

THE SUPREME COURT ON PATENTS

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On March 11th, 1912, the Supreme Court of the United States announced, in a careful opinion, its decision in *Henry v. A. B. Dick Company*. The opinion of the Court was written by Justice Lurton, with whom concurred Justice McKenna, Justice Holmes and Justice Van Devanter. A dissenting opinion was read by Chief Justice White, with whom concurred Justice Hughes and Justice Lamar. Justice Day did not hear the argument and took no part in the decision of the case. Justice Pitney became a member of the Court after the case was argued, and therefore had no part in the decision. Relying upon all these grounds, and also upon the important bearing of the decision on prosecutions under the Sherman Anti-Trust Act then pending in the Federal Courts, application for a re-hearing was made by the defendants-appellant, and application for leave to be made a party and for a rehearing was made by the Attorney-General. Both applications were denied, without opinion, on April 8th, 1912. While the rules of the Supreme Court provide that a re-hearing will not be granted unless desired by one of the justices who concurred in the decision, it is not unfair to surmise, in a case of this importance, that this action of the Supreme Court indicated that a re-hearing before the Court, as now constituted, would not change the decision.

Not since the creation of the patent system, following the recommendation of Alexander Hamilton in his Report on Manufacturers, and the adoption in 1790 of the first patent law by the first American Congress, has the Supreme Court rendered a better considered decision affecting patent rights.

The opinion of the Supreme Court in the Dick case was written by Justice Lurton, who probably has tried more important cases

EDITOR'S NOTE:—In the April number of the YALE LAW JOURNAL was published an article by Gilbert H. Montague of the New York Bar entitled "The Sherman Anti-Trust Act and the Patent Law." Just as that article was going to press, the Supreme Court of the United States announced its decision in *Henry v. A. B. Dick Company*. This decision bears directly upon the subject of that article. For this reason, and because of the unusual public attention which this decision is attracting, the present article has been written.

than any American judge now living. With him concurred Justice Holmes, Justice Van Devanter, whose experience in patent law while circuit judge was very thorough,¹ and Justice McKenna, who, four years ago, wrote the opinion of the Supreme Court in one of the most important cases of recent years—the *Paper Bag Case*²—with which opinion Chief Justice White, then an associate justice, entirely agreed. President Taft, when Circuit Judge, sat with Judge Lurton and repeatedly agreed with Judge Lurton's opinions in patent matters upon points that later were involved in the Dick decision.³

The majority opinion in the Dick case simply states the law as established by an unbroken line of previous decisions in the United States, in Great Britain and in other English speaking jurisdictions.⁴ With these decisions Chief Justice White and Judge Taft, as their entire judicial records show, have heretofore been in absolute agreement.

The considerations properly introductory to the discussion of this decision have already been discussed in a former article,⁵ so that with that article as an introduction, this latest decision of the Supreme Court on the subject of patents may be directly examined.

II.

The Dick Company owned patents covering a mimeograph. It sold to a certain Miss Skou a mimeograph embodying the invention covered by these patents, subject, however, to a license, printed and attached to the machine and reading as follows:

¹ See *National Phonograph Co. v. Schlegel*, 128 Fed., 733 (C. C. A., 8th C., 1904).

James Heekin Co. v. Baker, 138 Fed., 63 (C. C. A., 8th C., 1905.)

² *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U. S., 405.

³ *Heaton-Peninsular Button Fastener Co. v. Eureka Specialty Co.*, 77 Fed., 288 (1896).

Thomson-Houston Electric Co. v. Ohio Brass Co., 80 Fed., 712 (1897).

Metropolitan Trust Co. v. Columbus S. & H. Ry. Co., 95 Fed., 18, 23 (1899).

⁴ See collection of authorities: G. H. Montague: *Sherman Anti-Trust Act and the Patent Law*: YALE LAW JOURNAL, April, 1912.

⁵ G. H. Montague: *The Sherman Anti-Trust Act and the Patent Law*, YALE LAW JOURNAL, April, 1912.

"LICENSE RESTRICTION.

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

Henry's firm sold to Miss Skou some ink suitable for use upon this machine, with knowledge of this license restriction under which Miss Skou had bought the machine, and with the expectation that the ink would be used with this mimeograph. The question presented to the Court was:

Did the acts of the Henry firm constitute contributory infringement of the Dick Company's patents?

The Supreme Court decided that these acts constituted contributory infringement.

III.

Was this a suit arising under the patent law? This was the fundamental question which the Supreme Court faced at the outset.

"That the license agreement constitutes a contract not to use the machine in a prohibited manner is plain," says the Court. "That defendants might be sued upon the broken contract, or for its enforcement, or for the forfeiture of the license is likewise plain. * * * That the patentee may waive the tort and sue upon the broken contract or in assumpsit is elementary. * * * The test of jurisdiction is this: Does the complainant 'set up some right, title or interest under the patent laws of the United States, or make it appear that some right or privilege will be defeated by one construction, or sustained by another, of those laws?'"

Applying these principles to the facts of the case, the Court says:

"The bill alleges that the complainant's patent has been infringed by the breach of the conditions upon which the patented machines was sold. The remedy it seeks is an injunction against indirect infringement by the defendants. The facts stated upon the face of the bill may be insufficient to show an infringement of the patent; but the right to treat the conduct of the defendants as an indirect infringement is a right which the complainant sets up as arising under the patent law. One construction of the scope of the grant will sustain the rights asserted, if the facts be as alleged, and another will defeat those rights."

Upon these facts the Court concludes "that although the complainant might have sued upon the broken contract, or brought a bill to declare a forfeiture of the licensee's right for breach of the implied covenanted right to operate it only in connection with materials supplied by it, it has elected to sue for infringement."

One of the grounds—perhaps one may call it the chief "aggravating" cause—for Chief Justice White's vehement dissent from the opinion of the Supreme Court in the Dick case is his expressed belief that "the effect of that ruling is to destroy, in a very large measure, the judicial authority of the States by unwarrantedly extending the Federal judicial power * * * since that ruling not only vastly extends the Federal judicial power, as above stated, but as to all the innumerable subjects to which the ruling may be made to apply, makes it the duty of the courts of the United States to test the rights and obligations of the parties, not by the general law of the land, in accord with the conformity act, but by the provisions of the patent law."

Upon this point, Chief Justice White palpably relies upon "argument from inconvenience." Except for a few quotations from authorities which, in candour it must be conceded, the majority of the Court dispose of by ample authority and unanswerable logic, Chief Justice White rests his argument, as to this point, upon the proposition that, under the decision from which he dissents, "a patentee in selling the machine covered by his patent has power by contract to extend the patent so as to cause it to embrace things which it does not include." This proposition, upon which the entire position of Chief Justice White depends, obviously assumes the most disputed question in the case. Chief Justice White, and also the majority of the Court, discuss this question at length in their opinions; and this discussion will hereinafter be examined. The point deserving of present notice is that the conclusion of the majority, in respect to the jurisdiction of the Court, was reached independently of its conclusions regarding the validity and enforcibility of the license restriction in the case; while the conclusion of Chief Justice White, in respect to the jurisdiction of the Court, was reached chiefly as the result of his conclusion that the license restriction was contrary to public policy.

IV.

What restriction may a patentee impose upon the use of his patented article? This was the broad question which the Supreme Court had to decide.

In a former article⁶ the following propositions were shown to be generally established by the weight of authority in the United States and in Great Britain:

The owner of a patent may impose restrictions upon the use of the patent and the manufacture and sale of the patented article by the licensee, and such restrictions, if part of an express agreement between the owner and such licensee, may be enforced by the owner against such licensee.

The owner of a patent may impose restrictions upon the use and re-sale of the patented article by the party to whom such article is sold, and such restrictions, if made known to such party, may be enforced against such party by the owner of the patent, even though no express agreement exists between them.

Both these propositions have been emphatically endorsed by the decision of the Supreme Court in the Dick case.

The Court says:

“That a patentee may effectually restrict the time, place or manner of using a patented machine, so that the prohibited use will constitute an infringement of the patent, is fully conceded. * * * The books abound in cases upholding the right of a patent owner of a machine to license another to use it subject to any qualification in respect of time, place or purpose of use which the licensee agrees to accept. Any use in excess of the license would obviously be an infringing use and the license would be no defense.”

Just here is the point of departure of Chief Justice White's dissenting opinion. “The entire title,” he declares, “was parted with; in other words, there was no condition imposed affecting the title or the uses to which the machine might be applied or the duration of the use.” The Chief Justice here assumes that when the patent owner parts with the title to the patented machine, he has somehow lost all power to enforce any condition affecting “the uses to which the machine might be applied;” even though in the act of transferring title, and as part of that very transaction, and even as partial consideration for the sale, the patentee

⁶ G. H. Montague: *The Sherman Anti-Trust Act and the Patent Laws* YALE LAW JOURNAL, April, 1912.

required the customer to assent to certain prescribed restrictions affecting "the uses to which the machine might be applied." How completely Chief Justice White assumes all these points appears from his further statement that "the sale here in question was one of all the rights which the patent protected."

V.

Did the sale here in question dispose of "all the rights which the patent protected?"

Under Article I, Section 8, Subdivision 8 of the Federal Constitution, Congress has power to "promote the progress of science and useful arts by securing, for limited times, to authors and inventors, the exclusive right to their respective writings and discoveries."

Accordingly, Section 4884 of the Revised Statutes has been enacted, providing that a patent owner shall have "the exclusive right to make, use and vend the invention or discovery." This "exclusive right" is in effect three "exclusive rights," *i. e.*, the "exclusive right" to make, the "exclusive right" to use, and the "exclusive right" to sell the patented article.⁷

Since the patent owner's "exclusive right" is composed of the "exclusive right" to make, the "exclusive right" to use, and the "exclusive right" to sell the patented invention, the patent owner may, according as he sees fit, dispose of one, or more, or any part of these component "exclusive rights." Thus, when he elects to manufacture the patented article himself, he reserves to himself the "exclusive right" to make, and disposes simply of all or part of the "exclusive rights" to sell and to use the patented article. Again, if he elects not to sell the patented article, but simply to dispose of it on a royalty basis, he reserves to himself the "exclusive rights" to make and to sell, and disposes simply of the right of use. Similarly, if he elects to dispose of only part of the "exclusive right" to use the patented article, he may reserve to himself the "exclusive rights" to make and to sell the patented article, and also part of the "exclusive right" of use, and may dispose of simply a portion of his "exclusive right" of use, by granting

⁷ *Bloomer v. McQuewan*, 14 How., 538.

Heaton-Peninsular Button Fastener Co. v. Eureka Specialty Co., 77 Fed., 288 (C. C. A., 6th C., 1896).

John D. Park & Sons Co. v. Hartman, 153 Fed., 24, 27 (C. C. A., 6th C., 1907).

merely a limited right of use;—simply, for instance, the right to use the patented article only under such conditions and only with such supplies as the patent owner shall prescribe.

Like the owner of any other property, the patent owner “cannot be compelled to part with his own except on inducements to his liking.”⁸ Like an owner of unimproved real estate, the patent owner may decline to use his invention, or to allow others to use it. Like a real estate owner who prefers to continue an owner, the patent owner may reserve to himself the right of ownership and sale, and, by lease or otherwise, may simply dispose of part of the right to use the property. Like every real estate owner that is a landlord, the patent owner may require that his property be used only under certain specified conditions, and for certain specified purposes, and with certain specified accessories.

The rights of the patent owner are neither greater nor more unusual than the familiar rights of real estate owners or other property owners. Indeed, the patent owner’s rights are vastly curtailed, as contrasted with the rights of other property owners, in that the owners of every other form of property may exercise their rights for so long a period as they and their successors may desire, while the patent owner may exercise none of his rights beyond the duration of his patent, and at the expiration of the statutory period of seventeen years must relinquish to the public all of his rights.

“By a sale of a patented article subject to no conditions,” says the Supreme Court in the Dick case, “the purchaser undeniably acquires the right to use the article for all the purposes of the patent so long as it endures. He may use it where, when and how he pleases, and may dispose of the same unlimited right to another. * * * An absolute and unconditional sale operates to pass the patented thing outside the boundaries of the patent, because such a sale implies that the patentee consents that the purchaser may use the machine so long as its identity is preserved.” The Court then draws the distinction “between the property right in the material composing a patented machine, and the right to use for the purpose and in the manner pointed out by the patent. The latter may be and often is the greater element of value and the buyer may desire it only to apply to some or all of the uses included in the invention. But the two things are separable

⁸ *Victor Talking Machine Co. v. The Fair*, 123 Fed., 424, 426 (C. C. A., 7th C., 1903.)

rights." The Court then explains its meaning, and compacts the kernel of its decision in these words:

"A license is not an assignment of any interest in the patent. It is a mere permission granted by the patentee. It may be a license to make, sell and use, or it may be limited to any one of these separable rights. If it be a license to use, it operates only as a right to use without being liable as an infringer. If a licensee be sued, he can escape liability to the patentee for the use of his invention by showing that the use is within his license. But if his use be one prohibited by the license, the latter is of no avail as a defense. As a license passes no interest in the monopoly, it has been described as a mere waiver of the right to sue by the patentee. *Robinson on Patents*, Sec. 806, 808.

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

Ample authority for these propositions is cited by the Supreme Court. From authorities quoted in a former article,⁹ and from the Court's own reasoning, these propositions seem fully supported by precedent and logic. Furthermore, they furnish the means of refuting Chief Justice White with his own reasoning. For Chief Justice White expressly recognizes the difference which exists "between the conveyance of all one's rights covered by a patent, and a transfer of only a part of such rights." The majority of the Supreme Court conclusively demonstrate that the Dick Company, in disposing of its mimeograph subject to the license restriction in question, transferred "only a part of such rights."

VI.

Enough has been said to show the grounds of Chief Justice White's dissenting opinion, and the doubtful validity of these grounds. The vehemence of his dissent from the opinion of the Court and the extravagance of some suppositious cases of hard-

⁹ G. H. Montague: *The Sherman Anti-Trust Act and the Patent Law*; YALE LAW JOURNAL, April, 1912.

ship which he imagined possible under this decision have given to his dissenting views an interest beyond their intrinsic importance. Chief Justice White ignores the all-important circumstance that no license restriction is enforceable, under the law as laid down by the Court, unless the restriction is "*brought home to the person acquiring the article*" at the time the article is acquired. To make a license restriction enforceable, the purchaser must have notice that he buys with only a qualified right of use. The notion, engendered by Chief Justice White's dissenting opinion, that Henry would have been held as an infringer, if Miss Skou or any other user of the Dick mimeograph had bought Henry's ink at a corner drug store, has absolutely no foundation in fact. The infringement in the Dick case, as the Court expressly held, consisted in the fact that Henry, knowing of the license restriction, and with the expectation and intention that his ink would be used for the purpose of violating this license restriction, incited Miss Skou, intentionally and deliberately, to violate the license restriction—to which Miss Skou, as Henry well knew, had expressly assented when she acquired the mimeograph—and supplied Miss Skou with the means of accomplishing this wrongful act. Indeed the Court below expressly found that Henry deliberately and knowingly instigated Miss Skou to this wrongful act, and even instructed her that, if she would pour Henry's ink into Dick's can and throw away Henry's can, she would not be caught violating the license restriction.¹⁰ Except in several particulars, which will hereinafter be noticed, further discussion of his dissenting opinion is unnecessary; and the analysis of the majority opinion of the Supreme Court will now be continued.

VII.

Having decided that the patentee may "subdivide his exclusive right of use when he makes and sells a patented device," the Supreme Court next lays down the proposition that "the extent of the license to use, which is carried by the sale, must depend upon whether any restriction was placed upon the use, and brought home to the person acquiring the article." The Court elaborates this point:

"To begin with, the purchaser must have notice that he buys with only a qualified right of use. He has a right to assume, in

¹⁰ *A. B. Dick Co. v. Henry*, 149 Fed., 424, 428, C. C. S. D., N. Y., 907.

the absence of knowledge, that the seller passes an unconditional title to the machine, with no limitations upon the use. Where, then, is the line between a lawful and an unlawful qualification upon the use? This is a question of statutory construction. But with what eye shall we read a meaning into it? It is a statute creating and protecting a monopoly. It is a true monopoly, one having its origin in the ultimate authority, the Constitution. Shall we deal with the statute creating and guaranteeing the exclusive right which is granted to the inventor with the narrow scrutiny proper when a statutory right is asserted to uphold a claim which is lacking in those moral elements which appeal to the normal man? Or shall we approach it as a monopoly granted to subserve a broad public policy, by which large ends are to be attained, and, therefore, to be construed so as to give effect to a wise and beneficial purpose? That we must neither transcend the statute, nor cut down its clear meaning, is plain."

After emphasizing the fact that this constitutional monopoly "extends to the right of making, selling and using, and these are separable and substantive rights," the Court quotes with approval its language in *Bement v. National Harrow Company*,¹¹ in which Chief Justice White, then an Associate Justice, participated and concurred:

"The general rule is absolute freedom in the use or sale of rights under the patent laws of the United States. The very object of these laws is monopoly, and the rule is, with few exceptions, that any conditions which are not in their very nature illegal with regard to this kind of property, imposed by the patentee and agreed to by the licensee for the right to manufacture or use or sell the article, will be upheld by the Courts. The fact that the conditions in the contracts keep up the monopoly or fix prices does not render them illegal."

This cogent reasoning—with which Chief Justice White then entirely agreed—covers the whole ground. The logic which commanded the support of Associate Justice White completely exposes the fallacy into which Chief Justice White has fallen, in his dissenting opinion, by departing from the principles to which he formerly gave his adherence.

Continuing, the Supreme Court in the Dick case quotes with approval its opinion in *Bement v. National Harrow Company*, to the effect that the Sherman Act "clearly does not refer to that kind of a restraint of interstate commerce which may arise from reasonable and legal conditions imposed upon the assignee or licensee of a patent by the owner thereof, restricting the terms

¹¹ 186 U. S., 70.

upon which the article may be used and the price to be demanded therefor."¹² From this the Court concludes that "it must follow that any other reasonable stipulation, not inherently violative of some substantive law, imposed by the patentee as part of a sale of a patented machine, would be clearly valid and enforceable."

VIII.

The Supreme Court then takes up the "argument from inconvenience," which Chief Justice White vehemently urged as a controlling reason for repudiating the conclusion of the Court and for urging Congress to change the condition which, he declared, would result from this decision. The Court says:

"But it has been very earnestly said that a condition restricting the buyer to use it only in connection with ink made by the patentee is one of a character which gives to a patentee the power to extend his monopoly so as to cause it to embrace any subject, not within the patent, which he chooses to require that the invention shall be used in connection with. Of course the argument does not mean that the effect of such a condition is to cause things to become patented which were not so without the requirement. The stencil, the paper and the ink made by the patentee will continue to be unpatented. Anyone will be as free to make, sell and use like articles as they would be without this restriction, save in one particular—namely, they may not be sold to a user of one of the patentee's machines with intent that they shall be used in violation of the license. To that extent competition in the sale of such articles, for use with the machine, will be affected; for sale to such users for infringing purposes will constitute contributory infringement. But the same consequence results from the sale of any article to one who proposes to associate it with other articles to infringe a patent, when such purpose is known to the seller. But could it be said that the doctrine of contributory infringement operates to extend the monopoly of the patent over subjects not within it because one subjects himself to the penalties of the law when he sells unpatented things for an infringing use? If a patentee says, 'I may suppress my patent if I will. I may make and have made devices under my patent, but I will neither sell, nor permit anyone to use the patented things,' he is within his right and none can complain. But if he says, 'I will sell with the right to use only with other things proper for using with the machines, and I will sell at the actual cost of the machines to me, provided you will agree to use only such articles as are made by

¹² For further discussion of this proposition, and a collection of the authorities, see G. H. Montague: *The Sherman Anti-Trust Act and the Patent Law*, YALE LAW JOURNAL, April, 1912.

me in connection therewith, if he chooses to take his profit in this way, instead of taking it by a higher price for the machines, has he exceeded his exclusive right to make, sell and use his patented machines? The market for the sale of such articles to the users of his machine, which, by such a condition, he takes to himself, was a market which he alone created by the making and selling of a new invention. Had he kept his invention to himself, no ink could have been sold by others for use upon machines embodying that invention. By selling it subject to the restriction he took nothing from others and in no wise restricted their legitimate market."

This bug-bear of "monopoly" in non-patented supplies comprehended within license restrictions covering patented articles has many times been dispelled by the Courts,¹³ but never more effectively than in the passage above quoted. By unswerving application of the same common sense, the Supreme Court disposes of the extravagant suppositious cases of hardship, which Chief Justice White imagined might happen under the decision of the Court:

"For the purpose of testing the consequence of a ruling which will support the lawfulness of a sale of a patented machine for use only in connection with supplies necessary for its operation bought from the patentee, many fanciful suggestions of conditions which might be imposed by a patentee have been pressed upon us. Thus it is said that a patentee of a coffee pot might sell on condition that it be used only with coffee bought from him, or, if the article be a circular saw, that it might be sold on condition that it be used only in sawing logs procured from him. These and other illustrations are used to indicate that this method of marketing a patented article may be carried to such an extent as to inconvenience the public and involve innocent people in unwitting infringements. But these illustrations all fail of their purpose, because the public is always free to take or refuse the patented article on the terms imposed. If they be too onerous or not in keeping with the benefits, the patented article will not find a market. The public, by permitting the invention to go unused, loses nothing which it had before, and when the patent expires will be free to use the invention without compensation or restriction. This was pointed out in the Paper Bag case, where the inventor would neither use himself nor allow others to use, and yet was held entitled to restrain infringement, because he had the exclusive right to keep all others from using during the life of the patent. This larger right embraces the lesser of permitting

¹³ See authorities quoted and collected, G. H. Montague: *The Sherman Anti Trust Act and the Patent Law*, YALE LAW JOURNAL, April, 1912.

others to use upon such terms as the patentee chooses to prescribe. It must not be forgotten that we are dealing with a constitutional and statutory monopoly. An attack upon the rights under a patent because it secures a monopoly to make, to sell and to use, is an attack upon the whole patent system. We are not at liberty to say that the Constitution has unwisely provided for granting a monopolistic right to inventors, or that Congress has unwisely failed to impose limitations upon the inventor's exclusive right of use."

IX.

The economic justification of license restrictions appears from the most cursory knowledge of industrial conditions.¹⁴

In the case of innumerable patented machines, no accurate or convenient measure of the amount of use and output is afforded, except by measuring the supplies used in connection with the machine. By requiring the user of the patented article to obtain such material from a single source, the patent owner insures the means of accurately, inexpensively and conveniently measuring the amount of the use and output of the patented article, and collecting the royalty so determined, by charging for such supplies a sum sufficient to cover their cost, and also an additional amount in the nature of royalty for the use of the patented article. As regards many patented articles, which otherwise could be sold only in small numbers, at a large outright purchase price, no other means of determining a royalty, based upon the amount of use and output, can be devised.

Under such an arrangement, the money burden upon the licensee does not fall upon him all at one time, like the necessity of paying at the outset a large purchase price, but is distributed over a period sufficient to enable him to derive, from the use of the patented article, the means of compensating the patent owner.

Besides these important considerations, there are others of paramount importance. The satisfactory operation of the patented article may, and in many cases does, entirely depend upon its use with specially prepared supplies, or in continuity with other specially adapted machines, or in some particular manner.

An electrical appliance, adapted for use with a particular kind of battery, may be very effective when so used—in which case

¹⁴ Upon this point see G. H. Montague: "The Gist of the Supreme Court Decision in the Dick Patent Case," *Engineering Magazine*, May, 1912.

its usefulness to the licensee is considerable, and its commercial value to the patent owner is correspondingly gratifying;—while if used with another kind of battery, it may be ineffective,—in which case its usefulness to the licensee is slight and its commercial value to the patent owner is disappointing. A license requiring that the appliance be used only with the battery specially adapted to it guarantees the highest degree of usefulness to the user, and assures to the patent owner the commercial value of the patented article to which he is justly entitled.

A patented machine, used in manufacture, may be contrived, with great nicety, to take the partly finished product as it leaves another machine, and to continue the process of manufacture for another stage from that point, and then to turn it over to another machine, which continues the manufacture from that point. This particular machine, it is obvious, must be accurately adjusted, so as to supplement precisely the work done by the machine that immediately precedes it in the manufacturing process, and to match exactly the requirements of the machine that will take up the work at the point where it leaves off. The satisfactory operation of the particular machine in question may, and in actual instances frequently does, entirely depend upon the nicety, accuracy and precision with which it is adapted to the machine that immediately precedes it, and to the machine that immediately follows it in the manufacturing process. Unless the machine that precedes it is accurately adapted to bring the half-finished product into just the condition necessary for satisfactory operation upon the particular machine in question, the operation of the latter machine will be unsatisfactory; and the results to the user and to the owner of the patents covering that particular machine will be correspondingly disastrous. Similarly, unless the machine that immediately follows in the manufacturing process is precisely adapted to take the half-finished product in just the condition that it leaves the particular machine, it will inadequately supplement the work that has previously been done, and will wholly or in part prevent the successful result to which the satisfactory operation of this particular machine has fully contributed.

Instances of ingenious and delicate machines, each nicely adapted to perform one stage of a manufacturing process, and together, as an industrial series, nicely, accurately and precisely adjusted to take the raw materials through the successive stages of the process of manufacture until the finished product is even-

tually turned out, may be found in many highly developed manufacturing industries.

As to any patented article, like the particular type of machines just described, it is obviously proper that the patent owner, in order to insure satisfactory results to the user, and to preserve for himself such commercial value as accrues from the assured satisfactory operation of his machine, may require that the machine be used only with such specially adapted machines, and in such particular manner as will insure satisfactory results to the user.

Upon this sound economic basis rests the rule established by the decision of the Supreme Court in the Dick case.

X.

In the closing paragraphs of its opinion, the Supreme Court examines a long line of decisions in the Federal courts and in the English courts, in which conclusions were reached similar to those embraced in the Dick decision; and upon the grounds already noted in a former article,¹⁵ the Court distinguishes its previous decisions in respect to the rights of copyright owners and proprietary medicine manufacturers, and rests its determination squarely on the constitutional provision regarding the rights of inventors, and the statutes that have been enacted in pursuance of this provision.

XI.

The decision of the Supreme Court in the Dick case lays down the same principles that were affirmed last year in a unanimous decision of the Lords of the Judicial Committee of the Privy Council which determined the law for the entire British Empire.¹⁶ The decision accords with the whole trend of previous judicial decision of the United States.¹⁷ The passages above quoted from *Bement v. National Harrow Company*—in which Chief Justice White, then Associate Justice, participated and concurred—show

¹⁵ G. H. Montague: *The Sherman Anti-Trust Act and the Patent Law*, YALE LAW JOURNAL, April, 1912.

¹⁶ *National Phonograph Co. of Australia v. Mench*, 104 L. T. Rep., 5 Priv. Council, Feb. 3, 1911; see abstract in G. H. Montague *The Sherman Anti-Trust Act and the Patent Law*, YALE LAW JOURNAL, April, 1912.

¹⁷ See authorities collected in G. H. Montague, *The Sherman Anti-Trust Act and the Patent Law*, YALE LAW JOURNAL, April, 1912.

how long these principles have been fully recognized. How familiar this doctrine has been for years, how well within the established law the Court was, in its decision in the Dick case, and how widely divergent from the whole trend of previous judicial decision Chief Justice White was, in his dissenting opinion, appears from the opinion of the Supreme Court in *United States v. Bell Telephone Company*,¹⁸ in which Chief Justice White,
¹⁸ 167 U. S., 224, 1896.

then Associate Justice, agreed and concurred. In his opinion, the Court, referring to patents issued to inventors, said:

"The government parted with nothing by the patent. It lost no property. Its possessions were not diminished. The patentee, so far as a personal use is concerned, received nothing which he did not have without the patent, and the monopoly which he did receive is only for a few years. So the government may well insist that it has higher rights in a suit to set aside patent for land than it has in a suit to set aside a patent for an invention. There are weightier reasons why the government should not be permanently deprived of its property through fraudulent representations or other wrongful means, than there are for questioning the validity of a temporary monopoly or depriving an individual of the exclusive use for a limited time of that whose actual use he claims to have made possible, and which after such time, will be open and free to all. * * * The inventor is one who has discovered something of value. It is his absolute property. He may withhold the knowledge of it from the public, and he may insist upon all the advantages and benefits which the statute promises to him who discloses to the public his invention. He does not make the law. He does not determine the measure of his rights. The legislative body, representing the people, has declared what the public will give for the free use of that invention. He cannot be heard in the courts to say that it is of such value that he is entitled to a larger and longer monopoly; that he is not fully compensated, by the receipts during seventeen years, for the great benefit which his invention has bestowed. No representation of the public is at liberty to negotiate with him for a new and independent contract as to the terms and conditions upon which he will give up his invention. He must come under the dominion of the statute, and take that which the public has proffered its willingness to give. As the law making power has prescribed what the public will give, specified the terms and conditions of purchase, indicated the time and methods of determining the right of compensation, he on his part has an absolute legal right to avail himself of all the provisions thus made."

The same principles were even more emphatically laid down by the Supreme Court, four years ago, in the *Paper Bag Case*.¹⁹

¹⁹ *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U. S., 405, 1908; see abstract in G. H. Montague, *The Sherman Anti-Trust Act and the Patent Law*, YALE LAW JOURNAL, April, 1912.

Chief Justice White, then an Associate Justice, participated in the decision of both these cases and concurred with the opinion of the Court in each case.

In view of the fundamental, well-recognized and long-accepted principles upon which rests the decision of the Supreme Court in the Dick case, the following quotation from the opinion of the Court deserves consideration by Congress, by the legal profession generally, and by the entire community.

"It must not be forgotten that we are dealing with a constitutional and statutory monopoly. An attack upon the rights under a patent because it secures a monopoly to make, to sell and to use, is an attack upon the whole patent system. We are not at liberty to say that the Constitution has unwisely provided for granting a monopolistic right to inventors, or that Congress has unwisely failed to impose limitations upon the inventor's exclusive right to use."

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