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INVALID PATENTS AND PRICE CONTROL

ROSCOE STEFFEN†

It requires no argument to make the point that price-fixing agreements, when based on invalid patents, are illegal. The proposition is almost self-evident. Mere paper patents, surely, afford no sanctuary for the otherwise illegal combination in restraint of trade. But, of course, when the Government is plaintiff, the question is not brought up quite so bluntly; there is first a sort of preliminary question: whether the Government, having itself issued the patents, may properly be heard to question their validity. The question thus becomes a mixed one of law and morals: law, in that the courts will not interfere in certain cases with the determinations of administrative tribunals; morals, in that it is said the Government may not, in good faith, take away with its left hand that which it has given with its right.

Of course, he who runs will note that, by this shift, it is possible largely to obscure what the uninitiated might think was the first question, that is, whether anti-monopoly legislation is to be fully enforced in the public interest. Unfortunately, that question simply cannot be reached at once, it would seem, if at all. And anyone can see that if the Government may not contest the validity or scope of the patents used by the members of industry to support their various price-fixing schemes, the result will be that a considerable area of the public domain has been set aside in which such combinations, although "illegal," may operate with impunity.

It is not suggested, of course, that industry prefers to operate under invalid patents, for surely the contrary is true. But it is one of the

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1. It should be said at the outset that the writer was one of counsel for the Government in United States v. United States Gypsum Co., 53 F. Supp. 859 (D. C. 1943), discussed herein, and accordingly may not be altogether unbiased.
2. The point was definitely established in Sola Electric Co. v. Jefferson Electric Co., 317 U. S. 173 (1942), so far as private litigation is concerned.
3. To permit the Government to question patent validity in a suit brought under Section 4 of the Sherman Act "... is virtually to withdraw the pledge of the public faith that the patent grant, if lawful, would be maintained." [Emphasis supplied.] Greenberg, Present Trends in Collateral Attacks on Patent Validity (1942) 24 J. PAT. OFF. SOC. 746, 754.
facts of life that a great many patents, though prima facie valid when issued by the Patent Office, are subsequently found to be invalid.\textsuperscript{4} No fact in business life, probably, is better understood by the businessman, for the infringement suit is by no means an uncommon phenomenon. But the infringement suit can be more or less completely fenced off. It is a commonplace, in fact, for the licensee to admit in sweeping language the complete validity of his licensor's patents. And if the patent is in strong hands, even the most independent manufacturer usually finds it the better part of valor to accept a license on whatever terms, rather than engage in a long and expensive infringement fight.

Thus, for all practical purposes it would seem, the monopoly-minded businessman may put the question of patent validity to one side in his calculations. All that is necessary is, first, to find a patent under which common licenses can be taken out. The licenses, then, can be made to provide for price fixing and industry control \textsuperscript{5} in a most satisfactory way. To the extent that the various members of the industry are brought within the combination, their hands are tied by contract. And, correspondingly, the chance that anyone might bring a successful infringement suit becomes increasingly remote. Finally, if the Government may not raise the issue at all, patent validity or invalidity becomes, truly, a matter of only academic interest.

**Scope of the Refuge**

So, it would seem, the perfect refuge has at last been found for the price-fixer.\textsuperscript{6} Of course, there are limits. Probably no court, for example, would permit the parties to base their monopoly upon a patent obtained by fraud. That would be going too far. But, since being rebuffed by the Supreme Court in the *Bell Telephone* case \textsuperscript{7} in the 1890's, few fraud cases have been brought by the Attorney-General.\textsuperscript{8} And, for reasons not wholly persuasive, the private litigant has been told he

\textsuperscript{4} HAMILTON, TNEC REP., Patents and Free Enterprise, Monograph 31 (1941).

\textsuperscript{5} Under the guise of price control an amazing number of things can be done to organize an industry. For example, in United States v. United States Gypsum Co., 53 F. Supp. 889 (D. C. 1943) cited supra note 1, the manufacturers completely eliminated jobbers by the simple device of quoting them the same prices per thousand on carload lots as were quoted to the small retailers. The sizes and kinds of board, the areas for truck deliveries, the size of truckloads, freight billing weights, trade discounts, basing points and many other matters were likewise regulated, ostensibly as a matter of price control. Licensees were not free to depart from the "established" price for plaster or even to give carpenters' aprons to dealers as advertising, since to do so might operate as a price concession on so-called patented board.

\textsuperscript{6} It will be understood, of course, that the term "price-fixer" is used herein in no invidious sense, but merely as a convenient shorthand expression.

\textsuperscript{7} United States v. American Bell Tel. Co., 167 U.S. 224 (1897).

\textsuperscript{8} It is believed there have been only four or five all told. See generally New York & Baltimore Coffee Polishing Co. v. New York Polishing Co., 9 Fed. 578 (C. C. E. D. N. Y. 1881); United States v. Colgate, 21 Fed. 318 (C. C. S. D. N. Y. 1884), opinion published 32
may not raise the question. But, at most, the number of patents which might be found invalid for fraud must be small indeed, compared with the many which are invalid because of lack of invention, anticipation, or some other failure to meet the fixed requirements of the patent laws.

Fraud, moreover, is but an emaciated concept in the patent field. It is true the applicant must give oath that he verily believes himself to be the first and true inventor, but he convinces himself easily that his claimed invention is both new and important, regardless of what others may have done. This is self-hypnosis or mistake, if you like, but not fraud. Even counsel, it appears, need only refrain from positive misrepresentation. That he may have in his files references to prior art which cast doubt on his clients' claims is evidently not important. Keeping these undisclosed is part of a game, so to speak, to see whether the patent examiner will be able to turn them up in his search, and not fraud.

But the patent license, even when based on valid patents, is by no means a refuge of unlimited scope for the price-fixer. First of all, his patent, valid or invalid, must be of the right kind. It is now fairly clear that a mere process or method patent will not justify the licensor in fixing prices upon the product made by the patented process. Moreover, he may not restrict his licensee in the purchase of raw materials used in the process. Again, a combination patent will not serve, for it is now settled that the licensor of such a patent may not control either the source or the price of the elements employed in the combina-
tion. In other words, only an article patent—of which there are thousands—will serve.

Even here, however, a word of caution should be uttered. The price-fixer should not be advised that just any article patent will serve his purpose. There are article patents and article patents. All that can safely be said is that if his patents are of the sort which were before the court in the General Electric case, that is, if they cover completely the article sought to be controlled, then some measure of price fixing has been permitted. It is for the patent holder, though, to satisfy the test laid down by Chief Justice Taft, that is, that the control in question be "normally and reasonably adapted to secure pecuniary reward for the patentee's monopoly." No warrant was given to go further.

In other words, if the Chief Justice meant precisely what he said, price fixing, where permissible at all, must be tailored carefully to fit the particular patent. In a crowded field, where many prior patents have contributed to the development of the article sought to be controlled, it is difficult, as a practical matter, to see how any price fixing whatever could be sanctioned. It would scarcely be possible to permit price control of the whole article, as that would be giving the latest inventor not only a "pecuniary reward for the patentee's monopoly," but would be permitting him and his licensees to collect a tribute from the public on the work of many other inventors as well.

By the same token, it seems clear that the price-fixer cannot safely organize an entire industry under his patents. While it is true the Supreme Court said in the General Electric case that a licensor may

16. United States v. General Electric Co., 272 U. S. 476 (1926). The patents upon which price fixing was based were three: the Just and Hanaman patent claiming an incandescent lamp with a tungsten filament; the Coolidge patent for pure tungsten and a process to increase the tensile strength of the tungsten filament; and the Langmuir patent for the use of gas in the bulb to intensify incandescence. These, the Court said, at 481, "... cover completely the making of the modern electric lights with the tungsten filaments. ..."
17. Id. at 490.
18. Ibid.
19. See the Court's language in United States v. Masonite Corp., 316 U. S. 265, 280 (1942): "Since patents are privileges restrictive of a free economy, the rights which Congress has attached to them must be strictly construed so as not to derogate from the general law beyond the necessary requirements of the patent statute."
20. The Court's treatment of the companion question, where the patent holder seeks damages for infringement, is persuasive. Damages based on full sale price will not be awarded unless the patent completely covers the article. Berdan Fire-Arms Mfg. Co. v. United States, 26 Ct. of Cl. 48 (1890). See also Rubber Co. v. Goodyear, 9 Wall. 788 (U. S. 1869), where it is said, at 803-4, the Master properly "... Refused to allow the profits due to elements not patented, which entered into the composition of the patented articles."
license a single licensee and assert a limited control over the latter's selling conditions, it has also said that if an entire industry made up of erstwhile competitors were to be signed up under a patent, that would present a different case.\textsuperscript{22} Price fixing in such case, obviously, would not only give the licensor a pecuniary reward for his invention, but would give the whole combination a much larger and surer profit by the elimination of competition between themselves.\textsuperscript{23} Nothing in the patent laws or in the \textit{General Electric} case would sanction such a result.\textsuperscript{24}

As a matter of fact, even the limited price fixing authorized by the \textit{General Electric} case rests on rather precarious footing. The court's suggestion that price control is justified as a means to secure "pecuniary reward for the patentee's monopoly,"\textsuperscript{25} of course, completely begs the question. How broad, in fact, is the patentee's monopoly? There is nothing, most certainly, in the patent statutes, which even suggests that it includes the right to fix a licensee's prices or, for that matter, which authorizes the patentee to grant licenses in the first place. The statute says simply that his monopoly is one "to make, use, and vend."\textsuperscript{26}

The \textit{General Electric} case was argued on the narrow ground that it was governed by the newly decided cases forbidding resale price control.\textsuperscript{27} This the court denied, and with considerable plausibility, but when it went on to make an affirmative holding in favor of price control, that was something else again. In so holding the court appears to have been guided, first, by a desire to insure "pecuniary reward" to the patent holder\textsuperscript{28} and, second, for reasons not wholly clear, to en-

\textsuperscript{22} See Bement v. National Harrow Co., 186 U. S. 70, 94-5 (1902). The Court in \textit{Standard Sanitary Mfg. Co. v. United States}, 226 U. S. 20, 48 (1912), pointed out that the \textit{Bement} case "... was treated as one between the particular parties ..." and did not have to do with an industry-wide combination.

\textsuperscript{23} The language of Mr. Justice Douglas, speaking of a similar situation in \textit{United States v. Masonite Corp.}, 316 U. S. 265, 278-9 (1942), is apropos: "That would allow the patent owner, under guise of his patent monopoly, not merely to secure a reward for his invention but to secure protection from competition which the patent law, unaided by restrictive agreements, does not afford."

\textsuperscript{24} The only authority contra, apparently, is the early and much discredited case of \textit{Rubber Tire Wheel Co. v. Milwaukee Rubber Works Co.}, 154 Fed. 358 (C. C. A. 7th, 1907). But see \textit{United States v. Line Material Co.}, decided by Judge Duffy for the Eastern District of Wisconsin on March 6, 1946, and \textit{United States v. United States Gypsum Co.}, decided by a statutory three judge court for the District of Columbia on June 15, 1946.

\textsuperscript{25} \textit{United States v. General Electric Co.}, 272 U. S. 476, 490 (1926).

\textsuperscript{26} "In the exclusive rights to make, use and vend, fairly construed, with a view to making the purpose of Congress effectual, resides the extent of the patent monopoly under the statutes of the United States." Bauer v. O'Donnell, 229 U. S. 1, 11 (1913).

\textsuperscript{27} See \textit{Boston Store of Chicago v. American Graphophone Co.}, 246 U. S. 8 (1918) and cases cited.

\textsuperscript{28} Of course "pecuniary reward", \textit{i.e.} profit making, is a matter of great importance in our society, but it is scarcely the dominant concern of the patent system. "Whilst the
encourage the licensing of other manufacturers. But, the last two decades have demonstrated fairly well that the court by so holding not only eliminated all real competition between licensor and licensee, contrary to the broad purposes of Congress as declared in the Sherman Act, but destroyed the chief incentive to the development of new and better products, contrary to the constitutional warrant for the patent system itself. A decision so far out of line with basic principles cannot survive indefinitely.

One would think from this that the price-fixer would become discouraged. Even so brief a survey of boundaries shows that his patent license refuge is rather cramped at best. But, contrary to the assumption of the classical economists, the basic instinct of most business is combination, not price competition. And the patent license, particularly since the General Electric case, has been a great boon to the price-fixer. He will fight to the end, therefore, not only to preserve his refuge, such as it is, but even to extend it by insisting that he may use invalid patents quite as well as valid ones for price-fixing purposes.

A QUESTION OF VALUES

Stated succinctly, then, the price-fixer's case comes down to this: Although his patents would not be worth the paper they are written on,
if the true facts could be shown, they nonetheless will suffice as a basis for price-fixing where the Government is plaintiff. That is, so far from being "a public menace," the invalid patent is to be accorded all the rights and privileges of a respected public franchise. Perhaps this should not be so, but, if such is the "law," there is nothing much the courts can do about it, or so it is said.

It is much too late, now, to have to argue that monopoly, in whatever guise, is inimical to our notions of a free and democratic economy. It has been more than 300 years, indeed, since the English courts found full warrant in the "common law" to declare such restraints illegal and void. For more than 50 years it has been the declared policy of Congress that the principles of the old common law for the protection of trade should be the law of the federal courts. It would therefore be singular, to say the least, if other "law" does not exist which the courts today may use to protect the public from a monopoly whose only claim to virtue is an invalid patent.

Perhaps, though, the question is one of competing moral values. But even the "moral" position of the patent holder who seeks to fasten a monopoly on the public—without having given the traditional *quid pro quo*—would seem, at first blush, to be something less than admirable. Nevertheless, while one may thus be quite critical of the price-fixer's case, it may be better not to pass judgment on him too quickly; upon a full hearing there still may be "law" or something in his favor of unexpected significance.

**THE PROCEDURAL SITUATION**

Nothing in the procedural situation offers much encouragement for the patent license price-fixer. Quite the contrary. Not only is an agreement between erstwhile competitors to fix prices illegal, but it is illegal *per se*. The point was made very clear in *United States v. Trenton Potteries* where the Court, in disposing of the argument that the controlled price might very well be reasonable, said this:

34. "An invalid patent masquerading as a valid one is a public menace, and should be fair game." Frank, J., concurring in *Aero Spark Plug Co. v. B. G. Corp.*, 130 F. (2d) 290, 294 (C. C. A. 2d, 1942).


36. Congressional purpose in adopting the Sherman Act, July 2, 1890, was stated by Senator Hoar, as follows: "The great thing that this bill does, except affording a remedy, is to extend the common-law principles, which protected fair competition in trade in old times in England, to international and interstate commerce in the United States." 21 Cong. Rec. 3152 (1890).

37. It is of the essence of our patent system that the inventor shall have enriched society by his discovery of some new and useful invention. Otherwise his monopoly would most certainly be "justly odious." *Allen v. Hunter*, 1 Fed. Cas. 476, No. 225, at 306 (C. C. D. Ohio 1855); 1 *WALKER ON PATENTS* (Deller's ed. 1937) 1–16.

"The aim and result of every price-fixing agreement, if effective, is the elimination of one form of competition. The power to fix prices, whether reasonably exercised or not, involves power to control the market and to fix arbitrary and unreasonable prices. The reasonable price fixed today may through economic and business changes become the unreasonable price of tomorrow." 39

In the case of United States v. Socony-Vacuum Oil Company, 40 the Supreme Court had occasion to re-examine the basis of its decision in the Trenton Potteries case. Not only did it reaffirm that case and its earlier decisions on the point, but it did so in sweeping and emphatic language. The Court said:

"Thus for over forty years this Court has consistently and without deviation adhered to the principle that price-fixing agreements are unlawful per se under the Sherman Act and that no showing of so-called competitive abuses or evils which those agreements were designed to eliminate or alleviate may be interposed as a defense." 41

The Court was even more explicit later in the opinion:

"But the thrust of the rule is deeper and reaches more than monopoly power. Any combination which tampers with price structures is engaged in an unlawful activity. Even though the members of the price-fixing group were in no position to control the market, to the extent that they raised, lowered or stabilized prices they would be directly interfering with the free play of market forces. The Act places all such schemes beyond the pale and protects that vital part of our economy against any degree of interference." 42

It would seem from this that the Government need only put in evidence the license agreements—with their price-fixing clauses—in order to make out a prima facie case. Additional evidence of conspiracy among all manufacturers to blanket the industry under common license agreements for the express purpose, among other things, of fixing prices for their mutual profit would appear to make a water tight case. 43 On either showing the burden would then be upon the defendants to establish, as an affirmative defense, 44 that their at-

39. Id. at 397.
40. Id. at 218.
41. Id. at 221.
42. Id. at 221.
43. But see United States v. Line Material Co., E. D. Wis., March 6, 1946, decided by Judge Duffy, and United States v. U. S. Gypsum Co., Dist. Ct. D. C., June 15, 1946, decided by a statutory three judge court. In each case the court extended the General Electric case to sanction industry-wide price fixing and held that the Supreme Court's condemnation of price control in United States v. Trenton Potteries and the many subsequent cases was inapplicable, since no patent was present in those cases.
44. The court, in United States v. Motion Pictures Patents Co., 225 Fed. 800, 803 (E. D. Pa. 1915), spoke of this defense as "one in confession and avoidance."
tempted price regulation was within such protection as is afforded by the General Electric case. Practically their first move, therefore, must be to introduce patents which "cover completely" the article actually being manufactured and sold under the agreements. And, as a sine qua non, it would seem, they must come into court with valid patents.  

FINDING A CONCLUSIVE PRESUMPTION

That well-known trial device, the presumption, would be of at least temporary aid. Of course, no court would go so far as to presume that the commodities actually being made by the parties came within the claims of any particular patent. That would obviously be a matter of affirmative proof. But it has been said over and over again that a patent, when once duly issued by the Patent Office, is presumed to be valid. As a public document, it is entitled to so much respect.

The infringement cases show, however, that so far from being "conclusive," this presumption of patent validity can, on occasion, be rather easily dispelled. For example, it is greatly weakened, if it does not entirely disappear, where the facts relied upon to show anticipation were not before the Patent Office at the time of granting the patent. One of the leading cases on the point is American Soda Fountain Company v. Sample, where the court said:

"We do not agree with the contention, that the fact that the file wrapper discloses the patent to have been granted as first applied for, without any references, adds any force to the presumption of novelty arising from the grant. On the contrary, we think the force of that presumption is much diminished, if not destroyed, by the lack of any reference by the Examiner to, or consideration of, the 'Clark' patents. It does not seem likely that an expert examiner would pass them by, without notice or consideration, if they had been called to his attention. We feel compelled, therefore, to the conclusion, that the first and fifth claims of the patent in suit are invalid for want of patentable novelty." [Emphasis supplied.]

45. In the General Electric case, it was assumed for purposes of the case that the company's patents were valid; all that the Government did was to reserve the point. It subsequently appeared in private litigation that the Coolidge patent, at least, was invalid in part. General Electric Co. v. De Forest Radio Co., 28 F. (2d) 641 (C. C. A. 3d, 1928). Hence, it would seem the price fixing sanctioned by the Court in the General Electric case may actually have been illegal, and must have been condemned had the true facts been known.

46. Radio Corp. of America v. Radio Engineering Laboratories, 293 U.S. 1 (1934).

47. 130 Fed. 145 (C. C. A. 3d, 1904).

48. Id. at 149–50. Patent counsel thus must calculate carefully what disclosures of prior art he will make to the examiner. To the extent that prior art has been considered in the Patent Office, a presumption of validity is created, but at the same time the chance that the patent will be disallowed is thereby increased. Evidently, where the patent is to be used in a "friendly" industry for price-fixing purposes, the problem is primarily to get by the Patent Office.
Other cases could be cited to the same point. But there is another line of authority even more challenging. For more than half a century, the courts on their own motion have refused to give relief upon any patent which, in the court’s opinion, lacked “invention,” regardless of the absence of any statutory authority so to do or of whether the matter was raised by the parties in their pleadings. The language of the Court on this point in Slawson v. Grand Street R. R. is informative:

“We think the practice thus sanctioned is not unfair or unjust to the complainant in a suit brought on letters-patent. If they are void because the device or contrivance described therein is not patentable, it is the duty of the court to dismiss the cause on that ground whether the defence be made or not. It would ill become a court of equity to render a money decree in his favor for the infringement of letters-patent which are void on their face for want of invention.” [Emphasis supplied.]

A similar result has been reached where the applicant has failed to describe his alleged invention in properly clear and precise terms. Without any discussion of presumptions, the courts, acting for the protection of the public, have simply refused to give effect to such patents. It may be convenient, perhaps, as a way of speaking, to say that in each of these cases the patent was prima facie valid, but if the first court before which it comes is duty bound to declare it invalid, such a presumption can give the price-fixer very little comfort. And, of course, his real suggestion that the presumption should be made conclusive, must be laughed out of court.

It will be noted, no doubt, that this “law” grew up in suits between private litigants. If the Government were itself the plaintiff, perhaps the case would be very different. However, it is difficult to see why it should make much difference whether it is a government judge, as in the Slawson case, who, acting on his own motion, declares a patent void, or the Attorney-General, who asks the courts to take that same action. In either case, it would seem the Government would be open

49. In International Flatstub Check Book Co. v. Young & Seldon Co., 284 Fed. 831, 832 (C. C. A. 4th, 1922), the court said: “The presumption of validity from the issuance of the patent ought generally to have great weight, but in this case it is greatly weakened by the fact that the file wrapper does not contain any reference to the Loewenbach patent.” See also Maibohm v. R.C.A. Victor Co., 89 F. (2d) 317 (C. C. A. 4th, 1937); McClintock v. Gleason, 94 F. (2d) 115 (C. C. A. 9th, 1938); Western Auto Supply Co. v. American-National Co., 114 F. (2d) 711, 713 (C. C. A. 6th, 1940).

50. 107 U.S. 649 (1882). See also Oswell v. Bloomfield, 113 F. (2d) 377 (C. C. A. 7th, 1940). In Exhibit Supply Co. v. Ace Patents Corp., 315 U. S. 126 (1942), the case came up on a narrow question concerning the doctrine of equivalents and the majority did not seem fit to pass one way or the other on validity.


53. See note 50 supra.
to the accusation that it was taking away with its right hand that
which it had given with its left, or vice versa.

The question, though, is obviously a "nice" one, and must be pursued
further. In passing, it may be noted that the price-fixer, himself, does
not appear in a very good light when he asks the courts to "find" a
conclusive presumption of patent validity in his favor. After all, it is a
tacit assumption of our patent laws that in a competitive economy the
infringement suit will ordinarily suffice to purge the patent system of
invalid patents. Surely, therefore, business competitors may not block
this usual test by covenanting not to sue, and still seriously ask the
courts to indulge even a prima facie presumption of validity in their
favor, much less a conclusive one.

No authority squarely upon the point has been found. The com-
ments of Judge Evans in United States v. Standard Oil Company, 54
however, leave little doubt of how the "law" ordinarily regards such mat-
ters. There it was found that the covenants not to sue, which had been
executed by all members of the industry and covered patents issued and
to be issued, were void as against public policy. It is but a short step
from this to say that, upon faithful (sic) observance of such void con-
tracts, the usual presumption of patent validity must itself give way.
The following excerpt from the opinion is informative:

"While a patent is presumptively valid, many of them, although
duly issued, are invalid for various reasons. The public, in whose
interest the patent laws are enacted, is ordinarily protected against
the burden of such void patent grants by the action of competitors
of the patentee who, prompted by motives of self-preservation,
refuse to recognize these void patents, and therefore successfully
contest them. The public is thereby relieved of the burden which
their existence entails.

"By these clauses of agreement 31 and similar clauses in the other
agreements, the parties purchased immunity from attack on their
patents. Tying the hands and sealing the lips of the only parties
who would ordinarily stand suit and contest the validity of the
patents, the primary defendants attempted to fasten on the public
burdens which it was not the purpose of the patent law to impose.
Such agreements violate the letter and the spirit of the patent law,
and are contrary to public policy." 55

A RESORT TO PURE LOGIC

It is evident that the price-fixer gets off on the wrong foot when he
seeks to have a conclusive presumption of patent validity declared in
his favor. That would be obvious judicial legislation, for almost any-
one can see that the finding of a conclusive presumption is but a round-

54. 33 F. (2d) 617 (N. D. Ill. 1929).
55. Id. at 630; see Kendall v. Winsor, 21 How. 322 (U. S. 1859).
about way of legislating for the patent holder. Besides, it is no longer judicially fashionable to indulge too freely in presumptions. The price-fixer, therefore, must find something more substantial, or devious, than a presumption upon which to put his case.

Perhaps the thing can be done by logic. For example, a plausible major premise might be phrased this way: The determinations of the Patent Office are final and conclusive and may not be questioned except for fraud or where permitted by statute. Passing quickly to the minor premise, it next appears that the principal methods of testing patent validity which have been marked out by statute are the infringement suit, and the interference proceeding, both ordinarily matters of private litigation. Putting fraud to one side, it therefore follows—more or less inexorably—that the Government may not challenge the validity of a patent in an antitrust proceeding.

The syllogism has been put to worse uses; it may serve again. But it may properly be pointed out that, however plausible the major premise, it was constructed more of hope than substance. It simply is not true. There are other ways of testing the validity of a patent before the courts than the two ways mentioned. From which it follows—inexorably—that the Government is not necessarily prevented by logic from testing the validity of a patent in an antitrust suit.

The best illustration of the fallacy in the proposed major premise is afforded by the case of Sola Electric Company v. Jefferson Electric Company. That was a suit by licensor v. licensee to recover royalties and to require the licensee to sell only in conformity with a general price-fixing scheme existing between the licensor and its several licensees. In other words, it was a simple contract action, not a suit for infringement. And not only was there no statutory authority by which the defendant could challenge the validity of the plaintiff's patents in such case, but the long established rules of estoppel would themselves prevent him, as licensee, from raising any question on that score.

56. Rev. Stat. §§ 4919, 4920 (1875), 35 U. S. C. §§ 67, 69 (1940). The first, § 4919, is of interest primarily as authorizing a court to award triple damages; the second, § 4920, was adopted primarily as a pleading matter; the burden is put on the alleged infringer in certain cases to give due notice of the nature of his attack on patent validity. “The statute in that respect was intended to create an easy system of pleading, and to relieve from any doubt the admissibility in that form of the defenses specified.” Reckendorfer v. Faber, 92 U. S. 347, 354 (1875).

57. Rev. Stat. § 4904 (1875), 35 U. S. C. § 52 (1940). Of course, strictly speaking, this section does not have to do with validity except as that may be involved in determining priority between patents in interference.

58. One Galileo, it will be remembered, was convicted of heresy for disputing Aristotle's "proof" by the syllogism that a ball of lead, for example, must fall more rapidly than one of wood. Since heavy things fall more rapidly than light ones, and lead is heavier than wood, the conclusion followed inexorably. But it could not be established experimentally. Bell, The Search for Truth (1934) 159-60.


60. The lower court said: "Generally speaking, appellant as licensee is estopped to deny
To anyone more concerned with the forms of law than its substance, the position of the price-fixer in the *Sola* case was impregnable. Unfortunately for him the Supreme Court was concerned with substance. Assuming that the patents in question were invalid, as alleged, the price-fixer not only was flouting the intent and purpose of the patent laws, but his price-fixing scheme was contrary to the antitrust laws as well. In such case, it seems, court-made rules of estoppel must give way, for as stated by Chief Justice Stone:

"Local rules of estoppel which would fasten upon the public as well as the petitioner the burden of an agreement in violation of the Sherman Act must yield to the Act's declaration that such agreements are unlawful, and to the public policy of the Act which in the public interest precludes the enforcement of such unlawful agreements." 62

Needless to say, the *Sola* case has been a disturbing influence in the price-fixer's life. Of course, strictly speaking, the Court did not say that the Attorney-General may raise a question of patent validity in the public interest; it held simply that a private litigant might do so. And, as we all know, private litigants can be reasoned with. But still, the anomaly that the public welfare requires that a private litigant must be free to challenge the patents on which a price-fixing scheme rests, while the Attorney-General who is directly charged by Congress with enforcing the anti-monopoly laws 63 may not, must be confusing even to the price-fixer, if he is a layman.

**Cases in Point**

In the parlance of the case lawyer, one good case, even one fairly good case, is worth a barrel of argument, however logical. Surely the price-fixer can point to some authority in his favor. Unfortunately, there have been but few cases squarely on the point, and these, except for the recent *United States Gypsum* 64 case to be noticed later, have not

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62. *Supra* note 59, at 177. To be explicit, the Court further said: "... petitioner may assert the illegality of the price-fixing agreement and may offer any competent evidence to establish illegality, including proof of the invalidity of the patent." Cf. Morton Salt Co. v. Suppiger Co., 314 U. S. 488, 492-3 (1942).

63. The Sherman Act provides that "it shall be the duty of the several district attorneys of the United States, in their respective districts, under the direction of the Attorney General, to institute proceedings in equity to prevent and restrain such violations." 26 Stat. 209 (1891), 15 U. S. C. § 4 (1940).

been too helpful. Others, notably the Bell Telephone 65 case, are not precisely in point, and are not authority for the price-fixer even when bolstered up with a barrel of argument.

One of the first cases to consider the express question was United States v. Porcelain Appliance Corporation,66 unreported. There the court affirmed the right of the Government to introduce evidence of patent invalidity in an antitrust suit. Judge Westenhaver, in ruling on a motion, said:

"Obviously, this is not a suit by the United States to cancel patents. It is probably beyond the scope of all possible issues to decree certain patents or certain claims thereof to be void. The issue here is whether or not the defendants have organized and are members of an illegal conspiracy and a final decree can probably not have any broader scope. These expressions are not to be taken as the final determination of any such question. However, assuming they correctly state the law, it would still appear that the allegations of the bill are proper and that the testimony in support thereof might be received . . . I can perceive many combinations, in violation of the Sherman antitrust law, in which patents or claims thereof, invalid in view of prior art, or limited in nature, may be wrongfully used in building up or maintaining such an illegal conspiracy. . . ."

The "oil cracking" case, United States v. Standard Oil Company,67 above mentioned, was the next to pass upon the question. In that case, the Master, before whom evidence was being taken, certified several questions to the District Court concerning the right of the Government to question either the scope or the validity of the defendants' patents. The court, after hearing argument, overruled the defendants' objections and directed that the evidence be heard. This was a clearcut ruling in the Government's favor, but the Master apparently was not convinced. At all events, the matter again came before the court, this time upon the Government's exceptions. The court, however, found it unnecessary this time to pass upon the question, since it decided for the Government on other grounds. In disposing of the Government's exceptions, however, the court said:

"This Court is divided respecting the right of the Government to attack the validity of the patents in these proceedings. We are satisfied, however, that we may inquire into the prior art to ascertain the scope of the claims of the various patents involved." 68

65. See note 7 supra.
66. N. D. Ohio, Sept. 9, 1926.
67. See note 54 supra.
68. Id. at 623-4. This case should at least set at rest any question as to the right of the Government to introduce evidence of prior art in order to show the true scope of a defendant's patents.
It will, of course, never be known for sure whether the court was divided in favor of receiving evidence of invalidity, or the contrary. Nor do we know what the Supreme Court thought about the matter, for when the defendants took the case up on appeal, the evidence question was not brought along for decision. Mr. Justice Brandeis' comment on the matter was as follows:

"Inasmuch as the government did not appeal from these findings, we need not consider any of the issues concerning the validity or scope of the cracking patents; and we accept the finding that they were acquired in good faith. Neither the findings nor the evidence on this issue supply any ground for invalidating the contracts." 70

The "law" in the decided cases, such as it is, has thus been against the price-fixer, rather than for him. Moreover, his case is not helped by any favorable Supreme Court "dicta." In fact, the contrary is true. For example, in Ethyl Gasoline Corporation v. United States,71 an antitrust proceeding in which the defendants were found to have extended their patent monopoly illegally in violation of the Sherman Act, Mr. Justice Stone said:

"In considering that question we assume the validity of the patents, which is not questioned here." [Emphasis supplied.] 72

Again, in United States v. Masonite Corporation,73 which involved a conspiracy in restraint of trade in the marketing of patented hardboard, Mr. Justice Douglas said:

"We assume arguendo that the patents in question, owned by Masonite, are valid." 74

It is a fair inference from the language used in these two opinions, as from the language of Mr. Justice Brandeis in the Standard Oil case, discussed supra,75 that had the question of validity been raised, the Supreme Court would have considered evidence relating thereto. Certainly had Mr. Justice Stone been fully persuaded to the price-fixer's contention, he might well have said: "which may not be questioned here," instead of, "which is not questioned here."

A still more positive expression of the Supreme Court's attitude, however, appears in the recent case of United States v. Univis Lens Company.76 There the Court held that the defendants had violated the

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70. Id. at 181.
71. 309 U. S. 436 (1940).
72. Id. at 456.
73. 316 U. S. 265 (1942).
74. Id. at 276.
75. See note 54 supra.
76. 316 U. S. 241 (1942).
Sherman Act by using their limited patent monopolies to control general trade in lenses. In the course of the opinion, the Chief Justice said:

"The Government has not put in issue the validity of the lens patents, but argues that their scope does not extend beyond the structure of the lens blanks and consequently affords no basis for the Corporation's restrictions on the sale of the finished lenses which the wholesalers and finishing retailers fashion from blanks purchased from the Lens Company. . . .

"The record gives no account of the prior art and does not provide us with other material to which, if available, resort might appropriately be had in determining the nature of an alleged invention and the validity and scope of the patent claims founded upon it." [Emphasis supplied.] 77

One would think that, when the Supreme Court had said it would be *appropriate* in an antitrust proceeding to introduce evidence of patent invalidity, that would put an end to the matter. But, of course, the Chief Justice's statement was, after all, mere dictum. And dicta, as we have often been told, may be "ill considered."

**THE BELL TELEPHONE CASE**

The price-fixer puts his case finally on certain language of Mr. Justice Brewer in *United States v. American Bell Telephone Company*.78 Of course, it might be pointed out that that case, like its contemporary, *United States v. E. C. Knight Company*,79 the sugar trust case, was decided at a time when the Supreme Court was perhaps less public-minded than it has been for many years now. Moreover, the "language" of Mr. Justice Brewer was merely "dicta," for no one will contend that the Telephone case is an express "holding" in the price-fixer's favor. But the case is at least a "squint" in his direction, that is clear.

The Telephone case was brought in order to have the Berliner patent for a telephone receiver set aside as wrongfully issued. The legal grounds were, first, fraud, in that the application which was filed in 1877 allegedly had not been prosecuted with due diligence in the Patent Office. Letters patent, it seems, were not issued until 1891. And, secondly, mistake, in that a patent issued to Berliner in 1880 upon the same invention, though employed in a transmitter rather than a receiver, was said to have exhausted the Commissioner's power. There were other grounds, but these two give the import of the case.

The public's interest in the matter was clear. The Telephone Company, having already enjoyed a patent monopoly for some 11 years, was now given a virtual extension of its claims for 17 years more, or so

77. *Id.* at 248.
78. 167 U. S. 224 (1897).
79. 156 U. S. 1 (1895).
it seemed. But the Court found no fraud in the delay, inexcusable as it may have been; and as for the second ground, Mr. Justice Brewer ruled flatly that a court of equity could not "entertain jurisdiction of a suit by the United States to set aside a patent for an invention on the mere ground of error of judgment on the part of the patent officials." 80 To hold otherwise, he said, would be "to exercise an appellate jurisdiction over the decisions of the Patent Office," 81 and no such jurisdiction had been conferred by statute.

It is difficult to be sure just what the principal concern of the Court was in reaching this decision. Most clearly it was not based on any doubt as to the Court's own competence to review the so-called decisions of the Patent Office, for patent questions of all sorts were continually being brought to the courts by private litigants in infringement proceedings. Rather, it would seem the Court was disturbed by the thought that the Attorney-General had acted without express statutory authority. He might see fit to bring many cases, perhaps, initiated by nothing more substantial than his personal disapproval of the determinations of the Patent Office. 82

The Court, however, was careful to point out that suits may properly be brought by the Government to set aside one of its patents "not only when it has a proprietary and pecuniary interest in the result, but also when it is necessary in order to discharge its obligations to the public...." 83 (Emphasis supplied.) The Government clearly had no proprietary interest to protect in the Telephone case, and as for the public interest, the Court saw no reason to permit the Attorney-General to raise the question. Insofar as he might act for other patentees and alleged infringers, the Court said that the remedy at law was adequate, for the patent laws expressly recognize their right to litigate questions of patent validity. One gets the clear impression that the Court felt this remedy alone—in a free economy—would serve satisfactorily to rid the patent system of invalid patents. 84 That being so, why should Government interfere?

It is evident the Telephone case fails, in at least two important respects, as a controlling authority for the price-fixer who puts his trust in an invalid patent. In the first place, the action was to set aside the defendant company's patent, thus settling once and for all the question of validity, while an antitrust action is directed to a different end; it

80. 167 U.S. 224, 269 (1897).
81. Ibid.
82. The Court cited its decision in Butlerworth v. Hoe, 112 U.S. 50 (1884), where it was held that the Secretary of the Interior had no power to review the action of the Commissioner of Patents.
83. 167 U.S. 224, 264 (1897).
84. What the Court would have thought if all competitors had faithfully observed a "void" contract not to test the patent in court, Mr. Justice Brewer did not say.
strikes primarily at monopoly and restraint of trade, and would not affect the patent in subsequent suits between different parties. If invalid patents have been used as a cloak for price fixing, the court is merely asked to give due weight to the fact of invalidity, not to cancel the patent.

Assuming, therefore, that the Court correctly ruled in the Telephone case that it could not entertain jurisdiction of a suit brought by the Attorney-General to cancel a patent for failure to conform to the patent laws, it by no means follows that it must close its eyes to the fact of patent invalidity when that becomes an issue in a case where the Court clearly does have jurisdiction. This the Supreme Court has recognized. The statement of Mr. Justice Holmes, in Becher v. Contoure Laboratories, Inc., a contract action, puts the matter as follows:

"A fact is not prevented from being proved in any case in which it is material, by the suggestion that if it is true an important patent is void—and, although there is language here and there that seems to suggest it, we can see no ground for giving less effect to proof of such a fact than to any other."

The second point is probably even more decisive. Whatever may be said of the authority of the Attorney-General to bring an action to set aside a patent, there can be no doubt of his power to bring an antitrust proceeding. In so doing, he does not act as a volunteer, but pursuant to express Congressional mandate. For the same reason, there can be no doubt of the Court's own jurisdiction to entertain the action. And it would seem to follow that, if the monopoly was alleged to be illegal in that it was based on an invalid patent, the whole question of validity would be properly up for decision.

The principal reasons stated by the Court for its decision in the Telephone case, therefore, simply have no application to an antitrust proceeding. In fact, the antitrust proceeding would seem to be the very sort of case which the Supreme Court expressly recognized might properly be brought. The Court said that the Government may bring an action to set aside a patent whenever "it is necessary in order to enable it to discharge its obligations to the public." No doubt, Mr. Justice Brewer had fraud in mind as an illustration when he wrote, but it is surely quite as necessary to relieve the public of a price-fixing monopoly based on invalid patents as that the patent obtained by fraud should be set aside.

The result is that the Telephone case, so far from being an aid to the

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87. 279 U. S. 388, 391-2 (1929).
88. See note 83 supra.
price-fixer, is actually an authority against him. His patents, if invalid, may be set aside when that is necessary to enable the Government fully to discharge its obligations to the public. *A fortiori* the fact of invalidity may be shown in an antitrust proceeding directed at restraints of trade.

**The Right Hand-Left Hand Doctrine**

The foregoing analysis would seem to vindicate the uninitiated layman; surely the anti-monopoly laws can reach the price-fixer whose only claim to immunity is an invalid patent. But the proof of the pudding is in the eating thereof. Recently, in the case of *United States v. United States Gypsum Company*, the problem was fully considered, and a majority of the court came to the conclusion not only that the Government *could* do nothing to show patent invalidity, but, moreover, that it *should* do nothing of that sort.

The case presented the issues sharply. Since 1929, the gypsum companies have operated under a patent license price-fixing scheme covering their business in gypsum lath and wall board. Prices, which were in sharp competition prior to 1929, have since been entirely uniform. In fact, prices for gypsum board rose steadily right through the first several years of the depression. Moreover, of the five patents whose validity was particularly called in question, none had ever been challenged in the courts. The industry had covenanted not to test them; it had agreed not to contest the validity of three, in fact, even before they were issued by the Patent Office. Nothing, it seems, was left to chance.

These matters, presumably being first duly considered, were put to one side by the majority of the court in reaching its decision. A matter of "good government" of transcendent importance was said to be at stake. "One of the first objectives and essentials of good government," it said, "is order and certainty in relations between government and citizen. This cannot be secured if the Government itself is not to be depended upon to abide its grants, even if they have been improvidently or erroneously made."  

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90. That this judgment now represents the "law" for the District of Columbia may perhaps be doubted in view of Special Equipment Co. v. Coe, 62 U. S. P. Q. 12, 20 (1944). There Justice Miller said: "The protection of the public should not be required to await the initiation of an infringement suit or an antitrust prosecution." [Emphasis supplied.]

91. The majority did not rule upon either the legality or the morality of the defendants' agreements not to contest the validity of the Gypsum Company patents. It was content to say that if such agreements were illegal, then the defendants were free at any time to contest validity, and hence no harm was done. The larger fact, that since 1929 the defendants had actually observed their agreements, as though valid, was given no weight in the opinion.

The Government's action to upset the price-fixer's monopoly, the majority said, was "based upon the extraordinary premise that the Government can in one department issue a grant and in another question its own action. . . ." [Emphasis supplied.] To countenance such a proposition, there being no allegation of fraud in the pleadings, would be contrary to "common principles of justice and fairness." Accordingly, without any consideration of prior art, any investigation of the nature of the inventions claimed, or any discussion of whether they were described in properly clear and precise terms, the majority gave partial judgment in the defendants' favor. The patents, to all intents and purposes, were completely valid as written, and that was the end of the matter.

THE QUESTION OF ETHICS

When the majority in the Gypsum case said that it was contrary to "common principles of justice and fairness" to permit the Government to show that certain patents were invalid and thus to uncover an illegal price-fixing monopoly, it used harsh language. Presumably it felt secure in its moral judgment, for it spoke without qualification. The moral issue, accordingly, will have to be met before the "law" of the holding may be considered.

The complete refutation to the ethical strictures of the majority, it would seem, lies in the statute of June 25, 1910, passed by the Congress to confer jurisdiction upon the Court of Claims to hear patent infringement actions brought against the United States. Previously such claims had come before Congress, where their disposition was not only slow, but unpredictable. One would suppose that the big question for debate in Congress, when the new law was passed, was whether the Government could ever decently raise a question of patent invalidity. Strangely enough, the reverse was true. No one, apparently, doubted that the Government could with complete propriety put in issue any defense which might be raised by a private litigant. To make the point clear beyond argument, however, a sweeping provision that the United States might avail itself of "any and all defenses, general or special" was inserted in the bill. That is, the Congress, at least, saw nothing ethically dubious in permitting the Government to take away with its left hand that which by solemn grant it had given with its right.66

But that was in 1910. Perhaps the Congressional appreciation of the ethical niceties was somewhat blurred so long ago. It seems more

93. Ibid.
94. Ibid.
96. The majority in the Gypsum case dismissed the 1910 statute early in its opinion with the remark that it was "obviously not pertinent" since the action before the court was literally not one for infringement. 53 F. Supp. 889, 893 (D. C. D. C. 1943).
probable, however, that the Congress had a very different conception of the nature of the patent grant than did the majority of the court in the Gypsum case. It did not speak of letters patent as things of solemn finality when once issued by the Patent Office, but as instruments conferring a mere prima facie right upon the alleged inventor. His patent may well have been validly issued, but whether it was actually valid was a legal question to be determined later by the courts when all the facts could be fully developed.

Long before this, the Supreme Court, in Reckendorfer v. Faber, had made it very clear that the acts of the Commissioner of Patents were not final and conclusive. A patent to be valid must actually conform to the fixed requirements of the patent laws; the Commissioner is given no discretion in the matter; it is not his function but that of the courts in the last analysis to adjudge whether the statute has been complied with. While this was an infringement suit between private litigants, the generality of the Court's language leaves no doubt as to the true conception of the nature of the patent grant.

In this light, the question clearly is not one of ethics. If the United States may properly raise the legal issue of patent validity when it is sued for infringement, it may, with equal propriety do so where an invalid patent is interposed as a defense in an antitrust suit. In the one case, the Government brings the matter properly before the courts in the protection of its "proprietary" interest; in the other, to use the words of Mr. Justice Brewer in the Telephone case, in order "to discharge its obligations to the public."

The Administrative Law Cases

The majority in the Gypsum case found the principal "law" to support its decision in the administrative law cases. The Government, it said, "is seeking a judicial determination that the Patent Office erred in issuing the patents and that they are invalid." Thus, it was sought to bring the Patent Office within the many decisions in recent years dealing with administrative bodies. As the matter was put, "the courts do not have authority in the absence of statute to review the

97. For example, in the course of the debate, Mr. Lenroot said: "The patent granted in the first instance gives the inventor only a prima facie right. Anyone can go into court and test the validity of a patent because of a prior patent covering the same subject, or for many other reasons." 45 Cong. Rec. 8771 (1910).
98. 92 U.S. 347 (1876).
99. Id. at 351.
100. 167 U.S. 224, 264 (1897).
101. 53 F. Supp. 889, 892 (D. C. D. C. 1943). The writer of the majority opinion went on to say that: "This was conceded in the oral argument." But counsel at no place made any such concession and the court later explained its statement by saying it was a matter of "interpretation." Transcript of Record 1429, United States v. U. S. Gypsum Co., supra.
exercise of discretion or judgment by officers or agencies of the executive branch of the Government.” 102 In fact, it was said the Telephone case, above discussed, was really a forerunner of these decisions and was decided upon the same theory.

To reduce the issue to simple terms, then, consider the case of Houston v. St. Louis Packing Company, 103 one of the principal authorities cited by the majority for its holding. There Congress had confided to the Secretary of Agriculture the duty of making “rules and regulations” to administer a statute forbidding the sale of meat products in interstate commerce under “false or deceptive” names. The question sought to be raised was whether the Secretary had properly ruled that sausage, to be “sausage,” must contain no more than two per cent of cornmeal or other cereal. In the Court’s view, the determination of what may properly go into “sausage” was purely an administrative function. The determination having been “committed to the decision of the Secretary of Agriculture,” there was nothing for the Court to pass upon. For, as stated by Mr. Justice Clarke, “the law is that the conclusion of the head of an executive department on such a question will not be reviewed by the courts, where it is fairly arrived at with substantial evidence to support it.” 104

But has the question of patent validity ever been committed to the Patent Office for final administrative determination? Certainly the patent laws do not so provide. And, aside from the Gypsum case, it is believed there is no case authority for such a proposition. On the contrary, for at least a century, it has been supposed that the Commissioner made only a prima facie determination of validity upon issuing a patent. The ultimate question, whether the patent would actually satisfy the fixed requirements of the patent laws, has been regarded as one for the courts to pass upon.

The Patent Office was not set up as a modern administrative agency, with quasi-legislative authority to issue such patents as it might see fit in order to carry out a general legislative policy. It was given no discretion whatever in fact. The statute was addressed to the inventor, and it told him that if he had “invented or discovered any new and useful art, machine, manufacture, or composition of matter,” he might, upon payment of a fee, “obtain a patent therefor.” 105 The inventor, in other words, was told plainly that he had no right to a patent, and the Patent Office had no authority to give him one, unless the express requirements of the statute were satisfied.

It perhaps overstates the case to say that the Patent Office is given no discretion whatever. Obviously the critical word, invention, for

103. 249 U. S. 479 (1919).
104. Id. at 484.
example, is one on whose meaning there can be sharp disagreement. In the sense that the Commissioner must first say whether or not invention exists, he exercises a discretion. But, in this very situation, the decisions are most positive that the Commissioner's finding is not conclusive. As pointed out above, the courts have always refused to enforce a patent if in their opinion it lacked "invention." And this, even though no express statutory authority is given to challenge a patent on that ground.

Of course, the law might have been written that letters patent are more than a prima facie grant. There has long been a crusade, in fact, to attain that result. The business price-fixer would certainly like to have it that way. But a consideration of the requirements of the statute which the inventor must satisfy and the long established Patent Office practice shows that the statute was drafted on a very different plan. It was left to the courts, not the Patent Office, to have the last word. Rights so vital to the general public welfare were not to be ceded over to the private claimant upon a mere ex parte hearing before a patent examiner.

By way of illustration consider the requirement that the alleged invention must not have been "in public use or on sale in this country for more than one year" prior to the date of the claimant's application; or the similar requirement concerning prior publication. Unless these statutory requirements are completely satisfied, as the inventor well knows, he is not entitled to a patent. It would be possible, perhaps, for the Patent Office to take the time and spend the money necessary to make an exhaustive search throughout the country to establish beyond doubt that no prior use or publication existed. The long established practice, however, is to put that responsibility upon the inventor. Congress requires him to assure the Patent Office, upon his oath, that he does not know and does not believe that the invention was ever before known or used. Whereupon, the Patent Office, having no information to the contrary, issues the patent.

106. The furor in the patent bar over Mr. Justice Douglas' suggestion that invention should involve a "flash of creative genius" is illustration enough. Cuno Engineering Corp. v. Automatic Devices Corp., 314 U. S. 84, 91 (1941).
107. See note 50 supra, and in addition, Dunbar v. Meyers, 94 U. S. 187 (1876).
109. Prior to 1836 patents were issued without examination, upon formal compliance with the statute. Under that system, as pointed out by Senator Ruggles: "The country becomes flooded with patent monopolies, embarrassing to bona fide patentees, whose rights are thus invaded on all sides; and not less embarrassing to the community generally. ..."
12 Cong. Deb., 4 (app. 101) (1836). Obviously a careful preliminary examination of the inventor's claims should be made, and by well trained examiners, even to give the patent prima facie validity. Such has long been the practice.
111. Ibid.
Properly understood, therefore, it is quite beside the point to speak of the Commissioner of Patents as having "erred" in issuing a patent where such defenses are raised; or of the Government taking away with its left hand that which it gave with its right. The Patent Office does not purport to be an insurer of the patentee's claims; nor should it be given that power by judicial legislation. On the contrary, the inventor himself, according to our system, bears the ultimate burden of establishing that his invention satisfies the requisites of the statute. As the matter was put in the Reckendorfer case:

"It is not sufficient that it is alleged or supposed, or even adjudged, by some officer, to possess these requisites. It must, in fact, possess them; and that it does possess them the claimant must be prepared to establish in the mode in which all other claims are established; to wit, before the judicial tribunals of the country." 113

As additional, or make-weight, support for its holding, the majority cited certain land cases.114 But in the case principally relied upon, United States v. Coronado Beach Company,116 it appeared that Congress had expressly provided that the Land Office grant when made would be conclusive on the Government. That case, accordingly, is wholly without persuasive value. The other cases relied on having to do with collateral attack, were scarcely in point.118 On the other hand the majority entirely disregarded a line of cases going back at least to United States v. Stone,117 in which it has been held that the United States may properly bring action to cancel its deeds where they have been issued by mistake. The land cases, thus, far from supporting the position of the majority, are actually authority to the contrary.

But, apart from all this, it simply will not do to assume that the determination of the Land Office and of the Patent Office are to be accorded exactly the same standing. And even more clearly, as pointed out above, the determinations of the Patent Office in the issuance of a patent are not to be confounded with the discretionary administrative rulings of the various quasi-legislative bodies created by Congress in recent years. The Patent Office, at least, as the patent bar has long insisted, is something sui generis.118

113. 92 U.S. 347, 350 (1875).
115. 255 U.S. 472 (1921).
116. See Note (1944) 53 YALE L. J. 579, 580.
117. 2 Wall. 525 (U. S. 1864). The Court there said: "Patents are sometimes issued unadvisedly or by mistake, when the officer has no authority in law to grant them, or where another party has a higher equity and should have received the patent. In such cases courts of law will pronounce them void."
The upshot of the matter is that the price-fixer has but little "law" in his favor, and his efforts to raise a "moral" issue must come to nothing at all. Any other result would be "anomalous," to say the least, for, as Judge Bland put it in his dissenting opinion in the Gypsum case:

"Can a defendant say, 'Yes, I would be violating the Sherman Act if I were not acting under my valid patent rights,' and then close the mouth of the Government to show that the patents are such as to be no justification for such a violation?" 119

It must always be remembered that the patent grant is a private monopoly, government sanctioned, "not for the creation of private fortunes," but in order "to promote the progress of science and useful arts." 120 The invalid patent simply has no warrant of any sort for its existence. It would not be "good Government," therefore, but the virtual negation of government, if the Attorney-General could not move directly to rid the economy of a price-fixing monopoly based upon such a subterfuge.