

CONTRIBUTORY INFRINGEMENT: THE TORT AND ITS LIMITATIONS

The monopoly granted to a patentee by virtue of the Patent Law¹ appears to be inconsistent with the antimonopoly objectives of the Antitrust Laws. Pursuant to constitutional authorization, Congress has granted the inventor a monopoly of limited duration in his invention. This monopoly is justified, according to the Constitution, in order "To promote the Progress of Science and useful Arts."² Public interest is served by granting a monopoly in one case and withholding it in the other.

As might be expected cases arise in which antitrust and patent laws conflict. Resolution of such conflict requires a delicate balancing of interests; that of encouraging invention against that of encouraging competition. This note deals with cases in which the patent law conflicts with section three of the Clayton Act.³ More particularly, it will examine the effect of section 3 on the law of contributory infringement.

A. THE PATENT GRANT; REMEDY OF INJUNCTION FOR CONTRIBUTORY INFRINGEMENT

The Patent Act provides that a patent can be obtained for a new, original and useful, machine, manufacture, composition of matter and process.⁴ Having obtained a patent for a period of seventeen years, the patentee has the exclusive right to make, use, and sell his invention,⁵ and a violation of his right is tortious conduct, as defined by section 271 of the Patent Act:

(a) [W]hoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent.

(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

(c) Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for sub-

1. Patent Act, 35 U.S.C. § 154 (1959).

2. U.S. Const. art. I, § 8.

3. 38 Stat. 731 (1914), 15 U.S.C. § 14 (1952).

4. Patent Act, 35 U.S.C. § 101 (1959)

5. Patent Act, 35 U.S.C. § 154 (1959)

stantial noninfringing use, shall be liable as a contributory infringer.

(d) No patent owner, otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement.

Subsection (a) needs no explanation at this time in that it applies only to persons who actually make, use or sell the patented invention. Subsections (b), (c) and (d), new in the Patent Act of 1952, require careful attention. These subsections purport to impose liability upon third persons who do not actually make, use or sell the entire combination constituting the patented invention. The tort of contributory infringement, defined by these sections, is derivative—the liability of third persons is dependent upon or derived from the liability of the person who actually makes, uses or sells the patented invention.

The need for imposing such derivative liability is demonstrated by the following example:

Assume that X, patentee, is the owner of a patent for the invention consisting of the combination AB. R, a manufacturer of components A and B sells these components with directions for building the patented invention AB. The persons who combine these components are clearly infringers. But, if X were limited to his remedy against the combiner of the components, the patent would be of less value to him, since he would be faced with the difficult, and expensive task of seeking out and bringing suit against persons who actually combined the components A and B. X's only effective remedy would be to enjoin R from selling these components in this manner. An action for contributory infringement provides such a remedy against R.

But injunction, in the situation described above, is a drastic remedy. R is prevented from selling components A and B, which by hypothesis are unpatented. Thus, through his patent, X is able to prevent R from selling the unpatented goods which, in the absence of such a patent, he could sell lawfully. This result might not seem objectionable, were it not for the possible anticompetitive effects in the market for components. If, by means of his patent for the combination AB, X can prevent R from selling the unpatented components in the market, while reserving the market to himself, X has achieved a monopoly for the components in that market. For example, if X sold the components with directions for making AB, by enjoining R from making similar sales he has achieved a monopoly over the un-

patented components A and B.⁶ It will be demonstrated in this note that to permit X such a monopoly would be inconsistent with the policies of the antitrust *and* patent laws; that since the patent monopoly is granted for inventions only, it is not intended that previously unpatented components be monopolized; and that because of the antitrust laws, such monopoly is prevented by withholding injunctive relief. The courts have denied this relief to those who attempt to monopolize the unpatented components of an invention.⁷ More particularly, the thesis of this note is that a patentee who sells the unpatented components of his invention should *always be denied* the remedy of injunction for contributory infringement, since a successful suit, under these circumstances, would have the *necessary* effect of extending the patentee's monopoly to the unpatented components of the invention.

B. THE BIRTH, DEMISE AND RESURRECTION OF CONTRIBUTORY INFRINGEMENT

It has been indicated that the tort of contributory infringement was designed to provide a remedy against third persons who would dilute the value of the patent by aiding, abetting and encouraging infringement. While it was recognized that the patentee was entitled to such protection, early cases were cognizant of the inherent danger to competition.

Denying injunction in the case of *Cortelyou v. Chas. E. Johnson & Co.*,⁸ the court warned: "Care should be taken that the courts, in their efforts to protect the rights of patentees, do not invade the just rights of others, engaged in legitimate occupations, by creating new monopolies not covered by patents and by placing unwarrantable restrictions upon trade."⁹ In the beginning it looked as though the Supreme Court would heed this advice. Thus in the case of *Morgan Envelope Co. v. Albany Paper Co.*,¹⁰ the court, relying on the earlier case of *Wilson v. Simpson*,¹¹ denied an injunction to a patentee holding a patent for the combination of a toilet paper roll with a dispenser, who sought to enjoin the replacement sales of toilet paper for use with his dispenser.

6. *Mercoide Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661 (1944); *Morton Salt Co. v. G.S. Suppiger Co.*, 314 U.S. 488 (1942); *Leitch Mfg. Co. v. Barber Co.*, 302 U.S. 458 (1938); *Carbice Corp. of America v. American Patents Dev. Corp.*, 283 U.S. 27 (1931); *Motion Pictures Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502 (1916).

7. *Ibid.*

8. 145 Fed. 933 (2d Cir. 1906).

9. *Id.* at 935.

10. 152 U.S. 425 (1894).

11. 50 U.S. (9 How.) 109 (1850).

After the *Morgan Envelope* case the advice in the *Cortelyou v. Johnson* case went unheeded. In the case of *Henry v. A. B. Dick*,¹² the patentee sold its patented mimeograph with a license restriction to the effect that A. B. Dick's ink and other supplies be used exclusively in connection with the mimeograph. The court granted an injunction which prevented defendant from selling unpatented ink to owners of A. B. Dick mimeographs. The same court, in *Leeds & Catlin Co. v. Victor Talking Machine Co. (No. 2)*,¹³ granted an injunction to the patentee of a combination phonograph and recording disc, against a seller of competitive recording discs, even though these competitive discs were capable of substantial noninfringing use¹⁴ with phonographs made by the defendant. Neither of these latter cases considered the Sherman Act¹⁵ applicable. The effect of these cases was to permit extension of the patent monopoly to unpatented goods.

To remedy the anticompetitive effect of *A. B. Dick* and other decisions, Congress passed section 3 of the Clayton Act which provides:

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, for use, consumption, or resale within the United States . . . or other place under the jurisdiction of the United States, or fix a price charged therefor, or discount from, or rebate upon, such price, on the condition, agreement, or understanding that the lessee or purchaser thereof shall not use or deal in the goods, wares, merchandise, machinery, supplies, or other commodities of a competitor or competitors of the lessor or seller, where the effect of such lease, sale, or contract for sale or such condition, agreement, or understanding may be to substantially lessen competition or tend to create a monopoly in any line of commerce.¹⁶

This act brought about the overruling of the *A. B. Dick* case in *Motion Picture Patents Co. v. Universal Film Mfg. Co.*,¹⁷ involving a substantially similar fact situation. The *Victor* case, though frequently distinguished,¹⁸ was not overruled for thirty-two years.¹⁹

12. 224 U.S. 1 (1912).

13. 213 U.S. 325 (1909)

14. An element of a combination is capable of substantial noninfringing use if it is not specially designed and specially adapted for use in practicing the invention and is not a staple article of commerce. Cf. § 271(c) of the Patent Act.

15. 38 Stat. 209 (1890), 15 U.S.C. §§ 1-2 (1952).

16. 38 Stat. 731 (1914), 15 U.S.C. § 14 (1952).

17. 243 U.S. 502 (1917).

18. See, e.g., *Heyer v. Duplicator Mfg. Co.*, 263 U.S. 100 (1923).

19. In *Mercoid Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661 (1944), the *Victor* case was overruled to the extent inconsistent with that opinion. It

Heretofore the cases discussed, such as *A. B. Dick* and *Morgan Envelope*, have dealt with situations in which the patentee sought to tie the sale of unpatented products to patented articles, or in which the patentee sought to prevent the sale of unpatented articles for replacement or repair of patented combinations. The case of *Carbice Corp. of America v. American Patents Dev. Corp.*²⁰ represents a different class. Here the patentee, a seller of dry ice, held a patent for a combination of dry ice with a cardboard box, which was used to ship perishable goods. The patentee did not practice the invention itself, but licensed purchasers of its dry ice to use it. Plaintiff sought an injunction for contributory infringement to prevent defendant from selling dry ice to persons for use with cardboard boxes in the manner claimed in the patent. The Court, relying on the *Morgan Envelope* and *Motion Pictures* cases, denied the injunction on the ground that plaintiff was attempting to monopolize unpatented dry ice by means of his patent, which was an abuse of the patent grant.²¹ Similarly, in *Leitch Mfg. Co. v. Barber Co.*,²² the Court denied an injunction to a patentee for contributory infringement of a process patent for using certain materials in highway construction. As in the *Carbice* case, the patentee did not practice the invention, but licensed purchasers of the building material to use the process. The Court reasoned that an action would not lie against another seller of the construction materials because to do so would allow the patentee to extend his patent monopoly to unpatented goods.

The case of *Mercoid Corp. v. Mid-Continent Inv. Co.*,²³ differed from the *Carbice* case in that plaintiff sought to enjoin the sale of the unpatented element of the combination which was specially designed and suited for infringing the plaintiff's patent. The Court, in denying the injunction held that this difference was unimportant, and that the *Carbice* case still controlled.

The *Mercoid* case evoked considerable criticism,²⁴ and was condemned on three grounds: (1) that it did away with contributory

seems the case is not completely dead, however, since it was cited in *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336 (1961), discussed *infra*.

20. 283 U.S. 27 (1931)

21. *Id.* at 33-34.

22. 302 U.S. 458 (1938).

23. 320 U.S. 661 (1944).

24. See, e.g., Att'y. Gen. Nat'l Comm. Antitrust Rep. 250 (1955); Eastman, Contributory Infringement and the Combination Patent, 48 Mich. L. Rev. 183 (1949); Oppenheim, Patents and Antitrust: Peaceful Coexistence?, 54 Mich. L. Rev. 199 (1955); Waite, Judicial Legislation-Patent Law-Has the Doctrine of Contributory Infringement Been Repudiated?, 42 Mich. L. Rev. 915 (1944); Wood, The Tangle of *Mercoid* Case Implications, 13 Geo. Wash. L. Rev. 61 (1944).

infringement, (2) that it failed to punish persons who deliberately attempted to induce infringement of the patent by selling components specially designed and adapted for that purpose, and (3) that the decision failed to distinguish between components of the invention that were the "heart of the invention"²⁵ and components which were of only minor importance.

Credence has been lent to the first criticism because of the concurring opinion of Justice Black, in which he declared that the tort of contributory infringement should not be recognized. The majority opinion also lends some support to this position. In any event, the reference to the non-existence of contributory infringement was *obiter dictum*, and properly condemned as such by Justice Frankfurter.²⁶

The second criticism must be discussed in light of the pre-Clayton Act cases. At this time the Sherman Act was held inapplicable to patent licensing agreements.²⁷ Even though some of the early decisions recognized the possible anticompetitive effects of injunction for contributory infringement,²⁸ they talked in terms of the nature of the article sold rather than in terms of the plaintiff's conduct. The following quotation from the *Cortelyou v. Johnson* case is typical:

When confined to articles . . . which are made for the express purpose of inducing infringement and are not intended for any legitimate use, the doctrine of contributory infringement is logical, just and salutary . . . [but] . . . we incline to the opinion that the line should be drawn to include (only) those articles which are either parts of a patented combination or device or which are produced for the sole purpose of being so used and to exclude staple articles of commerce.²⁹

The above language, and that of other cases, suggests that a suit for contributory infringement should not be permitted to enjoin the sale of a commodity capable of substantial noninfringing use.

The fallacy in this position is that actively inducing infringement or specially adapting a component merely demonstrates the knowledge and intent of defendant. But conceding such knowledge and intent, if plaintiff is also guilty of inequitable conduct in extending his monopoly, the parties are in *pari delicto*, and a court of equity still should not interfere. Although the Court's reasoning is unclear, this appears to be the basis for the decision in the *Mercoïd* case.

The majority of the Attorney General's Committee³⁰ was of the

25. *Mercoïd Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 667 (1944).

26. *Id.* at 676 (Dissenting opinion).

27. *Bement v. National Harrow Co.*, 186 U.S. 70 (1902).

28. *Cortelyou v. Charles E. Johnson & Co.*, 145 Fed. 933 (1906).

29. *Id.* at 935.

30. Att'y Gen. Nat'l Comm. Antitrust Rep., op. cit. supra note 24.

opinion that some distinction should be made between elements which can be characterized as the heart of the invention and those elements which are less essential, and that the sale of the latter should be enjoined. One of the first decisions establishing such a distinction was the *Victor* case.³¹ The fallacy in this distinction is, however, that

31. *Leeds & Catlin Co. v. Victor Talking Machine Co.* (No. 2), 213 U.S. 325 (1909), provides a vivid illustration of how "hard decisions made bad law." The Court distinguished between the heart of the invention and nonessential elements, in order to distinguish the *Morgan Envelope* case. The toilet paper in the *Morgan* case was not held to be the "heart," while the disc in the *Victor* case was. Furthermore, in the *Morgan* case there was a dispenser of toilet paper involved and the Court in the *Victor* case felt that the patentee must have intended that the buyer of a dispenser could replace the items dispensed.

The *Wilson* case was also distinguished because here there was no repair, since the person who bought new discs was not repairing his unit, but merely adding variety to his sound system. These distinctions seem illogical. If a person sells a phonograph he must intend that the buyer use more than one record, just as the seller of a dispenser intends that the dispensed items be replaced. Furthermore, even if records are not bought for repair, the injunction prevents *all sales*, not just those for repair purposes.

It must be pointed out that the *Morgan* case can be validly distinguished if the Court were disposed to find that the patentee does not intend that non-repair discs be bought, since in the *Morgan* case the Court found such intent by implication. However, today, implied intent would not be useful, since if the patentee wished to negative this consent to repair, by placing a notice on the invention to the effect that only his elements could be used in repairing the combination, he would certainly run afoul of the Clayton Act, by virtue of the decision in the *Motion Pictures* case.

While this note has criticized the *Victor* case, it seems that the Court was trying to reach a just result. The first *Victor* case, 213 U.S. 301 (1909), indicates the reason for this result. Although the patentee had a good invention, it would seem that the combination of a recording disc with a phonograph would be obvious and not inventive. Actually, the patentee's invention was not in the combination, but in the disc itself. Previous recording devices had employed a cylindrical recording method. Plaintiff's disc was a considerable improvement. For some reason, however, the Patent Office refused to grant a patent on the disc itself, and granted the patent on the combination. Thus, the first *Victor* case went to a great deal of trouble to hold this very obvious combination valid. This decision, combined with the second *Victor* decision, had the effect of granting a patent for the disc itself which should have been received in the first place. This paternalism not only brought about impossible distinction between elements: the heart of the invention and the nonessential elements, but also brought confusion to the law relating to the patentability of combinations. These decisions paved the way for the *A.B. Dick* case. Even today, the uncertainty brought about by these decisions, further confronted by intervening decisions, persist in the law relating to the patentability of combinations. Cf., *Mercoid Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661 (1944); *Leitch Mfg. Co. v. Barber Co.*, 302 U.S. 458 (1938); *Carbice Corp. of America v. American Patents Dev. Corp.*, 283 U.S. 27 (1931); *Heyer v. Duplicator Mfg. Co.*, 263 U.S. 100 (1923). See also *Lincoln Eng'r Co. v. Stewart-Warner Corp.* 303 U.S. 545 (1938).

a combination patent covers only the totality of elements, and not any single element.³² Thus, if the patent is for a combination of A with B, the patent covers the entity AB and not A alone or B alone. It seems illogical to say one element is more important when the invention is an aggregate. One might as well say the nut is more important than the bolt. In any event it is clear that there is no legally recognized heart of a combination.³³

In light of these criticisms of the *Mercoïd* case Congress enacted section 271³⁴ which clearly established the tort of contributory infringement.

Although in subsection (b) the offender is called an infringer, and in subsection (c) he is called a contributory infringer, there appears to be no substantial difference in the meaning of the terms. Section 271(c), the narrower of the two subsections, provides a remedy against the supplier of an unpatented component of a patented combination, who sells a material part of the invention, which is especially adapted for use in infringing a patent, and not a staple article of commerce suitable for substantial noninfringing use. Congress appears to have codified the principles of the earlier cases in section 271. The courts will now be required to determine what is a material part of an invention.

Section 271(b) is broader than 271(c), and is a catch-all section designed to cover any conduct which the courts choose to characterize as "actively inducing infringement."³⁵

The courts have reached conflicting results in determining the effect of these subsections, and the language of 271(d), on the rule of the *Mercoïd* case. At least two cases have held that these sections overruled the decision in the *Mercoïd* case,³⁶ but another has held that the act did not have such effect.³⁷ Legislative history of the act is silent on this subject.³⁸

32. *Mercoïd Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 667 (1944).

33. *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 346 (1961).

34. Oppenheim, *supra* note 24, at 212.

35. See *National Latex Prods. Co. v. Sun Rubber Co.* 274 F.2d 224 (6th Cir. 1959) (advertising an element for use in a patented combination); *Jones v. Radio Corp. of America*, 131 F. Supp. 82 (S.D.N.Y. 1955) (the information gleaned from inducing breach of a confidential relationship was used to make infringement possible). See also Note, 66 *Yale L. J.* 132 (1956).

36. *Stearns v. Tinker & Razor*, 252 F.2d 589 (9th Cir. 1957); *Sola Electric Co. v. General Electric Co.*, 146 F. Supp. 625 (N.D. Ill. 1956). See also 25 *U. Cinc. L. Rev.* 521 (1956); 14 *Wash. & Lee L. Rev.* 280, 289 (1957).

37. *I.D. Russell Co. v. Dr. Salisbury's Laboratories*, 198 F.2d 473 (8th Cir. 1952). See Comments, 21 *Geo. Wash. L. Rev.* 246 (1952); 41 *Geo. L.J.* 112 (1952); 28 *Temp. L.Q.* 148 (1954).

38. See, Hearings Before the Subcommittee on Patent Law Codification and

In determining the statute's effect one must look to the status of the law in the period after the *Mercoïd* case. This requires an analysis of the previously discussed cases.

C. TIE-IN SALES: REPAIR AND REPLACEMENT: ABUSE OF PATENTS

It has been indicated that the contributory infringement cases could be grouped into three classes; (1) tie-ins, (2) repair and replacement, and (3) abuse of patents.

1. Tie-Ins

The tie-in cases, such as *A. B. Dick*,³⁹ are now of only historical importance. They merit discussion, however, because they reflect the attitudes of the courts of the pre-Clayton Act age, and clearly set out a policy that is *not* the law today.

In *Heaton-Peninsular Button-Fastener Co. v. Eureka Specialty Co.*,⁴⁰ plaintiff, a seller of unpatented button fasteners, sought an injunction to prevent defendant from selling button fasteners to persons using a patented button fastening machine sold by the plaintiff. The patentee sold the button fastening machine on the condition that the buyer use only button fasteners manufactured by the seller, placing a notice upon the machine stating these conditions of sale. The notice also stated that if competitive button fasteners were used with the machine, the sale would be rescinded, and title to the machine would revert in the patentee.

The court granted the injunction holding that the conditional sale was valid, and therefore, that the buyer's unauthorized use of the machine with competitive fasteners amounted to an infringement. Defendant, in knowingly selling the button fasteners to the unauthorized user of the machine, was guilty of aiding and abetting infringement, and hence guilty of contributory infringement.

Henry v. A.B. Dick involved a fact situation substantially identical to that in the *Button Fastener* case, except that there was no provision for reverting title to the machine in the patentee. Plaintiff sold its patented mimeograph with the following notice attached:

This machine is sold by the A.B. Dick Co., with the license restriction that it may be used only with the stencil, paper, ink and other supplies made by A.B. Dick Co.⁴¹

Review, Number 3, of the House Committee on the Judiciary, 82d Cong., 1st Sess., ser. 9 (1951); H. R. Rep. No. 1923, 82d Cong., 2d Sess. (1952); S. Rep. No. 1979, 82d Cong., 2d Sess. (1952); Comment, 66 Harv. L. Rev. 909 (1952); Federico, Commentary on the New Patent Act, 35 U.S.C.A. 1, 51 (1954).

39. 224 U.S. 1 (1911).

40. 77 Fed. 288 (6th Cir. 1896).

41. 224 U.S. at 11.

The Supreme Court affirmed the decision of the lower court in issuing an injunction against a seller of unpatented ink, preventing him from knowingly selling ink to an owner of an A.B. Dick mimeograph.

The Court interpreted the transactions as being in two parts; (1) the sale of a chattel embodying the invention, and (2) a license to use the chattel in accordance with the patent, the consideration for the license being the buyer's promise to use the ink and other supplies made by A.B. Dick.⁴² Further, the Court held that the right to practice the invention was severable from the ownership of the chattel embodying the invention. Thus, a patentee, if he wished, could sell his invention and withhold the right to use it in accordance with the patent. Having the power to withhold the right to use the patent, the patentee could condition that right on the buyer's using the patentee's supplies, the greater power including the lesser.⁴³ Since the buyer breached the agreement by using a competitive ink, the patentee could elect either to affirm the agreement or sue for patent infringement in the federal courts.⁴⁴

Defendant argued that the granting of an injunction would give A.B. Dick a patent on the unpatented supplies used in connection with the patented machine, and further, that the result was not intended by the patent grant, which allows only a monopoly for inventions and that the Sherman Act prohibits such a monopoly.⁴⁵

The Court, in a previous case,⁴⁶ held that the Sherman Act did not apply to patent licensing agreements and therefore dismissed this argument in *A.B. Dick*. As to the monopoly over unpatented supplies, the Court held that this was consistent with the purposes of the patent grant. A.B. Dick, had it desired, could have kept its invention secret. Then there would have been no market for the ink. The policy of the patent law is to encourage disclosure of inventions. By disclosing its invention, A.B. Dick created a market for the ink.⁴⁷ Thus, in granting it this market, nothing has been taken away from the public. Furthermore, in the absence of any contravening public policy, the patent grant should be construed broadly to encourage disclosure of inventions.

In addition, the Court pointed out that A.B. Dick was selling its mimeographs at cost, seeking to profit from its invention through the sale of supplies. This method of exploiting the invention was

42. *Id.* at 14.

43. *Id.* at 17.

44. *Id.* at 16.

45. *Id.* at 6.

46. *Bement v. National Harrow Co.*, 186 U.S. 70 (1902).

47. 224 U.S. at 32.

quite proper.⁴⁸ The patentee could lawfully collect royalties in accordance with the amount of usage of the machine. Since such a royalty system would involve costly accounting practices it would be more convenient for A.B. Dick to collect its royalties by adding them on the cost of supplies.⁴⁹

The ultimate effect of the *A.B. Dick* case was to extend the patentee's monopoly to unpatented goods used in connection with the patented machine. This patent monopoly could be enforced against a seller of unpatented supplies, just as if the Patent Office had issued a patent covering the unpatented supplies.⁵⁰

This anticompetitive situation was remedied by the Supreme Court's application of section 3 of the Clayton Act. Thus, in *Motion Picture Patents Co. v. Universal Film Mfg. Co.*,⁵¹ a case substantially similar to *A.B. Dick*, the seller of a patented motion picture projector, which was sold with a licensing restriction similar to that in *A.B. Dick*, sought to enjoin defendant's breach of this restriction. Defendant used film other than that supplied by the plaintiff in violation of the agreement. The lower court denied the injunction on the ground that the licensing restriction violated section 3 of the Clayton Act. The Supreme Court affirmed the lower court's decision, but in doing so did not hold that the Clayton Act was applicable. The Court said, however, that section 3 was "a most persuasive expression of the public policy of our country with respect to . . . [this] . . . question . . ."⁵² Here, as in the *A.B. Dick* case, the patentee sold his machine

48. *Id.* at 31. *Contra*, *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 517 (1917).

49. The dissent in the *A.B. Dick* case is significant in that it agrees with the majority. It concedes two main issues: (1) that a patent holder can restrict the use of a patented invention if he sells it conditionally, and (2) that the Sherman Act does not apply to this situation.

The dissent's position was that the licensing restriction should be interpreted as creating a contract to the effect that the buyer of a mimeograph machine must use A.B. Dick's supplies as consideration for the *unconditional* sale of the invention. An unconditional sale is one where the buyer is entitled to the unconditional use of the invention in accordance with the patent. Therefore, the contract condition that only A.B. Dick's supplies be used, was collateral to the sale, and could be remedied only by an action for damages in the state court.

The dissent pointed out the anticompetitive effects of the decision, noting that the majority decision gave the patentee a monopoly in the unpatented supplies used in connection with the invention. 224 U.S. at 49 (dissenting opinion).

50. *Cf.* *Leeds & Catlin Co. v. Victor Talking Machine Co.* (No. 2), 213 U.S. 325 (1909).

51. 243 U.S. 502 (1917).

52. *Id.* at 517.

at cost, seeking to derive his profits from the unpatented film.⁵³ The Court held that such extension of the patent monopoly to unpatented goods is "wholly without the scope of the patent monopoly."⁵⁴ Therefore, *even if* the owner of the projector and the supplier of film are guilty of infringement and contributory infringement respectively, a court of equity will deny the remedy of injunction because to grant such a remedy would be inconsistent with the public policy expressed in section 3 of the Clayton Act.

This policy as expressed in the Clayton Act is that a patentee should not be allowed to extend his patent monopoly to unpatented goods used in practicing his invention, even though it makes it inconvenient for the patentee to exploit his invention, and there would have been no market for these unpatented goods had the patentee not disclosed his invention.

2. *Repair v. Reconstruction*

The typical repair case is illustrated by the following example: X, the patentee, sells the patented combination AB to a buyer. Unpatented component B wears out before component A. The buyer then purchases component B for use in repairing the combination from someone other than the patentee. X proceeds against the supplier of component B on the theory that when the buyer of component B combines it with the unworn component A, he is practicing the patentee's invention without authority from X, and hence is an infringer. The supplier of component B in knowingly aiding and abetting the infringement is guilty of contributory infringement. On the other hand, if the buyer purchased his repair component from the patentee, he would be entitled to practice the invention, since the courts would then say he has an implied license to do so.

As indicated above, in the *Victor* case⁵⁵ the Supreme Court granted an injunction for contributory infringement. One notes the similarity in result between the *Victor* and *A.B. Dick* cases. The patentee, by means of his patent, has obtained a monopoly on the unpatented component used in repairing his invention. It might be expected that after the passage of the Clayton Act, the Court would apply the *Motion Picture* rationale to this type of case. However, the Court has not found this necessary. The pre-Clayton Act and pre-*A.B. Dick* decisions in the *Morgan Envelope* and *Wilson* cases reached the analogous result with strikingly similar reasoning. Although the

53. *Ibid.* See also *Henry v. A. B. Dick Co.*, 224 U.S. 1, 31 (1911).

54. *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 517 (1917).

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

Court did not rest its holding in these cases on this point, it was made abundantly clear that the injunction was denied because of the danger to competition.⁵⁶ Apparently the court rested these decisions on a theory of implied license, holding that a buyer of a patented article had the right "to give duration to that which he owns, or has a right to use . . ."⁵⁷ even though this means replacing or repairing an essential element of the patented article. The buyer would be guilty of infringement only if he built an entirely new combination. Thus, when the question again reached the Supreme Court in *Heyer v. Duplicator Mfg. Co.*,⁵⁸ it needed only to cite these old decisions. Rather than overrule the *Victor* case, the Court distinguished it in the manner indicated above. Although tie-in cases are theoretically different than repair cases, they both indicate that a patentee will not be permitted to extend his patent monopoly to unpatented goods used in practicing the invention by means of injunction for contributory infringement.

3. Abuse of Patents

The typical abuse of patents case is illustrated as follows: The patent is granted for a combination of components AB. The patentee does not practice the invention itself, but rather sells component B to the buyer with an implied license to practice the invention. When others combine component A with component B in accordance with the patent, the patentee proceeds against the supplier of B, on the theory that the person who combines component A with component B, not purchased from the patentee, is guilty of infringement. Therefore, the supplier of component B, who knowingly sells it to a person who combines it with component A, is guilty of contributory infringement. The Supreme Court has never granted an injunction for contributory infringement on these or similar facts.⁵⁹

It is believed that this situation is inharmonious with the tie-in and repair cases. If the patentee can maintain an injunction he has achieved a monopoly over the unpatented components. Therefore,

56. *Morgan Envelope Co. v. Albany Paper Co.*, 152 U.S. 425 (1894); *Wilson v. Simpson*, 50 U.S. (9 How.) 109 (1850).

57. 50 U.S. (9 How.) at 123.

58. 263 U.S. 100 (1923).

59. This is somewhat surprising when one considers the fact that in the tie-in and repair-construction cases, the patentee has sold something to the purported infringer. Thus the argument that the patentee has had the opportunity to profit from his invention through the original sale, does not apply to abuse of patents cases. In fact, one can envision circumstances, such as in the *I.D. Russell Co. v. Dr. Salisbury's Laboratories*, 198 F.2d 473 (8th Cir. 1952), where the patentee could not exploit his invention except by sales of the unpatented component. But, the Court has found that the interest in preserving competition overbalances the injury to the patentee in the individual case.

it is not surprising that the Court has used the rationale of the *Motion Picture* case to deny an injunction for contributory infringement.

Thus the *Carbice* and *Leitch* cases stand for the same proposition as the cases discussed above, that is—a patentee will not be granted an injunction for contributory infringement in order to extend his patent monopoly to unpatented goods used in practicing the invention.

It has been indicated above that the *Mercoïd* case differed from these cases only in the respect that the unpatented component was especially adapted for practicing the patentee's invention. This difference should be significant only in demonstrating defendant's intent and knowledge. Therefore the Supreme Court was justified in disregarding this fact, and quite properly only inquired into plaintiff's conduct.

All the tie-in, repair, and abuse of patent cases discussed above have one thing in common: the suit to prevent infringement was brought by a patentee-seller of an unpatented commodity used in practicing his invention against another seller of that unpatented commodity. In these cases the Court felt that it would be inequitable to grant the patentee an injunction. In denying equitable relief, where a legal right exists, the Court is necessarily holding that the plaintiff is guilty of inequitable conduct even though there was no showing that plaintiff had any specific intent to monopolize or engage in any other conscious inequitable conduct. The Court must then be holding that successful suit by the seller of an unpatented commodity has the necessary effect of leading to an improper extension of the patent monopoly.

It is submitted that the status of the law after the *Mercoïd* case may be summarized as follows: (1) a court of equity will deny an injunction for contributory infringement to a seller of an unpatented commodity; and (2) the courts will not question the nature of the defendant's conduct unless the patentee can show that he is entitled to equitable relief.

If the above statement represents the law after the *Mercoïd* case, the language of section 271 is sufficiently broad to support a construction in accordance with it. Subsection 271(d) does not require a contrary result. This subsection merely requires that relief not be denied merely because the patentee seeks to exploit his patent. Specifically, the subsection permits proper application of contributory infringement, such as that used as an example in the introduction to this note.

Aro Mfg. Co. v. Convertible Top Replacement Co.,⁶⁰ was the first

60. 365 U.S. 336 (1961), reversing 270 F.2d 200 (1st Cir. 1960).

case to be decided in the Supreme Court after the passage of section 271, in which that section was construed. Plaintiff, who owned a combination patent on a fabric top and metal frame for use on convertible automobiles, was in the business of selling fabric tops. Although the metal frame normally lasted for the life of the car, the fabric top needed replacement from time to time, and when defendant attempted to supply replacement fabric tops to car owners, plaintiff instituted this suit to enjoin such sales. The court of appeals, in affirming the district court's decision to let the injunction issue, reasoned that since the fabric top was a material part of the invention, the car owner was performing an unpermitted reconstruction in replacing the top since "the life of the fabric is not so short, nor is the fabric so cheap, that we can safely assume that an owner would rationally believe that in replacing it he was making only a minor repair to his top structure."⁶¹ Therefore, the defendant, in supplying the car owner with the tops, was aiding in the unpermitted reconstruction and was thus a contributory infringer.

In the Supreme Court, the Justice Department argued as *amicus curiae*, contending that the repair-reconstruction cases, the tie-in cases, and the abuse of patents cases, should be governed by the principles of the antitrust laws.⁶² More particularly, the government argued that contributory infringement is a derivative tort, and therefore, the supplier of fabric tops cannot be a contributory infringer unless the person who actually buys the fabric and repairs his top, is an infringer.⁶³ Therefore, the Court should decide the case under 271(a), which is declarative of the prior law and not affected by 271(b), (c) and (d).⁶⁴ The principle governing this case should be the same as that of the *Motion Pictures*, *Carbice* and *Mercoïd* cases.

In these and other cases, this Court has held that the patentee's monopoly is restricted to exclusion of others from manufacture, sale and use of the patented invention *itself*, and that *it does not embrace monopolization of unpatented material used in, or necessary to the use of, the patented invention.*⁶⁵

As to the cases specifically dealing with repair or replacement, referring to the *Wilson*, *Morgan Envelope*, and *Heyer Duplicator* cases, the government's position was that, "they, too, evidence an

61. 270 F.2d at 205.

62. Brief for Amicus Curiae, p. 9, *Aro Mfg. Co., v. Convertible Top Replacement Co.*, 365 U.S. 336 (1961).

63. *Id.* at 7.

64. *Ibid.*

65. *Id.* at 3. (Emphasis added.)

indisposition to extend the patent monopoly beyond the terms of the grant."⁶⁶

If the grant of a combination patent confers upon the patentee power to exercise dominion over replacement of a worn-out, unpatented part of the combination—a replacement which is necessary if the patented machine or combination is to remain operative and perform the function for which it was purchased—the patentee would be given the same kind of partial monopoly over unpatented materials held *not* to be within the legitimate scope of the patent monopoly in *Motion Pictures Patents* and *Carbice*.⁶⁷

As to the argument that the fabric is the heart of the invention, the government contended that “the basic fallacy . . . is that it rests on according one element of the patented combination a role, with respect to reconstruction, distinct from (and presumably higher than) the other elements.”⁶⁸ In any event, the *Mercoïd* case held that there is no heart of a combination.

In reversing the court of appeals, the majority of the Supreme Court, in an opinion by Justice Whittaker, adopted the government's position in most instances. However, the Court did not apply the principles of the *Mercoïd*, *Carbice*, and *Motion Pictures* cases. As in the *Heyer Duplicator* case, the Court simply relied on the old precedents in the *Morgan Envelope* and *Wilson* cases. The Court cited with approval the following language from *Wilson v. Simpson*:

[A]lthough there is no right to ‘rebuild’ a patented combination, the entity ‘exists’ notwithstanding the fact that destruction or impairment of one of its elements render it inoperable; and that, accordingly, replacement of that worn-out essential part is permissible restoration of the machine to the original use for which it was bought. . . . [I]t is ‘the use of the whole’ of the combination which a purchaser buys, and that repair or replacement of the worn-out, damaged or destroyed part is but an exercise of the right ‘to give duration to that which he owns, or has a right to use as a whole.’⁶⁹

According to the Court, the “distilled essence” of the *Wilson* case was stated by Judge Learned Hand in *United States v. Aluminum Co. of America*: “The (patent) monopolist cannot prevent those to whom he sells from . . . reconditioning articles worn by use, unless, they in fact make a new article.”⁷⁰ The Court then held that to replace

66. *Id.* at 10.

67. *Id.* at 11.

68. *Id.* at 13.

69. *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 342-43 (1961).

70. 148 F.2d 416, 425 (2d Cir. 1945).

the fabric top in a combination of a fabric top and a frame was a permitted repair.⁷¹

The dissenting opinion of Justice Harlan and the concurring opinion of Justice Brennan agreed that because of the derivative nature of the tort of contributory infringement, the combiner's conduct should be examined under 271(a). However, they indicated that the standards in 271(c) should be read into 271(a). They felt that repair or replacement were questions of fact, which should be decided in each individual case.⁷²

Justice Black, in a concurring opinion,⁷³ disagreed with these contentions, because he felt that an individual case analysis would lead to unpredictable results, and therefore, the small business man would have no way of determining in advance whether or not his sales of unpatented goods constituted contributory infringement.

While the Court in the *Aro* case did not adopt the analysis suggested in this note or that suggested by the Government, they did reach exactly the same result. The case holds that any replacement of a worn element of a combination is not infringement. However, the case indicates the disposition of the Court to treat the repair-replacement cases differently than the abuse of patent cases. Hence, the full effect of section 271 can not be determined until another *Mercoïd* case reaches the Supreme Court.

71. 365 U.S. at 346. With regard to the "heart" of the invention argument the Court held that there is no "legally recognizable or protected 'essential' element, 'gist' or 'heart' of the invention in a combination patent." *Ibid.* Query: What does this do to the requirement of subsection 271(c) that the article be a "material element"?

72. *Id.* at 376. If these Justices mean that subsections 271(b), (c), and (d) should be read into subsection (a), they have the most logical arguments. If, in all cases of contributory infringement, it would be necessary to judge the combiner's conduct under 271(a) without reading in these subsections, it would amount to a judicial repeal of these subsections.

73. *Id.* at 346. In his concurring opinion Justice Black touches on what seems to be the heart of the problem. Although the validity of the patent was not in issue, he questioned the novelty in combining a fabric top with a metal frame. This knowledge has been available since the days of the "surrey with the fringe on top."

It appears that Justice Black is correct. The invention if there was any patentable invention at all, would seem to be in the fabric top, which had an advantageous feature in preventing the top from leaking. Apparently, the Patent Office did not allow a claim on this. This would explain the patentee's argument that the fabric is the "heart" of the invention. Cf. the dissenting opinion of Justice Jackson in the *Mercoïd* case, 320 U.S. 661, 679 (1944).

D. CONCLUSION

It is submitted that the effect of the *Aro* case and future Supreme Court decisions will be as follows:

(1) A court will not enjoin the sale of an unpatented commodity used in practicing a patented invention, if the plaintiff (patentee) is also a seller of that unpatented commodity.

(2) As a corollary to this, a court will grant equitable relief only to the patentee who practices the invention himself or licenses others to practice the invention.

(3) A court of equity will not look into the defendant's conduct unless the patentee shows he is not a seller of the unpatented commodity, sale of which is sought to be enjoined, and he is otherwise entitled to equitable relief.

(4) Sections 271 (b), (c) and (d) will be held declarative of the prior law.⁷⁴

74. A similar analysis would be applicable to cases involving a suit for injunction for direct infringement. See *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U.S. 488 (1942). This note has dealt with the subject on the question of remedy, coming to the conclusion that the equitable remedy of injunction would be denied. This leaves open a possibility of an action at law for damages. First, it must be indicated that such a remedy is of little value, since it would not be feasible to ferret out and bring suit against all infringers. In the *Aro* case monetary damages were awarded in the lower court, and by holding the patent un infringed, the Court denied this remedy also. Justice Roberts, in the *Mercoid* case indicated that there would be no infringement in an abuse of patents situation.

It is submitted, however, that to say that the patent is un infringed under these circumstances, unnecessarily complicates the matter. To illustrate this, if a person who had no dealings with the patentee in the *Aro* case, combined a fabric top with a frame, in accordance with the patent, he would be an infringer. Yet, under the circumstances of the *Aro* case, the same conduct was held not to constitute infringement. Thus, to say that under some circumstances combining a frame with a fabric top is infringement, while under other circumstances it is not, is an absurdity.

However, if the antitrust analysis suggested in this note were to be adopted, a recovery for damages would theoretically be allowable. But, because suit by the seller of an unpatented element of a combination is inconsistent with the purpose of the antitrust laws, loss of profits on the loss of sales of that unpatented element, would not be an item recoverable in damages.