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Ten Years After *Aro II*: The Effect Of Patent Act § 271 On The Patent Misuse Doctrine

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I. INTRODUCTION

The effect of § 271 of the Patent Act on the patent misuse doctrine has been a subject of controversy since the Act became law in 1952.¹ Some degree of confusion has been evident in the lower federal courts concerning the intended effect of this section, and the Supreme Court's landmark *Aro II*² decision in 1964 has

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1. 35 U.S.C. § 271 (1970). The misuse doctrine is a concept of patent law that is still developing. It is a judge-made rule of equity that grew out of the common law principle of "unclean hands." This doctrine had its beginning in *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502 (1917). An owner misuses a patent by taking action which expands his limited monopoly beyond the legal scope of the grant. Such overreaching by the patent owner usually takes one of three forms: first, requiring licensees not to deal in goods competing with those of the patent owner; second, "coercive package licensing" - conditioning the grant of a license under the patent upon the taking of another license; or third, conditioning the grant of a license upon the purchase from the owner of unpatented staple items for use with the patent. See *Valmont Industries, Inc. v. Yuma Mfg. Co.*, 296 F. Supp. 1291, 1295 (D. Colo. 1969). The courts will not enforce the patent, even though valid and infringed, if it is exploited in a manner inconsistent with the public policy underlying the patent laws.

This article is not intended to cover all antitrust violations that are also patent misuses or violations involving tie-in arrangements. For example, a coercive package licensing agreement, as a tie-in arrangement of patents, is an unreasonable restraint on trade prohibited by § 1 of the Sherman Antitrust Act. *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100 (1969). On the other hand, § 3 of the Clayton Antitrust Act does not prohibit an owner's requirement that a patented machine can only be sold for use with another patented device. This is not considered an illegal tie-in arrangement if the two products work together and there are no other suitable replacements for either product. *Dehydrating Process Co. v. A. O. Smith Corp.*, 292 F. 2d 653 (1st Cir.), cert. denied, 368 U.S. 931 (1961). This article discusses only the licensing policies, enforcement activities, and requirements contracts of the patent owner in connection with both staple and non-staple articles.

2. *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476 (1964) [hereinafter cited as *Aro II*]. For the convenience of the reader, such shortened forms of the case names will be employed throughout the article.

only partially resolved it. Because some confusion still remains, this article will discuss which actions taken by a patentee will, or will not, constitute misuse and under what circumstances such actions will bar enforcement of the patent against infringers under § 271. Within this broad framework, the article will review the cases that constitute the background for the enactment of § 271 and analyze the subsections of § 271 and their legislative history. Then, examining the Supreme Court's interpretation of § 271, and tracing the divergent views of the lower federal courts from the passage of § 271 to the present,³ the author will attempt to present a realistic appraisal of the present status of § 271 and the patent misuse doctrine.

II. BACKGROUND

Article I, § 8 of the Constitution⁴ gives Congress plenary power to establish the patent system. Since the Patent Clause does not prescribe the form of the patent system, Congress created an examination procedure in the first Patent Act of 1790.⁵

3. For comment on the immediate effect on other aspects of patent law shortly after *Aro II*, see Conner, *The Second Aro Case: A realignment of the Supreme Court on the Matter of Contributory Infringement of a Combination Patent*, 34 U. CIN. L. REV. 123 (1965); Moseley, *The Knowledge Requirement of Contributory Infringement and the Aro Case*, 47 J. PAT. OFF. SOC'Y 98 (1965); Rossman & Young, *Review of Recent Supreme Court Decisions*, 51 A.B.A.J. 76, 77 (1965); Note, *Patents—Contributory Infringement—History and Trend: Convertible Top Cases*, 14 DEPAUL L. REV. 473 (1965); Note, *The Supreme Court 1963 Term*, 78 HARV. L. REV. 143, 305 (1964); Note, *Damages Recoverable for Patent Infringement*, 60 NW. U.L. REV. 393 (1965); Note, *Contributory Infringement and the "Repair Doctrine,"* 38 SO. CAL. L. REV. 363 (1965); Note, *Patents—One Who Knowingly Furnishes a Component Part of a Combination Patent to an Innocent Though Unauthorized User of the Patented Product Is a Contributory Infringer*, 43 TEX. L. REV. 969 (1965); Note, *Patents—Knowing Supplier of Replacement for Material Part of Patented Combination is Contributory Infringer But May Be Liable Only for Nominal Damages*, 113 U. PA. L. REV. 1110 (1965); Note, *Patents: Sale of Replacement Fabric for Convertible Top to Unauthorized Automobile Owner, for Repair, Constitutes Contributory Infringement of Combination Patent*, 10 VILL. L. REV. 396 (1965).

None of the periodicals, however, have dealt with the misuse issue in depth. Although there have been articles on the misuse doctrine, as interpreted by the lower federal courts before *Aro II*, see, e.g., Hogg, *Patent Misuse Before and After Section 271*, 42 J. PAT. OFF. SOC'Y 683 (1960); Nicoson, *Misuse of the Misuse Doctrine in Infringement Suits*, 9 U.C.L.A.L. REV. 76 (1962); Comment, *Patents—Contributory Infringement and Misuse—35 U.S.C. § 271 and How It Has Grown*, 3 VILL. L. REV. 355 (1958), only one article has dealt with the misuse doctrine as applied by the lower federal courts after *Aro II*. Nelson, *Mercoird-Type Misuse Is Alive*, 56 J. PAT. OFF. SOC'Y 134 (1974).

4. U.S. CONST. art. I § 8, cl. 8, provides: "The Congress shall have power . . . to promote the progress of . . . useful arts, by securing for limited times to . . . inventors the exclusive right to their . . . discoveries."

5. Patent Act of Apr. 10, 1790, ch. 7, 1 Stat. 109. Under this system, the application

Although Congress established a registration procedure in the Patent Act of 1793,⁶ it reverted to an examination procedure in the Patent Act of 1836.⁷ This Act was the first to institute the requirement of filing "claims"⁸ for an alleged invention. Such a requirement was repeated in the Patent Act of 1870⁹ and is found in the present Patent Act of 1952.¹⁰

A patent owner has the right, for a period of seventeen years, to exclude others from making, using, or selling, without his permission, his invention as described by the claims.¹¹ A person who makes, uses, or sells a device described by the claims without the patent owner's permission is a "direct" infringer under § 271(a).

A person who aids another to infringe directly is considered a "contributory" infringer. There are two types of contributory infringement: active inducement of direct infringement prohibited under § 271(b) and contributory infringement prohibited under § 271(c). The former is intended to prevent persons from aiding, abetting, and encouraging others to infringe directly,

is examined to determine whether or not it meets the substantive requirements for patents; for example, a sufficient degree of novelty must be demonstrated prior to the grant of a patent.

6. Patent Act of Feb. 21, 1793, ch. 11, 1 Stat. 318. Under the registration system, the grant of a patent is essentially a clerical formality; if the application papers are in order, the patent will be granted.

7. Patent Act of July 4, 1836, ch. 357, 5 Stat. 117.

8. A patent "claim" is defined in 35 U.S.C. § 112 (1965), which provides:

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

The specification shall conclude with one or more *claims* particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

An element in a *claim for a combination* may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such *claim* shall be construed to cover the corresponding structure, material, or acts described in the specifications and equivalents thereof. (emphasis added).

9. Patent Act of July 8, 1870, ch. 230, 16 Stat. 198.

10. Patent of July 19, 1952, ch. 950, 66 Stat. 811, *codified and enacted into positive law*, 35 U.S.C. *et seq.* (1965). A sixth Patent Act is presently under consideration by Congress but it makes no changes relevant to the area being evaluated herein. See S. 2504, 93d Cong., 1st Sess. (1973).

11. 35 U.S.C. § 154 (1970) provides:

Every patent shall contain . . . a grant to the patentee, his heirs or assigns, for the term of seventeen years, of the right to exclude others from making, using, or selling the invention throughout the United States

whereas the latter aims at preventing unauthorized persons from selling a component of a patented product or process which constitutes a material part of the invention. Furthermore, in order to be found guilty under this statute, the accused person must know that what he is selling is not a staple¹² article or commodity of commerce suitable for substantial noninfringing use.

The doctrines of direct and contributory infringement are rules of equity that arose after the enactment of the Patent Act of 1836, the first act to require a patent application to include claims to an invention. Although the doctrine of direct infringement was first explained by the Supreme Court in 1853,¹³ and the doctrine of contributory infringement was first expressed by a federal appellate court in 1871,¹⁴ neither doctrine was codified until the enactment of § 271 in the Patent Act of 1952. It is through this statute, therefore, that a patent owner enforces his rights against infringers.

The defense of misuse may be raised by any person accused of direct or contributory infringement regardless of whether the alleged misuse was engaged in by the patentee against the accused infringer or against another.¹⁵ An accused infringer often defends against an enforcement suit by charging the patentee with patent misuse or counterclaiming against the patentee for possible antitrust violations under §§ 1 and 2 of the Sherman Act¹⁶ and § 3 of the Clayton Act.¹⁷

12. The term "staple" appears in § 271(c) but is not defined in the statute. Only one judicial decision has attempted to define the term:

In its dictionary meaning, the word "staple" means: "A commodity that is produced regularly or in large quantities esp. for a wholesale market." Webster's Third New International Dictionary, 2225 (1965).

Bliss & Laughlin Industries, Inc. v. Bil Jax, Inc., 356 F. Supp. 577, 581 (N.D. Ohio 1972).

The word "non-staple" is a term of art in patent law and is undefined in Webster's Third New International Dictionary Unabridged (1965). No judicial decision attempts to define the word as used among patent lawyers either, but the word is commonly understood to be a shorthand term for the phrase "not a staple article or commodity of commerce suitable for substantial noninfringing use" appearing in § 271(c).

13. Winans v. Denmead, 56 U.S. (15 How.) 330 (1853).

14. Wallace v. Holmes, 29 F. Cas. 74, 100 (No. 17) (C.C.D. Conn. 1871). The doctrine of contributory infringement was an outgrowth of the common law rule of joint tortfeasors.

15. Morton Salt Co. v. G. S. Suppiger Co., 314 U.S. 488, 494 (1942).

16. Sherman Act § 1, 15 U.S.C. § 1 (1965), provides:

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 declared to be illegal

Sherman Act § 2, 15 U.S.C. § 2 (1890), provides:

Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a misdemeanor

17. Clayton Act § 3, 15 U.S.C. § 14 (1965), provides:

Until 1931, the courts generally enforced patents. With the ascension to the bench of students taught in the law after the passage of the antitrust laws¹⁸ enacted between 1890 and 1914, judicial attitude toward patent enforcement became hostile. These new judges unfortunately, and mistakenly, extended their apparent dislike for monopolies in general to the patent monopolies properly granted by Congress pursuant to its plenary power under the Patent Clause of the Constitution.¹⁹

Reacting to a judicial effort to abolish the doctrine of contributory infringement, Congress passed in 1952 the first comprehensive patent act since the key antitrust acts of 1890 and 1914. As a result, the two doctrines of infringement and misuse were counterbalanced in § 271 of the 1952 Act. Although § 271 codified both direct infringement²⁰ and two types of contributory infringement,²¹ Congress did not codify or define *patent misuse*, apparently because it is an equitable doctrine that should remain malleable for the courts.²² Congress did see fit, however, to limit

commerce, to lease or make a sale or contract for sale of goods, wares, merchandise, machinery, supplies, or other commodities, whether patented or unpatented, for use, consumption, or resale within the United States . . . on the condition, agreement, or understanding that the lessee or purchaser thereof shall not use or deal in the goods, wares, merchandise, machinery, supplies, or other commodities of a competitor or competitors of the lessor or seller, where the effect of such lease, sale, or contract for sale or such condition, agreement, or understanding may be to substantially lessen competition or tend to create a monopoly in any line of commerce.

18. Sherman Act, 15 U.S.C. §§ 1-7 (1970); Wilson Tariff Act, 15 U.S.C. §§ 8-11 (1970); Clayton Act, 15 U.S.C. §§ 12-27 (1970).

19. See note 4 *supra*.

20. 35 U.S.C. § 271(a) (1970), provides:

Except as otherwise provided in this title, whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent.

21. 35 U.S.C. § 217(b) (1970), provides: "Whoever actively induces infringement of a patent shall be liable as an infringer." 35 U.S.C. § 271(c) (1970), provides:

Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

22. See Rich, *Infringement Under Section 271 of the Patent Act of 1952*, 21 GEO. WASH. L. REV. 521, 536 (1953).

the scope of the misuse doctrine by legitimizing certain actions taken by the patentee against contributory infringers.²³

III. RELEVANT SUPREME COURT CASES BEFORE § 271

There are two parallel lines of Supreme Court cases that deal with the doctrines of contributory infringement and patent misuse. The first line, beginning in 1909 with *Leeds & Catlin Co. v. Victor Machine Co.*²⁴ (*Leeds & Catlin II*) and ending in 1944 with the so-called *Mercoird* cases²⁵ (*Mercoird I* and *II*), deals with the classic *non-staple* contributory infringement. The enactment of § 271 in 1952 directly affected this line of cases. The second line, beginning in 1917 with *Motion Picture Patents Co. v. Universal Film Manufacturing Co.*²⁶ and ending in 1947 with *International Salt v. United States*,²⁷ deals with a type of patent misuse that is also an antitrust violation—the tying of unpatented *staple* goods to patented goods. The enactment of § 271 did not affect this line of cases. Yet, historically, the problem has been that courts have mistakenly intertwined the two lines in their discussion of either one or the other.

The resulting confusion stems from the failure of some courts to realize that a combination patent by necessity often “ties” unpatented *non-staple* goods to unpatented *staple* goods in the patented product. Such activity is simply a necessary incident to the practice of some combination patents and is neither an anti-trust violation nor a patent misuse. If an unauthorized person, however, attempts to sell the unpatented *non-staple* goods to

23. 35 U.S.C. § 271(d) (1970), provides:

No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement.

24. 213 U.S. 325 (1909) [hereinafter cited as *Leeds & Catlin II*].

25. *Mercoird Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661 (1944) [hereinafter cited as *Mercoird I*] and *Mercoird Corp. v. Minneapolis-Honeywell Regulator Co.*, 320 U.S. 680 (1944) [hereinafter cited as *Mercoird II*].

26. 243 U.S. 502 (1917) [hereinafter cited as *Motion Picture Patents*].

27. 332 U.S. 392 (1947) [hereinafter cited as *International Salt*].

another to be combined with other unpatented *staple* goods into the patented product, classic *non-staple* contributory infringement exists and the owner of the combination patent may enforce it against the seller of the *non-staple* goods without being guilty of misuse. However, not only is misuse committed if the owner attempts to enforce the patent against an innocent seller of *staple* goods but the antitrust laws are also violated if the owner "ties" unpatented *staple* goods to the use or sale of the patented product.

In any discussion of classic *non-staple* contributory infringement, *Leeds & Catlin II* is the definitive case. There, the owner of a combination patent on a record player charged the defendant with contempt of court for violating an injunction against contributory infringement by selling records that could be used by the patented record player. The trial court found the defendant guilty of contempt and the Supreme Court affirmed.

Although the records were unpatented themselves, they were covered by claims²⁸ numbered 5 and 35 as elements of the patented combination. The injunction did not forbid the sale of all records, only those that would be used in the patented device. Since the claims of the patent included the record, which was a unique *non-staple* unpatented by itself, this was a case of classic contributory infringement, now prohibited by § 271(c). The Court stated: "[I]t can make no difference as to the infringement or non-infringement of a combination that one of its elements or all of its elements are unpatented."²⁹

The Court specifically upheld *Leeds & Catlin II* in *Carbice Corp. of America v. American Patents Development Corp.*³⁰ (*Carbice I*), in which the plaintiff held a combination patent, using dry ice as a refrigerant, on a refrigerating transportation package for ice cream. The defendant sold dry ice to be used in the patented device and the patentee sued for contributory infringement. Not only did the Supreme Court find no contributory infringement but it also held the patentee guilty of misuse in bringing such a suit. The Court said that the patent could not be enforced against the seller of unpatented *staple* products that were common articles of commerce. That the unpatented staple product was an element in the patented combination was irrele-

28. See note 8 *supra*.

29. 213 U.S. at 333.

30. 283 U.S. 27 (1931) [hereinafter cited as *Carbice I*].

vant because the patentee was seeking to drive business to himself in a staple that was capable of being used outside of the patent in suit. Although the term “patent misuse” was not specifically used, *Carbice I* contained the first definitive statement of the principle:

Control over the supply of such unpatented material [dry ice] is beyond the scope of the patentee's monopoly; and this limitation, inherent in the patent grant, is not dependent upon the peculiar function or character of the unpatented material or on the way in which it is used.³¹

Thus, the Court denied relief for infringement of a combination patent to a patentee who had attempted to extend coverage over unpatented *staple* products that were common articles of commerce, *even though* the products were elements claimed in the patent.

Although the defendant had not counterclaimed against the patentee for an antitrust violation, the Court, *sua sponte*, pointed out that the misuse involved was analogous to a violation of § 1 of the Sherman Antitrust Act.³² This apparent signal served as a guidepost for the later development of successful antitrust claims against patentees, and it indicated to the bar that the Court was looking for a case in which it could make such a ruling. In 1944 *Mercoide I* proved to be such a case.

In *Mercoide I*, the plaintiff held a combination patent on a house heating system. The claim in issue included as an element an unpatented switch having no other use. The switch was therefore a *non-staple*. The patentee licensed manufacturers to make and sell the patented combination, and royalties were paid only upon combinations which used the non-staple switches that the patentee supplied. The defendant, through his licensees, sold such switches to be used in the patented combination and the patentee sued for contributory infringement. The defendant raised the defense of patent misuse and counterclaimed for an antitrust violation under § 4 of the Clayton Act.³³

31. 283 U.S. at 33. The principle of the *Carbice I* case was extended to all types of patents, including those covering machines, processes, and articles of manufacture, in *Leitch Mfg. Co. v. Barber Co.*, 302 U.S. 458 (1937).

32. 283 U.S. at 34. It appears that such conduct could also be an attempt to monopolize under § 2 of the Sherman Act.

33. Clayton Act § 4, 15 U.S.C. § 15 (1965), provides:

Any person who shall be injured in his business or property by reason of anything forbidden in the antitrust laws may sue therefor in any district court of

The facts indicated a case of classic non-staple contributory infringement in which the patentee was clearly within his rights under the *Leeds & Catlin II* case. Yet, in a 5-4 decision, the Supreme Court so severely limited *Leeds & Catlin II* that it was overruled for all practical purposes.³⁴ The Court assumed that the defendant was a contributory infringer but prevented the plaintiff from enforcing his patent because of misuse—the “requirement” that royalties be paid only on patented combinations made with the unpatented *non-staple* switches that the patentee supplied.³⁵ Even if the switch element was a new article of commerce constituting a material part of the combination patent, there was a misuse *if* such an important element was not separately claimed in the patent.³⁶

The Court did not decide the antitrust issue on the merits; but it did say without specifying the applicable statutes that a counterclaim constituted a separate cause of action against the patentee by the defendant.³⁷ Thus, the Court cleared up the relationship between the *defense* of patent misuse and a *counterclaim* for an antitrust violation.

As a necessary result of its decision in *Mercoide I*, the Supreme Court implied that the mere filing of a contributory infringement suit was a misuse of the patent that the owner was attempting to enforce. Thus the seventy-five year old doctrine of contributory infringement was effectively abolished:

Inasmuch as [the] misuse of the patent would have precluded [the patentee] from enjoining a direct infringement, [the patentee] cannot stand in any better position with respect to a contributory infringer

The result of this decision, together with these which have preceded it, is to limit substantially the doctrine of contributory infringement. What residuum may be left we need not stop to consider. It is sufficient to say that in whatever posture the issue may be tendered courts of equity will withhold relief where the patentee and those claiming under him are using the patent privilege contrary to the public interest.³⁸

the United States in the district in which the defendant resides or is found or has an agent, without respect to the amount in controversy, and shall recover threefold the damages by him sustained, and the cost of suit, including a reasonable attorney's fee.

34. 320 U.S. at 668.

35. *Id.* at 666-67.

36. *Mercoide II* made this clarification. 320 U.S. at 684.

37. 320 U.S. at 671.

38. *Id.* at 668-69 (citations omitted).

The *Mercoïd* cases marked the extremities reached by those seeking to limit patent coverage over unpatented *non-staple* products. In 1931 *Carbice I* had prevented patent enforcement only against sellers of unpatented *staple* elements; but the *Mercoïd* cases stated that the patent could not be enforced against sellers of *any* unpatented elements covered by the claims, no matter how essential the element might be to the patent. Thus, the *Mercoïd* cases extended the denial of patent enforcement against sellers of unpatented *non-staple* elements. By so doing, they helped to precipitate Congress' adoption of a new patent act in 1952,³⁹ and in § 271 of that act Congress resolved to strike a balance between the doctrines of infringement and misuse.⁴⁰

The second historical line of cases, dealing with the tying of unpatented *staple* goods to patented goods, was not affected by the passage of § 271. Yet, the reasoning in these cases is often confused with the rationale of the *non-staple* cases. The key decision in this area is the *Motion Picture Patents* case. There the owner of a patent on a motion picture projector sold the machine with a license restriction that the projector be used only with films that the patentee supplied. The defendant sold films to be used in the patented machine and was sued for contributory infringement. The Supreme Court found no contributory infringement.

In specifically overruling *Henry v. A. B. Dick Co.*,⁴¹ the Court said that the patent cannot be used to drive business to oneself in unpatented products that are capable of being used outside the patent.⁴² Again, the Court refrained from using the term "patent

39. This patent act was the first new patent act in 82 years.

40. *Hearings on H.R. 3760 Before Subcomm. No. 3 of the House Comm. on the Judiciary*, 82d Cong., 1st Sess. 159 (1951).

41. 224 U.S. 1 (1912). In this case, the owner of a patent on a rotary mimeograph machine sold the patented device with a license restriction that it be used only with stencil paper, ink, and other *staple* supplies purchased from the patentee. The defendant contributed infringement. The Supreme Court found for the plaintiff in a 4-3 decision and allowed the patent to cover unpatented *staple* goods used, but not claimed, in the patented device.

The defendant had counterclaimed for an antitrust violation under § 1 of the Sherman Act for imposing an unreasonable restraint on trade. The Supreme Court dismissed the charge on the grounds that the license restriction was a reasonable use of the patent monopoly. Two years later, Congress enacted the Clayton Antitrust Act which prohibited the tying of unpatented goods to patented goods. See Clayton Act, 15 U.S.C. § 14 (1970). After the appointment of two new Justices to the Court, a 6-3 majority in *Motion Picture Patents* overruled *A. B. Dick*.

42. 243 U.S. at 518.

misuse," but in *Mercoid I* the Court noted that the doctrine had begun with *Motion Picture Patents*.⁴³

Additionally, the defendant counterclaimed for an antitrust violation under §3 of the Clayton Act. The Court said that it was not necessary to decide the antitrust issue because the case had already been resolved against the patentee on the misuse issue; nevertheless, the Court commented that the statute was "a most persuasive expression of public policy"⁴⁴ in this area.

Although *Motion Picture Patents* established the patent misuse doctrine, the case is characteristic of the second line of cases because the particular type of misuse involved, the tying of unpatented goods to patented goods, has evolved into an antitrust violation. This evolution occurred through a series of decisions⁴⁵ after *Motion Picture Patents* that culminated in 1947 with the *International Salt* case.

In *International Salt* the government successfully argued that the patent owner's license restriction violated both § 3 of the Clayton Antitrust Act as an illegal tie-in arrangement and § 1 of the Sherman Antitrust Act as an unreasonable restraint of trade. This case involved an unpatented staple product, salt tablets, that was a common article of commerce outside the claims in the

43. 320 U.S. at 668 n. 1.

44. 243 U.S. at 517-18.

45. See, e.g., *IBM Corp. v. United States*, 298 U.S. 131 (1936). IBM held a patent on tabulating machines and licensed it with a requirement that it be used only with unpatented punch cards that the patentee supplied. The government successfully brought an action against IBM, contending that such a restriction violated § 3 of the Clayton Act as an illegal tie-in arrangement.

Patentees later bringing infringement suits in two 1942 Supreme Court cases were affected by this principle established in *IBM*. In the first case, *Morton Salt Co. v. G.S. Suppiger Co.*, 314 U.S. 488 (1942), the patentee held a patent on a machine for depositing salt tablets into food cans as they moved down the processing line. He licensed the device with a requirement that it be used only with unpatented salt tablets that he supplied. A competitor manufacturing a similar machine was sued for direct infringement, but the defense contended that Morton's licensing requirement precluded enforcement because of the patent misuse doctrine. The Supreme Court agreed, but, as it had also done in *Motion Picture Patents*, avoided the issue of whether the patentee was violating § 3 of the Clayton Act. Such a decision was not necessary, the Court felt, because it had already resolved the case against the patentee on the misuse issue.

The second case, *B. B. Chem. Co. v. Ellis*, 314 U.S. 495 (1942), involved a plaintiff who held a process patent for reinforcing insoles in shoe manufacturing. The patentee licensed the process with a requirement that it be used only with unpatented fabric and adhesive materials that it supplied. The defendant sold similar materials to the licensees and was sued for active inducement of direct infringement. The defendant contended that the patent was unenforceable because it was a misuse to maintain such a license requirement. Again, the Supreme Court agreed but did not discuss any violation of § 3 of the Clayton Act.

patent. The Supreme Court stated that if a patentee attempts to use the leverage of a patent to drive business to himself in such products, he not only may be prevented from enforcing the patent in an infringement suit on the grounds of misuse but also may be subject to treble damages on an antitrust counterclaim brought by the alleged infringer.

To recapitulate, the first line of cases involved simple attempts by an owner to enforce a patent against contributory infringement. *Leeds & Catlin II* and the *Mercoide* cases involved such actions against sellers of *non-staple* goods; in *Carbice I*, enforcement was sought against a seller of *staple* goods. Although the former is now permissible under § 271, the latter remains a patent misuse if the seller is *not* also actively inducing direct infringement of the patent.

The second line of cases involved tying by the patent owner of unpatented *staple* goods to patented goods. Initially, this practice was found to be only a patent misuse in the *Motion Picture Patents* case. Later, in *International Salt*, the same practice was condemned as an antitrust violation.

IV. THE STATUTE AND ITS LEGISLATIVE HISTORY⁴⁶

Section 271 defines direct infringement in subsections (a)

46. At an American Bar Association meeting in San Francisco in 1962, Mr. Crumacker, a member of the House Subcommittee on Patents when § 271 was enacted, stated: When the courts, in seeking to interpret the language of the Act, go through the ritual of seeking to ascertain the "intent of Congress" in adopting same, they would do well to look to the writings of these men—Federico, Rich, Harris, and the others—as they, far more than any member of the House or Senate, knew and understood what was intended by the language used.

SYMPOSIUM ON PATENTS, SUMMARY OF PROCEEDINGS, SECTION OF PATENTS, TRADEMARK, AND COPYRIGHT LAW 143 (1962).

Shortly after the passage of § 271 in 1952, two of the chief draftsmen, Pasquale J. Federico, former Examiner-in-Chief, United States Patent Office, and Giles S. Rich, now Associate Judge, Court of Customs and Patent Appeals, wrote commentaries showing the effect that § 271 was intended by Congress to have on the patent misuse doctrine. Federico, *Commentary on the New Patent Law*, 35 U.S.C.A., §§ 1-110 at 51 (1953); Rich, *Infringement Under Section 271 of the Patent Act of 1952*, 21 GEO. WASH. L. REV. 521 (1953); 35 J. PAT. OFF. SOC'Y 476 (1953).

This author draws the legislative history of § 271 primarily from these two articles and Rich, *Congressional Intent—Or, Who Wrote the Patent Act of 1952?*, PATENT PROCUREMENT AND EXPLOITATION 61 (1963); Lutz, *The New 1952 Patent Statute*, 35 J. PAT. OFF. SOC'Y 155, 159-60 (1953); Zinn, *Commentary on New Title 35, U.S. Code "Patents"*, 2 U.S. CODE CONG. & AD. NEWS 2507, 2522 (1952); Note, *Contributory Infringement and Misuse—The Effect of Section 271 of the Patent Act of 1952*, 66 HARV. L. REV. 909 (1953); *Hearings on H.R. 3760 Before Subcomm. No. 3 of the House Comm. on the Judiciary*, 82d Cong., 1st Sess. (1951); and S. REP. NO. 1979, 2 U.S. CODE CONG. & AD. NEWS 2394, 2402 (1952).

and two types of contributory infringement in subsections (b) and (c). It also defines in subsection (d) three types of actions which, when taken by the patentee, are not misuse.

Section 271(a)⁴⁷ apparently was added solely for completeness.⁴⁸ The doctrine of direct infringement⁴⁹ had been explained thoroughly in two Supreme Court decisions⁵⁰ since the Patent Act of 1870. Thus, it would have continued even if subsection (a) had not been enacted.⁵¹

47. See note 20 *supra*.

48. Federico, *Commentary on the New Patent Law*, 35 U.S.C.A. §§ 1-110 at 51 (1953) [hereinafter cited as *Federico*].

49. The following four factors must be present to justify a finding of direct infringement:

1. The accused must make, use, or sell the patented invention or a thing that does the same work in substantially the same way to accomplish substantially the same result.
2. The manufacture, use, or sale must occur within the territory of the United States.
3. The manufacture, use, or sale must occur after the patent issues and before the patent expires.

4. The manufacture, use, or sale must be done without permission from the patentee.

These four factors are derived from an analysis of both *Graver Tank & Mfg. Co. v. Linde Air Prods. Co.*, 339 U.S. 605, 608-09 (1950), which interpreted the common law definition of infringement and from an examination of 35 U.S.C. § 154 (1965), *supra* note 11, enacted two years after *Graver Tank*.

50. *Graver Tank & Mfg. Co. v. Linde Air Prods. Co.*, 339 U.S. 605 (1950); *Sanitary Refrigerator Co. v. Winters*, 280 U.S. 30 (1929).

51. Rich, *Infringement Under Section 271 of the Patent Act of 1952*, 21 GEO. WASH. L. REV. 521, 537 (1953) [hereinafter cited as *Rich*].

52. In order to justify a finding of contributory infringement under subsection (c), five factors must be present. As outlined in *Federico*, *supra* note 48, at 53, they are:

1. The thing sold must be "a component of a patented machine, manufacture, combination or compositions, or a material or apparatus for use in practicing a patented process." The thing sold is . . . not itself patented [in the sense of being the subject of a claim unto itself].

2. The thing sold must constitute a material part of the . . . patented invention.

3. The thing sold must be especially made or especially adapted for use in an infringement of the patent.

4. The seller must have knowledge of factor 3.

5. In addition the thing sold must not be "a staple article or commodity of commerce suitable for substantial noninfringing use."

The first three factors are self-explanatory. The fourth factor implies the infringing act can be committed either with knowledge of the patent and in defiance of the patent owner or without knowledge of the patent. If the infringing act is committed with knowledge of the patent, the patent owner can obtain an injunction and recover damages for all infringing acts. If the infringing act is committed without knowledge of the patent, the patent owner can obtain an injunction but can recover no damages for acts occurring before the accused party was put on notice of a possible infringement. *Aro II*, 377 U.S. at 488-93.

"Notice" is defined in the context of 35 U.S.C. § 287 (1970) which provides:

Patentees, and persons making or selling any patented article for or under license, may give notice to the public that the same is patented, either by fixing

Subsections (b) and (c) define different types of contributory infringement. These two subsections revived the doctrine of contributory infringement⁵² which had been effectively abolished by *Mercoïd I*.⁵³

Subsection (b)⁵⁴ defines active inducement of direct infringement. Although even a careful reading of subsection (b) does not indicate that active inducement of infringement is a form of contributory infringement, Congress intended such a result.⁵⁵

thereon the word "patent" or the abbreviation "pat.", together with the number of the patent, 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 contained, a label containing a like notice. In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice. Filing of an action for infringement shall constitute such notice.

The notice requirement under the predecessor to § 287 was interpreted in *Hazeltine Corp. v. Radio Corp. of America*, 20 F. Supp. 668, 671 (S.D.N.Y. 1937), as follows:

Marking is an in rem form of notice [of ownership] good against all the world.

Notice of infringement is individual, and must be brought home in personam against the infringer when complaint is made of his acts.

As to the fifth factor, a staple article or commodity of commerce suitable for substantial *noninfringing* use would include a common article of commerce. See note 12 *supra*. A non-staple article or commodity of commerce suitable only for substantial *infringing* use would include new, unique, uncommon, or unusual articles of commerce. See note 12 *supra*. Whether an article is a staple or a non-staple is a determination that must be made on a case-by-case basis, and which must always relate the article to its use in the combination patent.

All five factors were involved in *Leeds & Catlin II*. Thus, ironically, subsection (c) resurrects *Leeds & Catlin II*, which had been overruled by name in *Mercoïd I*. If *Leeds & Catlin II* can be interpreted as extending beyond subsection (c), it is confined to the limitations expressly stated in the subsection itself. See note 21 *supra*; *Rich*, *supra* note 51, at 539; *Hearings on H.R. 3760 Before Subcomm. No. 3 of the House Comm. on the Judiciary*, 82d Cong., 1st Sess. 140 (1951).

53. *Federico*, *supra* note 48, at 51-52; *Rich*, *supra* note 51, at 535-36.

54. See note 21 *supra*.

55. The Reviser's Note to § 271 provides: "Paragraphs (b) and (c) define and limit contributory infringement of a patent . . ."

In *Federico*, *supra* note 48, at 53, one of the chief draftsmen points out that there is some looseness in language here. Apparently, the language of § 271 would mesh perfectly if the phrase "as an infringer" in subsection (b) read "as a contributory infringer" and the phrase "would constitute infringement" in both clauses (d) (1) and (d) (2) read "would constitute infringement or contributory infringement." The term "infringement" standing alone refers to direct infringement prohibited by subsection (a). The term "contributory infringement" standing alone refers to active inducement of direct infringement prohibited by subsection (b) as well as ordinary contributory infringement prohibited by subsection (c). A federal trial court has also noted the looseness. See *Nordberg Mfg. Co. v. Jackson Vibrators, Inc.*, 153 U.S.P.Q. 777, 783 (N.D. Ill. 1967), *rev'd on other grounds*, 393 F.2d 192 (7th Cir. 1968).

Different standards for liability exist under subsections (b) and (c).⁵⁶ It is possible for a defendant to be found guilty of both active inducement of direct infringement under subsection (b) and contributory infringement under subsection (c), although liability may exist under subsection (b) alone even if the five factors found in subsection (c) are not present. Thus, the defendant must be selling non-staples before he may be guilty of contributory infringement under subsection (c), but he may be selling either non-staples, staples, or nothing at all, and be guilty of active inducement of direct infringement under subsection (b).

As a remedy, a court may, for example, order the destruction of manuals prepared by the staple seller for practicing the owner's patent, and it may even compel the guilty infringer to cease and desist from advising customers of the staple's use in the patent. The court, however, may not restrain the seller from providing the staple alone, even to newcomers who express an intention to use the unpatented component in an infringement; the seller's participation would not be "active" under such circumstances.

Subsection (d) lists three types of actions which, when taken by the patentee, are not misuse. Each type is covered in a separate clause. The subsection maintains that "[n]o patent owner . . . shall be deemed . . . guilty of misuse . . . by reason of his having done *one or more* of the [enumerated acts]."^{56.1} In order to understand the subsection one must examine each of the three clauses individually.

Although clause (1)⁵⁷ states that only "acts which . . . would constitute contributory infringement" constitute permissible conduct for the patentee, the legislative history implies that the term "contributory infringement" is meant to refer to both con-

56. Although subsection (b) does not list the factors necessary for a finding of active inducement of direct infringement, a reading of the legislative history and the commentaries by the two chief draftsmen leads to the conclusion that the following factors are necessary for such a finding:

1. The defendant must have acted with the knowledge that there is a substantial likelihood that a direct infringement of the patent by a third party would occur.

2. The defendant must have acted with the intent to induce a direct infringement of the patent by a third party.

3. A finding that direct infringement by a third party has occurred must be made.

The two chief draftsmen support this analysis, see *Federico*, *supra* note 48, at 53, and *Rich*, *supra* note 51, at 539, as does *Nordberg Mfg. Co. v. Jackson Vibrators, Inc.*, *supra* note 55, which appears to be the only case to date to discuss thoroughly the factors necessary for a finding of active inducement of direct infringement under subsection (b).

56.1. 35 U.S.C. § 271 (d) (1970).

57. See note 23 *supra*.

tributory infringement under subsection (c) and active inducement of direct infringement under subsection (b).⁵⁸ This congressional intent is made clear in the commentaries of the two chief draftsmen.⁵⁹ Thus, the patentee may take actions which, if performed by another without the patentee's consent, would constitute contributory infringement under subsection (c) or active inducement of direct infringement under subsection (b). Even if the patentee makes a profit from such acts, there is no misuse.⁶⁰

Clause (2)⁶¹ allows the patentee to license others to do acts, which if performed without the patentee's consent, would constitute contributory infringement under subsection (c) or active inducement of direct infringement under subsection (b).⁶² Again the

58. The Reviser's Note to § 271 provides: "Paragraphs (b) and (c) define . . . contributory infringement of a patent and paragraph (d) is ancillary to these paragraphs . . ."

59. *Federico, supra* note 48, at 54, states:

The object of paragraph (d) is broadly indicated in the above quotation from the Revision Notes. [See note 58 *supra*.] As there stated, it is "ancillary to" paragraphs (b) and (c) . . .

Rich, supra note 51, at 539-40, states:

The reference to statutory authority, is, of course, to the full legal implications of paragraphs (b) and (c).

. . . Whether the conduct falls within Section 271(b) or (c) would seem to be immaterial. Paragraph (d) applies.

60. Two examples should suffice to illustrate the type of action which is not misuse under clause (1). In the first example, suppose the owner sells a component of his patent. The thing sold is not itself patented but it constitutes a material part of his patented invention and is especially made and adapted for use in the patent. In addition, the article sold is not a staple or commodity of commerce suitable for any other substantial use. If another party sold the component without the patentee's consent, he would be guilty of contributory infringement under subsection (c) because all five of the necessary factors are present. See note 52 *supra*. The patentee, however, can take this action and make a profit without being guilty of misuse.

In the second example, suppose that either the patentee "induces" or convinces others to make, use, or sell his own patented invention. If another party did this without the patentee's consent, he would be guilty of active inducement of direct infringement under subsection (b) because all three of the necessary factors are present. See note 56 *supra*. Still, the patentee can take this action and make a profit without being guilty of misuse.

61. See note 23 *supra*.

62. Two examples illustrate the type of action which is not misuse under clause (2). In the first, the owner licenses another to sell a component of his patent. The thing sold is not itself patented but it constitutes a material part of his patented invention and is especially made and adapted for use in the patent. The party licensed by the patentee knows the nature of the thing sold. In addition, the thing sold is not a staple article or commodity of commerce suitable for any other substantial use. If the party licensed by the patentee sold the component without the patentee's consent, he would be guilty of contributory infringement under subsection (c) because all five of the necessary factors are present. See note 52 *supra*. The patentee, however, can license others to take this action and charge a royalty without being guilty of misuse.

As a second example, the patentee licenses another to "induce" third parties to make, use, or sell the patented invention. If the party licensed by the patentee did this without

commentaries of the chief draftsmen clarify the congressional intent.⁶³ Apparently, Congress found it unnecessary to add that the patentee could license others to do acts which, if performed without the patentee's consent, would constitute direct infringement under subsection (a). The patentee had always had this privilege under the patent grant.

Clause (3)⁶⁴ enables the owner to sue to enforce his patent against direct infringers under subsection (a), active inducers of direct infringement under subsection (b), and contributory infringers under subsection (c). If the patentee brings such suits, there is no misuse. Apparently for completeness, Congress added the phrase "against infringement" to refer to suits brought against direct infringers under subsection (a). This phrase "against . . . contributory infringement" re-established the judge-made rule that a patentee could sue to enforce his patent against both contributory infringers under subsection (c) and active inducers of direct infringement under subsection (b). Yet, this doctrine had been, for all practical purposes, abolished by *Mercoide I*. Thus, subsection (d), in conjunction with subsection (c), overruled the *Mercoide* cases. That this was the intended result is made clear by the draftmen's commentaries and the legislative history of the subsection.⁶⁵ But it was not until the *Aro II* decision in 1964 that the Supreme Court acknowledged the legislative intent of the Patent Act of 1952. Thus, when an early circuit court of appeals decision⁶⁶ and a later Supreme Court decision⁶⁷ misinterpreted the effect of § 271 on the patent misuse doctrine, the lower federal courts understandably evidenced considerable confusion when faced with the same question.

V. SUPREME COURT INTERPRETATION OF § 271

*Aro Manufacturing Co. v. Convertible Top Replacement Co.*⁶⁸ provided the first opportunity for the Supreme Court to

the patentee's consent, he would be guilty of active inducement of direct infringement under subsection (b) because all three of the necessary factors are present. See note 56 *supra*. The patentee, however, can license others to take this action and charge a royalty without being guilty of misuse.

63. See note 59 *supra*.

64. See note 23 *supra*.

65. *Federico*, *supra* note 48, at 54; *Rich*, *supra* note 51, at 540. See note 40 *supra*.

66. *Dr. Salsbury's Laboratories v. I. D. Russell Co.*, 212 F.2d 414 (8th Cir.), *cert. denied*, 348 U.S. 837 (1954).

67. *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336 (1961).

68. 365 U.S. 336 (1961) [hereinafter cited as *Aro II*]. As with the *Aro II* case, there

interpret § 271. In late 1951, two inventors obtained a combination patent on the convertible top to be used in the manufacture of automobiles. The defendant sold convertible top fabrics to car owners, and the patentees sued for contributory infringement under § 271(c). The defendant maintained that there was no contributory infringement under § 271(c) because there was no direct infringement under § 271(a) by the car owners since they were merely making permissible repairs.⁶⁹ The district court found for the patentee and the court of appeals affirmed. The Supreme Court reversed. In doing so, the Court splintered and rendered four opinions on the interpretation of § 271.

Mr. Justice Whittaker, speaking for four Justices, discussed subsections (a), (b) and (c) of § 271 thoroughly but mentioned neither subsection (d) nor the legislative history of the statute: "No element, not itself separately patented, that constitutes one of the elements of a combination patent is entitled to patent monopoly, however essential it may be to the patented combination"⁷⁰ Thus, as Justice Whittaker interpreted § 271, an owner could not enforce his patent against either a seller of non-staples for contributory infringement or a seller of staples for active inducement of direct infringement. The reasoning was manifestly incorrect, however, because the allowance of patent

was extensive legal commentary on this decision. See Rossman, *Review of Recent Supreme Court Decisions*, 47 A.B.A.J. 617, 619 (1961); Note, *Patents-Infringement Under 35 U.S.C. § 271—Repair vs. Reconstruction*, 3 B.C. IND. & COM. L. REV. 94 (1961); Note *Patents: Infringement of Patented Combination: Reconstruction or Repair*, 49 CALIF. L. REV. 988 (1961); Note, *Patents—Replacement of Single Element in a Patented Combination is Repair and Not Reconstruction*, 30 FORDHAM L. REV. 373 (1961); Note, *Patents—Infringement Under 35 U.S.C. § 271(a)—Repair and Reconstruction*, 29 GEO. WASH. L. REV. 952 (1961); Note, *The Supreme Court 1960 Term*, 75 HARV. L. REV. 40, 242 (1961); Note, *Patents—Infringement—Only Total Reconstruction of Combination Patent Constitutes Infringement*, 36 N.Y.U.L. REV. 1395 (1961); Note, *Patent Law—Patent Monopoly Does Not Extend to Replacement of Unpatented Elements of Patented Combination*, 37 NOTRE DAME LAW. 263 (1961); Note, *Patents—Statutes—Replacement of Unpatented Wornout Part Does Not Infringe Combination Patent*, 40 TEXAS L. REV. 728 (1962); Note, *Contributory Infringement: The Aro Manufacturing Case*, 31 U. CIN. L. REV. 61 (1962); Note, *Patents—Contributory Infringement of a Combination Patent Under Section 271(c) of the Patent Code Held to Depend Upon Reconstruction of the Entity, Viewed as a Whole*, 1961 U. ILL. L.F. 343; Note, *Patents—Infringement of Combination Patent—Sale and Use of Replacement Fabric for Convertible Top Structure Constitutes Permissible Repair*, 7 VILL. L. REV. 149 (1961); Note, *Combination Patents: The Right to Prohibit Sales of Replacement Parts*, 70 YALE L.J. 649 (1961).

69. The defendant also alleged a patent misuse but the Supreme Court never reached that issue.

70. 365 U.S. at 345.

enforcement against such sellers was the purpose for the enactment of the statute.

Apparently this faulty interpretation occurred because the plurality, citing the *Mercoïd* cases with approval,⁷¹ was misled by the analysis of § 271 in the amicus curiae brief filed by the Antitrust Division of the Department of Justice. The plurality opinion was extracted largely from the government's brief which treated the *Mercoïd* cases as unaffected by § 271—a view heavily criticized by the dissent.⁷² How the government derived this interpretation of § 271 is unascertainable.⁷³

Although concurring with the result, Justices Black and Brennan wrote separate opinions discussing subsection (d). Justice Black simply did not agree that the *Mercoïd* cases were legislatively vacated by § 271(c) and (d):

If anyone is inclined despite other evidence to the contrary to attribute to Congress a purpose to accomplish any far-reaching changes in the substantive law by this enactment, he should

71. *Id.* at 372. Between *Aro I* and *Aro II*, the Supreme Court cited the *Mercoïd* cases only once, in *United States v. Loew's, Inc.*, 371 U.S. 38, 46 (1962). That case involved the legality under § 1 of the Sherman Antitrust Act of block booking of copyrighted movies for television exhibition. The practice was found to be an illegal tie-in arrangement. The result, however, is not as relevant here as is the interpretation placed upon tie-in arrangements by citation to *Mercoïd I*, *Motion Picture Patents*, *Carbice I*, and the *Morton Salt* cases. Only the *Morton Salt* case involved a tie-in arrangement which was found illegal as a patent misuse and not an antitrust violation. A statement that the other cases involved illegal tie-in arrangements is wrong in light of § 271(c) and (d) and the interpretation of these cases made in *Aro II* two years later.

The *Mercoïd* cases involved classic non-staple contributory infringement, not a tie-in arrangement. Thus, the *Loew* case is a prime example of the entanglement of the two separate lines of cases.

72. Mr. Justice Harlan said:

It seems clear from the legislative history of the 1952 Act that Congress intended (1) to reaffirm the doctrine of contributory infringement . . . in cases like *Leeds & Catlin*, (2) to give that doctrine precedence against a claim of patent misuse as conceived in the *Mercoïd* cases The opinion of the Court seems to reconfirm *Mercoïd* to fuller effectiveness than it had even before the 1952 Act

365 U.S. at 378 n. 6.

73. This government's treatment was characterized by the dissent, per Mr. Justice Harlan (joined by Justices Frankfurter and Stewart), as bordering on intellectual dishonesty because of its knowledge and earlier unsuccessful efforts to thwart the enactment of § 271. The dissent said:

I believe that the narrow concept . . . reflected in the opinion of the Court, departs from established principles—principles which it will be shown, were approved by Congress when it enacted § 271 of the new Patent Act, over objections of the Department of Justice altogether comparable to the position which it now advances as *amicus* in the present case.

365 U.S. at 372.

take note that just before the bill was passed in the Senate, Senator Saltonstall asked on the floor, "Does the bill change the law in any way or only codify the present patent laws?" Senator McCarran, Chairman of the Judiciary Committee which had been in charge of the bill for the Senate, replied, "It codifies the present patent laws." 98 Cong. Rec. 9323 (July 4, 1952).⁷⁴

Justice Brennan's concurrence, on the other hand, anticipated his later opinion for the majority in *Aro II* that *Mercoïd* was no longer valid:

It is true that some decisions of this Court in patent misuse cases⁸ raised doubts as to the continuing vitality of . . . actions such as this one for relief from contributory infringement. But the Congress swept away that doubt when it gave the standard statutory sanction in 1952.⁹ My brother WHITTAKER'S test [the plurality opinion] . . . plainly would not heed the congressional mandate . . . Giles S. Rich, the chief draftsman of § 271(c), when told that manufacturers of replacement parts for automobiles, tractors, and other machines had protested against the section in fear of being held contributory infringers under it, replied: "Whether or not they would be liable would depend on the facts in each particular case. And I think that the best way to clear that up is to take up section (c) and deal with the matter specifically and point out to you the limitations that are there, which have to be met before anybody is held liable and then leave it to you to decide whether a parts supplier should be held liable or not, *depending on the kind of a part he may be supplying*. If the part he is supplying is *in substance the very thing which was invented*, it seems to me personally, that he is an infringer, and he should not be let off on some little technicality that there is something minor in the whole appara-

74. *Id.* at 347 n.2. Giles S. Rich, one of the chief draftsmen, earlier criticized this colloquy:

Reporting on the exchange between Senators Saltonstall and McCarran, which has several times been quoted in court opinions, Mr. Crumpacker [a congressman who actively participated in the hearings as a member of the patent subcommittee of the House] said [citing "Symposium on Patents", Summary of Proceedings, Section of Patents, Trademark and Copyright Law, at 145 (American Bar Center 1962)].

" . . . this colloquy is almost entirely meaningless, it being merely an exchange of pleasantries by some senators having little, if any familiarity with the subject matter they were discussing."²¹ [21. . . . Any senator or representative who got as far as reading the title of the bill would see it was a bill "to revise and codify the laws."] [Emphasis added.]

In short, there was no knowledgeable debate on the bill in the Senate. Rich, *Congressional Intent or Who Wrote the Patent Act of 1952?*, PATENT PROCUREMENT AND EXPLOITATION 75-76 (1963).

tus that he is not supplying." Hearings HR 3760, 82d Cong., 1st Sess. . . . He added: "in each case you would have to look at the details and see what was invented, and in effect whether the alleged infringer is appropriating somebody else's invention, or whether he is not." Hearings, *supra*, p. 157.⁷⁵

Aro II provided the second opportunity to interpret § 271. Although the facts were the same as in *Aro I*,⁷⁶ the Justices in a 5-4 decision were not as disparate in their interpretations of § 271. Justice Brennan, writing for the majority, discussed all the subsections of § 271, including subsection (d) and the legislative history of the statute. The *Mercoird* cases were disapproved:

. . . Congress enacted § 271 for the express purpose of reinstating the doctrine of contributory infringement as it had been developed by decision prior to *Mercoird*, and of overruling any blanket invalidation of the doctrine that could be found in the *Mercoird* opinions. See, *e. g.*, 35 U.S.C. §§ 271(c), (d); Hearings [before Subcommittee No. 3 of House Judiciary Committee on H.R. 3760, 82d Cong., 1st Sess., (later Patent Act of 1952)] at 159, 161-162; and the *Aro I* opinions of MR. JUSTICE BLACK, 365 U.S., at 348-349 and nn. 3-4; MR. JUSTICE HARLAN, *id.*,

75. 365 U.S. at 365-67 (emphasis in original). The two footnotes cited are elucidating:

8. See, *e.g.*, *Mercoird Corp. v. Mid-Continent Investment Co.* 320 U.S. 661, 669:

"The result of this decision, together with those which have preceded it, is to limit substantially the doctrine of contributory infringement. What residuum may be left we need not stop to consider."

9. 35 U. S. C. § 271. The purpose of (c) of this section appears in the House Judiciary Committee Report, H. R. Rep. No. 1923 on H. R. 7794, 82d Cong., 2d Sess., p. 9. "The doctrine of contributory infringement has been part of our law for about 80 years. It has been applied to enjoin those who sought to cause infringement by supplying someone else with the means and directions for infringing a patent. One who makes a special device constituting the heart of a patented machine and supplies it to others with directions (specific or implied) to complete the machine is obviously appropriating the benefit of the patented invention. It is for this reason that the doctrine of contributory infringement, which prevents appropriating another man's patented invention, has been characterized as 'an expression both of law and morals.' Considerable doubt and confusion as to the scope of contributory infringement has resulted from a number of decisions of the courts in recent years. The purpose of this section is to codify in statutory form principles of contributory infringement and at the same time eliminate this doubt and confusion." The legislative history makes it clear that paragraph (d) complements (c) with the view to avoid the application of the patent misuse doctrine to conduct such as that of the patent owner in the present case. See Hearings, H. R. 3760 82d Cong., 1st Sess., Subcommittee of the House Judiciary Committee, 1951, pp. 161-162, 169-175.

76. Although different questions were before the Court, they are not relevant here to a discussion of the interpretation of § 271.

at 378 and MR. JUSTICE BRENNAN, *id.*, at 365-367.⁷⁷

Thus, Justice Brennan, supporting the opinion with a citation to his earlier concurring opinion in *Aro I*, ignored the plurality opinion in that case. *Aro I* will no longer support an inference that § 271 does not overrule the *Mercoide* cases.⁷⁸ For some lower federal courts, however, the *Aro II* analysis of § 271 came too late; they had already misinterpreted the statute.

VI. LOWER COURT CASES AFTER ENACTMENT

The conduct scrutinized in post-enactment cases by the lower federal courts falls into four classes: the first class of conduct involves attempts by the owner to enforce his patent against sellers or users of unpatented *non-staple* articles capable of being used only in the patent in suit. Such conduct is permissible under § 271(b) and (c) in light of (d) (3).⁷⁹

The second class of conduct involves attempts by the owner to enforce his patent against sellers or users of unpatented *staple* articles when such sellers are actively inducing direct infringement of the patent by a third party.⁸⁰ Such conduct is permissible under § 271(b) in light of (d) (3).

The third class of conduct involves attempts by the owner to enforce his patent against sellers or users of unpatented *staple* articles. Such conduct is impermissible and constitutes a patent misuse both where the staple sellers or users are innocent of actively inducing direct infringement or where the owner brings the suit in order to drive business to himself in the staple.⁸¹ Variations

77. 377 U.S. at 492.

78. 2 SHUR, PATENT ENFORCEMENT, MISUSE AND ANTITRUST 462-63 (2d ed. 1972), states: Similarly, any court decision and opinions after January 1, 1953 which are inconsistent with the statutory provisions of sections 271(b), (c) and (d) and their proper application are erroneous and not controlling under the present U.S. patent code. ***** Most significantly, it is erroneous and inapposite to interpret or apply the Supreme Court's majority opinion in the 1961 "Aro I" case as holding that section 271 of the 1952 Patent Act does not effectively overrule the *Mercoide* and like pre-1952 decisions to the extent those decisions are contrary to the statutory provisions of sections 271(b), (c) and (d) and their proper application; this was clarified by express holdings in the majority opinion in the 1964 "Aro II" case which are cited and quoted above (See page 418 *supra*).

79. *Leeds & Catlin II* and the *Mercoide I* cases are in this class and will be referred to as the "enforcement against non-staple sellers" situation.

80. This class will be referred to as the "enforcement against active inducers" situation. There are no pre-enactment Supreme Court cases in this class.

81. Such conduct will be referred to as the "enforcement against staple sellers" situation. *Carbice I* exemplifies such impermissible conduct.

of this conduct are permissible, however, under subsection (a) in light of (d) (3).

The fourth class of conduct involves attempts by the owner to require his licensees to *purchase* unpatented *staple* articles from the patentee for use with the patent. Such conduct is an impermissible patent misuse and also may be an antitrust violation under § 1 of the Sherman Act as an unreasonable restraint of trade, § 2 of the Sherman Act as an attempt to monopolize, or § 3 of the Clayton Act as an illegal tie-in arrangement.⁸²

A. *From Enactment to the Aro I Interpretation*

During the period between the enactment of § 271 in 1953 and the *Aro I* decision in 1961, the Supreme Court provided no guidance for the lower federal courts regarding the meaning of § 271. As a result, great confusion occurred in the interpretation of the effect Congress had intended the new act to have on the patent misuse doctrine.

Dr. Salsbury's Laboratories v. I. D. Russell Co. Laboratories,⁸³ was the first lower federal court case to discuss § 271(d). There, the owner held a patent on a composition of matter effective for treating both a certain poultry disease and stimulating poultry growth. The composition consisted of a chemical solution in water within a stated concentration range. The owner sold the unpatented chemical to be used in the patented composition of matter. The defendant, however, sold the unpatented chemical with directions for utilizing the patented composition. The patent owner sued for active inducement of direct infringement under § 271(b) and contributory infringement under § 271(c). The defendant argued that the enforcement activity itself constituted misuse because in a previous case,⁸⁴ the same court had held the same chemical to be a staple article capable of use outside the patent. Therefore the factual issue of whether the chemical was a staple or non-staple was *res judicata*. Although the case for the patent owner was argued by Giles S. Rich, the chief draftsman

82. The *IBM*, *Morton Salt*, *B. B. Chemical*, and *International Salt* cases in the *Motion Picture Patents* lines of cases are in this class. This class will be referred to as the "requirements contract" situation.

83. 212 F.2d 414 (8th Cir.), *cert. denied*, 348 U.S. 837 (1954). [hereinafter cited as *Dr. Salsbury II*]. The only law review article to analyze the case was critical of the decision. See Note, *Patent Law—the Effect of the Patent Act of 1952 on a Suit for the Infringement of a Patent Where the Defense is Misuse of Patent*, 28 TEMP. L.Q. 148 (1954).

84. *I. D. Russell Co. v. Dr. Salsbury's Laboratories*, 198 F.2d 473 (8th Cir. 1952).

of § 271, his explanation of the statute was rejected by the court of appeals.

The court found a misuse and thus denied relief. Citing the *Carbice I* case, it felt the conduct of the owner was an attempt to enforce his patent against a seller of an unpatented staple article capable of being used outside the patent in order to drive business in the staple to himself. Such conduct falls into the third class⁸⁵ as an enforcement against a staple seller. In this situation, the court said that § 271(d) did not protect such conduct. The result was correct because the chemical involved had already been determined a staple. One should note, however, that if the chemical involved had been characterized as a non-staple, the conduct of the patent owner would fall into the first class⁸⁶ as an enforcement action against a non-staple seller. Under such circumstances, the owner would not have been guilty of misuse. Although there had been a change in the law since *Dr. Salisbury I*, the doctrine of res judicata prevented Mr. Rich's arguments from being effective.

Furthermore, the *Dr. Salisbury II* interpretation of § 271 proved to be incorrect in light of the subsequent decision in *Aro II*. The court posed the question: "Can we say that the new patent statute, effective January 1, 1953, and relied upon by plaintiff, has rejected the principles laid down by the *Carbice* and *Mercoïd* cases?"⁸⁷ While the *Mercoïd* cases fall into the first class as enforcement against a non-staple seller, *Carbice I* falls into the third class as an enforcement against a staple seller. The court, however, considered the two cases together as it answered its own question:

Confining our views only to the pertinent provisions of § 271, we believe that, whatever changes may or may not have been made in other respects, there has been no abrogation of the principle announced in the *Carbice* and *Mercoïd* cases, viz., that the sale of a nonpatentable [sic] component of a patented combination does not give rise to a cause of action for infringement.⁸⁸

The court qualified this statement by recognizing that the statement is correct only when the unpatented component being sold by the party sued for an alleged contributory infringement is a *staple* capable of being used outside the patent in suit.

85. See note 81 *supra* and accompanying text.

86. See note 79 *supra* and accompanying text.

87. 212 F.2d at 416.

88. *Id.* at 417.

Though subsection (c) of § 271 defines a contributory infringer to be anyone who sells a component of a patented machine or composition knowing it to be especially adapted for infringing use, it specifically provides that said component *not* be “a staple article or commodity of commerce suitable for substantial non-infringing use.”⁸⁹

Carbice I involved the same sort of conduct which was unprotected even after the enactment of § 271(d). The court, however, continued by observing that “in the respect noted § 271(d) is readily harmonized with prior case authority.”⁹⁰ This statement is misleading because it leaves the reader with the impression that there has been no abrogation of the principle announced in the *Mercoide* cases. The court failed to deal with the *Mercoide* cases and its unqualified statement is incorrect if the unpatented component being sold by the party being sued for an alleged contributory infringement is a *non-staple* capable of being used only with the patent in suit. The *Mercoide* cases involved and condemned such conduct, but this same activity became permissible after the enactment of § 271(c) and (d). For this reason a portion of the rationale of *Dr. Salsbury II* is incorrect. Unfortunately, since this was the first case to interpret § 271(d), its erroneous analysis has been responsible for later confusion.

Although the court did not specifically discuss it, the patent owner should still have recovered under § 271(b) because the defendant was actively inducing direct infringement. A party may be selling non-staples, staples, or nothing at all and still be guilty under that subsection.⁹¹ Section 271(d)(3) allows the owner to enforce his patent against active inducers of direct infringement; thus, there would be no misuse by the patentee.

Not until *Sola Electric Co. v. General Electric Co.*⁹² in 1956 was there any clear interpretation by a lower federal court of the effect of § 271 on the misuse doctrine.⁹³ *Sola Electric* involved a

89. *Id.*

90. *Id.*

91. See notes 54-56 *supra* and accompanying text.

92. 146 F. Supp. 625 (N.D. Ill. 1956) [hereinafter cited as *Sola Electric*].

93. There were other relevant cases besides *Dr. Salsbury II* decided between the enactment of § 271 and the interpretation made in *Sola Electric*. Cases in the first class were *Hall Laboratories, Inc. v. Springs Cotton Mills, Inc.*, 112 F. Supp. 29 (W.D.S.C.), *aff'd*, 208 F.2d 500 (4th Cir. 1953) (correctly decided under pre-enactment law) and *Southern States Equip. Corp. v. USCO Power Equip. Corp.*, 209 F.2d 111 (5th Cir. 1953) (citation of *A. B. Dick* as good law was incorrect). A case of interest in this class was *Great Lakes Equip. Co. v. Fluid Systems, Inc.*, 217 F.2d 613 (6th Cir. 1954), where the patent

fact pattern similar to that of the *Mercoïd* cases. Here, the owner held a combination patent relating to alternative current supply systems for consumption circuits having negative resistance characteristics. The owner and its licensees sold ballasts—resistances used to stabilize the current in the circuits—to users of the patented system. The court found the ballasts to be unpatented non-staple articles. The defendant made and sold a device that was similar to the patented combination. The owner sued for direct infringement under § 271(a) and contributory infringement under § 271(c). The court found the patent invalid and therefore unenforceable. Although it was unnecessary to do so, the court went on to consider the defendant's allegation of misuse.

The defendant, citing the *Mercoïd* cases, argued that the alleged misuse consisted of sales by the owner and its licensees of the unpatented non-staples together with the owner's enforcement against unauthorized sellers of those articles for use in the patented combination. The court replied by correctly interpreting the congressionally intended effect of § 271 on the patent misuse doctrine:

The court is strongly inclined to think that such conduct is violative of the doctrine of those [*Mercoïd*] cases. The plaintiff [patent owner], on the other hand, says that the Congress of the United States has changed the law of the *Mercoïd* cases by [§ 271].

The court's attention has been called to the following cases: [Dr. Salsbury I, Dr. Salsbury II, Hall Laboratories, Southern States Equipment, other citations omitted].

The court has considered the statute in question, the cases and articles relating to it, and the arguments of counsel and

owner sued for direct infringement and the defendant counterclaimed for an antitrust violation because the owner was allegedly attempting to monopolize sales in unpatented articles used only in the patented combination. Although the court did not state whether the unpatented articles were staples or non-staples, it apparently treated them as non-staples because the parts were specifically adapted for use in the patented combination. The antitrust counterclaim for enforcement against *non-staple* sellers in order to drive business to himself in the *non-staple* was dismissed as baseless in law. *Id.* at 619.

There do not appear to have been any cases in the second and third classes. In the fourth class, see *Electric Pipe Line, Inc. v. Fluid Sys., Inc.*, 231 F.2d 370 (2d Cir. 1956) (citation of *Mercoïd I* case as good law incorrect); *United States v. Crown Zellerbach Corp.*, 141 F. Supp. 118 (N.D. Ill. 1956) (quotation from *Mercoïd I* in the midst of an antitrust suit involving a tie-in arrangement creates false impression of *Mercoïd I* as requirements contract situation, instead of as enforcement against classic non-staple contributory infringement); and *Urquhart v. United States*, 109 F. Supp. 409 (Ct. Cl. 1953) (correctly decided under pre-enactment law).

cannot escape the conviction that it was the purpose of Congress to change the law as announced in the two *Mercoïd* cases: [citations omitted] and that it did change the law as announced in those cases. One effect (indirect, perhaps) of paragraph (c) of said section is that (1) sales of that which does not constitute "a material part of the invention" and (2) sales of that which is "a staple article or commodity of commerce suitable for substantial noninfringing use" do not constitute misuse. The ballasts that the plaintiff and its licensees sell certainly are "a material part of the invention" and are not "a staple article or commodity of commerce suitable for substantial noninfringing use."

Subparagraph (d) of Section 271 is the paragraph with which we are particularly concerned at this time. It certainly makes substantial changes in the law as announced in the *Mercoïd* cases. It seems to the court that the defendant's thesis above set forth merely shows that the plaintiff has derived revenue from acts which, if performed by another without plaintiff's consent, would constitute contributory infringement of the patent, that the plaintiff has licensed as authorized others to perform acts which performed without the plaintiff's consent would constitute contributory infringement of the patent, and that the plaintiff has sought to enforce its patent rights against [direct] infringement and contributory infringement. These acts are by paragraph (d) of Section 271, above quoted, declared not to be misuse of the patent right. The court holds, accordingly, that the said Act of 1952 makes proper and lawful that which under the doctrine of the *Mercoïd* cases, above cited, would have been a misuse of the patent.⁹⁴

The next case to deal with this problem also correctly interpreted the congressional intent.⁹⁵ The fact pattern of *Calhoun I* is similar to that of *Dr. Salsbury II*; both cases involve enforcement against active inducers⁹⁶ and fall within the second class⁹⁷ of conduct.

In *Calhoun I* the owner held a combination patent on a device to be used as a fluid seal in an assembly of a reciprocating piston within a cylinder. The owner licensed manufacturers of O-

94. 146 F. Supp. at 646-48.

95. *Calhoun v. State Chem. Mfg. Co.*, 153 F. Supp. 293 (N.D. Ohio 1957) [hereinafter cited as *Calhoun I*].

96. For a case reaching the same result as *Calhoun I* without a discussion of § 271(d)(1) and (2), see *Minnesota Mining & Mfg. Co. v. Flex-O-Lite Mfg. Corp.*, 137 U.S.P.Q. 860 (E.D. Mo. 1961).

97. See note 80 *supra* and accompanying text.

rings (unpatented staples) to make and sell the patented combination. The defendant sold a soap dispensing device which used the patented combination. The patentee's estate sued for direct infringement under § 271(a) and for active inducement of direct infringement under § 271(b). The defendant contended that there was a misuse both because the owner was licensing others to sell unpatented staple articles for use in the patented combination and because the owner attempted to enforce the patent against unlicensed sellers of staples knowingly being used in the patented combination. The defendant was unable to find authority in support of its position even among the cases decided before 1953. Relying on the Reviser's Note to § 271 and the commentary by one of its chief draftsmen, Frederico, the court found that no patent misuse was involved. The owner was not using the licensing policy to drive business in unpatented staple articles to himself and thus his conduct was protected under § 271(d). The *Mercoid* cases, which dealt with conduct involving non-staples⁹⁸ rather than staple articles, were irrelevant to the issues in *Calhoun I* and were not mentioned in the court's opinion. Although further comment was unnecessary, the court thought it appropriate to discuss the relationship of § 271(d) to subsections (b) and (c):

A patent owner may invoke the provisions of Par. (d) in those cases where, except for his consent, the conduct, of another in relation to the invention would constitute contributory infringement.

Defendant argues that Par. (d) has no application because the O-rings are staple articles of commerce, suitable for substantial non-infringing uses, and, under Par. (c), a seller of such staples is exempt from liability as a contributory infringer, even though he knows such staple articles to be especially made or especially adapted for use in the infringement of a patent.

Assuming, but not deciding, that O-rings are staple articles of commerce, it does not follow that a seller of such articles would in no event be liable as a contributory infringer. As indicated by the Reviser's Note, contributory infringement is defined in both paragraphs (b) and (c). Although Par. (b) uses the term "infringer", and Par. (c) refers to a "contributory infringer", it is clear that each of those paragraphs defines a different type of contributory infringement as therein defined, *no such*

98. Such attempts to enforce patents against sellers or users of non-staples fall within the first class of conduct. See note 79 *supra* and accompanying text.

*exemption for liability is granted to one who actively induces the infringement of a patent in connection with the sale of staple articles of commerce especially made or especially adapted for use in the infringement of a patent.*⁹⁹

As in the *Sola Electric* and the *Calhoun I* cases, the court in *Stearns v. Tinker & Razor*¹⁰⁰ (*Stearns II*) correctly interpreted the congressionally intended effect of § 271 on the misuse doctrine. Whereas the actions of the patent owners in *Sola Electric* and *Calhoun I* were not misuses, the conduct of the owner in *Stearns II* was both a misuse and an antitrust violation involving a fourth class requirements contract situation.¹⁰¹ *Stearns II* therefore provided the first instance in which the effect of § 271 on the misuse doctrine was correctly assessed and a misuse, as well as an anti-trust violation, was actually found.¹⁰²

The owner held a combination patent on an apparatus for detecting flaws in the coatings of underground pipes. He required his licensees to purchase from him an electrical high voltage generating and signaling apparatus for use in the patented combination. The defendant made and sold a device similar to the patented combination and the patentee sued for direct infringement under § 271(a). In addition to raising the defense of misuse, the accused infringer counterclaimed, alleging a violation of § 3 of the Clayton Act and arguing that the owner's requirement that the electrical apparatus be purchased from him for use in the patented combination was an illegal tie-in arrangement. The court agreed that the electrical apparatus was an unpatented staple article capable of being used outside the patent at issue and found that the owner's conduct constituted both a misuse and an

99. 153 F. Supp. at 301 (emphasis added).

100. 252 F.2d 589 (9th Cir. 1957) [hereinafter cited as *Stearns II*].

101. See note 82 *supra* and accompanying text.

102. A similar case decided during this period was *Baldwin-Lima-Hamilton Corp. v. Tatnall Measuring Sys. Co.*, 268 F.2d 395 (3d Cir.), *cert. denied*, 361 U.S. 894 (1959). Its pertinence here is in its discussion of the relationship of the patent misuse doctrine to the antitrust laws. The court of appeals said, quoting the district court (E.D. Pa. 1959), "This misuse is a bar to the enforcement of the patent against the defendants regardless of whether plaintiff's activities constituted a violation of the antitrust laws." *Id.* at 396. Although correct as stated, this unqualified statement might create in a reader unfamiliar with the case an impression that the licensee's conduct was only a misuse and not also an antitrust violation. Nevertheless, the statement is important in that it recognizes a distinction between conduct of a patent owner that is a misuse only and conduct that is a misuse as well as an antitrust violation.

antitrust violation. Since such conduct was in violation of the antitrust law, analysis of § 271 was unnecessary. The court nevertheless found that the owner's conduct was not protected by § 271(d) and went on to discuss patent misuse:

The mere fact that an owner of a patented article combines the article with an unpatented article and sells or leases the unit as a whole does not per se prove misuse. The holder of a patent can exploit his legally protected monopoly in the patent as best he sees fit, so long as in doing so he does not restrain competition in the unpatented article.¹⁰³

The court then suggested that misuse of a patent could be avoided with relative ease:

Probably the best way for an owner of such a patent to protect himself from a charge of misuse would be to offer or stand ready to offer the patented item alone.¹⁰⁴

In the footnote to this passage the court recognized that, under a correct reading of the statute, such protective action might be unnecessary.

If 35 U.S.C.A. § 271 is applicable, perhaps the owner need not even offer or stand ready to sell the unpatented article. This would be where the unpatented part is a nonstaple material part of the invention, which is not capable of substantial non-infringing uses.¹⁰⁵

This footnote is in accord with the *Sola Electric* and *Calhoun I* cases. In *Sola Electric*, the patentee was not guilty of a misuse even though he did not sell the unpatented *non-staple* article apart from the patented combination. In *Calhoun I*, the patent licensees protected themselves from a charge of misuse by offering to sell the unpatented *staple* article apart from the patented combination.

Another important aspect of *Stearns II* is that it was the first case to discuss the relationship of § 271(d)(3) to *Mercoird I*:

It is clear that by virtue of Section 271 a patentee who sells, leases or licenses a complete combination can bring an action against a contributory infringer (as defined in the statute) and such bringing of suit is not in itself a misuse of the patent mo-

¹⁰³. 252 F.2d at 604.

¹⁰⁴. *Id.*

¹⁰⁵. *Id.*

nopoly. Section 271(d)(3) authorizes a patentee to enforce his patent right against contributory infringers and is a clear expression of public policy approving such action. Language in *Mercoïd* as to such action being "contrary to public policy" is therefore inapplicable under present law.¹⁰⁶

Thus, between the enactment of § 271 and the *Aro I* decision, key cases dealt with the basic fact patterns classified above. In the first class, involving enforcement against non-staple sellers, the courts correctly found no misuse. Under the second class, *Calhoun I* correctly found no misuse and *Dr. Salsbury II* reached the opposite conclusion in dealing with enforcements against active inducers. As to the fourth class, the court in *Stearns II* correctly found misuse in a requirements contract. The Supreme Court's treatment of § 271 in *Aro I*, however, generated further confusion rather than order in the lower federal courts. It was not until *Aro II* properly interpreted § 271 in view of subsection (d) and overruled the *Mercoïd* cases that the lower federal courts received correct guidance as to the effect of § 271(d) on the patent misuse doctrine.

B. Between the *Aro I* and *Aro II* Interpretations

During the intervening years, the decisions of several federal courts applied the *Aro I* misinterpretation of § 271. Other courts either ignored or refused to follow *Aro I*. This lack of consistency among the circuits prompted the court's reconsideration of the statute in *Aro II*.

*Switzer Bros., Inc. v. Locklin*¹⁰⁷ (*Switzer Bros. III*), decided

106. 252 F.2d at 602.

107. 297 F.2d 39 (7th Cir. 1961), *cert. denied*, 367 U.S. 851 (1962) [hereinafter cited as *Switzer Bros. III*]. In addition to *Switzer Bros. III*, four other relevant cases were decided. In *Trico Prods. Corp. v. Delman Co.*, 199 F. Supp. 231 (S.D. Iowa 1961), *appeal dismissed on stipulation*, 304 F.2d 882 (8th Cir. 1962), the district court cited *Aro I* for the proposition that the *Mercoïd* cases were still viable after the enactment of § 271. Nevertheless, the court reached a correct result by citing to subsections (c) and (d) for the proposition that the *Mercoïd* cases were qualified by the statute. Although the language of this court is consistent with that of *Aro I*, it effectively refused to follow the misinterpretation of the statute.

In *Angel Research, Inc. v. Photo-Engravers Research, Inc.*, 223 F. Supp. 673 (N.D. Ill. 1962), the court found the patent owner's conduct to be both an unreasonable restraint of trade in violation of § 1 of the Sherman Act (under the *Morton Salt* and *B. B. Chemical* cases) and a patent misuse. On the misuse issue the court cited *Carbice I* and *Mercoïd I*, implying that the latter were still recognized as good law.

In *Buxton Inc. v. Julen Inc.*, 223 F. Supp. 697 (S.D.N. Y. 1963), the court found that

in the seventh circuit during this period, illustrates the repercussions of *Aro I*. It involved an owner who held a combination patent on a daylight fluorescent advertising display and conditioned the grant of a license upon use of the owner's trademark on the patented combination. Licensees were also required to purchase all materials for use in the patented combination from the owner or from an approved source.¹⁰⁸ The materials were unpatented staple articles capable of use outside of the patent. The defendant made a similar advertising display, and after the patentee sued the defendant's customers for direct infringement under § 271(a), the defendant intervened and counterclaimed for antitrust violations. The owner contended that its conduct was permissible under § 271(c) and (d). The court disagreed, finding an unreasonable restraint of trade and an attempt to monopolize under §§ 1 and 2 of the Sherman Act and an illegal tie-in arrangement under § 3 of the Clayton Act. As authority, the court cited *Morton Salt*, *Mercoide I and II*, and *International Salt*. Although the court reached the correct result on the antitrust issues, it unfortunately applied the reasoning of *Aro I* in interpreting the effect of subsections (c) and (d) of § 271 on the *Mercoide* cases and the misuse doctrine. The court said:

Indeed, appellants' argument on Section 271(c) depends largely upon a misconstruction of the statute, namely, that the Act constitutes a legislative vacation of the rule of the *Mercoide* and other cases that the monopoly of a combination patent extends only to the totality of the combination, and cannot be asserted as a monopoly upon the separate component elements of the combination. That rule was reaffirmed and applied in the recent case of [*Aro II*].¹⁰⁹

This reasoning was clearly rejected by the Supreme Court in *Aro II*:

the conduct of the patent owner was permissible under § 271(d)(1) and (2), adopting the reasoning of *Sola Electric* and *Stearns II*. *Mercoide I* and *Aro I* were ignored.

Preformed Line Prods. Co. v. Fanner Mfg. Co., 328 F.2d 265 (6th Cir.), cert. denied, 379 U.S. 846 (1964), was an infringement action in which the defendant counterclaimed for an antitrust violation of § 3 of the Clayton Act, charging an illegal tie-in arrangement. The court discussed the distinction between a patent misuse and an antitrust violation, citing both *Mercoide* cases, *Carbice I*, and the *Motion Picture Patents* line of cases. The opinion ignored *Aro I* but left the impression that the *Mercoide* cases were still valid.

108. *Switzer Bros. III* is a requirements contract case falling within the fourth class. See note 82 *supra* and accompanying text.

109. 297 F.2d at 46.

Congress enacted § 271 for the express purpose of reinstating the doctrine of contributory infringement . . . and of overruling any blanket invalidation of the doctrine that could be found in the *Mercoïd* opinions.¹¹⁰

C. *From the Aro II Interpretation to the Present*

Since the *Aro II* interpretation of § 271 in 1964, the lower federal courts have only occasionally examined the effect of § 271(d) on the patent misuse doctrine. A few of the decisions evidence continued confusion over the issue. Part of the problem seems to stem from the failure of some courts to distinguish between staples and non-staples among unpatented articles. The distinction may be critical in some cases because patent enforcement against unlicensed non-staple sellers is permissible, falling into the first class¹¹¹ of conduct, while patent enforcement against unlicensed *staple* sellers may or may not be permissible, depending on whether the conduct falls into either the second or third class.¹¹²

In the ten years since the *Aro II* interpretation, the courts have been focusing on a variety of licensing practices used by owners of combination patents under the guise of § 271(d)(1) and (2).¹¹³ Owners attempting to enforce the patents against non-licensees for infringement or contributory infringement have invariably been challenged under the misuse doctrine. Developments in this area of the law are continuing and no clear-cut guidelines can be laid down.¹¹⁴ A case-by-case analysis must be made as to each licensing practice.

110. 377 U.S. at 492.

111. See note 79 *supra* and accompanying text.

112. See notes 80 & 81 *supra* and accompanying text.

113. See note 23 *supra*.

114. The Department of Justice, Antitrust Division, has attempted to lay down some general guidelines. *Hearings Pursuant to S. Res. 32 on S. 643, S. 1253, and S. 1255 Before the Subcomm. on Patents, Trademarks, and Copyrights of the Senate Committee on the Judiciary*, 92d Cong., 1st Sess., at 504 (1971). In a letter to the Hon. John L. McClellan, Chairman, Richard W. McLaren, Assistant Attorney General, explained the guidelines as follows:

My original statement of the so-called "no-yes" test was made on June 5, 1969. I said:

In considering whether to attack a particular licensing provision or practice, we ask ourselves two fundamental questions. First, is the particular provision justifiable as necessary to the patentee's exploitation of his lawful monopoly? Second, are less restrictive alternatives which are more likely to foster competition available to the patentee? Where the answer

Calhoun II,¹¹⁵ decided six months after *Aro II*, involved the same patent litigated in *Calhoun I*.¹¹⁶ In its defense the federal government unsuccessfully argued that the owner's licensing of unpatented staple manufacturers and sellers was a misuse.¹¹⁷ The owner held a combination patent on a piston packing construction, but the O-rings used in the patented combination were also sold separately by the licensees. The O-rings were unpatented staple articles capable of being used outside the patent. After its license terminated, the federal government continued to use the patent without paying royalties and the owner sued for direct infringement under § 271(a). The court found that there was no misuse and that the federal government was guilty of direct infringement. The licensing policy of the owner and the sales policy of the licensees were held to be permissible since the owner was not attempting to drive business in the unpatented staple articles to himself. The court pointed to *Sola Electric* and *Calhoun I* as sanctioning such conduct. Subsections (1) and (2) of § 271(d) could have been cited as additional authority. *Aro II* was not mentioned, apparently because the conduct involved was clearly permissible before *Aro I* and would be unaffected by the reevaluation of the *Mercoide* cases made in *Aro II*. The owner's enforcement activity was legitimate under § 271(a) in view of subsection (d)(3).

to the first question is no, and the second yes, we will *consider* bringing a case challenging the restriction involved.

This summary formulation was never intended to be used to determine the legality of patent licensing limitations, nor were we prepared to urge this formula on the courts. Rather, this formulation was intended to indicate some of the factors we take into account in determining the kind of patent licensing restrictions we would "consider" prosecuting

Since some did not recognize the close relationship between the "no-yes" test and the ancient rule of "necessary and ancillary restraints" [citations omitted], we attempted last year to clarify the "no-yes" statement. Last year, therefore, in two speeches [citations omitted], we attempted to set forth what we regarded as the proper test of legality, rather than our own standard for investigation. That test is the rule of reason.

The rule of reason in this area embraces three principle elements. First, the restriction or limitation must be ancillary to the lawful main purpose of a contract. Second, the scope and duration of the limitation must not be substantially greater than necessary to achieve that purpose. Third, the limitation must be otherwise reasonable in the circumstances.

115. *Calhoun v. United States*, 339 F.2d 665 (Ct. Cl. 1964) [hereinafter cited as *Calhoun II*].

116. See note 95 *supra* and accompanying text.

117. The patentee's conduct fell within the third class. See note 81 *supra*.

*McCullough Tool*¹¹⁸ involved conduct which, under the court's interpretation, must be categorized in the fourth class as a requirements contract situation. The owner held patents on both a process and a machine for the radioactive logging of oil wells and required users of the process to purchase from him all detecting and recording instruments for use with the patent. Although the district court characterized such instruments as "necessary"¹¹⁹ to the patented combination, the court apparently considered these unpatented articles as staples rather than non-staples. The defendant sold a device similar to the patented machine and the owner sued under § 271 (a) for direct infringement of both the process and the machine claims. The defense argued in part that there was a misuse because of the requirements contract covering the unpatented (staple) instruments.¹²⁰ Although the district court agreed with the defendant, it found that the misuse had been purged shortly before the suit was brought. The owner thus recovered for direct infringement.¹²¹ The court of appeals affirmed, citing *Carbice I*, *Mercoide I*, *Loew* and the *Motion Picture Patents* line of cases, among others.¹²² The use of *Mercoide I* and *Loew*¹²³ and the omission of any reference to *Aro II* may create the false impression that the former two cases still represent the correct interpretation of the misuse doctrine. Section 271 was never mentioned, perhaps because the court recognized that conduct involving a requirements contract is not protected by subsection (d).

Another pertinent case decided after *Aro II* was *Nordberg*,¹²⁴ which offered the first analysis of the effect of *Aro II* on the *Mercoide* cases. The owner held a patent on a process for correcting railroad track misalignments and sold a machine which applied the patented process. A competitor sold component parts of a similar machine together with directions for assembly and use. The patentee sued for contributory infringement under § 271(c),

118. *McCullough Tool Co. v. Well Surveys, Inc.*, 343 F.2d 381 (10th Cir. 1965), cert. denied, 383 U.S. 933 (1966).

119. 343 F.2d at 407.

120. No counterclaim for an antitrust violation was raised in *McCullough* since the challenged conduct had not been directed against the defendant.

121. *McCullough Tool Co. v. Well Surveys, Inc.*, 199 F. Supp. 374 (N.D. Okla. 1961).

122. 343 F.2d at 406-07.

123. See note 71 *supra*.

124. *Nordberg Mfg. Co. v. Jackson Vibrators, Inc.*, 153 U.S.P.Q. 777, 783 (N.D. Ill. 1967), rev'd on other grounds, 393 F.2d 192 (7th Cir. 1968).

active inducement of direct infringement under § 271(b), and direct infringement under § 271(a). The competitor raised the misuse defense, but the court found that the component parts sold by the defendant were unpatented non-staple articles capable of being used only in the patented process and concluded that there was no misuse.¹²⁵ The plaintiff's attempt to enforce against a non-staple seller fell within the first class¹²⁶ and was ruled to be permissible under § 271(d)(3). Noting that the *Mercoïd* cases would not have permitted such conduct, the court concluded that *Aro II* treated the *Mercoïd* interpretation as overruled by § 271. The court went on to observe:

If § 271 can be read to overrule *Mercoïd* and permit suits in cases like *Mercoïd*, the misuse defense is not available where the accused product is "especially made or especially adapted for use in an infringement" provided it is not "a staple article or commodity of commerce suitable for substantial non-infringing use." . . . In contrast, where the accused product is a staple commodity with many non-infringing uses, such as dry ice, a suit aimed at prohibiting sale would be barred. See [Carbice I]. A full reinstatement of the doctrine of contributory infringement "as it had developed by decisions prior to *Mercoïd*" produces these results.¹²⁷

Thus, in effect, the court distinguished between the enforcement activities falling within the second and third classes¹²⁸ of conduct.

A legitimate variation of the third class of conduct¹²⁹—enforcement against staple sellers—was involved in the *Armstrong* case.¹³⁰ The owner held process patents covering the wideband FM radio system, and the system was licensed to users and manufacturers of FM receivers. Although the court characterized the FM receivers as "unpatented,"¹³¹ it did not determine

125. The district court had determined that there was direct infringement of the patent by users of the accused machine and that the defendant thus was guilty of contributory infringement under section (c) and active inducement of direct infringement under subsection (b). The court of appeals, however, found that there was no direct infringement and reversed solely on this part of the district court's opinion. *Nordberg Mfg. Co. v. Jackson Vibrators, Inc.*, 393 F.2d at 196-97. Nevertheless, the district court's discussion of patent misuse should be considered good law.

126. See note 79 *supra*.

127. 153 U.S.P.Q. at 786.

128. See notes 80 & 81 *supra*.

129. See note 81 *supra*.

130. *Armstrong v. Motorola, Inc.*, 374 F.2d 764 (7th Cir. 1967).

131. *Id.* at 774.

whether they were staple or non-staple articles. It appears, however, that FM receivers were already staple articles of commerce between 1933 and 1950 when the patents were issued. One radio manufacturer sold its FM receivers with the knowledge that they would be used without authorization in the patented system. The manufacturer refused the patent owner's offer of a license and was subsequently sued for direct infringement under § 271(a) and for contributory infringement under § 271(c). The defendant argued that the patents were unenforceable because the owner's licensing practice constituted misuse. The court of appeals rejected this contention in one paragraph,¹³² apparently on the grounds that the patentee did not himself engage in the commercial manufacture and sale of radio equipment.¹³³ The enforcement of the patents against staple sellers could not have been for the purpose of driving business in unpatented staple articles to the patentee (as found impermissible in the *Carbice I* case) but was merely intended to facilitate collection of royalties for use of the patents. Instead of attempting to collect royalties from the individual users of the patented system, the patent owner collected royalties only from the manufacturers of the patented systems or parts thereof. Unfortunately, the court did not cite § 271(d)(1) and (2) as clear authority for the patentee's licensing practices. His enforcement activity was legitimate under § 271(a) in view of (d)(3).¹³⁴

*Ansul Co. v. Uniroyal, Inc.*¹³⁵ involved another legitimate variation of the third class¹³⁶ of conduct discussed above as an enforcement against a staple seller. The patented composition, used by tobacco growers to inhibit undesirable plant growth, consisted of maleic hydrazide (MH) and a wetting agent. The court noted that both MH and wetting agents were "unpatented"¹³⁷ and

132. *Id.*

133. See *Armstrong v. Emerson Radio & Phonograph Corp.*, 179 F. Supp. 95, 127 (S.D.N.Y. 1959).

134. The inventor's involvement in numerous enforcement lawsuits against various manufacturers so affected his personal life that he committed suicide by jumping from the balcony of his tenth floor apartment. See *N.Y. Times*, Feb. 1, 1954, at 1, Col. 1. Most of the accused infringers settled the litigation with his widow within a month for a mere \$1 million. The defendant in *Armstrong*, however, dragged the lawsuit on for another 13 years.

135. 306 F. Supp. 541 (S.D.N.Y. 1969), *aff'd*, 448 F.2d 872 (2d Cir. 1971), *cert. denied*, 404 U.S. 1018 (1972) [hereinafter cited as *Ansul*].

136. See note 81 *supra*.

137. 306 F. Supp. at 562.

restated the contention by one of the parties that MH was an “ancient chemical,”¹³⁸ thus indicating that it is a staple. A competitor began selling the patented composition for the same end-use and the patentee threatened to bring a suit for direct infringement under § 271(a). The competitor then sought a declaratory judgment, contending in part that the patent had been misused and was unenforceable. The alleged misuse consisted of the owner’s failure to grant licenses for the use of pure MH to applicants who wished to purchase the wetting agent elsewhere.

The court rejected this argument, finding that licensing under these circumstances was not required and that the owner’s refusal to grant such licenses were not intended to drive business in the unpatented staple articles to himself. Unfortunately, the court did not mention § 271(d)(1) as statutory authority for the patent owner’s sales policy. His enforcement activity was legitimate under § 271(a) in view of § 271(d)(3).

*Kolene Corp. v. Motor City Metal Treating, Inc.*¹⁴⁰ involved a requirements contract falling into the fourth class.¹⁴¹ The owner held a process patent for treating metals to improve their strength and wear properties. The patented process was licensed under a registered servicemark and was practiced by placing the metal part to be treated in an aged bath containing a cyanide salt at a high temperature. In order to practice the patented process for commercial purposes, a licensee had to use the servicemark and buy all its salt requirements from the patentee. The owner accused a competitor of direct infringement under § 217(a) for marketing under a similar servicemark a process almost identical to the patented process. As a defense the competitor argued in part that the patent was misused because the commercial licensees were required to buy all their cyanide salt from the owner. The court of appeals disagreed, finding that there was no misuse. This author believes that this decision was incorrect. The court in *Kolene* stated that:

As a limit on the misuse doctrine, it can be stated generally that the misconduct must be connected with the matter in liti-

138. *Id.*

139. The owner was found guilty of an antitrust violation under Sherman Act § 1 for reasons not germane to this article.

140. 440 F.2d 77 (6th Cir. 1971), *cert. denied*, 404 U.S. 886 (1972).

141. See note 82 *supra*.

gation, and the defense is not available to a party with whom the misconduct is of no concern¹⁴²

This statement limits the Supreme Court's viewpoint as expressed in *Morton Salt*:

It is the adverse effect upon the public interest of a successful infringement suit in conjunction with the patentee's course of conduct which disqualifies him to maintain the suit, *regardless of whether the particular defendant has suffered from the misuse of the patent*.¹⁴³

One should recall that a party must show injury in order to recover for an antitrust violation. In patent infringement suits, a counterclaim for an antitrust violation may not be sustained by a defendant who has not suffered from misconduct of the patentee. The court in *Kolene* imposed similar limits on the misuse doctrine.¹⁴⁴ Although the court's limitation cannot yet be stated in black-letter form, a reasonable exposition might be that, before the misuse doctrine will be considered relevant by the court, the misuse asserted as a defense must involve the patents in suit or licensing practices carried out thereunder against others. Misuse of patents not in suit or business practices conducted against others unrelated to the matter in litigation should be considered irrelevant.

The court in *Kolene* went on to analyze the misuse defense as follows:

Moreover, it is only when someone wants to use the process in connection with *Kolene's* registered servicemark (at which time *Kolene's* reputation goes on the line) that they are required to purchase salts from *Kolene*. The record shows that *Kolene* is willing to license its process to heat treaters without the allegedly illegal tie-in but only when the license refrains from use of *Kolene's* servicemark. This offer was made to Motor City in the present case. Neither the right to use the servicemark, *e.g.*, Switzer Bros. [*Switzer Bros. III*], nor the sale of salts is tied to the right to practice the invention of the patent. Hence, the patent is not a lever used to extend a legal monopoly. *Cf.* *Ansul Co. v. Uniroyal, Inc.*, 306 F. Supp. 541 (S.D.N.Y.).¹⁴⁵

142. 440 F.2d at 85 (citations omitted).

143. 314 U.S. 448, 494 (1942) (emphasis added).

144. See also *Noll v. O. M. Scott & Sons Co.*, 467 F.2d 295, 301 (6th Cir. 1972); *Carter-Wallace, Inc. v. United States*, 449 F.2d 1374, 1377 (Ct. Cl. 1971). The former cites both *Morton Salt* and *Kolene*.

145. 440 F.2d at 85 (citations omitted). One should note that in the quoted portion

Although the right to practice the patented process was not tied to the sale of salts, the court of appeals avoided the real issue of whether the right to use the servicemark was tied to the sale of salts. Later cases have found such conduct involving a requirements contract to be a trademark misuse.¹⁴⁶ The court alluded to this issue when it stated that an adequate reason exists for requiring a tie-in arrangement where the owner's reputation is at stake. This rationale is also contrary to the position taken by the Supreme Court in the *International Salt* case.¹⁴⁷ There, an identical argument was rejected on the grounds that it was an unreasonable and unnecessary quality control measure. Although the owner could set standards for the salt to meet before its use would be approved in the patented process, it could not require that the salt be purchased from the patentee alone. Such a requirement indicated that its purpose was to drive business in the unpatented staple products to the patentee and therefore was a misuse. Although the defendant in *Kolene* was not adversely affected by the licensing practices and thus could not recover for an antitrust violation, the court should have denied relief to the patent owner because of misuse. A requirements contract is a misuse (as well as an antitrust violation) unprotected by § 271(d), and fortunately the court of appeals in *Kolene* did not cite this section as authority for sanctioning the conduct in question.

Another example of a requirements contract situation is found in *Dubuit v. Harwell Enterprises, Inc.*,¹⁴⁸ in which the

of the *Kolene* case, the Court cited *Switzer Bros. III*, a decision which this author criticized earlier in some detail. It is evident that the errors of *Switzer Bros. III* have created confusion in later cases.

146. See, e.g., *Siegel v. Chicken Delight, Inc.*, 448 F.2d 43 (9th Cir. 1971), cert. denied, 405 U.S. 955 (1972). The author considers this case also to involve a misapplication of law, albeit in another respect. An owner required licensees to purchase all their requirements from it as a condition of receiving the right to use its trademark. The court of appeals found the tie-in arrangement to constitute a trademark misuse as well as a violation of Clayton Act § 3. Although it is clear that the tie-in arrangement was a trademark misuse, the author considers the decision incorrect in finding a violation of Clayton Act § 3 because the language of that act prohibits only tie-ins of goods to goods; it does not cover tie-ins of intangibles, such as marks and licenses, to goods. Nevertheless such an arrangement should constitute an antitrust violation under § 1 of the Sherman Act as an unreasonable restraint on trade.

147. 332 U.S. 392 (1947).

148. 336 F. Supp. 1184 (W.D.N.C. 1971). For a case involving the same issue but decided before enactment of the present Patent Act, see *National Lockwasher Co. v. George K. Garrett Co.*, 137 F.2d 255 (3d Cir. 1943).

In *Compton v. Metal Prods., Inc.*, 453 F.2d 38 (4th Cir. 1971), the court found both a

owner held a patent on a machine for silk screen printing of photographs and licensed the machine with a requirement that licensees not deal in goods of competitors of the patent owner. A competitor was sued for direct infringement and raised the defense of unenforceability on the grounds that the owner was misusing the patent by including the exclusive dealing clause in the license. The court agreed, perhaps recognizing but not stating that § 271(d) was not intended to protect this kind of conduct.

*Noll v. O. M. Scott & Sons Co.*¹⁴⁹ involved conduct falling into the second class¹⁵⁰ as an active inducement of direct infringement. The owner held a patent on a process for destroying crabgrass by use of a combination of methyl arsonic acid and its derivative salts. The owner sold a particular unpatented staple, disodium methyl arsonate (DSMA), for use in the patented combination and licensed others to manufacture and sell the combination to the general public. A competitor began selling DSMA in a combination for similar public use. The owner sued for active inducement of direct infringement under § 271(b) and the competitor raised the defense of misuse on the grounds that royalties were being collected for uses of DSMA other than crabgrass control. The court did not make a specific finding that DSMA was a non-staple but it did say that "the only commercial use for DSMA was in crabgrass control"¹⁵¹ at the time of its initial marketing although other substantial non-infringing uses were discovered later. In effect, the unpatented salt was originally a non-staple but eventually became a staple. The court found the defendant guilty of active inducement of direct infringement and rejected the misuse defense. The court implied that the collection of royalties on the sale of the unpatented salt for uses outside the patent in suit, when there were such non-infringing uses proved, would be a misuse. The evidence showed that licensees could obtain a royalty refund upon certification that DSMA was sold for any non-infringing use. The patent owner's royalty collection

misuse and an unreasonable restraint on trade (in violation of § 1 of the Sherman Antitrust Act) where a license agreement provided that, during the period for which the patent owner was entitled to royalties, the owner would not, without the licensee's consent, compete in a given market.

149. 467 F.2d 295 (6th Cir. 1972), *cert. denied*, 411 U.S. 965 (1973).

150. See note 80 *supra*.

151. 467 F.2d at 302.

method was clearly permissible under § 271(d)(1).¹⁵² Unfortunately, the court did not cite the statute in support of its ruling.

The *Balax II* case¹⁵³ involved a legitimate variation of the third class¹⁵⁴ of conduct. The owner held a combination patents on a “fluteless” swagger tap, a tool for forming threads on the inner surface of cylindrical holes in metal without forming chips. The owner sued a competitor for direct infringement under § 271(a) for making and selling a similar tap. In his defense the competitor argued misuse and also counterclaimed for antitrust violations under Sherman Act § 1 for an unreasonable restraint on trade and under Sherman Act § 2 for an attempt to monopolize. The court had found the patents invalid in *Balax I*¹⁵⁵ and dismissed the antitrust counterclaim in *Balax II*. The defendant asserted that there was a misuse because, as a matter of course in its licensing activities, the patent owner had threatened to bring infringement suits against other manufacturers and sellers of similar unpatented taps but had granted nonexclusive licenses and exacted royalties from them in lieu of suing. The court summarily rejected this proposition and stated that the owner’s aggressive enforcement policy was permissible under § 271(d)(1), (2), and (3). That the patents were declared invalid did not transform otherwise permissible conduct under § 271(d) into misuse. The rationale behind the enactment of § 271(d) was succinctly pointed out:

If this were not so every time a patent was declared invalid every [enforcement] action which had been taken in reliance upon it would be subject to [antitrust] damage suits. This in turn would make it too hazardous to ever seek a patent.¹⁵⁶

Such a situation had, unfortunately, developed between 1944 and 1952 as a result of the abolition of the doctrine of contributory infringement by the *Mercoïd* cases. Here, the patent owner’s enforcement activity was legitimate under § 271(a) in view of (d)(3).

The *Federal Sign & Signal* case¹⁵⁷ involved a permissible var-

152. See note 23 *supra*.

153. *Bendix Corp. v. Balax, Inc.*, 471 F.2d 149 (7th Cir. 1972), *cert. denied*, 414 U.S. 819 (1973).

154. See note 81 *supra*.

155. *Bendix Corp. v. Balax, Inc.*, 421 F.2d 809 (7th Cir.), *cert. denied*, 399 U.S. 911 (1970).

156. 471 F.2d at 155 n. 9.

157. *Federal Sign & Signal Corp. v. Bangor Punta Operations, Inc.*, 357 F. Supp. 1222 (S.D.N.Y. 1973).

iation of the third class¹⁵⁸ of conduct discussed above. The owner held two patents on a process and a combination for electronically computing the speed of one moving vehicle from another moving vehicle—in particular, a police car. The owner sued a competitor for direct infringement under § 271(a) for making and selling a similar computer. The competitor raised the defense of misuse and also counterclaimed for antitrust violations under the Sherman Act. The court found one patent valid,¹⁵⁹ infringed, and enforceable. The misuse defense was rejected and the antitrust counterclaim was dismissed. The defendant had argued misuse because the owner would license only purchasers of the patented machine under one of the process patents—a practice supposedly indicating an illegal tie-in arrangement. This argument was summarily treated in one paragraph without reference to statute or case law. The court noted that the owner was never requested by anyone to grant a separate license under the process patent and consequently never denied anyone such a license. Indeed, the owner tendered the defendant such a separate license but the offer was refused. The patent owner's enforcement activity was legitimate under § 271(a) in view of (d)(3).

In such situations the looseness of language in § 271(d) is highly relevant. A literal reading of § 271(d)(2) limits condoned

158. See note 81 *supra*.

159. The author considers this case to involve a misunderstanding of the law of patent validity under § 103 of the Patent Act. In *Federal Sign & Signal*, the court said, "[a] combination of old elements is patentable 'only when the whole in some way exceeds the sum of its parts,'" citing *Great Atl. & Pac. Tea Co. v. Supermarket Equip. Corp.*, 340 U.S. 147 (1950); and *Anderson's-Black Rock, Inc. v. Pavement Salvage Co.*, 396 U.S. 57 (1969). See 357 F. Supp. at 1238. Although this synergistic approach might appeal to the metaphysician, the quoted principle is contrary to the laws of science and logic in that, mathematically speaking, the whole is always equal to, and not greater than, the sum of its parts.

The *Great A & P Tea* case had been invalidated by Congress with the enactment of the Patent Act of 1952. See *Hearings*, *supra* note 40. Nevertheless, Mr. Justice Douglas restated the same repudiated principle in *Anderson's-Black Rock*, 396 U.S. at 61, citing the overruled *Great A & P Tea* case. Unfortunately, the federal district court in *Federal Sign & Signal* quoted the controversial language. The resulting confusion, supposedly dispelled by 35 U.S.C. § 103 but catapulted back into the patent law by *Anderson's-Black Rock*, is a subject of critical treatment in several law review articles: DeJonghe, *Aggregation: Comment on the Black Rock Decision*, 53 J. PAT. OFF. SOC'Y 292 (1971); Dulin, *Anderson's-Black Rock, Inc. v. Pavement Salvage Co.: A & P Revisited, a Blessing in Disguise?*, 4 JOHN MARSHALL J. PRAC. & PROC. 28 (1970); Note, *Patent Law-Standard of Patentability-Combination of Old Elements*, 20 AM. U. L. REV. 175 (1970); Note, *After Black Rock: New Tests of Patentability—the Old Tests of Invention*, 39 GEO. WASH. L. REV. 123 (1970).

licensing practices to acts that constitute contributory infringement. As a consequence, licensing practices relating to acts that constitute direct infringement would be suspect under the misuse doctrine. The draftsmen later explained that it was their intention to cover the latter type of acts.¹⁶⁰ The court in *Federal Sign & Signal* took an intermediate position. It did not condemn the licensing practice as not covered by a strict reading of § 271(d)(2). Although the court did condone the challenged practice, it did not do so by interpreting § 271(d)(2) to read “acts which . . . would constitute *direct infringement* or contributory infringement.” The actual statutory language of course reads “acts which . . . would constitute contributory infringement.”¹⁶¹

VII. LOOKING AHEAD

Some confusion concerning enforcement activity still appears to exist in current litigation. *St. Regis Paper Co. v. Tee-Pac, Inc.*,¹⁶² for example, is a consolidated patent-antitrust suit involving the patent on the process for preserving the bright red color of freshly-cut meat by wrapping it in clear plastic film of low oxygen permeability. The defendants were charged with active inducement of direct infringement under § 271(b) and contributory infringement under § 271(c). The relevant portion of the district judge’s opinion dealt with issues not yet ready for decision. The court said:

[I]t is clear from the language of the applicable statute that the mere sale of a product which is “suitable for substantial noninfringing use”, *without more*, is not sufficient to sustain a claim for contributory infringement. 35 U.S.C. § 271(c).¹⁶³

The statement is correct but a later passage is somewhat questionable: “Such sales may not be impeded by the holder of a patent, even though he can show that the seller knew of the intended use of his unpatented product.”¹⁶⁴ This statement needs further qualification in order to be absolutely correct. The state-

160. See note 55 *supra*.

161. See note 23 *supra*.

162. 352 F. Supp. 309 (N.D. Ohio 1972), *reversed*, 491 F.2d 1193 (6th Cir. 1974). The author wants to point out that he has no connection with any of the attorneys or parties in the litigation. His interest is solely from a legal standpoint.

163. *Id.* at 311 n. 3 (emphasis in original).

164. *Id.*

ment is accurate if the holder of a patent is attempting to impede such sales for the purpose of driving business to himself in the staple product. Such an enforcement suit against sellers or users of unpatented staples is permissible under *Carbice I*. The statement is incorrect, however, if the seller is actively inducing direct infringement. A patent owner may stop active inducement of direct infringement committed in violation of § 271(b) by a seller who knows of the intended use of the unpatented staple product. That the enforcement activity may incidentally impede the guilty party's sales of staples is not the main concern. The halting of the staple seller's encouragement and incitement of direct infringement is the legitimate objective of the suit. This type of enforcement activity is permissible under the second class¹⁶⁵ of conduct.

The confusion that has been dispelled by *Aro II* and the case law in the last ten years may be regenerated by the scheduled publication¹⁶⁶ of the attitude of the Department of Justice, Antitrust Division, Patent Section, towards contributory infringement actions. After its position was rejected in 1952 by Congress with the enactment of § 271, the Antitrust Division misled the plurality in *Aro I* and the minority in *Aro II* into stating that the *Mercoïd* cases were still good law. Now, in 1975, it has drafted a publication in which it reiterates the same discredited position.

The Justice Department's discussion of contributory infringement actions is presented in a subsection on tie-in arrangements. A contributory infringement action is a lawful patent enforcement activity under § 271(b) and (c) in view of § 271(d)(3). A tie-in arrangement may be an unlawful antitrust activity under § 1 of the Sherman Act and § 3 of the Clayton Act. Such a discussion of contributory infringement actions in the midst of a subsection on tie-in arrangements is a misleading condemnation of permissible patent conduct as impermissible antitrust conduct. Thus one finds another example of the entanglement of the line of cases beginning with *Leeds & Catlin II* and involving classic non-staple contributory infringement and those beginning with *Motion Picture Patents* and involving tie-in arrangements of staples to patented goods.

165. See note 80 *supra*.

166. SECOND SUPP. TO THE 1955 REP. OF THE ATT'Y GEN. ON THE ANTITRUST LAWS, ch. VI. *Patent-Antitrust Problems, Section E. License Limitations and Restrictions Raising Possible Misuse and Antitrust Problems, Subsection 1. Tying Arrangements* (1975) [hereinafter cited as SECOND SUPP. Since only a tentative draft has been made available, the authors omits citations to page numbers.] See note 182 *infra*.

The pertinent part of the publication is only five paragraphs in length. This author has no quarrel with the introductory paragraph:

In many commercial situations it is impractical for a patentee to sue the persons who are actually infringing the claims of his patent. For example, if the patent covers a unique mixture of an unpatented chemical with water, it might be very difficult to sue each of the end users who mix the patented product. On the other hand, it is a much simpler procedure to sue a few large suppliers of the key unpatented ingredient which is sold for the purpose of having it combined into the patented combination. Such actions are called contributory infringement suits. [Footnotes to § 271(c) and (d).]¹⁶⁷

The next paragraph reads:

In the *Mercoïd* decisions, the Supreme Court found a misuse in the bringing of contributory infringement actions coupled with a refusal to license the combination without purchase of key unpatented components of the claimed "combination" invention. Some believed that the Court came very close to holding a contributory infringement suit tantamount to misuse. Subsequently, Congress enacted Sections 271(c) and (d) of the 1953 Patent Code "for the express purpose of reinstating the doctrine of contributory infringement as it had been developed by decisions prior to *Mercoïd* and of overruling any blanket invalidation of the doctrine that could be found in the *Mercoïd* opinions." [Footnote to *Aro II*, 377 U.S. at 492.] Congress "clearly succeeded in its objective of codifying this case law." [Footnote to *Aro II*, 377 U.S. at 487].¹⁶⁸

Footnote 85 recites the facts and holding of the *Mercoïd* cases and then states: "In effect, the *Mercoïd* decisions found it illegal to tie-in the sale of an unpatented component with a license to use or sell the total patented combination."¹⁶⁹ This statement is a correct characterization of the decisions but it is no longer the law, having been legislatively vacated by § 271(c) and (d). The "tied-in" product in the *Mercoïd* cases was an unpatented non-staple component of the patented combination. There is only one reference to "tie-ins" in the *Mercoïd* decisions. The majority in

167. SECOND. SUPP.

168. *Id.*

169. *Id.*

Mercoïd I said: "When the patentee ties something else to his invention, he acts only by virtue of his right as the owner of property to make contracts concerning it and not otherwise."¹⁷⁰ A tie-in necessarily requires that "something else" *outside* the invention be the subject of the illegal arrangement. In enacting § 271(c) and (d), Congress recognized that an unpatented non-staple component is something *inside* the invention and therefore cannot, and should not, be the subject of an illegal tie-in arrangement.

The last sentence must also be scrutinized. The subject which the phrase "codifying this case law" modifies is ambiguous. A cursory reading gives the impression that the codification is that of the "*Mercoïd* opinions," a phrase appearing at the end of the immediately preceding sentence. A reading of the *Aro II* citation in the footnote makes it clear that the "case law" being codified is the "doctrine of contributory infringement" which had been effectively abolished by the *Mercoïd* opinions, also referred to in the preceding sentence.

The third paragraph states:

The Court, in *Aro II* however, concluded that, to warrant a finding of contributory infringement under Section 271(c), it was not enough that the alleged infringer knew "that the component was especially designed for use in a combination, and was not a staple article suitable for other substantial use"; it must in addition be shown that he "knew that the combination for which his component was especially designed was both patented and infringing."¹⁷¹

The only comment to be made here relates to the phrase quoted at the end of the paragraph. An alleged infringer can know that a combination is patented but cannot "know" that a patented combination is infringed until a court makes such a ruling. The alleged infringer can express an opinion or have a reasonable expectation that there is a substantial likelihood that a court will find an infringement. "Knowledge" of infringement, however, may be proved simply by showing that the alleged infringer had been put on notice.¹⁷²

The fourth paragraph presents a different problem:

170. 320 U.S. at 666.

171. SECOND SUPP. (footnotes omitted).

172. See note 52 *supra*.

In *Aro I*, moreover, the Supreme Court relied on the *Mercoïd* cases in holding that no contributory infringement occurred when *Aro* sold automobile convertible tops knowing purchasers intended to use the fabric for replacement of one of the unpatented elements of the patented combination. The Court reasoned that the car owner himself did not directly infringe the patent by replacing his top since he had a right to repair worn out essential material and restore a damaged part of the patented combination. Accordingly, there could be no contributory infringement without direct infringement.¹⁷³ [Footnote to *Aro I*, 365 U.S. 336 (1961).]

The first sentence in this paragraph creates the impression that an inference can be drawn from *Aro I* that the *Mercoïd* cases are still good law. Such an inference cannot be made because of the treatment of the plurality opinion in *Aro I* by the majority opinion in *Aro II*.¹⁷⁴

The final paragraph concludes:

Thus, except to the extent that it has been directly modified by the Patent Code, *Mercoïd* retains its vitality. For example, it applies in full force where the unpatented component sold is a staple article suitable for substantial noninfringing use. [Footnote to *Suitzer Bros. III*, 297 F.2d 39 (7th Cir. 1961), *cert. denied*, 369 U.S. 851 (1962).] And, even in the case of a component, the sale of which would be contributory infringement, the indication is that it would nevertheless be misuse for the patentee to refuse to license the combination patent except on condition that the purchaser also buy the unpatented component from the patentee. [Footnotes to *Calhoun II*, 339 F.2d 665 (Ct. Cl. 1964) and *Ansul*, 306 F. Supp. 541 (S.D.N.Y. 1969), *aff'd*, 448 F.2d 872 (2d Cir. 1971).]¹⁷⁵

As to the first statement concerning the continuing vitality of *Mercoïd* in spite of § 271, there may be variations of the facts in that case which would lead one to believe that *Mercoïd* still has some validity. However, the exact fact pattern involved in *Mercoïd* would now result in an opposite ruling¹⁷⁶ under § 271. Also, the two examples of misuse cited as variations of *Mercoïd* require further elaboration.

173. SECOND SUPP. (footnotes omitted).

174. See note 78 *supra* and accompanying text.

175. SECOND SUPP.

176. See, e.g., *Sola Elec. Co. v. General Elec. Co.*, 146 F. Supp. 625 (N.D. Ill. 1956).

The first example is partially supported by the *Switzer Bros. III* case, criticized earlier¹⁷⁷ as bad law. *Mercoïd* involved classic non-staple contributory infringement falling into the first class of conduct; *Switzer Bros. III* dealt with requirements contracts falling into the fourth class. It is true that, under *Switzer Bros. III*, “where the unpatented component sold is a staple article,” it is an antitrust violation for an owner to require licensees to purchase staples for use in the patented combination from himself. In addition, under *Carbice I*, it is a misuse for the owner to attempt to enforce the patent against innocent staple sellers in order to drive business in staples to himself. Such actions, however, are *not* antitrust violations or patent misuses “where the unpatented component sold is a staple article” *and* the seller is actively inducing direct infringement. Indeed, enforcement against such staple sellers is condoned by § 271(b).

The second example is supported by dicta in *Calhoun II* and *Ansul*. Both cases dealt with legitimate variations of conduct involving enforcement against *staple* sellers. One should note that the Department of Justice does not use the term of art “non-staple” although it does refer to “unique,” “key,” and “especially designed” unpatented components in the first three paragraphs. In this last paragraph, the phrase “a component, the sale of which would be contributory infringement” can only refer to a non-staple because the sale of a staple, by definition in § 271(c),¹⁷⁸ cannot constitute contributory infringement under § 271(c) although the sale of a staple, coupled with other actions by a seller, may constitute active inducement of direct infringement under § 271(b). Thus, even in the case of a non-staple, the dicta in both *Calhoun II* and *Ansul* suggest that “it would nevertheless be misuse for the patentee to refuse to license the combination patent except [meaning ‘only’] on condition that the purchaser [more properly ‘licensee’] also buy the unpatented [non-staple] component from the patentee.” There has been no direct case law to such effect. However, the essence of such a “license condition” involving non-staples is identical with a “requirements contract” situation involving staples.

Thus, with the rule of the *Mercoïd* cases strained to cover the two given examples, the Department of Justice’s publication could be considered successful in resurrecting *Mercoïd*.

177. See note 107 *supra* and accompanying text.

178. See note 21 *supra*.

VIII. CONCLUSION

The lower federal court cases seem to fall into three categories. The first group reached correct results and used rationales accurately interpreting the congressionally intended effect of § 271(d) on the patent misuse doctrine. The cases belonging to this group can be relied upon completely. The second group reached correct results but used rationales which, by statement or omission, create false impressions about the congressional intent of § 271. The cases belonging to this group can be relied upon only with a caveat at some particular point for each case. The third group reached incorrect results and used rationales inaccurately interpreting the congressional intent of § 271. The cases belonging to this group obviously should not be relied upon.

In the ten years after *Aro II*, there have been many good explanative cases¹⁷⁹ dealing with licensing policies and enforcement activity under § 271 and the effect of subsection (d) on the patent misuse doctrine, but at least two decisions¹⁸⁰ dealing with requirements contracts in this period have helped perpetuate the pre-*Aro II* confusion.¹⁸¹

179. During the period after the *Aro II* case, the lower federal courts were correctly guided by the Supreme Court's interpretation in *Aro II* as to the congressionally intended effect of § 271(d) on the misuse doctrine. *Bendix Corp. v. Balax, Inc.*, 471 F.2d 149 (7th Cir. 1972); *Noll v. O. M. Scott & Sons Co.*, 467 F.2d 295 (6th Cir. 1972); *Compton v. Metal Prods., Inc.*, 453 F.2d 38 (4th Cir. 1971); *Armstrong v. Motorola, Inc.*, 374 F.2d 764 (7th Cir. 1967); *Federal Sign & Signal Corp. v. Bangor Punta Operations, Inc.*, 357 F. Supp. 1222 (S.D.N.Y. 1973); *Dubuit v. Harwell Enterprises, Inc.*, 336 F. Supp. 1184 (W.D.N.C. 1971); *Ansul Co. v. Uniroyal, Inc.*, 306 F. Supp. 541 (S.D.N.Y. 1969); *Nordberg Mfg. Co. v. Jackson Vibrators, Inc.*, 153 U.S.P.Q. 777 (N.D. Ill. 1967); and *Calhoun v. United States*, 339 F.2d 665 (Ct. Cl. 1964) belong to the first group reaching correct results with correct rationales. *McCullough Tool Co. v. Well Surveys, Inc.*, 343 F.2d 381 (10th Cir. 1965) belongs to the second group, reaching correct results with questionable rationales. *Kolene Corp. v. Motor City Metal Treating, Inc.*, 440 F.2d 77 (6th Cir. 1971) belongs to the third group reaching incorrect results.

180. *Kolene Corp. v. Motor City Metal Treating, Inc.*, 440 F.2d 77 (6th Cir. 1971); *McCullough Tool Co. v. Well Surveys, Inc.*, 343 F.2d 381 (10th Cir. 1965).

181. During the period after the enactment of § 271 and before the *Aro I* case, the lower federal courts were without guidance from the Supreme Court as to the congressionally intended effect of § 271(d) on the misuse doctrine. During this period of no guidance, there were 12 relevant cases decided. The first group, reaching correct results with correct rationales, includes *Baldwin-Limo-Hamilton Corp. v. Tatnall Measuring Sys. Co.*, 268 F.2d 395 (3d Cir. 1959); *Stearns v. Tinker & Razor*, 252 F.2d 589 (9th Cir. 1957); *Great Lakes Equip. Co. v. Fluid Sys., Inc.*, 217 F.2d 613 (6th Cir. 1954); *Minnesota Mining & Mfg. Co. v. Flex-O-Lite Mfg. Corp.*, 137 U.S.P.Q. 860 (E.D. Mo. 1961); *Calhoun v. State Chem. Mfg. Co.*, 153 F. Supp. 293 (N.D. Ohio 1957); *Sola Elec. Co. v. General Elec. Co.*, 146 F. Supp. 625 (N.D. Ill. 1956); *Hall Laboratories, Inc. v. Springs Cotton Mills, Inc.*, 112 F. Supp. 29 (W.D.S.C. 1953); and *Urguhart v. United States*, 109 F. Supp. 409 (Ct.

This article has discussed the licensing policies, enforcement activities, and requirements contracts of patent owners as they relate to both staple and non-staple articles. The law is still developing as to licensing policies, but it is clearing up with respect to enforcement activity and has almost jelled in the area of requirements contracts. It is all too clear, however, that if the lower federal courts adopt the new statement by the Department of Justice, this most welcome trend may be reversed.

Cl. 1953). The second group, reaching correct results with questionable rationales, includes *Electric Pipe Line, Inc. v. Fluid Sys., Inc.*, 231 F.2d 370 (2d Cir. 1956); *Southern States Equip. Corp. v. U.S.C.O. Power Equip. Corp.*, 209 F.2d 111 (5th Cir. 1953); and *United States v. Crown Zellerbach Corp.*, 141 F. Supp. 118 (N.D. Ill. 1956). The third group, reaching incorrect results, includes only *Dr. Salsbury's Laboratories v. I.D. Russell Co. Laboratories*, 272 F.2d 414 (8th Cir. 1954).

During the period after *Aro I* and before *Aro II*, the lower federal courts were misguided by the Supreme Court's interpretation in *Aro I* as to the congressionally intended effect of § 271(d) on the misuse doctrine. During this period of misguidance there were five relevant cases decided. *Buxton Inc. v. Julen, Inc.*, 223 F. Supp. 697 (S.D.N.Y. 1963) belongs to the first group, reaching correct results with correct rationales. The second group, reaching correct results with questionable rationales, includes *Preformed Line Prods. Co. v. Fanner Mfg. Co.*, 328 F.2d 265 (6th Cir. 1964); *Angel Research, Inc. v. Photo-Engravers Research, Inc.*, 223 F. Supp. 673 (N.D. Ill. 1962); and *Trico Prods. Corp. v. Delman Co.*, 199 F. Supp. 231 (S.D. Iowa 1961). The third group, reaching incorrect results, includes only *Switzer Bros., Inc. v. Locklin*, 297 F.2d 39 (7th Cir. 1961).

182. The Justice Department's views were finally published as this article went to press. See SECTION OF ANTITRUST LAW, AMERICAN BAR ASSOCIATION, ANTITRUST LAW DEVELOPMENTS 339-41 (1975). Although the Antitrust section of the A.B.A. formally prepared this material, its work was substantially influenced by the Department of Justice and the publication can fairly be said to reflect the Department's position on contributory infringement actions. While the language of the final version varies slightly from that of the draft material quoted above, in substance it remains unchanged. The reader should note, however, that the final version deals with contributory infringement actions under a separate subsection. The author had criticized the discussion of this topic within a subsection on tying arrangements. See note 166 *supra* and accompanying text. Although this categorization was changed in the published version, the overall treatment of contributory infringement actions is no less objectionable.

