TEXT

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Supreme Court of the United States

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No. 79-669

DAWSON CHEMICAL COMPANY,
CRYSTAL MANUFACTURING CORPORATION
AND
CRYSTAL CHEMICAL COMPANY,
Petitioners,

v.

ROHM AND HAAS COMPANY,
Respondent.

BRIEF FOR THE PETITIONERS

OPINIONS BELOW

The Opinion of the United States Court of Appeals for the Fifth Circuit is reported at 599 F.2d. 685, and is printed in the Appendix at page 139. The Opinion of the United States District Court for the Southern District of Texas, Houston Division, is reported at 191 USPQ 691, and is printed in the Appendix at page 60, and a Supplemental Opinion, unreported, is printed in the Appendix at page 122.

JURISDICTION

The Judgment of the Court of Appeals for the Fifth Circuit was entered on July 30, 1979. The petition for writ of certiorari was filed on October 24, 1979, and was granted on January 7, 1980. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

QUESTION PRESENTED

Does § 271(d) of the Patent Laws permit the owner of a method patent to monopolize and reserve to himself the sale of an unpatented nonstaple product which is used in the practice of the patented method?

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

Constitution of the United States, Article I, Section 8, Clause 8:

> The Congress shall have power . . . To promote the progress of . . . useful arts, by securing for limited times to . . . inventors the exclusive right to their . . . discoveries.

Title 35, United States Code:

§ 101. Inventions patentable

> Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

§ 112. Specification

* * *

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

* * *

§ 154. Contents and term of patent

> Every patent shall contain a short title of the invention and a grant to the patentee, his heirs or assigns, for the term of seventeen years, subject to the payment of issue fees as provided for in this title, of the right to exclude others from making, using, or selling the invention throughout the United States, referring to the specification for the particulars thereof. A copy of the specification and drawings shall be annexed to the patent and be a part thereof.

§ 271. Infringement of patent

> (a) Except as otherwise provided in this title, whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent.
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> (b) Whoever actively induces infringement of a patent shall be liable as an infringer.
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> (c) 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.
>
> (d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (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.

STATEMENT OF THE CASE

This is a suit for patent infringement brought by Respondent Rohm and Haas against Petitioners on June 11, 1974, the Court having jurisdiction under 28 U.S.C. § 1338(a). On Cross-Motions for Summary Judgment (A. 40, 43), based solely on facts admitted or stipulated by the parties (A. 1-39) the District Court granted Petitioners' Motion and dismissed the case (A. 133), holding that Rohm and Haas had misused its patent. The United States Court of Appeals for the Fifth Circuit reversed and remanded for a trial on the merits (A. 183), holding that the activities of Rohm and Haas were permitted by the provisions of 35 U.S.C. § 271(d), and did not amount to patent misuse.

The patent in suit, United States Patent No. 3,816,092 (Exhibits Volume p. 1), which was issued on the day this suit was filed, describes and claims a method of selectively controlling weeds in crops such as rice by applying to the weeds and crops the chemical compound 3,4-dichloropropionanilide (hereinafter "propanil"). Propanil itself is not patented. A patent on propanil, No. 3,382,280, owned by Monsanto Company, was held invalid as a result of litigation between Monsanto and Rohm and Haas, *inter alia* on the ground that propanil was described in or taught by the prior art. *Monsanto Company* v. *Rohm and Haas Company*, 312 F.Supp. 778 (E.D. Pa. 1970), *affirmed*, 456 F.2d 592 (3 Cir. 1972), *cert. denied*, 407 U.S. 934 (1972).[1] Monsanto subsequently dedicated the patent to the public.

Rohm and Haas does not itself practice the patented process, but makes propanil and sells it in containers bearing instructions for farmers and others to perform the process. By operation of law, purchasers of propanil thus receive implied licenses to use the patented method. Rohm and Haas has refused to grant any other licenses under its patent, so that the only way it has been possible for users to obtain a license to perform the patented process has been to buy propanil from Rohm and Haas (A. 38). The license is thus tied to the purchase of the unpatented material.

Petitioners have sold propanil for application to rice crops since before Rohm and Haas received its patent (A. 37). When its method patent was issued, Rohm and Haas brought this suit, charging Petitioners with inducing infringement in violation of 35 U.S.C. § 271(b) and with contributory infringement in violation of 35 U.S.C. § 271(c) (A. 3). Petitioners asked Rohm and Haas for royalty-bearing licenses under the patent, but Rohm and Haas refused, stating that licenses would be granted only with purchases of propanil from Rohm and Haas (A. 38). Recognizing this attempt to monopolize propanil as a misuse of the Wilson patent which rendered it unenforceable against both users of the process and suppliers of the chemical, Petitioners have continued to sell propanil in containers which bear recommendations and instructions for application to rice crops. For the purpose of this proceeding it is presumed that Petitioners are contributory infringers under Section 271(c).

It is undisputed that if propanil were a staple material, having a substantial non-infringing use, it would be misuse to require patent licensees to purchase the unpatented material from Rohm and Haas. However, Rohm and Haas asserts that it has the right to so condition its licenses because propanil is a nonstaple,[2] so that it is only doing that which is permitted by Section 271(d):

(1) deriving revenue from acts which if performed without its consent would constitute contributory infringement, (i.e., selling propanil),

(2) licensing others (its distributors) to sell propanil, and

(3) enforcing its patent rights against those who sell propanil.

Petitioners point out, however, that Rohm and Haas is not "otherwise entitled to relief," as required by Section 271(d), because, in addition to the three activities authorized by the statute, it is doing something else not authorized: compelling those who wish to practice the patented invention to purchase propanil from Rohm and Haas, thereby tying a license under the patent to the purchase of the unpatented material.

Rohm and Haas contends, and the Court of Appeals agreed, that it was the intent of Congress to allow such a tying arrangement in the case of nonstaple materials, thereby effectively allowing the patent on the process to be used to monopolize the material used in the process.

SUMMARY OF THE ARGUMENT

Since the first patent law was enacted in 1790, the *exclusionary* right of a patent has extended only to what was invented. In *Motion Picture Patents Co.* v. *Universal Film Mfg. Co.*, 243 U.S. 502, 61 L.Ed. 871, 37 S.Ct. 416 (1917), this Court held that the patent statutes then in effect gave the inventor exclusive rights only with respect to the invention defined in the claims of his patent, because any greater reward would have exceeded the benefit of his invention to the public. This same limitation is incorporated in Sections 101, 112 and 154 of the present patent laws.

The court-made law of contributory infringement was a form of relief which gave patent owners a more convenient means, in some cases, to prevent direct infringement, by bringing suit against those who sold materials and elements intended to be used in an infringement. But this doctrine did not permit a patent owner to use his patent to force customers to buy those unpatented materials and elements from the patent owner, for that was a misuse of the patent. *Mercoid Corp.* v. *Mid-Continent Investment Co.*, 320 U.S. 661, 88 L.Ed. 376, 64 S.Ct. 268 (1944), hereinafter *"Mercoid I,"* and *Mercoid Corp.* v. *Minneapolis-Honeywell Reg. Co.*, 320 U.S. 680, 88 L.Ed. 396, 64 S.Ct. 278 (1944), hereinafter *"Mercoid II."*

Rohm and Haas has a patent on a method in which propanil is used; it does not have a patent on propanil.

[1] Petitioners Dawson Chemical Company and Crystal Chemical Company were also sued by Monsanto for infringement of the propanil patent. The Fifth Circuit Court of Appeals, in *Monsanto Company* v. *Dawson Chemical Company, et al.*, 443 F.2d 1035 (1971), *cert. denied*, 405 U.S. 934 (1972), reversed the District Court's holding of validity of the patent.

[2] The term "nonstaple" is a term of art which has been used, and is used herein, to indicate a component as defined in Section 271(c), the unlicensed sale of which would constitute contributory infringement.

If propanil is a nonstaple Rohm and Haas can bring an action for contributory infringement against those who sell the chemical for use in an infringement of the patent, unless the patent is being misused. The patent is being misused by conditioning licenses under it on the purchase of propanil from Rohm and Haas.

Sections 271(c) and (d) of the Patent Laws did not extend the patent grant to sanction monopolization of nonstaples. Paragraph (c) merely put the doctrine of contributory infringement into statutory form, and paragraph (d) merely stated that certain activities are not misuse. Tying arrangements are not included among those specified activities.

The Court of Appeals erroneously concluded that the legislative history of the statute, although not "crystal clear," showed an intention of the Congress to so extend the patent grant. This conclusion was based primarily on the "tenor" of explanations and "telling features" and "negative implications" of remarks by one witness before a House Subcommittee, and upon the arguments of opponents. The Court should not have expanded patent rights by overruling Supreme Court decisions when the argument for such expansion was based on mere inference. It should have required a clear and certain signal from Congress. *Deepsouth Packing Co.* v. *Laitram Corp.*, 406 U.S. 518, 531, 92 S.Ct. 1700, 32 L.Ed.2d 273 (1972).

The only clear signals from Congress were in the House and Senate Committee Reports on the statute, neither of which mentioned any intent to expand patent rights, and both of which stated that the purpose of Section 271 was "clarification and stabilization."

This Court, in the *Aro*[3] cases, relying in part on the legislative history of Section 271, specifically rejected an attempt to expand the scope of a patentee's monopoly rights. It is clear from these cases that the Court would not have sanctioned any scheme for monopolizing an unpatented nonstaple. Even the Court below recognized that the various opinions in these cases probably cut against its view.

The misuse being perpetrated by Rohm and Haas is the conditioning of a license under its method patent on the purchase of propanil from Rohm and Haas. If Rohm and Haas would grant royalty-bearing licenses separately from the purchase of propanil, there would be no misuse. Such a requirement is not compulsory licensing. By its present marketing scheme, Rohm and Haas has chosen to grant licenses, but only by use of a tying arrangement.

Tying arrangements have virtually no valid purpose, being inevitably used to secure a monopoly by one who has no legal basis for such a monopoly. Rohm and Haas' tying arrangement cannot be justified on the basis that it created the market for propanil. Except where specifically provided by Congress, the law does not abolish competition in newly created markets; on the contrary, competition is encouraged.

The invalidation and dedication of Monsanto's patent on propanil freed up competition in the sale of propanil. To allow Rohm and Haas to abolish this competition would do away with all the advantages of a competitive market.

The Court should not hesitate to strike down this unwarranted extension of the patent monopoly because of the unsupported allegation of an adverse effect on research and development. It is just as likely that the effect would be beneficial, in that more people would be involved in attempting to out-perform their competitors.

The public interest is at stake here, and that interest is superior to Rohm and Haas'. Reversal of the Court of Appeals' decision will assure the right to compete in the sale of propanil, while retaining for Rohm and Haas the right to profit from the invention it has patented, if that patent is valid.

ARGUMENT

1. The Patent Monopoly Extends Only to the Invention Defined by the Patent Claims.

The effect of the decision by the Court below is to hold that by the adoption of Sections 271(c) and (d) of the Patent Laws the Congress intended to extend the scope of the patent monopoly to allow monopolization of unpatented[4] nonstaple materials, components and apparatus used in the practice of the patented invention. Such a holding is contrary to the patent law as it has existed in this country since the first statute was enacted in 1790 (1 Statutes at Large, 109). From the beginning, the *exclusionary* right extended only to the *invention* which the inventor made. And since the adoption of the Patent Act of 1836 (5 Statutes at Large, 117) applicants for patents have been required to define their inventions in patent claims. This requirement was inserted in the law "for the purpose of relieving the courts from the duty of ascertaining the exact invention of the patentee by inference and conjecture." *Keystone Bridge Co.* v. *Phoenix Iron Co.*, 5 Otto 274, 24 L.Ed. 344, 346 (1877).

In *Motion Picture Patents Co.* v. *Universal Film Mfg. Co.*, 243 U.S. 502, 61 L.Ed. 871, 37 S.Ct. 416 (1917), this Court analyzed the patent statutes then in effect and reaffirmed that the *exclusive* rights awarded the patentee are limited to that invention defined by the claims of his patent. 243 U.S. at 510-514. The Court explained that the reason for this limitation was that the primary purpose of the patent laws was to benefit the public by promoting the progress of science and useful arts, the reward to inventors of exclusive rights being only of secondary importance. 243 U.S. at 510, 511. To have allowed the patentee to monopolize more than he invented would have provided the patentee with a reward greater than the benefit he gave the public.

In finding that the statutes themselves plainly limited the exclusive patent grant to the invention defined by the claims, and did not extend to the materials used in the practice of the invention, the Court noted that the meaning of the words of the statute "would not seem to be doubtful if we can avoid reading into them that which they do not really contain." 234 U.S. at 510.

[3] *Aro Manufacturing Co.* v. *Convertible Top Replacement Co.*, 365 U.S. 336 (1961) (*Aro I*), and *Aro Manufacturing Co.* v. *Convertible Top Replacement Co.*, 377 U.S. 476 (1964) (*Aro II*).

[4] The term "unpatented" as used herein means "not covered by the claims of the tying patent." Propanil was once "patented" in a separate patent.

The present statutes, enacted in 1952, are similarly free from doubt, and of similar effect. Thus, 35 U.S.C. Section 101 provides:

> Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

Section 112 requires that the patent include "one or more claims particularly pointing out and distinctly *claiming* the subject matter which the applicant regards as his *invention*." (emphasis added).

And, Section 154 provides that such patent when obtained, "shall contain . . . a grant to the patentee, his heirs or assigns . . . of the right to exclude others from making, using or selling the *invention*. . . ." (emphasis added).

Thus, the present statutes, like those in effect at the time of the *Motion Picture* case, allow a grant only of "the right to an exclusive use of the new and useful discovery which has been made — this and nothing more." 243 U.S. at 513.

Nor did the enactment of Sections 271(c) and (d) add to this exclusive right. Paragraph (c) only puts the contributory infringement doctrine in statutory form, and paragraph (d) only specifies certain activities as not being misuse. No more than this can be found in the plain words without reading into them something which is not there. To read into Sections 271(c) and (d) that which the Court of Appeals found is to effectively nullify the limitations on the grant spelled out so explicitly in Sections 101, 112 and 154. Congress did not extend the limitations provided by these sections of the statute. They are the same today as they were in 1917, at the time of the *Motion Picture* case.

A patent for an *invention* does not take from the public anything it had before the invention; extending the patent coverage to that which is *not the invention* takes something from the public. The *invention* covered by the claims of the Rohm and Haas patent is a *process*, not a composition of matter. Rohm and Haas invented, and obtained a patent on, the process for selectively inhibiting the growth of certain plants in the manner described in the twelve claims of the patent. Rohm and Haas did not invent propanil, did not claim propanil, and, for the reasons stated in the *Motion Picture* case, still valid today, has no right to monopolize propanil:

> This construction gives to the inventor the exclusive use of just what his inventive genius has discovered. It is all that the statute provides shall be given to him and it is all that he should receive, for it is the fair as well as the statutory measure of his reward for his contribution to the public stock of knowledge.

243 U.S. at 513.

2. Since the 1917 Decision in the Motion Picture Case This Court Has Not Allowed the Use of the Contributory Infringement Doctrine to Effect a Monopoly in Unpatented Materials.

The doctrine of contributory infringement was developed by the courts as a remedy for patentees against those who contributed to or induced direct infringement by selling a part, but not the entirety, of a patented invention, to customers who directly infringed by assembling the patented whole. *See, e.g., Wallace* v. *Holmes*, 29 Fed. Cas. 74, No. 17,100 (CC Conn. 1871); *Schneider* v. *Pountney*, 21 F. 399 (CC N.J. 1884); *Snyder* v. *Bunnell*, 29 F. 47 (S.D. N.Y. 1886); *Thomson-Houston Elec. Co.* v. *Kelsey Electric Ry. Specialty Co.*, 72 F. 1016 (CC Conn. 1896); *Heaton-Peninsular Button-Fastener Co.* v. *Eureka Specialty Co.*, 77 F. 288 (6 Cir. 1896). Thus, the purpose of the doctrine was to aid in preventing direct infringement, not to extend the patent grant to allow monopolization of unpatented materials.

However, in some of these cases, e.g., the *Button-Fastener* case, courts allowed patentees to use various contractual arrangements and restricted licenses to monopolize unpatented components of patented combinations and even unpatented supplies used by patented machines, reasoning that if a patent owner had the right to completely withhold his invention from the public, he could impose any condition he wished upon the use of his invention. This concept reached its zenith in *Henry* v. *A. B. Dick Co.*, 224 U.S. 1, 32 S.Ct. 364, 56 L.Ed. 645 (1912), when the Court enunciated principles which enabled a patentee to tie the right to use a patented device to the purchase from the patentee of the supplies used by the device.

Five years later, in the *Motion Picture* case, this Court retreated from the position it took in the *Dick* case, and returned to the historical principles of the scope of patent protection, holding that a patentee could not condition the right to use a patented movie machine on the purchase of unpatented film used by the machine because the effect of such conditioning was to create a monopoly in the film. 243 U.S. at 518.

Nevertheless, some patent owners continued to try various other schemes to achieve a monopoly on unpatented materials and elements, and the Court found it necessary to repeatedly strike down such schemes. In *Carbice Corp.* v. *American Patents Development Corp.*, 283 U.S. 27, 51 S.Ct. 334, 75 L.Ed. 819 (1931), the Court denied relief to a patent owner whose exclusive licensee sold solid carbon dioxide with an implied license to use the patented invention, but expressly prohibited the use of solid carbon dioxide purchased from others, holding that he "may not exact as the condition of a license that unpatented materials used in connection with the invention shall be purchased only from the licensor." 283 U.S. at 31.

In *Leitch Mfg. Co.* v. *Barber Co.*, 302 U.S. 458, 82 L.Ed. 371, 58 S.Ct. 288 (1938), the Court found the *Carbice* doctrine equally applicable to a situation where the only license available under a process patent was an implied license obtained by the purchase of an unpatented staple material from the patent owner, stating that "every use of a patent as a means of obtaining a limited monopoly of unpatented material is prohibited." 302 U.S. at 463.

By the time *Morton Salt Co.* v. *G. S. Suppiger Co.*, 314 U.S. 488, 86 L.Ed. 363, 62 S.Ct. 402 (1942) was decided, the Court had applied the evolving doctrine of the *Motion Picture, Carbice* and *Leitch* cases only to bar suits for contributory infringement. In *Morton Salt*, however, the Court applied the doctrine to prohibit recovery against

a direct infringer. 314 U.S. at 492-494. On the same day *Morton Salt* was decided, in *B. B. Chemical Co.* v. *Ellis*, 314 U.S. 495, 86 L.Ed. 367, 62 S.Ct. 406 (1942), the Court used the word "misuse" for the first time in describing the patent owner's conduct in conditioning licenses under his patent on the purchase from him of unpatented materials. And in *B. B. Chemical* the Court for the first time considered, and rejected without comment, the argument that the misuse doctrine should be applied only in the case of attempts to monopolize *staple* materials.[5] Clearly the Court did not feel disposed, twenty-five years after the *Motion Picture* decision, to abandon the rule so clearly reasoned there that the patent monopoly is limited to the invention covered by the claims.

Nevertheless, the question was raised again, and directly met, two years later in the *Mercoid* cases, *supra*. The patents in the *Mercoid* cases covered heating systems, one element of which, in each patent, was a switch which had no use except in the patented system, and which was itself unpatented. The patent owner, Mid-Continent, granted an exclusive license to Minneapolis-Honeywell to make, use and sell, and to sublicense others to make, use and sell, the system covered by the patent. Minneapolis-Honeywell did not sell the system, but sold only the switches. Licenses to make and use systems covered by the patent were granted only with the switches purchased from Minneapolis-Honeywell. Royalty payments were based upon sales of switches.

Mercoid was charged with contributory infringement because it manufactured and sold switches specially adapted for use in the patented heating system. Mercoid had been offered, but refused, a license under at least one of the patents. 320 U.S. at 683. The Court denied relief, holding that it was misuse to require those who wished to make the patented system to buy the switches from the patentee's exclusive licensee. The Court noted that the switch was a nonstaple and that, but for the misuse, Mercoid could have been enjoined as a contributory infringer. By tying the license to the unpatented switches, however, the patentee and its exclusive licensee were held to be extending the patent monopoly to that which they had not invented. 320 U.S. at 667.

The *Mercoid* decisions eliminated any doubt that the misuse doctrine applied to attempts to tie patent licenses to the sale of nonstaple elements as well as staple elements. However, the Court also commented that the result of its decision was to limit substantially the doctrine of contributory infringement and to raise the question as to whether any residuum may have been left. 320 U.S. at 669. This comment led many lawyers, and some courts, before 1952, to question whether the law of contributory infringement still existed. *See, Landis Machinery Co.* v. *Chaso Tool Co.*, 141 F.2d 800, 801 (6 Cir. 1944); *Gray Tool Co.* v. *Humble Oil & Refg. Co.*, 186 F.2d 365, 368-369 (5 Cir. 1951). One court even held that the very act of bringing a suit for contributory infringement was a misuse. *Stroco Products, Inc.* v. *Mullenbach*, 67 U.S.P.Q. 168 (S.D. Calif. 1944).

Other courts, however, during this same period, had no difficulty in recognizing the enforceability of patents against contributory infringers when the patents were not used to monopolize unpatented materials or elements, *see, e.g., Florence-Mayo Nuway Co.* v. *Hardy*, 168 F.2d 778, 784-785 (4 Cir. 1948) and *Harris v. National Machine Works, Inc.*, 171 F.2d 85 (10 Cir. 1948), and the applicability of the misuse doctrine when the patent owner was conditioning a license under his patent on the purchase of unpatented elements, *see, e.g. Standard Register Co.* v. *American Sales Book Co.*, 148 F.2d 612 (2 Cir. 1945), and *Lincoln Electric Co.* v. *Linde Air Products Co.*, 171 F.2d 223 (6 Cir. 1948).

Undoubtedly, during the 1944-1952 period there was "considerable doubt and confusion as to the scope of contributory infringement,"[6] but the rule of the *Motion Picture* case, limiting the scope of the patent monopoly to the invention defined by the claims and forbidding the conditioning of the right to use the invention on the purchase of unpatented materials, was consistently recognized and followed, whether the materials were staples or nonstaples.

3. Congress Did Not Intend Section 271(d) to Legitimize Tying Arrangements.

Finding each of the parties' conflicting readings of the statute to be plausible (A. 144) the Court below turned to the legislative history. The Court found this history "not crystal clear" (A. 174). Nevertheless, relying in large part on the "tenor" of one witness' explanations (A. 167), and on the "telling features" (A. 168) and "negative implications" (A. 170) of his remarks, as well as the testimony of opponents of the legislation (A. 170), it held that the weight of it favored Rohm and Haas' position that it was acting within its rights under the statute in using its patent to effect a monopoly in propanil.

[5] See the synopsis of the respondent's brief at 86 L.Ed. 368, and the opinion of the lower court in *B. B. Chemical Co.* v. *Ellis*, 117 F.2d 829, 834-835 (1 Cir. 1941).

[6] Reports of the House and Senate Committees on the Judiciary on Section 271, H.R. Rep. No. 1923, 82d Cong., 2d Sess. 9 (1952), and S. Rep. No. 1979, 82d Cong., 2d Sess. 8 (1952). These reports each state, with respect to Section 271:

> Section 271, paragraph (a) is a declaration of what constitutes infringement. There is no declaration of what constitutes infringement in the present statute. It is not actually necessary because the granting clause creates certain exclusive rights and infringement would be any violation of those rights.
>
> Paragraphs (b), (c) and (d) relate to the subject referred to as contributory infringement. The doctrine of contributory infringement has been part of our law for about 80 years. It has been applied to enjoin those who sought to cause infringement by supplying someone else with the means and directions for infringing a patent. One who makes a special device constituting the heart of a patented machine and supplies it to others with directions (specific or implied) to complete the machine is obviously appropriating the benefit of the patented invention. It is for this reason that the doctrine of contributory infringement, which prevents appropriating another man's patented invention, has been characterized as "an expression both of law and morals." Considerable doubt and confusion as to the scope of contributory infringement has resulted from a number of decisions of the courts in recent years. The purpose of this section is to codify in statutory form principles of contributory infringement and at the same time eliminate this doubt and confusion. Paragraph (b) recites in broad terms that one who aids and abets an infringement is likewise an infringer. The principle of contributory infringement is set forth in the provisions of the next paragraph which is concerned with the usual situation in which contributory infringement arises. This latter paragraph is much more restrictive than many proponents of contributory infringement believe should be the case. The sale of a component of a patented machine, etc., must constitute a material part of the invention and must be known to be especially made or especially adapted for use in the infringement before there can be contributory infringement, and likewise the sale of staple articles of commerce suitable for non-infringing use does not constitute contributory infringement. The last paragraph of this section provides that one who merely does what he is authorized to do by statute is not guilty of misuse of the patent. These paragraphs have as their main purpose clarification and stabilization.

In so concluding, the Court of Appeals failed to heed this Court's warning in *Deepsouth*, *supra*, in which the intent of Congress in enacting Section 271 was under consideration. This Court made it clear that, in view of "this Nation's historical antipathy to monopoly and of repeated congressional efforts to preserve and foster competition," it "should not expand patent rights by overruling or modifying our prior cases construing the patent statutes, unless the argument for expansion of privilege is based on more than mere inference from ambiguous statutory language." 406 U.S. at 530, 531. The Court stated that it "would require a clear and certain signal from Congress" before it would approve any broadening of the patent privilege. *Id.* In so stating, the Court was not enunciating a new doctrine or one limited to the patent laws, but was following the long established rule that "It will not be inferred that the legislature, in revising and consolidating the laws, intended to change their policy, unless such an intention be clearly expressed." *United States* v. *Ryder*, 110 U.S. 729, 740, 28 L.Ed. 308, 312, (1884), cited and followed in *Muniz* v. *Hoffman*, 422 U.S. 454, 470, 45 L.Ed. 2d 319, 331, 95 S.Ct. 2178 (1975). Furthermore, the testimony of opponents to legislation is not to be relied upon in ascertaining the intention of Congress. *See NLRB* v. *Fruit & Vegetable Packers*, 377 U.S. 58, 66, 12 L.Ed. 2d 129, 84 S.Ct. 1063 (1964).

The only clear expression of congressional intent that can be gleaned from the legislative history of Sections 271(c) and (d) is that of clarifying the law of contributory infringement. *See, e.g.*, the House and Senate Committee Reports, *supra* note 6. There certainly is no clear expression of an intent to expand the patent monopoly to cover unpatented materials, or to allow any kind of tying arrangement, or to diminish the scope of the antitrust laws. Yet these are the effects of the rule adopted by the Court of Appeals.

The legislative history of the statutes includes little that is pertinent in the way of floor discussion. Such as there is supports Petitioners' position that the statutes were not intended to make any changes in the law. During the Senate debate Senator McCarran, Chairman of the Judiciary Committee, when asked if the Patent Act changed the law or merely codified it, replied, "It codifies the present patent laws." 98 Cong. Rec. 9323, 82nd Cong., 2d Sess., July 4, 1952. This statement was relied upon by this Court in *Deepsouth*, 406 U.S. 530, note 10, and in *Aro II*, 377 U.S. 485, note 6, to support its conclusion that Section 271 was not intended to change the law.

The Court of Appeals, however, found Senator McCarran's statement to be less than compelling (A. 164-165), and turned its attention instead to the transcripts of Hearings before three House subcommittees in 1948, 1949 and 1951.[7] It is noteworthy that these are three *different* subcommittees; only four members of the 1951 subcommittee were on the 1949 subcommittee, and only one of the members of the 1949 and 1951 subcommittees was on the 1948 subcommittee.

The Court of Appeals' conclusion was based primarily on implications it perceived from Mr. Giles S. Rich's testimony as explaining the purpose of Sections 271(c) and (d). However, the only actual statement Mr. Rich made about the purpose of the statute to the 1951 subcommittee, whose report resulted in the statute, is found at pp. 161-162 of the 1951 Hearings. Here he made reference to the holding of this Court in the *Mercoid* cases that where there is a conflict between the contributory infringement doctrine and the misuse doctrine the misuse doctrine must prevail, and to the fact that some courts say that "any effort whatsoever to enforce a patent against a contributory infringer is in itself misuse." Then he said "that to put any measure of contributory infringement into the law you must, to that extent and to that extent only, specifically make exceptions to the misuse doctrine, and that is the purpose of paragraph (d)."

The only possible meaning that can be derived from this is that the purpose of the statute was to reverse the holdings that "any effort whatever to enforce a patent against a contributory infringer is in itself misuse." Certainly he did not express a purpose to expand the patent monopoly to include nonstaple elements.

The only testimony in the 1951 Hearings which specifically discusses the effect of the statute on conduct such as that at issue here is that initiated by the contention of the Department of Justice that the statute would immunize such conduct. The Court of Appeals erroneously concluded from the discussion which this contention engendered that Mr. Rich and the subcommittee, and therefore Congress, intended the statute to have that effect.[8] (A. 170-174).

However, Congressman Crumpacker insisted that the Department representative, Mr. Fugate, was reading the language backwards. 1951 Hearings at 167. The ensuing colloquy also brought in Mr. Rich to explain his position. The result of this is Mr. Rich's agreeing with Mr. Crumpacker that paragraph (d) would not prevent a holding of misuse where a patentee was "trying to gain a limited monopoly of unpatented articles." 1951 Hearings at 173-174.

Thus, even though the Department of Justice originally contended that Section 271(d) would allow tying arrangements and that Mr. Rich so construed it, the ultimate result was that Mr. Crumpacker rejected this construction, Mr. Rich disavowed it, and the Department of Justice dropped its contention.[9]

Any doubt that might remain as to whether the Subcommittee members intended to effect such a substantial

[7] Hearings before Subcomm. on Patents, Trademarks and Copyrights of the Comm. on the Judiciary, House of Representatives, 80th Cong., 2nd Sess. on H.R. 5988 (hereinafter 1948 Hearings); Hearings before Subcomm. No. 4 of the Comm. on the Judiciary, House of Representatives, 81st Cong., 1st Sess. on H.R. 3866 (hereinafter 1949 Hearings); and Hearings on H.R. 3760 before Subcomm. No. 3 of the House Comm. on the Judiciary, 82nd Cong., 1st Sess. 1951 (hereinafter 1951 Hearings). Pertinent portions of the 1951 Hearings have been reproduced in the Appendix to the Petition for Writ of Certiorari.

[8] This discussion is analyzed in detail at pp. 4-6 of Reply Brief for Petitioners, filed in support of the Petition for Writ of Certiorari, and for the sake of brevity will not be repeated here.

[9] It does not appear from the transcript that anyone brought to the Subcommittee's attention the statement made by Mr. Rich in the 1949 Hearings (p. 68) which seemed to indicate that it was his intention to do away with the misuse doctrine insofar as it applied to nonstaples. Nor is there any indication that the Subcommittee members, or any other member of Congress, was made aware of Mr. Rich's view, expressed in an article published two years later, that Section 271 changed the test for what is unpatented, nor of his suggestion that nonstaples are now within the scope of the patent. See Rich, *Infringement Under Section 271 of the Patent Act of 1952*, 35 J. Pat. Off. Soc. 476, 499-500 (1953).

change is dispelled by the Committee Reports, *supra*, note 6, which unequivocally state that the main purpose of the statutes is clarification and stabilization, with no mention of expansion of the patent grant.

The Court of Appeals' conclusion as to the intent of Congress was based on such things as the "tenor" of Mr. Rich's explanations, and "telling features" and "negative implications" of his remarks, and arguments of opponents of the act, from a legislative history which it admitted was "not crystal clear," disregarding the Committee Reports and rejecting Senate floor comment which this Court had relied upon in construing the same statute, in the face of two diametrically opposed "plausible" readings of the statute. The Court of Appeals even recognized that various commentators had expressed a contrary view (A. 144, 145, note 4).

Despite this quite obvious lack of a "clear and certain signal," the Court insisted upon finding that Congress had partially overturned a doctrine which had been in effect since the *Motion Picture* case, 63 years ago. More than this is required to find that Congress intended to effect such a change. *Deepsouth, supra,* 406 U.S. 531.

4. The Court of Appeals' Expansion of the Scope of the Patent Privilege is Contrary to This Court's Rulings Since 1952.

After reviewing the statute's legislative history, the Court of Appeals went on to review this Court's decisions since the enactment of Section 271 which bear on the issues. It concluded that the *Aro* cases "probably cut against" its view, but distinguished the present case on its facts, and declined to rely on "general statements" in other cases[10] "containing ringing endorsements of patent misuse theory concerning the proper scope of a patent." (A. 180-181).

However, these decisions of this Court in fact support Petitioners' position on the issue in this case, and are in complete harmony with the *Motion Picture* rule against enlarging the patent monopoly without express approval by Congress.

This Court, in the *Aro* cases, made it very clear that it still considers that the use of a patent to monopolize unpatented nonstaple components is illegal. In *Aro I*, on the authority of *Mercoid*, the Court rejected the argument that patent protection should be extended to the "essential" or "distinguishing" part of the patented combination, stating:

> We cannot agree. For if anything is settled in the patent law, it is that the combination patent covers only the totality of the elements in the claim and that no element, separately viewed, is within the grant. See the *Mercoid* cases *supra* (320 U.S. at 667, 320 U.S. at 684). The basic fallacy in respondent's position is that it requires the ascribing to one element of the patented combination the status of patented invention in itself. Yet this Court has made it clear in the two *Mercoid* cases that there is no legally recognizable or protected "essential" element, "gist" or "heart" of the invention in a combination patent.

365 U.S. at 344-345.

In his concurring opinion in *Aro I*, Justice Black, in reference to Section 271, stated:

> The language and history of that Act show plainly: (1) that Congress wanted to continue in force, *but not expand, the judge-made doctrine of contributory infringement* under which a person who knowingly aids, encourages or abets the direct infringement of a patent is to be held liable as a contributory infringer; (2) that Congress did not want patentees to be barred from prosecuting their claims for direct infringement merely because they exercised their right to assert a claim in or out of court for contributory infringement; (3) *that the long-existing scope of a patentee's monopoly rights was not to be expanded beyond what it had always been, that is, the exclusive right to make, use or sell a patented invention during the life of the patent* (emphasis added).

365 U.S. at 347-350.

In referring specifically to Section 271(d), Justice Black stated:

> This provision was designed specifically to prevent the *Mercoid* case from being interpreted to mean that any effort to enforce a patent against a contributory infringer in itself constitutes a forfeiture of patent rights.

Id. at 349, note 4.

In *Aro II* the Court found Aro guilty of contributory infringement, but applied the doctrine of patent misuse to deny relief to the patentee. The patentee had agreed to license Ford and its customers to make, use and sell the patented combination, but "excepting replacements" unless these were provided by Ford. 377 U.S. at 494. With respect to this agreement the Court stated:

> We think the agreement's attempt to reserve rights in connection with future sales of replacement fabrics was invalid . . . . The . . . provisions in the agreement, purporting to restrict the right of use and repair by prohibiting fabric replacement unless done with fabrics purchased from Ford or some other licensee, stand condemned by a long line of this Court's decisions delimiting the scope of the patent grant . . . . In particular, [the patentee] cannot impose conditions concerning the unpatented supplies, ancillary materials, or components with which the use is to be effected.

377 U.S. at 496, 497, citing *Carbice* and *Mercoid II*.

The agreement condemned was a tying arrangement; the license to make, sell and use the patented combination was conditioned on the purchase of nonstaple replacement fabrics from Ford. Although not calling this agreement "misuse," the Court refused to enforce the restriction.

The Court of Appeals considered the *Aro* opinions as not controlling the result in this case because of what it perceived as differing policies involved in protecting competition in a market for replacement parts as opposed to a "primary use" market like that for propanil. However, there is nothing in the statute, nor in its legislative history, nor in any of the *Aro* opinions, nor in any other case, to support such a distinction or to provide a basis for such a limitation of the doctrine of patent misuse.

[10] *Deepsouth Packing Co.* v. *Laitram Corp.*, 406 U.S. 518, 92 S.Ct. 1700, 32 L.Ed.2d 273 (1972), *Blonder-Tongue Laboratories, Inc.* v. *University of Illinois Foundation*, 402 U.S. 313, 91 S.Ct. 1434, 28 L.Ed.2d 788 (1971), and *Zenith Radio Corp.* v. *Hazeltine Research, Inc.*, 395 U.S. 100, 89 S.Ct. 1562, 23 L.Ed.2d 129 (1969).

Although the specific question, of whether Section 271(d) overruled the *Mercoid* decisions forbidding use of a patent to tie unpatented nonstaples, was not presented to the Court in the *Aro* cases,[11] it is plain that the Court would have struck down any scheme by the patentee for monopolizing unpatented nonstaples used with a patented machine or method by conditioning licenses under the patent on the purchase of the nonstaple from him or his licensee. To have sanctioned the exercise of such exclusive rights in an unpatented product would have been to expand the long-existing scope of the exclusive rights conferred by the patent, but that, as stated by Justice Black in *Aro I*, was precisely what had not been provided for by Section 271. Although Justice Whittaker's opinion for the Court in *Aro I* contains no reference to Section 271(d), it was in full accord that a patent does not grant exclusive rights in a nonstaple, however essential it may be to the patented combination, and however difficult it may be for a patentee to profit from his invention.

This doctrine is also made clear in the other cases decided by this Court since the enactment of Section 271, which the Court of Appeals declined to follow. In *United States* v. *Loew's Inc.*, 371 U.S. 38, 9 L.Ed.2d 11, 83 S.Ct. 97 (1962), this Court cited *Mercoid* and like cases in support of its reiteration of the misuse doctrine:

> These cases reflect a hostility to use of the statutorily granted patent monopoly to extend the patentee's economic control to unpatented products. The patentee is protected as to his invention, but may not use his patent rights to exact tribute for other articles.

371 U.S. at 46.

In *Zenith Radio Corp.* v. *Hazeltine Research, Inc.*, 395 U.S. 100, 23 L.Ed.2d 129 89 S.Ct. 1562 (1969), the Court stated:

> Among other restrictions on him [the patentee] may not condition the right to use his patent on the licensee's agreement to purchase, use, or sell, or not to purchase, use, or sell, another article of commerce not within the scope of his patent monopoly.

395 U.S. at 136.

In *Deepsouth, supra*, the Court held that a defendant who exported unpatented parts of a patented combination was not guilty of infringement. Citing *Mercoid*, the Court premised its decision on the "unassailable" rule that "a patent on a combination is a patent on the assembled or functioning whole, not on the separate parts." 406 U.S. at 528. The separate parts here were clearly "nonstaple," being specially designed to construct the patented equipment.

In *Blonder-Tongue Labs, Inc.* v. *University of Ill. Foundation*, 402 U.S. 313, 28 L.Ed. 2d 788, 91 S.Ct. 1434 (1971), the Court, while "recognizing the patent system's desirable stimulus to invention," cited *Mercoid* as one of a "series of decisions in which the Court has condemned attempts to broaden the physical or temporal scope of the patent monopoly." 402 U.S. at 343.

In each of these cases the Court, in the most unequivocal terms, reiterated the long-standing prohibition against expanding the patent grant to allow monopolizing anything other than the invention covered by the patent claims. The Court of Appeals' decision, leading to a contrary result, cannot be justified on any rational basis.

5. The Court of Appeals' Interpretation is Not Necessary to Give Meaning to Section 271(d).

The Court of Appeals also reasoned (A. 174-176) that the combined effect of (1), (2) and (3) of Section 271(d) necessarily gives the patentee the right to reserve to itself the sale of nonstaples used substantially only in the patented invention, because otherwise the right to grant licenses under (2) would be rendered worthless. The argument is that no one would pay a royalty for a license if the patent owner could not stop others from selling the nonstaple.

This argument overlooks the varied ways in which licensing rights can be used, and misconstrues the issue here. The licensing right is made fully effective if the patentee grants non-discriminatory licenses separate from the sale of the unpatented material. In the present case, if Rohm and Haas offered such licenses to users, or applicators, or competitors who sell propanil, separate from the purchase of propanil, Rohm and Haas would be able to (1) sell propanil, (2) license others to sell propanil and (3) sue contributory infringers. Petitioners and others would be willing to pay a royalty for such a license. The contributory infringers would be those who insisted on selling propanil to unlicensed users without being licensed themselves. Paragraph (d), in such a situation, is fully effective to protect the patent owner from a misuse defense.

The Court of Appeals recognized this as "an attractive possibility" because "It allows a patentee economically to market his invention, yet preserves competition in propanil, which is, after all, not patented." (A.177, note 27). However, the Court rejected this reasoning as not discernable from the statute, and because it believed that "[a] general licensing obligation is foreign to a statutory scheme in which patentees are free to suppress entirely or reserve for themselves their inventions."

There are several answers to this. First, Petitioners do not contend that there is a "general licensing obligation." Rohm and Haas itself has chosen to license its invention when it sells the unpatented material with an implied patent license. If it did not *already* grant licenses there would be no misuse issue. Having freely determined that it will grant licenses, it must do so in a legal manner.

Secondly, the fact that the patentee has the power to refuse a license does not enable him to enlarge the monopoly of the patent by the expedient of attaching conditions to its use. *United States* v. *Masonite Corp.*, 316 U.S. 265, 277, 86 L.Ed. 1461, 1475 (1942).

Nor is compulsory licensing against public policy, as intimated by the Court of Appeals; both Congress and the courts have approved compulsory licensing as a means of achieving desirable public policy goals. Compulsory licensing is a feature of the Copyright Law of the United States, 17 U.S.C. § 101 et seq. [see § 115]; the Air Pollution Prevention and Control Act (1970, as amended 1974), 42 U.S.C., § 1857 et seq. [see § 1857h-6. "Mandatory licensing"]; and the Plant Variety Protection Act (1970), 7 U.S.C. § 2321 et seq. [see § 2404, "Public interest in wide

[11] The misuse defense had been abandoned. 377 U.S. at 491, note 9.

usage"], for example. Furthermore, this Court has held compulsory licenses to be a proper remedy where patent abuses have been proven. *Besser Mfg. Co.* v. *United States*, 343 U.S. 444, 96 L.Ed. 1063, 72 S.Ct. 838 (1952); *United States* v. *Glaxo Group Ltd.*, 410 U.S. 52, 35 L.Ed.2d 104, 93 S.Ct. 861 (1973).

Finally, it is to be observed that if application of the doctrine of misuse can be said to create a form of compulsory licensing, then compulsory licensing has existed ever since the *Motion Picture* case.

The Court of Appeals also overlooked the fact that there are many ways other than that chosen by Rohm and Haas to exploit a method patent. Thus:

1. Rohm and Haas could grant to other propanil producers the right to grant licenses to purchasers of propanil, with a royalty to be paid to Rohm and Haas by the other propanil producers.
2. Rohm & Haas could license rice farmers directly to practice the patented method, charging a royalty based on acreage or volume of propanil used. This could be easily effected by the commonly used "label license," which states that a part of the purchase price is patent royalty, and that licenses to use propanil purchased from others are available for the same royalty.[12]
3. Rohm and Haas could license persons who are sprayers or applicators to practice the method, charging a royalty based on the volume of propanil used or acreage of crops sprayed.
4. Rohm and Haas could operate rice farms, contract the spraying and not license anyone other than the spraying contractor.
5. Rohm and Haas could practice the method itself, by spraying the rice fields, and not license anyone.

Each of these ways would be a legitimate exploitation by Rohm and Haas of its method patent. If Rohm and Haas were to use its patent in any of these legitimate ways it could sell propanil, license others to sell it and sue contributory infringers — all the things allowed by Section 271(d) — and it would not be guilty of misuse.

6. Tying Arrangements are No Less Pernicious Since 1952 Than Before.

Tying arrangements have been against public policy at least since the adoption of Section 3 of the Clayton Act, 15 U.S.C. § 14, in 1914 and, as we have shown, this Court has from an early date condemned tying arrangements like that presently before the Court. As stated in *United States* v. *Loew's, Inc.*, 371 U.S. 38, 44, 9 L.Ed.2d 11, 17-18, 83 S.Ct. 97 (1962), "This Court has recognized that '[t]ying agreements serve hardly any purpose beyond the suppression of competition,'" citing *Standard Oil Co.* v. *United States*, 337 U.S. 293, 305, 306, 93 L.Ed. 1371, 1382, 69 S.Ct. 1051 (1949). Tying arrangements are inevitably used to secure a limited monopoly at the behest of one who has no legal basis for such a monopoly. Indeed, tying arrangements

> deny competitors free access to the market for the tied product, not because the party imposing the tying requirements has a better product or a lower price but because of his power or leverage in another market. At the same time buyers are forced to forego their free choice between competing products. For these reasons "tying agreements fare harshly under the laws forbidding restraints of trade." *Times-Picayune Publishing Co.* v. *United States*, 345 U.S. 594, 606, 97 L.Ed. 1277, 1288, 73 S.Ct. 872.

Northern Pacific Ruy. Co. v. *United States*, 356 U.S. 1, 6, 2 L.Ed.2d 545, 550, 78 S.Ct. 514 (1958). They are equally reprehensible whether the tied or the tying commodity is patented or unpatented, whether dealing in staples or nonstaples. *See United States* v. *Loew's, Inc.*, 371 U.S. at 44-46; *International Salt Co.* v. *United States*, 332 U.S. 392, 395-396, 92 L.Ed. 20, 25-26, 68 S.Ct. 12 (1947).

In *Mercoid II* it was held that "the effort here made to control competition in this unpatented device plainly violates the antitrust laws." 320 U.S. at 684. Section 271(d) of the Patent Laws provides that patent owners shall not be deemed guilty of "illegal extension of the patent right" by reason of having done one or more of the enumerated things. By construing this statute to allow the patent owner to monopolize the unpatented material the Court of Appeals has in effect said that Congress intended to reverse the *Mercoid II* holding, thereby diminishing the scope of the antitrust laws.

In doing so, however, the Court failed to deal with the objectives of either the patent or the antitrust laws. The Court made no effort to determine whether its decision would foster invention and innovation or have a beneficial or adverse effect on competition. The closest the Court came to such consideration was its recognition that requiring Rohm and Haas to grant alternative licenses is "an attractive possibility" because it allows the patentee to market his invention, yet preserves competition in the unpatented material (A. 177, note 27).

The Rohm and Haas patent claims define an invention which uses propanil. Under the patent laws Rohm and Haas is entitled to a seventeen year monopoly on that invention, if the patent is valid. The monopoly which is thus conferred is the reward which Rohm and Haas received for its research and development, its efforts at invention and innovation. The purposes of the patent statute are fulfilled by this reward.

As this Court did in *Deepsouth*, the Court of Appeals should have considered Rohm and Haas' claim "in light of this Nation's historical antipathy to monopoly and of repeated congressional efforts to preserve and foster competition." 406 U.S. at 530. The Court's quotation there is equally applicable here:

> [I]n rewarding useful invention, the "rights and welfare of the community must be fairly dealt with and effectually guarded." *Kendall* v. *Winsor*, 21 How. 322, 329, 16 L.Ed. 165, 168 (1859).

406 U.S. at 530, 531.

Prior to the issue of the Rohm and Haas patent anyone was free to sell propanil, this freedom having resulted from the invalidation, and subsequent dedication to the public, of Monsanto's patent on propanil. Rohm and Haas now seeks to take this right from the public by means of a

[12] An unequal or discriminatory royalty would also run afoul of the misuse doctrine. See *Ansul Co.* v. *Uniroyal, Inc.*, 448 F.2d 872, 882 note 4 (2 Cir. 1971); *Rex Chainbelt, Inc.* v. *Harco Products, Inc.*, 512 F.2d 993, 1002 note 3a (9 Cir. 1975).

tying arrangement. To allow this would not be dealing fairly with the right of the community to freely engage in competition in the marketing of unpatented materials.

7. The Public Interest is Best Served by Limiting the Patent Monopoly to the Invention Covered by the Patent Claims.

The decision below, if sustained, will have an adverse effect not only upon Petitioners herein, but also upon the purchasers and users of propanil, such as the rice-producing farmers and the consuming public. The Fifth Circuit's decision permits Rohm and Haas to monopolize sales of propanil, an unpatented and unpatentable commodity, for so long as it chooses during the life of its method patent. At present, Rohm and Haas refuses to license anyone else to make and sell propanil, and there is no reason to believe its policy will change in the future. As a result, the market for propanil is removed from competition from producers of propanil such as Petitioners.

All the benefits that flow from the unrestrained interaction of competitive forces, such as attainment of the lowest price and the highest quality and the overall optimum allocation of economic resources, are thereby swept from the propanil market. Purchasers and users of propanil will be unable to select, from among several alternative sources of supply, that source which offers them the best product at the lowest price, on terms and conditions best suited to their businesses. Rohm and Haas will thus be able to set for propanil a price higher than any it or any licensed competitor could expect to establish in a competitive market, a price totally unrelated to any royalty it could expect to receive from licensed users or suppliers under legitimate licensing arrangements under its method patent. For the rice-producing farmer, for example, this will result in increased costs and decreased profitability of producing rice, which will eventually be reflected in increased costs to the consuming public. From the rice farmer's standpoint, the Fifth Circuit's decision also poses the threat that his supply of much-needed propanil could be interrupted should Rohm and Haas, as the sole supplier, for some reason become unable to meet the demand for propanil. Such an interruption could take its toll in the form of ruined or diminished rice crops.

Rohm and Haas has argued that it is important for the owner of a process patent to be able to monopolize nonstaples in order to provide an economic incentive to develop new uses for chemicals. It seems self-evident that chemical manufacturing companies such as Rohm and Haas have an economic incentive in developing new uses for chemicals that they manufacture, whether the chemicals are staples or nonstaples. A source relied upon by amicus supporting Rohm and Haas[13] has reported that a company must screen 7,000 compounds to find one commercially successful agricultural herbicide. There necessarily had to be many, many staple chemicals among this group of 7,000 compounds. Certainly, there is no basis for stating that just nonstaple chemicals will be screened in an attempt to find commercially successful agricultural herbicides. Indeed, it seems no more likely that one would experiment with old, useless chemicals than with old chemicals having other uses or with entirely new chemicals, in order to discover a desired chemical property.

There is no reasonable basis for assuming that forbidding monopolization of unpatented chemicals will have an adverse effect upon research and development. On the contrary,

> [T]here is a consensus among those who have considered the question that, in view of the substantial uncertainties inherent in the process of developing and patenting a new invention, any incremental increase in patentee income that might result from permitting licensing schemes that would otherwise violate the antitrust laws would be unlikely to affect a patentee's initial decision to invest in innovative activity. P. Areeda, [Antitrust Analysis], Par. 404(f) at 429 [2d ed. 1974]; Turner, [The Patent System and Competitive Policy], 44 N.Y.U.L. Rev. at 458-460, 463 (1969); Gibbons, Price Fixing in Patent Licenses and the Antitrust Laws, 51 U. Va. L. Rev. 273, 276-77 (1965); Furth, Price-Restrictive Patent Licenses Under the Sherman Act, 71 Harv. L. Rev. 815, 829 & n. 35 (1958).

Mannington Mills, Inc. v. *Congoleum Industries, Inc.*, 203 U.S.P.Q. 81, 91, ... F.2d ..... (3 Cir. 1979). Without such monopolization, the law still offers the owner of a method patent the exclusive right to use the method, or alternatively an opportunity to grant licenses on a reasonable non-discriminatory basis to others and thus reap its reward properly.

Actually, it is more reasonable to assume that forbidding such monopolization may foster research and development. Those who wish to compete in the marketing of the unpatented material will be encouraged to develop more economical processes for making the material, or more desirable formulations of the material. This could result in lower cost to users and better performance from the patented process.

The public interest is at stake here. Rohm and Haas seeks to take something of value from the public, namely competition in the sale of an unpatented chemical and all of the advantages to the public flowing from such competition. This does not mean that the method patent is rendered worthless, but to the contrary, Rohm and Haas can sell propanil, it can collect reasonable non-discriminatory royalties from the manufacturers of the chemical or the users of the method, and it can also bring suits to stop contributory infringers who have refused to take a reasonable non-discriminatory license under the patent. Alternatively, it can use one of the other ways described, *supra*, Section 5, to exploit its method patent. Thus, Rohm and Haas may have its "reward" based upon its method patent, but it cannot have an additional reward of a monopoly in an unpatented chemical.

The Court's decision in this case will have an enormous effect upon competition in the United States. Probably most patents cover combinations or processes which utilize nonstaple elements, sub-combinations or materials which form a material part of the invention and have no substantial use outside the invention. In many cases the patent owner finds it more convenient or profitable to market less than the whole of the invention. If the Court of Appeals' decision is affirmed, the monopoly afforded these patent owners by

[13] A. Wechsler et al, *Evaluation of the Possible Impact of Pesticide Legislation on Research and Development Activities of Pesticide Manufacturers* (1975) (Environmental Protection Agency publication EPA-540/9—75-018).

their patents will have been extended to include these unpatented elements, subcombinations and materials.

8. Conclusion

For the reasons stated herein, in the Petition, and in the Amicus briefs filed in support of the Petition, the decision of the Court of Appeals should be reversed.

Respectfully submitted,

.....

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-- End of Section D --

In the Supreme Court of the United States

OCTOBER TERM, 1979
Filed 3/4/80

No. 79-669

DAWSON CHEMICAL COMPANY, ET AL., PETITIONERS

v.

ROHM AND HAAS COMPANY

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

BRIEF FOR THE UNITED STATES AS AMICUS CURIAE

INTEREST OF THE UNITED STATES

The United States administers and enforces the federal patent and antitrust laws. The public policy interests underlying these laws require that patents not be employed to suppress competition in unpatented materials. To protect these policy interests, this Court developed the patent misuse doctrine. The decision below would exempt from the misuse doctrine a patent licensing policy that attempts to monopolize the sale of an unpatented product used only in a patented process. The decision of this Court in this case will have an important effect on competition in a number of industries where unpatented materials are made for use in patented machines or processes.

QUESTION PRESENTED

Whether Congress in enacting 35 U.S.C. 271 intended to eliminate the doctrine of patent misuse in the situation where the holder of a process patent uses his patent to suppress competition in an unpatented product that has no substantial use except in the patented process.

STATEMENT

Respondent, Rohm and Haas (Rohm), holds a patent on a process for selectively controlling weeds in crops such as rice by applying the chemical compound "3, 4- dichloropropionanilide" (propanil) (Pet. App. A-51). The value of the process patent—the Wilson patent—is that the method it describes eliminates the need for hand weeding (Br. in Opp. 5). Propanil itself is unpatented,[1] and has no commercial use other than in the Wilson patent process (Pet. App. A-5).[2]

Prior to issuance of the Wilson patent, petitioners sold propanil in competition with Rohm (Pet. App. A-52).[3] After issuance of the Wilson patent, each of these firms asked Rohm to issue it a license under the patent (*id.* at A-53). Rohm refused; it licenses its patented process only to those who purchase propanil from it (*id.* at A-53).[4] Petitioners were left with two choices: (1) discontinue sale of the unpatented propanil, or (2) continue to sell propanil and contribute to their customers' direct infringement of the Wilson patent. Petitioners chose the latter course (*ibid.*).

Rohm sued petitioners for contributory infringement, and petitioners defended, charging, *inter alia*, that Rohm had misused its patent (Pet. App. A-50).[5] The district court ruled that whether or not petitioners had contributorily infringed the Wilson patent, Rohm was not entitled to relief because its tying of unpatented propanil to the patented process was patent misuse as defined by decisions of this Court culminating in *Mercoid Corp.* v. *Mid-Continent Investment Co.*, 320 U.S. 661 (1944), and *Mercoid Corp.* v. *Minneapolis-Honeywell Regulator Co.*, 320 U.S. 680

[1] Propanil was invented by a Monsanto Company chemist, Dr. Clarence Huffman, in 1954-1955. Its herbicidal qualities were recognized in a 1957 patent application assigned to Monsanto, but later abandoned. See *Monsanto Co.* v. *Rohm & Haas Co.*, 312 F. Supp. 778, 784, 795 (E.D. Pa. 1970). By 1961, propanil was in public use without patent protection (*id.* at 795). Between 1958 and 1963, Rohm attempted to patent propanil; its claim was rejected as unpatentable because it was described in the prior art (*id.* at 783). On May 7, 1968, however, the Patent and Trademark Office issued a patent, assigned to Monsanto, on a claim to propanil (*ibid.*). Prior to issuance of the Monsanto patent petitioners Dawson and Crystal, as well as Rohm, had sold propanil, and all continued to market propanil after Monsanto obtained its patent. See *Monsanto Co.* v. *Dawson Chemical Co.*, 312 F. Supp. 452, 454 (S.D. Tex. 1970); *Monsanto Co.* v. *Rohm & Haas Co.*, *supra*, 312 F. Supp. at 795. Monsanto thereupon sued for infringement. A judgment in the Eastern District of Pennsylvania in favor of Rohm was affirmed in *Monsanto Co.* v. *Rohm & Haas Co.*, 456 F.2d 592 (3d Cir. 1972), aff'ing 312 F. Supp. 778 (E.D. Pa. 1970), and a judgment against Dawson and Crystal in the Southern District of Texas was reversed in *Monsanto Co.* v. *Dawson Chemical Co.*, 443 F.2d 1035 (5th Cir. 1971), rev'ing 312 F. Supp. 452 (S.D. Tex. 1970), cert. denied, 405 U.S. 934 (1972). Both courts of appeals ruled that the patent was invalid, thereby leaving propanil in the public domain.

[2] The parties and the courts in this case refer to a product such as propanil, with no use except in a particular process patent, as a "nonstaple" (Pet. App. A-6 n.2).

[3] Helena Chemical Company, a defendant below, also produced propanil (Pet. App. A-52). Helena's participation in the petition in this Court was dismissed pursuant to Rule 60 on December 6, 1979.

[4] Respondent sells propanil in containers bearing labels that describe the method of use covered by the Wilson patent. Purchasers of Rohm's propanil are thus impliedly licensed by operation of law to use the method disclosed in the Wilson patent (Pet. App. A-53).

[5] They also filed antitrust counterclaims alleging Rohm had violated Sections 1 and 2 of the Sherman Act, 15 U.S.C. 1 and 2 (Pet. App. A-6). Neither the district court nor the court of appeals ruled on these counterclaims, and they are not before this Court.

(1944) (Pet. App. A-49 to A-90). The district court held that 35 U.S.C. 271, which defines certain actions that do not constitute patent misuse, does not immunize a patentee who engages in licensing programs that foreclose competition in nonstaple articles (*id.* at A-79 to A-80).[6] The court reasoned that Section 271 was enacted to limit a "broad dictum" in the first *Mercoid* case that severely restricted any use of the doctrine of contributory infringement as a means of enforcing combination and process patents (*id.* at A-60 to A-61). Thus, while Section 271 "assures the viability of contributory infringement actions" it does not sanction Rohm's "efforts to corner the market on all sales of unpatented and unpatentable propanil" (*id.* at A-67 to A-71). The court concluded that to avoid the patent misuse defense and prevail in a suit for contributory infringement, a patent holder marketing nonstaple components of the patented combination or process must first offer licenses to others marketing those components (*id.* at A-79 to A-80, A-90 n. 20).[7]

The court of appeals reversed, holding that a process patent holder may condition the licensing of its process on the purchase from it of an unpatented nonstaple product used in practicing the process, and that such conduct does not prevent recovery from competing producers of the nonstaple product for contributory infringement (Pet. App. A-42). It reached this conclusion because it read Section 271 (d)(1) and (3) as authorizing Rohm's conduct: Rohm had simply exercised its "right to sell the item as one competitor among many freely competing" while enforcing "its patent against those doing without permission * * * what the patentee itself is doing" (*ibid.*).

[6] Section 271 provides in relevant part:

* * * * *

(c) Whoever sells * * * 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.

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

[7] The district court reserved for later proceedings the question of reasonable royalty rates and the number of license offers to other marketers of propanil necessary to dissipate the misuse (Pet. App. A-90 n.20).

SUMMARY OF ARGUMENT

It is undisputed that respondent's refusal to license the use of its patent except to those who purchase propanil from it constitutes patent misuse under a long line of this Court's decisions, culminating in the *Mercoid* decisions in 1944. The only issue is thus whether that conduct is nevertheless protected by 35 U.S.C. 271(d), enacted in 1952. This Court has repeatedly stated that that section is to be strictly construed. Absent a "clear and certain signal from Congress," it is not to be read as overruling prior case law limiting a patentee's rights (*Deepsouth Packing Co.* v. *Laitram Corp.*, 406 U.S. 518, 531 (1972)).

There is no such signal here. The plain language of Section 271(d) allows respondent to sell propanil, to license the use of the Wilson patent, and to sue those who sell propanil without a license. It does not permit respondents to condition its licenses on the use of propanil purchased from itself. Imposition of that condition, which ties the license to use the patented process to the purchase of an unpatented product, is the precise conduct that constitutes patent misuse here; it is not sanctioned by the language of Section 271(d). Nor does the legislative history justify reading Section 271(d) as approving this conduct. The Senate and House Reports agree that Section 271 was intended to codify and clarify the judicially-developed principles of contributory infringement, of which patent misuse is a part, and the congressional debates confirm this view. Although the hearings on the bill that became Section 271 are ambiguous, that ambiguity is insufficient to justify the broad reversal of controlling precedent announced by the court of appeals.

ARGUMENT

I. THE COURT OF APPEALS' BROAD READING OF THE STATUTE CONFLICTS WITH LONGSTANDING PRECEDENT AND THIS COURT'S STRICT CONSTRUCTION OF SECTION 271

The court of appeals' opinion effectively abrogates patent misuse principles carefully developed by this Court in a long line of cases decided over the last 62 years. In so acting, the court of appeals failed to follow tenets of statutory construction this Court has applied in recent cases interpreting Section 271.

If Supreme Court precedent had been followed here, Rohm's conduct would have been judged patent misuse. The court of appeals conceded as much (Pet. App. A-28, A-30). Beginning with *Motion Picture Patents Co.* v. *Universal Film Manufacturing Co.*, 243 U.S. 502, 510 (1917), this Court has uniformly

prohibited any attempt by a patentee to employ his patent, by conditional licensing or otherwise, to restrain competition in unpatented articles used in connection with the patented invention. *Carbice Corp.* v. *American Patents Development Corp.*, 283 U.S. 27 (1931); *Leitch Manufacturing Co.* v. *Barber Co.*, 302 U.S. 458 (1938); *Morton Salt Co.* v. *G.S. Suppiger Co.*, 314 U.S. 488, 490 (1942); *B.B. Chemical Co.* v. *Ellis*, 314 U.S. 495 (1942); *Mercoid Corp.* v. *Mid-Continent Investment Co.*, 320 U.S. 661 (1944) (*Mercoid I*); *Mercoid Corp.* v. *Minneapolis-Honeywell Regulator Co.*, 320 U.S. 680 (1944) (*Mercoid II*). Under the Court-developed patent misuse doctrine, a patentee restraining competition in the sale of unpatented parts of his invention is denied judicial aid in enforcing his patent against direct and contributory infringers until his misuse is abandoned and its effects dissipated. *Morton Salt Co.* v. *G.S. Suppiger Co.*, *supra*, 314 U.S. at 493; *Leitch Manufacturing Co.* v. *Barber Co.*, *supra*, 302 U.S. at 463; *Carbice Corp.* v. *American Patents Development Corp.*, *supra*, 283 U.S. at 31. In sum, these precedents establish that "every use of a patent as a means of obtaining a limited monopoly of unpatented material is prohibited." *Leitch Manufacturing Co.* v. *Barber Co.*, *supra*, 302 U.S. at 463. This prohibition is "inherent in the patent grant, [and] is not dependent upon the peculiar function or character of the unpatented material or on the way in which it is used." *Carbice Corp.* v. *American Patents Development Corp.*, *supra*, 283 U.S. at 33.[8]

The Court's patent misuse decisions, confining a patentee's right to exclude to a scope commensurate with his invention, reflect a national economic policy favoring free competition. Under these decisions, the express claims of the patent define the limits of a patentee's privilege, and he may not use his patent to secure exclusive rights that exceed those limits. See *Motion Picture Patents Co.* v. *Universal Film Manufacturing Co.*, *supra*; *Morton Salt Co.* v. *G.S. Suppiger Co.*, *supra*.[9] Indeed, this Court's decisions dating back to 1917 have held that "a combination patent protects only against the operable assmbly of the whole and not the manufacture of its parts." *Deepsouth Packing Co.* v. *Laitram Corp.*, 406 U.S. 518, 528 (1972); accord: *Aro Manufacturing Co.* v. *Convertible Top Replacement Co.*, 365 U.S. 336, 344-345 (1961); *Motion Picture Patents Co.* v. *Universal Film Manufacturing Co.*, *supra*, 243 U.S. at 510-513. The patent misuse doctrine is thus consistent with the pro-competition policies of the antitrust laws. See *International Salt Co.* v. *United States*, 332 U.S. 392, 395-396 (1947); *United States* v. *Loew's Inc.*, 371 U.S. 38, 46 (1962).

At the same time, the misuse doctrine furthers the pro-innovation policies that are at the heart of the patent system. In a tying case such as this, for example, innovation is rewarded and thereby encouraged by granting the patentee an exclusive right to practice the process he has invented. But extending that exclusive right to the marketing of a non-innovative chemical product to be consumed in that process would be a disincentive to the possible discovery of better ways to produce that product or of a more advantageous alternative product[10]—the very types of discoveries sought to be encouraged by the patent system.[11] It would also, of course, be a disincentive to the possible development by others of non-patentable efficiencies in the production or distribution of that product, which the policies of the antitrust laws seek to encourage. The misuse doctrine thus serves both patent and antitrust policies and is antagonistic to neither.

To validate Rohm's conduct the court of appeals read 35 U.S.C. 271 broadly, as substantially limiting the foregoing case law and the longstanding policies those cases reflect (Pet. App. A-30, A-47 to A-48). But this Court has stressed that Section 271 must be strictly construed "in light of this Nation's historical antipathy to monopoly." *Deepsouth Packing Co.* v. *Laitram Corp.*, *supra*, 406 U.S. at 530; see also *Graham* v. *John Deere Co.*, 383 U.S. 1, 7 (1966). Thus, in interpreting Section 271, patent rights should not be expanded by overruling or modifying

[8] The same principle applies whether the unpatented product is necessary to the operation of a patented combination (*Carbice Corp.*, *supra*; *Mercoid I* and *Mercoid II*, *supra*), or a material used in practicing a patented process (*Leitch Manufacturing Co.*, *supra*; *B.B. Chemical Co.*, *supra*).

[9] See also *Ethyl Gasoline Corp.* v. *United States*, 309 U.S. 436, 456 (1940); *Aro Manufacturing Co.* v. *Convertible Top Replacement Co.*, 365 U.S. 336, 339 (1961); *McClain* v. *Ortmayer*, 141 U.S. 419, 423-424 (1891).

[10] The latter consideration is probably not involved in the present case, however, because the patented process appears to be specific to propanil.

[11] There are, however, some countervailing considerations. There might be marginally more incentive to discover other uses for a chemical such as propanil (thus converting it into a staple) if the alternative for the potential discoverer were to be foreclosed from marketing it altogether, rather than merely to have to pay a reasonable royalty to do so. (On the other hand, those already producing and marketing it for a royalty might be more likely to attempt to discover other uses for it.) And, of course, the incentive to discover a new and useful process would be increased by the prospect of a more extensive monopoly reward, with concomitantly enhanced bargaining power with respect to the terms and conditions under which licenses may be granted to market a nonstaple product for use in the process. Such considerations conceivably could persuade Congress to change the legal principle governing this case, but, for the reasons stated in this brief, we submit that it has not done so in Section 271.

prior cases "unless the argument for expansion of privilege is based on more than mere inference from ambiguous statutory language," *Deepsouth Packing Co.* v. *Laitram Corp.*, *supra*, 406 U.S. at 531. What is required is "a clear and certain signal from Congress" (*ibid.*). Absent such a signal, the limitations on the exercise of Rohm's patent must be strictly enforced. *Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225, 230 (1964). See also *United States* v. *Masonite Corp.*, 316 U.S. 265, 280 (1942); *United States* v. *Univis Lens Co.*, 316 U.S. 241, 251 (1942).

The court of appeals was accordingly obligated to find in the language or legislative history of Section 271 a specific determination by the Congress supporting the expansive reading of a patentee's rights and the significant narrowing of the patent misuse doctrine involved here. But no such congressional intent can be found. Congress has not clearly "indicated that it wanted the patent privilege to run farther than it was understood to run for * * * [62] years prior to the action of the Court of Appeals for the Fifth Circuit." *Deepsouth Packing Co.* v. *Laitram Corp.*, *supra*, 406 U.S. at 530. On the contrary, the interpretive evidence that is available weighs in favor of petitioners.

II. THE PLAIN LANGUAGE OF SECTION 271 DOES NOT SUPPORT THE COURT OF APPEALS' INTERPRETATION

The plain language of Section 271 does not immunize respondent's conduct from patent misuse. Subsections (a), (b), (c) and (d) of Section 271 each involve distinct subject matter. Subsection (a) defines patent infringement. Subsections (b) and (c) deal exclusively with the conduct of indirect infringers: subsection (b) creates potential liability for those who actively induce infringement while subsection (c) creates potential contributory infringement liability for those who sell products for infringing use, knowing those products to be nonstaple articles of commerce.

Section 271(d) relates to conduct by the patentee; it specifies three acts that the patentee may do without being deemed to have misused his patent. Subsection (d)(1) permits the patentee to "deriv[e] revenue from acts which if performed by another without his consent would constitute contributory infringement," thus permitting Rohm to sell unpatented propanil for use in its patented process. Subsection (d)(2) permits the patentee to "licens[e] or authoriz[e] another to perform acts which if performed without his consent would constitute contributory infringement of the patent," thus permitting Rohm to license others to sell propanil for use in its patented process and collect royalties from those sales. Subsection (d)(3) permits the patentee to bring suit to "enforce his patent rights against infringement or contributory infringement," thus permitting Rohm to sue unauthorized sellers.

Section 271(d) is silent, however, on the issue of whether Rohm may, without misusing its patent, license the use of its process on condition that the licensees buy unpatented propanil from Rohm. This issue is critical, for the essence of patent misuse is the exclusion of competition by licensing only those who agree to buy the unpatented article from the patentee. Section 271(d), which permits Rohm to sell propanil, to license others to sell propanil for use in the patented process, and to file contributory infringement actions against unlicensed sellers, simply does not address the precise conduct that constitutes the misuse.

Indeed, the court of appeals identified no language in the statute specifically authorizing Rohm's conduct. Rather, it was the court's "impression" that, when subsections (d)(1)-(3) are read together, they permit a patentee to limit licensing to those purchasing an unpatented, nonstaple component from him (Pet. App. A-42). A primary basis for this impression was the court's conclusion that the only way to give meaning to the authorization to license in (d)(2) is to interpret (d)(1) as granting the patentee the exclusive right to sell the nonstaple.[12] The court explained (Pet. App. A-42):

> [T]he rights to license another to sell such unpatented items [under (d)(2)] would be rendered worthless if the only right conferred by (d)(1) were the right to sell the item as one competitor among many freely competing. Who would take a license, and on what terms, if anyone were free to compete, and the patentee had no legitimate right to exclude others from the market?

[12] The court evidently was also influenced by the belief that "[a] general licensing obligation is foreign to a statutory scheme in which patentees are free to suppress entirely or reserve for themselves their inventions" (Pet. App. A-44 n.27). But the statutory scheme does not permit a patentee who elects to license his patent the option of including any conditions he chooses in those licenses. See, *e.g.*, *Mercoid I*, *supra*, 320 U.S. at 666; *Ansul Co.* v. *Uniroyal, Inc.*, 306 F. Supp. 541 (S.D. N.Y. 1969), aff'd in relevant part, 448 F.2d 872 (2d Cir. 1971), cert. denied, 404 U.S. 1018 (1972); *National Foam System, Inc.* v. *Urquhart*, 202 F.2d 659 (3d Cir. 1953). Specifically, he may not condition the grant of a license to use the patent on the purchase from him of unpatented articles associated with the patented process. *Motion Picture Patents Co.* v. *Universal Film Manufacturing Co.*, *supra*, 243 U.S. at 515; *McCullough Tool Co.* v. *Well Surveys, Inc.*, 343 F.2d 381, 407 (10th Cir. 1965); *Preformed Line Products Co.* v. *Fanner Manufacturing Co.*, 328 F.2d 265, 276 (6th Cir. 1964). Having chosen to license the Wilson patent, Rohm was thus obligated to do so in a manner consistent with both the terms of his patent and the preservation of competition in the unpatented product, propanil.

The right to license other sellers of the unpatented nonstaple is not, however, rendered worthless by an interpretation of Section 271 favoring petitioners. Section 271(c) recognizes the sale of unpatented nonstaples as contributory infringement, and Section 271 (d)(3) authorizes suits for contributory infringement. Thus, a firm that wishes to compete in the sale of an unpatented nonstaple without contributorily infringing the patent must obtain a license from the patentee. Such a license has market value, and the patentee can obtain a reasonable royalty for its use.[13] Moreover, in accordance with subsection (d)(1) the patentee is still free to obtain revenue from his sales of the unpatented component. He is limited only by the condition that he cannot arrogate to himself all these sales by tying his grant of a license to the purchase from him of the unpatented component.

III. THE LEGISLATIVE HISTORY DOES NOT SUPPORT THE COURT OF APPEALS' EXPANSIVE INTERPRETATION OF SECTION 271

The court of appeals interprets Section 271 as a grant to the patent holder of exclusive rights in any unpatented nonstaple component of the patented invention. Had Congress intended so dramatic a departure from well-established precedent, it would presumably have acknowledged this change during its deliberations. No such acknowledgement appears in the legislative history.[14] Instead, the legislative history emphasizes the limited reach of Section 271.

There is strong evidence that Section 271 was enacted on the understanding that it did not substantively modify prior patent law, but merely codified it or at most clarified it. Both the Senate and the House reports on Section 271, after noting that there was "[c]onsiderable doubt and confusion as to the scope of contributory infringement," stated that the purpose of Section 271 was "to codify in statutory form principles of contributory infringement and at the same time eliminate this doubt and confusion." H.R. Rep. No. 1923, 82d Cong., 2d Sess. 9 (1952); S. Rep. No. 1979, 82d Cong., 2d Sess. 8 (1952). The reports also explained that under Section 271(d) a "patentee is not deemed to have misused his patent *solely* by reason of doing anything authorized by the section" (emphasis added). H.R. Rep. No. 1923, *supra*, at 28; S. Rep. No. 1979, *supra*, at 28. The plain implication was that if a patentee went beyond what was expressly described in subsection (d), as Rohm has here, Section 271 gave him no protection against a misuse defense.

The same view of Section 271's scope was authoritatively expressed on the Senate floor and during the hearings in the House. Just prior to the Senate vote on the codification bill, Senator McCarran, chairman of the committee responsible for the bill in the Senate, explained the bill's purpose on the Senate floor. He was asked by Senator Saltonstall, "Does the bill change the law in any way or only codify the present patent laws?" Senator McCarran responded: "It codifies the present patent laws." 98 Cong. Rec. 9323 (1952).[15] Similarly, Representative Crumpacker, a member of the House subcommittee conducting hearings on the bill, responded to concerns that the bill could be interpreted to authorize conduct previously deemed patent misuse by stating that he interpreted the statute as not authorizing conduct previously deemed by the courts to be misuse or "monopolistic practices."[16]

This Court's decisions interpreting Section 271 have repeatedly relied on these aspects of Section 271's legislative history. *Aro Manufacturing Co.* v. *Convertible Top Replacement Co.*, 365 U.S. 336, 347 (1961) (Black, J., concurring); *Aro Manufacturing Co.* v. *Convertible Top Replacement Co.*, 377 U.S. 476, 485 n.6 (1946); *Deepsouth Packing Co.* v. *Laitram Corp.*, 406 U.S. 518, 530 (1972); cf. *Blonder-Tongue Laboratories, Inc.* v. *University of Illinois Foundation*, 402 U.S. 313, 343-344 (1971); *Zenith Radio Corp.* v. *Hazeltine Research, Inc.*, 395 U.S. 100, 133-141 (1969).[17]

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[13] This analysis comports with what actually happens in the marketplace, where non-exclusive royalty-bearing licenses are a frequent occurrence. See, *e.g.*, *Mercoid II*, *supra*, 320 U.S. at 682; *National Foam System, Inc.* v. *Urquhart*, 202 F.2d 659, 662-663 (3d Cir. 1953); *Philad Co.* v. *Lechler Laboratories, Inc.*, 107 F.2d 747, 748 (2d Cir. 1939). Cf. *United States Gypsum Co.* v. *National Gypsum Co.*, 387 F.2d 799, 802 (7th Cir. 1967), cert. denied, 390 U.S. 988 (1968). Indeed, the petitioners sought licenses to sell propanil (Pet. App. A-53).

[14] Hearings were held by successive Congresses to consider codifying the patent laws, with particular attention paid to contributory infringement law. *Patent Law Codification and Revision: Hearings on H.R. 3760 Before Subcomm. No. 3 of the House Comm. on the Judiciary*, 82d Cong., 1st Sess. (1951) [hereinafter *1951 Hearings*]; *Contributory Infringement: Hearings on H.R. 3866 Before Subcomm. No. 4 of the House Comm. on the Judiciary*, 81st Cong., 1st Sess. (1949) [hereinafter *1949 Hearings*]; *Contributory Infringement in Patents—Definition of Invention: Hearings on H.R. 5988, H.R. 4061 and H.R. 5248 Before Subcomm. on Patents, Trademarks, and Copyrights of the House Comm. on the Judiciary*, 80th Cong., 2d Sess. (1948) [hereinafter *1948 Hearings*].

[15] This Court relied on this statement to support a narrow interpretation of Section 271 in *Deepsouth Packing Co.* v. *Laitram Corp.*, *supra*, 406 U.S. at 530. See also *Aro Manufacturing Co.* v. *Convertible Top Replacement Co.*, *supra*, 365 U.S. at 347 (Black, J., concurring).

[16] *1951 Hearings* 164-165, 167. The court of appeals cited Representative Crumpacker's statement and the exchange between Senators Saltonstall and McCarran as indicating that "the legislative history is not crystal clear" (Pet. App. A-39).

[17] The court of appeals recognized that these decisions suggest an interpretation of the legislative history that would require affirmance of the district court here, but then chose

The court of appeals considered this legislative history less significant than the testimony of proponents and opponents of the bill during the committee hearings (Pet. App. A-33 to A-40). The court relied heavily on the testimony by one of the bill's authors, Giles Rich, then a member of the private bar (Pet. App. A-33).[18] It summarized Rich's testimony before the House subcommittee in 1951 as being to the effect that the section was "designed to avoid restricting competition in items that were staples, while at the same time allowing patentees to deal in certain materially important unpatented elements and to sue competitors therein without being thrown out of court on grounds of misuse" (Pet. App. A-34; see *1951 Hearings* 157-159). The court also noted that Rich had told the House subcommittee that the bill was a compromise, not representative of any stage in the development of the contributory infringement and misuse doctrines (Pet. App. A-34 to A-35; see *1951 Hearings* 159-162). Finally, the court cited the testimony of Justice Department opponents of the bill who, the court said, saw Section 271 as a major and controversial change in misuse principles (Pet. App. A-36).

This reliance on excerpts from committee testimony, rather than the contrary interpretation in the committee reports and congressional debates, contravenes accepted principles of statutory construction. See *McCaughn* v. *Hershey Chocolate Co.*, 283 U.S. 488, 493-494 (1931). But even if the hearings are to be relied on, there is much in them that supports petitioners' interpretation of the statute.

The proposed Section 271 was presented by members of the private patent bar as a means for dealing with the uncertainty created by the Court's decisions in *Mercoid I*, *supra*, and *Mercoid II*, *supra*.[19] In *Mercoid I* the combination patent was for a home heating system that included an unpatented stoker switch useful only in that system (320 U.S. at 663-664). The patent holder, Mid-Continent, granted an exclusive license under its patent to Honeywell (*id.* at 663). Honeywell manufactured and sold only the unpatented stoker switch, giving the purchaser an implied license to incorporate it into the patented system, and paying royalties to Mid-Continent based upon the number of switches sold (*ibid.*). Mercoid also sold the stoker switch (*id.* at 664). It had been offered a license by Mid-Continent prior to the issuance of the Honeywell license, and after that also had been offered a sublicense by Honeywell. Mercoid refused these offers and was sued for contributory infringement. *Mid-Continent Inv. Co.* v. *Mercoid Corp.*, 43 F.Supp. 692, 695 (N.D. Ill.), aff'd in part and rev'd in part, 133 F.2d 803, 811 (7th Cir. 1942).

In *Mercoid II*, Honeywell held a combination patent on a hot air furnace control system that required three unpatented thermostat switches useful only in that system. 320 U.S. at 682. Honeywell manufactured and sold two of the switches as a single unit, giving a license to the purchaser to install the unit in the patented system. It also licensed five of its competitors to sell the two-switch unit. Mercoid manufactured and sold the same unit. Honeywell offered Mercoid a license similar to those held by its existing licensees, but Mercoid refused the offer. Honeywell then sued for contributory infringement. 320 U.S. at 683.

In both *Mercoid I* and *Mercoid II* the Court held that the patentee could not successfully sue for contributory infringement. In *Mercoid I*, the Court found that Mid-Continent was guilty of patent misuse. It acknowledged, however, that the "result of this decision, together with those which have preceded it, is to limit substantially the doctrine of contributory infringement" (320 U.S. at 669). And, in *Mercoid II* the Court concluded that Honeywell had violated the antitrust laws (320 U.S. at 684).

The proponents of Section 271 complained to Congress that after the *Mercoid* cases even a patentee's offer to license a competitor producing an unpatented nonstaple component of his invention could be considered patent misuse. If the patentee made even such a limited offer, according to Giles Rich, the "courts would hold that the granting of the license and the collecting of royalties on something less than what was covered by the patent was misuse" (*1949 Hearings* 16; see also *1949 Hearings* 10). The proponents' emphasis was on protecting the *Mercoid*-type patentee who was willing to license competitive

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to read that history differently. Thus, after reviewing the two *Aro* decisions, the court acknowledged that these "extraordinarily complex opinions, on balance, probably cut against our view" (Pet. App. A-46) and "that perhaps the majority [in *Aro*] would have considered any conditioning or tying as misuse, still prohibited irrespective of section 271(d)" (*id.* at A-47 n.29). See also Pet. App. A-47 to A-48 n.30.

[18] He subsequently became a judge on the Court of Customs and Patent Appeals. In that capacity, he authored an opinion recognizing the narrow scope of Section 271(d) in another context—its inapplicability to product claims. *Application of Ruschig*, 343 F.2d 965, 979 (C.C.P.A. 1965).

[19] Giles Rich acknowledged this in his testimony (*1951 Hearings* 173):

> MR. ROGERS. * * * Now, due to what many members of the patent bar believe, that [Mercoid] did away with contributory infringement cases, you feel that we should now state as a positive law a cause of action against contributory infringement as set forth in section (c), and that if he has done one of the three things in section [(d)], that shall not be considered a misuse of his patent, and thereby reestablish what you thought you had before the Mercoid case. Isn't that about what the situation is?
>
> MR. RICH. That is what we are driving at.

production of the unpatented component.[20] It was not suggested that Section 271 was designed to insulate from a misuse defense the entirely different case of the patentee who refuses to give a license to competing producers of nonstaple components, while offering a license to users of his patented process willing to purchase its unpatented components from him.[21] Thus a congressional desire in enacting Section 271 to modify or overrule the results of the *Mercoid* decisions is not sufficient to support the court of appeals' decision here. Rather, the court's reading of the statute imputes to Congress an intent to overrule not only the *Mercoid* decisions, but much earlier law as well.[22] And there is no evidence of such a congressional intent.

CONCLUSION

For the foregoing reasons, the judgment of the court of appeals should be reversed.

Respectfully submitted.

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[20] This emphasis is also reflected in the testimony of Stephen Cerstvik on behalf of the Aircraft Industries Association (*1949 Hearings* 26):

> [Manufacturers of unpatented components] could avoid liability as contributory infringers, prior to the Mercoid cases, by obtaining a license from the patent owner and paying him royalties on the sale of the unpatented components for use in the patented combination. At present, and as a result of the decisions of the Mercoid cases, this cannot be done without the danger of the patent owner subjecting himself to the possible charge that he is misusing his patent to control the sale of unpatented products by the collection of royalties on the sale of such unpatented products.

And see the testimony of Giles Rich during the same hearings (*id.* at 16):

> The courts would say * * * if they logically follow the Mercoid case, that the granting of this license [to a competing producer of nonstaple components] is a misuse because you are attempting to collect royalties from somebody under your patent for doing something which, per se, is not an infringement of your patent. It is not covered by your claims * * *.

Similarly, a Justice Department spokesman, Wilbur Fugate of the Antitrust Division, in expressing his opposition to Section 271(d), noted that subsection (d)(2), permitting a patentee to license others, "was designed to overrule the Mercoid cases" (*1951 Hearings* 207). Although Mr. Fugate also objected that Section 271(d)'s effect "is to permit a patentee to sell unpatented parts for a patented device or combination and at the same time prohibit his competitors, by suit for contributory infringement, from selling such unpatented materials in competition with him," it is unlikely in light of the reference to the Mercoid cases, that Fugate intended to suggest that Section 271(d) would permit suit by a patentee who had *refused to license* his competitors.

[21] The comments of Justice Department spokesmen are not inconsistent with this analysis. Department representatives were primarily concerned that the statutory language might be given an overly broad judicial interpretation. Mr. Fugate summarized the Department's views (*1951 Hearings* 207):

> [T]he Department of Justice objects to section [271] since its *effect might be* to carve out an area in which the antitrust laws would not operate. Acts which are a misuse of patents, particularly the expansion of the patent to cover unpatented articles *might* no longer be a misuse. [Emphasis added.]

See also the remarks of Representative Crumpacker, *supra*, pages 17-18.

[22] The effect of the court of appeals' decision is to reinstate, at least for nonstaple articles, this Court's decision in *Henry* v. *A. B. Dick Co.*, 224 U.S. 1 (1912), a decision that was expressly overruled in *Motion Pictures Patents Co.* v. *Universal Film Manufacturing Co.*, 243 U.S. 502, 518 (1917).

The prohibition against using the patent grant to dominate commerce in nonstaples arises out of pre-*Mercoid* decisions, law that Section 271's draftsmen desired to retain (see note 19, *supra*). In *B. B. Chemical Co.* v. *Ellis*, 314 U.S. 495 (1942), this Court affirmed a decision finding misuse where nonstaple components were involved. Although the distinction between staples and nonstaples was expressly considered by the court of appeals (117 F.2d 829, 834-835 (1st Cir. 1941)), it was not addressed specifically by this Court, which simply held that the patentee's "use of the patent as the means of establishing a limited monopoly in its unpatented materials * * * is contrary to public policy * * *." 314 U.S. at 497-498. Prior to *B. B. Chemical*, another court of appeals had also refused to distinguish between staple and nonstaple articles in applying the misuse doctrine. *Philad Co.* v. *Lechler Laboratories, Inc.*, 107 F.2d 747 (2d Cir. 1939).

-- End of Section E --

IN THE

Supreme Court of the United States

OCTOBER TERM, 1979.

Filed 3/21/80

No. 79-669.

DAWSON CHEMICAL COMPANY, CRYSTAL MANUFACTURING CORPORATION, and CRYSTAL CHEMICAL COMPANY,

Petitioners,

v.

ROHM AND HAAS COMPANY,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT.

BRIEF FOR THE RESPONDENT, ROHM AND HAAS COMPANY.

OPINIONS BELOW.

The opinion of the United States District Court for the Southern District of Texas on cross-motions for summary judgment (A. 67-110) is reported at 191 USPQ 691, and its Supplemental Opinion (A. 122-134) is unreported. The opinion of the Fifth Circuit Court of Appeals reversing the District Court (A. 139-182) is reported at 599 F. 2d 685.

JURISDICTION.

The opinion and judgment below were entered on July 30, 1979. The petition for a writ of certiorari was filed on October 24, 1979. It was granted on January 7, 1980. The jurisdiction of this Court is invoked under 28 U. S. C. § 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED.

Constitution of the United States, Article I, Section 8, Clause 8:

> The Congress shall have 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.

The petition primarily involves the construction of certain provisions of the 1952 Patent Act relative to active inducement of infringement, contributory infringement and patent misuse, 35 U. S. C. § 271:

SECTION 271. *Infringement of patent*

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

(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

(c) 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.

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

Other sections of Title 35, United States Code:

SECTION 100. *Definitions*

* * * (b) The term "process" means process, art or method, and includes a new use of a known process, machine, manufacture, composition of matter, or material.

SECTION 154. *Contents and term of patent*

Every patent shall contain a short title of the invention and a grant to the patentee, his heirs or assigns, for the term of seventeen years, subject to the payment of issue fees as provided for in this title, of the right to exclude others from making, using, or selling the invention throughout the United States, referring to the specification for the particulars thereof. A copy of the specification and drawings shall be annexed to the patent and be a part thereof.

QUESTION PRESENTED.

Whether § 271(c) of the 1952 Patent Act, by its express language and as interpreted in light of its legislative history, requires that the respondent owner of a process patent who:

(a) sells an unpatented, nonstaple chemical that is material and essential to practicing the patented process and has no other commercial use, and

(b) brings an action for active inducement of infringement and for contributory infringement against the unlicensed defendant-petitioners, who admittedly sell the same nonstaple chemical with instructions for infringing the patent to others who in fact infringe,

must submit to compulsory licensing of its patent in order to avoid misuse or an illegal extension of the patent right?

STATEMENT.

A. The Complaint.

Rohm and Haas' amended complant (A. 1-7) charged defendants, petitioners herein, with contributorily infringing and actively inducing their customers to infringe its United States Patent No. 3,816,092 (hereinafter the "Wilson patent"). This patent (Exhibits Appendix 1-5) describes and claims a method of applying a chemical compound, 3,4-dichloropropionanilide (hereinafter "propanil"), to weeds and established crops such as rice so as to inhibit selectively the growth of the weeds without adversely affecting the crop.

B. Propanil—An Unpatented, Nonstaple Article.

Propanil, the essential ingredient of the patented method, is used in the patented process by area-wide spraying over both the crops and weeds, for it is a selective (destroys weeds without harming crops), post-emergence (applied after plants have emerged from the soil) herbicide. Propanil itself is not patented. It was a useless laboratory curiosity for at least fifty years until Rohm and Haas made the invention in suit, which for the first time employed propanil to the benefit of the public. Rohm and Haas' invention was a major contribution to agricultural science. Propanil has virtually eliminated the need for hand weeding and deep water flooding of rice, enabling growers to operate more efficiently and at substantially reduced costs. Consequently, rice is made available to consumers in greater abundance and at prices lower than would otherwise be possible.

Propanil itself was held to be unpatentable in *Monsanto Company v. Rohm and Haas Company*, 312 F. Supp. 778 (E. D. Pa. 1970), *aff'd* 456 F. 2d 592 (3rd Cir.), *cert. den.* 407 U. S. 934 (1972), in which Monsanto's product patent on propanil was held invalid. In invalidating Monsanto's patent, the court found that propanil had been implicitly described by publications dated as early as 1902, but it further held that the use of propanil as a selective post-emergence herbicide "was not revealed or in any way suggested in the prior art" (312 F. Supp. 801, finding 49). Plainly, the Department of Justice is in error in asserting that propanil was "invented" by Monsanto in 1954-55 and implying that the claimed herbicidal activity was discovered by Monsanto (JB 2-3 note 1).[1]

The court below held that propanil is not a staple article or commodity of commerce and that it has no substantial noninfringing uses (A. 140-141). As defined by law, "staple" means a commodity or product with substantial uses apart from the patented invention, and "nonstaple" denotes a product lacking substantial uses other than infringing uses (A. 141-142). Petitioners admit that propanil is a nonstaple (see e.g., petition for certiorari, pp. 2, 6; and PB 6).

Because there was no prior commercial use or manufacture of propanil and it was of no benefit to mankind, Rohm and Haas' invention created a market for this useless laboratory curiosity and was of great benefit to rice farmers and the public generally. It also spawned imitation by petitioners, who promptly capitalized on Rohm and Haas' costly and extensive research efforts and invention without having exerted a whit of inventive activity on their own. Similarly, petitioners spent no funds in obtaining the requisite government approval to sell propanil. They merely notified the United States Department of Agriculture that they wished to rely on the Rohm and Haas data and were permitted to do so without expense or effort.

C. Respondent Rohm and Haas' Sale of Propanil.

Rohm and Haas manufactures propanil and sells it in containers bearing instructions for utilizing it in performing the process of the Wilson patent. By operation of law, as found by the court below (A. 140, 176-177) and as conceded by petitioners (PB 5), purchasers from Rohm and Haas thus acquire the right to use propanil in the patented method. Rohm and Haas has not offered or granted any express license to anyone as the brief of the Justice Department seeks to imply (e.g., JB 6, 14). It has never received any payment for propanil other than the purchase price from its customers. All such Rohm and Haas propanil is employed in the method of the Wilson patent to control weeds in crops (A. 143).

D. Defendant-Petitioners' Activities in the Sale of Propanil.

The original Wilson patent application was filed in 1958 and petitioners became aware of the application at least as early as 1968 (A. 24). Knowing of Rohm and Haas' sales of propanil as a selective, post-emergence herbicide and the publicity surrounding the Wilson invention, petitioners commenced the manufacture and sale of propanil. They sold propanil for the now patented use while the Wilson patent application was pending, a period in which petitioners could profit from respondent's invention yet incur no liability for infringement. However, after the Wilson patent issued on June 11, 1974, "they continued to sell propanil, knowing of the patent, and their customers have directly infringed the patent by following the method described on defendants' containers of propanil" (A. 140). None of the petitioners purchase propanil from Rohm and Haas. Petitioners' propanil is sold in containers bearing labels which recommend only the methods of use described in the Wilson patent claims. When petitioners sell propanil, they know that their customers will infringe the patent in suit by following the label instructions, and their customers do in fact infringe (A. 140-143). Petitioners concede that they are contributory infringers (PB 6).

E. The District Court Decision.

On stipulated facts, the United States District Court for the Southern District of Texas granted petitioners' motion for summary judgment based on patent misuse. The District Court also denied respondent Rohm and Haas' motion for a summary judgment that it had not misused the patent.

1. "JB" followed by a page number refers to the Justice Department's brief, an uncorrected page proof of which was served February 29, 1980, eight days after it was required to be filed by the Rules of this Court. The brief itself was not filed until March 4, 1980. The Wilson patent issued to Rohm and Haas as the result of an interference proceeding between Rohm and Haas and Monsanto (Huffman) in which the Patent Office decided that Wilson (not Huffman) was the first inventor of the process claimed; "PB" followed by a page number refers to Petitioners' Brief on the merits filed February 20, 1980.

F. The Court of Appeals Decision.

The Court of Appeals unanimously reversed. It held as a matter of law that a patent owner who markets an unpatented, nonstaple product whose only commercial use infringes the patent is not guilty of patent misuse either for selling the product with label instructions for using it to practice the patented process or for declining to grant express licenses to others to sell the nonstaple product for use under the patent. The Court of Appeals rejected the arguments that such sales constituted an illegal extension of the patent right ("tying") or that a patent owner must submit to compulsory licensing of others in order to avoid a charge of patent misuse (A. 176-177). It remanded the case for proceedings on other issues and for trial if necessary.

SUMMARY OF ARGUMENT.

Rohm and Haas seeks to enforce its process patent under the doctrines of active inducement and contributory infringement, defined in 35 U. S. C. § 271(b) and (c) respectively. Petitioners have admitted facts sufficient to constitute both active inducement and contributory infringement, but they contend that Rohm and Haas is barred from enforcing its statutory patent rights because of alleged patent misuse. The misuse supposedly consists of Rohm and Haas' sales of propanil which by operation of law authorize the purchaser to resell or use the purchased propanil in the patented method. Petitioners further assert that misuse can be avoided (purged) only if Rohm and Haas grants express licenses under its patent (compulsory licensing) to legitimize petitioners' infringement.

Several provisions of the 1952 Patent Act relating to "use patents" form the focal point of this litigation. In adopting the general Act "to revise and codify" the Patent Laws in 1952, Congress specifically authorized patent protection for the discovery of a new use for an old product (35 U. S. C. § 100(b)); it provided a separate cause of action for active inducement of infringement (35 U. S. C. § 271(b)); it restored to the law a small portion of the contributory infringement doctrine, which doctrine had previously been eradicated by the *Mercoid* decisions[2] (35 U. S. C. § 271(c) and (d)); and it reaffirmed the traditional right of a patentee to exclude others from practicing his patent right (35 U. S. C. § 154). That portion of the contributory infringement doctrine restored to the law in § 271(c) dealt with the very conduct at issue here—the sale of nonstaples having use only in a patented process.

As recounted in the Court of Appeals decision, § 271 had its roots in the judicially created doctrine of contributory infringement. At one point, this Court applied the doctrine to staples and nonstaples alike, and permitted a patentee to limit and control a variety of commerce, both that which existed apart from the patented invention and that which necessarily resulted in infringement since the material sold had no other use. The Court then substantially eroded this broad doctrine by holding that it was a patent misuse to interfere with the sale of unpatented staples which had uses other than to infringe. Such interference would preempt existing and legitimate sales of unpatented substances for noninfringing purposes. Contrary to the arguments of petitioners and the Justice Department here, all of this Court's cases on patent misuse prior to *Mercoid* dealt with such staples, and those decisions would not have condemned Rohm and Haas' present activities as misuse. Finally, in the *Mercoid* cases, this Court for the first time applied the patent misuse doctrine against unpatented *nonstaple* materials. Justice Douglas recognized the devastating effect of this decision on the doctrine of contributory infringement, and he noted that: "What residuum may be left we need not stop to consider" (320 U. S. at 669).

Following the *Mercoid* decisions, there arose a movement to restore a small measure of the doctrine restricted, however, to nonstaples, and this culminated in § 271(c) and (d), enacted as part of the 1952 Patent Act. The effect of § 271, and the wording to achieve that effect, were carefully considered during the four years of hearings which preceded its enactment. During those hearings, the Justice Department repeatedly urged that the Act not be passed since its effect, *inter alia*, would permit a patentee to sell unpatented parts for a patented combination and at the same time prohibit his competitors from selling such unpatented materials in competition with him. A key draftsman of the Act agreed that such activity would be authorized by now § 271(d). He also agreed with the Congressional Subcommittee considering the act that *Mercoid* involved a right to use a combination patent predicated solely upon the purchase of an unpatented element thereof from the patentee. He further stated that such practice would be one of the activities permitted by now § 271.

Congress listened to essentially every argument against the act now made by Justice and petitioners. It resolved public policy in favor of contributory infringement as defined in § 271(c) and (d) and in so doing it legislated in accord with the same basic policy which led to the establishment of the patent system pursuant to Article I, Section 8 of the Constitution. Under that system, the exclusive rights granted to a patentee take nothing from the public which it had before the invention; at the same time, innovation is stimulated by the reward of a limited term of exclusivity. Similarly, the doctrine of contributory infringement takes nothing from the public when it permits a patentee to enforce his patent against those who deal in unpatented nonstaple substances used only in infringing ways. Before the patented invention, there was no known commercial use for the unpatented substance. The public is benefited by the inventive use while a demand is created for the unpatented material. This not only stimulates the search for new uses of known but useless materials, it also furthers development of alternative materials and uses. No legitimate competition is burdened since, by definition (§ 271(c)), the sale of a nonstaple must lead inevitably to direct infringement.

To make contributory infringement a viable doctrine, Congress adopted § 271(d) which exempted patent owners from "misuse or illegal extension of the patent right" when they engage in three activities: subsection (d)(1) permits Rohm and Haas "to sell unpatented [nonstaple] propanil for use in its patented process"; subsection (d)(2) permits Rohm and Haas to license its patent to others who "sell

2. *Mercoid Corp. v. Mid-Continent Investment Co.*, 320 U. S. 661 (1944); and *Mercoid Corp. v. Minneapolis-Honeywell Regulator Co.*, 320 U. S. 680 (1944).

[the nonstaple] propanil for use in its patented process and collect royalties from those sales"; and subsection (d)(3) permits Rohm and Haas to enforce its process patent against "unauthorized sellers" of the nonstaple propanil.[3] Section 271(d) reads *disjunctively* and Rohm and Haas may engage in "one or more" of these activities; it is not required to engage in one of the stated activities before being able to engage in one of the other activities. Those who drafted the act made it clear at the underlying hearings that one could license or sue on his patent and he did not have to do both.

Ignoring this disjunctive wording and legislative intent, petitioners argue that because Rohm and Haas sells unpatented nonstaple propanil as permitted by (d)(1), it no longer has an optional right to license its patent under (d)(2). Instead, they argue, it is compelled to license all other manufacturers and their distributors under the Wilson patent. However, compulsory licensing is foreign to our patent system. If required for all use and combination patents where the patent owner sells a nonstaple component thereof, compulsory licensing would necessitate extensive court intervention to decide what is a "reasonable" royalty, how many and who shall be licensed, what shall be the terms and duration of license, etc. The burden of compulsory licensing on use and combination patents would chill sorely needed innovation with no resulting benefit to the public.

The Court of Appeals correctly held that statutorily permissible conduct under § 271(d) cannot constitute an illegal tie-in. Section 271(d) expressly states that activity defined by the act is not an "illegal" extension of the patent right; no legitimate commerce is controlled (a basic requirement for illegal tying) by such activity, and the alleged tie herein is simply an authorization to sell or use the purchased product arising by traditional concepts of exhaustion of monopoly which existed long before § 271 was passed. No decision by this Court since the enactment of § 271 has addressed the issues presented by this case. The Court, has, however, expressly confirmed that an action for contributory infringement—which necessarily is directed to unpatented materials—has been revived as a substantive right by § 271.

ARGUMENT.

Introductory.

The Circuit Court correctly held that under the 1952 Patent Act, Rohm and Haas is not guilty of misuse for selling an unpatented nonstaple product to customers who, by operation of law, thereby acquire the right to use the product in practicing the patented method.[4] Petitioners, however, contend that Rohm and Haas misuses its patent unless it grants express licenses to propanil manufacturers on reasonable terms.

There is a basic inconsistency in petitioners' position that Rohm and Haas is misusing its patent by controlling or deriving profits from the sale of unpatented propanil, but that this misuse is purged and the patent becomes enforceable if Rohm and Haas grants petitioners licenses *to do the same thing*. In either event, the patent right is "extended" as permitted by the contributory infringement doctrine to embrace unpatented propanil. The question actually presented by petitioners is not Rohm and Haas' right to sell propanil and its customers' right to use it, but rather petitioners' right to compulsory licenses to enable them to do the same thing. It is self-evident that petitioners are basically demanding a license to legitimize their sales of propanil which, in the absence of such a license, are wanton and wilful patent infringements—not competition.

I. On the Very Face of the 1952 Patent Act, Since Respondent Rohm and Haas' Activities Are Limited to Nonstaples, They Are Within the Statutory Exceptions to the Misuse Doctrine in 35 U. S. C. § 271(d).

The 1952 Patent Act, entitled an act both "to revise and codify the laws", specifically extends patent protection, the patent right, to the discovery of a new use for a known or old product.[5] The Act defines patent infringement in 35 U. S. C. § 271(a), and provides in subsection (b) that those persons who *actively induce infringement* shall be liable as infringers. Subsection (c) of § 271 imposes liability for *contributory infringement* on those who sell a "component of . . . a patented process . . . knowing the same to be especially made or especially adapted for use in an infringement of such patent", provided the component constitutes "a material part of the invention" and is "not a staple article or commodity of commerce suitable for substantial noninfringing use". Petitioners' sales admittedly fall within the explicit prohibitions of § 271(c), contributory infringement (PB 6; A. 9-10), and Rohm and Haas' sales of propanil, were it not the patent owner, would also be contributory infringement.

Section 271(d), the critical section under construction, provides that a patent owner shall not be deemed guilty either of patent "misuse or illegal extension of the patent right" for doing any one or any combination of three specific acts, each of which relates to "contributory infringement". The statute insulates the patent owner from misuse whether its activities consist of selling under subsection (1), licensing one or more persons under subsection (2), suing either infringers or contributory infringers under subsection (3), or any combination thereof.

On the very face of the statute, Rohm and Haas' challenged acts are only those which § 271(d) says are not a ". . . misuse or illegal extension of the patent right. . . ."

It has "derived revenue from acts which if performed by another without [its] consent would constitute contributory infringement of the [Wilson] patent" (§ 271(d)(1)), that is, Rohm and Haas has sold propanil for weed

3. These quotations are from JB 13; see also PB 6.

4. Purchasers from Rohm and Haas acquire the right to use propanil in the patented method because propanil has no other use and the patented method is recommended on propanil's labels. The right so acquired is based on the familiar principle that "the authorized sale of an article which is capable of use only in practicing the patent is a relinquishment of the patent monopoly with respect to the article sold." *United States v. Univis Lens Co.*, 316 U. S. 241, 249 (1942); see also *Adams v. Burks*, 84 U. S. (17 Wall.) 453, 456 (1873); and *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 377 U. S. 476, 497 (1964), known as *Aro II*. The "relinquishment of the patent monopoly" is sometimes characterized as an exhaustion of the patent right or as an implied license.

5. In this respect, 35 U. S. C. § 100(b) provides that a process which may be the subject of an invention "includes a new use of a known process, machine, manufacture, composition of matter, or material."

control in rice.[6] Sale of propanil by another is contributory infringement because propanil is admittedly not a "staple article or commodity of commerce suitable for substantial noninfringing use" and it is sold for and used by purchasers only in methods embraced by the Wilson patent claims. As the sole active ingredient applied to both weeds and crops in the patented method, propanil—in the words of § 271(c)—is a "material part of the [Wilson] invention" and is "especially made or especially adapted" for use in the methods claimed in the Wilson patent. By the express mandate of § 271(d)(1), therefore, Rohm and Haas' deriving of revenue from sales of this product does not constitute "misuse or illegal extension of the patent right."

By operation of law, Rohm and Haas' sale of propanil authorizes the purchaser to resell the purchased product for use in the patented method. But § 271(d)(2) exempts Rohm and Haas from misuse if it has "authorized another to perform acts which if performed without [its] consent would constitute contributory infringement of the [Wilson] patent."[7] In the absence of the implied authorization, resale constitutes contributory infringement. Section 271(d)(2) provides that Rohm and Haas shall not "be denied relief or deemed guilty of misuse or illegal extension of the [Wilson] patent right by reason of" having done this act.

Despite Rohm and Haas' refusal to grant licenses to petitioners, petitioners insist on selling propanil for the patented method. Rohm and Haas has therefore "sought to enforce [its Wilson] patent rights against infringement [and] contributory infringement". Seeking to enforce the Wilson patent against petitioners rather than license them does not constitute "misuse or illegal extension of the patent right" since it is expressly authorized by § 271(d)(3).

Section 271(d) also expressly provides that *no combination* of the above-described acts can give rise either to patent misuse or any other illegal extension of the patent right. In the words of § 271(d), the patentee may do "one or more" of the practices enumerated in subsections (1), (2), and (3), and, as held by the Court of Appeals, this "reinforces the view that a patentee may sell unpatented components while refusing to license others to do the same conduct—sell the unpatented component—without thereby being deemed guilty of misuse" (A. 144).

Petitioners do not dispute that respondent Rohm and Haas has carried out acts authorized by the § 271(d)(1) to (3) statutory exceptions. Based on the plain wording of the statute, that should be the end of it.

However, petitioners seek to avoid the plain import of § 271(d) by claiming that Rohm and Haas does something else, i.e., it refuses to license petitioners to legitimize their infringement. But there is no compulsory license provision in § 271(d). Had Congress desired to condition § 271(d) on a licensing requirement, it could easily have done so—but this would have required drastic changes in the existing statutory language. Nowhere in the language of the act or its extensive history is there any suggestion that the authorized acts necessitate compulsory licenses. Plainly, enforcement under § 271(d)(3) was not conditioned upon licensing under § 271(d)(2).

II. The History of 35 U. S. C. § 271(d) Confirms That It Exempts Respondent From Patent Misuse.

A major part of the decision below consisted of an extensive, well-reasoned analysis of the history underlying § 271(c) and (d). That analysis shows beyond question that Rohm and Haas is exempt from misuse because its activities and enforcement are limited to a nonstaple product. The legislative history centers on: (a) the decisions of this Court establishing the equitable doctrine of contributory infringement, then increasingly eroding it by expanding the doctrine of patent misuse; and (b) the ensuing hearings and passage of the 1952 Patent Act, clearly showing that Congress intended to—and did—restore the contributory infringement doctrine to a narrow class of cases involving the sale of *nonstaple* products which have no commercial use except to infringe a patent.

A. The Decisional History.

As a necessary prelude to its statutory construction, the Court of Appeals discussed the historical progression of judicial decisions leading to the enactment of § 271(c) and (d). It first discussed (A. 145-153) the development of the "judicial invention" of contributory infringement "designed to give effective protection to patentees" against those knowingly supplying others with the tools of infringement (A. 145).

The first case applying the rule of contributory infringement was *Wallace v. Holmes*, 29 Fed. Cas. No. 17,100 (C. C., D. Conn. 1871).[8] The invention was a kerosene oil lamp. The claims recited a unique burner arrangement plus a conventional glass chimney. Defendant sold only the burner and therefore alleged he was not an infringer. The strong sense of equity which impelled the court to find liability is apparent in Judge Woodruff's opinion:

> "And now it is urged, that, having made and sold burners only, they are not infringers, even though they have distributed them throughout the country in competition with the complainants, and have to their utmost ability, occupied the market, with the certain knowledge that such burners are to be used, as they can be used, by the addition of a chimney. Manifestly, there is no merit in this defense, and it must be regretted if the law be not such as will protect the complainants against this palpable interference.
>
> * * *
>
> "It cannot be, that, where a useful machine is patented as a combination of parts, two or more can engage in its construction and sale, and protect them-

6. Section 271(d) specifically incorporates the definition of "contributory infringement" in enumerating the circumstances in which patent misuse shall not apply. "Contributory infringement" as defined in § 271(c) refers to the sale of a nonstaple article such as involved here. The Court of Appeals correctly linked subsections (c) and (d) (A. 174-175), and the District Court proceeded on a wrong premise when it failed to do so (A. 105-106). The draftsman of § 271 intended that (c) and (d) be read together (A. 172-173), and the Court of Appeals so found (A. 174-175; *infra* pages 34-36, 39-41).

7. A patentee is equally exempted from misuse if he has "licensed" another to contributorily infringe his patent. The explicit right to license afforded by § 271(d)(2) necessarily implies the optional right *not* to license.

8. The expression "contributory infringement" was first used in *Synder v. Bunnell*, 29 F. 47 (C. C. S. D. N. Y. 1886).

selves by showing, that, though united in an effort to produce the same machine, and sell it, and bring it into extensive use, each makes and sells one part only, which is useless without the others, and still another person, in precise conformity with the purpose in view, puts them together for use. If it were so, such patents would, indeed, be of little value. In such case, all are tort-feasors, engaged in a common purpose to infringe the patent, and actually, by their concerted action, producing that result."

In *Leeds & Catlin Co. v. Victor Talking Machine Co.*, 213 U. S. 325 (1909), this Court recognized the doctrine of contributory infringement and applied it to protect the owner of a patent covering the combination of a disc record and a stylus from defendant's unlicensed sale of discs to purchasers who used them in infringing the patent. The discs in issue were found by this Court to be unsuitable for any non-infringing purposes, so they were "nonstaples". This landmark decision was never overruled by this Court until the *Mercoid* decisions, thirty-five years later. A necessary result of *Leeds & Catlin* and similar decisions was to extend the patent right to include nonstaple materials not literally embraced by the language of the claims (e.g., discs were protected although the claims covered the combination of disc and stylus).

The contributory infringement doctrine reached its "high water" mark several years later in *Henry v. A. B. Dick Co.*, 224 U. S. 1 (1912). The court below described the *A. B. Dick* holding as follows (A. 151):

> "The principles enunciated in *Dick* effectively enabled a patentee to 'tie' ordinary staples of commerce, none of which was even an element of the patented device, to a purchaser's right to use the device. This result was achieved by enforcing through the patent law instead of general contract law a notice attached to each patented machine at sale that required the purchaser to use the machine only with stencil paper, ink, or other supplies made by the patent holder, A. B. Dick. The majority ruled that any breach of these conditions by the buyer constituted infringement of the underlying patent and that any conduct aiding the breach was contributory infringement."

The *A. B. Dick* case thus extended the patent right far beyond *Leeds & Catlin* to embrace staple materials capable of many uses besides in the claimed invention. It is self-evident that *A. B. Dick* interfered with a long-standing substantial business in the sale of unpatented staples, "stencil paper, ink or other supplies", and it is not at all surprising that the pendulum between the antitrust laws and the patent laws then moved in the opposite direction for the next thirty years, culminating in the *Mercoid* cases and passage of § 271 in response thereto.

A. B. Dick's intrusion of the patent laws into the antitrust area led Congress expressly to limit it, two years later, in Section 3 of the Clayton Act. As stated by the court below (A. 153):

> "Two years later in partial response to *Dick*, Congress passed section 3 of the Clayton Act and the Federal Trade Commission Act. New members of the Court joined with the *Dick* minority to form a new majority, and thereafter the Court began a retreat from the principles just reviewed. Their vehicle was the new doctrine of patent misuse."

There followed a steady erosion of contributory infringement by the new judicially created doctrine of patent misuse, traced in detail by the court below (A. 153-158), culminating in the *Mercoid* decisions.

In *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U. S. 502, 516 (1917), in the context of staple articles, the Court set forth what became the standard for patent misuse:

> "We are convinced that the exclusive right granted in every patent must be limited to *the invention* described in the claims of the patent, and that it is not competent . . . [to] *extend the scope* . . . by restricting the use of it to materials necessary in its operation, but *which are no part of the* patented invention."[9]

On this reasoning, the Court held unenforceable a contractual requirement that a purchaser of a patented machine use in that machine only film—a staple article capable of substantial noninfringing uses—purchased from the patentee (A. 153).

Petitioners' historical argument in Point 2 (PB 13-18) is wrong and extends far beyond this Court's holdings in *Motion Picture* and the succeeding misuse cases. None of the cases, prior to *Mercoid*, abolished the contributory infringement doctrine when the patent owner sold unpatented, nonstaple products. The doctrine was not destroyed by the *Motion Picture* case, which related only to staple articles, but was diminished over the next 27 years until the *Mercoid* cases were decided.

In succeeding cases, patent misuse barred relief for contributory infringement:

1) where the patentee had required users to purchase for use in a patented combination solid carbon dioxide —a staple article capable of substantial noninfringing use—from its exclusive licensee, *Carbice Corp. of America v. American Patents Dev. Corp.*, 283 U. S. 27 (1931);

2) in the patent owner's limitation of the right to use a patented process to purchasers of bituminous paving material—a staple article capable of substantial noninfringing use—from the patentee, *Leitch Mfg. Co. v. Barber Co.*, 302 U. S. 458 (1938);

3) in the requirement that purchasers of a patented dispenser buy salt—a staple article capable of substantial noninfringing use—from the patentee, *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U. S. 488 (1942); and

4) in the requirement that those who wished to practice a patented process for reinforcing shoe insoles purchase rubber cement—a staple article capable of substantial noninfringing use—directly or indirectly from the patent owner, *B. B. Chemical Co. v. Ellis*, 314 U. S. 495 (1942).

In all of this Court's patent misuse holdings prior to the *Mercoid* cases, the unpatented component sold by

9. Emphasis supplied in all quotations unless specifically stated to the contrary.

the alleged contributory infringer was a staple article having substantial noninfringing uses.[10] Under the Court's holdings, the sellers of such established commodities as film, carbon dioxide, paving material, salt, and rubber cement were given protection against the contributory infringement doctrine. The suggestion (JB 8-10) that decisions prior to *Mercoid* would have condemned Rohm and Haas' activity here is simply false. The instant facts involve an admitted nonstaple, and not until *Mercoid*—which Congress modified by § 271—would Rohm and Haas' present policy have been considered misuse.

In the first *Mercoid* case (320 U. S. 661), the patent related to a heating system comprising a stoker, a thermostat and a stoker switch. The stoker switch was unpatented *per se*, but it had use only in the patented heating system. The patentee initially adopted a policy of granting a license only to customers who purchased the unpatented stoker switch from the patent owner or his exclusive licensee. When the patentee brought suit for contributory infringement against an unlicensed seller of the unpatented stoker switch, and the defense of patent misuse was raised, this Court sustained the defense and also overruled *Leeds & Catlin*, which had remained viable since 1909 (320 U. S. 668-69). Justice Douglas wrote that the Court's decision and those preceding it, "limit substantially the doctrine of contributory infringement. What residuum may be left we need not stop to consider." (320 U. S. 669; A. 158-60).

The Justice Department presents (JB 20-22) a misleading summary of the *Mercoid* cases (which summary conflicts with its previous interpretations of *Mercoid*, see *infra* pages 28, 35-42 and 1949 Hearings, pages 53-54 and 1951 Hearings, page 207). In *Mercoid I*, the alleged improper activity was characterized by the Court of Appeals as the equivalent of granting a written license with the condition that the patented system be practiced only with switches purchased from the single exclusive licensee (133 F. 2d 810, 811, see 43 F. Supp. 694, Finding 15). The Supreme Court agreed with this analysis (320 U. S. 663) as did the proponents of what became § 271 and the subcommittee considering it (1949 Hearings, page 69). While the *Mercoid I* patentee later offered licenses, no licenses were offered to competitors for many years. The Justice Department's contention that Mercoid was offered a license by Mid-Continent prior to the issuance of the Honeywell license (JB 20-21) is plainly wrong, since the Honeywell license issued *prior* to Mid-Continent's even acquiring rights under the patent in question (43 F. Supp. 694, Finding 12).

The Court again sustained the patent misuse defense in *Mercoid II* (320 U. S. 680) against the manufacturer of the switch to whom the patentee had granted an exclusive license. In *Mercoid II*, Justice Douglas went further and ruled that any attempt to bring unpatented goods within the protection of the patent is measured by the antitrust and not the patent laws.

Following its meticulous analysis of these decisions, the Court of Appeals took note of the historical facts that (A. 160):

> "In the aftermath of Mercoid, strange to say, there was great confusion in the courts and among the patent bar regarding the proper scope of contributory infringement;"

and that:

> "A movement arose among the bar to put some effective measure of contributory infringement back into the law, and various committees came forward to draft proposed legislation for consideration by the congressional committee then codifying the general patent law. The ultimate result was section 271."

Even the petition before this Court admits that the *Mercoid* cases created "consternation" resulting in the enactment of "a statutory law of contributory infringement" and the corresponding "provisions expressly exempting certain activities from the antitrust laws and the law of patent misuse" (petition, p. 9). This statutory law of contributory infringement is, of course, § 271(c), and the provisions exempting activities from the antitrust laws and from patent misuse are those of § 271(d).

B. The Legislative History.

With the decisional perspective effectively set forth, the Circuit Court quoted extensively from the legislative history of § 271 and concluded that the history decisively established Rohm and Haas' position: § 271 was enacted to change the state of the law represented by the *Mercoid* decisions; it restored the doctrine of contributory infringement but limited it to the sale of *nonstaple* articles (§ 271(c)); § 271(d) imposed statutory limitations on the patent misuse defense but only where nonstaples are involved; and Rohm and Haas' activities fit squarely within the letter and spirit of those limitations. According to the Court of Appeals, this result "is one we see *so clearly* in the statutory words and its legislative history" (A. 181). Not only has Congress given the "clear signal" referred to in petitioners' and the Justice Department's briefs, but as stated by the Court of Appeals, "the impression becomes *almost overpowering*" that Rohm and Haas' position is correct (A. 176).

Title 35 of United States Code, "An Act To *Revise* and Codify The Laws Relating To Patents . . .", was approved July 19, 1952. As its title expressly states, the Act did not merely codify the existing patent laws as petitioners suggest (PB 8, 19-20—see also JB 16-17), but it also included important changes, in the words of Senator McCarran, "In view of decisions of the Supreme Court and others . . ."[11] The House Report stated: "Although the principal purpose of the bill is codification of title 35 . . . there are a number of changes in substantive statutory

10. Petitioners argue that the *B. B. Chemical* case involved a non-staple (PB 15; see also JB 23, Note 20). This is not correct; see 32 F. Supp. 690, 698 (D. Mass. 1940), aff'd 117 F. 2d 829 (1st Cir. 1941) where the court stated that "defendant's latex adhesive is not manufactured by it exclusively for use in the patented process. It is a product manufactured by other concerns and bought and sold in the market." This Court's decision in *B. B. Chemical* made no reference to nonstaples. The Court of Appeals herein referred to *B. B. Chemical* as "involving the *possible* staple/nonstaple distinction" (A. 157). Whether it involved the distinction is unimportant here because the subsequent *Mercoid* cases clearly faced the distinction and clearly held that the misuse doctrine would be applied to nonstaples as well as staples. It was the *Mercoid* cases which prompted passage of Section 271 (see legislative history *infra*, pages 26-45).

11. Congressional Record, Vol. 98, No. 120, July 4, 1952, page 9534—See also A. 165. The Justice Department ignores the concluding remarks of Senator McCarran (JB 17).

law. . . . The *major changes or innovations* in the title consist of . . . the judicial doctrine of contributory infringement in § 271." [12] The Court of Appeals correctly found that: "The reports and, indeed, the title of the bill indicates its general purpose to be the revision, as well as the codification of the patent law . . ." (A. 165).

As noted by the court below (A. 170-173), the Justice Department unsuccessfully opposed the enactment of § 271 on the same grounds and policy arguments now urged by petitioners, and repeated by Justice in its *amicus* brief herein. A complete review of the legislative history shows that during the four years § 271 was under consideration, every argument now raised by petitioners and Justice in an effort to restrict its provisions was raised by the opponents in an effort to prevent its passage. Those arguments were considered and rejected. The act was passed in the form originally proposed without significant modification. Congress determined that public policy dictated passage of § 271, and Congress' resolution of public policy in favor of the act *prior* to its passage necessarily means that the same arguments *after* the passage of § 271 cannot be used to restrict its interpretation.

What is now § 271 was first proposed in the 80th Congress as H. R. 5988. Hearings on the bill were held in May 1948. The bill was reintroduced, without change, in the 81st Congress as H. R. 3866, and hearings were held in May and June 1949. No further action was taken on these bills until their substance, with some rearrangement, became part of H. R. 3760, an omnibus bill to revise and codify all of the patent laws. What is now § 271 was designated § 231 in H. R. 3760, and hearings were conducted in June 1951. H. R. 3760 was reintroduced as H. R. 7794 in the 82d Congress on May 12, 1952. It was reported favorably by the Committees of both the House and Senate and passed by unanimous consent on July 4, 1952. It was signed by the President on July 19, 1952.[13]

Petitioners understandably devote little discussion to the history of the Act, and in particular to the hearings during which § 271 and the public policy underlying it were discussed. To the extent petitioners refer to legislative history, they mainly quote isolated portions of the testimony and reports, for the most part out of context. All of the hearings are important to legislative history, and the testimony taken at the 1948 and 1949 Hearings was plainly available and referred to during the 1951 Hearings (e.g., 1951 Hearings, pages 151-152 and 207). A full appreciation of the intent and meaning of § 271 can be obtained only by following the legislative history from start to finish.

In reviewing legislative histories of statutes, this Court has carefully considered the administrative and legislative background of the statute, prior versions of the same bill and hearings thereon, and has accorded great weight to the statements of the draftsmen and sponsors. *Transcontinental & Western Air, Inc. v. Civil Aeronautics Board*, 336 U. S. 601 (1949); *Schwegmann Bros. v. Calvert Distillers Corp.*, 341 U. S. 384 (1951), *reh. den.* 341 U. S. 956 (1951); *United States v. Zacks*, 375 U. S. 59 (1963); *United States v. Enmons*, 410 U. S. 396 (1973); *Ernst & Ernst v. Hochfelder*, 425 U. S. 185 (1976), *reh. den.* 425 U. S. 986 (1976); *Federal Energy Administration v. Algonquin SNG, Inc.*, 426 U. S. 548 (1976).

As stated by Congressman Crumpacker, a member of the patent subcommittee, in an address following passage of § 271:

> "When the courts, in seeking to interpret the language of the Act, go through the ritual of seeking to ascertain the 'intent of Congress' in adopting same, they would do well to look to the writings of these men [the draftsmen]—Federico, Rich, Harris, and the others—as they, far more than any member of the House or Senate, knew and understood what was intended by the language used."

Patent Procurement and Exploitation, Southwestern Legal Foundation, supra, at p. 78, printed as Appendix D of this brief, see *infra*, page 90.

1. *H. R. 5988—The 1948 Hearings*

The origins of H. R. 5988, the first bill underlying present § 271, were carefully explained during the 1948 Hearings.[14] The bill was motivated "by recent decisions of the Supreme Court abolishing effective protection against contributory infringement", and its wording was carefully designed "to restore the stimulus of the patent system to large and important fields of inventive effort which have in practical effect, been placed outside of the patent law . . ." (1948 Hearings, page 3). In explanation of what prompted H. R. 5988, one of its primary draftsmen, Mr. Giles S. Rich, now an associate judge of the Court of Customs and Patent Appeals, stated (1948 Hearings, pages 4-5):

> "In these decisions, and particularly in the Mercoid cases, the Supreme Court has abolished the patentee's right to effective protection against contributory infringement. The Court did this, not by attacking the

12. Committee Report to Accompany H. R. 7794, House Report No. 1923, 82d Congress, 2d Session, May 12, 1952, page 5.

13. The legislative history of Section 271 is reflected in several Hearings and Committee Reports identified below. The numbers in parentheses following the citations are the appropriate reference numbers employed by the Supreme Court Library. The texts of the forerunners of Section 271 are annexed hereto as Appendices A-C.

—Hearings on H. R. 5988, H. R. 4061 and H. R. 5248, Subcommittee on Patents, Trademarks and Copyrights of The House Committee on The Judiciary, 80th Congress 2d Sess. 1948 (6036)—hereafter "1948 Hearings".

—Hearings on H. R. 3866, Subcommittee No. 4 of The House Committee on The Judiciary, 81st Congress, 1st Sess. 1949 (6734)—hereafter "1949 Hearings".

—Hearings on H. R. 3760, Subcommittee No. 3 of The House Committee on The Judiciary, 82d Congress, 1st Sess. 1951 (7493)—hereafter "1951 Hearings".

—H. R. Report No. 1923, 82d Congress, 2d Sess. 1952 (11577)—hereafter "H. R. Report".

—S. Report No. 1979, 82d Congress, 2d Sess. 1952 (11569)—hereafter "S. Report".

A summary of the writing and enactment of the Patent Act of 1952 appears in *Patent Procurement and Exploitation, Southwestern Legal Foundation*, Lectures Presented March 21-22, 1963 BNA, 1963, pages 61-78 (copy annexed hereto as Appendix D). The intended meaning and effect of § 271 was restated in an article by a chief draftsman published soon after the passage of the act—G. Rich, *Infringement Under Section 271 of the Patent Act of 1952*, 35 J. Pat. Off. Socy. 476 (1953).

14. Committee reports of a statute and previous versions of the bill are relevant and entitled to a great deal of weight, even more than debates on the floor of Congress, *Transcontinental & Western Air, Inc. v. Civil Aeronautics Board, supra; United States v. International Union United Automobile, Aircraft and Agricultural Implement Workers of America*, 352 U. S. 567 (1957), *reh. den.* 353 U. S. 943 (1957).

doctrine directly, but by making it illegal for a patentee to obtain the benefit of this doctrine."

* * *

"A necessary effect of the doctrine of contributory infringement . . . *is to give a patentee the right to exclude others from doing acts which would constitute contributory infringement of his patent if done without his permission.* The patentee's inherent exclusive right to exclude others from practicing his invention piecemeal is like the main exclusive right given by a patent to prevent practice of the whole invention in that it does not deprive the public of anything which the public had before the invention was made. . . .

"So also, *one who supplies a hitherto unused chemical to the public for use in a new method is stealing the benefit of the discovery* of the property of this chemical which made the new method possible. To enjoin him from distributing the chemical for use in the new method does not prevent him from doing anything which he could do before the new property of the chemical had been discovered."

Note that this hypothetical illustration fits this case like a glove. Continuing, Mr. Rich said (1948 Hearings, page 5):

"Under the recent Supreme Court decisions, new-use inventions which are most widely used, and therefore most important, are, as a practical matter, placed outside the protection of the patent law. The decisions prevent the patentee from obtaining relief against the person who is guilty of causing infringement of the patent and leave him only the right to recover against innocent members of the public who have been induced to use the patented process."

The proposed statute was then explained, and respecting Section 5, now Section 271(d), it was stated (1948 Hearings, page 6):

"Section 5 of the statute is of great importance since it provides that the mere use or enforcement of the right to be protected against contributory infringement which under our law has long been inherent in every patent, shall not be regarded as misuse of the patent. Section 5 thus does away with the ground on which the Supreme Court has destroyed the doctrine of contributory infringement. . . . section 5 is essential to *make the rights against contributory infringers which are revived by the statute practically useful and enforceable.*"

In the 1948 Hearings, another primary author of the Act, Mr. Robert W. Byerly, described the important distinction between active inducement (then Sections 1 and 4), which involves staple articles of commerce with an existing, legitimate market outside of the invention, and statutorily defined contributory infringement (then Section 3), which involves nonstaples having use only in an invention (1948 Hearings, pages 15-16):

"Now, we do not want to ever suggest changing the law to the extent that selling any standard article of commerce to a man even if you know he is an infringer presents you with liability. . . .

"But, on the other hand, we come to a thing like the lamp case where the man sells everything except the one detail and clearly should be stopped under the doctrine of contributory infringement."

* * *

"It [Section 3 defining contributory infringement] cuts you right down to a case *where there is really deliberate stealing.* You can hardly imagine a case where a man sells something which has no commercial use whatever except as a means for infringing this patent and where the thing is particularly adapted for that use."

This same essential difference, which formed the basis for striking "a proper balance between the field of patent law on the one hand and the field of general law in which antitrust laws operate on the other" (1948 Hearings, page 11), was repeated throughout the 1948 Hearings (e.g., 1948 Hearings, pages 6, 10-11, 15 and 16—see also A. 169).

Finally, speaking of Section 5 of H. R. 5988, which is essentially word for word what is now Section 271(d), Mr. Byerly explained (1948 Hearings, pages 16-17):

"The last section of the statute is introduced to do away with another confusion which may result from the Mercoid case and that is the section which says that if a patent owner is entitled to relief, he should not be denied this relief because he is either seeking to enforce contributory infringement or has licensed people to do what he could have enjoined them from doing. In other words that [then Section 5, now Section 271(d)] takes care of the sort of case we have in the Mercoid case. *A man can either say, 'you cannot sell the part of my invention to someone else to complete it,' or he can say 'yes, you can sell the part of my invention to help others complete it provided you pay me a royalty.'* . . .

"Now, a mere fact that he has done that with one man and sued another man does not bar him under this section 5 and the section seems almost like surplusage until you read the Mercoid case and then realize it is necessary to have it in there in order to give the man a clear right to use the limited and defined doctrine of contributory infringement which is defined in the first part of the bill."

This clearly reflects the intent of the drafters of the proposed statute (now § 271(d)) that the patentee would have not only the right to grant licenses but also the *right to refuse to license* another to sell the unpatented, nonstaple component.

2. *H. R. 3866—The 1949 Hearings*

The same salient points of background, purpose and effect of the statute, now designated H. R. 3866 but identical in wording to the earlier proposal, were restated during the 1949 Hearings (pages 2-20). The careful consideration given to the wording of the bill and its motivation by the *Mercoid* decisions were discussed (1949 Hearings, pages 2 and 9-10—see also page 70). Then, summarizing the necessity for and the interaction between then Sections 3 and 5 of the proposed act (now Sections 271(c) and (d)), Mr. Rich stated (1949 Hearings, pages 13-14):

"Before dealing with them specifically, I would like to recall that we are dealing with a problem which involves a conflict between two doctrines, contributory infringement and misuse.

"It's crystal clear, when you have thoroughly studied this subject, that the only way you can make contributory infringement operative again as a doctrine, is to make some exceptions to the misuse doctrine and that certain acts shall not be misuse. Then contributory infringement, which is there all the time, becomes operative again."

* * *

"That subject, the exceptions to the misuse doctrine, is dealt with in section 5 of the bill, which is the most important section."

As he had done in 1948, the bill's draftsman very carefully distinguished between the mere sale of conventional (staple) articles of commerce having many uses other than infringement and articles (nonstaples) which had no substantial noninfringing uses (1949 Hearings, page 17):

"So we have stopped short of that, and we have said that *you can control only things like the switches in the Mercoid case* which are especially made or adapted for use in connection with such patent and which are not suitable for actual commercial, noninfringing use [i.e., nonstaples]."

During the 1949 Hearings, the Department of Justice for the first time strenuously opposed what became § 271, and it did so *for precisely the same reasons* it argues in its brief before this Court. Mr. John C. Stedman, testifying on behalf of the Justice Department, complained (1949 Hearings, page 52):

"Our most serious objections relate to section 5. . . .

"In the general language in which this section is couched, it sounds reasonable and innocuous enough. *Its effect, however, is to permit a patentee to sell unpatented parts for a device or composition covered by his patent or sell unpatented materials or apparatus for use with a process patented by him, and at the same time prohibit his competitors, by suit for infringement, from selling such unpatented materials in competition with him.*

"In short, enactment of section 5 of H. R. 3866 would enable the patentee to exercise control over the unpatented materials usable in his patented device or with his patented process and oust from the market his competitor dealing in the same materials."

Thus the Department of Justice plainly understood that under the proposed statute (now § 271(d)), a process patentee who sells an unpatented, nonstaple material for use in practicing his invention could at the same time prohibit his competitors from selling that same material.

In response, Mr. Rich restated the key distinction between legitimate commerce in conventional, staple articles and commerce in special materials having use only as infringements (1949 Hearings, pages 64-67):

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

* * *

"I previously stated, and I wish to reiterate it, that section 5 is the most important part of the bill from the standpoint of accomplishing our purpose. The exception which we wish to make to the misuse doctrine *would reverse the result in the Mercoid case; it would not reverse the result in the Carbice case."* (at page 67)

The draftsman went on to agree with Congressman Willis, who presided over the 1949 Hearings, that in *Mercoid I* the "fact that the right to use was predicated *solely* upon the purchase of the element from [the patentee]" was the thing which the Supreme Court regarded as a misuse, and he made it clear that this would be permitted under section 5 (now § 271(d))—see 1949 Hearings, page 69.

The Department of Justice's position in 1949 and now (JB 23-24)—which petitioners adopt in their brief—was that the nature of the unpatented goods makes no difference: "It is our view that the basic proposition that a person should not be able to use his patent to control commerce in an unpatented device, whether it is especially adapted or not, is a sound proposition and should be retained in the law" (1949 Hearings, page 58; see also pages 54 and 56 and compare pages 70-71). Congress expressly rejected this broad proposition by enacting § 271. In so doing, Congress made a fair compromise and restricted the misuse doctrine in a just manner. What Congress did was to "assume its responsibility, legislate, and set up a national policy for the courts to follow", and that policy should not be frustrated by the same shopworn arguments offered prior to passage (1949 Hearings, page 20).

3. *H. R. 3760, Section 231—The 1951 Hearings*

During the 1951 Hearings, Mr. Rich, who had testified in 1948 and 1949, again explained the background, purpose and effect of what is now § 271 (then designated § 231), and the Justice Department again opposed passage on the very same grounds it had previously stated (1951 Hearings, pages 93-98, 150-176). Notwithstanding the Justice Department's criticisms in 1949, and in conformity with the extensive testimony in 1948 and 1949 explaining the meaning and wisdom of the provisions, § 231(d) effectively read word for word as had § 5 of the previous two bills.[15]

15. The following quotes Section 271(d) of the 1952 Act with the material in [ ]'s having been deleted from Section 5 of H. R. 5988 and H. R. 3866 and the material italicized having been added. Section 231(d) of H. R. 3760 is identical to Section 271(d) of the present Act except that "another" in 271(d)(2) read—a person—in Section 231(d)(2).

"*(d)* [SEC. 5.] No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent *right* [monopoly] *by reason of his having* [because he has] done one or more of the following: *(1)* [(a)] derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; *(2)* [(b)] licensed or authorized *another* [one or more persons] to perform acts which if performed without his consent would constitute contributory infringement of the patent; *(3)* [(c)] sought to enforce his patent rights against infringement or contributory infringement."

The Justice Department's 1951 opposition mirrored its opposition in 1949. First, Mr. T. Hayward Brown expressed concern regarding § 231(d) in the following manner (1951 Hearings, page 97):

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

Thereafter, Mr. Rich testified. Referring to his previous explanation of its provisions and history (1951 Hearings, pages 151-152), he described how the *Mercoid* holdings had led to drafting this section; he explained the "sensible line in accordance with public policy" drawn between active inducement (staples) and contributory infringement (nonstaples); and he then described the subsections of 231 and their interrelationship (1951 Hearings, pages 153-161). Respecting § 231(d), he stated (1951 Hearings, pages 161-162):

> "I was about to make one remark on paragraph (d) . . ., and all I want to say about it is this: It deals with the misuse doctrine, and the reason it is necessary is that the Supreme Court has made it abundantly clear that there exist in the law today two doctrines, contributory infringement on the one hand, and misuse on the other, and that, where there is a conflict, the misuse doctrine must prevail because of the public interest inherently involved in patent cases.
>
> ". . . Therefore, we have always felt—we who study this subject particularly—that to put any measure of contributory infringement into law you must, to that extent and to that extent only, specifically make exceptions to the misuse doctrine, and that is the purpose of paragraph (d).
>
> "It goes with, supports, and depends upon paragraph (c)." [16]

Another spokesman for the Justice Department opposed passage of what is now § 271 (1951 Hearings, pages 163-169), and at page 165 stated:

> "Our primary objection to section 231 is subsection (d); that is, the misuse doctrine. * * *
>
> "In other words, *as I read the section, it would have the effect of wiping out a good deal of the law relating to misuse of patents, particularly with reference to tying-in clauses.*"

With further reference to the effect of the proposed act on the *Mercoid* cases, Mr. Fugate observed (1951 Hearings, pages 168-169):

> "Well, the Mercoid case itself was a case where the patentee was attempting to enforce his rights in an action of contributory infringement. *Now, as I read this section [231(d)], he would have recovered in that case, in the Mercoid case, under this section.*"

In reply, Mr. Rich again explained the limited exception to the misuse doctrine carved out by the act, which exception depended upon the narrow definition of contributory infringement found in present § 271(c) (1951 Hearings, pages 169-170), and stated (1951 Hearings, page 173):

> "So attached to paragraph (c) we have a paragraph (d) that says that the recovery, the enforcement against contributory infringers, the holding out of the patent against contributory infringers, and granting them licenses, the use of it to protect the business and making money out of it, and getting your reward as a patentee, all of these things shall not be misuse, and then contributory infringement, which we have had all the time, would become effective again to the extent that they wish to have it so."

A member of the House Committee, Representative Rogers, summed up the intent behind present § 271(d) in the following manner (1951 Hearings, pages 173-174):

> "All right. Now, due to what many members of the patent bar believe, that it did away with contributory infringement cases, you feel that we should now state as a positive law a cause of action against contributory infringement as set forth in section (c), and that if he has done one of the three things in section 4 [sic-(d)], that shall not be considered a misuse of his patent, and thereby reestablish what you thought you had before the Mercoid case." [The draftsman of the Act agreed.]
>
> * * *
>
> *"Then the effect of (d) with the (3) in there would be to say to the Supreme Court that it is the sense of this Congress that where you have heretofore denied relief to the plaintiff, you shall henceforth grant him relief* if he has only performed one, two, or three of these acts in (d), and that is why the Department of Justice is objecting to it?" [The Justice Department agreed.]

At PB 21-22 (and at pages 4-6 of its Reply Brief on Certiorari), petitioners erroneously contend that a colloquy among the draftsman, the Justice Department and

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As of 1951, H. R. 3760 in its entirety had been the subject of extensive review by the patent profession and industry (1951 Hearings, pages 22-24, 43-44, 150-151). The wording of section 231, which was refined over the course of four years, was studied and intentional (1951 Hearings, pages 152-153).

16. At PB 20-21, petitioners wrongly contend that this was the "only actual statement" by the draftsman "about the purpose of the statute to the 1951 subcommittee". That argument is plainly erroneous as any fair reading of the testimony promptly shows (e.g., 1951 Hearings, pages 152, 155, 158-160). Equally incorrect is petitioners' argument that this statement meant that the only purpose of § 271 was to reverse the holding that any effort "to enforce a patent against a contributory infringer is in itself misuse" (PB 21). Were that the only purpose, Section 271(d)(3), which provides there is no misuse if the patentee "sought to enforce his patent rights against infringement or contributory infringement", would have been all that was necessary. But in enacting additional subsections 271(d)(1) and (2) providing further exemptions from misuse (for selling and licensing activities), Congress clearly intended to—and did—accomplish far more than petitioners contend. The draftsman's statement "to that extent and to that extent only", in context, refers to the limited definition of contributory infringement, which excluded staples, and not to a sole purpose of the Act to prevent suit itself from being a misuse.

Mr. Crumpacker satisfied everyone that § 271(d) did not really mean what Justice thought and that thereafter, Justice "dropped its contention". Plainly this is wrong. The comment attributed to the draftsman was based on staples being "excluded" from subsection (c) and simply meant that attempts to control staples would still be misuse. The Justice Department never changed its original interpretation of the act. Indeed, after the hearings had concluded—and well *after* the colloquy relied on by petitioners, the Justice Department renewed its opposition in a written submission filed July 3, 1951 (1951 Hearings, pages 206-208). In that submission, it first referred the Committee to its objections previously stated at pages 50-60, 63-64 and 75-79 of the 1949 Hearings, and then the Justice Department stated (page 207):

> "Subsection (d) of section 231 is particularly objectionable in the opinion of the Department since, although couched in general terms, its effect is to permit a patentee to sell unpatented parts for a patented device or combination and at the same time prohibit his competitors, by suit for contributory infringement, from selling such unpatented materials in competition with him."

The Justice Department's suggestion now (JB 22-23, notes 20 and 21) that Mr. Fugate in 1951 was not talking about a situation where the patentee refused to license all competitors is belied the above and by the Extension of Testimony at page 207 of the 1951 Hearings (e.g., "The practice . . . of granting a license to those who buy . . . and suing . . . those who do not buy . . .") as well as by the Department's earlier, and expressly referenced testimony (e.g., 1949 Hearings, page 52). Equally untenable is the Justice Department's contention at JB 19, note 18 that in *Ruschig* Judge Rich recognized the narrow scope of § 271(d). The only reference to § 271 on the page referred to is a statement by one of the litigants which was not adopted by the court.

Notwithstanding the Justice Department's repeated objection—and with full knowledge of the pertinent provisions which had been repeatedly and consistently explained during the 1948, 1949 and 1951 Hearings, all of which were available to Congress—Section 271 was favorably reported by the House subcommittee (H. R. Report) and by the Senate (S. Report), and it received the unanimous vote of the full House and Senate.[17]

4. *Rebuttal of Petitioners' Arguments on Legislative Intent*

Despite these clear indications of legislative intent, petitioners (PB 8, 18-19) and the Department of Justice (JB 11) argue that there was no "clear and certain signal from Congress" that the Act means what it says and immunizes the policies complained of here, relying on *Deepsouth Packing Co. v. Laitram Corp.*, 406 U. S. 518 (1972). However, the Court in *Deepsouth* was dealing with § 271(a) which defines direct infringement and the meaning of the term "makes". No legislative history relative to subsection (a) suggested any intent—by the draftsmen, by the subcommittees or by Congress—to make a change in the law of direct infringement. This is in direct contrast to the repeated statements quoted above that § 271(b), (c) and (d) intended significant changes in the law of *Mercoid* and excepted from the misuse doctrine precisely the activity underlying this controversy.[18] Contrary to petitioners' argument at PB 22 (and JB 17), the Committee Reports plainly indicate that the 1952 Patent Act made "major changes or innovations in the . . . judicial doctrine of contributory infringement in § 271" (H. R. Report, page 5).

It is well settled that the interpretation placed by the sponsor of a bill, throughout the legislative deliberations, on the very language subsequently enacted by Congress is accorded substantial weight in construing a statute, *Federal Energy Administration v. Algonquin SNG, Inc., supra,* and is a part of the legislative history which this Court considers, *United States v. Enmons; Schwegmann Bros. v. Calvert Distillers Corp.; Transcontinental & Western Air, Inc. v. Civil Aeronautics Board,* all *supra.*

At PB 19-22 petitioners nonetheless attempt to blunt the telling effect of the legislative history underlying § 271 by suggesting that the testimony of opponents to legislation (here the Justice Department) is not to be relied on in ascertaining the intent of Congress. They also suggest that no weight should be given to the 1948 and 1949 Hearings on the *same* statutory language (but see, for example, 1951 Hearings, pages 151-152 and 207 wherein specific reference was made to the earlier testimony). However, where the sponsors, draftsmen, and opponents of the statute all agree upon its meaning, statements of the opponents are "relevant and useful", *State of Arizona v. State of California,* 373 U. S. 546 (1963). As this Court has held, *First National Bank of Logan, Utah v. Walker Bank and Trust Company,* 385 U. S. 252, 261, *reh. den.* 385 U. S. 1032 (1967):

> "It is not for us to so construe the Acts as to frustrate this clear-cut purpose so forcefully expressed by both friend and foe of the legislation at the time of its adoption."

Quoting from the foregoing history, and supporting its opinion with even further citations from the legislative history, which we incorporate by reference herein in the interest of brevity (A. 164-176), the Circuit Court concluded that the statute was expressly intended to make substantive changes in the law (A. 165), that the history "indicates that section 271 was designed to immunize be-

17. S. Report and H. R. Report explained at pages 8 and 9 respectively that: "The last paragraph of this section [271] provides that one who merely does what he is authorized to do by statute is not guilty of misuse of the patent." See also H. R. Report and S. Report, pages 28 of each). Amplifying on this, Mr. P. J. Federico, Technical Assistant to the House Committee charged with revising and codifying the Patent Laws, stated in his *Commentary on the New Patent Act,* 35 U. S. C. A. (hereafter "*Commentary*"), page 54: "The object of paragraph (d) is broadly indicated in the above quotation from the Revision Notes. As there stated, it is 'ancillary to' paragraphs (b) and (c) and was included primarily to except from the doctrine of patent misuse, developed by court decisions those acts of the patentee corresponding to acts which if performed by another without his consent, would give rise to liability. Paragraph (d) makes exceptions to the case law of misuse as are necessary to render the section effective as a basis of recovery."

18. As further stated by Mr. Federico in his *Commentary* at page 51, subsection (a) was for "completeness" because the "prior statute had no section defining or dealing with what constitutes infringement", but "Paragraphs (b), (c), and (d) of section 271 are of considerable importance and the Committee Report characterizes them as one of the major changes or innovations in the title."

havior like that in issue here" (A. 167), and that even opponents of the statute had similarly construed it (A. 170-173). Based on its exhaustive and scholarly analysis, the Court of Appeals correctly held (A. 176):

> ". . . the impression becomes almost overpowering that Congress *did* clearly provide for a patentee's right to exclude others and reserve to itself, if it chooses, the right to sell nonstaples used substantially only in its invention." (Emphasis the Court's).

That conclusion is completely supported in the legislative history of § 271.

III. In Passing Section 271, Congress Rejected Petitioners' Basic Argument That the Patent Right in Contributory Infringement Situations Is Defined by the Literal Scope of the Patent Claims; Activity Expressly Sanctioned by § 271 Cannot Be Tying.

Both petitioners' and the Justice Department's briefs repeatedly advance—as if it were dispositive of this case—the broad proposition that a patent monopoly extends only to the subject matter defined by the patent claims and that any effort to control or limit sales of something outside of those precise limits is impermissible and a misuse (e.g., PB 6, 7, 10 and 11 and JB 8-9). In so doing, they seek to revive the same arguments which ultimately led to the effective demise of the contributory infringement doctrine, and to turn back the clock thirty-six years to the *Mercoid* decision, in total disregard of § 271.

The argument is a deceptive and inapplicable truism when applied to those *contributory infringement* activities defined in § 271. By definition, contributory infringement always involves the control over or a limitation on something outside of the literal scope of the patent claims. If the subject matter were within the patent claims, the offense would be direct infringement—not contributory infringement (see e.g., A. 146, 161-163).

The application of the present extension argument properly led first to decisions restricting a patentee's ability to control existing commerce in *staple* products in such decisions as *Carbice*, *Morton Salt*, *Motion Picture* and *B. B. Chemical* (*supra*, pages 22-23). However, the *Mercoid* cases followed. They carried the argument to an extreme and found misuse in a patentee's attempt to prevent unlicensed sale of nonstaple articles, since the patentee was attempting to limit sales of something which fell outside of the literal language of his claims (even though those sales were of articles having no use except to infringe and hence commerce necessarily leading to direct infringement)—see A. 162-164.

As the discussion of legislative history demonstrates, *supra*, pages 26-45, Congress was faced with a public policy decision: to what extent, if any in the face of the extension argument, should the contributory infringement doctrine—which necessarily permits control and limitation over "unpatented" commerce (see petitioners' definition at PB 10, footnote 4)—be revived and given precedence over misuse (see A. 162-163)? While both petitioners and Justice argue against the wisdom of restoring any measure of contributory infringement, Congress struck a reasonable middle ground. It resolved public policy in favor of contributory infringement but narrowly limited the revived doctrine to nonstaple articles, where those who sold such articles necessarily intended to and in fact caused direct infringement. Under these limited circumstances, Congress restored to patentees the right to limit the sale of materials *outside the literal scope of the claims*. And when passing § 271, Congress anticipated petitioners' arguments and expressly stated that in exercising such control patentees *were not* to be "deemed guilty of misuse or illegal extension of the patent right." Having declared that the "extension" was not "illegal", it necessarily follows that exercise of rights granted by Congress cannot properly be characterized as "tying".

This "extension" of the patent right—which § 271 by its very terms states is not "illegal"—does not nullify §§ 101, 112 or 154 or their historical counterparts, as petitioners argue at PB 12. Failure to comply with § 101 or § 112 will defeat all patent rights, both direct and contributory infringements. Section 154 is equally unaffected by the contributory infringement doctrine, which provides a separate remedy to aid in its enforcement.

Rohm and Haas' sales practices are not illegal tie-ins for another fundamental reason. Illegal tie-ins require a substantial legitimate noninfringing business in the tied product. There was never any commerce in propanil until after Rohm and Haas made the invention at bar. Since the issuance of the Wilson patent, petitioners' sales of propanil are blatant, knowing contributory infringements and violations of the patent right. They are a series of torts and not a substantial market in a "tied" product. Under these circumstances, the patent policy of respondent cannot "inevitably curb" legitimate sale of propanil, a *sine qua non* of a tying arrangement. *Northern Pacific v. United States*, 356 U. S. 1, 5, 6 (1958); *McCullough v. Well Surveys*, 343 F. 2d 381, 406 (10th Cir. 1965).

In *United States v. Loew's Inc.*, 371 U. S. 38, 44-45 (1962), the Court said tying arrangements ". . . are an object of anti-trust concern for two reasons—they may force buyers into giving up the purchase of substitutes for the *tied* product, * * * and they may destroy the free access of competing suppliers of the tied product to the consuming market . . .". *Fortner Enterprises, Inc. v. United States Steel Corp.*, 394 U. S. 495, 499 (1969) (*Fortner I*), also confirmed the emphasis on the "tied product", stating that a "not insubstantial" amount of commerce in the tied product market must be affected before the arrangement is considered an illegal tie-in, quoting *Northern Pacific*, *supra*. If and when any other practical use is discovered for propanil and substantial legitimate, noninfringing commerce develops, Rohm and Haas will no longer be able to rely on the contributory infringement provisions. Rohm and Haas is thus not seeking or obtaining any unlimited monopoly in propanil for all of the possible uses which may develop, for the full seventeen years during which a patent is in force, the equivalent of the invalid patent claim of Monsanto to propanil *per se*. Neither the statute nor the decision of the Court of Appeals grants such rights to Rohm and Haas. Rather, Rohm and Haas only seeks a reasonable reward under the contributory infringement statute for its patented discovery, at least for the period in which that discovery is the only substantial use for the otherwise useless compound.[19]

19. The compulsory licensing sought by petitioners does not

Petitioners are also wrong when they contend that sales specifically permitted by § 271(d)(1) and enforcement sanctioned by § 271(d)(3) together constitute an illegal "tying" arrangement. They do not dispute that Rohm and Haas' conduct falls within the three exceptions to misuse stated in § 271(d)(1), (2) and (3). But they —and the Justice Department (JB 12-15)—go on to argue that Rohm and Haas must nevertheless be held guilty of misuse because it engages in a fourth activity, "something else not authorized: compelling those who wish to practice the patented invention to purchase propanil from Rohm and Haas, thereby tying a license under the patent to the purchase of the unpatented material" (PB 6). However, this so-called "something else not authorized" is pure semantic sophistry, for it is merely a restatement of Rohm and Haas' sales and patent enforcement activities permitted by § 271(d)(1) and (3) plus *the inevitable operation* of the legal doctrine that purchasers from Rohm and Haas automatically receive authorization to practice the patented method. No express licenses under the Wilson patent have been granted "conditioning" the license on the purchase of anything, notwithstanding the Justice Department's constant inference to the contrary.

The Court of Appeals readily saw through petitioners' "tying" argument, holding that the operation of the implied license doctrine in connection with Rohm and Haas' sales of a nonstaple specifically permitted by § 271(d)(1) does not constitute illegal "tying" (Footnote 27, A, 176-177):

> "Once an item has been conveyed it passes beyond the patentee's monopoly power and the buyer can use it or sell it as he wishes. See e.g., Adams v. Burks, 84 U. S. (17 Wall.) 453, 21 L. Ed. 700 (1873), and, more recently, Aro Manufacturing Co. v. Convertible Top Replacement Co., 377 U. S. 476, 497, 84 S. Ct. 1526, 12 L. Ed. 2d 457 (1964). Surely no statute was required to save a license that operates as a matter of law from being deemed patent misuse."

IV. Since Compulsory Licensing Has Never Been a Substantive Requirement of the Patent Laws or the Antitrust Laws, Respondent Has Not Committed Patent Misuse by Declining to Grant Express Licenses.

The Court of Appeals properly refused to rewrite § 271 to inject a compulsory licensing obligation (A. 177):

> "We decline to rule that a patentee *must* license under (d)(2) in order to use his rights under (d)(1) and (d)(3). A general licensing obligation is foreign to a statutory scheme in which patentees are free to suppress entirely or reserve for themselves their inventions." (emphasis court's)

Over seventy years ago, the Supreme Court affirmed a patent owner's right to "reserve to himself the exclusive use of his invention" and held that "he is neither bound to use his discovery himself nor permit others to use it", *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U. S. 405, 425 (1908). This is still the law. *Cataphote Corp. v. DeSoto Chemical Coatings, Inc.*, 450 F. 2d 769, 774 (9th Cir. 1971), *cert. den.* 408 U. S. 929 (1972).

While petitioners urge that some courts have previously required compulsory licensing (PB 29), the very cases they cite demonstrate that courts have required it only as a remedial or punitive measure to rectify substantive wrongdoings (e.g., price fixing) peculiar to a given case on which a final judgment has been entered. Never has any court singled out a broad class of patents, such as use patents, and decreed prospectively that the owners of such patents must license them as a condition precedent to their enforceability. Mandatory licensing of patents has never been a substantive requirement of the patent laws or the antitrust laws. Some statutes (PB 29), by express language and with clear legislative intent, have required licenses in particular fields of intense public interest (PB 29), but neither the legislative history of the 1952 Patent Act nor its express language shows an intent to accomplish the radical result urged by petitioners.

Further affirmation of a patentee's "right to exclude others from making, using, or selling the invention" is found in 35 U. S. C. § 154. Congress affirmed that basic right in enacting § 271(d), which permitted the patent owner himself to derive revenue from acts which for others would be contributory infringement, while at the same time authorizing the patent owner to sue others to enforce the patent without any obligation to submit to compulsory licensing (*supra*, pages 17-18). Section 271 is expressed in the alternative and subsection (d)(3) does not require a patentee to offer the accused a license before proceeding "to enforce his patent rights". Those who drafted the statute made it clear in the hearings that one could sue *or* license, and was not required to couple suit with licenses (e.g. 1948 Hearings, pages 13 and 16). The Justice Department then recognized that compulsory licensing was not required (e.g. 1949 Hearings, page 52 and 1951 Hearings, page 207).

Congress has been importuned frequently by isolated special interest groups to require compulsory licensing of patents. But it has considered the larger interests of inventors and the public generally and has invariably refused to enact any general compulsory licensing statute. In light of the consistent rejection of all general compulsory licensing statutes by Congress, it would be ironic indeed to distort the present statute by reading into it such a radical requirement. This not only would negate both the explicit and implicit meaning of § 271, it also would involve a constitutionally impermissible limitation or destruction of those patent rights which are based upon a new use of an old product. Previously considered un-

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necessarily follow even it propanil should become a staple. Although Rohm and Haas would no longer have the protection of § 271(d) or its claim for contributory infringement under § 271(c), it would still have a claim under § 271(b) for active inducement, and any patent misuse defense in the nature of a tie-in would still have to be measured by rule of reason rather than *per se* standards. *United States v. Jerrold Electronics Corporation*, 187 F. Supp. 545, 556 (E. D. Pa. 1960), *aff'd* 365 U. S. 567 (1961). See also *Dehydrating Process Co. v. A. O. Smith Corp.*, 292 F. 2d 653, 655 (1st Cir. 1961), *cert. denied* 368 U. S. 931 (1961), wherein the court stated: "We think the principle recognized by the district court in *Jerrold*, that a proper business reason may justify what might otherwise be an unlawful tie-in, is sound." Moreover, the Court has concluded in *Fortner I*, *supra*, that a "not insubstantial" amount of commerce in the tied product must be affected, and in *United States v. Fortner Enterprises*, 429 U. S. 610, 617 (1977) (*Fortner II*), that coercion and leverage must be present, i.e. "a disproportionately large volume of sales of the tied product resulting from only a few strategic sales of the tying product". All of these questions would have to be adjudicated, along with possible purging of misuse or a reasonable transition period to avoid misuse if propanil becomes a staple, before considering remedial action such as compulsory licensing. See also *Automatic Radio Mfg. Co. v. Hazeltine Research*, 339 U. S. 827, 832 (1950), and *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U. S. 100, 138 (1969).

patentable, such "use" inventions were recognized as patentable in the 1952 Act, 35 U. S. C. § 100(b).[20] As the Circuit Court recognized (A. 176), many of these "use" patents would be effectively destroyed if they are subject to the compulsory licenses demanded by petitioners as a pre-condition to their enforceability.

The theoretical existence of alternatives besides compulsory licensing to Rohm and Haas' present policy does not support the conclusion that Rohm and Haas *must* engage in that alternative activity (PB 28-31). In an effort to block passage of § 271, the Justice Department similarly argued that "there are several alternative activities that could be carried on by a patentee" such as practicing the whole of the claimed subject matter or licensing all who wished to use it (1949 Hearings, pages 76-77). Congress, however, provided a substantive right which cannot be defeated by renewed arguments that alternatives may be available.[21] Moreover, the suggested alternatives are impractical. For example, the multitude of farmers who use propanil on their rice crops are not interested in a direct license under the patent at bar. Even if all could be contacted, it is a foregone conclusion that very few would be willing to sign such an agreement, keep records to show the extent of their licensed activities, make periodic reports on such activities, forward royalty payments, or subject themselves to audits normally required in license agreements. Similarly, suit against thousands of farmers or herbicide applicators for direct infringement would be impractical. Thus, § 271(c) was provided as a practical remedy for patent enforcement in an otherwise impractical situation (e.g., see title of H. R. 5988 and 3866), and there is no question that this is exactly what Congress meant to do. Rohm and Haas is a chemical company, and it should not be required to enter businesses such as farming or spraying (which would deprive others of their livelihood) in order to obtain the reward promised a patentee under the patent system.

The conclusion is inescapable—in the words of the court below "almost overpowering" (A. 176) and "one we see so clearly in the statutory words and its legislative history" (A. 181)—that Rohm and Haas' patent policy is completely protected by § 271(d). The contrary position of petitioners ignores not only this statute but § 100 (b), § 154, and the great body of law going back to the *Continental Paper Bag* case, *supra*, and beyond.

V. There Is No Conflict Between the Decision Below and the Cases Decided Since Passage of the 1952 Patent Act.

The Court of Appeals concluded that only two prior opinions of this Court, the *Aro* opinions,[22] have touched on §§ 271(c) and (d) since their enactment, and it correctly recognized these decisions "as not controlling the result of our case" (A. 181).

In the *Aro* cases, the Court faced actions for contributory infringement based on a claim that defendant's specially cut fabric for a patented convertible top combination aided an infringing "reconstruction" of the combination, rather than a noninfringing "repair" of the item.

The Court rejected a contributory infringement charge in *Aro I* because those who purchased and used the fabric were merely *repairing* the patented combination which they had bought from a licensee, and hence there was *no direct infringement*. In the absence of direct infringement there could be no contributory infringement (A. 178-179). Petitioners rely on several statements in the majority and concurring opinions which state that separate elements of a combination are not protected by combination claims (PB 24-25). However, a careful reading of these portions shows that they were concerned with direct infringement (whether the replacement of fabric was a reconstruction or a repair) and not contributory infringement. The Court clearly recognized that separate rights existed under the contributory infringement doctrine. Thus, Justice Whittaker, speaking for the majority, concluded that the making and selling of the cut fabric "is not a *direct* infringement under 35 U. S. C. § 271(a)" but that this still left the question "whether petitioners' manufacture and sale of fabric constituted a *contributory* infringement of the patent under 35 U. S. C. § 271(c)" (365 U. S. 340—emphasis Court's). And Justice Black, in his concurring opinion holding that the "crucial question here" was "one of direct, not contributory infringement" (365 U. S. 347), stated (365 U. S. 361):

> "But in the absence of such a separate patent, which in this case would presumably be some sort of patent on the utility of the shape of the fabric, the public has the right to make, use and vend each part *subject only to the established limitation of contributory infringement*: that a part may not be knowingly supplied for use by an unauthorized person in a new making of what is in effect the whole combination."

In *Aro II*, this Court explicitly upheld the doctrine of contributory infringement, including "extension" of the patent right to the unpatented fabric, beyond the literal words of the claims (377 U. S. 522). It permitted the patent owner to sue and recover from the vendor of the unpatented product—a holding which is totally consistent with that reached by the court below. Petitioners concede (PB 25) that in *Aro II* the Court recognized the revived doctrine of contributory infringement, but they erroneously argue that the Court "applied the doctrine of patent misuse to deny relief" (PB 25). The fallacy of this assertion is self-evident from petitioners' brief wherein they concede a few lines later that the Court did not use the term "misuse", and further that, "The misuse defense had been abandoned" (PB 26, note 11). The Court flatly stated "patent misuse . . . is not an issue in this case" (377 U. S. 491).

In *Aro II*, the Court reiterated the holding of *Aro I* that replacement of fabric in a patented convertible top combination was a noninfringing "repair" (377 U. S. 479-480). Consequently, if the repair was carried out on a convertible top originally licensed under the patent, there was no direct infringement and hence no contributory in-

20. *Rohm and Haas v. Roberts Chemicals*, 245 F. 2d 693, 698-99 (4th Cir. 1957).

21. Close analysis of these alternatives shows that many are not less harmful to petitioners. For example, were Rohm and Haas to enter the spraying business and carry out the patented process while refusing to license others to do so, even petitioners concede there would be no misuse. Yet in this manner, as the court below correctly noted (A. 162-163), Rohm and Haas could prevent petitioners from marketing propanil. The court further noted (A. 163): "What difference can it possibly make either to consumers or to competitors in the market for the unpatented item that the patentee has made his profits by selling the entire combination instead of the unique element? Competition in the submarket has been destroyed."

22. *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 365 U. S. 336 (1961) (Aro I), and *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 377 U. S. 476 (1964) (Aro II).

fringement (377 U. S. 480). However, if the original tops were unlicensed, repair *was* a direct infringement and unlicensed sale of the replacement fabric *was* contributory infringement (377 U. S. 484-485). Unlike *Aro I*, where the sales of the replacement fabric were to owners of General Motors cars on which GM had originally taken a license under the patent, some of the replacement fabric sales in *Aro II* were to owners of Ford automobiles at a time when there was no license to Ford under the patent, and these were held to be contributory infringements for which the patentee could recover from Aro, the contributory infringer. Ford later took a license under the patent, to which petitioners refer (PB 25), and the Court held that the agreement with Ford effectively licensed the convertible top combination to purchasers (377 U. S. 497). Hence, purchasers of those Ford cars which were covered by the license could repair their licensed tops, and, as in *Aro I*, sale of replacement fabric to licensed purchasers for repair was *not* contributory infringement. Consequently, the patentee could not interfere by contract with commerce in the unpatented fabric, the sale of which was neither contributory nor direct infringement. The provisions attempting such control were declared unenforceable.

The present case is clearly distinguishable from the *Aro* decisions, because those cases turned on whether or not direct infringement had occurred. In this case direct and contributory infringement are conceded, and the defense is staked on patent misuse.

Moreover, as the Court of Appeals pointed out herein, the *Aro* cases involved a completely different market setting from that involved here (A. 180-181):

> ". . . Because the policies involved in our factual situation—a primary use market—differ so from the policies involved in protecting competition in a market for unpatented elements to be used as mere replacement parts at the hands of one with a legitimate right to tinker with a patented device by reason of his absolute ownership thereof, we consider the *Aro* opinions as not controlling the result of our case."

Since petitioners admit that the Court's opinion in "*Aro I* contains no reference to Section 271(d)" (PB 26) and since the majority in *Aro II* actually upheld the contributory infringement doctrine in the factual setting there involved, it is unfathomable how petitioners can blithely state that the *Aro* court "would have struck down" (PB 26) the respondent's sales and enforcement activities presently in issue.

Petitioners also contend (PB 26-27) that the decision below is in conflict with *United States v. Loew's Inc.*, 371 U. S. 38 (1962); *Zenith Radio Corp. v. Hazeltine Research Inc.*, 395 U. S. 100 (1969); *Deepsouth Packing Co. v. Laitram Corp.*, 406 U. S. 518 (1972); and *Blonder-Tongue Labs, Inc. v. University of Ill. Foundation*, 402 U. S. 313 (1971). *Loew's* is a copyright case and does not even mention § 271(d) or its effect on *Mercoid*. In *Zenith* this Court approved an extension of the patent to require royalty payments on unpatented products where such extension was mutually agreeable and more convenient for the parties. The *Zenith* decision does not rely on *Mercoid* or on § 271(c) or (d). *Deepsouth* dealt with § 271(a) and held there was no direct infringement where the unpatented components were not assembled into the patented combination in this country. *Deepsouth* referred to *Mercoid* only for the proposition that if there is no direct infringement, there can be no contributory infringement (406 U. S. 526). *Blonder-Tongue* dealt with collateral estoppel—not contributory infringement. The Court of Appeals correctly concluded that these decisions are in a "context far afield", stating (A. 181):

> "It is true that these cases contain ringing endorsements of patent misuse theory concerning the proper scope of a patent. However, we decline to rely on their general statements, made in context far afield from a patentee's effort economically to market his invention by sale of its unique, nonstaple elements, to reach a result contrary to one we see so clearly in the statutory words and its legislative history."

Petitioners also argued in their opening brief in support of the petition for certiorari, pages 13-14, that the Circuit Court decision conflicts with the decisions of the lower courts in four other cases, *National Foam Systems, Inc. v. Urquhart*, 202 F. 2d 659 (3rd Cir. 1953); *Preformed Line Products Co. v. Fanner Mfg. Co.*, 328 F. 2d 265 (6th Cir. 1964); *McCullough Tool Company v. Well Surveys, Inc.*, 343 F. 2d 381 (10th Cir. 1965), and *Ansul Company v. Uniroyal, Inc.*, 306 F. Supp. 541 (S. D. N. Y. 1969), *aff'd* 448 F. 2d 872 (2d Cir. 1971). To the extent petitioners may revive the argument in a reply brief (the Justice Department mentions the cases in passing at JB 14), Rohm and Haas incorporates by reference its response found at pages 26-27 of its brief in opposition to certiorari.

VI. The Decision Below Is Consistent With Sound Public Policy; It Fosters Innovation in an Important Class of Inventions While Taking Nothing From the Public.

A patentee's right, confirmed by § 271, to prevent others from contributorily infringing his patent affects no market which exists apart from the invention claimed and therefore takes nothing from the public. Congress insured this result by limiting the definition of contributory infringement to only those materials whose sale necessarily leads to direct infringement of what is claimed.

Were the Court of Appeals decision reversed, innovation in a whole class of important inventions—new uses of materials known *per se* but having no public or economic value—would be discouraged. On the other hand, affirmance takes nothing from the public since the public had no benefit from the known material until the patented invention created a use, a demand and a market.

In the absence of effective protection under the Patent Laws, no one will accept the high risk and spend the time, resources and effort first to experiment and discover new uses for hitherto useless materials and then to develop such uses for market. Particularly in fields such as agricultural chemicals and human health, the high cost of research and of obtaining governmental approvals would strongly militate against development of known materials unless the anticipated patent protection could be effectively policed.[23]

The chilling effect on innovation prompted the filing of two *amicus* briefs before the Court of Appeals urging reversal of the District Court's opinion. The importance

23. For example, a study conducted in 1975 for the Environmental Protection Agency reported that to find one commercially successful agricultural herbicide, a company must screen about 7,000 compounds, and the average research cost was about $7,400,000.00. Weschler et al., Evaluation of the Possible Impact of Pesticide Legislation On Research and Development Activities of Pesticide Manufacturers, EPA-540/0-75-018 (1975). This does not include "commercial" costs such as the expense of building a plant.

of the question and its potential effect on innovation so sorely needed in this country have led numerous organizations, representing a wide cross-section of American industry, additionally to request permission to appear as *amici* before this Court in support of the Court of Appeals opinion. The interest expressed by these organizations and the strong statements of public policy detailed in their briefs independently confirm the wisdom of Congress in enacting § 271 to provide meaningful protection to the class of inventions represented by Rohm and Haas' discovery of a new and highly beneficial use for propanil. Propanil has been known for nearly eighty years and yet its only use today remains the patented use. This discovery was not by chance but was the result of costly research and development by Rohm and Haas. Petitioners are not innovators but merely seek to profit from the research investments of others by selecting their proven commercial successes. Unfortunately, this approach has become a standard business technique in some circles, described as "Replicate, don't innovate," by one executive in a recent speech.[24]

The need to encourage invention and innovation in this country has been expressed and documented by all segments of the economy, both public and private. Innovation in developing new uses for known materials should not be discouraged by burdening those discoveries with the requirement of compulsory licensing of all competitors at some rate which someone decides is "reasonable".

The decision below fosters important discoveries at no cost to the public since it places no burden on any pre-existing market or legitimate competition—by definition (§ 271(c)) there is no legitimate competition outside of the invention claimed. Affirmance will not only encourage others to develop new uses for previously known, but unused materials, it will also stimulate the development of other uses for the same materials and other methods and other chemicals to achieve the same result, beneficial effects which even the Department of Justice concedes (JB 10, notes 10-11).

To excuse and continue their infringement, petitioners seek to rewrite § 271(d) and effectively to nullify Rohm and Haas' right to sue contributory infringers. Such rewriting—nowhere suggested by the words or history of § 271—would create only complex and expensive proceedings whereby courts or some special agency would be required endlessly to set "reasonable" royalty rates, adjust them on future contingencies, determine who and how many shall be licensed, on what terms and when they shall be licensed, etc. The administrative burdens and judicial proceedings which would be generated are not justified by any possible public benefit. The public actually loses since innovation is discouraged at a time when it is so clearly needed. Reversal of the decision below would favor only petitioners, whose blatant and wanton—and admitted (PB 6)—contributory infringement would be legitimized by compulsory licensing.

In enacting § 271, Congress struck a reasonable balance between the policy arguments of the parties and came down in favor of the values urged by respondent herein. This balance is in the common good, and it offers more hope for the future than condoning the conduct of petitioners and other opportunists who are always on the fringe, ready, and waiting to make money on the inventions of others.

24. This speech by Mr. Steven W. Lapham, new products director of Lehn & Fink Products Co., was made to the American Marketing Association, and reported in "The Wall Street Journal", March 16, 1980, p. 16. In advocating the "Replicate, don't innovate" strategy, Mr. Lapham is quoted further as saying: "Someone else has gone and done your homework for you . . . They have taken the risk, the time, and spent the dollars."

CONCLUSION.

The only business in propanil today—almost eighty years after it was first described—is its sale for use in the patented process. This business was a direct result of the Rohm and Haas invention and the publicity given to it after the Wilson patent application was filed. For decades prior to that time propanil was an unsalable laboratory curiosity having no practical use. Although petitioners have contributed nothing to this invention, they have sold propanil in competition with Rohm and Haas after the Wilson patent was granted. To justify their wanton and malicious violation of Rohm and Haas' patent rights, and ignoring the dispositive effect of §§ 100(b) and 271(c) and (d), they have interposed a so-called misuse defense which would make a mockery of these statutes.

To construe § 271 as petitioners contend would frustrate completely the long-term efforts of the patent bar and the intent of Congress to restore by legislation a practical, effective remedy for contributory infringement of use patents—a remedy which had been taken away by *Mercoid*. If petitioners' arguments were to prevail, in the words of Judge Woodruff in *Wallace v. Holmes, supra*, "such patents would, indeed, be of little value".

The Court of Appeals correctly held that Rohm and Haas' sales, licensing and enforcement activities with respect to the nonstaple propanil are within the specific authorization of 35 U. S. C. § 271(d), that no patent misuse or illegal tie-in has occurred, and that no compulsory licensing is required. The Court of Appeals followed the plain meaning of § 271(d) and backed its conclusions by a scholarly analysis of the judicial and legislative history leading to the enactment of § 271 as a critical part of the 1952 Patent Act. The Court of Appeals' decision should be affirmed.

Respectfully submitted,

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