

# **Extension of Patent Monopoly**



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## EXTENSION OF PATENT MONOPOLY

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In the past several years the term "monopoly" has been stressed in reference to United States Letters Patent in a sense of condemnation of our patent system, and recent proceedings before the Temporary National Economic Committee attempt to establish that patents are, in part at least, responsible for our economic ills.

It is my intention to discuss our patent system from the angle of extended monopoly resulting from delay in the prosecution of patents in the Patent Office and its effect on industry and the public.

It is common knowledge that patent monopolies control entire industries, for example, the shoe machinery, glass container, radio, telephone and moving picture industries. Some of these industries were founded upon inventions protected by patents, notably radio and telephone; others were in existence for centuries before patents were even heard of . . . the shoe and glass industries for example. All of them, once established, are maintained by improvement patents, which have the effect of "fencing in" developments along certain definite lines controlled by patent-owning groups.

Such practices naturally flow from the research work of the industries, and from the necessity for large corporations to protect their investment in development work against the possibilities of others procuring patents dominating such developments after they attain their commercial form.

This results in an ever-increasing and confining patent monopoly, so that when so-called basic or generic patents expire, the specific improvement patents continue to dominate because they are directed to the advanced re-

quirements of the industry or art to which they appertain. The converse of this is also true in cases where the applications for the generic invention are long pending in the Patent Office and specific improvement patents, so-called, are issued and asserted during the pendency of the generic patents. My subject tonight deals with the extension of patent monopoly as brought about by long pendency of the generic patent.

We who are actively engaged in soliciting patents know that it is the policy of the present Commissioner of Patents to shorten the time of Patent Office prosecution, and from the character and rapidity of actions we now receive, we know that the Patent Office is in dead earnest. As has recently been suggested by our esteemed Mr. Jo. Baily Brown, we may expect statutory provisions which will materially shorten the six-month period in which to respond to official actions, and which, no doubt, will provide a maximum period for the pendency of applications for patents. However helpful that may be in curtailing the extension of monopoly beyond the statutory period, it cannot, under our constitution, divest patent owners of existing patent rights which, although already in public use for more than the statutory seven-year period, are being re-established in full compliance with the statutory requirements.

At the recent hearings before the Temporary National Economic Committee at Washington, the Department of Justice attempted to show that patent monopoly in the glass industry was exercised in violation of the anti-trust laws. While no attempt was made to delve into the facts by which the monopoly of the glass industry was established and maintained, the Committee did touch upon the phase of scope of monopoly by reference to a so-called fencing-in policy, which our esteemed Mr. Mc-

Callister assured the Committee was the common practice of all corporations. The Committee did further inquire into the matter of long pendency of certain patents recently issued to the Hartford-Empire Company, and without going into the detailed facts I believe it would be interesting to note the effect of these patents upon the industry.

Briefly, one of the patents, for which application was filed in 1910, was pending twenty-seven years; another twenty-three years. They were solicited as for basic inventions and indeed the claims broadly cover the art of suspended charge feeding of glass, which has been commercially used for more than twenty years.

It was established at the hearing that the Hartford-Empire Company owns or controls more than seven hundred patents, a great many of which are directed to the method of suspended charge feeding broadly covered by the newly issued patents on the long-pending applications, so that the invention of the newly issued patents has been fully monopolized by the interim patents, and the issuance of the new patents is clearly an extension of the glass feeding monopoly.

I will now discuss the legal points as established by Court decisions on the question of extended patent office prosecution.

As will appear from this discussion, the Courts and the Patent Office clearly recognize that delay in prosecution of patent applications extends the monopoly of invention and the decisions further recognize that nothing can be done about it without the enactment of appropriate statutory provisions.

In *Columbia Motor Car Co. et al. v. C. A. Duerr and Co., et al*, 184 F. 893 (C.C.A. 2) 1911, it was held that a delay of sixteen years in Patent Office proceedings should

not be regarded unfavorably for the purpose of restricting the patent, the Court stating:

“ . . . But the patentee acted wholly within his rights. He merely took advantage of the delays which the law permitted him. He followed strictly the statutes and rules of procedure, and the courts can not exact a greater measure of diligence from him.”

This case has been generally followed by the Courts and in *United States v. American Bell Telephone Co.*, 167 U. S. 224, Mr. Justice Brewer, speaking for the Court on the question of delay in prosecution, said:

“ . . . A party seeking a right under the patent statutes may avail himself of all their provisions, and the courts may not deny him the benefit of a single one. These are questions not of natural bent but of purely statutory right. Congress, instead of fixing seventeen, had the power to fix thirty years as the life of a patent. No court can disregard any statutory provisions in respect to these matters on the ground that in its judgment they are unwise or prejudicial to the interests of the public.”

This view of the Supreme Court was upheld in a decision by Chief Justice Taft in 1927, in *Overland Motor Co. v. Packard Motor Car Co. & Wire Wheel Corporation*, 274 U. S. 417. That suit involved a patent issued July 1914 for invention originally disclosed in an application filed August, 1899. The Patent Office required division, and all claims and subject matter of the 1914 patent were cancelled out of the original application, which was duly granted in 1900. In 1901 a new application, not a division of the original, was filed including the subject matter of the 1914 patent. This was pending until 1913 when a patent issued therefor. The require-

ments of section 4894 were compiled with although seven times response to Patent Office actions were delayed eleven months.

In 1911 the Patent Office finally rejected the only claim relating to the subject matter of the 1914 patent, which claim was cancelled in 1912. When cancelling this claim, applicant stated his intention to file a divisional application covering the subject matter of the cancelled claim. No such divisional application had ever been directed or suggested by the Patent Office. On August 6, 1912, while the 1901 application was still pending, a divisional application was filed which resulted in the 1914 patent in suit. From 1905 to 1912, trade journals of the United States and England published articles disclosing the subject matter of the 1914 patent and there was actual public use in these countries during this period. The Supreme Court held that the acts of applicant did not estop him from obtaining a valid patent, so long as he complied with the statutory provisions, intervening equities and the public interest angle notwithstanding, and further held that while the Patent Office may have refused to consider the divisional application after rejection on the doctrine of *res judicata*, having accepted it the patent granted thereon could not be attacked collaterally.

Thus, we have a situation in which an invention was originally disclosed in an application filed in 1899, then cancelled out of the application in 1900, re-filed as an original in 1901, cancelled out in 1912, filed as a division in 1912, and issued in a patent in 1914. In the meantime, the original application was issued in 1900, a second patent on the 1901 application was granted in 1913, and a third in 1914.

In a case decided by the Second Circuit Court of Appeals, *Westinghouse Elec. & Mfg. Co. v. Jeffrey-De*

*Witt Insulator Co.*, 22 F (2d) 277 in which petition for certiorari was denied, the Court held invalid a patent granted on a divisional application on the ground that the claimed subject matter had been in public use more than two years prior to the divisional application. That case is distinguishable from the *Overland v. Packard* case in that the subject matter of the invalid claims was not in the original application, the Court, in the *Westinghouse* case, stating:

“None of the claims disclosed by that application covered the subject matter of the present patent, which was granted after a division.”

Consequently, the Court treated the divisional patent as standing on its own, entirely disconnected from the original application, and the *Westinghouse v. Jeffrey-De Witt* case is not in conflict with the Supreme Court decision in *Overland v. Packard*, wherein the subject matter of the 1914 patent in suit was included and cancelled out of the original 1899 application, and was also included in the second-filed 1901 application, which matured in the 1913 patent, the divisional application having been filed before the issuance of the 1913 patent.

Comparing these cases with the long-pending *Hartford* patents, we have still a different situation in that the Court of Appeals for the District of Columbia, in its decision, 87 F (2d) 741, held that the claims there in issue were inserted in the 1910 *Steimer* application on February 4, 1920, this being noted for the purpose of distinguishing the later-filed 1914 *Peiler* application, which the Commissioner there urged was anticipated by the earlier *Steimer* application. Nevertheless, the Court, in holding the 1910 *Steimer* application to be patentable, in effect, held that the additional claims directed to sub-

ject matter not originally claimed and added ten years after the filing of the application, were valid. This situation, of course, distinguishes from *Westinghouse v. Jeffrey-De Witt* in that in the *Steimer* patent the claim for new subject matter was inserted in the original application, instead of a divisional application. Personally, I feel that this is a distinction without a difference as the effect is the same in both cases, and under the doctrine of the *Westinghouse v. Jeffrey-De Witt* case, the 1910 *Steimer* patent should be invalid under the findings of the Court of Appeals for the District of Columbia. However, I find on checking the alleged amendment of February 4, 1920, that the Court of Appeals for the District of Columbia is seemingly in error in its finding that the subject matter of the claims of the newly issued *Steimer* patent were first introduced in the application on February 4, 1920. The amendment as of that day, to the contrary, points out that this subject matter was clearly disclosed and claimed in the application as originally filed.

If, however, the Court of Appeals for the District of Columbia is correct in its holding that the claims in issue were inserted ten years after the filing of the original, it should have held the claims invalid or unpatentable as the record before it showed a prior public use for more than two years prior to the filing of the amendment in 1920. The Second Circuit Court of Appeals decision in *Dwight & Lloyd Sintering Co. v. Greenawalt*, 27 (F 2d) 823, held that claims, added to a pending application for subject matter in use for more than two years prior to the insertion of the claims, were invalid in the absence of proof of excusable delay. The Second Circuit relied on the Supreme Court decision in *Webster Elec. Co. v. Splitdorf Elec. Co.* 264 U. S. 463; and *West-*

inghouse v. Jeffrey-De Witt, supra. In the Splitdorf case the Supreme Court held that claims presented by amendment eight years after the filing of the original were void because of laches. In this case also the Supreme Court held that repeated assertion of interferences in narrower terms resulting in delays incident to their determination affords no just excuse for the failure to assert the broader claims at an earlier date.

As is to be expected, in the suit against the Commissioner of Patents, which resulted in the issuance of patents on the long-pending Steimer and Peiler applications, the Commissioner strenuously argued non-patentability on the ground of delay, and estoppel, and indeed pointed out that the granting of the patents on the old applications would result in an extension of monopoly which had been fully exercised in earlier issued patents.

The doctrine announced in *In Re Pope*, 44 App. D. C. 427, was set up by the Commissioner as applicable to the situation at bar, but the plaintiff contended that because of the protracted interference proceedings over a period of twelve years, which were instituted by the Commissioner and beyond the control of the applicant, the doctrine of *In Re Pope* was inapplicable. The case of *In re Pope* holds that in case of long delay in prosecution, all doubt as to patentability should be resolved against applicant. In support of its contention that Patent Office delay was not prejudicial, plaintiff relied on the *Overland v. Packard* case; also on *United States v. American Bell Telephone* 167 U. S. 224; *Chapman v. Wintroath* 252 U. S. 126; *Wells v. Honigmann* 50 App. D. C. 99; *Harbridge v. Perrin* 54 App. D. C. 106; *Cline Elec. Mfg. Co. v. Kohler*, 27 F (2d) 638; *Kohler v. Cline*, 28 F (2d) 405, and other cases, all of which cases hold that the patentee, with regard to Patent Office delay,

stands upon an affirmative statutory right from which he cannot be divested except in a way provided by statute. Plaintiff also relied upon the decision of Commissioner of Patents Mitchell in *Ex Parte Edison*, 1899 C. D. 234, from which I quote:

“The difficulty seems to be owing to the fact that, at least in some cases, such delays attend the efforts of inventors to patent their primary inventions, that when conflicting interests are settled, and the patents are ready to issue, they seem to threaten an extension of the term of the exclusive use to be enjoyed by the inventor, under patents of earlier date; and the charge is easily made that the so-called monopoly is unlawfully prolonged. For this result the inventor is not responsible. If it is not inherent in the patent system, then it is due to a defect in the administration of the system. The inventor certainly should not suffer by reason either of a defective system or a defective administration of a satisfactory system.”

It seems to me perfectly clear that under the authorities, an application for patent may be prosecuted indefinitely in the United States Patent Office within the statutory requirements of diligence, and the patent issued on such application will be of unquestionable validity if the subject matter of the claim was in some form or other embodied in the claims originally filed. Such a patent may be of doubtful validity if the issued claims were inserted in the application after filing and after a two-year prior use, if accompanied with laches or inexcusable delay. Patents issued on divisional applications are valid if there is no two-year prior use of the subject matter claimed in such divisional application in the absence of laches or inexcusable delay. They are invalid under the doctrine expressed in *Westinghouse v. Jeffrey-De Witt* if the delay is inexcusable.

As hereinbefore demonstrated by the authorities, the Courts are bound by the statutory provisions to sustain patents long pending in the Patent Office, with few exceptions, as hereinbefore noted, and this has become generally recognized.

From the foregoing authorities, it is clear that the Supreme Court, even as now constituted, would affirm its decision in the *Overland v. Packard* case in any case where the subject matter of the claims in issue was included in the application as originally filed, and would perhaps even sustain a patent where claims were filed in an application after a two-year public use if the delay could be excused.

We must, therefore, look to future legislation for provisions designed to prevent any extension of patent monopoly. Extended monopoly may be prevented either by limiting the time of prosecution in the Patent Office or by including the pendency of an application as a part of the monopoly period. It is apparent that, as has been proposed, a twenty-year period for patents, from the date of filing the application, will largely eliminate the abuses of extended patent monopoly, and, of course, considering the continuous twelve-year interference period in the Peiler application hereinbefore discussed, some provision must be made to shorten the time of interferences in the Patent Office, either by eliminating them entirely as has been proposed, or by altering the present procedure.

The British system of opening applications for public inspection may be helpful in that by becoming a public record such applications would be available in litigation to restrict the scope of the divisional or interim patents asserted to sustain the monopoly of a particular invention.

Still another approach to prevent extension of monopoly would be a stricter application of the rule that no two patents can issue for the same invention. If, for example, a patent has been allowed broad scope to embrace structures not disclosed, upon the assertion that the underlying principle is revolutionary, then a subsequently issued sleeper patent for the generic invention should be invalidated on the ground that the monopoly has been exhausted in the earlier patent.

I perhaps had better illustrate my point with reference to a decision by the Third Circuit Court of Appeals in the case of *Hartford-Empire Company vs. Hazel-Atlas Glass Co.*, 59 R. (2d) 399, wherein the Court attributed to the patent in suit a pioneer invention, with specific reference to the generic invention embodied in the 1910 and 1914 Hartford applications then pending in the Patent Office. It was necessary to so characterize the patent in suit for the purpose of embracing within its monopoly the accused structure.

In a subsequent suit entitled *Hartford-Empire Co. v. Shawkee Mfg. Co. et al*, 68 F (2d) 726, the same Court went further and attributed to that same patent a scope to embrace within it a structure that was barren of any of the instrumentalities or elements attributed to the invention as essential in the former suit.

In the subsequent suit against the Commissioner of Patents, that resulted in the granting of the generic patents, the patent that was in issue in the *Hazel-Atlas* and *Shawkee* litigation was branded as a mere improvement patent.

If the applications for the generic inventions did not have the protection of the rule that contemporary or copending applications are not anticipations, the Court, in considering the allowability of the generic applica-

tions, would have had to come to the conclusion that the monopoly of the invention had been exhausted in the previously litigated patent to the same inventor.

Patents granted on applications that have long been delayed by Patent Office prosecution may, obviously, be invalid for other reasons than herein discussed, but that is outside of the scope of this paper.

I thank you

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