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INDUCEMENT AND CONTRIBUTORY INFRINGEMENT THEORIES TO REGULATE PRE-PATENT ISSUANCE ACTIVITY

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I. Introduction

Inventors and their companies frequently ask what they can do to stop a competitor from "infringing" their patentable technology while they are prosecuting their patent application. That question takes on greater importance to them when the application process is taking what seems to be an inordinate amount of time. On the other hand, competitors often ask about the effect of someone else's "patent pending" notice and whether they can be sued for infringement. That question also takes on greater importance when the competitor must decide whether or not to wait until the patent issues and then invent around the patent, resulting in a potential loss of market share.

Those questions are of great importance to inventors and companies because they spend thousands and sometimes millions of dollars to develop patentable technology. They need assurance that they will receive patent protection for a particular duration. Likewise, those who spend thousands or millions of dollars to make improvements to, or invent around, patented technology need assurance that if something is not patented, they are free to use that which is unpatented or in the public domain.

Over the past century, in attempting to balance the competing interests of the would-be patent holder and would-be infringer, courts' answers to the above questions appear to have come full circle. Early on, it appeared that the simple answer was that there could be no infringement unless a patent had issued. Later, it appeared that there could be

[*572] liability for pre-issuance activity. In other words, if the equities appeared to favor the anticipated patent holder, pre-issuance liability might be found under contributory and inducing infringement theories. And, now, the answer again appears to be that there cannot be infringement unless a patent exists. This can be seen in *National Presto Industries Inc. v. West Bend Co.* n1

II. Infringement Restricted to the Patent Term

In 1850, the United States Supreme Court stated in *Gayler v. Wilder* n2 that "no suit can be maintained by the inventor against anyone . . . before the patent is issued." n3 In 1888 the Supreme Court further stated in *Marsh v. Nichols* n4 that "[u]ntil the patent is issued there is no property right in it, that is, no such right as the inventor can enforce." n5

Throughout the 1990's, the lower courts and the Federal Circuit n6 have followed the above axioms stated in *Gayler* n7 and *Marsh*. n8 They have stated that courts cannot regulate activity based upon an assumption that the claims which may eventually issue will cover the activity to be regulated. n9

[*573] Indeed, regulating pre-issuance infringement activity erroneously assumes, at least in some instances, that an application for patent will actually be made. n10

In the Federal Circuit, as late as 1991, the propriety of being able to assume that any particular claims will eventually issue was addressed. In *Spectronics Corp. v. H.B. Fuller Co.*, n11 the context was a declaratory judgment action for a potential reissue patent. The original patent had already been submitted to the PTO for reissue and defendant also covenanted not to sue plaintiff for infringement of the original patent. The Federal Circuit stated:

There is, however, no guarantee that the reissue patent will eventually issue. Furthermore, even if Spectronics had an objectively reasonable apprehension about a future suit based upon the reissue patent . . . Spectronics cannot demonstrate that its present activity is potentially infringing any patent claims, since it is immune to suit under the claims of the [original] patent, and no reissue patent claims yet exist by which infringement vel non can be measured.

....

Before a patent issues, and during the pendency of a patent application in the PTO, the courts have no claims by which to gauge an alleged infringer's conduct.

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Before issuance, what the scope of claims will be "is something totally unforeseeable." n12

Notwithstanding the above axioms by the U.S. Supreme Court, in *Gayler* n13 and *Marsh*, n14 lower courts recognize inequities that might arise prior to issuance of a patent and which justify regulation. These inequities are regulated with contributory and inducing infringement theories under *35 U.S.C. 271*. n15 The use of such theories in this context has a long historical development which is described below. n16 Several of the cases discussed are set forth in Table 1, below.

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[SEE TABLE IN ORIGINAL]

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III. The Jones Trilogy: Early Contributory and Inducing Infringement Theories Covering Pre-Issuance Activity

The following trilogy of cases was decided between the 1950's and 1970's: Jones v. Radio Corporation of America, ⁿ¹⁷ Weyerhaeuser Timber Co. v. Bostitch, Inc. ⁿ¹⁸ and Hauni Werke Koerber & Co., K.G. v. Molins Ltd. ⁿ¹⁹ These cases, referred to herein as the Jones trilogy, are the basis for many later decisions which regulate pre-issuance activity under the theories of contributory or inducing infringement. ⁿ²⁰

A. Jones v. Radio Corporation of America

In Jones, ⁿ²¹ the plaintiff alleged that defendant Union Carbide intended to bring about infringement through the taking of confidential information and passing it on to other defendants. ⁿ²² Union Carbide moved to dismiss the action with regard to the patent infringement claim and alleged that the acts attributed to it occurred before the patent issued and so there could be no infringement. ⁿ²³

Because Union Carbide did not sell a component of the patented device, the Jones court found there could be no contributory infringement under 35 U.S.C.

271(c). ⁿ²⁴ Nevertheless, the court found that other allegations fell within section 271(b), stating, "Prior to the enactment of the statute [35 U.S.C.

271] the courts had recognized as contributory infringers those who knowingly committed an act without which infringement would not have occurred, even though they did not sell a component of the patented combination. ⁿ²⁵ The court continued:

As to the contention that the complaint should be dismissed because it alleges acts prior to the issuance of the patent, it is enough to point out that the claim in the complaint is not so restricted and the court will not assume that

[*577] the proof will be so limited. It is not as though the action had been commenced prior to the issuance of the patent n26

Notwithstanding the court's apparent perception above that Union Carbide's alleged acts were not solely pre-issuance, the Jones court went on to indicate:

Further, even though Union Carbide's acts were all performed prior to the issuance of the patent, if they were performed with intent to infringe the patent when issued or with intent that the infringing conduct continue after the patent was issued, they constitute infringement. n27

Because the alleged acts of Union Carbide were not confined to matters that pre-dated the patent issuance, the Jones court did not have to specifically hold whether pre-issuance activity could itself be regulated. Therefore, the court's statements that pre-issuance activity could be regulated in the presence of intent to infringe appear to be dicta. The court gave no explanation of what constituted the necessary intent to infringe, nor did it address the issue of how one could presently intend to infringe patent claims which have not issued and of which one may not presently know the scope. The Jones court also omitted an explanation of how one can presently intend to continue infringing conduct after a would-be patent issues. Instead, the court simply appeared to rely upon prior case law n28 and point out that Congress intended to reach "aiders and abettors" under 35 U.S.C.

271. n29

What the Jones court gave to patent holders was the beginnings of a powerful tool, although in the form of dicta. The court further opened the door to patent holder claims that, even though no direct infringement existed since no patent had issued, contributory infringement could still exist for pre-issuance activity. Thus, with the Jones decision, patent holders could extend their reach of potential defendants, including ones with deep pockets.

B. Weyerhaeuser Timber Co. v. Bostitch, Inc.

Four years after Jones, the District Court of Rhode Island in Weyerhaeuser added the second case to the Jones trilogy and used the theory

[*578] of inducing infringement to find that pre-issue infringement could exist. n30 Weyerhaeuser was the assignee of an original patent and a reissue patent. n31 An ex-employee of Weyerhaeuser's predecessor formed competing businesses referred to by the court as "Engineering" and "Machinery." Seven months before the reissue patent issued, "Machinery" granted to Bostitch a license to manufacture, sell and use certain machines which allegedly infringed Weyerhaeuser's patent. n32 Under the license agreement Bostitch was to also receive drawings and patterns for use in manufacturing the machines. n33 Certain allegedly infringing machines were sold to Bostitch, with the last sale occurring about four months before the reissue patent issued. n34 The Weyerhaeuser court relied upon Jones and found:

Granted that neither Engineering [the manufacturer] nor Machinery [the licensor] has manufactured or sold flap cutters [the infringing devices] since the date of the reissue patent, it is plain that an actual controversy exists between them, or one of them, and Weyerhaeuser with respect to the reissue patent. It is undisputed that Bostitch has indicated its intention to manufacture and sell flap cutters pursuant to the license granted to it by Machinery and in accordance with the drawings and patterns prepared by the latter. If, therefore, Bostitch is infringing the plaintiffs' reissue patent by manufacturing, selling and/or offering such flap cutters for sale, then Machinery, its licensor, is liable as an infringer under [

271(b)] n35

As in Jones, the Weyerhaeuser court reiterated that

271(b) was designed to protect against one "who aids and abets the direct infringer." n36 And it relied upon Jones for such authority. n37 Furthermore, the Weyerhaeuser court restated what Jones earlier indicated:

And even though the grant of said license and the delivery of said designs and patterns occurred before the date of the reissue patent, such acts would constitute infringing conduct if they were performed with intent to infringe the forthcoming reissue patent or with intent that said infringing conduct would continue after the reissue patent was granted. n38

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Interestingly, even though there were pre-issuance sales but no post-issuance infringing sales, the court still determined that there was an intent to infringe during the post-issuance period. Given the mere fact that sales stopped after the patent issued, a likely conclusion would be that there was an absence of an intent to infringe during the post-issuance period.

Still, the Weyerhaeuser court omitted a discussion of what constituted intent to infringe. Perhaps this was due to the fact that it was "undisputed that Bostitch has indicated its intention to manufacture and sell flap cutters pursuant to the license,"ⁿ³⁹ although it was unclear from the court's opinion what evidenced that intention. Perhaps it was the mere existence of the license agreement. The omitted discussion of what evidenced an intent to infringe may also have been due to the fact that the licensor agreed to indemnify Bostitch for infringement claims,ⁿ⁴⁰ which might have been interpreted by the court as an indication that future patent infringement was seen as a likelihood. In any event, as in Jones, the Weyerhaeuser court did not indicate how Bostitch would know the scope of the reissue claims before they issued and, thereby, form an intent to infringe.ⁿ⁴¹

C. Hauni Werke Koerber & Co., K.G. v. Molins Ltd.

In 1974 came Hauniⁿ⁴² which completed the trilogy of cases with Jones and Weyerhaeuser. In Hauni, defendant Molins, England moved to dismiss the complaint on the grounds that it did not itself engage in activities within the United States.ⁿ⁴³ It did not deny that its activities, if engaged in the United States, would have constituted infringement of plaintiff's patents.ⁿ⁴⁴ Further, Molins, England did not deny that defendant Molins, USA, its wholly owned marketing subsidiary, had engaged in

[*580] activities in the United States which plaintiff alleged to constitute infringement.
n45

With reliance upon *Weyerhaeuser*, the Hauni court found active inducement by Molins, England:

First, it is sufficient for liability under . . . [35 U.S.C.

] 271(b) that a party have "actively induced" an infringement by another. In this case, the defendant, Molins, England, admits to having entered into a contract with the defendant, Molins, U.S.A., calling for the importation and distribution in this country of the parent's products, some of which are alleged to infringe on the plaintiff's patents.
n46

The court continued:

Even assuming the contract between Molins, England and Molins, U.S.A. was negotiated and executed in England, it nevertheless contemplated performance in this country; and, indeed, performance of the contract, in fact, took place in this country. . . . The Court is inclined toward the view that Congress is empowered, also, to impose civil liability for extraterritorial acts which are intended to, and do, produce effects in this country. n47

In relying upon both *Jones* and *Weyerhaeuser*, the Hauni court analogized the scenario therein to one of pre-issuance activity that is intended to be felt after the patent issues:

[W]ith respect to inducements under 35 U.S.C.

271(b), it is noteworthy that the language of that section, unlike the language of

271(a) (the latter relating to direct infringements) does not, on its face, limit application to acts committed "within the United States." A reasonable inference is that such limitation was intentionally omitted. Indeed, the position of one who commits extraterritorial acts of inducement, the effects of which are contemplated to be felt in this country, is not unlike that of one who commits acts of inducement prior to the issuance of a patent for which application is pending, the effects of which are contemplated to be felt after the issuance of the patent. n48

In a footnote, the Hauni court also indicated that 35 U.S.C.

271(a) is limited to "during the term of the patent therefor," while

271(b) does not have the same limitation. n49 The Hauni court did not mention that such an interpretation might be considered an extension of

[*581] the patent term, nor did it refer to any case decision in that footnote. But that footnote immediately followed the Hauni court's citation to Jones and Weyerhaeuser. Therefore, one reasonable inference is that the Hauni court was suggesting that, under decisions like Jones and Weyerhaeuser, courts could regulate inducing or contributory infringement prior to the patent issuance since the statutory language did not restrict the regulation to the patent term. This was so, notwithstanding the fact that neither Jones nor Weyerhaeuser addressed that issue. Indeed, at least in Jones, the court did not have to address the issue since the facts were such that the alleged infringing conduct started before patent issuance and continued after issuance.

IV. Concurrent Decisions Contradicting the Jones Trilogy

A. Bissell, Inc. v. E.R. Wagner Manufacturing Co.

Three years after Weyerhaeuser, Bissell Inc. v. E.R. Wagner Manufacturing Co. n50 addressed the scenario wherein defendants copied a patented device with the knowledge that relevant patent applications were pending. n51 The defendants continued to make and use the accused device after the patent issued. n52 But prior to manufacture, patent counsel advised defendants that in view of the prior art plaintiff would not obtain broad protection and that defendants should avoid copying the patented device. n53 The court held:

It is the established rule that no damages are allowable except for the period which follows the grant of the patent for infringement of its claims during the term thereof. The manufacture and sale of a copied device during the pendency of another's application for a patent therefor does not constitute contributory infringement even though the life expectancy of said product may extend into the term of the patent grant. Further, the Radio Corporation case [i.e., Jones] and other decisions cited by plaintiff are not authority for the contention that damages for contributory infringement would be allowable for a period prior to infringement after issuance of a patent. n54

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The presence of an attorney opinion, although marginally exculpatory, may have been a persuading fact for the Bissell court when weighing the equities of the case, which courts seem to do even when not legally required to do so. Still, the Bissell court was correct in pointing out that Jones did not specifically hold that damages for contributory infringement would be measured or calculated during the pre-issuance period. Yet, at the same time, the Bissell court failed to point out that the Jones court omitted an indication of any time period that would be relevant or irrelevant for calculating damages. That omission was probably due to the fact the court was addressing a motion to dismiss, n55 which would not have required a determination of how damages are calculated.

B. Thomson Machinery Co. v. LaRose

Following Bissell came Thomson Machinery Co. v. LaRose, wherein the axiom was repeated that there could be no infringement of a patent application during its pendency in the Patent Office and before a patent issues. n56 The court noted that neither the alleged infringer nor his counsel ever had access to the pending patent applications until the patents issued. n57 This reference to access or knowledge of the contents of pending applications was in distinct contrast to the decisions in Jones and Weyerhaeuser. In Weyerhaeuser, there could have been arguable knowledge or access by the infringer since a reissue patent was the subject of infringement, and the infringer presumably had access to the original patent. But the Weyerhaeuser court gave no clear indication as to whether such knowledge was important. In Jones, there seemed to be no supportable, or at least no discernible, argument for access or knowledge of the forthcoming claims to form an intent to infringe. n58

In any event, the Thomson court explained the absence of legal effect of a "patent pending" notice:

The letter dated January 25, 1957, advising of the pendency of Patent Holders' application was a unilateral and gratuitous act on the part of Patent Holders' counsel and had no binding legal effect on Thomson. Furthermore, it certainly had no legal effect to create an addition to the term of the apparatus patent to begin with the date of the letter rather than the grant date of the patent,

[*583] and certainly did not arm Patent Holders with a self-created injunctive process which prohibited Thomson from making, using or selling its accused device during the pendency of the patent application under pain of answering in damages (treble) over a period of time outside the limits set by the grant. n59

The Thomson court noted that there "can be no contributory infringement in the absence of direct infringement, and direct infringement cannot occur prior to the grant of the patent." n60 That recognition was also in distinct contrast to the Jones trilogy of cases. The Jones trilogy made no mention of whether the alleged contributory infringement had to occur, at least to some extent, concurrently with the alleged direct infringement. Instead, the Jones trilogy of cases appeared to assume without discussion that the regulated contributory infringement need not occur concurrently with the direct infringement as long as the direct infringement eventually occurred.

Furthermore, the Thomson court seemed to dispel entirely the risk of liability for pre-issue activity which the Jones trilogy created, stating, "It is clearly erroneous to hold legal assumption of risk in making, using, or selling any product not covered by a patent existing at the time, but later found ex post facto to be covered by subsequently issued patent." n61 Relying on Bissell, the Thomson court further stated that the "manufacture and sale of a copied device during the pendency of another's application for a patent therefor does not constitute contributory infringement even though the life expectancy of said product may extend into the term of the patent grant." n62 The Thomson court may have been suggesting that one may intend infringement to occur during the patent term if the product life extends from the pre-issuance period and into the post-issuance period. But that did not satisfy the Thomson court's requirements. Moreover, the Thomson court specifically found Jones and Weyerhaeuser inapplicable: "[Jones] and other decisions cited by plaintiffs are not authority for the contention that damages for contributory infringement would be allowable for a period prior to infringement after issuance of a patent." n63 The court continued, "In those cases cited by Patent Holders which involve assessment of damages for acts performed pre-patent, the basis was an issue of unfair competition or unjust enrichment

[*584] but not under the patent laws. . . . No recovery of any kind was awarded in [Jones or Weyerhaeuser]." n64

C. Inject-O-Meter Manufacturing Co. v. North Plains Fertilizer & Chemical, Inc.

In 1971, the Fifth Circuit affirmed, in *Inject-O-Meter Manufacturing Co. v. North Plains Fertilizer & Chemical, Inc.*, the axiom that there can be no infringement before a patent issues. n65 There, plaintiff claimed that the defendant manufactured infringing devices prior to patent issuance but that the devices were in use during the patent term. Plaintiff specifically claimed that component parts were purchased about a year before the patent issued and that the infringing device had a useful life which would have extended into the patent term. n66 There was no evidence that the infringing devices were seen in use. n67 In fact, defendant claimed that the components were purchased only for experimentation and discarded before the patent issued. n68 It seemed apparent that the plaintiff alleged direct infringement, not contributory or inducing infringement. With little surprise, the Fifth Circuit affirmed the trial court's finding that there was no genuine issue of fact and thus affirmed the grant of summary judgment of no infringement. n69

At the same time *Hauni* was being decided in, the Second Circuit was continuing the axiom of no direct or inducing infringement before the issue date of the patent in *Foster v. American Machine & Foundry Co.* n70 Relying on an earlier Court of Claims decision in *Coakwell v. United States*, n71 the Foster court determined that it needed to separate sales made prior to and after the patent issue date to calculate damages. n72

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V. Refinement of Contributory and Inducement Theories to Reach Pre-Issuance Activity

A. Dawson: Developing Rationale for Reaching Pre-Issuance Activity

In 1980, the Supreme Court decided *Dawson Chemical Co. v. Rohm & Haas Co.*,ⁿ⁷³ but did not specifically address the issues raised in the Jones trilogy. The case is important nevertheless because the Court further focused the rationale for having a contributory infringement theory. The decision is also important for addressing the sometimes conflicting doctrines of patent misuse and contributory infringement. Perhaps most importantly, Dawson appears to give a possible explanation of why the Federal Circuit reached the decision it did in *National Presto* - a line had to be drawn to slow the increasing use of contributory infringement which, in effect, extended the patent term.

The Dawson court reviewed a Fifth Circuit decision which noted that prior to the patent issuance, the defendant Rohm & Haas allegedly coerced distributors into refusing to purchase propanil from anyone other than themselves.ⁿ⁷⁴ This was done by threats that uncooperative distributors would be cut off from such supply after the method patent issued and which utilized propanil.ⁿ⁷⁵ The Fifth Circuit had stated:

Since the right to exclude is created by the patent grant and an inventor cannot sue anyone for using his invention before the patent is issued, *Gayler v. Wilder*, . . . such coercive attempts to gain exclusivity before a patent issues may well constitute misuse. Since the court below has not addressed these contentions, we leave them for another day. . . .ⁿ⁷⁶

The Fifth Circuit discussed, in dicta, the issue that any exclusivity asserted before a patent issues might constitute patent misuse.ⁿ⁷⁷ Thus, at least implicitly, one who alleges contributory infringement for conduct only

[*586] prior to the patent issuance might be considered to be guilty of misuse. n78 The Jones trilogy did not address the misuse issue.

When the matter reached the Supreme Court, it was noted that the doctrine of contributory infringement involved competing interests:

The idea that a patentee should be able to obtain relief against those whose acts facilitate infringement by others has been part of our law since [1871]. The idea that a patentee should be denied relief against infringers if he has attempted illegally to extend the scope of his patent monopoly is of somewhat more recent origin, but it goes back at least as far as [1917]. The two concepts, contributory infringement and patent misuse, often are juxtaposed, because both concern the relationship between a patented invention and unpatented articles or elements that are needed for the invention to be practiced. n79

The Supreme Court provided an extended explanation of the historical development of contributory infringement. n80 In referring to *Wallace v. Holmes*, n81 the Supreme Court said that the Wallace court "permitted the patentee to enforce his rights against the competitor who brought about the infringement, rather than requiring the patentee to undertake the almost insuperable task of finding and suing all the innocent purchasers who technically were responsible for completing the infringement." n82 Still relying upon *Wallace*, the Court said:

[The contributory infringement doctrine] exists to protect patent rights from subversion by those who, without directly infringing the patent themselves, engage in acts designed to facilitate infringement by others. This protection is of particular importance in situations . . . where enforcement against direct infringers would be difficult, and where the technicalities of patent law make it

[*587] relatively easy to profit from another's invention without risking a charge of direct infringement. n83

The Court then characterized the history of contributory infringement:

The difficulty that the doctrine has encountered stems not so much from rejection of its core concept as from a desire to delimit its outer contours. . . . The judicial history of contributory infringement thus may be said to be marked by a period of ascendancy, in which the doctrine was expanded to the point where it became subject to abuse, followed by a somewhat longer period of decline, in which the concept of patent misuse was developed as an increasingly stringent antidote to the perceived excesses of the earlier period. n84

As with the Fifth Circuit, the Supreme Court recognized the conflicting interests involved stating, "we agree with the Court of Appeals that the concepts of contributory infringement and patent misuse rest on antithetical underpinnings, " n85 and continuing, "If both the patent misuse and contributory infringement doctrines are to coexist, then, each must have some separate sphere of operation with which the other does not interfere." n86

The Court continued:

Congress chose a compromise between competing policy interests. The policy of free competition runs deep in our law. It underlies both the doctrine of patent misuse and the general principle that the boundary of a patent monopoly is to be limited by the literal scope of the patent claims. But the policy of stimulating invention that underlies the entire patent system runs no less deep. And the doctrine of contributory infringement, which has been called "an expression of both of law and morals" can be of crucial importance in ensuring that the endeavors and investments of the inventor do not go unrewarded. n87

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B. The Proctor & Gamble Trilogy: Required Knowledge for Pre-Issuance Regulation

1. Goodwall Construction Co. v. Beers Construction Co.

One year after Dawson, in Goodwall Construction Co. v. Beers Construction Co., n88 a district court discussed the requisite knowledge for inducing infringement under a motion for summary judgment. n89 The patent involved a method of finishing concrete surfaces of buildings. n90 Plaintiffs claim of direct infringement was not brought before the court. n91 Plaintiffs claimed that Southern Bell, after learning of the patent claims, urged and encouraged Beers, a general contractor, to continue construction of Southern Bell's building. n92 This was after Beers had prepared various test panels over two years to develop a surface finish acceptable to Southern Bell. n93 Two months before the patent issued, plaintiffs advised Beers of the pending application, and Beers informed Southern Bell of the application. n94 The patent issued four months after the texturing of the outside surface of the Southern Bell building began. n95 Plaintiffs advised Southern Bell of the patent upon issuance. n96

Notwithstanding the above, the Goodwall court said that there was no evidence that Southern Bell knew of the pending application. n97 It further found that even though the construction contract between Beers and Southern Bell required the latter to reimburse the former for the cost of tools, it could not be said that Southern Bell encouraged the use or selection of tools. n98 Additionally, the court found that Southern Bell's inspection of the texturing results was not evidence of inducement. n99

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The Goodwall court's explanation for finding no inducement was essentially that Southern Bell was carrying out a construction contract entered into long before the patent issued:

It cannot be seriously argued that Southern Bell entered into its contracts with Beers with any thoughts of plaintiffs' patent in mind. Indeed, the initial 1976 contract was signed prior to Gooden's submission of a patent application. The 1977 construction contract was signed almost two years before the issuance of plaintiffs' patent. . . . The initial construction contract between Beers and Southern Bell held Beers to a January 1, 1978, completion date. When the contract was amended . . . it was necessary to move the scheduled completion date to December 1, 1980. Under these circumstances . . . the court finds that Southern Bell was . . . free to enforce the provisions of its contract with Beers.
n100

The stage was set after Goodwall, ironically in another trilogy of cases, for the Federal Circuit's later position in *National Presto* n101 on the issue of contributory infringement regulating pre-issuance activity. The three cases were *Proctor & Gamble Co. v. Nabisco Brands, Inc.*, n102 *Mixing Equipment Co. v. Innova-Tech Inc.* n103 and *Upjohn Co. v. Syntro Corp.* n104 The Proctor & Gamble trilogy picked up where the Jones trilogy left off - defining the intent necessary in the pre-issuance context for contributory and/or inducing infringement liability to attach.

2. Proctor & Gamble v. Nabisco Brands, Inc.

The Proctor & Gamble court considered a patent for a method of manufacturing ready-to-serve cookies. n105 Plaintiff alleged that defendants induced retailers to infringe the patent "by selling large quantities of their cookies to retailers just before the patent issued with the 'knowledge, belief or expectation' that a substantial portion of the cookies would be sold by the retailers after the patent issued." n106

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The defendants responded by moving to dismiss the inducement of infringement claim for failure to state a claim. n107 Defendants made three primary arguments. First, the defendants claimed that inducement required knowledge that the acts would result in infringement, not simply knowledge of a pending application. n108 Second, according to defendants, there could be no liability for inducement based on acts before the patent issued. n109 Third, defendants argued that simultaneous actions for direct and inducing infringement were improper. n110

The Proctor & Gamble court agreed with defendants' first argument. The court pointed out that 35 U.S.C.

271(b) does "not explicitly require knowledge," but most courts have imposed liability only for "knowing and intentional inducement." n111 The court specifically held that "mere knowledge" of a pending application was insufficient to satisfy the required knowledge for inducement. n112 According to the Proctor & Gamble court, a contrary "conclusion would be tantamount to extending the period of monopoly based on speculation because there would be no definite knowledge that a patent will issue and what the claims parameters of the patent will be." n113 Although the court cited no authority for its reasoning, it was clear that such reasoning had been used by courts in the late 1800's. n114 Finally, the Proctor & Gamble court suggested that plaintiff's burden of proof was two-fold in order to establish liability in the pre-issuance context: plaintiff must prove that defendants "knew that a patent would issue," and defendants knew that the patent "claims would cover defendants' products." n115

In responding to defendants' second argument, the court determined that there was little authority on whether section 271(b) applied to pre-issuance actions. n116 Thus, the Proctor & Gamble court resorted to an analysis of the explicit statutory language and legislative history. First, the court noted that the language of section 271(a) contained geographical and temporal limitations of liability, namely, in the United States and

[*591] during the patent term. n117 Next, the Proctor & Gamble court determined that other courts, perhaps including Hauni, have exhibited a "willingness . . . to disregard national boundaries" for inducement claims. n118 As such, the Proctor & Gamble court reasoned that it would be "most difficult to argue that temporal limitations do apply" under section 271(b). n119 But the court did not stop there. It continued to reason that "logic suggests" that one should be liable for inducement regardless of when the acts occurred, as long as direct infringement results. n120 Yet, the court left it quite unclear as to how logic supposedly dictated that conclusion.

The Proctor & Gamble court continued by exploring the legislative history of section 271(b), and reiterated that contributory infringement was a "broad equitable doctrine designed to cover activities . . . which intentionally contributed to direct infringement." n121 Having said that, the court noted that on a "practical" basis plaintiff could not bring an action, or presumably multiple actions, against thousands of retailers for direct infringement. The court also noted that defendants arguably avoided direct infringement by "rushing shipments" to the retailers before the patent issued. n122 Therefore, in the court's view, plaintiff had no practical remedy for direct infringement. To complete its reasoning, the Proctor & Gamble court then found that other courts in numerous decisions, and specifically the Jones trilogy, have concluded that inducing infringement covers pre-issuance activities. n123

Notwithstanding its broad statements, the Proctor & Gamble court did make it clear that even though it was controlling pre-issuance activities, damages would be based only on direct infringement during the patent term. n124 Doing so, according to the court's perspective, would not have the effect of extending the patent monopoly. n125 Rather, it would protect the patent holder from infringing acts during the patent term and for which the holder would otherwise have no practical remedy. n126 The

[*592] Proctor & Gamble court summarily dismissed defendants arguments regarding simultaneous direct and inducement claims. n127

What distinguished Proctor & Gamble, in part, from the Jones trilogy were the arguably greater number of equitable factors in Proctor & Gamble. There was the argument that defendants were flooding the marketplace, although the opinion omitted any reference to what numbers allegedly constituted flooding. There was also the argument that defendants were rushing to the market place just before the patent issued, although the opinion omitted a reference to the particular time frame involved. These so-called equitable factors appeared to be another way for the court to say that direct infringement was intended or expected during the patent term. It is questionable whether the defendants in Proctor & Gamble intended or wanted the subsequent sales by retailers to necessarily occur during the patent term. Instead, it seems reasonable to believe that a rational manufacturer would want retail sales to occur as soon as possible. That would presumably result in a greater return to the manufacturer and earlier re-orders from the retailers. As such, the Proctor & Gamble equitable factors seem to be more of a description of how manufacturers act in accordance with good business practices, rather than a description of some improper intent to cause harm to the prospective patent holder.

Additionally, the Proctor & Gamble court, unlike the courts of the Jones trilogy, noted the potential patent misuse arising from an extension of the patent term. n128 That concern was met by the Proctor & Gamble court by calculating damages based upon what occurred during the patent term, n129 and presumably excluded facts that occurred pre-issuance. Indeed, it was that same concern which the Thomson court found troubling and which led it to find Jones as being no authority for awarding damages for pre-issuance activity.

3. Donaldson Co. v. Pneumafil Corp.

Donaldson Co. v. Pneumafil Corp. n130 was also decided at about the same time as Proctor & Gamble. There, the defendant began development of its product, a dust collector, in 1978 for the Middle East market. In 1979, the defendant provided another company with the plaintiff's device for analysis in an effort to equal or better plaintiff's device. In early 1980, development work on the defendant's device was essentially

[*593] complete and the defendant learned of the plaintiff's Canadian patent. By the time plaintiff's United States patent issued in August 1980, defendant had expended more than \$ 180,000 in development costs. It was also at that time that defendant contacted its patent attorney who advised that plaintiff's patent was invalid and noninfringed. n131

The matter was tried to the court without a jury. The Donaldson court explained why there was no infringement liability:

The evidence shows that defendant's engineers examined plaintiff's cartridge system and attempted to equal or better its performance. This does not mean, however, that defendant infringed plaintiff's patent, if it were valid. The court credits defendant's witnesses' testimony that defendant had begun its development of the pulse jet cartridge system independently and in response to the growing Middle East market and that its development was parallel to and not based on a copying of plaintiff's development of its pulse jet cartridge system. The court finds further that the essential aspects of defendant's system were developed well before the issuance of plaintiff's patent and that defendant did not violate that patent by production of the already-developed product after issuance of the patent. n132

The Donaldson court did not specifically address the possibility that the defendant may have been subject to some type of pre-issuance liability, although the factual scenario seemed ripe for such an argument. The defendant was aware of plaintiff's foreign patent before the United States patent issued. Thus, defendant could have faced the argument that it had knowledge of plaintiff's foreign patent claims and therefore had an intent to infringe the United States patent since defendant proceeded forward with producing the infringing device in the face of such knowledge. On the other hand, the facts in Donaldson seemed to indicate that the equities sided with the defendant, who was essentially trying to invent around plaintiff's soon to be patented device. That type of balancing analysis seems more appropriate than merely looking at the fact that the would-be infringer had knowledge of the patent claims and brought its competing product to the market. In that fashion, recognition is given to the equally legitimate needs of the would-be infringer to design around a potentially issuing patent.

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4. Mixing Equipment Co. v. Innova-Tech, Inc.

In 1986, *Mixing Equipment* n133 was decided, in which the plaintiff completed eight sales of its allegedly infringing equipment prior to the patent issuance. Plaintiff sought a summary judgment as to those prior sales on the argument that one could not be liable for patent infringement until a patent issues; therefore, there can be no derivative (i.e., inducing or contributory) infringement. n134 The *Mixing Equipment* court took note of the long held axioms stated in *Gayler v. Wilder* and *Coakwell v. United States*, namely, that a patent infringement suit cannot be maintained until a patent issues and that there can be no infringement before a patent issues. n135 It also recognized the "elementary" rule that there cannot be contributory or inducing infringement without direct infringement. n136

But the court nevertheless considered that the equities justified pre-issuance regulation:

Unfortunately, such direct infringement liability can prove unwieldy. Under this procedure, a person having access to the inventor's forthcoming patent could rush the invention into production, manufacture scores of the product without the inventor's approval, and market them nationwide. By the time the patent is eventually issued, the wrongdoer would escape liability under the Supreme Court's ruling in *Gayler* because he could not be sued for infringing an as-yet-unissued patent. Thus, the inventory [sic] would have actions only as against the purchasers of the wrongdoer's product which, assuming nationwide sales, would make a meaningful infringement recovery unpalatably expensive. . . . [I]f the *Gayler* restriction against pre-issuance liability is applicable to these causes of action [for contributory and inducing infringement], the inventor faces the same dilemma he encountered in a direct infringement action: his effective legal remedy is eviscerated by an infringer's early access to his invention and he is left with the potentially enormous burden of proceeding against the numerous direct infringers who purchase the copied product. n137

Arguably, much of the court's language might properly be considered dicta. Only eight sales of equipment were at issue. There was no discussion of whether those particular eight sales were made nationwide, let alone in a fashion that made direct infringement actions impracticable.

[*595] Further, the court gave no explanation of how the alleged infringer rushed to the market and then flooded it with infringing products.

Still, the Mixing Equipment court found the discussion in Proctor & Gamble persuasive. n138 In particular, reliance was made on the language in Proctor & Gamble that the plaintiff flooded the market with the knowledge that resales would occur after the patent issued. n139 There was equal reliance on the reasoning in Proctor & Gamble that there would be no extension of the patent monopoly since the direct infringement at issue occurred within the patent term. n140 The Mixing Equipment court also referred to Jones for further support that pre-issuance acts done with the intent to infringe a later issued patent are actionable. n141

Finally, the Mixing Equipment court set forth the elements necessary for finding liability for pre-issuance conduct: (1) the defendant acted "knowingly" to induce or contribute to infringement; (2) the defendant's acts "culminated" in direct infringement; and (3) the direct infringement occurred within the patent term. n142 Because the court then found a dispute over whether the alleged infringer "acted knowingly in consummating the eight sales," summary judgment was denied. n143 Interestingly, however, the court did not indicate what facts of knowledge were offered by the parties. Moreover, the court did not explain its perception of how one acts "knowingly."

Before the Proctor & Gamble trilogy was completed, the Eastern District of Tennessee decided Mendenhall v. Astec Industries Inc. n144 In Mendenhall, the reissue patent involved was for a method for recycling asphalt. n145 Astec made the argument that its recommendations to customers which allegedly constituted inducement stopped before issuance of the patent. n146 Although not explicit from the opinion, Astec may have been making the argument that if its inducing conduct stopped before the patent issued, there could be no inducing infringement. But the court found that the evidence indicated continued promotion and recommendations to customers presumably after the patent issued. n147 Thus, there was

[*596] a missed opportunity for the court to give its opinion of how acts solely limited to pre-issuance can or cannot constitute inducement.

5. Upjohn Co. v. Syntro Corp.

In 1990, Upjohn, n148 in which a patent for a genetically engineered virus was at issue, was decided. Syntro had created a wholly-owned subsidiary named SyntroVet to manufacture and market the virus. n149 The plaintiff alleged that Syntro was directly infringing and inducing infringement of the patent at issue. n150 SyntroVet was not a named party in the subject lawsuit, but was a party in a separate infringement action arising from essentially the same facts as the subject lawsuit. n151 Syntro moved to dismiss, which the court treated as a motion for summary judgment. n152 One of two questions presented was whether Syntro could be liable for willful inducement of infringement. n153

Syntro denied that it made, used, or sold the infringing product, but admitted that its subsidiary made and sold it. n154 Upjohn attempted to use Syntro's filings with the Securities and Exchange Commission, as well as Syntro's financial statements, to dispute Syntro's denial of making, using, or selling. n155 The court still found no direct infringement by Syntro, but did find willful inducement of infringement. n156

The Upjohn court rejected the argument that the direct infringer must be a party to the suit in order for a claim of inducement to stand. n157 Syntro argued that since it had no knowledge of the scope of the patent, it could not have knowingly induced infringement of the patent yet to issue or, alternatively, there could be no liability for pre-issuance activities. n158 In reply, Upjohn argued that pre-issuance activity which culminates

[*597] in direct infringement during the patent term is actionable, and Syntro should be charged with "knowledge of direct infringement after the issuance of the patent." n159 In support of its argument, Upjohn claimed that Syntro developed the product, set up the manufacturing subsidiary, and encouraged the use of the product. n160 The court determined that Syntro's "continuous encouragement of SyntroVet's manufacture and sale of the product" was the "essence of any inducement claim." n161

Regarding knowledge, Syntro conceded that it knew of the pending patent application, but still argued that that was insufficient for knowing inducement. n162 Upjohn countered that Syntro knew the "exact nature" of the patent because it had a copy of the patent application. n163 Because of the factual dispute of knowledge, the court denied summary judgment. n164 Moreover, the Upjohn court rejected Syntro's pre-issuance argument by relying upon its earlier decision in Proctor & Gamble. n165 The Upjohn court pointed out that its earlier decision rejected the argument that a temporal restriction applied to inducement claims. n166 It also noted that while its earlier decision referred to a situation of rushing to the market, that decision was not so limited. n167

From the written opinion of the Upjohn court, it was unclear what patent application Syntro allegedly possessed. In other words, it was unclear whether Syntro had the initial application as filed and/or subsequent amendments. Such facts are important to determine the level of knowledge one might have with regard to the claims that eventually issue. For example, if Syntro had copies of the initial application and all amendments through a notice of allowance, it would seem close to impossible for Syntro to argue that it had insufficient knowledge.

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VI. National Presto: Current Federal Circuit View

In 1993, *National Presto Industries Inc. v. West Bend Co.* n168 was decided at the district court level, which involved a patent for a vegetable cutting device. n169 West Bend moved for summary judgment based on invalidity and noninfringement or, alternatively, for nonrecovery of damages for pre-issuance sales. n170

The court noted that Presto filed its patent application in 1990, and that both the plaintiff and defendant were marketing vegetable cutting devices in 1991. n171 In June 1991, Presto learned that West Bend was considering the introduction of an electrical vegetable cutting appliance. n172 Presto then contacted West Bend to arrange a meeting so a determination could be made as to whether West Bend's contemplated appliance would infringe the pending patent claims. n173 West Bend declined. n174

In July and November 1991, West Bend agreed to indemnify two of its customers from patent infringement relating to West Bend's product which was first sold in September 1991. On November 15, 1991, Presto advised West Bend that the former's patent application had been allowed. On November 25, West Bend agreed to meet with Presto to disclose the patent application. On November 26, Presto sent West Bend a copy of the allowed claims.

With the above facts, Presto argued that knowledge of the patent should have been "imputed" to West Bend since it had the opportunity but refused to learn the contents of the pending application. n175 Presto also argued, just as the defendants did in *Weyerhaeuser*, n176 that West Bend's intent to infringe was evidenced by its indemnification agreements

[*599] with its customers. n177 It further argued that West Bend could have avoided infringing sales if it had accepted the offer to view the patent. n178

The district court in National Presto relied on Proctor & Gamble to initially note that direct infringement can only occur during the patent term, whereas inducing and contributory infringement liability can occur before the patent term. n179 The court then recited the three elements identified in Mixing Equipment which that court found are necessary for a finding of pre-issuance liability. n180 The court then explained:

For liability to attach, the accused must know that the product it markets prior to the issuance of the patent will "be the subject of infringing retail sales to the public after the patent issued." This burden is a difficult one to meet because the accused is unlikely to know the contents of a patent prior to its issuance absent exceptional circumstances. Mere knowledge that a patent is pending is not enough. n181

The district court continued by referring to the reasoning in Mixing Equipment and Upjohn for upholding pre-issuance regulation. n182 The court found Presto's arguments unpersuasive:

West Bend was entitled to avoid acceding to Presto's terms, which included disclosing its competing product to Presto. Assuming that it is ever appropriate to impose constructive knowledge of a competitor's pending patent, I decline to do so on these facts. n183

Because the record was silent as to West Bend's conduct after receiving "a copy of the pending patent on November 25," and since there was no evidence of "predatory sales or other inequitable conduct," the court denied the motion for summary judgment. n184

On appeal of the summary judgment and jury verdict to the Federal Circuit, Presto argued that West Bend flooded the market with its competing device just months before the patent issued. n185 Presto claimed

[*600] that West Bend "fully expected that its shipments to retailers in the weeks before patent issuance would be resold in part after patent issuance." n186 According to Presto, liability under section 271(b) should have depended on whether West Bend's customer's infringement was "directly, foreseeably, and intentionally" caused by West Bend, irrespective of when West Bend acted. n187 To support its claim that West Bend had "knowledge and culpable intent," Presto relied on West Bend's indemnification agreements with its customers for future infringement liability. n188 Presto further argued that it should be entitled to damages for those devices "placed into commerce" during a "reasonable period" before the patent issued. n189

West Bend countered that there can be no direct infringement liability for a pending patent application, and the same limitation applies similarly to inducement. n190 According to West Bend, "much can happen to prevent or delay the patent grant, and there are many opportunities for abuse by patentees." n191 Additionally, West Bend claimed that a patent pending notice imposes no liability, but simply acts as a notice of potential protection. n192

The Federal Circuit's analysis began by noting that it has previously observed that section 271(b) liability seeks to prevent "actively and knowingly aiding and abetting another's direct infringement." n193 In the Federal Circuit's analysis, the district court had held that West Bend could not be liable for its customer's infringement which was based upon West Bend's pre-issuance activity even if West Bend had acted in "bad faith." n194 The Federal Circuit viewed the issue before it as whether section 271(b) provides a remedy "against persons who deliberately place later- infringing items into the chain of commerce before the patent issues." n195

The Federal Circuit reviewed the decisions in Jones, Weyerhaeuser, Proctor & Gamble, Mixing Equipment, and Upjohn. n196 It nevertheless

[*601] held that as a matter of law, section 271(b) "does not reach actions taken before issuance of the adverse patent." n197 Furthermore, the Federal Circuit believed that liability could not be "imposed retrospectively, to make illegal an act that was not illegal when it was done." n198

The "particularly egregious actions" by West Bend, as referenced by the district court, were considered by the Federal Circuit. n199 The court stated that "improper actions" like those in Proctor & Gamble for "illicit delay of patent issuance, and other misconduct of the nature of fraud and unfair competition" would still be actionable. n200 But the "general rule" was that inducement under section 271(b) would not lie for acts before the patent issued. n201

VII. Implications of National Presto

The Federal Circuit in National Presto did not express whether contributory infringement under section 271(c) could hold a party liable for pre-issuance activity. Arguably, there should be no pre-issuance liability for contributory infringement under the Federal Circuit's reasoning. Both inducement and contributory infringement were borne out of the theory of aiding and abetting. If both were from the same source theory, reason suggests that both would be treated the same by the Federal Circuit. n202 Such a view must be taken almost by default, since the Federal Circuit gave no explanation of why the Jones trilogy and/or Proctor & Gamble trilogy were decided wrongly or inapplicable.

If one accepts that neither inducement nor contributory infringement can exist for pre-issuance acts, the next question is whether the would-be infringer can "knowingly" proceed in the face of a pending patent without liability, irrespective of the liability theory. The short answer seems to be "no." According to the Federal Circuit in National Presto, it explicitly left open potential liability for misuse and unfair competition. n203 As such, the same actions that might previously have

[*602] been alleged to constitute inducement or contributory infringement might now be alleged to constitute misuse or unfair competition.

Furthermore, pre-issuance acts that might not suffice for liability as inducement or contributory infringement might yet set the stage for a willful infringement action. As an example, one might gain pre-issuance knowledge of another's pending patent claims. Those claims might even have been allowed, but not yet issued. Under *National Presto*, a would-be infringer might claim that there is no liability for pre-issuance acts and proceed to manufacture the supposedly infringing device before the patent issues. After the patent issues, the would-be infringer might continue to sell the infringing device until receiving an opinion of counsel that persuades the infringer to stop sales.

In the face of a lawsuit or the threat of one, the would-be infringer in the above scenario might claim that he could not have knowingly infringed claims that had not yet issued, relying on *State Industries, Inc. v. A.O. Smith Corp.* n204 Therein, the Federal Circuit said that to "willfully infringe a patent, the patent must exist and one must have knowledge of it." n205 But the Federal Circuit has subsequently indicated in *Gustafson Inc. v. Intersystems Industrial Products Inc.* that *State Industries* did not set forth a per se rule. n206 According to *Gustafson*, one must consider the "totality of the circumstances" to determine willfulness. n207 Moreover, the *Gustafson* court indicated that willfulness is a question of the actor's intent, which can be inferred from "all the circumstances." n208 Therefore, the would-be infringer should not brazenly ignore the pre-issuance knowledge it possesses, and proceed with the idea that it can escape liability for inducement or contributory infringement. Doing so might be exposing the would-be infringer to something far worse than pre-issuance liability, namely, increased damages for willfulness.

Given the potential for increased damages based on willfulness, the practical effect of *National Presto* may not be as great as one might initially perceive. If the would-be infringer stops all activities once the

[*603] patent issues, then the infringer would seem to be free from any liability, at least from patent theories. n209 If the would-be infringer intends to continue his acts after the patent issues, then the knowing infringer may temper his pre-issuance actions in an effort to avoid potentially enhanced damages for post-issuance infringement.

So when a patent holder now asks what can be done to stop an infringer while a patent is pending, a response might be that the infringer should be placed in a position of knowledge of the pending claims. That will tend to increase the risk of damages to which the infringer might eventually become liable. And with increased risk, the would-be infringer might have a second thought about proceeding with his activity. For the would-be infringer who now asks if it is possible to be sued while a patent is pending, the answer seems to be "no," as long as the infringing activity stops when the patent issues.

VIII. Conclusion

National Presto may be but another attempt at what courts have attempted to accomplish over the past century in balancing the competing interests of the would-be patent holder and the would-be infringer. The would-be patent holder needs to protect its investment. The would-be infringer has an interest in prohibiting the extension of another's patent term beyond the statutory grant. Perhaps National Presto is part of the cycle described by the Supreme Court in *Dawson Chemical*, and the Federal Circuit is now at a point where the doctrine of patent misuse is being used to restrict the perceived overextension of the contributory infringement doctrine. If that is the case, one should anticipate the Federal Circuit further defining what it described as a "general rule" announced in *National Presto*.

On a practical level, the consequence from the *National Presto* decision is that would-be patent holders and would-be infringers have a greater degree of certainty about when infringement can occur. On a philosophical level, the benefits of patentable developments might now be considered lessened since the ability to stop would-be infringers has lessened. It only seems logical that with less benefits to patentable developments comes greater investment risks and, thus, fewer investments in new technology.

n1 76 *F.3d* 1185, 37 *U.S.P.Q.2d* (BNA) 1685 (*Fed. Cir.* 1996).

n2 51 *U.S.* (10 *How.*) 477 (1850).

n3 *Id.* at 493.

n4 128 *U.S.* 605 (1888).

n5 *Id.* at 612.

n6 See, e.g., *Hoover Group, Inc. v. Custom Metalcraft, Inc.*, 66 F.3d 299, 303-04, 36 U.S.P.Q.2d (BNA) 1101, 1104 (Fed. Cir. 1995).

n7 See, e.g., *Mixing Equipment Co. v. Innova-Tech Inc.*, 2 U.S.P.Q.2d (BNA) 1212, 1213 (E.D. Pa. 1986); *Goodwall Constr. Co. v. Beers Constr. Co.*, 216 U.S.P.Q. (BNA) 1006, 1008 (N.D. Ga. 1981); *FDI, Inc. v. W.R. Grace & Co.*, 210 U.S.P.Q. (BNA) 899 (C.D. Cal. 1980); *Must v. Wilkinson*, 127 F. Supp. 905, 906, 104 U.S.P.Q. (BNA) 135, 135 (S.D. Cal. 1955).

n8 See, e.g., *Must v. Wilkinson*, 127 F. Supp. 905, 906, 104 U.S.P.Q. (BNA) 135, 135 (S.D. Cal. 1955); see also *Donaldson Co. v. Pneumafil Corp.*, 617 F. Supp. 1428, 1442, 227 U.S.P.Q. (BNA) 992, 1002 (W.D.N.C. 1985) ("[T]he essential aspects of defendant's system were developed well before the issuance of plaintiff's patent and [the] defendant did not violate that patent by production of the already- developed product after issuance of the patent."); *Andco Envtl. Processes, Inc. v. Niagara Envtl. Assoc.*, 206 U.S.P.Q. (BNA) 656 (W.D.N.Y. 1980) (contributory and inducing infringement); *Powerlock Floors, Inc. v. Robbins Flooring Co.*, 327 F. Supp. 388, 390, 170 U.S.P.Q. (BNA) 569, 570 (D. Del. 1971) ("Nor is infringement established even if the defendant actually manufactured or sold flooring structures within the scope of the claims . . . either before the '916 patent was issued or after suit was begun, or both. The act of infringement must have been committed after the patent issued. . . ."), aff'd, 464 F.2d 1022, 174 U.S.P.Q. (BNA) 422 (3d Cir. 1972).

n9 See *Rein v. Clayton*, 37 F. 354, 358 (E.D. Mich. 1889) ("We are asked in this case to assume that a patent will be issued covering five different claims, yet we have no assurance whatever that, if a patent be issued, any one of these claims will be allowed in the language in which it is couched."). See also *Pittway Corp. v. BRK Shareholders' Comm.*, 444 F. Supp. 1210, 199 U.S.P.Q. (BNA) 659 (N.D. Ill.), aff'd without op., 588 F.2d 83 (7th Cir. 1978). The Pittway district court stated:[Another district court stated that] nowhere in the patent laws is a cause of action created for the alleged infringement of an invention that has never been patented. Accordingly, since defendant could not sue under the patent laws for damages for infringement of a nonexistent patent, plaintiff may not use the declaratory judgment device to accomplish the same result. . . . Plaintiff has cited this court no authority for the proposition that a person can sue for a declaration of noninfringement of an invention which has never been patented. . . . The United States patent laws are only concerned with patents, and the protection thereof, not mere ideas which never obtain patent protection. 444 F. Supp. at 1214, 199 U.S.P.Q. (BNA) at 662-63.

n10 See *Lyon v. Donaldson*, 34 F. 789, 792 (N.D. Ill. 1888) ("[A]lthough we may assume from the proof that defendant knew when he made his machines that plaintiff was the inventor, yet, until plaintiff made his application for a patent, it was not certain that he would ever apply for or obtain one.").

n11 940 F.2d 631, 19 U.S.P.Q.2d (BNA) 1545 (Fed. Cir.), cert. denied, 502 U.S. 1023 (1991).

n12 *Id.* at 636-37, 19 U.S.P.Q.2d (BNA) at 1549-50 (citation omitted) (quoting *State Indus. v. A.O. Smith Corp.*, 751 F.2d 1226, 1236, 224 U.S.P.Q. (BNA) 418, 425 (Fed. Cir. 1985)). See also *FDI, Inc. v. W.R. Grace & Co.*, 210 U.S.P.Q. (BNA) 899, 901 (C.D.

Cal. 1980) ("Moreover, a pending patent afforded defendants no legal rights or powers. . .").

n13 *51 U.S. (10 How.) 477 (1850)*.

n14 *128 U.S. 605 (1888)*.

n15 The statute currently provides in part: (a) Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent. (b) Whoever actively induces infringement of a patent shall be liable as an infringer. (c) Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination, or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer. (d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement; (4) refused to license or use any rights to the patent; or (5) conditioned the license of any rights to the patent or the sale of patented product on the acquisition of a license to rights in another patent or purchase of a separate product, unless, in view of the circumstances, the patent owner has market power in the relevant market for the patent or patented product on which the license or sale is conditioned. *35 U.S.C. 271 (1996)*.

n16 See generally Charles E. Miller, *Some Views on the Law of Patent Infringement by Inducement*, 53 *J. Pat. Off. Soc'y* 86 (1971).

n17 *131 F. Supp. 82, 106 U.S.P.Q. (BNA) 170 (S.D.N.Y. 1955)*.

n18 *178 F. Supp. 757, 123 U.S.P.Q. (BNA) 493 (D.R.I. 1959)*.

n19 *183 U.S.P.Q. (BNA) 168 (E.D. Va. 1974)*.

n20 See discussion *infra* at Section V, *Refinement of Contributory and Inducement Theories to Reach Pre-Issuance Activity*.

n21 *Jones, 131 F. Supp. 82, 106 U.S.P.Q. (BNA) 170*.

n22 *Id. at 83, 106 U.S.P.Q. (BNA) at 171*.

n23 *Id.*

n24 *Id.*

n25 *Id. at 84, 106 U.S.P.Q. (BNA) at 171 (citation omitted)*.

n26 *Id.* (citation omitted).

n27 *Id.*

n28 See *id.* (citing *Barrett v. Sheaffer*, 251 F. 74 (7th Cir. 1918)).

n29 *Id.*

n30 *Weyerhaeuser Timber Co. v. Bostitch, Inc.*, 178 F. Supp. 757, 123 U.S.P.Q. (BNA) 493 (D.R.I. 1959).

n31 *Id.* at 758, 123 U.S.P.Q. (BNA) at 494.

n32 *Id.*

n33 *Id.* at 759, 123 U.S.P.Q. (BNA) at 495.

n34 *Id.*

n35 *Id.* at 760, 123 U.S.P.Q. (BNA) at 495.

n36 *Id.*

n37 See *id.*

n38 *Id.* (citations omitted).

n39 *Id.*

n40 *Id.* at 759-60, 123 U.S.P.Q. (BNA) at 495.

n41 Cf. *Celotex Corp. v. V.E. Power Door Corp.*, 204 U.S.P.Q. (BNA) 636, 639 (E.D.N.Y. 1979) (actual or imputed knowledge of the patent is insufficient; actual knowledge is required).

n42 *Hauni Werke Koerber & Co., K.G. v. Molins Ltd.*, 183 U.S.P.Q. (BNA) 168 (E.D. Va. 1974).

n43 *Id.* at 168.

n44 *Id.*

n45 *Id.* See also *Power Lift, Inc. v. Lang Tools, Inc.*, 774 F.2d 478, 481, 227 U.S.P.Q. (BNA) 435, 437 (Fed. Cir. 1985) (liability for inducement can extend to corporate officials).

n46 *Hauni*, 183 U.S.P.Q. (BNA) at 170.

n47 *Id.* (quotation and citation omitted).

n48 *Id.*

n49 *Id.* at 171 n.4.

n50 204 F. Supp. 801, 133 U.S.P.Q. (BNA) 469 (E.D. Wis. 1962).

n51 *Id.* at 813, 133 U.S.P.Q. (BNA) at 479.

n52 *Id.*

n53 *Id.*

n54 *Id.* at 815-16, 133 U.S.P.Q. (BNA) at 481 (citations omitted).

n55 *Jones v. Radio Corp. of Am.*, 131 F. Supp. 82, 83, 106 U.S.P.Q. (BNA) 170, 170.

n56 306 F. Supp. 681, 693, 163 U.S.P.Q. (BNA) 80, 88 (E.D. La. 1969).

n57 *Id.* at 691, 163 U.S.P.Q. (BNA) at 86.

n58 But see *Kerns v. Wood Motors, Inc.*, 204 U.S.P.Q. (BNA) 485, 490 (E.D. Mich. 1978), wherein the court expressed some doubt that 35 U.S.C. 271(b) requires knowledge of pending claims.

n59 *Thompson*, 306 F. Supp. at 693, 163 U.S.P.Q. (BNA) at 88 (citation omitted).

n60 *Id.*

n61 *Id.* at 688, 163 U.S.P.Q. (BNA) at 84.

n62 *Id.* at 694, 163 U.S.P.Q. (BNA) at 88.

n63 *Id.* (citations omitted).

n64 *Id.* at 694, 163 U.S.P.Q. (BNA) at 89 (citations omitted).

n65 439 F.2d 1138, 1143 n.23, 169 U.S.P.Q. (BNA) 70, 74-75 n.23 (5th Cir.), cert. denied, 404 U.S. 824 (1971).

n66 *Id.* at 1143, 169 U.S.P.Q. (BNA) at 75.

n67 *Id.*

n68 *Id.*

n69 *Id.*

n70 492 F.2d 1317, 1323, 182 U.S.P.Q. (BNA) 1, 5 (2d Cir.), cert. denied, 419 U.S. 833 (1974).

n71 372 F.2d 508, 512, 153 U.S.P.Q. (BNA) 307, 309 (Ct. Cl. 1967) ("not necessary now to decide whether or not plaintiff could recover compensation with respect to suits and valves procured prior to the grant of his patent if the defendant had not had knowledge of the pending patent application.") (emphasis in original).

n72 *Foster*, 492 F.2d at 1323, 182 U.S.P.Q. (BNA) at 5.

n73 448 U.S. 176, 206 U.S.P.Q. (BNA) 385 (1980).

n74 *Rohm & Haas Co., v. Dawson Chem. Co.*, 599 F.2d 685, 687 n.3, 203 U.S.P.Q. (BNA) 1, 3 n.3 (5th Cir. 1979), aff'd, 448 U.S. 176, 206 U.S.P.Q. (BNA) 385 (1980).

n75 *Id.*

n76 *Id.* at 687-88 n.3, 203 U.S.P.Q. (BNA) at 3-4 n.3 (citations omitted).

n77 *Id.* Also, for a discussion of patent misuse in the context of licenses after the expiration of the patent term, see generally Louis Altman, *Is There an Afterlife? The Effect of Patent or Copyright Expiration on License Agreements*, 64 J. Pat. Off. Soc'y 297 (1982).

n78 Cf. *FDI, Inc. v. W.R. Grace & Co.*, 210 U.S.P.Q. (BNA) 899, 901 (C.D. Cal. 1980). (In a state claim for unfair competition, the court noted "defendants have not been

shown to have attempted any action while their patent was pending. Plaintiff has simply failed to introduce any evidence that the defendants committed an unfair or prohibited act directed at plaintiff or other manufacturers prior to the issuance of the patent."); *Analytichem Int'l, Inc. v. Har-Len Assoc.*, 490 F. Supp. 271, 273-75, 209 U.S.P.Q. (BNA) 1027, 1028-29 (W.D. Pa. 1980) (patent misuse "relates specifically to an attempted unwarranted extension of the economic benefits derivable from the legitimate monopoly conferred by a valid patent. . . . In essence abuse of a patent consists of seeking economic gain by persuading or coercing the purchasing public to believe that a patent right exists when in fact and in truth it does not.").

n79 *Dawson*, 448 U.S. at 179-80, 206 U.S.P.Q. (BNA) at 389 (citations omitted).

n80 *Id.* at 180-81, 206 U.S.P.Q. (BNA) at 389-90.

n81 *Wallace v. Holmes*, 29 F. Cas. 74 (C.C.D. Conn. 1871).

n82 *Dawson*, 448 U.S. at 188, 206 U.S.P.Q. (BNA) at 393.

n83 *Id.* (citations omitted).

n84 *Id.* at 189, 206 U.S.P.Q. (BNA) at 393.

n85 *Id.* at 197-98, 206 U.S.P.Q. (BNA) at 397 (internal citations omitted).

n86 *Id.*

n87 *Id.* at 221, 206 U.S.P.Q. (BNA) at 407 (quoting *Mercoide Corp. v. Mid-West Inv. Co.*, 320 U.S. 661, 677, 60 U.S.P.Q. (BNA) 21, 29 (Frankfurter, J., dissenting)).

n88 216 U.S.P.Q. (BNA) 1006 (N.D. Ga. 1981).

n89 *Id.* at 1007.

n90 *Id.*

n91 *Id.*

n92 *Id.*

n93 *Id.* at 1008.

n94 *Id.*

n95 *Id.*

n96 *Id.*

n97 *Id.*

n98 *Id.* at 1009.

n99 *Id.*

n100 *Id.* at 1011.

n101 *National Presto Indus. v. West Bend Co.*, 76 F.3d 1185, 37 U.S.P.Q.2d (BNA) 1685 (Fed. Cir. 1996).

n102 604 F. Supp. 1485, 225 U.S.P.Q. (BNA) 929 (D. Del. 1985).

n103 2 U.S.P.Q.2d (BNA) 1212 (E.D. Pa. 1986).

n104 *14 U.S.P.Q.2d (BNA) 1469 (D. Del. 1990)*.

n105 *Proctor & Gamble, 604 F. Supp. at 1486, 225 U.S.P.Q. (BNA) at 930*.

n106 *Id. at 1487, 225 U.S.P.Q. (BNA) at 930*.

n107 *Id.*

n108 *Id.*

n109 *Id.*

n110 *Id.*

n111 *Id. at 1488, 225 U.S.P.Q. (BNA) at 930*.

n112 *Id.*

n113 *Id.*

n114 See *infra* notes 9-10 and accompanying text.

n115 *Proctor & Gamble, 604 F. Supp. at 1490, 225 U.S.P.Q. (BNA) at 932*.

n116 *Id. at 1489, 225 U.S.P.Q. (BNA) at 932*.

n117 *Id. at 1488, 225 U.S.P.Q. (BNA) at 930*.

n118 *Id. at 1489, 225 U.S.P.Q. (BNA) at 932*.

n119 *Id. at 1489, 225 U.S.P.Q. (BNA) at 931*.

n120 *Id.*

n121 *Id.*

n122 *Id.*

n123 *Id.*

n124 *Id.*

n125 *Id. at 1490, 225 U.S.P.Q. (BNA) at 932*.

n126 *Id.*

n127 *Id.*

n128 *Id.*

n129 *Id.*

n130 *617 F. Supp. 1428, 227 U.S.P.Q. (BNA) 992 (W.D.N.C. 1985)*.

n131 *Id. at 1442, 227 U.S.P.Q. (BNA) at 1002*.

n132 *Id.* (citation omitted).

n133 *Mixing Equipment Co. v. Innova-Tech Inc., 2 U.S.P.Q.2d (BNA) 1212 (E.D. Pa. 1986)*.

n134 *Id. at 1213*.

n135 *Id.*

n136 *Id. at 1214 n.2.*

n137 *Id. at 1213-14.*

n138 *Id. at 1214.*

n139 *Id.*

n140 *Id.*

n141 *Id.*

n142 *Id. at 1215.*

n143 *Id.*

n144 *13 U.S.P.Q.2d (BNA) 1913 (E.D. Tenn. 1988).*

n145 *Id. at 1915.*

n146 *Id. at 1953.*

n147 *Id.*

n148 *Upjohn Co. v. Syntro Corp., 14 U.S.P.Q.2d (BNA) 1469 (D. Del. 1990).* See also *Sterling Drug Inc. v. Intermedics Inc., 1 U.S.P.Q.2d (BNA) 1578 (W.D. Tex. 1986)* (finding cause of action for pre-issuance inducement under Proctor & Gamble).

n149 *Upjohn, 14 U.S.P.Q.2d (BNA) at 1470.*

n150 *Id.*

n151 *Id.*

n152 *Id.*

n153 *Id.*

n154 *Id. at 1471.*

n155 *Id.*

n156 *Id. at 1471-72.*

n157 *Id. at 1473.*

n158 *Id.*

n159 *Id.*

n160 *Id.*

n161 *Id.*

n162 *Id.*

n163 *Id. at 1474.*

n164 *Id.*

n165 *Id.*

n166 *Id. at 1473.*

n167 Id.

n168 28 *U.S.P.Q.2d* (BNA) 1049 (W.D. Wis. 1993), aff d, 76 *F.3d* 1185, 37 *U.S.P.Q.2d* (BNA) 1685 (Fed. Cir. 1996).

n169 Id. at 1050.

n170 Id.

n171 Id. at 1050-51.

n172 Id. at 1051.

n173 Id.

n174 Id.

n175 Id. at 1057.

n176 *Weyerhaeuser Timber Co. v. Bostich, Inc.*, 178 *F. Supp.* 757, 759-60, 123 *U.S.P.Q.* (BNA) 493, 495 (D.R.I. 1959).

n177 *National Presto*, 28 *U.S.P.Q.2d* (BNA) at 1057.

n178 Id.

n179 Id.

n180 Id.

n181 Id. (quoting *Proctor & Gamble Co. v. Nabisco Brands, Inc.*, 604 *F. Supp.* 1485, 1489, 225 *U.S.P.Q.* (BNA) 929, 931 (D. Del. 1985)) (citation omitted).

n182 Id.

n183 Id. at 1057-58.

n184 Id. at 1058.

n185 *National Presto Indus. v. West Bend Co.*, 76 *F.3d* 1185, 37 *U.S.P.Q.2d* (BNA) 1685 (Fed. Cir. 1996).

n186 Id. at 1195, 37 *U.S.P.Q.2d* (BNA) at 1692.

n187 Id. at 1194, 37 *U.S.P.Q.2d* (BNA) at 1691.

n188 Id.

n189 Id.

n190 Id. at 1196, 37 *U.S.P.Q.2d* (BNA) at 1693.

n191 Id.

n192 Id.

n193 Id. at 1195, 37 *U.S.P.Q.2d* (BNA) at 1692.

n194 Id.

n195 Id.

n196 Id. at 1195-96, 37 *U.S.P.Q.2d* (BNA) at 1692.

n197 *Id. at 1196, 37 U.S.P.Q.2d (BNA) at 1693.*

n198 *Id.*

n199 *Id.*

n200 *Id.*

n201 *Id.*

n202 See generally Charles E. Miller, *Some Views on the Law of Patent Infringement by Inducement*, 53 J. Pat. Off. Soc'y 86 (1971).

n203 *National Presto, 76 F.3d at 1196, 37 U.S.P.Q. (BNA) at 1693.*

n204 *751 F.2d 1226, 224 U.S.P.Q. (BNA) 418 (Fed. Cir. 1985).*

n205 *Id. at 1236, 224 U.S.P.Q. (BNA) at 424*; see also *Conopco Inc. v. May Dept Stores Co.*, 46 F.3d 1556, 1562, 32 U.S.P.Q.2d (BNA) 1225, 1229 (Fed. Cir. 1994), cert. denied, 115 S.Ct. 1724 (1995). The Conopco court stated that, "[a]lthough these activities may have been undertaken with knowledge that a patent application covering the relaunched lotion formulation was pending (in view of the "patent pending" notice affixed the relaunched product), that is insufficient to support a finding of willfulness." *Id.*

n206 *897 F.2d 508, 510, 13 U.S.P.Q.2d (BNA) 1972, 1974 (Fed. Cir. 1990).*

n207 *Id.*

n208 *Id. at 510-11, 13 U.S.P.Q.2d (BNA) at 1974.*

n209 For an example of an unfair competition claim against pre-issuance activity, see *FDI, Inc. v. W.R. Grace & Co.*, 210 U.S.P.Q. 899 (C.D. Cal 1980).