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RECENT DEVELOPMENTS IN PATENT LAW*

Arthur M. Smith †

I

HISTORICAL BACKGROUNDS

THE framers of the Federal Constitution shared with Thomas Jefferson his "wish to see new inventions encouraged, and old ones brought again into useful notice."¹ Their concern for the public welfare caused many, including Jefferson, to question the wisdom of using a limited monopoly to encourage such inventions.

After years of close association with the administration of the early patent statutes, Jefferson wrote:

"Considering the exclusive right to invention as given not of natural right, but for the benefit of society, I know well the difficulty of drawing a line between the things which are worth to the public the embarrassment of an exclusive patent, and those which are not."²

A survey of the recent developments in patent law shows that those charged with its present administration face the same difficulty. The

* This article appears as part of the series on recent developments in the various fields of the law published and to be published by the REVIEW as a service for returning veterans. See announcement, 44 MICH. L. REV. 149 (1945).

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Appearing also in this issue: Bradway, *Domestic Relations*, p. 1052; Russell A. Smith, *Labor Law*, p. 1089.

To be published: Shartel, *Constitutional Law*; James, *Corporation Law*; Ohlinger, *Federal Jurisdiction and Practice*; Winters, *State Adoption of the Federal Rules*; Thurston, *Restitution*; Kauper, *Taxation*; Leidy, *Torts*; Oppenheim, *Trade Regulations*.

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¹ Letter to Isaac McPherson, Aug. 13, 1813, as published in PADOVER, *THE COMPLETE JEFFERSON IOII* (1943).

² *Id.* 1016.

fundamental conflict between a free economy and the grant of limited monopolies to small groups in such an economy has not been resolved. Recognition of this fundamental conflict underlies most of the recent developments in patent law.

It will be recalled that, prior to the adoption of the Constitution, the experiences of the individual colonists with the "monopolies" exercised under either royal or colonial grants had not been satisfactory. These "monopolies" had been used effectively to curtail industrial development in the Colonies. Under these monopolies the mass of the colonists had been exploited economically for the benefit of the relatively few holders of the monopolies. The generally held view of the colonists was that all monopolies were "odious."

When, therefore, the decision was reached that Congress should have the power to "reward" the class of "authors and inventors" by giving them the exclusive right in their "inventions and discoveries" for a limited time, it is understandable that this "exclusive right" should have been surrounded by both legislative and judicial safeguards designed to prevent abuses of this privilege.

A patent under the first patent act³ required the filing of a petition addressed to the Secretary of State, the Attorney General and the Secretary of War. The patent itself required the signature of the President and was granted only if at least two of the three officials joined in recommending its issuance. The "standard of invention" set by Thomas Jefferson, Edmund Randolph, and Henry Knox in issuing patents under the first patent act was high indeed and relatively few patents were granted.

When subjected to judicial scrutiny, many of these first patents were found to be void for some of the same reasons we find stated in recent decisions for invalidating modern patents. In fact, one of the most significant developments in recent patent law decisions in the United States Supreme Court may be said to be its "recurrence to fundamentals" found in the earlier patent decisions of the Court.⁴

³ Act of April 10, 1790, 1 Stat. L. 109.

⁴ A review of the early patent cases in the United States Supreme Court shows a strong judicial distrust of the patent system. An analysis of patent litigation in the Supreme Court during the period from 1810 to 1854 (U.S. Vols. 1-57) shows that fourteen cases are reported in which the validity of a patent was directly in issue. In two of these cases, the Court presumed validity of the patents in the absence of a jury finding of fraud in the procurement of the patents. In nine cases, the patents were found valid and in three cases, the patents were held void. When it is recalled that many of these patents had issued only after the recommendation of men of cabinet rank, this is a relatively high mortality rate. The reasons assigned for finding invalidity, in these early cases, leads one to observe that the so-called "anti-patent" phi-

The experiences of the individual citizens under the early patent laws were found to be generally satisfactory. By 1890, new factories had developed, which under the protection of a "patent," produced the many things required for the creature comfort of the people and for providing the machines required to pace the rapid expansion and growth of the nation. This change in the public attitude resulted in changes which in general liberalized the patent laws and caused the issuance of patents in large numbers.⁵

By 1890, the public attitude toward patentees had changed and the patentee is not viewed with distrust as the creator of a potential public menace. Instead he is considered to be a public benefactor, the encouragement of whose efforts becomes a "duty" of the State.⁶

As the public attitude toward patent monopolies changed⁷ we find that legislative changes liberalized the patent laws until the granting of patents became an accepted and routine function of a governmental bureau. Currently the mechanical patents issued under the present patent system are nearing the two and one half million mark while nearly one hundred fifty thousand design patents have been issued.

losophy of the present Supreme Court may be but a reflection of the historical attitude of that Court toward the patents which have come before it.

⁵ Former Patent Commissioner Conway P. Coe, in a statement presented to the Temporary National Economic Committee on January 16, 1939, has pointed out that in 1840, approximately .25 patents issued per 10,000 residents and that this ratio increased progressively until by 1890 it stood at approximately 3.25 patents per 10,000 residents. The high point of approximately 3.75 patents per 10,000 residents was reached in 1910 and again in 1930.

⁶ "The duty which the state owes to the people to obtain for them, at the earliest moment, the practical use of every valuable invention in the industrial arts is, however, a higher and more imperative duty than any which it owes to the inventor. Upon the amelioration of their physical condition depends, to a great extent, the mental and moral progress of its citizens, and the influence of inventions in effecting this amelioration cannot well be overestimated. Such a delay in bringing a single invention into use as might result from an attempt by the inventor to conceal it may deprive an entire generation of advantages which would redound to its incalculable benefit. To secure the publication of the invention as soon as it is brought to such perfection as to be capable of practical employment, and to remove, as early as the accomplishment of this first object will permit, all restrictions to its free use by the people is therefore, the main purpose of every concession made to the inventor by the state." 1 ROBINSON ON PATENTS 57 (1890).

⁷ A patent, says Robinson, has a threefold nature; "As a reward bestowed on the inventor for his past inventions, it is an act of justice. As an inducement to future efforts, it is an act of sound public policy. As a grant of temporary protection in the exclusive use of a particular invention, on condition of its immediate publication and eventual surrender to the people, it is an act of compromise between the inventor and the public, wherein each concedes something to the other in return for that which is conceded to itself." *Id.* 58.

II

RECENT CRITICISMS OF THE PATENT SYSTEM

It was inevitable that there would be a conflict between such a large number of private "monopolies" and an economy geared to freedom of production. The restraint on free production exercised by the holders of the large number of unexpired patents came under particular scrutiny when production generally was curtailed following the economic crisis of 1929. Such factors have caused the public to become critical of the patent laws, and have led to insistent demands for reform of the patent system. These demands found support in the disclosures of certain restrictive trade agreements which, ostensibly as a part of patent licensing agreements, had the effect of curtailing production in items essential to war production. The demands for reform of the patent laws have been accelerated by the exposé of such agreements and the publication of numerous articles⁸ in which it was assumed that all patents were "odious" monopolies and that all trade agreements in which restrictive patent licenses were a part had been entered into with some ulterior motive ascribed to "Big Business," "International Cartels" or similar instrumentalities.

As public opinion was aroused by the abuses sometimes attributed to the patent laws, the case for and against the patent system was ably stated by numerous authors.⁹

Studies of the patent laws and the entire patent system have been undertaken both by governmental groups and by groups representing private organizations. Of the reports made by such groups, probably none has been as significant in its effect on the trend of judicial decisions in patent cases as has been Monograph No. 31, *Patents and Free Enterprise* prepared for the use of the Temporary National Economic

⁸ Thurman W. Arnold has been particularly critical of the patent laws in his books *THE FOLKLORE OF CAPITALISM* and *THE BOTTLENECKS OF BUSINESS*—and in his articles, "Abuse of Patents," 170 *THE ATLANTIC MONTHLY* 14 (July, 1942); "We Depend on Invention," *id.* 21; "We Must Reform the Patent Law," *id.* 47 (Sept., 1942). Lawrence Langner's capably presented views contra to those expressed by Thurman Arnold, also appear in the same issues. REIMANN, *PATENTS FOR HITLER* (1942) also found a wide reader interest.

⁹ A partial list of significant recent articles in lay magazines includes the following:

"Patents—Monopoly's Darlings," *KEN MAGAZINE* 75 (February 9, 1939).
 Stockbridge, "That Idea's Worth Millions," 211 *THE SATURDAY EVENING POST* 10 (April 8, 1939).
 Frank, "What's Wrong with Our Patent System," 215 *THE SATURDAY EVENING POST* 20 (November 28, 1942).
 Fleming, "Holding Hands with Hitler," 30 *NATION'S BUSINESS* 17 (June, 1942).
 Mayne, "Patents Today," *CHEMICAL ENGINEERING NEWS* (March 10, 1943).
 Hackley, "Invention is Vital," 170 *ATLANTIC MONTHLY* 49 (October, 1942).

Committee in its investigation of the concentration of economic power. This monograph, written by Professor Walton Hamilton, of Yale Law School, was published in 1941. Since its publication, this monograph has been referred to by the United States Supreme Court in several opinions.¹⁰

After reviewing the numerous questions inherent in ascertaining the effect of our patent system on our economy of free enterprise, this monograph outlines¹¹ what must now be recognized as the current trend in the judicial philosophy of patents. Under this philosophy, the ideal patent system must:

1. Create incentive to the promotion of the industrial arts with the least hazard to the system of free enterprise.
2. Accord recognition to private rights in technical discovery, yet forbid personal trespass upon the useful knowledge which is common property.
3. Make sure that the urge to patent is strong enough to serve its creative purpose, but is not allowed to overreach itself, and that innovations, after their apprenticeship under private auspices, shall promptly become a part of the public domain.
4. Prevent an entire monopoly of an industrial art and assure that private claims do not obstruct the "stream of technical progress."

III

GENERAL TRENDS

The trend of recent judicial decisions indicates a continuing examination by the courts into the fundamental concepts of our patent system and a conscious striving to enforce the foregoing precepts of the ideal patent system.

The economic-judicial-patent philosophy expressed in the opinions, both of the majority and of the dissenting minority, of the Justices of the United States Supreme Court is the best available guide for both the trial and appellate courts dealing with patent cases. The current philosophies of all the courts dealing with patent cases cannot be treated adequately in the present article. Hence, in order to arrive at some conclusions as to the current trends in patent law, a review of the more significant recent decisions of the United States Supreme Court has been made. This review indicates the following significant trends in the current development of the patent law.

¹⁰ *Cuno Engineering Corp. v. Automatic Devices Corp.*, 314 U.S. 84, 62 S. Ct. 37 (1941); *Williams Mfg. Co. v. United Shoe Machinery Corp.*, 316 U.S. 364 at 381 (dissenting opinion), 62 S. Ct. 1179 (1942); *Special Equipment v. Coe*, 324 U.S. 370, 65 S. Ct. 741 (1945).

¹¹ HAMILTON, PATENTS AND FREE ENTERPRISE, Monograph 31, Temporary Natl. Economic Comm., p. 169 (1941).

1. A large percentage of patents have been held invalid when litigated.¹² This indicates either that the administrative action of the patent office in granting such a large proportion of invalid patents needs correcting or that the current attitude of the Court is not sympathetic to monopolistic governmental grants as rewards to patentees.

2. The public interest in the patent law has been placed in a position to be at all times paramount to the interests of the private litigants.

3. The patent law is recognized as but a part of the broader field of the general law under which a patent owner is required to respect the fundamental maxims of equity.

As a result of these trends, a large percentage of the litigated patents have been held to be either invalid or non-enforceable either for lack of infringement or for lack of equity in the patent owner.

The popular appraisal of this trend of the decisions in the United States Supreme Court is that the current philosophy of the Court is "anti-patent." From a study of the recent patent cases in this Court, it is believed that a more satisfactory legal explanation for the high percentage of patents held invalid is to be found in the uncertain character of the "invention" in issue. Also, the constantly increasing numbers of expired patents which have become available to industry furnish a constantly broadening base for the successful defense against later issued "improvement" patents. The decisions highlight the need for bringing the "standard of invention" applied by the patent office into line with the "standard of invention" applied by the courts.

One result of the popular appraisal of the critical attitude of the Courts toward patents has been a sharp decline during the period from 1930 to 1943, both in the number of patent applications filed and in the number of patents issued.¹³

The decline since 1930 in both applications filed and in patents

¹² A tabulation of the patent decisions in the United States Supreme Court for the period from 1930 to 1944 inclusive reveals these significant figures:

Total number of patents in suits decided	52
Total number of patents found valid and infringed	3
Total number of patents found not infringed	5
Total number of patents found invalid	37
Total number of patents in which relief was denied on equitable grounds	7

¹³ A tabulation made from the Annual Reports of the Commissioner of Patents give the following figures (corrected by the author to the nearest even 1000):

	1930	1943
Patent Applications filed	92,000	45,000
Patents issued	49,000	32,000
Ratio of Patents per 10,000 population	3.75	2.2

It is significant also that comparable declines are noted in the number of applications filed and patents issued in most foreign countries.

issued cannot be attributed satisfactorily to a lack of scientific and technical advances during the period. The current popular distrust of the patent system, engendered by the trend of the decisions in the courts is believed to be a more plausible explanation for it.¹⁴

IV

CURRENT ACTIVITIES FOR THE STUDY AND POSSIBLE REFORM OF THE PATENT LAWS

Regardless of the underlying causes, the fact of such a decline both in the number of applications filed and in the number of patents issued indicates a mal-functioning of the patent system.¹⁵

To all serious students of the patent system these facts present a challenge to consider whether or not there should be change or reform in the fundamental concept of the patent law that a governmentally granted monopoly is an incentive to "invention" which will "promote the progress of science and the useful arts." At the same time, the question is posed as to whether or not the term "invention" should be interpreted with sufficient liberality to protect a commercial "exploiter"

¹⁴ During 1945, approximately 84,000 patent applications were filed. It may be, therefore, that this conclusion should be challenged.

It is significant, however, that but approximately 29,000 patents actually issued. This is a decided drop from 1940 when approximately 49,000 patents were issued.

This increase in new applications filed can, in large part, be attributed to the release in 1945 of many inventors from war work, and to the general reconversion activity in industry. Another factor has been the improved financial status of the independent inventor whose wartime earnings have permitted him to conduct experimental work and finance patent developments on inventions whose conception frequently antedates the war period.

The current restrictions on other forms of speculative investments also have influenced this increase in patent applications. Financing a patent application involves a relatively small capital outlay in proportion to the earning potential of a commercially successful invention. It is one of the few ways now open to the "easy money" which interests so many speculators.

The high tax rates on Industry during 1945 justified the filing of many "defensive" patent applications. Where the cost of such applications has been allowed as a tax deductible business expense item, the net cost to industry has been very low.

At present, therefore, one should study and coordinate the future trends in the filing of applications and the issuance of patents with the trend in the court decisions before formulating any final conclusions.

¹⁵ Honorable Casper W. Ooms, the present Commissioner of Patents (appointed July 19, 1945) summarized his views regarding "A Progressive Patent Policy" in an address read before the annual meeting of the American Patent Law Association at Washington, D.C., October 9, 1945, from which the following significant excerpts are quoted:

"Any consideration of the Patent System must include some study of what occurs to patents after they are issued by the Patent Office. Unfortunately, there are no comprehensive acceptable data upon this phase of our patent system.

as distinguished from an "inventor."¹⁶ Study and consideration is being given currently to the question as to whether or not Congress should provide a definite test for "invention" instead of leaving the

"We have on the one hand the court decisions in patent litigation, which necessarily deal with only a few of the hundreds of thousands of patents in effect at a given time. On the other hand, we have selective studies by individual authors and by Congressional committees, which deal generally with specific problems raised by unique uses and abuses of patents. We have no real study of the normal patent—if there be such—in its wholesome use in an industry which really expresses the free enterprise system at work.

"Looking to such data as we have, we know that the future of the average patent as it leaves the Patent Office is not a promising one. We know that most of the patents that are thrown into litigation are invalidated. Any count of how many are sustained and how many are rejected is but a poor index to the real life expectancy of any particular patent that may be issued. . . .

"Poor as these statistics are, they are all we have. Merely as an indication of what these statistics show, I have examined the advance sheets of the United States Patents Quarterly for the month of September 1945, and I find that in that series of reports there are reported six patent cases, involving a total of ten patents, of which seven were invalidated and three sustained. Looking more closely into these cases, I find that all of the seven patents were held invalid as lacking invention, one of them over the patented prior art, all of which was cited in the Patent Office, and the other six merely for want of invention.

"Yet each of these patents left the Patent Office with a presumption of validity. Each of them licensed its owner to invoke the expensive processes of the District Court, at a cost of thousands of dollars to the taxpayer, to determine a question upon which not one of the District Judges involved had any doubt. Any progressive patent policy must find some way of reconciling the standards of judgment exercised in the litigation of patent cases with the standards of judgment exercised in granting the patents. . . .

"You must, if you study the records in the cases upon which the most troublesome decisions have been founded, come to the same conclusion that I have reached, that is, that if these records were brought separately to each of us in his own office, as many as half of us would agree with the judgment reached by the court in each of those cases. The difficulty then, is not that there is anything fundamentally wrong with the judicial process by which these principles are enunciated, but that the principles are announced in cases that do not fairly represent the true content of our living patents, and we have not given the courts any real help in establishing standards by which the question of invention may be tested."

¹⁶ The importance of commercial exploitation of inventions was emphasized by Dr. George W. Crane in his column "The Problem Clinic" in the *DETROIT FREE PRESS* 1:5, p. 9 (February 12, 1946). He pointed out that Edison, after four years of experimentation had perfected his motion picture machine and then stopped. The machine then stood idle in his laboratory for three years before an enterprising businessman and promoter took it over and launched the motion picture industry. Dr. Crane terms the salesman and advertiser the "sparkplugs of civilization" and says:

"American progress has been largely a correlate of our salesmanship and advertising. . . .

"Backward nations are low in sales and advertising techniques. They have their medical scientists, astronomers, physicists and technical inventors. But they don't

matter to be determined by the indefinite tests which have been applied by the courts in the recent decisions.

Widespread legislative reforms of the patent system probably will await the findings of the Patent Survey Committee.¹⁷ This committee has prepared a comprehensive working agenda which indicates that the entire patent system is to be studied.¹⁸ This committee has the oppor-

have an adequate supply of salesmen and advertisers. So their scientific products lie relatively fallow. The public doesn't develop a demand for them."

¹⁷ This committee appointed by the Honorable Henry A. Wallace, Secretary of Commerce, comprises Attorney General Clark, William H. Davis, Dr. Vannevar Bush, and Charles F. Kettering. Mr. W. Houston Kenyon, Jr., is counsel for the committee. The committee was appointed at the request of President Truman, "to make a full and objective study of the operation and effectiveness of the patent laws and their relation to the purposes of the anti-trust laws and to the post-war economy, together with specific proposals for such legislation as may seem to be appropriate."

¹⁸ Included in the agenda for the working staff of this committee we find the following questions to be considered:

"Sec. I—Problems relating to patents for spurious or doubtful inventions.

"PP 101. Should Congress enact legislation defining the act of invention or enumerating specific factors to be taken into consideration in applying the standard?

"PP 102. What, if any, steps should be taken to make the patent system better adapted to serve its constitutional purpose in respect of the output of organized research teams, to the end that (1) the making of true inventions by such teams will be encouraged, (2) there will be diminished pressure for the issue of patents covering merely the results of systematic application by such teams of engineering knowledge or practical skill to special problems and (3) public disclosure of the latter will be encouraged otherwise than by the grant of patents for the usual term or possessed of all the usual exclusive rights?

"PP 103. What steps should be taken to reduce the tendency of the Patent Office to issue patents for non-patentable subject-matter?

"PP 104. What steps should be taken to rid the register of patents already issued which cover non-patentable subject-matter?

"PP 105. Should changes be made in the facilities available for amending an issued patent?

"Sec. II—Problems relating to the more efficient working of the patent system within its proper sphere.

"PP 201. What steps should be taken to simplify the preparation of a patent application?

"PP 202. What steps should be taken to simplify and speed the issue of patents?

"PP 203. What steps should be taken to make the enforcement of a patent simpler and more effective?

"PP 204. What steps, if any, should be taken to restore the enforceability of a patent whose owner is employing his patent, to control or promote the sale of an unpatented article or material used in the practice of the invention?

"PP 205. What has been the effect of the patent system in promoting the progress of science and useful arts and what steps can be taken to increase its effectiveness?

"Sec. III—Problems relating to abuse of patents.

"PP 301. What are the principal classes or types of patent abuse?

tunity to suggest measures to correct many of the existing evils in the patent system and can go far in suggesting measures to prevent many of the abuses which have been the basis for the actual and implied condemnations of the patent system in recent decisions.

There are relatively few legislative proposals currently pending for basic reform of the patent laws. Such proposals can be expected after the report of the Patent Survey Committee. It is anticipated

"PP 302. What remedies should be created with regard to each defined class of patent abuse?

"PP 303. What new remedies should be created where there is fraud in the obtaining, use or enforcement of a patent?

"PP 304. What steps should be taken to free research and commerce from the restraining influence of (1) ownership of large numbers of related patents by a concern which is dominant in the line of commerce to which the patents relate, and (2) possession by a common licensing agency of the right to grant licenses under a large number of related patents owned by many different concerns?

"PP 305. What steps should be taken to prevent the partial or total suppression of patented inventions, other than such remedies as may be proposed in connection with par. 304 above?

"PP 306. Should patents covering inventions in the fields of public health and safety be made subject to compulsory licensing by reason solely of that fact?

"PP 307. Are there any occasions for, or purposes to be served by, compulsory licensing otherwise than as set forth in the recommendations submitted in connection with paragraphs 302 to 306 above?

"PP 308. By what machinery and criteria should compulsory licensing be administered in cases where it is recommended?

"PP 309. What steps should be taken to remove the barriers which prevent judicial inquiry into the validity of patents collaterally relied on to support agreements or conduct?

"PP 310. Should the Government or the Patent Office be permitted to exercise further supervision over the settlement of interferences?

"PP 311. Should legislation requiring the public filing of licenses and other agreements relating to patents specify that they should be filed with the Attorney General or in the Patent Office?

"PP 312. Should penalties be provided for mis-using the notice "Patent applied for" in such a manner as to mislead the public?

"Sec. IV—Re-examination of the scope of the present patent system and the rights granted under it, in the light of the constitutional objective.

"PP 401. Should limitations in the national interest be imposed on patents granted to nationals of foreign countries?

"PP 402. Should subject-matter now within the scope of patent protection be removed therefrom?

"PP 403. Should subject-matter not now within the scope of patent protection be included therein?

"PP 404. Should there be legislation permitting the taking of patents by eminent domain?

"PP 405. What rewards for inventions might be offered other than the present 17-year grant of exclusive rights?

"PP 406. Do the provisions of Sec. 4901 of the Revised Statutes, which provide for action by an informer, serve a useful purpose under present conditions?"

that legislation will be proposed to curb restrictive pooling of patents or withholding of patents. Proposals for governmental assistance in developing and exploiting inventions and scientific discoveries and for establishing a National Research Foundation have been embodied in various legislative proposals upon which extensive public hearings have been held but no action has been taken on them. Proposals for a patent court composed of judges skilled in patent matters probably should be anticipated.

Among the most controversial of the reforms proposed at various times are the proposals seeking the "compulsory licensing" of patents.¹⁹ This subject has been incorporated in several bills introduced in Congress. It has been the subject of much discussion in the committee hearings. Proponents of such bills point out that many of the abuses of the patent system could in a large measure be avoided if a compulsory licensing system were adopted which presumably would make all patents available to industry on the same terms.²⁰ Opponents

¹⁹ The "compulsory" licensing of patents usually is advanced as a remedy for some of the legendary instances of non-user of valuable patents. Most lawyers have heard the oft-repeated stories of the carburetor which permits a car to be operated for one hundred (100) or more miles per gallon of gasoline; of energy sources which render obsolete all present power systems; of everlasting safety razor blades; of radio sets which require no radio tubes; of the automobile which operates for its lifetime on the small black box which replaces the motor and requires no fuel; of the magic chemical tablets which convert tap water into motor car fuel; of "perpetual" or "cosmic" motion machines—all of which the "vested interests" keep from public view, presumably because of the capital investments which would be jeopardized if these "revolutionary" inventions were to be introduced commercially.

These and similar rumors have been and are so persistent that credence frequently is given to them without factual investigation. The Oldfield investigation in 1914 and the T.N.E.C. hearings of 1938 did not develop any factual basis for these charges.

The WASHINGTON DAILY NEWS for Oct. 3, 1941, gives the experiences of a reporter assigned to run down a suppressed patent which would radically increase the gasoline mileage. His experience is the same as that of many patent attorneys and others who have sought unsuccessfully to find the factual basis for these or others of the legendary host of "suppressed" inventions.

²⁰ A limited licensing plan under which the government could grant licenses under suppressed or unused patents would be effective insurance against abuses. Such a plan could be comparable to the Canadian system of modified compulsory licensing which was established in 1923. Since that time there have been but two such licenses granted in Canada. England has had a compulsory licensing statute since 1883 and but five licenses have been ordered under it since that time. The German licensing statute was placed in operation in 1877. Thirty-one licenses were granted under it during the period from 1911 to 1934.

Apparently, there is no general demand for compulsory licenses in these countries where such statutes are in effect. It is unlikely that the demand for such licenses in the United States would follow any substantially different course.

of this legislation have pointed out with force that the general compulsory licensing of all patents would negative the incentive required to sponsor new inventions and discoveries. Who would finance the research and development programs and who would take the financial risks involved in the commercial introduction of new patented products if everyone else could have a license under any patent on the new products?

The experience of the Alien Property Custodian in attempting to grant licenses on a uniform nominal royalty basis under all of the seized alien enemy patents and patent applications, to anyone desiring such licenses, indicates that industry generally is not interested in securing a license under patents which are to be free to all competitors upon the same terms. Despite excellent promotional work on the part of the Alien Property Custodian very few licenses have been granted under these patents and applications.

The proposals for the general "compulsory licensing" of all patents ignore for the most part the history of our industrial development under the existing patent system which seems to have proved that a prospective pecuniary reward is an effective inducement to the inventors of the entire world to disclose their inventions through our patent system. The patents which have been issued have encouraged the investment of the speculative capital required to develop and commercialize these inventions. Our national economy, in large part based on our patent system, has produced the greatest number of practical inventions pertaining to science and the useful arts ever known in the history of mankind. It is significant that those nations with systems which do not adequately protect their inventors have been among the more backward commercial nations. Undoubtedly changing economic conditions and the present state of our industrial development requires that a re-examination be made into the fundamental concepts of our patent system. Drastic reforms which aim to change the fundamental aspects of the patent laws, should, however, be undertaken with caution. Any patent system should have for its end, aim and objective the encouragement of new inventions, for as Sir Francis Bacon commented many years ago,

"The introduction of new inventions seemeth to be the very chief of all human actions. The benefit of new inventions may extend to all mankind unreservedly, but the good of political achievements can respect but some particular cantons of men; these latter do not endure above a few ages, the former forever.

Inventions make all men happy without either injury or damage to any one single person."²¹

V

RECENT SIGNIFICANT DECISIONS OF THE UNITED STATES SUPREME COURT INVOLVING THE PATENT LAWS

Among the recent decisions of the United States Supreme Court are some of particular significance as affecting basic concepts of the patent law. In certain respects these decisions may be considered as a judicial partial "re-statement" of the law of patents.

A tendency toward greater liberality in granting writs of certiorari in patent cases has been noted.

In *Muncie Gear Works, Incorporated v. Outboard, Marine and Manufacturing Company*²² a petition for a writ of certiorari to review a decree in a patent infringement suit was granted, notwithstanding the absence of a conflict of decisions between circuit courts of appeal as to the scope or the validity of the patent. The location of the industry in a single circuit which made the possibility of litigation in other circuits unlikely, together with the nature of the questions presented, was given as justification for granting the petition.

Certiorari was also granted in *United Carbon Company v. Binney and Smith Company*²³ to review the decision of the Fourth Circuit Court of Appeals holding the patent in suit to be valid and infringed. The petition for certiorari points out the public importance of having the patent measured by the standards set by the Supreme Court and the petition was granted even though there was no conflict between courts in different circuits.

These cases show a trend toward greater liberality in granting petitions for certiorari in patent cases and it may be that this is the way which the Supreme Court will take to provide the "all encompassing oversight" by which "a miscellany of holdings" can be "pounded into a code of patent law," the need for which is stated by Hamilton.²⁴

The requirement that an invention to be patentable must have resulted from a "Flash of Genius" has precipitated much learned comment and discussion. This requirement was given strong judicial

²¹ 1 STUART ON STEAM 216 (1829).

²² 315 U.S. 759, 62 S. Ct. 865 (1942).

²³ 317 U.S. 228, 63 S. Ct. 165 (1942).

²⁴ HAMILTON, PATENTS AND FREE ENTERPRISE, Monograph 31, Temporary Natl. Economic Comm., p. 134 (1941).

sanction, in *Cuno Engineering Corporation v. Automatic Devices Corporation*²⁵ and in its companion case, *Automatic Devices Corporation v. Simko Tool and Manufacturing Company*.²⁶ In these cases, the Court held the Mead Patent No. 1,736,544 invalid for "want of invention." In the decision, the history of the prior art is reviewed and the Court concludes that to incorporate the old thermostatic controls in the known so-called "wireless" or "cordless" cigar lighter did not comprise an "invention" or "discovery" within the meaning of the patent law. The Court in its opinion concedes that the functions performed by Mead's combination of these elements were both new and useful but held that these considerations do not necessarily make the device patentable. The Court then says:

"That is to say the new device, however useful it may be, must reveal the flash of creative genius not merely the skill of the calling. If it fails, it has not established its right to a private grant on the public domain."²⁷

The Court then points out that:

"Strict application of that test is necessary lest in the constant demand for new appliances the heavy hand of tribute be laid on each slight technological advance in an art. The consequences of the alternative course were forcefully pointed out by Mr. Justice Bradley in *Atlantic Works v. Brady*, 107 U.S. 192, 200, 27 L. Ed. 438, 441, 2 S. Ct. 225: 'Such an indiscriminate creation of exclusive privileges tends rather to obstruct than to stimulate invention. It creates a class of speculative schemers who make it their business to watch the advancing wave of improvement, and gather its foam in the form of patented monopolies, which enable them to lay a heavy tax upon the industry of the country, without contributing anything to the real advancement of the arts. It embarrasses the honest pursuit of business with fears and apprehensions of concealed liens and unknown liabilities to lawsuits and vexatious accountings for profits made in good faith.'²⁸

The doctrine announced in the *Cuno* case has been the subject of much critical analytical comment, some of which has been published.²⁹

²⁵ 314 U.S. 84, 62 S. Ct. 37 (1941).

²⁶ 314 U.S. 94, 62 S. Ct. 42 (1941).

²⁷ *Id.* at 91.

²⁸ *Id.* at 92.

²⁹ The following partial list of the published comments on the *Cuno* case reflect to some extent the concern of the Patent Bar and other students of the patent system lest a literal application of the announced rule provides the basis for a large scale judicial attack on the patent system.

Galston, "The Imperilled Position of Our Patent System," 27 J. PAT. OFF. SOC.

The "Flash of Genius" doctrine is the subject of active debate in patent law circles.

It may be that the "Flash of Genius" doctrine has been taken somewhat more literally than was intended by the Court. The test of invention suggested and applied by the Court in the later case of *Sinclair & Carroll Company v. Inter-chemical Corporation*⁸⁰ places the emphasis on the innovation rather than the "quality of the inventor's mind." The test for "invention" as here applied by the Court is silent as to the "Flash of Creative Genius" doctrine or test. The patent in suit was held to be invalid for want of "invention," as the Court found that it did not meet the test for "invention" which the Court here applies and described as follows:

"Under this test, some substantial innovation is necessary, an innovation for which society is truly indebted to the efforts of the patentee. Whether or not those efforts are of a special kind does not concern us. The primary purpose of our patent system is not reward of the individual but the advancement of the arts and sciences. Its inducement is directed to disclosure of advances in knowledge which will be beneficial to society; it is not a certificate of merit, but an incentive to disclosure. [Citing authority] Consequently it is not concerned with the quality of the inventor's mind, but with the quality of his product."⁸¹

These cases but highlight the need for some workable standard of invention which can be applied by the patent office as well as by the courts. There is some considerable agitation for a legislative definition of invention. In *Van Heusen Products, Incorporated v. Earl and Wilson*,⁸² the court outlined the arguments against objective tests for invention when it stated:

"The prospect of getting objective test for invention is tempting, but it is a mirage. How is it possible to say *a priori* what combination of elements needs an original twist of the mind, and what is within the compass of the ordinary clod? Is it not clear that the quality of a man's inventiveness must be tested by reconstituting

513 (1945); "Standard of Invention," 26 *id.* 439 (1944); Woodling, "What's a Good Yardstick for Patentability?" 26 *id.* 320 (1944); 25 *id.* 771 (1943); Boyajian, "The Flash of Creative Genius an Alternative Interpretation," *id.* 776 (1943); Barnett, "The 'Flash of Genius' Fallacy," *id.* 785 (1943); Allyn, "Patentable Yardsticks," *id.* 791 (1943); Dienner, "The Flash of Genius Concept," *J. of Commerce and Commercial* § 2, 39 (March 11, 1943); 11 *Geo. Wash. L. Rev.* 535 (1943).

⁸⁰ 325 U.S. 327, 65 S. Ct. 1143 (1945).

⁸¹ *Id.* at 330-331.

⁸² (D.C. N.Y. 1924) 300 F. 922.

the situation as it was in the light of the preceding history of the art? There is no *vade mecum* for such inquiries. Our unknown ancestor who first substituted iron for bronze in the head of an axe, was the bright exemplar of all inventors, to come yet it was not an invention, if one is bound by this objective test. In this subject the standard escapes any abstract definition, because the end in view needs nicer adaptations, as in the cases of due care or notice. The defect of such a standard is indeed its uncertainty, but certainty is only one of the ends of law."⁸³

The whole problem of what shall constitute "invention" can be considered as but a reflection of the long existing confusion as to how the public purpose underlying the patent laws is to be best served. There is no doubt that some "progress of science and the useful arts" will continue and that "Flashes of Genius" will occur without the incentive offered by the present patent laws.⁸⁴ It is impossible to predict the extent to which such "progress" may be retarded by the present judicial attitude toward the patent laws, or by legislative changes in the fundamental concepts of the patent laws.

Instead of arguing for or against an objective "standard" or "definition" of invention, it would seem that the decisions of the courts making "invention" the prime requirement for "patentability" presents to Congress the need for a declaration of policy as to how patentability shall be determined. Any basic reform of the patent laws should begin with a clarified understanding and a legislative statement of the basic purpose of the patent laws.⁸⁵

⁸³ *Id.* at 929.

⁸⁴ In Hart, et al., "Preliminary Conclusions from a Study of Inventors," 21 PUBLICATIONS OF THE AMERICAN SOCIOLOGICAL SOCIETY 191 (1927), the author reports some significant facts drawn from his study of the lives of 171 inventors mentioned in KAEMFFERT, A POPULAR HISTORY OF AMERICAN INVENTION (1924). Professor Hart presents strong support for his conclusion that the tacit assumption of financial return as being one of the great incentives of inventors is false. His figures show that this assumption of financial return appeared as an actual stimulation for invention but five times in the entire group of 171 inventors. In ROSSMAN, THE PSYCHOLOGY OF THE INVENTOR (1924) similar conclusions are reported.

⁸⁵ Mr. Justice Frankfurter, dissenting in part in *Marconi Wireless Telegraph Company of America v. United States*, 320 U.S. 1 at 63-64, 63 S. Ct. 1393 (1943) stated:

"I have little doubt, in so far as I am entitled to express an opinion, that the vast transforming forces of technology have rendered obsolete much in our patent law. For all I know the basic assumption of our patent law may be false, and inventors and their financial backers do not need the incentive of a limited monopoly to stimulate invention. But whatever revamping our patent laws may need, it is the business of Congress to do the revamping. We have neither constitutional authority nor scientific competence for the task." *Id.* at 64.

If the assumption of financial return is not an actual stimulus to the individual inventor, the patent laws and the reforms suggested should be viewed, not in the light of the effect on the individual inventor, but instead should be viewed from the standpoint of the stimulus which the patent system should give to secure exploitation of inventions and the financing of the inventor in his creative work.

It is time that some definite recognition be given in our patent laws to the important public service rendered by those who finance, and exploit "inventions." It is the work of this group which brings down to earth and harnesses for the public good the power inherent in the "Flashes of Genius" of an inventor.

Regardless of the effect of patents as a stimulus to the activity of the individual inventor, there can be no question but that the protection previously afforded by the patent laws to those who would commercialize inventions has been a most important factor in securing the capital to finance the experimentation and research required to make inventions, and to commercialize and make available to the general public the products of invention.

The activity of the courts in so generally invalidating patents "for want of invention" has seriously affected the whole basis for capital investment in the exploitation of inventions. A legislative statement of policy as to what shall be "patentable" could go far to remedy this situation.³⁶ Those who are willing to venture highly speculative capital upon an invention should be encouraged and rewarded with something more than the very uncertain protection presently afforded by our patent laws.

In *Bryant Electric Company v. Reno Sales Company*³⁷ the court said:

³⁶ The addition to the patent statutes of a provision to curtail the activities of the courts in invalidating patents and to curtail the Patent Office in rejecting applications for "want of invention" would remove some of the present uncertainty which surrounds both the securing and the enforcing of a patent. It could put the emphasis on factors of patentability now considered lightly if at all by both the courts and the Patent Office in their most recent decisions. A proposal for a statutory provision which has been suggested to the Patent Survey Committee provides that:

"No issued patent shall be invalidated, and no application for a patent shall be refused, for want of invention in any case in which the patentee or applicant shall show that the invention or discovery disclosed in said patent or said applicant therefore has promoted the progress of science and the useful arts by:

1. Solving, at the time of making said invention or discovery, a problem then existing in the science or useful art to which it appertains, or
2. Providing an article of commerce which creates a new market, supplies an existing need, or fills a long felt public want."

³⁷ (D.C. N.Y. 1926) 16 F. (2d) 789.

"Theoretically there is nothing new; what is 'discovered' existed before discovery. The incentive is really given to 'discover' that which already exists, provided the discovery adds something, however slight, to the sum total of commercial life in a useful and practical manner."⁸⁸

A study of the current decisions passing on what constitutes "invention" reminds one of the hallowed rules of equity which varied with the "chancellor's foot." If the current decisions set a "standard of invention" it is such a relative "standard" that discussion of "raising" or of "lowering" it but adds to the confusion. The court decisions do not provide Congress with a "standard" that can either be "raised" or "lowered" by legislative enactment. The crux of the whole situation lies first in ascertaining the public ends which are to be served by the patent laws, and then to fix those standards of patentability which will be definite and certain to achieve the desired ends. "Invention" is one factor to consider in determining what is patentable—it should not, as at present, be the sole factor.

If the entire question is resolved in the light of the broad constitutional language so that any suggested legislation has for its purpose the promotion of "progress" in "science and the useful arts," no constitutional questions would seem to be involved in fixing by legislation a "standard" of patentability. The Constitution gives to Congress broad powers "to promote the progress of science and the useful arts" but leaves to Congress the problem of the administration of the patent laws and the regulation of the patent privilege. The Constitution is silent as to what shall be the "standards of invention" or of "patentability." This entire question of "invention" has arisen primarily as one of "judicial legislation."

There is a growing recognition in the Supreme Court that it is the duty of the courts to examine into the validity and the probable effect on the public of patents involved in litigation before them even though the issues as framed by the private litigants may not require the court to consider the validity of such patents.

In *Exhibit Supply Company v. Ace Patents Corporation*⁸⁹ the Nelson Patent No. 2,109,678 was strictly construed and in the majority opinion was held not to be infringed. The differences between the claim as originally presented and the claim as amended and allowed were considered and the disclaimer by amendment was construed strictly against the patentee. The philosophy expressed in the dissent-

⁸⁸ Id. at 793.

⁸⁹ 315 U.S. 126, 62 S. Ct. 513 (1942).

ing opinion of Justice Black, with whom Justice Douglas concurred, has particular significance in view of its forceful emphasis on the protection of the public interest in private patent litigation. Here we find the view expressed that:

“There can be no infringement of a void patent, and a patent which shows neither invention nor discovery is void. The mere application of an old mechanical instrument to a new use is not an invention and therefore not patentable.”⁴⁰

Also in the dissenting opinion we find the statement that:

“Patentees have rights given them by law. ‘But the public has rights also. The rights of both should be upheld and enforced by an equally firm hand, whenever they come under judicial consideration.’ By failing to assign error on the issue of patentability, parties to an infringement suit should not be permitted to foreclose a court from protecting the public interest.”⁴¹

In *Williams Manufacturing Company v. United Shoe Machinery Corporation*⁴² the majority opinion refused to disturb the concurrent findings of the district court and the circuit court of appeals as to the validity and infringement of the patent. Having granted certiorari on limited grounds, the Court, in the majority opinion, considered only these grounds and refused to redetermine the broader questions of novelty and usefulness of the improvements described in the combination claims which had been held valid and infringed by the lower courts. The dissenting opinion of Justice Black (with whom Justice Douglas and Justice Murphy concurred) repeats the earlier stated view of the dissenting opinion in *Exhibit Supply Company v. Ace Patents Corporation*⁴³ that it is the duty of the court to inquire into the validity of the patents in suit. The effect on the public of the use to which such patents are put by the patent owner is the subject of concern expressed in the dissenting opinion. In concluding the dissenting opinion, Mr. Justice Black states:

As I view this patent its total impact is appalling. Out of its great bulk, the respondent is able to assert only three simple improvements embraced in five claims. And on examination, it appears that these improvements fall far below the established requirements of patentable invention. Yet by its terms the patent as a whole purports to appropriate for exclusive use, not merely these

⁴⁰ Id. at 137-138.

⁴¹ Id. at 138.

⁴² 316 U.S. 364, 62 S. Ct. 1179 (1942).

⁴³ *Supra*, 36.

improvements, but a major instrument of production in its entirety. Furthermore, this patent is one of a group which seems to have an interminable capacity for self-perpetuation. If judicial approval is to be given to patents of this kind, the public benefits which might reasonably be hoped for under the constitutional provisions and the federal statutes relating to patents can never be attained.”⁴⁴

The underlying philosophy of the dissenting opinion in this case would seem to require that a court, regardless of the particular issues of infringement presented by the litigants in a patent suit, should look through these issues and determine the fundamental questions regarding the validity of the patent.

The public interest in the probable commercial activities of a prospective patentee was advanced by the Court of Appeals for the District of Columbia, as a reason for affirming the judgment of the lower court which had denied the right of plaintiff to a patent in *Special Equipment Company v. Coe*.⁴⁵ The opinion of the court was written by Associate Judge Thurman W. Arnold and is one logical extension of the doctrines advanced by certain of the justices of the Supreme Court that the validity of a patent is a matter of such public importance that the court should consider it in every case. The patent sought covered an operative sub-combination of elements of a fruit paring machine. The patent was refused on the ground that, if issued, the patent would be a “fencing” or “blocking” type of patent. The opinion of the court of appeals wrote into the patent law a provision that the probable use to which a patent might be put by the patent holder should be considered in deciding whether or not a patent should be granted.

The Supreme Court in its majority opinion reversed the decision of the court of appeals.⁴⁶ The majority opinion holds that a combination embodied in a complete machine may also embrace a sub-combination which may be separately patented. As an answer to the argument as to probable “suppression” of the patent, the majority opinion points out the absence of congressional policy on this point and holds that a patentee is entirely within his legal rights to withhold such a patent.

The dissenting opinion in this case was written by Justice Douglas and is concurred in by Justice Black and Justice Murphy. In this opinion there is a clear statement that the rule permitting patent sup-

⁴⁴ *Id.* at 393-394.

⁴⁵ (C.C. D.C. 1944) 144 F. (2d) 497.

⁴⁶ 324 U.S. 370, 65 S. Ct. 741 (1945).

pression is inconsistent with the patent provisions of the Constitution and the legislation which Congress has enacted thereunder. The dissenting opinion cites Hamilton Monograph No. 31 as to the effect of blocking off a whole technology by the issuance of an improvement patent. The dissenting opinion then states:

"I think it is time to return to the earlier, and I think the true, philosophy of the patent system. We should not pass on to Congress the duty to remove the private prerequisites which we have grafted on the patent laws. This Court was responsible for their creation. This court should take the responsibility for their removal. . . . [Citing authority]. It should withhold its aid from a patentee who has employed or plans to employ the patent not to exploit the invention but to suppress it in order to protect another patent or otherwise. . . . [Citing authority]. If that purpose were clear, a patent should not issue in the first instance. If it has been issued and not cancelled and the patent has been suppressed, any one should be permitted to use it at least on payment of reasonable royalties. In that way the constitutional objective will be more nearly realized—the product of the inventive genius of the human mind will be put to work in the economy."⁴⁷

The dissenting opinion in *Special Equipment Company v. Coe*⁴⁸ raises the old question as to the nature of a patent. Is it a form of property, or is it a privilege? The opinion of the court of appeals in this case reflects the views expressed by Thurman W. Arnold in his speeches and written articles prior to his judicial appointment, i.e., that a patent is not a form of property but is a privilege. Hamilton's Monograph No. 31 makes the same assertion. The dissenting Justices in *Special Equipment Company v. Coe* make clear their position that:

"It is a mistake therefore to conceive of a patent as but another form of private property. The patent is a privilege 'conditioned by a public purpose.' [Citing authority] . . . The public purpose is 'to promote the Progress of Science and useful Arts.' The exclusive right of the inventor is but the means to that end."⁴⁹

⁴⁷ Id. at 383-384.

⁴⁸ 324 U.S. 370, 65 S. Ct. 741 (1945).

⁴⁹ Id. at 382. Jefferson in his letter to Isaac McPherson, PADOVER, THE COMPLETE JEFFERSON 1015 (1943), wrote:

"That ideas should freely spread from one to another over the globe, for the moral and mutual instruction of man, and improvement of his condition, seems to have been peculiarly and benevolently designed by nature, when she made them, like fire, expansible over all space, without lessening their density in any point, and like the air in which we breathe, move, and have our physical being, incapable of confinement or

In *Mercoïd Corporation v. Mid Continent Investment Company*⁵⁰ decided prior to *Special Equipment Company v. Coe* the majority opinion written by Justice Douglas takes the position that:

“The grant of a patent is the grant of a special privilege ‘to promote the Progress of Science and useful Arts.’”⁵¹

The contrary position is well stated in the dissenting opinion of Justice Jackson that:

“‘A patent,’ said Mr. Justice Holmes, ‘is property carried to the highest degree of abstraction—a right in rem to exclude, without a physical object or content.’”⁵²

The confusion which exists as to these two concepts of the nature of a patent is reflected in the majority opinion in the *Mercoïd* case. After asserting again that a patent is a “privilege,” the court then states:

“When the patentee ties something else to his invention, he acts only by virtue of his right *as the owner of property* to make contracts concerning it and not otherwise.”⁵³

However, a contrary view is stated in *Hartford-Empire Company v. United States*⁵⁴ in which the majority opinion holds:

“That a patent is property, protected against appropriation both by individuals and by government, has long been settled. In recognition of this quality of a patent the courts, in enjoining violations of the Sherman Act arising from the use of patent licenses, agreements, and leases have abstained from action which amounted to a forfeiture of the patents.”⁵⁵

These decisions but highlight the need for clarification in the fundamental concepts of the patent law. Whether a patent is a “privilege” or whether it is “property” is a question which has not been finally determined.

exclusive appropriation. Inventions then cannot, in nature, be a subject of property. Society may give an exclusive right to the profits arising from them, as an encouragement to men to pursue ideas which may produce utility, but this may or may not be done, according to the will and convenience of the society, without claim or complaint from anybody.”

⁵⁰ 320 U.S. 661, 64 S. Ct. 268 (1944).

⁵¹ Id. at 665.

⁵² Id. at 678-679.

⁵³ Id. at 666. (*Italics added.*)

⁵⁴ 323 U.S. 386, 65 S. Ct. 373 (1945).

⁵⁵ Id. at 415.

There can be no question but that the patent laws must be made to serve their constitutional public purpose. There is no denying that there have been abuses, particularly in those instances where patents have been utilized as a cloak to hide violation of the anti-trust laws. It is believed, however, that the existing laws are adequate to control such abuses.

In *Mercoid Corporation v. Mid-Continent Investment Company*,⁵⁶ Justice Douglas in writing the majority opinion of the Court makes this clear when he states:

“It is the public interest which is dominant in the patent system. . . . [Citing authority]. It is the protection of the public in a system of free enterprise which alike nullifies a patent where any part of it is invalid. . . . [Citing authority] and denies to the patentee after issuance the power to use it in such a way as to acquire a monopoly which is not plainly within the terms of the grant. The necessities or convenience of the patentee do not justify any use of the monopoly of the patent to create another monopoly. The fact that the patentee has the power to refuse a license does not enable him to enlarge the monopoly of the patent by the expedient of attaching conditions to its use. . . . [Citing authority]. The method by which the monopoly is sought to be extended is immaterial. . . . [Citing authority]. The patent is a privilege. But it is a privilege which is conditioned by a public purpose. It results from invention and is limited to the invention which it defines. When the patentee ties something else to his invention, he acts only by virtue of his right as the owner of property to make contracts concerning it and not otherwise. He then is subject to all the limitations upon that right which the general law imposes upon such contracts. The contract is not saved by anything in the patent laws because it relates to the invention. If it were, the mere act of the patentee could make the distinctive claim of the patent attach to something which does not possess the quality of invention. Then the patent would be diverted from its statutory purpose and become a ready instrument for economic control in domains where the anti-trust acts or other laws not the patent statutes define the public policy.”⁵⁷

In the companion case, *Mercoid Corporation v. Minneapolis-Honeywell Regulator Company*,⁵⁸ the Court, in denying the relief sought, says:

⁵⁶ 320 U.S. 661, 64 S. Ct. 268 (1944).

⁵⁷ Id. at 665-666.

⁵⁸ 320 U.S. 680, 64 S. Ct. 278 (1944).

“... an unpatented part of a combination patent is no more entitled to monopolistic protection than any other unpatented device.”⁵⁹

The holding of the Court measures the legality of the attempt to bring unpatented goods within the protection of the patent, by the anti-trust laws, not the patent laws.

In line with the general theory of restricting the rights of a patentee in view of the public interest, the Supreme Court in *United States v. Univis Lens Company*⁶⁰ suppressed an entire patent licensing system because of its illegality under the Sherman Act for placing restrictions on the resale price of finished lenses where the lens blanks had been sold and later converted into the finished product. While the direct issue involved in this litigation concerned the validity of the licensing contracts under the provisions of the Sherman Act the Court discusses a limitation on a patentee's dealings under his patent and says:

“... where one has sold an uncompleted article which, because it embodies essential features of his patented invention, is within the protection of his patent, and has destined the article to be finished by the purchaser in conformity to the patent, he has sold his invention so far as it is or may be embodied in that particular article. The reward he has demanded and received is for the article and the invention which it embodies and which his vendee is to practice upon it. He has thus parted with his right to assert the patent monopoly with respect to it and is no longer free to control the price at which it may be sold either in its unfinished or finished form.”⁶¹

*United States v. Masonite Corporation*⁶² is another case arising under the anti-trust laws. Here the Court stated the broad proposition that:

“The owner of a patent cannot extend his statutory grant by contract or agreement. A patent affords no immunity for a monopoly not fairly or plainly within the grant.... Beyond the limited monopoly which is granted, the arrangements by which the patent is utilized are subject to the general law.... [Citing cases].”⁶³

⁵⁹ Id. at 684.

⁶⁰ 316 U.S. 241, 62 S. Ct. 1088 (1942).

⁶¹ Id. at 250-251.

⁶² 316 U.S. 265, 62 S. Ct. 1070 (1942).

⁶³ Id. at 277.

In *Hartford-Empire Company v. United States*,⁶⁴ the majority opinion of the Court found violation of the Sherman Act arising from the misuse of patent licenses, agreements and leases, but refused to affirm the ruling of the lower court which decreed a forfeiture of the patents involved.

In the dissenting opinion of Justice Rutledge, concurred in by Justice Black, we find a statement of the position of those who believe that the fundamental concept of the patent law and of the anti-trust laws are in conflict. The dissenting opinion says:

“The case presents again the fundamental problem of accommodating the provisions of the patent laws to those of the anti-trust statutes. Basically these are opposed in policy, the one granting rights of monopoly, the other forbidding monopolistic activities. The patent legislation presents a special case, the anti-trust legislation the nation’s general policy. Whether the one or the other is wise is not for us to determine. But their accommodation is one we must make, within the limits allowed to the judicial function, when the issue is presented.

“The general policy has been to restrict the right of the patent holder rigidly within the terms of his grant and, when he overreaches its boundary, to deny him the usual protections of the holder of property. That this ordinarily has been done in infringement suits or suits for cancellation does not qualify the fact or the policy. On the other hand, the anti-trust statutes have received a broad construction and corresponding enforcement, where violation has been clearly shown. When the patent-holder so far overreaches his privilege as to intrude upon the rights of others and the public protected by the anti-trust legislation, and does this in such a way that he cannot further exercise the privilege without also trespassing upon the rights thus protected, either this right or the other person’s and the public right, must give way. It is wholly incongruous in such circumstances to say that the privilege of the trespasser shall be preserved and the rights of all others which he has transgressed shall continue to give way to the consequences of his wrongdoing.”⁶⁵

One injured by the illegal acts of a patent owner may be protected through the application of the general maxims of equity. In recent patent cases in the United States Supreme Court, relief for infringement of seven patents has been denied upon equitable grounds. These

⁶⁴ 323 U.S. 386, 65 S. Ct. 373 (1945).

⁶⁵ *Id.* at 452-53.

cases give new emphasis to the application of general equity maxims to patent suits, and while the court has refused to invalidate patents where they have been used as a part of an inequitable scheme or plan, as in the *Hartford-Empire* case it has refused relief to a patentee in the following cases in which inequitable conduct was found:

In *Morton Salt Company v. G. S. Suppiger Company*,⁶⁶ the Court withheld its aid when it found that the plaintiff was using the asserted patent right contrary to the public interest.

In *B. B. Chemical Company v. Ellis*⁶⁷ equitable relief was refused on the ground that the suit to restrain any form of infringement in view of the petitioner's use of the patent as a means of establishing a limited monopoly in unpatented materials was contrary to public policy.

In the *Hartford-Empire* case⁶⁸ the court summarized the doctrine of the *Morton Salt Company* case and the *B. B. Chemical Company* case when it said:

"But those cases merely apply the doctrine that, so long as the owner is using his patent in violation of the anti-trust laws, he cannot restrain infringement of it by others. We were not there concerned with the problem whether, when a violation of the anti-trust laws was to be restrained and discontinued, the Court could, as a part of the relief, forfeit the patents of those who had been guilty of the violation."⁶⁹

In *Precision Instrument Manufacturing Company v. Automotive Maintenance Machinery Company*⁷⁰ the Court in refusing relief and affirming the dismissal of the complaint referred to the doctrine of "unclean hands" and said:

"The public policy against the assertion and enforcement of patent claims infected with fraud and perjury is too great to be overridden...."⁷¹

In the *Mercoïd* case the Court refused relief because of the illegal acts of the patentee in attempting to assert a monopoly which the Court found to be broader than that of the patent.

These applications of general equitable maxims in the field of patent law is a particularly desirable method of controlling the conduct of patent holders, for it permits the consideration of each case on its

⁶⁶ 314 U.S. 488, 62 S. Ct. 402 (1942).

⁶⁷ 314 U.S. 495, 62 S. Ct. 406 (1942).

⁶⁸ 323 U.S. 386, 65 S. Ct. 373 (1945).

⁶⁹ *Id.* at 415.

⁷⁰ 324 U.S. 806, 65 S. Ct. 993 (1945).

⁷¹ *Id.* at 819.

merits and is flexible enough to prevent flagrant abuses of the patent system without requiring fundamental changes in the body of the patent law.

The public interest in the patent system and in the methods of exploitation of the patents requires a continuing general application of the equitable maxims to patent litigation, particularly where the patent holder attempts, under the guise of a patent, to exercise rights not granted in the patent and not within the legitimate scope of the patent claims. With the expiration of many of the older and broader patents, the public has substantial rights in the fields previously covered by them. Such narrow improvement patents as may be utilized to control competition in these industries must be so exploited by the patent holders that the public rights in these fields will not be foreclosed. This is but elemental equity and as such is within the province of the courts to enforce.

Clarification is required as to what patent policies will best serve the public interest. It is a matter of speculation whether the extreme view taken in *Potts v. Coe*⁷² can be justified on any broad considerations of sound public policy.

In this case, the Court of Appeals for the District of Columbia in an opinion written by Associate Justices Arnold and Miller denied certain claims in an application for a patent assigned to a corporate assignee for work done by one of its employees in the course of the organized technical research work of the corporation.

The court, in its opinion, refers to the fact that the real applicant for the patent is a subsidiary (Western Electric Company) of a corporate system (American Telephone and Telegraph Company) which in the year 1935 owned about nine thousand patents in the communication field and had pending about fifteen hundred applications for additional patents. The opinion also takes judicial notice of the practices of "organized research" and then says:

"We are bound to interpret the patent law in the light of its purpose declared by the Supreme Court, to reward individual and not group achievement. Having that purpose in mind we cannot ignore the plain facts of the technological revolution which has occurred in the research laboratory."⁷³

The issues before the court involved but a few of the claims in the application. Other claims, which had been allowed in the Patent Office were not before the court.

⁷² (C.C. D.C. 1944) 140 F. (2d) 470.

⁷³ *Id.* at 478.

The issue raised in this opinion must be solved if the future development of the patent law is to keep pace with technological changes.

With scientific and technical research now highly organized and requiring large outlays of both capital and manpower, some means for protecting such investments must be found. Such large scale research cannot be successful unless it is adequately financed. Prior to the *Potts* case it was believed that the public purpose of the patent laws was served by permitting a company which assumed the risk of such experimentation and research to secure patent protection covering the inventions produced in its laboratories. Since the chief value to the public of such research and experimental work lies in its early publication, it would seem that the strict application of the doctrine stated in the *Potts* case would result in defeating this basic purpose of the patent law. It seems inconceivable that the free exchange of information between technical and scientific research groups would proceed at the same pace if the only protection for the financial groups backing such organizations is that of secrecy or concealment of the "know how" which is developed in their laboratories.

The alternative to granting patents and permitting them to be owned by the private corporations which finance the research, experimentation and development work may be some governmentally sponsored research program such as would result from passage of bills now pending in Congress. It is certain that unless research and development programs are adequately financed the basic discoveries and basic inventions of the future cannot be made at the same rate that they have been in the past. Unless some workable substitute for the present system is suggested, the inventions which are made may be withheld from the public, perhaps for all time, because of the failure to encourage the publication of such inventions.

To many students of patent law there is a question as to whether there is now left in the patent law anything of the former doctrine of "contributory infringement." While both the majority and the minority opinions in *Mercoind Corporation v. Mid-Continent Investment Company*⁷⁴ criticize the doctrine of "contributory infringement," it should be recalled that there are many instances of infringement by joint tort-feasors. In some instances the rule of liability for a jointly committed tort should apply in cases of patent infringement. This is particularly true in those cases in which there is no question of an abuse of the patent or an extension of the doctrine to support an illegal plan of exploitation of the patent. It is clear from a study of the ma-

⁷⁴ 320 U.S. 661, 64 S. Ct. 268 (1944).

majority opinion that the Court was concerned primarily with the public effect of finding contributory infringement where the patent in suit had been exploited by the patent holder in a manner which the Court found was against the public interest.

In a companion case, *Mercoïd Corporation v. Minneapolis-Honeywell Regulator Company*,⁷⁵ the Court refused a decree to respondent on the ground that such a decree might directly or indirectly help to subvert the public policy which underlies the grant of a patent. The Court states the rule that:

"The fact that an unpatented part of a combination patent may distinguish the invention does not draw to it the privileges of a patent. That may be done only in the manner provided by law."⁷⁶

The literature contains a full discussion as to the effect of the *Mercoïd* decisions on the doctrine of contributory infringement and the nature of the patent grant.⁷⁷ There is no question but that the *Mercoïd* cases are "milestones" in the development of modern patent law.

The decision in *Marconi Wireless Telegraph Company of America v. United States*⁷⁸ does not establish any new principles of patent law. In holding certain of the Marconi patents invalid, the majority of the Court reviewed much scientific data in the complicated field of "wireless telegraphy" and disagreed with the popular and scientific appraisal of Marconi's work under which Marconi had been accepted as the originator of "wireless." This decision has given added impetus to the arguments for a special court composed of scientifically trained judges to try patent cases. Particular support for the creation of such a court is found in the dissenting opinion of Justice Frankfurter when he stated:

"It is an old observation that the training of Anglo-American judges ill fits them to discharge the duties cast upon them by patent legislation. The scientific attainments of a Lord Moulton are perhaps unique in the annals of the English-speaking judiciary. However, so long as the Congress, for the purposes of patent-

⁷⁵ 320 U.S. 680, 64 S.Ct. 278 (1944).

⁷⁶ *Id.* at 684.

⁷⁷ The following is a partial list of published articles and comments on the effect of the *Mercoïd* decisions:

Wood, "The Tangle of *Mercoïd* Case Implications," 13 *Geo. Wash. L. Rev.* (1944); Matthews, "Contributory Infringement and the *Mercoïd* Case," 27 *J. Pat. Off. Soc.* 260 (1945); Waite, "Has Contributory Infringement Been Repudiated?" 42 *Mich. L. Rev.* 915 (1944); Wiles, "Joint Trespasses on Patent Property," 30 *A.B.A.J.* 454 (1944); 12 *Geo. Wash. L. Rev.* 345 (1944); 44 *Col. L. Rev.* 447 (1944); 57 *Harv. L. Rev.* 574 (1944); 92 *Univ. Pa. L. Rev.* 461 (1944).

⁷⁸ 320 U.S. 1, 63 S. Ct. 1393 (1943).

ability, makes the determination of originality a judicial function, judges must overcome their scientific incompetence as best they can. But consciousness of their limitations should make them vigilant against importing their own notions of the nature of the creative process into congressional legislation, whereby Congress "to promote the Progress of Science and Useful Arts" has secured "for limited times to...Inventors the exclusive Right to their... Discoveries." Above all, judges must avoid the subtle temptation of taking scientific phenomena out of their contemporaneous setting and reading them with a retrospective eye."⁷⁹

The decision in *The Goodyear Tire and Rubber Company Incorporated v. Ray-O-Vac Company*⁸⁰ is significant chiefly in that by a five to four decision, certain claims of the Anthony Patent No. 2,198,423 for a leak proof flash light dry cell were held valid and infringed. The majority opinion found that the commercial acceptance of the invention indicated the presence of "invention." The minority of the judges who joined in the dissenting opinion were not impressed by this showing and contended that the patent did not disclose an "invention."

The public interest in patent litigation has been advanced by the Supreme Court as the motivating factor in the following cases, in all of which the patents in suit were held invalid.

In *United Carbon Company v. Binney and Smith Company*⁸¹ the Court restated the rule announced in *General Electric Company v. Wabash Appliance Corporation*⁸² regarding the necessity for the accurate and precise compliance with the statutory requirement regarding particularity and distinctness of the matter claimed. The patent in suit purported to cover so-called "dustless" carbon black as a new product. After finding that the claims in suit were "but inaccurate suggestions of the function of the product," the Court summarized the need for a strict compliance with the statutory requirement regarding the particularity and distinctness required in patent claims, and stated:

"The statutory requirement of particularity and distinctness in claims is met only when they clearly distinguish what is claimed from what went before in the art and clearly circumscribe what is foreclosed from future enterprise. A zone of uncertainty which enterprise and experimentation may enter only at the risk of in-

⁷⁹ *Id.* at 60-63.

⁸⁰ 321 U.S. 275, 64 S. Ct. 593 (1944).

⁸¹ 317 U.S. 228, 63 S. Ct. 165 (1942).

⁸² 304 U.S. 364, 58 S. Ct. 899 (1938).

fringement claims would discourage invention only a little less than unequivocal foreclosure of the field. Moreover, the claims must be reasonably clear-cut to enable courts to determine whether novelty and invention are genuine.”⁸³

The Court also holds that:

“An invention must be capable of accurate definition, and it must be accurately defined to be patentable.”⁸⁴

In *Milcor Steel Company v. George A. Fuller Company*⁸⁵ the patent in suit was invalidated because a disclaimer had been filed which included in the revised claim a combination, an element of which was not present in the original claim. Although this addition of the element to the claim narrowed the claim of the original patent, the Court held that the narrowing disclaimer invalidated the patent since the disclaimer changed the entire combination. The Court, in the opinion of Justice Black, said:

“To permit such substantial alterations under the disclaimer statute which, where applicable, gives effect to the revised claims from the date of the original issue without any consideration by the patent office would be contrary to the policy of the patent laws. In the words of Mr. Justice Bradley, it would permit ‘a man . . . by merely filing a paper drawn up by his solicitor, [to] make himself a new patent.’ [Citing authorities]. . . . It would also retroactively create possibilities of innocent infringement where no one would reasonably have suspected them to exist.”⁸⁶

In *Schriber-Schroth Company v. Cleveland Trust Company*⁸⁷ the Court restricted the application of the doctrine of equivalents in a case in which the allowed claim had been amended, the Court stating the rule that:

“The patentee may not, by resort to the doctrine of equivalents, give to an allowed claim a scope which it might have had without the amendments, the cancellation of which amounts to a disclaimer. . . . [Citing cases]. The injurious consequences to the public and to the inventors and patent applicants if patentees were thus permitted to revise cancelled or rejected claims and restore them to their patents are manifest. . . . [Citing authority].

“True, the rule is most frequently invoked when the original

⁸³ 317 U.S. 228 at 236, 63 S. Ct. 165 (1942).

⁸⁴ *Id.* at 237.

⁸⁵ 316 U.S. 143, 62 S. Ct. 969 (1942).

⁸⁶ *Id.* at 148.

⁸⁷ 311 U.S. 211, 61 S. Ct. 235 (1940).

and cancelled claim is broader than that allowed, but the rule and the reason for it are the same if the cancelled or rejected claim be narrower.... [Citing authority]."⁸⁸

IV

CONCLUSION

The "modern" law of patents, as enunciated by the United States Supreme Court rests upon the earlier decisions which reflect the public apprehension of those times that the patent system, in granting a "monopoly" to an inventor, might change the national economy from one based on "Free Enterprise" to one based on "Restrictive Privilege." Invention, rewarded under the patent system by the grant of a "monopoly," was regarded with both public and judicial suspicion chiefly because it was to be encouraged by the grant of a "monopoly." Daniel Webster understood that the public interest was best served by encouraging invention but he appreciated the strength of the public fear of "monopolies." In arguing for the validity of the Goodyear patent for the vulcanization of rubber, he sought to allay that fear by his assertion that:

"The right of an inventor to his invention is no monopoly. It is no monopoly in any other sense than as a man's own house is a monopoly."

In recent decisions in patent cases, there is noted a decided trend to return to the earlier view that a patent, because it grants a monopoly, is a "privilege" and not "property." This is reflected in the attempts to establish a judicial "standard of invention" in enforcing patents which is more strict than the "standard of invention" applied by the Patent Office in granting the patents; in the strict construction of the patent against the patentee; and the refusing of relief to a patentee against "contributory" infringement.

Patents, whether considered as granting a "privilege" or as being "property" have in some instances been abused. Some of these instances of abuse have been before the courts and existing remedies have been found under the anti-trust laws and the general maxims of equity. The existing remedies have been applied to control the more flagrant abuses of the patent laws without changing the basic concepts of our patent system.

There are needed reforms in the administration of the patent law,

⁸⁸ *Id.* at 221.

particularly in its procedural aspects in the Patent Office. To a very considerable extent these reforms can be carried out by the Commissioner of Patents under his existing authority.

It is to be expected that the abuses which have been brought to light by the various investigations of the patent system and as highlighted in various prosecutions under the anti-trust laws will lead to continuing demands for legislative enactments to reform the patent system. The practitioner of patent law and the student interested in the future of the patent law will therefore do well to keep fully informed on the new bills and legislative proposals which may, under the guise of correcting an apparent defect in the patent system, have a more far reaching effect—possibly the complete destruction of the patent system as we have known it.

The recent decisions of the Supreme Court raise the question clearly as to whether or not our patent system is functioning properly when such a large percentage of the patents involved are found to be invalid. If the patent system is to serve its constitutional purpose, the patentee should be accorded some "reward" more certain than the dubious and expensive honor of having been an unsuccessful suitor in the United States Supreme Court.

The administration of the patent laws poses this problem. If the patent office in issuing patents, applies the higher "standard of invention" applied by the courts, the result will be to cut down the total number of patents issued. If, however, the present or a lowered "standard of invention" is applied in the patent office the mortality rate of such patents, when litigated will be so high that inventors will no longer be lured into making disclosures to the patent office by the illusionary hope of an unenforceable "reward." The broad public policy underlying the constitutional provision for establishing the patent system has for its purpose the securing of the publication of inventions and scientific discoveries. This public purpose is defeated whenever publication is curtailed or delayed.

Some system must and will be evolved for protecting the public interest and at the same time "rewarding" inventors to assure prompt publication of their inventions and scientific discoveries — unless this is done, we will revert in our industrial economy to the old practice of restrictive "Trade Secrets." It is doubtful if such a development would serve the public interest with as little risk as does a properly functioning patent system.

A highly developed patent system has been an integral part of the national economies of the United States, Great Britain and Germany.

The great advances in science and the useful arts made by these nations must be attributed in a large part to the rapid dissemination of inventions and scientific discoveries made possible because of their patent laws.

Under our patent system, the public has been the recipient of extensive benefits because of the inventions and discoveries patented thereunder. Reforms in such a system are needed if it is to keep pace with technological advances. The court decisions have pointed out certain of the needed reforms. Other needed reforms are under consideration. The public is actively concerned with the problems. These are hopeful indications that future remedial legislation will preserve those portions of our patent system which have been found desirable while correcting those portions which have not functioned properly in the public interest.

The constitutional purpose of the patent law is clear. All reformers, students, and active practitioners will do well to keep this clear purpose in mind—our patent system, if it is to survive must “promote the progress of science and the useful arts.”