

on the theory that the lessor's royalty interest must be protected, with a corollary to the effect that it was not the expectation of the parties that the lessee would permit the land to lie dormant with the lease as a perpetual cloud on the title.¹⁹ Although there is no private royalty interest at stake under the grant in the instant case, it would seem that there remains a public interest which corresponds to the royalty owner's interest, in that it is to the public's advantage to have petroleum resources proved up and developed. This interest should be no more subject to the grantee's inertia than the royalty owner's interest should be subject to the lessee's inertia. Furthermore, in the case of grants of standing timber, where the grantor has no royalty interest, courts uniformly hold that unless the timber be removed in a reasonable time, the grantee's rights in the timber are extinguished.²⁰ This same rule should be applied to grants of oil and gas.

Patents—Extent of Use of Patent—Use of Tying Agreement Bars Patentee in Infringement Suit—[Federal].—The plaintiff company leased its patented salt-depositing machines to commercial canners on the condition that they use with these machines only salt tablets, which were unpatented, made by the plaintiff's subsidiary. The defendant company, which also manufactured unpatented salt tablets, made unpatented depositing machines and leased them to canners. The plaintiff alleged that the defendant's machine infringed its patent, and brought suit for an injunction and

v. Consolidated Coal & Oil Corp., 101 W.Va. 721, 133 S.E. 626 (1926), the court quoted Archer, Law and Practice in Oil and Gas Cases § 28 (1910): "Where a lessee under an oil and gas lease has not within a reasonable time entered upon the demised premises for the purpose of exploring for oil and gas, the law presumes an abandonment." *Hitt v. Henderson*, 112 Okla. 194, 240 Pac. 745 (1925); *New State Oil & Gas Co. v. Dunn*, 75 Okla. 141, 182 Pac. 514 (1919); *Cole v. Butler*, 103 Kan. 419, 173 Pac. 978 (1918); *Mills v. Hartz*, 77 Kan. 218, 94 Pac. 142 (1908); *Mansfield Gas Co. v. Parkhill*, 114 Ark. 419, 169 S.W. 957 (1914); *Mansfield Gas Co. v. Alexander*, 97 Ark. 167, 133 S.W. 837 (1911); *Barnhart v. Lockwood*, 152 Pa. 82, 25 Atl. 237 (1892); *Kentucky Rock Asphalt Co. v. Milliner*, 234 Ky. 217, 27 S.W. (2d) 937 (1930). In Louisiana, a grant or reservation of oil and gas if not exercised for ten years is lost. See Louisiana Civil Code (Dart, 1942) art. 123.118; *Achee v. Caillouett*, 197 La. 313, 1 S. (2d) 530 (1941); *Palmer Corp. v. Moore*, 171 La. 774, 132 So. 229 (1930). In Texas, even corporeal estates in oil and gas are terminable by abandonment. *Stephens County v. Mid-Kansas Oil & Gas Co.*, 113 Tex. 160, 254 S.W. 290 (1923); *Texas Co. v. Davis*, 113 Tex. 321, 255 S.W. 601 (1923); see 3 *Summers, Oil and Gas* § 459, at 78-80 (perm. ed. 1938). Illinois courts recognize the principle of abandonment, although no case has been found in which a lease was actually declared abandoned. See *Ohio Oil Co. v. Reichert*, 343 Ill. 560, 566, 175 N.E. 790, 793 (1931); *Gillespie v. Ohio Oil Co.*, 260 Ill. 169, 102 N.E. 1043 (1913).

¹⁹ 3 *Summers, Oil and Gas* §§ 453, 459 (perm. ed. 1938).

²⁰ *Couch v. Kahler Co.*, 199 Ark. 45, 132 S.W. (2d) 648 (1939); *Moxley v. Adams*, 190 Ga. 164, 8 S.E. (2d) 525 (1940); *Wilson Cypress Co. v. Stevens*, 106 Fla. 717, 143 So. 661 (1932); *Parsons v. Boggie*, 139 Ore. 469, 11 P. (2d) 280 (1932); *Nelson v. McKinney*, 163 Wash. 529, 1 P. (2d) 876 (1931); *Altizer v. Jewell Ridge Coal Corp.*, 157 Va. 1, 160 S.E. 47 (1931); *Joyce v. Gibson*, 106 W.Va. 221, 145 S.E. 279 (1928); *Rathborne, Hair & Ridgway Co. v. Coffron*, 173 Minn. 452, 217 N.W. 501 (1928); *Eastern Kentucky Mineral & Timber Co. v. Swann-Day Lumber Co.*, 148 Ky. 82, 146 S.W. 438 (1912); *Carson v. Lumber Co.*, 108 Tenn. 681, 69 S.W. 320 (1902); cf. *Gay Mfg. Co. v. Hobbs*, 128 N.C. (46), 38 S.E. 26 (1901).

an accounting. The district court summarily dismissed the complaint, without considering the issues of validity or infringement, on the ground that the plaintiff was restraining competition in the sale of unpatented salt tablets.² On appeal the Circuit Court of Appeals for the Seventh Circuit reversed, holding that evidence should have been considered to determine whether the plaintiff's practice violated Section 3 of the Clayton Act³ by substantially lessening competition or tending to create a monopoly in the unpatented product.³ On writ of certiorari, the Supreme Court *held*, that the plaintiff's practice of compelling the lessees of its patented machines to use only its subsidiary's salt tablets was contrary to public policy and hence that the complaint should be dismissed. *Morton Salt Co. v. Suppiger Co.*⁴

The Supreme Court has indicated its disapproval of restrictions in licenses or sales contracts requiring the use of unpatented materials or supplies with patented processes or products. It has refused to entertain either a direct infringement suit⁵ against a licensee or a buyer or a contributory infringement suit⁶ against a third party who furnished unpatented articles to an alleged direct infringer. These decisions may be explained on the ground that the patentee was barred from prosecuting his infringement suit because the conduct of the patentee had harmed the particular defendant before the Court. In the instant case, however, the plaintiff's complaint was dismissed "regardless of whether the particular defendant . . . suffered from the misuse of the patent."⁷ Although the defendant might have been harmed in the sale of its own tablets "nothing turns on the fact that [it] also competes with [the patentee] in the sale of the tablets."⁸ The Court explained its dismissal of the complaint as follows: "It is the adverse effect upon the public interest of a successful infringement suit in conjunction with the patentee's course of conduct which disqualifies him to maintain the suit. . . ."⁹

This decision rendered the plaintiff's patent at least temporarily useless. This may mean that the Court considered the patent void. If this interpretation is followed, a patentee who uses tying clauses might be liable to anti-trust prosecution for his monopoly, no longer protected by the patent.¹⁰ On the other hand, the decision may mean that the patent was still valid although unenforceable, but that the restrictions

² *Suppiger Co. v. Morton Salt Co.*, 31 F. Supp. 876 (Ill. 1940).

³ 38 Stat. 731 (1915), 15 U.S.C.A. § 14 (1941).

³ *Suppiger Co. v. Morton Salt Co.*, 117 F. (2d) 968 (C.C.A. 7th 1941).

⁴ 62 S. Ct. 402 (1942).

⁵ *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502 (1917).

⁶ *Carbice Corp. v. American Patents Development Corp.*, 283 U.S. 27 (1931); *Leitch Mfg. Co. v. Barber Co.*, 302 U.S. 458 (1938).

⁷ *Morton Salt Co. v. Suppiger Co.*, 62 S. Ct. 402, 406 (1942).

⁸ *Ibid.*, at 404.

⁹ *Ibid.*, at 406. The same adverse effect would have followed had this been an action at law for damages; hence, it appears that the result of the case cannot be explained solely because the patentee elected the wrong remedy.

¹⁰ This might be viewed as forcing a choice upon the patentee; he can have either the patent or the tying clause but not both. By using tying clauses he has sacrificed the patent. But since the courts have consistently refused to enforce such restrictions the choice would be illusory. Notes 5 and 6 supra.

were invalid. Under the latter interpretation the mere existence of tying clauses will not render the patentee subject to anti-trust prosecution unless they substantially lessen competition or tend to create a monopoly in the unpatented article.²²

The patent will remain useless until the "improper practice has been abandoned and . . . the consequences of the misuse of the patent have been dissipated."²² Although abandonment might seem easily proved, cases already decided suggest problems which will arise in the application of this test.²³ The requirement that the patentee stop exacting promises that licensees, lessees, or buyers of his patent use his unpatented products might be formally satisfied by his granting unrestricted licenses on a royalty basis. But the royalty charge could be set so high that the patentee would be able to undersell his competitors in the unpatented product and accomplish the same result as did the abandoned tying clause. Furthermore, proof of the "dissipation" of the "adverse effects upon the public interest" would be especially difficult. The Court might apply an economic test, the restoration of competitive equilibrium;

²² There still remains the possibility both that the patent will be void because of the tying clauses, should the question arise in a particular case through anti-trust prosecution, and also that the restrictions will be void because of the patent, if the question should arise as a defense to an infringement suit.

The circuit court of appeals held that the plaintiff's tying agreements should not be condemned unless it could be shown that they tended to establish a monopoly or to substantially restrain competition in the unpatented article. *Suppiger Co. v. Morton Salt Co.*, 117 F. (2d) 968 (C.C.A. 7th 1941). This argument ignores the fact that the tying clauses are condemned, not because they have monopolized the unpatented product, in which event the Suppiger Company would be subject to the terms of § 3 of the Clayton Act, but that they have been obtained through the coercion of the patent grant. Thus, one who sells or leases an unpatented article can require that only supplies purchased from him be used with the unpatented product insofar as such practice does not violate the Clayton Act by substantially lessening competition or tending to create a monopoly in the "tied" article. If the buyer or lessee does not like the arrangement he can purchase or lease elsewhere. *FTC v. Sinclair Refining Co.*, 261 U.S. 463 (1923). But where a patent is involved, the competitive alternative is not available and, even though the practice may not tend to establish a monopoly or tend to substantially lessen competition in the unpatented article, something less than competitive freedom is the result. Government counsel has referred to a "twilight zone between the protection afforded by the anti-trust laws and the proper limits of the patent monopoly," *Brief for the United States as Amicus Curiae, B.B. Chemical Co. v. Ellis*, 62 S.Ct. 406 (1942). It cannot now be precisely stated how far the instant decision extends the power of the Government in anti-trust prosecution. The resolution of the problems in *United States v. Masonite Corp.*, 40 F. Supp. 852 (N.Y. 1941), probable jurisdiction noted 62 S. Ct. 302 (1941), may clarify the limits of the Government's power.

²³ *Morton Salt Co. v. Suppiger Co.*, 62 S.Ct. 402, 405 (1942). This matter was not in issue in the instant case, but in another case decided the same day, *B.B. Chemical Co. v. Ellis*, 62 S. Ct. 406 (1942), the patentee, when denied relief in an infringement suit because the patent was being used contrary to public policy, offered to give unconditional licenses to all manufacturers on a royalty basis. The Court rejected this offer, holding that the patentee's right to relief would not be considered until the patentee could "show that it has fully abandoned its present method of restraining competition in the sale of unpatented articles and that the consequences of that practice have been fully dissipated." *Ibid.*, at 408.

²⁴ See *American Lecithin Co. v. Warfield Co.*, 42 F. Supp. 270, 273 (Ill. 1941); *Barber Asphalt Corp. v. La Fera Grecco Contracting Co.*, 116 F.(2d) 211, 215 (C.C.A. 3d 1940); *B.B. Chemical Co. v. Ellis*, 117 F.(2d) 829, 837 (C.C.A. 1st 1941).

it might fix an arbitrary period of adjustment during which the patentee could charge no royalty. If the Court should find that the effects of the tying clause could not be dissipated within the life of the patent, virtual forfeiture of the grant would result.¹⁴ Apparently the Court intended to leave these requirements vaguely defined.

Although the Court employed the traditional statement,¹⁵ that the use of a tying clause is not within the "scope of the monopoly" granted by the patent,¹⁶ its use of the "public interest" and "public policy" terminology may foreshadow a new emphasis in patent cases. The Court once considered clauses requiring that remote buyers use only the patentee's unpatented supplies to be within the scope of the patent.¹⁷ But today it considers such restrictions upon even an immediate lessee or licensee beyond the scope of the patent monopoly.¹⁸ Similarly, restrictions as to selling price,¹⁹ use,²⁰ time,²¹ quantity,²² and place²³ have been described as "within the scope of the patent monopoly." The courts have limited these rules. For example, when a sale has intervened between the user of the patent and the patentee such restrictions are beyond the scope of the patent grant.²⁴

Many of the patent cases, which have been widely followed, are now of dubious authority. The consequences of the broad privileges formerly allowed under the patent monopoly and the failure of the legislature to amend the patent statute²⁵ have been

¹⁴ In a recent consent decree, a patent was forfeited without payment to the patentee. *United States v. Kearney & Trecker Corp.*, C.C.H. Trade Reg. Serv. ¶52,644 (D.C. Ill. 1941).

¹⁵ For an historical analysis of the problems, see Hamilton, *Patents and Free Enterprise*, TNEC Monograph No. 31 (1941); Meyers and Lewis, *The Patent "Franchise" and the Antitrust Laws*, 30 *Georgetown L.J.* 117, 260 (1941-42); Oberdorfer, "Tying Clauses" and the Patent Monopoly, 7 *Ohio St.L.J.* 210 (1941); Callmann, *Patent License Agreements between Competitors and the Monopoly Issue*, 28 *Georgetown L.J.* 871 (1940); Feuer, *The Patent Monopoly and the Anti-trust Laws*, 38 *Col. L. Rev.* 1145 (1938); *A Possible Extension of the Scope of the Patent Monopoly*, 48 *Yale L. J.* 1089 (1939); *The Scope of the Patent Monopoly: Control of Supplies and Accessories and Restrictions on Use*, 52 *Harv. L. Rev.* 308 (1938).

¹⁶ *Morton Salt Co. v. Suppiger Co.*, 62 S. Ct. 402, 404 (1942).

¹⁷ *Henry v. A. B. Dick Co.*, 224 U.S. 1 (1912).

¹⁸ *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502 (1917).

¹⁹ *United States v. Gen'l Electric Co.*, 272 U.S. 476 (1926).

²⁰ *Gen'l Talking Pictures Corp. v. Western Electric Co.*, 304 U.S. 175 (1938), *aff'd on rehearing* 305 U.S. 124 (1938).

²¹ *Mitchell v. Hawley*, 16 Wall. (U.S.) 544 (1872).

²² *Aspinwall Mfg. Co. v. Gill*, 32 Fed. 697 (C.C. N.J. 1887).

²³ *Rubber Co. v. Goodyear*, 9 Wall. (U.S.) 788 (1869).

²⁴ *Bauer & Cie v. O'Donnell*, 229 U.S. 1 (1913). On occasion, the sales concept has been narrowly confined so as to escape the consequences of this doctrine. *United States v. Gen'l Electric Co.*, 272 U.S. 476 (1926). Patentees have attempted ingenious arrangements to avoid this rule. *Straus v. Victor Talking Machine Co.*, 243 U.S. 490 (1917); *Ethyl Gasoline Corp. v. United States*, 309 U.S. 436 (1940).

²⁵ 29 Stat. 692 (1897), 35 U.S.C.A. § 31 (1940). In 1912 the first attempt was made to modify the statute through a compulsory licensing bill, H.R. 23417, H.R. Rep. 1161, 62d Cong. 2d Sess. (1912). Senator King of Utah presented a bill in 1935 requiring compulsory licensing of patents which were not put to use. S. 383, 74th Cong. 1st Sess. (1935). Again, in 1937 a compulsory licensing bill was proposed by Representative W. D. McFarlane of Texas,

the subject of recent widespread criticism.²⁶ The critics contend that the present patent system defeats the constitutional purpose "to promote the Progress of Science and useful Arts." They view the "poor inventor" as a myth hiding corporate interests which have, by suppression of patents,²⁷ patent-pooling, and restrictive licenses, prevented any approximation of the competitive ideal. Perhaps these critics have the ear of the Supreme Court. In a recent infringement suit,²⁸ Mr. Justice Douglas cited with approval Professor Walton H. Hamilton's *Patents and Free Enterprise*²⁹ and applied a strict test in the determination of the issue of patentability. The recent vigorous dissent of Mr. Justice Black, in which he was joined by Mr. Justice Douglas, urging that the Court should on its own initiative examine the issue of patentability³⁰ suggests that the test applied in the instant case may be extended beyond the situations involving tying clauses. If the patent grant is limited by "a public policy adopted by the Constitution and laws of the United States, 'to promote the Progress of Science and useful Arts . . .,'"³¹ many practices which have been condoned may be condemned.³²

Receivers—Priorities—Debts Due United States Preferred over Wage Claims—
[United States].—A Missouri bank was insured by the FHA against losses from loans made in accordance with Title I of the National Housing Act. A corporation obtained

H.R. 9259, 75th Cong. 3d Sess. (1938); the bill is set forth and discussed in 83 Cong. Rec. 4327 (1938). The final recommendations of the TNEC, that restrictions on price, output, geographical areas, and use should be illegal, and that licensing should be compulsory, have not as yet been presented in a formal bill. TNEC, Final Report and Recommendations 36 (1941).

²⁶ Hamilton, *op. cit. supra* note 15; Meyers and Lewis, *op. cit. supra* note 15; Borkin, *Patents and the New Trust Problem*, 7 *Law & Contemp. Prob.* 74 (1940); Feuer, *The Patent Privilege and the TNEC Proposals*, 14 *Temple L.Q.* 180 (1940); Schechter, *Would Compulsory Licensing of Patents Be Unconstitutional?*, 22 *Va. L. Rev.* 287 (1936); see 83 Cong. Rec. 4327 (1938).

²⁷ An early case, *Hoe v. Knap*, 27 Fed. 204 (C.C. Ill. 1886), held that a patentee did not have the right to suppress his patent but that he was "bound either to use the patent himself or allow others to use it on reasonable or equitable terms. . . ." This view was abandoned in *Heaton-Peninsular Button-Fastener Co. v. Eureka Specialty Co.*, 77 Fed. 288 (C.C.A. 6th 1896), where it was held that the position in *Hoe v. Knap* was "not supported by reason or authority," and that since the right to suppress includes the "lesser" right of allowing others to use conditionally, a tying clause requiring the licensee to use only supplies furnished by the patentee with the patented machine was valid. Although the *Button-Fastener* case has been overruled in *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502 (1917), the proposition that the patentee can suppress has survived. See *Carbice Corp. v. American Patents Development Corp.*, 283 U.S. 27, 31 (1931). The current attacks by the courts upon patent abuses have been directed at the conditions imposed rather than at the original premise that a patentee can suppress his patent.

²⁸ *Cuno Engineering Corp. v. Automatic Devices Corp.*, 62 S. Ct. 37 (1941).

²⁹ TNEC Monograph No. 31 (1941).

³⁰ *Exhibit Supply Co. v. Ace Patents Corp.*, 62 S. Ct. 513 (1942).

³¹ *Morton Salt Co. v. Suppiger Co.*, 62 S. Ct. 402, 405 (1942).

³² It is conceivable that there will be a return to the doctrine of *Hoe v. Knap*, 27 Fed. 204 (C.C. Ill. 1886), since suppression may be at least as inimical to the public interest as are tying clauses.