CHAPTER I

HISTORICAL DEVELOPMENT
OF THE MISUSE DOCTRINE

The misuse doctrine has been subject to substantial scrutiny in the courts and academic literature. Nevertheless, confusion and disagreement remain over its roots, rationales, and the role it should play in contemporary intellectual property law. Various aspects of the doctrine are explored more fully in later chapters. This chapter provides a basic overview of the historical development of the patent misuse doctrine, which is the genesis of the modern-day misuse doctrine that today also encompasses misuse of copyrights and trademarks.¹

A. Patent Misuse Generally

“Patent misuse” is an affirmative defense to an action for patent infringement or for royalties under a license that arises when the patentee engages in certain anticompetitive conduct, or conduct contrary to public policy, using the patent in suit. Conduct found to be patent misuse typically has involved imposing conditions on access to a patent that extend beyond the physical or temporal scope of the patent—that is, improperly “extending” its effective scope—and occasionally other violations of the antitrust laws. For example, requiring a licensee of patent A to license an unrelated patent B as a condition of the license may constitute misuse of patent A. A finding of patent misuse generally renders the patent unenforceable until the conduct is ended and its effects are purged. As discussed in further detail below and in later chapters, some efforts to extend the scope of the patent have been condemned as misuse per se, while others require a further showing that the conduct causes anticompetitive effects.

¹ Chapter VI contains a separate discussion of the development of the copyright and trademark misuse doctrines.
Although many recent misuse decisions have borrowed heavily from antitrust principles in shaping the doctrine, the concept of misuse emerged not from antitrust law, but from the patent law doctrine of contributory infringement. In fact, courts almost universally rejected early attempts at developing a defense to patent infringement claims based on alleged antitrust violations by the patent holder.

This chapter reviews these early “antitrust defense” cases, charts the development of the misuse defense from the doctrine of contributory infringement, and discusses more recent case law and legislative developments emphasizing antitrust principles in misuse analysis.

B. The Early Cases

Early efforts to develop a defense to patent infringement suits based on the patent holder’s conduct relied primarily on the antitrust laws. Almost immediately after the passage of the Sherman Act in 1890, alleged infringers began trying to use this new statute as a defense to patent infringement suits. Patent infringement defendants would plead that the plaintiff was an illegal trust, that the plaintiff acquired title from an illegal trust, or that the patent infringement suit was part and parcel of a conspiracy to restrain trade, the terms of which were often said to include price stabilization agreements. With rare exception, these efforts at developing an antitrust-based defense to patent infringement claims failed.

2. Chapter VII discusses the intersection between the policies behind antitrust and misuse.

For example, Strait v. National Harrow Co.\textsuperscript{4} involved an action by an alleged infringer to enjoin the patent holder from instituting an infringement suit. The alleged infringer asserted that the patent holder had entered into an improper combination for the purpose of acquiring a monopoly in the market for spring-tooth harrows and, as an incident to this combination, had acquired all the relevant patent rights from other manufacturers. The court rejected this assertion, observing that “[e]ven a gambler, or the keeper of a brothel, cannot be deprived of his property because he is an obnoxious person or a criminal; and it is no defense to the trespass upon it . . . that it was used in carrying on the unlawful occupation.”\textsuperscript{5}

Similarly, in Brown Saddle Co. v. Troxel,\textsuperscript{6} a direct infringement case, the defendant alleged by way of an affirmative defense that the patent at issue was being used as part of an illegal combination. The trial court struck these allegations as impertinent. Then Circuit Judge Taft upheld the trial court’s action, holding that the manner in which a patent is used is immaterial in a suit to enforce it: “[The plaintiff] is merely seeking by its bill to preserve its rights in its own property. What it may do with that property . . . cannot deprive it of its right to invoke the protection of the court against trespass and infringement.”\textsuperscript{7}

Perhaps the most explicit rejection of a defense based on the patent holder’s use of the patent is found in United States Fire Escape Counterbalance Co. v. Joseph Halsted Co.\textsuperscript{8} There, the court stated that an alleged attempt to extend the patent “monopoly” to cover unpatented products—conduct that would become the very epitome of patent misuse—was not a defense to an infringement action, even though it was possibly an antitrust violation:

The sole value of patent property resides in monopoly. Within certain limits this monopoly may be made to extend to nonpatentable property

\begin{itemize}
\item 51 F. 819 (N.D.N.Y. 1892).
\item Id. at 820-21.
\item 98 F. 620 (C.C.N.D. Ohio 1899).
\item Id. at 621.
\item 195 F. 295 (N.D. Ill. 1912).
\end{itemize}
as just decided by the Supreme Court in Henry v. Dick, 224 U.S. 1 . . . . If the patentee attempts still further to extend his monopoly by occupying unpatented territory, and thus brings himself within the civil and criminal provisions of the Sherman Act, he is amenable under that Statute, but his property rights secured by the patent remain. He is not to be indirectly punished in an infringement action for his breach of an independent statute.9

Only one early decision, National Harrow Co. v. Quick,10 appears to counter this authority rejecting an antitrust-based defense to a patent infringement action. In that case, the defendant alleged that the plaintiff was an unlawful “combination or trust,” the purpose of which was to “become the assignee of all of patents held by the different . . . firms . . . engaged in the manufacture and sale of spring-tooth harrows” and “was attempting to hold and use its naked legal title as assignee [of the patent in suit] for purposes contrary to public policy, and that a court of equity ought not to aid its unlawful purposes by entertaining the present bill.”11 Foreshadowing the reasoning that the Supreme Court would apply some forty-seven years later in Morton Salt Co. v. G.S. Suppiger Co.,12 the court agreed with the defendant:

It seems to me that the court cannot sustain the present bill without giving aid to the unlawful combination or trust represented by the complainant. The question is not free from doubt, but in a case of doubt I feel it my duty to resolve it in such a way as will not lend the countenance of the court to the creation of combinations, trusts, or monopolies.13

The Seventh Circuit affirmed on other grounds, refusing to consider whether this defense was viable.14 Several early opinions cite, but refuse

9. Id. at 299.
10. 67 F. 130 (C.C.D. Ind. 1895), aff’d on other grounds, 74 F. 236 (7th Cir. 1896).
11. Id.
13. Nat’l Harrow, 67 F. at 132; see also Nat’l Harrow Co. v. Hench, 76 F. 667 (C.C.E.D. Pa. 1896) (refusing to enforce a price fixing agreement in two patent licenses), aff’d, 83 F. 36 (3d Cir. 1897).
to follow, the *National Harrow v. Quick* decision regarding a defense to infringement.15

C. Contributory Infringement

The early case law generally exhibited hostility toward defenses to patent infringement suits based on a patent holder’s allegedly anticompetitive and unlawful use of the patent. The patent misuse doctrine evolved not from the antitrust laws, but primarily from courts’ attempts to limit the doctrine of contributory infringement.

“Contributory infringement” refers generally to a situation where an entity supplies alleged infringers with unpatented components or inputs with the intent that these goods be used with a patented product, combination, or process. The theory is that the entity supplying the alleged infringer with such products is contributing to, or inducing, the infringement. Typically, intent could be shown where the inputs or components had no use other than as part of the patented good, combination, or process, or where the inputs or components were supplied with instructions to use them in an infringing manner.16

The concept of contributory infringement arose from attempts by patent holders to protect their patents from the kind of joint infringement activity at issue in *Wallace v. Holmes*.17 There, the patent involved an improved coal oil lamp apparatus. The patent claims, however, required the presence of a traditional glass chimney. The alleged infringer attempted to avoid an infringement claim by manufacturing the apparatus only and not supplying the glass chimney (which was a staple item available from other sources). When sued for infringement, the defendant claimed that he had not practiced the claims of the patent and, consequently, was not liable. The court disagreed, holding that if they

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16. *See* 35 U.S.C. § 271(c); *see also*, e.g., *Lifetime Industries, Inc. v. Trim-Lok, Inc.*, 869 F.3d 1372 (Fed. Cir. 2017).

17. 29 F. Cas. 74 (C.C.D. Conn. 1871).
acted in concert, the defendant and a supplier of glass chimneys could be
deemed joint infringers:

If, in actual concert with a third party, with a view to the actual
production of the patented improvement in lamps, and the sale and use
thereof, they consented to manufacture the burner, and such other party
to make the chimney, and, in such concert, they actually make and sell
the burner, and he the chimney, each utterly useless without the other,
and each intended to be used, and actually sold to be used, with the
other, it cannot be doubtful, that they must be deemed to be joint
infringers of the complainants’ patent.18

After the notion of contributory infringement gained acceptance, patent
owners would sometimes insert provisions in a license agreement
requiring a licensee to buy a useful or necessary input to the patented
product from the patent owner. Such an input was often an element of the
patent claim, but not necessarily. If the licensee failed to abide by the
provision, the patent owner would contend that the unauthorized use of
the patented product with an input obtained from a third party constituted
patent infringement and sue for infringement remedies in the federal
courts.

For example, in *Heaton-Peninsular Button Fastener Co. v. Eureka
Specialty Co.*,19 a patented button fastening machine was always sold with
a metal plate containing a notice that the patented machine could be used
only with fasteners made by the plaintiff. Despite the fact that the
fasteners were not patented, this restraint was upheld. The court
concluded that the plaintiff had “chosen to fix the price for the right of
use at the profit resulting from the sale of staples.”20 According to the
court, the plaintiff could control the market for staples for so long as its
invention “control[led] the market for button fastening appliances.”21

This type of restraint first reached the Supreme Court in *Henry v. A.B.
Dick Co.*22 There, the two patents in suit covered a rotary mimeograph
machine which had been sold to a Miss Skou with an attached legend
stating that the machine could “be used only with the stencil paper, ink

18. Id. at 80.
19. 77 F. 288 (6th Cir. 1896).
20. Id. at 296.
21. Id.
22. 224 U.S. 1 (1912).
and other supplies” made by the plaintiff, A.B. Dick Co. The Sixth Circuit certified the question whether the defendant, who had sold an unauthorized can of ink to Miss Skou, was a contributory infringer.

The answer to that question turned on whether the legend itself was valid. If Miss Skou had not infringed the patent by using the unauthorized ink, then the defendant could not be liable for contributory infringement. By a four to three vote, the Court held that the legend was valid. In essence, the Court saw no difference between “a sale subject to specific restrictions as to the time, place or purpose of use, and restrictions requiring a use only with other things necessary to the use of the patented article purchased from the patentee.” Moreover, the majority saw no problem with the patent holder taking its profit through ink sales instead of charging a higher price for the machine itself. According to the majority, “[h]ad [the patentee] kept his invention to himself, no ink could have been sold by others for use upon machines embodying that invention.”

Justice White disagreed and filed a lengthy dissent. He did not believe that a patent owner who has sold an invention and not “kept his invention to himself” had an unfettered right to place restrictions on postsale use. Also, in a time of much more limited federal jurisdiction, Justice White was concerned that the enforcement of such restrictions through infringement suits would convert state court breach of contract actions into federal patent infringement cases. Finally, Justice White thought it inconsistent to allow patent holders to bring infringement suits concerning items not covered by the patent when the claims of the patent itself were subject to rigorous examination to prevent the patenting of items in the public domain. According to Justice White, the majority’s position would improperly allow the patent holder to extend its patent by contract “without any of the precautions for the benefit of the public which limit the right to obtain a patent.”

Justice White’s view soon prevailed, as Henry v. A.B. Dick was explicitly overruled five years later in Motion Picture Patents Co. v.  

23. Id. at 25-26.
24. See id. at 35-36.
25. Id.
26. Id. at 32.
27. Id. at 69-70 (White, C.J., dissenting).
28. Id. at 70 (White, C.J., dissenting).
Universal Film Co., the first of a trio of contributory infringement cases in which the foundations of the patent misuse doctrine were laid. Motion Picture Patents involved a patent that covered “a part of the mechanism used in motion picture exhibiting machines for feeding a film through the machine.” The licenses granted by the patent holder allowed licensees to sell motion picture projectors incorporating the patented mechanism on the condition that the projectors be used solely for exhibiting films covered by a separate film patent owned by the plaintiff. After this film patent had expired, the patent holder discovered that a theater which had purchased a projector incorporating the patented mechanism was using the projector with unauthorized film and sued the theater for infringement and the suppliers of the film for contributory infringement of the projector patent.

The Supreme Court found that the license provision restricting the type of film that could be used with the projectors was invalid:

Such a restriction is invalid because such a film is obviously not any part of the invention of the patent in suit; because it is an attempt, without statutory warrant, to continue the patent monopoly in this particular character of film after it has expired, and because to enforce it would be to create a monopoly in the manufacture and use of moving picture films, wholly outside of the patent in suit and of the patent law as we have interpreted it.

According to the Court, the patent holder’s restriction allowed it to benefit “not from the invention on which the law gives it a monopoly but from the unpatented supplies with which it is used and which are wholly without the scope of the patent monopoly.” The effect of this “extension” of the patent gave the plaintiff “a potential for evil over an industry which must be recognized as an important element in the amusement life of the nation.” Thus, the Court held that there could be no claim for infringement against either (1) the supplier for selling film for use in the patented projectors or (2) the theater for using the patented projectors with unauthorized film. In reaching this conclusion, the Court noted that only two years after its *A.B. Dick* decision, the Congress passed

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30. *Id.* at 505.
31. *Id.* at 518.
32. *Id.* at 517.
33. *Id.* at 518-19.
Section 3 of the Clayton Act, which specifically mentioned tying of patented articles as a potential antitrust violation.\textsuperscript{34}

The next case in this trio was \textit{Carbice Corp. of America v. American Patents Development Corp.}\textsuperscript{35} In \textit{Carbice}, a plaintiff held an exclusive license to a patent on refrigerated “transportation packages,” which used unpatented dry ice as a refrigerating element. The plaintiff granted licenses to use the patented-transportation package with dry ice purchased from the plaintiff; it granted no other licenses. The plaintiff brought a contributory infringement action against the supplier of unpatented dry ice which was sold with knowledge that it would be used in refrigerated transportation packages like those described in the plaintiffs’ patent. The Court, relying in large part on \textit{Motion Picture Patents}, held that such a suit could not be maintained because the plaintiffs were attempting to use the patent “to secure a limited monopoly of unpatented material [dry ice] used in applying the invention.”\textsuperscript{36} The Court also suggested that the plaintiff’s conduct may have violated the antitrust laws: “The present attempt [to secure a monopoly over unpatented dry ice] is analogous to the use of a patent as an instrument for restraining commerce, which was condemned, under the Sherman Anti-Trust Law, in \textit{Standard Sanitary Manufacturing Co. v. United States.}”\textsuperscript{37}

The final case of the trio was \textit{Leitch Manufacturing Co. v. Barber Co.}\textsuperscript{38} The patent involved in \textit{Leitch} concerned a method of applying bituminous emulsion to wet concrete to retard evaporation while curing. The patent holder did not grant any licenses conditioning the use of its method on purchasing the emulsion from it. Rather, it simply sued a competing supplier of bituminous emulsion that allegedly delivered the emulsion to a road builder, knowing that it was to be used for infringing purposes.

Justice Brandeis found the fact that the plaintiff had not issued restrictive notices or licenses immaterial. According to Justice Brandeis, the point was that the plaintiff was trying to extend the scope of its patent; it did not matter whether the plaintiff relied on notices, restrictive license

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\textsuperscript{34.} \textit{Id.} at 517.
\textsuperscript{36.} \textit{Id.} at 33-34.
\textsuperscript{37.} \textit{Id.} at 34 (citing \textit{Standard Sanitary Mfg. Co. v. Barber Co.}, 226 U.S. 20 (1912)).
\textsuperscript{38.} 302 U.S. 458 (1938).
provisions, or contributory infringement suits.\(^{39}\) Relying on \textit{Carbice}, Justice Brandeis concluded that the lawsuit could not be maintained because the patent did not confer upon the plaintiff the right to be free from competition in supplying the unpatented emulsion used in practicing its invention.\(^{40}\)

The teachings of \textit{Motion Picture Patents}, \textit{Carbice}, and \textit{Leitch}—that the patentee may not use the patent to restrict trade in unpatented products—contained the seeds of the misuse doctrine. Yet none of these decisions used the term “misuse,” and none involved a suit against a direct infringer. In short, the holdings of these cases did not provide the defendants accused of direct infringement with a defense. They merely restricted the ability of patentees to sue for contributory infringement.

In his concurring opinion in \textit{B.B. Chemical Co. v. Ellis},\(^{41}\) Judge Magruder of the First Circuit suggested that the cases rejecting defenses to infringement claims based on the patent holder’s conduct might be inconsistent with the Supreme Court’s contributory infringement decisions, although he declined to resolve the issue: “There is no present need to inquire how far the doctrine of the \textit{Leitch} case squares with earlier lower court holdings that violation of the antitrust laws by a patentee is no defense to a suit for patent infringement.”\(^{42}\) Nevertheless, Judge Magruder predicted that the \textit{Carbice} doctrine would be applied to preclude recovery from a direct infringer.

Interestingly, prior to \textit{Leitch}, at least one court attempted to reconcile \textit{Carbice} with the established precedent rejecting antitrust-based defenses to direct infringement suits. In \textit{Radio Corp. of America v. Majestic Distributors},\(^{43}\) a direct infringement action, the defendant, relying on \textit{Carbice}, argued that the plaintiffs could not prevail because they were “employing some or all of the patents in suit to attempt, without sanction of law, to secure a monopoly of unpatented material.”\(^{44}\) The court rejected this defense and distinguished \textit{Carbice} on the grounds that, as a contributory infringement case, it was simply not relevant to an action for direct infringement:

\(^{39}\) See \textit{id.} at 463.

\(^{40}\) See \textit{id.} at 461.

\(^{41}\) 117 F.2d 829 (1st Cir. 1941), \textit{aff’d}, 314 U.S. 495 (1942).

\(^{42}\) \textit{Id.} at 836.

\(^{43}\) 53 F.2d 641 (D. Conn. 1931).

\(^{44}\) \textit{Id.} at 642.