From 35 U.S.C.A. 271 Note 59, p. 36
(See also 40 Am. Jur. 646 (Sect. 159))

The test of infringement of patent is whether accused device does same work in substantially same way and accomplishes same result. Hunt v. Armout & Co. C.A. Ill. 1951, 185 F. 2d 722. See also Chicago Patent Corporation v. Genco, Inc., C.C.A. Ill., 1941, 124 F. 2d 725; Williams Iron Works Co. v. Hughes Tool Co., C.C.A. Okl. 1940, 109 F. 2d 500 (92 F. Supp. 293; 29 F. 2d 673, 13 F. 2d 337; 195 F. 2d 515; 118 F. Supp. 1; See also Borg-Warner Corp. v. Mall Tool Co., C.A. Ill., 1955 217 F. 2d 850 & 220 F. 2d 803, cert. den. 349 U.S. 946; 130 F. Supp. 471; Church of Religious Science v. Kurkead Industries, Inc., D.C. Ill., 1955, 138 F. Supp. 954, aff'd 234 F. 2d 573; Eversharp, Inc. v. Fisher Pen Co., D.C. Ill. 1961, 204 F. Supp. 649.)

Identity of result is no test of part infringement. (210 F. 2d 481)
(See "Structure...operation...and effect", 197 F. 2d 16;)
Patent infringement exists only when accused device and teaching of the patent ~~is~~ in suit are substantially identical in structure, mode of operation, and results accomplished. Stewart-Warner Corp. v. ~~Kokomo~~ Lone Star Gas Co., C.A. Tex. 1952, 195 F. 2d 645.

One who produces the same result in a different way does not infringe. Flower v. Austin-Western Co., C.C.A. Ill., 1945, 149 F. 2d. 955/
(see also, 141 F. 2d 587; 130 F. 2d 391, cert. den. ~~&~~ 317 U.S. 692; 81 F. Supp. 146; 378 F. 2d 283; 361 F. 2d 388 (Ill.);)

If accused device achieves substantially the same result in substantially the same way as patented device, the devices are the same in the eyes of the law. King-Seeley Thermos Co., v. Tasti-Freez Industries, Inc., C.A. Ill., 1966, 357 F. 2d 875, cert. den. 385 U.S. 817.

(See "substantially identical in structure, mode of operation and results accomplished. 352 F. 2d 983, cert. den. 387 U.S. 936, reh. den. 388 U.S. 925.)

Even if claim can read in terms upon an accused article, infringement does not necessarily follow, unless it can be found as an ultimate fact that article was inventor's idea as embodied in inventor's design and drawings and that there is sameness or equivalence of function and means....324 F. 2d 82 (Col.)

Test of infringement is tripartite: do accused operations do same work in substantially the same way, and accomplish substantially same result....320 F. 2d 388..... Ct. Cl...

(See also 311 F. 2d 858 (Real good case), cert. den. 375 U.S. 815, reh.den. 375 U.S. 949)

Mere application of claim phraseology is not alone sufficient to establish infringement, nor is it similarly of result, there must be real identity of means, operation, and result. North Star Ice Equipment Co. v. Akson Mfg. Co. C.A. Ill., 1962, 301 F. 2d 882, certiorari denied 835 Ct. 185, 371 U.S. 889, 9 L. Ed. 2d 122,

(See also 300 F. 2d 467; Fife Mfd. Co. v. Stanford Engineering Co., C.A. Ill., 1962, 299 F. 2d 223; 292 F. 2d 159; 287 F. 2d 552 C.A. Ind.; 273 F. 2d 293 (good case); 254 F. 2d 198; 239 F. 2d 792; 239 F. 2d 339, cert. den. 353 U.S. 964; 226 F. 2d 207.)

Infringement of patent is not made out by word-by-word comparisons between claims and issue and accused device, and there must be real identity of means, operation and result. Endeven Corp. v. Chicago Dynamic Industries, Inc. D.C. Ill., 1967, 268 F. Supp. 640

(See also 252 F. Supp. 924, Ill.: 246 F. Supp. 654; 246 F. Supp. 424; 218 F. Supp. 325 Ill.,; 215 F. Supp. 869, Ill.,; 215 F. Supp. 124. (Ill.) reversed on the grounds 327 F. 2d 391, cert. den. 377 U.S. 934)

((Cont) 207 F. Supp. 240, aff'd 314 F. 2d 440 and many other cases)

Para.60 In order to show infringement of patent which was combination of elements known in the art, patent holder was required to show every element or its equivalent was embodied in complained of element. Morpul, Inc. v. Glen Raven Knitting Mill, Inc., C.A.N.C. 1966, 372 F. 2d 732. (see also 343 F. 2d 381, cert. den. 383 U.S. 933, reh. den. 385 U.S. 995; 324 F. 2d 82; 130 F. 2d 25 (Ill.); 36 F. Supp. 378 (Wisc.) aff'd 121 F. 2d 363.

(On file history, see Peters & Russell v. Dorfman, C.A. Ill., 1951, 188 F. 2d 711.

Burden of Proof & Assumptions

31A C.J.S. 164 et seq. (Evidence section 103)

The phrase "burden of proof", as used by the courts is one of double meaning (134 F 2d 740, aff'd 321 U.S. 119; 127 F 2d 378, dissenting opinion 135 F. 2d 298, affirmed 324 U.S. 826, rehearing denied 324 U.S. 890), which circumstance has been the cause of confusion so great as to suggest the propriety of adopting a less objectionable term. The ambiguity lies in the indiscriminate use of the phrase "burden of proof", as meaning either the necessity of establishing the existence of a certain fact or set of facts by evidence which preponderates to a legally required extend, or the necessity which rests on a party at any particular time during the trial to create a prima facie case in his own favor or to overthrow one when created against him.

To avoid confusion, the phrase "burden of proof" will, in this article, be confined to the necessity of finally establishing a fact or the ultimate issue by the requisite degree of proof, since that is held to be the primary or more appropriate meaning of the phrase, the other meaning of burden of proof will be represented by the phrase "burden of evidence", and the burden of proof and the burden of evidence are not the same thing. The burden of evidence may be defined as the burden of making or meeting a prima facie showing as to an issue.

Julian Drying System Co., 346 F. 2d 336 (7 Cir., 1965) (District Court N.D. Ill. E.D., found a prior public use of the patented device under 35 U.S.C.A 102(b). The court of appeals affirmed.)

The burden of proof to establish public use or sale more than one year prior to the application date of the patent, is on the defendant. A mere preponderance of evidence is not sufficient.... Just what the test is has been variously described by the courts as clearest proof, satisfactory, convincing proof, and sufficiently clear to staisfy beyond a reasonable doubt. See 69 C.J.S. Patents Section 80.

* * *

We hold that prior public use or on sale for more than one year must be established by clear and convincing proof.

See, also, Randolph v. Allis Chalmers Mfg. Co. 244 F. 2d 533 (7 Cir., 1959)

Magee v. Coca Cola Co. 232 F. 2d 596 (7 Cir., 1956)

Arman Research Foundation v. C.K.Williams & Co. 280 F. 2d 499 (7 Cir., 1960 Cert. den. 365 U.S. 811; reh. den. 366 U.S. 941

Preformed Line Products Co. v. Fanner Mfg. Co. 225 F. Supp. 762, 769 aff'd 328 F. 2d 265 Cert. den. 379 U.S. 846

It is well established ...that critical omissions in a prior publication cannot be supplied by oral proof. Dewey & Almy Chemical Co. v. Mimex Co., 124 F. 2d 986 (2 Cir.)

See also: Lincoln Stores v. Nashua Mfg. Co., 157 F. 2d 154 (1 Cir.)

Mangacang v. Boyd 186 F. 2d 191, 195 (9 Cir., 1950)

...the burden of showing a fact fall upon the one who has peculiar knowledge thereof.

Commercial Molasses Corporation v. New York Tank Barge Corporation 314 U.S. 104, 110-111 (1941).

The burden of proof in litigation, wherever the law has placed it, does not shift with the evidence, and in determining whether petitioner has sustained the burden the question often is, as in this case, what inferences of fact he may summon to his aid. In answering it in this as in others where a breach of duty is the issue, the law takes into account the relative opportunity of the parties to know the fact in issue and to account for the loss which it is alleged is due to the breach. Since then. Since the bailee in general is in a better positionthan the bailor to know the cause of the loss and to show that it was one not involving the bailee's liability, the law lays on him the duty to come forward with the information available to him....If the bailee fails, it leaves the trier of fact free to draw an inference unfavorable to him upon the bailor's establishing the unexplained failure to deliver the goods safely.

See also IX Wigmore on Evidence (3rd ed) Sections 2508, 2485, 2491

Baumel v. Travelers Insurance Company 279 F. 2d 780, 784 (note 6.) (2 Cir., 1960)

While the "burden of proof" did not shift, when appellee made a prima facie case...appellants had the burden of going forward with the evidence to rebut the prima facie case, at the risk of an

of an adverse judgment upon their failure to do so. See 9 Wigmore on evidence, 3d ed. 1940, Sections 2485, 2487, 2489; 31 C.J.S. Evidence Section 110, p. 719; Commercial Molasses Corp. v. New York Barge Corp. 1941, 314 U.S. 104...; Guinan v. Boston, Cape Cod and New York Canal Co., 2 Cir., 1924, 1 F 2d, 239, 245.

Guinan v. Boston Cape Cod & New York Canal Co. 1 F. 2d 239, 245 (2 Cir., 1924)

In a case such as the one now before the court, the libelants a are not bound to prove more than enough to raise a fair presumption of negligence on the part of the defendant and of resulting injury to themselves. If they have done this, they are entitled to recover, unless the respondent has produced evidence sufficient to rebut the presumption.

Chicago, Ill. Ry. Co. v. Pritchard, 79 N.E. 508, 512 (Supreme Court of Indiana, 1906)

Presumptions of fact are but conclusions drawn from particular circumstances, the connection between them and the sought for fact having received such sanction in experience as to have become ~~recognized~~ recognized as justifying the assumption. 1 Starkie on Evidence p. 78.

Sheldon v. Brandstetter 60 N.E. 2d 576, 578 (Appellate Court of Illinois Second Dist. 1945)

A presumption is not evidence in itself, but is a mere legal conclusion from facts proven, which may be rebutted by evidence. Presumptions are never indulged in against established facts. They are indulged in only to supply the place of the facts. As soon as evidence is produced, which is contrary to the presumption which arose before contrary proof was offered, the presumption vanishes entirely.

Insurance Company v. Weidle 78 U.S. (11 Wall) 438,440 (1870)

(P)resumptive evidence proceeds on the theory that the jury can infer the existence of a fact from another fact that is proved and usually accompanies it.

Commissioner of Internal Revenue v. Clark 202 F 2d 94 (7 Cir., 1953)

...(A) conclusive or irrebuttable presumption...states a rule of substantive law. This is in contrast to a rebuttable presumption which only states a rule of evidence and which the opposing party is entitled to overcome by proof. United States v. Jones, 9 Cir., 176 F. 2d, 278, 288.

Maggio v. Zeitz. 333 U.S. 56, 65

(as quoted in 201 F. Supp. at p. 554)

"language can, of course, be gleaned from judicial pronouncements and texts that conditions once existing may be presumed to continue until they are shown to have changed. But such generalizations, useful enough, perhaps, in solving some problems of a particular case, are not rules of law to be applied to all cases, with or without reason."

"***Under some circumstances it may be permissible, in resolving the unknown from the known, to reach the conclusion of present control from proof of previous possession. Such a process, sometimes characterized as 'presumption of fact', is, however, nothing more than a reasoning from one fact to another, an argument which infers a fact otherwise doubtful from a fact which is proved."

Trustees of Schools of TP No. 80, Lilly 26 N.E 2d, 489, 499 (Supreme Court of Illinois, 1940)

A presumption is an inference which common sense draws from the known course of events or from circumstances usually occurring in such cases....A presumption of fact has the force and effect of a prima facie case and relieves, temporarily, the party in whose favor it arises from presenting further evidence. It is not evidence, of itself, but a legal rule or conclusion which may be rebutted directly by evidence, or shown not to apply to the particular facts in the case.

Footnote

* While the terms "burden of evidence" and "presumption of fact" are not synonomous, they are, at least in some instances, related. Where, as here, there is an admission of the fact that a "printed work existed and that in the normal course of business the work would be reproduced and disseminated in two weeks, there is a presumption that in fact what normally would occur, did occur; that "conditions existing may be presumed to continue until they are shown to have changed," ; Maggis v. Zeitz, 333 U.S. 56, 65. The burden of evidence is, therefore, on plaintiff to show that the usual did not occur.

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* Wigmore says there is no such thing as a "presumption of fact" only "presumption of law" and that the former term should not be used, but Courts have and do use it nevertheless.

9 Wigmore on Evidence 461 (Section 2530-Third Edition)

It is often said that when a... state of things...is shown to have existed at a certain time, its continuance is presumed.

footnote 7 p. 462

England: 1840, Sales v. Key, 11 A & E. 819, 822 (a custom of election shown to exist in 1689, presumed in law to continue, there being no evidence to the contrary).

9 Wigmore 289

There is in truth but one kind of presumption and the term "presumption of fact" should be discarded as useless and confusing.

Nevertheless, it must be kept in mind that the peculiar effect of a presumption "of law" (that is, the real presumption) is merely to invoke a rule of law compelling the jury to reach 'the conclusion' in the absence of evidence to the contrary from the opponent.

9 Wigmore on Evidence 354-S (Section 2499 Third Edition)

(California code lists a number of what are called "disputable presumptions" and Wigmore terms "standard presumption") "20. That the ordinary course of business has been followed."

31A C.J.S. 304 (Evidence Section 139)

§ It is a well established rule of evidence that events or facts which usually happen...in the ordinary course of business... are presumed to have happened...in any particular case, unless the contrary appears from the evidence.

United States v. Kansas Gas and Electric Company, 215 F. Supp. 532, 542-3 (D.C.D. Kansas, 1963)

Among the obvious presumptions which govern a trial court are....that the ordinary course of business has been followed....

Robinson on Law of Patents, Vol. I, Section 325, p. 446 et seq.

325 The second method recognized by law in which an earlier invention may be made accessible to the public is by ✱ Prior Publication. To have this effect of publication must be: (1) A work of public character, intended for general use, (2) within reach of the public; (3) published before the date of the later invention; (4) A description of the same complete and operative art or instrument; and (5) so precise and so particular that any person skilled in the art to which the invention belongs can construct and operate it without experiments and without further exercise of inventive skill.

326 A work of public character is such a book or other printed document as is intended and employed for the communication of ideas to persons in general, as distinguished from particular individuals. Private communication, although printed, do not come under ~~the~~ this description, ~~which~~ whether designed for the use of single persons or of a few restricted groups of persons. But though the subject of the publication may be highly technical, and therefore interesting only to a single class of individuals, yet it prepared for general circulation in that class, it is a public, not a private work. Thus, the application for a patent, although printed, unless intended, as in England, as a method of communication, is not a publication.

327 The publication must not only be intended for the public; it must also have been placed within their reach. In other words, it must have been actually published in such a manner that anyone who chooses may avail himself of the information it contains. It is not

necessary that many copies of the work should have been printed, nor that its distribution should have been extensive; for the deposit of a single copy in a library to which the public have or can obtain admission places the work within the reach of all. Nor is it requisite that any person should have read or seen it, since the accessibility of knowledge, and not its actual possession, is all that any inventor can secure. And even though the information be so intermingled with discussions relative to other subjects that it may easily escape attention, and would require some skill and patience to extricate it, the publication will still be sufficient.

328 The publication must precede the date of the invention of the later art or instrument, since otherwise the public could not already be possessed of that which its inventor is now able to bestow. The date of the publication, however, is not necessarily the same as that of the printing of the work, nor is it conclusively indicated by any allegation in the work itself. Its publication is its issue to the public,--a fact the date of which may be established by any evidence sufficient for the purpose; and if the date, so proved, precede the date of the invention in dispute, the latter cannot be a new invention.

Footnote from Robinson p. 446 et seq.

In reeves v. The Keystone Bridge Co. (1872) I.O.G. 466, 470:

> "Section 15 of the Patent Act of 1836--and it has been incorporated in the Act of 1870--provides that a patent may be successfully opposed by showing that the thing patented 'has been described in some public work anterior to the supposed discovery there of by the patentee.' It is obvious that this provision requires, first, a description of the alleged invention; second, that it shall be contained in a work of a public character and intended for the public; and third, that this work was made accessible to the public by publication, before the discovery of the invention by the patentee.

Mr. Webster (1 Web 718.¥) says:

> With respect to the legal effect of the publication in a book,--on the principle... that the knowledge on the part of the public are the same, and that the public has acquired little or nothing by the specification which it did not possess before, it has been generally assumed that the production of a book which was in the hands of the public before the date of the patent will negative the title of the patentee as the true and first inventor.

_M_E_M_O_

The term "printed publication" appears twice in 35 U.S.C.A. 102(a) one is barred from a patent if "the invention was ~~in~~...described in a printed publication...before the invention thereof by the applicant"; and by 102 (b) if "the invention was...described in a printed publication... more than one year prior to the date of the application". The term in each section is the same, but the philosophy behind the term in section (a) differs from that in section (b), as will become apparent from the discussion to follow:

The Patent Act of 1793, 1 Stat. 318, allowed defendants to plead that the "thing...secured by the patent...had been described in some public work, anterior to the supposed discovery of the patentee"* and the revision of the act in 1836 allows a similar plea that the invention "had been described in some public work anterior to the supposed discoveryx thereof by the patentee..." Gillikson v. Halberg, 75 U.S.P.Q. 252, 254. Section 7 of the Act of 1836, 5 Stat. 119-120, states that the Commissioner may refuse a patent if the "invention had been ...described in any printed publication...prior to the application" but further if the Commissioner finds that the applicant is claiming something "before...described in any printed publication" he shall apprise the applicant of that fact.

In the Act July 8, 1870, C 230, 16 Stat. 201; Section 24 reads in part as follows:

> That any person who has invented or discovered any new and useful art, machine, etc...not...described in any printed publication...before his invention or discovery...may...obtain a patent thereof.

* The Act provided also, for an allegation that the invention was "not known or used before the application"; See the Rannock decision, infra, for an interpretation.

Not

1 Stat. 318, Section 1 (Act of 1793)

"the full and exclusive right and liberty of making, using, and vending ... [the] invention ..."

The above quoted portion of Section 24 is, then, the basis of 102 (a).

It is interesting to note that the acts before-discussed all relate to a publication (and also use) prior to the invention, but Sec. 15, 5 Stat 123, ~~ch~~ C. 357, Act of 1836, provides also as a bar that the invention "had been in public use...with the consent...of the patentee before his application for patent." And said Section 24 provides as a bar to patent that the invention had been "in public use or on sale for more than two years prior to his application"; and this latter, (as well as Section 1 of the Act of 1793; see footnote on previous page) is the basis for 102(b), although no mention was made in the ~~1836~~ 1836 or 1870 statute of a printed publication as it related to the two-year provision.

Section 24 was amended March 3, 1897, c. 391, 29 Stat. 692, Section 4886, which reads in part as follows:

> Any person who has invented or discovered any new and useful art, machine, etc.,... not...described in any printed publication... before his invention or discovery thereof, or more than two years prior to his application... may...obtain a patent therefor.

We thus find the 2-year provision, as it applies to a printed publication, first coming into the patent statute in 1897. The amendment of May 23, 1930, C 312, 46 Stat. 376, Section 4886, made no change in the above-quoted provision and in 1946 the 2-year provision was changed to 1-year, 53 Stat. 1212. The Patent Act of 1952 repeated the substance of the above.

Some light on the 2-year provision may be cast by reference to some of the cases which interpret that provision as it relates to use.

** Two year provision enacted first in 1839, section 7 of the Patent Act of 1839.
* The Act of 1793, section 1, also provides for an allegation that the invention was "not known or used before the application" for a patent.

An early case, ~~is~~ that of Egbert v. Lippman, 104 U.S. 333 (1881), held that the use by one person of "a pair of corset steels" now covered by the patent in issue, more than two years prior to the filing date, was a public use, "The effect of the law is that...if the invention is in public use prior to that time [two years], it will be conclusive evidence of abandonment, and the patent will be void." The Court noted, further, that to be a public use "it is not necessary that more than one of the patented articles should be publicly used;" and "whether the use...is public or private does not necessarily depend upon the number of persons to whom its use is known."

In 1839 the Act of 1836 was modified to allow a two-year use prior to filing an application for patent. This relieved the patentee for a use except where there was "a continued prior use for more than two years before the application for a patent." McClurg et al. v. Kingsland et al. 42 U.S. 202, 208 (1843). This relieved the harshness of the prior acts where any public use prior to application barred a subsequent patent. For, as said in Pennock v. Dialogue, 270 U.S.1, (1829):

> If the public were already in possession and common use of an invention...there might be found reason for presuming, that the legislature did not intend to grant an exclusive right to any one to monopolize that which was already common. There would be no quid pro ~~quo~~ quo....

(T)he first inventor cannot acquire a good title to a patent, if he suffer the thing invented to go into public use...before he makes application for patent.

The law in this respect, as previously mentioned, ~~has~~ now gives the inventor one year to apply.

Thus the reasoning behind 102(a) is that the public once in possession of an inventive concept or thing is not be to precluded from the use of such by the fact that another later makes the same invention.

The reasoning behind 102(b), however, is that if one or more of the events therein enumerated was taken place then no valid patent can thereafter issue since, even if the person who initiated such events were the inventor, he shall have lost his rights thereto for the "inventor may abandon his invention, and surrender it or dedicate it to the public." Pennock v. Dialogue 27 U.S. 1, 15 (Story, Justice). Whereas in the Pennock decision "the public use and sale" (p. 23) that voided a patent was any such use and sale any time prior to the filing of the application for patent, now a one-year period subsequent to such use and sale is allowed under 102(b). ~~The inventor who permits the public use "'may not have intended to give the benefit of his discovery to the public...but it is not a question of intention,' 'but of legal inference, resulting from the conduct of the inventor, and affecting the interests of the public...' Grant v. Raymond, 31 U.S. 217, 248 (1832).~~

"The patent law was designed for the public benefit, as well as for the benefit of inventors. For a valuable invention the public, on the inventor's complying with certain conditions, gives him, for a limited period, the profits arising from the sale of the thing invented.... But it was not the intention of this law, to take from the public, that of which they were in fair possession...It is undoubtedly just, that every discoverer should realize the benefits resulting from his discovery, for

(A) Some of the decisions of the circuit courts which are referred to, were overruled in the case of Pennock v Dialogue. They made the question of abandonment to turn upon the intention of the inventor. But such is not considered to be the true ground. Whatever may be the intention of the inventor, if he suffers his invention to go into public use through any means whatsoever he is not entitled to a patent. Nor will a patent obtained under such circumstances, protect his right. Shaw v Cooper, 32 U.S. at p. 322.

for the period contemplated by the law. But these can only be secured by substantial compliance with every legal requisite.... A strict construction of the act, as regards the public use of an invention, before it is presented, is not only required by its letter and spirit, but also by sound policy." Shaw v. Cooper, 32 U.S. 292, 320-322 (1833).

Under 35 U.S.C.A., 102 (a) as previously noted, a person is not entitled to a patent if the thing patented "was known... by others in this country...before the invention thereof by the applicant for patent"; whereas, under 35 U.S.C.A. 102(b) a bar to patent occurs if "the invention was...described in a printed publication... more than one year prior to the date the application for patent".

Thus, the theory of 102 (a) is that the invention was in the public domain prior to the time the present inventor made his discovery and he cannot, therefore, acquire an exclusive right to something that is the property of all. Under 102(b), however, the invention was made prior to knowledge by the public so that something was added to the store of public knowledge. In this latter set of circumstances the inventor, if he complies with the provisions of the Patent Act, may obtain a patent. If, on the other hand, he uses his discovery in such a fashion that the knowledge thereof becomes public knowledge more than one year prior to his application, then he is said to have dedicated his invention to the public. And once dedicated it cannot thereafter be recovered by him.

Is it not fair to say then that a report, for example, to a government agency disclosing the inventive concept is such a disclosure as will amount to a dedication of the invention therein to the public unless, within one year of the report the inventor shall have applied for a patent? Is not that the substance of the many decisions that have been handed down relative to public use, sale, and description of the invention in a printed publication? Is not the public knowledge or the availability of such knowledge the foundation upon which validity of patents has been challenged? Why then must the courts attempt to draw such a fine line between that which is printed and that which is typed? Why, for example, should a typed thesis be less a bar to a patent than one which is printed? Admittedly the printed thesis is more apt to be given more widespread circulation than the typed. But that is not necessarily so. Furthermore, it is the first "publication" that raises the bar to a patent. Subsequent publications have no meaning in that respect. In short, therefore, once an inventor has made available to the public the discovery upon which a patent is based, he is bound to apply for a patent within the statutory period, now one year, of such disclosure, and it is of little moment that the disclosure is "printed" or made available by other means. It is sufficient that the disclosure passes along to the public, the ~~inventor~~ion.

On the matter of "printed publications" the decisions are of a most uncertain nature. The courts have wrestled with the matter of whether a particular writing has been "printed". Thus in the college thesis cases argument has been made that the writing was typed and not "printed", as required by the statute; or that the disclosure is on microfilm. A single copy of a printed book containing a disclosure and placed upon a library shelf would be held to be a bar while the same disclosure typed might not and the same disclosure on microfilm on the same library shelf might not. This is indeed form without substance. For if a disclosure has been made in any one of the mentioned ways, it should become a bar to a patent unless the one-year portion of 102(b) is conformed to.

Similar remarks apply to the matter of "publication". It has been held, as previously mentioned, that a single copy of a book on a library shelf is a "printed publication". At what point, it may be asked, does the book become a publication? Is it when it is removed from its cover and placed on the shelf or is it when the library receives it, though it may not be placed on the shelf for a day or a week or longer? Or is it when it is mailed, if this is the fact, to the library, ~~or~~ as has been held to be the law as regards offer and acceptance in contract cases (and, similarly, service by mail under, for example, Rule 5 of the Federal Rules of Civil Procedure, wherein: "Service by mail is complete upon mailing.") Cases have said that the sale of a book shall constitute a "printed publication" and it has been said that even an offer for sale will come within 102(b), if the book has already been printed.

Where does that leave the defendant here? No offer for sale is necessary. The offer is a general one. Once the first copy of the writing has been made and approval of that copy for dissemination has been made, as is the fact here, then duplicates of that copy are made and mailed or otherwise distributed to a prescribed group of libraries and the like, in the normal course of business. Can it not be said, therefore, that the "publication" has taken place of a "printed" work at the time that approval of the first printed copy of that work has been given, with the ~~patent~~ intent that the work be thereafter reproduced and disseminated to the prescribed group? Is it not so that the work at that precise time has been made accessible to the public? Nothing more need be done to make it accessible, other than the routine reproduction and mailing. Certainly no change is rendered in the work between that precise moment and the time that it is delivered and deposited on the library shelf.

In addition, if a large number of such works are mailed at the same precise moment, is it the first to arrive that becomes, magically, the publication that may later invalidate a patent? Suppose the first to arrive is at the office of some government agency and is placed on the library shelf of that agency, unclassified. Is that not a publication? How does that differ from the Library of Congress, in substance? But perhaps the work does not go directly to the library, but is, rather, kept by the recipient and read, surely that is equal to being placed on a library shelf, unread. Is it not so that a person who works for the government is in his own right a member of the public--

as much so as a person who works for General Motors, and perhaps more so since he is paid out of public funds? There may be some good sound policy for making a distinction between government agencies and others when the government agency is under secrecy, but no such public policy ought to exist as to non-classified agencies.

A report, then, to a government agency ought to be a printed publication (although, there are cases that progress reports to private companies under work contract, are not "printed publication"--see typed case re same); and in Application of Borst 345 F 2d 851, 854 (C.C.P.A., 1965), the court says, by way of dicta, that:

> Samsel was clearly not publicly available during the period of secrecy classification by the Atomic Energy Commission. We note that the date of declassification, however, was prior to appellant's filing date, and it is arguable that Samsel became accessible to the public upon declassification. But we do not find it necessary to decide that difficult question...

(Note that the question of a printed publication is not in issue in Borst. It is rather "knowledge" under 102(a); no cases have been found on whether or not printed or otherwise produced reports to a government agency have been an issue on the matter of printed publications. Logically, however, the matter might turn on the reason for such reports and that manner of handling subsequent to receipt by the government.)

M E M O

Defendant has now moved that the complaint be dismissed summarily alleging as the basis for such dismissal that the invention was described in a printed publication more than one year prior to the filing date of application for the patent in issue. While Rule 56 applies here in the same manner as it does in defendant's accompanying motion on the matter of misuse, yet there is a delicate difference. The proofs upon which the accompanying motion is based are on the record and the court need merely decide if the proofs, as a matter of law, show that plaintiff has misused the patent. In the present motion, however, the court has before it facts from which it may infer further facts, the latter being a basis for the conclusion that a printed publication existed more than one year prior to the application for patent. It is in order, then, to discuss first the burdens on the parties in such a situation and then to discuss the characteristics of a "printed publication". The order used has been chosen because it has been concluded that the known facts alone do not support the conclusion that there has been a "printed publication", although an argument is made in the notes that there has. At the present state of the proofs a printed publication can only be inferred from the admitted facts. The basis for an inference can be that plaintiff, in the absence of further submitted facts, has failed to sustain the burden of evidence as the term is defined in 31A C.J.S. (Evidence) Section 103; or that a presumption exists that from the admitted facts the further fact of "publication" can be inferred. Whichever of the paths taken, defendant's position is strengthened by the fact that "the law takes into account

the relative opportunity of the parties to know the fact in issue" and plaintiff "is in a better position than" defendant "to know" whether or not there was a publication before the beginning of the one-year period. Commercial Molasses Corporation v. New York Tank Barge Corporation, 314 U.S. 104 (1941). See also, 9 Wigmore on Evidence 275 (Section 2486 -- Third Edition) which states:

> ...The burdens of proving a fact is said to be put on the party who has peculiar means of knowledge enabling him to prove its falsity if it is false.

A very good exposition, for defendant's purposes, of the matter of summary judgment is contained in 3 Federal Practice and Procedure (Barron and Holtzoff--Wright) 138 et seq., section 1235, entitled "Burden of Proof and Presumptions", which reads in part as follows:

> One who moves for summary judgment has the burden of demonstrating clearly that there is no genuine issue of fact....Facts asserted by the party opposing the motions and supported by affidavits or other evidentiary material, must be taken as true.
>
> Under these principles, what showing must be made by the party opposing summary judgment?
>
> * * *
>
> It should be enough to disclose merely sufficient evidence by affidavits or by use of discovery methods to demonstrate that there is a material issue of fact....If...the moving party presents evidence which would entitle him to a directed verdict if not controverted and the opposing party does not discredit it, the opposing party must at least specify some opposing evidence that

the relative opportunity of the parties to know the fact in issue "and plaintiff" is in a better position than "defendant

he can presemt which will change the result....Facts set out in the moving party's affidavit showing he is entitled to judgment must be accepted as true when not met by counter-affidavits or testimony. The mere denial of the moving party's contentions, without showing any facts admissible in evidence, raises no issue of fact....In one case (Judge Frank)...spoke for a unanimous court in upholding a grant of summary judgment on the ground of laches, where the facts were within the knowledge of the party opposing the motion and his affidavit stated no facts to avoid the claim of laches [Dixon v. American Telephone and Telegraph Co., C.C.A. 2d 1947, 159 F. 2d 863, cert. den. 332 U.S. 764, reh. den. 332 U.S. 839 and 333 U.S. 850;

see also Vermont Structural Slate Co., Inc. v. Tatko Bros. Slate Co., Inc. C.A. 2d 1956, 232 F. 2d 9, affirming summary judgment as "a most useful legal invention to save time and ~~money~~ expense."]

(Further recent cases noted in Barron and Holtzoff are included in annexed Appendix A)

APPENDIX A

Where party moving for summary judgment has clearly established certain facts, particular circumstances of the case may cast on opposing party a duty to go forward with controverting facts, so that ~~xxxxx~~ failure of opposing party to discharge that duty will entitle movant to summary judgment. International Longshoremen's and Warehousemen's Union v. ~~Court~~ Kunz, 334 F. 2d 165 (9 Cir., 1964).

On summary judgment motion by defendant where defendant's affidavit made out a prima facie defense, plaintiff was required to come forward and set forth specific facts showing there was a genuine trial issue. Pappas v. Bliss 36 F.R.D. 691 (D.C. Pa. 1965).

Once the movant has made a showing, the burden rests on opposite party to show that he has a plausible ground for maintenance of cause of action in his complaint, or if a defendant that he has a ground of defense fairly arguable and of substantial character and the burden rests on him to meet the moving party's evidence with facts, in detail and with precision, sufficient to raise a general issue of material fact. U.S. v. Daubendick, 25 F.R.D. 50 (D.C.D. Iowa, 1959).

See 10 F.R.D. 187-where plaintiff's attorney attempted to create issue of facts of which he had no knowledge, upon information and belief and summary judgment was granted.

See also 44 F. Supp. 499, where publication was used in summary judgment.

See also 2 F.R.D. 236

End Appendix A

9 Wigmore on Evidence 275 (Section 2486)...the burden of proving a fact is said to be put on the party who has <u>peculiar means of knowledge</u> enabling him to prove its falsity if it is false.

The case now to be discussed touches lightly the point we are trying to make, that a party has the burden of refuting evidence by the other party, by evidence of its own. Where, as here, we have an admission of the existence of a printed report approved for distribution six weeks before the beginning of the one-year period and further evidence that normally the reproduction and mailing of the printed report would occur within two weeks of approval, then there is a presumption (rebuttable, of course) that such reproduction and mailing took place within the two-week period. In the absence of rebuttal the court could infer* that the reproduction and mailing did in fact take place in the normal two-week manner. Further, in the absence of rebuttal, the court could conclude that plaintiff had admitted to the reproduction and mailing in such period. Or defendant could make a request for admission under Rule 36 as was done in United States v. Jefferson Trust and Savings Bank, 31 F.R.D. 137, 139 (D.C.S.D. Ill. N.D., 1962) in which which the court, granting defendant's motion for summary judgment said:

> The provisions contained in the quoted language (Rule36) are strictly construed and rigidly enforced in this Circuit. Thus, in Princess Pat, Ltd. v. National Carloading Corp., 7 Cir., 223 F. 2d 916, the defendant's response to a request for admission "that it did not possess sufficient information upon which to form a belief of the truth or falsity of such statements" and that defendant neither admitted nor denied them, was treated by the trial court as an admission of the facts contained in the request.

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* "It is a well established rule of evidence that ... events which usually happen ... in the ordinary course of business ... are presumed to have happened ... in any particular case, unless the contrary appears from the evidence. 31 A C.J.S. 304 (Emphasis supp. 1964)

> Upon appeal, the court affirmed..., holding that the response did not fairly meet the substance of the requested admissions and could not be construed as a good faith qualification in a ~~good faith~~ negative answer. In view of...Rule 36, the court said that there was "no persuasive reason why the court below was forced to tolerate defendant's straddling statements sponsored as a reply to paragraphs 22 and 23 of plaintiff's request for admission." 223 F. 2d at 920.

PRINTED PUBLICATION

We turn now to 35 U.S.C.A. 102 which reads in part as follows:

> A person shall be entitled to a patent unless--
>
> * * *
>
> (b) the invention was...described in a printed publication...more than one year prior to the date of the application for patent....

In 69 C.J.S. 230 (section 40 et seq.)

it is stated that:

> A printed publication, in view of the patent laws, is anything that is printed and (emphasis added) made accessible to any part of the public, such as a book, catalogue, leaflet, and, under other decisions on the question, such as a magazine article, scientific journal, journal of a learned society, thesis, trade paper, or trade magazine. Mere printing in itself does not amount ~~xxxxxxxx~~ to publication; measures must be taken to render the thing containing the description accessible to some part of the public. It is sufficient if some copies are available in libraries.

In 40 Am. Jur. Patents 554 (Section 37) the rule is stated as follows:

> The words of the statute "not patented or described in any printed publication " do not relate to mere printing; there must be an issuing and general circulation of the printed matter in which the invention with its elements must be clearly set forth....

Rich, Judge, in a concurring opinion in Application of Tenney, 254 F. 2d 619, 628 (C.C.P.A., 1958) has gone further (?) * than anyone before on the subject. In the opinion he said:

> I will assume for the sake of argument (and I think it is the law) that when a book has been printed and copies are available for delivery, an advertisement offering it for sale would bring about its publication, even before copies were actually sold.

(An argument is made elsewhere in these notes on the matter of publication--but it may be merely an academic exercise.)

* see later comment herein. RJ

In I. C. E. Corporation v. Armco Steel Corporation, 250 F. Supp. 738 (D.C.S.D.N.Y., 1966), the court noted by way of dicta that a printed document that "has been disseminated or otherwise made available to the extent that persons interested and ordinarily skilled in the subject matter or art, exercising reasonable diligence, can locate it and recognize and comprehend", would be a printed publication". It is not known how the "persons....skilled in the art" crept into the decision, since it has long been held that one printed work deposited on a libaray shelf ~~has long been held tobe~~ is a "printed publication." Robinson on the Laws of Patents, Volume I, Section 327. There is, however, no presumption that a book was published on the date imprinted on the title sheet. Reeves v. Keystone Bridge Co., et al, 20 F. Cas. 466 (Case No. 11,660):

> It is not shown that the work was published before the date of the complainant's patent. This must be directly proved. It is not deducible from the imprint on the title page. That the work was then printed may be inferred from this imprint; but when was it put in circulation or offered** (emphasis added) to the public is a distinct fact which must be proved, independently. The intended circulation of a book of a public nature may be presumed from its being put into print; but it does not follow that a work...was made accessible to the public as soon as it was printed, or that it was published at all.

---

* Note "offered" again.

In Interchemical Corporation v. Sinclair & Carroll Co., 50 F. Supp. 881, 1890. The rule is said to be that:

> A printed publication, in the view of the patent law, is anything that is printed and made accessible to any part of the public.

On the same subject Walker notes that

> A printed publication is anything which is printed and distributed to any part of the public in any country without any injunction of secrecy. Indeed, it seems reasonable that no actual distribution need occur, but that exposure of printed matter for sale is enough to constitute a printed publication, and the single sale of a copy of a book having been held is a publication. (Walker on Patents, Deller Ed. Vol. one p. 266)

(The history of the Statutes is discussed elsewhere in these notes.)

nent date, had reason to be-
e was incompetent and, there-
l have moved to require him
o psychiatric examination in
with Title 18, United States
ons 4244 and 4246. Assuming,
his to be so, and while there
e doubt that unstinting use
ignment examination where-
ted is in accord with good
nd the mandate of Congress
l in these Acts, still the fail-
o does not, in itself, bar fur-
l inquiry into competency.
findings of such examination
on 4246 would not be in them-
sitive of the issue presented
under Section 2255, which
ber the opportunity to have
ncy determined at a hearing
ea and sentence to determine
competency at the times in
Gregori v. United States, 5
13 F.2d 48; Brown v. United
., 1959, 267 F.2d 42; Davis
States, 6 Cir., 1959, 270 F.2d
rari denied 361 U.S. 852, 80
4 L.Ed.2d 91; Simmons v.
es, 8 Cir., 1958, 253 F.2d 909.

ally, there is no merit in ap-
ntention that the District
l in excluding him from the
during the testimony of the
s. On motion to vacate sen-
Title 28, United States Code,
, the statute itself provides
t "may entertain and deter-
otion without requiring the
f the prisoner at the hear-
llant was represented by
was before the court pur-
rit of habeas corpus ad tes-
His presence there was for
pose, e. g., to testify. The
se in excluding him, as ap-
e record, was for the benefit
well-being of appellant in
it be affected adversely by
mony relating to his mental

ent of the District Court is

AUDIO DEVICES, INC., Plaintiff-Appellee,

v.

ARMOUR RESEARCH FOUNDATION OF ILLINOIS INSTITUTE OF TECHNOLOGY, Defendant-Appellant.

No. 373, Docket 26805.

United States Court of Appeals
Second Circuit.

Argued June 22, 1961.

Decided July 31, 1961.

Action for declaratory judgment of noninfringement and invalidity as to patent No. 2,694,656, relating to magnetic recording tape, magnetic iron oxides suitable for use in magnetic recording tape, and methods of production of the oxides, wherein the patent holder filed a compulsory counterclaim charging infringement. The United States District Court for the Southern District of New York, John M. Cashin, J., 190 F.Supp. 189, held that the patent was invalid and the patent holder appealed. The Court of Appeals, J. Joseph Smith, Circuit Judge, held that the patent was invalid as anticipated by prior art.

Affirmed.

1. Patents ⇐16.5

Mere recognition of latent qualities in pre-existing art would not be invention. 35 U.S.C.A. § 103.

2. Patents ⇐328

Patent No. 2,694,656 for magnetic recording tape, magnetic iron oxides suitable for use in magnetic recording tape and methods of production of oxides was invalid as anticipated by prior art. 35 U.S.C.A. § 103.

3. Patents ⇐36(2)

If invention is plainly lacking, commercial success will not sustain patent.

Thomas F. Reddy, Jr., New York City (Merton S. Neill, James G. Foley, John T. Farley, Ambrose A. Arnold, and Pennie, Edmonds, Morton, Barrows & Taylor, New York City on the brief), for plaintiff-appellee.

Carlton Hill, Chicago, Ill. (Benjamin H. Sherman, Chicago, Ill. and Kane, Dalsimer & Kane, New York City on the brief), for defendant-appellant.

Before CLARK and SMITH, Circuit Judges, and DAWSON, District Judge.

J. JOSEPH SMITH, Circuit Judge.

Armour Research Foundation of Illinois Institute of Technology (Armour), holder of the Camras U. S. Patent No. 2,694,656, for magnetic recording tape, magnetic iron oxides suitable for use in magnetic recording tape, and methods of production of the oxides, appeals from an adverse judgment in a declaratory judgment action brought by Audio Devices, Inc. (Audio), accused of infringement, against Minnesota Mining and Manufacturing, a licensee under the patent (Minnesota or 3M), and Armour, in which Armour filed a compulsory counterclaim for infringement. Issues of non-enforceability by reason of misuse of the patent, anti-trust law violation and lack of personal jurisdiction over Armour were withdrawn by pre-trial stipulation. The court, Hon. John M. Cashin, Judge, found lack of *invention and anticipation* by the prior art. It granted declaratory judgment of invalidity and dismissed Armour's compulsory counterclaim for infringement seeking damages and other relief. 1960, 190 F.Supp. 189.

The patent in suit, U. S. Patent No. 2,694,656 issued November 16, 1954, on applications of July 25, 1947 and August 30, 1947. It was held *invalid in Armour* Research Foundation, etc. v. C. K. Williams & Co., D.C.E.D.Ill.1959, 170 F. Supp. 871, affirmed 7 Cir., 1960, 280 F.2d 499, certiorari denied 1961, 365 U.S. 811, 81 S.Ct. 690, 5 L.Ed.2d 691.

The claims in suit on which appellant relies are numbers 3, 5, 6, 25 and 26, which are as follows:

"3. A *ferromagnetic iron oxide* material adapted to form an element of a magnetic impulse record member, said material consisting essen-

New York City on the brief), for plaintiff-appellee.

Carlton Hill, Chicago, Ill. (Benjamin H. Sherman, Chicago, Ill. and Kane, Dalsimer & Kane, New York City on the brief), for defendant-appellant.

Before CLARK and SMITH, Circuit Judges, and DAWSON, District Judge.

J. JOSEPH SMITH, Circuit Judge.

Armour Research Foundation of Illinois Institute of Technology (Armour), holder of the Camras U. S. Patent No. 2,694,656, for magnetic recording tape, magnetic iron oxides suitable for use in magnetic recording tape, and methods of production of the oxides, appeals from an adverse judgment in a declaratory judgment action brought by Audio Devices, Inc. (Audio), accused of infringement, against Minnesota Mining and Manufacturing, a licensee under the patent (Minnesota or 3M), and Armour, in which Armour filed a compulsory counterclaim for infringement. Issues of non-enforceability by reason of misuse of the patent, anti-trust law violation and lack of personal jurisdiction over Armour were withdrawn by pre-trial stipulation. The court, Hon. John M. Cashin, Judge, found lack of invention and anticipation by the prior art. It granted declaratory judgment of invalidity and dismissed Armour's compulsory counterclaim for infringement seeking damages and other relief. 1960, 190 F.Supp. 189.

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The claims in suit on which appellant relies are numbers 3, 5, 6, 25 and 26, which are as follows:

"3. A ferromagnetic iron oxide material adapted to form an element of a magnetic impulse record member, said material consisting essentially of acicular crystalline particles uniformly small in size and not over 6 microns in their greatest dimension of a synthetic magnetic oxide of iron selected from the group consisting of magnetic ferrosoferric oxide, Fe_3O_4, and magnetic gamma ferric oxide, Fe_2O_3, the selected synthetic magnetic oxide of iron having a cubic lattice structure, and said material having a coercive force value of between 200 and 550 oersteds and a ratio of B_{rm}/B_r at $H = 1000$ of not over 3 to 1.

"5. A magnetic impulse record member having a non-magnetic carrier and a coating adherently bonded thereto of magnetic material and a binder therefor, said magnetic material consisting essentially of a magnetic synthetic iron oxide selected from the group consisting of ferrosoferric oxide, Fe_3O_4, and gamma ferric oxide, Fe_2O_3, formed from a non-magnetic iron oxide of the group consisting of alpha ferric oxide monohydrate and the anhydride thereof, said selected iron oxide being in crystalline form of a uniformly small size less than 6 microns in greatest dimension and having a coercive force of between 200 and 550 oersteds, said magnetic material having a B_r versus H characteristic that rises most rapidly at fields between 200 and 600 oersteds and relatively slowly at fields between 0 and 200 oersteds and at fields above 600 oersteds.

"6. As a new article of manufacture, a magnetic impulse record member comprising a thin, flexible, non-magnetic support, and adhered thereon, a layer of magnetic synthetic iron oxide selected from the group consisting of ferrosoferric oxide, Fe_3O_4, and gamma ferric oxide, Fe_2O_3, formed from a non-magnetic iron oxide of the group consisting of alpha ferric oxide monohydrate and the anhydride thereof, said selected iron oxide in its as-produced condition being in the form of elongated

particles having characteristically a length-to-width ratio of about 2.5 to 1 and higher and being of acicular crystalline form and of a uniformly small particle size less than six microns in greatest dimension and having a coercive force of between 200 and 550 oersteds.

"25. Ferromagnetic iron oxide selected from the group consisting of a synthetic ferrosoferric oxide, Fe_3O_4, and of a synthetic gamma ferric oxide, Fe_2O_3, adapted to form an element of a magnetic impulse record member, said iron oxide consisting essentially of uniformly small elongated crystals of less than about 1.5 microns maximum dimension having a length-to-width ratio of about 2.5 to 1 and higher, and having a cubic crystal lattice structure and a coercive force, H_c, within the range of 245 to 330 and remanence, B_r, of above about 500 gauss.

"26. A magnetic impulse record member having a non-magnetic carrier and a coating adherently bonded thereto of a binder and magnetic material, said magnetic material being the ferromagnetic iron oxide defined in claim 25 and having a B_r versus H characteristic that rises most rapidly at fields between 200 and 600 oersteds and relatively slowly at fields between 0 and 200 oersteds and at fields above 600 oersteds."

Magnetic sound recording had been known in the United States for some years, using magnetized wire as a recording medium, when United States research teams in Europe at the end of World War II became interested in German use of tape coated or impregnated with magnetic iron oxide as a medium, which had brought about a great improvement in fidelity of reproduction. Camras as a student had written in 1942 a thesis on magnetic recording on steel wire. In 1945 Camras began investigating the use of magnetic iron oxide coated on tape. The German development in the field had been set forth in 1936 in the Johnson British patent of I. G. Farben. Camras found that, as had been indicated in the Johnson patent, the oxides Fe_3O_4 and gamma Fe_2O_3 were most suitable. He found that a high coercive force H_c (resistance to demagnetization) of 200–550 oersteds at applied fields of $H = 1000$ gave good response at slow tape speeds. Above 550 was undesirable because of difficulty in erasing. He also claims as a critical teaching in the patent in suit that the residual magnetization curve B_r v. H should present a relatively gentle slope to a point of about 250 gauss, to eliminate cross-talk caused by transfer from adjacent layers of tape, a rapid rise in the curve at fields between 200 and 600 oersteds, claimed to reduce distortion in recording, and a flattening out thereafter for ease in erasing, a remanence (B_r—magnetism remaining after the saturating field is removed) of above 500 gauss, which should be relatively high in relation to maximum ferric induction (B_{fm}—total magnetism while saturating force is present) resulting in a low B_{fm}/B_r ratio, claimed to assure better sensitivity and frequency response. He also taught that the magnetic particles should be acicular (needle shaped) of small size preferably less than 1.5 microns (1/1000ths of a millimeter) in maximum dimension of precipitated and grown starting material.

Camras sent some of the oxide powder which he had made to Minnesota in 1946 for coating on tape. Minnesota sent Camras 20 reels and shortly thereafter made its own oxides and subsequently filed patent applications which were later placed in interference with Camras' application which eventually became the patent in suit. In May 1947 Minnesota took a license from Armour under which it sold during the years 1947–1959 some $92,000,000 worth of tape and paid royalties in excess of $1,300,000.

Before Camras' work on the oxides, a number of published references existed disclosing methods of producing magnetic iron oxides. The references themselves had nothing to do with magnetic

recording tapes. The 1936 British Johnson patent, however, indicated that these magnetic oxides, black ferrosoferric oxide (Fe_3O_4) and reddish-brown gamma ferric oxide (Fe_2O_3) were especially suitable for use on recording tapes and that high coercive force and extremely fine particles of uniform size were desirable qualities in achieving satisfactory recording magnetic oxides.

The appeal from the finding of invalidity of the method claims 8, 10 and 14, is not pressed and understandably so, for they are anticipated by the prior art, particularly in the Bureau of Mines Bulletin No. 425 (1941) "Magnetic Separation of Ores" and in the Japanese pigment patent No. 148,643 (1941). The Japanese patent is not as specific as the method claims of the Camras patent on the reduction temperature, but did teach that it should be "below sintering temperature" leading to the same result.

Various tapes, including prior art German tape, tape made with prior art oxide made according to a Welo and Baudisch article of 1934 at inter partes demonstrations, tape made with prior art oxide, made according to the Japanese pigment patent 148,643 (1941), tape made with natural iron oxide, Goethite, and tapes made in accordance with the Camras patent as made in 1947 and 1955 were recorded and played before the trial court. The court found no significant difference in the performance of these tapes and found any variation in the tapes to be minor.

The court also found that Camras' act in selecting a certain oxide and adapting it to use as a magnetic recording medium was merely a step in the natural progression of the art which was not beyond the standard of ordinary skill of workers in the recording field. The court held therefore that the presumption of validity arising from the granting of the patent had been overcome and that the patent was invalid.

In this the court was clearly correct. The statute, 35 U.S.C. § 103, provides: "A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made." Under this test, Camras' tape was not an invention. Magnetic recording had been known since 1900. Most of the qualities desirable in a recording member were known and described by Camras in his 1942 thesis on wire recording (high coercive force, shape of the magnetization curve, high remanence). The use of synthetic starting materials is surely an obvious means of avoiding impurities.

The claims relied on set forth qualities of the magnetic iron oxides themselves (3, 25), and of the oxides attached to the recording tape (5, 6 and 26). Insofar as they direct the use of ferrosoferric oxide and gamma ferric oxide, the claims were anticipated by the Johnson patent, which described these oxides as "especially suitable" for electromagnetic recording of sound. The Johnson patent also anticipates their direction that particles be of extreme fineness and uniform in size. The Johnson patent stated that its method of producing magnetic oxides yielded particles of the size of 1 micron or less. The Camras patent calls for "crystalline particles uniformly small in size and not over 6 microns in their greatest dimension" (claims 3, 5, 6), "uniformly small elongated crystals of less than about 1.5 microns maximum dimension" (claim 25 and, by incorporation, claim 26). The Camras claims are thus broadly and generally stated in terms that encompass the Johnson disclosures, and were therefore anticipated by Johnson insofar as size is concerned.

Camras similarly fails to disclose much advance over Johnson in his prescription of a high coercive force. Johnson designated a "high coercive force" as ensuring "good stability of the sound recording."

The Camras patent is slightly more specific in this respect, but it suggests a variety of ranges, and fails to establish that any particular range is especially critical. Claims 10 and 14 call for a coercive force of at least 200 oersteds, claims 3, 5, 6 and 8 call for "a coercive force of between 200 and 550 oersteds," and claims 25 and (by incorporation) 26 call for "a coercive force, H_c, within the range of 245 to 330." The last range mentioned, plus the range of 290–360 (claim 1) and 220–290 (claim 2) is not designated as a range in the specifications. In explaining why so many different ranges were set forth, Camras testified that "we give a broad range which is 200 to 550," within which the preferred range is from 275 to 400 (App. 659). However, this preferred range of 275 to 400 is not made the basis of any claim, and the various ranges set forth by Camras were admitted by him to be simply "exemplary of the best materials." Moreover, the Camras figures for coercive force lack "criticality," as that term was used in Helene Curtis Industries, Inc. v. Sales Affiliates, Inc., 2 Cir., 233 F.2d 148, 152–53, certiorari denied 352 U.S. 879, 77 S.Ct. 101, 1 L.Ed.2d 80. For, after Johnson disclosed the desirability of high coercive forces, Camras chose a series of ranges meeting that description, without showing that the particular ranges chosen had particular significance. While the court below relied on the lack of invention, and did not pass on the "criticality" point as such, the absence of criticality itself demonstrates a lack of invention over the Johnson patent.

Whether or not Johnson itself anticipates the Camras coercive force criteria, Johnson considered in connection with the remaining prior art clearly does. There is ample evidence in the record that coercive forces of between 200 and 550 could be produced by methods already existing at the time Camras set to work.

The originality, if any, must come from Camras' combining with the high coercive force criteria the other criteria set forth in his oxide and oxide-on-tape claims.

These additional criteria, referred to above, are:

1. A ratio of B_{fm} (total magnetism while saturating force is present)/B_r (remanence, or magnetism remaining after the saturating force is removed) of not over 3–1 (claim 3).

2. Remanence, B_r of above about 500 gauss. Claims 25 and (by incorporation) 26.

3. A B_r/H characteristic that rises most rapidly at fields between 200 and 600 oersteds and relatively slowly at fields between 0 and 200 oersteds and at fields above 600 oersteds (claims 10, 26).

4. Acicularity. Since Camras admitted that the same qualities could generally be obtained without acicularity, this does not appear essential to the invention. See Armour Research Foundation v. C. K. Williams & Co., supra, 280 F.2d at page 504, noting also that use of acicular particles on recording tapes was old.

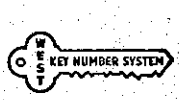
Appellant asserts that the genius of Camras' invention lies not in the discovery of these individual qualities, but in their combination. The difficulty with this argument is that the claims do not show all of these allegedly significant criteria in combination. Thus, the B_{fm}/B_r ratio of less than 3–1 is set forth only in combination with the specification of a coercive force value of 200 and 550 oersteds (claim 3). This ratio was obtained by following the Bureau of Mines procedure under which ferrosoferric oxides were produced with H_c (coercive force) of between 200 and 550. Thus, claim 3 was anticipated by that document alone, without reference to the other prior art relied on by the district court.

The remaining combination of qualities is the remanence of above 500 gauss and the B_r/H characteristic shape, set forth in claims 25 and 26. The black oxide produced by following the Japanese patent had this approximate shape (rapid rise between 250 and 600 oersteds), to-

gether with a remanence of 580 gauss, a coercive force of 262 oersteds and a B_{fm}/B_r ratio of less than 3–1. The appellant protests that the Japanese experiment was not conducted at the temperature specified in the Japanese patent, but it seems that the 800° C. set forth in that patent is correctly found to be the external, rather than the internal temperature. Furthermore, to the extent that the optimum temperature could not be definitely ascertained from the Japanese patent, it could be obtained from the Bureau of Mines Bulletin, which specified the temperatures which best produce a high coercive force. If the Japanese procedure would produce a product having the qualities set forth in the Camras criteria, it does not cease to be anticipatory solely because the Japanese patent did not point to the use of its product on recording tape. George P. Converse & Co. v. Standard Packaging Corp., D.C.N.J., 175 F.Supp. 819, 823, holding that a patent for a bag-making machine was anticipated by patents covering tire patching machines. The characteristic B_r/H shape, together with a remanence of over 500 gauss, was also produced by following the Bureau of Mines procedure, although the testimony as to the B_r/H shape was a little general in nature. In short, products having the qualities set forth by Camras could be produced by reference to existing chemical knowledge, and, in view of the Johnson patent, there was no novelty in applying these products to the new use of magnetic recording.

[1–3] The district court's conclusion that Camras' subject matter would have been obvious to a person having ordinary skill in the art is supported by the evidence that Minnesota without instruction from Camras or Armour promptly produced for itself oxides having Camras' characteristics. The person having ordinary skill in the art is a person skilled in the recording art here involved, Zoomar Inc. v. Paillard Products, 2 Cir., 1958, 258 F.2d 527, 529, and presumably familiar with its literature. If Camras did anything here, he merely recognized latent qualities in the pre-existing art. This is not invention. General Electric Co. v. Jewel Incandescent Lamp Co., 326 U.S. 242, 66 S.Ct. 81, 90 L.Ed. 43. The first to describe to the U. S. Patent Office something old but useful cannot thereby obtain a monopoly and control the field of its use. The usual presumption of validity from the grant of the patent is substantially weakened here by the failure of the examiner to consider much of the prior art, such as the Japanese patent and the full Bureau of Mines Bulletin, see Georgia-Pacific Corp. v. United States Plywood Corp., 2 Cir., 1958, 258 F.2d 124, Zoomar Inc. v. Paillard Products, supra, and by the finding of invalidity by the courts of the Seventh Circuit in the C. K. Williams case, supra. If invention is plainly lacking, commercial success, even if ascribable here to the tape development rather than to other elements in the recording systems, "cannot fill the void." Deering, Milliken & Co. v. Temp-Resisto Corp., 2 Cir., 1960, 274 F.2d 626, 633.

The judgment is affirmed.



TRINIDAD CORPORATION, Claimant of THE Tankship LYONS CREEK, Appellant,

v.

INDIAN TOWING COMPANY, Inc., Appellee.

No. 18598.

United States Court of Appeals
Fifth Circuit.

Aug. 3, 1961.

Action for damage sustained when plaintiff's tug struck bridge pier after meeting defendant's vessel. The United States District Court for the Eastern District of Louisiana, Herbert W. Christenberry, J., 187 F.Supp. 774, rendered a judgment for plaintiff, and defendant ap-

Walker on Patents (Deller's Ed.)

422, 52 L. Ed. 1122; *Reinharts, Inc. v. Caterpillar Tractor Co.*, 85 F.(2d) 628, C. C. A. 9 (1936)]. Infringement, whether direct or contributory, is essentially a tort, and implies invasion of some right of the patentee. [*Carbice Corporation of America v. American Patents Development Corporation*, 283 U. S. 27, 33, 75 L. Ed. 819 (1931); compare *Moore v. Marsh*, 7 Wall. (74 U. S.) 515, 520, 19 L. Ed. 37 (1869); *Root v. Railway Co.*, 105 U. S. 189, 214, 26 L. Ed. 975.] An infringement is the unauthorized making or using or selling of the patented invention. [*Christensen v. Nat. Brake & Elect. Co.*, 18 F.(2d) 981; *George Close Co. v. Ideal Wrapping Machine Co.*, 29 F. (2d) 533, 535, C. C. A. 1 (1928).] The patented invention is not everything disclosed within the "four corners" of the patent; for many ideas or concepts are disclosed and suggested by the specification and drawings which are not protected by the patent. Strictly speaking, infringement of a patent is an erroneous phrase; what is infringed are the *claims of the patent* which *"measure the invention"* and define precisely what the invention is, and the limits beyond which one cannot pass without infringing; therefore it is to the claims of the patent to which one must look to determine whether there is an infringement. [*Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U. S. 405, 51 L. Ed. 922; *White v. Dunbar*, 119 U. S. 47, 52; *Fulton Co. v. Powers Reg. Co.*, 263 Fed. 578, 580, C. C. A. 2; *United States L. & H. Corp. v. Safety Car H. & L. Co.*, 261 Fed. 915, 918, C. C. A. 2; *Smith v. Snow*, 294 U. S. 1, 11, 79 L. Ed. 721 (1935); *Claude Neon Lights, Inc. v. E. Machlett & Son*, 36 F.(2d) 574, 575 (and cases cited), C. C. A. 2 (1929); *Young Radiator Co. v. Modine Mfg. Co.*, 55 F.(2d) 545, 548, C. C. A. 7 (1931).] "It is axiomatic in the patent law that infringement depends, not upon what is manufactured or sold by the patentee, but upon what he has patented." [*Magnavox Co. v. Hart & Reno*, 73 F.(2d) 433, 445, C. C. A. 9 (1934); see, also, *Grand Rapids Show Case Co. v. Weber Show Case & Fixture Co.*, 38 F.(2d) 730, 731, cert. den. 281 U. S. 767, 74 L. Ed. 1174.] Purpose and

Injunctive Relief

15 U.S.C.A. 26
Clayton Act Sect. 16

Any person, firm, corporation or association shall be entitled to sue and have injunctive relief.... against threatened loss or damage by a violation of the antitrust laws...when and under the same condition and principles as injunctive relief against threatened conduct that will cause loss or damage is granted by courts of equity, under the rules governing such proceedings.....

G.Le Blanc Corporation v. H. & A. Selmer Inc.
310 F. 2d 449, 459-60
(7 Cir., 1962) cert. den. 373 U.S. 910

We hold that the district court did not err in denying recovery in the alleged violation of 35 U.S.C.A. S. 292.

If we have misread the issue of unfair competition and if such a claim is asserted against plaintiff independent of the charge of false marking,* then it, too, must fail.

(* The court notes at p. 458: "Apparently, the trial court treated the issue of unfair competition as related solely to the charge of false marking.". As I read this case, the court does not say that unfair competition could not be found on the basis of false marking. In fact it is silent on that point. It found here, merely, that "intent to deceive the public is a prerequisite to finding a party guilty of false marking or false advertising," and here the trial court on "this critical element" found for party charged with false marking. Thus, the question is left open as to whether or not an allegation of false marking, if proved, will support an unfair competition counter--or, for that matter, an antitrust count.)

Troban Engineering Corp. v. Eaton Manufacturing Co.
37 F.R.D. 51, 52
(D.C.N.D. Ohio, E.D., 1964)

This is an action alleging patent infringement and false marking, in which plaintiff seeks an injunction, an accounting, treble damages, a share of the penalty provided for defendant's alleged false marking and other stated relief.

Lippet Cups, Inc. v. Michael's Creations, Inc.
180 F. Supp. 58, 60, 1
(D.C.E.D.N.Y., 1960)

Further, that the defendants complained of conduct in using the word "Patented" and "Pat. No. 2,355,010," constitutes false representation and that such products have been transported in commerce in violation of Trademark Act (15 U.S.C.A. S 1125 (a) to the plaintiff's damage.

4. The defendant's conduct as above pleaded constitutes unfair competition with the plaintiff.

(Def. motion to vacate ~~voted~~ to take depositions was here denied.)

180 F. Supp. 58 Shepard

Union Pacific R. Co. v. Chicago and North Western Ry. Co.,
226 F. Supp. 400 (D.C.N.D. Ill. E.D. 1964)
(Hoffman, Jr., cites 70 F. 2d at p. 410, but cited the dissent of Hand on the matter of the clean hands doctrine refusing to grant relief on that basis.)

Ronson Patents Corp. v. SparKets Devices
112 F. Supp. 676, 689-90-91-92
(D.C. E.D. Missouri, 1953)

Defendants claim that the suits filed against them by plaintiffs (and other litigation) was a clever attempt to make "Ronson's aggression known to almost everyone in the United States." The ad and letters of the kind sent to Bennett Bros. are cataloged also as threats of the same character and for the same purpose, to frighten "off the retail customers." Some of the defendants' representatives testified to lost customers, through "fear" of what Ronson "would do." This is pure hearsay and entitled to little if any weight unless corroborated by testimony of those who were alleged to have been frightened. Not one customer was called who confirmed the opinion of defendants' agents that he had been frightened or deterred from handling defendants' lighters because of any act of Ronson or Art Metal. Defendants argue it was plaintiff's burden to produce negative testimony of lack of fear by the dealers. We know of no law on which a shift in the burden of proof in this case can be founded.

* * *

Although we find defendants have failed to carry the burden of proof on the merits of the case, we will rule on the damage claim.

Defendants claim damage of two types: Loss of Sales of lighter and cost of patent litigation. Defendants admit there was no loss in sales of pocket lighters...Defendants claim loss of sales on 17,529 desk lighter, at a profit of $21,996.79, due to plaintiff, due to plaintiff's "monopolistic practices."

The rule of law on damages is not a matter of dispute. Defendants must prove a pecuniary loss to its business; it must be proven by facts from which their existence is logically and legally inferable. Possibility or conjecture as to the casual connection between the wrong and the injury is not sufficient.

The cause of failure of defendants to sell the 17,529 desk lighter has not been traced to any act or acts of plaintiff, lawful or unlawful, even by speculation.

* * *

Evidence in the record could account for some loss of sales of butane desk lighter is: trouble with lasting quality of gas cartridge..., "a very high price"....trouble in making deliveries..., loss of appeal to the public....

Even if there were proof of loss of sales, traceable to plaintiff's acts here complained of, defendants' method of proving damage has no support in law. Defendants would take the measure of profits of its business as a whole and apply it to a new product, without any evidence of cost of manufacture, cost of sales (% new product) a net income from sales. See Central Coal & Coke Co., v.

Hartman, 8 Cir., 111 F. 96.

Had defendants sustained this claim on the merits, recovery of damages would have been restricted to proper attorney's fees and costs of litigation, in this case.

Hope v. Hearst Consolidated Publications, Inc.
294 F. 2d 681
2 Cir., 1961
Cert. Den. 368 U.S. 956
(Libel action against newspaper. Pertains to evidence notes at p. 691.)

The traditional rule...is that Federal equity courts have no jurisdiction to enjoin defamation.... There is, however, a line of cases enjoining false and libelous publications where plaintiff's property rights were thereby being injured and where the libel had overtones of coercion and restraint of trade. Emock v. Kane, C.C.N.D. Ill., 1888, 34 F. 46; Adriance, Platt & Co. v. National Hawrow Co., 2 Cir., 1903, 121 F. 827; A. B. Farquhar Co. v. National Harrow Co., 3 Cir., 1900, 102 F. 714, 49 L.R.A. 755; Sun Maid Raisin Growers of California v. Avis, D.C.N.D. Ill., 1928, 25 F. 2d 303. Although intimidation and restraint of trade may be the principal keys to the equity court in these cases, Willis v. O'Connell, D.C.S.D. Ala. 1916, 231 F. 1004....

Sun-Maid Raisin Growers of California v. Avis
25 F. 2d 303 (D.C.N.D.Ill., E.D., 1928)

(Defendant, owners of a patent, threatened members of plaintiff organization, customers, etc., and in general harassed plaintiff in its business but did not bring suit. Court here issued an injunction against such acts by defendant noting:)

> That, instead of such attacks, the one urging infringement should come into court and seek a determination of the validity of his patent and his rights thereunder; that he should not menace the alleged infringer in circulars, letters, or newspapers, but exercise due diligence in the prosecution of his suit for damages.

* * *

In view of the foregoing, it follows that there will be a decree for the plaintiff against the defendant , as prayed, at defendant's costs.

(Note here "costs", but court does not state the extent. Also, one would wonder if damages might not be in order to plaintiff here, although evidently not alleged other than to obtain jurisdiction in this a diversity case. But what would result if D (as in BT case) brought suit, but in addition, harassed. Suppose now the patent is held invalid, or even if it is not, the court here says patentee should bring suit. Let the court decide. But, of course, other cases have allowed a certain amount of harassment on part of patentee.)

Berlenback v. Anderson and Thompson Ski Co.
329 F. 29, 782, 784 (9 Cir., 1964)
Cert. den. 379 U.S. 830

In view of the history and policy of the defense of patent misuse we find no merit in appellant's contention that the proof of substantial lessening of competition is a prerequisite to finding patent misuse. See Park-In Theatres v. Paramount-Richards Theatres, 90 F. Supp. 730 (D. Del. 1950), aff'd 185 F. 2d 407 (3 Cir. 1950)....

Esco Corporation v. Hensley Equipment Company
265 F. Supp. 863, 873
Aff'd 375 F. 2d 432 (9 Cir., 1967)

....the presumption of validity alone is sufficient against a misuse defense of the character presented in this case where the misuse relates exclusively to the markings of the numbers of the ~~patent~~ patent upon the manufactured pieces.

Walker Process Equipment, Inc. v. Food Machinery and Chemical Corporation. 382 U.S. 172 (1965).

The question before us is whether the maintenance and enforcement of a patent obtained by fraud on the Patent Office may be the basis of an action under Sect. 2 of the Sherman Act, and therefore subject to a treble damage claim by an injured party under Sect. 4 of the Clayton Act.

* * *

(Harlan concurring) We hold that a treble-damage action for monopolizations which, but for the existence of a patent would be violation of the Sherman Act may be maintained under Sect. 4 of The Clayton Act if two conditions are satisfied: (1) the relevant patent is shown to have been procured by knowing or wilful fraud practiced by the defendant on the Patent Office or, if the defendant was not the original patent applicant, he had been enforcing the patent with the knowledge of the fraudulent manner in which it was obtained; and (2) all the other elements necessary to establish a Sect. 2 monopolization charge are proved.

Aluminum Company of America v. Sperry Products, Inc.
285 F. 2d 911, 927
(6 Cir., 1960)

We find no merit in the claim of defendant that the patents in suit were misused by placing on the patent tag of Reflectoscopes other patent numbers in addition to those in suit, under the words "Manufactured under one or more of the following patents."

The evidence does not show that the defendant or anyone else was injured by this listing of patents. It does not disclose that Sperry acquired any monopoly beyond what it was entitled to have under its patents. The patents in suit were properly listed on the patent tags.

Robbins v. Ira M. Peterssime & Son
51 F. 2d 174, 178
(10 Cir., 1931)
(Suit for damages for patent infringement.)

The defendant set up a counterclaim for damages based upon alleged unfair trade practices - - that plaintiffs advertised defendant as an infringer, brought an unnecessary number of suits against defendant's customers, threatened to sue others, and demanded of those sued that they deliver to plaintiffs the incubators purchased from defendant for destruction, all of which, as alleged, caused or was by plaintiff intended to cause the loss of many sales by defendant..., and that said acts had greatly damaged and injured the defendant in his business, but the extent and amount thereof were not then known further than the defendant believed that they amount to many thousands of dollars.

* * *

To be sure, plaintiffs had a right to sue any and all users of defendant's incubators as long as they acted in good faith, but several letters of plaintiff's counsel written to defendant's users were more than notices of an intention to sue the addressee as an infringer. They contained demands and were in the nature of threats; and the bulletin board which plaintiffs put up at the Minneapolis exhibition of incubators whereon it posted bulletins consisting of copies of these letters, at which there was a large attendance of prospective purchasers of incubators, was unfair and inexcusable, and according to the proof of defendant caused loss to him of prospective purchasers who were there present. On proof adduced on that issue defendant, in our judgment, was entitled to some damage from plaintiffs on its counterclaim.

Channel Master Corp. v. JFD Electronics Corp.

260 F. Supp. 568

(1)

CCH FED 87 107

Memorandum Denied 262 F. Supp. 292

(D. C. E. D. N.Y., 1966)

[The patent aspect was dismissed because of failure to join an indispensable party, U and I Foundation. But the counts for patent misuse and unfair competition were not dismissed, both under "Count II".]

~~In this~~ [Unfair competition ~~case~~]

In this ~~case~~ plaintiff splits its claim of unfair competition into two part, (i) false representations by defendants to the effect that its antenna as ~~by~~ patented and as covered by ~~the~~ a patented log-periodic formula and by certain commercial patents, and (ii) false representations by defendant that plaintiff's "CROSS FIRE" antennas were not original but imitations of defendant's allegedly log-periodic antenna.

* * * Conclusions of law and summary

The claim of unfair competition and misuse with the terms of the above section, joined with a substantial and related claim under the patent laws. The fact that 35 U.S.C. § 292 is essentially a penal in nature clearly does not eliminate it as a related claim under the patent laws describing in section

1338(b) [of 28 U.S.C.A.] ... for evidence, the ⓒ proof that plaintiff adduces to show unfairness under 35 U.S.C.A. § 294, will consider the coverage of the Israel patent as well as the defendant's patent. Substantially the same proof will be necessary to establish that defendant falsely claimed that its articles were [ag-pseudi and] covered by certain specifically numbered patents as set forth in the first category of misrepresentation.

* * *

(...) Thus, this complaint does not predicate jurisdiction upon 15 U.S.C.A. 1125 (a) ..., [under which may be read upon that section as to the first category of misrepresentation [i.e., false marking]. The prohibition with respect to a false designation of origin a false description with respect to the goods a claim for goods, is not limited to designation and description relative to origin alone, as argued by defendant. On the contrary, the prohibition applies to all such false descriptions and designations with respect to such goods and services entering into interstate commerce, L'Aiglon Apparel v. Lana Lobell, Inc. 3 Cir. 1954, 214 F. 2d 649.

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

THE UNIVERSITY OF ILLINOIS FOUNDATION, Plaintiff and Counterclaim Defendant, - v - BLONDER-TONGUE LABORATORIES, INC., Defendant and Counterclaimant, - v - JFD ELECTRONICS CORPORATION, Counterclaim Defendant.	)	Civil Action No. 66 C 567

MEMORANDUM OF LAW IN RE
CUSTOMER'S STATE OF MIND
IN DECLINING TO PURCHASE

The Court of Appeals for the Seventh Circuit in American Cooperative Serum Association v. Anchor Serum Co., 153 F.2d 907 (1956), cert. denied 329 U.S. 721, rehearing denied 329 U.S. 826, approved the exception to the hearsay rule, permitting a witness to testify as to the reasons assigned by a customer for refusing or ceasing to do business for the purpose of showing the customer's state of mind or motive and not for the correctness of the facts assigned by the customer.

Thus, at page 912:

> "Defendants contend that the court erred in permitting plaintiff's witnesses to testify as to the reasons given to the plaintiff by their druggists why the latter could not sell plaintiff's serum at 75¢, which resulted in plaintiff's reduction in price. They urge that such evidence is hearsay, self-serving and thus incompetent. This was not error. Such evidence is an exception to the hearsay rule and is well recognized. Lawlor v. Loewe, 235 U.S. 522, 35 S.Ct. 170, 59 L.Ed. 341; Wigmore on Evidence, 3d Ed., Vol. 6, sec. 1729; Greater New York Live Poultry Chamber of Commerce v. United States, 2 Cir., 47 F.2d 156; Kimm v. Steketee, 48 Mich. 322, 12 N.W. 177; Hubbard v. Allyn, 200 Mass. 166, 86 N.E. 356; Brannen v. Bouley, 272 Mass. 67, 172 N.E. 104."

In Lawlor v. Loewe, 235 U.S. 522, 35 S.Ct. 170, 59 L.Ed. 341, the Supreme Court stated at page 536:

> "The reasons given by customers for ceasing to deal with sellers of the Loewe hats, including letters from dealers to Loewe & Co., were admissible. 3 Wigmore, Ev. § 1729 (2)."

Hubbard v. Allyn, 86 N.E. 356,360 - 200 Mass. 166

One Raineault, an employe of the plaintiff, was permitted, against the exception of the defendant, to testify as to the reasons given by customers for declining to use the plaintiff's goods. These were declarations accompanying the act of refusal to trade with plaintiff and explaining its nature. They were competent within the rule laid down in Elmer v. Fessenden, 151 Mass., 361, 24 N.E. 208., 5 L.R.A. 724, Weston v. Barriscoot, 175 Mass. 454, 56 N.E. 619, 49 L.R.A. 612, and Peerson v. Boston Elevated R.R. Co., 191 Mass. 223, 77 N.E. 769. The Act, namely, the refusal to buy goods, was an equivocal one. It might arise because no baker's goods were needed at the time, or because a rival had secured the trade, or because of fear that the plaintiff's goods were poisonous or from other considerations. A contemporaneous (emphasis added) declaration giving the reason for an act were therefore competent as disclosing its real character. It was not necessary for the plaintiff to show, as a part of his case, the names of the customers. This was a proper subject for cross-examination, and it does not appear that the defendant was deprived of his rights in this respect. One claim of the plaintiff respecting damages was a loss of patronage. It was competent for the driver of his baker's wagon to state that after the publication of the articles the trade fell off, and that his customer, when refusing to trade, gave the publication of the article in question as the reason.

Illinois

American Cooperative Service Ass'n v. [illegible]
153 F. 2d 907, 912 Anchor Service (7 Cir., 1946) [Anti-Trust case]
Cert. den. 329 U.S. 721 - reh. den. 329 U.S. 826

Defendants contend that the court erred in permitting witnesses to testify as to the reasons given to the plaintiff by their druggists why the latter could not sell plaintiff's serum at 75¢, which resulted in plaintiff's reduction in price. They urge that such evidence is hearsay, self-serving and thus incompetent. Such evidence is an exception to the hearsay rule and is well recognized, Lawlor v. Loewe, 235 U.S. 522, 35 S. Ct. 170, 59 L. Ed. 341; Wigmore on Evidence, 3rd. ed. Vol. 6, Sec. 1729; Greater New York Live Poultry Chamber of Commerce v. United States, 2 Cir., 47 F. 2d 156; Kim V. Stektee, 48 Mich. 322, 12 N.W. 177; Hubbard v. Allyn, 200 Mass. 166, 86 N.E. 356; Branner v. Bouley, 272 Mass. 67, 172 N.E. 104.

~~Cert. den. 329 U.S. 721 - reh. den. 826~~

It is further contended that the evidence does not disclose that the defendant's price cutting was the cause of plaintiff's inability to sell its product. We can conceive of no fact which would surely cause such inability than a cut in price by one's competitor. Here the parties stipulate that the serums produced by plaintiff and Anchor was of like grade and quality. Under these circumstances, coupled with the facts that the defendants did indirectly cut their prices, regardless of the Marketing agreement, a prima facie case was made and plaintiff was not required in the first instance to prove the absence of all other conceivable causes. Under this statute when a

prima facie case is made, the burden shifts (emphasis added) to the defendant, if any, was otherwise caused. 15 U.S.C.A. §§ 13 (5) (But see well reasoned dissent on matter of admissibility of evidence)

Syracuse Broadcasting Corporation v. Newhouse, 295 F. 2d 269, 276 (2 Cir., 1961)

Although this court's opinion (271 F. 2d 910) did not specifically deal with this point, it did not exclude admission in evidence of statements concerning incidents where negotiations between WNDR and potential advertisers were broken off after the advertiser had read allegedly false articles about plaintiff in defendants' newspapers. These statements, though hearsay, would be admissible to show the state of mind of the advertisers. See American Cooperative Serum Ass'n v. Anchor Serum Co. , 7 Cir., 1946, 153 F. 2d 907, Certiorari denied 329 U.S. 721; 67 S.Ct. 57, 916 Ed. 625; Greater New York Live Poultry Chamber of Commerce v. United States, 2 Cir., 1931, 47 F. 2d 156, certiorari denied 283 U.S. 837, 51 S. Ct. 486, 75 Ed. 1448.

Marcolus Manufacturing Co. v. Watson, 156 F. Supp. 161 (D.C.D.C., 1957) Aff'd 258 F. 2d 151 (C.A.D.C., 1958)

The plaintiff, in an effort to show that the public accepts the maroon oval as a distinguishing mark of its goods, offered in evidence two surveys made by an expert interviewer. The survey in each instance was conducted in what is popularly known as a supermarket.

* * *

The Court admitted this evidence over objection on the ground that it was admissible as an exception to the hearsay rule. One of the exceptions to the hearsay rule is that utterances of a third person made in the witnesses (emphasis added) presence may be admitted in evidence as they disclose that person's state of mind, but only for the purpose of disclosing his state of mind and not as proof of the facts therein stated. The Court is of the opinion that this evidence was admissible under that exception. A similar conclusion was reached by the Court of Appeals in the Third Circuit in United States v. 88 Cases, more or less, etc. 187 F. 2d 967. (In affirming, the Court of Appeals states at p. 152:)

The District Court properly received evidence offered by appellant to show the public had in fact come to accept the oval by itself as a symbol of appellant's goods, and we think there was not error in concluding that the evidence was insufficient.

(Thus, it would appear, the evidence by way of survey results was considered to show that certain person attributed trade-mark significance to an oval as applied to plaintiff's goods, but what does the Court mean by "not as proof of the facts therein stated". Certainly evidence is not "proof" of a fact; it is "evidence" of a fact, and whether evidence is of a weight to amount to proof is the function of the fact finding body, here the judge.

It is difficult to ascertain what the Court means in these res gestae cases, if, in fact, the Court knows what it means. I use the foregoing quote from the Holtzoff decision, 156 F. Supp. at p. 164,

as "evidence" that Holtzoff is confused on this point, but it certainly does not amount to "proof" that he is confused.)

(Returning again to the American Cooperative case, 153 F. 2d, this time to the dissent, we quote from p. 915:)

The only testimony offered by plaintiff as the basis for its right to recover damages is that of its president, Huff, and its Assistant Sales Manager, Davis. Neither of these witnesses had anything to do with or any contact with plaintiff's customers. The latter, in making purchases, dealt directly with the drug stores acting as plaintiff's agents. The testimony of Huff and Davis upon which plaintiff relies was offered and admitted solely as basic proof (emphasis added) that plaintiff was required or compelled to reduce the selling price of its serum, and as a result sustained the damage complained of. No other proof was added on this phase of the case..... Reduced to its naked form, it is that the witnesses (Huff and Davis) received complaints from druggists that they could not sell plaintiff's serum at 75¢ in competition with the Farm Bureaus who were selling at 65¢.

* * *

(The dissent then reviews to Supreme Court decisions 235 U.S. 522, 536 and 248 U.S. 55, 65, and concludes that:)

Taking these two cases together, it appears that a witness may testify as to the reasons assigned by a customer for refusing or ceasing to do business with the plaintiff. It is admissible

however, only for the purpose of showing the customer's motive and not as proof of a basis for recovery. As I understand Wigmore on Evidence 3d Ed. Vol. 6, Para. 1729 (2), makes a similar declaration. (Thus, presumably in the present B-T case, testimony should be admissible of the reasons given by customers for not buying B-T antenna as evidence of their state of mind, but, presumably, not as evidence of acts of plaintiff which brought about this state of mind. For example, if a customer stated that he refused to buy B-T antennas because then PL would not deal with him on other items, this would be evidence of the customer's state of mind or reason for not dealing with B-T, but no evidence (or <u>proof</u> as the courts say) that plaintiff did in fact threaten expressly or impliedly, to act in the alleged fashion. The Court continues:)

* * *

It should be kept in mind in the instant case that neither a druggist nor a customer was offered as a witness. If a druggist had been offered, I think under the rule announced in the authorities relied upon by the majority he could have testified as to the reasons assigned by customers as to why they ceased or refused to purchase plaintiff's product. Such testimony would have been proper for the limited purpose of showing the motive or state of mind of the customer but not as proof of a right to recover.

Zippo Manufacturing Company v. Rogers Inc.
216 F. Supp. 670, 682

(On the matter of admission of survey results in evidence, citing the American Coop case among others. See also Sunbeam Corporation v. Sunbeam Furniture Corp., 134 F. Supp. 614 (N.C.N.D. Ill., E.D., 1955) where survey results were placed in evidence)

Herman Schwabe, Inc. v. United States Machinery Corp. 297 F. 2d 906, 914 (2 Cir., 1962)

(The lower court refused admission of letters from five manufacturers and conversation with a sixth as hearsay; the Appeal Court affirmed, but noted:)

Statements of a customer as to his reasons for not dealing with a supplier are admissible for this limited purpose...although not "as evidence of the facts recited as furnishing the motives;" Buckeye Powder Co. v. E. I. dePont de Nemours Powder Co., 248 U.S. 55, 65, 39 S. Ct. 38, 40, 63 L. Ed. 123 (1918).

DeRonde v. Gaytime Shops 239 F. 2d 735 (2 Cir., 1957)

Objection is lodged also to those portions of DeRonde's testimony wherein he relates certain conversations he had with prospective employers, including those with Levy and Bernstein. The plaintiff testified that these prospective employers told him that they would not hire him because of what they had heard from the defendants concerning the incident in question. The defendants contend that this evidence was hearsay. The testimony was offered

to prove the motive (emphasis added) of these prospective employers. If hearsay, it comes within a well defined exception to the rule. Lawlor v. Loewe, 1915, 235 U.S. 522, 536, 35 S. Ct. 170, 59 C. Ed. 341; Wigmore Evidence PP1729, vol. VI (3d Edition), although some authors would not even consider this hearsay (emphasis added). Richardson, Evidence P 211 (8th Edition, Prince).

Air Metal Works, Inc. v. Abrahamy & Strauss Inc.

70 F (2d) 641 (CCA 2)

and advertising

By circular letters, and their agents misrepresented

~~that~~ as result of patent litigation:

p643 "appellee was alone in the field & that all lighters were an infringement upon their product, that the customers could not sell automatic lighters except appellee's" p644.

p.644

"The widespread mailing of circulars with notices charging infringement, some followed by suit & others not, & the allegations set forth in the Trig-a-lite lighter as an infringement, was impelled by a purpose & intended, the Evans Case Company customers, & were then & there to refrain from purchasing from others, & to compel them & buy all automatic lighters from the appellee. Adriance, Platt & Co. v. Wall Harrow Co. 121 F. 827 (CCA 2). Such improvident order... is sufficient & deprive the appellee of its injunction & the case to order & determine damages (citations)."

Robbins v. Ira M. Peterson & Son

51 F(2) 174 (CCA 10)

Def's counterclaim – unfair trade practices . . .

unit pass . . .

→ Plaintiffs advertised defendants as an infringer, (brought an unnecessary number of suits against defendants customers threatened to sue others (customers) . . .

→ entitled to recover, for damages,

→ but the burden was on defendant to show acts of plaintiff to customers

Re Contra

Hubbard v. Allyn, 86 N.E. 356,360 - 200 Mass. 166

One Raineault, an employe of the plaintiff, was permitted, against the exception of the defendant, to testify as to the reasons given by customers for declining to use the plaintiff's goods. These were declarations accompanying the act of refusal to trade with plaintiff and explaining its nature. They were competent within the rule laid down in Elmer v. Fessenden, 151 Mass., 361, 24 N.E. 208., 5 L.R.A.724, Weston v. Barriscoot, 175 Mass. 454, 56 N.E. 619, 49 L.R.A. 612, and Peerson v. Boston Elevated R.R. Co., 191 Mass. 223, 77 N.E. 769. The Act, namely, the refusal to buy goods, was an equivocal one. It might arise because no baker's goods were needed at the time, or because a rival had secured the trade, or because of fear that the plaintiff's goods were poisonous or from other considerations. A contemporaneous (emphasis added) declaration giving the reason for an act were therefore competent as disclosing its real character. It was not necessary for the plaintiff to show, as a part of his case, the names of the customers. This was a proper subject for cross-examination, and it does not appear that the defendant was deprived of his rights in this respect. One claim of the plaintiff respecting damages was a loss of patronage. It was competent for the driver of his baker's wagon to state that after the publication of the articles the trade fell off, and that his customer, when refusing to trade, gave the publication of the article in question as the reason.

American Cooperative Service Ass'n v. ?
153 F. 2d 907, 912 Anchor Service (7 Cir., 1946) Anti-Trust case
Cert. den. 329 U.S. 721 - reh. den. 329 U.S. 826

Defendants contend that the court erred in permitting witnesses to testify as to the reasons given to the plaintiff by their druggists why the latter could not sell plaintiff's serum at 75¢, which resulted in plaintiff's reduction in price. They urge that such evidence is hearsay, self-serving and thus incompetent. Such evidence is an exception to the hearsay rule and is well recognized, Lawlor v. Loewe, 235 U.S. 522, 35 S. Ct. 170, 59 L. Ed. 341; Wigmore on Evidence, 3rd. ed. Vol. 6, Sec. 1729; Greater New York Live Poultry Chamber of Commerce v. United States, 2 Cir., 47 F. 2d 156; Kim V. Stektee, 48 Mich. 322, 12 N.W. 177; Hubbard v. Allyn, 200 Mass. 166, 86 N.E. 356; Branner v. Bouley, 272 Mass. 67, 172 N.E. 104.

Cert. den. 329 U.S. 721 - reh. den. 826

It is further contended that the evidence does not disclose that the defendant's price cutting was the cause of plaintiff's inability to sell its product. We can conceive of no fact which would surely cause such inability than a cut in price by one's competitor. Here the parties stipulate that the serums produced by plaintiff and Anchor was of like grade and quality. Under these circumstances, coupled with the facts that the defendants did indirectly cut their prices, regardless of the Marketing agreement, a prima facie case was made and plaintiff was not required in the first instance to prove the absence of all other conceivable causes. Under this statute when a

prima facie case is made, the burden shifts (emphasis added) to the defendant, if any, was otherwise caused. 15 U.S.C.A. §2 13 (5) (But see well reasoned dissent on matter of admissibility of evidence)

Syracuse Broadcasting Corporation v. Newhouse, 295 F. 2d 269, 276 (2 Cir., 1961)

Although this court's opinion (271 F. 2d 910) did not specifically deal with this point, it did not exclude admission in evidence of statements concerning incidents where negotiations between WNDR and potential advertisers were broken off after the advertiser had read allegedly false articles about plaintiff in defendants' newspapers. These statements, though hearsay, would be admissible to show the state of mind of the advertisers. See American Cooperative Serum Ass'n v. Anchor Serum Co. , 7 Cir., 1946, 153 F. 2d 907, Certiorari denied 329 U.S. 721; 67 S.Ct. 57, 916 Ed. 625; Greater New York Live Poultry Chamber of Commerce v. United States, 2 Cir., 1931, 47 F. 2d 156, certiorari denied 283 U.S. 837, 51 S. Ct. 486, 75 Ed. 1448.

Marcolus Manufacturing Co. v. Watson, 156 F. Supp. 161 (D.C.D.C., 1957) Aff'd 258 F. 2d 151 (C.A.D.C., 1958)

The plaintiff, in an effort to show that the public accepts the maroon oval as a distinguishing mark of its goods, offered in evidence two surveys made by an expert interviewer. The survey in each instance was conducted in what is popularly known as a supermarket.

* * *

The Court admitted this evidence over objection on the ground that it was admissible as an exception to the hearsay rule. One of the exceptions to the hearsay rule is that utterances of a third person made in the witnesses (emphasis added) presence may be admitted in evidence as they disclose that person's state of mind, but only for the purpose of disclosing his state of mind and not as proof of the facts therein stated. The Court is of the opinion that this evidence was admissible under that exception. A similar conclusion was reached by the Court of Appeals in the Third Circuit in United States v. 88 Cases, more or less, etc. 187 F. 2d 967. (In affirming, the Court of Appeals states at p. 152:)

The District Court properly received evidence offered by appellant to show the public had in fact come to accept the oval by itself as a symbol of appellant's goods, and we think there was not error in concluding that the evidence was insufficient.

(Thus, it would appear, the evidence by way of survey results was considered to show that certain person attributed trade-mark significance to an oval as applied to plaintiff's goods, but what does the Court mean by "not as proof of the facts therein stated". Certainly evidence is not "proof" of a fact; it is "evidence" of a fact, and whether evidence is of a weight to amount to proof is the function of the fact finding body, were the judge.

It is difficult to ascertain what the Court means in these res gestae cases, if, in fact, the Court knows what it means. I use the foregoing quote from the Holtzoff decision, 156 F. Supp. at p. 164,

however, only for the purpose of showing the customer's motive and not as proof of a basis for recovery. As I understand Wigmore on Evidence 3d Ed. Vol. 6, Para. 1729 (2), makes a similar declaration. (Thus, presumably in the present B-T case, testimony should be admissible of the reasons given by customers for not buying B-T antenna as evidence of their state of mind, but, presumably, not as evidence of acts of plaintiff which brought about this state of mind. For example, if a customer stated that he refused to buy B-T antennas because then PL would not deal with him on other items, this would be evidence of the customer's state of mind or reason for not dealing with B-T, but no evidence (or proof as the courts say) that plaintiff did in fact threaten expressly or impliedly, to act in the alleged fashion. The Court continues)

* * *

It should be kept in mind in the instant case that neither a druggist or a customer was offered as a witness. If a druggist had been offered, I think under the rule announced in the authorities relied upon by the majority he could have testified as to the reasons assigned by customers as to why they ceased or refused to purchase plaintiff's product. Such testimony would have been proper for the limited purpose of showing the motive or state of mind of the customer but not as proof of a right to recover.

Zippo Manufacturing Company v. Rogers Inc.
216 F. Supp. 670, 682

(on the matter of admission of survey results in evidence, citing the American Coop case among others. See also Sunbeam Corporation v. Sunbeam Furniture Corp.r, 134 F. Supp. 614 (N.C.N.D. Ill., E.D., 1955) where survey results were placed in evidence)

Herman Schwabe, Inc. v. United States Machinery Corp. 297 F. 2d 906, 914 (2 Cir., 1962)

(The lower court refused admission of letters from five manufacturers and conversation with a sixth as hearsay; the Appeal Court affirmed, but noted:)

Statements of a customer as to his reasons for not dealing with a supplier are admissible for this limited purpose...although not "as evidence of the facts recited as furnishing the motives; Buckeye Powder Co. v. E. I. duPont de Nemours Powder Co., 248 U.S. 55, 65, 39 S. Ct. 38, 40, 63 L. Ed. 123 (1918).

DeRonde v. Gaytime Shops 239 F. 2d 735 (2 Cir., 1957)

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to prove the motive (emphasis added) of these prospective employers. If hearsay, it comes within a well defined exception to the rule. Lawlor v. Loewe, 1915, 235 U.S. 522, 536, 35 S. Ct. 170, 59 C. Ed. 341; Wigmore Evidence PP1729, vol. VI (3d Edition), although some authors would not even consider this hearsay (emphasis added). Richardson, Evidence P 211 (8th Edition, Prince).

155 USPQ 177, 180

361 F2 388, 391 cite 7th Cir.

Sciarow v Roberts

Show infringer -- must show "means, direction & control." -- (for non-functional)

Ref'd. 150 USPQ 95. ~~+183 Fed~~

Pleadings not intended for lawyer. Issues can be defined by cites

S.J. - motion to dismiss under 4/6

Buyers Bros cites

181 F 2d 315, 319 - 2nd Cir.

where we stalled in ast -- we lacks specific averments to read on patent

Record basis MSJ

cited in 183 F 2d 3 (7th Cir)

18 FRD 424, 427

97 F S 277, 279

Telegraph Printed Cor. 356 F 2d 444 in 7th Cir.

def forges conformer ~~testified~~ - Plfs ex employees

Insurance co - two testified - neg. strict for ultimate negligence

Text dem



THE Continental Plaza

CHICAGO

WESTERN INTERNATIONAL HOTELS

January 3, 1968

Mr. Rines:

Mr. Shaw called and gave me the following citations:

7th Circuit case - American Cooperative Service Association v. Anchor Service, 153 F.2d 907; Cert. den. 329 US 721; rehearing den. 329 US 826.

This is an antitrust case - there is a dissenting opinion at page 915:

> "Noted that the only testimony offered by plaintiff as the basis for its right to recover damages is that of its President, Huff, and its assistant sales manager, Davis. Neither of these witnesses has anything to do with or any contact with plaintiff's customers. The latter in making purchases dealt directly with the drug stores acting as plaintiffs' agents."

Emich Motor Corp. v. General Motors Corp., 181 F2d 70

Reversed on other grounds 340 US 558, page 82.

> "We agree with defendants that the complete letters received by them should have been admitted, not for their testimonial use, to prove the facts contained therein, but to show the information on which they

acted. This is a well established exception to the hearsay rule VI Wigmore on Evidence, 3rd Ed. Sec. 1189, 1729." See also 1766. Cases cited.

There are a couple of Massachusetts cases cited in the American Cooperative case, namely:
Hubbard v. Allyn, 86 NE 356, and Branner v. Bouley, 172 NE 104. In both of these cases, the salesmen were allowed to give testimony as to reasons given by the customers for declining to deal with the plaintiff.
These two cases were discussed earlier with you - one relates to a condition where a store on Washington Street has a juke box or a similar instrument and the noise from the instrument was so great that customers refused to deal with adjacent stores and at the trial the salesmen were allowed to give reasons given by the customers for not dealing. The other case relates to a situation where a newspaper publication in a report or an article implied certain conditions relating to the plaintiff's goods or wares and reasons given by customers for refusing thereafter to deal with the plaintiff were allowed in evidence.

Admission of evidence - 216 F.Sup. 670

297 F.2d 906, 914

239 F.2d 735

On the matter of shop book records, see 28 USCA 1732. Found no 7th Circuit cases on this particular subject, but see 356 F.2d 297 at 307, 9th Cir. case, Phillips v. U.S.

Bisno v. U.S., 299 F.2d 711, Cert. den. 370 US 952; rehearing den. 371 US 850 (good case)

9th Circuit case - Standard Oil Company of California v. Moore, 281 F.2d 137, 148; 251 F.2d 188, 216-217; 356 US 975. The court notes that the plaintiff failed to lay an adequate foundation for the admission of the business records, noting further that in a new trial a proper foundation may be supplied.

Mr. Shaw will be at home this evening if you need him.

His home number is [Area Code 617] MIssion 3-5286.

Isabelle

MARCALUS MANUFACTURING CO., Inc., Plaintiff,

v.

Robert C. WATSON, Commissioner of Patents, Defendant.

Civ. A. No. 5513-55.

United States District Court
District of Columbia.

Nov. 1, 1957.

Action for review of Commissioner's denial of application for registration of maroon oval as a trade-mark. The District Court, Holtzoff, J., held that evidence sustained finding that maroon oval had not been accepted by public as a distinguishing feature of plaintiff's paper products but had merely served as a background for actual mark, consisting of word "Marcal", which had been previously registered as trade-mark.

Judgment for defendant.

1. Trade-Marks and Trade-Names and Unfair Competition ⇐1

A trade-mark is an arbitrary sign, word, or design, or any of them in combination, used by manufacturer or dealer in particular product to differentiate his goods from other similar articles, and which has been accepted by public as a distinguishing mark for that purpose.

2. Trade-Marks and Trade-Names and Unfair Competition ⇐43.1

A geometrical figure of a particular color may be registered as a trade-mark, provided it is in fact the distinguishing mark of the applicant and is associated in the minds of the public with the applicant's goods.

3. Evidence ⇐317(15)

One of exceptions to hearsay rule is that utterances of a third person made in witness' presence may be admitted in evidence if they disclosed third person's state of mind, but only for purpose of disclosing his state of mind and not as proof of facts therein stated.

4. Trade-Marks and Trade-Names and Unfair Competition ⇐44.12

In action for review of Commissioner's denial of application for registration of maroon oval as a trade-mark, evidence as to results of interviews of supermarket customers, who were asked whether they could identify goods marketed in package containing maroon oval without any legend was admissible.

5. Trade-Marks and Trade-Names and Unfair Competition ⇐44.12

In proceedings on application for registration of maroon oval as a trade-mark, evidence sustained finding that maroon oval had not been accepted by public as a distinguishing feature of plaintiff's paper products, but merely served as a background for actual mark, consisting of word "Marcal" which had been previously registered as trade-mark.

J. Preston Swecker, William L. Mathis, Washington, D. C., and Robert F. Beck, Patterson, N. J., on behalf of plaintiff.

C. W. Moore, Solicitor, U. S. Patent Office, Washington, D. C., for defendant.

HOLTZOFF, District Judge.

This is an action against the Commissioner of Patents to review his denial of an application made by the plaintiff for the registration of a trademark. The trademark in question consists of an oval of a maroon color. Nothing is written or printed on the trademark, and no other figure or matter is superimposed on it. The question is whether a maroon oval and nothing else, may be registered as a trademark in behalf of the plaintiff.

Plaintiff is the manufacturer and distributor of various paper products such as paper napkins, paper handkerchiefs, and other similar commodities. Most of these articles are sold under the trade name "Marcal"; a few under the trade name "Kitchen Charm", and at least one under the name "Marcal Freezer Paper". Each of the packages in which the goods are sold to the public bears on its face

was made in a large store in mid-Manhattan, New York; the other in a similar store in a city in Connecticut. The interviewer in each instance stopped numerous customers in the store and showed them a package containing the maroon oval without the word "Marcal" or any other legend printed on it. The interviewer then asked that person whether he or she could identify the goods which were marketed in the package. Some of them said they did not know, while a great many others identified the package as being one in which Marcal products were dispensed.

[3, 4] The Court admitted this evidence over objection on the ground that it was admissible as an exception to the hearsay rule. One of the exceptions to the hearsay rule is that utterances of a third person made in the witness' presence may be admitted in evidence if they disclose that person's state of mind, but only for the purpose of disclosing his state of mind and not as proof of the facts therein stated. The Court is of the opinion that this evidence was admissible under that exception. A similar conclusion was reached by the Court of Appeals in the Third Circuit in United States v. 88 Cases, More or Less, etc., 187 F.2d 967.

A different question would be presented if the survey were a poll of public opinion and its purpose were to ascertain what members of the public thought about a particular subject. Such evidence would hardly come within this exception to the hearsay rule, and therefore the Court's ruling in admitting the testimony was limited to the specific type of survey here involved.

[5] When we come, however, to weigh the probative value of this survey we are confronted with other considerations. Both surveys were made in stores in which the plaintiff's goods were marketed. At the time the question was asked, the person to whom the inquiry was addressed could either see the plaintiff's goods or had previously seen them, because they were located either in that person's line of vision or in the vicinity of the place where the person was standing. It became almost a guessing contest. The situation would be entirely different if such a survey were taken in a place in which the goods were not located and where the goods were not in the immediate vicinity so that they could be seen. Consequently the Court is unwilling to predicate any finding of fact on the basis of this survey, but regards this evidence as insufficient to overcome the findings of fact made by the Patent Office.

In the light of the foregoing discussion the Court finds no basis for overruling the Patent Office and reaching a different conclusion than it did in what is in the ultimate analysis, a question of fact.

Accordingly, the Court will grant judgment for the defendant, dismissing the complaint on the merits.

Counsel may submit proposed findings of fact and conclusions of law.



In the Matter of FLEXIBLE CONVEYOR CO., Inc., an Ohio Corporation, Bankrupt.

No. 23366.

United States District Court
N. D. Ohio, W. D.
Oct. 28, 1957.

Proceeding on petition of creditor for review of referee's order appointing trustee in bankruptcy. The District Court, Kloeb, J., held that although proceedings, in which trustee had been appointed, had not been conducted properly in that claims of creditors had been improperly excluded in election of trustee in bankruptcy, in view of fact that it appeared ten months after appointment of trustee that there had been no sub-

[14] The motion for a preliminary judgment is granted on the condition that plaintiff give a bond to defendant in an amount sufficient to indemnify defendant for any loss which may be sustained by it in the event of the final determination of the suit in its favor. The amount of such bond shall be fixed by the court after consultation with the respective attorneys.



S. C. JOHNSON & SON, Inc., v. JOHNSON.
No. 2024.

District Court, W. D. New York.
Aug. 1, 1939.

1. Trade-marks and trade-names and unfair competition ⇐61

Product, advertised for use as general household cleaner suitable for use on fabrics and upholstery, constituted "merchandise of substantially the same descriptive properties" as product of manufacturer of cleaner for use on floors and like surfaces, as respects whether infringement of manufacturer's trade-mark could be enjoined. 15 U.S.C.A. § 96.

2. Trade-marks and trade-names and unfair competition ⇐61

Owner of registered trade-mark had right to extend the trade-mark to related products which were not under the registered trade-mark but were natural outgrowth of the trade-marked products.

3. Trade-marks and trade-names and unfair competition ⇐61

A trade-mark protects the owner thereof against not only its use to the articles to which he has applied it, but to such other articles which might naturally be supposed to come from him.

4. Trade-marks and trade-names and unfair competition ⇐10, 73(1)

Although, generally, a surname cannot be appropriated for exclusive use as a trade-name, its use by a newcomer to a field of trade may be restrained where it is calculated to deceive, or where its natural tendency will be to mislead the public, or where the way is opened for dealers to create confusion in the mind of the public.

5. Trade-marks and trade-names and unfair competition ⇐73(1)

In suit for trade-mark infringement, alleged widespread use by third parties of the name used by plaintiff in its trade-mark would not constitute valid defense if plaintiff was wronged by defendant's use of the name, even if the others using the name were using it on products which were identical with those of plaintiff. 15 U.S.C.A. § 96.

6. Trade-marks and trade-names and unfair competition ⇐61

The trade-mark of manufacturer of cleaner for use on floors and like surfaces was infringed by use of label containing name used by manufacturer in its trade-mark, for defendant's product which was advertised for use as a general household cleaner. 15 U.S.C.A. § 96.

7. Courts ⇐292

In suit for trade-mark infringement and unfair competition, wherein no trade-mark infringement is found, the court will retain jurisdiction to determine question of unfair competition. 15 U.S.C.A. § 96.

8. Trade-marks and trade-names and unfair competition ⇐67

The law of trade-marks is a part of the broader law of unfair competition, the general purpose of which is to prevent one person from passing off his goods or his business as the goods or business of another.

9. Trade-marks and trade-names and unfair competition ⇐73(1)

Use by producer of general household cleaner suitable for use on fabrics and upholstery, of trade-mark name of manufacturer of floor cleaner in such a manner upon the label used by the producer as was likely under ordinary and usual circumstances to lead purchasers to believe that the producer's product was that of the manufacturer, constituted "unfair competition" which would be restrained.

[Ed. Note.—For other definitions of "Unfair Competition," see Words & Phrases.]

10. Trade-marks and trade-names and unfair competition ⇐70(4)

In determining whether defendant's use of trade-mark name constituting part of plaintiff's registered trade-mark constituted "unfair competition," the labels

actions subsequent to the commencement of the action and prior to July 1, 1937. A stipulation was entered into between the parties which provided that no proof of facts occurring subsequent to July 1, 1937, would be offered in evidence. Plaintiff claims that this means that facts to that date could be proved. Defendant asserts that by the stipulation he waived no right to object on any ground. The stipulation seems meaningless unless the plaintiff is right. At various times during the taking of depositions the attorney for the defendant definitely recognized the right of plaintiff to take testimony relating to transactions down to July 1, 1937, and did not raise the objection now urged. There is considerable testimony which has been offered by the plaintiff purporting to show inquiries made by prospective purchasers. It is objected that such inquiries are hearsay. Without this type of proof it would be difficult to show confusion. It seems to me it is competent as showing the state of mind of the prospective purchaser.

This opinion may be taken as satisfying the requirements of Equity Rule 70½, 28 U.S.C.A. following section 723. Further Findings of Fact and Conclusions of Law may be submitted if desired.



STATE OF GEORGIA et al. v. UNITED STATES et al.

No. 44.

District Court, E. D. Virginia.
Aug. 8, 1939.

1. Commerce ⇐85(3)

A primary aim of policy of insuring adequate transportation service under transportation act of 1920 is to secure the avoidance of waste. 49 U.S.C.A. § 1(18–20).

2. Railroads ⇐57

Obligations imposed by state laws do not limit power of Interstate Commerce Commission under provisions of transportation act of 1920 requiring interstate carriers desiring to extend line to procure certificate of public convenience and necessity and permitting carriers to abandon a line upon obtaining such a certificate. 49 U.S.C.A. § 1(18–20).

3. Railroads ⇐57

The Interstate Commerce Commission was authorized to permit interstate railroad to abandon a portion only of a line of railroad chartered by State of Georgia, upon a showing that portion sought to be abandoned constituted a burden upon interstate commerce. 49 U.S.C.A. § 1(18–20).

4. Railroads ⇐57

An interstate railroad which sought permission from Interstate Commerce Commission to abandon a portion of a line of railroad chartered by State of Georgia was not required to show that operation of line as a whole burdened interstate commerce, but only that operation of portion sought to be abandoned burdened interstate commerce. 49 U.S.C.A. § 1(18–20).

Suit by the State of Georgia and others against the United States of America and others to enjoin the enforcement of an order of the Interstate Commerce Commission permitting the abandonment by the Southern Railway Company of 40.1 miles of one of its lines in the State of Georgia.

Injunction denied, and complaint dismissed.

Marshall L. Allison and B. D. Murphy, Asst. Attys. Gen., for State of Georgia.

Elmer B. Collins, Sp. Asst. to Atty. Gen. (Thurman Arnold, Asst. Atty. Gen., and Sterling Hutcheson, U. S. Atty., of Richmond, Va., of counsel), for the United States.

Thomas M. Ross, of Washington, D. C. (Daniel W. Knowlton, of Washington, D. C., of counsel), for Interstate Commerce Commission.

Sidney S. Alderman, of Washington, D. C., and Rembert Marshall, of Atlanta, Ga. (Thomas B. Gay, of Richmond, Va., of counsel), for Southern Railway Company.

Before PARKER, Circuit Judge, and POLLARD and DOBIE, District Judges.

PARKER, Circuit Judge.

This is a suit to enjoin the enforcement of an order of the Interstate Commerce Commission permitting the abandonment by the Southern Railway Company of 40.1

have nowhere been superseded by statutes."

Based upon that quotation, and upon all of the papers before the court on the motions for summary judgment by both parties, the court grants summary judgment against the plaintiff and for the defendant herein.

So ordered.



AMERICAN LUGGAGE WORKS, Inc., et al.

v.

UNITED STATES TRUNK CO., Inc., et al.

Civ. A. No. 57-159.

United States District Court
D. Massachusetts.
Dec. 6, 1957.

Action for unfair competition based on plaintiff's claim that its design for luggage had acquired a secondary meaning. Defendant moved for judgment at close of plaintiff's evidence. The District Court, Wyzanski, J., held that survey which was limited to retail luggage dealers was inadmissible to show that plaintiff's design had acquired a secondary meaning in market of ultimate consumers.

Judgment for defendant.

1. Trade-Marks and Trade-Names and Unfair Competition ⇐71

The fact that a dealer associates a particular design with a particular source does not tend to show that the same association is made by an ordinary consumer unfamiliar with the intricacies of the trade.

2. Trade-Marks and Trade-Names and Unfair Competition ⇐93(2)

In action for unfair competition based on plaintiff's claim that its design for suitcases had acquired a secondary meaning, results of survey which was limited to retailers was inadmissible to show that plaintiff's design had acquired a secondary meaning in market of ultimate consumers.

3. Trade-Marks and Trade-Names and Unfair Competition ⇐93(2)

In action for unfair competition based on plaintiff's claim that its design for suitcases had acquired a secondary meaning, results of survey made in retail luggage dealer field was inadmissible on issue of confusion of retail dealers where photographs of luggage shown to interviewees were not true representations of bags and survey included retail dealers who were not shown to be potential customers and excluded dealers who sold luggage at retail in department stores and chains.

4. Trade-Marks and Trade-Names and Unfair Competition ⇐71

In determining whether a design has acquired a secondary meaning, the issue is not whether goods would be confused by a casual observer, but whether goods would be confused by a prospective purchaser at time he considered making purchase.

5. Evidence ⇐317(2)

Investigators, who interviewed dealers in retail luggage field as part of survey offered to show that plaintiff's design for suitcases had acquired a secondary meaning among retail dealers, would be allowed to testify where court was persuaded that risks of hearsay evidence had been minimized, that answers given by retail dealers were likely to be reliable indicia of their states of mind, that absence of cross-examination was not prejudicial, and that other ways of getting evidence on the same point were either impractical or burdensome.

6. Trade-Marks and Trade-Names and Unfair Competition ⇐93(2)

In action for unfair competition based on plaintiff's claim that its design

aku 161 F Supp 593
aff 264 F 2d 469

aku 264 F 2d 13, 17

true representations of the bags. Two of them entirely failed and one of them partially failed to show the manufacturer's name tags which are prominent in several places on the bags themselves. These distortions are fatal to the proffer of the evidence on the issue of confusion of retail dealers. For the fact that a retail dealer does not recognize an unlabeled bag is no indication that he would not recognize a labeled bag.

[4] Furthermore, another and most significant reason why the evidence of the poll is inadmissible on the issue of confusion is that under the substantive law the issue is not whether the goods would be confused by a casual observer, (trained or untrained, professional or lay,) but the issue is whether the goods would be confused by a prospective purchaser at the time he considered making the purchase. If the interviewee is not in a buying mood but is just in a friendly mood answering a pollster, his degree of attention is quite different from what it would be had he his wallet in his hand. Many men do not take the same trouble to avoid confusion when they are responding to sociological investigators as when they spend their cash.

[5, 6] There remains the question of the admissibility and value of the results of the poll when offered to show that the design of plaintiff's bag has a secondary meaning among retail dealers. The investigators who conducted the poll are available to testify that a number of persons when shown plaintiff's bag did identify it as coming from plaintiff. But defendant has argued that the testimony that they are prepared to give, and the tabulations derived therefrom, are excludable under the hearsay rule.

It is, of course, clear that the testimony of the investigators as to what interviewees said is offered to show not the truth of what the interviewees said but to show their state of mind. Some authorities have, therefore, concluded that the testimony is not hearsay. United States v. 88 Cases, More or Less, 3 Cir., 187 F.2d 967; 6 Wigmore, Evidence (3rd ed.) § 1776; Note 66 Harv.L.Rev. 498, 501, 503, note 34. Others, however, have noted that the proffered evidence has some of the dangers of hearsay. See Note 66 Harv.L.Rev. 498, 501–502; Morgan, Hearsay Dangers and the Application of the Hearsay Concept, 62 Harv. L.Rev. 177, 185, 202–203, 206; McCormick, The Borderland of Hearsay, 39 Yale L.J. 489, 491. So long as the interviewees are not cross-examined, there is no testing of their sincerity, narrative ability, perception, and memory. There is no showing whether they were influenced by leading questions, the environment in which questions were asked, or the personality of the investigator. But where a court is persuaded that in a particular case all these risks have been minimized, that the answers given by the interviewees are, on the whole, likely to be reliable indicia of their states of mind, that the absence of cross-examination is not prejudicial, and that other ways of getting evidence on the same point are either impractical or burdensome, the testimony should be admitted. See Note 66 Harv. L.Rev. 498, 503. In this case these conditions have been met. Accordingly, the hearsay objection is overruled and the testimony of the results of the poll is admitted to show whether retail dealers recognized plaintiff as the source of plaintiff's design for suitcases.

The testimony is not only admissible but is to some degree persuasive on the issue that the plaintiff's design has acquired among dealers a secondary meaning. Of course, it is not exceptionally persuasive because there is no evidence as to what fraction of the dealer market does make that identification. Only 29 persons were asked about plaintiff's bag and those 29 not only were a small sample but were selected from a universe designed by experts inadequately informed of the problem and hence arbitrarily making exclusions and inclusions.

This then is the situation: there is some evidence that retail dealers do associate plaintiff's design for a suitcase with plaintiff, but the only evidence

defendant's reply affidavit that there was no attempt to impede or delay the examination by the Director of the invoices sought, it is beyond dispute that no examination has been permitted by defendant. The effectiveness of the refusal of permission to examine the records by peaceable means is as complete as an unsuccessful combat, when examination has not been had.

In Wilson v. United States, 221 U.S. 361, 380, 31 S.Ct. 538, 544, 55 L.Ed. 771, Mr. Justice Hughes wrote as follows:

"But the physical custody of incriminating documents does not of itself protect the custodian against their compulsory production. The question still remains with respect to the nature of the documents and the capacity in which they are held. * * * The principle applies not only to public documents in public offices, but also to records required by law to be kept in order that there may be suitable information of transactions which are the appropriate subjects of governmental regulation, and the enforcement of restrictions validly established. There the privilege which exists as to private papers cannot be maintained." Many illustrations in decisions are cited. And see Bowles v. Stitzinger, D.C., 59 F. Supp. 94.

Nor is there a dispute that demand was properly made for permission to examine the defendant's "sales invoices from December 19, 1950 to date."

[2, 3] The validity of the Defense Production Act of 1950, and more particularly § 705, is sustained. The Act does not violate the provisions of the Fourth Amendment of the Constitution of the United States of America. Bowles v. Stitzinger, D.C., 59 F.Supp. 94. Neither is this proceeding a fishing expedition. Oklahoma Press Pub. Co. v. Walling, 327 U.S. 186, 66 S.Ct. 494, 90 L.Ed. 614.

The Director advised defendant that the scope and purpose of the investigation, inspection or inquiry was to examine its sales invoices for compliance by defendant with the Act. It is quite apparent that defendant had in its possession the only complete source of knowledge of the contents of its sales invoices. The invoices were not required to be filed in any specified place, or with any Federal or other responsible agency, or out of the custody or possession of defendant. The records sought were entirely in the possession of defendant pursuant to the Act, and presumably are presently held by defendant more particularly for compliance with the Defense Production Act of 1950. Defendant then is but the custodian of the records sought.

The order for defendant Bleichfeld Bag & Burlap Co., Inc. to produce its sales invoices covering the period from December 19, 1950 to date is granted.

HOUSEHOLD FINANCE CORP. v. FEDERAL FINANCE CORP. et al.

Civ. No. 645.

United States District Court D. Arizona.

April 1, 1952.

Action by Household Finance Corp. against Federal Finance Corp. and others for infringement of a trade symbol and for unfair competition. The District Court, McColloch, J., held that the evidence established that plaintiff's symbol had acquired a secondary meaning in the minds of the public and that the use by defendant of its similar trade symbol constituted unfair competition.

Order in accordaunce with opinion.

Trade-Marks and Trade-Names and Unfair Competition ⇐93(3)

Evidence established that plaintiff's trade symbol, service mark or form of advertising, consisting of the letters "HFC" in distinctive type style arranged in distinctive manner and enclosed in circle had acquired "secondary meaning" in minds of public and that defendant's use of the letters "FEC", arranged in distinctive type similar to that employed by plaintiff and

the public recognizes plaintiff's symbol as identifying the plaintiff.

The latest survey was conducted in September, 1951, in the cities of Chicago, Detroit, Philadelphia, and Los Angeles. This survey was conducted by an independent market research organization and was planned and conducted in a manner designed to reflect impartially, objectively, and accurately the degree of public recognition of said symbol. This survey showed a recognition of plaintiff's symbol by approximately 61% of the more than four thousand persons interviewed.

Plaintiff has received and is receiving in increasing quantities mail addressed to "HFC" at its various branch offices throughout the United States.

Plaintiff has been requested by several telephone companies to maintain a telephone listing under the appellation "HFC" in addition to its regular alphabetical listing under the appellation "Household Finance Corporation."

The use of said symbol by defendant, Federal Finance Corporation, is likely to mislead persons of reasonable intelligence concerning the identity of said defendant and to cause said persons to believe that when dealing with said defendant they are dealing with the plaintiff or with some company affiliated or associated in some way with the plaintiff.

Conclusions of Law

This Court has jurisdiction of the parties herein and of the subject matter of this litigation.

The plaintiff has a valuable property right in that certain trade symbol, service mark, or form of advertising consisting of the letters "HFC" in distinctive type style arranged in a distinctive manner and enclosed in a circle.

The said symbol has acquired a "secondary meaning" in the minds of the public.

The use by defendant of its trade symbol, service mark, or form of advertising consisting of the letters "FFC" arranged in distinctive type similar to the type employed by plaintiff and arranged in a distinctive manner similar to the manner employed by plaintiff and enclosed in a circle constitutes a violation of the property rights of the plaintiff and constitutes unfair competition.

Plaintiff has no plain, speedy, and adequate remedy at law.

Plaintiff is entitled to an injunction enjoining all of the defendants from continuing to use the above-described symbol, and from using any other trade symbol, service mark, or form of advertising which is calculated to mislead or is likely to mislead any person into believing that in dealing with defendant, Federal Finance Corporation, he is dealing with the plaintiff or some company affiliated with or associated in some way with the plaintiff.

WEST KEY NUMBER SYSTEM

RONSON ART METAL WORKS, Inc. v. BROWN & BIGELOW (Inc.)

United States District Court
S. D. New York.
June 2, 1952.

Action by the Ronson Art Metal Works, Inc., against Brown & Bigelow (Inc.). The United States District Court for the Southern District of New York, Weinfeld, D. J., held that where litigation involving patents was first instituted by plaintiff in the Federal District of New York and defendant subsequently instituted litigation involving in substance the same subject matter in Minnesota where the calendar was less crowded, balance of convenience entitled plaintiff to trial of its action in the New York District.

Order in accordance with opinion.

See also, D.C., 104 F.Supp. 716.

1. Courts ⇐522

Where several law suits involving patent litigation were substantially the same and a single trial would avoid duplication, in determining which action was entitled to trial forum, issue was one of the balance

nity Company v. Delta & Pine Land Company, 292 U.S. 143, 54 S.Ct. 634, 78 L.Ed. 1178; New York Life Insurance Company v. Miller, 8 Cir., 139 F.2d 657.

The judgment of the District Court is affirmed.

The STANDARD OIL COMPANY, a corporation; and Sohio Petroleum Company, a corporation, Appellants,

v.

STANDARD OIL COMPANY, a corporation, Appellee.

No. 5506.

United States Court of Appeals
Tenth Circuit.

Jan. 15, 1958.

Action to enjoin defendants from infringing plaintiff oil company's trademarks by use of word "Sohio" as defendants' trade-mark in plaintiff's territory. From a judgment of the United States District Court for the District of Wyoming, T. Blake Kennedy, J., 141 F.Supp. 876, the defendants appealed. The United States Court of Appeals, Breitenstein, Circuit Judge, held, inter alia, that record established that there was such a confusing similarity between defendants' designation "Sohio" and designations of plaintiff whose trade-marks included "Standard Oil", "Standard", "SO", "SO Co.", "S O C O", and "Solite" that total effect of use by defendants within plaintiff's territory of "Sohio" was to produce in minds of ordinary purchaser, exercising due care in the market place, confusion as to origin of goods identified by such designation, and that by their use of "Sohio" defendants intended to create and take advantage of such confusion of origin and such action was unfair competition and wrongfully infringed upon rights of plaintiff.

Affirmed.

1. Trade-Marks and Trade-Names and Unfair Competition ⇐57

While the terms, words, letters, signs and symbols used by parties were in part trade-marks and in part trade-names, precise difference was immaterial since the law protects against appropriation of either upon same fundamental principles, and law of trade-marks is but a part of the broader law of unfair competition.

2. Trade-Marks and Trade-Names and Unfair Competition ⇐24

Generally, "trade-mark" is applicable to vendible commodity, and "trade-name" to business and good will.

See publication Words and Phrases, for other judicial constructions and definitions of "Trade-Mark" and "Trade-Name".

3. Trade-Marks and Trade-Names and Unfair Competition ⇐68(1.1)

The controlling principle in law of trade-marks and unfair competition is that a person may not pass off his goods or his business as goods or business of another.

4. Trade-Marks and Trade-Names and Unfair Competition ⇐58, 59(1)

There is confusing similarity between trade-marks or trade-names if prospective purchasers are likely to regard offending designation as indicating the source identified by the trade-mark or trade-name.

5. Trade-Marks and Trade-Names and Unfair Competition ⇐57

The factors bearing on question of confusing similarity between trade-marks or trade-names are: (1) degree of similarity in appearance, sound and meaning; (2) intent of defendants in adopting and using of term; and (3) the degree of care likely to be exercised by purchasers.

6. Courts ⇐406.3(9)

Fact findings of trial court will not be disturbed on appeal unless they are

Over the years there have been several decisions involving the use of the term "Standard Oil Company."[7] Closely analogous to this case is the decision in Esso, Inc., v. Standard Oil Co., 8 Cir., 98 F.2d 1, wherein the plaintiff Standard of Indiana succeeded in enjoining the use in its territory of the trade-name "Esso" by a wholly owned subsidiary of the Standard Oil Company of New Jersey. In every case reported at this time the courts have acted to protect the Standard Oil company which had first obtained the right to use the "Standard Oil" name and trade-marks in the area involved.

Defendants concede that they have no right to use in plaintiff's territory the name "Standard Oil Company" with or without "Ohio" and that the plaintiff has the right to the exclusive use within its territory of the terms "Standard," "Standard Oil," and "Standard Oil Company" in connection with petroleum products. Plaintiff makes the same concession of a similar right in the defendant Standard of Ohio to use such terms within its territory in connection with petroleum products.

The trial court found that "almost from the date of its incorporation" the plaintiff has used in its territory its trade-names and trade-marks, including "Standard Oil Company," "Standard Oil," "Standard," "SO," "SO Co.," "S O C O," and "Solite," in the advertisement and sale of its products. It has advertised extensively in newspapers and magazines and on billboards, radio and television.[8] The acceptance of its products is shown by its sales which have increased from $294,500,000 in 1930 to $759,000,000 in 1954. In the petroleum industry in plaintiff's territory the trade-names and trade-marks mentioned above identify the plaintiff and no one else as the source and origin of the products and services on or in connection with which they are used.

Proof of the use by plaintiff of its trade-names and trade-marks is overwhelming. The word "Standard" either alone or in combinations and the letters "SO" either alone or in combinations are used as identifying marks in connection with the great variety of equipment, facilities and products that are a part of the modern oil industry. Only one phase of such use need be particularly mentioned. In 1945, the plaintiff adopted as a common identifying symbol for all outlets offering its products a torch and oval sign. This is an oval with a flaming torch in the center. The flame of the torch extends above the oval. The upper third of the oval is red, the middle third white, and the bottom third blue. The word "Standard" is imprinted in blue on the middle white section. The plaintiff's wide use of this distinctive symbol is conclusively established by the evidence.

The term "Sohio" is derived from "S. O. Ohio." The evidence shows that since the dissolution decree the various Standard Oil companies have been known in trade and financial publications, in the public press, and to the public generally as "S. O. New Jersey," "S. O. Kentucky," "S. O. Indiana," "S. O. California," and "S. O. Ohio." The trial court found that, "In the petroleum world the letters 'S. O.' have always stood for 'Standard Oil.'" "Sohio" is obviously a contraction of "S. O. Ohio." All that has been done is to eliminate one "O." With reference to the "Sohio" name or mark a 1929 publication of the defendant Standard of Ohio said:

> "'Sohio' is of course an abbreviation of the full name of our organization, The Standard Oil Company of Ohio. In a degree which

7. See Standard Oil Co. of New York v. Standard Oil Co. of Maine, 1 Cir., 38 F. 2d 677, affirmed as modified, 1 Cir., 45 F.2d 309; Standard Oil Co. of New Mexico, Inc., v. Standard Oil Co. of California, 10 Cir., 56 F.2d 973; Standard Oil Co. of Colorado v. Standard Oil Co., 10 Cir., 72 F.2d 524, certiorari denied 293 U.S. 620, 55 S.Ct. 216, 79 L.Ed. 708; Standard Oil Co. v. Michie, D.C.E.D.Mo., 34 F.2d 802.

8. In 1930 its sales promotion and advertising expenses amounted to more than $4,700,000 and in 1954 to over $10,900,000.

grant to the courts discretionary authority to stay proceedings where military service affects the conduct thereof,[8] Section 205 is mandatory in nature and has been so interpreted.[9]

Inasmuch as the findings of fact made by the Tax Court concerning the military service rendered by the two older children are general in nature and fail to specify exact dates, the cause will be remanded to the Tax Court for a re-evaluation of the allowability of the claims in light of the applicability of Section 205 of the Soldiers' and Sailors' Civil Relief Act.

The judgment of the Tax Court will be affirmed in part and reversed in part with a remand for further proceedings in accordance with this opinion.



ANHEUSER-BUSCH, INC., Appellant and Cross-Appellee,

v.

BAVARIAN BREWING COMPANY, Appellee and Cross-Appellant.

Nos. 13363, 13364.

United States Court of Appeals
Sixth Circuit.

Feb. 26, 1959.

Action by beer manufacturer for infringement of its registered trademark "Bavarian's" and for other relief. The United States District Court for the Southern District of Ohio, Western Division, John H. Druffel, J., 150 F.Supp. 210, entered decree and the defendant appealed and the plaintiff cross-appealed.

The Court of Appeals, Simons, Circuit Judge, held that where plaintiff's registered trademark "Bavarian's" beer had acquired secondary meaning in plaintiff's distributing area covering parts of three states, injunction restraining defendant's use of word "Bavarian" in connection with defendant's beer was properly limited to such three-state area.

Affirmed.

1. Trade-Marks and Trade-Names and Unfair Competition ⇐93(3)

In action by beer manufacturer for infringement of common-law rights in its trademark "Bavarian" for unfair competition in trade and for infringement of trademark registration "Bavarian's", evidence disclosed that manufacturer had developed a secondary meaning for "Bavarian" and "Bavarian's" in manufacturer's distributing area covering parts of three states. Lanham Trade-Mark Act, §§ 1 et seq., 2(f) as amended 15 U.S.C.A. §§ 1051 et seq., 1052(f).

2. Trade-Marks and Trade-Names and Unfair Competition ⇐45

Registration of trademark is prima facie evidence of ownership. Lanham Trade-Mark Act, § 1 et seq. as amended 15 U.S.C.A. § 1051 et seq.

3. Trade-Marks and Trade-Names and Unfair Competition ⇐71

Injunction restraining defendant from using plaintiff's registered trademark in plaintiff's distributing area covering parts of three states may be valid when a secondary meaning has been acquired by the plaintiff for its product under federal law, for it is federal law that controls where interstate commerce is involved. Lanham Trade-Mark Act, §§ 1 et seq., 2(f) as amended 15 U.S.C.A. §§ 1051 et seq., 1052(f).

8. The cases cited by the government concern application of § 201: Lawther v. Lawther, 1945, 53 Pa.Dist. & Co.R. 280; Collins v. Bannerman, 1942, 46 Pa.Dist. & Co.R. 84; Craven v. Vought, 1941, 43 Pa.Dist. & Co.R. 482.

9. Bowles v. Dixie Cab Ass'n, D.C.1953, 113 F.Supp. 324; Warinner v. Nugent, 1951, 362 Mo. 233, 240 S.W.2d 941, 26 A.L.R.2d 278; First Nat. Bank of Hico v. English, Tex.Civ.App.1951, 240 S.W. 2d 503.

cause confusion, it may be used fairly by others. The remedy afforded by the trial Judge appears to be within judicial discretion. With regard to registered secondary meaning, the Act is sufficiently broad to protect a mark which had acquired a secondary meaning in the users market. The trial Court made a finding and granted a remedy, based upon distinctiveness, or secondary meaning, of the term "Bavarian" which had not gone beyond the plaintiff's distributing area. It authorized no injunction broader in scope under pre-Lanham Act cases involving the protection of trademarks into an area of prospective expansion. In the absence of such finding and in the light of the finding of fact that such secondary significance is limited to the plaintiff's trade area, the scope of the injunction is in line with the findings of fact and within a reasonable discretion allowed the courts by the Lanham Act.

[9] The defendant finally contends that the admission of the report of a survey as evidence constituted reversible error because it constituted hearsay evidence, the persons interviewed not being made witnesses and not subject to cross examination. But this report was admitted under Statute Sec. 2317.36, Ohio Rev.Code, which provides that a written report of findings of fact prepared by an expert neither a party to the cause nor an employee of a party, nor financially interested in the result of the controversy by the cooperation of several persons acting for a common purpose shall, insofar as the same is relevant, be admissible when testified to by persons making such report or finding without calling as witnesses the persons furnishing the information, if, in the opinion of the court, no substantial injustice will be done the opposite party. An analogy to the present situation may be found in Soukoup v. Republic Steel Corporation, 78 Ohio App. 87, 66 N.E.2d 334. The statute and the Soukoup case make admissibility a matter of the trial court's discretion and rule 43 of the Federal Rules of Civil Procedure, 28 U.S.C.A. provides that the Statute or Rules which favor the reception of the evidence governs where there is doubt and that the evidence shall be presented according to the most convenient method prescribed in any of the Statutes or Rules to which reference is made and that the competency of a witness to testify shall be determined in like manner.

We accept the fact findings of the District Judge and the conclusions of law applicable to the evidence. The decree is affirmed.



MODERN AIDS, INC., Plaintiff-Appellee,

v.

R. H. MACY & CO., Inc., Defendant-Appellant.

No. 175, Docket 25342.

United States Court of Appeals
Second Circuit.

Argued Jan. 23, 1959.

Decided March 3, 1959.

Suit to enjoin defendant from infringing plaintiff's copyrighted advertisement of a mechanical massage machine and from selling the machine or any machine substantially similar to it. From an order of the United States District Court for the Southern District of New York, Palmieri, District Judge, granting the requested relief, the defendant appealed. The Court of Appeals held that where plaintiff had no patent on mechanical massage machine, defendant was free to imitate such machine as closely as it chose subject to limitation that if buying public had come to believe that every machine made after plaintiff's model was plaintiff's product and relied upon source of machine rather than its performance, then defendant would be required to make plain to buyers that

Surgitube Products Corp. v. Scholl-Manufacturing Co.
158 F. Supp. 540 (D.C.S.D.N.Y., 1958)

P. 543 affirmed 262 F. 2d 824 (2 Cir., 1959)

> It is not disputed that plaintiff sells tubular gauze in boxes of various sizes each of which is marked
>
> "Surgitube
> Trade-Mark Reg.
> U.S. Patent No. 2,326,997
> The Tubular Gauze over dressing"

It is admitted that tubular gauze is not patented and most certainly it is not patented by Patent No. 2,326,997 which is the patent in suit. In and of itself, the innocent marking of an unpatented article as patented may not effect a misuse of the patent...However, in this case the wrongful marking has been done with knowledge that the patent did not apply...with the intent to deceive the public and restrain trade in the unpatented tubular gauze. This use of a patent to restrain competition with the sale of an unpatented product constitutes a misuse of the patent, and warrants denial of recovery to a plaintiff in an infringement action.

U.S. v. Krasnov 143 F. Supp 184 (D.C.E.D. Penn., 1956)

P. 197 There can be no doubt that summary judgments are as applicable to action under the Sherman Act as they are to any other type of actions, legal or equitable

City Associated Press v. United States 326 U.S. 1
Morton Salt Co. v. G.S. Suppiger Co. 314 U.S. 488; 315 U.S. 788
International Salt Co. v. United States 332 U.S. 392
United States v. United States Gypsum Co. 340 U.S. 76

Malz v. Sox
134 F. 2d 2, 5
(7 Cir., 1943)

Equally clear are the holdings that the defense of unclean hands need not be raised by the litigants.

Paul E. Hawkinson Co. v. Dennis
166 F. 2d 61
(5 Cir., 1948)

(In this case defendant pleaded in its ninth defense that plaintiff was using its patent to require licensees to buy unpatented articles and on motion for summary judgment defendant's ninth defense was sustained--but C.A. reversed, Defendant by way of counter-claim demanded damages for intimidation of it and its customers and in its tenth defense pleaded misuse by reason of an advertising campaign which evidently constituted the intimidation; the lower court found for plaintiff, denying the motion for summary judgment on the tenth defense).

It is sufficient to say that the matter was not one for summary judgment and that the judgment must be reversed with directions for a trial on the merits.

U.M.A. Inc. v. Burdick Equipment Co.
45 F. Supp. 755, 756
(D.C.S.D. N.Y., 1942)

(Here plaintiff used patented method to obtain sales of product for use in the method; plaintiff's customers received an "informal" license to use the method merely by buying from plaintiff).

Had the plaintiff granted written licenses on a royalty basis and annexed as a condition of the license an obligation on the part of the licensees to buy plaintiff's unpatented machine for the exercise of the license, it would be clear it could not maintain another patented machine for the same purpose. Plaintiff's practice amounts in substance to the same thing.

Deering, Milliken & Co. v. Temp-Resistor Corporation
160 F. Supp. 463 (D.C.S.D.N.Y. 1958)

Reversed in part on other grounds 274 F 2d. 626 (2 Cir., 1960)

(Defendants RMG urged "patent misuse" by plaintiff in connection with licensing activities, institution and conduct of the suit, customer intimidation, anti-trust violation whereby customers were required to buy unpatented articles from plaintiff and fix prices on sale and resale of unpatented articles, releasing a flood of publicity designed to intimidate defendant's customers.

The Court found no misuse and no anti-trust violation. The C of A affirmed the misuse portion of the lower court decision stating at 274 F. 2d 634:)

With regard to the counter-claim, despite the bulk of the briefs and portions of the record devoted to these anti-trust allegations, examination exposes their highly legalistic and defensice nature. For this reason they may be treated summarily. The Special Master found, on the basis of substantial evidence, that there was no conspiracy between appellee and its licensees (including the additional defendants) to monopolize the metal-bearing garment lining trade or to fix prices and the appellee did not indulge in discriminatory advertising allowances or compete unfairly. The district court properly affirmed these findings. Evne if these findings were clearly erroneous, the claim would be passed on an entirely separate ground, viz, there was no showing that the appellants were damaged.....

Barber Colman Co. v. National Tool Co. 136 F. 2d (6 Cir., 1943) p. 343--- The attempt to use the patent unreasonably to restrain commerce was considered not only beyond the scope of the patent grant, but also in direct violation of the Anti-Trust Acts (Clayton Act. Sec.3)

Reeves v. Keystone Bridge Co. 20 Fed. (a) 466 (Case No. 11660)
(See also Case No. 11,661 on rehearing)

The Reeves case interprets Section 15 of the Act of 1836, incorporated in the Act of 1870 (16 STAT 198) which states that a patent may be successfully opposed by showing that the thing patented "had been described in some public work anterior to the supposed discovery thereof by the patentee". The court went on to state:

> It is obvious that this provision requires first, a description of the alleged invention; second that it shall be contained in a work of a public character and intended for the public; and, third, that this work was made accessible to the public by publication before the discovery of the invention by the patentee.
>
> * * *
>
> It is not shown that the work was published before the date of the complainants patent. This must be directly proved. It is not deducible from the imprint in the title page. That the work was then printed may be inferred from this imprint; but when it was put in circulation or offered to the public is a distinct fact which must be proved ~~presumed~~ independently. The intended circulation of a book of a public nature may be presumed from its being put into print; but it does not follow that a work...was made accessible to the public as soon as it was printed, or that it was actually published at all.

Cottiere v. Stimson 20F 906 (Circuit Court D. Oregon, 1884)

Objection is made to the introduction of the book entitled "A Treatise on Ventilation," because it does not appear to be a "printed publication," within the meaning of the statute; and it was admitted subject to the objection. It is a book of 226 pages, and purports to be the second edition of two courses of lectures delivered

on the subject of ventilation...before the Franklin Institute, at Philadelphia. By the title-page it appears to have been printed by "John Wiley & Son, New York, 1871," who style themselves "publishers". But there is no other evidence than what is furnished by this copy that the work was ever on sale or in circulation.

In Walk Pat. s. 56, it is said that "a printed publication is anything which is printed, and, without any injunction of secrecy, is distributed to any part of the public in any country. Indeed, it seems reasonable that no actual distribution need occur, but that exposure of printed matter for sale is enough to constitute a printed publication".

But something besides printing is required. The statute goes upon the theory that the work has been made accessible to the public, and that the invention has thereby been given to the public, and is no longer patentable by anyone. Publication means put into general circulation or on sale, where the work is accessible to the public. See Reeves v. Keystone Bridge Co. 5 Fisher, 467.

In the nature of things, it is not improbable that this work has been regularly published and is in general circulation, at least, among those interested in the subject. It is not likely that it was printed for private circulation. But I doubt if the evidence is sufficient to warrant such a conclusion. It does not appear that any other copy of it is or even was in existence, or that it was ever placed publicly on sale, or othersiee distributed among or made accessible to the public or any considerable portion of the community.

M & B Mfg. Co. v. Munk 6 F. Supp. 203

There is no proof that the catalog was ever circulated or distributed to the public, and the mere fact that it is a printed catalog, which was in the possession of the Durst Company is not sufficient.

Citing 61F 93.95
20 Fed 466 (No. 11660)
251 F. 603
28 F 2d 812
235 F 151
20 F 906

Jockmus v. Levitan 28 F. 2d 812 (2 Cir., 1928)

L.Hand

While it is true that the phrase "printed publication', presupposes enough currency to make the work part of the possessions of the art, it demands no more. A single copy in a ~~xixxxx~~ library, though more permanent, is far less fitted to inform than a catalogue ~~xx~~ freely circulated.

~~*N~~ * *

Whether the catalogue was in fact distributed generally, and when, are different questions. That it was printed in 1908 no one can reasonably doubt; it was a trade catalogue, meant to pass current for a season and to be superseded, as it successor of 1910 in this very case bears witness. To suppose that it bore an earlier date than that at which first appeared contradicts all we know about merchandising; it might be post-dated like a motor car, but never the opposite. It is, of course, conceivable that, though printed, it was never distributed, or that the ~~xxxxxx~~ distribution was not limited to be a "publication". As to the

last we can scarcely undertake to set a limit. Schmidt says that perhaps 1000 went out. Far less would have served; the 50 which was his lower limit ~~was~~ were quite enough. To be sure the fact of any distribution at all rests upon the uncorroborated testimony of him and Schorpe, because there was further documentary corroboration of neither, though each was explicit in his recollection, and each had had first hand knowledge. This would not be ~~enough~~ enough, if the catalogue itself were not produced, bearing its own evidence of existence since 1908, but no one can seriously suppose that such document, printed in quantity was intended to be kept secret...and, unless some accident happened to prevent, it would in due course have gone upon its intended errand. To prove that no accident did happen and that it did reach its destination we have, it is true, only oral, though entirely disinterested, testimony; but it is a mistake to assume that even under the extraordinary severe tests applied to the proof of anticipation, every step must be buttressed by documents. That some documents are necessary, perhaps, may be the rule; but, when the documents go so far as here, the retrial, if there is any, is satisfied.....

Imperial Glass Co. v. A.H. Hersey & Co. 294 F 267 (6 Cir., 1923)

The defendant produced printed catalogues of different glass manufacturers, including some of its own, all evidently issued for circulation among the trade, and all of which defendant's superintendent testified had been in his possession since before 1911. These catalogues showed a great variety of designs tending to support the defense, and, if they do not anticipate, they at least emphasize the trifling character of

the distinction upon which the patent must stand. The trial court rejected these, thinking that they were not prior publications within the meaning of the patent law, and basing this conclusion upon Reeves v. Key Stone Co., 20 Fed. Case 466,471, No. 11,660; and Britton v. White Co. (CC) 61 Fed. 93. We think these catalogues should have been received and considered. Certainly manufacturer's catalogues so circulated are more effective in spreading information among persons skilled in the art than if the same catalogues were on file in some library. Reeves v. Keystone Co., arising under the Act of 1836 (5 Stat. 117), merely holds the publication of a manufacturer's catalogue, which is not found in a library, must be proved by some evidence other than the imprint (emphasis added). Whether such imprint would, under the present statute, be prima facie evidence of publication, need not be decided.

The evidence of the superintendent that these catalogues had been sufficiently circulated to bring them to his notice and possession is enough to indicate due publication. The decision in Britton v. White Co. (D.C. Conn.), seems to be in point, but we think it is mistaken. It depends (61 Fed. 95) upon Reeves v. Keystone Co. (which, as we have seen, does not support it).

Parsons v. Colgate (C.C.) 15 Fed 600, and Fermentation Co. v. Koch (C.C.) 21 Fed 587. The former (D.C.N.Y.) stands upon the distinctions that the Act of 1836, which governed that patent, called for prior description in a "public works" instead of in a "printed publication", as is specified in the present statute, and in the latter (C.C. Mich) this distinction is overlooked (emphasis supplied).

Britton v. White Manuf'g. Co. 61 F. 93 (Circuit Court, D.Conn. 1894) (This case is discussed in 294 F. 267, also in the present notes, and I believe was misunderstood by the court in 294 F. For our purposes, however, the quotation below is of interest.)

There is no evidence that it (pamphlet) was ever actually published, or intended for general use, or accessible to the public.

Parson v. Colgate 75 F. 600 (Circuit Court, S.D.N.Y., 1882)

The principal anticipations relied upon are a soap made by one Hendrie...and described in a circular, issued and published by him to the trade, long prior to the orator's invention... Hendrie's soap is not proved by the requisite measure of proof in such cases to have been known or used in this country, nor is his circular to the trade considered a printed publication or a public work within the meaning of the patent law. Act of 1836, Section 7, 15.

New Process Fermentation Co. Koch 21 F. 580, 587 (Circuit Court, E.D. Mickerson 1884)

It has been generally, and perhaps universally, that business circulars which are sent only to persons engaged or supposed to be engaged in the trade, are not such publications as the law contemplates in Section 4886. Pierson v. Colgate, 24 O.G., 203; In re Atterbury, 90 G. 640; Judson v. Cope, 1 Fisher, 615; Reeves v. Keystone Co. 5 Fisher 456; Seymour v. Osborns, 11 Wall, 555.

Application of Tenney 254 F. 2d 619 (C.C.P.A., 1958)

p. 626 (Good discussions on history of "printed publication")

Printing alone, of course, would be insufficient to reasonably assure that the public would have access to the work, for the possibility always exists that the printed matter may be suppressed and might never reach the public. Then, too, there are time lapses between the printing and the publishing of a given work, and the public is not charged with knowledge of a subject until such time as it is available to it. For this reason, it is required that the description not only be printed but published, as well.

But though the law has in mind the probability of public knowledge of the contents of the publication, the law does not go further and require that the probability must have become an actuality. In other words, once it has been established that the item has been both printed and published, it is not necessary to further show that any given number of people actually ~~shall~~ saw it or that any specific number of copies had been circulated. The law sets up a conclusive presumption to the effect that the public has knowledge of the publication when a single printed copy is proved to have been so published.

(And at p. 628 in a concurring opinion by Rich, Judge:)

I will assume for the sake of argument (and I think it is the law) that when a book has been printed and copies are available for delivery, an advertisement offering it for sale would bring about its"publication", even before any copies are actually sold.

(Note at page 622 note 4, however, that the court decision is based upon lack of "printing" rather than lack of "publication" in the Tenney case).

I.C.E. Corporation v. Armco Steel Corporation 250 F. Supp. 738 (D.D.S.D. N.Y., 1966)

(On defendant's motion for summary judgment to invalidate a patent on the basis of micro-film in the Library of Congress, it is held that summary judgment will not lie in view of fact situations that can be determined only at plenary trial. There is a good ~~kmax~~ history of the term "printed publication" here and comment upon the Tenney decision.)

The term "printed publication" first appeared in the Patent Act of 1836 in addition to the term "public work" which had been used in the previous patent law. The 1836 Act provided that a "printed publication" could bar an applicant from obtaining a patent and further sanctioned either a "printed publication" or a "public work" could invalidate a patent. The difference between the two terms has been explained by a textbook writer to be that a "public work" referred to a class of established publications or a book publicly printed and circulated, whereas a "printed publication" was considered "broad enough to include any description printed in any form and published or circulated to any extent (Curtis, Patents Section 376, 3rd ed. 1867)...It appears, however, that the difference in terminology contemplated in the Patent Act of 1836 was largely ignored by the courts. In the Patent Act of 1870, moreover, the term "public work" was replaced by or merged into the term "printed publication", the latter term has been incorporated in all subsequent changes in the patent laws. The present day statute, nevertheless, still contemplates "public" knowledge or use. By judicial construction the word "public" in this context has been construed to mean "not secret".

Over the years of changes in the patent statutes, the courts have failed to enunciate a uniform standard of what constitutes a "publication" or of what is "printed". As to "publication", while some courts have said that a prior disclosure anticipates and invention only if it is in "general circulation" or "on sale". Others have held to the view that there is a public concerned with the art would know of it; still others have concluded that the statute requires no more than that the work be in restricted circulation (Hamilton Labs, Inc. v. Massergill, 11 F.2d 584, 6 Cir., 1940).

JNO McCoy, Inc. v. Schuster 44 F. Supp. 499 (D.C.S.D.N.Y., 1942) (Evidently no appeal)

Plaintiff filed a declaratory judgment suit asking that defendant's patent be declared invalid and has now moved for summary judgment which the court granted, on the basis of a booklet put out by defendant ((50 to 100 copies) to his licensees, engineers and others)

The catalogue or booklet was put out by defendant sometime in 1915. It contains a description of defendant's patented device; if tjos was put out to the trade generally it may be regarded as a publication of defendant's invention or discovery and would render his patent invalid.

(In United Chromium v. General Motors Corporation 11 F Supp. 694, 698 (D.C.D. Conn., 1935)

Certain "periodical confidential reports" distributed to a few persons in the same organization as the invention, were held to be not "publications"; of like nature is Dow Chemical Co. v. Williams Bros. Well Treating Corp., 81 F. 2d 495, 499 (10 Cir. 1936) wherein a report

to the Mellon Institute for work done for it was held to be a "private report" which was never published and is not therefore a 'printed publication'".)

McGhee v. LeSage & Co. 32 F. 2d 875 (9 Cir., 1929)

Copies of these catalogues were long in the possession of H.L. Judd & Co. prior to the issuance of plaintiff's patent and were used by it in ordering goods to be sold in this country. It is a fair inference, if it is not positively shown, that they were of wide circulation in the trade, and we think they were competent evidence of the prior art.

January 4, 1967 to Robert H. Rines

Bob:

Today, Wednesday, is the first opportunity I have had for access to a library. I shall keep on this now, but you may be interested in a few brief preliminary remarks based upon the cases in the attached notes.

An act as, for example, a tie-in sale involving a patented and an unpatented article may be a misuse of the patent grant, which will open the way for the equitable defense of unclean hands on the part of an infringer, or it may subject the patentee to an anti-trust action, if pleaded, with treble damages. The cases speak of the need to show a lessening of competition a public wrong in connection with anti-trust actions, but I believe the Supreme Court removed that particular aspect in a case almost a year ago and that perhaps the burden in misuse cases is about the same as anti-trust cases.

At any rate the Illinois court in the Morton Salt case decided in summary judgment (based upon two depositions of plaintiff's officers) that plaintiff was using a patented article to obtain sales of an unpatented article.

On the question of notice by patentee to infringers, including customers of defendant, the general rule is that reasonable notice may be given in good faith. The Court may restrain by way of preliminary injunction harassing tactics by the patentee. In short, the courts seem reluctant to say that notice of infringement may be termed misuse.

It does seem, however, that one can discern a pattern on the part of plaintiff by which agents acting on behalf of plaintiff would suggest the purchase of a complete line of plaintiff's products, including the patented antenna, and at the same time make the buyer aware of the possibility of an infringement suit should purchase of the antenna be made elsewhere. (You have more knowledge of the evidence available, but is it possible that plaintiff has quoted someone on a package job, including the antenna, and refused to quote the antenna alone?)

Thus, summary judgment may be the appropriate remedy in this case.

MMN Bob Shaw

Mercoid Corporation v. Minneapolis-Honeywell Reg. Co.

133 F 2d 811 (7 Cir., 1943)
Appeal from D.C. N.D. ED Ill 43 F Supp 878
Reversed 320 US 680 46 F Supp 675

S 319 U S 739
321 U S 802 Rehearing Denied

43 F S 878
46 F S 675

The Mercoid case began in the Dist. Ct. N.D. Ill., E.D. (1942). The District Court found the patent in suit valid and infringed but refused to enforce the patent because Honeywell "has been licensing others...to manufacture, use and well a single device which embodies within itself two elements", neither of which is individually covered by the patent and which the court held the sale created a monopoly.

The Court of Appeals reversed on the ~~on the matter~~ on the point that Honeywell was using the patent "to ~~find~~ tend to create a monopoly in an unpatented device". 133 F.2d 811. The Supreme Court 320 US 661, in turn, reversed the Court of Appeals finding the Honeywell acts to be "a scheme which involves misuse of the patent privilege and a violation of the antitrust laws.

"Upon remand, the District Court [no decision is reported but the findings are reported in an appeal therefrom at 142 F 2d 549; see p. 550] entered judgment from which this appeal is taken, vacating the final decree entered by it on March 24, 1942, and further adjudging that Honeywell had been misusing the Freeman patent in restraint of trade, thereby violating

the anti-trust laws, particularly title 15, Sections 1, 2 and 14,* dismissing its complaint, and issuing an injunction restraining it from violating the anti-trust laws, particularly Title 15, Sections 1, 2 and 14. The judgment also provided for the recovery of three-fold damages and attorneys' fees and referred the cause to a special master....

Patent Key 191 to 207

American ~~Lexiltrin~~ Lecithin Co. v. Warfield Co.
105 F 2d ~~919~~ 207 (7 Cir., 1939)

Cert. dismissed 335 U S 855
Cert. denied 335 U S 892

On appeal from D.C.N.D. Ill., E.D. 23 F. Supp. 326

In this action plaintiff sought damages for infringement of its patent which relates to a process of making chocolate confectionery in which "lecithin" is added to retard graying. All claims relate to the same general sugject matter. Lecithen is not claimed as such and plaintiff did not in fact practice the process of the patent but did sell lecithin to others who did, the net effect being (p. 211)

> the "practical equivalent of granting a written license with a condition that the patented method may be ~~used~~ practiced only with" lecithin purchased from [plaintiff]..., the ~~same~~ sole purpose to which the patent is put" being "to suppress competition in the production and sale of staple unpatented material for" use in chocolate making.

* Section 3 of Clayton Act

* * *

The plaintiff's method of doing business had only one purpose, the doing by Indirection (emphasis supplied) what was prohibited directly....

105 F. 2d 207
Cert. den. & 308 U S 609

CC 94 F 2d 729
CC 42 1270
App.from 42 F.Supp. 270

CC 128 522
CC 19 FS 294

S 38 PQ 34

Morton Salt 969
(7) 766
133 806
811
815
144 500
186 284
369
194

Shepard 1/5/66
(in part)

33 976
Patent held invalid in this the second case

L.C.

31 FS 108
876
32 696
978
41 263
42 134
43 696
52 568
477
66 349
92 723

382

A First Circuit case, B.B. Chemical Co. v. Ellis, 32 F. Supp. 690 (D.C.D.Mass., 1940), affirmed 117 F 2d 829, affirmed 314 U.S. 495 is similar to and cites, in the concurring opinion of the Court of Appeals, the American Lecithin case, but the majority decision is based upon contributing vs. direct infringement.

In Chiplets, Inc. v. June Dairy Products, Co. 89 F. Supp 814 (D.C.D.N.J.) the court dismissed plaintiff's infringement suit on summary judgment on the basis of certain interrogatories and the answers, admitted true copies of license agreements and two depositions since "the facts are not in dispute", on the basis that certain clauses in the "leases" violated the express provisions of 15 U.S.C.A. 14 (Clayton Act)

Shepard 1/6/66 in

CC 141 FS 118
291 F 2d 575
144 767
155 880
161 542
242 FS 797

United States v. American Linen Supply Company, 141 F. Supp. 105 D.C.N.D. Ill., 1956

P. 115 (I)t should be noted that Section 1 of The Sherman Act condemns restraint of trade whether effected by means of contracts or by means of a conspiracy. The contractual arrangement of a seller with his customers may constitute an offense under Section 1 without the element of conspiracy. See, for example, International Salt Co. v. United States, 1947, 332 U.S. 392 ....

Action by U.S. under 15 U.S.C.A. Section 4 and 25 (Sherman Act Section 4 and Clayton Act Section 15, respectively) for relief against violations of 15 U S.C.A. 1 and 14 (Sherman Act Section 1 and Clayton Act Section 3, respectively)

P. 110 Defendants were charged with having required jobbers, as a condition to obtaining paper towel cabinets containing patented mechanisms, to purchase their total requirement of paper from defendant, ALSCO. Government position was that such action had offended the provision of Sections 3 of the Clayton Act, 15 U.S.C.A. 14, 38 Stat. 731, which reads in part as follows:

Section 3 of Clayton Act

"It shall be unlawful for any person engaged in commerce, in the course of such commerce, to lease or make a sale or contract for sale of goods, wares, merchandise, machinery, supplies or other commodities, whether patented or unpatented***on the condition, agreement, or understanding that the lessee or purchaser thereof shall not use or deal in the goods, wares, merchandisem machinery supplies, or other commodities of a competitor or competitors of the lessor of sellor, when the effect of such leases, sale, or contract for sale or such condition, agreement or understanding may be to substantially lessen competition or create a monopoly in any line of commerce."

Walker Process Equipment Inc. v. Food Machinery and Chemical Corp. 86 S C I 347
382 U S 172
335 F. 2d 315 (7 Cir., 1965) Reversed and Remanded

The enforcement of a patent procured by fraud on ~~Xxxxx~~ Patent Office may be ~~xxxxxxxx~~ violation of Sherman Act and treble damage provisions of Clayton Act would be available for an injured party.

Sherman	Sect.	2----	15	U.S.C.A.	2
Clayton	"	4	15	U.S.C.A.	15

Oct. Term, 1965
On Certiorari 7 Cir., 1965, see 335 F. 2d, 315.
Reversed and Remanded

P. 174. Defendant alleged plaintiff had sworn before Patent Office that ~~device~~ the device of patent was not in use more than one year prior to filing of panent application, whereas plaintiff "was a party to prior use within such time". Reversed ~~and~~ to enable fact determination on anti-trust violation count.

In the matter of public wrong in anti-trust cases dealing with Sherman Act 1 and 2 violations, and Clayton Act treble damage provision: No case yet on applicability to Section 3 of Clayton Act. The basic case is Klor's v. Broadway-Hale Stores, 359 U.S. 207 (1958) which is vague and was misconstrued by some counts. Later case Radiant Burners v. Peoples Gas Co. 364 U.S. 656, the court clarified the issue. The Seventh Circuit Court of Appeals had held, 273 F. 2d 196, at page 200, that "public injury was not alleged", and the dismissal by the district court was affirmed. The Supreme Court in reversing stated (p. 660):

> Therefore, to state a claim upon which relief can be granted under that Section (Section 1 of Sherman Act), allegations adequate to show a violation and, in a private treble damage action, that plaintiff was damaged thereby are all the law requires.

See, also, Simpson v. Union Oil Co., 377 U.S. 13 (1964), brought under Clayton Act, Section 4 and Section 1 and 2 of the Sherman Act, where the Court noted at p. 16:

> There is an actionable wrong whenever the restraint of trade or monopolistic practice has an impact on the market; and it matters not that the complainant may be only one merchant.
> citing 359 U.S. 213
> 364 U.S. 656
> 352 U.S. 445, 453-454

I am bothered by the words "to substantially lessen competition or tend to create a monopoly in any line of commerce," in Section 3 of the Clayton Act. Does the "or" suggest alternate situations? Note in 141 F. Supp. 105, Supra, at p. 110, that the Court mentions

"the requisite effect upon interstate commerce". Do the later Supreme Court decisions change this since no mention is made of an "effect upon interstate commerce" merely "to substantially lessen competition or tend to create a monopoly"? It is not analogous to the Radiant Burner case wherein the court comments at p. 660 that

> Congress (has) determined its own criteria of public harm...

See 329 F. 2d 567, p. 570 for the need to plead a lessening of competition for Clayton Act Section 3 actions. I am bothered mainly on the matter of summary judgment in this connection. In the absence of any decision directly in point, reliance may be placed upon ~~the~~ ~~Six~~ the Simpson decision previously noted and particularly on the quoted portion that there is actionable wrong even though "the complainant may be one person" even though the case may be said to apply to Sherman Act cases only. And one could almost take that question to the Supreme Court under 28 U.S.C.A. 1292 (a) (1) or, perhaps (b).

From Bob Shaw 1/9/67 re Pfizer

Two cases in the 7th Circuit on the matter of misuse may be of interest depending upon the facts as you know them.

A copy of my notes for each case is attached. In one case involving Pfizer it was found that the plaintiff had procured an infringement by a friendly purchaser in Illinois upon the promise that suit would not be prosecuted in the event the manufacturer did not defend and court found misuse and refused to enforce the patent for that reason.

In the second case, the District Court found that the applicant for the patent had not disclosed to the Patent Office the best apparatus for the inventive concept therein disclosed. For that reason the court refused to enforce the patent against the infringer. In this connection, we wonder if the failure of the patentee to disclose to the office the twin boom construction was not a failure to disclose the best form of the invention since, as we understand, the applicant is now using solely the twin boom construction and takes the position now that this was known prior to the application for the patent.

U.S. Gypsum Co. v. Nat. Gypsun Co. 352 U.S. 457, 465

It is now, of course, familiar law that the courts will not aid a patent owner who has misused his patents to recover any of their emolument accruing during the period of misuse or thereafter until the effects of such misuse have been dissipated, or "purged" as conventional saying goes

Citing	314	U S	495
	329		394
	329		402
	320		680

The rule is an extension of the equitable doctrine of "unclean hands" to the patent field.

On matters of summary judgment in anti-trust cases, See 339 US 959 and 960. There apparently no printed decisions of L.C.

B. B. Chemical Co. v. Ellis
315 U.S. 495
117 F. 2d 829 affirmed (1 Cir., 1940)

32 F. Supp. 690 (D.C.D. Mass., (940)
(Companion case handed down on same day as Morton Salt).

Plaintiff, the owner of a process or method patent for the application of reinforcing insoles, and who authorized manufacturers to use the method only with materials furnished by plaintiff, sued defendant, one who supplied manufacturers with materials for use by the patented method

P. 497 Petitioner has not granted to shoe manufacturers, or asked them to take written licenses. The court below held that petitioner's sale to manufacturers of the unpatented materials for use by the patented method operated as a licensee to use the patent with that material alone and thus restrained competition with the petitioner in the sale of the unpatented material....

Carbice Corp. v. Am. Patents Corp.
283 U.S. 27 (1931)

P. 32 The attempt to limit the licensee to the use of unpatented materials purchased from the licensor is comparable to the attempt of a patentee to fix the price at which the patented article may be sold

P. 32 The owner of the patent in suit might conceivably secure a limited monopoly for the supplying not only of sold carbon dioxide, but also of the ice cream and other foods, as well as of the cartons in which they are shipped.

P. 34 The present attempt is analogous to the use of a patent as an instrument for restraining commerce which was ~~dem~~ condemned under the Sherman Anti-trust Law, in Standard Sanitary Mfg. Co. v. United States, 226 U.S. ~~294~~ 204

---

4 In such cases, the attempt to use the patent unreasonably to restrain commerce is not only beyond the scope of the grant, but also a violation of the Anti-trust Acts. Compare S 3 of the Clayton Act...

Leitch Mfg. Co. v. Barber Co.
302 U.S. 458, 460, 461 (1937)
(The patent in suit was a process patent relating to the application of an emulsion used to surface roads)

> For the method of so retarding evaporation The Barber Company acquired the process patent sued on, and seeks to use it to secure a limited monopoly in the business of producing and selling the bituminous material for practicing and carrying out the patented method. The company does not itself engage in road building, or compete with road contractors. It does not seek to make road builders pay a royalty for employing the patented method. It does not grant to road builders a written license to use the process. But it adopts a method of doing business which is the practical equivalent of granting a written license...The Barber Company sues as contributory infringer a competing manufacturer of this unpatented material who sells it to a road builder for such use.

United States v. Singer Mfg. Co.
374 U.S. 174

P. 195 quoting from United States v. Parke, Davis & Co. 362 U.S. at 44

> "Whether an unlawful combination or conspiracy is proved is to be judged by what the parties actually did rather than by the words they used."

See, also 376 U.S. 225
11L Ed 2d 661

American Securit Co. v. Shatterproof Glass Corp.
268 F. 2d 769
(3 Cir., 1959)
154 F. Supp. 890 (D.C. D.Del. 1957)
(See, also 166 F. Supp 813)

Held Policy of plaintiff to grant license under one or more of its patents only if license were taken under all patents at a fixed royalty was misuse of the patent and motion for summary judgment by defendant was granted.

The Court of Appeals in affirming the lower court in 154 F. Supp. 890 noted that

> we are not unaware of the principle enumerated in Kennedy v. Silas Moran Co. 1948, 334 U.S. 249..

on the matter of a more complete record as a basis for decision, concluding that the

> techniques applicable under Rule 56 have been applied properly and are sufficient to afford a firm basis for our decision.

American Photocopy Equipment Company v. Rovico, Inc. 359 F. 2d 745 (7 Cir., 1966)

Appeal from D.C.D.D. Ill., E.D.

In reversing the lower court, the Court of Appeals found that a royalty of equal to 6% of the retail sale price of the machine sold thereunder, where plaintiff and "16 other companies," licensees, "account for the majority of such machines" sold in the United States, is "exhorbitant, oppressive" and

> that the district court record now before us reveals a violation of the anti-trust laws and requires the denial of such injunctive relief as was granted by that court.

(It should be noted here that the oppressive nature of the royalty affected others and not the defendant here. Thus, if the U. of I. extracts an "oppressive" royalty from Jerrold, B-T could complain since the public is harmed).

Newburg Movie Co. v. Superior Movie Co.
105 F. Supp. 372 (D.C.D.N.J., 1952)

Where plaintiff licensed two of five concerns in the field and in an agreement which entitled plaintiff to fix prices, the patent in suit was held not enforceable because of plaintiff's misuse thereof by violating the anti-trust laws.

SUMMARY JUDGMENT in Anti-Trust Suits

United States v. Gypsum Co.
340 U.S. 76

A summary judgment, under Rule 56, was permissible on remand.

United States v. Frasnov
143 F. Supp. 184 (D.C. E.D. pa., 1956)
Aff'd 355 U.S. 5
Rehearing denied 355 U.S. 908
Rehearing and modification denied 355 U.S. 901

Action by United States under Section 4 of The Sherman Act, 15 U.S.C.A 4, 1 and 2 against six defendants, two (Comfy and Sure-fit) of which manufactured some 62% of the slip covers manufactured in the U.S., the two having entered into a cross-licensing arrangement in which defendant Comfy (1) would not license others under its (Oppenheimer) patent (2) would set prices to be maintained and (3) would share litigation costs re Oppenheimer patent.

PP 193-4 They (defendants) recognized and took full advantage of the almost universal aversion of a retailer to patent litigation and their suits were brought for the purpose of having the retailer discontinue a competitor's line and adopt theirs....

P. 197

There can be no doubt that summary judgments are as applicable to actions under the Sherman Act as they are to any other type of actions, legal or equitable. ~~XXXXXXXXXX~~ Associated Press v, United States, 1945, 326 U.S. 1, 65 S.Ct. 1416, 89 L. Ed. 2013; Morton Salt Co. v. G. S. Suppiger Co. 1942, 314 U.S. 488, 315 U.S. 788, 62 S.Ct 402, 86 E. Ed. 363; International Sale Co. v. United States, 1947, 332 U.S. 392, 68 S. Ct. 12, 92 L. Ed. 20; United States v. United States Gypsum Co., 1950, 340 U.S. 76, 71 S. Ct. 160, 95 L. Ed. 89....

P. 190.

The Court granted plaintiff's motion for summary judgment on the basis ~~of~~ evidence found in (1) written agreements between the respective parties (2) admissions in the pleadings (3) sworn complaints and answers in other suits in other courts brought by defendants in defense of their patents against usually weak retailers and others, all of which were settled prior to a trial on the merits (4) admittedly authentic document including correspondence between defendants, inter office vouchers, bills, etc.

Summary judgments are as applicable to action under Sherman Act, Section 1 et seq. of Title 15 as to any other type of action, legal or equitable. Gold Fuel Service Inc. v. Esso Standard Oil Co., D.C. N.J. 1961, 195 F. Supp. 85, Affirmed 306 F. 2d 61, Certiorari denied 83 S. Ct. 506, 371 U.S. 951, 9 L. Ed. 2d 500.

(The court found, in essence, that dealers had to carry the preformed deadends covered by patent No. 4 and what plaintiff did was refuse to sell the dead ends unless other products were purchased.)

p. 278 (This) use of an exclusive dealing arrangement violated Section 3 of the Clayton Act.

On the basis of the finding of plaintiff's misuse of patent No. 4, it was properly denied relief for infringement....

In the lower court decision at page 789, it is stated:

> In support of its contention, defendant relies in part upon testimony of P.H. Schloss, Treasurer and Sales Manager of plaintiff who stated on cross-examination that it was plaintiff's general policy not to sell to distributors or dealers unless they agreed to sell plaintiff's products exclusively.
>
> (It is to be noted that exclusivity as to "sales representatives" is not within the restriction of the anti-trust laws p. 789; see also p. 790; p. 792)

p. 792. The conditions upon which plaintiff sold its goods to distributors was as effective in restraining competition as the comprehensive form of the written contracts in Russell. Nor is it material that plaintiff has no written contracts with distributors.

* * *

In the case at bar, plaintiff methods of doing business were the means employed to secure a limited monopoly outside the scope of Patent No. 4.

Thus in the Preformed Products case it was sufficient that defendant proved that plaintiff's "methods of doing business were the means employed to secure a limited monopoly outside the scope of

Patent No. 4"; and the methods related to its exclusivity arrangement with its "distributors", it being immaterial that the plaintiff had "no written contracts with distributors"; "plaintiff's general policy not to sell distributors or dealers unless they agreed to sell plaintiff's products exclusively", was sufficient.

It is further noted at 225 F. Supp 793 that:

> To establish plaintiff's violation of Section 3 of the Clayton Act defendant relies upon the same facts that constitute misuse of Patent No. 4.

The Court (in the appeal decision) noted its agreement with the District Court finding that "plaintiff misused its patent monopoly and violated Section 3 of the Clayton Act by the tying arrangement."

The lower Court failed to award damages from the Clayton Act violation, however, stating at p. 794:

> It is not the policy of the law to permit an unreformed plaintiff in a patent case to recoup damages while misusing a patent. Nor is it consonant with justice to permit a defendant in such case to recover damages under the Clayton Act while he retains the profits of his own tortious conduct as an infringer, especially where no showing is made by the defendant that such profits are less than the damage, if any, caused by plaintiff's violation of the anti-trust law.

Another case of interest, since the facts parallel somewhat the facts of the present case, is Baldwin-Lima-Hamilton Corp. v. Tatnall Measuring Systems Company, 169 F. Supp I (D.C.E.D. Pa. 1958), affirmed in per curiam decision 268 F. 2d 395, cert. den. 361 U.S. 894

In the Baldwin-Lima case, plaintiff marketed certain "band wire strain gages "under Simmons patent under agreements each of which constituted both "a license and a sales contract, although it is designated a 'license'" which the court found to be acceptable, but plaintiff (p. 30) established a policy for the marketing of the gages which compelled anyone who desired to use the Simmons gages as an element in an apparatus of a type manufactured by Baldwin or by its licensees, to buy the apparatus from Baldwin on its licensees, regardless of whether similar apparatus could be obtained from other manufacturers. To illustrate, if anyone desired to use a Simmons gage as an element in a load cell (a device for weighing airplanes) he could do so only by purchasing both the load cell and the gage from Baldwin.

The Court states at p. 31: "By its marketing policy (emphasis added) of the gages Baldwin has been able to reduce or eliminate the competition which and and its licensees might otherwise have encountered...

(The policy) constituted a misuse of the Simmons patent. That misuse bars the enforcement of the patent...regardless of whether the "tying" practices resulted in a violation of the anti-trust laws.

* * *

The action must therefore be dismissed notwithstanding the fact that the Simmons patent is valid and infringed.

Of further interest is Waco Poster Corp. v. Tubular Structures Corp. of America, 222 F. Supp. 332 (D.C.S.D.Cal. C.D. 1963), wherein the court says:

Here, the agreement used by plaintiff requires the...distributors not to compete with products which the distributor is permitted to sell or rent by the distributors by agreement...(I)t is clear that even a mere restriction on competition with the patented device itself is sufficient to constitute a patent misuse.

* * *

A showing of actual monopoly or tendency to create an actual monopoly in a line of commerce which is required to show a Clayton Act violation, 15 U.S. C.A. S 14, is not required to show patent misuse; if it is sufficient to show the restrictive agreements which tend to suppress competition with or by non-patented articles. It is enough that the agreement in the abstract pushed in the direction of monopoly of non-patented articles...

* * *

The defense, once established, does not require any more balancing of the public interest; once patent misuse has been shown, the public interest already requires (emphasis added) that the action for infringement of the patent must fall.

It is believed that the foregoing approach will find a more receptive ear than will the matter of harassment of customers, notices re infringement and the like; although it is believed that the other factors may, with merit, be added as further misconduct or misuse. At any rate the cases immediately to follow herein relate to misconduct on the part of plaintiff.

In Briggs v. M. & J. Diesel Locomotive Filter Corp., 228 F. Supp. 26 (D.C.N.D. Ill., 1964) affirmed 342 F. 2d 573 (7 Cir., 1965), the Court found certain patents of the plaintiff valid and infringed. Attention was then turned to defenses relating to "various types of misconduct on the part of plaintif:" The Court stated at pp 62-3:

Defendants urge various types of mis-conduct on the part of plaintiff. They urge, first, that plaintiffs are guilty of misconduct because of anews release...

The news release, which is quite succinct, is entirely factual and accurate...

Defendant's rely upon Povey anay Horizontal Show Jar Co. v. Ander Co., 292 F. 858 (7 Cir., 1923), as holding that it is improper to try patent cases in the newspapers. That case is inapposite. The improper and unfair practices found involved grossly fake and misleading advertising.

This misuse raised by defendant should not be belabored, because of its lack of merit. It is appropriate, however, to refer to the opinion of Judge Learned Hand in Gillmax Stern, 114 F. 2d 28 (2d Cir., 1940), Cert. denied; 311 U.S. 718...(1941) in which he held that certain partially untrue advertising concerning the litigation, the importance of which was trivial, did not establish misconduct on the part of plaintiss. Judge Hand stated in that opinion:

> "The defense is rather a scurvy one at best, and we are not inclined to lend it an auspicious ear in the case at bar. Of course, a person seeking a court's aid may have so conducted himself that his case reeks too much for any court to entertain it...No. matter from whom it learns the facts. But ordinarily this is not so; ordinarily he has merely made some venial

> misstatement which influences nobody; then the defense sits especially ill in the mouth of one who is himself an offender, and ~~x~~ one seeks by recrimination to continue his invasion of the other's rights, and to avoid restitution. Particularly in actions on patents it has become the favorite gambit of infringers; they pick over the patentees' advertisements--often, it is true, not drawn with scrupulous nicety, as advertisements seldom are--and find, as they frequently can, departures from the unvarnished truth. These ought not to give them their escape"

A finding similar to the above was made in a trade-mark case, Lucien Lelong, Inc. v. Dana Perfumes, 138 F. Supp. 575 (D.C.N.D.Ill. 1955) (evidently no appeal)

The court distinguished the cases ~~Pavey~~ away Horizontal Show Jar Co. ~~x~~.v. Ariden Co., Emack V. Kane, C.C. N.D. Ill. 1888, 134 F 46, and Maytag Co. v. Meadows Mfg. Co., (7 Cir., 1929), 35 F. 2d 403 since defendant "nowhere in its pleadings, proof, or briefs has charged that Lelong acted in bad faith in sending out the infringement warning" and the "record... contains mothing that indicates bad faith."

The Court then noted:

> The mere fact that the same notice was sent to 5000 customers and printed in three trade journals does not establish bad faith...It is immaterial whether the notice is given directly to the alleged infringer, its customers or a trade journal...The right of the holder of a trade-mark, patent or copyright to warn others of infringement does not depend upon the validity of the trade-mark, patent or copyright so long as the holder believes his claims are valid.

The Lucien Lelong case is quoted copiously in Spangler Candy Co. v. Crystal Pure Candy Co., 235 F. Supp. 18 (D.C.N.D. Ill. E.D. 1964) affirmed 353 F. 2d 641 (7 Cir., 1966) another trade-mark case. The

Court found in Spangler Candy that

> "Simultaneously with the filing of the complaint....Spangler issued the following press release to sixteen trade journals...

Defendant moved to strike the complaint and the motion was denied. Plaintiff then issued a second press release to sixteen trade journals which read in part as follows:

> "Spangler...complaint...upheld by Federal Court in Chicago."

PL second press release was timed to be published at time of national convention. Plaintiff issued news bulletin to representatives periodically and these representatives discussed the pending litigation with buyers.

The Court found, however that

> 4. The press releases accurately described the information reported.
>
> 5. There is no evidence that plaintiff's representatives did more than inform customers of the defendant that there was a suit and inform the customers that they might might become involved as witnesses.
>
> 6. There is no evidence that the plaintiff acted maliciously or in bad faith; there is evidence that the plaintiff acted in good faith to protect its own business.

Q-Tips, Inc. v. Johnson and Johnson, 108 F. Supp. 845, 868 (D.C.D. N.J., 1952) it is stated that

> Defendant relies upon four cases to establish its contentions Circle J Products Co. v. Powell Products, 7 Cir. 1949, 174 F. 2d 562; Maytag Co. v. Meadows Mfg. Co. 7 Cir., 1930, 45 F. 2d 299, certiorari denied, 1930, 281 U.S. 737...; Pavey Horizontal Show Jar Co. v. Ander Co., 7 Cir., 1923, 292 F. 858, and

Dehydro, Inc. v. Tretolite Co., D.C.N.D. Okl. 1931, 53 F. 2d 273. In these cases not only were the patentees' statements false, but also their circulation was widespread. (Court held here that plaintiff was not barred).

But see Circle S Products Co. v. Powell Products, 174 F. 2d 562 (7 Cir., 1949) (evidently this no printed decision of District Ct)

(indent) "Prior to February 24, 1948, defendants, patentee, threatened and warned plaintiff's customers that they would be sued for patent infringement...the...warnings, notices and threats of patent infringement...were not made in good faith because defendants owned no patent...

* * *

"On February 17, 1948, defendant sent a notice in writing to all their dealers throughout the country that the Patent Office was issuing a patent on the Powelité, that 'suitable steps will be taken to eliminate any and all lights which are on the market today and which infringe upon this Powelite patent', and that defendant's attorneys would 'file an injunction suit in the United States District Court against the Chicago manufacturers.'"

These findings, in our judgment, furnish ample support for the conclusion that the defendants were guilty of unfair competition. See also, Celite Corporation v. Dicolite Co., 96 F. 2d 242 (9 Cir., 1938) in which the following is said:

Bad faith is an essential element in the charge of unfair competition where such charge is based upon claim of patent infringement and threats to take action based on such infringement. E Mack v. Kane,

C.C. 34 F 46; Alliance Securities Co. v. DeVibiss Mfg. Co., 6 Cir., 41 F. 2d 668; Oil Conserv. Eng. Co. v. Brooks Eng. Co., 6 Cir., 52 F 2d 783, 785; American Ball Co. v. Federal Cartridge Corp., 8 Cir., 70 F 2d 579, 98 A.L.A. 665; Art Metal Worker v. Abraham & Straus, 2 Cir., 70 F. 2d 641.

* * *

Where holder of patent attempts to destroy a competitor by threats to bring infringement suits against its customers...a long delay in bringing the suit is evidence of bad faith in the campaign of intimidation as justifies a finding of malice...
(L.C. affirmed on finding for defendant on unfair competition)

It is quite clear, therefore, that the "unclean hands" doctrine is not the basis for decisions on misuse, if for no other reason than that the defendant, an alleged wrongdoer, is not in any position to complain; and, further, the courts are bound by terms of public policy to decide on patent validity in a patent suit, although the latter course is not always followed. It is only, then, those acts of plaintiff which seek to enlarge the patent grant, that are frowned upon by the Courts, since such enlargement runs contrary to the public interest.

(1) starting with
RS' page 14

Cases granting Summary Judgment on defense of misuse

Berlinbach v. Anderson and Thompson Ski Co. 329 F. 2d 782
~~XXXXXX~~ 379 U.S. 830, Cert. den.
(evidentially no L.S. printed decision)

Where plaintiff had entered into an agreement with a third party, which agreement included a clause that third party would not purchase from any other source than plaintiff certain goods covered by the ~~patent~~ patent in suit, the agreement constitutes a misuse which bars plaintiff from maintaining the patent suit and there is no need to prove a substantial lessening of competition as a prerequisite to maintaining such suit, citing Park-In Theatres v. Paramount-Richards Theatres, 90 F. Supp. 730 (D. Del. 1950), aff'd 185 F. 2d 407; Waco-Porter Corp. v. Tubular Structure Corp. of America, 222 F. Supp. 332 (S.D. Col., 1963).

Sum/Sp 69 C.J.S. 903 (Section 313)

As a general rule, the court will withhold relief in a patent infringement action where the patentee and those claiming under him are using the patent privilege contrary to the public interest, regardless of whether the particular defendant has suffered from misuse of the patent.

Patent Key 283 (1)

69 C.J.S. 901 (Section 313)

Also, a patentee who uses the name of a court, in advance of adjudication, to harass or obstruct a rival comes into court with unclean hands (citing H.W. Peters Co. v. MacDonald (D.C.Conn.), 5 F. Supp. 692, reversed on other grounds 72 F. 2d 670; Johnson Laboratories v. Meissner Mfg. Co. 98 F. 2d 937 (7 Cir., 1938).

In the Johnson case the court found certain circulars boastful but not sufficiently so to warrant the misuse defense. The court at pages 948-9 quoted from an earlier 7th circuit decision, ~~Fanoy~~ Horizontal ~~Housevriot~~ Show Jar Co. v. Aridor Co., 292 F. 858, 859, as follows:

> "The practice of trying suits in newspapers or circulars, in order to scare or daunt competitors, is pernicious and apparently growing. While courts are always open to protect patentees or manufacturers who have established a business which is being unfairly assailed, they cannot permit or sanction the use of the court's name, in advance of adjudication (or falsely after adjudication), to harass or obstruct a rival. A patentee who resorts to such practices comes into court with unclean hands, and on that ground alone will be denied the relief to which he otherwise might be entitled."

The Court then continued:

> "The proper forum for the trial of legal controversies is the court, not in futile correspondence making threats beyond claims of legal rights of the parties. When suits are threatened upon patents not asserted in suits thereafter brought against others, the court is justified in concluding that there was some ulterior motive in the action. Maytag Co. v. Meadows Mfg. Co., 7 Cir., 35 F. 2d 403; A. B. Farquhar Co. v. National Harrow Co., 3 Cir., 102 F, 714, 49 L.R.A. 755.

Maytag Co. v. Meadows Mfg. Co. 35 F. 2d 403, 407-8 (Cir., 1929)
Cert. den. 281 U/S 737

See also 45 F. 2d 299, cert. den. 283. U.S. 299 same parties

281 U.S. 737) Same case
283 843 45 F. 2d 299) " "

Plaintiff's representatives in 1926 stated to dealers that plaintiff was about to sue defendant; that defendant would not be in business long; plaintiff never did explain to trade the nature of the litigation against defendant; customers were told that defendant's machine was no good; that it was in court; that defendant was to be in trouble; that it was being sued for infringement of patents; that defendant would soon be out of business; that customers would not be able to get parts; that defendant had copied ~~plaintiff's~~ plaintiff's patent in making machines and that there were twenty-six suits pending against appellee's product.

After suit was filed plaintiff's representatives told customers that defendant was paying ~~a~~ royalty to plaintiff; defendant had~~x~~ imitated, copied and infringed Maytag patents; that ~~there~~ there was an injunction against defendant; that soon customers could not get parts or repairs; that defendant finances were weak; that its salesmen were here today and gone tommorrow; that defendant was new and inexperienced; that it had a small factory; that it had no factory; etc.

As a result defendant's customers began to drop away and to demand security.

The Court of Appeals affirmed the lower court decision. The relief is noted in 45 F. 3d 299, at 300, as follows:

Maytag Co. v. Meadows Mfg. Co. 35 F. 2d 403, 407-8 (7 Cir., 1929)
Cert. den. 281 U/

In Maytag v. Meadows Mfg. Co., 35 F (2d) 4-3, we affirmed an interlocutory decree of the District Court, denying plaintiff's prayer for relief and finding that defendant had sustained the allegations in its answer, praying, as affirmative relief, an injunction enjoining plaintiff from circulating throughout the country defamatory propoganda.

It is further noted in the latter case that defendant was entitled to damages, which a master had found on remand to amount to $500,000. (reduced by C of A to $250,000.);see 45 F. 2d at p. 300.

Court refused Summary Judgment
Hardinge Company, Inc. v. Jones and Laughlin Steel Corp.
164 F. Supp. 75

Hoague-Sprague Corporation v. Bird & Son
91 F. Supp. 159

The Diversey Corporation v. Charles Pfizer & Co.
255 F. 2d 60 (7 Cir., 1958)
358 U.S. 876 (Pet. for Cert. dismissed under Rule 60)
(On appeal from D.C. N.D. Ill. E.D.) where plaintiff had solicited one alleged infringement of plaintiff's patent by one of original defendants, under an agreement to dismiss such defendant from any infringement suit unless other defendant assumed its defense, the case was properly dismissed on basis of unclean hands.

Flick-Rudy Corp. v. Hyro-Line Manufacturing Co.
241 F. Supp. 127
Affirmed in part (as to "A") 35, F. 2d 546
(D.C.N.D. Ill. W.D, 1964)

A. Plaintiff's patent is invalid because in withholding specific information on the "special tool" used to finish the pilot surfaces, plaintiff did not comply with requirement that applicant set forth best made for practicing his invention.

B. The patent is unenforceable because plaintiff misrepresented the status of prior art "known to plaintiff," to the Patent Office.

In Gray Tool Co. v. Humble Oil Co., 92 F. Supp. 722, reversed 186 F. 2d 365, cert. den., 341 U.S. 934, Rehearing den. 341 U.S. 956, the district court granted summary judgment on the basis of misuse of the patent in suit by plaintiff. The appeals court reversed since nothing "in the pleadings, or in the admissions made by plaintiff, established as a matter of the law that it was misusing its patents" and, further, on the basis the suit "being a patent case, this was, under the rules laid down in that case (166 F. 2d 61), not a case for the use of summary judgment procedure...."

In Chiplites, Inc. v. June Dairy Products Co., 89 F. Supp. 814 (D.C.D.N.J., 1950), from which no appeal appears to have been taken, the complaint was dismissed on defendant's motion for summary judgment, but in view of defendant's counter-claim on the issue of invalidity and infringement, the dismissal of the original complaint did not result in an abatement of the suit.

Laitram Corporation v. King Crab. Inc. 245 F. Supp. 1019 (D.C.D. Alaska, 1965)

The court quoted from Berlenbach v. Anderson and Thompson Ski Co., 329 F. 2d 782

> "In view of the history and policy of the defense of patent misuse we find no merit in appellant's contentions that the proof of substantial lessening of competition is a prerequisite to finding patent misuse."

See Toulmin's Anti-Trust Laws, Volume 4, Chapters 7 and 24 and especially sections 7.29 and 24.2 re misuse.

See 29 Geo. Wash. Co. Rev. 782 (1961)

See Kobe, Inc. v. Dempsey Pump Co., 198 F. 2d 416 (10 Cir., 1952) wherein the court noted at p. 425:

> The facts...are sufficient to support a finding that...the real purpose of the infringement action and incidental activities of Kobe's representatives was to further the existing monopoly and eliminate Dempsey as a competitor. The infringement action and the related activities, of course, in themselves were not unlawful, and standing alone would not be sufficient to sustain a claim for damages....but when considered with the entire monopolistic scheme which preceded them we think...that they may be considered as having been done to give effect to the unlawful scheme. Aikens v. Wisconsin 195 U.S., 375...The language used in American Tobacco Co. v. United States, 328 U.S. 781, 809..., is appropriate, where it was said:
>
> > "It is not the form of the combination or the particular means used but the result to be achieved that the statute condemns: ***Acts done to give effect to the conspiracy may be in themselves wholly innocent acts, Yet, if they are part of the sum of the acts which are relied upon to effectuate the conspiracy which the statute forbids, they come within its prohibition."

See Anderson Company v. Trian Products Corporation, 237 F. Supp. 834 where court held to be misuse an agreement in which customer agreed to standardize connection of its product to fit plaintiff's product thereby to avoid defendant's product.

~~See Anderson Company~~

Bertenbach v. Anderson of Thompson Ski Co. 329 F. 2d 782 (10 Cir., 1964) Cert. den. 379 U.S. 830

In a patent infringement suit a consent decree was entered against defendant pursuant to an agreement whereby plaintiff gave defendant a non-exclusive license. Plaintiff moves to hold defendant in contempt for non-payment and defendant moves for summary judgment on basis of misuse of patent by plaintiff; the district court granted the defendants' motion. The Court of Appeals held that where patent by a sales agreement required that the other party would not manufacture a or distribute a of the type involved other than that manufactured by patentee, such agreement was a misuse of the patent, and the lower court was affirmed.

See Walker Patents S 405 pp 1569-1579 (Deller ed., 1937), Walker, Patents (Deller ed. 1962 Supp), pp. 1569-1579.
See F.C. Russell Co. v. Consumer Insulation Co. 119 F. Supp. 119 on misuse by exclusive distributorship agreement.

In Cordex Corp. v. Armstrong Coalbreak Co., 194 F. 2d 376 (7 Cir., 1952) the court reversed the lower court on the basis that even though a leas usedby plaintiff, in connection with patented apparatus, did not tie-in the use of unpatented materials and equipment, yet plaintiff's past "business practice" of leasing its patented cartridges only as part of a unit together with unpatented compressor and other components, constituted misuse.

In Rocform Corp. v. Acitelli-Standard Concrete Wall. Inc., 151 U.S.P.Q 305 (6 Cir., 1966), the court of appeals affirmed a decision for defendant upon the defense of misuse found after a trial on the matter of misuse only.

A defense of misuse of patents will be considered by the court even though it is not pleaded. Holly v. OUtboard Marine Corp. 241 F. Supp. 657 (N.D. III., 1965)

On licenses containing price fixing clauses, see Newburgh Morri Co.,Inc. v. Superior Co. Inc., 237 F. 2d 283 (3 Cir., 1956), d discussed in 55 Mich L. Rev. 726; 105 U. Pa. L. Rev. 411; 43 Va. L. Rev., 101; 67 Yale L. J. 700.

Toulmin's Anti-Trust Law, Vol. 4; Chapter 25, Section 25.4, p. 729:

> The defense of "unclean hands: has been ~~extremely~~ extensively used in patent cases where it has been contended that the patentee has gone outside the scope of his patent monopoly in violation of the anti-trust laws.

In U.S. v. Univis Lens Co., 316 U.S., 241, 251-2 (1961) the Court notes that "the particular form or method by which the monopoly is sought to be extended is immaterial."

Mercoid Cor. v. Honeywell Co. 320 U.S. 680, 684 (1943)

It....follows that respondent may not obtain from a court of equity any decree which directly or indirectly helps it to subvert the public policy which underlies the grant of its patent.

International Salt Co. v. U.S. 332 U.S. 392 (1947)

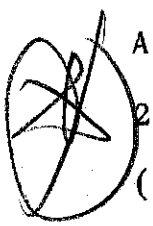
The government brought suit to enjoin International Sale, appellant, from carrying out provisions of leases to the effect that the lessees would use International Salt only in connection with certain patented machines. The action was under Section 1 of the Sherman Act. Upon appellant's answer and admissions of fact the government moved for summary judgment under Rule 56, the district court granted summary judgment and the Supreme Court affirmed.

See 51 Yale L.J. 1012 and 9 Un. of Chi. L.Rev. 518

Waco-Porter Corp. v. Tubular Structures Corp. of America
(D.C. S.D. Cal. C.D., 1963)

(15 U.S.C. A. 14 (Clayton Act) --see notes elsewhere on this case)

p. 336. Thus, the restrictions on competition are patent misuse, i.e., the restrictions on the other distributors still in effect. A showing of actual monopoly or tendency to create an actual monopoly in a of commerce which is required to show a Clayton Act violation, 15 U.S.C.A. S. 14, is not required to show patent misuse; it is sufficient to show the restrictive agreements which tend to suppress competition with or by non-patented articles. It is enough that the agreement in the abstract pushes in the direction of monopoly on non-patented articles; it is not necessary to show that it creates or tends to create an actual monopoly. The agreements themselves tell the tale.



Angel Research, Inc. v. Photo-Engravers Research, Inc.
223 F. Supp. 673 (D.C.N.D. Ill., 1962)
(Evidently there was no appeal.)

Plaintiff brought a declaratory judgment action asserting, inter alia, invalidity, non-infringement and misuse. The court found the patent invalid and not infringed (either direct or contributory). The court then went on to declare in its findings of law

> 7. The Jones patent is unenforceable by reason of Defendant's misuse of the Jones Patent No. 2,746,848 and by reason of Defendant's acts in violation of the anti-trust laws.
>
> * * *
>
> 9. The misrepresentation, threats and acts by Defendant seeking to enforce Jones patent

> No. 2,746,848 against Plaintiff and Plaintiff's customers and/or intended to interfere with Plaintiff's sale of its products and/or intended to destroy Plaintiff's business, are in violation of the anti-trust laws and have resulted in substantial damage to Plaintiff's established business and prospective business.

It appears to be a fact that the Jones patent did not cover plaintiff's products and defendant was aware of that fact. Defendant further threatened infringement suit against customer of Plaintiff, who had a license if in fact Jones covered the plaintiff's product on its use. Further, defendant

> organized and proceeded with a publicity campaign through the established trade publications, to threaten and intimidate all photoengravers who used Angel's products or who contemplated using Angel's products including members of PER (Defendant) who were licensed under all of PER'S developments and hence were free of any possible charge of patent infringement.

* * *

> In furtherance of "ER'S "campaign" to <u>eliminate</u> Angel as a competitor, Dr. Rogers arranged to have published in the Photoengravers bulletin... a full-page notice...containing therein the general charge * * * that any photoengraver who uses the etching both protected by the Jones patent, or uses the processes protected by the Jones patent is an infringer.

Monopolies Key 12 (15)

Eversharp, Inc. v. Fisher Pen Co. 204 F. Supp. 649, 668 (D.C. N.D. Ill. E.D., 1961)

(Evidently there was no appeal.)

p. 668 Eversharp...filed infringement suits in order to enforce their legal rights under the patents in suit, but such suits were not brought for the purpose of eliminating or unlawfully controlling competition, or

as part of a plan (emphasis added) to eliminate or unlawfully control competition, nor is their any evidence of threat of suit for the purpose ofeliminating or unlawfully controlling competition.

* * *

P. 674. Infringement suits which are initiated to protect a lawful patent monopoly, and ~~xxx~~ not as part of an over-all plan to eliminate or unlawfully control competition, do not constitute a misuse of patents. 35 U.S.C. Sect. 271; Cole V. Hughes Tool Company, 215 F. 2d 924 (10 Cir., 1954) Cert. denied 348 U.S. 927...rehearing denied 348 U.S. 965...; Ronson Patents Corp. v. Sparklets Devices, 112 F. Supp. 676...; Dollac Corporation v. Margon Corporation, 164 F. Supp. 41...(D.C.N.J. 1958), aff'd. 275 F. 2d 202 (3 Cir., 1960).

F.C. Russell Co. v. Comfort Equipment Corp. 194 F. 2d 592, 596 (7 Cir., 1952)

Mr. Justice Brandeis, speaking for the Supreme Court, said in Leitch Mfg. Co. v. Barber Co., 302 U.S. 458, on page 463...The Court held in the Carbice case...that the limitation upon the scope or use of the patent which it applied was 'inherent in the patent grant'. It denied relief, not because there was a contract or notice held to be inoperative, but on the broad ground that the owner of the patent monopoly, ignoring the limitations 'inherent in the patent grant', sought by its method of doing busines to extend the monopoly to unpatented material used in practicing the invention."

United States v. Loew's Inc. 371 U.S. 38 (1962)
(Tying agreements under Section 1 of Sherman Act.)

The requisite economic power is preserved when the tying product is patented or copyrighted....(Citing International Salt v. U.S. 332 U.S.392).

This principle grew out of a long line of patent cases which had eventuated in the doctrine that a patentee who utilized tying arrangements would be denied all relief against infringement of his patents.... These cases reflect a hostility to use of the statutory granted patent monopoly to extend the patentee's economic control to unpatented products. The patentee is protected as to his invention, but may not use his patent rights to exact tribute for other articles.

American Photocopy Equipment Company. v. Rovico, Inc.
359 F. 2d 745 (7 Cir., 1966).
(Appeal from D.C.N.D. Ill., E.D. --Marovitz, J (Nor reported))

(See case on remand, 257 F. Supp. 192)

The patent in suit had been previously found valid by the C. of A., 7 Cir., 298 F. 2d 772 and was assigned by the then plaintiff to the then defendant, the present plaintiff. The district court granted a preliminary injunction. The Court of Appeals reversed here on the basis that the record in the district court "reveals a violation of the anti-trust laws" in that plaintiff charged an exorbitant and oppressive (6% of the retail price of the machines sold which is the equivalent of 12% of the patented portion of the machines) royalty to licensees which as a group make up the bulk of the industry in the equipment involved.

The Court quotes as authority from The Mercoid case (320 U.S. 661) at page 667:

> "***The patent is employed to protect the market for a device on which no patent has been granted..."

Thus, the decision turns on the matter of an extension of the patent monopoly by, in this instance, a license royalty on the "retain selling price", which amounts to an equivalent of about 12% of the manufacturer's

(licensee's) selling price, and...the royalty is payable on the entire machine, which includes both the patented and unpatented parts." (Emphasis added in last three instances.) It is then the attempt to cover, in fact, the entire machine by a license ostensibly directed to the patented portion only.

The court then goes on to quote further from Mercoid:

> "***It is sufficient to say that in whatever (emphasis added) posture the issue may be tendered courts of equity will (emphasis added) withhold relief where the patentee and those claiming under him are using the patent privilege contrary to the public interest. Morton Salt Co. v. E.S. Suppiger....

In Mercoid, the Supreme Court, discussed the applicable principle fully, saying at 670...:

> "***And the determination of that policy is not 'at the mercy' of the parties...nor defendant on the usual (emphasis added) rules governing the settlement of private litigation. 'Courts of equity may, and frequently do, go much farther both to give and withhold relief in furtherance of the public interest than they are accustomed to go when only private interests are involved'...Virginia Ry. Co. v. System Federation, No. 40, 300 U.S. 515....'When an important public interest would be prejudiced,' the reasons for denying injunctive relief 'may be compelling....' That is the principle which has led this Court in the past to withhold aid from a patentee in suits for either direct or indirect infringement where the patent has been misused.

In remand, the district court found on the basis of the evidence before it after a trial on the merits that 6% royalty on the price of a machine was not "exorbitant nor oppressive" 257 F. Supp. 192, 201 (D.C. N.D. Ill. E.D., June 1966)