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Newell A. Clapp

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SOME RECENT DEVELOPMENTS IN PATENT-ANTITRUST LAW*

NEWELL A. CLAPP**

I was glad to be able to accept Mr. Prudell's invitation to be here to night and join you in this very enjoyable occasion. Wisconsin is my native state, and I have many friends here. Needless to say, it is always very pleasant to see them and to meet some of their friends.

While Mr. Prudell did not specify the subject to be discussed, he did suggest that you would be interested in our views "as respects patents and anti-trust matters, both apart and 'hooked together'." Within the area of that generalization, I thought it would be of interest to outline and comment on some of the recent developments in what might be termed "patent-anti-trust law"—a subject in which, during the past few years, a great deal of interest has developed.

GENERAL BACKGROUND

At the outset, I think it would be of value briefly to review the background of these interrelated laws and mention at least some of the points at which they touch each other.

The anti-trust laws, while not expressly provided for in our Constitution, are an embodiment of the common law rule that monopolies and unreasonable restraints of trades are illegal. Moreover, our antitrust laws are based upon our economic philosophy of free enterprise and private initiative. The legislative history of the Sherman Act makes it clear that it was designed to protect free competition in the market place.

Under this system of free competition, our nation has achieved its remarkable industrial growth and has produced an enviable standard of living. Management, labor and the consumer alike have been the beneficiaries of this system.

A patent system was contemplated and provided for by the Constitution when, in Section 8 of Article 1, Congress was given the 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." This general authorization resulted in our patent laws, which have remained unchanged in principle to the present time.

The patent laws provide for a grant to the first and original inventor of the exclusive right to make, use and sell his invention through-

* Address delivered before the Milwaukee Patent Law Association, October 30, 1952.

**Acting Assistant Attorney General of the United States.

out the United States for a term of seventeen years. The term originally was fixed at fourteen years, and it is interesting to note a proposal, which has gained some support, which would limit to twenty years the overall period from the date of the first application to the expiration of the patent.

It might be said that the essence of what the patentee obtains from the patent is the right to exclude others.

I think it must be conceded that the concept of free competition is at least to a certain degree in conflict with that of the patent monopoly. Nonetheless, each system has its proper and well-deserved place in our economic society. Intelligent public policy requires that each perform its rightful function and that, in so functioning, they together contribute to the common good.

The patent grant has been considered both as a property right and as a privilege or franchise. The view that a patent is a privilege rather than a property right has been strongly criticized. The difference, however, would appear to be in the peculiar relationship which this type of property has to our competitive system.

The idea of a patent being an absolute property right, and like any other property, stems from the view that a patent is a contract between the Government and the patentee, whereby, in consideration of the disclosure of a new invention, the inventor receives the right to exclude others from making, using or selling it. It is not necessary to take issue here with such a view except to suggest that the patent is not just like any other form of property, in that it is easily susceptible of abuses which adversely affect competition in the production and marketing of the nation's goods to an extent and in a manner not true of ordinary property.

As is plainly indicated in the Constitutional provision, and as the Supreme Court has pointed out many times, the main object of the patent laws is to promote the progress of science and the useful arts. The public interest in the patent grant is of paramount importance. Although the reward to the inventor is also important, it is of secondary consideration.

The patent grant gives limited rights to the patentee. The Supreme Court made it clear in the *Morton Salt* case¹ that "public policy . . . excludes from it [the grant] all that is not embraced in the invention." Thus, the limits of the grant are fixed by the patentee's claimed invention. The patent statutes compel the inventor to say exactly what he claims. That is important both to the patentee and to the public. As the Supreme Court has stated: "The limits of a patent must be known for the protection of the patentee, the encouragement of the inventive

¹ *Morton Salt Company v. G. S. Suppiger Co.*, 314 U.S. 488, 492, 62 S.Ct. 402, 405, 86 L.Ed. 363, 366 (1942).

genius of others and the assurance that the subject of the patent will be dedicated ultimately to the public."²

This doctrine of strict construction of the patent grant is a patent law doctrine. However, it also has antitrust implications when a patentee attempts to use his patent as a device to accomplish results which would otherwise be clearly in violation of the antitrust laws. Mr. Justice McKenna back in 1912 expressed it well when he said: "Rights conferred by patents are indeed very definite and extensive, but they do not give more than other rights a universal license against positive prohibitions."³

The antitrust problems concerning patents do not usually arise from the patent grant itself but from the way in which patents are handled, including their assignment, licensing, acquisition and pooling. Thus, it is usually the combination or exchange of patent rights, or the conditions and restrictions imposed in license agreements, which cause trouble. The question often is whether a particular restriction in a license is within or without the patent grant.

It is evident, or should be, that the use of the patent grant as a means of giving effect to a combination of competitors to regulate or control an industry is illegal. Other types of violations which concern patents may not be as clear cut, but the courts have laid down rather well-defined rules in most areas. There are well reasoned and sound principles in these decisions to which all of us may resort when attempting to decide which transactions are consistent with and valid under the antitrust laws and which are not.

New statutes and new decisions of course may raise questions, and for a time their implications may not be clear. Some of the recent developments I shall mention tonight raise such questions. In this connection, one further observation probably should be made at this point. In antitrust litigation, the alleged illegality of a patent arrangement usually must be determined in light of the whole, more or less complex factual situation, of which the facts relating to the use made of the patent (or patents) are simply a part. This commonly present necessity for taking into account the entire factual picture in determining whether or not the antitrust laws have been violated has often led to the lament that these laws are much too indefinite, with the consequence that the business community cannot determine, even with legal advice, the legality or illegality of a particular course of action being followed or under consideration. Such a view is entirely too pessimistic. The majority of antitrust cases involve arrangements

² *General Electric Co. v. Wabash Appliance Corp.*, 304 U.S. 364, 369, 58 S.Ct. 899, 902, 82 L.Ed. 1402, 1405 (1938).

³ *Standard Sanitary Manufacturing Company v. U.S.*, 226 U.S. 20, 49, 33 S.Ct. 9, 15, 57 L.Ed. 107, 117 (1912).

repeatedly condemned by the courts. It is the unusual case which does not fall within the well-defined areas of illegality.

So much for the background, with which all of us are familiar. Let us look at some of the recent developments in this interlocking field of patents and antitrust enforcement.

THE NEW PATENT CODE

The new patent code enacted by the 82nd Congress⁴ goes into effect January first of next year. The Antitrust Division has been interested in and sympathetic to the codification of the patent laws, but it was opposed to the idea of codifying the law and at the same time making substantive changes which might adversely affect the antitrust laws. The revisers have indicated that, in the main, no substantive changes were intended.

Only two sections of the new code appear to have direct antitrust implications. One is Section 293—"Nonresident patentees; service and notice." This section provides that nonresident patentees may file a designation of an agent for service of process or notice of proceedings "affecting the patent or rights thereunder." It further provides that, whether or not any such agent is appointed, the District Court for the District of Columbia shall have the same jurisdiction to take any action respecting the patent or rights thereunder as it would have if the patentee were personally within the jurisdiction of the court. This section 293 may well prove to be of considerable help to the Government in cartel cases in which foreign co-conspirators owning U. S. patents are not otherwise within the court's jurisdiction. In past cartel cases, the insertion of unreasonably restrictive provisions in patent licenses has been one of favorite means used in carrying out conspiracies in restraint of trade.

Section 271 of the new code relates to patent misuse and contributory infringement, and may have a more direct Antitrust significance.

In an introductory note to a recent article in the American Bar Association's Journal⁵ discussing patent case law, the editors indicated that, in their opinion, the new patent code had overturned the court decisions on these two patent law doctrines. I assume they were referring to this section, but I doubt the validity of their comment.

Let's first look at the existing law on patent misuse as it concerns "tie-in" arrangements, which is a good descriptive term referring to schemes requiring the purchase of unpatented goods for use with patented apparatus, combinations or processes.

The Government has attacked these "tie-in" arrangements under section 1 of the Sherman Act and section 3 of the Clayton Act. The

⁴ Pub. L. No. 593, 82nd Cong., 2nd Sess. Cl. 593 (July 19, 1952).

⁵ 38 A.B.A.J. 739 (1952).

latter section deals specifically with "tie-ins," making them unlawful where the effect "may be to substantially lessen competition or tend to create a monopoly in any line of commerce."

In private royalty and infringement cases, the courts have held that a patentee who has missued his patent comes into court with "unclean hands" and, accordingly, is not entitled to relief. The ambit of forbidden patent misuse includes the situation where the patentee has attempted to extend the scope of his patent to include materials which are not part of the grant.

In 1917, the Supreme Court decided the case of *Motion Picture Patents Co. v. Universal Film Manufacturing Co.*,⁶ in which it denied recovery for infringement where a notice was attached to a patented projector that it could only be used with film made by the patentee. The court held that there could be no recovery in a contributory infringement suit brought against a competing film manufacturer who supplied film to a user of the patent machine. This case overruled previous cases which had allowed recovery in similar situations on the theory of contributory infringement. The court took note of the fact that, in the intervening time, Congress had enacted section 3 of the Clayton Act but the decision was not based upon that statute. The *Motion Picture Patents* case was the first time the doctrine of patent misuse was applied by the Supreme Court.

In the *Carbice* case⁷ in 1931, the Supreme Court condemned an arrangement whereby dry ice, which was unpatented, was sold by a patentee with a notice attached that it could only be used with a patented refrigeration package, and that the package could only be used with dry ice purchased from the patentee.

The *Mercoïd* cases⁸ created the greatest stir with respect to the patent misuse doctrine. In the first *Mercoïd case*,⁹ the Mid-Continent Company owned a patent on a furnace assembly or combination. It granted an exclusive license to Minneapolis-Honeywell with the right to sub-license others. The royalty payments, however, were to be based only on the sale of an unpatented stoker switch (the patent on it had expired) which was an element of the combination. Minneapolis-Honeywell, in advertising the stoker switch, stated that the right to use the combination patent was granted to the user only when the stoker switch was purchased from it and used in combination. The stoker switch had no other use than as part of the patented combina-

⁶ 243 U.S. 502, 37 S.Ct. 416, 61 L.Ed. 871 (1917).

⁷ *Carbice Corp. of America v. American Patent Development Corp.*, 283 U.S. 27, 51 S.Ct. 334, 75 L.Ed. 819 (1931).

⁸ *Mercoïd Corp. v. Mid-Continent Investment Co.*, 320 U.S. 661, 64 S.Ct. 268, 88 L.Ed. 376 (1944); *Mercoïd Corp. v. Minneapolis-Honeywell Regulator Co.*, 320 U.S. 680, 64 S.Ct. 278, 88 L.Ed. 396 (1944).

⁹ *Supra*, note 8.

tion. The court held that this practice was in effect a "tie-in" arrangement—a license of a patent on condition that the licensee purchase unpatented parts exclusively from the patentee or his exclusive licensee. This was felt to be a misuse of the patent and no recovery for contributory infringement was allowed when suit was brought against an unlicensed supplier of the stoker switch. A whole line of cases has followed the *Mercoid* decision in which the courts have condemned similar attempts to extend the patent grant.

With this decisional law in mind, let's turn to the new section 271. Subsections (c) and (d) are most pertinent here. Subsection (c) defines contributory infringement, stating that:

"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."

As to this subsection, the revisers point out that it "is much more restricted than many proponents of contributory infringement believe should be the case."

Subsection (d) states that:

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.

As to this subsection, the revisers interpret it as meaning that "a patentee is not deemed to have misused his patent solely by reason of doing anything authorized by the section." Note the word "solely." The Senate Report on the bill also states as to these provisions that "one who merely does what he is authorized to do by statute is not guilty of misuse of the patent" and that they "have as their main purpose clarification and stabilization."

In view of these statements, I suggest there is considerable substance to the view that no substantial change in existing law was intended. Certainly there does not appear to be anything in the code which would affect antitrust cases under the Sherman and Clayton

Acts, or the assertion of defense based on violation of these acts in private cases. It would appear that subsection (d) purports to deal only with patent misuse in connection with patent infringement, the subject of the whole section. Even if there were any semblance of conflict, judicial policy as reflected in the cases would indicate the antitrust statutes would prevail. The courts do not favor repeal of a statute by implication, particularly when the subject matter is not the same.

With respect to the doctrine of misuse in private litigation, apart from any violation of the Sherman and Clayton Acts, the courts have condemned any scheme whereby the patent is extended to include unpatented goods. The code provision is not necessarily inconsistent, for arguably it says in effect that the fact a patentee is enforcing his patent shall not, in itself, constitute misuse.

The proponents of the subsection indicated to the House Judiciary Subcommittee that they thought it would overrule the *Mercoïd* and other like cases. The Department opposed enactment because of the danger that such a view might ultimately prevail. As I have already indicated, the revisers and the Congress do not appear to share the view that any change in the case law was intended or accomplished. The argument of the proponents is that all that the patentee was doing in the *Mercoïd* and similar cases was to enforce his patent rights by suits for contributory infringement and that the code states this is not a patent misuse. It is, of course, impossible to tell how the courts will treat this argument, but it should be kept in mind that the courts generally look at the whole purpose and effect of a particular practice. A case¹⁰ decided by the District Court for the Eastern District of Pennsylvania on September 8, 1952 makes this clear and points up the whole problem.

In that litigation, the plaintiff had a patent covering a method of transferring a loop of yarn or other material from one needle to another. It was a manufacturer of unpatented knitting machines, and sold them with an implied license to use the process. The suit was against a competitor, who also manufactured and sold knitting machines, for contributory infringement. This consisted of defendant's supplying its machines to knitting mill customers who infringed the process by their use of the machines. The defendant was also alleged to have directly infringed by test runs of its own machines. Plaintiff announced the institution of the suit in releases to trade journals, advising the trade that knit goods manufacturers using defendant's machines would be infringing the patent.

The court held plaintiff was precluded from maintaining the suit

¹⁰ *Jacquard Knitting Machine Co. v. Ordnance Gauge Co., Inc.*, 95 U.S.P.Q. 28.

because it was an attempt to extend the monopoly of the patent to unpatented articles.

The court reasoned as follows:

"The ordinary situation in cases in which the rule has been applied is where the patentee by a system of contracts or written licenses has required anyone who wishes to make use of his patent to buy unpatented materials from him and has refused to license anyone who does not. In the present case the plaintiff has no such system. It has not granted any written licenses to manufacturers to use its method, although it necessarily grants an implied license to every such manufacturer who buys one of its machines. The notice of the institution of this suit which it broadcast to the trade carries the clear implication that those who use the defendant's machines may be sued for infringement

"It is plain that the plaintiff is primarily interested in eliminating competition in the manufacture of knitting machines, rather than obtaining the fruits of its method patent within the limits of the patent monopoly. However, I do not think that the motives of the plaintiff are particularly important. The question is, what effect will the restraint of infringement in any particular case have upon not only the rights of the defendant but upon the public interest. Will it give the patentee a partial monopoly beyond that which the patent law intends him to have? . . .

"One must recognize the fact that to apply the rule of the *Carbice* and *Mercoïd* cases to a case like this cuts away a great deal of the doctrine of contributory infringement and probably diminishes the value to the owner of many method patents. The Supreme Court fully recognized this in *Mercoïd Corp. v. Mid-Continent Co.*, 320 U. S. 661, 669, when it is said 'where there is a collision between the principle of the *Carbice* case and the conventional rules governing either direct or contributory infringement, the former prevails.'"

The case, as the court recognized, involved a close question under present law. Undoubtedly, the new statute would give the plaintiff a new argument on the point, but even so, I suggest the court might well arrive at the same result.

PRICE FIXING AND POOLING

Important antitrust decisions handed down by the Supreme Court in the patent field this year include those in the *New Wrinkle*¹¹ and *Besser* cases.^{1 2}

The *New Wrinkle* case involved the validity of price fixing provisions in patent license agreements. You will recall that in the *General Electric* case,¹³ the Supreme Court had held a patentee-manufacturer could legally license another to make and sell the patented

¹¹ *U.S. v. New Wrinkle, Inc.*, 342 U.S. 371, 72 S.Ct. 350, 96 L.Ed. 275 (1952).

¹² *Besser Mfg. Co. v. U.S.*, 343 U.S. 444, 72 S.Ct. 838, 96 L.Ed. 757 (1952).

product at fixed prices. The fairly recent *Line Material* case¹⁴ however, had narrowed the scope of this earlier decision and had held that two or more patentees could not combine their patents and fix prices in their license agreements. The court was equally divided as to overruling the *General Electric* case in its entirety. Indeed, one is justified, it seems to me, in wondering whether or not there is any residual value left of that decision.

In the *Gypsum* case¹⁵ the Supreme Court had also invalidated a price fixing system in which the company licensed all members of an industry. The fact that this price system was imposed by means of patent licenses was held to be no defense.

This was the situation when the *New Wrinkle* case came up. There, two competitors had engaged in litigation as to their respective patents covering the manufacture of wrinkle finish enamels. They settled this dispute by organizing a new jointly owned company to which they transferred their patents. The new company licensed the patents to over 200, or substantially all, manufacturers of wrinkle finishes in the United States, in agreements containing price fixing provisions. The court held this scheme to be illegal, saying:

"We see no material difference between the situation in *Line Material* and *Gypsum* and the case presented by the allegations of this complaint. An arrangement was made between patent holders to pool their patents and fix prices on the products for themselves and their licensees."¹⁶

Apropos this decision, *Newburgh Moire Co., Inc. v. Superior Moire Co., Inc.*,¹⁷ decided by the New Jersey District Court on June 5, 1952, should be mentioned. There, plaintiff sued for infringement of a process patent for producing so-called moire pattern effects in fabrics. Defendant moved to dismiss on the ground that plaintiff had violated the antitrust laws and misused its patent by entering into minimum price agreements with its licensees.

Plaintiff was one of five moire finishers in the United States and had licensed two of the others under agreements which established a minimum price list for the goods so processed. Neither party to the suit manufactured any goods itself, but merely processed them.

The court considered this arrangement as falling within the ban of the *Gypsum* and *New Wrinkle* cases. It thought that the Supreme Court in *New Wrinkle* had extended the *Gypsum* holding, since there *all manufacturers* in an industry were licensed, while in *New Wrinkle*, only "*substantially all*" had been. It stated that it was going one step

¹³ U.S. v. General Electric Co., 272 U.S. 476, 47 S.Ct. 192, 71 L.Ed. 362 (1926).

¹⁴ U.S. v. Line Material Co., 333 U.S. 287, 68 S.Ct. 550, 92 L.Ed. 701 (1948).

¹⁵ U.S. v. U.S. Gypsum Co., 333 U.S. 364, 68 S.Ct. 525, 92 L.Ed. 746 (1948).

¹⁶ *Supra*, note 11 at p. 380.

¹⁷ 93 U.S.P.Q. 394.

beyond the *New Wrinkle* decision in holding that price fixing in licenses from a patent holder to two competitors out of five in an industry was illegal.

The New Jersey court might well have mentioned and relied on the *Paramount* case¹⁸ where the Supreme Court, in considering the vertical conspiracy between each distributor and its licensees under copyright licenses, quoted with approval the finding of the District Court that:

"In agreeing to maintain a stipulated minimum admission price, each exhibitor thereby consents to the minimum price level at which it will compete against other licensees of the same distributor whether they exhibit on the same run or not. The total effect is that through the separate contracts between the distributor and its licensees a price structure is erected which regulates the licensees' ability to compete against one another in admission prices."

In the *Besser* case, which involved patent pooling, the Supreme Court, in affirming the lower court, held that the company and others had monopolized the concrete block industry.

The patent pooling arrangement was entered into by Besser, its chief competitor Stearns (over which it subsequently gained control) and the two inventors. It controlled 69 per cent of the dollar sales of the industry and was held to be an illegal monopoly.

Under the agreement, the inventors licensed their patents, which were of revolutionary importance in the industry, to Besser and Stearns, with the stipulation that no other licenses would be given without the consent of these two licensees. The lower court had stated:

"We believe that the contract under question goes further than is necessary to protect the patent monopoly of Gelbman and Andrus [the inventors]. It may well be that an exclusive license to one party would be valid, but here the patentees have joined hands with the two largest competitors in the industry and by terms of their agreement have virtually made it impossible for others to obtain rights under those patents. The contract even gives Stearns and Besser the power to restrict competition—present and future—by requiring their joint consent before licensing others. It is this combination requiring collective action that primarily invalidates the agreement."¹⁹

In speaking of the overall contractual patent picture, the court pointed out that "such conditions while not illegal, per se, cannot be justified as necessary to the enjoyment of or ancillary to the patent rights conveyed."

I probably shouldn't leave this topic of patent pooling without men-

¹⁸ U.S. v. Paramount Pictures, 334 U.S. 131, 68 S.Ct. 915, 92 L.Ed. 1260 (1948).

¹⁹ 96 F.Supp. 304, 311 (1951).

tioning the recent interesting decisions in *Kobe, Inc. v. Dempsey Pump Co.*,²⁰ decided by the 10th Circuit, and *Zenith Radio Corporation v. Radio Corporation of America*.²¹

All these recent cases (and no doubt others could be mentioned) make pertinent the observation that as regards patent pooling and price fixing, the courts have shown no indication of retreating from positions previously spelled out. If anything, the direction is the reverse.

COMPULSORY LICENSING

Compulsory licensing is, to say the least, a rather controversial subject. This is especially true when the compulsion takes the form of requiring royalty-free licenses. Nevertheless, this device of compelling defendants to license their patents,²² either on a reasonable royalty basis or less frequently without any royalties whatsoever, is a very important one in antitrust litigation.

I assume most, if not all, of you are generally familiar with the *du Pont-I.C.I.* case²² recently decided by Judge Ryan in the Southern District of New York. The Government had sought compulsory royalty-free licensing of all the nylon patents on the theory that such a device was necessary to establish competition in that very important product. As to the other patents involved, it requested reasonable royalty licensing. The court refused to require royalty-free licensing because "we hold that in the circumstances before us, compulsory royalty-free licensing may not be decreed in the absence of legislative authority and the sanction of explicit interpretation of existing statutes by higher courts affirmatively permitting such action."

It must be conceded that the court in ruling as it did was following a safe course in view of the present state of the law. As you may recall, the Supreme Court in *Hartford-Empire Co. v. U. S.*²³ refused to sanction royalty-free licensing saying:

"But if, as we must assume on this record, a defendant owns valid patents, it is difficult to say that, however much in the past such defendant has abused the rights thereby conferred, it must now dedicate them to the public."

Also, in *U. S. v. National Lead Co.*,²⁴ where the District Court had refused to order royalty-free licensing, the Supreme Court stated:

"On the facts before us, neither the issuance of such licenses on a royalty free basis nor the issuance of a permanent injunction prohibiting the patentees and licensees from enforcing those patents has been shown to be necessary in order to enforce effectively the Antitrust Act. We do not, in this case, face the

²⁰ 94 U.S.P.Q. 43 (1952).

²¹ 95 U.S.P.Q. 64 (D.C. Del., 1952).

²² *U.S. v. Imperial Chemical Industries, Ltd. et al.*, 105 F.Supp. 215 (1952).

²³ 323 U.S. 386, 65 S.Ct. 373, 89 L.Ed. 322 (1945).

²⁴ 332 U.S. 319, 67 S.Ct. 1634, 91 L.Ed. 2077 (1947).

issue of the constitutionality of such an order. That issue would arise only in a case where the order would be more necessary and appropriate to the enforcement of the Antitrust Act than here."

While recognizing that an argument can be made to the contrary, it has been, and still is, the Department's position that the requirement of royalty-free licensing is not only necessary relief in an appropriate, but rather rare, case, but when so used is entirely legal. Accordingly, it has, in what were deemed to be the proper situations, insisted on such a requirement in consent judgments. Moreover, the District Court in the *American Can*²⁵ case did not feel the Supreme Court decisions precluded it from orderly royalty-free licensing of certain patents of the defendant. In the *Alcoa* case,²⁶ Judge Knox eliminated the grantback provisions of the defendant's existing licenses of certain basic patents, thus depriving it of the only return it had from the licensees.

The court in the *I. C. I.* case gave extensive relief by way of compelling the defendants to license numerous patents, including nylon, on a reasonable royalty basis, because "the patent rights which were granted the defendants were misused." The opinion of the court sets out the basis for such relief in these words:

"When he [the patentee] accepts the special privilege of a patent, he obligates himself to exercise his patent rights in conformity with the law. Misuse of these rights for an unlawful purpose subjects their further use to regulation and control; in this respect patent rights do not differ essentially in character from any other rights which the law creates or recognizes To us, it seems that an effective method to establish competitive conditions is to decree compulsory licensing of all patents which were licensed among the conspirators and which were put to use in the production of products which were common to some if not to all."²⁷

It may be noted that the Supreme Court in the *Besser* case upheld the same principle that "compulsory patent licensing is a well-recognized remedy where patent abuses are proved in antitrust actions and it is required for effective relief."²⁸

In the *Besser* case, however, the Supreme Court went further than Judge Ryan was willing to go in the *I. C. I.* case for it affirmed a final judgment requiring defendants to license to all applicants future patents issued or applied for within ten years from the entry of judgment. Judge Ryan would not order the compulsory licensing of future

²⁵ *U.S. v. American Can Co.*, 87 F.Supp. 18 (D.C. Cal., 1949).

²⁶ *U.S. v. Aluminum Co. of America*, 91 F.Supp. 333 (D.C. S.D.N.Y., 1950).

²⁷ *Supra*, note 22 at pp. 225-226.

²⁸ *Supra*, note 12.

patents as such. He did, however, include improvement patents issued or assigned to defendants during a five-year period.

I might also mention the fact that the Supreme Court for the first time, in the *Besser* case, upheld the lower court's requirement that the lessees of Besser's patented machines must be given the option to purchase them. This is an interesting parallel to the doctrine of compulsory licensing of abused patents.

Mention should also be made of another significant provision of the *I. C. I.* judgment, namely, the provision that the acquisition of a license from the defendants under American patents automatically grants the licensee immunity under corresponding foreign patents.

CONCLUSION

If time permitted—and it does not—it would be interesting to discuss other recent developments in this combined field of patent-antitrust law. One of the most intriguing subjects is that of reciprocal licensing under the Sherman Act—and I've barely referred to it tonight. Others, no doubt, could be mentioned.

The fundamental responsibility of the Antitrust Division is that of enforcing the antitrust laws, of which the Sherman Act is no doubt the most important and of the widest scope. In discharging that duty, we necessarily get into the patent field, because patents play an important part in the violations we are called upon to prosecute and with respect to which relief must be worked out. Enforcement, in other words, is our job, and its effectiveness is of concern to the American people and to the Congress.

In closing, I would like to point out, as the Supreme Court has done several times, that the public policy of the patent laws is akin to and basically the same as that of the antitrust laws. Both aim at a vigorous free competitive economy. It is only when patents are abused that patentees run afoul of the Sherman and Clayton Acts. Patentees and licensees who do not abuse the patent grant need have no fear of being hailed into court on the charge of violating the antitrust laws.