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House of Representatives U. S.
Committee on Patents
Washington, D. C.

February 5, 1945

Honorable Hatton W. Sumners,
Chairman, Judiciary Committee,
House of Representatives.

Dear Judge:

Several members of the Patents Committee have asked me to have a talk with you about H. R. 97, which as you know was introduced by Mr. Voorhis, of California. These members think this is a bill which should have been referred to the Patents Committee and do not understand why it was referred to the Judiciary Committee.

I understand you are to start hearings on this bill in the near future. I am sending our mutual friend, Sam Hobbs, a copy of this letter.

The bill so profoundly affects the patent system it seems to me that the proposal should be investigated by the Patents Committee. However, should you decide to retain jurisdiction of the measure, I trust you will accord the members of the Patents Committee, as well as the members of the Patents profession and the Patent Office, ample opportunity to be heard.

There is enclosed herewith a copy of my views with respect to the bill with the request that they be incorporated in the record should the Judiciary Committee retain jurisdiction of it.

With kindest personal regards, I am

Sincerely yours,

(Signed) Frank W. Boykin

Chairman.

H.R.97, A Bill to amend the Act entitled "An Act to supplement existing laws against unlawful restraints and monopolies, and for other purposes."

The bill would amend the Act entitled "An Act to supplement existing laws against unlawful restraints and monopolies", etc., approved October 15, 1914 (38 Stat., 730), by adding thereto five new sections numbered 27 to 31, inclusive, providing as follows:

Section 27 requires United States courts, including the United States Court of Customs and Patent Appeals, to certify to the Attorney General the fact of the pendency of any action involving the validity, scope, or infringement of any patent, irrespective of the fact that the United States is not a party, and permits him to intervene and become a party with the right of appellate review, without incurring liability for costs or otherwise, for the presentation of evidence (if evidence is otherwise receivable) and argument upon any question concerning the patent involved, including questions of the validity and scope, and use of patents and patent applications in violation of Section 29 of the bill.

The latter section requires compulsory licenses under patents or patent applications. Specifically, it declares that "Any use or nonuse of a patent or patent application, or of any interest therein, including any failure or refusal to grant licenses thereunder which has the effect of unreasonably excluding the supply of any article from commerce", is illegal. Also, that section would prevent price restrictions in licenses to manufacture any such article handled in commerce. The penalty for violating the provisions of this section entails invalidity of the patent or patent applications as well as fine and imprisonment.

These penalties may be avoided under Section 30 if the owner of a patent or patent application, before taking any action or adopting any course of conduct with respect to it, notifies the Attorney General of his proposed action or course of conduct, and that officer fails to render a written opinion, within ninety days of such notice, holding such action or conduct illegal.

If such owner is dissatisfied with the opinion of the Attorney General, he is authorized to file a complaint in the District Court of the United States for the District of Columbia praying for a decree declaring that his contemplated action or conduct is legal. Any such decree, however, in favor of complainant is not binding on the Attorney General. Merely upon petition by that officer, the court must modify its decree to incorporate therein a reservation of jurisdiction to reconsider at any time whether the effects of such action or course of conduct contravene the public interest and violate Section 29 of the bill. Furthermore, the Attorney General is authorized to institute a civil action in any District Court of the United States having appropriate jurisdiction under the provisions of Section 15 of the 1914 Act mentioned, to enjoin acts or conduct in violation of Section 29 of the bill.

Section 31 enables any person involved in any proceeding involving a violation of the antitrust laws or involving a patent or any interest therein to show the invalidity or the limited scope of any patent or patent rights involved.

The bill also provides (Sec. 28) that every assignment, agreement, etc., involving a patent or patent application, or interference proceeding shall be in writing and recorded in the Department of Justice under rules and regulations promulgated by that Department.

The apparent purpose of this measure - to prevent the misuse of patents - is laudable; but the method proposed of accomplishing that purpose is not only alien to the American system of jurisprudence but also, if adopted, would introduce complexities and uncertainties in the administration of the patent laws with unpredictable consequences and would do much to defeat the great end they were designed to attain.

The Patent Planning Commission, created by Executive Order No. 8977, dated December 12, 1941, has given the subject of the operation of the patent system long and careful study. The results of its investigations and deliberations to date are embodied in two reports, one made in 1943 and the other in 1944. In its first report, the Commission recognized the fact that "patents may be and have been abused",

and made various recommendations to ameliorate such abuses. One of its recommendations was the passage of legislation compelling the recording of certain agreements concerning patents. Unlike the present bill, however, the Commission recommended that all recording should be in the Patent Office. There were excluded from such recommendation assignments, grants and conveyances, which are now recorded in the Patent Office under authority of Sec. 4898 R.S. (U.S.C., title 35, sec. 37) as well as agreements in the form of stipulations and concessions of priority for the termination of interference proceedings, which proceedings are instituted by the Commissioner of Patents and are decided by him in the first instance under authority of Sec. 4904 R.S. (U.S.C., title 35, sec. 52).

Over 36,800 such deeds were recorded during the calendar year 1944, and hundreds of thousands were previously recorded. They are open to public inspection and are constructive notices to innocent purchasers for value. The proposed legislation does not provide that recording such deeds in the Department of Justice would constitute such notice. I am unable to see that a duplicate recording of such deeds in that department would be beneficial, nor is it apparent that any useful purpose would be subserved by requiring the recording of ordinary licenses under patents which do not include any restrictions as to price, quantity of production, geographical areas or fields of use.

In addition to the foregoing, it should be observed that, pursuant to Executive Order No. 9424, there has been established in the Patent Office a register made secret for security purposes by request of the War and Navy Departments of all instruments evidencing any interest of the Government in or under patents. No reason is apparent for duplicating this register in the Department of Justice.

In regard to interferences, it may be observed that the Attorney General is empowered to represent all agencies of the Government in interference proceedings, and, if he is a party to an interference, he would have due notice under the rules of any stipulation or concession of priority filed therein. On the other hand, if he is not a party, to furnish him with a copy of such a stipulation or concession for recording in the Department of Justice would not only be violative of the rule regarding secrecy of applications but also would project him, perhaps unwillingly, in proceedings in the Patent Office and in the United States Court of

Customs and Patent Appeals in which he has no proper interest and would complicate the orderly procedures established by law for deciding interferences.

The provision in the bill requiring an applicant or a patentee to secure the approval of the Attorney General of his proposed action or course of conduct, is a departure from the American system of jurisprudence. The Attorney General alone is empowered to determine, in his untrammelled discretion, what is a reasonable limitation of supply of a patented article in commerce; his decision is reviewable only when he determines that there would be an unreasonable limitation of such supply. Human conduct is governed to a large extent by preestablished rules and principles of law, and such rules and principles should be their own measure of right and wrong, of what they permit or forbid. If this bill were enacted into law, I am unable to see how anyone would have the temerity to apply for or retain ownership of a patent, or of any other class of property, if his every contemplated action with respect to it would be subjected to unrestrained judicial discretion, much less to the unrestrained discretion of the public prosecutor.

The legal position of the applicant or the patentee would be rendered additionally hazardous because, although he appealed to the court and obtained a decree that his contemplated action or conduct is entirely proper, the Attorney General could still keep the matter open for an indefinite period of time in order to enable him to observe the effect of such action or conduct. In other words, the applicant or patentee would proceed at his peril. Moreover, the Attorney General is given the right at any time to bring a civil action to enjoin acts or conduct in violation of Section 29. Inasmuch as that section does not establish any standard of conduct, such actions apparently may be brought to enjoin any conduct which the Attorney General says is wrong. These provisions, in my judgment, would inevitably discourage the making of inventions and lead to the abandonment of patents and patent applications, and thereby would thwart the Constitutional purpose of the patent law, "to promote the progress of science and the useful arts".

The price restrictive provision of the measure does not relate to the resale price of a patented article, for it has been held by a long line of cases that it is unlawful for the patent owner to fix such prices. (Bauer & Cie et al. vs. O'Donnell, 229 U.S., 1; 191 O.G., 1068). The provision obviously related to conditional licenses under patents, i.e., licenses granted on condition that the licensee shall sell

patented articles manufactured under his license at a stated price. The enactment of the legislation would defeat its underlying purpose in that it would tend to result in the refusal by the patent owner to grant any license. Whenever a limitation as to price or place of use is inserted in a license under a patent, it is usually for the purpose of enabling the patentee to compete on terms of equality with his licensee, and it can hardly be presumed that he would be willing to grant a license which would place him in a less favorable position.

Considering the compulsory licensing section (Sec. 29) of the measure apart from any of its other provisions, it may be observed that bills embodying similar proposals have been introduced in Congress many times since 1836. Approximately thirty such bills have been introduced since 1911, and extensive hearings have been held on many of them. Always, Congress has rejected the proposal as not being in the public interest. The main reasons why it was thought that compulsory licensing of patents did not inure to the benefit of the public are as follows: The practice of secret working of inventions would develop wherever possible, thus removing the incentive to scientific progress which is derived from publicity and wide circulation of information; enterprise in developing and exploiting inventions would suffer on account of uncertainty and insecurity, and this in turn would result in the competition of mediocrity between manufacturers whose incentive to improve their product, methods and devices would be lacking; research by individual firms would be restricted; it would result in setting up competition with the inventor because almost everything manufactured which is based on invention is not attributable to a single invention but upon the best of a series of inventions made by the same inventor which are covered by patents; it would make it practically impossible to interest investors in inventions or industries based on inventions and patents; and it would favor the wealthy as against the poor and ignorant and would encourage predatory activities.

The compulsory licensing provision in the present bill is particularly objectionable because it includes non-use of inventions disclosed in applications for patents as well as in patents. Ofttimes, no one can be interested in manufacturing an invention until after obtaining the assurance afforded by a patent; and, in case of patents, it frequently happens that the patentee needs time to develop and perfect his invention before exploiting it commercially.

Perhaps the most serious objection that can be raised to the bill is that it apparently runs counter to the Fifth Amendment to the Constitution regarding the deprivation of property, without due process of law. It has been consistently held that patent rights are property within the constitutional meaning (*Brown v. Duchesne*, 19 How., 195; *Seymour v. Osborne*, 11 Wall., 533; *Consolidated Fruit Jar Co. v. Wright*, 94 U.S., 96; *U.S. v. Dubilier Condenser Corp.*, 287 U.S., 588; 430 O.G. 4; 17 U.S.P.Q. 154,157; and *Cramp & Sons S. & E.B. Co. v. International Curtis M.T.Co.*, 246 U.S. 39,40). Therefore, their owners cannot be constitutionally deprived of such rights, without due process of law. Due process of law includes the constitutional judgments and decrees of courts; but it does not include any act of Congress, or any other legislature (*Barron v. Baltimore*, 7 Pet., 247; *Kent's Commentaries*, Lecture 24, p.13). Consequently, vested patent rights are incapable of being divested by act of Congress (*McClurg et al. v. Kingsland et al.*, 1 How., 202,206).

The forfeiture provision of the bill is also violative of Article 5 of the Convention for the Protection of Industrial Property. That article provides that patents may be revoked only if the granting of compulsory licenses does not suffice to prevent certain abuses. It also provides that the issuance of a compulsory license cannot be demanded before the expiration of 3 years from the date of the patent grant, and that such a license can be issued "only if the patentee does not produce acceptable excuses".

Neither the propriety nor the necessity of Section 31 is apparent. It contemplates two classes of cases, viz: Those in which questions are raised involving the validity and scope of patents, and those in which no such questions arise. The first class is represented by suits for patent infringements. The section is not necessary for this class of cases, since evidence regarding the validity and scope of patents is admissible under the ordinary rules of evidence.

The second class of cases is represented by suits for breach of trust where the trust fund includes patents, for specific performance of contracts to convey title to patents, prosecutions under the Anti-trust Act, etc. Likewise, the section is not needed in this class of cases, since the validity and scope of any patent involved would be irrelevant and immaterial to the questions to be decided.

Seemingly, the section is based on the theory that it is an adequate defense in every prosecution under the anti-trust laws to show that the act complained of was done in pursuance of a patent, but such theory is erroneous. It has been long held that whatever would be a violation of the anti-trust laws in the case of unpatented articles will be equally so if the articles are patented (see U.S. vs. Schroeder's Son, Inc., 263 F., 175, and cases there cited). This salutary rule has also been applied to copyrights (Straus et al. vs. American Publishers' Assn., 213 U.S., 222; 198 O.C., 495; 1914 C.D., 347), which are authorized by the same clause of the Constitution as are patents.

(Signed) Frank W. Boykin.

Chairman.