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SOME QUESTIONS UNDER THE DESIGN PATENT ACT OF 1887.

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On the 4th day of February, 1887, Congress enacted a law relating to the liability of infringers of patents for designs, and to the recoveries which might be had in prosecution against said infringers, which has introduced into the law of patents some new questions of interest and importance. (Ch. 105, Laws of 1887.)

Section 1 of that act is in the following words :

“That hereafter, during the term of letters-patent for a design, it shall be unlawful for any person other than the owner of said letters-patent without the license of such owner, to apply the design secured by such letters-patent, or any colorable imitation thereof, to any article of manufacture for the purpose of sale, or to sell or expose for sale any article of manufacture to which such design or colorable imitation shall, without the license of the owner, have been applied, knowing that the same has been so applied. Any person violating the provisions, or either of them, of this section, shall be liable in the amount of two hundred and fifty dollars ; and in case the total profit made by him from the manufacture or sale, as aforesaid, of the article or articles to which the design, or colorable imitation thereof, has been applied, exceeds the sum of two hundred and fifty dollars he shall be further liable for the excess of such profit over and above the sum of two hundred and fifty dollars ; and the full amount of such liability may be recovered by the owner of the letters-patent to his own use, in any circuit court of the United States having jurisdiction of the parties, either by an action at law or upon a bill in equity for an injunction to restrain such infringement.”

This act is believed to have been enacted by Congress in consequence of the decision of the Supreme Court of the United

States, in the case of *Dobson v. Hartford Company*, 114 U. S. 440.

In that case, a patent had been obtained by the complainant for a design for carpets, which patent had been infringed by the defendants by the copying of that design and its use as the distinguishing pattern on certain carpets manufactured and sold by them.

In the court below (10 F. R. page 385) it had been held that the complainant was entitled, as a measure of recovery, to receive from the defendant the total profit which they had made on the sale of a certain number of yards of carpet, whose decorative characteristic consisted in the patented design.

The Supreme Court reversed this decision, holding that, in the absence of satisfactory proof that the whole value of the carpet decorated with the infringing design was due to such design, the whole profit derived from the manufacture and sale could not be recovered, and that, in any event, only the profit found to be due to the particular design could be recovered.

The Court said :

“ No rule has been sanctioned which will allow, in the case of a patent for a design for ornamental figures, created in weaving of a carpet or imprinted on it, the entire profit from the manufacture and sale of the carpet, as profits or damages, including all the profits from carding, spinning, dyeing and weaving, thus regarding the entire profits as due to the figure or pattern, unless it is shown by reliable evidence that the entire profit is due to the figure or pattern. It is matter of common knowledge that there is an infinite variety of patterns upon carpets, and that, between two carpets of equal cost to make, and equal merit as to durability of fabric and fastness of color, each with a pattern pleasing to the taste, one having a design free to be used, and the other a design protected by a patent, the latter may or may not command in the market a price larger than the former. If it does, then the increased price may be fairly attributed to the design, and there is a solid basis of evidence for profits or damages, but, short of this, under the rules established by this court, there is no such basis.”

The Act of 1887 appears to have been suggested by an English statute known as Chapter 100 of the Fifth and Sixth Victoria. That statute is entitled “ An Act to Consolidate and Amend the Laws Relating to Copyrights of Designs for Ornamenting Articles of Manufacture,” and, after making the piracy of such a copyright unlawful, provides for the forfeiture of a sum not exceeding fifty pounds for such offense, and also provides that, notwithstanding the remedy given by this act for the recovery of the penalty prescribed, the registered proprietor of such design may bring an action for the recovery of any damages arising from the piracy.

The Committee on Patents of the Senate and House of Repre-

sentatives, in reporting the bill to their respective bodies (Senate Report, No. 206, 49th Congress, First Session ; House Report, No. 3682), explained the purpose of the bill as follows :

“The bill reported meets the case of an infringement actually committed without profit, which would, in the majority of cases, be the infringement most damaging and disastrous to the patentee ; and also meets the case where the exact profits in dollars and cents cannot be proved under the technical rules of the law, as laid down by the Supreme Court in the case referred to, by prescribing a *minimum* recovery of \$250, in lieu of the nominal damages which would otherwise be the result in the large majority of suits brought for infringements of this kind.

— “It is the method of the English Statute, which prescribes the recovery of £50 on proof of a violation of a design registration, a law that has been in successful operation for upwards of forty years.”

The principal questions of interest which arise under the act of 1887, seem to be the following :

First : Whether the first section of the act, which prescribes that any person violating its provisions “shall be liable in the amount of two hundred and fifty dollars,” does not, in substance and effect, impose a “*penalty*,” as distinguished from a fixed amount to be taken as “liquidated damages,” and, if so, whether it was within the constitutional power of Congress to give to Courts of *Equity* (in which courts most patent suits are brought), jurisdiction to collect a penalty.

Second : Whether the act, in prescribing that the patentee should, in case of infringement, be entitled to recover “the total profit made by him (the infringer) from the manufacture or sale, as aforesaid, of the article or articles to which the design, or colorable imitation thereof, has been applied,” in case the same exceeds the sum of two hundred and fifty dollars, was intended to, and did, in fact, change the prior subsisting rule of law that only the profits due to the use of the design, and not the profits due to other features or characteristics of the article bearing the design, could be recovered.

Third : Whether, if the construction should be adopted that the meaning of the words “total profit made by him from the manufacture or sale, as aforesaid, of the article or articles to which the design, or colorable imitation thereof, has been applied,” is that the patentee is entitled to recover the profit derived from the manufacture or sale of an article as a whole, irrespective of the question whether all the profit was due to the design or not, such an interpretation would not subject the act to the criticism that it prescribes an *additional* “penalty” which, whether recoverable in a court of equity or not, would fall under

the prohibition of the Constitution against the imposition of "excessive fines."

None of these questions appear to have been discussed in any reported cases except those of *Pirkl v. Smith*, 41 F. R. 410, and *Untermeyer v. Freund* (Coxe, J., April 18, 1892). In the latter case, the learned judge has examined them all with his usual care and ability and arrived at conclusions favorable to the constitutionality of the law, and to the most liberal rule of protection to the patentee.

There are, however, some considerations, not discussed in this opinion, which may fairly be said to tend towards some modifications of these conclusions.

The first question above suggested is, whether the \$250 named in the statute is a "penalty," and if so recoverable in a Court of Equity. Whether the fixing of the amount of the *minimum* recovery at the sum of \$250 was not the imposition of a "penalty," was briefly considered and decided in the negative in *Pirkl v. Smith*, but in *Untermeyer v. Freund* it was admitted that it was "in the nature of a penalty."

While it is, perhaps, clear from the discussions which took place in Congress, prior to the passage of the bill, that some, at least, of the legislators regarded the sum named by the act as "liquidated damages," rather than as a "penalty," yet it is nevertheless difficult to distinguish it from a penalty.

The sum is a *minimum* sum, recoverable in any event, and entirely irrespective of the extent of infringement.

It is recoverable whether the infringement consists of the manufacture or sale of a single article or of many, and whether the infringing article be of little or of great cost and value.

It is obvious that the sum named may, in many cases, exceed many times the whole value of the infringing thing.

The statute lays down a horizontal rule to which all cases, however different in their circumstances in these respects, must conform.

Under such circumstances, it is difficult to perceive the applicability of the term "liquidated damages" to the sum named in the act.

"Liquidated damage" is a sum agreed upon as a just, proper, and conventional measure of the damages sustained by an act.

A sum named to come within the proper designation of "liquidated damages" must be fixed with a view of *compensation*, and

must be placed at an amount which is reasonable with reference to actual damages.

Now, is it not apparent that when the legislature prescribes that one party must accept and the other party must pay a sum arbitrarily fixed without reference to the varying circumstances of cases, that that sum ceases to be a "compensation and satisfaction for some injury sustained," and becomes, in effect, a punishment of an unlawful act.

All that is necessary to make a sum a "penalty" is that it does, in fact, operate as a penalty.

Support is given to the view that the sum imposed is in the nature of a penalty, by the fact that the words of the section, which prescribe that sum, declare that the act whose committal it seeks to deter is thereafter to be "unlawful."

The words of the section are :

"That hereafter, during the term of letters-patent for a design, it shall be *unlawful* for any person other than the owner of said letters-patent without the license of such owner, to apply the design."

The declaration in a statute that an act is "unlawful," gives it a criminal or quasi-criminal character.

As was said in *United States v. Bougher*, 6 McLean 277 :

"In all cases where an act is declared to be unlawful, and the punishment is annexed to the doing of the act, it pertains to the sovereignty of the State, through the agency of the judicial department, to punish it by indictment ; and it does not require any express statutory authority for such proceeding.

The words of the English Statute, from which the act of 1887 was confessedly copied, are clearly to the effect that the piracy which it prohibits "*shall not be lawful*," and that act expressly provides that :

"Any person who acts in contravention of this section, shall be liable for every offense to *forfeit* a sum not exceeding fifty pounds to the registered proprietor of the design."

In *Boyd v. United States*, 116 U. S. 616, where the effect of a certain statute of the United States prescribing a seizure or forfeiture of property, in the event of doing a prohibited act, the Court said :

"We are also clearly of opinion that proceedings instituted for the purpose of declaring the forfeiture of a man's property, by reason of offenses committed by him, though they may be civil in form, are, in their nature, criminal."

In *Clarke v. Barnard*, 108 U. S. 455, the Court in determining the nature of an obligation created by a certain statutory bond.

spoke of it as: "a penalty or forfeiture inflicted by the sovereign power for a breach of its laws, not a liquidated amount of damages, due under a contract, but a fixed and certain punishment for an offense, and not the less so because security is taken before the offense is committed in order to secure the payment of the fine, if the law should be violated."

But if the imposition of this fixed and certain sum is to be deemed a "fine" or "penalty," and, in a certain sense, a punishment for an offense, although recoverable by the party injured rather than by the sovereign power itself, a serious question presents itself whether jurisdiction to decree such fine or penalty can be conferred upon a Court of *Equity*.

Undoubtedly Congress has the power to impose on the willful doer of an unlawful act, the collection of a "fine" or "penalty" in and by an action at *law*, but the question here to be considered is merely whether this power may be conferred also upon Court of *Equity*, in which a defendant has no absolute right to trial by jury.

This branch of the inquiry, though doubtless considered, has not been elaborated upon in the opinions above referred to.

The Constitution prescribes that "The judicial power shall extend to all cases in Law and Equity arising under the Constitution, the laws of the United States," and treaties. (Article III., Section 2).

The very phraseology preserves a distinction between Law and Equity.

That distinction, in the administration of Justice, consists principally in the different modes of ascertaining facts, and in the different character of the remedies which are awarded.

A Court of Law tries a contested fact by means of a jury.

A Court of Equity tries questions without a jury, and addresses itself to the conscience of the defendant, requiring an answer under oath.

A Court of Law awards money damages or the return of specific property. It is the appropriate tribunal both when damages are actual and merely compensatory in their nature, and also when they are vindictive or punitive.

A Court of Equity acts by means of its "strong arm," the injunction, restraining or commanding an act to be done.

It awards damages or money recovery only when such recovery is strictly incidental to and is necessary to the completeness of relief, jurisdiction to award which is otherwise acquired (*Root v. Railway*, 105 U. S. 189). There is, we believe, no judicial prece-

dent or authority for the imposition of a penalty by a Court of Equity, nor for the recovery of punitive damages, and although there exists in the Patent Act a section (R. S., § 4921) for the imposition of treble damages, it has rarely been appealed to in practice, and never, so far as I am aware, enforced in any equity case in which the question was contested.

“Damages,” in the proper and usual meaning of the term means compensatory damages.

They are “such damages as measure the actual loss.”

They are the compensation which the law awards for an injury done.

Now a Court of Equity loves “compensation” and hence it may appropriately, if it has otherwise acquired jurisdiction of a case, compensate an injured suitor properly before it.

But a Court of Equity, on the other hand, abhors “penalties.” It relieves against penalties. It does not enforce them.

One great branch of its jurisdiction has grown up out of the relief which it affords *against* penalties and forfeitures.

A Court of Equity will even seek for a penalty disguised under the name of “damages,” so as to relieve against it, as an obnoxious thing (*Clarke v. Barnard*, 108 U. S. 436) and will not suffer its jurisdiction to be evaded merely by the fact that the parties have *called* a sum “damages” which is in fact, and in intent, a “penalty.”

Now, if it be clear that a recovery of a penalty, as such, is appropriate only in a Court of Law, and has never been within the jurisdiction of a Court of Equity, it is difficult to perceive how Congress could confer upon a Court of Equity the power to collect a penalty.

Article Seven of the Constitution provides:

“In suits at common law, when the value in controversy exceeds twenty dollars, the right of trial by jury shall be preserved.”

If the recovery of a penalty be the proper province of a Court of Law and of a Court of Law only, does not this section of the Constitution prohibit the recovery of such a penalty, especially if it exceeds twenty dollars in amount, except by means of a trial by jury, which the Constitution makes the inviolate right of a defendant.

In *Stevens v. Gladding*, 17 How. 447, the Supreme Court decided that Courts of Equity do not enforce forfeitures by the exercise of their ordinary jurisdiction, and that they certainly could not have jurisdiction to decree them, without specific legis-

lative authority. But does it not follow from the constitutional obligation to preserve the right of trial by jury, in suits at common law, (*i. e.* suits of such a nature as to be within the peculiar province of Courts of Law as distinguished from Courts of Equity) that the legislature cannot give to a Court of Equity, even by special enactment, the power to decree a penalty which exceeds twenty dollars in amount.

As was said by the Court (Leavitt, J.) in a case where jurisdiction of a common law cause of action was attempted to be placed under the procedure of a Court of Admiralty (*U. S. v. 130 Barrels of Whiskey, 1 Bond, 587*):

“It is too clear to admit of doubt, that if these are cases at common law, they are within this clause of the Constitution, and the parties are entitled to a trial by jury. It is equally clear that Congress has no power under the Constitution to deprive a suitor of this right, by declaring that a case not properly within the jurisdiction of Admiralty, shall be treated and dealt with according to the known principles of the Courts of Admiralty.”

The second question, above suggested, relates to the construction of the act in regard to the basis upon which a computation of profits is to be had.

On the one hand, the words of the act seem to give to the owner of a design patent the right to all the profits of an infringer, in any way derived, from manufacture and sale of an article to which a design has been unlawfully applied, whether those profits are due to the design or not, and whether or not they are wholly due to other causes than to the fact that the design has been used.

In the discussions in Congress, which preceded the act, somewhat varying opinions upon this point seem to have been expressed, but it may be conceded that the reports of committees and most of the expressions in debate were in support of the larger rule of recovery. Perhaps, however, it is unsafe to attempt to ascertain the meaning of a law, or the intention of Congress, as an entire body, in enacting a law, by reference to the individually expressed opinions of members. (*Andrews v. Hovey, 124 U. S. 694*).

It by no means follows from a positive assertion made by a member of Congress, that the meaning of a proposed enactment is such as stated by him, that the majority of Congress, in passing the law, approved of that interpretation, even though no dissent appeared.

Other interpretations may have influenced some of those who voted for the bill.

While the intention of the Legislature, if clearly expressed, is to have full weight in interpreting its action, yet even that intention may be disregarded if it would lead to absurd consequences or to unconstitutional results.

It is, therefore, to be pointed out that any interpretation of the act which exposes an infringer to the liability of paying to the patentee of a design, which he has appropriated, not only the profit derived from the application of the design, but also all profit which may have been derived from the multitude of other causes, which affect the value of the article made and sold, is one which may lead to very serious, and perhaps incongruous consequences.

A design may be wholly insignificant in value and importance as compared with the value of the article to which it is applied.

A design for a piano, for instance, may be beautiful in itself (though not more beautiful than other designs), but may still be very trifling in comparison with the piano.

Many designs of buildings have been patented but the profit derived from the construction of the building could hardly be said to be properly due, except in very small degree, to the particular design used in constructing it.

An almost infinite variety of instances might be cited, tending to show that the transfer to the owner of a patented design, of the whole profit of a manufacturer or seller of an article bearing such design, would be a taking of property in an amount wholly disproportioned to the wrong committed.

Indeed, it is quite conceivable that a design may be patented which, when applied in practice, may turn out (owing to changes in fashion) an absolute detriment to an article, so that any sale effected may be in spite of rather than induced by the design.

Any construction of an act which would lead to the recovery of the whole profit of the manufacturer, under such circumstances is, if possible, to be avoided.

As was said in *U. S. v. Kirby*, 7 Wall. 486 :

“ All laws should receive a sensible construction. General terms should be limited in their application so as not to lead to injustice, oppression or absurd consequences.”

While, therefore, the letter of the act would perhaps seem to give to the owner of the patented design profits resulting from the manufacture or sale of an article, which were not due to that design, but to other causes, yet it would perhaps be more in accordance with the spirit of the law and with the policy of all

administration of justice, which is to give to an injured party fair compensation, and fair compensation only, for wrongs inflicted upon him, to hold that the "total profit" of the article referred to in the act are only those profits which naturally and fairly grow out of the adoption of the patented design and are not those which are wholly unconnected with the act of its appropriation.

Such an interpretation would be within the terms used by the Supreme Court in *Haydenfeldt v. Daney Co.*, 93 U. S. 629, where it was said of a certain interpretation of an Act of Congress :

"This interpretation, although seemingly contrary to the letter of the statute is really within its reason and spirit."

As opposed to these suggestions are the weighty considerations, which governed the mind of the Court in *Untermeyer v. Freund*. These are that the language of the act is explicit, that the profit recoverable is the total profit "of the *article*;" that owing to the rule adopted in the *Dobson Carpet Co.* case "the right of owners of design patents were without legislation, null;" that if the act operated with hardship on an infringer, yet that this was preferable to leaving the patentee without adequate remedy; and that by analogy to a known principle of equity, an infringer who intentionally appropriates a design, and so mixes up the patentee's profits with his own that it is impossible to apportion them, may appropriately be mulcted in the amount of his total profit.

It is, however, to be noted that the rule in the *Dobson Carpet Co.* case is still the admitted rule of recovery in all cases of infringement of patents other than those for designs. No profit arising out of the infringement of patents for the most valuable and important inventions are recoverable, except those which are proved, by some reliable and tangible proof, to have been due to the adoption of the thing or improvement patented, and such proof is often lacking.

The *Dobson Carpet Co.* case merely decided that in the *absence* of any *such* proof of the *contribution* of the design to the profits, none could be recovered, and there would seem to be no special injustice in this ruling. The difficulty of proving exact damages for impairment of *all* intangible rights, even those so precious as character and reputation, is well known, and is a reason why such cases are ordinarily determined by juries, but

the existence of this difficulty does not prove that recoveries based upon wrongs whose consequences are difficult to estimate can properly be decreed in a Court of Equity, acting, by statutory compulsion, in accordance with a rule which bears no *necessary* proportion to the offense.

The analogy of the rule that when there has been an unlawful confusion of profits, the guilty party must bear the loss, is a potent suggestion, but though such a rule can be properly applied when warranted by the facts of a particular case, yet the Act in question, if interpreted so as to give the profits of the article arising from any and all causes, must be held to award this as the *invariable* privilege of a patentee, available whether there has been confusion of profits or not, and not to be escaped from even by the clearest proof either that the infringement caused only a definite proportion of the profits of the article, or did not in fact contribute at all to such profits. Such an interpretation gives a remedy much broader than the evil.

If, then, lastly, the entire profits on the whole article to which the design is applied are construed to be invariably recoverable, although not due to the design itself, but to many other contributing causes which go to make up the value of the article manufactured or sold, it seems reasonably certain that the imposition of this rule of recovery is that of a disproportioned and excessive rule.

It makes no difference that, in a given case, the recovery may be small nor that instances where it would be excessive might be unlikely to occur. It is the *possibilities* of an Act which characterize it and render it constitutional or unconstitutional (*McCullough v. Maryland*, 4 Wheat. 316; *Brown v. Maryland*, 12 Id. 419; *Henderson v. the Mayor*, 92 U. S. 259, 268.

If the recovery prescribed by the act is one which is not measured by the offense but is measured by other circumstances than the offense, it is an unnecessary and an unnatural, and is liable to be an excessive recovery.

If it is imposed by the sovereign power as a punishment of an unlawful act, it is, in its nature, a penalty or fine.

A fine is "a pecuniary penalty."

Article Eight of the Constitution provides that "excessive fines shall not be imposed." This prohibition is principally intended to restrain the judicial imposition of fines, but in a clear case will, it is believed, be held to be binding also upon the Legislature. (*Re Kemmler*, 136 U. S. 436.) There is strong reason to believe

that if the rule prescribed by the statute be that of mulcting an infringer in the total profit derived by him from any and every cause involved in the manufacture and sale of an article to which the infringing design has been applied, as distinguished from the total profit derived by him from the appropriation of the design in the manufacture and sale of the article, that that rule will be ultimately regarded as an excessive one, and if of the nature of a "fine," will be held to fall under the constitutional prohibition.