

SCHWABE COLL
McGRAW ELECTRIC COMPANY

ELGIN, ILLINOIS

120 S. LaSalle St.
CHICAGO 3

June 28, 1945.

*File
Patents*

Hon. George B. Schwabe,
House of Representatives,
Washington, D. C.

Dear Congressman Schwabe:

Thought you might be interested in looking
over the attached copies of correspondence.

We solicit your support of the Patent System
as it is at present.

Very truly yours,

McGRAW ELECTRIC COMPANY

Max McGraw

President

MM.DVH.

McGRAW ELECTRIC COMPANY
Elgin, Illinois

120 S. LaSalle St.
CHICAGO 3

June 19, 1945.

T. Rowe Price, Jr. and Associates,
Ten Light Street,
Baltimore, 2, Md.

Gentlemen:

I have yours of the 12th, and have only now had an opportunity to read Part 5 of your Forecast for 1945 and beyond. It seems to me that you have very carefully considered the factors which will affect values.

I have had occasion recently to go through and compare a number of unionized plants with those not unionized, and invariably the efficiency is obviously better in those not unionized. It would seem to me that a continuation of this policy on the part of the Unions will eventually "kill the goose that laid the golden egg".

Of just as great importance, and to my mind one of the most dangerous trends is the attempt to change or nullify the protection of the Patent System. The New Deal would have compulsory licensing without the right on the part of the owner of the patent to protect his own pricing policies. If such a law is ever put into effect it seems to me that it will destroy the incentive for progress through invention. How foolish it is to interfere in any way with the present Patent System! I think the protection afforded by the present Patent Laws has done more to put America at the head of industrial progress than any other thing. After all, the life of a patent is short enough when you consider that in very few instances does a manufacturer get going on a new patented item until the life of the patent is at least half over.

The New Deal seems to have the idea that all of the inventive brains of the country are tied up by big manufacturers, but I am sure this is not the case. We own between 200 and 300 patents, and the most valuable ones were originated by men who did not have the advantage of a higher education. Most of these men were handsomely rewarded for their efforts, in fact we paid one of them nearly a million dollars in royalties. I am speaking of Mr. Charles Strite, the inventor of the automatic toaster. We have developed and own valuable patents, or applications for patents, for improvements, not only to toasters but to automatic water heaters, automatic coffee makers, automatic flat irons, electric shavers, electrical fuses, circuit protectors, etc.

Some of our patents were good enough so that big companies like General Electric, Westinghouse, et al, asked for licenses in the early years of the life of the patents. Had we granted these big companies the licenses they wanted on Toastmaster toasters, for example, we feel sure that automatic toasters would not have reached the refined stage of

development to which we have brought them. The reason is very simple - the big companies have so many other things on their minds that they cannot specialize with the same attention we do.

In the later years of the life of the Strite automatic toaster patents we did grant the General Electric Company a license, and under this license we required them not to undersell us. The General Electric Company assured us that they had been working on automatic toasters for some time and had a lot of valuable ideas under development. As part of the consideration for the license we required them to give us a license on anything that they were able to make in the way of patented improvements up to the date of the license and for the next seven years. During that period the General Electric Company "House of Magic" took out seven patents on toaster improvements, not one of which was good enough for them to incorporate in their own toaster construction, and as far as we are concerned we feel that they are absolutely worthless and never will be useful to any toaster manufacturer.

It is our belief that almost all industrial concerns of importance started, as we did, from a small beginning. We are in business only because of the protection of the American Patent System. We are not an exception and see no reason for any fundamental changes in the System.

The changes that some of the New Dealers would make in the Patent System would, we believe, do more to change your "growth list" of companies than any of the other factors you have in mind, for it would play right into the hands of the big manufacturers. It is my considered opinion that the small growth companies have more of a corner on patentable originations than the big corporations who have already had their growth.

In McGraw Electric Company we do not know of a single patent owned by General Electric or Westinghouse under which we would like to be licensed, but we own many patents that they would like to get in on.

Very truly yours,

McGraw Electric Company

President

MM.DVH.

McGRAW ELECTRIC COMPANY
Elgin, Illinois

120 S. LaSalle St.
CHICAGO 3

The President of the United States,
Washington,
D. C.

June 19, 1945.

Dear Mr. President:

As one of the smaller manufacturers I am sending you herewith copies of some correspondence which I believe will be of interest to you.

McGraw Electric Company is a small electrical manufacturing business built up to a successful size during the life of the patents on its products, many of which have not yet expired. The copy of letter to Senator Hiram Warren Johnson explains the nature of business being done by the McGraw Colograph Company.

McGraw Electric Company manufactures the well known Toastmaster automatic toasters, Toastmaster automatic waffle makers, electric water heaters, electric flat irons, and automatic coffee makers, and through the Bussmann Manufacturing Division at St. Louis manufactures patented electrical fuses of all kinds. Altogether it employs over 1000 people, the greater part of them in your home state of Missouri. If it were not for the protection afforded us through the present Patent System on improvements we have made in electrical fuses and circuit protectors I am fully convinced that our St. Louis business would not amount to much. As it is, we have done all of the development work on fuses for the Army and Navy, and such concerns as General Electric Company, Colts Automatic Fire Arms Company, the Chase-Shawmut Company of Boston, and others, are licensed under our patents on electrical fuses.

We think you will agree with us that as a small company we were entitled to the protection we obtained under the Patent System until we got started. Toward the end of a life of a patent it has been our policy to license other manufacturers who apply to us. However, in such cases we have always felt that we were entitled to require our licensees not to undersell us, otherwise the Patent System is of no protection to the small company.

We know of no patents owned by any larger manufacturer than ourselves on any product with which we compete which is of any interest whatsoever to us from the standpoint of being a licensee, but we own a great number of patents which would be of interest to companies larger than ourselves.

I have always been a thorough believer in the American Patent System as it stands and cannot see any real need for changing it in any way, neither do I know of any serious abuses which could not be corrected without changing of the laws.

Some years ago I was subpoenaed by Commissioner Coe of the Patent Office to appear before a T.N.E.C. Hearing on patents. I never knew exactly why I was subpoenaed and stayed in Washington for over a week without being called to the witness stand.

The President of the United States - #2

I understand that Dr. Walton Hamilton, author of T N E C Monograph 31, has been proposed as Patent Commissioner. I think I am familiar with Dr. Hamilton's views, and also quite familiar with the Patent System as it stands, and I believe that Dr. Hamilton has shown by the aforementioned Monograph 31 that he does not know very much about the relation of patents to business enterprise. I feel sure that Dr. Hamilton's Monograph 31 on patents and free enterprise should not be accepted as the work of an authority on the subject.

From what I can learn of you, Mr. President, I think you are keenly interested in getting the right man for every job, and I have been well impressed with most of your appointments. I would like to suggest, if I may do so, that W. Huston Kenyon, Jr., who is counselor or expert for your new Committee to revise the Patent Laws, would in my opinion make a most excellent Commissioner.

I would like to express the hope that you will do everything possible to protect small industry, and also to encourage new industry. I believe the appointment of the proper man for the job of Commissioner is a step in this direction.

Wishing you every success, I am, dear Mr. President

Sincerely yours,

McGRAN ELECTRIC COMPANY

President

MM. DVH.

McGRAW COLORGRAPH COMPANY
175 West Verdugo Avenue Burbank, California

120 S. LaSalle St.
CHICAGO 3

June 19, 1945.

Hon. Clair Engle,
The House of Representatives,
Washington, D. C. (same as sent to
Senator Johnson)

Dear Congressman Engle:

Enclosed you will find copy of letter I wrote to T. Rowe Price, Jr. and Associates as President of McGraw Electric Company. In addition to McGraw Electric Company operations I am also interested in the McGraw Colorgraph Company, so as a California manufacturer I feel I am in order in asking your support of the preservation of the American Patent System.

McGraw Colorgraph Company is only a small institution at the present time. It has been greatly handicapped by the war and has been held down to a volume of business that has seldom exceeded \$10,000 per month, but after the war we hope it will really grow into a sizable manufacturing industry.

Owing to the fact that we have been unable to get materials we have had to confine our work almost entirely in the direction of development of needed processes for the war effort. We have developed a photographic template process which has already been adopted by the largest aeroplane manufacturer, and we have been told by this manufacturer that it saves \$150,000 per year, and does work far superior to that which they can get on the process in general use.

We have operated this plant throughout the war period principally on such items as this, and on development work, at a continuous operating loss throughout the entire war period of from \$30,000 to \$40,000 per year. We will perhaps get some valuable patents as a result of this war work and the special talents we have in this direction, but if the New Deal plans go through calling for compulsory licensing to any one who requests a license, and if we cannot reserve for ourselves the right to require our licensees to respect our selling prices, it occurs to us that we will not get very far in establishing an industry for California.

We are the only manufacturers in the world so far as we know of pigment color tissue, a non-fading tissue for the production of colored photographs which may be retouched and which are as permanent as oil paintings. Apparently the New Deal would have us license, for

Hon. Clair Engle - #2

instance, if they demanded a license, the Eastman Kodak Company, the Ansco Company (largely owned by German interests but being operated by the Alien Property Custodian), the DuPont Company, et al. If we license any or all of these interests on any of our patentable processes, either in the color photography field or the photographic template field, the question is - would we ever be able to establish our industry in California?

Putting the shoe on the other foot - let us suppose that any one of these three big companies had developed the same process and we should demand a license from them. I still question whether we as a small producer would ever be able to establish an industry of any consequence in California.

It seems to me that any change in the Patent Law which brings about compulsory licensing would tend to stop competition in the development of new ideas. The incentive under the present Patent Laws are helping, I am sure, to promote competition in the origination of ideas. This kind of competition is certainly of greater importance in generating prosperity and full time employment than that of price competition. Is it not obvious that if a manufacturer could get a license under any issued patent it would tend to encourage him to "rest on his oars"? General Electric "House of Magic" rested on their oars after McGraw Electric licensed them to make Toastmaster toasters, for every invention made by them in the toaster field antedated the license given them. On the other hand, during the same period of time McGraw Electric made over fifty patentable improvements to Toastmaster products.

Very truly yours,

McGRAW COLORGRAPH COMPANY

MM.DVH.

Proprietor