

THOMSON-HOUSTON ELECTRIC CO. v. UNION RY. CO. et al.

(Circuit Court of Appeals, Second Circuit. April 7, 1898.)

No. 110.

PATENTS—INVENTION—ELECTRIC RAILWAY DEVICES.

The Van Depoele patent, No. 495,443, for a traveling contact for electric railways, must be construed, as to claims 2 and 4, as including, by implication, means for maintaining the contact device and the conductor in their normal working relations, and, so construed, are void, as being for the same invention as letters patent No. 424,495, to the same inventor.

Appeal from the Circuit Court of the United States for the Southern District of New York.

This was a suit in equity by the Thomson-Houston Electric Company against the Union Railway Company and others for alleged infringement of claims 2 and 4 of the Van Depoele patent, No. 495,443, for a traveling contact for electric railways. The circuit court granted a preliminary injunction (78 Fed. 363), and the respondents have appealed.

William S. Kenyon and Charles E. Mitchell, for appellants.
Frederick H. Betts, for appellee.

Before WALLACE and SHIPMAN, Circuit Judges.

PER CURIAM. This appeal involves the question whether claims 2 and 4 of letters patent No. 495,443, for a "traveling contact for electric railways," granted April 11, 1893, to the administrators of Charles A. Van Depoele, assignors to the complainant, are void because they are for the same invention which had been previously patented in letters patent No. 424,495. The invention, to adopt the language of an expert witness for the complainant in a former suit brought upon the patent, "consists generally in an electric railway, having an overhead conductor, and a car for said railway, provided with a contact device carried by the car so as to form a unitary structure therewith, and consisting of a trailing arm hinged and pivoted to the car so as to bridge the space between it and the conductor, and move freely both laterally and vertically, and said arm carrying at its outer end a contact device capable of being pressed upward, by a suitable tension device, into engagement with the under side of the conductor." The essential features of construction involve the location of the supply conductor above the track and line of travel of the car, and contact with its under side, the arrangement of the contact device on a trailing arm, and the maintenance of a constant upward pressure by means of a tension device operating upon a hinged arm. The two claims in controversy are:

"(2) The combination of a car; an overhead conductor above the car; a contact device, making underneath contact with the conductor; and an arm carried by the car, and carrying the contact device, and pivoted so as to swing freely around a vertical axis." "(4) The combination of a car; an overhead conductor above the car; a contact device, making underneath contact with the conductor; and an arm on the car, movable on both a vertical and a transverse axis, and carrying the contact device."

The patent contains 16 claims. The characteristics of the invention, and the scope and validity of many of the claims, were consid-

ered by this court in Thomson-Houston Electric Co. v. Hoosick Ry. Co., 27 C. C. A. 419, 82 Fed. 461, where we held that claims 6, 7, 8, 12, and 16 were for the same inventions which had been previously patented; and a reference to the opinion in that case will dispense with the necessity for any extended discussion now. Referring to some of those claims, we said:

"It would be a waste of time to dwell upon the verbal differences in these claims. The changes in phraseology import nothing of substance into their respective combinations. They describe the same thing in different language."

It is insisted for the appellants that the two claims now in controversy are for the same combination specified in some of the claims which were then held to be void. The appellee contends that they are not, because they omit to specify any means for holding the contact device in underneath contact with a conductor, and consequently can be construed as covering a subcombination in which such means are not employed, or, if such means must be read into the claims by implication, the claims are not limited to the means described in the specification, and that upon either construction they are not the claims of the earlier patent. The court below adopted this view. If the appellants are right, no other question need be considered. It will be seen that these claims are for identical combinations, except that the arm is differentiated in each by functional characteristics. The specification describes a traveling arm carried by a post on top of the car, "which is hinged, and should in most instances be also pivoted, to the top of the post, although a reasonable amount of looseness in the hinged joint will answer the purpose of the pivot." When pivoted, "it swings freely around a vertical axis," and meets the terms of claim 2. When hinged and loosely jointed, it is "movable on both a vertical and transverse axis," and meets the terms of claim 4. We do not entertain any doubt that there must be incorporated into these claims, by implication, means for maintaining the contact device and the conductor in their normal working relations. Without them, there is really no "traveling" contact device, and no operative combination, and the claims would cover merely an aggregation of devices which do not co-act unless assisted by some instrumentality which must be discovered and supplied. The function of the arm, as constructed and arranged, is to establish "moving contact," while maintaining a positive mechanical connection between the vehicle and the conductor. It was devised because, as previously mounted, the contact device was found to be deficient in capacity to follow the sinuosities and deflections of the conductor while the car was in motion. It can only perform this function by the aid of some instrumentality which holds it constantly in the proper relations to bridge the space between the car and the conductor, and keep the contact device and the conductor in electrical connection. As pointed out in the specification, this consists of a tension device operating upon the arm, and maintaining a constant upward pressure, thus holding the contact device to the conductor. This tension device, or its equivalent, is an indispensable element of the respective combinations. That the proper construction of the claims is as thus indicated is evidenced by the proceedings upon interference in the patent office. Claim 2 is a literal statement of the issue defined

and formulated by the patent office between what was then claim 1 of the application and the claims of two interfering applications. Claim 1 was as follows:

"In an electric railway, the combination, with a suitable contact, and the supply conductor suspended above the track, of a car provided with a swinging arm, carrying a contact device in its outer extremity, and means for imparting upward pressure to the outer portion of the arm and contact, to hold the latter in continuous working relation with the under side of the supply conductor, substantially as described."

In formulating the issue the office omitted, as unnecessary, because necessarily implied, the elements enumerated in claim 1 of the application which are not enumerated in claim 2 of the patent. One of these elements was "means for imparting upward pressure to the outer portion of the arm and contact." This element was apparently thought to be as indispensable to the operativeness of the combination of the claim as was "a suitable track," an element also omitted. The appellee concedes that the claims are for combinations specified in other claims of the patent, which by our former decision were held to be void, if they require the construction which we have placed upon them. Indeed, claim 6, which we held to be void, is identical in terms with claim 1 of the interference proceedings,—the claim which the patent office regarded as embodying the invention covered by present claim 2. The rule of construction which usually obtains, whereby the several claims of a patent are to be differentiated so that effect may be given each, cannot be reasonably invoked in behalf of this patent, where so many of the claims are duplicated. The order granting a preliminary injunction is reversed.

SHEPARD et al. v. KINNER.

(Circuit Court of Appeals, Second Circuit. March 2, 1898.)

No. 47.

PATENTS—LICENSES—REVOCATION.

A patent owner executed a license, with a stipulation that the royalty provided for should not be payable so long as a certain contemporaneous agreement remained in force, and was observed by all the parties thereto, but that, if it became inoperative without fault on the licensor's part, then the licensee should pay royalties. The other agreement, to which the licensor and licensee were parties, was one whereby several makers of the article in question pooled their interests for the purpose of sustaining prices. After a time, one of the parties withdrew from this association; and later, through increased competition, and failure of some members to regard the agreement, prices were much reduced, meetings of the association ceased to be held, and reports of sales were no longer made to it by the members. Thereupon the licensor gave notice that he would not consent to sales at such prices, and should insist on payment of royalties. *Held*, that the agreement ceased to be operative, in the meaning of the stipulation in the license, when it was no longer effectual to maintain prices, and the licensor, not being in fault, was entitled to royalties from the time of such notice.

Appeal from the Circuit Court of the United States for the District of Connecticut.

John P. Bartlett and Chas. E. Mitchell, for appellants.
W. E. Simonds, for appellee.

Before WALLACE, LACOMBE, and SHIPMAN, Circuit Judges.

WALLACE, Circuit Judge. The assignments of error present the single question whether the court below erred in adjudging that the license granted by the firm of William B. Curtis & Co. to the defendants to manufacture and sell the wire hat frames of the patent in suit was not in force when the suit brought to restrain infringement of the patent was commenced.

By an instrument executed December 12, 1885, between William B. Curtis & Co., as parties of the first part, and the defendants, as parties of the second part, the defendants were licensed by William B. Curtis & Co. to make and sell the patented hat frames until the expiration of the patent, "subject to the payment of royalty." It contained also the provisions as follows:

"Said parties of the second part shall not be bound to pay any royalty under the license just stated, so long as the said other agreement of even date herewith, hereinbefore referred to, shall remain in force, and be observed by all the parties thereto. But after said other agreement shall cease to be operative, and in the case said other agreement does not become nonoperative through the violation thereof by said parties of the first part, then said parties of the second part shall pay royalty to said parties of the first part upon all drooping wire frames for hat brims of round wire made and sold by said party of the second part at the rate of ten per cent. upon the proceeds of all sales of such wire frames for hat brims made and sold by said parties of the second part,—sworn monthly accounts of such sales to be rendered to said parties of the first part as of and for the last secular day of each month, and the payment of royalty thereof to be made within fifteen days thereafter; and, in case the said parties of the second part shall not render accounts and pay royalties as herein provided for, then said license shall be revocable at the option of said parties of the first part."

The "other agreement" mentioned in the license was of the same date, and was made between William B. Curtis & Co., as party of the first part; George B. Sherman, as party of the second part; the defendants, as parties of the third part; and Charles S. Andrews, as party of the fourth part. The parties to this agreement had been competitors in the manufacture and sale of hat frames. Sherman was a licensee of William B. Curtis & Co., and the defendants and Andrews had been making and selling the patented article, and a suit for infringement of the patent had been prosecuted by William B. Curtis & Co. against the defendants. The object of the agreement was to adjust the difference between the parties, and combine their interests, and in that behalf to establish a uniform selling price for the articles, and pool and apportion the profits of all sales. The cost of manufacture was estimated to be $10\frac{1}{2}$ cents per dozen, and the agreement contemplated fixing a minimum selling price which would yield a profit of 13 cents per dozen. The agreement provided for monthly meetings of the parties, at which statements under oath of all sales during the preceding month were to be delivered by each. It provided that each of the parties at such meetings should pay into a common fund 13 cents for each dozen of the article sold, and that the fund should be divided between them in specified proportions. Further provisions were as follows:

"This agreement shall be perpetually binding upon all said parties hereto, and, if one of the parties hereto shall in two instances substantially violate this

agreement, then each of the other parties to this agreement is, at the option of said party last mentioned, released herefrom. No one of said parties hereto shall sell bat wires at less than twenty-five cents per dozen, minus a discount of six per cent., excepting existing contracts already made by party of the fourth part; but this selling price may be changed by the agreement of three of said parties hereto, and any such change shall be binding upon all parties hereto, without otherwise affecting this agreement. In any matters mentioned in this agreement as determinable or changeable by action of the parties hereto, each of said four parties shall have one voice or vote, and no more, in making any such determination or change."

For a time the terms of this agreement were adhered to by all parties. In November, 1890, Andrews withdrew from the combination. Owing to competition and other causes, the minimum selling price of the patented article was from time to time reduced, all parties consenting. Eventually, the profits payable into the common fund became comparatively insignificant, informal conferences were substituted for regular meetings, and after the spring of 1893 no accounts were rendered, and no conferences were held. According to the evidence for the complainant, after the minimum selling price had been established at 12 cents, and 6 per cent. discount, per dozen, he refused to consent to any further reduction. According to the evidence for the defendants, for a considerable period before the parties ceased rendering accounts there had been no established selling price, and the cost price was estimated at 10 cents per dozen, and each party sold at the best price he could get, reporting only sales at prices above cost price; and after the spring of 1893 no sales were reported, and nothing was divided, because the selling price did not exceed the cost price.

In September, 1892, the complainant became sole owner of the patent. Early in September, 1893, he demanded a statement of account from the defendants; and one was rendered by them, showing sales from May 1 to September 1, 1893, at prices ranging from 6 to 10 cents per dozen. The complainant thereupon notified the defendants, in substance, that he would not consent to sales at such prices, and that he should stop them if he could. December 26, 1893, he served defendants with notice of revocation of the license. The present suit was commenced in February, 1894.

Upon the evidence in the record, it seems entirely clear that after the spring of 1893 the so-called pooling agreement had become merely a rope of sand. There was no concerted action under it. The defendants and Sherman insisted that, as modified, it meant one thing, and the complainant that it meant another; and each of the parties was acting according to his own construction. The defendants and Sherman claimed the right to sell the patented article below cost of manufacture, if they chose, and were constantly doing so. They were contributing nothing to the common fund, and were pursuing a course which would necessarily prevent the complainant from maintaining prices, but were yet insisting that, if he made any sales at a profit, he should be accountable to them for their pooling proportion.

The license contemplated that the William B. Curtis Company should receive an equivalent for the privilege granted to the defendants under the patent. It provided that they should pay roy-

alty at the rate of 10 per cent. upon the proceeds of their sales of the patented article, whenever, without fault of the licensors, the original pooling agreement should cease to be operative. That agreement did cease to be operative when it was no longer effectual to maintain the selling price for the patented article as between the parties to it.

After Andrews withdrew from the combination, the concurrence of all the remaining parties was necessary to authorize a reduction or change in the minimum selling price. That the complainant ever consented to a reduction by which the minimum selling price was to be less than the cost of the article is highly improbable, and we do not for a moment believe it to be true; but if he did, and each party except the complainant was at liberty to sell for any price he pleased, and was selling at prices less than cost, and paying nothing into the common fund, there was nothing of substance left of the original agreement. Under such circumstances it was only operative to deprive the complainant of any royalty or rights as the owner of the patent. Undoubtedly, the complainant is estopped from asserting that the pooling agreement was not operative during the period when he saw fit to treat the situation as one which was consistent with the meaning and purpose of the agreement. But the estoppel extends no further. We are satisfied that he did not violate the agreement himself, and that he had ample justification for refusing to regard it as longer in force. The defendants were informed of his position in September, 1893. If, after this, they had rendered monthly accounts, and offered to pay the royalty reserved by the license, they would have had a defense to the present suit. As it is, there was no defense, and the decree of the circuit court was right.

The decree of the circuit court is affirmed, with costs.

WILLIAMS v. AMERICAN STRING-WRAPPER CO. et al.

(Circuit Court of Appeals, Seventh Circuit. March 10, 1898.)

No. 433.

1. PATENTS—ANTICIPATION.

Anticipation should not be found in prior devices in the art to which a patent belongs, unless they are of such a character as to have furnished clear, if not unmistakable, suggestion of the improvement in question; and if the anticipatory suggestion comes from another art it should have less significance, proportioned inversely to the distance from which it is brought.

2. SAME—INVENTION—STRING WRAPPERS.

The Williams patent, No. 558,244, for an improvement in string wrappers, consisting in cutting into the wrapper on both sides of the end of the string, so that the wrapper may be easily opened without tearing or injuring the newspaper or other article wrapped therein, presents a patentable invention. 28 C. C. A. 325, 84 Fed. 197, reversed.

On rehearing.

For former report, see 28 C. C. A. 325, 84 Fed. 197.

Before WOODS, JENKINS, and SHOWALTER, Circuit Judges.