eighty-first Congress. Those bills dealt specifically with a subject which your reporter has recorded in reporting the testimony of these hearings as contributory fringe.

Mr. Bryson. With the fringe on top.

Mr. Rich. I can also recall having made a valiant effort to explain in previous hearings on one of those bills what the difference was between contributory infringement and contributory negligence. Somebody wanted to know who contributed to what. So perhaps I should state at the outset that wherever there is contributory infringement there is somewhere something called direct infringement, and to that direct infringement someone has contributed. It is a very different thing from a concept like contributory negligence. And it is an old doctrine that has been in the law for some eighty odd years.

In 1897 in a well-known case, *Thompson Houston Electric v. Ohio Brass* (80 Fed. 712), the then Judge Taft said of this doctrine:

> If this healthful rule is not to apply to trespass upon patent property, then indeed the protection which is promised by the constitution and laws of the United States to inventors is a poor sham. Many of the most valuable patents are combinations of nonpatentable elements and the only effective mode of preventing infringement is by suits against those who, by furnishing the parts which distinguish the combination, make it possible for others to assemble and use the combination and who, by advertisement of the sale of such parts and otherwise, intentionally solicit and promote such invasions on the patentee's rights.

Now, Judge Taft was on very sound ground in making those statements.

Mr. Bryson. That was Judge William H. Taft?

Mr. Rich. Who was subsequently President of the United States.

Mr. Bryson. Was he Chief Justice then?

Mr. Rich. At that time he was on the Circuit Court of Appeals, I believe of the Sixth Circuit.

Mr. Bryson. We frequently hear his name, or the family name, mentioned here on Capitol Hill now.

Mr. Rich. Coming specifically to 231, which I have called the infringement section, it seems to me that this is a codification of the finest kind. It does not deal exclusively with contributory infringement, but with the whole subject of infringement which is a logical part of any codification of the patent laws. You will observe that it begins with section (a) in which infringement generally is for the first time set forth in any patent statute. The laws that we have now say nothing whatever on the subject of infringement. They simply create a right and leave it to the courts to enforce it. But section (a) deals specifically with the matter and says what shall be infringement. That, of course, is direct infringement, which is the making, using, or selling of the patented invention without permission.

Then if you go over to section 281, in the next subsection of this bill, you find it states the remedy the patentee shall have in case of infringement. So it is very neat and logical arrangement.

Now, the origins of the rest of 231 are to be found in these two previous bills which I mentioned. And I will not go into great detail about them, because the hearings were published, and I presume it was because I testified at some length on both of those bills that I was

ith the subject here today. Paragraph (b), (c), and
pared with the old bills in this fashion: Paragraph
760 comes from the first section of the old bills, which
, and provides that any person who shall actively in-
ent of a patent shall be liable as an infringer.
lls section 2 was purely introductory, and then we had
. Now, those sections have been very neatly combined
committee counsel into the single section (c) of the
Ve previously had a positive statement coupled with
ent looking at the opposite side of the situation, and
elt that that was an unnecessary thing to do. You
ell say what it was and be done with it. And it has
nicely.
comes from section 5 of the old bills and deals with a
come to be known in the patent law as the misuse
will have something to say about that in a moment.
o say why I think this is codification of the finest kind.
the law the doctrine of contributory infringement at
In the last case in the Supreme Court, by which some
he doctrine was abolished, it was actually specifically
he Court. Only they said they couldn't apply it.
hand, we have the conflicting doctrine called the mis-
d we have to deal with both of them if we are to tackle
all.
known as the Mercoid cases the doctrine was to a large
d rendered obscure. In the course of testimony on
bills it became unquestionably clear that there was a
disagreement about the state of the law. How much
infringement do we have? Do we have any? The
out of which this confusion arose, the Mercoid cases,
is confusion because the Mercoid case was decided by a
n a five to four opinion, and the Court managed to ren-
te opinions. There was one majority opinion by Mr.
s in which Justices Stone and Rutledge concurred.
separate concurring opinion by Justices Black and
ere were three separate dissenting opinions, the first by
s and Reed, the second by Justice Frankfurter, and the
a Jackson.
itself left things in a rather confused state.
not an easy task for even the experienced members of
to take this situation and try to clarify it and codify it
rts had not laid down any clear-cut line. That is the
hich we wrestled. What we have been trying to do all
a sensible line in accordance with public policy as it
oday, and to make it as clear as we possibly can. And
have done within the limits of the English language
l with situations which are, of necessity, going to vary
uage so clear that it is beyond any interpreting at all.
e have courts for.
with all the work that has been done in the course of
ince the introduction of the first bill on contributory
hat we have come up with a solution which suits prac-
dy.

Now, I do not want you to get the impression that this is a controversial matter. I think the fact that at the last Coordinating Committee there was practically no controversy at all should carry a lot of weight. There was much discussion about a couple of changes of language. I don't think there is any question whatever about the desirability of dealing with this subject, and trying to clarify it, because nobody could say that they do not want the law made as clear as possible except those elements of society whose interests it is to keep things in a state of confusion.

Now, as to our solution, I think that if anything, it is on the ultra conservative side. This language has grown over the course of 4 years into a condition which has met with almost unanimous approval by the patent bar. It has taken a good deal of educating, it is a difficult concept to come to grips with. They call patent law the metaphysics of the law, and I would say that this contributory infringement business is the metaphysics of patent law. That is one reason I do not intend to go into it here today.

Mr. BRYSON. So it is the metaphysics of the metaphysics.

Mr. RICH. It is the meta metaphysics, beyond the beyond, you might say.

Mr. CRUMPACKER. Mr. Chairman?

Mr. BRYSON. Yes, sir.

Mr. CRUMPACKER. We have received protests from manufacturers of replacement parts for such things as automobiles, farm tractors, and the like, who evidently feel that the language used in this H. R. 3760 would make them contributory infringers of patents on the original article, the tractor or something of that sort.

Would you care to state your views on that subject, Mr. Rich?

Mr. RICH. Those were the most vociferous objectors to the old bills on the subject. Whether or not they would be liable would depend on the facts in each particular case. And I think that the best way to clear that up is to take up section (c) and deal with the matter specifically and point out to you the limitations that are there, which have to be met before anybody is held liable, and then leave it to you to decide whether a parts supplier should be held liable or not, depending on the kind of a part he may be supplying.

If the part he is supplying is in substance the very thing which was invented, it seems to me personally, that he is an infringer, and he should not be let off on some little technicality that there is something minor in the whole apparatus that he is not supplying.

Mr. CRUMPACKER. Now, to take specific examples, I presume that an automobile, a complete automobile, is not now and has not been for a good many years subject to a patent, although there may be some component parts which are covered by patents.

Mr. RICH. That is correct.

Mr. CRUMPACKER. Now, say you manufacture something like a crankshaft or a king pin or a spindle or spring or some item like that, for an automobile which in itself is not patentable, and the item itself is also unpatentable. How could there be any infringement of a patent? That is something I do not understand.

Mr. RICH. I don't either, because if the item itself is not patentable——

ACKER. If neither the component part or the machine it
ntentable, I do not see where there could be infringement.
Neither do I.
section 231 (c):

wingly sells a component of a patented machine, manufacture,
composition, or a material or an apparatus for use in practicing
ess

next phrase—

material part of the invention

art of the inventive contribution that the patentee made,
w that did not exist before that came from him, and that
nt limitation which is in here which was not in the old

or especially adapted for use in an infringement of such patent

equisite—

ble article or commodity of commerce suitable for substantial
se shall be liable as a contributory infringer.

t you would agree with me that just from the reading
vident that that is an exceedingly restrictive provision.

ACKER. Could you cite me some specific example of what
olation of that?

Yes. With great pleasure I would like to give you what
he latest case on this whole subject, for which I am in-
colleagues in Chicago. This is an oral opinion by Judge
ed down on the 28th of May of this year in the
lgamated Dental Co. against the William Getz Corp.
States District Court of Illinois, Eastern Division.
involved in this litigation is No. 2,949,694, and it is for
taking dental impressions.
let me explain generally what this patentee invented.
had the unpleasant experience of getting impressions
ot wax which makes your mouth burn, and with plaster
ch has to be knocked to pieces to be removed, and this
ded that he would produce a material which would set
r heating or cooling, and which would be elastic so that
emoved without pain. And he succeeded in doing so,
y this is now a successful business.
ion is claimed in two different ways: It is claimed as a
t is claimed as a material. The court in its opinion talks
the method, but from a brief quotation from the opinion
ly gather the nature of the invention.
s it would be more clearly set forth if I read you one
method.
the patent says:

rming a material for taking impressions which comprises mixing
re with an aqueous solution of an alginate to form a stiff elastic

olds "aqueous solution."
x. That is very plain.
In this method there is water involved, and likewise
terial claims an aqueous solution is called for. Other
parently could be added to this mixture which these

claims I read describe in the simplest form, and you will see them mention in the opinion which says as to the defendant's contention:

Now, here it is said that the method set forth in the patent in suit involves the use of water; that the plaintiffs, owning the patent, sell, generally speaking, sodium alginate, sodium carbonate, calcium carbonate and anhydrous calcium sulphate, or their equivalents and thereby grant licenses to

I assume that is it—

thereby grant licenses to dentists to use the method of the patent, which includes the use not only of those four chemicals sold, but also water, and thereby the plaintiffs are misusing the patent since they do not sell water, they are selling an unpatented article.

This is a fine contention under the Mercoid case. I would make it myself if given an opportunity. Anything recited in a patent claim which is omitted avoids infringement. That is a very old and well-established rule. And these claims include water in the expression "aqueous" and the omission of the water avoids infringement, at least direct infringement, and you have to rely on the doctrine of contributory infringement, although this case does not mention it by name.

Judge Barnes says:

I decided the Mercoid case in the district court and I held the patent was misused there, and I decided the so called Leyithin case, and that was another misuse case, and I held misuse there, and I am not unfamiliar with these doctrines

but when he comes to this case, he says,—and this shows you the trouble the courts are having today:

Now, I do not see the wrong in this case which I saw very clearly in the Mercoid case, and likewise saw very clearly in the Leyithin case.

And now for the students of jurisprudence he says:

And since I do not see the wrong, of necessity, it is presented to me to find out some reason why I do not see it. And I guess the best reason which has been suggested is the water referred to in this patent is just an environment. I guess that is as good a reason as anyone can suggest. I do not see why it is not valid.

And at any rate it would seem to me to be absurd—it would just be reducing a very excellent rule to an absurdity—to say that this plaintiff is misusing its patent because every time it sells a mixture of sodium alginate, sodium carbonate, calcium carbonate, and anhydrous calcium sulfate, or their equivalents, it does not also sell a little water. I think that would be reducing the rule to an absurdity.

And, as I say, the best reason that has been suggested to me as to why the rule does not apply is that the water just constitutes the environment in which these chemicals perform.

At any rate, I do not think there has been any violation of the rule laid down in the Mercoid case.

Logically, he cannot get around the Mercoid case. What he says in effect is: "Let's throw the water out of the claim and treat the claim as though it did not have any water in it, and then we have a case of direct infringement, and we do not have to worry about the Mercoid rule."

That is the same sort of problem that hits the courts regularly every time they get a fact situation of this kind, and now they decide one way and now they decide another.

Mr. CRAMPACKER. Another example that occurs to me. That is the jet aircraft engine. I understand that most of the basic features of these engines are covered by English patents. I do not think

e will come up over it, inasmuch as assignments or agree-
e been made for the use of the patent. I suppose if you
l a question concerning some nut or bolt used in a jet
gine, you would say that that is not an essential part or
nor is it a key to the basic invention, so therefore the
ver of the nut or bolt would not be guilty of contributory
nt.

e, for example the fuel-metering device which is manu-
y the Bendix Aviation Corp. Now, that, I would judge,
wfully hard to say was not a basic part of the invention,
was one of the key things that had to be developed in order
jet aircraft engine work.

Bendix Aviation Corp. may have a license on some of the
ents, too, but supposing they developed a jet fuel-metering
was substantially different from any previously existing,
at to manufacturers of jet engines. Would they possibly
f contributory infringement?

n. You have posed, sir, a very complicated question, which
eyed either way, and I am not trying to dodge the issue.
patentee invented the very fuel-metering device which
oses to manufacture without a license——

MPACKER. That would be a direct infringement, of course,
t. But if this fuel-metering device is claimed in the patent
nguage which says in combination, a combustion chamber
old, a metering device of a specific character and so forth,
efense is, well, we do not sell combustion chambers, we only
tering devices, and knowing somebody else is going to put
he combustion chamber, I would say perhaps it should be
an infringement.

have got to go into the facts, and the court has to go into
nd it is a question of whether it is a case like the first con-
nfringement case that ever was decided, the old kerosene-
or whether it is like some of the other early cases.

t let me give you two examples: You know what a kerosene
like, with a globe to hold the oils and the brass works and
himney.

he first case, which is discussed in the previous hearings on
butory infringement bills, the invention was in the brass
y were sold, I believe, attached to the base, but without any
nd the claim in the patent included a chimney as a positive
The defendant sold lamps without chimneys too, just the
aintiff did, and the defense was: "We don't infringe because
includes a chimney."

court said never mind this technicality, this is virtual in-
t because when this lamp is sold there is a certain inference
body is going to put a chimney on it.

other hand, one of the next cases that came along, which is
ne in which the words "contributory infringement" were
the device which was sold was a little relay which could be
sorts of places. And there was no proof connecting the
s relay with any direct infringement, and for that reason
iff did not prevail. But even if there had been some such
as still a common article of commerce, let us say, and many

cases came along later dealing with articles of that kind holding that to let a patentee control the sale of common articles such as stove pipe and sheet iron and nuts and bolts would be too great an interference with trade and should not be tolerated.

This thought goes back to the very earliest days. It was lost sight of in the gay nineties, this doctrine became greatly inflated, it was greatly abused, the courts justifiably cracked down on it. The whole situation got a bad smell, and in due course, this new doctrine of misuse was evolved which sort of counteracted it, and we are today left with a dilemma which we are trying to straighten out.

Mr. CRUMPACKER. I was merely citing those examples to try and clear up my own thinking on the application of this section.

Mr. RICH. Well, in each case you would have to look at the details and see what was invented, and in effect whether the alleged infringer is appropriating somebody else's invention, or whether he is not. And the one thing we have definitely tried to do is to exclude the people who sell common articles of commerce, staples, things that had nothing to do with the invention, nuts, bolts, cement, sand, nails, lumber, even things specially adapted, as Mr. McCabe pointed out this morning, to fit things into other people's apparatus, unless they are a material part of the invention. And I think that Mr. McCabe has overlooked the fact that we have added those words to this statute.

I would just like to say a word about paragraph (d) of section 231.

Mr. ROGERS. Before going to that, may I make inquiry concerning section (c) of 231.

Do I understand that that is just an attempt to clarify what the judicial decisions have said constituted contributory infringement?

Mr. RICH. I could not say, sir, yes or no, because the judicial decisions have said so many different things at so many different times.

Mr. ROGERS. That is the point I am getting at.

Mr. BRYSON. There are many of them in controversy.

Mr. RICH. This field of patent law is the only one I know of in which the Supreme Court has specifically overruled itself.

Mr. ROGERS. That leads to the next thing.

Mr. RICH. That means that when you ask me a question like that I have to say: Of what period of time are you speaking?

Mr. ROGERS. This committee was given some information to the effect that this bill was merely a restatement of statutory law plus common accepted interpretations of the Supreme Court or higher court decisions, that in its nature, the entire bill should not be a controversial one. And we come to the question of infringement of patents, as set forth here in section 231, and we recognize that the law before was: That he who does infringe shall be liable under the court decisions, which takes care of section (a) as I understand it of 231.

And then (b) is one who induces another to infringe, why, he is liable as an infringer.

And under (c) we have, as you have testified, and many others, some decisions of the court that reached to a contributor. That is, one who sets about as you demonstrated, and in many other instances, to get around—let us put it point blank—that many people sit around and try to arrive at some manner and method in which to get around a patent.

Mr. RICH. May I say that section (c) does not primarily deal with that particular kind of a situation, it deals more with a situation

e economics of the industry is such, perhaps, that the inven-
t sold in the form in which it is claimed in the patent; it is
slightly incomplete form like the lamp without the chimney,
ere is a technical defense based on the omission of something
d in the claim. As in this O'Donnell Moulding Material
stuff was sold in the package as a dry powder which the
ixed up with water, but the water was included in the claim.
not an attempt by anybody to avoid infringement, it was a
in which the patentee found it practically impossible to
his patent unless he could proceed against somebody who
echnically a direct infringer, but who was a person who did
g calculated to bring about the infringement.

ERS. In that instance he would be a direct infringer and
ibutory. Is that not the case that you illustrated?

EN. Not under the technical interpretation of the patent
e reason is that the defendant who is doing these acts is not
r using or selling the invention claimed in the patent, but
r different.

ERS. Some part of it.

EN. And the minute there is any difference between what
ing or making or using and the claim language, their it be-
nething other than a direct infringement and you have to
ferent label on it, and it is called contributory infringement.
important thing that the courts all seize upon and the thing
es all the trouble is that the thing which does not meet the
the claim becomes "an unpatented thing."

ERS. I am not sure I follow you.

EN. It is not covered by the claim, the claim doesn't fit. It
uzzle, you cannot put the one down on the other, and make
there is a difference. The minute there is a difference, there
ringement, therefore, you have to go after them under this
of contributory infringement.

ERS. Have you seen them go after the one who, according
finition, knowingly, prepares the article—and this article is
l part of it—for the special purpose of using it to infringe
t. You make all those requirements necessary in order that
guilty as a contributor.

ere you present yesterday when the Justice Department man

EN. I was not present, but I know the testimony.

ERS. You know the testimony?

EN. I have read it.

ERS. You know their thinking in the matter. It might lead
r antitrust violations, or monopolies. Have you any com-
that regard?

EN. I do have comments on the statement, with which I do
with respect to its conclusions.

I agree that this section, if enacted, would extend the law of
ory infringement.

gain we have a point of view. If you take the point of view
e is no such things as contributory infringement today, then
ould extend the doctrine by bringing it back into force to
extent. But as I remember the testimony of the representa-
e Department of Justice on the second contributory infringe-

ment bill, it was to the effect the Supreme Court had not abolished the doctrine of contributory infringement, that it was still there for application in a proper case, and that is what we are trying to do, in the bill, make sure it is there for application in the proper case.

Mr. ROGERS. Then I take it from your statements, that there is some difference of opinion among those engaged in the practice of patent law as to whether or not the Supreme Court in its decisions has done away with contributory infringement.

Mr. RICH. There is a great difference of opinion.

Mr. ROGERS. There is a great difference.

Mr. RICH. There is a great difference of opinion on the part of the bar and also apparently on the part of the judiciary, because down in the fourth circuit, in the case of *Florence-Major Nursing Co. v. Hardy*, (77 USPQ 439), the court held the defendant liable for contributory infringement and said the Mercoid case did not apply, and that the proper rule was that of *Henry v. Dick*, which was the case which the Supreme Court overruled in the Motion Picture Patent case, when it reversed itself as I mentioned earlier.

That is what they did there, and in correspondence with the attorney for the winning party in that case, he said to me flatly, "Obviously the circuit court did not properly apply the Mercoid case and I am sure that if we had gone up we would have been reversed."

Mr. ROGERS. Then in effect this recodification, particularly as to section 271, would point out to the court, at least that it was the sense of Congress that we remove this question of confusion as to whether contributory infringement existed at all, and state in positive law that there is such a thing as contributory infringement, or at least it be the sense of Congress by the enactment of this law that if you have in the Mercoid case done away with contributory infringement, then we reinstate it as a matter of substantive law of the United States and that you shall hereafter in a proper case recognize or hold liable one who has contributed to the infringement of a patent.

That is the substantive law that we would write if we adopted this section 271 as it now exists. Is that not about right?

Mr. RICH. That is a very excellent statement, and I am very glad that you made it, because the opinion of all of us in the patent bar is that this is a situation in which the decisions of the court have left us so much at sea that only Congress can solve the problem.

Mr. ROGERS. Now, I, like Mr. Crumpacker have had some letters and pose this question: They place an interpretation on this to this effect: Suppose I were the manufacturer either through a special order or I had it in my regular order of business, maybe a staple article. Of course, if it is a staple article they it would not apply. But suppose he came in on a special order and told me that he would be using it, and by the use in a certain machine then I would have an obligation to go and ascertain whether or not it violated this patent or this machine that had been patented, and that that is an obligation that is placed upon me as the manufacturer and that never existed in the law before.

Now, could you enlighten us as to what obligation the manufacturer may have had to make an investigation of that situation prior to the Mercoid case or afterward?

What I mean by that is: Did he, prior to that time, lay himself liable as a contributory infringer prior to the Mercoid case or had his status changed any by the Mercoid case, or would that depend upon

ion that you have illustrated here, that one set of the
e bar say that it has done away with contributory in-
l the other says that it has not. And this is just merely
of trying to clarify it. But in the clarification, does it
facturer of these articles under any greater handicap
ore if this was passed as a law?
don't think it places him under any greater handicap
der for a long time.
ed, in the old days, back before 1917, say, there was a
fringement doctrine which really flourished. Almost
nade any part of a patented invention, especially an
mbination, might be held liable. And business lived
years without much trouble. I don't think he is under
ndicap than every businessman is under in taking the
ment every time he makes anything.
ys of finding out, and he is certainly not terribly handi-
has to go and do this knowingly. He has to know what
for, and then if he is doing it knowingly, he only has
unsel as to whether what he is supplying constitutes a
f the invention, and so on, complying with the rest of
is an ultra conservative type of contributory infringe-
ve to balance the equities in this situation. It puts a
on some businessmen to find out what their patent was.
r hand, remember this: there may be twenty or thirty
ne patents that are granted that cannot practically be
t direct infringers because of the nature of the inven-
y it is claimed in the patent.
al compound, it is simply not feasible to go around the
very dentist who buys a package of this stuff, and the
o give the patentee some way to enforce this patent
as been given is to let him go after the brains of the
person who is really responsible and not the innocent

Well, I take it, then, that this would include the chem-
re talking about, that are necessary in a dental case,
factured one of them, and Mr. Crumpacker manufac-
nd the chairman manufactured another, and you man-
fourth ingredient necessary to make this up, we are
siness, probably making that particular chemical which
article.
e of the fact that the man has the patent on it, the rest
they want to, can go down here to the Patent Office
nbination, and suppose that Mr. X then sees that com-
then comes to me and the other manufacturers and
antities and proceeds to infringe the man's patent, and
when he buys it, that he is going to use it for that

u and each of you, it seems to me, are beyond question,
uded by the language of paragraph (c).
Because we have a staple article or——
s; because what you are selling is not a material part
ch was invented, which was a combination of chemicals
brought together from the ordinary sources of those

Mr. ROGERS. But here, I as the manufacturer—it may be a staple article and it may not—but I as a manufacturer of a certain part, have it to sell, and as I have pointed out the other four would have certain parts of it to sell, and in fact the man comes in and tells us what he is going to use it for. We then would knowingly sell him a component part of a thing that we know he is going to use to infringe a patent.

Mr. RICH. But you are still excluded because it is a staple. Either it is a staple or it is just a commodity of commerce, which has some other substantial noninfringing use.

Mr. ROGERS. Yes.

Well, then, you feel, when we sell a staple article or commodity of commerce, that any who have engaged in the business of handling those things, although we know the individual who purchased it is going to infringe a patent, that there would not be any liability on us, although we may have especially prepared that, or knew that it would be especially adapted for that purpose, that that would relieve the manufacturer from it?

Mr. RICH. I definitely do so feel. We definitely wrote this language to take care of the very situation which you have given us as an example: The chemical manufacturer who makes chemicals to order, knowing what is going to be done with them or not knowing what is going to be done with them. One of the worries of the chemical manufacturer is that his customers come in and say, "Make us up so-and-so, according to this description, and we won't tell you what we are going to do with it; it is none of your business."

Mr. ROGERS. Well, then, changing the subject for a moment, do you think that the adoption of section (c) of this section 231 will lead back to the practice that existed as I believe you said, back in 1914?

Mr. RICH. Well, not that far back. You cannot compare it to a definite era, but it would alleviate the confusion which has arisen as a result of the Mercoid case. This whole misuse doctrine began in 1932, I believe, in the Carbice case, where the dry ice was involved, and it would not touch the result of the Carbice decision.

There would be no possibility under this section of utilizing the patent to monopolize the sale of dry ice which was a staple article of commerce, or a commodity of commerce which had been known 80 years. It would still be misuse as in the Carbice case, even though this section were enacted.

Mr. BRYSON. Have you finished, Mr. Rich?

Mr. RICH. I was about to make one remark on paragraph (d) when we became involved in this last discussion, and all I want to say about it is this: It deals with the misuse doctrine, and the reason it is necessary is that the Supreme Court has made it abundantly clear that there exist in the law today two doctrines, contributory infringement on the one hand, and misuse on the other, and that, where there is a conflict, the misuse doctrine must prevail because of the public interest inherently involved in patent cases.

Other decisions following Mercoid have made it quite clear that at least some courts are going to say that any effort whatever to enforce a patent against a contributory infringer is in itself misuse. The cases are cited in the old hearings. Therefore, we have always felt—we who study this subject particularly—that to put any measure of contributory infringement into law you must, to that extent and to

only, specifically make exceptions to the misuse doctrine, he purpose of paragraph (d).
th, supports, and depends upon paragraph (c).
ON. We are very much obliged to you, Mr. Rich, thank you.
Thank you, Mr. Chairman.
ON. We will next hear from Mr. Fugate, of the Depart-tice. Will you come forward, please, and identify yourself rd?

T OF WILBUR L. FUGATE, TRIAL ATTORNEY, ANTITRUST ION, UNITED STATES DEPARTMENT OF JUSTICE

TE. Mr. Chairman, my name is Wilbur L. Fugate, and I ttorney in the Antitrust Division of the Department of

ON. Do you have a prepared statement?
TE. No, sir; I do not.
h to amplify some of what Mr. Brown said yesterday.
ON. Do you contemplate requiring much time?
TE. No, sir; I do not believe so, particularly in view of omments.
ress my remarks specifically to section 231, which he has ted upon.
N. All right, you may proceed.
E. First, I wish to refer to the statement of the Depart-tice at the hearings on H. R. 3866 of the Eighty-first ormer bill to enact this doctrine of contributory infringe-y, and in substantially the same form as this bill.
ne of contributory infringement arose out of a common- that one who aids another in committing a tortious act self guilty of a tort.
at least, has defined "contributory infringement" as the iding of one person by another in the unlawful making, ing of a patented invention.
settled that there is no contributory infringement with-fringement. It has also been settled, as Mr. Rich stated, of a staple article of commerce to a direct infringer does e contributory infringement, even though the seller of le knows that it is to be used in direct infringement.
or contributory infringement on the one hand.
doctrine which Mr. Rich mentioned is that of misuse of h has a long history. It was perhaps given body in the sion. The "misuse of patents," insofar as it has anything ontributory infringement, is the doctrine that one who may not license that patent upon condition that the pur-ot deal in goods of another; or, in other words, that the rchase unpatented supplies exclusively from the patentee. doctrine has been written into law in section 3 of the

Mercoid case merely held that the practice in that case ially similar to this "misuse" doctrine, or this "tie-in ine which the court had formerly announced. In the the patentee and his exclusive licensee had engaged in

the practice of selling an unpatented Stoker switch together with a license that the sale of the Stoker switch gave the purchasers a license to use a patented furnace assembly.

Then, in order to enforce that practice, the patentee sued suppliers of the unpatented Stoker switch for contributory infringement.

Now, the Mercoid case merely held that where there is misuse of a patent, where there is, in effect, a "tie-in clause" arrangement, which is a misuse of patents, no recovery can be obtained even though contributory infringement exists. The Supreme Court in the Mercoid case assumed that contributory infringement did exist.

Now, at the hearings of H. R. 3866, the Department submitted a list of cases subsequent to the Mercoid case in which it seemed—to us, at least—to be apparent that there was no confusion as to the doctrine of the Mercoid case, where contributory infringement did exist, and no misuse existed, why then there was no obstacle to recovery; but, where the patentee was misusing his patent, he could not recover even though contributory infringement did exist.

Mr. ROGERS. Pardon me for just a moment. Do I understand that your interpretations of the present decisions are to the effect that the Court does recognize contributory infringement?

Mr. FUGATE. Yes, sir.

Mr. ROGERS. As a cause of action?

Mr. FUGATE. Yes, sir.

Mr. ROGERS. And that this definition of "contributory infringement" is any different from that recognized in the decisions?

Mr. FUGATE. Yes. We believe that the definitions are considerably different.

Mr. ROGERS. Would you point that out?

Mr. FUGATE. I will point those differences out. I will divide it into two phases, if I may. First, the definition of "contributory infringement" proper and then the provision relating to the misuse doctrine.

You were interested, Mr. Rogers, a while ago as to whether or not someone who knowingly sold an article, especially adapted for use in a patented combination, could be guilty of contributory infringement even though he did not know it was to be so used.

Under the present law, I do not believe that he would be guilty of contributory infringement.

In that connection, I might cite the case of Lane against Park, 49 Fed. 454, in which it was held that a manufacturer who cut metal plate according to a pattern and ordered by a buyer for infringing use was not himself guilty of contributory infringement in the absence of knowledge of the purpose for which the metal plate was to be used.

I believe that represents the law on that subject.

Now, as to the fact that the article is especially adapted for infringing use, I wish to quote from the old case of *Henry* v. *A. B. Dick* (224 U. S. 1) a case which was overruled as to the misuse doctrine but not as to this particular statement. The Court in this case said that such a "presumption"—that is, the presumption that, if an article is especially adapted for use in an infringing manner there is an intent that it be so used—"arises when the article so sold is only adapted to an infringing use."

You will note that it is merely a presumption and that, if the intent doesn't exist, at least under that case, here can be no contributory infringement; and I believe that is still the present law.

s. Recognizing that the present law gives the cause of
st the one who has contributed to the infringement, I
ake that position, although some of the members of the
hat is not the law. But, assuming that to be the law from
ations of the various court decisions, how does section 231
r misstate that law or enlarge upon it and, if so, how?
E. I believe that it does. Sub-section (c) states that
owingly sells a component of a patented machine." No-
section (c) is there any reference to knowledge that the
rt is to be used in an infringing manner.
. You think that the fact that it says "whoever knowing-
ponent of a patented machine" without also putting——
E. If that means that whoever shall sell a component
nted machine knowing that it will be used in a patented
or something of that sort, why, I would think that it does
ent law. But I understood that Mr. Rich took the op-

s. What I am getting at is that this section (c) says
wingly sells" and so on "for use in practicing a patented
ituting a material part of the invention." Now, under
he has got to knowingly sell a component part knowing
utes a material part of the invention.
E. That is why I am not clear as to the meaning. I am
it means that.
I understood from Mr. Rich, he doesn't think it means

s. As I understood Mr. Rich, he said that there were
t felt that the Mercoid case did away with contributory

E. I don't believe the Mercoid case enters into this par-
It may be a matter of language. At any rate, if this
er knowingly sells a component of a patented machine"
it is to be used in an infringing manner, why, I believe
resent law of contributory infringement.
ACKER. It is purely a matter of semantics, as I see it.
knowingly" refers to the fact that it is to be used as a
her than to his selling of it.
. That is the question that I raise; yes.
ACKER. Your objection is to the phrasing of the thing
the substance of it?
s. It is to the language.
ACKER. To put it differently, if the language means that
ly" refers to the use of the article as a component part
ted thing, then you say that it correctly states the law.
. I believe so.
ACKER. Your objection is that you don't think the lan-
indicates that that is what the "knowingly" is supposed

. Yes, sir.
. It seems to me that if he sells it at all he knows he

. He knows he sells it; but, as in this case that I men-
tter of the metal plate according to a special pattern

didn't know that that was to be used in an infringing manner, that it was to be used in a patented combination.

Mr. ROGERS. Inasmuch as you recognize that the law still gives a cause of action against the contributor who helps infringe, would there be any objection on the part of the Justice Department to clarify that law in definite words so that there would not be the confusion that the gentlemen have testified to? Or is the objection by the Justice Department to the fact that you are fearful that if this is in the law it may lead to monopoly and drive out those who may have the incentive to manufacture something new or comparable to the patented article?

Mr. FUGATE. I believe we oppose it for both reasons. The Department objects to writing the doctrine of contributory infringement into the law. It is not particularly a patent doctrine. It arises from a common-law source. Therefore, it doesn't seem to have any particular place in the codification of the law of patents.

Mr. ROGERS. You think that there is not a great deal of confusion among patent attorneys as to what constitutes contributory infringement; that is, more than as to what constitutes negligence in any ordinary damage suit, recognizing that it is impossible for us to write a rule of law for every rule of conduct of every individual?

Mr. FUGATE. Yes, sir; that is the position.

Mr. ROGERS. For that reason any attempt to do it would not cover the entire field, and if this particular field were covered in some manner it would lead people to violate the so-called antitrust law?

Mr. FUGATE. Yes, sir. Our primary objection to section 231 is subsection (d); that is, the misuse doctrine. Now, at present under the Mercoid case, as I have stated, if there is misuse of patents, the patentee cannot recover either for direct infringement or contributory infringement.

Now, this section attempts to say that if there is contributory infringement the patentee may recover even though there is also misuse.

In other words, as I read the section, it would have the effect of wiping out a good deal of the law relating to misuse of patents, particularly with reference to tying-in clauses.

Mr. ROGERS. As I understood Mr. Rich, it was to the effect that this subsection (d) only went so far as to say that it is a misuse of a patent and that they couldn't recover and that it didn't go ahead and also make a contributor liable; or does it?

Mr. FUGATE. As I interpret section (d) it says that if there is contributory infringement the patentee may recover even though there is misuse. It says that if he seeks to enforce his patent rights against infringement or contributory infringement, that is, under 3 of subsection (d), reading from subsection (d), "The patentee shall not be denied relief or deemed guilty of misuse or illegal extension of patent rights."

Mr. ROGERS. Do you think there is any possibility that the Justice Department and the coordinating committee can arrive at a solution of this problem at all so that you may remove the confusion that you say exists?

Mr. FUGATE. I can't speak for the Department on that. I am sure that wherever there is a question of confusion in the law we are always willing to cooperate in any attempt to remedy it. We have taken the position that we don't think there is any confusion in the law in this

d even so we would be opposed to doing away with the
rine in preference to the contributory infringement doc-

RS. In other words, you want the misuse doctrine to stand
ecisions as announced?
TE. Yes, sir.
RS. And you think that section (d) would change those
certain respects?
TE. Yes, sir.
RS. And so far as you are concerned, you don't think that
on exists as to what constitutes contributory infringement
resent law?
TE. Yes. I might also say that I think this section comes
ending of a controversial issue. I don't believe that it
cluded in a codification bill.
RS. You say "controversial." As I understand the con-
is as to whether or not the Supreme Court still recog-
tion for contributory infringement. Now, you take the
t they still do recognize that and that there is no confu-
ult of their decisions.
is your position, is it not?
ON. Although a recent decision was decided by a 5 to 4
he Court from which came five separate reports, and that
indicate that there is any confusion?
RE. That was the Mercoid case, I believe, which Mr. Rich
e to and in which the opinions all agreed on the misuse

e that time the Supreme Court has affirmed the Mercoid
number of cases.
ON. Would you list them, please, for the record?
TE. For one there is the *United States* v. *Line Mate-*

ON. How was the Court divided in that case?
RE. I don't believe there was any dissent from the Mercoid
was 33 United States 287.
ase is the *United States* v. *Paramount Picture* (334 U. S.

here are many others in which the Court cited the Mercoid
proval.
ON. Are there any other questions?
PACKER. Yes. You say that the Department is opposed
ction (d)?
TE. Yes.
PACKER. In its entirety?
TE. Yes; I believe so.
PACKER. You mean to say that a patentee should be denied
e he has previously sought to enforce his patent rights
fringer?
TE. Not if he has been guilty of misuse of patents previous

PACKER. It doesn't say that.
TE. It says—

ner otherwise entitled to relief for infringement or contributory
f a patent shall be denied relief for or deemed guilty of misuse
sion of the patent.

Mr. CRUMPACKER. And it names three things, the third of which is that he has sought to enforce his patent rights.

Mr. FUGATE. Well, now, if that is applied generally, it includes a case where there is a misuse.

Mr. CRUMPACKER. Why?

Mr. FUGATE. Because it is all-inclusive. No one shall be guilty of misuse if he has sought to enforce his patent rights against infringement or contributory infringement. As I read it, you might also add "even though he has misused his patent."

In the Mercoid case, for example——

Mr. CRUMPACKER. It says that he shall not be deemed guilty of misuse because he has done one of these three things. It doesn't say that he shall be deemed not guilty of misuse because he has done this. I think you are reading it backward. That is, he may have done all three of these things and still be guilty of misuse, as I interpret the language.

Mr. FUGATE. That is not the way Mr. Rich interpreted it. As I understood his testimony, he said that where there was contributory infringement the doctrine of misuse would be limited, that it would be an exception to the doctrine of misuse. That is also the way I interpreted it.

Mr. CRUMPACKER. It seems to me that the language is clear, and it says that he shall not be denied relief or be deemed guilty of misuse because of having done any of these three things. It doesn't say the reverse of that, that because of having done these things he shall be deemed not guilty of misuse.

Mr. FUGATE. In the Mercoid case a suit for contributory infringement was part of the general plan of misuse of the patent. In other words, that was part of the plan of operation, the sale of the stoker switches which were unpatented with the license to use them in a patented assembly. That license was given only to purchasers of the stoker switches from the patentee or his exclusive licensee. Any others were sued for contributory infringement.

Now, the Supreme Court held that that plan of operation was substantially the same as conditioning the licensing of a patent on the condition that the purchaser purchase unpatented supplies from the patentee.

Mr. ROGERS. You are objecting to section (d) because these three things indicate that if he should do any one of the three or all of them he could still recover. Subsection (1) says "derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent." Subsection (2) says "licensed or authorized a person to perform acts which if performed without his consent would constitute contributory infringement of the patent."

Subsection (3) says "sought to enforce his patent rights against infringement or contributory infringement."

Now, in the misuse of patents have they taken those three items as outlined there and said that that constituted misuse of a patent and as a result have denied the patentee the right to recover? Have they heretofore had decisions to that effect?

Mr. FUGATE. I believe you are reading into that or rather interpreting that as meaning that a patentee shall not be deemed guilty of misuse of patents merely because he brings an infringement suit.

is all it means, why, of course, the Department doesn't

PACKER. Do you find anything intrinsically wrong in any e acts enumerated there? Is the Department opposed to oing any of these three things enumerated in this para-

E. As we read the section——
PACKER. Never mind the preamble. I mean just specif- tems enumerated, the three items. Does the Department one of those acts as undesirable or contrary to public

E. I do not believe you can read them without reading ection with the preamble. Of course, if you mean does ent oppose a patentee suing to enforce his rights by either ributory infringement action, of course, we do not oppose ve no objection to a patentee enforcing his patents. and this is not only my interpretation—you have heard erpret it as meaning that it makes an exception to the of patents where contributory infringement exists. As only my own interpretation of the section.
s. If under the present law a man should do any one things outlined in section (d), is he denied the right cause he may have performed one of those three acts?
E. Not in and of themselves.
. What is that?
E. Not in and of themselves.
PACKER. How about a combination of the three or any ree?
E. Not having had any part in writing the language, ain what it means. But I am convinced that upon Mr. retation and upon the interpretation which the Depart- ce has placed on it, it does seriously impair the doctrine patents in favor of the doctrine of contributory infringe-

. In other words, the Department's attitude is that it duty of the Court to ascertain whether or not there suse of the patent?
. Yes.
. Without the Congress saying that if he has misused ree separate items—well, I will put it this way: You hat the Congress should say that if he has misused it ways that he should thereafter be permitted to recover hould decide otherwise?
E. Don't misunderstand me, that I think that any of n and of themselves are a misuse of patents. All I am if misuse exists the Court should be able to deny re- ground of misuse of patents despite the fact that con- ingement may exist.
. Do you know of any instances where the courts have ry where a patentee has performed, by virtue of the patentee has performed any one of the three acts?
E. Well, the Mercoid case itself was a case where the attempting to enforce his rights in an action of con-

tributory infringement. Now, as I read this section, he would have recovered in that case, in the Mercoid case, under this section.

Mr. ROGERS. If this section had been in the law expressed by Congress at the time the Mercoid case was decided, then by virtue of either one, two, or three, there would have been a recovery because it may have come within one of those?

Mr. FUGATE. All the patentee was doing there was seeking to enforce his patent rights against contributory infringement. He was denied recovery for infringement because he was misusing his patent. But all he was attempting to do was to bring a suit for contributory infringement, and the Court assumed that that existed in that case.

Mr. ROGERS. I may have misunderstood the Mercoid case. Wasn't it misuse because he was requiring the purchase of something for the furnace?

Mr. FUGATE. That was misuse, and the misuse was sufficient to defeat recovery for contributory infringement.

Mr. ROGERS. Do you think any one of those three items set forth in subsection (d) would fit into the Mercoid case in any manner?

Mr. FUGATE. I believe so.

Mr. CRUMPACKER. I would like to make the observation that this is one of the few points in this bill where the language is clear and unequivocal, and it seems to me capable of only one interpretation, and that interpretation is entirely contrary to that which the Department seems to be placing upon it.

Mr. FUGATE. I believe Mr. Rich placed the same interpretation upon it. I would like to ask him if that is his interpretation.

Mr. Rich, as you interpreted this section, it would make an exception of the misuse doctrine where contributory infringement existed?

STATEMENT OF GILES S. RICH, NEW YORK CITY, N. Y.

Mr. RICH. I will agree with that to this extent: That as I testified it is necessary to make an exception to misuse to the extent that you revive contributory infringement in paragraph (c), and this whole section (d) is entirely dependent on (c). Where (d) refers to contributory infringement, it only refers to contributory infringement as defined in (c) and nothing more.

Mr. CRUMPACKER. In other words, all it says is that bringing an action against someone who is guilty of contributory infringement is not a misuse of the patent.

Mr. RICH. That is true. And there is a reason for this language. The reason is to be found in a decided case, *Stroco Products* v. *Mullenbach* (67 U. S. P. Q. 168), where a district judge out in California granted a motion for summary judgment of dismissal before trial on the ground that the complaint was merely an attempt to use the patents to maintain an unlawful monopoly of an unpatented article. The patent claimed a combination of elements for arc welding and the method.

The defendant sold control units for use in the combination and for practicing the method and furnished wiring diagrams, and advertised the use of his product.

Knowledge and intent on the part of the defendant were stipulated. He knew what his products were going to be used for. There was no evidence in the case whatsoever, there having been no trial, of any attempt to misuse the patent otherwise than by bringing the suit.

smissed the suit "according to the principles announced
l for the reasons therein stated."
ar case where merely bringing a suit against one alleged
utory infringer was per se misuse of the patent. Now,
s far as the logic of the Mercoid decision can be carried.
The judge in that case had no trouble deciding that this
in bringing them to suit.
He held that the bringing of this suit was per se misuse.
end of it. You can't sue a contributory infringer—

been other cases like that. I have them here. *The*
ic Co. v. *The Linde Air Products Co.* (80 U. S. P. Q.
situation.
We have been getting along beautifully all during
It seems as though we have run into a period of confu-
might be like the judge down home of whom it was
ore light you turned on him the blinder he got. That
as happened to the committee here. If you experts
rticular field seem confused, imagine those of us who
o have had no special training.
Ir. Chairman, you do not in the least surprise me; and
inute it might help this committee and it might help
t of Justice, if it is in an amiable mood, to know a little
ry of this section, which, as I said, came from those old
fringement bills.
hing started in New York, not in Wall Street, but in
re I come from.
Well, coming from the South, I would say that you
with unclean hands.
ow, we have a patent law association up there, as you
hich decided to tackle this problem of contributory
fter the Mercoid decision and propose some legislation.
on it through the Patent Law and Practice Committee
ar and a half to 2 years before any bill was proposed.
his contributory infringement section was a proposal
obert Byerly, as the older hearings show.
ns that contributory infringement has been a hobby of
Carbice case was decided about 1932. I wrote an article
e, disclosing that I hadn't the slightest comprehension
rt had done. Therefore, I shall not even cite it.
have learned quite a lot.
rote a proposal which was in substance along the lines
c) which revived contributory infringement and which
to me and to other members of the committee. I said,
ut it won't work because the reason we don't have con-
gement is that every time you try to enforce a patent
butory infringer, the court says it is misuse and throws

ny thing about all of these misuse cases is that what
does has nothing to do with the decision. It is never
whether or not there was infringement. They don't
the defendant is guilty or not guilty, whether he in-
't infringe.

They say to the plaintiff, "You are a bad boy, and you came here with unclean hands. You will not have the aid of this court of equity."

Nobody realized that this had happened until a suit was brought first against a contributory infringer and lost, whereupon the plaintiff's attorney said, "That is too bad, we will have to sue the direct infringer."

They sued the direct infringer, and the court said, "Too bad, you don't appreciate the ground of the earlier decision. It is the plaintiff's fault that he can't recover, not the defendant's, and it doesn't make any difference whom he sues."

Mr. ROGERS. Now, let me interrupt you there. I thought I asked the question whether or not the law gave a cause of action to the patentee against a contributor, one who contributes to the infringement, and I thought the answer was that in those cases they did have a cause of action. Now, was I wrong in getting that impression, that is, that there is an action, or that a cause of action exists at all where, in the proper cases, a man can contribute and can be recovered against?

Mr. RICH. I can only tell you that they do, even today.

Mr. ROGERS. All right, that is my impression as to the answer that was given. Now, following that, the next question is this: Would the fact that you then institute a suit against one who has contributed to the infringement result in a court automatically dismissing it because you have instituted a suit?

Mr. RICH. I can only say that they do. It depends on what court you are in.

Mr. ROGERS. What was that?

Mr. RICH. It depends on what court you are in.

Mr. ROGERS. Well then, do they dismiss it, though, because the action has been stated?

Mr. RICH. Oh, no.

Mr. ROGERS. Or do they dismiss it because you have filed a lawsuit?

Mr. RICH. No. They dismiss it because in attempting to utilize the patent to cover something which it doesn't literally cover in its claims, you are thereby attempting to extend the monopoly which is contrary to public policy and constitutes misuse.

Mr. ROGERS. That would apply in all cases?

Mr. RICH. It can if the defendant's attorney raises the point and the judge is sympathetic. But if it is down in the fourth circuit where they are not sympathetic, they may just brush off a defense based on the Mercoid case.

Mr. ROGERS. Can you conceive of a set of facts whereby one may be an infringer and a patentee has not by any act of his performed an act that was contrary to public policy that would cause the court not to dismiss the lawsuit? Have we ever had a case of that character that you know of?

Mr. RICH. Not that I can recall specifically. The trouble usually is that the plaintiff is in business, and he has a patent which he thinks protects some aspect of his business. If he isn't in business at all and is just sitting there with a paper patent invention which has never been commercialized in any way, then he can hardly be guilty of unclean hands. That situation hasn't come up yet.

ERS. As I understand so far, any action for contributory
nt has never been successful. Is that right or is it wrong?
I. The plaintiff has rarely recovered in an action for con-
nfringement since the Mercoid case.
ERS. Well, at any time before the Mercoid case?
I. Oh, yes, of course. This doctrine has been in the law,
for 80 years, and many patentees have recovered against
y infringers.
RS. All right, but since the Mercoid case have there been
ies?
. Yes. In Florence-Mayo Nuway against Hardy, there
very. That was in the Circuit Court of Appeals for the
cuit in 1948, I think.
nth Circuit in 1948, the case of *National Machine Works* v.
U. S. P. Q. 350), there was a recovery.
TE. May I just read from that case Mr. Rich mentioned.
ill clarify the issue a little bit. Judge Phillips said:

that Gerner and National should have been denied relief under
nnounced in *Mercoid Corporation* v. *Mid-Continent Company* (320
n the instant case Gerner and National are using the patent not
the sale of what is not patented, but to prevent Harris and Cal-
fringing and aiding others to infringe what is patented, Harris
ould be guilty of contributory infringement.

e of the cases that I believe we cited in the last hearing
g that the doctrine of contributory infringement still

S. It does still exist, and Mr. Rich's thought is that if
ver engaged in business, since the Mercoid case, he may
tted some act that is contrary to public policy and the
deny him relief because of that act.
TE. Now, that comes down to what the court decides is
nisuse of patents.
S. Yes.
E. Mr. Rich mentioned the Carbice case. The Carbice
e, was the case in which contributory infringement was
from the misuse angle, but because the component part
staple article of commerce, and therefore it wasn't con-
ringement at all.
en the court in the Mercoid case refers back to the Car-
y say that the doctrine of misuse hadn't been enunciated

May I participate in this dialog which I greatly enjoy
h patent law?
. You probably have some apt pupils here.
Carbice was historically the first case of misuse, although
t used in that case. The reason for the decision in favor
nt is stated in these words:

ed because the Dry Ice Corp. is attempting, without sanction of
the patent to secure limited monopoly of unpatented material
the invention.

key to that case. It was affirmed and explained again
fter by the same court, the same judge, in Lutch versus
e they were selling asphalt emulsion for curing roads.
patented process for curing the roads, and the asphalt

emulsion was old stuff. They said in effect, "The same reason, relief denied, no distinction."

Mr. ROGERS. I thought I had a clear understanding of the question. We do recognize that there is a cause of action for contributory infringement. Now, that is admitted. But the Mercoid case, as I understand it, was decided on the theory that the patentee was misusing his patent and, therefore, although one may have contributed and been guilty as a contributory infringer, nevertheless relief was denied because of the misuse of the patent.

Mr. RICH. That is correct.

Mr. ROGERS. That is correct up to that point?

Mr. RICH. That is exactly in line with Carbice, which, of course, is the case on which the Supreme Court was relying.

Mr. ROGERS. All right. Now, due to what many members of the patent bar believe, that it did away with contributory infringement cases, you feel that we should now state as a positive law a cause of action against contributory infringement as set forth in section (c), and that if he has done one of the three things in section 4, that shall not be considered a misuse of his patent, and thereby reestablish what you thought you had before the Mercoid case. Isn't that about what the situation is?

Mr. RICH. That is what we are driving at. I appreciate now that I never finished the statement I intended to make when I got up here, the history behind the reason for paragraph (d).

When the proposal was made to reenact contributory infringement or the equivalent of paragraph (c), a simple enactment, "this shall constitute contributory infringement," I pointed out to the author that it wouldn't work because contributory infringement was still with us as a legal doctrine. The only reason the plaintiff got no recovery was that he was held guilty of misuse.

So this, like the cat in Alice in Wonderland that was there but disappeared all but its smile, to be brought back and have a body again, meant that you had to do something about misuse. You had to say that insofar as we want contributory infringement back, the act shall no longer be labeled as misuse, thus throwing the man out of court.

So attached to paragraph (c) we have a paragraph (d) that says that the recovery, the enforcement against contributory infringers, the holding out of the patent against contributory infringers, and granting them licenses, the use of it to protect the business and making money out of it, and getting your reward as a patentee, all of these things shall not be misuse, and then contributory infringement, which we have had all the time, would become effective again to the extent that they wish to have it so.

Mr. CRUMPACKER. Well, as you interpret this paragraph (d), would it in any way prevent a court from holding the monopolistic practices referred to as being misuse of patents?

Mr. RICH. I beg your pardon, sir? I was distracted.

Mr. CRUMPACKER. As you interpret this paragraph (d) as it now reads, would it in any way prevent a court from holding the monopolistic practices referred to as being a misuse of a patent? That is, where a patentee had actually been engaged in trying to gain a limited monopoly of unpatented articles through the use of a patent.

Mr. RICH. If we assume that staples are excluded from paragraph (c)?

Mr. CRUMPACKER. Yes.

The answer is that (d) would not prevent their being being held to be misuse.

E. I might point out that in the Mercoid case the stoker not or may have been a staple article of commerce apted for use in a patented combination. In other words, outory infringement. The court recognized that. How- Rich pointed out, it was the action of the plaintiff which eligible to come into court and recover for contributory

. May I ask this further question? Do you know of any he plaintiff was denied relief because he had accepted acts which, if performed by another without his consent, ute contributory infringement of the patent? That is

The Barber Asphalt case, I think is typical of that, and the Carbice case. In the Carbice case there was a form the invoice. In the Barber Asphalt case they tried to the ground that they had no agreements with anybody, they were doing was deriving revenue in the form of he sale of the unpatented staple commodity for use in the

. So the court then said that that act constituted some- toward monopoly or contrary to public policy, and for nied relief to the plaintiff?

That is correct.

. Now, as to No. 2, are there any cases where licensed rsons performed acts which, if performed without their l constitute contributory infringement of the patents? Well, that is the Mercoid type of situation.

Yes.

It must, of course, be realized that if we had had a is, the Mercoid case might have been tried differently, theory. But it deals with granting licenses to people erwise be contributory infringers, not direct infringers, re only making part or less than the whole of the in-

Well now, do you know of any case where they have the plaintiff where he had sought to enforce his patent infringement or contributory infringement on this sec-

o you mean section 2, licensing?

No, section 3 of (d).

hat is sought to enforce?

Yes.

hat is the *Stroco Products* v. *Mullenbach* case.

Then the effect of (d) with the (3) in there would e Supreme Court that it is the sense of this Congress u have heretofore denied relief to the plaintiff, you h grant him relief if he has only performed one, two, ese acts in (d), and that is why the Department of ting to it?

Yes, sir.

And it would therefore necessarily follow that by (d) together we are asking the Supreme Court to not

follow the line of reasoning of declaring that a man shall be denied his day or damages if he has done any one of these three acts. Isn't that what it amounts to?

Mr. RICH. That he shall not be denied his day or damages merely because he has done one, two, or three, or all of these acts if the contributory infringement referred to in (d) is of a type which falls within the specific terms of (c).

Now, a suggestion has come to me during this discussion which may bring the views of Justice and of the patent bar together. That would be to insert in the third line of paragraph (d) before the last word "by" the word "solely" so that he shall not be deemed guilty of misuse or illegal extension of patent rights solely by reason of his having done one or more of the following.

If he has gone beyond those and done other acts which could be misuse, then the misuse doctrine would be applicable.

Mr. ROGERS. But then even with the word "solely" we would still say to the Court that if he had done one of these, he could now be permitted to recover?

Mr. RICH. If he has not misused it otherwise. If it comes within the terms of (c). If he tries to license somebody, for instance, to manufacture a staple article of commerce, to be sold in a patented invention and collect royalties, let us say, for the manufacturing of salt tablets to be used in a patented vending machine or dry ice to be used in a patented shipping container, that will be misuse because it doesn't come within the terms of (c).

Mr. ROGERS. I might ask the further question as to whether you think we have a very good chance of explaining all of this on the floor of Congress in trying to recodify the laws of patents?

Mr. RICH. No comment.

Mr. BRYSON. Any further questions?

Mr. RICH. I think there are many other sections in the law which you would have difficulty in explaining on the floor of Congress, too.

Mr. BRYSON. Mr. Crumpacker has some questions.

Mr. CRUMPACKER. Referring again for a moment to paragraph (c), do you think it is possible that the phrasing could be improved upon there to remove the possible misinterpretation referred to?

Mr. RICH. I don't know.

Mr. CRUMPACKER. Particularly with respect to the word "knowingly" and as to what the word "knowingly" refers to.

Mr. RICH. I think it is clear to most of us that "knowingly sells a component of a patented machine" means to us that you know that the component is going into that machine. You don't have to know that it is patented. You don't have to know the number of the patent, and you don't have to know that the machine that it is going into constitutes an infringement. You just know its ultimate destination.

Mr. CRUMPACKER. But the way it is phrased the word "knowingly" refers directly to the word "sells."

Mr. FUGATE. As I understand it, Mr. Rich only intends it to refer to the word "sells." The one who sells it need not know that it is to be used in a patented combination.

Mr. CRUMPACKER. As I understand it, the wrong that is supposed to be committed is the knowledge that it is going as a component in a patented machine.

Mr. RICH. Or maybe he is just selling tapered pins.

ACKER. I say that he knows that he is selling it. He may
t it is to be a component in a patented article.
I think that is a construction which nobody would ever
ction. Anybody who sells, of course, knows that he is
here is no point in saying "knowingly" if that is all it

ACKER. The Department of Justice has put that con-
. That is why I raised the question.
I can hardly believe that they would.
. I would like to know whether Mr. Rich is construing
as meaning that the supplier knows that it is to be used
ng manner.
And constitutes a material part of the patent.
. Yes, that is the point.
I have already explained that he knows how it is to be
esn't have to know about the patent, he doesn't have to be
l of that infringement.
ACKER. To someone who isn't familiar with this subject.
l clear what elements you are supposed to know about
ents you don't need to know about, in order to violate
think it could be made much more specific and more
e.
. We will have an opportunity to try to rectify those
s. Gentlemen, we have run now——

TEMENT OF I. E. McCABE, CHICAGO, ILL.

. May I have a word?
We hate to cut you off.
. For this discussion that has gone on, I have an answer.
What do you mean by a "word"?
g to leave the record open for 10 days, and any of you
have not had an opportunity to testify, if you will
lf now for the record——

OF A. ARNOLD BRAND, CHAIRMAN, COMMITTEE ON ND TRADE-MARKS, AND TRADE PRACTICES, CHICAGO ATION

If your Honor please, I would like to identify myself
Brand, chairman of the committee on patents, trade
de practices of the Chicago Bar Association. That is
association in Chicago.
to speak in support of the bill as chairman of the com-
the association itself, through its board of managers,
opportunity to review the entire matter. But as chair-
mittee, I was going to approve the bill with certain
cations.
l that those have already been presented by the co-
mittee, so if you will leave the record open we will
s appearance in support by a written addendum within

That will be fine.

Mr. BRAND. When does the 10 days expire? Would they expire on the 24th?

Mr. BRYSON. We will observe the usual legal rule as to 10 days.

Mr. ROGERS. Make it the 25th.

Mr. BRAND. That will not include Sundays, holidays, and high feast days, I hope, and, if so, I will be glad to have it in by Monday a week.

Mr. BRYSON. We will certainly appreciate your doing that, and we are sorry we couldn't have all of you gentlemen testify at length.

I think there was another gentleman here. I would like to have him identify himself. Will you come around and give your name and the capacity in which you appear?

(Addendum referred to was not furnished by time of going to press.)

STATEMENT OF R. S. OULD, PATENT ATTORNEY, WASHINGTON, D. C.

Mr. OULD. My name is R. S. Ould, and I am a patent attorney here in Washington, D. C.

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

Mr. OULD. Yes, I would like to file a statement, Mr. Chairman.

What I had intended doing, if I had been able to, was to talk very briefly about sections 116, 118, and 206.

Mr. BRYSON. We appreciate that and we hope this will serve your purpose. Members of Congress, you know, constantly have to revise and extend their remarks, so you have a precedent for that.

Now, there is another gentleman here.

STATEMENT OF JOSEPH ROSSMAN, PATENT ATTORNEY, PHILADELPHIA, PA.

Mr. ROSSMAN. I should like to have the privilege of filing a brief statement. My name is Joseph Rossman. I am a patent attorney, and formerly examiner in the United States Patent Office. I represent several corporations and individual inventors.

Mr. BRYSON. Where are you located?

Mr. ROSSMAN. I am located in Philadelphia, Pa., and also here in Washington, D. C.

Mr. BRYSON. You are one of those Philadelphia lawyers.

We will be very glad to have you file your statement.

Are there any other gentlemen appearing pro or con, in favor or otherwise?

Now, in view of this gentleman's sickness, we want to be over generous with him. Will you just proceed.

Mr. MCCABE. I believe Mr. Rich stated in his testimony a few minutes ago that inventors are not able to license patents similar to those involved in the Mercoid-Mid-Continent case, involving stokers, without violating the antitrust laws. I have a letter here from one of our salesmen dated May 11, 1951, and I want to state something here which I think will help you a lot.

In the Mercoid case on the stoker, the man licensed his patent out to a maker of one of the parts (a control). Now, here is a man who has a patent on a similar thing. He says:

The above owns the right to a patent, concerning the automatic cleaning of industrial filters by some method of air jets, I believe, and quite a number of

SION

out license on this

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