Defendant UOP sells replacement sieves to plaintiff's customers. Contending that such activity constitutes contributory infringement under 35 U.S.C. §271(c), plaintiff brought suit. It argued that the sieve "is a major part of the claim and is not a staple article of commerce," and that its customers, when they replace the sieves, are rebuilding rather than repairing the patented device. The district court entered summary judgment in defendant's favor.

Repair-Reconstruction

The Seventh Circuit, in a per curiam opinion, affirms the judgment below. Citing Aro Manufacturing Co. v. Convertible Top Replacement Co., 365 U.S. 336, 128 USPQ 354 (1961) (Aro I), the court notes that "[t]here can be no contributory infringement in the absence of direct infringement." In this instance, plaintiff's sale of its patented device carried with it an implied license to use the device and to preserve its fitness for continued use by repair, including "replacement of a spent, unpatented element."

[Text] Plaintiff and its customers expected the sieves involved in this case to wear out after a relatively short period of use; the balance of the device was expected to remain operable for a much longer period. Plaintiff's total device sells for three times the price of a replacement sieve, and the sieve is only one of three elements in the patented combination. Although the device would be useless without the sieve, it would be equally useless without either of the two other elements of the patented combination. This case falls well within the replacement doctrine of Aro I:

> Mere replacement of individual unpatented parts, one at a time, whether of the same part repeatedly or different parts successively, is no more than the lawful right of the owner to repair his property.

We cannot view the replacement of the sieve in this case as "a second creation of the patented entity." [End Text]

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HOUSE SUBCOMMITTEE BEGINS HEARINGS ON INTELLECTUAL PROPERTY LEGISLATION

The House Subcommittee on Courts, Civil Liberties and the Administration of Justice has begun a series of hearings on a variety of legislative proposals affecting intellectual property. At the opening session on April 3rd, the key issues discussed were Government patent policy and copyright protection for computer programs.

Administration Proposals

Acting on behalf of the Carter Administration, Representative Robert W. Kastenmeier (D-Wis.) recently introduced H.R. 6933, a bill calling for a uniform Government patent policy, patent reexamination, and a new fee structure for the PTO. See 473 PTCJ A-4, D-1. (The Administration's proposal was previously aired before the Senate in draft form. See 464 PTCJ A-3.)

H.R. 6933 allows small businesses and nonprofit organizations to take title to inventions resulting from Government-sponsored research and development contracts. Under the bill's "two-tier" approach, however, big business would have to let the Government take title and settle for patent licenses in particular fields of use.

Secretary of Commerce Philip M. Klutznick outlined the Administration's proposal as follows:

[Text] H.R. 6933 seeks to maximize the commercialization of federally-financed inventions. We aim to maximize the direct benefit to the public by making more inventions available and to maximize the indirect benefit to the public by making our economy strong and our industry more advanced and more competitive internationally.

The bill gives title to small businesses and to nonprofit organizations "in recognition," as the President said, "of their special place in our society." The adaptability of small businesses has been a particularly important source of major innovations and of new jobs. Moreover, small businesses have a particularly strong incentive to promote the commercialization of their inventions in multiple fields of use.

The government would retain the right to license inventions not selected by small businesses or nonprofit organization and fields of use not selected by other contractors. The government, and particularly the Department of Commerce, will engage in a vigorous program of evaluating the commercial potential of government-owned rights across a wide range of industries and of actively seeking to license commercially attractive patent rights.

As I have indicated, the public interest is advanced by maximizing the commercialization of federally-financed inventions. The government program will add to the commercialization of an invention achieved by the contractor whatever commercialization we can achieve ourselves through an invigorated licensing policy.

The public interest is protected both by the government rights to which I already have referred and by the so-called "second look" provision. Although larger contractors will know at the time of contracting that they ordinarily will be able to receive an exclusive license under any forthcoming invention in their specified fields of use, they will not actually receive the license until after the invention has been identified, their intention to commercialize has been announced, and their selection of fields of use has been submitted to the contracting agency.

After the contractor has submitted this information to the agency, the agency has ninety days in which it may determine whether the contractor's acquisition of an exclusive license in any selected field of use would be contrary to the requirements of the agency's mission, the national security, or the antitrust laws. The contractor's expectations of receiving exclusive commercial rights in an invention are increased by limiting the scope of the agency's possible inquiry underlying this determination to those unforeseen circumstances which have become apparent since the time of contracting that require it to deny the contractor exclusive commercial rights with respect to a particular field of use. [End Text]

The subject of an independent PTO was also raised. Asked for his opinion, Klutznick stated "I think it would be a step backward." If the PTO is split off from the Commerce Department, he maintained, it will have limited access to the seats of power.

Klutznick also testified in support of H.R. 3806, the Administration's bill to establish a Court of Appeals for the Federal Circuit having exclusive jurisdiction over appeals in patent and trademark cases. (H.R. 3806 is similar to S. 1477, formerly S. 677. See 419 PTCJ A-12, 423 PTCJ A-6, 462 PTCJ at C-3.) According to the Secretary, "[e]xtensive differences in the application of the patent law by the circuit courts of appeal are responsible for considerable uncertainty about the strength of patents and occasion much patent litigation."

Deputy Assistant Attorney General Ky P. Ewing, Jr. testified that the patent policy provisions of H.R. 6933 meet with Justice Department approval. "The Department of Justice," he said, "believes the bill provides a sound approach for achieving greater uniformity in the allocation of patent rights."

According to Ewing, the bill adequately adheres to the Justice Department's historical position in the patent policy debate. H.R. 6933, he noted, protects the public's equitable interest in inventions resulting from federal funding and ensures that the acquisition of exclusive rights by contractors does not result in a substantial impairment of competion. Moreover, said Ewing, the bill addresses the Department's traditional concern that contractors not receive exclusive rights before the Government has had an opportunity to evaluate the invention and its potential market impact.

[Text] In summary, we believe the Administration's bill effectively addresses the complex issues involved in the patent policy debate, and that it makes the correct compromises among potentially conflicting goals. We heartily support enactment of the bill. [End Text]

In response to a question from Kastenmeier, Ewing criticized S. 414 (see 417 PTCJ A-3, E-1), another major patent policy bill now pending before the Senate. S. 414, he said, unlike the Administration's bill, does not really set forth a uniform, Government-wide patent policy.

Kastenmeier suggested that the Administration's bill would encourage large contractors to describe their fields of use as broadly as possible. Ewing conceded that this would occur, but noted that the Government's march-in rights under the bill would serve as a check against the failure to exploit certain fields of use.

Copyrights/Computers

The final witness, Arthur J. Levine, of Washington, D.C., testified in support of H.R. 6934, a bill just introduced by Kastenmeier that deals with copyright protection for computer programs. See 473 PTCJ A-5.

Levine, who was the former Executive Director of the National Commission on New Technological Uses of Copyrighted Works (CONTU), stated that the bill does not represent a change in current law and would not preclude someone from simultaneously seeking patent protection. As he sees it, the bill simply embodies CONTU's recommendations: (1) that the availability of copyright protection for computer programs be made explicit, and (2) that rightful possessors of programs be able to use and adapt them without fear of infringement. See 389 PTCJ A-4, 334 PTCJ A-2, E-1.

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PATENT MISUSE NOT ACTIONABLE AS TORT

Concluding that the doctrine of patent misuse is usable as a shield, not as a sword, the U.S. District Court for Massachusetts dismisses a licensee's suit for a refund of royalty payments. The patentee's counterclaim for additional royalties is also rejected, however, on grounds that certain information was withheld from the Patent Office. (Transitron Electronic Corp. v. Hughes Aircraft Co., 2/22/80)

Background

Defendant Hughes, in March 1950, filed a patent application for a glass-sealed diode. While the application was pending, one of the named inventors, North, developed a new method for improving the diode. Hughes' patent counsel thereupon amended the original application to reflect this development. Ultimately, in November 1954, Hughes was issued a patent.