

## UNITED STATES v. HUGHITT.

(District Court, N. D. New York. February 3, 1891.)

## BANKS—MAKING FALSE REPORTS—INDICTMENT.

An indictment under Rev. St. U. S. § 5209, which provides that every president of any association who makes any false entries in any book, report, or statement of the association, with intent to injure or defraud, shall be deemed guilty of a misdemeanor, alleged that defendant, as president of a certain bank, "did knowingly, wrongfully, and unlawfully make, and cause to be made, false entries in a report or statement" of such bank, being a report of its condition at a designated time, "made to the comptroller of the currency, as required by law to be made." The report was set out in full, and the particulars in which the entries were alleged to be false were stated in detail. *Held*, that the indictment was sufficient, though it did not allege that the report was made pursuant to a request of the comptroller, or according to a form or at a time prescribed by him under Rev. St. § 5211, which provides therefor.

## On Demurrer and Motion to Quash.

In 1887 the defendant was president of the First National Bank of Auburn, N. Y. At the September term of this court he was indicted for making false entries in a report purporting to give a statement of the condition of said bank, at the close of business on the 7th day of December, 1887. The indictment is framed under section 5209 of the Revised Statutes, which provides that—

"Every president \* \* \* of any association who \* \* \* makes any false entry in any book, report, or statement of the association, with intent, in either case, to injure or defraud the association or any other company, body politic or corporate, or any individual person, or to deceive any officer of the association, or any agent appointed to examine the affairs of any such association; and every person who with like intent aids or abets any officer, clerk, or agent in any violation of this section, shall be deemed guilty of a misdemeanor," etc.

The first count alleges that the defendant as president of said bank—

"Did knowingly, wrongfully and unlawfully make and cause to be made false entries in a report or statement of the said First National Bank of Auburn, being a report of the condition of the First National Bank of Auburn at the close of business on the 7th day of December, 1887, made to the comptroller of the currency as required by law to be made to the comptroller of the currency."

The report is then set out *in extenso*, and the indictment proceeds—

"And which said report or statement so made as aforesaid, then and there purported to show as required by law then and there, and did, in substance and effect, purport to indicate and declare the true and correct condition and standing of the said the First National Bank of Auburn, at the close of business on the said seventh day of December, A. D. 1887, and which said report, in which said false entries were then and there made as aforesaid, was a certain report of the said the First National Bank of Auburn, in that behalf required by law to be made to the comptroller of the currency, and which report or statement made as aforesaid was false and untrue in the following respects and contained false entries as follows, to-wit:"

The indictment then sets out the items *in hæc verba* and states in detail the particulars in which they are said to be false, the count in-ques.

tion concluding with a full allegation of knowledge on the part of the defendant and of intent on his part to deceive. The indictment contains 18 counts. Those numbered 1st, 3d, 5th, etc., charge the defendant with making false entries in said report. Those numbered 2d, 4th, 6th, etc., charge him with aiding and abetting Charles O'Brien, the cashier of the bank, in making false entries in said report. The language quoted from the first count is repeated, in substance, in the other counts and in these respects all the counts are substantially similar. The reports which national banking associations are required by law to make are provided for by section 5211 of the Revised Statutes as amended by the act of February 26, 1881, as follows:

"Every association shall make to the comptroller of the currency not less than five reports during each year, according to the form prescribed by him, verified by the oath or affirmation of the president or cashier of such association, and attested with the signatures of at least three of the directors. Each such report shall exhibit in detail, and under appropriate heads, the resources and liabilities of the association at the close of business on any past day by him specified; and shall be transmitted to the comptroller within five days after the receipt of a request or requisition therefor from him, and in the same form in which it is made to the comptroller shall be published in a newspaper published in the place where such association is established," etc.

The indictment does not contain an allegation that the report in dispute was made pursuant to a request of the comptroller or according to a form prescribed by him, or that the 7th of December, 1887, was specified by him as a day in reference to which such report should exhibit the resources and liabilities of the bank. The demurrer is aimed at these omissions. It is argued that reports to the comptroller are provided for by section 5211 and nowhere else. Unless, therefore, a report is made pursuant to the requirements of that section it has no standing or vitality. As it is necessary to prove that the preliminary steps required by the statute have been taken, it is also necessary to allege that they have been taken, and the failure to do this is, it is insisted, fatal to the indictment. With the demurrer is united a motion to quash.

*John E. Smith*, Asst. Dist. Atty., for the United States.

*W. F. Cogswell*, for the defendant.

COXE, J., (*after stating the facts as above.*) The indictment is framed under section 5209. The crime charged is a misdemeanor, expressly made so by statute. In such cases it is usually sufficient if the pleader states the offense in the language of the statute, provided the defendant is apprised with reasonable certainty of the charge made against him.

In *U. S. v. Simmons*, 96 U. S. 360, the court upheld an allegation that the defendant's still, boiler, etc., were used "for the purpose of distilling, within the intent and meaning of the internal revenue laws of the United States." It was held that the language quoted sufficiently advised the defendant of the nature of the accusation made against him. The court said:

"Where the offense is purely statutory, having no relation to the common law, it is, 'as a general rule, sufficient in the indictment to charge the defend-

ant with acts coming fully within the statutory description, in the substantial words of the statute, without any further expansion of the matter.' ”

In *U. S. v. Mills*, 7 Pet. 138, the question certified to the supreme court was whether an indictment for advising a mail carrier to rob the mail ought to aver that the said carrier did in fact commit the offense of robbing the mail. The court said:

“The answer to this, as an abstract proposition, must be in the affirmative. But if the question intended to be put is, whether there must be a distinct, substantive, and independent averment of that fact, we should say it is not necessary.”

In *U. S. v. Bachelder*, 2 Gall. 15, the indictment was framed under a statute making it an offense forcibly “to resist, prevent or impede, any officers of the customs,” etc., “in the execution of their duty.” The indictment charged that the defendant—

“Impeded Nehemiah Jones in the execution of his office, as an officer of the customs for the port and district of Portsmouth, \* \* \* to-wit, an inspector of the port and district of Portsmouth duly appointed and authorized to seize goods imported into said district.”

The indictment was upheld by Judge STORY.

In *State v. Temple*, 12 Me. 214, where the indictment was for burning a meeting-house, under the provisions of a state statute, it was held to be unnecessary to allege the ownership or value of the house, or that it was at the time in question used as a place for public worship.

In *Edge v. Com.*, 7 Pa. St. 275, it was decided that an indictment against a public officer for misfeasance in office was sufficient if it alleged “that he was duly elected by the qualified voters of the township,” etc.

In *U. S. v. Britton*, 107 U. S. 655, 2 Sup. Ct. Rep. 512, the supreme court laid down the following as the necessary requisites for the proper averment of the crime of making false entries under section 5209:

“(1) That the accused was the president or other officer of a national banking association, which was carrying on a banking business. (2) That being such president or other officer, he made in the book, report, or statement of the association, describing it, a false entry, describing it. (3) That such false entry was made with intent to injure or defraud the association, or to deceive any agent, describing him, appointed to examine the affairs of the association. (4) Averments of time and place.”

It is true that in the *Britton Case* the false entries were alleged to be made in a book and not in a report of the bank, but the tenor of the decision is to the effect that the technical precision pointed out by this demurrer is not required in indictments under this section.

The foregoing, and many other decisions that might be cited, establish the proposition that in misdemeanors created by statute it is, as a rule, sufficient to charge the offense in the language of the law; that the principal object of the indictment is to inform the accused of the precise nature of the charge brought against him, and, where this is done, the extremely technical rules of pleading applicable to common-law felonies may be dispensed with.

Applying these principles to the case in hand there can be little question that the indictment is sufficient. The defendant can have no doubt

as to the nature of the charge against him. The report which is said to contain the false entries is set out in full. The date when the report was made and the date as to which the condition of the bank is given, are both stated with perfect accuracy. The defendant is informed not only that the report was in fact made to the comptroller of the currency, but that it was a report which the law required the association to make to the comptroller. His attention is thus called directly to section 5211.

How can there be any mistake or misapprehension as to the offense charged? It is incredible that the defendant can be misled. Some things may be presumed even in criminal pleading. Where a report is described with the care shown in this indictment, it is thought that the requirements of another section of the law containing minute conditions as to the time of making and sending and as to the contents of the report need not be specifically pleaded. Their performance will be presumed. If another section of the act prescribed the number and names of the books which an association is required to keep, their contents and the manner of keeping them, it can hardly be doubted that an indictment charging the making of a false entry in the ledger of the association would be sufficient. If the ledger was not in the required form, and this fact constituted a defense, it would be for the defendant to show it. But, irrespective of these considerations, it is thought that there is strong reason for the position that it is unnecessary to prove that the requirements of section 5211, as pointed out by the demurrer, have been complied with, and, therefore, that it is unnecessary to allege them. The language of section 5209 is very broad. It punishes the making of "any false entry in any book, report or statement of the association." The statute makes no provision for the keeping of books or the making of statements *eo nomine*. And yet it was clearly the intention of the law-makers to punish the making of false entries not only in books but in statements of the condition of the bank, if such entries were made with intent to deceive. Section 5211 provides for five reports annually, but if the association sees fit to volunteer other reports containing false entries made with the express purpose of deceiving the officers of the law as to the true condition of the bank, can it be doubted that such reports would be within the provisions of section 5209? A construction that they would not be defeats the obvious intent and purpose of the law. By sending a false report to the comptroller or an examiner, at a critical period, suspicion might be allayed and an unfounded confidence created, under cover of which the bank could be plundered and the grossest frauds perpetrated with impunity. It cannot be doubted that a report, whether called for by the comptroller or not, which is a report, in the usual form, of the condition of the association, made by its president in his official capacity and transmitted to the comptroller, is within the section in question provided it contains false entries made with intent to deceive. A bank officer who has made such a report cannot escape punishment by showing that the fraud was voluntarily committed, and at a time when he was under no obligation to furnish any report or statement whatever. The statute does not confine the crime of making false

entries to "a report made to the comptroller under the provisions of section 5211 and pursuant to his request;" it covers "any report or statement."

The construction contended for by the defendant is too narrow; it does not fairly express the legislative intent.

The demurrer is overruled.

## ROYER v. SHULTZ BELTING Co.

(Circuit Court, E. D. Missouri, E. D. January 27, 1891.)

### 1. PATENTS FOR INVENTIONS—ACTION AT LAW—DAMAGES.

In an action at law for infringement, actual damages only are recoverable; and although evidence is receivable in such action of profits realized by the infringer, yet the amount of such profits cannot be taken as the measure of damage, unless other evidence is offered from which it may fairly be inferred that, but for the infringement, the patentee would have realized the profits shown to have been realized by the infringer.

### 2. SAME—INFERENCES—EVIDENCE—NOMINAL DAMAGES.

Where the evidence showed that the article made by the defendant by the aid of the patented device was different from that made by the patentee, and was produced by a different process, and was also of a superior quality and finish, *held*, that the court would not infer that the patentee had lost as much as the infringer had gained by the use of the invention; and *held, further*, that, in the absence of any reliable evidence showing what portion of the profits made by the infringer would have been realized by the patentee but for the infringement, the damages of the latter must be assessed at a nominal sum.

### 3. SAME—MARKET VALUE OF USE—ROYALTIES—LICENSE FEES.

The market value of the use of an invention can only be taken as the measure of damage in those cases where the patentee has established such market value by granting the use of the invention to the public for prescribed royalties or license fees.

At Law.

*M. A. Wheaton, Wm. M. Eccles, and James O. Broadhead*, for plaintiff.  
*C. H. Krum*, for defendant.

THAYER, J. This is an action at law for infringement of letters patent No. 77,920, issued to Herman and Louis Royer on May 12, 1868. It was first tried before Judge TREAT in October, 1886, and at the conclusion of the plaintiff's testimony the court directed the jury to find in favor of the defendant. *Vide* 28 Fed. Rep. 850, and 29 Fed. Rep. 281.

A writ of error having been prosecuted to the supreme court, a new trial was awarded, for reasons stated in the opinion of the supreme court. 135 U. S. 319, 10 Sup. Ct. Rep. 833. The opinion also contains a full description of the character of the invention. By consent of parties, the last trial of the cause was before the court without the intervention of a jury, and the defenses relied upon were as follows: *First*, that the patentees, Herman and Louis Royer, were not joint inventors; *second*, that the letters patent are void for want of patentable novelty; *third*, that the patent is void for want of utility; *fourth*, that the devices claimed by the patentees were in public use for more than two years before a patent was applied for; and, *fifth*, that the defendants have not infringed.

In view of the presumptions raised by the patent, the burden is on the defendant to establish the first four defenses, and I am of the opinion that it has failed to establish either of them by such satisfactory evidence as would warrant me in declaring the patent invalid. While the device covered by the first claim is simple, yet the evidence satisfies me that it is of great utility in the manufacture of certain kinds of leather, and for that reason, among others, patentable novelty must be conceded to it. The simplicity of a device from a mechanical stand-point, taken in connection with great utility, in some instances is the best evidence of its patentability.

I am also of the opinion that the testimony shows an infringement of the first claim of the Royer patent. The question of damages thus becomes an important matter for consideration, and to that I address myself.

The action being at law, it must be borne in mind that the measure of recovery is not the same as in equity. In the latter forum, by the express provisions of the statute, (section 4921,) profits made by an infringer by the use of an invention may be recovered, and, in addition thereto, compensation may be obtained for any direct injury done to the patentee that is not fully recompensed by the recovery of the profits realized by the infringer. But at law the measure of recovery is the actual loss or damage that the plaintiff has sustained as the proximate result of the infringement. In an action at law the question is not what the patentee may have speculatively lost, but what he actually did lose as shown by the evidence. *Seymour v. McCormick*, 16 How. 480; *Philp v. Nock*, 17 Wall. 460; *Birdsall v. Coolidge*, 93 U. S. 64; *Cowin v. Rumsey*, 4 Fish. Pat. Cas. 275; Rob. Pat. § 1053. In this respect no change was made by the act of July 8, 1870. It is still true that only actual damages are recoverable in a suit at law, (*Birdsall v. Coolidge, supra*;) and whether the suit be at law or in equity, the burden is on the plaintiff to show the damages actually sustained. The proof in that respect, as has been said, "must be clear and definite." It must present sufficient data to enable a court or jury to estimate with certainty what the plaintiff has lost by the infringement, and what compensation he is entitled to. *New York v. Ransom*, 23 How. 487; *Philp v. Nock, supra*; *Rude v. Westcott*, 130 U. S. 152, 9 Sup. Ct. Rep. 463; Rob. Pat. § 1053, and citations.

In an action at law for infringement, it is true that evidence may be given of profits made by the defendant by the use of the patented device, (*Philp v. Nock, supra*;) but such proof is merely a means to an end. Profits *eo nomine* are not recoverable in such action, and such proof is of no avail in estimating the damages, unless further evidence is produced from which the court or jury can legitimately infer, that but for the infringement, the profits realized by the infringer, or some definite portion thereof, would have been realized by the patentee. In some instances the inference is readily drawn, especially in those cases where both parties are shown to have had equal facilities for manufacture, and the patented device is in itself a complete machine or compound, in all respects new, and the inventor has elected to realize on his invention by manu-

facturing and selling the patented machine or article; but in most other cases proof that a defendant has made large profits furnishes in itself no basis for a correct estimate of the injury sustained by the patentee. It does not follow that what the infringer has made, the patentee, as a proximate result of the infringement, has lost; and there is no presumption, either of law or fact, that the actual damage done to the patentee is commensurate with the gains of the infringer. *Seymour v. McCormick*, *supra*; *Dobson v. Carpet Co.*, 114 U. S. 439, 5 Sup. Ct. Rep. 945; *Dobson v. Dornan*, 118 U. S. 10, 6 Sup. Ct. Rep. 946; *Buerk v. Imhaeuser*, 2 Ban. & A. 452; *Bell v. Stamping Co.*, 32 Fed. Rep. 549; *Roemer v. Simon*, 31 Fed. Rep. 41; Rob. Pat. § 1062.

In the light of these principles, the evidence in the case at bar must be considered. The plaintiff's patent covers "an improved machine for converting raw hides into leather," as he describes it in his specification. There is no evidence that he granted to any one a license to use the machine during the life of the patent, or that he ever manufactured, or attempted to manufacture, the machine for sale. He appears to have made use of the invention only in his own establishment in San Francisco, to manufacture lace leather, and an article called "Fulled Rawhide Belting," which seems to have been his chief product; hence it must be assumed that he elected to profit by his monopoly by that mode of use, and not otherwise. There is no evidence in the case tending to show that plaintiff ever attempted to manufacture by means of his machine any other article than fulled rawhide belting and lace leather. By the process which he employed for that purpose, the hides used were unhaired by sweating, and, without being subjected to any tanning process, were converted into fulled rawhide or lace leather, as was desired, by the mechanical operation of the patented machine, and by working in a stuffing mixture as the operation progressed. What the stuffing mixture was is not definitely shown, further than that one ingredient was tallow; but it does appear that the hides used were not limed or tanned to any extent, and that one of the chief objects the plaintiff hoped to accomplish by the use of his invention was to produce an article out of rawhide fit for belting and lace leather without liming or tanning. The evidence shows, on the other hand, that the belting and lace leather manufactured by the defendant by the use of the infringing device differs from the plaintiff's product in a material respect, and is produced by an essentially different process, devised by the defendant's president. The hides are first unhaired by liming, and, after being bated, are subjected to a distinct tanning process of some days' duration, which gives to the finished product unmistakable tanned or leather surfaces, although there is an interior stratum of fulled rawhide. Judging both from the samples of the two products produced during the trial, and from other testimony as well, the court finds, as a matter of fact, that defendant's belting and lace leather is of a superior quality.

Another fact found by the court should also be mentioned in this connection. While the machines used by the defendant during the period of infringement to manufacture belting and lace leather embodied the

device covered by the first claim of plaintiff's patent, and possibly by his second claim, yet defendant made improvements on plaintiff's machine of such a character as rendered the machines used by defendant more convenient, and less expensive to handle, and thereby reduced to some extent the cost of production.

The only other evidence in the case that has any bearing on the question of damages is—*First*, testimony tending to show, and from which the court might approximately find, the number of hides treated by the defendant with the infringing device during the period of the infringement; and, *secondly*, testimony of the plaintiff that in his opinion the advantage realized by the use of the device amounted to as much as four, and certainly to as much as two, dollars per hide on each hide treated by the defendant. This estimate of the plaintiff appears to be based on the saving of expense for labor incident to the use of the invention. On this testimony the court is asked to allow two dollars per hide for each hide treated and sold by the defendant, and to assess plaintiff's damages at the sum of \$297,760. This the court must decline to do. The saving in the cost of labor of from two to four dollars per hide, testified to by the plaintiff, (assuming his estimate to be correct,) is precisely the advantage or profit due to the operation of the patented device that the plaintiff might claim if the suit was in equity. But it does not follow, nor is it a reasonable inference under the evidence in this case, that plaintiff was damaged to the extent of two dollars per hide on each hide treated by the defendant; and it is only actual, as distinguished from speculative, damages, that are recoverable in this action. Such an inference might be justified if it appeared that during the period of infringement plaintiff possessed adequate means and facilities for supplying all the demands of his own and the defendant's customers, and if it appeared that the belting and lace leather manufactured by both parties was produced by substantially the same process, and was of substantially the same quality, and if it had been shown by the testimony of any considerable number of defendant's customers that but for the presence in the market of defendant's product they would have bought from the plaintiff. But there is no testimony of this character in the case. On the contrary, and as before stated, defendant, by a process of its own, manufactured partially tanned lace and belting leather of superior quality and finish, which no doubt had great advantages in the market over merely fulled rawhide, such as the plaintiff at all times produced. I am satisfied that by reason of its superior quality and finish there was a greater demand for defendant's product than plaintiff would have succeeded in establishing for fulled rawhide had he met with no competition; and I have no doubt that defendant made sales to a large amount that would not have been made by plaintiff under any circumstances, and that it had numerous customers who would not have become plaintiff's customers in any event. In view of these facts, the inference that plaintiff's actual loss by reason of the infringement is commensurate with defendant's gains is entirely inadmissible. There is no legal presumption to that effect, and the evidence negatives such an inference.



Nor is there any evidence that would warrant me in finding approximately what part, if any, of defendant's gains, due to the use of the infringing device, would have been realized by the plaintiff but for the infringement. Any effort in that direction would necessarily fail for want of sufficient *data* to base a finding on which I could rest with any confidence in its accuracy.

It was suggested during the trial that plaintiff was entitled to recover the market value of the use of the invention, and that the advantage that defendant was shown to have realized might be taken as establishing the market value of such use. With reference to this suggestion, it is sufficient to say that I know of no instance in which, in a suit at law, a patentee may recover as damages the market value of the use of his invention, except in those cases where, by the mode of enjoyment of the monopoly, the patentee has himself established such market value, by granting the use of the invention to the public for prescribed royalties or license fees. *Rude v. Westcott, supra*. This is not such a case, and besides I should not feel disposed, in a case of this character, to determine the general market value of the use of an invention solely upon an opinion expressed by the patentee as to the saving of expense effected by the use of the same.

As the case stands, therefore, the plaintiff, apparently by his neglect, has allowed the time to expire within which he could have maintained a suit in equity, and had an accounting as to the profits realized by the infringer. He appears to have been fully aware of the infringement for seven years before the suit was filed, and in the mean time his patent expired, which necessitated a suit at law. In that forum the rule is to award compensation for actual losses, and the amount of such actual loss is not ascertainable. A judgment must accordingly be entered for nominal damages, which the court assesses in the sum of six cents.

## EDISON ELECTRIC LIGHT CO. v. UNITED STATES ELECTRIC LIGHTING CO.

(Circuit Court, S. D. New York. January 5, 1891.)

### 1. PATENTS FOR INVENTIONS—FILING APPLICATION—PRIVILEGED COMMUNICATIONS.

Rev. St. U. S. § 4902, requiring all applications for patents to be filed in the patent-office declares that "all applications interfering with *caveats*" shall be deposited in the confidential archives, and makes them privileged, and amounts to an implied declaration that all other applications shall not be privileged.

### 2. SAME—PRODUCTION OF PAPERS—SUBPENA DUCES TECUM.

Defendant, in an action for infringement of a patent, claimed that complainant, in a divisional application upon which letters patent were never issued, made admissions which greatly restrict the claim of the patent in suit, and, a foundation for secondary evidence being laid, sought to compel complainant to bring into court a copy thereof, which was in its possession. *Held*, that a *subpœna duces tecum* was the proper method when the paper was identified by a specific description.

### 3. SAME—COPY OF PAPER—PRIVILEGED COMMUNICATIONS.

The fact that the copy had upon it various memoranda not in the original; indicating changes for subsequent amendments, which were the results of communications between counsel and client, did not render the paper privileged when com-