

Is Activity Within The Subsections of 35 U.S.C. § 271(d) Protected From A Finding of Antitrust Violation?

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I. SECTION 271(D) — THE PROBLEM

The purpose of this article is to attempt to answer the question posed in the title. The question is both important and timely. Section 271(d) presently reads, and has read since 1952, as follows:

(d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following:

When addressed under the original subsections of 35 U.S.C. § 271(d), namely, (1), (2) and (3),² the answer to the question posed has been that § 271(d) does provide protection against an antitrust charge:³

Such a right ["to control nonstaple goods that are capable only of infringing use in a patented invention"] afforded by the patent laws necessarily extends into the antitrust arena. The Court believes that it would be superfluous to sanction and

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² (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement.

³ *Rohm v. Haas Co. v. Dawson Chem. Co.*, 557 F. Supp. 739, 835, conclusion 96 (S.D. Tex. 1983), *rev'd on other grounds sub nom. Rohm & Haas Co. v. Crystal Chem. Co.*, 722 F.2d 1556 (Fed Cir. 1983), *cert. denied*, 469 U.S. 851 (1984).

protect activity within one area of the law and concurrently prohibit and expose a patentee to damages by reason of another body of law. Certainly, there exist competing interests in the patent and antitrust areas. As recognized by the Supreme Court, however, "Congress' enactment of § 271(d) resolved those issues in favor of a broader scope of patent protection." *Id.* at 223. [*Dawson Chemical Co. v. Rohm and Haas Co.*, 488 U.S. 176 at 223 (1980).]

The Ninth Circuit appears to agree.⁴

In 1988 Congress added subsections (4) and (5) to § 271(d),⁵ as follows:

(4) refused to license or use any rights to the patent; or (5) conditioned the license of any rights to the patent or the sale of the patented product on the acquisition of a license to rights in another patent or purchase of a separate product, unless, in view of the circumstances, the patent owner has market power in the relevant market for the patent or patented product on which the license or sale is conditioned.

In 1991, a district court faced the question whether activity within § 271(d)(5) was protected from a finding of antitrust violation by the lead-in language of § 271(d)⁶ and held that it was not:

In a third argument, TI suggests that recent amendments to statutory provisions regulating the defense of patent misuse in infringement suits have eliminated the per se rule in Section 1 anti-trust actions. See, 35 U.S.C. § 271(d)(5) (hereinafter, "section 271"). This argument is without merit.

⁴ See, *Carpet Seaming Tape Licensing Corp. v. Best Seam, Inc.*, 616 F.2d 1133, 1143 (9th Cir. 1980), *appeal after remand*, 694 F.2d 570 (9th Cir. 1982), *cert. denied*, 464 U.S. 818 (1983).

Attempted enforcement of a patent does not amount to a violation of the antitrust laws. 35 U.S.C. § 271, for example, provides that:

(d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following:

...

(3) sought to enforce his patent rights against infringement or contributory infringement. To amount to an antitrust violation or patent misuse, such attempted enforcement must be in bad faith. [Emphasis supplied.]

⁵ Title II, section 201 of Public Law 100-703, 102 Stat. 4676, November 19, 1988. See Hoerner, "Patent Misuse: The Law Changes," 1 *J. Proprietary Rights* 10 (Feb. 1989); Sussman & Krentzman, "Congressional Reform of Patent Misuse Doctrine Benefits High Technology Innovators," 5 *Computer Lawyer* 8 (Dec. 1988); R. Calkins, "Patent Law: The Impact of the 1988 Patent Misuse Reform Act . . .," 38 *Drake L. Rev.* 175 (1988-89); Kobak, "The New Patent Misuse Law," 71 *JPTOS* 859 (1989); Webb & Locke, "Intellectual Property Misuse: Recent Developments in the Misuse Doctrine," 73 *JPTOS* 339 (1991).

⁶ *Grid Systems Corp. v. Texas Instruments Inc.*, 1991-1 Trade Cases (CCH) ¶ 69,446, note 2 (N.D. Calif. 1991). Partners in the firm in which the author is a partner are among the counsel for Texas Instruments Inc. in that case.

On its face, Section 271(d) relates only to the defense of patent misuse as a defense to an infringement claim. TI argues that the legislative history merits a judicial extension of this statute into the area of anti-trust. Some legislators did favor such an exception. However, a full reading of the legislative record reveals that Congress rejected the extension despite this articulate support. [R.] Calkins, "Patent Law: The Impact of the 1988 Patent Misuse Reform Act and Noerr-Pennington Doctrine on Misuse Defenses and Antitrust Counterclaims," 38 *Drake L. Rev.* 175 [193, 196] (1989). This history is adequately summarized by Mr. Calkins. "The primary thrust of the first part of Senate Bill 438 (which later became section 271) went beyond patent infringement actions and would have applied generally to all tie-in antitrust violations where the tying product was a patent or copyright. . . . Certain conclusions can be reached concerning Congress' rejection of Senate Bill 438. First, the *per se* rule for Sherman Act tie-in cases (as enunciated in *Loew's and Jefferson Parish*) remains intact, and the presumption of economic power, when the tying product is a patent or copyright, survives." *Id.*, (emphasis added [by the court]).

This reasoning can be questioned. The issue is what the lead-in language to § 271(d) means. It was passed in 1952, and had whatever meaning it had. That meaning cannot have been changed by Congress in 1988, for while it added two additional subsections to § 271(d), it left the wording of § 271(d), itself, untouched.⁷ *United States v. Clark*⁸ is on point:

Congress' failure to alter the "lived with" requirement [in a 1966 amendment] likewise failed to modify the purpose of that provision as envisioned by the [1956] Congress that enacted it.

Moreover, as stated in *Russello v. United States*:⁹

[I]t is well settled that "the views of a subsequent Congress form a hazardous basis for inferring the intent of an earlier one."¹⁰

This is not a case where there was a "sense of Congress" resolution in 1988 as to what Section 271(d) meant. The 1988 addition of sub-

⁷ The principle set out in 1A Sutherland, *Statutory Construction* § 22.33, p. 288 (4th ed. 1985), would seem to apply, *a fortiori*:

Moreover, the legislature is presumed to know the prior construction of the original act, and if words or provisions in the act or section amended that had been previously construed are repeated in the amendment, it is held that the legislature adopted the prior construction of the word or provision.

⁸ 445 U.S. 23, 32-33 (1980).

⁹ 464 U.S. 16, 26 (1983).

¹⁰ Citing, *Jefferson County Pharmaceutical Assn. v. Abbott Laboratories*, 460 U.S. 150, 165, n. 27, (1983), quoting from *United States v. Price*, 361 U.S. 304, 313 (1960). See also *United States v. Clark*, 445 U.S. 23, 33 (1980). Accord, *Consumer Product Safety Commission v. GTE Sylvania, Inc.*, 447 U.S. 102, 117 (1980), and *Independent Ins. Agents of America, Inc. v. Clarke*, 1992 Westlaw 18293, p. 7 (D.C. Cir. Feb. 7 1992).

sections (4) and (5) did not affect the existing language of § 271(d). Nor has there been any ongoing Congressional oversight of Section 271(d); in the 36 years between 1952 and 1988, the addition of subsections (4) and (5) in 1988 was the first legislative activity with respect to Section 271(d). Moreover, not one of the Congressmen who participated in the House subcommittee hearings on what came to be the Patent Code of 1952, which included Section 271(d), was still in Congress in 1988. No objective considerations point to the appropriateness of departing from the "well settled" rule.

Even more significantly, Mr. Calkins' view, as quoted by Judge Jensen above, is true only in the sense that earlier bills would have explicitly abolished the presumption in antitrust cases that patents convey market power and would have limited patent misuse to antitrust violations.¹¹ There was absolutely nothing, however, in the legislative history of Title II of Public Law 100-703, which added subsections (4) and (5) to § 271(d), which focused one way or the other on the meaning of § 271(d). The legislative history is limited to statements by Senators DeConcini and Leahy on the floor of the Senate¹² and Congressmen Moorhead and Kastenmeier on the floor of the House.¹³ It is literally true that Section 271(d) was not referred to at all in any of their statements. The sole reference to Section 271(d) appears when the proposed bill is quoted at the beginning of the floor discussion. The only conclusion possible from these materials is that Congress in 1988 did not change, or intend to change, the meaning of Section 271(d) from what it meant when it was passed in 1952. The question which must be addressed, then, is: What did it mean when it was passed?

II. SECTION 271(D) — ANALYSIS

Section 271(d) was passed as part of the Patent Codification Act in 1952 and provided as quoted above. [D]eemed guilty of . . . illegal extension of the patent right" is certainly language which could be construed to cover an antitrust violation. Under ordinary canons of construction, it would seem to include more than mere "misuse" for it is used in tandem with "misuse or" — deemed guilty of misuse

¹¹ See, Hoerner, "Patent Misuse: The Law Changes," 1 *J. Proprietary Rights* 10 (February 1989), notes 3 through 8 and accompanying text.

¹² 134 Cong. Rec. S77146-49 (October 21, 1988).

¹³ 134 Cong. Rec. H10646-49 (October 20, 1988).

or illegal extension and if "illegal extension" meant no more than "misuse," the words would be completely redundant.¹⁴

Even more fundamentally, the section states that "no patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief" by reason of doing anything protected by the subsections of Section (d). At the time Section 271(d) was passed, it was established law that the use of a patent in violation of the antitrust laws rendered the patent unenforceable and required that the patentee be denied relief.¹⁵

[S]o long as the patent owner is using his patent in violation of the antitrust laws, he cannot restrain infringement of it by others.

Since that principle was established law in 1952, the provision in Section 271(d) that a patent owner would *not* be "denied relief" by reason of having acted within one of the subsections of Section 271(d) meant either (i) that activity within the subsections was protected against a finding of antitrust violation or else (ii) that the principle — that use of a patent in violation of the antitrust laws precluded relief — was abrogated as to activities within the subsections. Proposition (i) seems more likely than proposition (ii) for no one, to the author's knowledge, has ever argued that a patentee could continue to obtain relief against infringement despite the use of his patent to violate the antitrust laws,¹⁶ nor has any case so held.

Finally, the principle that activity within the patent laws cannot be made an antitrust violation, which was also well established in 1952, strongly suggests that activity within any subsection of § 271(d) could not be an antitrust violation:¹⁷

Of course, there is restraint in a patent. Its strength is in the restraint, the right to exclude others from the use of the invention, absolutely or on the terms the patentee chooses to impose. This strength is the compensation which the law grants

¹⁴ The principle that implied repeals of the antitrust laws are strongly disfavored, e.g., cases cited in *United States v. Philadelphia National Bank*, 374 U.S. 321, 350, note 28 (1963), has no room to operate here, for there is specific language in § 271(d) protecting activity within its subsections, and the question is what it means. In any event, it has long been the law that infringement suits under the patent laws to exclude competitors cannot be made the basis of antitrust liability. See cases cited in notes 17 and 19, *infra*.

¹⁵ *Hartford Empire Co. v. United States*, 323 U.S. 386, 415 (1945). See, also, 323 U.S. at 419.

¹⁶ The sole possible exception is the author. See, Hoerner, "Patent Misuse," 53 *Antitrust L.J.* 641, 655-57 (1985).

¹⁷ *United States v. United Shoe Mach. Co.*, 247 U.S. 32, 57 (1918), *adhered to*, *United Shoe Mach. Co. v. United States*, 258 U.S. 451, 461-462 (1922).

for the exercise of invention. *Its exertion within the filed covered by the patent law is not an offense against the Anti-Trust act.* [Emphasis supplied.]

The *United Shoe Machinery* case, from which the above quotation was taken, was cited in the hearings¹⁸ on what came to be § 271(d). This proposition has been echoed in subsequent cases.¹⁹

An analysis of the text of Section 271(d) thus compels the conclusion that the section does protect activities within the subsections from a finding of antitrust violation.

III. SECTION 271(D) — LEGISLATIVE HISTORY

Does the legislative history require that this conclusion be changed? The House Judiciary Subcommittee which heard testimony on the new Patent Code was told that it was “a lawyer’s bill dealing with an exceedingly technical subject.”²⁰ Mr. Giles Rich, then a New York City patent attorney, now Judge Rich, and hereafter referred to as Mr. Rich, continued with respect to what became § 271: “Patent law is called the metaphysics of law and this is the metaphysics of patent law.”²¹ The proposal which became § 271 originated with the New York Patent Law Association²² and Mr. Rich was its chief spokesman.²³ Hearings were held on the proposals which became §

¹⁸ Hearings II, note 25, *infra*, p. 57.

¹⁹ *E.g.*, *United States v. E.I. DuPont de Nemours & Co.*, 118 F. Supp. 41, 214 (D. Del. 1953), *aff'd*, 351 U.S. 377 (1956); *SCM Corp. v. Xerox Corp.*, 645 F.2d 1195, 1206 (2d Cir. 1981), *cert. denied*, 455 U.S. 1016 (1982).

²⁰ Hearings II, note 25, *infra*, p. 73.

²¹ *Ibid.*

²² *See*, *Dawson Chemical Co. v. Rohm & Haas Co.*, 448 U.S. 176, 205 (1980).

²³ The process by which the Patent Code of 1952 became law has been discussed in *Dawson Chemical Co. v. Rohm & Haas Co.*, 448 U.S. 176, 202-212 (1980); Zinn, “Commentary on New Title 35, U.S. Code, ‘Patents,’ ” 2 *U.S.C. Cong. & Admin News*, 82nd Cong., 2d Sess. 2507 (1952); Rich, Address: “The Patent Act of 1952,” *New York Patent Law Assn.* (Nov. 6, 1952); Rich, “Congressional Intent — Or, Who Wrote the Patent Act of 1952?” in *Patent Procurement and Exploitation — Protecting Intellectual Rights*, Southwestern Legal Foundation (BNA 1963), citing at pages 75, 76 and 78, note 18, and quoting from [Congressman] Crumpacker’s San Francisco speech to the A.B.A. reprinted in “Symposium on Patents,” *Summary of Proceedings, Section of Patents, Trademark and Copyright Law*, pp. 141, 143 (Chicago: American Bar Center, 1962).

271 on May 5, 7, and 12, 1948²⁴ (Hearings I), May 25 and June 3, 1949²⁵ (Hearings II), and June 13-15, 1951²⁶ (Hearings III).

A. Committee Reports.

The House²⁷ and Senate²⁸ reports, which make identical statements relevant to § 271, are opaque on the subject under consideration. They say:

[T]here are a number of changes in substantive statutory law. These will be explained in some detail in the revision notes keyed to each section which appear in the appendix of this report. The major changes or innovations in the title consist of incorporating a requirement for invention in § 103 and the judicial doctrine of contributory infringement in § 271.

* * *

The last paragraph [(d)] of this section [271] provides that one who merely does what he is authorized to do by statute is not guilty of misuse of the patent. These paragraphs have as their main purpose clarification and stabilization.

* * *

APPENDIX

* * *

Paragraphs (b) and (c) [of § 271] define and limit contributory infringement of a patent and paragraph (d) is ancillary to these paragraphs, see preliminary general description of bill. . . . A patentee is not deemed to have misused his patent solely by reason of doing anything authorized by the section.

²⁴ Hearings before Subcommittee on Patents, Trade-marks, and Copyrights of the Committee on the Judiciary, House of Representatives, 80th Cong., 2nd Sess. on H.R. 5988, a bill to provide for the protection of patent rights where enforcement against direct infringers is impracticable, to define "contributory infringement," and for other purposes, May 5, 7 and 12, 1948, Serial No. 21 (hereinafter "Hearings I").

²⁵ Hearings before Subcommittee No. 4 of the Committee on the Judiciary, House of Representatives, 81st Cong., 1st Sess. on H.R. 3866, a bill to provide for the protection of patent rights where enforcement against direct infringers is impracticable, to define "contributory infringement," and for other purposes, May 25 and June 3, 1949, Serial No. 17 (hereinafter "Hearings II").

²⁶ Hearings before Subcommittee No. 3 of the Committee on the Judiciary, House of Representatives, 82nd Cong., 1st Sess. on H.R. 3760, a bill to revise and codify the laws relating to patents and the Patent Office, and to enact into law Title 35 of the United States Code entitled "Patents," June 13, 14 and 15, 1951, Serial No. 9 (hereinafter "Hearings III").

²⁷ House Report No. 1923 [to accompany H.R. 7794] 82d Cong., 2d Sess., Revision of Title 35, United States Code "Patents," May 12, 1952 (pp. 5, 9, 28).

²⁸ Senate Report No. 1979 [to accompany H.R. 7794], 82d Cong., 2d Sess., Revision of Title 35, United States Code, June 27, 1952, Calendar No. 1908 (pp. 4, 8, 28).

B. Floor Debate.

There was essentially no debate on the Patent Codification Act when it was passed.²⁹ After Senator McCarran said in response to a question from Senator Saltonstall that H.R. 7794 “codifies the present patent laws,”³⁰ Senator McCarran received unanimous consent to place a statement in the record which said: “In view of decisions of the Supreme Court and others as well as trial by practice and error there have been some changes in the law of patents as it now exists and some new terminology used.”³¹

C. Hearings

Accordingly, if enlightenment is to be found in the legislative history, it must be found in the hearings. The hearings are more helpful than usual, not only because Mr. Rich, representing New York Patent Law Association, was a principal author of the Bill, but also because Section 5 of H.R. 5988, 80th Congress, 2nd Sess., (1948) and Section 5 of H.R. 3866, 81st Congress, 1st Sess. (1949), are essentially identical to § 271(d) as passed.³² The only difference is that where § 271(d) says “. . . extension of the patent right by reason of his having done . . . ,” both bills stated “. . . extension of the patent *monopoly because he has done*” The only dif-

²⁹ See, 98 Cong. Rec. S9096 (July 3, 1952), S9116 (July 3, 1952), S9323 (July 3, 1952), and H9451 (July 4, 1952).

³⁰ 98 Cong. Rec. S9323 (July 3, 1952).

³¹ *Ibid.*

³² The entirety of H.R. 5988, which is identical to H.R. 3866, is as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled. That any person who shall actively induce infringement of a patent shall be liable as an infringer.

Sec. 2. Any person who shall contribute to the infringement of a patent in the manner set forth in section 3 shall be liable as an infringer.

Sec. 3. The sale of a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, if especially made or adapted for use in infringement of such patent, and not suitable for actual commercial noninfringing use, shall constitute contributory infringement.

Sec. 4. The mere sale of any staple articles or commodity of commerce not especially made or adapted for use in a patented invention, and suitable for actual commercial noninfringing use, shall not of itself constitute contributory infringement, even though sold with the knowledge or expectation that it will be used in infringement of the patent.

Sec. 5. No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent monopoly because he has done one or more of the following: (a) Derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (b) licensed or authorized one or more persons to perform acts which if performed without his consent would constitute contributory infringement of the patent; (c) sought to enforce his patent rights against infringement or contributory infringement.

ference is in the five underlined words which would appear to make no difference at all. Section 231(d) of H.R. 3760, 82d Congress, 1st Sess. (1951) was identical to § 271(d) as passed.

The 1948 Hearings (Hearings I) began with a presentation by Mr. Rich in support of H.R. 5988, which was to become § 271. Near the conclusion of his remarks, he stated:³³

We think that this bill strikes a proper balance between the field of the patent law on the one hand and the field of general law in which antitrust laws operate on the other hand; and we have pondered this bill for a long time.

The implication is that which was made contributory infringement by H.R. 5988 could not be found to be an antitrust violation.

Robert W. Byerly, representing the Committee on Patents of the Association of the Bar of the City of New York, which "has voted unanimously to approve this bill"³⁴ next spoke. Among his remarks were the following:³⁵

Now that conflict and confusion in the law is a serious matter and concerns more than the law of patents because it is fairly obvious that if a patentee goes outside of the rights given by his patents and tries to monopolize something else, he is violating the anti-trust laws. So now we have a curious situation where a patentee, thinking perhaps that he is acting under this residuum under the law of contributory infringement, makes some arrangement perfectly logical from his point of view of enforcing his patent, such as suing somebody who has the heart of his invention and sells it to somebody else to use in the invention; yet if he has made a mistake about that he not only prevents his patent from being enforcible but he may find himself prosecuted under the anti-trust laws.

* * *

Well now, that [section 4 of H.R. 5988] protects the man who sells screws or asphalt or any ordinary commodity, even if he knows that somebody is going to use it in infringement of a patent. He is not guilty of contributory infringement and consequently anybody who tries to place a restriction on the sales of such articles is likely to run afoul of the antitrust law. I feel that this distinction included very definitely in sections 3 and 4, will be a help not only to the patentee but to the Antitrust Department because in this branch of patent law at least it draws as distinct a law as you can in language. I do not say that it is always disputed as to what language means. But it is more definite than any law has been before between what the patentee can do and cannot do. So it shows the Department of Justice

33 Hearings I, P. 11.

34 Hearings I, p. 12.

35 Hearings I, pp. 13, 16.

whom they ought to prosecute and shows the patentee what he may safely do to enforce the rights that the Government has given him.

Mr. Byerly felt that the antitrust laws began only where the doctrine of contributory infringement, as it was to be defined, left off.

The statement of the Association of the Bar of the City of New York, which was placed in the Record, is even more clear:³⁶

[O]ne who acts in reliance on the doctrine of contributory infringement as heretofore understood may not only forfeit his patent but also be adjudged guilty of violating the Sherman Act if he has by mistake gone beyond the "residuum" of the doctrine that remains.

The enactment of H.R. 5988 would end this confusion.

* * *

Thus, in connection with contributory infringement, the bill draws a sharp line of demarcation between the patent law and the antitrust law. This will enable patentees to protect their property without inadvertent violation of the Sherman Act, and will also simplify the work of the Department of Justice by clearly defining a field in which restraint of trade cannot be justified under the patent law.

Roy C. Hackley, who was "speaking for the Department [of Justice],"³⁷ had no doubt that the Bill effected an amendment of the antitrust laws.³⁸

In addition, an effort is made in the language of the bill to obviate particular acts, asserted to be contributory infringement, as being construed as violative of the antitrust laws.

* * *

Section 5 is perhaps aimed at no more than insuring that reliance upon statutory contributory infringement shall not in itself constitute a violation of the antitrust laws, a proper objective, although as drawn, this section is nevertheless susceptible of construction beyond that point.

An interesting June 8, 1948 comment on the second portion of Mr. Hackley's quotation, set out above, by the New York Patent Law Association, appears in the Appendix to the Hearings.³⁹ It objects to Mr. Hackley's suggestion that Section 5 "is nevertheless susceptible of construction beyond this point" and states that Section 5:

³⁶ Hearings I, pp. 19-20.

³⁷ Hearings I, p. 65.

³⁸ Hearings I, pp. 68, 69, repeated in Mr. Hackley's written statement appearing in the Appendix at pp. 85, 86.

³⁹ Hearings I, pp. 71-72.

. . . is limited by Sections 3 and 4 defining contributory infringement, and, therefore, can give no immunity from the antitrust laws to anyone who seeks to control any staple article or commodity of commerce by suit, by license, or by other assertion of his patent rights.

The report [referring to Mr. Hackley's statement] concedes that it is proper to legislate that reliance on the defined right of contributory infringement shall not in itself, violate the antitrust laws.

* * *

Thus, the provisions of Section 5 are necessary to achieve the "proper objective" of "insuring that reliance upon statutory contributory infringement shall not in itself constitute a violation of the antitrust laws,"

The 1949 Hearings (Hearings II), again, lead off with a statement by Mr. Rich, who was the first of six persons to testify. Stephen Cerstvik testified on behalf of the Patent Committee of the Aircraft Industries Association and argued that the bill (now H.R. 3866) was not sufficiently expansive in protecting the doctrine of contributory infringement. He did, however, indicate his understanding that whatever scope Congress determined the doctrine should have would be immune from a charge of antitrust violation:⁴⁰

If we restore the contributory infringement doctrine, we will eliminate a lot of headaches and a lot of alleged violations of the antitrust laws.

John C. Stedman testified to "the position of the Department of Justice and of the Attorney General."⁴¹ Unlike Mr. Hackley, who appeared to be tepidly in favor of the Bill, Mr. Stedman said that the Department's "inclination is against."⁴² Part of the reason for his opposition was that the bill would effect a *pro tanto* amendment of the antitrust laws.⁴³

For the reasons stated, it is our view that H.R. 3866 is unnecessary for the purpose of clarifying or defining contributory infringement, and is affirmatively detrimental in that it would inject confusion into a law that is now clear and would unwarrantedly limit the application of the antitrust laws.

* * *

40 Hearings II, p. 30.

41 Hearings II, p. 64.

42 Hearings II, p. 50.

43 Hearings II, pp. 56, 57.

The doctrine would probably be invoked that if something is specifically authorized by the patent laws, then it does not constitute a violation of the Clayton Act, for instance, and the other antitrust laws. That thought was expressed back in the old Shoe Machinery case [*United States v. United Shoe Mach. Co.*, 247 U.S. 32, 57 (1918); *adhered to, United Shoe Mach. Co. v. United States*, 258 U.S. 451, 461-62 (1922)] and has been recently expressed in one of the tie-in clause cases, I believe the case of *Detroit Lubricator v. Toussaint*. [63 U.S.P.Q. 139, 57 F. Supp 837 (N.D. Ill. 1944)].

It has been recognized that the effect of passing this bill might be to carve out an area in which the antitrust laws would not operate, even though the specified acts would be a misuse under the present statute. The statute would then say that such acts were no longer a misuse. That is what we are concerned about.

The Committee members fully understood Mr. Stedman's view that Section 5 would effect a *pro tanto* amendment of the antitrust laws, for Representative Goodwin (R) of Massachusetts, stated:⁴⁴

Mr. Stedman, your final point is that H.R. 3866 would leave unwarranted the application of antitrust laws.

* * *

So what you bring us here is not only your experience which naturally leads you to seek the inviolability of the Sherman Act and the Clayton Act; you also bring to us your experience with the patent-law cases?

Mr. Stedman's opposition did not, of course, prevail.

Mr. Rich appeared again, in rebuttal of Mr. Stedman. He appeared to agree with Mr. Stedman that the Bill would amend the antitrust laws, but emphasized that the amendment would only apply to those things defined in the Bill to be contributory infringement.⁴⁵

Now as to section 5. For the most part I agree with everything Mr. Stedman has said in his interpretation of that section, but it seems to me that he ignores the fact that the section is limited to contributory infringement as defined in the preceding parts of the bill.

The 1951 Hearings on H.R. 3760 (Hearings III) were held on June 13, 14 and 15. H.R. 3760 was, by that time, the entire new Patent Code. What came to be § 271 was § 231 in H.R. 3760. Section 231, including § 231(d), was identical to § 271 as ultimately passed.

⁴⁴ Hearings II, p. 59.

⁴⁵ Hearings II, p. 67.

Because the witnesses were testifying as to the entire new Patent Code, there was less focus on § 231 and on the question whether subsection (d) would or would not amend the antitrust laws. T. Hayward Brown, Chief, Patent Litigation Unit, Claims Division, Department of Justice, expressed "the views of the Department of Justice concerning H.R. 3760"⁴⁶ In opposing § 100(a) of H.R. 3760 — "The term 'invention' includes discoveries." — Mr. Brown stated:

The Department would be opposed to the creation of any new area of monopoly which would be exempt from the operation of the antitrust laws in the absence of clear evidence that such extension is necessary to provide adequate incentive for scientific effort.

In addressing § 231, Mr. Brown quoted subsection (d), and then commented on it as follows:⁴⁷

Paragraph (d) would greatly impair the salutary doctrine that a patentee who has misused his patents may not recover in a suit for either direct or contributory infringement. The Supreme Court has held that a requirement by a patentee that users purchase from him or his exclusive licensee unpatented parts not within the scope of the patent, was a misuse of the patent and barred recovery even though contributory infringement was assumed to exist. *This doctrine is a most important factor in the enforcement of the antitrust laws with respect to tying arrangements and the Department is opposed to any impairment thereof.* [Emphasis supplied.]

The clear implication of Mr. Brown's remarks is that activities protected by the new Patent Code would be exempt from the antitrust laws and that the Department regarded that subsection (d) would impair the enforcement of the antitrust laws with respect to tying arrangements if § 231 passed, as it did.

Mr. Federico of the United States Patent Office spoke to Section 231, but declined to state whether and, if so, to what extent, it would change existing law.⁴⁸ Representative Rogers⁴⁹ then engaged in this exchange with Mr. Federico:⁵⁰

Mr. Rogers. Would it necessarily follow that if we did include it [§ 231] in this bill, that the argument would be that Congress has at least accepted the interpre-

46 Hearings III, p. 93.

47 Hearings III, p. 97.

48 Hearings III, p. 105:

If a person takes the position that the [Supreme Court] decisions mean a certain thing, then it could be said that these do not do very much. But it is very easy to take another position, that the decisions mean something quite different; in which event the section would do something.

49 Democrat, Colorado.

50 Hearings III, p. 106.

tation that certain individuals [obviously referring to Mr. Rich, and the other proponents] have placed upon these decisions as to what constitutes contributory infringement, and say that Congress is satisfied to interpret those decisions in this manner?

Mr. Federico. I think it would. I think it would be picking a path.

This exchange seems to mean that Representative Rogers, at least, believed that Section 231, if it were included in the bill, as it was, would be freighted with the meaning given it by its proponents (as well as its opponents for that matter), that the antitrust laws would be *pro tanto* amended; that is, amended to the extent of activities by patent owners which, if done without authorization by another, would be contributory infringement under subsection (c).

A major debate on § 231 appears from pages 150 through 176 of Hearings III. Mr. Rich testified from pages 150 to 162 in favor of § 231; Wilbur L. Fugate, Trial Attorney, Antitrust Division, Department of Justice, testified "to amplify some of what Mr. Brown said yesterday"⁵¹ in opposition.⁵² Mr. Rich offered a rejoinder from pages 169 to 172, and it was "back and forth" between Mr. Rich and Mr. Fugate from pages 172 to 176.

Neither witness discussed the question under consideration. Mr. Rich's view was that a patentee should be entitled to recover if the defendant were infringing under § 231 (a), (b) or (c) and the patentee did nothing more than that permitted by § 231(d)(1), (2) and (3). Mr. Fugate's view was that there should be no § 231(d) and that if the patentee were acting to control commerce in less than the entire claimed invention, then he should be denied recovery even if the defendant were guilty of infringement or inducing infringement, or contributory infringement under § 231(c).

It is of some considerable significance, however, that the Deputy Attorney General of the United States, Peyton Ford, submitted to Representative Celler,⁵³ Chairman of the House Committee on the Judiciary, a July 3, 1951 letter⁵⁴ enclosing "an extension of the testimony of Mr. Wilbur Fugate, of this Department, relative to H.R.

⁵¹ Hearings III, p. 162.

⁵² Hearings III, p. 166.

⁵³ Democrat, New York.

⁵⁴ Hearings III, p. 206.

3760,"⁵⁵ stating that "time did not permit a completion of his statement,"⁵⁶ and opining:⁵⁷

The rule that a patentee who has misused his patents may not recover in a suit for direct or contributory infringement is, in the opinion of the Department, a salutary principle which is important in the enforcement of the antitrust laws.

The continued statement of Mr. Fugate concludes as follows:⁵⁸

To summarize, *the Department of Justice objects to section 231 since its effect might be to carve out an area in which the antitrust laws would not operate. Acts which are a misuse of patents, particularly the expansion of the patent to cover unpatented articles might no longer be a misuse. The proponents of the bill indicate that such a result is contemplated in the language of section 231. The courts are not confused as to the Mercoid doctrine and the Department opposes making an exception to the misuse doctrine under the guise of clarifying the law. [Emphasis supplied.]*

Thus, the last word from the Department of Justice, via the Deputy Attorney General, was that it opposed § 231 because it would probably have the effect of carving out an area where the antitrust laws would not operate. In the face of that opposition for that reason, Congress passed § 231 without change, renumbered in the enacted Patent Code as § 271.

IV. SECTION 271(D) — CONCLUSION

1. The language "no patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief . . . by reason of his having done [acts within the subsections of § 271]" prevents a finding of antitrust violation so long as the rule obtains that use of a patent in violation of the antitrust laws precludes enforcement. There was not the slightest hint in the legislative history of § 271(d) that that rule was intended to be changed. The conclusion is, accordingly, inescapable that acts within the subsections of § 271(d) were protected from a finding of antitrust violation.⁵⁹

⁵⁵ *Ibid.*

⁵⁶ *Ibid.*

⁵⁷ *Ibid.*

⁵⁸ Hearings III, p. 207.

⁵⁹ Were this not so, activity within one of the subsections could be found an antitrust violation, and therefore a patent misuse, in the very teeth of § 271(d) which says that activity within the subsections may not be deemed misuse.

2. The language: “no patent owner otherwise entitled to relief for infringement or contributory infringement shall be . . . deemed *guilty* of . . . illegal extension of the patent right by reason of his having done [acts covered by the subsections of § 271]” is certainly broad enough to provide for an exemption from the antitrust laws, and *every witness* who testified relative to the question whether § 271(d) would or would not provide antitrust immunity for the acts enumerated in the subsections either stated that it would so provide or that it would probably so provide. This was true not only of proponents but of opponents.

3. The principle that activity permitted by the patent laws could not be an antitrust violation was called to the attention of Congress at several different points in the Hearings and neither any witness nor any Congressman suggested that that principle would not be applicable in the case of § 271. Indeed, it was the Department of Justice which raised the probable applicability of the principle as a reason for its opposition.

The Hearings thus point unanimously in the same direction as that required by an analysis of the language of 271(d); namely, that conduct set out in the subsections of § 271(d) is protected from a finding of antitrust violation. The conclusion is, therefore, required that when Congress in 1988 added new subsections (4) and (5) to § 271(d), conduct covered by them is also immune from a charge of antitrust violation. This follows because it cannot be that the same lead-in language of § 271(d) means one thing when applied to conduct protected by subsections (1), (2) and (3), but a wholly different thing when applied to conduct protected by subsections (4) and (5).⁶⁰

Accordingly §§ 271(d)(4) and (5) protect from a finding of antitrust violation a patent owner who has “refused to license or use any rights to the patent” or who engages in tying with respect to his patent or patented product if “in view of the circumstances, the patent owner [does not have] market power in the relevant market for the patent or patented product” involved.

⁶⁰ This follows *a fortiori* from the established principle that identical language used in two different sections of the same statute means the same thing. *E.g.*, *Firestone v. Howerton*, 671 F.2d 317, 320 (9th Cir. 1982), and cases cited in *Curry v. Block*, 541 F. Supp. 506, 518 (S.D. Ga. 1982), *aff'd*, 738 F.2d 1556 (11th Cir. 1984).

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June 22, 1994

The Honorable Giles S. Rich
CHAMBERS
United States Court of Appeals
for The Federal Circuit
717 Madison Place, NW, #401
Washington, D.C. 20439

Dear Judge Rich:

For the last 10 years, I have been greatly interested in the interface between the antitrust laws and the patent laws, including particularly the doctrine of patent misuse and the appropriate scope of 35 U.S.C. § 271(d). See the enclosed compendium of my writings.

My most recent article, which is the top article in the compendium, concerns the proper interpretation of 35 U.S.C. § 271(d). I there examine in considerable detail the legislative history of that section, which involves the hearings held in 1948, 1949 and 1951. You figure prominently in those hearings; indeed, I think it fair to say that you were the dominant player.

I should very much appreciate learning whether you believe that I have analyzed the hearings fairly and reached a sound conclusion. If you request that I keep any reply to my inquiry in confidence, either temporarily or permanently, I shall be pleased to do so.

You have my congratulations, not only on reaching your 90th birthday, but on being a lively and active Judge while doing so.

Thank you for your attention to this request.

Respectfully submitted,

Robert J. Hoerner

Enclosure

United States Court of Appeals
for the Federal Circuit

28 June 1994

Chambers of
Siles S. Rich
Circuit Judge

717 Madison Place, N.W.
Washington, D.C. 20439
Phone: 202-633-6575

Robert J. Hoerner, Esquire
North Point
901 Lakeside Avenue
Cleveland, Ohio 44114

Dear Mr. Hoerner:

This is in reply to yours of June 22nd. I have read your "top article" rather hurriedly but sufficiently, I think, to say that you seem to have correctly interpreted the hearings on the contributory infringement revision bills and the 1952 Act, the former now being the original Sec. 271 of the latter.

Let me give you a little history.

The background for the whole picture you will find in a paper I wrote entitled "The Relation between Patent Practices and the Anti-Monopoly Laws" which was published in 5 successive installments in the JPOS beginning in February 1942 (Vol. XXIV). I wrote the paper for a prize competition but the prize was awarded to Laurence I. Wood. His book was published in 1942 by Commerce Clearing House, Inc., under the title "Patents and Antitrust Law." My articles got published first. I enclose the first four pages of my paper. Thirty-eight years on the bench have only reinforced my beliefs of 52 years ago and their continuing validity. By happenstance, I had made a sort of hobby of contributory infringement case law and the competition stimulated my interest in the anti-trust angle. I determined to resolve the superficial inconsistency between patent monopolies and anti-monopoly statutes, unfortunately called "anti-trust." I mention in passing that my college major was economics.

After the Supreme Court, as a practical matter, eradicated contributory infringement the NYPLA undertook to revive it. As you are aware, Robert Byerly drafted the first bill, which was referred to a committee on which I was a member. My first reaction to his bill was that the attempt to revive contributory infringement by enacting what are now

Sections 271(a), (b) and (c) would be to no avail unless something was done about the law of patent misuse. That was the purpose of original paragraph 271(d) which I added. Later, as chairman of the patent law and practice committee of the NYPLA it fell to my lot to try to sell the bill to the House subcommittee on patents, which I worked on for a couple of years. This enterprise, among others, led to the committee conceiving the idea of "codifying" Title 35.

My activity on the contributory infringement bills led rather directly to my being appointed a member of the two-man drafting committee of the Coordinating Committee of the National Council of PLA's which prepared the Patent Act of 1952. With this background, I was selected to handle the matter of what became Sec. 271 at the hearings on the 1952 Act bill. So you are quite correct in saying that on that subject I was the dominant player.

I have no personal connection at all with respect to the 1988 amendments to §271 and therefore am not in a position to judge any comments you have made about them in your article. I will state my personal present opinion to the effect that 271(d)(4) and (5) are a very sloppy job of statutory drafting. In fact, I think subparagraph (4) is quite unintelligible though I can guess at its purpose. What in the world is meant by the phrase "use any rights to the patent"? Subparagraph (5) contains a parallel phrase "any rights to the patent". I am puzzled by the inability of patent lawyers to talk sense when it comes to the patent right and they constantly lead judges into referring to inventions as patents and vice versa and similar misuse of the language. Another reason for not commenting on the 1988 amendments is, of course, that I might have to pass on their meaning some day.

While I am on this tack, let me ask what you mean in the first paragraph of your Conclusion by the expression "use of a patent in violation of the antitrust laws precludes enforcement." It seems to me a complete begging of the question with which you are trying to deal. As I have pointed out above and as you seem to understand, §271(d), at least in its original form, had the sole purpose of making clear that enforcing a claim of contributory infringement would not be a violation of the antitrust laws.

I must also point out that patent misuse, as the concept was developed by case law over a period of some 80 years, was not necessarily equivalent to violation of the antitrust laws. There could be patent misuse without antitrust violation. The latter was harder to prove.

I am indebted to you for reviving my memories of some interesting times over 40 years ago, debating the same topic with people named John C. Steadman, Roy Hackley, Wilbur Fugate et al. They were purveying the general sentiment of the AT Division of the time which was generally antipatent. I think the AT Division has now revised its views of patents, which they now seem to regard as beneficial to the country.

I hope you have access to the book edited by one of my former lawclerks, John Witherspoon, entitled "Nonobviousness--the Ultimate Condition of Patentability," BNA 1980. In it you will find an article I wrote entitled "Congressional Intent--Or, Who Wrote the Patent Act of 1952." At the time I wrote it, all of the people actively involved were still alive and approved of the text, so it is accurate history.

Carry on!

Sincerely,

A handwritten signature in cursive script, appearing to read "Felix S. Rich". The signature is written in dark ink and is positioned to the right of the typed name "Felix S. Rich".

Enclosure

The Relation between Patent Practices and the Anti-Monopoly Laws.

By GILES S. RICH *

"Clearly then, Wisdom is knowledge about certain principles and causes."
Aristotle, *Metaphysics*, Bk.A.982a

OUTLINE

INTRODUCTION

I ARE LETTERS PATENT GRANTS OF MONOPOLY?

The Current Confusion
Historical Basis of the Confusion
Basis of the Contention that Patents are Not Monopolies
Monopoly—The Word
Basis of the Contention that Patents Are Monopolies
"Monopoly" is a Word of Wide Scope
The Theory that Patents Restrict "Natural" Rights

(To be Continued)

II THE PATENT RIGHT—WHAT IT IS AND WHY IT IS GRANTED

III EXTRA—LEGAL MONOPOLY

IV IMPROPER USE OF A PATENT

V RATIONALE OF LAWFUL LICENSE

INTRODUCTION

"One-half the doubts in life arise from the defects of language."¹

"It is one of the misfortunes of the law that ideas become encysted in phrases and therefore ^{it is} for a long time cease to provoke further analysis."²

A more appropriate opening for a consideration of the topic encompassed by the title of this study than these two philosophic utterances of the United States Supreme Court could scarcely be found. The semantics of the vocabulary of patent law, should that subject ever be adequately studied, would show that those who attempt to

* Patent Attorney, New York City. All rights reserved by the author.

¹ Mr. Justice Johnson, in *Gibbons v. Ogden*, 9 Wheat. (22 U. S.) 1, 232.

² Mr. Justice Holmes, in *Hyde v. United States*, 225 U. S. 347, 391. *(The Times)*

discuss the patent system, either by itself or in relation to the anti-monopoly laws, and whether as friends or foes of the patent system, are subject to a tyranny of words. Many of the key terms they use have become so ambiguous or are used with such cavalier disregard of their true meaning that the literature of this subject presents a picture of utter confusion.

The failure, and not infrequently the clearly evident inability, of many writers and of many courts to disregard the verbiage and come to grips with the realities of the situation with which they are confronted, in dealing with problems involving patents, has resulted in many conflicting views. Conflicting views when expressed by the courts, are, under the doctrine of *stare decisis*, conflicts in authority. Conflicting authorities result in an unsettled state of the law which leads to uncertainties as to rights and liabilities, to trouble, dispute and litigation. Litigation, like war, is a net social loss because it is both expensive and unproductive.

In writing what is herein contained, our primary aim has been to be useful. Study of the relationship between patent practices and the anti-monopoly laws has created in us the firm conviction that what is most needed is understanding.

While the problem is primarily a legal one, it embraces the fields of two groups in the legal profession at least one of which, the patent bar, is highly specialized. The exigencies of the practice of law, like the practice of medicine, necessitate such segregation. Life is too short to permit one to become a master of more than one complex field while simultaneously earning a living in it. The inevitable result has been that lawyers charged with the enforcement of the anti-monopoly laws, on behalf of government, have not had the opportunity to gain an understanding of patent law. Patent lawyers likewise, engaged primarily in the obtaining and enforcing of patent rights, are in general not conversant with the anti-monopoly laws.

At first sight this may seem strange because both fields of law deal with the same subject—monopoly. The patent law creates it, the anti-trust law condemns it. But there again is a situation which keeps the practitioners apart. When they do meet, they are on opposite sides of the fence contending for diametrically opposed results. The advocate for a cause is not usually eager for an understanding of his opponent's views.

There can be no doubt that by far the greater part of the misunderstanding is as to patent law. A conspiracy to restrain trade is relatively easy for the average business man or lawyer to grasp. He sees agreements not to compete, prices fixed, competitors undersold and that is that. He needs little or no knowledge of law to comprehend what is going on. But in dealing with patents, for some strange reason, he becomes completely lost. An unfamiliar language is spoken that, even with training in general law, he can not keep straight. The simple word "patent" he uses to mean a legal paper, a legal right, an invention or a machine. Infringement, anticipation, domination, claim, specification, prior art, statutory bar bewilder and confuse him.

It will aid our comprehension of some of the strange things that have happened in this field of law if, for a moment, we stop thinking of benches and bars and remember what courts and counsel really are. A District Court is one man. A Circuit Court of Appeals is three men (or possibly two men and a woman). The Supreme Court of the United States is nine men. To enhance the dignity of the law we cease to call them men and refer to them as courts. In so doing we do not endow them with knowledge they did not have before. Prior to their metamorphosis and the assumption of the black robes of justice they were all lawyers, lawyers of all kinds but almost never patent lawyers. Their knowledge of patent law has usually been acquired out of the necessity of deciding patent cases and with the aid of counsel appearing before them. And what are counsel? Advocates fighting for their clients' causes, seizing upon every available pre-

cedent and text to make a point, concocting and compounding ideas and encysting them in phrases calculated to please the ear and becloud the real issues. These counsel too are men. Nor are they cloistered scholars searching for ultimate truths. They stand at the bar earning their daily bread. They cannot lose too many cases.

Not only have some strange decisions been made by these men in their official capacities but strange things are constantly being said in opinions which support sound decisions. A quotation can be found somewhere to support almost any contention. Patents are now monopolies and again not monopolies. Here they are grants of right to make use and sell and there they are merely rights to exclude. Sometimes they are "mere licenses to sue". The patent law conflicts with the anti-trust law and then again there is no conflict at all. One judge thinks that a patent is a narrow exception to the public policy against monopoly and another that it is a Constitutional guaranty of a property right.

There is, however, through all this confusion a clear thread of sound law which it is possible to locate, like the channel at the bottom of a muddy river, and what we shall endeavor to do is to set the buoys which mark this channel so that those who have a sincere desire to stay in deep water and keep away from shoals may do so.

To press the analogy one point further, it is essential to know that this channel which we shall try to mark has not always been in the same place and that the course which we must navigate today is not the same course which it was possible to follow during a considerable period at the beginning of this century.

Patent law went on a spree from 1896 to 1917, primarily in the lower courts. The Supreme Court appears to have followed a steadfast course through most of this period until 1912. Then it too joined the party in a four to three decision. By 1917 it had seen the error of its ways. What happened during this golden age of patent rights has had its influence on the anti-monopoly laws. Out of it came the Clayton Act, directly attributable to the then prevalent "patent practices."