

# ORIGINAL

In the

## Supreme Court of the United States

DAWSON CHEMICAL COMPANY, ET AL.,

PETITIONER

v.

ROHM AND HAAS COMPANY

RESPONDENT

No. 79-669

Washington, D. C.  
April 21, 1980

Pages 1 thru 50

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IN THE SUPREME COURT OF THE UNITED STATES

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DAWSON CHEMICAL COMPANY ET AL., :   
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: Petitioners :   
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v. : No. 79-669   
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ROHM AND HAAS COMPANY, :   
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: Respondent :   
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Washington, D. C.

Monday, April 21, 1980

The above-entitled matter came on for oral argument  
at 1:33 o'clock p.m.

BEFORE:

WARREN E. BURGER, Chief Justice of the United States  
WILLIAM J. BRENNAN, JR., Associate Justice  
POTTER STEWART, Associate Justice  
BYRON R. WHITE, Associate Justice  
THURGOOD MARSHALL, Associate Justice  
HARRY A. BLACKMUN, Associate Justice  
LEWIS F. POWELL, JR., Associate Justice  
WILLIAM H. REHNQUIST, Associate Justice  
JOHN PAUL STEVENS, Associate Justice

APPEARANCES:

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Respondent

EUGENE L. BERNARD, ESQ., Washington, D.C.; as  
amici curiae

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P R O C E E D I N G S

MR. CHIEF JUSTICE BURGER: Mr. Conley, I think now you may proceed whenever you are ready.

ORAL ARGUMENT OF NED L. CONLEY, ESQ.,

ON BEHALF OF THE PETITIONERS

MR. CONLEY: Mr. Chief Justice, and may it please the Court:

I would like to illustrate the issue in this case with the following:

Two people discover that two different chemicals can be used as herbicides to kill weeds in ricefields. These chemicals both kill weeds perfectly satisfactorily. One of the chemicals had no other known use and that is the kind of chemical we call in this case a non-staple material. The other chemical also has other known uses as, for example, maybe it could be used making a dye. This is called a staple material in this case.

The contention of the respondent Rohm and Haas in this case is that one of these inventors whose discovery uses the non-staple material should receive a greater reward for no reason other than that the material has not previously been known to have a use. Rohm and Haas' patent is on a method for killing weeds in ricefields by spraying a chemical called propanil on those weeds and on the ricefields. Now, propanil is not patented. Monsanto Company received a patent on propanil

in 1968 and they sued Rohm and Haas for infringement of that patent and Rohm and Haas proved that the patent was invalid, that propanil had been known for a long time.

Now, Rohm and Haas doesn't practice its patented invention, which is in the method for using propanil. Instead, since they are a chemical company they manufacture propanil and they sell it. And there are instructions on the containers for using the patented method.

By virtue of this the purchasers, the farmers who use this and spray it on their ricefields have an implied license to use that patented method.

In addition to this, Rohm and Haas has refused to grant licenses to these farmers in any other way. If the farmers want to use the patented process the only way they can do it is to buy the unpatented propanil from Rohm and Haas. Otherwise, they are infringers.

Now, the petitioners in this case sell propanil, too. They sold it long before the Monsanto patent issued in 1968. Our containers also have labels on them which give instructions for using the propanil on ricefields. We are required to do this by law, by the EPA, because otherwise people might misuse it and cause harm.

Because of this Rohm and Haas sued the petitioners on the patent, on the day it issued in 1974. We filed a motion for summary judgment. This motion was granted. In its very

thorough opinion the District Court held that using a patent to obtain a monopoly in propanil, which Rohm and Haas did not invent and which was not covered by the patent, was a misuse of the patent.

QUESTION: If you will notice the last page of Judge Gee's opinion in the Fifth Circuit at page A-48 of the petition for certiorari he quotes Judge Richards, saying that -- I think he says himself these are the kinds of cases that are argued by professionals to amateurs.

And so you may take my question in that light.

Is it fair to say that both the doctrines of contributory infringement and patent misuse are to a certain extent the obverse sides of the same coin, neither of them are the substance of the patent or what can be patented? One is trying to expand what is patentable and the other is enabling the patentee to police the patent?

MR. CONLEY: I believe I can say a qualified "Yes" to that, because certainly the doctrine of misuse is a doctrine that grew out of attempts by patent owners to expand the patent grant beyond something or to use the patent in such a way as to obtain a control which the patent grant in and of itself does not grant them.

Whereas, the doctrine of contributory infringement was a doctrine which grew up for the purpose of allowing patentees a way to enforce their patents to prevent infringement

in situations where it was impractical to file suit against all of the individual direct infringers.

Does that answer --

QUESTION: That would be particularly true in combination patents, wouldn't it?

MR. CONLEY: Yes, that is primarily true in the case of combination patents but I believe it is also applicable in the case of the type of patent we have here, which is a patent on a method of using a chemical.

Now, Rohm and Haas agrees, and I think the Court of Appeals decision agreed, that the owner of a patent on a method which uses one of these staple chemicals cannot compel those people who want to use the patented process to buy the staple chemical from the patent owner. But the Court held, this Court of Appeals held that Section 271(c) and (d) were enacted by Congress for the purpose of authorizing the patent owner to monopolize these non-staple materials. That was the effect of their decision.

As agreed by everyone who has filed a brief in this case that 271(c) and (d) were enacted as an outgrowth of the decisions by this Court in the two Mercooid cases in 1944, in those cases this Court found there was patent misuse by one who sold a non-staple element of a patented combination, the type that you just discussed, Mr. Justice Rehnquist, who licensed, as the patentee did there, uother people to sell

this unpatented element and they sued contributory infringers who made and sold the unpatented element without a license.

QUESTION: Was that a staple or a non-staple?

MR. CONLEY: It was a non-staple; it was conceded to be in that case.

The Court went further then and raised the question as to whether this decision left anything at all of the law of contributory infringement. Because of the -- well, at least unrest that this caused there was great effort made again to get a statutory law of contributory infringement enacted. And such a law was enacted, one which specifically defines in subsection (c) a contributory infringement is, in effect, the selling without a license from the patent owner of the non-staple material.

And then subsection (d) was enacted which said that those specific things, that is the selling of the non-staple material, the licensing others to sell, and the suing of people who sell it without license, that those things would not be misuse and that such a patent owner who was doing these things would not be held guilty of misuse if he was otherwise entitled to relief.

QUESTION: Were they conjunctive or disjunctive?

MR. CONLEY: In the statute it says if you do anyone of these or any combination of the three.

Well, the Mercoïd case did not involve merely the



selling, the licensing and the suing, it involved a great deal more.

In the *Mercoid* cases this Court repeated the long-standing rule limiting patent monopolies to the inventions defined by the patent claims. Now, that rule has been around probably since the patent law was first enacted in 1790 or when claims were first thought of in about 1836. It was held to be misuse in the *Mercoid* cases for a patent owner to condition a license under his patent on the purchase of an unpatented element. And the Court specifically held that that rule applied to non-staple materials or elements as well as to staple materials or elements.

Now, there is nothing in Section 271 or any other part of the 1952 Act which recodifies the patent laws which changes those specific rules of law which were the real basis for the decision finding misuse in the *Mercoid* cases.

Instead, to the contrary, the recodification included Section 154 which defines the scope of the patent grant as the right to exclude others from making, using or selling the invention. It is conceded that Rohm and Haas did not invent propanil. That is the way the law has always been and it was continued without dissent in the 1952 statute.

QUESTION: But the question is whether the doctrine of contributory infringement has been reintroduced and *Mercoid*, in effect, either sharply cut back on or overruled by the

congressional Act, is it not?

MR. CONLEY: Yes, Mr. Justice Rehnquist, that is correct. The real issue, I think, is just that, as to whether or not in 271 that the doctrine of contributory infringement was restored. And the reason that that question arose was because there was a serious question as to whether it existed at all. And so the arguments were made to the congressional committees that we had to have a statutory statement of contributory infringement so that this Court would recognize that Congress wanted patent owners to have a right to sue contributory infringers. And that is what Congress did, is enact a statute that says it is O.K. to sue contributory infringers.

But the patents, the patent grants the exclusive rights only to the invention, and 271(b) did not say, or 271(c) did not say that the patent owner has exclusive rights in the non-staple element or component of the invention. That grant is stated in Section 154, which says it is just the invention that the exclusive right extends to.

QUESTION: Suppose the invention requires the use of a non-staple material and you say the patentee has a right to his invention. Does he have the right to license the invention even though he uses a non-staple material?

MR. CONLEY: Yes, sir, he does.

QUESTION: And does he have a right to refuse it?

MR. CONLEY: To refuse the license? Yes, sir, he has the right to refuse a license, generally speaking.

QUESTION: Well, how can you work it both ways? Does that apply to this case?

MR. CONLEY: It is contended by some that the patent owner has a right to refuse licenses and that what we are trying to accomplish here is to compel him to grant a license.

QUESTION: Yes, that is what it sounds to me like. I mean in a way, it sounds that way.

MR. CONLEY: Let us put it this way: A patent owner has only two ways that he can profit from his invention. One of them is by practicing his invention himself and the other one is by licensing other people to do so. Rohm and Haas has chosen to license other people to do so. They don't want to practice this invention, they have said so.

Now, they want one more thing. They want to profit also by monopolizing the material used in the practice. Now, that is the third thing that they have done and they have accomplished this by refusing to grant the license except in connection with the purchase of the material.

Now, what that does is to coerce --

QUESTION: Has your client asked them for a license?

MR. CONLEY: Sir?

QUESTION: Has your client ever asked them for a

license?

MR. CONLEY: The day we were served we asked for a license.

QUESTION: And they said, no, we won't give you a license?

MR. CONLEY: That is right.

QUESTION: Would you take one if they said, yes, we will give you a license; but, for a small fee?

MR. CONLEY: Sure.

QUESTION: You would pay a reasonable royalty?

MR. CONLEY: We told them so, and we still would.

QUESTION: So you do think that they must grant you a license?

MR. CONLEY: No, I don't think they must grant us a license.

QUESTION: Do you think you have the right to sell it without a license?

MR. CONLEY: I do, because of their --

QUESTION: If they refused to license you, you claim you can sell without license?

MR. CONLEY: I say that we can sell it to farmers whom they must grant an alternative. I say --

QUESTION: Well, suppose in suing you they said we offered them a license and they refused?

MR. CONLEY: They said they offered the farmers a

license?

QUESTION: No, no. You.

MR. CONLEY: Oh, they offered me a license.

QUESTION: Your client a license. Suppose they said, this suit is because we have this patented process using a non-staple material; we offered a license to XYZ and they refused it.

MR. CONLEY: They would have a right to sue us. Yes, sir, I agree they have a right to sue us.

QUESTION: And --

CONLEY: Because if we sold it then we would be guilty of contributory infringement and there would be no coercion of these farmers, because they --

QUESTION: It sounds to me like you are saying that the patentee must give you a license.

MR. CONLEY: No, only that he has to give the farmer an alternative. It is just as though I were in the business of selling two different commodities and --

QUESTION: How does he give the farmer an alternative?

MR. CONLEY: By merely telling him that if he wants to practice the invention by use of propanil, purchase from someone else, then a license is available.

QUESTION: This case could end up, I suppose, theoretically at least, that you lose but the other side loses, too, in a sense that they have to give you a license?

MR. CONLEY: No, I don't think there is any loss there, because they would receive -- by either party, because they would receive exactly what they are entitled to, and that is the royalty that they would --

QUESTION: You mean you would both win?

MR. CONLEY: We both win, right.

QUESTION: But they have no bargaining power under your theory?

MR. CONLEY: Oh, no, they can set the royalty as high as is necessary --

QUESTION: All they have to do is offer you a license at a reasonable royalty and if you refuse it, you are in trouble?

MR. CONLEY: If we refused it and they continued to make available to the farmers a license alternatively to the one tied to the purchase of the material, yes, we would be in trouble.

QUESTION: They have no bargaining power with the farmers?

MR. CONLEY: No more does any other patentee of a patent which uses staple materials. If he decides to sell his staple materials, he has no bargaining power. He puts in the price of his material 15 cents of this price is a royalty, if you want to buy the material somewhere else we will grant you a license.

QUESTION: But does propanil have any use except in this combination patent?

MR. CONLEY: For the purpose of this case it is conceded it has none.

QUESTION: Do I correctly understand that you, in effect, agree that you are a contributory infringer, the issue is whether there is misuse?

MR. CONLEY: Yes, sir, that is right.

QUESTION: That is the only issue?

MR. CONLEY: Yes, sir.

Now, I think the essence of what I was trying to say a moment ago is that Congress didn't include in the statute any right to monopolize. Now, they could have done so, they could have changed Section 154 or they could have put another provision in Section 271, or something else, perhaps, that would explicitly provide what Rohm and Haas contend is provided by implication in here. I submit that the implication that they seek is explicitly negated by the words "otherwise entitled to relief" that are in Section 271(b).

Now, the committee reports that were issued by the congressional committees following the hearings that were held, show that there was no intent to change the law. The main purpose, they said, of Sections 271(c) and (d) was clarification and stabilization and to incorporate the Court-made law of contributory infringement.

QUESTION: There were some other statements, too, made by Senator McCarren --

MR. CONLEY: Yes, sir.

QUESTION: -- saying that there were some changes.

MR. CONLEY: Senator McCarren said when asked generally on the floor of the Senate, this statute -- Title 35 as a whole, he was talking about -- did not make any changes, it merely codified the law. And then he inserted into the record, by unanimous consent, a prepared statement which included in it the general statement that due to some court decisions there were some changes made. And that is all that happened. It was immediately after that there was a vote, without any recess, and the statute was enacted. And that is all that took place. He did not point directly to Section 271 or specifically he did not say that it was intended to expand the patent grant to allow a monopoly of something that the patentee didn't invent. I think he would have said so if that is what he had intended to do. I don't think he would have answered it that way.

QUESTION: Why is your client willing to take a license from the patentee and pay him some royalty?

MR. CONLEY: We have some advantages, I think, over a large corporation like Rohm and Haas. We can cut the cost some and still make a profit and get by without -- and pay the royalty, too.



QUESTION: And the misuse that you talk about is at least in part the fact that they refused to give you a license when you offered it?

MR. CONLEY: Specifically, Mr. Justice White, the misuse is in the coercion of the farmers, the conditioning of the granting of a license on the sale and the purchase by the farmer of this unpatented material. And that is all it is, that is all the misuse is.

QUESTION: How do they enforce that?

MR. CONLEY: Sir?

QUESTION: How do they enforce that? Is that easy to enforce?

MR. CONLEY: Oh, I see no problem there, really. It is done all the time.

QUESTION: How do they do it?

MR. CONLEY: Well, one of the things that we suggest because it is commonly used, even by Rohm and Haas itself, is a label licensing program where they apply to the label of their can a statement that the price includes a royalty and if they want to purchase elsewhere, well, such licenses are available.

We as people who manufacture and sell the product would be more than glad to handle the paperwork and so forth to provide the license.

The price is not going to be very much different

as between competing suppliers of the material, so there is probably not going to be any enforcement problem at all. Undoubtedly, their patent would go right on for the full 17 years and they would receive their royalties all the time.

QUESTION: So to avoid the misuse, quit coercing the farmer and also give you a license?

MR. CONLEY: Or give the farmer a license, whichever way. Or they can decide that they are going to do all the application themselves, they can practice their own invention. There is nothing to prevent them from doing that. Now, I understand why Rohm and Haas doesn't want to; but they could do it. And then they don't have to grant anybody a license.

QUESTION: What is involved in practicing their invention?

MR. CONLEY: Oh, buying some spraying equipment and going around and spraying farms.

QUESTION: Exactly.

MR. CONLEY: Now, there was a great deal of discussion by -- in the briefs about some testimony at committee hearings on this bill. The testimony on early bills -- not in this bill, but on earlier bills -- did indicate there was an intention by at least one of the witnesses -- Mr. Rich, who is now Judge Rich -- to allow the precise type of activity that we are questioning in this case. And by 1951 hearings on the bill that passed finally, Mr. Rich did not make any such statement.

In fact he -- when asked directly, he refused to confirm that that was his attitude.

QUESTION: Were his earlier statements directed to the same statutory language?

MR. CONLEY: The language was slightly different but the meaning was in essence the same, I think.

This Court has on at least six different occasions since 1952 made statements that the rule of law of the Mercoïd cases still applies.

The Aro cases are the most significant. There were two of those, one in 1961 and one in 1964. And the 1961 case it was held that although the misuse defense had been weighed in that case the Mercoïd cases were still good authority on the scope of the patent. And the Court held that the claims of the patent were the sole measure of the grant and a patentee was not entitled to any monopoly on the elements of the invention.

QUESTION: Well, they did involve contributory infringement?

MR. CONLEY: Yes, there were contributory infringements.

In the second Mercoïd case there was a specific situation --

QUESTION: You say Aro --

MR. CONLEY: Aro -- the second Aro case, there was

a specific situation where Ford had a license, which they passed on to their customers, which allowed customers to use the patented combination but only if they bought the unpatented fabric from Ford.

QUESTION: That was a convertible top.

MR. CONLEY: Convertible top, that is right; that was the case.

And this Court held that that was an invalid extension of the patent in that particular case, that they were not allowed to do it and would not enforce it.

Now --

QUESTION: Do you disagree with Judge Gee's analysis of those two cases and references to *Mercoid*?

MR. CONLEY: Well, I agree with what Judge Gee finally concluded, and that is that on the whole those cases cut against his opinion.

QUESTION: Right. How about the more detailed analysis?

MR. CONLEY: I don't know specifically what you are referring to.

QUESTION: Well, I take it, you know, you have read his opinion?

MR. CONLEY: Yes, I certainly have.

QUESTION: He devoted three or four pages of his opinion to the analysis of Aro 1 and Aro 2 as he called them.

MR. CONLEY. Yes. I believe that his analysis generally was fairly accurate. I do not think that he treated the Ford license situation to which I just referred, though.

If I may, I would like to reserve the remainder of my time.

MR. CHIEF JUSTICE BURGER: Mr. Hutz.

ORAL ARGUMENT OF RUDOLF E. HUTZ, ESQ.,

ON BEHALF OF THE RESPONDENT

MR. HUTZ: Mr. Chief Justice, and may it please the Court:

I believe that the fundamental question before the Court is whether or not the language of the 1952 Patent Act and, in particular, Section 271 approves of Rohm and Haas' conduct in this action.

Now, the Court of Appeals in a lengthy, detailed and, I think, scholarly analysis unanimously held that Section 271 did in fact approve of Rohm and Haas' conduct. And we submit, needless to say, that that decision is entirely correct and should be affirmed.

And I think as Mr. Justice Rehnquist mentioned, that basically what we have involved here and as the Court of Appeals also recognized, we have a clash between two principles. We have the principle of the patent laws which attempts to stimulate innovation and protect inventions on the one hand. And we have a clash with the concepts of the patent misuse

doctrine on the other. And in principle those two concepts are antagonistic and logically they cannot coexist one with the other.

That conflict is precisely what was presented to Congress when it debated whether or not to pass what is now Section 271. The Mercooid decision had drawn the line with respect to that conflict and it had drawn that line on the side of misuse almost to the exclusion of the law of patents. And for the next four years people attempted to draft an Act that would move that line to more of a middle road position and for the next four years through three separate hearings, many debates, Congress attempted to draw that line in a manner consistent with public policy as Congress perceived it.

Prior to Section 271 it of course had been the courts that had drawn the line and now it was time for Congress, if you will, to try its hand at drawing that line. Congress determined public policy and it drew that line dependent upon the distinction between staple and non-staple articles.

QUESTION: The distinction between staple and non-staple goes to the question of whether it is contributory infringement, does it not?

MR. HUTZ: Yes, Your Honor, if it is a non-staple as we are using the term now it is considered to be contributory infringement?

QUESTION: And if it is staple, you won't have contributory infringement.

MR. HUTZ: You will not have contributory infringement, you may have active inducement.

QUESTION: But is it not true that you may have misuse whether you have a staple or a non-staple.

MR. HUTZ: Yes, Your Honor, that is perfectly possible.

QUESTION: And in this particular case where we have a non-staple, supposing instead of just making periodic sales of implied license to the user you entered into a long-term, say a ten-year license with a farmer, giving him the right to use your patent for ten years. And you said as a condition of that license you may only use with propanil purchased from us.

Would that be misuse?

MR. HUTZ: It could well be a misuse in the sense that the extent of the license may continue beyond the point at which propanil is a non-staple.

QUESTION: Well, assuming that it is known in advance that propanil will continue to be a non-staple for ten years?

MR. HUTZ: I am not sure how you know that in advance but the question -- if your question basically is could we do it by an expressed license the --

QUESTION: Yes.

MR. HUTZ: -- effectively the equivalent of what is done now --

QUESTION: Yes.

MR. HUTZ: -- I would say that was not a misuse.

QUESTION: So you are --

MR. HUTZ: What we are doing now is we are granting no licenses, as I think is clear.

QUESTION: An implied license?

MR. HUTZ: Well, it is called an implied license, it is actually -- it goes back to an exhaustion of the monopoly. We sell the product propanil, that is all we do. We do not issue any written licenses, we don't state there is a license on our label. As a matter of law, when we have sold that propanil we are no longer able to exercise any control over it, because it has --

QUESTION: Well, I understand. But for purposes of trying to decide whether there is a misuse -- I don't know whether there is -- you are saying the case would be the same on a misuse issue if there were an express license and if the express license were conditioned on the purchase of an unpatented product from your client?

MR. HUTZ: If the express license was the equivalent of what we are doing here I would say there is no misuse.

QUESTION: Right.



MR. HUTZ: Once you begin to talk about a long-term and other factors there may be something in addition --

QUESTION: Well, isn't that the whole issue in the case, because 271 they concede there is contributory infringement.

MR. HUTZ: Yes, Your Honor.

QUESTION: And nothing in 271 expressly covers the kind of case we are talking about, so the question really is whether this is a misuse when it is a non-staple item. And I don't think it has been decided before, as far I can see.

MR. HUTZ: Your Honor, I would take issue with your statement, because I believe that Section 271 does expressly approve of what we are doing, because it expressly states there shall -- I am talking about 271(d) now.

QUESTION: Right.

MR. HUTZ: It expressly states that there shall be no extension -- illegal extension of the monopoly and no misuse if the patentee engages in three specified acts. It can be any one, two or three --

QUESTION: It says none of those three shall create a misuse. It doesn't mean that if you do those three you are exempted from something else which would constitute a misuse.

MR. HUTZ: That is correct.

QUESTION: The question is whether the something else, namely granting a license on condition that you buy only

the product, is a misuse. That is the question, and that isn't discussed here.

MR. MUTZ: In this particular case that we have before the Court the only acts that Rohm and Haas is doing -- are doing is exactly what is spelled out in Section 271(d). 271(d) (1) says "derive revenue from acts which are performed by another without his consent would constitute contributory infringement."

We do that, we sell propanil.

QUESTION: Right.

MR. MUTZ: My worthy opponent has conceded that if we were to do it and not be the patent owner we would contributorily infringe. We we have done that act.

The second thing that we have done is we have sought -- which is (d) (3) -- we have sought to enforce the patent right against infringement or contributory infringement. We brought this suit.

We are of course able under Section 271(d) (2) to license or authorize -- says you can license or authorize -- and we have authorized in the sense that the law implies a license, or more specifically, says the remedy is exhausted at the time that we sell.

Now, I think it is very important to note, as I believe Mr. Justice Rehnquist said, that the Act says one or more of the following.

MR. HUTZ: It can be (1), (2) or (3). There is nothing in Section 271 that suggests that in order to sell under (d)(1) we must license under (d)(2) and yet that is precisely what the petitioner's position is here. They are saying if you want to take care, if you want to carry out the act specifically provided, namely deriving revenue from acts which are performed by another, you must license. That is basically what they --

QUESTION: There are things besides those three things in (d)?

MR. HUTZ: I would suggest that we are not.

QUESTION: Well, aren't you still telling farmers don't use our patent except in connection with our propanil?

MR. HUTZ: Effectively we are saying nothing to the farmers, Mr. Justice. We are selling the propanil and those that obtain the propanil through us, the monopoly, if you will, has been exhausted as far as that sale is concerned.

The other thing that we are doing is we are exercising a right which I feel that we have, Section 154 indicates that we are, and that is we are not licensing expressly anyone. We have the right to refuse that, we have always had the right to refuse that.

QUESTION: What is the basis for the claim that you are letting people practice your patent but only on condition that they buy an unpatented material from you?

MR. HUTZ: Well, that of course is the position which my worthy opponent makes. But the fact of the matter is we are selling the propanil, exhausting the monopoly as to that product. And then if we are asked whether or not we will grant express licenses, we are of course at this time saying that we wish to exercise the optional right given to us under 271(d) (2), we license or authorize or not. And I would submit that Congress was well aware of the argument which petitioner is making in this case and Congress recognized that the effect of this would be an extension of the patent grant. And so Congress specifically stated that it will not be an illegal extension of the patent grant if one does any (1), (2) or (3) of these acts.

Now, the ability to carry out the steps that Rohm and Haas has done in this case was fully explained to the judicial subcommittees that heard debate on these acts. One of the very first things that was said in the course of the hearings, -- at page 4 of the 1948 hearings transcript -- it was pointed out that a necessary effect of the doctrine of equivalence is to give a patentee the right to exclude others from doing acts which would constitute contributory infringement of his patent if done without his permission. And necessarily contributory infringement involves a measure of control over something that is outside the literal scope of the claims.

QUESTION: Do you contend that your sales of propanil

are to the ultimate consumer of the product?

MR. HUTZ: No; no, they are not, Mr. Justice Rehnquist, they are to distributors. But the distributor acquires the right to resell and his customers obtain the right to use because as to the product we have sold the monopoly is gone. We can exercise no control whatsoever.

QUESTION: Was there any dispute over that in the District Court?

MR. HUTZ: Not as far as I know. That was recognized by the District Court and of course it was recognized by the Court of Appeals. The District Court's problem was that it couldn't understand why Section (d)(2) -- I am sorry, (d)(3) had any relationship to (d)(2), and of course that was corrected by the Court of Appeals because contributory -- I am sorry, I have misstated.

The District Court could not understand why the rights that you acquired under (d)(2) related to Section 271(c). And of course it must be a contributory infringement before either (d)(1) or (d)(2) even comes into effect. But --

QUESTION: How widely available is propanil?

MR. HUTZ: Today? It is sold by Rohm and Haas, it is being sold by petitioners and --

QUESTION: The ordinary farmer?

MR. HUTZ: I don't believe there is any inability of the farmer to obtain access to propanil if he wishes to use it

on his fields. There are other competitive products. There are, I believe, six or eight other herbicides.

QUESTION: What I am trying to get at is what I addressed in the form of a question to your friend and I am not sure I understood the answer. I am sure his answer was clear but that didn't mean I understood it.

You have this licensing. How can you assure that the condition in your licensing is carried out?

MR. HUTZ: Well, we can only that, Your Honor, by looking at others who produce propanil. There are approximately 9,000 rice farmers. There are approximately 3,000 aerial applicators who would be practicing directly the method of our patent. And this is one of the fundamental problems when you are dealing with a patent of this kind is trying to enforce it. If you had to go out and try to license all 9,000 farmers or license all 3,000 applicators it would cost you more to get the licenses, in all likelihood, even if you could get the farmers to agree to it.

So as a practical matter the only way you can enforce your patent and maintain your exclusivity is through the doctrine of contributory infringement which permits you to go to the source, if you will, of the infringement. It should be kept in mind there is no legitimate competition at the present time in propanil. By its very definition as conceded, anytime you sell propanil you are guilty of contributory infringement

under Section 271(c) and because of the definition of contributory infringement the sale of propanil by the petitioners necessarily leads to a direct infringement. That is the whole basis of the distinction between staples and non-staples. With staple products there is a legitimate existing business outside of the patent. With propanil, there is not. It has no other use except to infringe. Propanil of course was known from back in 1903 as a chemical compound but for 50 years it had no use, it was a laboratory curiosity, it was of no benefit to mankind. Rohm and Haas, through the expenditure of a lot of research dollars and development dollars and obtaining approval from the Government, developed a specific use for propanil which has been a great benefit to rice growers, to farmers and the public in general.

They created the market for propanil and today, some 20 years after the original disclosure and knowledge and invention, the only use of propanil remains in the patented invention. And for so long as it remains a non-staple, namely no use other than as an infringement, we believe in accordance with Section 271 that we are entitled to the conduct and the activity which we have carried out today. And that activity and that conduct was known to those who considered the Patent Act.

My opponent has said that in the early hearings -- I assume he is referring to the 1948 and the 1949 hearings --

that Mr. Rich, now Judge Rich, who was a speaker on behalf of the Act indicated that that was the intention of the language. That is very clear, he did indicate and stated specifically that it was.

Now, the language has not changed in any substantial manner from the time it was first presented in 1948 until the present day when it was enacted as Section 271.

Not only did Judge Rich indicate that this was the intended meaning or one of the intended activities that would be permitted without it being a misuse but the Justice Department vigorously protested the passage of Section 271. They testified in 1949 and they testified in 1951 and in '49, page 2, they said that enactment would enable the patentee to exercise control over the unpatented materials usable in his patent process and oust from the marketplace his competitor dealing in the same material. That was their basic criticism.

QUESTION: Mr. Hutz, don't opponents of legislation have a history of a parade of horribles saying how bad this is going to be when perhaps the actual enacted language does not involve all the things they think it does?

MR. HUTZ: I think you are right but I think you have to keep in mind that I don't believe there was any dispute between the proponents and the opponents or even those that were considering the Act that that would be permitted. The issue was whether or not public policy would permit you



to --

QUESTION: Were they not then talking about tributary infringement; and is it not true even if it were feasible -- and I understand it is probably not -- to license farmers, about 3,000 licenses to farmers, so there would be no claim whatsoever that you are misusing the patent, then you could still sue these people for contributory infringement under this bill. And the Justice Department didn't want you to even be able to do that.

MR. HUTZ: I would submit that the Justice Department was accurately stating that exactly the conduct we are doing today would be permitted. And Judge Rich agreed with that and, indeed, the members of the subcommittee agreed with that. A statement was made interpreting the Mercoid decision.

QUESTION: Well, am I not correct in what I said?

MR. HUTZ: I may have misunderstood the question. I am sorry.

QUESTION: Even if there were no basis for a claim of misuse here and, as I say, I don't know whether that is a valid basis, say you had a licensing program and you just licensed the farmers. And your competitor sold the product to those farmers, knowing it had no other use. You would then clearly be able to hold them liable as a contributory infringer and they would have no misuse defense. And the Justice Department didn't want you even to be able to hold

them liable in those circumstances.

MR. HUTZ: I am sure they didn't want us to do that under those circumstances.

QUESTION: What I am suggesting is that their opposition to the bill didn't necessarily address itself specifically to the misuse question. It addressed itself to the contributory infringement.

MR. HUTZ: I would submit it was directed to the misuse. And I started to respond to your question with reference to the Mercoid decision. There were a lot of things decided in Mercoid but one of them dealt with the situation in which licenses were granted only with the sale of a non-staple and the Justice Department recognized that. For example at page 54 of the '49 hearings they characterized the Mercoid decision, and if I may indulge, it said:

"Instead of meeting its competition in traditional ways it sought a competitive advantage by permitting those who bought its switches to use them in the patented combination, whereas those who bought the switches elsewhere were subject to attack for infringement and those who sold switches were sued for contributory infringement.

And that is a characterization of the Mercoid facts which can be found at 320 U.S. 676 in the concurring opinion of Justice Frankfurter. So that one of the evils, if

you will, of Mercooid was exactly the alleged evil that we have here, and it was recognized as such. And Mr. Rich was questioned whether or not that wasn't a fundamental reason for the Mercooid holding, and he agreed. And Mr. Rich was asked, well, would that behavior be permitted under the Act? And the answer was "Yes." Very clearly, "Yes."

So I would submit that the Justice Department has raised in 1948 and 1951 exactly the arguments that were raised here and fundamentally Congress faced that question, Congress was faced with a public policy decision: Where do we draw the line between these competing doctrines?

And it drew that line. It drew that line after very, very careful consideration with all of the opponents and all the proponents and all of the consideration that went into that wording. And as I stated earlier, the wording remained remarkably the same from the time the Act was first introduced in 1948 until today.

And I would respectfully submit to this Court that the decision by the Court of Appeals is eminently correct. It was a scholarly analysis, yes, they weighed things. They said, well, if we look at it through the lens of misuse we reach one result. If we look at it through the lens of the patent law, we reach another result. It was very careful balancing.

What my opponent has done is to select certain

portions where the Court was doing the balancing and has ignored what the Court ultimately held. And what the Court ultimately held was there is no obligation to compulsorily license your patent. What the COURT held was Section 271 permits you to do one or more of the defined acts. It doesn't require you to license in order to sell propanil. The effective result of reversing the Court of Appeals would be a compulsory licensing.

My opponent claims that it would not be. I would respectfully submit that it is and it was recognized to be the result of compulsory licensing by the Court of Appeals as well as by the lower court.

If there are no questions, I thank you very much.

MR. CHIEF JUSTICE BURGER: Mr. Bernard.

ORAL ARGUMENT OF EUGENE L. BERNARD, ESQ.,

AS AMICI CURIAE

MR. BERNARD: Thank you, Mr. Chief Justice, and may it please the Court:

I represent a number of amici here today and without equivocation my comments favor the respondent.

The essence of my comments are that the patented herbicidal use of the non-staple, per se unpatentable propanil, should not be subject to compulsory licensing, for public policy reasons and for statutory reasons.

The amici I represent are all nonprofit organizations.

they are all significant participants in what we label the research, development and commercialization processes. From the agricultural sector is the National Agricultural Chemicals Association, the Ag Association for short. Its 120 member companies produce, formulate and sell most of the pesticides in the United States.

Propanil, a herbicide, is a specific type of pesticide. The ag business is big business and it is high technology. For example, there are \$32 billion of agricultural products exported a year. And the high technology character of agriculture is set out in the Ag Association brief in Section 1.

QUESTION: May I just ask, you agree with respondents generally. Do you specifically agree with the view that a long-term license of a non-staple on condition that the product be bought exclusively from the patentee is not a misuse?

MR. BERNARD: It is not a misuse, Your Honor. There is a practical factor to this. For example, there are the 9,000 rice farmers and, in addition, that is complicated further by the fact that they just don't spray this, they use aerial applicators to spray the propanil. There are 3,000 aerial applicators, using 86,000 aircraft.

This gets us to the hub of the contributory infringement doctrine. There are three petitioners. The hub of the

contributory infringement doctrine is that it is impractical to go after these 9,000 farmers plus 3,000 aerial applicators. But it is practical to stop the contributory infringers. And Congress in section 271(c) and (d) was explicit with respect to non-staple articles. The significance of the non-staple article is that it creates a market. It is not a monopoly. A monopoly means that there is something there before that was taken away. In this case it is an exclusive right provided under Section 154 of the statute and that statute says that every patent shall have that right to exclude.

And as you go further with that on the economics of this, the plain fact is that the price of rice is determined on the commodity market. Propanil is a tool for the farmer. If he doesn't to pay that price or if he thinks it is excessive, he then doesn't buy it.

QUESTION: Does this mean that the patent becomes substantially worthless if the product ceases to be a non-staple? Say somebody discovers another use for propanil, then is the patent no longer of value?

MR. BERNARD: Well, the patent is of value. I think we are dealing with --

QUESTION: I thought you just explained that you really as a practical matter could not enforce it, except by controlling the sales?

MR. BERNARD: No, as a practical matter when there are contributory infringers in that group --

QUESTION: They are infringers as soon as the product ceases being a non-staple.

QUESTION: Once other uses for propanil are found, then anybody could freely sell propanil without being a contributor or infringer.

Correct?

MR. BERNARD: That is a contention. I am not sure that the law has gone that far yet. We do know that the laws, namely 271(c) and (d), are explicit on the non-staple. And a good reason for it being explicit on the non-staple is that there is no other market --

QUESTION: Well, what if this were salt or sugar?

MR. BERNARD: Well, let us draw an analogy with salt. Take the Morton Salt case, where you had a device, just to draw the line on patentability items. In Morton Salt there were salt tablets but the item that was patented was a device. There is no restriction on the salt tablet per se. And so the Court back then said, well, look, it is misuse to try to control that salt tablet.

Now, let us take a step closer, let us take the situation in Mercoïd. There is a combination there, and there is a stoker switch. That stoker switch was said to have no other use than in that combination.

QUESTION: Right.

MR. BERNARD: But nevertheless that stoker switch was unpatented.

Now, take the case of propanil. Propanil is not patentable per se, as a compound.

QUESTION: Right.

MR. BERNARD: But its use is patentable. Its use is patented.

QUESTION: Well, in this method patented.

MR. BERNARD: Yes. But its use is patented as distinguished, say, from the unpatentability of the stoker switch in Mercoïd. The use of that switch per se was not patentable.

QUESTION: Well, as a component of the combination it was patentable.

MR. BERNARD: Only in the combination.

QUESTION: Not an exact analogy.

MR. BERNARD: No. But that is quite different than the patented herbicidal use of propanil that we have here.

QUESTION: You are suggesting it is possible that even if propanil was a staple that you could prevent people from selling it if the purpose of the sale was to use your invention?

MR. BERNARD: Yes. I think --

QUESTION: Rather than trying to monopolize the sale



of a staple generally.

MR. BERNARD: Yes, I think that is an area that is yet to be developed. For example, may I draw this --

QUESTION: I thought the teaching of the briefs was that we learned from 271 that Congress wanted to draw a very clear bright line between staples and non-staples. You say that is not --

MR. BERNARD: Congress did draw a very clear line between staples and non-staples. And it said in the connection with non-staples that while using this contributory infringement doctrine that it wasn't subject to misuse if you did the three things that he enumerates in Section (d).

QUESTION: None of those should constitute misuse?

MR. BERNARD: Yes.

QUESTION: It did not say, though, that a long-term license on condition is not a misuse?

MR. BERNARD: Well --

QUESTION: What you said, I think, is if you do anyone of those three things you are not guilty of misuse. And that is a little different from saying that none of those three things constitute misuse.

MR. BERNARD: None of those three things constitute misuse, per se.

QUESTION: Yes. And that is what the statute said?

MR. BERNARD: Yes.

Well, the bottom line on the amici is that they are all involved in the research and development and commercialization activity and that they are all concerned about having this non-staple, per se unpatentable chemical, as a resource for their activities. And the significance of it as a resource is, Point 1, there are 10 million compounds. Compare that with 50,000 in commerce. Point 2, in a survey conducted in 1975 of the 33,600 compounds that were considered to have been included in major chemical developments, 8,400 were those that new uses were found for. Point 3, the universities -- researchers at universities and elsewhere want to publish and in publishing they frequently publish compounds that are in the early stages for which they have no known use or utility. And by having this patent protection available, as you move down the line this gives an opportunity to promote further work with respect to those then useless chemicals. And in Item 4 within the area of the pesticides, a survey conducted in 1972, 20 percent of the pesticides had no use other than this use protection.

And the character of the investment and high risk involved here, for example to get a pesticide approved requires going through the EPA. And in going through the EPA, there is much experimental work required and it runs over several years. The year factor is eight years at a cost of roughly \$15 million-plus. Now, that eight years also comes out of the

patent grant.

But in looking at the character of the protection provided, in dealing with patents we are talking about subject matter and conduct. The subject matter is defined by the claims but then before that patent is granted it is screened by the Patent Office to insure that it meets the conditions of patentability. And patents are classified in several ways. One of them is in products, per se. Another is in the use patent which is set forth in 100(b) and 101. 100(b) is new with the 1972 Patent Act. It interrelates with Section 271 and in this interrelationship it also interrelates to Section 154 that says every patent shall have this right to exclude.

I thank you, Your Honor.

MR. CHIEF JUSTICE BURGER: Do you have anything further, Mr. Conley?

REBUTTAL ARGUMENT OF NED L. CONLEY, ESQ.,

ON BEHALF OF THE PETITIONERS

QUESTION: Tell me again, where would the condition -- how did the patentee here attempt to impose any condition that the use of his patent must be -- it is conditioned on buying propanil from him?

MR. CONLEY: It is inherent in the patentee.

QUESTION: I know, but he didn't say it anywhere.

MR. CONLEY: He doesn't say -- he can only have a license --

QUESTION: If he sells propanil.

MR. CONLEY: Right.

QUESTION: Which is what 271 says he can do.

MR. CONLEY: Right. And he tells them on the label how to use it.

QUESTION: Yes, but he doesn't tell them anything else.

MR. CONLEY: And thereby grants him a license.

QUESTION: I know, but he doesn't tell them anything else.

MR. CONLEY: And then he doesn't? Well, you know, you can commit sin --

QUESTION: He doesn't say to the farmer, you can't buy that from anybody else.

MR. CONLEY: He can commit sins of omission as well as a commission.

QUESTION: What he really does is he won't furnish you a license.

MR. CONLEY: He won't furnish the farmer a license, unless he buys --

QUESTION: He won't furnish you one, either.

MR. CONLEY: Nor anybody else, unless they buy the material from Rohm and Haas.

And what they do by that, Mr. Justice White, is they take this patent that they got on a method of use and they say, I can't use that patent, I am not in the business of

applying propanil or of spraying crops or of raising rice of anything like that, I can't use that.

Now, I have tried to get a patent on propanil but the patent office wouldn't let me have one, they give it to Monsanto and I got it declared invalid. But I don't like the patent I have got and I am going to use my patent to get the monopoly the Patent Office wouldn't give me.

That is what they have got.

QUESTION: All the patentee is doing here, he is offering for sale propanil, which 271 says he can certainly do.

MR. CONLEY: He can.

QUESTION: And he doesn't need to go out and practice his invention himself, he is selling propanil. He is doing something that if somebody else does it is contributory infringement, which is what 271 says he can do.

MR. CONLEY: Correct. But you know --

QUESTION: That is all he is doing.

MR. CONLEY: -- he had the right to sell propanil before.

QUESTION: Yes.

MR. CONLEY: That was not given to him by 271. He had the right to sue contributory infringers before. That was not given to him 271, either. But he never had the right to condition licenses and if you go back to the --

QUESTION: You haven't told me yet where he is conditioning it.

MR. CONLEY: Because he sells it with a license and refuses to grant a license without it. And if you go back to the Leitch v. Barber case --

QUESTION: He refuses to grant a license without what?

MR. CONLEY: He refuses to grant a license without the purchase of the propanil. And he has expressly refused.

QUESTION: Whom has he refused?

MR. CONLEY: He refused it to my client and to one single farmer who wrote to us.

QUESTION: So you really are saying that his real sin is refusing you a license?

MR. CONLEY: And he has stipulated that he refuses. It is stipulated, it is one of the facts of this case that he will not grant any licenses except with the purchase of propanil

QUESTION: Where is that?

MR. CONLEY: It is in the stipulation that was filed before the motion for summary judgment was granted.

QUESTION: Well, that is not inconsistent with the language of the '52 Act of Congress, is it?

MR. CONLEY: What is that?

QUESTION: You say his refusal to grant a license.

MR. CONLEY: It is inconsistent when you look at all of the cases that came before.

QUESTION: I am not talking about all the cases that came before. I am talking about the '52 Act of Congress.

MR. CONLEY: That the refusal to grant a license is not inconsistent? It is, sir, if you understand the law of patent misuse and apply the law of patent misuse.

QUESTION: Well, but patent misuse stems from Mercoïd and the question --

MR. CONLEY: No, sir, that is not correct.

QUESTION: Well, from Catlin v. Leeds and so forth, but it reached its apogee in Mercoïd.

MR. CONLEY: It did not. The law of patent misuse developed out of the Motion Picture case -- I beg your pardon, sir, it developed out of the Motion Picture case where this Court specifically limited the scope of a right to exclude to the invention that was made. And in the Carbice case in 1931 was when they first said well, it becomes a misuse of the patent, that the patentee is now allowed to take his license that he has, his right he has to license people, and tell the people who buy from him an unpatented material that they can only have that license if they buy the patented material from me.

The Leitch v. Barber case then came along in 1942, I believe, or '38, and said it doesn't make any difference

whether he expressly says that you must buy this material from me to get a license or whether it is merely implied by the fact that you refuse to grant any licenses except with the purchase of the unpatented material.

Now, we had the Morton Salt case and we had the B.B. Chemical case and the same theme was repeated every time and they never said it is limited to staples, they never said it made any difference what the nature of the unpatented element was in any of those cases. But the patent owners, they kept on pushing, pushing, pushing, until they finally got to the Mercoïd cases. And the Mercoïd case made explicit what had been certainly not excluded from any of the previous decisions, and that is that it applies regardless of the nature of the component.

QUESTION: And the '52 congressional enactment was intended to either overrule or limit Mercoïd?

MR. CONLEY: It was intended to clarify --

QUESTION: Well, you can call it clarify but certainly there wouldn't have been that legislation had it not been for Mercoïd and its predecessors.

MR. CONLEY: If it had not been for the statements in Mercoïd to the effect that what there may be left of the doctrine of contributory infringement we do not stop to consider. If that language had not been there, I seriously doubt if we would be here today. Because I think that through-



out the legislative history it is very clear that what they want to do is to straighten out the confusion that had been generated. One District Court held that it was a misuse of the patent to just file a suit for contributory infringement. Now, Mercoïd didn't say that. But that was the fear and some of the courts held that.

QUESTION: Mercoïd left very much in doubt whether there was anything left of the doctrine of contributory infringement?

MR. CONLEY: Yes, sir; indeed, it did.

So they put three specific things in. They put first a specific definition of contributory infringement and three specific things that they say are not misuse, or any combination of those. But they didn't say anything about extending the scope of a patent beyond the scope of the grant, which Mr. Justice White said in at least three opinions that he wrote, I know, that you can't do. And those are since 1952.

The Aro cases made very clear you couldn't do that.

Deepsouth was one of them, there was the Blonder-Tongue case and there was one other one -- what is that other one --

QUESTION: But all those were scope of patent cases.

MR. CONLEY: Yes, sir.

QUESTION: Contributory infringement and patent misuse

are both how you remedy-type cases.

MR. CONLEY: No. We are talking about scope of patent, that is what we are talking about here today. We are talking about an attempt to obtain a monopoly which is outside the scope of the invention. What they invented was a method; they didn't invent propanil, they never discovered it. The Constitution says you can grant patents to inventors on their discoveries. They didn't discover propanil, they admit they didn't.

QUESTION: But there is no question that Congress -- accepting the Commerce Clause definition of Wickard v. Filburn, Congress needn't rely on the Patent Clause to grant everybody that comes up with an invention a patent on it.

MR. CONLEY: I don't know of a single case when they haven't done so. And what we are trying to find here is that implication from a statute, that that was what their intention was. Surely they have got to show that Congress at sometime or other made a patent grant or passed a statute which allowed patent rights outside of the scope of the Constitutional specific authority.

QUESTION: It is a question of which authority Congress might have been acting under, just like in the Civil Rights Act of 1954. Was it the enforcement provisions of Amendment 14 or was it the commerce power? Some said one, some said the other. I think this Court said it didn't make

any difference.

MR. CONLEY: It probably doesn't. But there ought to at least to be some indication by someone and not the offhand remark that no, it doesn't even change anything, like Senator McCarren said, or certainly they wouldn't put in their carefully prepared committee report that the intention was clarification, if that had been their intention to do something they had never done before, and that is grant a patent right outside the scope of Article I, Section (a), Clause (a).

QUESTION: You say that there is just not fourth paragraph in (d).

MR. CONLEY: There is not a fourth paragraph in (d).

QUESTION: That says you may condition the use of your invention on the purchase of a non-staple material.

MR. CONLEY: Precisely.

QUESTION: Which you say is what is happening here and which is outside the protection of (d).

MR. CONLEY: And since that is precisely what Mercoïd held, was a misuse. If Congress had wanted to reverse that precise holding, wouldn't they have put in a fourth part in (d)? It seems logical to me that they would have.

MR. CHIEF JUSTICE BURGER: Thank you, gentlemen.  
The case is submitted.

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