

Legal Notes.

PATENT OWNERSHIP BY ORAL AGREEMENT.—Frank B. Cook brought an action against the Sterling Electric Company in which principles of law are involved that should be studied by every inventor. Frank B. Cook alleged that he was the first and original inventor of a certain telephone switchboard patented on January 16, 1900. He claimed that the defendants infringed on his patent. In reply the defendants stated that Cook, prior to the issuance of the patents, made an agreement with the defendants, the Sterling Electric Co., whereby he granted to the Company the exclusive right to make, use and sell, and to license others to make, use and sell, the switchboards which he had patented, during the full term of seventeen years. In consideration of the granting of this exclusive right the Sterling Electric Company claimed to have transferred to Cook 400 shares of its capital stock, valued at \$40,000, together with \$8,000 in cash. Since the making of this oral agreement, the defendants alleged that Cook had repeatedly stated orally and in writing that the Company had been authorized and exclusively licensed to work his patent during its entire term.

The court entertained no doubt that an oral agreement for the sale of an invention, founded on a sufficient consideration, made pending an application for a patent, is valid in equity and constitutes a good defense to a suit brought by such inventor after he has obtained a patent for the invention. The inventor of a new and useful improvement acquires thereby no exclusive right to it until he obtains a patent. The exclusive right is created by the patent, and no suit can be maintained by the inventor against anyone for using it before the patent is obtained. But the inventor of a new and useful improvement is vested by law with an inchoate right to its exclusive use which he may perfect and make absolute by proceeding in the manner which the law requires. Cook possessed this inchoate right at the time the oral agreement of sale was made. The invention had then been made and an application was pending to obtain a patent.

This inchoate right to the exclusive use of the invention was a property right and the subject of bargain and sale unless forbidden by the statute. The statute (Section 4898 R. S. U. S.) does not prohibit such bargain and sale. It applies solely to the assignment, conveyance or grant of a patent or an interest therein, and not to the sale of the invention before the issuance of a patent. The statute does not profess to deal with the invention until the inchoate right to its exclusive use has been perfected and made absolute by the obtaining of a patent. Before the patent is granted, the sale of the inchoate right to the exclusive use of an invention is governed by the general principles of the law relating to bargains and sales.

The case of *Gayler v. Wilder*, 51 U. S., 477, decides that the inchoate right to an invention may be sold and assigned before a patent therefor has been granted. In that case, it is true, the assignment was in writing, but unless a right of property existed in the invention before the patent was issued, the assignment would have been invalid for want of a subject-matter on which it could operate. In this country, where the principle of the patent laws is recognized, where an invention is regarded as property which may be set apart for a person's own exclusive use, why is it not assignable without an enabling statute? What reason can be assigned why an invention which is regarded as property shall not be transferable like other property, there being nothing in the statute to prohibit it? The court thought it could be done. An oral assignment of invention, before the issuance of a patent therefor, is valid, and invests the purchaser with the equitable title, and the inventor who, after such assignment or sale, obtains a patent, holds the legal title in trust for the owner of the equitable title.

The cases [referring to citations omitted here] establish the doctrine that an oral agreement for the sale and assignment of the inchoate right to the exclusive right of an invention before a patent has been granted therefor is not within the statute of frauds, nor within Section 4898 of the Revised Statutes, requiring the assignment of a patent or of an interest therein to be in writing, and that such an agreement may be specially enforced in equity upon sufficient proof thereof.

It is claimed that whatever may be the equitable rights of the defendants under the agreement, the legal title is in the complainant and that the oral agreement cannot be set up as a defense, and that the defendants should file a bill setting up their equitable rights and compel a transfer of the legal title.

It suffices to say that this contention overlooks the fact that this is a suit in a court of equity, where, in matters within its jurisdiction, an equitable title is as good as a legal title as to all parties affected by such equity. It cannot be maintained in a court of equity that a party holding the equitable title will be denied

his equitable rights by the holder of the naked legal title. In such a case the holder of the legal title stands, in a court of equity, as a mere trustee for the use and benefit of the owner of the equitable title or estate. It certainly would be against conscience to permit a complainant, while holding the consideration for the oral agreement of sale, to pursue the defendants as wrong-doers.

The plea was allowed as sufficient, with leave to the complainant to reply thereto, if so advised, within 20 days; failing to reply, the bill to be dismissed.

SOME AMENDMENTS TO THE PATENT LAWS.—American inventors and manufacturers have since May 30, 1887, when the United States became a signatory to the International Convention for the Protection of Industrial Property, been able to claim, within prescribed periods, the dates of the filing of their United States patent and trade-mark applications as their dates of priority in the other countries which are members of the Convention. The articles of the Convention have now been amended, and the period during which inventors may claim priority under the rules has been greatly enlarged. Amendments have also been made which will aid manufacturers and merchants to more fully protect their trade-marks abroad.

The most important amendment is the extension of the time in which inventors may file their patent applications in the countries which are members of the Convention. Under the old rules this time was six months, counting from the filing of the patent application in the home country, with an allowance of an additional month for the citizens and subjects of countries beyond the sea. Article 4, as it has been amended, extends this time in all cases to twelve months, counting from the filing of the home application. Provided an inventor files his patent application in the countries which have signed the Convention within this extended time, he will enjoy a right of priority which will not be invalidated by acts accomplished in the interval, such as the filing of an application by another, the publication of the invention or its exploitation. This is very important to American inventors, as the laws of many foreign countries, unlike the law in the United States, make it necessary to file a patent application under an earlier date than that on which the invention becomes publicly known in said foreign countries, or is disclosed in public print in any country. This provision is also especially beneficial to American inventors, for in most foreign countries patents are granted to the person claiming the earliest filing date, whether he is the inventor or not. The effect of this feature of the foreign patent laws is seldom fully realized by applicants who are accustomed to our American patent procedure and who believe that the first inventor is always entitled to the foreign patents. In many cases, however, subsequent inventors and others who have obtained information concerning inventions have obtained valid foreign patents. With this extension of time in which to file foreign applications, inventors will feel freer to place their improvements on the market on the filing of the United States application, and they will also be in a better position to interest capital in their foreign patent applications. Still, as Germany, Austria-Hungary, Russia, and some other important countries, are not members of the Convention, inventors should remember that the Convention rules do not apply in all the foreign countries.

In the patent laws of many of the foreign countries, provision is made for the commencement of the manufacture of the invention within a prescribed time, but the final protocol annexed to the International Convention, declares that patents shall not suffer forfeiture by reason of non-working, except in cases where the patentee cannot justify the cause of his inaction after three years from the filing of his application. As this provision is remedial we believe that it will be liberally construed.

While the time in which to file foreign trade-mark applications has not been extended for American applicants, the provisions for the protection of registrants' rights have been more carefully drawn, and there has been added a section giving foreigners who are entitled to rights under the Convention all the benefits accorded to citizens or subjects of a country against unfair competition.

The amended Convention was signed on December 14, 1900, and was ratified by the United States Senate and the President last spring. The United States State Department has requested the Commissioner of Patents to take the initiative in presenting to Congress a form of amendment of the United States patent statutes in conformity with the International Convention. The bill has been introduced in the present Congress and is now in the hands of the House and Senate Committees on Patents. But this is as far as the matter has gone, and unless the committees make haste to report the bill so that our patent law may be amended in accordance with the rules of the International Convention without undue delay, citizens of this country will be unable

to have the benefits of the Convention rules in the foreign countries, because of our failure to reciprocate. Inventors and others interested in the bill should write to their Congressmen and use what influence they can to have the bill advanced.

THE ROBINSON CAR WHEEL PATENT CONSTRUED.—On November 23, 1897, letters patent were granted to Robinson for an invention, the object of which was to make a composite wheel with the outer portions or sides of one metal, and the inner portions of another, and in the case of pulleys to give to the center of the groove of the pulley a hard or chilled surface, while leaving the balance of the metal soft. Suit was brought by Robinson against the Chicago Railway Company for infringement of this patent.

A study of the patent in suit clearly discloses that Robinson supposed that, when he filed his application for letters patent, the patent carried with it three particular inventions: (1) that he had invented an improved method or process for casting composite or other wheels; (2) that he had invented an improved form of mold adapted to carry out such improved method or process for casting composite or other car wheels; and (3) that he had invented a new wheel or resulting product thereby. Only two claims were infringed, and they claimed a specific construction only. The court was convinced that the patent in suit rose to the level of distinct invention in the production of a composite metallic wheel; but was equally convinced that as to the claims in issue, Robinson had contented himself with covering only a particular mechanical form or combination of mold, adapted to carry out the improved process and to produce the desired wheel product. In these two respects—the improved process and the wheel product—Robinson made a substantial step forward in the practical effectiveness of the molders' art. The defense in substance contended that there was no infringement by construing the claims literally. The court construed the patent in the same light, and held that, although the claims were valid, they were not infringed.

CALCIUM CARBIDE LITIGATION IN ENGLAND.—An important legal decision was recently given in the English Court of Appeals in the case of the Acetylene Illuminating Company (Limited) vs. The United Alkali Company (Limited). The plaintiffs appealed from the judgment of Mr. Justice Buckley dismissing the action, by which it was sought to restrain an alleged infringement of a patent for the manufacture of calcium carbide. The patent, of which the plaintiffs were the owners, was taken out by Mr. Wilson, in 1894. The defendants denied infringement, and made the usual allegations, that the patent was bad for want of invention and novelty. The anticipations cited, were a previous patent taken out by the same person in the United States in 1892, and disclosures in communications by M. Merison to a French scientific institution. The first claim in the specification was for the manufacture of crystalline calcium carbide by subjecting lime and carbonaceous matter in suitable proportions to the continued action of electrically generated heat, and in the specification the patentee said that he employed a suitable electric furnace, such as a Siemens furnace. The plaintiff's case was that the patentee was the first person to show how to manufacture calcium carbide on a commercial scale, and that the patentee was confined to using an electric furnace, so that the current passed through the material but not to an arc furnace, as distinguished from an incandescent furnace. The appeal was dismissed.

RIGHT TO RELIEF IN EQUITY FOR TRADEMARK INFRINGEMENT.—It is an old maxim that a complainant who comes into a court of equity must come with clean hands. The old rule is once more applied in the case of the Preservalline Manufacturing Company against Heller Chemical Company (118 Fed. Rep. 103). The court held that the use by a manufacturer of an article for several years after a patent therefor had expired, of advertising circulars containing the word "patented," or statements clearly implying that it was protected by a patent, which circulars were inclosed in the packages in which the article was sold, is such a fraud as will preclude relief in equity against unfair competition, although no such statements were made in connection with complainant's trademark, or on the packages themselves; it being impossible for the court to determine to what extent the value of complainant's business, which it is asked to protect, is due to such fraudulent action.

Infringement is not escaped by changing the form of the parts of a patented combination without essentially varying the principle or mode of operation of the original invention; but where a new combination of old elements is such that it produces a new mode of operation and a beneficial result, there may be a patentable invention.