Contributory Infringement - A Limited Tort

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IRVING FABER*

The economy of the United States is primarily based upon the principle of free competition. It is the objective of the antitrust laws to maintain this free competition. Activities within the business community which tend to create a monopoly or to lessen competition are likely to be attacked by an appropriate governmental agency or by a private suit for damages.

There is, however, one important area of business activity in which monopoly and freedom from competition is sanctioned by the government; specifically, the area of patents. In order to encourage ingenuity and "to promote the progress of the useful arts," the founding fathers gave to Congress the power to establish a patent system, and, specifically, to grant to inventors the exclusive right to their discoveries for a limited period of time. In return for the limited monopoly, the general public is given a full disclosure of the invention. The nation also benefits from the advance in technology resulting from the inventor's skill and ingenuity.

While recognizing the historic position of patents and the constitutional basis for the patent grant, the courts in the last fifty years, due to the upsurge of sentiment towards the enforcement of antitrust laws, have taken a closer look at the activities of

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2 U.S. Const. art. 1, § 8. "[T]he Congress shall have the Power . . . To Promote the Progress of Science and useful Arts, by securing for limited times to Authors and Inventors the exclusive Right to their Writings and Discoveries."
the patent owner. No longer is a patent owner free to exploit his patent as he sees fit. The patent grant allows the patentee to "exclude others from making, using or selling" the patented item or process. It does not, however, allow him to use his patent as an excuse for engaging in a number of otherwise illegal activities. Such activities are more commonly referred to as patent-antitrust matters. Patent-antitrust matters stem from the impact of the antitrust laws upon the patent owner's exploitation of his patent rights, such rights in their inception falling squarely within the patent law. A common exploitation of the patent occurs when a patent owner who has a valid combination patent seeks to extend his legal monopoly to an unpatented element of the combination, via a suit for contributory infringement.

The doctrine of contributory infringement provides that a patent owner may sue a person who sells an unpatented component of a patented combination with the intent and purpose of bringing about its use in the patented combination. In many instances the unpatented element involved is the heart of the patented combination and has as such no other substantial noninfringing use. To illustrate, let us assume that a person has a patent on the combination AB, neither component A nor component B of the combination being patented. Component A is manufactured and sold by another person to the public, who in turn combine component A with B to produce the patented combination. Those who put together the final combination are direct infringers of the patent; nevertheless, due to the number of persons involved it is often impractical, if not impossible, to bring actions against them. Therefore, if the patentee were powerless to sue for contributory infringe-

\[3 \text{ 35 U.S.C. § 154 (1952).}
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\[5 \text{ A combination patent covers the relation or connection of a group of elements in a particular way; it does not cover the elements independent of their combination.}
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\[6 \text{ The plaintiff, in bringing an action for contributory infringement, seeks to enjoin conduct which is not within his patent grant. It is by seeking to enjoin such conduct that the patentee encounters the defense of the patent misuse doctrine. The patent misuse doctrine essentially holds that the owner of a patent may not employ his lawful limited monopoly to control the sale of goods not covered by the patent. See Morton Salt Co. v. G. S. Suppiger Co., supra note 4; Carbice Corp. v. American Patents Development Corp., supra note 4; Leitch Mfg. Co. v. Barber Co., supra note 4.}
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ment, he would, in effect, be denied his rights under the Constitution.

Realizing this fact, the courts for almost a century upheld the right of a patent owner to sue a supplier of an unpatented component of the patented combination for contributory infringement. In 1944, however, the Supreme Court dealt a crushing blow to the doctrine in its highly controversial Mercoid decisions. Suit was brought by Mid-Continent Investment Company against Mercoid Corporation for contributory infringement of a combination patent. Mid-Continent had licensed Minneapolis Honeywell to make, use, and sell, and to sub-license others to make, use, and sell the patented combination, the heart of which was an unpatented combustion stoker switch. Neither party manufactured or installed the patented heating system; however, Minneapolis Honeywell licensed those who bought their switches to use the system. Mercoid, in its answer, denied the charge of contributory infringement and alleged that Mid-Continent should be barred from relief because it was seeking to extend the grant of the patent to unpatented devices. Mercoid asked not only for declaratory relief but also for an accounting and treble damages. Mercoid was granted an injunction, but its prayer for damages was denied by the district court. The Seventh Circuit Court of Appeals affirmed the judgment of the district court disallowing damages under the counterclaim. In all other respects it reversed, holding that Mercoid was guilty of contributory infringement.

The Supreme Court, speaking through Mr. Justice Douglas, reversed the decision of the Court of Appeals, stating:

It is the public interest which is dominant in the patent system.... It is the protection of the public system of free enterprise which alike nullifies a patent where any part of it is invalid

7 Mercoid Corp. v. Mid-Continent Investment Co., 320 U.S. 661, 64 Sup. Ct. 268 (1944); and Mercoid Corp. v. Minneapolis Honeywell Regulator Co., 320 U.S. 680, 64 Sup. Ct. 278 (1944).
8 43 F. Supp. 692 (N.D. Ill. 1942).
9 133 F.2d 803 (7th Cir. 1942).
10 The court's decision was based upon Leeds and Catlin Co. v. Victor Talking Machine Co., 213 U.S. 325, 29 Sup. Ct. 503 (1909), in which the court granted an injunction to the patentee of a combination phonograph and recording disc against a seller of competitive recording discs even though these discs were capable of substantial non-infringing use with phonographs made by defendant. This case was overruled in Mercoid Corp. v. Mid-Continent Investment Co., supra note 7, when it came before the Supreme Court.
and denies to the patentee after issuance the power to use it in such a way as to acquire a monopoly which is not plainly within the terms of the grant.\textsuperscript{11}

The Court continued:

The result of this decision, together with those which have preceded it, is to limit substantially the doctrine of contributory infringement. What residuum may be left we need not stop to consider . . . [C]ourts of equity will withhold relief where the patentee and those claiming under him are using the patent privilege contrary to the public interest.\textsuperscript{12}

In \textit{Mercoid v. Minneapolis Honeywell Regulator Co.},\textsuperscript{13} Mercoid was held to be entitled to treble damages for the patentee's violation of the antitrust laws. The Court said: "[A] patent on a combination is a patent on the assembled or functioning whole, not on the separate parts. The legality of any attempt to bring unpatented goods within the protection of the patent is measured by the antitrust laws, not the patent laws."\textsuperscript{14}

These decisions virtually abolished the doctrine of contributory infringement, and were sharply criticized by the Attorney General's Committee to Study the Antitrust Laws, which stated:

We reject the view that any violation of patent law necessarily violates antitrust laws. . . . To say that action beyond the borders of the patent grant is a per se antitrust violation is to ignore the Supreme Court's distinctions between the variant statutory standards of the Sherman, Federal Trade Commission, and Clayton Acts as well as to repudiate the body of interpretations distinguishing between offenses unreasonable per se and those not.\textsuperscript{15}

The decisions in the \textit{Mercoid} cases led to widespread confusion and criticism. In essence, the criticism asserted that the cases did away with contributory infringement; that they failed to draw a distinction between patent misuse and antitrust violations; and that it left the patentee at the mercy of one who deliberately attempted to induce infringement of the patent by selling components specially designed and adapted for that purpose.

Such criticism led to the passage of section 271 of the 1952

\textsuperscript{11} \textit{Supra} note 7, at 655, 64 Sup. Ct. at 271.
\textsuperscript{12} \textit{Id.} at 669, 64 Sup. Ct. at 273.
\textsuperscript{13} 320 U.S. 680, 64 Sup. Ct. 278 (1944).
\textsuperscript{14} \textit{Id.} at 684, 64 Sup. Ct. at 280.
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Patent Code,\(^{16}\) which clearly re-established the tort of contributory infringement. The Attorney General's Committee approved the provision of section 271, stating:

At least they are reasonable expressions of congressional intention (a) to codify specifically the remedy of contributory infringement and affirmatively to declare that within the ambit of the comparatively narrow doctrine so defined the action itself is not a misuse; and (b) to cut down the breadth of all inclusive applications of the patent misuse doctrine stemming from the implications of the Mercoid and other cases.\(^{17}\)

The first case to be decided by the Supreme Court after passage of section 271 was *Aro Mfg. Co. v. Convertible Top Replacement Co.*\(^{18}\) In that case, Convertible Top Replacement was the owner of territorial rights in a combination patent for a convertible folding top. Action was initiated by them for contributory infringement of the patent and for an accounting of profits against the Aro Manufacturing Company, who manufactured and sold replacement fabrics designed to fit automobiles equipped with the plaintiff's tops. General Motors and Ford both manufactured cars with the patented convertible top. However, Ford had no license to use the tops during the years 1952-1955. The Aro Company was charged with contributory infringement for replacing fabrics for these convertible tops when they became worn. The District Court held\(^{19}\) that the patent was valid, and that it was infringed by the car owner and contributorily infringed by Aro. The court enjoined


(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 (July 19, 1952, ch. 950, 66 Stat. 811).

\(^{17}\) Supra note 15, at 253.


Aro from further manufacture, sale, or use of the replacement fabrics. The Circuit Court of Appeals for the First Circuit affirmed.\(^\text{20}\)

The Supreme Court, speaking through Mr. Justice Whittaker, reversed the decision of the appellate court and stated that under 35 U.S.C. § 271(a) the manufacture and sale of the replacement fabrics for automobile convertible tops was not a direct infringement of a combination patent for convertible tops in that the fabric was merely an element in the top, not claimed by the patentee as part of his invention. The Court also held that there can be no contributory infringement of a patent, under 35 U.S.C. § 271(c), unless there is a direct infringement of the patent under 35 U.S.C. § 271(a). The Court stated:

The fact that an unpatented part of a combination patent may distinguish the invention, it does not draw to it the privileges of a patent. That may be done only in the manner provided by law. However worthy it may be, however essential to the patent, an unpatented part of a combination patent is no more entitled to monopolistic protection than any other unpatented device. (Emph. added).\(^\text{21}\)

The Court concluded that mere replacement of individual unpatented parts, one at a time, whether of the same part repeatedly or of different parts successively, is no more than the exercise of a lawful right of the owner to repair his property, and is not considered reconstruction.

From an analysis of the Court's opinion in the \textit{Aro} case, it would seem that where the element of the combination sold or produced is one which reasonably can be expected to wear out or to be consumed before the combination as a whole or a substantial portion thereof, wears out or is consumed, the Court is likely to interpret the acts of the alleged contributory infringer as "non-infringing repair" rather than "infringing reconstruction."

The \textit{Aro} case subsequently was to come before the Supreme Court once again in 1964; however, in the interim there were a number of cases decided by lower federal courts.

One of these cases was \textit{Angel Research v. Photo-Engravers}
Research.\textsuperscript{22} In that case, Angel brought suit for a declaratory judgment with respect to the validity and infringement of Photo's process patent. Photo had licensed certain manufacturers to produce an unpatented additive of the process patent and to sell it exclusively to members of Photo's organization. Photo asserted in a counterclaim that Angel, by selling the additive, with instructions for its use in the etching process, to individuals who were not members of Photo's organization, contributorily infringed the patent. The District Court, in denying the counterclaim, stated:

> It is well settled that if there is no direct infringement of a patent there can be no contributory infringement. The burden of proving a direct infringement by showing that the purchaser actually practiced the invention claimed is upon the one asserting infringement. The court may not speculate as to what these customers did with Angel's additive.\textsuperscript{23}

In this case, the court emphasized the fact that before one may be branded a contributory infringer, the one alleging such infringement must prove that the alleged infringer's acts led to a direct infringement of the patent.

In 1963, the case of \textit{Buxton v. Julen}\textsuperscript{24} was before the Federal District Court of New York. In that case, Buxton brought an action for contributory infringement of a combination patent relating to "flap enclosures and their fasteners." Julen denied any acts of contributory infringement and alleged that the patent was invalid. The district court held that the patent was valid and that Buxton failed to establish that Julen had been guilty of contributory infringement. The court's decision was based on its finding that Julen did not know that the "channel bar" which it manufactured was being used by its customer in a particular billfold, which use infringed Buxton's patent. The court stated:

> Section 271(c) requires that the defendant know that his component is to be used by his customer in a particular article, which article, whether the defendant knows it or not, in fact infringes plaintiff's patent.\textsuperscript{25}

\textsuperscript{22} 223 F. Supp. 673 (N.D. Ill. 1962).
\textsuperscript{23} Id. at 676. The court further held that Photo's licensing agreement was a patent misuse, and that the restriction therein constituted an unreasonable restraint of trade and violated the antitrust laws. The patent was held unenforceable by reason of Photo's misuse of the patent. The court awarded treble damages to Angel.
\textsuperscript{24} 223 F. Supp. 697 (S.D.N.Y. 1963).
\textsuperscript{25} Id. at 701.
In Fromberg Inc. v. Thornhill and Fromberg, Inc. v. Gross Mfg. Co., the patent in suit covered a combination of two unpatented elements, namely, a rubber plug and a metal tube which could be used to repair holes in tubeless tires without removing the tire from the rim. In both cases, the defendants manufactured rubber plugs of a size and shape suitable for insertion into a metal tube.

In Fromberg Inc. v. Thornhill, the Court of Appeals for the 5th Circuit found that the defendant was guilty of inducing infringement under section 271 (b) by selling the plugs to service stations. The court further found that the service stations were guilty of a direct infringement when they used the defendant's plug with the plaintiff's tube. The finding of direct infringement was based upon the fact that the new plug inserted into the empty tube produced the identical combination covered by the patent. Regarding the charge of contributory infringement, the court went on to say that it was of critical importance to determine whether the defendant had sold the plugs with the intent and purpose that they be used to infringe, and whether the device was a staple article or commodity of commerce suitable for substantial non-infringing use. The case was remanded to determine this issue.

The Court of Appeals for the 9th Circuit in Fromberg Inc. v. Gross Mfg. Co. disagreed with the conclusion reached by the Court of Appeals for the 5th Circuit that the reloading of the tubes constituted direct infringement. The 9th Circuit Court of Appeals believed that an identical combination was also produced in the Aro case and that the Aro case should be followed. The court found that there was no direct infringement by the user of the reloaded tube, in this instance relying on the repair-reconstruction distinction set out in the Aro case. The court stated: "We hold that the maintenance of the use of the whole of the patented

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26 315 F.2d 407 (5th Cir. 1963).
27 328 F.2d 803 (9th Cir. 1964).
28 Supra note 26.
29 In so finding, the court relied upon the case of Cotton Tie Co. v. Simmons, 106 U.S. (16 Otto) 89, 1 Sup. Ct. 52 (1892). That case held that the making of completely new ties out of discarded scrap material of the original patented ties amounted to the making of the patented device (ties) and therefore constituted an infringement due to the reconstruction of the ties.
30 Supra note 27.
31 The court also disagreed with the adherence by the 5th Circuit Court of Appeals to the Cotton Tie case. See note 29, supra.
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combination through replacement of a spent unpatented element does not constitute reconstruction."^{32}

The decisions of the two appellate courts in the Fromberg cases indicate that there is no clear-cut answer as to what constitutes repair or reconstruction within the ambit of the Aro case. For this reason, the presence of direct infringement and thus, perhaps, contributory infringement under section 271(c) will be difficult to determine.

In 1964, the Aro case^{33} once again reached the United States Supreme Court.\footnote{Aro Mfg. Co. v. Convertible Top Replacement Co., 377 U.S. 476, 84 Sup. Ct. 1526 (1964).} In the first case, the lower courts had found Aro guilty of contributory infringement and enjoined it from further infringements, but on certiorari the Supreme Court reversed the judgment. On remand of the case the District Court read the Supreme Court's opinion as requiring dismissal of the complaint against Aro regarding its sale of fabric tops to owners of both Ford and General Motors automobiles, and judgment was entered accordingly. Convertible Top appealed from the judgment in so far as it applied to Ford cars, which were not licensed to use the combination tops. Convertible Top argued that the Supreme Court's reversal applied only to replacements of General Motors cars, and not to Fords. The Court of Appeals for the First Circuit held^{35} that the Supreme Court's decision in the Aro case had reversed the part of the judgment finding infringement as to General Motors cars, which were made under licenses, but that the Court had in effect affirmed the judgment as to Ford fabrics. The Supreme Court, speaking through Mr. Justice Brennan, affirmed the decision of the Court of Appeals, stating:

[We] treated Convertible Top Replacement's right to relief as depending wholly upon the question whether replacement of the fabric portions of the convertible tops constituted "infringing reconstruction" or "permissible repair" of this patented combination. . . . [W]hen the structure is unlicensed, as was true of the Ford cars, the traditional rule is that even repair constitutes infringement.\footnote{Supra note 34, at 479, 84 Sup. Ct. at 1528.}

The second Aro case has several unusual aspects. The major-

\footnote{\begin{itemize}
  \item Supra note 27, at 808.
  \item Previously discussed at footnote 18 and following.
  \item Convertible Top Replacement Co. v. Aro Mfg. Co., 312 F.2d 52 (1st Cir. 1964).
  \item Supra note 34, at 479, 84 Sup. Ct. at 1528.
\end{itemize}}
ity of the Court (Justices Brennan, Harlan, Stewart, Goldberg and White) found that there was contributory infringement by Aro as to the Ford cars. However, there was disagreement, even among the majority, as to the meaning of “knowledge” under section 271(c).

Justices Brennan, Harlan, Stewart and Goldberg felt that the knowledge Congress meant to require was simply the knowledge that the component was especially designed for use in a patented combination, and that it was not a staple article suitable for substantial noninfringing use. This construction follows the case law prior to the *Mercoid* decisions and is in line with the *Buxton* case. Justices Warren, Black, Clark and Douglas, the dissenters in result, interpreted section 271(c) as requiring proof that the alleged contributory infringer know that the combination for which his component was especially designed was both patented and infringing. They found that Aro lacked knowledge under this definition. Justice White agreed with the latter interpretation of 271(c), but found that Aro, in fact, had the requisite knowledge; he thus concurred in the finding of contributory infringement.

In addition, Justices Warren, Black, Clark, and Douglas, all of whom had been in the majority in the first *Aro* case, disputed the present majority’s analysis of that case. They believed that when the Court said “reversed” in the first case, it meant reversed in toto and not in part, *i.e.*, to Ford cars as well as General Motors. They also believed that the effect of the Court’s holding in the first *Aro* case was that, since the fabric top was not itself patented, Convertible Top could not extend its monopoly privileges regarding the combination as a whole to the unpatented fabric cover. Mr. Justice Black, in the course of his opinion, stated:

When articles are not patentable and therefore in the public domain, as these fabric covers were, to grant them a legally pro-

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Prior to the *Mercoid* decisions, liability was established by a showing that the component was suitable for no substantial use other than in the patented combination, since it was the duty of the defendant to see to it that such combinations which it was intentionally inducing and promoting should be confined to those which might be lawfully organized. *Thomson-Houston Elec. Co. v. Ohio Brass Co.*, 80 Fed. 712, 720-23 (6th Cir. 1897); 3 Walker, Patents 1764-65 (Deller ed. 1937).


39 The opinion, however, was written by Mr. Justice Whittaker.
Justice Black further pointed out that the Court in defining contributory infringement expanded the coverage of section 271(a), which deals with direct infringement by making anyone who innocently buys or repairs an unmarked article which infringes a patent liable for damages as a direct infringer.

It is difficult from the decisions in the Aro cases to determine with any degree of accuracy where the tort of contributory infringement lies. It can be stated, however, that the doctrine of contributory infringement was given new life by the 1952 Patent Code, section 271, and that the mere bringing of a suit for contributory infringement does not, in itself, constitute a patent misuse under that section.

Since the renaissance of contributory infringement, no case has squarely presented to the Supreme Court the issue of patent misuse and probable antitrust violation, as did the Mercoid cases. Only the issue of repair or reconstruction has appeared. However, if the Supreme Court were now faced with a case involving the factual situation presented in the Mercoid cases, it seems very likely, in the light of section 271, that a different result would be reached. Firstly, in Mercoid, the stoker switch was the heart of the combination and was not a staple article, nor was it suitable for any noninfringing use. And, under the numerical majority’s definition, knowledge would also exist since Mercoid knew that the patented combination for which the stoker switch was especially designed was both patented and infringing. Secondly, in view of section 271(d), the activities of the plaintiff Mid-Continent would not have supported a finding of patent misuse or of an antitrust violation.

As we have seen, section 271 reinstated the doctrine of contributory infringement as a remedy at law. However, since the enactment of section 271 the courts have limited the section in two ways:

1. Where the courts are faced with the issue of repair or

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reconstruction involving an element of a combination which can be expected to wear out or be consumed before a substantial part of the combination wears out or is consumed, they will probably interpret the alleged acts to be “noninfringing repair” rather than “infringing reconstruction,” thereby avoiding any possible confrontation with section 271.

(2) The Supreme Court in construing “knowledge” under section 271(c) has limited the applicability of the section by requiring the alleged infringer to know that the combination for which his component was especially designed was both patented and infringing.

Therefore, although section 271 has given life to the doctrine of contributory infringement, the courts in their interpretation of section 271 have imposed, and most likely will continue to impose, limitations upon it.