

RESTRAINTS OF TRADE IN PATENTED ARTICLES

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

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

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EXPLANATORY HEAD NOTE.

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

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

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

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

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

St. Louis, September, 1910.

FRANK Y. GLADNEY.

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

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

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

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

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

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

GROUP I.

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

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

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

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

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

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

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

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

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

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

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

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

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

GROUP II.

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

Edison Phonograph Co. vs. Kauffman (1901 C. C. Pa.) 105 Fed. 950.

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

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

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

Reversing 117 Fed. 624.

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

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

S. C. 144 Fed. 437.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The language of the various statutes follows:

Act of 1790.

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

The change in phraseology here is significant.

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

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

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

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

United States vs. American Bell Telephone Co. (1896) 167 U.

S. 224. Mr. Justice Brewer:

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

Continental Paper Bag Co. vs. Eastern Paper Bag Co. (1908)

210 U. S. at 424. Mr. Justice McKenna:

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

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

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

We will quote a number of these authorities.

In re Brosnahan, Jr. (1883) 13 Fed. 62.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- I. Common Law Right: To make, use and sell.
- II. Patent Law Right: To exclude others from making, using and selling.

The Two Rights Distinguished**By****The State Revenue Laws.**

- I. State can tax the property in tangible articles embodying the invention.
- II. State cannot tax the intangible, incorporeal right inherent in the patent grant (viz. the right to exclude others.)

I.

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

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

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

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

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

SCOPE OF RIGHTS.

Common Law Right.
Rights common to all persons

- To make or not to make; or to permit others to make.
- To use or not to use; or to permit others to use,
- To sell or not to sell; or to permit others to sell,

The thing invented.

Patent Law Right.
Rights peculiar to Patentee.

- Right to exclude every one from making,
- Right to exclude every one from using,
- Right to exclude every one from selling,

The thing invented without the patentee's consent.

THE TWO RIGHTS DISTINGUISHED.

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

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

COMMON LAW RIGHT. PATENT LAW RIGHT. FOR AUTHORITIES SEE TABLES.

BY REVENUE LAWS:	Can tax articles embodying patented inventions.	Cannot tax right to exclude.	I.
BY LAW OF EXECUTION:	Can levy on and sell articles embodying patented inventions.	Cannot levy on right to exclude.	II.
BY ASSIGNMENTS FOR BENEFIT OF CREDITORS:	General assignment for the benefit of creditors transfers articles embodying patented inventions.	Does not transfer right to exclude.	III.
BY POLICE POWER OF THE STATES:	Can suppress use or sale of patented as well as unpatented articles.	Cannot suppress right to exclude.	IV.
BY JURISDICTION OF THE FEDERAL COURTS.	No original jurisdiction over questions pertaining to patented articles or contracts concerning same.	Exclusive jurisdiction over questions concerning right to exclude.	V.
SUITS FOR INFRINGEMENT:	- - - - -	Regulated exclusively by the Patent Law.	VI.
ASSIGNMENT OF WHOLE RIGHT:	- - - - -	Regulated exclusively by the Patent Law.	VII.
ASSIGNMENT OF UNDIVIDED INTEREST:	- - - - -	Regulated exclusively by the Patent Law.	VIII.
ASSIGNMENT OF WHOLE RIGHT FOR TERRITORY:	- - - - -	Regulated exclusively by the Patent Law.	IX.
LICENSE TO USE:	Rights of the parties determined exclusively by the Common Law.	Until License is legally withdrawn right to exclude is suspended.	X.
LICENSE TO MAKE AND USE:	Rights of the parties determined exclusively by the Common Law.	Until License is legally withdrawn right to exclude is suspended.	XI.
LICENSE TO MAKE USE AND SELL:	Rights of the parties determined exclusively by the Common Law.	Until License is legally withdrawn right to exclude is suspended.	XII.
MAKING AND SELLING OR AUTHORIZING ANOTHER TO MAKE AND SELL:	Rights of the vendor and purchaser are controlled exclusively by the Common Law.	The manufacture and sale of the thing invented irrevocably waives the right to exclude purchasers from using the specimen sold.	XIII.

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

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

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

II.

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

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

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

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

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

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

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

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

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

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

"While the states have jurisdiction to legislate on the matter

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

To the same effect read,

Ex parte Robinson (1870) 2 Bissell 309.

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

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

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

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

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

The citations are as follows:

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

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

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

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

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

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

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

TABLE II.

Analysis of the Rights of the Owner of a Patent.

Has two Distinct and Separate Rights:

- I. Common Law Right, to make, use and sell.
- II. Patent Law Right, to exclude others from making, using and selling.

The Two Rights Distinguished

By

Common Law as to Executions.

I.

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

II.

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

I.

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

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

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

Thus in

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

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

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

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

Said the court:

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

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

machine to successive owners as an incident of proprietorship."

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

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

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

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

Bloomer vs. McQuewan, cited supra.

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

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

To the same effect as the case of

Wilder vs. Kent, see

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

II.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Carver vs. Peck (1881) 131 Mass 291.

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

TABLE III.

Analysis of the Rights of the Owner of a Patent.

Has Two Distinct and Separate Rights:

- I. Common Law Right, to make, use and sell.
- II. Patent Law Right, to exclude others from making, using and selling.

The Two Rights Distinguished

By

Law of General Assignments for Benefit of Creditors:

I.

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

II.

Such general assignment does not transfer the patent right.

I.

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

II.

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

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

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

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

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

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

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

In the case of

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

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

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

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

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

To same effect see:

Ashcroft vs. Walworth (1872) Holmes 152;

Keach, Petitioner (1884) 14 R. I. 571;

Barton vs. White (1887) 144 Mass. 281.

TABLE IV.

Analysis of the Rights of the Owner of a Patent.

Has Two Distinct Rights:

- I. Common Law Right, to make, use and sell.
- II. Patent Law Right, to exclude others from making, using and selling.

The Two Rights Distinguished

By

The Police (or reserved) Powers of the States.

I.

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

II.

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

I.

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

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

The most instructive case is

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

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

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

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

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

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

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

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

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

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

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

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

The case of

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

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

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

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

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

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

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

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

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

The case of

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

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

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

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

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

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

The case of

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

II.

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

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

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

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

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

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

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

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

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

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

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

TABLE V.

Analysis of the Rights of the Owner of a Patent.

Has Two Distinct and Separate Rights.

- I. Common Law Right, To Make, Use and Sell.
- II. Patent Law Right, To exclude others from making, using and selling.

The Two Rights Distinguished

By

Jurisdiction of the Courts.

I.

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

II.

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

I.

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

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

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

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

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

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

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

In the case just following the preceding,

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

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

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

II.

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

One case alone will be sufficient here.

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

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

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

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

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

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

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

TABLE VI.

Analysis of the Rights of the Owner of a Patent.

Has Two Distinct and Separate Rights.

I Common Law Right to make, use and sell.

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

The Two Rights Distinguished

By

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

I. The Patent Right,

a. Suits for Infringement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

This is incontestably settled. See the following cases:

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

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

Anonymous (1845) 1 Fed. Cases, 477.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TABLE VII.

Analysis of the Rights of the Owner of a Patent.

Has two Distinct and Separate Rights.

- I. Common Law Right, to make, use and sell.
- II Patent Law Right, to exclude, others from making, using and selling.

The Two Rights Distinguished

By

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

I The Patent Right.

b. Assignment of the Whole Right.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TABLE VIII.

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

- I Common Law Right: To make, use and sell.
- II Patent Law Right: To exclude others from making, using and selling.

The Two Rights Distinguished By

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

I. The Patent Right.

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

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

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

And in the case of

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

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

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

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

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

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

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

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

TABLE IX.

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

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

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

The Two Rights Distinguished By

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

I. The Patent Right.

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

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

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

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

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

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

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

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

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

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

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

Gayler vs. Wilder (1850) 10 How 477.

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

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

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

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

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

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

Then the Chief Justice unravels the tangled skein as follows:

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

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

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

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

Moore vs. Marsh (1868) 7 Wall 515.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TABLE X.

Analysis of the Rights of the Owner of a Patent.

Has Two Distinct and Separate Rights.

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

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

The Two Rights Distinguished
By

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

II. Common Law Right.

a. License to Use.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- I Common Law Right, To make, use and sell.
- II Patent Law Right, To exclude others, from making, using and selling.

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

II Common Law Right.

b. License to make and use.

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

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

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

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

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

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

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

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

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

TABLE XII.

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

- I Common Law Right, To make, use and sell.
- II Patent Law Right, To exclude others from making, using and selling.

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

- II Common Law Right.
 - c. License to make, use and sell.

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

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

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

“XIII Transfer of Rights: License.

- a. In General.
- b. Assignment.
- c. Mortgage.
- d. License,” etc.

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

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

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

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

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

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

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

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

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

TABLE XIII.

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

- I Common Law Right, To make, use and sell.
- II Patent Law Right, To exclude others from making, using and selling.

The Two Rights Distinguished

By

Mode of Exercising and the Law Controlling the Two Rights.

II Common Law Right.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The next case in order was.

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

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

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

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

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

Next we come to the case of

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

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

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

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

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

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

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

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

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

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

The case of

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

I.

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

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

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

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

THE FACTS AND ISSUES.

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

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

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

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

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

THE OPINION.

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

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

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

“Condition of Sale.”

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

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

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

For this proposition the Court cites:

Adams vs. Burke, 17 Wall 453.

Mitchell vs. Hawley, 16 Wall 544.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RIGHT OF NON USE.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

HEATON CASE.

"If he (the patentee) see fit, he may reserve to himself the exclusive use of his invention or discovery. If he will neither use his device nor permit others to use, he has but suppressed his own. * * * His title is exclusive and so clearly within the constitutional provisions in respect of private property that he is neither bound to use his discovery himself nor permit others to use it."

HARTMAN CASE.

"To say that the owner of this secret need not make the medicine, nor sell it when made, unless it suits his convenience is true. But the same thing may be said of the man who grows potatoes. He need not grow them and need not sell them when grown."

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

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

HEATON CASE.

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

HARTMAN CASE.

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

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

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

HEATON CASE.

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

HARTMAN CASE.

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

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

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

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

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

Smiley vs. Kansas (1904) 196 U. S. 447;

National Cotton Oil Co. vs. Texas (1904) 197 U. S. 115;

Waters-Pierce Oil Co. vs. Texas (1908) 212 U. S. 86;

Grenada Lumber Co. vs. Mississippi (1910) 30 Sup. Ct. Rep. 535.

CONTRIBUTORY INFRINGEMENT.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Condition of Sale."

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

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

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