

741. PAULUS v. BUCK MFG. CO., 129 Fed. 594, 64 C. C. A. 162 (1904).

Before Sanborn, Thayer and Hook, Circuit Judges.

Sanborn, Circuit Judge:

This is an appeal from a decree which dismissed a bill for relief from an infringement of letters-patent No. 428,516, for improvements in railway drills, issued to the complainant Aaron R. Paulus on May 20, 1890. On June 14, 1890, he conveyed an undivided one-fourth of his interest in the patent to his co-complainant, William W. Ellis. The issue in this case is one of title, and not one of impinging inventions. The complainants' title, as the record discloses it, has been stated. This is the title of the defendants: On February 24, 1890, Paulus made a written agreement to sell and convey one-half of his interest under the patent to W. W. Ellis and Mrs. Mary West, the wife of Charles J. West, as soon as he should receive his patent. This agreement was not recorded. On June 14, 1890, Paulus conveyed one-fourth of his interest as patentee to Charles J. West. On June 8, 1891, West assigned this interest to Mrs. Mary West, his wife. After these assignments had been recorded, and on September 23, 1896, Mrs. West conveyed her one-fourth interest in the patent to the defendants, Weaver and Emminger. On May 24, 1897, Weaver and Emminger granted a license to the defendant the M. M. Buck Manufacturing Company to manufacture and sell the railway track drills protected by the patent to Paulus. Under this title, as the record of the patent office disclosed it, Weaver and Emminger owned an undivided one-fourth of the monopoly secured by the patent when they issued their license to the Buck Company, and Paulus and Ellis were entitled to no relief under their bill. The owner of an undivided part of all the rights secured by a patent may, without the consent of his co-owners, grant a valid license to use the monopoly it protects. *Bloomer v. McQuewan*, 14 How. 539, 14 L. ed. 532; *Blackledge v. Weir & Craig Mfg. Co.*, 47 C. C. A. 212, 108 Fed. 71. The burden was therefore upon the complainants to show that by reason of facts which the recorded title did not disclose the defendants ought not to be permitted to use the one-fourth of the exclusive rights under the patent which they had purchased. They endeavored to bear this burden in this way: They alleged in their bill, and the defendants denied in their answer, that about the 1st of June, 1890, they and Charles J. West, the owners of the patent, formed a partnership styled the Paulus R. R. Drill Company, and orally agreed that this partnership should have all the exclusive rights secured by the patent during its term; that neither one of them should sell his interest in the patent without first offering to sell it to the other members of the firm; that, if any one of them should sell to a stranger, the purchaser should

step into the shoes of the vendor, and become a member of the partnership subject to the agreement; and that Weaver and Emminger had notice of these facts before they purchased their one-fourth interest from Mrs. West. Paulus and Ellis testified to the existence of the agreement of partnership and of transfer to the partnership of the exclusive rights protected by the patent, and Charles J. West and Mary West, his wife, testified that no such grant was ever made. The defendants introduced in evidence the written agreement dated February 24, 1890, by which Paulus contracted to sell to W. W. Ellis and Mrs. West a one-half interest in the patent as soon as he obtained it, and they testified that West never owned any interest in the patent; that the assignment to him dated June 14, 1890, was made by mistake, when it should have been made to Mrs. West; that Paulus knew these facts; that he made the assignment to West in the performance of the agreement of February 24, 1890; and that Mrs. West never consented to any grant or license to the partnership which could in any way prevent her from using her one-fourth of the rights secured by the patent. The evidence was conclusive that Charles J. West and his wife left Villisca, Iowa, where the drill company was organized, and where it was operating about the year 1892; that thereafter they lived in Ohio; that there was no agreement of dissolution of the partnership; and that neither West nor his wife participated in the profits or in the losses of the firm after they left Iowa. There was a sharp conflict of testimony upon the issue, whether or not Weaver, Emminger, or the Buck Manufacturing Company received notice that the interest of Mrs. West was subject to the exclusive rights of the drill company to the monopoly before they acquired their interest. There was evidence which had some tendency to show that they had notice of facts which might have led a person of ordinary prudence and diligence to discover the claims of the complainants in this regard. On the other hand, the defendants testified that they had no notice or knowledge of any such claim.

The agreement which the complainants testify that the owners of the patent made to the effect that the drill company should have and exercise all the exclusive rights secured by the patent is called by their counsel an oral license, and much is written in the brief to show that a license may be made by parol. For the purposes of this case the concession is made that parties may make a valid oral license. But the agreement to which the complainants testify evidenced no license. It was a grant of the exclusive right to make, to use, and to vend the invention throughout the United States for the full term of the patent. They testify that the agreement was that the patent should "be used and controlled by the Paulus R. R. Drill Company for the term of

the patent; that neither Paulus, Ellis, nor West could use the right outside the Paulus R. R. Drill Company;" and that, if either of them sold his interest, the purchaser should hold the same relation to the drill company that the vendor had held, and should take subject to the contract. The name by which a grant of a right under a patent may be called is not material. It does not condition or affect the rules of law which govern it. The exclusive rights secured by a patent are the right to make, the right to use, and the right to vend the invention it protects. A grant, transfer, or conveyance of these exclusive rights throughout the United States, or a grant of an undivided part of these exclusive rights, or a grant of these exclusive rights throughout a specified part of the United States, is an assignment of an interest in the patent, by whatever name it may be called. A grant, transfer, or conveyance of any right or interest less than these is a license. *Waterman v. Mackenzie*, 138 U. S. 252, 255, 256, 11 Sup. Ct. 334, 34 L. ed. 923; *Union Switch & Signal Co. v. Johnson Railroad Signal Co.*, 10 C. C. A. 176, 179, 61 Fed. 940, 943; *Pickhardt v. Packard (C. C.)* 22 Fed. 530, 532, 23 Blatchf. 23. The agreement to which the complainants testify constituted a grant to the partnership of all the exclusive rights secured by the patent to Paulus, and it constituted an assignment of an interest in the patent, and not a license under it. § 4898 of the Revised Statutes. (U. S. Comp. St., 1901, p. 3387) provides that "an assignment, grant or conveyance shall be void as against any subsequent purchaser or mortgagee for a valuable consideration without notice unless it is recorded in the patent office within three months from the date thereof." The defendants Weaver and Emminger were purchasers of the interest of Mrs. West for a valuable consideration after the alleged assignment to the partnership, and the oral unrecorded grant to the firm was void as against them and their licensee, the Buck Manufacturing Company, unless they had notice of its existence before they purchased from Mrs. West. *Gates Iron Works v. Fraser*, 153 U. S. 332, 349, 14 Sup. Ct. 883, 889, 38 L. ed. 734.

In the last analysis, therefore, the decision of this case is conditioned by the answers to these two questions of fact: Did the owners of the patent grant the exclusive rights under it to the Paulus R. R. Drill Company in 1890? Did the defendants have such notice of this grant as would have put a man of reasonable prudence and diligence upon an inquiry which would have discovered it before they acquired their respective interests? The burden was upon the complainants to prove a state of facts that would sustain an affirmative answer to each of these questions. The evidence upon each of these issues was conflicting. This was a suit in equity. The chancellor found that one or both of

these questions must be answered in the negative, for he found for the defendants. This finding placed an additional burden upon the complainants, for the presumption is that the conclusion of a chancellor upon conflicting evidence is correct, and it ought not to be disturbed unless an obvious error has intervened in the application of the law, or some serious mistake has been made in the consideration of the evidence. *Thallmann v. Thomas*, 49 C. C. A. 317, 323, 111 Fed. 277, 283; *Exploration Co. v. Adams*, 104 Fed. 404, 408, 45 C. C. A. 185, 188; *Mann v. Bank*, 86 Fed. 51, 53, 29 C. C. A. 547, 549; *Tilghman v. Proctor*, 125 U. S. 136, 8 Sup. Ct. 894, 31 L. ed. 664; *Kimberly v. Arms*, 129 U. S. 512, 9 Sup. Ct. 355, 32 L. ed. 764; *Furrer v. Ferris*, 145 U. S. 132, 134, 12 Sup. Ct. 821, 36 L. ed. 649; *Warren v. Burt*, 58 Fed. 101, 106, 7 C. C. A. 105, 110; *Plow Co. v. Carson*, 72 Fed. 387, 388, 18 C. C. A. 606, 607; *Trust Co. v. McClure*, 78 Fed. 209, 210, 24 C. C. A. 64, 65.

No good purpose would be served by extending this opinion to recite, review, and discuss the conflicting testimony. Suffice it to say that a careful reading and analysis and a deliberate consideration of all the evidence have failed to convince that the court below fell into any error of law or mistake of fact in its consideration or decision of the questions presented in this case. The decree below is accordingly affirmed.

[The following under this heading are brief extracts to complete the discussion]:

742. CANDA v. MICHIGAN MAL. IRON CO., 124 Fed. 486, 61 C. C. A. 194.

The assignor was sole patentee. It will be noticed that the assignor is one of the assignees. But no criticism is made upon that circumstance. We think the objection stated is hypercritical, and that the intent and effect of the assignment was to transfer a one-half interest to the other partner, nothing appearing to show that the partners stood upon unequal terms.

743. FRESNO, ETC., PACKING CO. v. FRUIT CLEANING CO., 101 Fed. 826, 42 C. C. A. 43.

Now, it is certainly settled that partners may acquire the legal title to personal property under a purchase made in the firm name, and it is not material whether such firm name is wholly fanciful, or whether it contains the names of one or more of the members of the firm.

744. BLACKLEDGE v. WEIR, ETC., MFG. CO., 108 Fed. 71, 47 C. C. A. 212.

The use of an invention by one of co-owners or by his licensees is not the exercise of the entire monopoly conferred by

the patent. That can be effected only by the joint or concurrent action of all owners. The separate action of any one owner or of his licensees can be an exercise or use only of his individual right, which, though exclusive of all besides, is not exclusive of the other patentees, their assignees or licensees. On principle, therefore, there can be no accountability on the part of a part owner of an invention to other owners for profits made by the exercise of his individual right, whether it be by engaging in the manufacture and sale, or by granting to others licenses, or by assigning interests in the patent.

745. AGER v. MURRAY, 105 U. S. 126, 26 L. ed. 942.

The clause of the decree below, appointing a trustee to execute an assignment if the patentee should not himself execute one as directed by the decree, has not been objected to in argument, and was clearly within the chancery powers of the court, as defined in the Statutes of Maryland of 1785.

746. KENNEDY v. HAZELTON, 128 U. S. 667, 32 L. ed. 576, 9 Sup. Ct. 202.

As the patent upon the plaintiff's own showing, conferred no title or right upon the defendant, a court of equity will not order him to assign it to the plaintiff—not only because that would be to decree a conveyance of property in which the defendant has, and can confer, no title; but also because its only possible value or use to the plaintiff would be to enable him to impose upon the public by asserting rights under a void patent.

747. NEWTON v. BUCK, 77 Fed. 614, 23 C. C. A. 355.

The proceedings supplementary to execution, as authorized by the laws of New York, are a substitute for, and in all respects have the same force and effect as, an ordinary creditor's bill. The receiver, in such proceedings, becomes invested with the title to all the property—equitable as well as legal belonging to the judgment debtor at the time of their institution, and the court has the powers of a court of equity in such a suit to compel him to appropriate his property, including that out of the state (see *Fenner v. Sanborn*, 37 Barb. 610), and transfer it to the receiver towards the satisfaction of the judgment. In *Ager v. Murray*, 105 U. S. 126, it was decided that, notwithstanding a patent can not be seized and sold on execution, it can be reached by a creditor's bill, and applied to satisfy a judgment against the owner, and a transfer by him be compelled for that purpose by the court. Although in the present case the court did not—as it might have done—compel Newton to make a written transfer to the receiver of his title to the patent, it is entirely clear that any equitable

title which he may have had vested in the receiver, and passed by the sale to Vermilyea, and from Vermilyea to the defendant, by the assignment from Vermilyea. Newton never acquired anything but an equitable title to the patent, the right to compel a reformation of the agreement of March 6, 1889. He did not acquire the legal title, because, without an assignment such as the statute requires to effect the transfer of a patent interest, that title remained in the prior owner, the present defendant. *Gayler v. Wilder*, 10 How. 477, 498. As that equitable title had, at the date of his assignment to Dooley, passed to the receiver, and the complainant's title is derived through that assignment, she took nothing by the instrument.

748. McDUFFEE v. HESTONVILLE, ETC., R. CO., 162 Fed. 36, 89 C. C. A. 76.

To preserve their joint property and prevent its practical destruction by co-owners, it is imperative that all should be permitted to simply vest the legal title in one without imposing any active duties on such holding trustee, and this shows that, while there are no express duties for the trustee to perform, it by no means follows the trust is a dry or inactive one. As holder of the legal title he can bring suit, enjoin infringers from destroying the patent, and the mere holding of the legal title in trust per se preserves the patent for the common good and prevents its destruction by each co-owner. We are of opinion that these views have actuated patent practitioners in thus vesting the legal titles to patents in trustees, and that a holding that such an instrument, contrary to its plain intent, executed itself and left the equitable owners as free to use and license as before would be most unfortunate in its unsettling effects. The intent and effect of this instrument we therefore hold was to vest and retain the legal title to this patent in McDuffee, as trustee, but the equitable ownership thereof remained in his cestuis que trustent, and without their consent he could not convey such legal title, or any part thereof.

749. AGER v. MURRAY, 105 U. S. 126, 26 L. ed. 942.

But it is within the general jurisdiction of a court of chancery to assist a judgment creditor to reach and apply to the payment of his debt any property of the judgment debtor, which by reason of its nature only, and not by reason of any positive rule exempting it from liability for debt, can not be taken on execution at law; as in the case of trust property in which the judgment debtor has the entire beneficial interest, of shares in a corporation, or of choses in action.

A patent or a copyright, which vests the sole and exclusive right of making, using and vending the invention, or of publishing and selling the book, in the person to whom it has been granted by the government, as against all persons not deriving title through him, is property, capable of being assigned by him at his pleasure, although his assignment, unless recorded in the proper office, is void against subsequent purchasers or mortgagees for a valuable consideration without notice. R. S., 4884, 4898, 4952, 4955. And the provisions of the patent and copyright acts, securing a sole and exclusive right to the patentee, do not exonerate the right and property thereby acquired by him, of which he receives the profits, and has the absolute title and power of disposal, from liability to be subjected by suitable judicial proceedings to the payment of his debts.

* * *

There are indeed, decisions in the circuit court that an assignee in insolvency, or a receiver, of all the property of a debtor, appointed under the laws of the State, does not, by virtue of the general assignment or apportionment merely, without any conveyance made by the debtor or specifically ordered by the court acquire a title in patent rights. * * * But in *Ashcroft v. Walworth*, 1 Holmes 152, Judge Shepley clearly intimated that the courts of the State might have compelled the debtor to execute such a conveyance. And the highest courts of New York and California have affirmed the power, upon a creditor's bill, to order the assignment and sale of a patent right for the payment of the patentee's judgment debts.

750. *REECE FOLDING MACH. CO. v. FENWICK*, 140 Fed. 287, 72 C. C. A. 39.

The defense is set up that such contracts for an indefinite period, covering inventions to be afterwards made, are against public policy. On the other hand, whether based on agreements for employment, or on other valuable considerations, such contracts have been extensively made, and have never been doubted until of late. They are essential to the business of the contracting parties, and are not unjust. A person may purchase an invention, and pay therefor a very large sum, and proceed to make use of it. The inventor, according to a practice not uncommon, may subsequently overlap that invention by improvements which, though small, may be enough, in these days of sharp competition, to build up a successful hostile business.

751. NATIONAL CASH REGISTER CO. v. NEW COLUMBUS WATCH CO., 129 Fed. 114, 63 C. C. A. 616.

That an assignment of a patent, together with any future improvements thereon, is recordable and operative as a notice to subsequent assignees of patents for improvements, may be conceded. * * *

Neer, having by his prior recorded assignments, which did not include improvements, conveyed to Reynolds the one undivided third in all existing patents, and there being no application pending for any patent, there was nothing upon which this document could operate which entitled it to registration as an assignment, grant or conveyance under § 4898, Rev. Stat. * * * What we decide is that an instrument which was not intended to convey any present interest in any existing patent is not an "assignment, grant, or conveyance," within the meaning of the statute, and that its registration did not therefore operate as constructive notice to the complainant.

752. POPE MFG. CO. v. GORMULLY, ETC., MFG. CO., 144 U. S. 248, 36 L. ed. 423, 12 Sup. Ct. 641.

It really involves the question, which is one of considerable importance, whether a patentee can split up his patent into as many different parts as there are claims, and vest the legal title to those claims in as many different persons. This question has never before been squarely presented to this court, but, in view of our prior adjudications, it presents no great difficulty. The leading case upon this subject is that of *Gayler v. Wilder*, 51 U. S. 477, 494 * * * While that of course was a different question from the one involved in this case, the trend of the entire opinion is to the effect that the monopoly granted by law to the patentee is for one entire thing, and that in order to enable the assignee to sue, the assignment must convey to him the entire and unqualified monopoly which the patentee held, in the territory specified, and that any assignment short of that, is a mere license "for," said Chief Justice Taney, "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."

753. NATIONAL CASH REGISTER CO. v. NEW COLUMBUS WATCH CO., 129 Fed. 114, 63 C. C. A. 616.

Chamberlain was Neer's attorney, and had charge of his application. He was asked to find out whether Neer would sell and at what price. He bought the application from his client for himself, not disclosing to his client that he was buying for com-

plainant, and then assigned the application to complainant at more than double the price he had paid. In the whole transaction he was acting in his own interest, and in such circumstances there is no presumption that he would disclose his information to his ostensible principal.

754. DALZIEL, v. DUEBER WATCH CASE MFG. CO., 149 U. S. 315, 37 L. ed. 749, 13 Sup. Ct. 886.

An oral agreement for the sale and assignment of the right to obtain a patent for an invention is not within the statute of frauds, nor within § 4898 of the Revised Statutes, requiring assignments of patents to be in writing; and may be specifically enforced in equity, upon sufficient proof thereof.

755. COOK v. STERLING ELEC. CO., 150 Fed. 766, 80 C. C. A. 502.

An arrangement entered into, in contemplation of incorporation, and followed by incorporation, is not binding upon the parties, when all the terms of the contract except the one in dispute have been fully and in good faith executed, and the disputed term fails of execution solely through the fraud, mistake, or inadvertence of the parties. To hold, in this respect, as we are asked to hold, would be to make all agreements preliminary to incorporation of no avail, notwithstanding the completion of the transaction by incorporation—a doctrine that in the present development of the law has no standing whatever.

757. LITTLEFIELD v. PERRY, 88 U. S. 205, 22 L. ed. 577.

There can be no question that, under the power of attorney, the agent had full authority to assign the patent. But it is equally clear that his authority could be exercised only upon terms that should first be communicated to and accepted by his principal. The purported assignment, therefore, was clearly insufficient to transfer a title to the patent, not only because it was the act and deed of the agent, and not that of the principal, *Machoney v. Brown*, 29 Fed. 145, and cases there cited, but for the further reason that the agent exercised a power not conferred upon him, in that he made a transfer of the patent without communicating the terms of the sale to his principal, or obtaining his approval thereof.

756. CHAUCHE v. PARE, 75 Fed. 283, 21 C. C. A. 329.

Reissues are not patents for new inventions, but amendments of old patents. If a reissue is obtained with the consent of an assignee, it inures at once to his benefit; if without, he has his election to accept or reject it.

758. *SESSIONS v. ROMADKA*, 145 U. S. 29, 36 L. ed. 609, 12 Sup. Ct. 799.

Had the existence of this patent been concealed by the bankrupt, or the assignee had discovered it subsequently—after his discharge—and desired to take possession of it for the benefit of the estate, it is possible the bankruptcy court might reopen the case and vacate the discharge for that purpose.

* * *

While, under the provisions of the bankrupt law, the title to this patent undoubtedly passed to the assignee in bankruptcy of Poinier, it passed subject to an election on his part not to accept it, if, in his opinion, it was worthless, or would prove to be burdensome and unprofitable. And he was entitled to a reasonable time to elect whether he would accept it or not.

PART XII.

LICENSES, CONTRACTS AND RESTRICTIONS.

(See also Part XI and incidentally, as in *Gill v. United States*, Part XIV.)

STATUTES

759. PERSONS PURCHASING OF INVENTOR BEFORE APPLICATION, MAY USE OR SELL THE THING PURCHASED.

§ 4899. Every person who purchases of the inventor or discoverer, or, with his knowledge and consent, constructs any newly invented or discovered machine, or other patentable article, prior to the application by the inventor or discoverer for a patent, or who sells or uses one so constructed, shall have the right to use, and vend to others to be used, the specific thing so made or purchased, without liability therefor.

(For distinction between assignment and license, see preceding Part XI.)

760. *BLOOMER v. McQUEWAN*, 14 How. (U. S.) 539, 14 L. ed. 532 (1852).
Opinion by Taney, C. J.:

* * *

STATEMENT OF FACTS.

The bill in this case was filed by the appellants, on the 6th of July, 1850, in the circuit court of the United States, for the western district of Pennsylvania, to obtain an injunction restraining the appellees from the use of two, of Woodworth's planing machines in the city of Pittsburg. The term for which Woodworth's patent was originally granted, expired in 1842, but it was extended seven years, by the board, established by the 18th section, 5 Stats. at Large, 124 of the act of 1836. And afterwards, by the act of congress of February 26, 1845, 6 Stats. at Large, 936, this patent was extended for seven years more commencing on the 27th of December, 1849, at which time the previous extension would have terminated.

It appears, from the pleadings and evidence in the case, that shortly after the passage of the act of congress of 1845, William Woodworth, the administrator of the patentee, in whose name the certificate of extension was directed to be issued, assigned all his right to James G. Wilson, from whom the appellant

purchased the exclusive right to construct and use this machine, and to vend to others the right to construct and use it, in a large district of country described in the grant. Pittsburg, in which the machines in question are used, is included within these limits. And the right which the appellant purchased was regularly transferred to him by Wilson, by an instrument of writing duly recorded in the patent office.

In the year 1833, during the term for which the patent was originally granted, the defendants purchased the right to construct and use a certain number of these machines within the limits of the city of Pittsburg and Alleghany county; and the right to do so was regularly transferred to them by different assignments, deriving their title from the original patentee. The two machines mentioned in the bill were constructed and used by the respondents soon after the purchase was made, and the appellees continued to use them up to the time when this bill was filed. And the question is, whether their right to use them terminated with the first extension, or still continues under the extension granted by the act of 1845.

The circuit court decided that the right of the appellees still continued, and upon that ground dismissed the appellant's bill. And the case is now before us upon an appeal from that decree.

* * *

Now, the act of 1836, in express terms, gives the benefit of the extension authorized by that law to the assignees and grantees of the right to use the thing patented to the extent of their respective interests therein. And under this provision it was decided, in the case of *Wilson v. Rousseau*, 4 Howard, 688, that the party who had purchased and was using this planing machine during the original term for which the patent was granted, had a right to continue the use during the extension. And the distinction is there taken between the grant of the right to make and vend the machine, and the grant of the right to use it.

The distinction is a plain one. 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. 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. 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 can not sell it for a longer time. And the purchaser buys with reference to that period; the time for which 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.

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 his 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 law of congress granting the patent. 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. Contracts in relation to it are regulated by the laws of the State, and are subject to state jurisdiction. It was so decided in this court, in the case of *Wilson v. Sanford and others*, 10 Howard, 99. 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.

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 the exclusion of others from its use. For example, in the various 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. It is of no importance to him whether it endures for a year or twenty-eight years. 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 use and found to be profitable. And in the case before us, the respondents derive no advantage from the extension of the patent, because the patentee may place around them as many planing machines as he pleases, so as to reduce the profits of those which they own to their just value in an open and fair competition.

It is doubtless upon these principles that the act of 1836 draws the distinction between the assignee of a share in the monopoly,

and the purchase of one or more machines, to be used in the ordinary pursuits of business. And that distinction is clearly pointed out and maintained in the case of *Wilson v. Rousseau*, before referred to.

Upon the authority, therefore, of the cases of *Evans v. Eaton*, and *Wilson v. Rousseau*, these two propositions may be regarded as settled by judicial decision: 1. That a special act of congress in favor of a patentee, extending the time beyond that originally limited, must be considered as ingrafted on the general law; and 2. That under the general law, in force when this special act of congress was passed, a party who had purchased the right to use a planing machine during the period to which the patent was first limited, was entitled to continue to use it during the extension authorized by that law.

Applying these rules to the case before us, the respondents must be entitled to continue the use of their planing machines during the time for which the patent is extended by the special act of congress, unless there is something in the language of the law requiring a different construction. * * *

This construction is confirmed by the various special acts which have been passed from time to time, in favor of particular inventors, granting them new patents after the first had expired or extending the time for which they were originally granted. * * *

It has been contended, on behalf of the appellant, that the insertion of these restrictions in one special law, and the omission of them in another, shows that, in the latter, congress did not intend to exempt the purchaser from the necessity of obtaining a new license from the patentee. And that congress might well suppose that one inventor had stronger claims upon the public than another, and might, on that account, give him larger privileges on the renewal.

But this argument only looks to one side of the question, that is, to the interest and claims of the inventor. There is another, and numerous class of persons, who have purchased patented article, and paid for them the full price which the patentee demanded, and we are bound to suppose that their interests and their rights would not be overlooked or disregarded by congress; and still less that any distinction would be drawn between those who purchased one description of patented machines and those who purchased another. For example, the act granting a new patent to Blanchard, in 1834 (6 Stats. at Large 589), for cutting or turning irregular forms, saves the rights of those who had bought under the original patent. And we ought not to presume, without plain words to require it, that, while congress acknowledged the justice of such claims in the case of Blanchard, they in-

tended to disregard them in the case of Woodworth. Nor can it be said that the policy of congress has changed in this respect after 1834, when Blanchard's patent was renewed. For, as we have already said, the same protection is given to purchasers in the special law, authorizing the renewal of Gale's patent, which was passed a few days after the law of which we are speaking.

The fair inference from all of these special laws is this, that congress has constantly recognized the rights of those who purchase for use a patented implement or machine; that in these various special laws the patentee and purchasers of different inventions were intended to be placed on the same ground; and that the relative rights of both parties under the extension, by special act of congress, were intended to be the same as they were when the extension was granted under the general law of 1836. It would seem that in some cases the attention of the legislature was more particularly called to the subject, and the rights of the purchaser recognized and cautiously guarded. And when the provision is omitted, the just presumption is, that congress legislated on the principle decided by this court in *Evans v. Eaton*, and regarded the special law as ingrafted on the general one, and subject to all of its restrictions and provisions, except only as to the time the patent should endure. Time is the only thing upon which they legislate. And any other construction would make the legislation of congress, on these various special laws, inconsistent with itself, and impute to it the intention of dealing out a different measure of justice to purchasers of different kinds of implements and machines; protecting some of them, and disregarding the equal and just claims of others.

And if such could be the interpretation of this law, the power of congress to pass it would be open to serious objections. For it can hardly be maintained that congress could lawfully deprive a citizen of the use of his property after he had purchased the absolute and unlimited right from the inventor, and when that property was no longer held under the protection and control of the general government, but under the protection of the State, and on that account subject to state taxation.

The fifth amendment to the constitution of the United States declares that no person shall be deprived of life, liberty, or property, without due process of law.

The right to construct and use these planing machines, had been purchased and paid for without any limitation as to the time for which they were to be used. They were the property of the respondents. Their only value consists in their use. And a special act of congress, passed afterwards, depriving the appellees of the right to use them, certainly could not be regarded as due process of law.

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

But we forbear to pursue this inquiry, because we are of opinion that this special act of congress does not, and was not intended to interfere with rights of property before acquired; but that it leaves them as they stood during the extension under the general law. And in this view of the subject, the appellant was not entitled to the injunction he sought to obtain, and the circuit court were right in dismissing the bill.

As the decision on this point disposes of the case, it is unnecessary to examine the other grounds of defense taken by the appellees.

The decree of the circuit court must be affirmed. * * *

761. PAPER BAG CASES, 105 U. S. 766, 26 L. ed. 959 (1881). * * *

Upon the foregoing facts, the first question that presents itself is whether the use of the Rice machine was included in the royalty fixed by the contract of Francis H. Morgan with Thomas Nixon. If it was, then clearly, so far as the Bag Company is concerned, the acceptance of the stipulated royalty was a satisfaction of all claims for damages. This was substantially conceded on the argument.

The right of the owner of a patented machine, without any conditions attached to his ownership, to continue the use of his machine during an extended term of the patent, is well settled. *Bloomer v. McQuewan*, 14 How. 539; *Chaffee v. Boston Belting Co.*, 22 id. 217; *Mitchell v. Hawley*, 16 Wall. 544; *Adams v. Burke*, 17 id. 453. Consequently Francis H. Morgan had, by his ownership of the Rice machine, the right to its use during the extended term of the patent. He could also sell it to others to be used in the same way. Power to sell the machine and transfer the accompanying right of use is an incident of unrestricted ownership. The contract of Morgan was to furnish Thomas Nixon with all the Morgan machines he wanted to use in the designated territory at the stipulated price and royalty. When called upon to furnish one of these machines under the contract he persuaded Nixon to take the Rice machine instead. Under these circumstances there can not be a doubt that it was the intention of the parties to put the Rice machine in the place of a Morgan ma-

chine under the contract, and that whatever compensation was to be paid to the patentee for the use of the Morgan machine must be paid for the use of the Rice machine. It follows that, so far as the Bag Company is concerned, there should have been no decree against Nixon & Anderson. The payment of the royalty in June, 1876, was in full for the use of the Rice machine as well as the Morgan machines.

Next, as to Chatfield & Woods. Their exclusive right to the use of the Rice machine continued no longer than the term of the original patent. *Wilson v. Rousseau*, 4 How. 646. The Bag Company does not appear ever to have had any interest in the patent before the extension. Chatfield & Woods have never been anything else than licensees. As such they could not sue for an infringement. All their rights must be enforced through or in the name of the patentee. *Littlefield v. Perry*, 21 Wall. 205. Their recovery in this case, therefore, must be limited to their rights under the license from the Bag Company. Such was the understanding of the master, for he distinctly states in his report that his inquiries were confined to the period between the date of this license and the service of the injunction which stopped all further use of the machines.

Whatever may have been the effect of the first exclusive license held by Chatfield & Woods upon the right of Nixon to use his Rice machine in Indiana before the end of the original term of the patent, as that license ceased when the term expired, it necessarily follows that during the extended term no questions can arise under that license. After the extended term began, that license did not stand in the way of the use by Nixon of his machine wherever he pleased, and the Bag Company took its title subject to his rights as an unrestricted owner, save in respect to royalties, of one of the patented machines. Chatfield & Woods took their license subject to the same rights in Nixon. They can not claim as against Nixon more than the company could convey, and as Nixon was in legal effect operating his machine under a valid license superior to theirs, it follows that in this suit there can be no recovery in their behalf. Their remedy, if they have any, is against the company on their contract for the license, or to secure the benefit of the royalty.

From what has thus been said it appears that the decree in the suit against Nixon & Anderson, as far as it requires the payment of damages, was wrong. As the payment of the royalty was not made until long after the interlocutory decree sustaining the validity of the patent, and the supplementary answer setting up the special defense was not filed until after the report of the master was in, it was right to charge the costs against them.

So far as the appeal of Thomas Nixon is concerned, the con-

troverſy is really as to coſts alone. The decree againſt him will conſequentially not be conſidered. *Canter v. American & Ocean Insurance Companies*, 3 Pet. 307; *Elastic Fabrics Co. v. Smith*, 100 U. S. 110.

The decree in the caſe againſt Nixon & Anderson will be reversed, with coſts, and the cauſe remanded with inſtructions to enter a decree againſt the defendants for one dollar only and coſts of ſuit. That in the ſuit againſt Thomas Nixon alone will be affirmed, each party to pay the coſts of his own appeal. * * *

762. *McCLURG v. KINGSLAND* 1 How. (U S.) 202, 11 L. ed. 102 (1843).

* * *

This caſe comes here on a writ of error to the circuit court for the weſtern diſtrict of Pennsylvania, in an action brought by the plaintiffs, aſſignees of James Harley, againſt the defendants, for the infringement of a patent granted to Harley for an improvement in the mode of caſting chilled rollers and other metallic cylinders and cones, in which judgment was rendered for the defendants. On the trial, it appeared in evidence that it had long been a deſideratum to find out ſome mode by which iron rollers or cylinders could be ſo caſt that when the metal was introduced into the mould it ſhould cauſe a ſwirl or rotatory motion, by which the ſlog or dross would be thrown into the center inſtead of the ſurface of the cylinder. By the old mode, the metal was conveyed from the furnace to the mould through a gate, or pipe, placed in a horizontal or perpendicular direction. The mode alleged to have been invented by Harley is thus deſcribed in the ſpecification annexed to the patent: "The tube or tubes, or paſſages called gates, through which the metal to be conveyed into the moulds ſhall not enter the mould perpendicularly at the bottom, but ſlanting, or in a direction approaching to a tangent of the cylinder, or if the gates enter the moulds horizontally or nearly ſo, ſhall not enter in the direction of the axis of the cylinder, but in a tangent form, or inclining towards a tangent of the cylinder."

This was the thing patented, conſiſting ſolely in changing the direction of the tube, which conveyed the metal to the mould from a horizontal or perpendicular poſition to an angular one; it produced the deſired effect, and was highly uſeful.

The novelty of the invention was much conteſted at the trial, but as the caſe turned on other points, that became an immaterial queſtion; as the caſe comes before us on exceptions to the charge of the court, which aſſumed that Harley was the original and true inventor of the improvement, and put the caſe to the jury on the following facts, which were in full proof, in nowiſe contradicted, and admitted to be true.

That Harley was employed by the defendants at their foundry in Pittsburgh, receiving wages from them by the week; while so employed, he claimed to have invented the improvement patented, and after several unsuccessful experiments, made a successful one in October, 1834; the experiments were made in the defendants' foundry, and wholly at their expense, while Harley was receiving his wages, which were increased on account of the useful result. Harley continued in their employment on wages until January or February, 1835, during all which time he made rollers for them; he often spoke about procuring a patent, and prepared more than one set of papers for the purpose; made his application the 17th of February, 1835, for a patent; it was granted on the 3d of March, assigned to the plaintiffs on the 16th of March, pursuant to an agreement made in January.

While Harley continued in the defendants' employment, he proposed that they should take out a patent, and purchase his right, which they declined; he made no demand on them for any compensation for using his improvement, nor gave them any notice not to use it, till, on some misunderstanding on another subject, he gave them such notice, about the time of his leaving their foundry, and after making the agreement with the plaintiffs, who owned a foundry in Pittsburgh, for an assignment to them of his right. The defendants continuing to make rollers on Harley's plan, the present action was brought in October, 1835, without any previous notice by them. The court left it to the jury to decide what the facts of the case were; but if they were as testified, charged that they would fully justify the presumption of a license, a special privilege, or grant to the defendants to use the invention; that the facts amounted to "a consent and allowance of such use." and show such a consideration as would support an express license or grant, or call for the presumption of one to meet the justice of the case, by exempting them from liability; having equal effect with a license, and giving the defendants a right to the continued use of the invention. The court also charged the jury that the facts of the case which were not controverted, brought it within the provisions of the 7th section of the act of 1839, by the unmolested, notorious use of the invention before the application for a patent by Harley, and that nothing had been shown by the plaintiffs to counteract the effect of this prior use. That as assignees of Harley, the plaintiffs stand in his place, as to right and responsibility; they took the assignment of the patent, subject to the legal consequences of his previous acts, and connecting these with the absence of an assertion of a right adverse to the defendants' use till this suit was brought, protected the defendants from liability for any damages therefor.

The exceptions to the charge were confined to these two

points, which constitute the only subject for our consideration. Whether these exceptions are well taken or not must depend on the law as it stood at the emanation of the patent, together with such changes as have been since made; for though they may be retrospective in their operation, that is not a sound objection to their validity; the powers of congress to legislate upon the subject of patents is plenary by the terms of the constitution, and as there are no restraints on its exercise, there can be no limitation of their right to modify them at their pleasure, so that they do not take away the rights of property in existing patents. * * *

We are, therefore, of opinion that there is no error in the charge of the court below, and that its judgment be affirmed.

763. ADAMS v. BURKE, 17 Wall. (U. S.) 453, 21 L. ed. 700 (1873).

Opinion by Mr. Justice Miller. * * *

The question presented by the plea in this case is a very interesting one in patent law, and the precise point in it has never been decided by this court, though cases involving some of the considerations which apply to it have been decided, and others of analogous character are frequently recurring. 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.

We have repeatedly held that where a person had purchased a patented machine of the patentee or his assignee, this purchase carried with it the right to the use of that machine so long as it was capable of use, and that the expiration and renewal of the patent, whether in favor of the original patentee or if his assignee, did not affect this right. The true ground on which these decisions rest is that the 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. 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, *Bloomer v. McQuewan*, 14 How. 549; *Mitchell v. Hawley*, 16 Wall. 544. 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. If this principle be sound as to a machine or instrument whose use may be continued for a number of years, and may extend beyond the existence of the patent, as limited at the time of the sale, and into the period of a renewal or extension, it must be much more applicable to an instrument or product of patented manufacture which perishes in the first use of it, or which, by that first use, becomes incapable of further use, and of no further value. Such is the case with the coffin-lids of appellant's patent.

It seems to us that, although the right of Lockhart & Seelye to manufacture, to sell, and to use these coffin-lids was limited to the circle of ten miles around Boston, that 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. It would be to engraft a limitation upon the right of use not contemplated by the statute nor within the reason of the contract to say that it could only be used within the ten-mile circle. Whatever, therefore, may be the rule when patentees subdivide territorially their patents, as to the exclusive right to make or to sell within a limited territory, we hold that in the class of machines or implements we have described, when they are once lawfully made and sold, there is no restriction on their use to be implied for the benefit of the patentee or his assignees or licensees.

A careful examination of the plea satisfies us that the defendant who, as an undertaker, purchased each of these coffins and used it in burying the body which he was employed to bury, acquired the right to this use of it freed from any claim of the patentee, though purchased within the ten-mile circle and used without it. The decree of the circuit court dismissing the plaintiff's bill is, therefore, affirmed. * * *

763a. *HOBBIIE v. JENNISON*, 149 U. S. 355, 37 L. ed. 766 (1893). * * *

Mr. Justice Blatchford delivered the opinion of the court.

This is an action at law brought in the circuit court of the United States for the eastern district of Michigan in August, 1886, by Isaac S. Hobbie and John A. Hobbie. The original defendants were Charles E. Jennison and Isaac H. Hill. The defendant Hill appeared, and then withdrew his appearance, and the suit was discontinued as to him, and proceeded as against Jennison. The action was brought for the infringement of letters-patent of the United States, No. 45,201, granted to Arcalous Wyckoff, November 22, 1864, for an improvement in pipes for gas, water, etc., for 17 years from that day. The plaintiffs had become, from May 31, 1876, the owners of the patent for the

states of Maine, New Hampshire, Vermont, Rhode Island, Massachusetts, Connecticut, New York, New Jersey, Pennsylvania, Delaware, Maryland, Virginia, and West Virginia, and the District of Columbia. The declaration alleges that Jennison on June 12, 1880, and on divers days between that day and November 22, 1881, at Hartford, Conn., and elsewhere in the plaintiffs' territory, and without their license or consent, made and used, and vended to others to be used, the patented invention, and within those dates did ship from Bay City, Mich., to the Hartford Steam Company, of Hartford, Conn., large quantities of wooden pipe embodying the patented invention, with intent that the same should be laid and used at Hartford, and thus infringed the right of the plaintiffs under the patent, to their damage, \$5,000.

The defendant joined issue, a trial by jury was duly waived, and the case was tried before Judge Brown, the district judge, now a member of this court. He found in favor of the defendant, and a judgment in his favor for costs was entered. The opinion of Judge Brown is reported in 40 Fed. Rep. 887. * * *

As a conclusion of law from the foregoing facts, the court found that the plaintiffs were not entitled to recover in the action. The plaintiffs excepted to the conclusion of law, and to the judgment, and have brought a writ of error.

As a result of the findings of fact the circuit court held that the sale and delivery of the pipe by the defendant were made at Bay City, Mich., but that in view of the decision of this court in *Adams v. Burke*, 17 Wall. 453, the defendant could not be held as an infringer by reason of his knowledge that the pipe was to be used in a territory of which the plaintiffs held the monopoly. The circuit court said that in the case of *Adams v. Burke* an undertaker had purchased patented coffin lids from certain manufacturers, who held the right from the patentee to manufacture and sell within a circle whose radius was 10 miles, having the city of Boston as a center; that the undertaker lived outside of that circle, and within a territory owned by the plaintiff under the patent, and he made use of the coffin lids in his business; that the owner of the territory in which the undertaker carried on his business brought suit against him as an infringer, and it was held by this court that, the sale having been made by a person who had full right to make, sell, and use the invention within his own territory, such sale carried with it the title to the use of the machine without, as well as within, such territory; that the action in that case was brought against the user, but this court announced a principle of law which was equally applicable to the seller; that, if the user of the article was not liable to the patentee, it was because he purchased it of a person who had the legal right to sell it; that, if it was legal for him to buy, it

was equally legal for the other party to sell; and that in the opinion of this court, in the case as well as in the dissenting opinion, it was stated, in substance, that the question raised was whether an assignment of a patented invention for a limited district conferred upon the assignee the right to sell such patented article to be used outside of such limited district. The circuit court further said that there was no evidence in *Adams v. 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 a 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 v. 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 10 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; that it would be to ingraft a limitation upon the right of use, not contemplated by the statute, nor within the reason of the contract, to say that it could only be used within the 10 mile circle and that whatever might be the rule, when patentees subdivided territorially their patents, as to the exclusive right to make or to sell within a limited territory, this court held that in the class of machines or implements it had described, when they were once lawfully made and sold, there was no restriction on their use to be implied, for the benefit of the patentee or his assignees or licensees.

The plaintiffs in error contend that the decision in *Adams v. Burke* is not applicable to the present case; that in *Adams v. Burke* it was assumed that the patented coffin lids were first lawfully sold to the purchaser, without condition or restriction, by assignees of the patent for the territory of Boston and vicinity; that then the question was presented whether, as an incident of such a lawful sale, the buyer could use outside of the limits of

the territory of the assignees the article so lawfully purchased; that it was not shown in that case that the sellers sold the patented pipe by the defendant, in the actual circumstances of such any interest in, such use; that in the case now before us the lawfulness, as against the plaintiffs, of the alleged sale of the patented pipe by the defendant. in the actual circumstances of such sale, was contested, the claim of the plaintiffs being that such sale, and the shipment thereunder, expressly for use within the territory of the plaintiffs, constituted an invasion of their rights, and were unlawful, as against the plaintiffs; and that actual sale, delivery, and acceptance of the pipe at Bay City, for actual use, would be one thing, but a form of delivery at Bay City, with an acceptance at Hartford, and knowledge and intention on the part of the defendant that the sole use would be at Hartford, and shipments on that basis and understanding, would not constitute a lawful sale of the pipe at Bay City, as against the plaintiffs.

But we are of opinion that the case of *Adams v. Burke* can not be so limited; that the sale was a complete one at Bay City; and that neither the actual use of the pipes in Connecticut, nor a knowledge on the part of the defendant that they were intended to be used there, can make him liable. *Adams v. Burke*, in the particular in question, is cited with approval by this court in *Birdsell v. Shaliol*, 112 U. S. 485, 487, 5 Sup. Ct. 244; *Wade v. Metcalf*, 129 U. S. 202, 205, 9 Sup. Ct. 271; and *Boesch v. Graff*, 133 U. S. 697, 703, 10 Sup. Ct. 378.

The authorities which are cited on the part of the plaintiffs, holding that where a person makes one element of a patented combination, with the intent that other persons shall supply the other elements, and thus complete the combination, he is guilty of infringement, because he contributes to it, establish a doctrine applicable to the case of a naked infringer. But in the present case the defendant was not such an infringer, because he had a right, under the patent, to make, use, and vend the patented article in the state of Michigan, and the article was lawfully made and sold there. The pipes in question were not sold by the Hartford Steam Company in Connecticut, but were merely used there, and necessarily perished in the using.

It is easy for a patentee to protect himself and his assignees when he conveys exclusive rights under the patent for 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 owner of the patent for the state of Michigan.

Judgment affirmed.

764. KEELER v. STANDARD FOLDING BED CO., 157 U. S. 659, 39 L. ed. 848 (1895).

Appeal from the circuit court of the United States for the District of Massachusetts.

Statement of the Case.

The Standard Folding Bed Company, a corporation of the State of New York, filed in the circuit court of the United States for the district of Massachusetts a bill of complaint against Keeler & Brother, partners doing business in the city of Boston.

By an agreed state of facts it appears that the complainants are assignees, for the State of Massachusetts, of certain letters-patent granted to one Lyman Welch, for an improvement in wardrobe-bedsteads; that the Welch Folding Bed Company own the patent rights for the State of Michigan, and that the defendants purchased a car-load of said beds from the Welch Folding Bed Company, at Grand Rapids, Mich., for the purpose of selling them in Massachusetts, and that they afterward sold and are now engaged in selling the said beds in Boston.

The conclusion in the court below was that the defendants were not protected from the claim of the Massachusetts assignee by having purchased the patented articles from the Michigan assignee, and accordingly there was an injunction and final decree in favor of the complainants, from which an appeal was taken to this court. * * *

Mr. Justice Shiras delivered the opinion of the court.

It is provided in § 4884 of the Revised Statutes that—

“every patent shall contain a grant to the patentee, his heirs and assigns, for the term of seventeen years, of the exclusive right to make, use, and vend the invention or discovery throughout the United States and Territories thereof;”

and in § 4898 that—

“any patent or any interest therein shall be assignable in law by an instrument in writing, and the patentee and 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.”

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 vend the article in any part of the United States, and, unless restrained by contract with the patentee, can sell or dispose of the article as it has passed outside of the monopoly, and is no longer under the peculiar protection granted to patented rights. As

was said by Mr. Justice Clifford, in *Goodyear v. Beverly Rubber Co.*, 1 Cliff. 348:

“Having manufactured the material and sold it for a satisfactory compensation, whether as material or in the form of a manufactured article, the patentee, so far as that product of his invention is concerned, has enjoyed all the rights secured to him by his letters-patent, and the manufactured article, and the material of which it is composed, go to the purchaser for a valuable consideration, discharged of all the rights of the patentee previously attached to it, or impressed upon it, by the act of congress under which the patent was granted.”

Suppose, however, the patentee has exercised his statutory right of assigning by conveying to another an exclusive right under the patent to a specified part of the United States, what are the rights of a purchaser of patented articles from the patentee himself within the territory reserved to him? Does he thereby obtain an absolute property in the article, so that he can use and vend it in all parts of the United States, or, if he takes the article into the assigned territory, must he again pay for the privilege of using and selling it? If, as is often the case, the patentee has divided the territory of the United States, into twenty or more “specified parts,” must a person who has bought and paid for the patented article in one part, from a vendor having an exclusive right to make and vend therein, on removing from one part of the country to another, pay to the local assignee for the privilege of using and selling his property, or else be subjected to an action for damages as a wrong-doer? And is there any solid distinction to be made, in such a case, between the right to use and the right to sell? Can the owner of the patented article hold and deal with it the same as in case of any other description of property belonging to him, and, on his death, does it pass, with the rest of his personal estate to his legal representatives, and thus, as a part of the assets to be administered, become liable to be sold?

These are questions which, although already in effect answered by this court in more cases than one, are now to be considered in the state of facts disclosed in this record.

In *Wilson v. Rousseau*, 4 How. 688, and in *Bloomer v. McQuewan*, 14 How. 56, it was held that the purchasers of patented machines had the right to continue the use of such machines, without again paying royalty, although the patent was twice extended. In the latter case it appeared that McQuewan, the defendant, had purchased his machines, not from the original patentee or from a territorial assignee, but from a purchaser from the latter. Therefore that case is authority for the proposition that the purchaser of a patented machine has not only the right

to continue the use of the machine as long as it exists, but to sell such machine, and that his vendee takes the right to use.

The scope and effect of those decisions were thus expressed by Mr. Justice Clifford, in *Mitchell v. Hawley*, 3 O. G. 241; 16 Wall. 547:

“Patentees acquire by their letters-patent the exclusive right to make and use their patented inventions and to vend to others to be used for the period of time specified in the patent, but when they have made one or more of the things patented, and have vended the same to others to be used, they have parted to that extent with their exclusive right, as they are never entitled to but one royalty for a patented machine, and consequently a patentee, when he has himself constructed a machine and sold it without any conditions, or authorized another to construct, sell, and deliver it, or to construct, use, and operate it, without any conditions and the consideration has been paid to him for the thing patented, the rule is well established that the patentee must be understood to have parted to that extent with all his exclusive right, and that he ceases to have any interest whatever in the patented machine so sold and delivered 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 his assigns.”

These cases were followed, and a step further taken, in the case of *Adams v. Burke*, 33 O. G. 114, 17 Wall. 453. There, Lockhart and Seelye owned, by assignment, all the right, title, and interest which the patentees had in a certain patented coffin-lid, in a circular district of a diameter of ten miles, whereof the city of Boston was the center. Adams, also by assignment, was the owner of all other rights under the patent. Burke, an undertaker, carried on his business at Natick, and within the territory covered by the patent as owned by Adams. To a bill for an infringement, filed by Adams in the Circuit Court of the United States for the District of Massachusetts, Burke pleaded that the patent coffins used by him in his business were purchased by him from Lockhart and Seelye, and were sold to him without condition or restriction.

The validity of this plea was sustained by the circuit court, and its decree dismissing the bill was affirmed by this court.

Mr. Justice Miller, in giving the opinion of the court, said:

“In the essential nature of things, when the patentee, or the person having his right, sells a machine or instrument whose sole value is in its use, he receives in 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 patentee. * * * A careful examination of the plea satisfies us that the defendant, who, as an undertaker, purchased each of these coffins, and used it in burying the body which he was employed to bury, acquired the right to this use of it, freed from any claim of the patentee, though purchased within the ten-mile circle and used without it."

It is obvious that necessarily the use made by Burke of these coffins involved a sale in every case. He did not put them to his personal use, unless we are permitted to suppose that he was himself buried in each one of the coffins. He bought the coffins for the purpose of selling them to others, and the legal significance of the decision upholding his defense is that a person who buys patented articles from a person who has a right to sell, though within a restricted territory, has a right to use and sell such articles in all and any part of the United States; that when the royalty has once been paid to a party entitled to receive it, the patented article then becomes the absolute, unrestricted property of the purchaser, with the right to sell it as an essential incident of such ownership.

That this was the meaning of this decision, not only appears from the language used, and from the necessary legal effect of the conclusion reached as between the parties, but from the dissenting opinion of Justice Bradley, whose reasoning went wholly upon the assumption that such was its meaning.

Boesch v. Graff, 51 O. G. 477, 133 U. S. 698, is cited by the defendant in error. But it is not out of line with the previous cases. The exact question presented was whether a dealer residing in the United States could purchase in another country articles patented there, from a person authorized there to sell them, and import them to and sell them in the United States without the license or consent of the owners of the United States patent, and the Court held that the sale of articles in the United States under a United States patent can not be controlled by foreign laws. In this case neither the patentee or any assignee had ever received any royalty or given any license to use the patented article in any part of the United States.

Hobbie v. Jennison, 63 O. G. 1204, 149 U. S. 355, is interesting as the last opinion delivered by Mr. Justice Blatchford.

The facts were these: An assignee for Michigan, of a patent for an improvement in pipes for conveying gas, water, and other

fluids, made, sold, and delivered in Michigan, pipes made according to the patent, knowing that they were to be laid in the streets of a city in Connecticut, a territory the right for which the seller did not own under the patent, and they were laid in that city. An action at law was brought in the Circuit Court of the United States for the Eastern District of Michigan by Hobbie, who was the owner, by assignment, of the patent for the State of Connecticut, against Jennison, who, under his rights as assignee for Michigan, made and sold patented pipes to the Hartford Steam Supply Company, which had a contract to lay pipes in Hartford, Conn. A jury was waived, and the cause was tried before Judge Brown, the district judge, now a member of this court. The decision and judgment of the circuit court were in favor of the defendant, and that judgment was affirmed here.

What was principally discussed was the true interpretation of *Adams v. Burke*, and an attempt was made to distinguish the case in hand by the fact, made affirmatively to appear, that the sale was made with the knowledge and intention on the part of the defendant that the use would be at Hartford.

But this court was of opinion that the case of *Adams v. Burke* was applicable; that the sale was a complete one in Michigan, and that neither the actual use of the pipes in Connecticut, nor a knowledge on the part of the defendant that they were intended to be used there, would make him liable.

This brief history of the case shows that in *Wilson v. Rousseau*, 4 How. 688, and cases following it, it was held that as between the owner of a patent, on the one side, and a purchaser of an article made under the patent on the other, the payment of a royalty once, or, what is the same thing, the purchase of the article from one authorized by the patentee to sell it, emancipates such article from any further subjection to the patent throughout the entire life of the patent, even if the latter should be by law subsequently extended beyond the term existing at the time of the sale, and that in respect of the time of enjoyment, by those decisions the right of the purchaser, his assigns or legal representative, is clearly established to be entirely free from any further claim of the patentee or an assignee; that in *Adams v. Burke*, 33 O. G. 114, 17 Wall. 453, it was held that, as respects the place of enjoyment, and as between the purchaser of patented articles in one specified part of the territory and the assignee of the patent of another part, the right once legitimately acquired to hold, use, and sell will protect such purchaser from any further subjection to the monopoly; that in *Hobbie v. Jennison*, 63 O. G. 1204, 149 U. S. 355, it was held that, as between assignees of different parts of the territory, it is competent for one to sell the patented

articles to persons who intend, with the knowledge of the vendor, to take them for use into the territory of the other.

Upon the doctrine 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. 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. 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.

The decree of the court below is reversed, and the cause remanded with directions to dismiss the bill.

Mr. Justice Brown dissenting:

The exact question presented by the record in this case is, whether a dealer in patented articles, doing business in Massachusetts, and knowing that the right to manufacture, use, and sell such articles within that State belongs to another, may purchase such articles of the patentee in Michigan, in the ordinary course of trade, for the purpose of resale in Massachusetts, and may sell them there in defiance of the rights of the licensee.

The right to do this is supposed to arise from the fact that the defendants, having once paid tribute to the patentee by purchasing the patented articles of him, thereby acquire the right to deal with such articles as they please, notwithstanding that another has bought and paid for the exclusive right to manufacture and sell them within their territory. The cases in this court which are supposed to justify, or at least to lead up to this conclusion, seem to me to fall far short of this somewhat startling result.

In *Wilson v. Rousseau*, 4 How. 646, it was decided, first, that the patent act of 1836 authorized an extension of a patent to be granted to the administrator of the patentee, and that such extension inured to the benefit of such administrator, and not to an assignee under the original patent; second, that the plaintiff, claiming title under the extension to the administrator, could maintain an action for infringement of the patent within the territory specified in the assignment, against any person not claiming under such assignment, and, third, that an assignee who had purchased the right and was in use of the patented machine at the time of the renewal had the right to continue such use during

the extension. Although cited in the opinion of the court, I am unable to see that it has any bearing upon the case under consideration.

The case of *Bloomer v. McQuewan*, 14 How. 539, did not differ materially from the prior one, although the Chief Justice draws a distinction between the grant of a right to make and sell the machine, and the grant of a right to use it; and in this connection makes use of an expression which has been freely quoted in subsequent cases, and is now employed in a way which seems may sell them there in defiance of the rights of the licensee.

“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. * * * And when the machine passes to the hands of the purchaser (for such use) it is no longer within the limit of the monopoly. It passes outside of it, and is no longer under the protection of the act of Congress.”

The question in that case, however, concerned only the rights of an assignee of a patent which had been extended, and the point decided was that the assignee was entitled to continue to use the patent during the extended period. In this connection there can be no question of the propriety of the language quoted. It would indeed be a strange principle to hold, that a party who had bought a patented article during the original term of the patent, should be obliged to pay an additional royalty for its use, if that term were extended.

In *Mitchell v. Hawley*, 3 O. G. 241, 16 Wall. 544, the patentee assigned to another the right to make and use, and to license others to make and use, four of his machines during the original term of the patent, with the express provision that the grantee should not dispose of, sell, or license any one to use such machine beyond the said term. The patent was extended for seven years, and a grant to use the machines for the two States in question, during the extended term was made to another. In delivering the opinion of the court, Mr. Justice Clifford quoted liberally the general language of the prior cases, but held that the grantor, under whom the defendants claimed, never acquired the right to sell the machines, and give their purchasers the right to use them, beyond the term of the original patent; and that notice to the defendants, who had purchased their rights from the grantee of the original term, was not required, as the law imposed the risk upon the purchaser, as against the real owner, of ascertaining whether the title of the seller was such that he could make a valid conveyance. In this case, the purchaser from the original grantee of the

term was held affected with knowledge of the terms of the grant from the patentee, which expressly took from the assignee the right to sell or grant any license to use the machines beyond the expiration of the original term. This case seems to be a limitation upon the general doctrine of the prior cases, that, by a purchase of the patentee, the patented article is thereby taken out of the monopoly. So far as the case is pertinent at all to the instant case, it favors the position taken by the court below.

There are but three cases that have any direct bearing upon the one under consideration, namely, *Adams v. Burke*, 33 O. G. 114, 17 Wall. 453; *Boesch v. Graff*, 51 O. G. 477, 133 U. S. 698, and *Hobbie v. Jennison*, 63 O. G. 1204, 149 U. S. 355. In *Adams v. Burke* the original patentees assigned to a firm in Cambridge, Mass., all their right in the invention to a circular territory extending ten miles from the city of Boston. Defendant, an undertaker, doing business at Natick, outside of this territory, bought certain coffins of the Cambridge firm, and used them in burying the dead, but sold none, except so far as the use of the coffins in his business could be considered as a sale. It was held that the defendant, having purchased the coffins of one who had a lawful right to sell them, had a right to use them anywhere; that the patentee, having received his consideration, the patented articles were no longer within the monopoly of the patent. The case was treated both in the opinion of the court and in the dissent, in which three justices concurred, as a case of use and not of sale and Mr. Justice Miller in delivering the opinion observed:

“Whatever, therefore, may be the rule when patentees subdivide territorily their patents, as to the exclusive right to make or to sell within a limited territory, we hold that in the class of machines or implements we have described, when they are once lawfully made and sold there is no restriction on their use to be implied for the benefit of the patentee or his assignees or licensees.”

The dissenting justices were of opinion that the assignment did not confer upon the assignee the right to sell the patented article to be used outside of his territory. There was no suggestion in either opinion that a purchaser from the assignee had or could have the right to deal in the patented article outside of the territory in which the purchase was made.

In *Hobbie v. Jennison* as assignee for the State of Michigan sold and delivered in that State certain patented gas and water pipes, knowing that they were to be laid in the streets of Hartford, Conn., a territory, the right for which the seller did not own under the patent. The pipes were laid in that city. It was held, following *Adams v. Burke*, that the seller was not liable, in an action for infringement, to the owner of the patent for Connecti-

cut. The action in this case was brought not against the user, but against the manufacturer and vendor of the patented article, and it was held that, as the sale was completed in Michigan, neither the actual use of the pipes in Connecticut, nor the knowledge on the part of the defendants that they were intended to be used there, could make them liable. This case also involved the right to use and not to sell, and was held to be indistinguishable from *Adams v. Burke*. It differed from that only in the fact that the action was brought against the vendor.

The machines or implements thus referred to in these cases are such articles as are exhausted or consumed in their use; that is, where articles are of no value after a single use, there is no restriction on their further use in favor of the patentee or assignee. When a patented article of that kind, the whole value of which consists in its use for a particular purpose, and which value ceases when its capability of use for that purpose is gone, the monopoly of the patentee or his assignee over it must necessarily cease upon its sale to the purchaser.

Upon the other hand, in *Boesch v. Graff*, 51 O. G. 477, 133 U. S. 698, it was held that one who purchased articles covered by a patent in a foreign country, and imported them into the United States, could not sell them here without the license or consent of the owner of the American patent, although they were purchased in a foreign country from a person authorized to sell them. This is the only case decided by this court in which the right of a purchaser to sell patented articles outside of the territory of his vendor has been drawn in question, and I see no reason why the arguments, which moved the court in that case to hold that this could not be done, do not apply with equal cogency to a case where the patented articles are bought within the United States. In both cases a tribute has once been paid to the patentee, and the fact that that tribute was paid in a foreign country, works no apparent difference in the principle.

In this connection the following decisions of the circuit courts, though not binding upon us as authority, are at least entitled to respectful consideration: In *Hatch v. Adams*, 22 Fed. Rep. 434, it was held by Judge McKennan that a purchaser of patented articles from a territorial assignee of the patent does not acquire the right to sell the articles, in the course of trade, outside of the territory granted to his vendor. A like ruling was made in the Southern District of New York by Judge Wheeler, in *Hatch v. Hall*, 30 O. G. 1096, 22 Fed. Rep. 438, and 40 O. G. 1342, 30 Fed. Rep. 613, and in the circuit court for the Northern District of California in the *California Electrical Works v. Finck*, Judge Hawley, 47 Fed. Rep. 583.

In view of the cases of *Adams v. Burke* and *Hobbie v. Jennison*, this court must be considered as committed to the doctrine that a vendee, purchasing a patented article of the patentee or his licensee, has a right to make use of the same wherever he may take it, notwithstanding the fact that the purchase be made with the knowledge of the vendor that the article is to be used in the territory of another, and with the knowledge of the vendee that the territory in which he proposes to use it is owned by another. We are now asked to take another step in advance, and hold that a rival dealer, with notice of the territorial rights of a licensee or assignee, may purchase any quantity of patented articles of the patentee, and sell them in his own territory in defiance of the right of the assignee in such territory. To this proposition I am unable to give my assent.

By Revised Statutes, § 4898—

“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.”

The object of this statute is to vest in the licensee the exclusive right of the original patentee to make, use, and sell the invention or discovery within the territory assigned, and to take to himself the profit upon every article sold within such territory. This right is presumed to be a valuable one, and is entitled to the protection of the courts and to a reasonable construction, in so far as it does not infringe upon the rights of others, who may have purchased the patented articles of one who had a lawful right to sell them. That one who makes use of or sells a patented article in ignorance of the fact that it is patented, is liable as an infringer, is entirely well settled. (*Walker on Patents*, §§ 377, 569, 3 *Robinson on Patents*, [901.) Yet we are asked to hold in this case that one, who is fully informed of the rights of territorial assignee may deal in the patented articles in defiance of such assignee, upon the ground that he has once submitted to the exactions of the patentee by purchasing the article of one who had a right to sell it. There is reason for saying that a person who has once paid tribute to the patentee shall not be called upon to pay tribute a second time, by reason of using the article elsewhere, but to say that he may purchase such articles for the deliberate purpose of entering into competition with a local licensee, is utterly destructive of the right of the latter to deal in the patented article. Under this rule a patentee may assign his right to make and sell the patented article in every State in the Union except his own; may there establish a manufactory, and may, by his superior facilities, greater capital, more thorough

knowledge of the business, or more extensive acquaintance, undersell his own licensees, drive them out of business, and utterly destroy the value of their licenses. In my view this can not be done, and I am, therefore, compelled to dissent from the opinion of the court.

I am authorized to state that the Chief Justice and Mr. Justice Field concur in this dissent.

765. **HAFFCKE v. CLARK**, 50 Fed. 531, 1 C. C. A. 570 (1892, Fourth Circuit). * * *

As to the question of license, the record shows that appellant and appellee entered into a partnership for five years, unless sooner dissolved by consent, for the purpose of manufacturing the Haffcke refrigerator; Clark, the appellee, putting in a cash fund of \$2,000, or so much of the sum as the business should require; and Haffcke "contributing all the rights to manufacture under the letters-patent" issued to him for his invention. The contribution of each was exclusively for the purposes of the partnership. The contract confers only a license, inasmuch as it contains no language declaring or implying that the right of manufacturing the refrigerators should belong, or in any contingency inure, to any other than the partnership to which it was "contributed." It is settled law that a license to use a patent is a personal privilege, which terminates with the life of the individual licensee to which it is granted, unless the grant contains words expressly conferring the power to sell or assign. In the absence of such power, if the licensee be a natural person and dies, or an artificial person or partnership and ceases to exist, the license expires equally in either case. *Oliver v. Chemical Co.*, 109 U. S. 75, 3 Sup. Ct. Rep. 61; *Nail Factory v. Corning*, 14 How. 193; *Gayler v. Wilder*, 10 How. 477, 494. When the partnership of Haffcke & Clark was dissolved, the license itself expired, and the exclusive right to the patent remained in the original patentee, unaffected by the temporary license. The subsequent use of it by Clark was an infringement of the patent. The decree of the court below must be reversed, with costs, and the cause remanded to the circuit court of the United States for the district of Maryland, with a direction to enter a decree for the appellant, and for further proceedings in conformity to the opinion of this court.

766. **BARBER v. NATIONAL CARBON CO.**, 129 Fed. 370, 64 C. C. A. 20 (1904, Sixth Circuit). * * *

Before Lurton, Severens and Richards, Circuit Judges.

Lurton, Circuit Judge, after making the foregoing statement, delivered the opinion of the court.

The discussion has largely turned upon the proper interpretation of the plea. The appellant insists that it is a good plea of title to the "inventions" made by Barber, and that an agreement to give one's time, skill, and inventive ability is, in legal effect, an agreement that the fruit of his inventions shall become the property of his employer. By this method of reasoning it is sought to secure a holding that the plea is a good plea of title, notwithstanding the absence of any averment that there was an "agreement" that the company should have title to his inventions, or to any patent that he might obtain for them. In short, a distinction is made between an employment under which one agrees "to use his best efforts and devote his knowledge and skill in devising and making improvements" in an article made by his employer, and an agreement by which the employe "agrees to give him time, skill, and attention and inventive ability" to the service of his employer in and about cheapening and improving the process used in his business. In the case first put, which is precisely the case stated in Hapgood's bill, as reported in *Hapgood v. Hewitt*, 119 U. S. 226, 229, 7 Sup. Ct. 193, 197, 30 L. ed. 369, the bill was held bad, the court saying:

"There is nothing set forth in the bill as to any agreement between the corporation and Hewitt that the former was to have the title to his inventions, or to any patent that he might obtain for them. The utmost that can be made out of the allegations is that the corporation was to have a license or right to use the inventions in making plows. It is not averred that anything passed between the parties as to a patent. We are not referred to any case which sustains the view that, on such facts as are alleged in the bill, the title to the invention or patent for it passed."

There is some room for the distinction insisted upon in the decision of District Judge Graham in *Hapgood v. Hewitt* (C. C.) 11 Fed. 422, and the statement by the Supreme Court in the same case, 119 U. S. 233, 7 Sup. Ct. 193, 30 L. ed. 369, that they concurred in the views of the circuit court, although that general statement is followed later by the paragraph set out above.

Whiting v. Graves, 3 Ban. & A. 222, Fed. Cas. No. 17,577, and *Wilkins v. Spafford*, 3 Ban. & A. 274, Fed. Cas. No. 17,659, both hold, that only a license, exclusive or otherwise, according to the term of agreement, would result from a contract for the inventive ability of a workman. We do not find it important to decide the question thus mooted. If it be concluded that it is not essential that there shall be an express agreement that the employer is to have the title to the inventions of the workman, or to any patent he may obtain for them, if the contract provided that the employer should have the benefit of the employe's inventive facul-

ties, it does not necessarily follow that this plea is to be construed as other than a plea of license. We are not required to assume, as a necessary conclusion from the fact that Barber is averred to have agreed to give the company his "time, services, and inventive ability," that the pleader intends to assert title. The plea is to be construed by looking to all of its averments, and from the whole document determine whether the defense, from the facts stated and the conclusion drawn, is that of license or title. To stand narrowly upon an inference that the title is claimed from the contract to give the company the benefit of his inventive abilities will be to ignore other facts, and, more than all, to ignore the conclusion which the pleader himself drew from the facts he had stated.

The business of the carbon company was not the making or selling of machinery or mechanism for any purpose. They were engaged in making carbons. The plea states this, and that a part of the process consisted in electroplating such carbons. The plea then avers that Barber agreed to give his "skill, attention, and inventive ability to the service of said defendant company in and about the cheapening and improving of the process of electroplating, and other processes in the manufacture of carbons." At most, the employment was for this purpose. Why shall we deduce the conclusion that anything more than a license to use such inventions as he should make in the business of the company would result from an agreement of that kind? But the conclusion which the plea draws from the agreement stated is in accordance with the tendency of the law to preserve to a workman as large a benefit from the results of his intellectual faculties as is consistent with the contract between him and his employer. The plea concludes by claiming that "the defendant is entitled and has the right to the perpetual use, in its business, and for its purposes, of the improvements and claimed inventions of the complainant in his bill set forth," etc.

A right to a use in its business and for its purposes is a license, and is a very different estate from a title to the inventions of the complainant. We think, therefore, the proper construction of the plea is that the pleader is to be understood as setting out a state of facts from which he deduced the claim of a license in behalf of the defendant, and that it was not intended to set up a claim of title to the invention. The establishment of a license was all that was required to constitute a defense, and there was no necessity for pleading more than that. Any other construction would lead to the consequence that the plea would be double, as claiming both the title to the invention and a license to use it. We do not think the plea intends this, but only to lay the ground upon which at least a license would result, and then to put for-

ward the claim of a license as a sufficient defense to the matter of the bill.

This brings us to the scope of the license implied from the circumstances as established by the evidence in support of the plea. The evidence does not show any contract by which Barber was to make inventions or devote his inventive faculties to the service of the carbon company, or any agreement that any inventions should belong to the employer, or any patent which he should obtain thereon. It does show that he was employed because he was a mechanical engineer, and that he was expected to devote his time and service to the cheapening of the processes used by the carbon company. But nothing was said upon the subject of inventions, or the use of his inventive faculties for their benefit, unless an agreement to devote his knowledge, skill and service to the cheapening and improving of the processes used in the factory involves the inventive faculty also. The precise terms of his employment are somewhat indefinite, but the things which Barber set to do and that he continued to do justify the interpretation the court below put upon the contract of employment. In the course of his employment, Barber made the very valuable invention for which he obtained a patent. That his employers knew of his purpose to apply for a patent, we, from the evidence, think most likely. When he built and established his first machine, he placed thereon plates with an inscription thereon, "Patent Applied For." When this machine was started, the officers and directors were called in to inspect it. It is impossible to believe that these plates escaped their observation. The fact that the plates were thus conspicuously affixed is at least indicative of Barber's intention to protect his invention with a patent, and we can but believe that this fact was also known to his corporation.

The fact of knowledge of Barber's intention to patent his invention, however, is only significant in respect of the scope of the license implied from the fact that he made his invention while in the employment of the carbon company, and that, while so in their employment, six machines were constructed, wholly or partly, for the company, under his personal direction, and without any announcement of any purpose to claim a royalty for their use. The evidence shows that the machine for the use of the process of the patent was one of costly character, occupying very great space. To use them profitably, the factory must be specially constructed upon plans adapted to furnish the space needed. To properly install Barber's machine, special designs for buildings were therefore prepared under Barber's direction, and machines were either built or started according to his plans before he was discharged. In one of defendant's factories there was

space especially designed for another of his machines, and after his discharge a seventh machine was built for the place thus prepared.

In *Withington-Cooley Co. v. Kinney*, 68 Fed. 500, 15 C. C. A. 531, 537, we had the question of the scope of duration of a license implied from service, and said:

“The duration and scope of a license must depend upon the nature of the invention, and the circumstances out of which an implied license must be presumed, and both must at last depend upon the intention of the parties.”

In that case the employer was a manufacturer of power presses for sale, and the employment of Kinney had relation to the making of patterns and drawings for such patterns. Kinney made an improved press, and built patterns by which such improved presses were made in the shop for the purpose of supplying his employers' trade. We held, under the circumstances, that Kinney must be presumed to intend that his employer should use his improvement in such new machines as he should make while personally engaged in the business of supplying such machines to the trade. We therefore held that the license, to be presumed, “was not limited by the mere life of the patterns, but was intended as an authority to make and sell power presses embodying Kinney's improvement so long as Babcock should continue in business.”

In *Solomon v. United States*, 137 U. S. 342, 346, 11 Sup. Ct. 88, 89, 34 L. ed. 667, Clark, while in the employment of the government and at the expense of the government, devised a self-canceling revenue stamp, which was adopted by the government upon his recommendation. It was held that a perpetual license to make and use that stamp was to be presumed. In that case the principle was said to be this:

“If one is employed to devise or perfect an instrument, or a means for accomplishing a prescribed result, he cannot, after successfully accomplishing the work for which he was employed, plead title thereto as against his employer. That which he has been employed and paid to accomplish becomes, when accomplished, the property of his employer. Whatever rights as an individual he may have had in and to his inventive powers, and that which they are able to accomplish, he has sold in advance to his employer. So, also, when one is in the employ of another in a certain line of work, and devises an improved method or instrument for doing that work, and uses the property of his employer and the services of other employes to develop and put in practicable form his invention, and explicitly assents to the use by his employer of such invention, a jury or a court trying the facts is warranted in finding that he has so far recognized

the obligations of service flowing from employment, and the benefits resulting from his use of the property, and the assistance of the co-employes, of his employer, as to have given to such employer an irrevocable license to use such invention."

In *Lane & Bodley v. Locke*, 150 U. S. 193, 14 Sup. Ct. 78, 37 L. ed. 1049, a license to continue to make and use a stop valve in their business was presumed. In *Gill v. United States*, 160 U. S. 426, 16 Sup. Ct. 322, 40 L. ed. 480, the cases are all reviewed, the principle upon which they rest held to be an application of the law of estoppel in pais.

In view of the fact that buildings specially designed for the use of Barber's process and apparatus were constructed under his direction, we think the presumption is that he intended to grant to the carbon company the right to use his process in connection with the machines, for which space in the several factories had been specially arranged with his knowledge and under his direction. The right of use presumed is the right to use such number of machines as had been prepared for, and that the right is not limited to the life of the particular machine, but will include replacements so long as the carbon company continues in the manufacture of carbons. The scope of the license therefore includes the seventh machine, constructed after Barber was discharged, to occupy the place prepared for it under Barber's direction. By his conduct, Barber has estopped himself from asserting that the use of his invention to this extent is an infringement of his right as a patentee.

The defendants have therefore not exceeded the license implied from the facts, and the decree is, upon this ground, affirmed, so far as it dismissed the bill of the complainant. * * *

767. *WESTERN UNION TEL. CO. v. AMERICAN BELL TEL. CO.*, 125 Fed. 342, 60 C. C. A. 220 (1903, First Circuit).

Putnam, Circuit Judge:

* * *

There are several parties to the record, and several other parties have been predecessors in title; but, as the sole beneficial issue is now between the Western Union Telegraph Company and the American Bell Telephone Company, we will find it necessary to name only them. The bill was brought for an accounting under a contract dated November 10, 1879, between the Western Union Telegraph Company and corporations in the same interest and the National Bell Telephone Company, the predecessor in interest of the respondent. It was filed on November 16, 1883. Without waiting for a hearing, on May 24, 1886, the case was sent to a so-called master under the following agreement:

"It is agreed that the above-named cause may be referred to the Honorable John Lowell, as master, to hear the parties, report the facts, with such part of the testimony as either party shall request, and his rulings on any question of law arising in the case."

The reference fell within the rule of *Kimberly v. Arms*, 129 U. S. 512, 524, 9 Sup. Ct. 355, 32 L. ed. 761, and of subsequent cases of that class. Frequently such references involve troublesome complications through the fact that they necessitate departures, more or less definite, from the ordinary practice. In the present case, however, no difficulty arises. The complainants excepted to the master's report solely as to questions of law. The respondent took no exceptions. We should explain that there are some findings of the master which take the form of findings of fact, but which are really findings of law, as they arose on the face of the various papers in the case. Therefore, we are not embarrassed on account of the agreement for reference by *Kimberly v. Arms* or by other cases of that class.

The master found for the respondent, and the Circuit Court sustained his findings, and entered a decree dismissing the bill. We think that we should first make clear what the true issue is. The contract obligated the telephone company, among other things, to account to the Western Union for a certain percentage of rentals or royalties for the use of telephones protected by certain letters patent. At the time of the execution of the contract there were three ordinary methods of using telephones: First, on private lines; second, on lines from one part of a building, or premises, to another part thereof, ordinarily known as "speaking-tube" purposes; and, third, in exchange systems or the like thereof. Then the telephone company not only owned and licensed telephones, but also had certain interests in exchange systems. The master, among other things, reported:

"I am of opinion that by the contract the defendant clearly had the exclusive right to carry on the exchange business, alone or jointly with others, and to receive its profits, paying to the plaintiffs twenty per cent. of the stated rentals."

It is clear that the Western Union had, under the contract, no interest in the exchange business which the telephone company owned, in whole or in part, or in the profits received therefrom, so far as either can be distinguished from considerations for the mere licensing of telephones, or so far as the advantages which came from them to the telephone company came as the result of a contribution by it aside from that of such mere licensing. It is also clear that when, even after the contract of November 10, 1879, the telephone company had properly acquired any part of an exchange, the complainants had no interest

in the subsequent profits which might come therefrom. The position of the complainants before us renders it unnecessary to elaborate these propositions. They put the case on a single issue in the following language, which refers to certain shares of corporate stock which the complainants maintain the telephone company received as part consideration for licenses to rent and use telephones:

"It is in respect to these shares thus received by the Bell solely for exclusive licenses to use telephone instruments under the patents which were by the contract combined in its hands, and by virtue of which contract alone the Bell was able to give such licenses, that this suit seeks an accounting."

This claim is illustrated by the following finding by the master:

"The shares, of which the plaintiffs require one-fifth to be accounted for, were, in nearly all cases, obtained in the way to be presently mentioned, but reference may be had for their terms to the contracts reported herewith. The defendant issued to a corporation a license to use telephones for five years in an exchange to be established by and at the expense of the licensee in a certain place, paying the usual rentals, and reserved the right to take the plant at actual cost, less depreciation at the end of the term, allowing nothing for franchise or good will. These short-term contracts either expired or were surrendered by the licensees, and thereupon the defendant gave them perpetual exclusive licenses for the agreed locality, and received these shares, usually thirty-five per cent. of the entire capital stock, for which it paid nothing except the exclusive perpetual license."

This renders immaterial a considerable portion of the master's findings of the proofs in the record and of the propositions urged on us by the respondent. It especially renders it unnecessary that we should consider the proposition urged by the respondent that there is a substantial distinction between a "rental of telephone instruments" and the "profits of an exchange business," or that we should follow out any elaboration of the definitions and expressions in the contract, showing that the word "telephone" is used therein with the utmost precision. In the same manner, we are relieved from considering the respondent's illustration of its proposition that the contract had no intention that the Western Union "should share in the whole profits due to the telephonic patents," if that expression has any peculiar significance, or the further proposition that it was contemplated that some exchanges would make larger charges, and, consequently, have larger profits, than others. It also renders unnecessary any consideration, at least at this stage of the case, of the peculiar relations of the contracting parties to exchanges

at the date of the contract or prior thereto. It is plain that the only question before us is whether the Western Union may share in valuable assets received in lump by the telephone company in exchange in the whole or in part for telephoning licenses.

The parties have not urged on us any question of jurisdiction in equity, but it naturally arises in connection with that of the substantial merits of the case. The record shows that the accounting, if the complainants are entitled to it, would be so voluminous and complicated that it would be impossible to take it at common law, unless by the technical action of account, if it would lie. That this fact affords sufficient ground for jurisdiction in equity, whether that action would lie or not, is well settled. Some of the authorities bearing thereon are cited and explained in *Fenno v. Primrose* (C. C.) 116 Fed. 49. In addition, the nature of the rights vested in the Western Union by the contract in issue here supports this jurisdiction. It will appear that the contracting parties combined substantially all their interests in telephonic patents, to be worked by the telephone company for their joint benefit, certain net results to be shared on an agreed percentage. While this did not create the technical relation of trustee and cestui que trust, it established a quasi trust, such as between copartners, and between the officers of a corporation and the corporation, over which chancery takes jurisdiction.

It is not necessary to set out with great fullness the contract in issue. It has been abstracted in the opinion of the learned judge who heard the case in the Circuit Court, and a general statement of its purview with reference to the topics which bear on the question at bar will be sufficient. The respondent has very well stated its general features in substantially the following language: The Western Union, a well-established corporation with a large capital, controlling continental telegraphing, was also, previous to and at the time the contract was made, carrying on a more or less extensive telephone business. The telephone company, then a comparatively new and small corporation, was wholly engaged in telephones, and by virtue of its patents, claimed an exclusive right. Numerous suits were pending for a determination of the respective rights under the several telephonic patents owned or controlled by the parties. The Western Union desired to protect its telegraphic business against possible inroads by telephones, and, under those circumstances, a compromise was reached, and this contract was executed. Its principal features are carefully framed provisions for the protection of the Western Union telegraphic system, and a lease and transfer by it to the telephone company of its interests in the telephonic patents, its telephones and telephonic

exchanges, with an agreement that the Western Union should receive a certain proportion of the rentals or royalties which should come to the telephone company. It should be added that, as incidental thereto, the telephone company agreed to keep accounts of the number of telephones manufactured, licensed, and put out for use, and of the rentals received therefrom, which should be open to the inspection of the Western Union, for the purpose of ascertaining the "royalties or bonus" coming due under the contract.

The contract is long, and contains a great many provisions, and, therefore, of course, many of its expressions are oftentimes repeated, and not always exactly in the same form. As the contract was made so long ago, it was, perhaps, constructed in the light of facts the common recollection of which is now dimmed, leading to a strong anxiety on the part of one or both parties to the controversy to restore them, for the purpose of sustaining their respective views pro and con. The result of this is a voluminous mass of proofs relative to prior negotiations, correspondence, and earlier contracts, to which much weight was given by the master and the Circuit Court. Against this the Western Union earnestly objects.

To some extent it is the same with a contract as with a statute. The court upon which rests the burden of construing it, especially if it is ancient and complicated, searches carefully for any scrap which may suggest an interpretation not obvious after a lapse of time. While nothing such can be availed of for the purpose of overruling the intention of the parties as finally incorporated in the executed instrument, yet, as said by Judge Aldrich, in speaking for the Circuit Court of Appeals for this circuit in *Church v. Proctor*, 66 Fed. 240, 242, 13 C. C. A. 426, an interpretation of writings is to be made "with reference to the subject-matter and the understood situations of the parties." The circumstances under which contracts are executed, and the difficulties of understanding the actual relations with which parties are dealing, vary so much that no absolute rule can be framed as to the methods in which courts may investigate them; but the practice is so liberal that Greenleaf on Evidence, vol. 1, § 282, an authority which we need not go beyond, says that "the rule excludes only parol evidence of the language of the parties, contradicting, varying, or adding to that which is contained in the written instrument." On the other hand, extreme care is required in making investigations into a field beyond what was clearly appropriated, because of the fact that such investigations may not only mislead, but they may draw courts into speculations and doubts more involved than those arising on the face of the contracts concerned.

In the present instance, what is known as the "Ormes Contract," and also the "Outline"—that is, a preliminary draft—and other drafts, have been much relied on by the respondent; but one will be shown to have been based on radically different principles, so far as the problem before us is concerned, while as to the various drafts the chasm between them and the completed instrument is so broad that nothing in the record enables us to bridge it. We will explain this more at length hereafter.

Among other elements, the existence of which is much discussed, is that of exchanges; but their existence is so emphatically recognized by the contract, and so extensively provided for, that whether at the time of its execution there were few or many, whether in use by one party or both, and whether subsequently greatly multiplied or not, must be regarded as in all respects understood and anticipated contingencies. The same is true with reference to nearly all the other incidents which have been brought to our attention with great detail. The recognition of most of them by the contract itself is so positive that it will be necessary to us to refer to them only briefly, if at all, except as they appear therein.

In contemplating the construction and effect of the contract, we must first of all consider that the relations of the parties to it were of the fiduciary character to which we have referred; so that the telephone company, as the holder of the joint interests, left in exclusive control thereof, was bound to the underlying rule that neither directly nor indirectly, nor by any artifice whatever, should the Western Union be deprived of its share in the net profits of the licenses or leases, whatever form they might assume, unless and except as expressly so provided. In *Batchelder & Lincoln Company v. Whitmore* (C. C. A.) 122 Fed. 355, 361, we illustrated how such fiduciary obligations may arise between others than technical trustees and cestuis que trustent, pointing out that the utmost good faith is required between creditors coming into a composition of a failing debtor. The existence of similar obligations under other circumstances, as between copartners, and also as between officers of a corporation and the corporation, is explained in *Pomeroy's Equity Jurisdiction*, §§ 157, 1088, and sequence, although it is shown that under such circumstances jurisdiction in equity does not lie to the same extent as with technical trusts. It is also true that, other than with a technical trustee, this contract left a large discretion with the telephone company, and did not bind it to any particular rule of diligence or skill. Nevertheless, this general equity requires it to account with the utmost good faith for what concerns the common interests. This equity is effectual, universal, and un-

yielding, and we must approach the contract in the light of it, and give the Western Union the full benefit thereof.

* * *

A large portion of the case as submitted to us concerns the meaning of these words "rentals" and "royalties." The respondent claims that they are used interchangeably, and that neither adds anything to the other. The word "rentals" would naturally fall into the contract, because, as we have said, the business had uniformly gone on the basis of a fixed amount for each year for the use of each telephone, and the word "royalties" naturally occurs in any contract of the general character of that at bar. The use of words of this character, which so naturally, and almost inevitably, fall into any contract with reference to patented matters, comes short of requiring any inference of special value. These words appear frequently in the contract; the respondent says 33 times, and states that the contract is not uniform in using both expressions. But departures of this character are frequently of the scrivener only, and, in any view, such a fact is too easily accounted for to meet the effect of the positive language with which the contract opens.

Royalties are commonly understood as meaning something proportionate to the use of a patented device; in other words, a kind of excise. Bouvier's Law Dictionary, "Royalty." In its more ordinary meaning, it would not literally include the shares of stock for which an accounting is demanded. In some of its uses it is a broader word than "rentals," and yet in other aspects "rentals" is a broader word than "royalties." Rentals in their ordinary signification are not limited as royalties in their ordinary signification; that is, to something proportionate to the use of the patented device. The word "ordinarily" means specific sums paid annually, or at other stated periods, for the right to use a patented device, whether it is used much or little or not at all. We will show before we close that in the present case it is capable of an adaptation to meet in any view the literal construction which the respondent puts on the contract at bar.

On the whole, this expression in the first paragraph of article 1, "all rentals or royalties actually received or rated as paid," is, on any method of construction, whether literal or otherwise, flexible, and favorable to the complainant; but, after all, the fundamental rules of construction which we have said apply to this contract cut under this refined discussion as to the literal meaning of particular words and phraseology. This will appear from a hypothetical case: Admitting that these parties, or any other parties, had stipulated literally and expressly for the payment and receipt of a share of annual rentals, springing out of the use of a patented device covering the entire United States or

any limited district, and admitting that under those circumstances the party in whom the title to the patent vested had granted a perpetual license for a gross sum of money, abandoning the collection of annual rentals, or thus, for a like gross sum, had disposed of the entire or partial interest in the patent for the whole or a part of a district served, so that the collection of annual rentals was no longer practicable, either wholly or in part as the case might be, it would be preposterous to maintain that thereby the party entitled to share was cut off from his rights under the contract. It might well be that the contract could be so framed that he might bring an action in the nature of an action of tort for such disposition of the patented interest, but in no event would his rights be thus limited. Indeed, even at the common law, the precise kind of return described would be regarded as merely illustrative, and an action would lie at the option of the party entitled to share in whatever was in fact realized; and this result would be more marked in a suit in chancery, like this, where the proceeds of a beneficial interest can be followed by the party entitled to that interest, whatever form they take. This rule was fully explained by us in *Hutchinson v. Le Roy*, 113 Fed. 203, 206, 51 C. C. A. 159, and it is laid down broadly in the following terms in *Smith v. Vodges*, 92 U. S. 183, 186, 23 L. ed. 481:

“Where money has been misappropriated, the general rule of equity is that those wronged may pursue it as far as it can be traced, and may elect to take the property in which it has been invested or to recover the money.”

While the court here speaks of “money,” yet this word is only illustrative. Like the other equitable rule to which we have referred, this one is also efficient, far-reaching, and absolute; so that beyond all question, in view of the equitable obligations resting on the telephone company which we have described, and even under the rules of the common law, contracts of this character must be so construed and applied that the portions of the present contract which we have cited compel the telephone company to account for the shares of stock for which the accounting is asked, under the circumstances stated by the master, precisely as it would be required to account for any gross addition to rentals which it might have received in the form of a sum of money, unless something can be found in the contract which shows that the parties have stipulated otherwise. The underlying equities which we have described are so strong that they are not lightly to be set aside, nor can they be ignored on account of mere inferences ingeniously drawn from circumstances, or from anything except what appears clearly on the

face of the contract or what is clearly inconsistent with the operation of its provisions.

At this point it is convenient to say what we need to say as to the Ormes contract. The respondent claims that this was the "basis" of the contract in suit. The master so found, and the Circuit Court sustained this finding. This is a remarkable illustration of the case which we have said should be used with references to the investigation and application of matters outside of a contract itself. The foundation for this proposition is the testimony of Mr. Forbes, then president of the telephone company, as to a conversation with Mr. Gifford, then one of the counsel of the Western Union. The Ormes contract was completed in August, 1879. It constituted an arrangement between the Western Union, the telephone company, and Ormes, by which Ormes was licensed for several Southern states by both the other parties, and was able, therefore, to cover those states without controversy. Mr. Forbes testifies that he met Mr. Gifford at New York, and the suggestion was then made that the Ormes contract would be a good basis for a settlement for the rest of the country, "to which Mr. Gifford immediately expressed his opinion that it would," following which there was a discussion as to the method of making the suggestion practicable. What this conversation probably meant appears from the testimony of Mr. Gifford. While at the White Mountains, a short time before, he endeavored to arrange with the counsel for the telephone company for a combination of all interests into a joint property, in which each party should have a half share, looking to a corporation for that purpose. This was refused, and those negotiations failed. In other words, when Mr. Gifford assented to the suggestion of the Ormes contract as a basis, it satisfies the proofs to assume that he did it as an expedient in lieu of the proposition which he had made for the combination of the joint properties into a corporation. So far as that particular was concerned, the present contract did follow that with Ormes. While, also, in many details, the instrument before us follows the other, as it inevitably would, yet, as to the only question on the appeal, the principle underlying one is in contrast with that underlying the other. Ormes was the paymaster. He stipulated directly with the Western Union to pay it a fixed annual rental of \$1 for each telephone, with a reduction under some circumstances to 75 cents. So far as the Western Union was concerned, he agreed to pay it this fixed license. That was the end of it; and he was under no further obligation to it, legally or equitably. The relations between the Western Union and the telephone company in the Ormes contract were of the simplest character. They, of course, protected the telegraphic business

of the former, but beyond that the telephone company made no stipulations in favor of the Western Union, except with reference to a certain incidental right which the telephone company reserved to increase its royalties as against Ormes, in case of additional cost to itself arising out of improvements. It indeed stipulated that under certain contingencies it would assume the royalties which Ormes agreed to pay the Western Union, but it did this only as a substitute for Ormes. In its essence, the Ormes contract is so far removed from the contract before us that we are unable to find in it any assistance of value.

We will also in this connection dispose of what we have to say with reference to the drafts preceding the contract as executed. First was what is called the "Outline." Precisely in what stage of the negotiations this came in we have not been advised. What purports to be a copy of it was obtained for this record, but a note by the clerk says that it was omitted when the case was printed for the master "because of the difficulty of properly reproducing it." It was covered with pencilings, and was altogether in the most confused and uncertain form. It, however, is plain that it did not contain the parts of the third paragraph of article 2 of the existing contract, which will be found to be necessary to the ultimate determination of the issue before us. The record also contains a paper dated on the 27th of September, 1879, signed by the parties as a memorandum to be replaced by a formal contract to be prepared by counsel. This also fails to contain the most essential part of the third paragraph of article 2; also the seventh paragraph of the same article, which we will explain further on. It is true, for whatever it may be worth, that the substance of this paragraph is found in the general phraseology of the memorandum of September 27th. No clear proposition is based on any of these preceding drafts; and, indeed, none could be, except that the mass of papers in the record relating to the prior negotiations shows that they were in a state of flux till the contract was completed. These extraneous drafts illustrate most vividly a proposition most pertinent to this topic at the outset of any discussion of it, that it sometimes happens that the minds of contracting parties meet on essentials only at the last instant, and this in such way that the final agreement finds no expression except in what was written last of all. On the whole, the contract before us exhibits on its face sufficiently for present purposes the existing condition of things; and, aside from what is disclosed by it and things of common knowledge, the matters which have been so elaborately pressed upon us cannot safely be permitted to change the just construction of what we find in the instrument itself. So far as it goes, it is reasonably clear; and its application to any con-

ditions which its terms do not in fact anticipate must be determined by the fundamental rules of law which we have already explained.

The case as put is one of the receipt by the telephone company of certain shares of capital stock, in addition to the annual rentals for which it has accounted to the Western Union; but it must not be obscured by the nature of the additional assets thus obtained. The case in this respect stands exactly the same as though the telephone company had received the equivalent of these shares in money, or had immediately converted them into money. For all present purposes, the transaction is to be scrutinized in the light of the fact that all questions as to the nature of the assets received are immaterial. The case stands, therefore, on the propositions of law and equity which we have already stated; that is to say, that the telephone company has received certain assets in addition to rentals by name, which it must account for under the first paragraph of article 1, unless the contract elsewhere clearly permits otherwise.

* * *

We have already shown that, on a true construction of contracts of this character, the words "rental or royalty," found herein, must stand for and represent any gross sum received for a perpetual license or other interest; and such being the fact, this portion of this paragraph specifically prohibits the telephone company from receiving for telephone licenses any special advantage to itself, whether by shares of stock or money, without apportioning it to the Western Union. It must be admitted that apparently the first portion of the paragraph makes a certain concession in behalf of exchanges or lines actually owned in whole or part by the telephone company. This consideration was undoubtedly yielded to the necessities of the case, arising out of the fact that, where the telephone company had an interest, especially the whole title, the accounts might not, or could not always be kept, so as to show specifically what was a just allowance merely for licenses. This portion of the paragraph, however, is limited to the operation of exchanges after the telephone company becomes interested in them, and it has nothing to do with the acquirement of such interests. Moreover, it is especially guarded, so far as practicable, in order to secure to the Western Union its share of what would be reasonable and just rates proportionate to those paid by other exchanges in which the telephonic company had no interest.

The answer alleges that the practice of the telephone company with reference to the matters covered by this bill was well known to the Western Union, and that until shortly before the commencement of this suit it made no complaint thereof, but, on

the contrary, "recognized such course of dealings." This is not in such definite language as to make it clear whether the respondent intended to raise a question of laches or to make the proposition that the Western Union had practically construed the contract as claimed by it. The bill, as we have said, was filed on November 16, 1883, four years from the execution of the contract. The demand by the Western Union on the telephone company for this accounting was contained in a letter of February 26, 1883. Of course, on well-settled principles, the acquiescence of both parties for over three years in the construction of a contract, involving so many elements as this, would be of great importance when a court comes to determine its meaning. Laches is, of course, available when plainly raised by the proofs, even if not set up in the answer. The master finds no facts of a definite character with reference to either of these topics. The respondent, moreover, referred to this line or lines of defenses, whichever it is, only a brief, indeterminate, and incidental manner. On being specifically inquired of by the court on this topic, nothing more satisfactory in reference thereto was obtained. The answer does not allege how long the Western Union had known of the course of business which this case develops, and nothing in the findings of the master, or in the proofs brought to our attention, contains anything in that respect. Therefore we are not required to give attention to this phase of the defense.

It is claimed by the respondent that on this bill no relief can be granted according to the case made by the proofs and submitted to the court by the complainants. This point seems to be that to reach the case the bill should have prayed that the contract be reformed, or should have alleged artifice on the part of the telephone company in fraud of complainants. But, in view of the construction and effect which we give the contract, the prayer of the bill, so far as it asks an accounting for the amount and value of assets received for licenses to use telephones, is appropriate to the facts. The prayer, however, asks for an accounting for telephonic appliances, which, of course, is erroneous. It also asks specifically that the shares of stock received by the telephone company, and other incidental matters described in the prayer, be transferred to the Western Union, and that the dividends thereon be also accounted for, with interest on each item. None of these details are within the scope of our present adjudication. The disposition of them will turn on a further investigation to be made by the Circuit Court.

We find nothing in the case which raises any practical issue except the specific matter which we have discussed, and that we find to be limited to certain shares of stock alleged to have been received by the telephone company. We therefore determine

that the only issue is the ascertainment as to certain shares of stock received by the telephone company since November 1, 1879, in consideration, in whole or in part, for licenses to use telephones, and as to the incidentals appurtenant thereto.

We exclude from the accounting anything received by the telephone company in any form which was properly the equivalent of what it possessed the day as of which the contract went into effect; that is, November 1, 1879. As, for example, so far as at that time the telephone company had given any license, if there were any such, involved in any contract entitling it at the end of a specific period to receive a surrender of the whole or any part of the plant or other incidents of a telephonic exchange, and so far as subsequent to November 1, 1879, the telephone company surrendered such option and gave a new license, receiving an obligation for the usual rentals or royalties, and certain shares of corporate stock, such portion of such corporate stock as represented the value of the option surrendered pertains to the telephone company, and is not to be accounted for. It may, and probably will, be difficult to make this apportionment; nevertheless, if there are any conditions existing, as we have stated, the apportionment must be made as can be best done. In this connection we repeat that we do not intend hereby to conclude or preclude any questions with reference to dividends or interest, and all such questions are reserved, so far as we are concerned, until the case comes to us again from the circuit court, if it ever does.

Of course, the accounting, according to settled practice in equity, will be brought down to as late a period as is practical; and, all parties having already had full opportunity of bringing into the record all facts essential to the final accounting, each must, on such accounting, be confined to the present record, except so far as equity shall require otherwise.

In view of the state of the record thus spoken of, it is probable that we could proceed further, and dispose considerably of the issues involved in the accounting; but the proper practice is that pointed out in *Chicago, Milwaukee & St. Paul Railway v. Tompkins*, 176 U. S. 167, 179, 20 Sup. Ct. 336, 44 L. ed. 417. In the form in which this case comes to us—that is, on a general finding against the complainants—it might be impracticable for us to go further into details without doing injustice. However, we are entitled to avail ourselves of the relief which comes from the rule stated in the case just cited.

We have thoroughly considered the very careful reasoning of the Circuit Court in this case, and differ from it only after much deliberation. We have reached our conclusion by holding firmly to the true issue in the case, from which there has been a grave

departure, originating with those portions of the master's report which we have cited, and further induced by some of the complainants' exceptions thereto, and by propositions urged by the respondent before us and in the Circuit court.

The decree of the circuit court is reversed, the case is remanded to that court to enter a decree for the complainants for an accounting, and for further proceedings in accordance with our opinion, and the appellants recover their costs of appeal.

768. STIMPSON COMPUTING SCALE CO. v. W. F. STIMPSON CO., 104 Fed. 893, 44 C. C. A. 241 (1900, Sixth Circuit).* * *

Before Lurton, Day and Severens, Circuit Judges.

Severens, Circuit Judge, having made the foregoing statement of the facts, delivered the opinion of the court.

The first question to which our attention should be directed is that relating to the construction of the contract and license formerly held by the appellant from Stimpson, and more particularly to the interpretation and effect to be given to the clause which declared that the party of the second part (the appellant) should "have the right to determine this contract, and their obligation thereunder, by giving six months' notice in writing to said party [Stimpson] of their intention to discontinue the manufacture and sale of such scales under this contract." An ingenious and labored effort is made in the brief for the appellees in support of the proposition that this provision is to be construed as meaning that the contract could only be determined by the appellant in case it should conclude to abandon the business of making and selling computing scales like these, and hence, if it should give notice of its election to abandon the contract, it was bound to discontinue the business. But we do not so interpret this stipulation. We think it gave the licensee the right to determine the contract by giving the prescribed notice of its intention not to proceed further under the contract after the time stated in the notice should expire. The manufacture and sale of such scales "under this contract" would then cease. Effect must be given to all the language of a contract where possible, and we see no difficulty in applying this rule of construction here. There was nothing in the contract which imposed a further disability upon either party after it should have been brought to an end by the exercise of a right reserved therein. After the termination of a license, the parties are freed from any estoppel resting upon them while in their former relation. The licensee may dispute the title or right of the former licensor to the same extent as a stranger might. The estoppel is raised for the protection of the interest which the assignor or licensor professed to convey, and has no further office. *Manufacturing Co. v. Robbins*, 75 Fed. 17,

21 C. C. A. 198; Noonan v. Athletic Club Co., 99 Fed. 90, 39 C. C. A. 426; Smith v. Ridgely, 103 Fed. 875.

Much space has been given in the appellees' brief and pains in the argument to the discussion of the alleged bad faith and disingenuous conduct of the appellant in breaking off the contract; but we are unable to see to what end. The right to abandon the contract and surrender the license, if it existed, was not affected by the motives with which it was exercised. It was a right resting wholly in contract, and the question of good faith is quite irrelevant to the deduction of the legal consequences flowing from the act of the party in determining his course. Besides all this, the surrender was accepted and the license transferred to other parties. It is no purpose of the present suit to set aside or declare null the abandonment.

There is nothing in the record to justify the conclusion that the appellant promised Stimpson's new company that it would discontinue the manufacture of the scales which it has since been making. Whether it had the right to continue such manufacture is the principal question presently to be considered.

This brings us to the ultimate question just indicated, which is, what were the relative rights of the parties to the use of the trade names, "The Stimpson Computing Scale," and "The Stimp-Grocer's Computing Scale," put upon their products? It appears that the name of Stimpson was embodied in the appellant's corporate name at his instance, and there is therefore some reason to doubt whether he could require that its use in that connection should be discontinued. It is not necessary, however, for us to determine that question. But the use of his name as a label for the scales, or in any such way as to denote that they were manufactured under his patent, involves another question. No doubt one may give to another such right to the use of his own name as to preclude him from using it himself, when the consequence would be to appropriate the good will acquired by the other party by the use of it, and the continued use is necessary to the preservation of the benefit of the good will thus acquired.

But we do not think this rule is applicable here. During the time when the appellant and Stimpson were doing business under the license it was known that the business was liable to come to an end at any time by the act of the licensee, and it must have been understood that upon the termination of it Stimpson might employ his patent either by his own use or by granting a license to use it, and it was not reasonable to expect that he or those using the license would be debarred from using Stimpson's name to characterize their product as made under his patent. If this were so, there must be a corresponding obligation on the part of

the other party to the contract to refrain, after the termination of its license, from longer using the name of Stimpson upon its goods in such a way as to lead the public to understand that they were made under his patent. These consequences must have been anticipated. The appellant knew that it could only use Stimpson's name to distinguish its goods and support the good will of its trade, so long as they continued to operate under his patent. The validity of the patent is not in issue here. But the parties made their contract and prosecuted it upon the presumption of its validity, and their stipulations should be construed as made upon that assumption.

It follows that the appellants have not the right to use Stimpson's name in describing their scales, whether by label or otherwise, in such a way as to denote that they still manufacture them under the specifications of his patent. By the use of the name "The Stimpson Computing Scale," or "The Stimpson Grocer's Computing Scale," the public would in all probability understand they were made in accordance with the mode of construction familiar to them from the use of scales made under his patent. He and his licensee are entitled to be protected against this invasion of their right. Whether his patent be good or bad, no one has the right to claim the privilege of making and selling his goods as though made under it, and thereby depriving the owner of such credit as belongs to it, and inducing the public to suppose that the seller has title to the invention supposed to be embodied in the subject of the sale. The phraseology of the order appealed from indicates that the circuit court proceeded upon the ground that the appellant was bound to discontinue the manufacture of such scales as it made under its contract with Stimpson in consequence of the stipulation that the licensee might surrender the license when it should determine that it would not go on with the contract—a construction with which we do not agree. Counsel for the appellees disclaims the purpose of obtaining an adjudication respecting the validity of the patent, and it is therefore improper that an injunction should go to restrain the infringement of the patent. That being out of the case we can find no ground on which to restrain the manufacture and sale by the appellants of the articles mentioned. It may expose the appellant to a suit for infringement, but that, as we have said, is foreign to the purpose of the present suit. Aside from the patent, there is nothing to prevent the appellant from selling the same kind of goods as it sold during the term of the contract. We therefore think that part of the order is erroneous and should be reversed.

The other part of the order is to enjoin the use of the names "Stimpson," "Stimpson Computing Scale," and "Stimpson Gro-

cer's Computing Scale" in such a way as to indicate that the scales made by the appellant were made under said "license contract and patent." This does not conform to the views we have expressed; for we do not think the appellant is estopped to deny, having regard to future manufacture, that the scales then made were, in law and fact, subject to the patent. This part of the order should be modified so as to restrain the use of the names mentioned in such a way as to indicate that the scales made and sold by the appellant were made under the Stimpson patent, or in substantial accordance with the form thereof. As thus modified, this part of the order will be affirmed. It is ordered accordingly.

769. SMITH v. RIDGELY, 103 Fed. 875, 43 C. C. A. 365 (1900, Sixth Circuit).* * *

Before Lurton, Day, and Severens, Circuit Judges.

Severens, Circuit Judge, having made the foregoing statement of the case, delivered the opinion of the court.

By his bill in this case, the plaintiff complained of the infringement of both of the patents first mentioned in the preceding statement as having been originally owned by both parties, and of which he holds the license to use the defendant's one-half interest. But the plaintiff has since then apparently ignored the first patent, and now seeks for the establishment of the rights claimed by him under the second patent, No. 408,193. We shall, therefore, in dealing with the case, proceed upon a comparison of the invention embodied in the second of the patents to Ridgely and Smith, with the inventions covered by the two later Ridgely patents. There can be no doubt that a licensee may sue the patentee, who has granted the license, for infringing the patent within the field covered by the license, in the same manner and with like effect as though the patentee were a stranger. *Littlefield v. Perry*, 21 Wall. 205, 22 L. ed. 577; *Adriance, Platt & Co. v. McCormick Harvesting Mach. Co.* (C. C.) 55 Fed. 288; *Walker Pat. § 400*. The plaintiff contends that the defendant, having granted the license to him for a valuable consideration, is estopped from denying that the patent is valid, and we are of opinion that he is right in this. In a case recently decided by this court, it was held that the patentee, after having transferred his interest in the patent, was precluded from denying the validity thereof to the same extent, and to the same extent only, that a third person would be, subject to the limitation, however, that he could not allege the total invalidity of the patent; the result being that he is still left at liberty to show that, assuming the patent to be valid, it is nevertheless subject to the limitations imposed thereon by the prior art. Subject, therefore, to the limita-

tion just mentioned, its scope is to be tested by the principles which are generally applicable. *Noonan v. Athletic Club Co.*, 39 C. C. A. 426, 99 Fed. 90, and see *Manufacturing Co. v. Scharling* (C. C.) 100 Fed. 87. Adopting these premises, we will proceed to ascertain what are the limitations of the patent alleged to be infringed, and, having ascertained these, will then proceed to the inquiry whether the defendant's manufactures infringe the patent, the scope of which shall have been ascertained. * * *

770. *SOLOMONS v. UNITED STATES*, 137 U. S. 342, 34 L. ed. 667 (1890).* * *

Justice Brewer, after stating the facts as above, delivered the opinion of the court.

The case presented by the foregoing facts is one not free from difficulties. The government has used the invention of Mr. Clark, and has profited by such use. It was an invention of value. The claimant and appellant is the owner of such patent, and has never consented to its use by the government. From these facts, standing alone, an obligation on the part of the government to pay naturally arises. The government has no more power to appropriate a man's property invested in a patent than it has to take his property invested in real estate; nor does the mere fact that an inventor is, at the time of his invention, in the employ of the government transfer to it any title to or interest therein. An employe, performing all the duties assigned to him in his department of service, may exercise his inventive faculties in any direction he chooses, with the assurance that whatever invention he may thus conceive and perfect is his individual property. There is no difference between the government and any other employer in this respect. But this general rule is subject to these limitations: If one is employed to devise or perfect an instrument, or a means for accomplishing a prescribed result, he can not, after successfully accomplishing the work for which he was employed, plead title thereto as against his employer. That which he has been employed and paid to accomplish becomes, when accomplished, the property of his employer. Whatever rights as an individual he may have had in and to his inventive powers, and that which they are able to accomplish, he has sold in advance to his employer. So, also, when one is in the employ of another in a certain line of work, and devises an improved method or instrument for doing that work, and uses the property of his employer and the services of other employes to develop and put in practicable form his invention, and explicitly assents to the use by his employer of such invention, a jury, or a court, trying the facts, is warranted in finding that he has so far recognized the obligations of service flowing from his employment

and the benefits resulting from his use of the property, and the assistance of the co-employes, of his employer, as to have given to such employer an irrevocable license to use such invention. The case of *McClurg v. Kingsland*, 1 How. 202, is in point. In that case was presented the question as to the right of defendants to use an invention made and patented by one Harley. The facts as stated, and the rulings of the court, are these: "That Harley was employed by the defendants at their foundry in Pittsburgh, receiving wages from them by the week. While so employed, he claimed to have invented the improvement patented, and, after several unsuccessful experiments, made a successful one in October, 1834. The experiments were made in the defendant's foundry, and wholly at their expense, while Harley was receiving his wages, which were increased on account of the useful result. Harley continued in their employment on wages until January or February, 1835, during all which time he made rollers for them. He often spoke about procuring a patent, and prepared more than one set of papers for the purpose; made his application, the 17th of February, 1835, for a patent. It was granted on the 3d of March, and assigned to the plaintiffs on the 16th of March, pursuant to an agreement made in January. While Harley continued in the defendants' employment, he proposed that they should take out a patent, and purchase his right, which they declined. He made no demand on them for any compensation for using his improvement, nor gave them any notice not to use it, till, on some misunderstanding on another subject, he gave them such notice, about the time of his leaving their foundry, and after making the agreement with the plaintiffs, who owned a foundry in Pittsburgh, for an assignment to them of his right. The defendants continuing to make rollers on Harley's plan, the present action was brought in October, 1835, without any previous notice by them. The court left it to the jury to decide what the facts of the case were, but, if they were as testified, charged that they would fully justify the presumption of license, a special privilege, or grant to the defendants to use the invention; and the facts amounted to 'a consent and allowance of such use,' and show such a consideration as would support an express license or grant, or call for the presumption of one to meet the justice of the case, by exempting them from liability, having equal effect with a license, and giving the defendants a right to the continued use of the invention." On review in this court, the rulings of the trial court were sustained. That case is decisive of this. Clark was in the employ of the government when he made this invention. His experiments were wholly at the expense of the government. He was consulted as to the proper stamp to be used, and it was adopted on his recommendation. He notified the gov-

ernment that he would make no charge if it adopted his recommendation, and used his stamp; and for the express reason that he was in the government employ, and had used the government machinery in perfecting his stamp. He never pretended, personally, to make any charge against the government. Indeed, there is but one difference between that case and this. In that Harley's wages were increased on account of his invention; in this, Clark's were not; but such difference does not seem vital. We think, therefore, the rulings of the court of claims were correct, and its judgment is affirmed.

* * *

771. JAMES v. CAMPBELL, 104 U. S. 356, 26 L. ed. 786.

Mr. Justice Bradley delivered the opinion of the court: * * *

That the Government of the United States when it grants letters patent for a new invention or discovery in the arts, confers upon the patentee an exclusive property in the patented invention which cannot be appropriated or used by the Government itself, without just compensation, any more than it can appropriate or use without compensation land which has been patented to a private purchaser, we have no doubt. * * *

Many inventions relate to subjects which can only be properly used by the Government, such as explosive shells, rams and submarine batteries to be attached to armed vessels. If it could use such inventions without compensation, the inventors could get no return at all for their discoveries and experiments. It has been the general practice, when inventions have been made which are desirable for government use, either for the government to purchase them from the inventors, and use them as secrets of the proper department; or, if a patent is granted, to pay the patentee a fair compensation for their use. The United States has no such prerogative as that which is claimed by the sovereigns of England, by which it can reserve to itself, either expressly or by implication, a superior dominion and use in that which it grants by letters patent to those who entitle themselves to such grants. The Government of the United States, as well as the citizen, is subject to the Constitution; and when it grants a patent, the grantee is entitled to it as a matter of right, and does not receive it, as was originally supposed to be the case in England, as a matter of grace and favor.

But the mode of obtaining compensation from the United States for the use of an invention, where such use has not been by the consent of the patentee, has never been specifically provided for by any statute. The most proper form for such a claim is the Court of Claims, if that court has the requisite jurisdiction.

* * *

[The Act 36 Stat. L 851, has conferred this jurisdiction, with however, restrictions, upon Government employeés, etc. It reads as follows:

That whenever an invention described in and covered by a patent of the United States shall hereafter be used by the United States without license of the owner thereof or lawful right to use the same, such owner may recover reasonable compensation for such use by suit in the Court of Claims: *Provided*, however, that said Court of Claims shall not entertain a suit or reward compensation under the provisions of this Act where the claim for compensation is based on the use by the United States of any article heretofore owned, leased, used by, or in the possession of the United States; *Provided, further*, that in any such suit the United States may avail itself of any and all defenses, general or special, which might be pleaded by a defendant in an action for infringement, as set forth in Title Sixty of the Revised Statutes, or otherwise. And provided, further, that the benefits of this Act shall not inure to any patentee, who, when he makes such claim is in the employment or service of the Government of the United States; or the assignee of any such patentee; nor shall this Act apply to any device discovered or invented by such employeé during the time of his employment or service.]

But as the conclusion which we have reached in this case does not render it necessary to decide this question, we reserve our judgment upon it for a more fitting occasion. * * *

772. LANE & BODLEY CO. v. LOCKE, 150 U. S. 193, 37 L. ed. 1049 (1893).* * *

Mr. Justice Shiras delivered the opinion of the court.

On November 26, 1884, Joseph M. Locke, this defendant in error, filed a bill in the circuit court of the United States for the southern district of Ohio, alleging infringement by the Lane & Bodley Company, a corporation of the state of Ohio, of letters-patent No. 173,653, dated February 15, 1876, for an improvement in stop valves, issued to said Locke as inventor. The bill contained the usual allegations, and prayed for an injunction and other relief. * * *

The answer also contained a history of the original development of the alleged invention by Locke while in the employment of the firm of Lane & Bodley, and averred a continuous use and sale by defendant of the alleged devices, with the knowledge and consent of said Locke, in such circumstances as to show the acquisition by Lane & Bodley of an indeeasible license to use the patented devices. By an amendment to the answer, filed on February 12, 1886, there was set up, as an additional defense, an equitable right in the patent, based upon a written agreement

signed by said Locke. The answer also averred that said license and right had become vested in the corporation defendant. The case, having been put at issue, was proceeded in so that the circuit court found in favor of the complainant, and, after reference to and report by a master, rendered a final decree against the defendant for the sum of \$3,667.37, with interest and costs.

The record shows us that the court below held that the patent to Locke had not been anticipated, but was valid in all its claims; that the defendant's answer, in respect to its allegations as to Lane & Bodley's right to a license or to an interest in the patent, was not sustained by the evidence; and that, even if Lane & Bodley had such a right, it had not passed to the defendant corporation, under the doctrine of the case of *Hapgood v. Hewitt*, 119 U. S. 226, 7 Sup. Ct. 193.

Although the defendant has assigned error to the holdings of the court below in these several particulars, we are relieved from considering the contentions as to the validity of the patent or its anticipation by other patents by the election of the counsel for the plaintiff in error to confine his case to the effect of the pleadings and evidence as establishing an equitable right or license in the defendant company to use the patented invention.

If the court below were right in thinking that the case of *Hapgood v. Hewitt*, 119 U. S. 226, 7 Sup. Ct. 193, was applicable, under the facts of the present case, any further inquiry on our part would be unnecessary.

In that case a corporation employed Hewitt as superintendent, who, while in such employ, invented a plow, upon which a patent was granted to him. Having acquired a license growing out of the circumstances of the employment, the corporation was afterwards dissolved, and all its assets passed into the hands of a receiver in liquidation. Subsequently, and under the laws of another state, a new corporation was formed, to which the receiver of the old corporation assigned certain assets, among which, as was claimed, was the aforesaid license. This court held that whatever right the employer had to the invention by the terms of Hewitt's contract of employment was a naked license to make and sell the patented improvement as a part of its business, which right, if it existed, was a merely personal one, and not transferable, and was extinguished with the dissolution of the corporation. This ruling was based on two previous decisions—*Nail Factory v. Corning*, 14 How. 193, and *Oliver v. Chemical Works*, 109 U. S. 75, 3 Sup. Ct. 61. In both these cases there were formal assignments, without having words or clauses in them showing that they were meant to be assignable; and the holding of the court was that the contracts themselves were merely personal licenses, and did not import an intent to extend

the right to an executor, administrator, or assignee, voluntary or involuntary.

We see no reason to disturb those cases; yet we do not feel compelled to extend their ruling to cover the present case.

It may well be that an express license, set forth in terms, is not assignable unless it is so provided in the instrument. And so there would seem to be no privity, in law or in equity, between a defunct corporation of Missouri and a corporation of the state of Illinois. In none of those cases was there evidence showing a recognition, implied or express, by the patentee of any right in the assignee.

In *Hammond v. Organ Co.*, 92 U. S. 724, it was held that the nonassignability of a license may be waived if the patentee ratifies the transfer of the license, by otherwise treating the assignee as the licensee was entitled to be treated.

In *Lightner v. Railroad Co.*, 1 Low. Dec. 338, it was held that a license, though not usually transferable, is transmissible by succession to a corporation formed by the union of two licensees succeeding to the obligations of both, for the reason that the consolidated company is the successor, rather than the assignee, of the original companies.

In the present case it clearly appears that the company was organized upon the same basis as the firm; that the business of the company was to be the same as that carried on by Lane & Bodley, and to be carried on on the same premises; that the entire property and assets of the firm and its liabilities and obligations were devolved upon the company. Locke himself, in his evidence, repeatedly speaks of the Lane & Bodley Company as the successor to the firm.

And if the defendant's version of the facts is accepted, the acts and circumstances constituting the license and its consideration were begun by the firm of Lane & Bodley, and continued by the corporation, participated in and ratified by Locke himself, to the date of the suit.

Of course, in testing the position of the court below, that, even if the alleged agreement that the firm of Lane & Bodley should have an interest in the patent, or the facts out of which a license to use would arise, were proven, the plaintiff would nevertheless have no right to recover against the Lane & Bodley Company, we pronounce a legal conclusion on the facts asserted and put in evidence by the defendant.

If, then, the allegations of the defendant in this case are accepted as true, we do not regard the case of *Hapgood v. Hewitt* as an obstacle to the defense asserted.

We do not consider it necessary to enter minutely into the history of the case, nor does our view compel us to ascribe to

either of the parties or their witnesses any intentional departure from the truth. We prefer to put our decision upon facts which, if not conceded, appear to have been clearly established.

The firm of Lane & Bodley were manufacturers of engines and machinery at Cincinnati in 1871. In that year they began to manufacture hydraulic elevators, and on November 21st they employed Joseph M. Locke, as designing engineer and draughtsman, to assist them in the development and construction of elevators and other machinery, at a salary of \$1,200 per year. He continued in the employment of the firm of Cincinnati until some time in 1874, when he went to Salt Lake City, where he remained, with frequent visits to Cincinnati, until the latter part of 1884. During this period he was more or less continuously in the employ of Lane & Bodley, and of the Lane & Bodley Company, a corporation formed in 1876, to carry on the same business and in the same interests, as consulting engineer, on a salary of \$2,000 per annum, with a contribution of \$20 per month for office rent.

While in the employ of Lane & Bodley, at Cincinnati, Locke made many efforts to devise a stop valve to be used in the elevators. That he was experimenting in this direction was well known to his employers.

The testimony of Lane and of Locke, while contradictory as to the extent in which Lane contributed to the perfection of the invention, clearly shows that many futile attempts were made in the workshop of Lane & Bodley, involving the use of their tools and patterns, before finally—some time in 1872—the valve that was subsequently patented was produced, and it went immediately into use by Lane & Bodley, and was used by them and the Lane & Bodley Company continuously, with the knowledge of Locke, from that time till the bill was filed in November, 1884.

In February, 1874, Locke left the works of Lane & Bodley, and on May 27, 1874, he made application for the patent. It does not appear that Lane & Bodley knew of this application till the letters-patent were granted, February 15, 1876. While Locke was living in Salt Lake City, and in the receipt of a salary from the Lane & Bodley Company—as he himself admits, at least from 1880 to 1884—he placed an order for the company from the Horn Silver Smelting Company for a hydraulic hoister, containing the stop valve according to the Locke patent, and he was aware of several instances of elevators sent to that part of the country by the defendant, in which was used the patented valve. On August 30, 1884, Locke wrote a letter to the Lane & Bodley Company, severing his connection with them, and on November 26, 1884, filed his bill.

There was evidence on behalf of the defendant tending to show that an actual agreement had been entered into between Locke and Lane & Bodley, whereby the latter were to have an interest in any and all improvements in the line of their manufacture which might be made by Locke during the period of his employment by the firm, and a right on certain terms to have the exclusive ownership of such patents as should be issued for inventions so made; and the defendant set up such an agreement in an amendment to the answer.

But we agree with the court below in thinking that such agreement was not made out by the evidence; and, indeed, that view of the case has not been pressed in this court. The defense really relied upon is that of a license arising upon implied contract based upon the relation of the parties and the nature of the transactions.

In the case of *McClurg v. Kingsland*, 1 How. 202, the facts were very similar to those of the present case. Harley was employed by the defendants at their foundry, receiving wages from them by the week. While so employed, he claimed to have invented the improvement patented. After several unsuccessful experiments, he made a successful one in October, 1834. The experiments were made in the defendants' foundry, and at their expense. Harley continued in their employment on wages until February, 1835, during all which time he made rollers for the defendants, using his method. He often spoke of obtaining a patent, and finally, on the 3d of March, obtained a patent. While Harley continued in the defendants' employment he proposed that they should purchase his right, which they declined. He made no demand on them, and gave them no notice not to use his improvement, till, on some misunderstanding on another subject, he gave them such notice, left their employment, and assigned his patent to the plaintiffs, who brought an action for infringement against the defendants.

The trial judge instructed the jury that if the foregoing facts were found to be true they would fully justify the presumption of a license, a special privilege, or grant to the defendants to use the invention; that such facts amounted to "a consent and allowance of such use;" and show such a consideration as would support an express license or grant, or call for the presumption of one, to meet the justice of the case, by exempting them from liability; having equal effect with a license, and giving the defendants a right to the continued use of the invention.

These instructions received the approval of this court, and the judgment of the circuit court was affirmed.

In *Solomons v. U. S.*, 137 U. S. 342, 11 Sup. Ct. 88, this subject again came before this court for its consideration, and it was

held that "when a person in the employ of another in a certain line of work devises an improved method or instrument for doing that work, and uses the property of his employer and the service of other employes to develop and put in practicable form his invention, and explicitly assents to the use by the employer of such invention, a jury or a court trying the facts is warranted in finding that he has so far recognized the obligations of service flowing from his employment and the benefits resulting from his use of the property as to have given to such employer an irrevocable license to use such invention," and the case of *McClurg v. Kingsland* was affirmed and applied.

The facts of the present case fairly bring it within the doctrine of these cases. There is, however, another feature in this case, not present in the cited cases, which is of great significance, and that is the long period that the plaintiff permitted to elapse before he resorted to his legal remedy. The invention, as we have seen, was perfected in 1872, and was immediately and from that time continuously used by Lane & Bodley and by the Lane & Bodley Company. The suit was brought on November 26, 1884, a period of 12 years. In the interim the plaintiff continued, for most of the time, in the defendants' employment, and admits that he knew that Lane & Bodley and the Lane & Bodley Company were using the patented valve. He does, indeed, claim that in 1875 and 1876 he had conversations with Lane, in which he demanded an arrangement or settlement for the use of his invention, but he admits that in 1876 Lane repelled him, and refused to talk upon the subject. According to Locke's own account, he dropped the matter, and continued to acquiesce in defendants' use of his patent, and to receive a salary from them for a period of several years.

When asked to account for his conduct in this respect, his explanation was that he felt convinced that any demand he might make would have been rejected, and thus his friendly relations with the defendants be disturbed.

On cross-examination the following question was put to him: "Did you in any of your letters to Lane & Bodley refer to the matter of the valve, and ask for any recognition or adjustment of your claim?" To this his answer was: "I did not, for the reason that I had the impression in my mind, from the interview with Colonel Lane at Philadelphia, that Lane & Bodley were not inclined to fulfill promptly the verbal understanding of the preceding year, or, at least, would attempt to open negotiations for more favorable terms; and I did not deem it prudent to open up the matter until I was in a position as for time and means to carry forward claims to my right, which conditions I was in hope

would occur from time to time, but such conditions, in my judgment, were not realized at an earlier date than 1884."

Again, the following question was put to him by his own counsel: "You have been asked substantially why you continued your amicable relations with the company from the west after this evasion of Col. Lane in Philadelphia in 1876. It was also pointed out that you had not mentioned the matter to them from there. Please explain why this was so." His answer was: "I did not regard it as either right or prudent to have other than amicable relations with them so long as they had not actually refused to comply with the agreement of April, 1875. I did not write to them so as to bring up the issue, as I had neither the time nor the means at my command to enforce my rights in case of the refusal to comply with their agreement at that time."

The existence of any agreement in 1875 was strenuously denied by Col. Lane; but, conceding the plaintiff's version of the disputed facts to be true, he yet permitted eight years more to elapse before he made a hostile move. The "amicable relations" he desired to have continued were evidently those out of which he was receiving a salary of \$2,000 per annum—a sum larger than he would have been entitled to if he had been in receipt of a royalty.

Courts of equity, it has often been said, will not assist one who has slept upon his rights, and shows no excuse for his laches in asserting them. The plaintiff's excuse in this instance, that he preferred for prudential reasons to receive a salary from the defendant rather than to demand a royalty, is entitled to a less favorable consideration by a court of equity than if his conduct had been that of mere inaction.

We are therefore of opinion that the decree of the court below should be reversed, and the record remanded to that court, with directions to dismiss the bill of complaint, and it is so ordered.

Note.—Compare *Pressed Steel Car Co. v. Hansen* (C. C. A.) 137 Fed. 403 (Third Circuit, 1905), holding that in the absence of express contract or agreement therefor, the relation of employer and employe, under whatever circumstances, at least short of a specific employment to make an invention, does not vest the employer with the entire property right in an invention of the employe and to the patent monopoly, or with anything more than the "shop-right," or an irrevocable license to use the invention. Discussing *Gill v. U. S.*, *Hapgood v. Hewitt*, and others. [See also Part XIV.]

773. HEATON-PENINSULAR BUTTON FASTENER COMPANY v. EUREKA SPECIALTY COMPANY, 78 O. G. 171, 77 Fed. 288, 25 C. C. A. 267, 35 L. R. A. 728 (1896, Sixth Circuit). * * *

Before Taft, Lurton, and Hammond, Judges.

After the foregoing statement the opinion of the court was delivered by Lurton, Circuit Judge.

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 to be attached. This conceded fact furnishes the foundation for the principal objection to the bill presented by the demurrer. It has been very earnestly and ably argued by counsel for appellees that the restrictions on use imposed by the complainant operate to create a monopoly in an unpatented article and are therefore void as contrary to public policy, or, if valid as purely legal contracts, are so unconscionable as not to entitle complainant to equitable remedies for their enforcement. This view seemed to meet with the approbation of the learned judge who heard the case below, who in his opinion said that he—

“was persuaded that the patentee’s privilege has its limits in the rights and interests of the public, and that it is an abuse of his privilege to so shape his dealings with his patent as to secure a monopoly upon an unpatented article.”

This presents a question somewhat novel and of wide general interest. The restriction imposed by the Peninsular Novelty Company, the assignors under whom complainant holds, inscribed upon a metal label affixed to each machine and was in these words:

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.”

The bill further charges that the complainant corporation has succeeded to all the patents, property rights, titles, contracts, and contract rights of the Peninsular Novelty Company and has continued the manufacture and sale of button-fastener machines under conditions and restrictions identical in terms and notoriety with the methods pursued by the predecessor company.

If we for the present assume the legality of the conditions and restrictions imposed upon the purchasers of such machines, it is highly important to an orderly disposition of other questions that we shall at the outset determine whether the purchasers of the machines made and sold under complainant’s patents are

guilty of any infringement of the monopoly of the patents by using with such machines fasteners or staples not made by the patentee. 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 upon its use will be implied in favor of the patentee. By such unconditional sale the machine passes without the limit of the monopoly. (*Adams v. Burke*, 33 O. G. 114, 17 Wall. 453-457; *Mitchell v. Hawley*, 3 O. G. 241, 16 Wall. 544-546-547.)

That the complainant has attempted to state a case not within this rule is very obvious, for it charges that every sale has been under an express restriction as to the use of the invention embodied in the machine.

In view of the conspicuous character of both the machine and the notice permanently affixed thereon every one buying must be conclusively presumed to have notice that the owners of the patents intended by the inscription on the machine to grant only a restricted license for its use, and it is difficult to see why such purchaser is not to be regarded as acquiring and accepting the structure subject to this restriction. 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 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. A license operates only as a waiver of the monopoly as to the licensee—

“and estops the licensor from exercising its prohibitory powers in derogation of the privileges conferred by him upon the licensee. (*Rob. on Pats.*, §§ 806-808.)”

It has been said that the sole matter conveyed in a license is the right not to be sued. (*Hawks v. Swett*, 4 Hun 146.)

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. (*Gaylor v. Wilder*, 10 How. 477; *Oliver v. Rumford Chem. Works*, 25 O. G. 784, 109 U. S. 75; *Rob. on Pats.*, §§ 606, 607, 608.)

All alienations of a mere right to use the invention operate only as licenses. It must follow, therefore, 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. 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. (*American Cotton-Tie Co. v. Bullard*, 17 O. G., 379, 17 Blatchf., 160; *American Cotton-Tie Co. v. Simmons*, 22 O. G., 1976, 106 U. S., 89.)

That the buyer enters into an implied agreement that he will not use the machine contrary to the terms of his license and that there is in the agreement a provision for a reverter of the title to the structure may operate to give the patentee a remedy under general principles of law, as for damages for a breach of contract or for recovery of the machine. It may be that a suit for a breach of contract would not be a suit depending on the patent laws, and would, therefore, be cognizable by the State courts, as intimated in *Hartell v. Tilghman*, 99 U. S., 547, and *White v. Rankin*, 59 O. G., 1606, 144 U. S., 628. The remedy of complainant may be a double one, for liability may rest either upon the broken contract or for the tortious use of the invention. (*Rob. on Pats.*, §§ 1225-1250, and notes.)

If a patentee may lawfully make and sell machines embodying his invention and restrict the use of the invention in respect of territory, or time, or business, or purposes to which it may be put, or material to be used in conjunction therewith, it would seem very obvious that the effect of the restrictions and limitations on the use would operate to prevent the machine from passing, as in the case of an unconditional sale, beyond the monopoly of the patent. The control reserved by the patentee as to the use of the machine has the effect of continuing it within the prohibition of the monopoly. The license defines the boundaries of a lawful use and estops the licensor from the assertion of his monopoly contrary to its terms. On the other hand, a use prohibited by the license is a use in defiance of the monopoly reserved by the patentee and necessarily an unlawful invasion of the rights secured to him by his patent. The license would be no defense to a suit for infringement by a use in excess of its terms. The patentee has the exclusive right of use, except in so far as he has parted with it by his license. The essence of the monopoly conferred by the grant of Letters Patent is the exclusive right to use the invention or discovery described in the patent. This exclusive right of use is a true and absolute monopoly, and is granted in derogation of the common right, and this right to monopolize the use of the invention or discovery is the substantial property right conferred by law and which the public is under obligation to respect and protect.

“The right to make and use, or sell, are completely severable rights and involves the right to confer on others such qualified privilege, whether of making, of selling to others, or of using, as he sees fit, whether within specified limits, or under limitations

of quantity, or numbers, or restricted use. (*Dorsey Rake Co. v. Bradley Mfg. Co.*, 12 Blatchf., 202.)

In *Adams v. Burke*, 33 O. G., 114, 17 Wall., 453-456, the Court said:

"The right to manufacture, the right to sell, and the right to use, are such substantive rights, and may be granted separately or conferred together by the patentee."

If, then, the patentee has the exclusive right to the use of his invention or discovery during the term of his patent, it would seem to follow that any use by another, unauthorized by the patentee, would be an infringement of his monopoly. If, therefore, he can find a purchaser for a machine subject only to certain specified uses, any violation of the privilege granted would be an infringement for which the remedies granted patentees would be appropriate. These conclusions find support in many cases. A few only need be cited.

In *Rubber Company v. Goodyear*, 9 Wall., 788-790, the defense to a suit for infringement was a license which authorized the licensee—

"to use the said Goodyear's gum-elastic composition for coating cloth for the purpose of japanning, marbling, and variegate-japanning at his own establishment, but not to be disposed of to others, * * * and not being intended to convey any right to make any contract with the government of the United States."

The licensee was held guilty of infringement by allowing it to be used at an establishment occupied by himself and others and also by using it for articles manufactured for the United States under a contract with the Quartermaster-General.

In *Burr v. Duryee*, a case decided by Justice Grier on circuit, and reported as No. 2,190, Federal Cases, the license was to use two machines "in the city of Newark, and there only," and "by one manufacturing concern"—

"to be used only for hats manufactured by them and not in manufacturing hat-bodies for any other persons or for sale in an unfinished state."

Any use beyond the license was held to be infringement.

The license in *Pope Manufacturing Company v. Owsley*, 33 O. G., 781, 27 Fed. 100-104, was to use certain patents pertaining to improvements in bicycles. Judge Blodgett, in passing upon the scope and effect of the license, said:

"The licenses do not, any of them, purport to give the defendants an unlimited use of any of the patents, but only a restricted right to make machines of certain sizes and descriptions; so that when defendants made machines not in conformity to the licenses, they violated, not only their express cove-

nant not to do so, but also the complainant's patents or some of them covering such machines."

In *Steam Cutter Company v. Shelden*, 5 Fish., 477-487, the license was to use one machine—

"in their quarries at West Rutland, and in no other place or places."

The licensee permitted the use of the machine in another quarry by a third person. Judge Woodruff said:

"In that infringement of the rights of the complainants, the defendants find no defense in the agreement. They are, with the Rutland Marble Company, joint infringers."

See also the very satisfactory text of Robinson on Patents, sections 812-815 and 1250, and the notes citing many other cases.

This brings us to consider the objections urged against the rather novel restrictions contained in the licenses granted by complainant.

The very able counsel for appellees have urged very forcibly an argument based upon principles of public policy in respect of monopolies and contracts in restraint of trade and have contended that public policy forbids a patentee from so contracting with reference to his monopoly as to create another monopoly in an unpatented article. We are not at all prepared to say that there are no limitations upon a patentee's power of contract with reference to the use of his invention by others. The property right of a patentee is, after all, but a property right, and subject, as is all other property, to the general law of the land.

We may also concede that contracts respecting the use of inventions and discoveries are, like all other contracts, subject to the limitations imposed by definite principles of public policy. The cases of *Missouri v. Bell Telephone Co.*, 23 Fed. 539, and *State ex rel. v. Delaware and Atlantic Tel. and Telephone Co.*, 47 Fed. 633, and 50 Fed. 677, afford illustrations of a limitation founded on principles of public policy upon the licenses granted by patentees. They arose under licenses granted by the owners of patents essential to the operation of telephone lines. The patentees had licensed telephone companies to use their patents for the purpose of operating public telephone lines within a given district, but prohibited such companies from serving, within such district, any telegraph company. The court in each of the cases cited by mandamus compelled the extension of service to any one within the district demanding connection and paying established charges. These decisions were rested upon the very solid ground that a public telephone company was a "common carrier," and as such subject to the regulations imposed on all corporations of a quasi-public character, among which was the

duty of dealing equally with all and discriminating against none tendering equal pay for equal service.

The conclusion to be drawn from these Telephone Cases is this: That when a patentee authorizes the use of his invention by one charged with public duties and subject to regulation by law it is not competent by a restriction on the use to deprive the licensee of the power of rendering an equal service to all who apply and tender the compensation fixed by law or regulation for the same service to others. The patentees were under no obligation to license the use of their inventions by any public telephone company. Having done so, however, they were not at liberty to place restraint upon such a public corporation which would disable it from the discharge of all the duties imposed upon companies engaged in the discharge of duties subject to regulation by law.

It could not be a public telephone company and could not exercise the franchise of a common carrier of messages with such exceptions in the grant. The exception being repugnant to the grant was void, and the right acquired under the grant were enforced against the grantor without regard to the exception or condition.

Neither the patentee, nor the machine involving his invention, nor a license 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 the restraints imposed by the police power of the States. This is illustrated by the case of *Patterson v. Kentucky*, 97 U. S., 501, where the appellant had been convicted of selling an improved burning-oil, of which he was the inventor, and which had been condemned by the State inspector as unsafe, but which the appellant claimed a right to sell by reason of the monopoly of his patent. The Supreme Court, through Mr. Justice Harlan, in reply to this contention, said:

"The right which the patentee or his assignee possesses in the property created by the application of a patented discovery must be enjoyed subject to the complete and salutary powers, with which the States have never parted, of so defining and regulating the sale and use of property within their respective limits as to afford protection to the many against the injurious conduct of the few."

On substantially the same ground it was decided in *Vannini v. Paine*, 1 Har. Del. 65, that the patentee of a mode of drawing lotteries and engaged in the business of drawing lotteries in the State of Delaware was not protected by his patent from prosecution under the law of Delaware making the drawing of a lottery

a criminal offense. In other words, a prohibited business is not protected by the patent laws of the United States because it is conducted through instrumentalities the subject of patent-rights.

The case at bar presents no question affected by the principles underlying either of the class of cases we have cited. What we are asked to do is to mark another boundary-line around the patentee's monopoly which will debar him from engrossing the market for an article not the subject of a patent. To do this, we are asked to say that he can not license others to use his invention on condition that they shall use it only in conjunction with a non-patentable article made by himself. The only reason suggested for this limitation upon his right to define the terms upon which others may use his invention is that a monopoly in the unpatented article may thereby be created. Upon what authority are we to circumscribe the exercise of the privileges awarded a patentee? In considering any question in respect of restraints upon the liberty of contracting imposed by principles of public policy we should bear in mind that very high considerations of public policy are involved in the recognition of a wide liberty in the making of contracts. This caution was well expressed by Sir George Jessell in *Printing Company v. Sampson*, 19 Eq. 462-465, who said:

“It must not be forgotten that you are not to extend arbitrarily those rules which say that a given contract is against public policy, because if there is one thing which more than another public policy requires it is that men of full age and competent understanding shall have the utmost liberty of contracting, and that their contracts, when entered into freely and voluntarily, shall be held sacred and shall be enforced by courts of justice. Therefore you have this paramount public policy to consider, that you are not lightly to interfere with this freedom of contract.”

Especially is this caution applicable when we sit in judgment upon the limitations which a patentee may put upon the use of his invention. If he 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 it, he has but suppressed his own. That the grant is made upon the reasonable expectation that he will either put his invention to practical use or permit others to avail themselves of it upon reasonable terms is doubtless true. This expectation is based alone upon the supposition that the patentee's interest will induce him to use or let others use his invention. The public has retained no other security to enforce such expectations. A suppression can endure but for the life of the patent, and the disclosure he has made will enable all to enjoy the fruit of his genius. 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. The dictum found in *Hoe v. Knapp*, 36 O. G. 1244, 27 Fed. 204, is not supported by reason or authority. (*Wilson v. Rousseau et al.*, 4 How. 674; *Pitts v. Wemple*, 1 Biss. 93; *Grant v. Raymond*, 6 Pet. 218; *U. S. v. Bell Telephone Co.*, 29 Fed. 17; *Consolidated Roller Mill Co. v. Combs*, 39 Fed. 805; *Campbell Printing Press Co. v. Manhattan Railroad Company*, 60 O. G. 894, 49 Fed. 935.)

If the patentee choose to reserve to himself the exclusive use of his device and the invention be of a wide character and so radical as to enable him to make and sell an unpatentable product cheaper than any other competitor, a practical monopoly of the market for that article will result, and yet no one could say that a monopoly thus secured was illegitimate or obnoxious to public policy. To illustrate, let it be supposed that the patents owned by this complainant were of so wide a character as to cheapen the process of manufacturing shoes and to drive from competition all other modes of manufacture. Then suppose the patentees were of opinion that they could most profitably enjoy their inventions by retaining the monopoly of the use and engaging in the manufacture of shoes. If content to undersell all others, they could engross the market for shoes to the extent of their capacity to supply the demand during the life of their patents, or so long as their invention was not superseded by subsequent inventions still further cheapening the cost of manufacture. The monopoly thus secured would be the legitimate consequence of the meritorious character of their invention, yet just such monopolies may result whenever a new and surprising advance is made in some art of wide and general use. The great consuming public would be benefited rather than injured, for the monopoly could endure so long only as shoes were supplied at a less price than had prevailed before the invention. Now, if the patentees, by retaining to themselves the exclusive use of their invention, are able, legitimately and lawfully, to acquire a monopoly of the manufacture of shoes and destroy the shoe market for those who before had shared it, why may they not by a system of restricted licenses permit others to use their devices on condition that only some minor part of the shoe—the pegs, the tips, the thread, or the buttons, or the button-fasteners—shall be bought from them? If these concessions were such as to enable others to compete, though their use of the mechanism was restricted by the terms of the license, who could justly complain if the inventors, content with a monopoly of the market for the article named in their license, surrendered the

opportunity for a monopoly of the manufacture of the complete shoe?

The device protected by the patents owned by complainant is of no such wide or radical character as that used for purposes of illustration, yet there is no appreciable difference in the legal principles applicable to the supposed facts used for illustration and those stated on the face of the complainant's bill. The fact which has affected the makers of wire staples for shoe-manufacturing is the invention of a machine which by its simplicity, superior capabilities, its cheapness and accuracy has practically driven all other methods of fastening buttons to shoes out of use. The older and clumsier methods on the allegations of the bill have been completely superseded. From this invention there results a large market for wire staples adapted in size and shape to use with the new mechanism, and a second consequence is the complete cessation of the demand for button-fasteners not adapted to be used with complainant's machine. To supply staples adapted to meet this new demand becomes a matter of moment to those engaged in the business of making wire button-fasteners.

The inventions covered by complainant's patents are not of such character as to enable them, by retaining the exclusive use, to absorb either the making of shoes or the minor work of fastening buttons to shoes. In the exercise of the right of exclusive use they have put on the market a structure embodying their devices and licensed the purchaser to use the invention "only with staples" made by themselves. In other words, they have chosen to fix the price for the right of use at the profit resulting from the sale of staples. As observed by counsel for complainant—

"the fasteners are thus made the counters by which the royalty proportioned to the actual use of the machine is determined."

This method of licensing their mechanism may or may not result in the engrossment of the market for staples. So long as their invention controls the market for button-fastening appliances and to the extent that their machines shall supersede other modes of clenching staples just so long will they be enabled to control the market for staples. Their monopoly in an unpatented article will depend upon the merit of their patented device and the extent to which other clenching devices are superseded by it. In the last analysis the invention destroyed the demand for sizes and shapes of staples not adapted to use with the machine of complainant, and the monopoly of the use awarded by the patents destroyed the market for staples fitted for use in complainant's machines. The monopoly in the unpatented staple results as an incident from the monopoly in the

use of complainant's invention and is therefore a legitimate result of the patentee's control over the use of his invention by others. Depending, as such a monopoly would, upon the merits of the invention to which it is a mere incident, it is neither obnoxious to public policy nor an illegal restraint of trade.

If we are right in the foregoing conclusions that the users of Peninsular machines who use therein the button-fasteners made and sold by the defendants thereby infringe the patents for inventions embodied in said machines, it would seem to follow that the defendants, who aid and abet such infringement by intentionally and maliciously persuading and inducing the licensees of such machines to exceed their licenses and by furnishing them with the means for such infringement, are themselves infringers and liable as tort-feasors.

The allegations of the bill in this regard are very full and emphatic. Beginning with the distinct averment that there is no market for fasteners adapted in size and shape for use in complainant's structure except in connection with those structures, it is then charged that defendants actively induced the users of such machines to infringe by persuading them that they may use defendants' fasteners with impunity, and that they, with the malicious purpose of causing them to violate their licenses, furnish them with the means necessary to that end. Thus through a concert of action between defendants and complainant's licensees the patents are infringed, and all engaged directly and intentionally become joint infringers. It is the knowledge that the staples made and sold by defendants are to be used for the purpose of infringing, coupled with the active intent that they shall be so used, which in a case like this constitutes contributory infringement. Under the circumstances alleged it is immaterial that defendants do not themselves use the Peninsular machines and equally immaterial that they are engaged in the business of making and selling an unpatentable article which is not even an element in a combination patent. The facts of this case may make an unusual mode of infringing, but the principle applicable is quite well established. If the licensees infringe, all who actively and intentionally aid and abet them in infringing are equally infringers. The intent characterizes the conduct of defendants and is essential to make a case against them.

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.” (Rob. on Pats., § 924, and cases cited.)

Judge Shepley stated the rule quite clearly in *Saxe v. Hammond*, 7 O. G. 781, 1 Ban. & Ard. 629-632, when he said:

“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. But the mere manufacture of a separate element of a patented combination, unless such manufacture be proved to have been conducted for the purpose and with the intent of aiding infringement, is not, in and of itself, infringement.”

The case of *Wallace v. Holmes*, 1 O. G. 117, 9 Blatchf. 65, is a leading case illustrating the rule we deem here applicable. The complainants had a patent for an improved burner in combination with a chimney. The defendants made and sold the burners alone, leaving the purchaser to supply the chimney, without which the burner was useless. This was done for the express purpose and with the intent of making a profit through an infringement of the complainants' patent. The rule of law invoked by the defendants was this:

“That where a patent is for a combination merely, it is not infringed by one who uses one or more of the parts, but not all, to produce the same results either by themselves or by the aid of other devices.”

To this the Court responded as follows:

“But I am not satisfied that this rule will protect the defendants. If, in actual concert with a third party, with the view to the actual production of the patented improvement in lamps, and the sale and use thereafter, they 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 he the chimney, each utterly useless without the other, and each intended to be used and actually sold to be used with the other, it can not be doubtful that they must be decreed to be joint infringers of the complainants' patent. It can not be that when a useful machine is patented as a combination of parts, two or more can engage in its construction and sale, and protect themselves by showing that, though united in an effort to produce the same machine, sell, and bring it into extensive use, each makes and sells one part only which is useless without the other, and still another person, in precise conformity with the purpose in view, puts them together for use. If it were so, such patents would indeed be of little value. In such cases all are tort-

feasors, engaged in a common purpose to infringe the patent, and actually, by their concerted action, producing that result. * * * Here the actual concert with others is a certain inference, from the nature of the case, and from the distinct efforts of the defendants to bring the burner in question into use, which can only be done by adding the chimney. The defendants have not, perhaps, made an actual prearrangement with any particular person to supply the chimney to be added to the burner, but every sale they make is a proposal to the purchaser to do this, and his purchase is a consent with the defendants that he will do or cause it to be done. The defendants are therefore active parties to the whole infringement, consenting and acting to that end, manufacturing and selling for that purpose."

There are many other cases in accord with those from which we have made extracts, a few of which are: (*Holly v. Vergennes Machine Co.*, 9 Blatchf. 327; *Travers v. Beyer*, 26 Fed. 450; *Willis v. McCollen*, 38 O. G. 1017, 29 Fed. 641; *Alabastine Co. v. Payne*, 35 O. G. 1438, 27 Fed. 559; *Celluloid Mfg. Co. v. Am. Zylonite Co.*, 40 O. G. 1453, 30 Fed. 437; *Boyd v. Cherry*, 50 Fed. 279; *Am. Cotton-Tie Co. v. McCready*, 17 O. G. 515, 4 Ban. & Ard. 588.)

Morgan Envelope Company v. Albany Perforated Wrapping Paper Company, 152 U. S. 425, has been much relied upon by the defendants. The claim of the patent involved was for a combination of a mechanism for the delivery of paper, to be delivered as used, with a paper-roll the subject of an independent patent. The infringement charged consisted—

"in selling oval rolls of paper of their own manufacture with fixtures manufactured and sold by the plaintiff, in combination with their paper, to persons other than the defendants, the fixtures having been obtained by the defendants from the original purchasers of the patented combination; and also by selling oval rolls of paper of defendants' own manufacture to persons who had previously purchased fixtures and paper from the plaintiffs, with the knowledge and intention that the paper so sold was to be used in connection with the plaintiffs' fixtures."

It also appeared that it had not been the practice of the plaintiffs to sell fixtures independently of its paper, and that they sold only to such parties as dealt in and used their paper.

"Purchasers were also required to buy a given quantity of paper to a given number of fixtures, to be sold only in connection with the paper, the rule being not to sell more than one fixture to one case of paper. The fixtures were also sold to hotels and other public buildings, with the understanding that their paper would be subsequently purchased of the plaintiff company."

The Court adds that—

“it appears to have been its invariable rule to refuse to sell its fixtures except to persons also ordering paper.”

No question was made as to the novelty of the mechanism employed as a fixture for the delivery of paper as desired by the user. The independent patent on the paper roll was held void for want of patentable novelty. This left for decision the question as to whether the sale by defendants of old mechanisms made by complainant with paper made by defendants or the sale by defendants of paper made by themselves for use in fixtures bought from complainant was infringement. Upon the first point the Court, through Justice Brown, said:

“So far as fixtures sold by defendants, which had 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 any one 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. (*Bloomer v. McQuewan*, 14 How. 539.) As was said by Mr. Justice Clifford in *Chaffee v. Boston Belting Company*, 22 How. 217-223: ‘When the patented machine rightfully passes to the hands of the purchaser from the patentee, or from any other person 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 protected by the laws of the United States, but by the laws of the State in which it is situated.’ (See also *Bloomer v. Millinger*, 1 Wall. 340; *The Paper Bag Cases*, 21 O. G. 1275, 105 U. S. 766, 771.) In this latter case one, Morgan, had purchased a machine for making paper bags of the patentee, and it was held that, having the absolute ownership of the machine, he had the right either to use it during the existence of the Letters Patent or to transfer such ownership and right to another. It was said that ‘the power to sell the machine and transfer the accompanying right of use is an incident of unrestricted ownership.’ (*Birdsell v. Shaliol*, 30 O. G. 261, 112 U. S. 485; *Woodworth v. Curtis*, 2 Woodb. & Min. 524; *Goodyear v. Beverly Rubber Co.*, 1 Cliff 348.”)

With respect to the second question the Court said:

“The real question in this case is, whether, conceding the combination of the oval roll with the fixtures to be a valid combination, the sale of one element of such combination, with the intent that it shall be used with the other element, is an infringement. We are of opinion that it is not. There are doubtless many

cases to the effect that the manufacture and sale of a single element of a combination, with intent that it shall be united to the other elements, and so complete the combination, is an infringement. (*Saxe v. Hammond*, 7 O. G. 781, 1 Holmes 456; *Wallace v. Holmes*, 1 O. G. 117, 9 Blatchf. 65; *Barnes v. Straus*, 2 O. G. 62, 9 Blatchf. 553; *Schneider v. Poultney*, 29 O. G. 84, 21 Fed Rep. 399.) But we think these cases have no application to one where the element made by the alleged infringer is an article of manufacture perishable in its nature, which it is the object of the mechanism to deliver, and which must be renewed periodically, whenever the device is put to use. Of course, if the product itself is the subject of a valid patent, it would be an infringement of that patent to purchase such product of another than the patentee; but if the product be unpatentable, it is giving to the patentee of the machine the benefit of a patent upon the product by requiring such product to be bought of him. To repeat an illustration already put: If a log were an element of a patentable mechanism for sawing such log, it would, upon the construction claimed by the plaintiff, require the purchaser of the sawing device to buy his logs of the patentee of the mechanism, or subject himself to a charge of infringement. This exhibits not only the impossibility of this construction of the patent, but the difficulty of treating the paper as an element of the combination at all. In this view of the distinction between repair and construction becomes of no value, since the renewal of the paper is in a proper sense neither the one nor the other."

It is true that Mr. Justice Brown in discussing the question involved in that case assumes that a combination of the machine for delivering the paper with the paper to be delivered was valid; but before he finishes the argument he shows that the assumption leads to an absurdity, and the decision in effect is that form of argument known as the *reductio ad absurdum*, establishing that his original assumption was not founded in reason.

The illustration of the result of such a combination shows that what the Court was deciding was that a combination of the machine with an unpatentable paper or material, to be operated upon by the machine was an impossibility and the sale of the machine involved and implied the right of use of the material with which it was to be combined, and this is shown by the case of *Wilson v. Simpson*, 9 How. 109, which is cited by Mr. Justice Brown as a case sustaining his conclusion. That case was a suit for infringement against the purchaser of a patent machine for planing wood, in which there were claims for the combination between the rest of the machine and certain knives necessary to its operation.

The alleged infringer had made or bought knives to replace the knives in the machine which had worn out and which it was shown must necessarily wear out and be renewed long before the main body of the machine would wear out. It is held that the conveyance of the machine itself with the knives in it implied the right on the part of the purchaser to renew or replace the knives necessary for the enjoyment and use of the whole machine during its natural life. Thus with respect to the paper-holder the Supreme Court in effect held that the sale of the paper-fastener with the paper in it contained the implication of a right to renew the right when that paper sold should be exhausted, and did not require the purchase of the paper from the original patentee, the paper itself not being patented. In the case at bar the purchaser expressly agreed by contract that his right to use the machine should not extend beyond its use with staple-fasteners furnished by the patentee, and this makes the broad distinction between the Morgan Envelope Company case and the case at bar.

The suggestion has been made that, although defendants may be guilty of infringement, complainant's remedy at law is adequate, and under the circumstances of the case equity ought not to accord to the patentees, the equitable relief of injunction. As to this aspect of the case, it would seem clear that if complainant has imposed a legal restriction upon the use of the inventions embodied in the structures made and sold by it that the remedy at law is wholly inadequate and relief by injunction should be awarded upon the case stated in the bill. As to this the court below seemed to entertain no serious doubt, for Judge Severens, in replying to the suggestion that, as defendants were not engaged in the use of complainant's machines and were only concerned—

“in selling to those who were so employed a non-patented article, an article constituting no part of the patented thing, were not, therefore, accountable to the complainant—”
said:

“I am not clear, however, that this distinction can be maintained upon the allegations of this bill, which are very broad and emphatic in asserting not merely that the defendants make and sell the staples, but that they actively persuade the users of the machine to violate the supposed rights secured to the complainant by the patent and the restriction in the sale of its machines. It would rather seem that if the complainant has such rights as it asserts, the defendants would upon such facts be tort-feasors, and that equity would restrain them in the circumstances alleged.”

The bill discloses that more than forty-nine thousand machines are in use and charges a long-continued infringement and a purpose to continue therein. Under such circumstances it must be evident that, both upon the ground of avoiding a multiplicity of lawsuits and upon the general and apparent inadequacy of a suit at law for damages, either against the infringer who infringes by an unauthorized use or those who actively contribute to that infringement, a court of equity has jurisdiction. An action at law for the character of continuing trespass alleged by complainant would be grossly inadequate to protect the patents from invasion.

If the complainant has the right to reserve a control over the use in the manner stated in its bill, then its machines, to the extent it has reserved such control, are within the monopoly of the patents. If its licenses do not infringe public policy, but are within the privileges awarded by the patents, then it must follow that the case presented should be accorded relief by injunction restraining the acts complained of. A court of equity has the power, independently of any other relief, to restrain the continuing infringement of a patent. (*American Cotton-Tie Co. v. McCready et al.*, No. 295, Fed. Cas.)

The decree must be reversed and the cause remanded, with directions to overrule the demurrers.

774. HENRY v. DICK, 224 U. S. 1, 32 Sup. Ct. 364, 56 L. ed. 645, 176 O. G. 751 (1912).

[Probably no case has occasioned more discussion at the bar, in the press, and before congressional committees than this case.

The opinion of the Court is presented with so much power of statement and illustration that it cannot be well condensed. To present it in full, however, would require between forty and fifty pages of this book. It has been printed in separate form as a senate document No. 429 of the sixty-second Congress, second session. It is believed, however, that a fair idea of the case may be given by an abstract.]

Mr. Justice Lurton delivered the opinion of the Court.

This cause comes to this Court upon a certificate under the sixth section of the Court of Appeals Act of March 31, 1891.

The facts and the questions certified, omitting the terms of the injunction awarded by the Circuit Court, are these:

"This action was brought by the complainant, an Illinois corporation, for the infringement of two Letters Patent, owned by the complainant, covering a stencil-duplicating machine known

as the 'Rotary Mimeograph.' The defendants are doing business as copartners in the city of New York. The complainants sold to one Christina B. Skou, of New York, a rotary mimeograph embodying the invention described and claimed in said patents under license which was attached to said machine, as follows:

LICENSE RESTRICTION.

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

"The defendant, Sidney Henry, sold to Miss Skou a can of ink suitable for use upon said mimeograph with knowledge of the said license agreement and with the expectation that it would be used in connection with said mimeograph. The ink sold to Miss Skou was not covered by the claims of said patent.

QUESTION CERTIFIED.

"Upon the facts above set forth the question concerning which this Court desires the instruction of the Supreme Court is:

"Did the acts of the defendants constitute contributory infringement of the complainant's patents?"

There could have been no contributory infringement by the defendants, unless the use of Miss Skou's machine with ink not made by the complainants would have been a direct infringement. It is not denied that she accepted the machine with notice of the conditions under which the patentee consented to its use. Nor is it denied that thereby she agreed not to use the machine otherwise. What defendants say is that this agreement was collateral, and that its validity depended upon principles of general law, and that if valid the only remedy is such as is afforded by general principles of law. Therefore, they say that the suit is not one arising under the patent law, and one not cognizable in a Federal Court, unless diversity of citizenship exists. * * *

"We are unable to assent to these suggestions. We do not prescribe the jurisdiction of courts, Federal or State, but only give effect to it as fixed by law. If a bill asserts a right under the patent law to sell a patented machine subject to restrictions as to its use, and alleges a use in violation of the restrictions as an infringement of the patent, it presents a question of the extent of the patentee's privilege, which, if determined one way, brings the prohibited use within the provisions of the patent law, or, if determined the other way, brings into operation only principles of general law. Obviously, a suit for infringement, which must turn upon the scope of the monopoly or privilege se-

cured to a patentee, presents a case arising under the patent law. The jurisdiction of the Circuit Court over such cases has for more than a century, been exclusive, by the express terms of the statute, although, for the most part, its jurisdiction over other kinds of suits arising under the Constitution and laws of the United States is only concurrent with that of the State courts."

[The Court, after meeting the suggestion that its decision would be an infraction of the authority of the State courts and an extension of the jurisdiction of the Federal courts, proceeds:]

"We come, then, to the question, whether a suit for infringement is here presented.

That the license agreement constitutes a contract not to use the machine in a prohibited manner, is plain. That defendants might be sued upon the broken contract, or for its enforcement or for the forfeiture of the license, is likewise plain. But if by the use of the machine in a prohibited way Miss Skou infringed the patent, then she is also liable to an action under the patent law for infringement. Now that is primarily what the bill alleged, and this suit is one brought to restrain the defendants as aiders and abettors to her proposed infringing use.

That the patentee may waive the tort and sue upon the broken contract, or in *assumpsit*, is elementary. (Rob. on Pats., secs. 1225, 1250, and notes; *Steam Cutter Co. v. Sheldon*, 15 Fed. 608; *Pope Co. v. Owsley*, 27 Fed. 100; *Button Fastener Cases*, 77 Fed. 288, 291; *Wilson v. Sandford*, 10 How. 99.) But if the patentee elect to waive the tort and sue upon the covenants or for a breach of contract, the suit would not be one dependent upon or arising out of the patent law, and a Federal court would have no jurisdiction unless diversity of citizenship existed. (Rob. on Pats., sec. 1250; *Magic Ruffle Co. v. Elm City Co.*, 13 Blatchf. 151; *Goodyear v. Union Rubber Co.*, 4 Blatchf. 63; *Goodyear v. Congress Rubber Co.*, 3 Blatchf. 449.) This would be so although the damages for a breach would be measured by the loss resulting from the infringement. (*Magic Ruffle Co. v. Elm City.*, 13 Blatchf. 151.) After such a recovery in *assumpsit*, no further damages for the infringement can be claimed. (*Steam Cutter Co. v. Sheldon*, 15 Fed. 608.)

The remedy which the complainant seeks may often determine whether the suit is one arising under the patent law and cognizable only in a court of the United States, or one upon a contract between the patentee and his assigns or licensees, and therefore, cognizable only in a State court, unless there be diversity of citizenship. Thus, a bill to enforce a contract concerning the title to a patent, or an interest therein, or to declare a forfeiture of an assignment of an interest in a patent, or even a

license to make, sell or use the patented thing, or an action to recover damages for a breach of a contract relating to a patent or a license thereunder, would not, because of the character of remedy or relief sought, be a suit cognizable in a United States court, although the facts stated might have justified a suit for infringement in a United States court, if the complainant had elected that remedy. To sustain the contention that a breach of the implied agreement not to use the machine in question except in a particular way might have supported a suit to forfeit the license, or an action for damages upon the broken contract, counsel have cited and commented at great length upon the cases of *Wilson v. Sandford*, 10 How. 99; *Dale Tile Co. v. Hyatt*, 125 U. S. 46; *Albright v. Teas*, 106 U. S. 613; *Hartell v. Tilghman*, 99 U. S. 547; *Pratt v. Paris Light Co.*, 168 U. S. 255; *Keeler v. Standard Folding Bed Co.*, 157 U. S. 659, and *Bement v. National Harrow Co.*, 186 U. S. 70; but an examination of these cases will disclose that while in some of them a suit for infringement might have been brought, the complainants had in fact brought suits to set aside or enforce contracts relating to patents, or licenses under patents. They were, therefore, not "patent cases," but cases determinable upon principles of general law. In *Excelsior Co. v. Pacific Bridge Co.*, 185 U. S. 282, Mr. Justice Brown reviews the cases and shows so plainly why they were not patent cases that we shall only refer to that opinion.

To support their contention that the only remedy for a violation of the license under which Miss Skou acquired her machine is one in the State courts, counsel quote a paragraph from the same opinion in these words:

"Now, it may be freely conceded that if the licensee had failed to observe any one of the three conditions of the license, the licensor would have been obliged to resort to the State courts, either to recover the royalties or to procure a revocation of the license. Such suit would not involve any question under the patent law."

But the three conditions of the license there referred to were: first, to pay royalties; second, that the transferee would not transfer or assign the license without consent of the licensor; third, that the failure to use the license in the manufacture of pipe should operate to revoke it. It is evident that the licensee would not have infringed the patent by either failing to pay royalties, by assigning the license, or by neglecting to use his privilege. The licensor would clearly have been compelled to rely wholly upon his contract, as such, in any suit for the violation of any of the conditions named.

The test of jurisdiction is this: Does the complainant—
“set up some right, title, or interest under the patent laws of the United States, or make it appear that some right or privilege will be defeated by one construction, or sustained by another, of those laws? (Excelsior Co. v. Pacific Bridge Co., 185 U. S. 282; Pratt v. Paris Light Co., 168 U. S. 255, 259; White v. Rankin, 144 U. S. 628.)”

* * *

That a patentee may effectually restrict the time, place, or manner of using a patented machine so that a prohibited use will constitute an infringement of the patent is fully conceded. Thus, in the printed brief counsel for defendants say: “Aside from such special contracts, an agreement that the article shall be used only in a certain manner can be made only by way of lease of the article, terminating the lease upon condition broken or by way of conditional sale, by breach of which the title reverts to the seller.” In either such case counsel say: “A use of the article in violation of the condition may terminate the lease or sale of the article (which) would become the property of the patentee again, and a use thereof by the lessee or purchaser may constitute a violation of the patent, for which an infringement may lie. * * * He can not make a sale with the condition attached that the article shall be used or disposed of in a certain manner, leaving the title, however, in the purchaser in case of a breach of the condition.”

The books abound in cases upholding the right of a patentee owner of a machine to license another to use it subject to any qualification in respect of time, place, manner, or purpose of use which the licensee agrees to accept. Any use in excess of the license would obviously be an infringing use and the license would be no defense. (Robinson on Patents, secs. 915, 916, and notes.) This is so elementary we shall not stop to cite cases.

The contention is not that a patentee may not permit the use of a patented thing with such qualifications as he sees fit to impose, and that a prohibited use will be an infringing one, but that he can only keep the article within the control of the patent by retaining the title. To put the contention in another form—it is that any transfer of the patentee's property right in a patented machine carries with it the right to use the entire invention so long as the identity of the machine is preserved, irrespective of any restrictions placed by the patentee upon the use of the article and accepted by the buyer. It is said that by such a sale the patentee “disposes of all his rights under his patent, and thereby removes the article from the operation of the patent law.” If he attempts to sell the machine for specified uses only and prohibit all others, the restriction is disposed of as con-

stituting a collateral agreement, such as any vendor of personal property might impose, and enforceable, if valid at all, only as a collateral contract.

The issue is a plain one. If it be sound, it concludes the case, and our response should be a negative one, since the violation of a mere collateral contract, which is not also an infringement of the patent, would not be a case arising under the patent law. But is it true that where a patentee sells his patented machine for a specific and limited use, he does not thereby reserve to himself, as patentee, the exclusive right to all unpermitted uses which may be made of his invention as embodied in the machine sold? Obviously, this is a question arising under the patent law. By a sale of a patented article subject to no conditions the purchaser undeniably acquires the right to use the article for all the purposes of the patent so long as it endures. He may use it where, when, and how he pleases, and may dispose of the same unlimited right to another. This has long been the settled doctrine of this and all patent courts. (*Mitchell v. Hawley*, 16 Wall. 544; *Livington v. Woodworth*, 14 How. 546, 550; *Adams v. Burke*, 17 Wall. 453, 456; *Folding Bed Cases*, 157 U. S. 659, 666.) By such an unconditional sale of the thing patented it is said to be "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."

In the cases cited above, as well as in the leading case of *Bloomer v. McQuewan*, 14 How. 539, the statement that a purchaser of a patented machine has an unlimited right to use it for all the purposes of the invention, so long as the identity of the machine is preserved, was made of one who bought unconditionally—that is, subject to no specified limitation upon his right of use. The question of the effect of limitations upon the right of use arose, however, in *Mitchell v. Hawley*, and there we find the distinction was deemed material and the effect declared.

[The court then discusses at length *Mitchell v. Hawley*, 16 Wall. 544. After quoting from the decision distinguishing between the title to a machine and a franchise granted by a patent, the court again quotes from that case and comments as follows:]

"Patented implements or machines sold to be used in the ordinary pursuits of life become the private individual property of the purchaser, and are no longer specifically protected by the patent laws of the State where the implements or machines are owned and used. Sales of the kind may be made by the patentee with or without conditions, as in other cases, but where the sale is absolute, and without any conditions, the rule is well settled that the purchaser may continue to use the implement or ma-

chine purchased until it is worn out, or he may repair it or improve upon it as he pleases, in same manner as if dealing with property of any other kind."

The force and bearing of this opinion cannot be escaped by suggesting that the Court was referring to mere common-law contractual conditions, for the suit was to restrain infringement by the use of four machines which had been sold, not leased.

* * *

[Then after further discussing this point the court says:]

An absolute and unconditional sale operates to pass the patented thing outside the boundaries of the patent, because such a sale implies that the patentee consents that the purchaser may use the machine so long as its identity is preserved. This implication arises, first, because a sale, without reservation, of a machine whose value consists in its use, for a consideration, carries with it the presumption that the right to use the particular machine is to pass with it. The rule and its reason is thus stated in *Robinson on Patents* (§ 824):

"The sale must, furthermore, be unconditional. Not only may the patentee impose conditions limiting the use of the patented article upon his grantees and express licensees, but any person having the right to sell may at the time of sale restrict the use of his vendee within specific boundaries of time or place or method, and these will then become the measure of the implied license arising from the sale."

The argument for the defendants ignores the distinction between the property right in the materials composing a patented machine and the right to use for the purpose and in the manner pointed out by the patent. The latter may be and often is the greater element of value, and the buyer may desire it only to apply to some or all of the uses included in the invention. But the two things are separable rights. If sold unreservedly, the right to the entire use of the invention passes, because that is the implied intent; but this right to use is nothing more nor less than an unrestricted license presumed from an unconditional sale. A license is not an assignment of any interest in the patent. It is a mere permission granted by the patentee. It may be a license to make, sell, and use, or it may be limited to any one of these separable rights. If it be a license to use, it operates only as a right to use without being liable as an infringer. If a licensee be sued, he can escape liability to the patentee for the use of his invention by showing that the use is within his license. But if his use be one prohibited by the license, the latter is of no avail as a defense. As a license passes no interest in the monopoly, it has been described as a mere waiver of the right to sue by the patentee. (*Robinson on Patents*, §§ 806, 808.)

We repeat. The property right to a patented machine may pass to a purchaser with no right of use, or with only the right to use in a specified way, or at a specified place, or for a specified purpose. The unlimited right of exclusive use which is possessed by and guaranteed to the patentee will be granted if the sale be unconditional. But if the right of use be confined by specific restriction, the use not permitted is necessarily reserved to the patentee. If that reserved control of use of the machine be violated, the patent is thereby invaded. This right to sever ownership and use is deducible from the nature of a patent monopoly and is recognized in the cases.

* * *

[The opinion then discusses *Sawin v. Guild* (1813), *Porter Needle Co. v. National Needle Co.*, and *Wilder v. Kent*, saying:]

“It is plain from the power of the patentee to subdivide his exclusive right of use that when he makes and sells a patented device that the extent of the license to use which is carried by the sale must depend upon whether any restriction was placed upon the use and brought home to the person acquiring the article.

“The meaning and purpose of this restriction was that while the property in the machine was to pass to the purchaser, the right to use the invention was restricted to use with other articles required in its practical operation, supplied by the patentee.”

* * *

In speaking of the character of the monopoly:

To begin with, the purchaser must have notice that he buys with only a qualified right of use. He has a right to assume, in the absence of knowledge, that the seller passes an unconditional title to the machine, with no limitations upon the use. Where, then, is the line between a lawful and an unlawful qualification upon the use? This is a question of statutory construction. But with what eye shall we read a meaning into it? It is a statute creating and protecting a monopoly. It is a true monopoly, one having its origin in the ultimate authority, the constitution. Shall we deal with the statute creating and guaranteeing the exclusive right which is granted to the inventor with the narrow scrutiny proper when a statutory right is asserted to uphold a claim which is lacking in those moral elements which appeal to the normal man? Or shall we approach it as a monopoly granted to subserve a broad public policy, by which large ends are to be attained, and therefore to be construed so as to give effect to a wise and beneficial purpose? That we must neither transcend the statute nor cut down its clear meaning is plain. In *Bement v. National Harrow Co.*, 186 U. S. 70, 89-92, this court quoted

with approval the language of Chief Justice Marshall in *Grant v. Raymond*, 6 Pet. 218, 241.

[The court then quotes Chief Justice Marshall in *Grant v. Raymond*, and further discusses *Bloomer v. McQuewan*; *Bement v. National Harrow Co.*, *Porter Needle Co. v. National Needle Co.*, and the *Button Fastener* cases, and refers to the *Paper Bag Case*, 210 U. S. 405, as evidencing a right so comprehensive that a patentee was allowed to restrain by injunction one who was infringing his patent, although he had, during a long term of years, neither used his invention himself, nor allowed others to use it.

Discussing the possibility of an extension of a monopoly into a restraint of trade the opinion says:]

Of course the argument does not mean that the effect of such a condition is to cause things to become patented which were not so without the requirement. The stencil, the paper, and the ink made by the patentee will continue to be unpatented. Any one will be as free to make, sell, and use like articles as they would be without this restriction, save in one particular, namely, they may not be sold to a user of one of the patentee's machines with intent that they shall be used in violation of the license. To that extent competition in the sale of such articles, for use with the machine, will be affected, for sale to such users for infringing purposes will constitute contributory infringement. But the same consequence results from the sale of any article to one who proposes to associate it with other articles to infringe a patent when such purpose is known to the seller.

* * *

The market for the sale of such articles to the users of his machine, which, by such a condition, he takes to himself, was a market which he alone created by the making and selling of a new invention. Had he kept his invention to himself, no ink could have been sold by others for use upon machines embodying that invention. By selling it subject to the restriction he took nothing from others and in no wise restricted their legitimate market.

[And of contributory infringement, after referring to *Davis Electrical Co. v. Edison Co.*, and *Thomson-Houston Co. v. Kelsey Co.*,]

But if the defendants knew of the patent and that she had unlawfully made the patented article, and then sold her ink or other supplies, without which she could not operate the machine, with the intent and purpose that she should use the infringing article by means of the ink supplied by them, they would assist in her infringing use.

[In answer to the objections raised against the reason of the court, the opinion proceeds:]

For the purpose of testing the consequence of a ruling which will support the lawfulness of a sale of a patented machine for use only in connection with supplies necessary for its operation bought from the patentee, many fanciful suggestions of conditions which might be imposed by a patentee have been pressed upon us. Thus it is said that a patentee of a coffee-pot might sell on condition that it be used only with coffee bought from him, or, if the article be a circular saw, that it might be sold on condition that it be used only in sawing logs procured from him. These and other illustrations are used to indicate that this method of marketing a patented article may be carried to such an extent as to inconvenience the public and involve innocent people in unwitting infringements. But these illustrations all fail of their purpose, because the public is always free to take or refuse the patented article on the terms imposed. If they be too onerous or not in keeping with the benefits, the patented article will not find a market. The public, by permitting the invention to go unused, loses nothing which it had before, and when the patent expires will be free to use the invention without compensation or restriction. This was pointed out in the Paper Bag Case, where the inventor would neither use himself nor allow others to use, and yet was held entitled to restrain infringement, because he had the exclusive right to keep all others from using during the life of the patent. This larger right embraces the lesser of permitting others to use upon such terms as the patentee chooses to prescribe. It must not be forgotten that we are dealing with a constitutional and statutory monopoly. An attack upon the rights under a patent because it secures a monopoly to make, to sell and to use, is an attack upon the whole patent system. We are not at liberty to say that the Constitution has unwisely provided for granting a monopolistic right to inventors, or that Congress has unwisely failed to impose limitations upon the inventor's exclusive right of use. And if it be that the ingenuity of patentees in devising ways in which to reap the benefit of their discoveries requires to be restrained, Congress alone has the power to determine what restraints shall be imposed. As the law now stands it contains none, and the duty which rests upon this and upon every other court is to expound the law as it is written. Arguments based upon suggestions of public policy not recognized in the patent laws are not relevant. The field to which we are invited by such arguments is legislative, not judicial. The decisions of this court, as we have construed them, do not so limit the privilege of the patentee, and we could not so restrict a patent grant without overruling the long line of judicial decisions from circuit courts and circuit courts of appeal, heretofore cited, thus inflicting disas-

trous results upon individuals who have made large investments in reliance upon them.

The conclusion we reach is that there is no difference, in principle, between a sale subject to specific restrictions as to the time, place or purpose of use and restrictions requiring a use only with other things necessary to the use of the patented article purchased from the patentee. If the violation of the one kind is an infringement, the other is also.

[The court then refers to and quotes from *American Cotton Tie Co. v. Simmons* and *American Cotton Tie Supply Co. v. Bullard*, in the circuit courts in which the question of license was considered, though when the case went to the Supreme Court, 106 U. S. 89, it turned upon the holding that what was done was a reconstruction and not a repair. The lower court had dwelt upon the restrictive license, however. The court also cites *National Phonograph Co. v. Schlegel*, and many other cases; distinguishes *Bobbs-Merrill Co. v. Straus*, 210 U. S. 345, in which the court had refused to sustain a price restriction, holding that the copyright law did not provide for such a limitation but granted "only the sole right to multiply and vend copies of his production."

The court then discussing various cases dealing with property rights in a patent proceeds to distinguish the *Paper Roll* case, 156 U. S. 145, saying:]

But it has no application to the question here presented. This is manifest when that case is attentively examined. First, because here the ink and other supplies used in the operation of the complainant's rotary mimeograph patent were not made elements of the patent, as in the *Paper Roll* case; and second, the toilet-paper fixture in the *Paper Roll* case was not sold with the license restriction that it was not to be used except in connection with paper supplied by the patentee. There was some evidence of a practice to sell the fixture only to those who used the patentee's paper; but this was far from proof of a specific license annexed to the sale of the fixtures that they were sold only to be used with paper supplied by the patentee. One who bought subject to no such restriction acquired the right to use the fixture with any paper. The opinion in that case is considered and analyzed in all of its aspects in the *Button Fastener Case*, 77 Fed. 288, 298-9.

[The court then concludes:]

The facts upon which our answer must be made are somewhat meager. It has been urged that we should make a negative reply to the interrogatory as certified, because the intent to have the ink sold to the licensee used in an infringing way is not sufficiently made out. Undoubtedly a bare supposition that by a sale

of an article which though adapted to an infringing use is also adapted to other and lawful uses, is not enough to make the seller a contributory infringer. Such a rule would block the wheels of commerce. There must be an intent and purpose that the article sold will be so used. Such a presumption arises when the article so sold is only adapted to an infringing use. *Rupp v. Elliott*, 131 Fed. 730.) It may also be inferred where its most conspicuous use is one which will co-operate in an infringement when sale to such user is invoked by advertisement. (*Kalem Co. v. Harper Brothers*, decided at this term and not yet reported.)

These defendants are, in the facts certified, stated to have made a direct sale to the user of the patented article, with knowledge that under the license from the patentee she could not use the ink, sold by them directly to her, in connection with the licensed machine, without infringement of the monopoly of the patent. It is not open to them to say that it might be used in a non-infringing way, for the certified fact is that they made the sale—“with the expectation that it would be used in connection with said mimeograph.”

The fair interpretation of the facts stated is that the sale was with the purpose and intent that it would be so used.

So understanding the import of the question in connection with the facts certified, we must answer the question certified affirmatively.

[In the dissenting opinion by Mr. Chief Justice White, with whom concurred Mr. Justice Hughes and Mr. Justice Lamar, the Chief Justice dwelt upon the practical and commercial objections to the holding of the court and to the great oppression of the people, the disregarding of the state court, the overthrowing of the settled public policy of a state, and that the effect would be as broad as society itself, effecting multitudes of people and capable of operation upon every conceivable subject of human practice, interest or activity, however intensely local or exclusively within state authority they otherwise might be. Then discussing numerous cases many of which are referred to in the opinion of the court, Chief Justice White could find no authority under the older cases for the doctrine first announced in the *Button Fastener* cases.

In conclusion he said:]

But even if I were to put aside everything I have said and were to concede for the sake of argument that the power existed in a patentee, by contract, to accomplish the results which it is now held may be effected, I nevertheless would be unable to give my assent to the ruling now made. If it be that so extraordinary a power of contract is vested in a patentee, I can not escape the conclusion that its exercise, like every other power, should be

subject to the law of the land. To conclude otherwise would be but to say that there was a vast zone of contract lying between rights under a patent and the law of the land, where lawlessness prevailed and wherein contracts could be made whose effect and operation would not be confined to the area described, but would be operative and effective beyond that area, so as to dominate and limit rights of every one in society, the law of the land to the contrary notwithstanding.

* * *

My mind can not shake off the dread of the vast extension of such practices which must come from the decision of the court now rendered. Who, I submit, can put a limit upon the extent of monopoly and wrongful restriction which will arise, especially if by such a power a contract which otherwise would be void as against public policy may be successfully maintained?

775. AUTOMATIC PENCIL SHARPENER CO. v. GOLDSMITH BROS.,
190 Fed. 205, (1911, C. C. S. D. New York). * * *

Lacombe, Circuit Judge:

This is a motion for preliminary injunction to restrain the sale at cut rates of patented machines bought under restrictions as to price of which defendant had full knowledge. The machines and boxes also bore marks, numbers, and notices which defendant mutilated and erased before offering for sale at the cut rate. There are no affidavits submitted by defendant and is no dispute as to the facts.

This case is not to be distinguished from the many cases decided in various circuit courts of appeals holding that complainant is entitled to an injunction under the circumstances disclosed in this case. *Heaton-Peninsular Company v. Eureka Specialty Company*, 77 Fed. 288, 25 C. C. A. 267, 35 L. R. A. 728; *Cortelyou v. Lowe*, 111 Fed. 1005, 49 C. C. A. 671; *Victor Talking Machine Company v. The Fair*, 123 Fed. 424, 61 C. C. A. 58; *The Fair v. Dover Manufacturing Company*, 166 Fed. 117, 92 C. C. A. 43. I find nothing in *Bobbs-Merrill Company v. Straus*, 210 U. S. 339, 28 Sup. Ct. 722, 52 L. ed. 1086, and *Dr. Miles Medical Company v. Jaynes Drug Company* (C. C.) 149 Fed. 838, that deprive these cases of authority in patent causes. The court in this district will follow the circuit court of appeals for the second circuit. *Cortelyou v. Lowe*, *supra*.

Injunction is granted as prayed for.

[The following under this heading are brief extracts to complete the discussion]:

776. INDIANA MFG. CO. v. NICHOLS & SHEPARD CO., 190 Fed. 579, (C. C. Mich. 1911). * * *

Denison, District Judge (sitting by designation, after stating the facts as above). (1) Whatever doubts may have been suggested by the Supreme Court, *Cortelyou v. Johnson*, 207 U. S. 200, 28 Sup. Ct. 105, 52 L. ed. 167; *Bobbs-Merrill Co. v. Straus*, 210 U. S. 345, 28 Sup. Ct. 722, 52 L. ed. 1086, or intimated in the second circuit (by the action of the court of appeals on the appeal from *Crown Cork & Seal Co. v. Stopper Co.* (C. C.) 172 Fed. 225), it is undoubtedly the established rule of patent law in this circuit that when a licensee, who is entitled to use a patented machine under certain conditions only, undertakes to use the machine otherwise than in conformity with those conditions, he loses the protection of his license and he becomes an infringer. *Button Fastener Cases*, 77 Fed. 294, 25 C. C. A. 267, 35 L. R. A. 728; *Rupp & Wittgenfeld Co. v. Elliott*, 131 Fed. 730, 65 C. C. A. 544. The principle seems to be that the license is limited in its operation, and that, since in the case of a territorial limit the license has no existence in the exempted territory, so in case of other limitations the license has no existence in the exempted field.

I see no distinction in principle between the decided cases in this circuit and the present case, in so far as concerns the nature of the limitation placed upon the license. It cannot be controlling whether or not the license uses the word "condition;" and if that word is used, the exact and technical, grammatical construction of the sentence in which it is found will not settle the question whether it refers to a condition precedent or condition subsequent.

The substantial intent of this contract was that the condition should be one accompanying the exercise of the rights granted by the license, and that unless such exercise was accompanied by the performance of such condition, the exercise itself was not to be permitted. Obviously this comment does not apply to the agreements to make reports and to pay money—things which cannot be done until after the sale is made, and, therefore, can not be steps upon which the right to sell is dependent; but does have reference to the trade-mark and price restriction provisions.

The price restriction, as a license condition, has been often sustained, but does not seem to be counted upon in this bill; and a condition that the license shall not attach to any machines except those of a certain quality of material or those painted a certain color or those bearing certain distinguishing marks would seem to be well within the patentee's right of total exclusion. I think, therefore, that the bill states a case of infringement of the patents or of some of them; but it seems clear that it can not be

sustained as merely an infringement bill; and this for the reason that it omits several allegations bearing upon the validity of and the title to the patents, which allegations are well understood to be essential to such a bill. * * *

777. EDISON v. SMITH MERCANTILE CO., 88 Fed. 925, (1911, C. C. Mich.) * * *

Denison, District Judge.

As to the underlying question presented by this motion, I can not hesitate to accept, as the now prevailing and general rule established by many familiar cases, the position that a patentee may, by appropriate contract, reserve to himself a control over the price or other conditions attending the public enjoyment of the patented article. Several courts have recognized a tendency to go too far in sanctioning such conditions, and some recent decisions in the second circuit, as well as the opinions of the Supreme Court in the *Bobbs-Merrill Case*, 210 U. S. 339, 28 Sup. Ct. 722, 52 L. ed. 1086, and the *Dr. Miles Case*, 220 U. S. 373, 31 Sup. Ct. 376, and the granting of the pending certiorari in the *Dick Case*, 224 U. S. 1, 56 L. ed. 645, have tended to indicate that some limits will be placed upon the now customary practice. * * *

778. BOWERS v. LAKE SUPERIOR, ETC., DREDGING CO., 149 Fed. 983, 79 C. C. A. 493.

A license to use a patented invention that does not contain words importing assignability is a grant of a mere personal right to the licensee which does not pass to his heirs or representatives and which can not be transferred to another, without the express consent of the licensor.

779. WESTERN UNION TEL. CO. v. AMERICAN BELL TEL. CO., 125 Fed. 342, 60 C. C. A. 220.

Royalties are commonly understood as meaning something proportionate to the use of a patented device; in other words, a kind of excise. *Bouvier's Law Dictionary*, "Royalty." In its more ordinary meaning, it would not literally include the shares of stock for which an accounting is demanded. In some of its uses it is a broader word than "rentals," and yet in other respects "rentals" is a broader word than "royalties." Rentals in their ordinary signification are not limited as royalties in their ordinary signification; that is, to something proportionate to the use of the patented device. The word "ordinarily" means specific sums paid annually, or at other stated periods, for the right to use a patented device, whether it is used much or little or not at all.

780. *SPROULL v. PRATT & WHITNEY CO.*, 108 Fed. 963, 48 C. C. A. 167.

Unless the contrary appears to have been the intention of the parties, the presumption is that, under a license for the exclusive right to manufacture and sell under a patent, royalties are not payable upon articles manufactured and sold after the expiration of the life of the patent. Parties, may, of course, contract as they choose; but, in the absence of some provision by which a promise for the continuing payment of royalties upon expired patents may be fairly inferred, the presumption is that the contract is upon the ordinary terms as to the duration of royalties.

781. *PLATT v. FIRE EXTINGUISHER MFG. CO.*, 59 Fed. 897, S C. C. A. 357.

The defendant agreed that if he failed to perform his covenants the license might be forfeited by a written notice served upon him, or his successor, and this was done. His subsequent tender of money in payment of royalties, and a promise to perform his covenants, could not avail to remove the forfeiture without the consent of the licensor and the other licensees.

782. *THOMPSON v. CITIZENS NAT. BANK*, 53 Fed. 250, 3 C. C. A. 518.

Do the facts that the co-partnership styled the Bank of Fargo was permitted to use the patented invention for seven months before the application for a patent was filed, and that the defendant subsequently succeeded to their business and property, confer upon it an implied license to make and use new account books, embodying the patented invention? The application for this patent was filed December 31, 1886. The Bank of Fargo first applied the invention to their account book June 2, 1886, and used it thereafter with complainant's consent until the firm was dissolved January 1, 1887. The defendant corporation was organized and commenced business on that day. * * * The defendant did not purchase, construct, or use any article embodying the complainant's invention before he filed his application for a patent, since it did not come into existence until after that filing. Whatever license it had it derived from the dissolved co-partnership by purchase or assignment; but the only right the partnership had was the statutory privilege of using, and vending to others to be used, the specific patentable thing they had made with complainant's consent. This was not a grant of any portion of the franchise, * * * it was a mere naked license, personal to the co-partnership, and incapable of assignment or transfer.

783. *BOSTON v. ALLEN*, 91 Fed. 248, 33 C. C. A. 485.

According to that rule, an implied license, if it relates to an improvement in the process, ordinarily authorizes the employer to continue to practice the process during the whole period of the patent. This follows because the subject-matter is indivisible; but, if the invention pertains to a machine, it is understood, ordinarily, that only the specific machine or machines which have been set up during the time of the employment are protected. Such is the ordinary rule, and it is plainly based on a sound discretion. It is, of course, more a rule for the application of facts than a rule of law, and therefore it is not rigid. When the patented matter is a product, particularly if it is a minor product, or even if it is a minor machine, so that in either case it is used in quantities, like the stop-valve in *Lane & Bodley Co. v. Locke*, 150 U. S. 193, already cited, its unlimited use during the time of employment may raise an implication of fact in favor of a license for a time likewise unlimited, as in the case of a process.

784. *LANE, ETC., CO. v. LOCKE*, 150 U. S. 193, 37 L. ed. 1049, 14 Sup. Ct. 78.

A license, though not usually transferable, is transmissible by succession to a corporation formed by the union of two licenses succeeding to the obligations of both.

785. *SEAL v. BOOKKEEPER PUB. CO.*, 130 Fed. 449, 64 C. C. A. 651.

It is to be kept in mind that the license under consideration was not like that in *St. Paul Plow Works v. Starling*, 140 U. S. 184, 196, 35 L. ed. 404, unlimited in duration, which requires mutual consent, or some positive act by one of the parties, to terminate it. * * * This license was of limited duration; it ran only for a year; and the positive act required was not one to end, but to extend it.

786. *VICTOR TALKING MACHINE CO. v. THE FAIR*, 123 Fed. 424, 61 C. C. A. 58.

By its terms, the grant covers, three separate or separable fields. The patentee may agree with one that he will not exclude him from making, with another from using, and with yet another from selling devices that exemplify the principles of his invention. Within the field of making, it has never been doubted, so far as we are aware, that he may subdivide as he pleases and offer to sell or lease in the most fanciful parcels on the harshest terms; that whether purchasers and tenants come or not is purely his own concern; and that, if purchasers or tenants do

come, the courts will enforce the terms of the sale or lease. And how could it be otherwise? Owning the whole, he owns every part. The field being his property, and there being no law for seizing it and adjudging his damages, he can not be compelled to part with his own except on inducements to his liking. The same conditions must prevail within the field of use, for how can it be distinguished?

787. *BIRDSELL v. SHALIOL*, 112 U. S. 485, 28 L. ed. 768, 5 Sup. Ct. 244.

But an infringer does not, by paying damages for making and using a machine in infringement of a patent, acquire any right himself to the future use of the machine. On the contrary, he may, in addition to the payment of damages for past infringement, be restrained by injunction from further use and, when the whole machine is an infringement of the patent, be ordered to deliver it up to be destroyed.

[Note: The destruction of infringing machine is not based on any statute and in *American v. Kitsell*, 35 Fed. 521 was held applicable only in flagrant cases.]

788. *HOLMES v. MCGILL*, 108 Fed. 238, 47 C. C. A. 296.

In an action by a licensor against a licensee to recover royalties upon sales made under an exclusive license upon an invalid patent, which was, at the time when the account accrued, apparently valid and in force, and from which there had been no eviction, the invalidity of which had not been declared by an adjudication under legal proceedings, and no notice had been given by the licensee of its refusal to pay on account of its defects, such invalidity is no defense to the suit. As long as the licensee continues to manufacture under a patent presumably valid, without having given notice of its invalidity and without eviction, he is presumed to manufacture in accordance with his license.

[See *Bradford Belting Co. v. Kisinger-Ison*, 113 Fed. 811, 51 C. C. A. 483.]

789. *AMERICAN, ETC., ADV. CO. v. JONES*, 142 Fed. 974, 74 C. C. A. 236.

Complainant's final letter, therefore, of January 4th, ordering defendants to "discontinue building said racks in cars without authority by me to do so under penalty of the law," coupled with the statement that, if he should "conclude to allow said racks built in cars, my price will be five dollars per car," was in entire accord with the understanding of both parties, either that there had been no contract for a future license, or that, even if any such license might have been claimed, it was one termi-

nable at the will of complainant's assignor, and the statements in his letter were acquiesced in by defendants as constituting a complete revocation of whatever rights or license they might otherwise have claimed. The contract, if any, was thereby rescinded by mutual agreement.

790. SMITH v. RIDGELY, 103 Fed. 875, 43 C. C. A. 365.

There can be no doubt that a licensee may sue the patentee, who has granted the license, for infringing the patent within the field covered by the license, in the same manner and with like effect as though the patentee were a stranger.

See *Shepard v. Kinner*, 86 Fed. 638, 30 C. C. A. 315.

See *Keene v. Barrett*, 100 Fed. 590, 40 C. C. A. 571.

See *Wilfley v. New Standard Concentrator Co.*, 164 Fed. 421, 90 C. C. A. 543.

791. STANDARD SANITARY MFG. CO. v. ARROTT, 135 Fed. 750, 68 C. C. A. 388.

Where an estoppel is relied on, the facts upon which it is based must be proved with particularity and precision, and nothing can be supplied by inference or intendment.

792. BABCOCK v. CLARKSON, 63 Fed. 607, 11 C. C. A. 351.

Joseph T. Clarkson, one of the respondents below, was the original patentee, and the title of complainants is derived under assignments from him for a pecuniary consideration, valuable in law, though said to be small. Consequently, an estoppel operates against him. The precise nature of this estoppel does not seem to have been always clearly apprehended. It is, in effect, that, when one has parted with a thing of valuable consideration, he shall not, so long as he retains the consideration, set up his own fraud, falsehood, error, or mistake to impair the value of what he has thus parted with. As applied to the specifications of a patent, the vendor patentee is as much barred from setting up that his allegations therein were merely erroneous as that they were wilfully false.

793. MARTIN, ETC., CASH CARRIER CO. v. MARTIN, 67 Fed. 786, 14 C. C. A. 642.

In a suit for infringement, brought against the assignor of a patent by his assignee, the assignor is estopped from denying the validity of his patent. He can not say that the patent has been anticipated by prior structures, or that it is void for want of novelty or utility.

794. DUEBER WATCH CASE MFG. CO. v. ROBBINS, 75 Fed. 17, 21 C. C. A. 198.

The fact that for a time the defendant was a licensee of the Colby patent cannot, of course, estop the defendant from disputing its validity in a suit for infringements charged to have taken place after the license was withdrawn. Such a fact, in a doubtful case, might have considerable evidential force as an admission of the validity of the patent by the licensee.

795. ELGIN, ETC., BUTTER TUB CO. v. CREAMERY PACKAGE MFG. CO., 80 Fed. 293, 25 C. C. A. 426.

The attempt to show by the testimony of Corcoran, the patentee, that the patent embraced something which he did not invent, and to restrict the patent to his understanding of the scope of the invention, was unwarranted and improper. Even if he had been a party to the suit, he could not have been bound by a mistaken judgment which he might have been led to declare of the scope or character of his patent, and, as against the assignee of his title, his testimony in that particular was wholly incompetent.

796. NOONAN v. CHESTER PARK, ETC., CLUB CO., 99 Fed. 90, 39 C. C. A. 426.

But this estoppel, for manifest reasons, does not prevent him from denying infringement. To determine such an issue, it is admissible to show the state of the art involved, that the court may see what the thing was which was assigned, and thus determine the primary or secondary character of the patent assigned, and the extent to which the doctrine of equivalents may be invoked against the infringer. The court will not assume against an assignor, and in favor of his assignee, anything more than that the invention presented a sufficient degree of utility and novelty to justify the issuance of the patent assigned, and will apply to the patent the same rule of construction, with this limitation, which would be applicable between the patentee and a stranger.

797. PENFIELD v. POTTS, ETC., CO., 126 Fed. 475, 61 C. C. A. 371.

The doctrine is well settled that one who for his own interest joins in the defense of a suit to which he is not a party of record is as much concluded by the judgment as if he had been a party thereto, provided his conduct in that respect was open and avowed or otherwise well known to the opposite party.
* * * An estoppel by decree exists, although the demand in the two cases is not the same, whenever the question upon which

the recovery in the second case depends has been before decided, under like conditions, between the same parties or those in privity with them.

798. *GILL v. UNITED STATES*, 160 U. S. 426, 40 L. ed. 480, 16 Sup. Ct. 322.

The same principle is applied to an inventor who makes his discovery public, looks on, and permits others to use it without objection or assertion of a claim for a royalty. In such case he is held to abandon his inchoate right to the exclusive use of his invention, to which a patent would have entitled him had it been applied for before such use.

799. *MISSISSIPPI GLASS CO. v. FRANZEN*, 143 Fed. 501, 74 C. C. A. 135.

We now pass to the other branch of the defense, namely, that the contract was not enforceable in equity upon the theory of lack of consideration and lack of mutuality. This contract, however, was not without consideration. It was not only by its own express terms in consideration of the employment of the defendant, but this contract was signed and delivered before the employment actually commenced, and before the defendant was permitted to enter the complainant's factory. * * * The hiring, the engagement to pay wages, and the introduction of the defendant into the complainant's establishment and to its methods and processes, constituted a valid consideration for his agreement to assign his inventions made during the term of employment.

800. *WILSON v. SANDFORD*, 10 How. (U. S.) 99, 13 L. ed. 344.

[The object of the bill was to set aside a contract licensing the use of a patented machine.] The dispute 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 the 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. * * * But the injunction he asks for is to be the consequence of the decree of the court sanctioning the forfeiture. * * * 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.

801. ALBRIGHT v. TEAS, 106 U. S. 613, 27 L. ed. 295, 1 Sup. Ct. 550.

The controversy between them, as stated by the appellants themselves is, whether certain goods manufactured by them embody the invention covered by the appellees' patents. * * * Both parties may agree as to what the patented invention is, and yet disagree on the question whether the invention is employed in the manufacture of certain specified goods. The controversy between the parties in this case is clearly of the latter kind. The case can not, therefore, be said to be one which grows out of the legislation of Congress.

802. EXCELSIOR WOODEN PIPE CO. v. PACIFIC BRIDGE CO., 185 U. S. 282, 46 L. ed. 910, 22 Sup. Ct. 681.

But the same does not hold good with reference to the licensee. There were practically but two ways in which the patentee could impair the grant he made to the licensee, and those were by a revocation of the license by a bill in equity, or by treating it as abandoned or revoked, and granting a license to another party. He elected the latter remedy, and made a contract with the Pacific Bridge Company to make and sell wooden pipe within the same territory. A suit in a state court would either be inadequate or would involve questions under the patent law. If the licensee sued at law he would be obliged to establish the fact that the patent had been infringed, which the patentee might have denied and in any case could only recover damages for past infringements. If he sued in equity he could only pray an injunction against future infringements; but this is exactly what he prays in this case, and thereby raises a question under the patent laws. In either case the patentee could defeat the action by showing that he did not infringe—in either case, the defendant could so frame his answer as to put in issue the title, the validity, or the infringement of the patent. The natural and practically the only remedy, as it seems to us, was for the plaintiff to assert his title under the license, and to prosecute the defendants as infringers. In doing this he does what every plaintiff is bound to do, namely, set forth his title either as patentee, assignee, or licensee, and thereby puts that title in issue. The defendant is at liberty in such a case to deny the title of the plaintiff by declaring that the license no longer exists, but in our opinion this does not make it a suit upon the license or contract, but it still remains a suit for the infringement of a patent, the only question being as to the validity of plaintiff's title. There can be no doubt whatever that if the plaintiff sued some third person for an infringement of his patent, the defendant might attack the validity of his license in the same way, but it would not oust the jurisdiction of the court. Why should it do so in this case?

803. VICTOR TALKING MACH. CO. v. THE FAIR, 123 Fed. 424, 61 C. C. A. 58.

When a contract is made respecting a right under a patent, and the parties get into litigation, confusion has sometimes arisen over the question whether the cause of action originates in the contract or in the patent laws. The test is this: If the plaintiff is seeking a judgment for debt or damages, or a decree for cancellation or specific performance, on account of the defendant's breach of his covenants, the cause of action arises out of the contract; and, though the determination of the issue of breach or no breach may involve the interpretation of the patent and of the prior art, the insistence of the defendant that his device, according to the true construction of the patent and of the prior art, is not within the patent right granted him in the contract, can not change the nature of the action. *Standard Sewing Machine Co. v. Leslie*, 118 Fed. 557, 55 C. C. A. 323. On the other hand, if the plaintiff is seeking a judgment for damages, or a decree for an injunction and an accounting, on account of the defendant's unauthorized use of the patent right in making or using or selling the device without license, the cause of action arises out of the patent laws; and, though the determination of the issue of infringement or no infringement may involve the interpretation of the contract, the insistence of the defendant that his act was within his rights under the contract, if properly construed, can not change the nature of the action.

804. NATIONAL HARROW CO. v. HENCH, 83 Fed. 36, 27 C. C. A. 349.

It is manifest, as well from the contract as from the proofs outside of it, that the purpose of the parties was to form a combination between the various manufacturers of these harrows, to prevent competition in business and enhance prices. * * * The corporation, provided to hold the legal title of the several patents, is merely an instrument to effect this object. * * * The fact that the property involved is covered by letters-patent is urged as a justification, but we do not see how any importance can be attributed to this fact. Patents confer a monopoly as respects the property covered by them, but they confer no right upon the owners of several distinct patents to combine for the purpose of restraining competition and trade. Patented property does not differ in this respect from any other. The fact that one patentee may possess himself of several patents, and thus increase his monopoly, affords no support for an argument in favor of a combination by several distinct owners of such property to

restrain manufacture, control sales, and enhance prices. Such combinations are conspiracies against the public interests, and abuses of patent privileges. The object of these privileges is to promote the public benefit, as well as to reward inventors. The suggestion that the contract is justified by the situation of the parties—their exposure to litigation—is entitled to no greater weight. Patentees may compose their differences, as the owners of other property may, but they cannot make the occasion an excuse or cloak for the creation of monopolies to the public disadvantage.

§05. *HOLLISTER v. BENEDICT, ETC., MFG. CO.*, 113 U. S. 59, 28 L. ed. 901, 5 Sup. Ct. 717.

It was authoritatively declared in *James v. Campbell*, 104 U. S. 356, that the right of the patentee * * * was exclusive of the Government of the United States as well as of all others. [See for similar cases, Part XIV.]

§06. *AMERICAN BRAKE BEAM CO. v. PUNGS*, 141 Fed. 923, 73 C. C. A. 157.

We do not look on this as a contract in restraint of trade. It binds no one to stay out of the trade. At most, it is an agreement, merely, that if Pungs renews his connection with the trade, he shall return the consideration received. * * * He has merely put himself where, without putting any binding restraint on his inventive faculties, or for that matter, upon his liberty as a manufacturer, he will realize, for the time being, on what he has already invented.

§07. *NEW DEPARTURE MFG. CO. v. SARGENT, ETC., CO.*, 127 Fed. 152, 62 C. C. A. 266.

Of course, in this suit for infringement of a patent we cannot inquire into the apparently unfair devices in the way of get up, ornamentation, etc., by which it is suggested that defendants are seeking to deceive the public into a belief that their bells are those of the complainant.

§08. *CENTAUR v. HEINSFURTER*, 84 Fed. 955, 28 C. C. A. 581.

It is true that during the life of the patent the name of the thing may also be indicative of the manufacturer, because the thing can then be manufactured only by the single person; but when the right to manufacture and sell becomes universal, the right to the use of the name by which the thing is known becomes equally universal. It matters not that the inventor coined the word by which the thing has become known. It is enough that the public has accepted that word as the name of the thing,

for thereby the word has become incorporated as a noun into the English language, and the common property of all. Whatever doubts may therefore have existed on this proposition have been, for the federal courts, put at rest by the recent decision of the Supreme Court in the case of *Singer Mfg. Co. v. June Mfg. Co.*, 163 U. S. 169, 16 Sup. Ct. 1002.

809. *AMERICAN COAT PAD CO. v. PHOENIX PAD CO.*, 113 Fed. 629, 51 C. C. A. 339.

But the trial judge seems to put his conclusion on another ground, unnoticed by counsel in argument or brief—unfair competition in trade. What is above said applies to this point in the opinion. Defendants seem to be acting in good faith, and allege their ability to respond in damages, which is not questioned. Louis Bouchat believes he has made an improvement in coat pads entitling him to a patent. He has obtained letters patent therefor. This cost something, and a company has been organized to manufacture coat pads under these letters patent. Is this unfair competition in trade? If so, no improvement in a patented article could ever be made by one versed in the art. Louis Bouchat had worked at the trade of making coat pads, became familiar with the art, experienced in the business, and knew the demands of the trade. True, this was when he was a stockholder, owner of one share, and an employee of a corporation using the Goldman patent, when he probably saw the defects in the coat pads manufactured under the patent, and devised what he conceived to be an improvement in coat pads. Is the fact he was such stockholder and employee of a corporation using a patent to deprive him of the benefit of supposed inventive genius? If so, no one would probably ever make any improvements on patented articles.

PART XIII.

REGULATIONS OF DEALINGS IN PATENT RIGHTS AND PATENTED ARTICLES.

[The state may tax articles which embody a patented invention, but it may not tax the patent right. That is, it may tax a machine or the product, but it may not tax the patent.

In *Webber v. 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.”

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

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

Another section required vendors of patent rights or territory for the sale of patent rights or patent articles to pay double the amount of the ordinary license fee. Held, unconstitutional and void.

The statute upon which the suit *In re Sheffield* was brought was declared invalid a year later by the Supreme Court of Kentucky in *Commonwealth v. Petty* (1895), 96 Ky. 452.]

“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.”

[To the same effect see—

Ex parte Robinson (1870), 2 Bissell (U. S. C.) 309.

State v. Butler (1879), 3 Lea. (71 Tenn.) 222.

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

People v. Johnson (1899), 159 N. Y. 70 (copyright).

For Pennsylvania cases see—

Commonwealth v. Telephone Co. (1891), 145 Pa. St. 121.

Commonwealth v. Ed. El. L. Co. (1891), 145 Pa. St. 131.

Commonwealth v. Philadelphia Co. (1891), 145 Pa. St. 142.

Commonwealth v. Westinghouse Co (1892), 151 Pa. St. 265.

Commonwealth v. Westinghouse Co. (1892), 151 Pa. St. 276.

Commonwealth v. Philadelphia Co. (1893), 157 Pa. St. 527.

Commonwealth v. Ed. El. L. Co. (1893), 157 Pa. St. 529.

Machines or products involving patented invention are subject to sale under execution the same as any other personal property but the patent may not be so sold under execution at common law.

Wilder v. Kent (1883), 15 Fed. 217. See, also, Chapin v. Rosenthal (1874), 1 Weekly Notes Cas. (Pa.) 106.

Stephens v. Cady (1852), 14 How. (U. S.) 528. The plaintiff was the owner of a copyright for a map of Rhode Island. Judgment was recovered against him in the state court in Massachusetts, execution issued, and the copper plate engraving of the map was seized and sold, and bought by the defendant.

The defendant used the plate to produce copies of the map. Injunction was denied by lower court but this was reversed on appeal.

The same point arose later in the case of Stevens v. Gladding (1854), 17 How. (U. S.) 477. The court in that case said:]

“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.”

[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.”

[A general assignment for the benefit of creditors, under state laws, transfers to the assignee machines and products embodying a patented invention but does not transfer the patent right. (Jewett v. Atwood Suspender Co. (1900), 100 Fed. 647, and Ball v. Coker (1909 C. C. S. C.), 168 Fed. 304.)

To the same effect see,

Ashcroft v. Walworth (1872), Holmes (U. S. C. C.) 152.

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

Barton v. White (1887), 144 Mass. 281.

The police powers of the state may even suppress the sale and use of a machine or product dangerous to the general welfare, provided there is no discrimination, but may not suppress or condition the rights granted under the patent.

Patterson v. Commonwealth (1875), 11 Bush (Ky.) 311 S. C. (1878), 97 U. S. 501; Allen v. Riley, 203 U. S. 347, 51 L. ed. 216, 27 Sup. Ct. 95.]

810. ALLEN v. RILEY, 203 U. S. 347, 51 L. ed. 216, 27 Sup. Ct. 95 (1906).* * *

In error to the Supreme Court of the State of Kansas to review a judgment which affirmed a judgment of the District Court of Brown County, in that state, for the recovery of the value of real property transferred in part payment for the sale of a patent right, because of the failure of the vendors to comply with the state legislation governing the sale of patented rights. * * *
Affirmed.

See same case below, 71 Kan. 378, 80 Pac. 952.

Mr. Justice Peckham, after making the foregoing statement, delivered the opinion of the court:

The sole question for our determination in this case is concerning the constitutionality of the Kansas act. The opinion of the supreme court of the state of Kansas is reported in 71 Kan. 378, 80 Pac. 952.

The judgment herein is founded upon *Mason v. McLeod*, 57 Kan. 105, 41 L. R. A. 548, 57 Am. St. 327, 45 Pac. 76; which case has been followed by that of *Pinney v. First Nat. Bank*, 68 Kan. 223, 75 Pac. 119.

The defendants insist that the act in question violates article 1, § 8, of the Constitution of the United States, and the Federal statute passed in pursuance thereof, being Rev. Stat. § 4898, U. S. Comp. Stat. 1901, p. 3387. The Constitution grants to Congress the right "to promote the progress of science and useful arts by securing for limited times, to authors and inventors, the exclusive right to their respective writings and discoveries;" and § 4898 of the Revised Statutes provides that every patent or interest therein shall be assignable in law by an instrument in writing, which assignment is made void against any subsequent purchaser or mortgagee, for a valuable consideration, without notice, unless it is recorded in the Patent Office within three months from the date thereof.

It is asserted by the plaintiffs in error that the subject of the sale or assignment of the whole or any part of an interest in a patent is derived from the laws of Congress passed with reference to the constitutional provision quoted above, and that any regulations whatever, by any state authority, in regard to such assignment or sale, and making provision in respect to them, are illegal.

The supreme court of Kansas has maintained and upheld the Kansas act on the ground that the statute is simply a reasonable

and proper exercise of the police power of the state in regard to the subject of the act. *Mason v. McLeod*, supra. That court was of the opinion that the provisions of the Kansas statute did not trench upon the Federal power nor interfere with the rights secured to patentees by Federal law. The opinion does not assert that a state statute can interfere with the right of a patentee to sell or assign his patent, nor that it can take away any essential feature of his exclusive right, but, as is stated, the provisions in the act have no such purpose or effect; that "they are in the nature of police regulations designed for the protection of the people against imposition and fraud. There is great opportunity for imposition and fraud in the transfer of intangible property, such as exists in a patent right, and many states have prescribed regulations for the transfer of such property differing essentially from those which control the transfer of other property." Many authorities are cited, and the opinion then continues: "The doctrine of these cases is that the patent laws do not prevent the state from enacting police regulations for the protection and security of its citizens, and that regulations like ours, which are mainly designed to protect the people from imposition by those who have actually no authority to sell patent rights or own patent rights to sell, should be upheld. We think the statute is valid."

In Indiana a statute which is like that in Kansas has been upheld by the supreme court of that state. *Brechbill v. Randall*, 102 Ind. 528, 52 Am. Rep. 695, 1 N. E. 362. That case has, since that time, been followed in Indiana. *New v. Walker*, 108 Ind. 365, 58 Am. Rep. 40, 9 N. E. 386. In Ohio a statute somewhat similar to the one in question has been upheld. *Tod v. Wick Bros.*, 36 Ohio St. 370. And the same result has been reached in Pennsylvania. *Haskell v. Jones*, 86 Pa. 173. In *Herdic v. Roessler*, 109 N. Y. 127, 16 N. E. 198, the validity of the same kind of a statute has been upheld. See also *Wyatt v. Wallace*, 67 Ark. 575, 55 S. W. 1105; *State v. Cook*, 107 Tenn. 499, 62 L. R. A. 174, 64 S. W. 720. The statutes in the different states are not all precisely like the Kansas law, but they make provisions in regard to the sale or assignment of rights under a patent, and sometimes in regard to notes given for their purchase, which cannot be upheld under the contention of plaintiffs in error herein, that all such provisions are in violation of, or inconsistent with, the laws of Congress on the subject. The courts of some other states, having like questions before them, have held their statutes void. *Hollida v. Hunt*, 70 Ill. 109, 22 Am. Rep. 63; *Cranson v. Smith*, 37 Mich. 309, 26 Am. Rep. 514; *Wilch v. Phelps*, 14 Neb. 134, 15 N. W. 361; *State v. Lockwood*, 43 Wis. 405, and some others.

The circuit court of appeals of the eighth circuit, in *Ozan Lumber Co. v. Union County Nat. Bank*, 145 Fed. 344, has held a statute of Arkansas upon this same subject void because of its discrimination between articles of property of the same class or character, based only on the fact that the property discriminated against was protected by a patent granted by the United States. In the opinion in the case, authorities upon the subject are cited and commented upon. Among the cases cited are *Patterson v. Kentucky*, 97 U. S. 501, 24 L. ed. 1115, and *Webber v. Virginia*, 103 U. S. 344, 26 L. ed. 565.

In *Patterson v. Kentucky*, supra, the owner of a patent right for an improved burning oil was convicted of the violation of a Kentucky statute by the sale of the oil covered by the patent. The owner claimed the right to sell such oil notwithstanding the statute, which provided a standard below which oil was regarded as dangerous for illuminating purposes, and the sale of which was prohibited. It was admitted the patented oil did not come up to the state standard. This court held the conviction was right, and that the owner of the patent was not protected, by reason of his ownership, from liability under the state statute. That statute was held to be one passed in the legitimate exercise of the powers of the state over its purely domestic affairs, and it was said that it did not violate either the Constitution or laws of the United States, as, when property protected by patent once comes into existence, its use is subject to the control of the several states to the same extent as any other species of property.

Webber v. Virginia, supra, relates also to tangible property covered by a patent, and it was held that the patent did not exclude from the operation of the taxing or licensing law of the state the tangible property manufactured under a patent. It was said in that case that "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. Whatever rights are secured to the inventors must be enjoyed in subordination to this general authority of the state over all property within its limits."

While these two cases do not cover the one now before us, because they refer to tangible property which has been manufactured and come into existence under a patent, and the case before us relates to provisions which are to accompany an assignment of intangible rights, growing out of a patent, yet the general power of the states to legislate in order to protect their citizens in their lives and property from fraud and deceit is recognized, not as being without limit, of course, but as being properly exercised in the cases named.

We think the state has the power (certainly until Congress legislates upon the subject) with regard to the provision which shall accompany the sale or assignment of rights arising under a patent, to make reasonable regulations concerning the subject, calculated to protect its citizens from fraud. And we think Congress has not so legislated by the provisions regarding an assignment contained in the act referred to.

In some of the cases holding such statutes void it is said that it is unfortunately true that many frauds are committed under color of patent rights, and that the patent laws are not so framed as to secure the public from being cheated by worthless inventions; but, notwithstanding that, they hold statutes of the nature of the one under consideration to be void, as trenching upon the rights of the owner of a patent secured by the Constitution and laws of the United States.

To uphold this kind of a statute is by no means to authorize any state to impose terms which, possibly, in the language of Mr. Justice Davis, in *Ex parte Robinson*, 2 Biss. 309, Fed. Cas. No. 11,932, "would result in a prohibition of the sale of this species of property within its borders, and in this way nullify the laws of Congress which regulate its transfer, and destroy the power conferred upon Congress by the Constitution." Such a statute would not be a reasonable exercise of the powers of the state.

In Michigan, the court, speaking through Mr. Justice Campbell, while holding the act under review in that case upon the subject invalid (*Cranson v. Smith*, 37 Mich. 309, 26 Am. Rep. 514), said: "While we cannot but recognize the magnitude of an evil which has brought patents into popular discredit, and has provoked legislation in several states similar to that of Michigan, we cannot, on the other hand, fail to see in these laws a plain and clear purpose to check the evil by hindering parties owning patents from dealing with them as they may deal with their other possessions." If there is a special evil, unusually frequent and easily perpetrated when parties are dealing in the sale of rights existing or claimed to exist under a patent, we do not see why a state may not, in the bona fide exercise of its powers, enact some special statutory provision which may tend to arrest such evil, and may omit to enact the same provision concerning the disposal of other property. There is no discrimination which can be properly so called against property in patent rights, exercised in such legislation. It is simply an attempt to protect the citizen against frauds and impositions which can be more readily perpetrated in such cases than in cases of the sale or assignment of ordinary property.

The act must be a reasonable and fair exercise of the power of the state for the purpose of checking a well-known evil, and

to prevent, so far as possible, fraud and imposition in regard to the sales of rights under patents. Possibly congress might enact a statute which would take away from the states any power to legislate upon the subject, but it has not as yet done so. It has simply provided that every patent, or interest therein, shall be assignable in writing, leaving to the various states the power to provide for the safeguarding of the interests of those dealing with the assumed owner of a patent, or his assignee. To deal with that subject has been the purpose of the acts passed by the various states, among them that of the state of Kansas, and we think that it was within the powers of the state to enact such statute. The expense of filing copies of the patent and the making of affidavits in the various counties of the state in which the owner of the rights desired to deal with them is not so great, in our judgment, as to be regarded as oppressive or unreasonable, and we fail to find any other part of the act which may be so regarded. Some fair latitude must be allowed the states in the exercise of their powers on this subject. It will not do to tie them up so carefully that they can not move, unless the idea is that the states have positively no power whatever on the subject. This we do not believe; at any rate, in the absence of congressional legislation. The mere provision in the Federal statute for an assignment and its record as against subsequent purchasers, etc., is not such legislation as takes away the rights of the states to legislate on the subject themselves in a manner neither inconsistent with, nor opposed to, the Federal statute. We think the judgment is right, and it is affirmed.

Mr. Justice White, with whom concurs Mr. Justice Day, dissenting:

My brother Day and myself dissent. The reasons, however, which impel him are broader than those influencing me. In general terms, the Kansas statute which the court now upholds compels one selling a patent right in any county of the state of Kansas to file with the clerk of such county an authenticated copy of the patent, together with an affidavit as to the genuineness of the patent, and as to other matters. The statute, moreover, exacts that where a note is given for the purchase price of a patent right, there shall be inserted in the note a statement that it is given for a patent right, presumably to deprive the note of the attributes of commercial paper. We both think that the requirements as to recording the patent and affidavit are void, because repugnant to the power delegated to Congress by the Constitution on the subject of patents, and because in conflict with the legislation of Congress on the same subject. And, for like reasons, my brother Day is also of the opinion that the provision is void which exacts an

insertion in a note given for the sale of a patent right of the fact that it was given for such sale. This latter provision, in my opinion, the state had the power to make as a reasonable police regulation, not repugnant to the authority as to patents delegated to Congress by the Constitution, or the legislation which Congress has enacted in furtherance thereof.

811. BEMENT v. NATIONAL HARROW CO., 186 U. S. 70, 46 L. ed. 1058 (1902). * * *

In error to the Supreme Court of the State of New York.

Statement of the Case.

This is a writ of error to the Supreme Court of the State of New York, to which court the record had been remitted after a decision of the case by the court of appeals. The action was brought by the plaintiff below, the defendant in error here, a corporation, to recover the amount of liquidated damages arising out of an alleged violation by the defendant below, the plaintiff in error here, also a corporation, of certain contracts executed between the parties, in relation to the manufacture and sale of what are termed in the contracts "float spring-tooth harrows," their frames and attachments applicable thereto, under letters-patent owned by the plaintiff. The action was also brought to restrain the future violation of such contracts, and to compel their specific performance by the defendant. The case was tried before a referee pursuant to the statute of New York providing therefor, and he ordered judgment in favor of the plaintiff for over twenty thousand dollars, besides enjoining the defendant from violating its contract with the plaintiff, and directing their specific performance as continuing contracts. This judgment was reversed by the appellate division of the supreme court and an order made granting a new trial, but on appeal from such order the court of appeals reversed it and affirmed the original judgment. The defendant brings the case here by writ of error.

The particular character of the action appears from the pleadings. The complaint, after alleging the incorporation of both parties to the action, the plaintiff in New Jersey and the defendant in Michigan, averred that about April 1, 1891, the plaintiff's assignor, a New York corporation, entered with the defendant into certain license contracts, called therein "Exhibits A and B." The substance of contract A is as follows: It stated that the plaintiff was the owner of certain letters-patent of the United States which had been issued to other parties and were then owned by the plaintiff, for improvements relating to float spring-tooth harrows, harrow-frames and attachments applicable thereto, eighty-five of which patents were enumerated, and that the defendant

desired to acquire the right to use in its business of manufacturing at Lansing (in the State of Michigan) and to sell throughout the United States, under such patents or some one or more of them, and under all other patented rights owned or thereafter acquired by the plaintiff, which applied to and embraced the peculiar construction employed by the defendant, during the term of such patents or either or any thereof, applicable to and embracing such construction. The plaintiff then, in and by such contract, gave and granted to the defendant the license and privilege of using the rights under those patents in its business of manufacturing, marketing and vending to others to be used, float spring-tooth harrows, float-spring-tooth-harrow frames without teeth and attachments applicable thereto; a sample of the harrow-frames and attachments the defendant was licensed to manufacture and sell, being (as stated) in the possession of the treasurer of the plaintiff, and marked and numbered as set forth in Schedule A, which was made a part of the license. The license was granted upon the terms therein set forth, which were as follows:

(1) The defendant was to pay a royalty of one dollar for each float spring-tooth harrow or frame sold by it pursuant to the license, to be paid to the plaintiff at its office in the city of Utica in the State of New York.

(2) The defendant was to make verified reports of its business each month, and mail them to the plaintiff, and the defendant agreed that it would not ship these harrows to any person, firm or corporation to be sold on commission, or allow any rebate or reduction from the price or prices fixed in the license, except to settle with an insolvent debtor for harrows previously sold and delivered.

(3) The defendant agreed that it would not during the continuance of the license sell its products manufactured under the license at a less price or on more favorable terms of payment and delivery to the purchasers than was set forth in Schedule B, which was made a part of the license, except as hereinafter provided.

(4) The plaintiff reserved the right to decrease the selling price and to make the terms of payment and delivery more favorable to the purchasers, and it might reduce the royalty on the harrows manufactured under the license.

(5) The plaintiff, agreed to furnish license-labels to the defendant, which were to be affixed to each article sold, and the amount of ten cents paid for each of such labels was to be credited and allowed on the royalty paid by the defendant at the time of such payment.

(6) The defendant agreed that it would not, during the continuance of the license, be directly or indirectly engaged in the manufacture or sale of any other float spring-tooth harrows, etc.,

than those which it was licensed to manufacture and make under the terms of the license, except such as it might manufacture and furnish another licensee of the National Harrow Company, and then only such constructions thereof as such other licensee should be licensed by the plaintiff to manufacture and sell, except such other style and construction as it might be licensed to manufacture and sell by the plaintiff.

(7) The defendant agreed to pay to the plaintiff for each and every of the articles sold contrary to the strict terms and provisions of the license, the sum of five dollars, which sum was thereby agreed upon and fixed as liquidated damages.

(8) The defendant agreed not to directly or indirectly, in any way, contest the validity of any patent applicable to and embracing the construction which the defendant was licensed to manufacture, or which it might manufacture, for another licensee, which such other licensee was itself licensed to manufacture or sell, or the reissues thereof, and no act of either party should invalidate this admission. The defendant also agreed not to alter or change the construction of the float spring-tooth harrows, float-spring-tooth-harrow frames, without teeth or attachments applicable thereto, which it was authorized to manufacture and sell under the license, in any part or portions thereof which embody any of the inventions covered by the letters-patent, or any of them, or any reissues thereof.

(9) The plaintiff agreed that after the license was delivered it would not grant licenses or let to any other person the right to manufacture the articles named of the peculiar style and construction or embodying the peculiar features thereof used by the defendant, as illustrated and embodied in the sample harrow then placed in the possession of the treasurer of the plaintiff and referred to in Schedule A of the license.

(10) Nothing contained in the license was to authorize the defendant to manufacture or vend, directly or indirectly, any other or different style of harrow than duplicates of such samples as had been deposited by it with the plaintiff, and such as were embraced in the license.

(11) Any departure from the terms of the license might at the option of the plaintiff be treated as a breach of the license, and the licensee might be treated as an infringer, or the plaintiff might restrain the breach thereof in a suit brought for that purpose and obtain an injunction, the licensee waiving any right of trial by jury: such remedy was to be in addition to the liquidated damages already provided for.

(12) The termination of the license by the plaintiff was not to release the defendant from its obligation to pay for articles sold up to the termination of the license.

(13) The plaintiff agreed to defend the defendant in any suit brought for an alleged infringement.

(14) No royalties were to be paid for articles exported for use in a foreign country.

(15) The license was personal to the licensee and not assignable, except to the successors of the defendant in the same place and business, without the written consent of the plaintiff, nor were the royalties or other sums specified to cease to be paid under any circumstances, except under the conditions named in the license during the continuance thereof.

(16) The parties agreed that the license should continue during the term of the patent or patents applicable to the license and during the term of any reissues thereof.

(17) The place of the performance of the agreement was the city of Utica, N. Y., and the agreement was to be construed and the rights of the parties thereunder determined according to the laws of New York.

(18) The consideration of the contract or license was one dollar, paid by each of the parties to the other, and the covenants contained therein to be performed by the other, and it applied to and bound the parties thereto, their successors, heirs and assigns.

Schedule A which followed contained a description of the particular kinds of harrow which the defendant was authorized to make and sell under the license. Schedule B contained a statement of the prices and terms of sale under the license, and it was therein stated that "a maximum discount of forty-two per cent. may be allowed on sales of harrows, frames and teeth in the following territory: all of the New England States, also States of New York, Pennsylvania, New Jersey, Delaware, Maryland, Virginia and West Virginia. A maximum discount of forty-five per cent. may be allowed on all sales in the territory throughout the United States not mentioned above."

This contract or license was signed by the president of the National Harrow Company for the plaintiff, and A. O. Bement, president of the defendant corporation, for the defendant.

The other license, called Exhibit B, was in substance the same as Exhibit A, excepting that the privilege of sale for the articles manufactured was that portion of the territory embraced within the United States lying south, and west of Virginia, West Virginia and Pennsylvania, and there was some difference in the machines which the defendant was authorized to manufacture and sell under this license, and in regard to the prices to be charged for those machines not covered by the former contract or license.

These two agreements were, as stated, made parts of the plaintiff's complaint, and the plaintiff then set forth various al-

leged violations of the two agreements on the part of the defendant, and claimed a recovery of a large amount of damages under the provisions of the contracts, and prayed for an injunction restraining future violations and for a specific performance of the contracts.

The plaintiff also alleged that the plaintiff's assignor, the New York corporation, duly assigned to the plaintiff all its rights and interests in regard to the subject-matter of the two contracts, and that the plaintiff, at the time of the commencement of the action, was the lawful owner of all such interests and rights, and was entitled to bring the action in its own name.

To this complaint the defendant made answer, denying many of its allegations and setting up certain other agreements which it alleged had been made by the plaintiff and other parties, including defendant, and which, as averred, amounted to a combination of all the manufacturers and dealers in patent harrows, to regulate their manufacture and to provide for their sale and the prices thereof throughout the United States. It was also in the answer averred that such contracts had been pronounced to be void by the Supreme Court of New York, and the contracts now before the court were, as contended by defendant, but a continuation and a part of the other contracts already declared void, and that these contracts between the parties to this action were also void. It also alleged that all of the various contracts were in violation of the act of Congress, approved July 2, 1890, being chapter 647 of the first session of the Fifty-first Congress, 26 Stat. 209, entitled:

"An act to protect trade and commerce against unlawful restraints and monopolies."

The case was referred to a referee to hear and decide, who, after hearing the testimony, reported in favor of the plaintiff. The material portions of his report are as follows:

"That for some time prior to the month of September, 1890, the spring-tooth-harrow business was conducted by the following-named parties: D. C. & H. C. Reed & Company, of Kalamazoo, Mich.; G. B. Olin & Company, Perry, and Canandaigua, N. Y.; Chase, Taylor & Company, W. S. Lawrence, doing business under the name of Lawrence & Chapin, both of Kalamazoo, Mich.; J. M. Childs & Company, of Utica, N. Y.; and A. W. Stevens & Son, of Auburn, N. Y., who began the harrow business in substantially the order named above.

"The first two above-named firms conducted their business in separate portions or territory of the United States, under the same United States letters-patent, and the other firms began their business in hostility to the same letters-patent. The first two firms began a number of patent-law suits against the other firms and their customers for infringement of patents. These suits

were vigorously prosecuted and the court finally decided the patents valid, and ordered an accounting of profits against the firm of Chase, Taylor & Company, and W. S. Lawrence.

"Prior to September, 1890, the last four of the above-named firms settled their disputes over patents with the first two firms, and took licenses under their letters-patent. Considerable sums of money were paid in settlement of these disputes and rights; and prior to said date, September, 1890, there was no other relation between the first two firms named, and the other parties than that of licensor and licensee under United States letters-patent.

"In the year 1890, and just prior thereto, other persons, firms and corporations began the spring-tooth-harrow business and other patent-law suits followed: Suits were begun against the defendants herein, and against their customers purchasing their spring-tooth harrows; and one case had gone to final decree, in which the defendant was ordered to account for profits and damages; and an injunction had been granted in another suit. Proceedings were pending upon an application for rehearing in these cases.

"In September, 1890, the six firms named first above decided to organize a corporation known as the National Harrow Company of New York, with a view to transferring various United States letters-patent owned by the six firms respectively to said corporation, and for the purpose of conducting the manufacture of some part or portion of the material which entered into their spring-tooth-harrow business.

"In the conduct of the spring-tooth harrow business, the harrows came to be known in the market as 'float spring-tooth harrows;' that name having been adopted to differentiate the harrows from those known in the market as 'wheel-harrows,' which had frame-bars and curved spring-teeth supported from an axle above, which axle had wheels at either end of the diameter above thirty inches. The two classes of harrows were differentiated, one being called a 'float' and the other a 'wheel' spring-tooth harrow. The litigations had been wholly over the 'float' spring-tooth harrows.

"The members composing the first six firms, above named, in the harrow business in September, 1890, organized under the laws of the State of New York the 'National Harrow Company.' That corporation was duly legally incorporated, and after its incorporation it received from the said six firms the transfer of their separate United States letters-patent, license, contracts and privileges under patents. The defendant's president, Arthur O. Bement, became and continued a director of this corporation until its dissolution, which followed in a little over a

This corporation entered into some contracts with spring-tooth harrow manufacturers, which were decided by the Supreme Court of the State of New York to be illegal as against public policy, on account of restraints contained in the contracts, which extended beyond the lifetime of the patents. That case is reported in the New York Supplement, vol. 18, p. 224, Strait et al. v. National Harrow Company et al.

"Immediately following this decision, all of the contracts then in existence which were affected thereby were immediately canceled by the parties to such contracts.

"The defendant, E. Bement & Sons, in the fall of 1890, entered into a contract with the National Harrow Company, looking to the selling of its patents and rights under patents relating to the spring-tooth-harrow business; but this contract was abandoned, the conditions upon which it was executed not having been complied with, the contract became and was wholly void.

"The defendant had no contract with the National Harrow Company until about June 16 or 17, 1891, at which time several contracts were entered into between the defendant and the National Harrow Company of New York. Among other contracts the defendant executed and delivered assignments in writing of several United States letters-patent and license rights and privileges under United States letters-patent, all of which related to the defendant's float-spring-tooth-harrow business. Such contracts constituted an absolute sale of the property and privileges thereby transferred and the defendant agreed to accept in payment thereof the paid-up capital stock of the National Harrow Company of New York, and the value of the rights transferred were by agreement between the parties fixed and determined by arbitration, under which arbitration the defendant was awarded and the value was fixed at upward of \$29,000. The defendant was dissatisfied with the amount of the award, and such dissatisfaction and difference was afterward adjusted by an agreement to issue to the defendant and the defendant to accept an additional amount of \$16,000 of said capital stock. That by agreement, in the place of the said capital stock of the New York company, the defendant accepted and agreed to take the stock of the plaintiff in this action, and there has been issued to the defendant and the defendant has received the capital stock of this plaintiff in an amount upward of \$45,000 in payment for the property and rights sold and transferred by the defendant to the National Harrow Company of New York. That said upward of \$45,000 of stock was issued to the president of the defendant for defendant's benefit, and on said stock defendant has received several cash dividends.

“The transaction between the National Harrow Company of New York and this defendant had, in June, 1891, was intended by the parties to be an absolute sale by the defendant to the National Harrow Company of New York of the United States letters-patent and licenses under United States letters-patent relating to the float-spring-tooth-harrow business conducted by the defendant, and it was founded on a good, valuable and adequate consideration moving between the parties.

That, as a part of such transaction, the National Harrow Company of New York granted, issued and delivered to the defendant the license contracts A and B, which are attached to the complaint in this action and made a part thereof. Upon the consummation of the transaction in June, 1891, the controversy over patents and infringements existing between the first six firms named above, and the defendant and its customers, was settled. The papers which were executed in June, 1891, were all dated as of April 1, 1891, and were to take effect as of that date. At the date of the execution and delivery of the license contracts A and B, the National Harrow Company of New York was the owner by assignment and purchase of a large number of United States letters-patent, which it is claimed fully monopolized and covered the defendant's float-spring-tooth-harrow business.

“The sale by the defendant of its letters-patent and license rights and privileges to the National Harrow Company of New York, and the signing and delivering of license contracts A and B, were intended to and did, settle existing controversies with reference to the rights of the National Harrow Company of New York and the defendant.

“I decide that the contract entered into in June, 1891, including the contracts ‘A’ and ‘B’ between the National Harrow Company of New York and this defendant were and are good and valid contracts, founded on adequate considerations and were reasonable in their provisions; contracts ‘A’ and ‘B’ imposing no restraints upon the defendant beyond those whose the parties had a right, from the nature of the transaction, to impose and accept.

“In July, 1891, a corporation was organized under the laws of the State of New Jersey, known and designated as the National Harrow Company, which corporation is the plaintiff in this action. None of the parties organizing this corporation were in the spring-tooth-harrow business. The New Jersey corporation was duly and legally organized in conformity with the laws of that State, and was by those laws and its charter authorized to purchase United States letters-patent and to grant licenses under United States letters-patent and to conduct the manufacturing business, and had a variety of other rights and privileges under its charter and said statutes. That this corporation, the plaintiff,

still is a legal and valid corporation, entitled to hold and enjoy such of its property as it now or may hereafter own or acquire, and that it was not organized in hostility to any rule of public policy.

“That the National Harrow Company of New Jersey, this plaintiff, through its duly-constituted officers purchased from the National Harrow Company of New York all of its various United States letters-patent, and all contracts, licenses and privileges which the National Harrow Company of New York then owned and possessed, and also purchased a part of its other property, rights and privileges.

“That on the 9th of September, 1891, a formal transfer in writing was made from the National Harrow Company of New York to the National Harrow Company of New Jersey of the property and rights sold as aforesaid by the former company to the latter, which transfer was founded on a good, valuable and adequate consideration moving between the parties, and which transfer was sanctioned by the directors and stockholders of the New York corporation, and by the officers and directors of the National Harrow Company of New Jersey, this plaintiff, and separate assignments in writing were made of the various United States letters-patent from the New York corporation to the New Jersey corporation.

“I decide that this transfer was in all respects legal and valid, being founded on a good and valuable consideration, and that it vested in the plaintiff in this action all the rights, privileges and benefits accruing to the New York corporation under its contracts with the defendant, including contracts A and B, which contracts have been slightly modified by the parties as to price and terms of sale.

“The defendant’s president, Arthur O. Bement, became a director and an active manager of the plaintiff, and continued as such down to September, 1893.

“The defendant made monthly verified reports to this plaintiff down to and including the 8th of September, 1893. of the harrows embraced in contracts A and B, by such reports stating the total harrows sold to be 13,900, on which defendant paid to the plaintiff a royalty of \$13,900.

“The National Harrow Company of New York and this plaintiff have performed all of the stipulations and provisions in the contracts entered into between the National Harrow Company of New York and this defendant, including all the provisions of contracts A and B, and the plaintiff is now ready, willing and able to perform all of the stipulations and agreements to be performed on its part, as assignee of the National Harrow Company of New York.

"That the defendant, after having received and retained large pecuniary benefits under the contracts, has failed, neglected and refused, and still fails, neglects and refuses to keep and perform its contracts entered into, including the stipulations and provisions contained in contracts A and B, and since September, 1893, it has wholly repudiated contracts A and B, and refused to perform any of the stipulations contained therein which it agreed to do and perform, and it has broken and violated all of the stipulations and agreements contained in contracts A and B which it agreed to do and perform."

The referee then states with some detail the various violations of the license agreement by the defendant, and finds the defendant indebted to the plaintiff in the sum of over twenty thousand dollars. He then continues as follows:

"I decide that the plaintiff is a legal and valid corporation authorized to enforce its rights in courts having jurisdiction, and that all of the contracts in evidence were and are legal, valid and binding contracts, such as might reasonably be made under the circumstances, founded upon an adequate consideration, and that they embodied no illegal restraints, and are not repugnant to any rule of public policy as in restraint of trade, or tending to create a monopoly, trust or any other illegal combination; and that the contracts entered into between the defendant and the National Harrow Company of New York, including contracts A and B, are and were intended to be continuing contracts, and should be enforced according to their true intent and meaning as hereby interpreted."

The referee then held the plaintiff entitled to a judgment against the defendant, declaring the validity of the plaintiff corporation and its title to the contracts and their validity, and decreeing specific performance thereof and restraining future violations of the contracts by the defendant. Judgment in accordance with the report was entered, from which the defendant appealed to the appellate division of the supreme court.

Some difficulties regarding the form in which the case was presented to the court arose upon the argument, and it was therefore suspended and the case sent back to the referee for a resettlement, which was subsequently agreed upon by counsel for the respective parties, who entered into a stipulation in regard to what was to be reviewed by the courts above, and, among other things, it was agreed between counsel—

"that the foregoing record, as amended and corrected in this stipulation, contains all of the evidence given and proceedings had before the referee material to the questions to be raised on this appeal by the appellant, which questions to be raised by the appellant on this appeal are to be only as follows."

Those questions are eight in number, the fourth of which is—“whether or not the contracts A and B are valid under the act of Congress approved July 2, 1890, chapter 647 of the first session of the Fifty-first Congress.”

This is the only Federal question raised and appearing in the record.

The case was thereupon argued before the appellate division, which reversed the judgment, and ordered a new trial, but it did not state in its order of reversal that the judgment was reversed on questions of fact as well as of law. The plaintiff then appealed to the court of appeals from the order granting a new trial, and after argument it was held by that court that it had no jurisdiction to review the facts, and that upon the findings of the referee there had been no error of law committed, and consequently the supreme court was wrong in reversing the judgment. The court therefore reversed the judgment of the supreme court, and affirmed the judgment entered upon the report of the referee.

Mr. Justice Peckham, after making the foregoing statement of facts, delivered the opinion of the court.

In this court we are concluded by the findings of fact made in a State court in a suit in equity, as well as in an action at law. (*Dowers v. Richards*, 151 U. S. 658, 666; *Israel v. Arthur*, 152 Id. 355; *Egan v. Hart*, 165 Id. 188; *Hedrick v. Atchison, Topeka & Santa Fe Railroad Company*, 167 Id. 673, 677.)

The only Federal question raised in the record is as to the validity of contracts A and B, with regard to the act of Congress on the subject of trusts. (26 Stat. 209.) That is a question of law, plainly raised in the record, and we are not precluded from its consideration by any action of the State courts. If, however, facts not found by the referee are necessary for the purpose of connecting those contracts with others not found in such report, we can not supply the omission to find those facts. The contention of the defendant is that the two contracts A and B are in truth a part and continuation of the agreement set forth in the defendant's answer, and that taken together they prove a purpose and combination on the part of all the dealers in patented harrows to control their manufacture, sale and price in all portions of the United States, and defendant avers that such a contract or combination was and is void, not only as against public policy, but also because it is a violation of the federal statute upon the subject of trusts and illegal combinations. Those former alleged contracts are not mentioned in the report of the referee excepting, as he stated they had been declared void as against public policy, and as being in restraint of trade because they extended beyond the life of the patents therein mentioned, and the referee found

that following this decision all of the contracts then in existence, which were affected thereby, were immediately canceled by the parties thereto.

The referee made no finding of any fact connecting the contracts A and B with prior contracts of a like nature including other parties, as alleged in the answer of the defendant. The referee did find, however, that the defendant had no contract with the National Harrow Company until June 16 or 17, 1891, at which time several contracts were entered into between the plaintiff and the National Harrow Company of New York, and among other contracts the plaintiff executed and delivered assignments in writing of several United States letters-patent and license rights and privileges under United States letters-patent, all of which relate to the defendant's float-spring-tooth-harrow business. He also found that such contracts constituted an absolute sale of the property and privileges thereby transferred, and that the defendant agreed to and did accept in payment thereof paid-up capital stock of the plaintiff. He further found that the transaction between the assignor of the plaintiff and the defendant in June, 1891, was intended by the parties to be an absolute sale by the defendant to such assignor of the United States letters-patent and licenses under such patents relating to the float-spring-tooth-harrow business conducted by the defendant, and that it was founded upon a good, valuable and adequate consideration between the parties; that as a part of such consideration the assignor of the plaintiff granted and delivered to the defendant the license contracts A and B, heretofore spoken of, and that upon the consummation of the transaction the controversy over patents and infringements existing between the first six firms named in the referee's report and the defendant and its customers was settled. The report also decided—

“that the contract entered into in June, 1891, including the contracts A and B between the National Harrow Company of New York and this defendant were and are good and valid contracts, founded on adequate considerations and were reasonable in their provisions; contracts A and B imposing no restraints upon the defendant beyond those which the parties had a right, from the nature of the transaction, to impose and accept.”

The omission of the referee to find from the evidence that the contracts A and B were a continuation of former contracts held to have been void, and that there were in fact other manufacturers of harrows who had entered into the same kind of contracts with plaintiff as those denominated A and B, and that there was a general combination among the dealers in patented harrows to regulate the sale and prices of such harrows, furnishes no ground for this court to assume such facts. The contracts A and B are

to be judged by their own contents alone and construed accordingly.

The referee also decided that the plaintiff was a legal and valid corporation, authorized to enforce its rights in courts having jurisdiction, and that all the contracts in evidence were and are legal, valid and binding contracts, and such as might reasonably be made under the circumstances, and were founded upon a good, valuable and adequate consideration, and were reasonable in their provisions, and that they embodied no illegal restraints, and were not repugnant to any rule of public policy as in restraint of trade, and were not intended to create a monopoly, trust or illegal combination, and that the contracts entered into between the defendant and the National Harrow Company of New York, including the contracts A and B, are, and were, intended to be continuing contracts, and should be enforced according to their true intent and meaning as hereby interpreted.

When he speaks of all the contracts in evidence, the referee plainly means all the contracts in evidence between the parties to this action, for it was of such contracts only that he had been speaking. There were, in fact, other contracts than those designated A and B between these parties, and such other contracts had been put in evidence, and previously referred to by the referee. He, therefore, must have included what is termed the "escrow agreement" in his findings, that all the agreements made by defendant with the plaintiffs were valid. That agreement is set forth in the margin as follows:

ESCROW AGREEMENT.

"This memoranda of agreement, made and entered into this 1st day of April, A. D., 1891, by and between the National Harrow Company, a corporation of Utica, in the State of New York, and Edward Norris of the same place; and E. Bement & Sons of Lansing, in the State of Michigan.

"Whereas, the said National Harrow Company is the owner of a large number of letters-patent relating to float spring-tooth harrows, and is desirous of granting licenses thereunder to the following-named persons, firms and corporations, to wit: Chas. H. Childs & Company, D. B. Smith & Company, A. W. Stevens & Son, Childs & Jones, Syracuse Chilled Plow Company, Geo. W. Sweet & Company, Walker Manufacturing Company, Taylor & Henry, the Herndeen Manufacturing Company, D. C. & H. C. Reed & Company, L. C. Lull & Company, Williams Manufacturing Company, W. S. Lawrence, McSherry Manufacturing Company, D. O. Everest & Company, E. Bement & Sons, Hench & Dromgold, Farmers' Friend Manufacturing Company, Eureka Mower Company.

"And whereas, the said National Harrow Company has placed in the hands of said E. Norris in escrow, duly executed by it in duplicate, a certain contract and license for each of said persons, firms and corporations hereinbefore named, to be by the said E. Norris immediately presented to each of the above and foregoing named respective persons, firms and corporations, to be signed and executed by said respective persons, firms and corporations—

"Now, therefore, it is hereby understood and agreed by and between the parties hereto, that as the said licenses and contracts are signed and executed by the said respective persons, firms and corporations, they shall be held by said Norris, in escrow, for both parties until such time as all of said above-named persons, firms and corporations shall have signed, executed and delivered the same to said Norris, whereupon they shall become operative, and immediately thereafter the said Norris shall deliver one of the duplicates of each of said contracts and licenses to the said National Harrow Company and the other duplicate thereof to the respective licensees who have signed the same, in person or by mail.

"But in case any of the above-named persons, firms, and corporations shall neglect or refuse to sign, execute and deliver said respective contracts and licenses on or before the 1st day of June next, then and in such case said E. Norris shall, provided he shall be so directed, by a resolution duly adopted by the board of trustees of said National Harrow Company, make delivery of such of said contracts and licenses as have been signed and executed as above provided, at which time said contracts and licenses shall become operative, and in case the said National Harrow Company shall conclude not to accept any less number than the whole of such respective contracts and licenses, then and in such case the said Norris shall cancel each of said contracts and licenses, and they shall be null and void.

"Witness the signatures of the parties.

The National Harrow Co.,
By Chas. H. Childs, Pres't.
Edward Norris,
E. Bement & Sons,
By A. O. Bement, Pres't.

"Received of E. Bement & Sons a license and contract executed between the National Harrow Company and said E. Bement & Sons, which I agree to hold and deliver in accordance with an agreement between the said National Harrow Company and said E. Bement & Sons and myself, and hereto attached.

"Dated this 1st day of April, 1891.

"Edward Norris."

There is no finding by the referee that this agreement was ever signed by any one other than the parties to this action, or that any other person received the licenses from and made contracts with the plaintiff similar to the ones entered into between these parties. All that the referee finds is, that all the contracts in evidence were legal, by which was meant, as already stated, all the contracts in evidence between the parties to the action, which were in existence and uncanceled. In the absence of any finding as to the escrow agreement having been signed by others, it must be regarded as unimportant, and we are brought back to the question whether these contracts or licenses, A and B, irrespective of any contracts not found by the referee as in any way connected with, or forming a part thereof, are void as a violation of the act of Congress.

The plaintiff contends in the first place that only the attorney-general of the United States can bring an action under the statute, excepting that by § 7 of the act any person injured in his business or property, as provided for therein, may himself sue in any circuit court of the United States, in the district in which the defendant resides or is found. Assuming that the plaintiff is right so far as regards any suit brought under that act, we are nevertheless of opinion that any one sued upon a contract may set up as a defense that it is a violation of the act of Congress, and if found to be so, that fact will constitute a good defense to the action.

The first section of the act provides that—
“every contract, combination in the form of trust, or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is hereby declared to be illegal.”

Every person making such a contract is deemed guilty of a misdemeanor, and on conviction is to be punished by fine or by imprisonment, or both. As the statute makes the contract in itself illegal, no recovery can be had upon it when the defense of illegality is shown to the court. The act provides for the prevention of violations thereof, and makes it the duty of the several district attorneys, under the direction of the attorney-general, to institute proceedings in equity to prevent and restrain such violations, and it gives to any person injured in his business or property the right to sue, but that does not prevent a private individual when sued upon a contract which is void as in violation of the act from setting it up as a defense, and we think when proved it is a valid defense to any claim made under a contract thus denounced as illegal.

This brings us to a consideration of the terms of the license contracts for the purpose of determining whether they violate the act of Congress. The first important and most material fact in

considering this question is that the agreements concern articles protected by letters-patent of the government of the United States. The plaintiff, according to the finding of the referee, was at the time when these licenses were executed the absolute owner of the letters-patent relating to the float-spring-tooth-harrow business. It was, therefore, the owner of a monopoly recognized by the constitution and by the statutes of Congress. An owner of a patent has the right to sell it or to keep it; to manufacture the article himself or to license others to manufacture it; to sell such article himself or to authorize others to sell it. As stated by Mr. Justice Nelson, in *Wilson v. Rousseau*, 4 How. 646, 674, in speaking of a patent:

"The law has thus impressed upon it all the qualities and characteristics of property for the specified period; and has enabled him to hold and deal with it the same as in the case of any other description of property belonging to him, and on his death it passes, with his personal estate, to his legal representatives, and becomes part of the assets.

Again, as stated by Mr. Chief Justice Marshall in *Grant v. Raymond*, 6 Pet. 218, 241:

"To promote the progress of useful arts, is the interest and policy of every enlightened government. It entered into the views of the framers of our constitution, and the power 'to promote the progress of science and useful arts, by securing for limited times to authors and inventors, the exclusive right to their respective writings and discoveries,' is among those expressly given to Congress. This subject was among the first which followed the organization of our government. It was taken up by the first Congress at its second session, and an act was passed authorizing a patent to be issued to the inventor of any useful art, etc., on his petition, 'granting to such petitioner, his heirs, administrators or assigns, for any term not exceeding fourteen years, the sole and exclusive right and liberty of making, using and vending to others to be used, the said invention or discovery.' The law further declares that the patent 'shall be good and available to the grantee or grantees by force of this act, to all and every intent and purpose herein contained.' The amendatory act of 1793 contains the same language, and it can not be doubted that the settled purpose of the United States has ever been, and continues to be, to confer on the authors of useful inventions an exclusive right to their inventions for the time mentioned in their patents. It is the reward stipulated for the advantages derived by the public for the exertions of the individual, and is intended as a stimulus to those exertions. The laws which are passed to give effect to this purpose ought, we think, to be construed in the spirit in which they have been made; and to execute the contract fairly on the part of the

United States, where the full benefit has been actually received; if this can be done without transcending the intention of the statute, or countenancing acts which are fraudulent or may prove mischievous. The public yields nothing which it has not agreed to yield; it receives all which it has contracted to receive. The full benefit of the discovery, after its enjoyment by the discoverer for fourteen years, is preserved; and for his exclusive enjoyment of it during that time the public faith is pledged."

In *Heaton-Peninsular Company v. Eureka Specialty Company*, 47 U. S. App. 146, 160, it is stated regarding a patentee:

"If he sees 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 it, he has but suppressed his own. That the grant is made upon the reasonable expectation that he will either put his invention to practical use or permit others to avail themselves of it upon reasonable terms, is doubtless true. This expectation is based alone upon the supposition that the patentee's interest will induce him to use, or let others use, his invention. The public has retained no other security to enforce such expectations. A suppression can endure but for the life of the patent, and the disclosure he has made will enable all to enjoy the fruit of his genius. 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. The dictum found in *Hoe v. Knap*, 27 Fed. 204, is not supported by reason or authority."

It is true that in certain circumstances the sale of articles manufactured under letters-patent may be prevented when the use of such article may be subject within the several States, to the control which they may respectively impose in the legitimate exercise of their powers over their purely domestic affairs, whether of internal commerce or of police regulation. Thus an improvement for burning oil, protected by letters-patent of the United States, was condemned by the State inspector of Kentucky as unsafe for illuminating purposes under the statute requiring an inspection and imposing a penalty for the violation of the statute, and it was held that the enforcement of the statute was within the proper police powers of the State, and that it interfered with no right conferred by the letters-patent. (*Patterson v. Kentucky*, 97 U. S. 501.)

There are decisions also in regard to telephone companies operating under licenses from patentees giving them the right to use their patents for the purpose of operating public telephone-lines, but prohibiting companies from serving within such district any telephone company, and it has been held in the lower federal courts that such a prohibition was of no force; that it was incon-

sistent with the grant, because a telephone company, being in the nature of a common carrier, was bound to render an equal service to all who applied and tendered the compensation fixed by law for the service; that while the patentees were under no obligation to license the use of their inventions by any public telephone company, yet, having done so, they were not at liberty to place restraints upon such a public corporation which would disable it to discharge all the duties imposed upon companies engaged in the discharge of duties subject to regulation by law. It could not be a public telephone company and could not exercise the franchise of a common carrier of messages with such exception to the grant. (See *Missouri, ex rel., etc., v. Bell Telephone Company*, 23 Fed. 539; *State, ex rel., etc., v. Delaware, etc., Company*, 47 Id. 633; and *Delaware & Atlantic, etc., Company v. State of Delaware ex rel., etc.*, 3 U. S. App. 30.)

These cases are cited in the opinion of the court in the case of *Heaton-Peninsular Company v. Eureka Specialty Company* (supra.) Notwithstanding these exceptions, the general rule is absolute freedom in the use or sale of rights under the patent laws of the United States. The very object of these laws is monopoly, and the rule is, with few exceptions, that any conditions which are not in their very nature illegal with regard to this kind of property, imposed by the patentee and agreed to by the licensee for the right to manufacture or use or sell the article, will be upheld by the courts. The fact that the conditions in the contracts keep up the monopoly or fix prices does not render them illegal.

The contention that they do not affect interstate commerce, is not correct. We think the licenses do by their terms and by their plain meaning refer to, include and provide for interstate as well as other commerce. The contract called "Exhibit B" provides for the manufacture at Lansing, Michigan, and for the sale of the articles there made in territory lying south and west of Virginia and West Virginia and Pennsylvania and the referee finds that a number of harrows have been sold under that contract. The contracts plainly look to the sale, and they also determine the price of the article sold, throughout the United States, as well as to the manufacture in the State of Michigan. As these contracts do, therefore, include interstate commerce within their provisions, we are brought back to the question whether the agreement between these parties with relation to these patented articles is valid within the act of Congress. It is true that it has been held by this court that the act included any restraint of commerce, whether reasonable or unreasonable. (*United States v. Trans-Missouri Freight Association*, 166 U. S. 290; *United States v. Joint Traffic Association*, 171 Id. 505; *Addystone Pipe, etc.*,

Company v. United States, 175 Id. 211.) But that statute clearly does not refer to that kind of a restraint of interstate commerce which may arise from reasonable and legal conditions imposed upon the assignee or licensee of a patent by the owner thereof, restricting the terms upon which the article may be used and the price to be demanded therefor. Such a construction of the act we have no doubt was never contemplated by its framers.

United States v. E. C. Knight Company, 156 U. S. 1, does not bear upon the facts herein. That case related to a purchase of stock in manufacturing companies, by reason of which the purchaser secured control of a large majority of the manufactories of refined sugar in the United States. It was held by this court that the federal act relating to trusts and combinations affecting interstate commerce could not reach and suppress the creation of a monopoly in regard to the refining of sugar, and that the manufacturing of a commodity bore no direct relation to commerce between the States or with foreign nations. It was said by Mr. Chief Justice Fuller, for the court, while speaking of such manufacture: "Nevertheless it does not follow that an attempt to monopolize, or the actual monopoly of, the manufacture was an attempt, whether executory or consummated, to monopolize commerce, even though, in order to dispose of the product, the instrumentality of commerce was necessarily invoked."

In these contracts provision is expressly made, not alone for manufacture, but for the sale of the manufactured product throughout the United States, and at prices which are particularly stated, and which the seller is not at liberty to decrease without the assent of the licensor. (Addystone Pipe & Steel Company v. United States, 175 U. S. 211, 238.) These contracts directly affected, not as a mere incident of manufacture, the sale of the implements all over the country, and the question arising is whether the contracts which thus affect such sales are void under the act of Congress.

On looking through these licenses we have been unable to find any conditions contained therein rendering the agreement void because of a violation of that act. There had been, as the referee finds, a large amount of litigation between the many parties claiming to own various patents covering these implements. Suits for infringements and for injunction had been frequent, and it was desirable to prevent them in the future. The execution of these contracts did in fact settle a large amount of litigation regarding the validity of many patents as found by the referee. This was a legitimate and desirable result in itself. The provision in regard to the price at which the licensee would sell the article manufactured under the license was also an appropriate and reasonable condition. It tended to keep up the price of the

implements manufactured and sold, but that was only recognizing the nature of the property dealt in, and providing for its value so far as possible. This the parties were legally entitled to do. The owner of a patented article can, of course, charge such price as he may choose, and the owner of a patent may assign it or sell the right to manufacture and sell the article patented upon the condition that the assignee shall charge a certain amount for such article.

It is also objected that the agreement of the defendant not to manufacture or sell any other float-spring-tooth harrow, etc., than those which it had made under its patents before assigning them to the plaintiff, or which it was licensed to manufacture and make, under the terms of the license, except such other style and construction as it may be licensed to manufacture and sell by the plaintiff, is void under the act of Congress.

The plain purpose of the provision was to prevent the defendant from infringing upon the rights of others under other patents, and it had no purpose to stifle competition in the harrow business more than the patent provided for, nor was its purpose to prevent the licensee from attempting to make any improvement in harrows. It was a reasonable prohibition for the defendant, who would thus be excluded from making such harrows as were made by others, who were engaged in manufacturing and selling other machines under other patents. It would be unreasonable to so construe the provision as to prevent defendant from using any letters-patent legally obtained by it and not infringing patents owned by others. This was neither its purpose nor its meaning.

There is nothing which violates the act in the agreement that plaintiff would not license any other person than the defendant to manufacture or sell any harrow of the peculiar style and construction then used or sold by the defendant. It is a proper provision for the protection of the individual who is the licensee, and is nothing more in effect than an assignment or sale of the exclusive right to manufacture and vend the article. In brief, after a careful examination of these contracts, we are unable to find any provision in them, either taken separately or in connection with all the others therein contained, which would render the contracts between these parties void as in violation of the act of Congress.

It must, however, be conceded that the escrow agreement above set forth looks to the signing, by the parties mentioned therein, of contracts similar to those between the parties to this suit, designated A and B, and containing like conditions relating to the patents respectively owned by such parties. But there is no finding by the referee that such contracts were in fact entered into by those other parties nor that they constituted a combina-

tion of most, if not all, of the persons or corporations engaged in the business concerning which the agreements between the parties to this suit were made. If such similar agreements had been made, and if, when executed, they would have formed an illegal combination within the act of Congress, we can not presume for the purpose of reversing this judgment, in the absence of any finding to that effect, that they were made and became effective as an illegal combination. As between these parties, we hold that the agreements A and B actually entered into were not a violation of the act. We are not called upon to express an opinion upon a state of facts not found. Upon the facts found there is no error in the judgment of the court of appeals, and it must, therefore, be affirmed.

Mr. Justice Harlan, Mr. Justice Gray and Mr. Justice White did not hear the argument and took no part in the decision of this case.

812. In RE BROSNAHAN, 4 McWary 1, 18 Fed. 62 (1883, C. C. W. D. Mo.). * * *

Miller, Justice.

The prisoner in this case is brought before us by virtue of a writ of habeas corpus issued under the authority of this court, and directed to John W. Rucker, in whose custody the petitioner stated himself to be. To this writ Mr. Rucker, at the time of producing the body of his prisoner, makes return that he holds him in custody by virtue of a precept to him directed as constable by A. W. Allen, a justice of the peace of Jackson county, Missouri, and he annexes a copy of the mittimus as a part of his return. From this it appears that a criminal proceeding had been instituted against Brosnahan for a violation of the statute of Missouri concerning the sale of oleomargarine, and that on being arrested and brought before the justice of the peace the latter had set the hearing or trial at some future day, several months off, and had fixed a reasonable sum as bail for the prisoner's appearance at that time. The prisoner refused to give bail, whereupon the magistrate made the order committing him to custody. The present writ of habeas corpus was thereupon sued out.

As the courts of the United States are of limited jurisdiction, and, in ordinary cases, can have no control of the courts or judicial officers of the states while engaged in enforcing their criminal laws, the counsel representing Rucker on behalf of the state deny the jurisdiction of this court in the case.

For the prisoner the jurisdiction is asserted on the following grounds:

"First, that the statute of Missouri is void, because the article, oleomargarine, the sale of which it forbids in Missouri, is made

and sold under a patent of the United States issued to Hyppolyte Mege, December 30, 1873, for a new and useful discovery under the patent laws on that subject; second, it is void because it impairs the obligation of the contract evidenced by that patent; third, it is void because it is a regulation of commerce among the several States; fourth, because it deprives a man of his property without due process of law, (§ 1, art. 14, of the amendments to the Constitution of the United States); fifth, because it is without any authority in the constitution of the state of Missouri, and is outside of any legislative power whatever.

The statute thus assailed is in the following words:

"An act to prevent the manufacture and sale of oleaginous substances, or compounds of the same, in imitation of the pure dairy product.

"Section 1. Whoever manufactures, out of any oleaginous substances, or any compounds of the same, other than that produced from unadulterated milk, or cream from the same, any article designed to take the place of butter or cheese produced from pure, unadulterated milk, or cream of the same or whoever shall sell or offer for sale the same as an article of food, shall, on conviction thereof, be confined in the county jail not exceeding one year, or fined not exceeding \$1,000, or both." Approved March 24, 1881.

The acts of congress concerning the writ of habeas corpus have been brought together in chapter 13 of the revised statutes, and are included in §§ 751-766.

That which relates to the jurisdiction of the circuit courts is found in §§ 751 and 753:

"Sec. 751. The supreme court, and the circuit and district courts, shall have power to issue writs of habeas corpus."

"Sec. 753. The writ of habeas corpus shall in no case extend to a prisoner in jail, unless when he is in custody under or by color of the authority of the United States or is committed for trial before some court thereof, or is in custody for an act done or omitted in pursuance of the law of the United States, or of an order, process, or decree of a court or judge thereof, or *is in custody in violation of the constitution, or of a law or treaty of the United States*, or being a subject or citizen of a foreign state," etc.

The words italicized above, namely, "*or is in custody in violation of the constitution, or of a law or treaty of the United States*," confer the only power under which, in this case, jurisdiction can be exercised by the circuit court.

It is quite clear that if the Missouri statute is justly obnoxious to either of the four objections first named, it is void, and the person held for violating that statute is in custody in violation of the

constitution of the United States; and the power and duty of this court to discharge him are unquestionable.

We proceed to inquire if the law is so objectionable.

1. As to the effect of the patent. The patent is introduced in evidence, and proof is offered to show that the article sold by the prisoner, and for which sale he is prosecuted, is the article specified in Mege's patent, and that the prisoner has such authority as the patent confers to sell it. 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? The constitution, (art. 1, § 8, cl. 8,) gives congress power "to promote the progress of science and useful arts by securing for a limited time, to authors and inventors, the exclusive right to their respective writings and discoveries;" and the act of congress which is designed to give effect to this clause declares that in every case where a patent is issued under it, the patentee shall have the exclusive right to make, use, and sell the subject-matter of his patent, whatever it may be.

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 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 what is granted to him is the exclusive right; not the abstract right, but the right in him to the exclusion of everybody else.

For illustration, an author who had written or printed a book always has 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 under the act of congress. All that he obtains, then, by this 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 any one 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. This proposition is fully supported by the supreme court in the case of *Patterson v. Kentucky*, 97 U. S. 501. That case also cites with approval the following language from the opinion of the supreme court of Ohio in the case of *Jordan v. Overseers of Dayton*, 4 Ohio 295:

“The sole operation of the statute [the patent law] is to enable him [the inventor] to prevent others from using the product of his labors, except with his consent. But his own right of using is not enlarged or affected. There remains in him, as in every other citizen, the power to manage his property or give direction to his laborers at his pleasure, subject only to the paramount claims of society, which require that his enjoyment may be modified by the exigencies of the community to which he belongs, and regulated by laws which render it subservient to the general welfare, if held subject to state control.”

The principle is reaffirmed in *Webber v. Virginia*, 103 U. S. 344.

2. Does the Missouri statute impair the obligation of any contract? The only one to which we are referred as affected by it, is the contract founded in the patent between the United States and the patentee. Some reference is made to a contract between the public and the patentee. We know of no such contract in a case like this, except such as may be found to exist between the parties to it, namely, the United States on one side and the patentee on the other. If we concede such a contract to exist, it can extend no further than the right granted to the patentee under the patent laws. We have already shown that this is not the original or absolute right to make, to use, and to sell, which is a right not dependent on the patent, but the right to be protected against the manufacture, use, or sale of this product by

others without his permission. When the state of Missouri shall pass a law that everybody may manufacture, use, and sell oleo-margarine, it will probably impair the obligation of the Mege patent. If it does not, it will certainly authorize the infringement of his right under the patent, and will be void for that reason. It will be, then, immaterial whether it impairs the obligation of his contract or not.

3. We are unable to see that it is a regulation of commerce among the several states. If it can be called a regulation of commerce at all, it is limited to the internal commerce of the state of Missouri. Being a criminal statute, there is no pretense that it can have any operation outside the boundary of the state. The person who manufactures or sells the article outside of the state is not liable to the penalties of law. The statute does not forbid its importation or exportation, the bringing of it into the state, or carrying it out of the state; nor is its use in the state forbidden to those who choose to use it even for food. It is only forbidden to manufacture it or to sell it for food, to take the place of butter for that purpose. For all other purposes it may be made and sold in the state, and for that purpose, or any other, it may be imported or exported without violating the law. If it could be seen that the law was directed by way of discrimination against the product of a sister state, while no such prohibition existed against the same product in Missouri, or was intended to prevent buying and selling between the states, or importation and exportation, whereby the citizens or the productions of a neighboring state were placed in a worse position in regard to that article than the citizens or the productions of Missouri, the argument would not be without force. Such is the doctrine laid down by the supreme court of the United States in *Woodruff v. Parham*, 8 Wall. 123; and in *Hinson v. Lott*, 8 Id. 148; and *The State Freight Tax Case*, 15 Wall. 232; *U. S. v. Dewitt*, 9 Wall. 41.

4. We are next to inquire whether the statute deprives the owner of this product of his property, within the meaning of the clause of the fourteenth amendment which says: "Nor shall any state deprive any person of life, liberty, or property without due process of law." The statute does not, in direct terms, authorize the seizure or taking of any property, not even that whose manufacture is forbidden. The party is not, in fact, deprived of this property by the statute, or by any proceeding which it authorizes. The personal punishment, by fine and imprisonment, which the statute imposes, must be inflicted according to the law of Missouri, which allows a trial by jury, with all the other forms which from time immemorial have been held

to be due process of law. The moneyed fine, then, and the liberty of which the party may be deprived, are undoubtedly imposed by due process of law.

If it be urged, as it has in some cases, that the effect of the statute upon the right to sell the property is such as to destroy its value, and therefore to deprive the owner of it, there are several answers to the proposition: First, the value of the property can hardly be so affected that the party may be said to be deprived of it, while it can readily be transported into some other state, and sold without restriction; secondly, and conclusively, that as to the product made or imported into the state after the passage of the statute, the statute was and must be taken as part of the due process of law, and deprived the party of nothing which he owned when it was passed, or which he had a right to make or acquire for sale as food at the time he did so make or buy it. The law in such case did not deprive him of his property. If he is injured in relation to that property, it is by his own action in buying or making it, with the statute before his eyes. That statute was, as to him and to this property, due process of law, of which he had due notice. *Bartemeyer v. State*, 18 Wall. 132. His injury or loss, if any, arises out of his determination to defy the law, and it is by the law and its mode of enforcement, which, existing at the time, is due process of law, that he must be tried.

5. The evidence in favor of the petitioner is abundant, and of the highest character, to prove that the article which he sells, and which he is forbidden to sell by the statute of Missouri, is a wholesome article of food prepared from the same elements in the cow which enable her to yield the milk from which butter is made, and when made by Mege's process is the equal in quality for purposes of food of the best dairy butter. No evidence is offered by counsel for Rucker or for the state to contradict this, because they say it is wholly immaterial to the issue before the court. A very able argument is made by counsel, whose ability commands our respect, to show that, such being the character of the article whose manufacture and sale is forbidden by the statute, the legislature of Missouri exceeded its powers in passing it. It is not so much urged that anything in the constitution of Missouri forbids or limits its power in this respect by express language, as that the exercise of such a power in regard to a property shown to be entirely innocent, incapable of any injurious results or damage to public health or safety, is an unwarranted invasion of public and private rights, an assumption of power without authority in the nature of our institutions, and an interference with the natural rights of the citizen and of the public, which does not come within the province of legislation.

The proposition has great force, and, in the absence of any presentation of the matters and circumstances which governed the legislature in enacting the law, we should have difficulty in saying it is unsound. Fortunately, as the case before us stands, we feel very clear that, even if well founded, this objection to the statute is one which we can not consider in this case.

As already stated, when a writ of habeas corpus is issued by the circuit court in behalf of one in custody of a state officer, under judicial proceedings in state courts and under state laws, the only inquiry we can make is, whether he is held in "violation of the constitution, or of a law of congress, or a treaty of the United States." The act in question may be in conflict with the constitution of the state, without violating the constitution, or any law or treaty of the United States. It may be in excess of the powers which the people of Missouri have conferred on their legislative body, and therefore void, without infringing any principle found in the constitution, laws, or treaties of the United States.

We have, in the four objections to this statute first considered, examined all the points in which it is supposed to conflict with the constitution and laws of the United States, and we know of no others, and no others have been suggested. The proposition now under consideration, if well taken, is one for the consideration of the state court when this case comes to trial. It is, in a habeas corpus case in the federal courts, excluded by the express language of the statute conferring jurisdiction in such cases. This court does not sit here clothed with full and plenary powers either of common law or of criminal jurisdiction. Its criminal jurisdiction is still more limited than its jurisdiction at common law and in chancery. It has, in common with the district court, jurisdiction of all offenses against the statutes of the United States. Such is not the case before us.

Section 753 goes further, and authorizes the court to issue writs of habeas corpus in all cases where a person is in custody in violation of the laws of the United States, including its constitution and its treaties. The prisoner in this case is not prosecuted for a crime or offense against the United States. We have, therefore, no general jurisdiction of the case.

We have endeavored to show that while held under a law of Missouri by Missouri officials, it is not in violation of, it is not forbidden by, the constitution, or any law or treaty of the United States; and the act of congress, under which alone we can exercise the special power of issuing writs of habeas corpus, permits us to go no further.

The return of the constable, Rucker, to the writ is sufficient, and the prisoner must be remanded to his custody; and it is so ordered.

McCrary, J., concurs.

PART XIV.

INFRINGEMENT.

Definition—Making, Using or Selling—Identity—Use—Machine—Process—Composition of Matter—Combination—Broad and Narrow Claims—Limitation of Claims—Equivalents—Omission—Addition—Transposition of Parts—Superiority or Inferiority—Improvement—Before Patent—After Expiration of Patent—Contributory—Repair and Reconstruction—By Government—Threats.

(For construction or interpretation of patents see Part IX, and for principles of novelty Part II. For discussion of license, etc., incidental to such cases as *Gill v. United States*, see Part XII.)

812a. STATUTES.

Sec. 4899. Every person who purchases of the inventor or discoverer, or, with his knowledge and consent, constructs any newly invented or discovered machine, or other patentable article, prior to the application by the inventor or discoverer for a patent, or who sells or uses one so constructed, shall have the right to use, and vend to others to be used, the specific thing so made or purchased, without liability therefor.

Sec. 4900. It shall be the duty of all patentees, and their assigns and legal representatives, and of all persons making or vending any patented article for or under them, to give sufficient notice to the public that the same is patented; either by fixing thereon the word "patented," together with the day and year the patent was granted; or when, from the character of the article, this cannot be done, by fixing to it, or to the package wherein one or more of them is inclosed, a label containing the like notice; and in any suit for infringement, by the party failing so to mark, no damages shall be recovered by the plaintiff, except on proof that the defendant was duly notified of the infringement, and continued, after such notice, to make, use, or vend the article so patented.

813. PLEADING AND PROOF IN ACTIONS FOR INFRINGEMENT.

Sec. 4920. In any action for infringement the defendant may plead the general issue, and, having given notice in writing to the plaintiff or his attorney thirty days before, may prove on trial any one or more of the following special matters:

First. That for the purpose of deceiving the public the description and specification filed by the patentee in the Patent Office was made to contain less than the whole truth relative to his invention or discovery, or more than is necessary to produce the desired effect; or,

Second. That he had surreptitiously or unjustly obtained the patent for that which was in fact invented by another, who was using reasonable diligence in adapting and perfecting the same; or,

Third. That it has been patented or described in some printed publication prior to his supposed invention or discovery thereof, or more than two years prior to his application for a patent therefor; or,

Fourth. That he was not the original and first inventor or discoverer of any material and substantial part of the thing patented; or,

Fifth. That it had been in public use or on sale in this country for more than two years before his application for a patent, or had been abandoned to the public.

And in notices as to proof of previous invention, knowledge, or use of the thing patented, the defendant shall state the names of the patentees and the dates of their patents, and when granted, and the names and residences of the persons alleged to have invented or to have had the prior knowledge of the thing patented, and where and by whom it had been used; and if any one or more of the special matters alleged shall be found for the defendant, judgment shall be rendered for him with costs. And the like defenses may be pleaded in any suit in equity for relief against an alleged infringement; and proofs of the same may be given upon like notice in the answer of the defendant, and with the like effect.

814. *CARVER v. HYDE*, 16 Peters (U. S.) 513, 10 L. ed. 1051 (1842).

The rib in question is not an invention to be used by itself, but an improvement upon that portion of the cotton-gin; and is to be used in connection with other parts of a machine which has been publicly known and used a long time. There must, therefore, be some mode of fastening and connecting it with the other machinery; and the effect produced by the rib necessarily depends, in a great degree, upon the mode in which it is arranged and connected with the saw and the other parts of the machine. He specifies the mode, and claims it as part of his invention. According to his statement, his improvement consisted in the form of the rib which increased the depth between the upper and lower surface, at the part where the cotton is drawn through the grate, in the sloping up so as to meet the upper or outer surface

above the saws, and in the smooth and uninterrupted passage produced by the manner in which it was connected with the frame. These three things he represents as constituting his improvement, and they are all combined together in his specification and claim, making together one invention to be used in connection with the other and old machinery of the cotton-gin. And the drawing which accompanies his patent, shows the manner in which the rib is sloped and arranged with the saw and annexed to the framework, in order to attain the object of the invention.

Now, the end to be accomplished is not the subject of a patent. The invention consists in the new and useful means of obtaining it. And if the defendant had, by a rib of a substantially different form, or differently arranged with the saw, or not fastened at all to the frame, made an improvement which more effectually secured the object intended to be accomplished by the plaintiff's patent, it would be difficult to maintain that it could not be lawfully used, because it produced the same result with the plaintiff's invention.

The usefulness of the rib depends altogether, as described in the specification, upon the manner of its connection with the periphery of the saw, and with the framework. And if, therefore, as was said by the circuit court, the rib made by the defendant was not fastened at all to the framework, or in a manner substantially different from the plaintiff's, or in a manner known and used before the plaintiff's invention, it was no infringement of his patent. And, whether the manner was the same, in substance, or not, was a question of fact for the jury; and as they found for the defendant, we must assume that it was substantially different.

The judgment of the circuit court is therefore affirmed.

815. *ANDERSON v. COLLINS*, 122 Fed. 451, 58 C. C. A. 669 (1903, Eighth Circuit).* * *

[The above are three of the ten figures of the Collins patent in suit.

A represents the hub of a wheel with a cup bearing B which has a central opening b through which the axle C projects. The bearing surface d' of the cup B lies at an angle to the longitudinal axis of the axle C. D is a cone secured upon the axle C by screw-threads and having a conical or flaring bearing surface d at an angle of forty-five degrees from the longitudinal axis of the axle C. The cone D has an exteriorly screw-threaded hub d'. Upon this hub is secured a nut or ring D' which is provided with a conical or tapered face d" shown as formed at an angle of thirty degrees from the longitudinal axis of the axle C. E E are balls or roller elements resting in the race

formed between the surfaces d d^2 and upon which the surface b' of the cup bearing B rest.

It will be observed that the roller elements E are rotatively confined between separating devices which consist of rollers F arranged parallel to the bearing surface b' of the cup B . Each of the rollers F is rotatively mounted on a pin f , the ends of which project through apertures in two side plates F' , which constitute the sides of the housing for the roller elements. The outer margins of the plates F' are held at suitable distances apart by spreading blocks or pins f' .

Fig. 1.

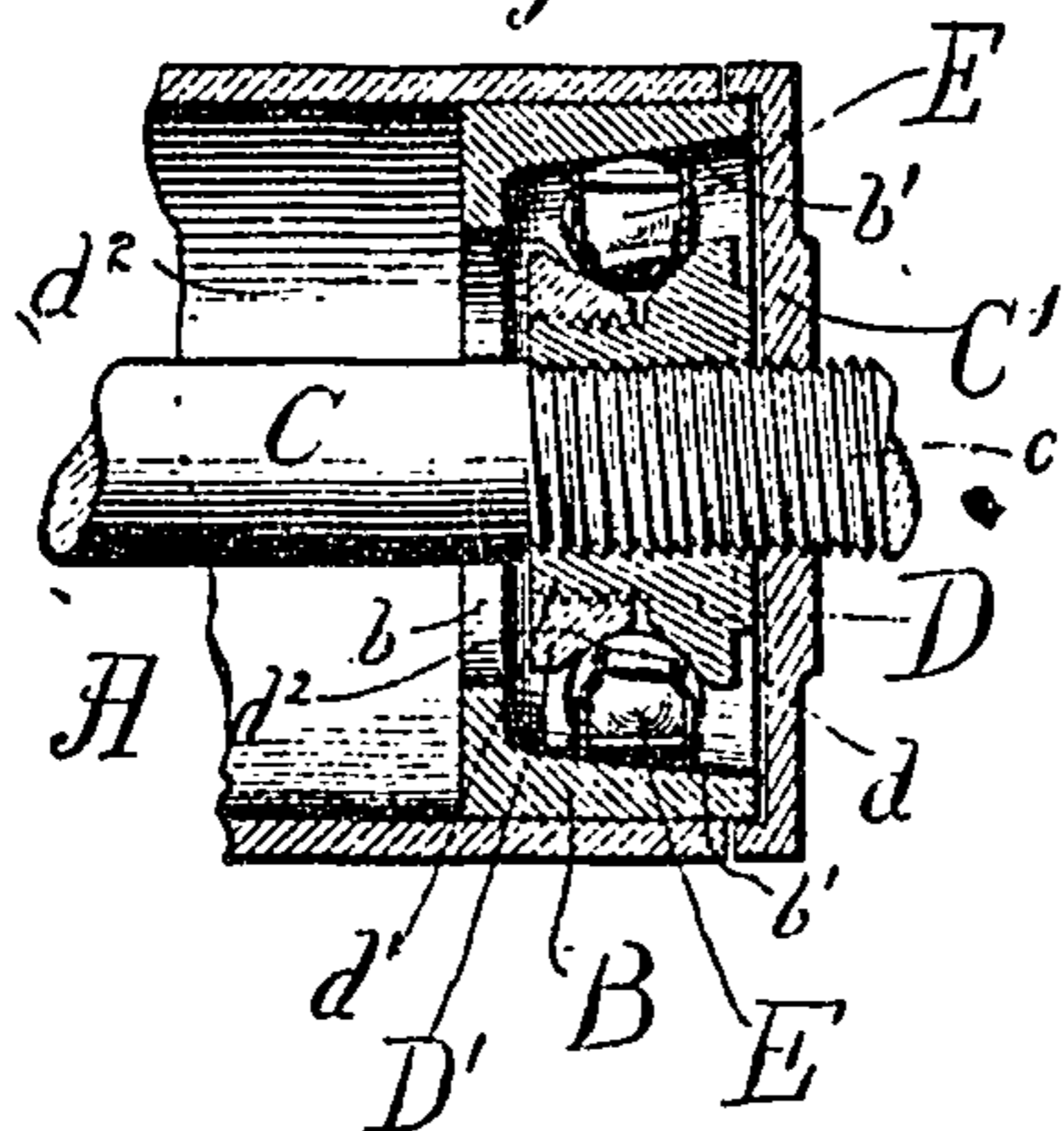
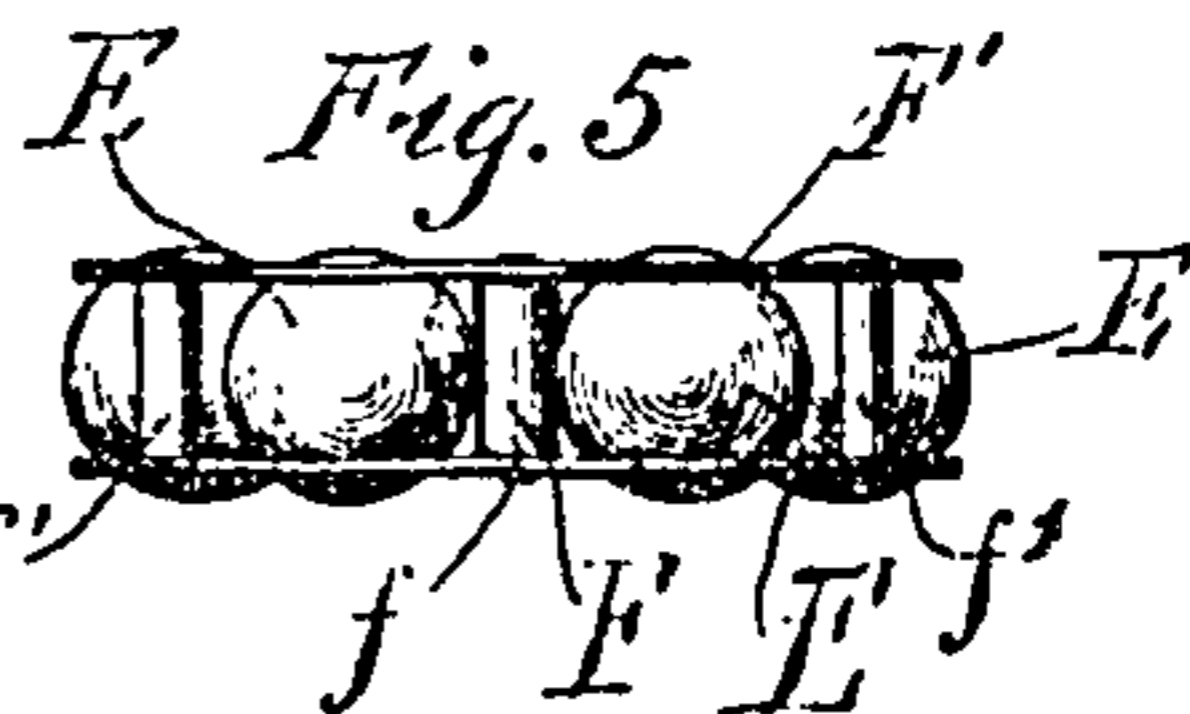
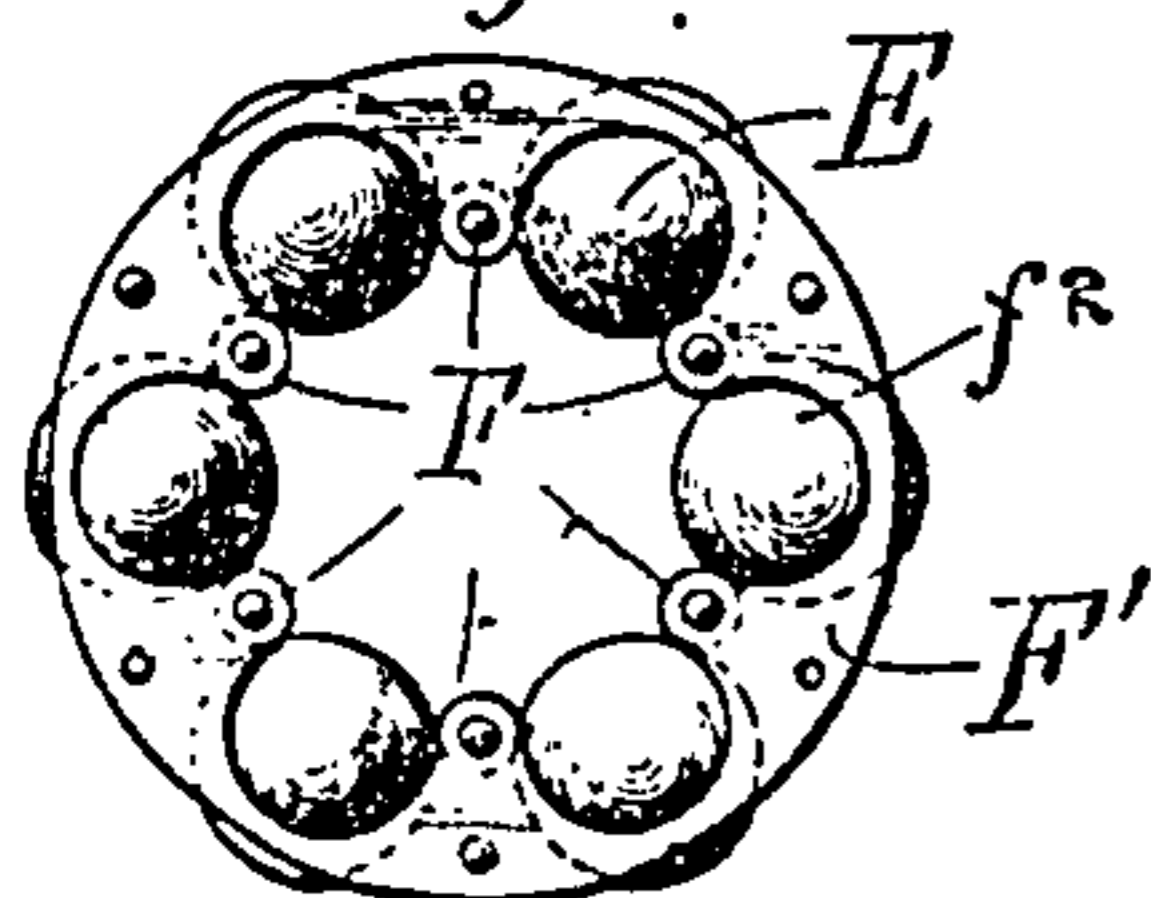


Fig. 4.



The following claims were selected by the court as representative of the subject-matter of the suit:

"8. A housing for the roller elements of a ball-bearing comprising two ring-plates, a plurality of ball-separating devices rotatably secured at intervals between the plates at or near their inner margins, said rings being provided with a socket or recess between each separating device, a plurality of roller elements in said sockets and means for securing the plates at a

suitable distance apart whereby said roller elements may partially project beyond the plane of the outer surfaces of said plates and also project peripherally between them as and for the purpose specified.

"9. In a ball-bearing, a housing comprising two ring-plates having suitable corresponding recesses, roller-bearing elements in said recesses, a roller-separating device between each pair of roller elements, and means for securing said parts in operative relation comprising rivets passing through adjacent and engaging marginal parts of the ring-plates, each plate having an annular bend therein, substantially as and for the purpose specified.]"

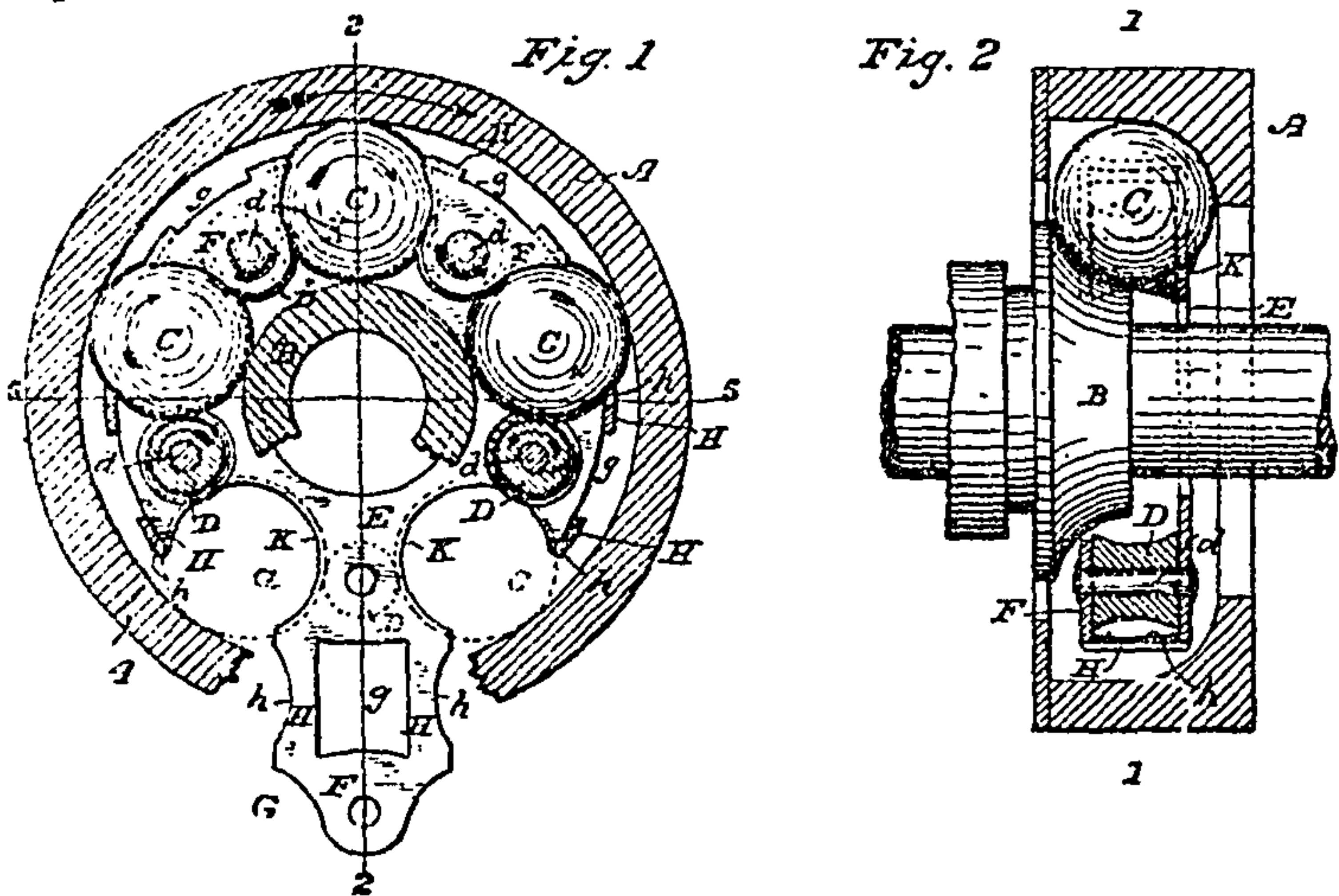
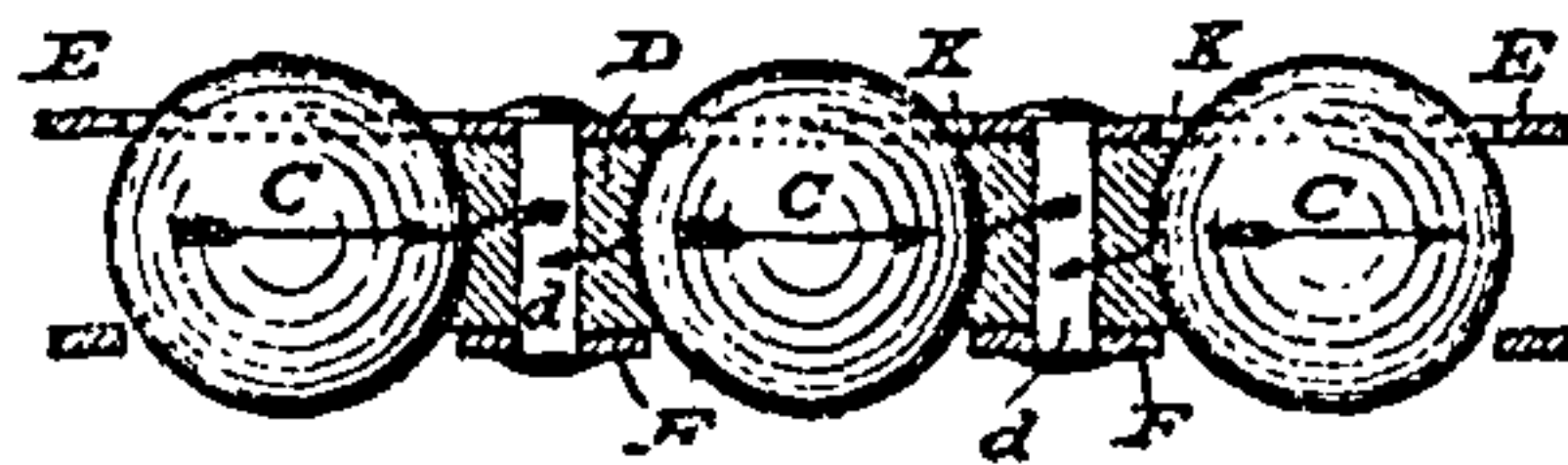


Fig. 3.



[The above figures fairly represent the subject-matter of the Burwell patent which practically presents the bearing made by the defendant.

In these drawings A is the ball-race or cup and B the cone of an ordinary ball-bearing. The balls C lie in contact with and roll upon the opposing surfaces of the cup and cone, respectively. Between each of these balls is located an anti-friction roller D, having concaved peripheries to conform to the

surfaces of the balls against which they bear. These rollers are mounted upon pins *d*, the ends of which are supported by a metallic cage or frame *E*. The cage *E* has brackets or arms *F*, which support the outer ends of the pins upon which the rollers are mounted. These brackets are made integral with the main body of the cage and are first bent at right angles at the outer periphery of the main body and then again at right angles toward the center of the cage so as to embrace the outer end of the anti-friction rollers, though for the purposes of this discussion the final shape is all that is important. The original shape of the bracket is shown at *G* in Fig. 1. It will be understood that they are to be bent into substantially L-shape form so that the part extending below in Fig. 1 will come up between two of the rollers *D*. The central portion of each arm is cut away for the purpose of lightness and resiliency, leaving an aperture *g*, with arms *H H* at each side of it, which support the outer end *F* of each bracket. The outer side of each of these arms is cut away or formed with a curved indenture *h* corresponding approximately to the curvature of the balls.

The purpose in this structure is to have the balls project between the separating devices without contact with the side of the cage or any portion of it when they are in working position between the cone and the cup, and this purpose is further carried out by cutting away the metal body of the cage to form circular openings *K* at the side of each ball. As in the Collins patent in suit, the balls are held in position laterally by the concave peripheries of the antifriction rollers between them, so that when the balls are in working position between the bearings of the cone and cup they are out of contact with the cage at every point, touching only the cone and also the surfaces of the anti-friction rollers which hold the cage in proper position out of contact with the balls.

That is to say, in both cases it was the purpose to keep the balls from any frictional contact with any portion of the cage when they were at work or in working position and yet be enabled to remove all of the balls when the cage was taken out.]

Before Caldwell, Sanborn, and Thayer, Circuit Judges.

Sanborn, Circuit Judge: This is an appeal from a decree which adjudged the device described in the specification of letters patent No. 621,219, issued to George A. Burwell on March 14, 1899, to be an infringement of the fifth, seventh, eighth, ninth, and tenth claims of letters patent No. 595,696, issued to George J. S. Collins on December 21, 1897. The patented structure is a combination of old elements, and the decree is assailed upon the grounds that there was no invention in the combination, and that Burwell's device was not an infringement upon it. Both

structures are for housings or means for holding the roller elements in roller bearings in proper relations to each other while they are in operation, and for keeping them together in the same relation when they are removed from the roller race.

When Collins conceived his device, roller bearings were in common use. The main problem that was before those engaged in improvements in the art was to construct these bearings so that they would develop the least friction, and many machines had been made and patented in which an annular roller race between the journal and the journal box or the hub, main supporting rollers therein, and smaller separating rollers were common and familiar elements. On January 20, 1896, Collins had applied for a patent, which was subsequently issued to him on July 6, 1897, as No. 585,909, for an improvement in roller bearings, which disclosed a bearing consisting of an annular roller race in a journal box, main supporting balls, and separating devices therein. Between each two of the main supporting balls a separating device, consisting of two plates of triangular form, with a cylindrical roller between them at each angle, was so placed that when the wheel was in operation the balls could not touch each other, and there was no sliding contact among any of the parts, save only the trunnions of two of the little cylinders, which were extended so that their ends might come in contact with the side walls of the roller race, and thus prevent any sliding contact of the triangular plates therewith. This patent shows another separator, which consists of two cylindrical rollers, engaged at their ends with parallel side members and two small balls placed between the cylinders and their plates and the inner circumferential wall of the journal box. But in the structures shown in this patent the main supporting balls and the separating devices were not held together in any fixed relation to each other, and hence they could not be kept in their proper relation when removed from the roller race. There was no caging or housing to contain them and keep them in place.

The desideratum which Collins sought to reach in the combination of the patent here in suit was a housing or caging which would hold the main supporting balls and the cylinders or rollers which separated them in such a relation to each other and the cage that when in operation there would be no sliding friction between any of the walls of the roller race and any of its contents, that the balls and the separating devices should have a rolling, and not a sliding, contact, and that all the contents of the roller race could be removed bodily therefrom without disturbing their fixed relations to each other. * * *

Burwell's combination, which the defendant uses, accomplishes the same results by a similar caging, preferably made, the

patentee says in his specification, out of a single sheet of stamped metal, bent into the same form of housing which Collins constructed out of two annular rings.

Thus it will be seen that the same result is attained by practically the same means in the two combinations. There are, it is true, minor differences in the construction of the two housings. Collins' cage is made of two annular ring plates, while Burwell's is made of a single plate, so stamped and bent as to take the exact form and have the exact effect of the two plates of Collins. Collins' plates are held apart, and secured in fixed relation to each other at their outer margins, by spreading blocks or rivets, while Burwell accomplishes the same result by the arms, H, H, of his bracket, F, when it is bent in position. The supporting balls in the device of Collins have a greater diameter than the distance between the separating cylinders, so that the latter hold the balls in the cage; while the balls in Burwell's device have a less diameter than the distance between the cylinders, and are held in their cage by the corners of the overturned brackets in the housing. But these differences relate to mere details of construction. They are the result of the substitution for one mechanical device of its obvious equivalent. Collins' combination consisted of a cage, supporting balls, and separating devices so constructed that the housing should hold the other elements in such a fixed relation, both when within and when without the roller race, that when they were in operation the supporting balls should have no contact with each other, that their contact with the separating devices should be a rolling, and not a sliding, contact, and that no part of the combination should have a sliding contact with any of the walls of the race. Every essential element of this device is found in the combination used by the defendant. The latter accomplishes the same result by means which are the obvious mechanical substitutes of those described by Collins, and hence, in the eyes of the law, are the same means which he used. The use of a different, but mechanically equivalent, method or material to construct some of the elements of a patented combination will not avoid infringement where the principle or mode of operation is adopted, and the elements, when completed, perform the functions by the same means as, or by mechanically equivalent means to, those described in the patent. *Idc v. Trorlicht, Duncker & Renard Carpet Co.*, 115 Fed. 137, 149, 53 C. C. A. 341; *National Hollow Brake-Beam Co. v. Interchangeable Brake-Beam Co.*, 106 Fed. 693, 711, 45 C. C. A. 544, 562; *Watch Co. v. Robbins*, 64 Fed. 384, 396, 12 C. C. A. 174, 187; *New Departure Bell Co. v. Bevin Bros. Mfg. Co.*, (C. C.) 64 Fed. 859. The defendant has adopted the principle, the exact mode of operation, shown by the patent to Collins, and his device is

a plain mechanical equivalent of the combination described by the plaintiff. It is too slavish a copy in principle and in mechanical means to escape infringement if there was any novelty in Collins' combination and any invention in conceiving and perfecting it. * * * [Valid and infringed.]

816. SMITH v. RIDGELY, 103 Fed. 875, 43 C. C. A. 365 (1900).* * *

If the patent alleged to be infringed had been of a primary character, or one embodying a distinct and substantial advance in the art to which it relates, we should probably be able to find in the new Ridgely patents, and particularly in the last one, the equivalents of the elements combined in the patent now held by Smith, as was done by this court in reference to the important and very novel inventions in the cases of McCormick Harvesting Mach. Co. v. C. Aultman & Co., 37 U. S. App. 299, 16 C. C. A. 259, 69 Fed. 371, and Bundy Mfg. Co. v. Detroit Time-Register Co., 36 C. C. A. 375, 94 Fed. 524; but as the plaintiff's patent is sustained merely for the peculiar location of the spring in the trimmer, effecting the specific mode of operation resulting therefrom, we think the defendant's patents do not show an infringement thereof. To hold otherwise would be to admit that the plaintiff's spring device covered a spring located anywhere in the trimmer for the purpose of modifying the effect of pressure upon the head and blade. This we can not do, in view of the similar device in the Union paper trimmer. * * *

817. CIMIOTTI UNHAIRING CO. v. AMERICAN FUR REFINING CO., 198 U. S. 399, 49 L. ed. 1100 (1905).* * *

Mr. Justice Day delivered the opinion of the court.

This action was begun in the circuit court of the United States for the district of New Jersey for the purpose of enjoining the alleged infringement of certain letters patent of the United States, issued to John W. Sutton, and bearing date of May 22, 1888, No. 383,258, for a certain new and useful invention or improvement upon machines for plucking furs.

In the circuit court a decree was rendered granting an injunction (120 Fed. 672); upon appeal to the circuit court of appeals for the third circuit this judgment was reversed, and the cause was remanded to the circuit court with directions to dismiss the bill. 59 C. C. A. 357, 123 Fed. 869.

The case was brought here upon writ of certiorari to review the judgment of the circuit court of appeals.

The patent in controversy has been frequently sustained in the Federal courts (95 Fed. 474; 108 Fed. 82; 53 C. C. A. 2301, 115 Fed. 498; and 53 C. C. A. 161, 115 Fed. 507), and its validity

is not contested here. The question presented to us is one of infringement. The invention which is the subject-matter of the controversy relates to machinery for unhairing pelts, and particularly, and perhaps, exclusively, so far as practical use is concerned, sealskins or "coney" skins. The latter are skins of French or Belgian rabbits, which under the name of "electric" sealskins, have been put upon the market, and have been largely sold and used as substitutes for the genuine sealskin. It is said that only an expert can tell the difference between the finished coney and the genuine sealskin.

It is disclosed in the testimony that sealskins, before they are fit for the market, are required to be submitted to a process by which the long hairs, sometimes called "water hairs," are separated from the fur, and clipped or plucked from the pelt. Up to about the year of 1881 the removal of such hairs was effected by hand, the pelt being stretched over the finger, by blowing down on the fur a part was made, and the hairs were clipped out by means of scissors. This was necessarily a slow and laborious process. An improvement was made in this art by the Cimiottis, predecessors of the petitioner, by the introduction of an air blast for the purpose of separating the fur, which invention was the subject of a patent to them, number 240,007, under date of April 12, 1881. In 1888 the Sutton patent in suit was issued, in which was introduced a rotating brush apparatus for the purpose of separating the fur, as will be hereinafter more particularly shown. * * *

The great merit of this invention is said to consist in the use of the brush, applied by means of the mechanism shown, so as to brush down the fur, and permit the long hairs, which should be removed, and which rise at the edge of the stretcher bar, when the pelt is drawn over it, to be acted upon by the knives when the fur is brushed away, so as not to be injured.

In determining the construction to be given to the claim in suit, which is alleged to be infringed, it is necessary to have in mind the nature of this patent, its character as a pioneer invention or otherwise, and the state of the art at the time when the invention was made. It is well settled that a greater degree of liberality and a wider range of equivalents are permitted where the patent is of a pioneer character than when the invention is simply an improvement, may be the last and successful step, in the art theretofore partially developed by other inventors in the same field. * * *

While it may be admitted that the Sutton patent was a distinct step in the art, and is entitled to protection as a valuable invention, nevertheless it cannot be said to be a pioneer patent in any just sense. In the English Lake patent of 1881, of which

more will be said hereafter, there is doubtless a suggestion of the use of brushes for the purpose of separating the fur from the long hair to be removed. And so in the Covert patent of 1884, which was the subject of consideration by Judge Wheeler in the case of Cimiotti Unhairing Co. v. Mischke, 98 Fed. 297. In that case it was said that Covert's patent had been mechanically, but not commercially, successful, and that in lieu of a rotating separating brush, shown in Sutton's patent, Covert used a revolving cloth-covered cylinder, and it was held that this was not equivalent to the separating brush, and Sutton's invention was an advance upon anything theretofore shown. Of the Covert patent Judge Coxe, in the course of an able opinion sustaining the Sutton patent (Cimiotti Unhairing Co. v. American Unhairing Mach. Co., 53 C. C. A. 230, 234, 115 Fed. 498, 502), said:

"Covert came nearer than any one else to a successful machine. He had but one more step to take, and here he became bewildered and went astray. He missed the apparently simple arrangement of the rotary brush, which alone was necessary. It will not do to say that the prior art showed such a brush. Every element of the combination in controversy was unquestionably old, but there was nothing in the prior art to suggest a rotary brush working in the environment shown in the Sutton patent. There was nowhere a rotary brush making a 'part' on a keen-edged stretcher bar and brushing the fur down and out of the reach of the cutting knives during the moment necessary to the removal of the stiff hairs. It is the presence of this element in the combination which produces a new result and entitles its originator to protection."

In the same case, Judge Wallace, in his concurring opinion, says:

"I do not think the machine of the Sutton patent a prodigious advance upon that of the prior Covert patent, and I think a higher degree of merit has been attributed to it than it deserves; but it was enough of an advance to be patentable, and to deserve protection against an infringing machine which appropriates it."

Furthermore, it appears that while the Cimiottis acquired an exclusive license under the Sutton patent in 1888, the same was not put into commercial use until the introduction of coney skins as a substitute for sealskins, about the year 1890. During this time the Cimiottis were unhairing a large number of skins, and preferred to continue to use the air-blast machine of their own invention while paying tribute to Sutton. It was the introduction of the coney industry, in 1890, that gave stimulus to the use of such mechanisms as those used by the Cimiottis and the respondent in this case. We think it fair to say that this record discloses an invention of merit, entitled to some range of equiva-

lents in determining the question of infringement, but it is not one of those broad, initiative inventions where original thought has been embodied in a practical mechanism, which the courts have been ever zealous to protect, and to which a wide range of equivalents has been accorded.

Due weight is given to the Sutton patent when it is given credit for dispensing with the plate which Covert had in addition to the brush, and which he supposed would carry down the fur away from the cutting mechanism, but which Sutton has accomplished in giving, in a measure, at least, this added function to the brush of not only parting the fur, but carrying it down and away in preparation for the clipping by the knives. Any one who accomplishes the same purpose by substantially the same mechanism, using the elements claimed in Sutton's patent, may be held to be an infringer.

Sutton has taken the step which marks the difference between a successfully operating machine and one which stops short of that point, and that advance entitles him to the protection of a patent.

The argument here is confined, as to the alleged infringement, to the eighth claim of the Sutton patent, which is as follows:

"8. The combination of a fixed stretcher bar, means for intermittently feeding the skin over the same, a stationary card above the stretcher bar, a rotary separating brush below the same, and mechanism, substantially as described, whereby the rotary brush is moved upward and forward into a position in front of the stretcher bar, substantially as set forth."

The elements of this claim are five in number: 1, a fixed stretcher bar; 2, means for intermittently feeding the skin over the same; 3, a stationary card above the stretcher bar; 4, a rotary separating brush below the same; 5, mechanism whereby the rotary brush is moved upward and forward into a position in front of the stretcher bar, "substantially as set forth."

In making his claim the inventor is at liberty to choose his own form of expression, and while the courts may construe the same in view of the specifications and the state of the art, they may not add to or detract from the claim. And it is equally true that, as the inventor is required to enumerate the elements of his claim, no one is an infringer of a combination claim unless he uses all the elements thereof. *Shepard v. Carrigan*, 116 U. S. 593-597, 29 L. ed. 723, 724, 6 Sup. Ct. 493; *Sutler v. Robinson*, 119 U. S. 530-541, 30 L. ed. 492-495, 7 Sup. Ct. 376; *McClain v. Ortmayer*, 141 U. S. 419-425, 35 L. ed. 800-802, 12 Sup. Ct. 76; *Wright v. Yuengling*, 155 U. S. 47, 39 L. ed. 64, 15 Sup. Ct. 1; *Black Diamond Coal Min. Co. v. Excelsior Coal Co.*, 156 U. S.

611-617, 39 L. ed. 553-555, 15 Sup. Ct. 482; Walker, Patents, § 349. This principle is particularly important when we come to consider the "stationary card above the stretcher bar"—an element of the eighth claim. * * *

The Sutton device, as we have seen, has a stationary stretcher bar; the respondents' mechanism has a movable stretcher bar. The fixed stretcher bar, about which the other mechanism acts, is made a distinct feature of the eighth claim. It is not present in the respondents' mechanism, unless it is true, as argued, that the one is substantially the equivalent of the other. It is said to make no difference whether the knife and brush are carried to the stretcher bar or the stretcher bar is carried to the knife and brush. This might be true if the mechanisms were substantially the same, and there was a mere transposition or substitution of parts. Such changes would amount to an infringement. But in determining infringement we are entitled to look at the practical operation of the machines. The other elements of the eighth claim are to be used in connection with the apparatus shown in the Sutton patent, substantially as described. If the device of the respondents shows a substantially different mode of operation, even though the result of the operation of the machine remains the same, infringement is avoided. *Brooks v. Fiske*, 15 How. 212, 221, 14 L. ed. 665, 669; *Union Steam-Pump Co. v. Battle Creek Steam-Pump Co.*, 43 C. C. A. 560, 104 Fed. 337, 343. In the latter case Judge Severens, who delivered the opinion of the court, after recognizing the doctrine that mere change of the location of parts, if the parts still perform the same function, did not take the structure without the bounds of the patent, said:

"If, however, such changes of size, form, or location effect a change in the principle or mode of operation such as breaks up the relation and co-operation of the parts, this results in such a change in the means as displaces the conception of the inventor, and takes the new structure outside of the patent."

And see *Kokomo Fence Co. v. Kitzelman*, 189 U. S. 8, 47 L. ed. 689, 23 Sup. Ct. 521, in which case it was held that where the patent does not embody a primary invention, but only an improvement on the prior art, and the defendant's machines can be differentiated, the charge of infringement is not sustained.

In the case under consideration the respondents have dispensed with the fixed stretcher bar and have adopted a movable one, operated by an entirely different mechanism, capable of accomplishing a much larger amount of work within a given time. In the circuit court of appeals it was said to result in a double working capacity and product. It does not seem to us to be a mere transposition or substitution of parts; in the Sutton

patent, the stretcher bar being stationary, there are several mechanisms used for operating the movable brushes and the clipping knives; a different mechanism is used for operating the different parts which are to be brought to the fixed stretcher bar in carrying out the operation intended. In the respondents' machine the same application of power moves the stretcher bar and, by the co-operation of the feeding apparatus as above outlined feeds the machine by bringing the pelt forward, at the same time actuating the knives, in practically one operation. This seems to us to be a distinct mechanical departure, as well as an advance upon the Sutton machine, when considered in view of the results accomplished.

Moreover, if infringement could be otherwise sustained, the decree must be affirmed, because the eighth claim has made the stationary card, shown at "E" in the drawing, an essential part of the mechanism described. It may be that this card is unnecessary, and that it was dropped from the later patents issued to Sutton, but it is in this claim, and as was said by Judge Wallace in his dissenting opinion in *Cimiotti Unhairing Co. v. Near-seal Unhairing Co.*, 53 C. C. A. 161, 115 Fed. 507, 509, "the patent industriously makes the stationary card, substantially as described, an element of the claim." Of this card the inventor said:

"Immediately above the stretcher bar B is arranged a stationary card, E, which is attached to the ends of the stretcher bar B by means of thumb-screws. (Not shown in the drawings.) The points of the teeth of the card E are close to but do not touch the surface of the skin, so that the hair and fur are both straightened as the skin is fed forward. The teeth of the card E hold down the fine fur, but permit the stiff hairs to stand up between the teeth, owing to the slow forward movement of the skin, which gives the hairs sufficient time to so adjust themselves."

He also says: "The card is set back from the edge of the stretcher bar to a distance a little more than one-half of the length of the fur, for the purpose of holding the fur and preventing it from moving forward until the forward motion of the skin takes place."

While it is said that the card does not touch the surface of the skin so that the hair and fur are both straightened as the skin is fed forward, it is true that the teeth of the card in some measure hold down the fine fur, and it is insisted that the mechanical equivalent of this card is found in respondents' machine in the compression bar, which also acts to hold down the fur before it is carried to the separating brush. But this bar has no carding feature to it, and cannot be made to perform the functions of a card; it has no separate teeth, and is not a card or the mechanical

equivalent of one shown and described and made a part of the eighth claim.

We think the Circuit Court of Appeals was right in the conclusion that the mechanism of the respondents was so materially different from the Sutton patent as to avoid the infringement alleged; and that an essential element of the eighth claim of the Sutton patent was not used by the respondents.

Decree affirmed.

818. *KESSLER v. ELDRED*, 206 U. S. 285, 51 L. ed. 1065 (1907).* * *

Statement of the Case.

Kessler, a citizen of Indiana, prior to 1898 had built up an extensive business in the manufacture and sale of electric cigar-lighters, and had customers throughout the United States. Eldred, a citizen of Illinois, and an inhabitant of the Northern District, was the owner of Patent No. 492,913, issued to Chambers on March 7, 1893, for an electric lamp-lighter. Eldred was a competitor of Kessler's and manufactured a similar form of lighter (entirely dissimilar from that described in the Chambers patent), so that it was not a matter of much importance to customers which lighter they bought. In 1898 Eldred began a suit against Kessler in the District of Indiana for the infringement of the Chambers patent. The bill alleged that Kessler's manufacture and sale of the Kessler lighter infringed all the claims. The answer denied that Kessler's lighter infringed any of the Chambers claims. On final hearing the circuit court found for Kessler on the issue of non-infringement and dismissed the bill. That decree was affirmed in 1900 by the Circuit Court of Appeals for the Seventh Circuit. (*Eldred v. Kessler*, 106 Fed. 509.)

Subsequently, Eldred brought suit on the same patent in the Northern District of New York against Kirkland, who was selling a similar lighter, but not of Kessler's make. The circuit court found for Kirkland on the issue of non-infringement and dismissed the bill. The Circuit Court of Appeals for the Second Circuit reversed that decree and held the Kirkland lighter to be an infringement. (*Eldred v. Kirkland*, 130 Fed. 342.)

In June, 1904, Eldred filed a bill for infringement of the same patent in the Western District of New York against Breitwieser, user of Kessler lighters, which were identical with those held in *Eldred v. Kessler*, to be no infringement of the Chambers patent. Many of Kessler's customers were intimidated by the Breitwieser suit, so that they ceased to send in further orders for lighters and refused to pay their accounts for lighters already sold and delivered to them. Kessler assumed the defense of the Breitwieser suit, and will be compelled in the proper discharge

of his duty to his customers to assume the burden and expense of all suits which may be brought by Eldred against other customers. In this state of affairs Kessler, a citizen of Indiana, in July, 1904, filed a bill against Eldred in the Circuit Court for the Northern District of Illinois, the State and district of Eldred's citizenship and residence, to enjoin Eldred from prosecuting any suit in any court of the United States against any one for alleged infringement of the Chambers patent by purchase, use or sale of any electric cigar-lighter manufactured by Kessler and identical with the lighter in evidence before the Circuit Court for the District of Indiana and the Circuit Court of Appeals for the Seventh Circuit in the trial and adjudication of the suit of Eldred against Kessler. From an adverse decree by the circuit court Kessler perfected an appeal to this Court.

Upon the foregoing facts the questions of law concerning which this court desires the instruction and advice of the Supreme Court are these:

First. Did the decree in Kessler's favor, rendered by the Circuit Court for the District of Indiana in the suit of Eldred against Kessler, have the effect of entitling Kessler to continue the business of manufacturing and selling throughout the United States the same lighter he had theretofore been manufacturing and selling, without molestation by Eldred through the Chambers patent?

Second. Did the decree mentioned in the first question have the effect of making a suit by Eldred against any customer of Kessler's for alleged infringement of the Chambers patent by use or sale of Kessler's lighters a wrongful interference by Eldred with Kessler's business?

Third. Did Kessler's assumption of the defense of Eldred's suit against Breitwieser deprive Kessler of the right, if that right would otherwise exist, of proceeding against Eldred in the State and district of his citizenship and residence for wrongfully interfering with Kessler's business?

Fourth. If Eldred's acts were wrongful, had Kessler an adequate remedy at law?

Mr. Justice Moody delivered the opinion of the court.

The industry of counsel has not discovered any decision on the exact questions presented by the certificate, and they agree that those questions are not settled by controlling authority. The decision of the case turns upon the effect of the judgment in the suit which Eldred brought against Kessler. Both manufactured and sold electric cigar-lighters. Eldred, being the owner of a patent issued to one Chambers for an electric lamp-lighter, brought a suit against Kessler, in which it was alleged by the

plaintiff and denied by the defendant that the cigar-lighters manufactured by Kessler infringed each and all of the claims of the Chambers patent. On the issue thus joined there was final judgment for Kessler. This judgment, whether it proceeds upon good reasons or upon bad reasons, whether it was right or wrong, settled finally and everywhere, and so far as Eldred, by virtue of his ownership of the Chambers patent, was concerned, that Kessler had the right to manufacture, use and sell the electric cigar-lighter before the court. The court, having before it the respective rights and duties on the matter in question of the parties to the litigation, conclusively decreed the right of Kessler to manufacture and sell his manufactures free from all interference from Eldred by virtue of the Chambers patent, and the corresponding duty of Eldred to recognize and yield to that right everywhere and always. After this conclusive determination of the respective rights and duties of the parties, Eldred filed a bill for an infringement of the same patent against Breitwieser, on account of his use of the same kind of Kessler cigar-lighter which had been passed on in the previous case, and Kessler had assumed the defense of that suit. Whether the judgment between Kessler and Eldred is a bar to the suit of Eldred v. Breitwieser, either because Breitwieser was a privy to the original judgment, or because the articles themselves were by that judgment freed from the control of that patent, we deem it unnecessary to inquire. We need not stop to consider whether the judgment in the case of Eldred v. Kessler had any other effect than to fix unalterably the rights and duties of the immediate parties to it, for the reason that only the rights and duties of those parties are necessarily in question here. It may be that the judgment in Kessler v. Eldred will not afford Breitwieser, a customer of Kessler, a defense to Eldred's suit against him. Upon that question we express no opinion. Neither it nor the case in which it is raised are before us. But the question here is whether, by bringing a suit against one of Kessler's customers, Eldred has violated the right of Kessler. The effect which may reasonably be anticipated of harassing the purchasers of Kessler's manufactures by claims for damages on account of the use of them, would be to diminish Kessler's opportunities for sale. No one wishes to buy anything, if with it he must buy a law-suit. That the effect to be anticipated was the actual effect of the Breitwieser suit is shown by the statement of facts. Kessler's customers ceased to send orders for lighters, and even refused to pay for those which had already been delivered. Any action which has such results is manifestly in violation of the obligation of Eldred, and the corresponding right of Kessler, established by the judgment. Leaving entirely out of view any

rights which Kessler's customers have or may have, it is Kessler's right that those customers should, in respect of the articles before the court in the previous judgment, be let alone by Eldred, and it is Eldred's duty to let them alone. The judgment in the previous case fails of the full effect which the law attaches to it if this is not so. If rights between litigants are once established by the final judgment of a court of competent jurisdiction those rights must be recognized in every way, and wherever the judgment is entitled to respect, by those who are bound by it. Having then by virtue of the judgment the right to sell his wares freely without hindrance from Eldred, must Kessler stand by and see that right violated, and then bring an action at law for the resulting damage, or may he prevent the infliction of the unlawful injury by proceedings in personam in equity? If Eldred succeeds in his suit against one of Kessler's customers, he will naturally bring suits against others. He may bring suits against others, whether he succeeds in one suit or not. There may be and there is likely to be a multiplicity of suits. It is certain that such suits if unsuccessful would at the some time tend to diminish Kessler's sales and to impose upon him the expense of defending many suits in order to maintain the right which by a judgment has already been declared to exist. If the suits are successful the result will be practically to destroy Kessler's judgment right. Moreover, though the impairment or destruction of Kessler's right would certainly follow from the course of conduct which Eldred has begun, it would be difficult to prove in an action at law the extent of the damage inflicted. An action at law would be entirely inadequate to protect fully Kessler's unquestioned right, and under these circumstances, though there may be no exact precedent, we think that the jurisdiction in equity exists. Nor do we see any good reason why Kessler's interposition for the defense in the suit of Eldred v. Breitwieser debars him from his remedy in equity.

It follows from the foregoing reasoning that the first and second questions certified should be answered in the affirmative, and the third and fourth in the negative, and it is so ordered.

819. *TILGHMAN v. PROCTOR*, 102 U. S. 708, 26 L. ed. 279 (1880).

[See No. 61.]

* * *

It only remains that we should express our views on the question of infringement. The defendants advance several reasons for the purpose of showing that their process does not conflict with that of Tilghman. First, because they do not use the apparatus described in the complainant's patent; but use a boiler in which the charge of fat and other materials is placed

and heated; and do not mix the fat and water in the manner pointed out in the specification of the patent, but, on the contrary, have inserted in the boiler a pump which forces the water as it settles to the bottom upwards to the top of the mass and pours it upon the upper surface whence it again finds its way down through the fat, thus keeping up a constant mixture. It is unnecessary to add anything further on the subject of the form of the apparatus used. The patentee is not confined to a metallic coil of pipe heated in a furnace; but his patent extends to and embraces any convenient vessel for holding the mixture, which is strong enough to sustain the pressure necessary to prevent the water from being converted into steam. The defendants use such a vessel, and use it for the purpose indicated and pointed out in the patent. The vessel which they use has the requisite strength to prevent the water from being converted into steam, and does effect that object. And as to the defendants using a different method from that suggested in the patentants using a different method of fat and water, that is of no consequence. The keeping up of the mixture is the important thing. That is a necessary part of the process. They employ such a device for effecting this as is adapted to the form of vessel in which they heat the material. Using a boiler instead of a coil of pipe for this purpose, they are obliged to employ an additional or modified means for keeping up the mixture. They only employ such means as, in view of the change adopted in the form of the heating apparatus, and of the known appliances in use in analogous processes, would naturally suggest themselves to a mechanic skilled in the art. Or, if the mode of effecting the continued mixture adopted by the defendants should be deemed a new and useful improvement, they might perhaps have a patent for that peculiar device without being entitled to use Tilghman's process, on which it is but an improvement.

Another ground on which the defendants argue that they do not infringe the patent is, that they do not, in their process, use water alone in admixture with fat, but use also some portion of lime; that they formerly used seven per cent. of lime, and now use four per cent. But they do not use lime in the manner and to the extent in which it is used for dissolving fats by the saponifying process. That requires twelve or fourteen per cent. Even if the saponifying process partly takes place, they use Tilghman's process for effecting the balance of the operation. They use water in admixture with fat, heated to a high degree, far above the boiling-point, and yet subjected to such pressure as to prevent the water from being converted into steam; and though they may also use other things at the same time, which other things may facilitate the operation, or

render a less degree of heat necessary than would be required when water alone is used, and thus actually improve the process of Tilghman; yet this process is included in their operation, and forms the basis of it. It is idle, therefore, to say that they do not infringe Tilghman's patent. It is unnecessary to determine what precise part the lime used by the defendants plays in their process; whether, as the complainant contends, it saponifies the fat to a certain extent, leaving the remainder to be acted upon by the water alone purely after the process of Tilghman; or whether, as the defendants contend, the lime produces a more perfect and active commixture of the fat and water, or predisposes the fat to unite with the requisite elements of water necessary for producing glycerine and the fat acids—in either case the process of Tilghman, modified or unmodified by the supposed improvement, underlies the operation performed in the defendants' boilers.

Another ground assumed by the defendants to avoid the charge of infringement is, that they do not heat the mixed mass in the manner pointed out in Tilghman's specification; but, instead of heating the containing vessel by an outside application of heat, they heat the contents by the introduction of superheated steam. But we think that this does not alter the essential character of the process. The heating by steam is clearly an equivalent method to that of heating by an external fire. The patent does not prescribe any particular method of applying the heat, except when using the pipe and coil apparatus described in the specification; and, even in the use of this apparatus, the outward application of the heat to the pipe is suggested incidentally and as a matter of convenience rather than as an essential requisite. The patentee showed one method in which the heat could be applied. That was all that was necessary for him to do. If it could be applied in any number of different methods, it would not affect the validity of the patent as a patent for a process. The method of heating the mixture by the introduction of steam may be attended with some beneficial results, in producing an agitation, or automatic circulation helpful to the perfection of the admixture of the water and fat; and so far it may be an improvement on heating from without. Suppose this to be so, as before said, the introduction of an improvement gives no title to use the primary^d invention upon which the improvement is based.

Finally, the defendants argue that they only use a low degree of heat and pressure compared with that pointed out by the patent, namely, only about 310° Fah. instead of 612°. The precise degree of heat, as we have seen, is not of the essence of the patent. The specification only claims that a

high degree of heat, such as would be sufficient to melt lead, is most effective and rapid in producing the desired result; but suggests a trial of the apparatus employed with different degrees of heat so as to ascertain that which is best for each particular kind of fat. "By starting the apparatus," the language is, "at a low heat, and gradually increasing it, the temperature giving products most suitable to the intended application of the fatty body employed can easily be determined." It is probably true, as contended for by the defendants, that by the use of a small portion of lime, the process can be performed with less heat than if none is used. It may be an improvement to use the lime for that purpose; but the process remains substantially the same. The patent cannot be evaded in that way. The matter may be stated thus: Tilghman discovers a process of decomposing fats by mixing them with water, and heating the mixture to a high temperature under a pressure that prevents the formation of steam. It is a new process, never known before. The defendants seeing the utility of the process, and believing that they can use a method somewhat similar without infringing Tilghman's patent, put a little lime into the mixture, and find that it helps the operation, and that they do not have to use so high a degree of heat as would otherwise be necessary. Still, the degree of heat required is very high, at least a hundred degrees above the boiling-point; and a strong boiler or vessel is used in order to restrain the water from rising into steam. Can a balder case be conceived of an attempted evasion and a real infringement of a patent?

And as to the low degree of heat used in the operations of the defendants, this must also be said: that, with the reduction of the temperature, the time of perfecting the operation is more than proportionally increased. Tilghman was aware of this result, and pointed it out in his patent. He expressly says: "The decomposing action of the water becomes more powerful as the heat is increased." What can be done in minutes by the application of a very high degree of heat, requires hours to do at the temperature used by the defendant. But the process is still the same, and the defendants fail to evade the patent.

We pass by the fact that the defendants first took a license from the patentee, and under it and under his directions erected substantially the same apparatus which they are yet using. Receiving what they regarded as additional light, they refused to continue the payment of a royalty, and put the complainant to his legal remedy.

It is our opinion that the patent is for a process, that it is a valid patent, and that the defendants infringe it. * * *

820. AMERICAN FIBRE-CHAMOIS CO. v. PORT HURON MFG. CO., 72 Fed. 516, 18 C. C. A. 670 (1896, Sixth Circuit, Patent No. 511,789).* * *

Before Taft and Lurton, Circuit Judges, and Hammond, J.: Taft, Circuit Judge, after stating the facts, delivered the opinion of the court.

McLauchlin's original application in Canada and in the United States mentioned but two steps. One was the dampening with gelatin, or similar adhesive solution, and the other was the pounding to crush the fibre. No mention was made of crumpling. Not until May 23, 1893, did the patentee describe crumpling as one step in his process. The witnesses for complainant all say that, with the crumpling step omitted, the process would be a failure. Now, it is conceded that in 1890 the Port Huron Paper-Clothing Company was publicly using, with McLauchlin's knowledge and consent, a process of pounding moist, crumpled, fibre sheets, and the same process now used by defendant. Unless, therefore, the crumpling was in some way included in the process described in the original specification, there was danger, under the decisions in *Globe Nail Co. v. Superior Nail Co.*, 27 Fed. 450, 454, and *Kittle v. Hall*, 29 Fed. 513, that the application for the process patented must be treated as filed May 23, 1893, and more than two years after the process as patented (if that includes dampening with water only) had been in public use in this country, and that thus the patent would be avoided. To obviate this danger the appellant makes the following admission in the brief of its counsel: * * *

The validity of the patent is thus rested on the novelty of dampening the fibre before its treatment. The question, therefore, is whether it was known to the art that the moistening of the fibre would facilitate and aid in the softening of paper by crumpling and pounding, without injury. We think the patents in this record, the evidence, and the concessions of counsel at the argument, show clearly that it had been known, prior to McLauchlin's conception of his process, which he fixes as in 1889, that paper might, without injury, be crinkled or crumpled in a softening process while in a moistened state, and that the dampness aided the process. * * *

The first claim is for moistening and pounding "substantially as described." The second is for moistening with a solution of gelatin and pounding. The first claim includes moistening with any adhesive solution. The second is confined to a gelatin solution. As the defendant does not use gelatin, or any adhesive solution, it does not infringe. We have no hesitation in thus construing this patent strictly, both because it is necessary to sustain the patent at all, and also because we think the

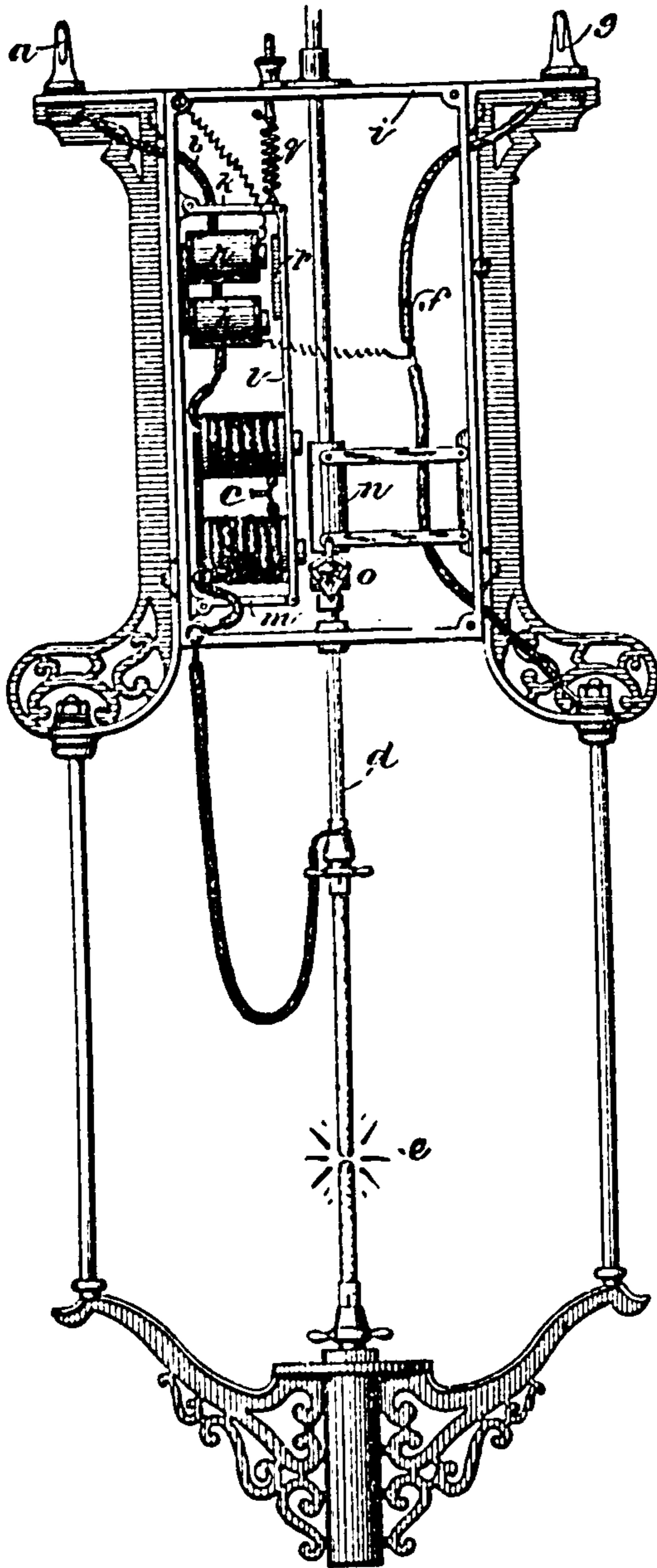
patent has little merit, in view of common knowledge and the prior art. We do not discover, in spite of the considerable evidence in the record of its existence, any great difference in character between the old Mudge Company's product and that of complainant. We think the sudden and peculiar demand for some material of this kind in the sheet form in which it was put upon the market in 1894 explains its great sale, rather than any marked improvement in its mode of manufacture. Nothing herein is intended to decide that the patent, as construed above, is valid. That question does not here arise. All we decide is that, unless it is construed as above, it is not valid.

The conduct of the complainant in harassing purchasers of the product of this process with threats of litigation, when no possible ground for an action existed against them, whether the patent be valid or not (*Goodyear v. Railroad Co.*, Fed. Cas. No. 5,563; *Boyd v. McAlpin*, Id. 1,748; *Brown v. District of Columbia*, 3 Mackey, 502, 3 Rob. Pat. 927), savors of an attempt to use the process of the courts to win customers by unfair means, and thus to reap a harvest that must be of limited duration. It does not indicate that confidence in the validity of the patent which presses to a full investigation of rights, and a comprehensive and decisive conclusion. In the case at bar, complainant attempted to dismiss its bill after the cause was at issue. In order to prevent this, and secure a hearing and decision of the case, defendant was compelled to file a cross-bill. Complainant took no evidence until after defendant had begun the taking of its evidence. Such a course certainly does not commend the cause of a suitor to a court of equity. The decree of the circuit court dismissing the bill is affirmed, with costs.

821. WESTERN ELECTRIC CO. v. SPERRY, 59 Fed. 295, 8 C. C. A. 129 (1894, Seventh Circuit).

[The inventor thus describes the operation and incidentally the relation of the parts:

"The operation of my lamp as thus described is as follows: As soon as the circuit is closed, the armature *n* is raised by the lifting-magnet and the clutch *o* lifts the rod, thus separating the carbons and establishing the arc, as shown. The action of the magnet *h* will at the same time draw upon its armature against the tension of spring *q*. The spring *q* must therefore be adjusted to sustain its armature-lever and the parts it supports after the lifting-magnet has raised the rod. The armature *n* will move as the magnet *c* moves. It has also a compensating motion up and down as the strength of the magnet *c* increases and diminishes. As the resistance of the arc increases, the regulating-magnet becomes more strongly magnetized, and the



armature p is drawn downward, and also piece l, which carries the lifting-magnet c. The lifting-armature n, it is evident, will descend at the same time, thus compensating and feeding as the current varies or the carbons burn away. It will thus be seen that the current in the shunt of the arc acts to change the position of the lifting-magnet and its armature. This action is in no way opposed to the action of the current which is passing through the coils of the lifting-magnet. Increase of the current in the shunt lowers the armature p and the lifting-magnet c just the same without reference to the magnetic force of the lifting-magnet—that is to say, armature n is attracted by the main-circuit magnet and assumes a definite position with relation thereto, which position it holds no matter what changes may take place in the strength of the shunt-magnet. Armature n, through the attraction of the main-circuit magnet, is connected through magnetic action with armature-lever k l m, and the movements of this armature-lever in responding to the changes taking place in the electro-magnet in the shunt of the arc are communicated to armature n, its lever, and to clutch o. Thus it will be seen that clutch o is carried and controlled by the pivoted armature-lever k l m and the pivoted armature-lever upon which said clutch is supported. The compensation and feeding of my lamp is thus more delicate and reliable than in lamps heretofore known or used.”

The claims of the patent are as follows:

“I claim as my invention—

1. In an electric-arc lamp, the combination, with an electro-magnet in the shunt of the arc and its armature, of an electro-magnet in the main circuit and its armature, said electro-magnet in the main circuit being carried upon a movable support, said support being controlled by the armature of the electro-magnet in the shunt of the arc, whereby the position of the main-circuit electro-magnet and its armature is caused to vary in response to the variations in the strength of the current passing through the electro-magnet in the shunt of the arc.

2. In an electric-arc lamp, the combination, with a clutch suspended upon suitable movable supporting parts, an armature forming part of said movable supporting parts, an electro-magnet in the main circuit with its poles presented to said armature, a regulating mechanism pivoted to the lamp-frame and carrying the main magnet, and an electro-magnet in the shunt of the arc with its poles presented to an armature carried by said regulating mechanism, whereby the position of the carbon-feeding mechanism is varied as the strength of the magnet in the shunt varies independently of the action or electrical condition of the magnet in the main circuit.

3. In an electric-arc lamp, an electro-magnet in the shunt of the arc, a pivoted armature-lever responding to the changes in the strength of said shunt-magnet, in combination with a magnet in the main circuit and a pivoted armature-lever responding to the changes in strength of said main-circuit magnet, a carbon rod, and clutch for the same, said clutch being carried and controlled by the said armature-levers, whereby the movements of either armature-lever may be communicated to the clutch to feed and regulate the lamp.]”

[Sperry No. 405,440 has, as the court states, eighteen claims. The first two claims indicate the function and purpose as well as the principal parts of the structure as it relates to the Scribner patent. They read as follows:

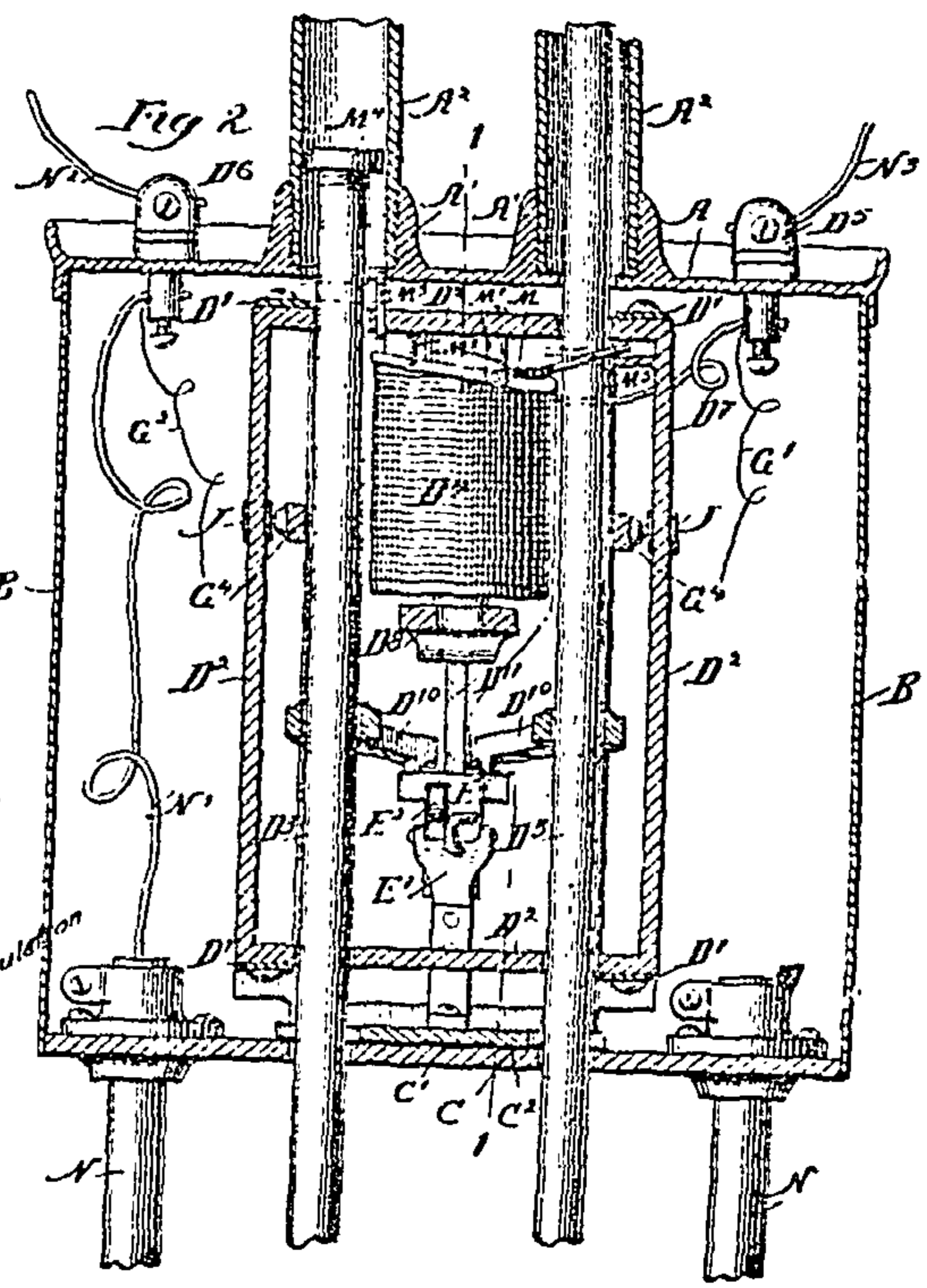
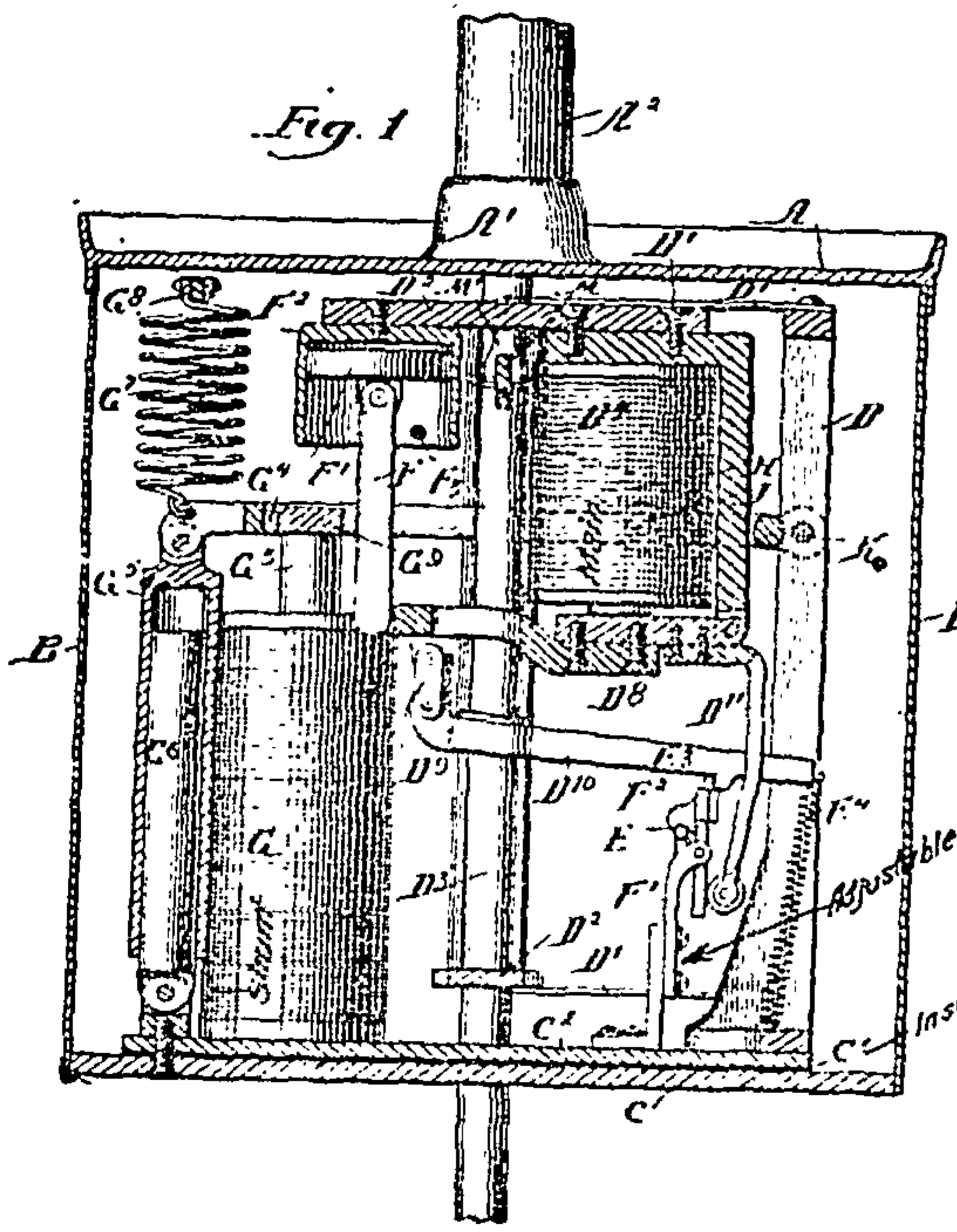
“1. In an arc lamp, the combination of a main-circuit electro-magnet or solenoid with a moving frame on which it is supported, a carbon-rod-clamping device moved by said electro-magnet or solenoid, and a shunt-magnet or solenoid adapted to move said frame.

2. In an arc lamp, the combination of a main-circuit electro-magnet or solenoid with a moving frame on which it is supported, a carbon-rod-clamping device moved by said electro-magnet or solenoid, and a shunt-magnet or solenoid adapted to move said frame, said moving frame suspended on spring-bars.”

In the above figures selected from the five figures of the patent the carbon tubes A^2 are shown passing through the thimble A' on the frame. D^4 is the electro-magnet or solenoid carried by a moving frame D^2 . D^8 is a pivoted armature for the magnet or solenoid to which is connected by the links D^9 and carbon clamp D^{10} , which surrounds the carbon rod, and as its angle is changed clamps or releases the carbon rod. A trip D^{11} engages the lower end of a pivoted variable stop E . From the end of the armature D^8 extends a link F to a piston F' in a dash-pot F^2 . G is a derived or short circuit magnet or solenoid connected with the poles D^5 and D^6 by connectors G' and G^2 . It contains a movable core G^3 pivoted to a lever G^4 , and is governed by a dash-pot and other connections G^5 and G^6 , etc. The various additional details are intended to supply and regulate the current to the two magnets.

The specification briefly concludes as follows:

“The entire device consisting of the parallel moving frame supported on elastic bars and containing the main-circuit electro-magnet or solenoid and carbon-rod clamp is described as a carbon-separating device, since its office is to seize and separate the carbons in the first instance. The entire frame is then bodily moved by means of the derived-circuit electro-magnet or solenoid for the purpose of feeding the carbons.”



It will be observed that the first two claims of the Sperry patent correspond substantially to the claims of the Scribner patent and that in both the relation of the magnet which operates the carbon-rod clamps and the shunt magnet moving the regulating magnet are substantially the same.]

Before Fuller, Circuit Judge, and Woods and Jenkins, Circuit Judges.

Woods, Circuit Judge:

Upon questions already considered, the court is content with its opinion. The petition for a rehearing treats mainly of a proposition which was not presented either to this court or the court below. Indeed, it was not directly in issue, and, being of the nature of matter in abatement, perhaps could have been made an issue only by a special plea. It is claimed now that the question is before us because of the statement made by the court in its opinion, in respect to the question of infringement, that "the first claim of the Sperry patent, and other claims not quoted, are essentially the same as the first and second claims of the patent in suit." By this expression of a fact, which was obvious upon the face of the two patents, it is said this court has decided, and made it to appear for the first time, that "these are conflicting patents;" and, that being so, it is insisted that the holder of the patent last issued cannot sue the owner of the first patent without first obtaining a cancellation of the earlier patent by a decree under section 4918 of the Federal Revised Statutes. Of the cases cited, only the decision in *Roll-Paper Co. v. Knopp*, 44 Fed. 609, supports the proposition. In effect it is decided in that case that, when two patents for one invention have been issued, the owner of the second, without first having obtained or without seeking by his bill the relief provided by the statute, cannot sue for an accounting and to enjoin infringement by the owner of the first patent. The following extract from the opinion shows the reasoning on which the decision is based:

"In the ordinary case of a bill for infringement filed by the holder of a senior patent against the holder of a junior patent, the claims whereof conflict, it is no defense that the defendant is acting under a patent. The reason of the rule, as I apprehend, is that by the grant of the first letters the government exhausts its power to grant to another person a monopoly of the same invention. Hence, the holder of the prior patent is at liberty to treat the subsequent patent as utterly void, in so far as it conflicts with the earlier grant. Rob. Pat., § 370. But there is an obvious distinction between such a case and one where the defendant proceeded against holds the prior grant, and is operating thereunder in good faith. Ordinarily, a prior grantee of a right, privilege, or estate cannot be proceeded against as a

trespasser by a subsequent grantee of the same grantor, even though the prior grant is for some reason voidable, until the proper steps have been taken to have the invalidity of the prior grant judicially ascertained and declared. The principle last referred to seems to be applicable to the case at bar. * * * It has been held that a count for infringement and a count under section 4918 may be joined in the same bill, and I can see no objection to that course of procedure. *Leach v. Chandler*, 18 Fed. 262; *Holliday v. Pickhardt*, 29 Fed. 853; *Swift v. Jenks*, 29 Id. 642."

We are not able to concur in that view. The analogy between letters patent for inventions and grants of ordinary rights, privileges, or estates is not perfect, and fails, we think, at the turning point of the present question. By an ordinary grant there is a transfer of title or estate or ownership from one to another; and the grantor, having parted with what he had, can give nothing by a second deed. The second deed is therefore necessarily ineffective, at law at least, until the first has been set aside; and the holder of the first deed, having the legal if not equitable title, cannot be a trespasser. But, by granting letters patent for an invention, the government makes no transfer to the patentee of a right, privilege, or estate theretofore vested in itself. The essential right is in the inventor before he obtains a patent. By making one grant, therefore, the government does not lose power to make another. The letters constitute, under the law, simply *prima facie* evidence of the patentee's right to the invention described, as being his own discovery; but whether or not he was in fact the first inventor is left an open question between the patentee and other persons, whether they have patents for the same invention or not. Whether one patentee or the other, when he makes or uses the invention, is an infringer or trespasser depends upon the inquiry whether the one or the other was the first inventor, and not whether he was the first to obtain a patent, and this inquiry may as well be made in the ordinary suit in equity as in the proceeding provided by the statute. Indeed, in practical effect, a decree in one procedure is not different from the other. The questions of validity and priority, as "between the parties to the suit and those deriving title under them," are settled, whether the decree be in one form or the other.

If it be true, as stated, that "the holder of the prior patent is at liberty to treat the subsequent patent as utterly void, in so far as it conflicts with the earlier grant," and for that reason "cannot be proceeded against as a trespasser" until his patent has been canceled, then the cases in which "it has been held that a count for infringement and a count under section 4918 may

be joined in the same bill" must be wrong, because the second count of such a bill would refute the charge of trespass or infringement contained in the first count. It would follow, too, that after an adjudication had been obtained under the statute, establishing the validity of the second patent, the owner of it could have no remedy for prior infringements, committed when the respondent was protected by his own patent and was entitled to treat the complainant's patent as void. The only escape from this would seem to be in the proposition that the adjudication under the statute should be deemed to relate back, but the rule is familiar that things rightly done will not be made wrongful by the doctrine of relation.

The statute, in terms, is applicable alike to all parties concerned. "Whenever there are interfering patents, any person interested in any one of them," it is provided, "may have relief against the interfering patentee, * * * and the court, on notice to adverse parties, and other due proceedings had according to the course of equity, may adjudge and declare either of the patents void in whole or in part," etc. It is conceded that a junior patentee cannot plead his patent as a defense. To the holder of the senior patent, therefore, the remedy of the statute is cumulative, and we are able to see no controlling or good reason for saying that to the other party it is exclusive or restrictive.

Rehearing denied.

822. *BELKNAP v. SCHILD*, 161 U. S. 10, 40 L. ed. 599 (1896).* * *

Mr. Justice Gray, after stating the case, delivered the opinion of the Court.

A recapitulation of the principles heretofore affirmed by this Court, touching the liability of the United States, and of their officers and agents, to suit in the judicial tribunals, will go far toward disposing of this case.

It should be premised that our law differs from that of England as to the right of the Government to use, without compensation, an invention for which it has granted Letters Patent.

In England, the grant of a patent for an invention is considered as simply an exercise of the royal prerogative, and not to be construed as precluding the Crown from using the invention at its pleasure; and therefore a petition of right cannot be maintained against the Crown for using a patented invention; although a private person or corporation, that has contracted to supply the Government with articles embodying the invention may be sued for infringement of the patent. (*Feather v. The Queen*, 6 B. & S. 257; *Dixon v. London Small Arms Co.*, L. R. 10 Q. B. 130, and 1 App. Cas. 632.)