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COMMITTEE PRINT

RECORDATION OF PATENT AGREEMENTS—A LEGISLATIVE HISTORY

STUDY OF
THE SUBCOMMITTEE ON
PATENTS, TRADEMARKS, AND COPYRIGHTS
OF THE
COMMITTEE ON THE JUDICIARY
UNITED STATES SENATE
EIGHTY-FIFTH CONGRESS, SECOND SESSION
PURSUANT TO
S. Res. 236

STUDY No. 9

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FOREWORD

This study, by Michael Daniels, Victor L. Edwards, and Julius W. Allen of the Legislative Reference Service, Library of Congress, was prepared for the Subcommittee on Patents, Trademarks, and Copyrights as part of its study of the United States patent system, conducted pursuant to Senate Resolution 236 of the 85th Congress. It was prepared under the supervision of John C. Stedman, associate counsel for the subcommittee, and is one of several historical digests covering important and recurring congressional proposals for amending the patent laws. One of these, dealing with proposed statutory standards of invention, has already been published. Others will be published shortly.

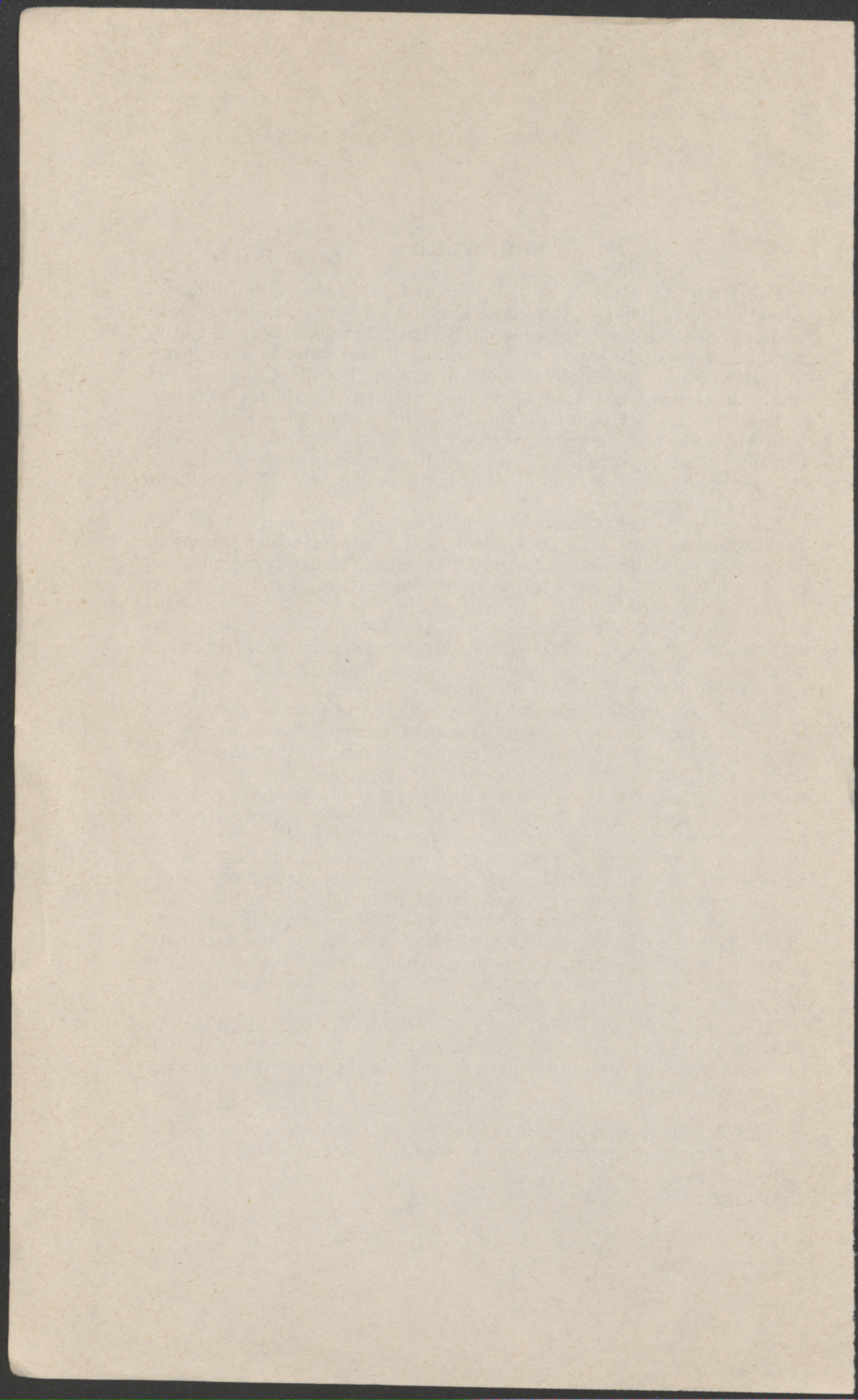
For more than two decades patent abuse has been a lively subject for discussion. Various forms of remedial action have been proposed. Domestically, such abuse has typically taken the form of tying clauses, price fixing, and other restraints upon competition. Internationally, it has been one of the devices used in the creation of international cartels. Legal sanctions against such practices have included prosecution under the antitrust laws and development of the Morton Salt doctrine whereby misused patents become unenforcible until the effects of the misuse have been dissipated.

Additional remedies have been proposed from time to time in Congress. One suggestion has been to require the recordation of patent agreements with the Government, on the assumption that this would discourage patent owners from making improper agreements and would aid the Government in spotting those that were made. Some proposals were directed specifically and exclusively to patent agreements; others, including some bills I introduced myself in the 1940's, suggested recordation of international agreements, including patent agreements, as a useful device for controlling and extirpating international cartels. Congress has exercised little activity on this front for the past decade. A review of what has occurred in the past should be useful in determining whether the issue is one that may properly be raised again, or whether circumstances have so changed in the past 10 years as to render such proposals either unnecessary or impractical.

This study is presented as the result of the work of Messrs. Daniels, Edwards, and Allen for the consideration of the members of the subcommittee. It does not represent any conclusion of the subcommittee or its members.

JOSEPH C. O'MAHONEY,
Chairman, Subcommittee on Patents, Trademarks, and Copyrights, Committee on the Judiciary, United States Senate.

APRIL 24, 1958.



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No. 2. Frost, The Patent System and the Modern Economy (1956).
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Report, Review of the American Patent System (S. Rept. No. 1464, 84th Cong., 2d sess., 1956).
Report, Patents, Trademarks, and Copyrights (S. Rept. No. 72, 85th Cong., 1st sess., 1957).
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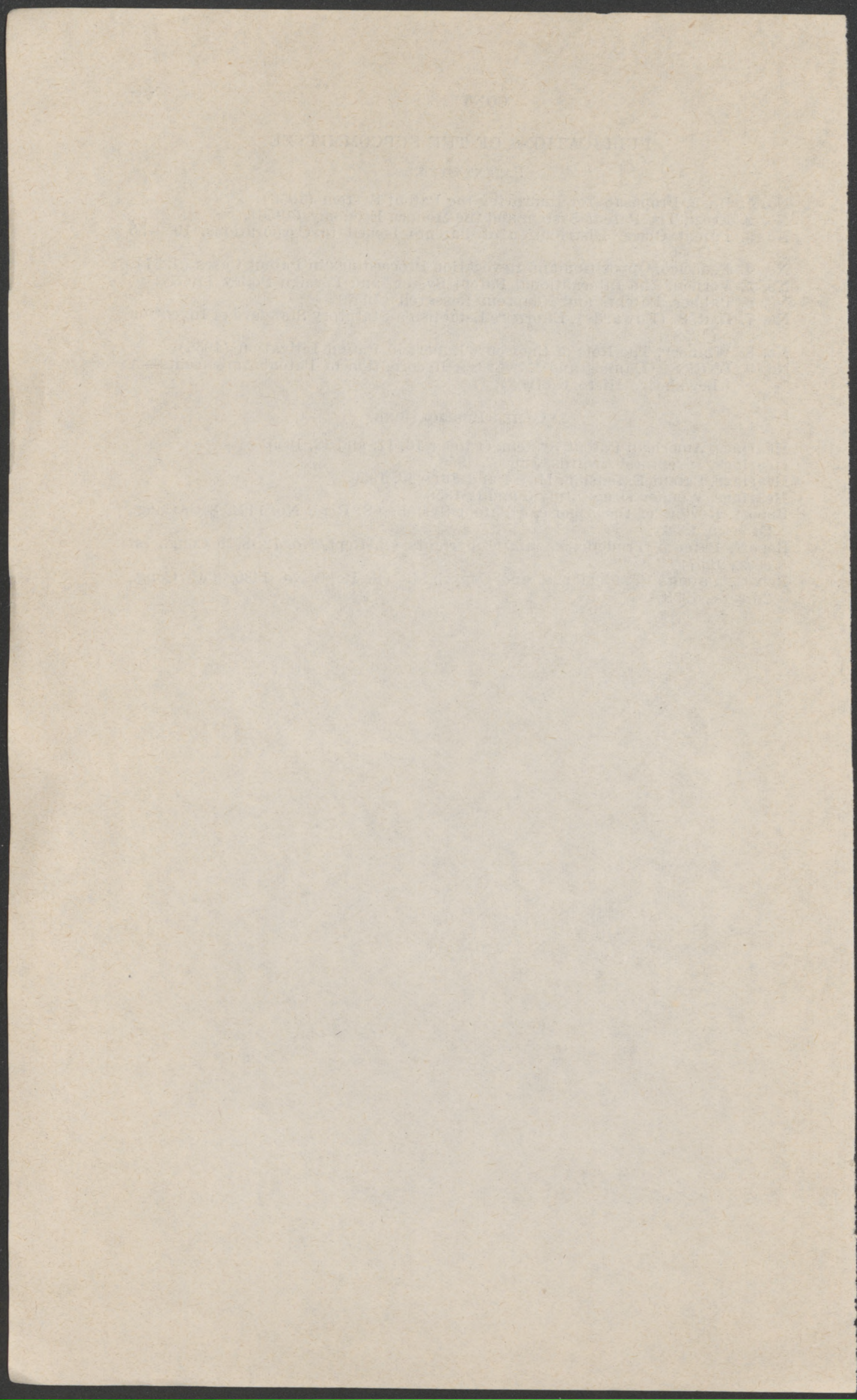

RECORDATION OF PATENT AGREEMENTS—A LEGISLATIVE HISTORY

Introduction

This report is confined to specific legislative proposals for recordation of agreements and licenses involving patents, and the International Trade Organization (Habana charter), insofar as it dealt with patents and international cartels. No effort is made to summarize voluminous testimony or documents describing the relationship between patents and cartels, the effect of abuses on world and domestic commerce, court actions, or other proposals for legislation which would certainly have an effect on patents and cartels but which did not deal specifically with recordation or the International Trade Organization.

Aside from compulsory licenses, however, it should be stated that the recordation and international agreement approaches are the major devices considered in Congress for preventing abuse of the patent privilege by using it to create, foster, or protect monopolistic and cartel arrangements.

This report is broken down into three sections:

I. Bills containing recording provisions;
II. Relevant hearings not on specific legislation; and
III. International Trade Organization.

I. BILLS CONTAINING RECORDATION PROVISIONS

A. SEVENTY-FOURTH CONGRESS (1935–36)

1. H. R. 4523 (SIROVICH)

a. Provisions

(*1*) *Main features*

Requires recordation of all patent license, assignment, and related agreements, in the Patent Office.

Covers both new and existing agreements.

Specifies the information that must be filed, including changes in and amendments to agreements.

Prescribes filing fees.

Civil penalty: $1,000 maximum fine, plus not more than $250 for each month following the violation of the act.

(*2*) *Important sections*

Section 1 of the bill:

> * * * [E]very agreement by which rights in a plurality of patented inventions are rendered subject to common ownership, control, or enjoyment, whether by assignment, license, or otherwise, together with all agreements predicated thereon which affect the terms and conditions under which one or more of the said

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patented inventions may be manufactured, used, sold, leased, or licensed, shall be recorded in the Patent Office. * * *

Section 6 of the bill:

If complaints against the filing of patents are filed with the Commissioner of Patents or if any of the agreements * * * are against the public interest or the public welfare or if in the judgment of the Commissioner of Patents such agreements are against the public interest or the public welfare, or at the request of the Chairman or a member of the Federal Trade Commission, the Commissioner of Patents shall file a certified copy of such agreement or agreements or notice of failure to file such agreement or agreements with the Federal Trade Commission for such action as the Federal Trade Commission may deem necessary to protect the public interest and the public welfare and prevent unwarranted monopoly.

b. Hearings and testimony

Intermittent hearings were held before the House Committee on Patents from February 11, 1935, to December 12, 1935.[1] Hearings totaled 18 days. They covered the entire field of patent pooling and cross licensing, with very little discussion directly of the measure itself. Testimony of witnesses is hereinafter summarized, first, by general discussion according to groups, without detailed comment as to the recording provisions themselves and, second, with respect to the specific comments concerning recordation. No report was filed.

(1) Testimony with respect to various industries

(a) Aviation industry.—Witnesses including Brig. Gen. William Mitchell, United States Army retired; James V. Martin; Edwin Fairfax Naulty; Roy Knabenshue; Thomas E. Robertson; and Walter Link.

A dispute over patents between the two major airplane companies during World War I had practically stopped manufacture at a time when the country needed airplanes. The threat of an act which authorized the Government to buy up the patent rights forced these companies into the Manufacturers Aircraft Association, a patent-pooling arrangement.

The witnesses alleged that through the Manufacturers Aircraft Association the major aircraft companies had forced out the independents, primarily by suits or the threat of suits for infringement. They further alleged that the pool had impeded the art of airplane manufacture and aeronautical science, had resulted in an inferior type of airplane in our military services, and had weakened our national defense.

(b) Independents in the communications field.—These witnesses testified as to the patent situation in industries providing communications equipment and services and sound motion-picture equipment. A cross-licensing agreement among major companies made patents available to these concerns, operating in primarily different fields. It was urged by the companies that unless patents were thus cross-licensed, technological progress and production would be impeded. It appeared that there were a number of patents which were basic to all of the industries, and that it was necessary to cross-license to enable all of the fields to utilize all of the developments. It was strongly urged

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[1] Hearings on H. R. 4523, pooling of patents (February 11 to December 12, 1953).

NOTE.—For complete citation of this and similar references contained in this text, see List of References in the appendix.

that the patents were not developed to create or maintain a monopoly position.

It was argued by some of these people that the cross-licensing situation had forced them out of business, primarily by infringement suits, or the threat of such suits. It was generally agreed, however, that cross-licensing or pooling was necessary to develop the industry, and it was only the abuse of such arrangements that was complained of.

(*c*) *Air Manufacturers Association.*—A representative of the association denied the charges made by General Mitchell and others. He stated that it was an open pool, and that anyone could enter it.

(*d*) *Miscellaneous industries and experts.*—These people testified as to the patent situation generally, with many suggestions as to improvements. Since most of these do not concern the recordation device, they will not be summarized here. The existing pooling and cross-licensing practices were almost unanimously presented as being necessary for technological development, but subject to abuse.

(*2*) *Testimony with respect to recordation provisions*

(*a*) *Brig. Gen. William Mitchell* (*retired*).—Favored the provision of the bill which gave the Federal Trade Commission, rather than the Patent Office, the power to act, since he felt that the Commission was better equipped to investigate. General Mitchell favored the Government purchase of the patents in the aircraft industry, and a Government-run open patent pool. He felt this was necessary for the national defense. He did not advocate the extension of this method to other industries.

(*b*) *Roy Knabenshue, "independent" in the aircraft industry.*—Favored the recordation provision, with power in the Federal Trade Commission to issue cease-and-desist orders when it found that arrangements were against the public interest, but demanded further, unspecified, action to break the Air Manufacturers Association domination of the aircraft industry.

(*c*) *Dr. Frank B. Jewett, president, Bell Telephone Laboratory.*—Had no basic objection to recordation, and was under the impression that such agreements, in the case of AT&T and Bell Telephone Laboratory, were already disclosed to the Federal Communications Commission. He felt, however, that the filing provisions would create a burden for both the companies and the Government, in that a very large number would be filed under the language of the bill.

He felt that the language defining patent pools as rights in a "plurality" of patents, was not precise. Furthermore, he pointed out that there was no indication as to who would determine what is "against the public interest." He also complained that the bill would open the door to a "raft of complaints by any disgruntled persons." The cost, in the case of a company as large as his, would also be very high, especially since changes in agreements would have to be recorded.

(*d*) *Gerard Swope, president, General Electric Co.*—Had no objection to making such agreements public, although he stated that he would not favor it because he "didn't see where the public interest came in."

(*e*) *Edgar S. Bloom, president, Western Electric Co.*—Had no objection to recording, provided the Government felt it was worth the expense.

(*f*) *George E. Quigley, Warner Bros. Pictures.*—Thought it possible that the bill would accomplish some good.

(*g*) *Karl Fenning, patent attorney.*—Felt that, generally, it is undesirable to require people to make public their private affairs. Favored a scheme whereby the fact that a license was granted would be recorded, but the financial arrangements and terms would not be published. This would be valuable to a person buying title to a patent. Felt that the agreements should be filed with the Federal Trade Commission from the beginning, and not with the Patent Office. He was of the opinion that the Commission could handle the matter completely, but suggested that there be a provision for notification of the Department of Justice if there were violations of the Sherman Act. Felt that the Patent Office was not set up to handle the matter, and that filing ought to be in the agency which would take action, the Federal Trade Commission.

Suggested that the law ought to specify exactly who must file, the licensee or patentee. In his opinion the person who receives the grant should have the duty of recordation.

(*h*) *Clarence C. Colby, attorney.*—Felt that the legislation would be valuable in that it would disclose important information as to the status of patents, and licenses thereunder, to persons in industry. This would have the effect of diminishing their fears of infringement suits because they would have more definite knowledge as to the status of patents. This knowledge would also further industrial development.

(*i*) *Joseph A. Numero, Cinema Supply Co.*—Suggested that the definition of cross-licensing be expanded to include agreements as to future patents.

(*j*) *Louis V. Aronson, president, Art Metal Works.*—Favored enactment of the bill.

(*k*) *Edward F. Chandler, engineer and inventor.*—Favored enactment of the bill. Although he did not feel that it would solve the problem, he was of the opinion that removal of the secrecy surrounding such arrangements would be of some help, and would lay the foundation for further legislation. Under certain conditions (unspecified) he felt that it might be best not to require all details of agreements to be disclosed.

(*l*) *George E. Folk, patent attorney, AT&T.*—He was of the opinion that the existing antitrust and trade regulation laws were adequate, and that what was needed was legislation like that under consideration to throw the light of publicity on combinations. This would enable injured parties and enforcement agencies more easily to discover violations. He was of the opinion that the legislation would further prevent fraud, in that subsequent purchasers would have notice of outstanding licenses and agreements.

However, he was not in favor of the bill as it was introduced. He felt that the language "plurality of patented inventions" was too narrow and he would require recordation of every document affecting an interest or a right under a patent—if for no other reason, in order to prevent fraud. On the other hand, he was of the opinion that the language was too broad in that it would require recording of many instruments that it was "useless or undesirable" to record.

He suggested that the person who must record should be specified. Where there was a unilateral grant, the grantee should file. In the

case of cross-licenses, either party could record, although both would be liable if neither recorded.

The witness pointed out some overlapping with existing law as regards filing of assignments, and penalties, and fees. He suggested that these provisions be harmonized with existing law. He emphasized the burden of filing many insignificant agreements and changes thereto, together with other administrative burdens, such as listing of patents accompanying a grant (over 9,000 for A. T. & T.) each time an agreement was filed.

The witness stated that the act was not clear as to who would determine whether an agreement was against the public welfare. If this duty fell upon the Commissioner of Patents, it would place a burdensome and inappropriate duty upon him. He suggested that the entire section 6 be eliminated since the Federal Trade Commission or the Attorney General would have access to the Patent Office records, or copies thereof, "for such consideration as they might wish to give to such agreements."

(*m*) *Charles Neave, attorney, General Electric Co.*—Was opposed to the legislation as worded:

> My opposition does not involve any thought that secrecy should be maintained as to the granting of cross licenses; they are not and cannot be secret. My objection is on the grounds that it is entirely illogical to pick out cross-license agreements for compulsory recording from among the many kinds of licenses and agreements which might be found to be objectionable on legal grounds. Such segregation * * * would indicate that there is, in them, something unusual and peculiarly hostile to the public welfare, whereas that is not so.

(*n*) *Conway P. Coe, Commissioner of Patents.*—

> The burden of analyzing the agreements and judging as to whether or not they are against the public interest or public welfare should not be placed on the Commissioner of Patents.

Not only did he feel that the Patent Office was not staffed to undertake such a task, but he argued strongly that it would be inappropriate for it to do so. Since the Patent Office passes on the merits of applications for patents the duty of also determining whether patent pools were contrary to the public interest, would leave it open to the charge that its former function was influenced by the latter.

B. SEVENTY-SEVENTH CONGRESS (1941–42)

1. S. 2491 (O'MAHONEY, ET AL.)

a. Provisions

Omnibus bill providing for remedial patent legislation (including compulsory licensing, etc.).

Section 7 provides that licenses, agreements and other documents and instruments concerning patent rights, shall be filed with the Federal Trade Commission.

Such recordation shall be on a public register.

Civil penalties for violation, provided.

b. Hearings and testimony

This bill was considered, along with other legislation (to wit, S. 2303, providing for the use of patents in the national defense, etc.) by the Senate Committee on Patents (Bone committee), in 35 days

of hearings extending from April 13 to August 21, 1942.[2] These hearings contain extensive testimony and evidence on the patent situation in its relation to monopoly and cartel activities. However, there was little discussion of recordation. Favorable comment, but no real analysis or discussion, is found in scattered testimony in the hearings, as indicated below. No report was issued.

(*1*) *John H. Lewin, Antitrust Division, Department of Justice*

Recommended that all agreements involving patent rights be publicly registered.

(*2*) *Allen Dobey, Antitrust Division, Department of Justice*

Made the same recommendation as Mr. Lewin (above).

(*3*) *Senator O'Mahoney*

Called attention to bills he had introduced with a registration provision. Chairman Bone thought that since Congress had granted patents, it had the right to exact information.

(*4*) *Thurman Arnold, Assistant Attorney General, Antitrust Division, Department of Justice*

Thought that such a provision would be useful and submitted a draft bill including a provision that would require that instruments affecting patents be filed with the Attorney General within 30 days after execution. Mr. Arnold, in explaining his draft bill, stated that he did not care where the registration was and that the Patent Office would be acceptable.

2. OTHER BILLS (NO HEARINGS HELD OR OTHER ACTION TAKEN)

a. S. 2438 (O'Mahoney)

(*1*) *Main features*

Requires business concerns to obtain certificate of compliance with certain national standards.

Applies to corporations, trade associations, and labor organizations engaged in or affecting commerce.

Certificates issued only to corporations whose charters conform to certain specified standards.

Corporations must file with Department of Justice copies of plans, agreements, etc., relating to the exchange or transfer of certain property, including patents (for details, see below).

Penalties for engaging in commerce without a certificate.

Attorney General empowered to enjoin or restrain violation of standards.

(*2*) *Important sections*

Corporations required to conform to certain conditions, including the following:

> 4 (e) * * * that a copy of any general plan or program with any foreign corporation or foreign national, directly or indirectly, and with any corporation or person controlled by any foreign corporation or national, to effect the exchange or transfer of property, franchises, or other rights, including patents or licenses, whether through purchase, assignment, lease, or otherwise, shall be filed with

[2] U. S. Congress. Senate. Committee on Patents. Patents. Hearings on S. 2303 * * * and for other purposes. 1942–43. 10 pts.

the Department of Justice * * * and disclosed to each stockholder prior to the time that such general plan * * *shall * * * become legally effective.

4 (f) * * * that a copy of each contract, agreement, or arrangement, and any purchase, assignment, lease, or sale of property, franchises, or other rights, including patents and licenses with, to or from * * * [the foreign interests stated in (e)] shall be filed with the Department of Justice * * * within thirty days * * *

b. S.2730 (Lucas)

(*1*) *Main features*

Provides for intervention by the United States in patent infringement cases.

Requires recordation of patent assignments, licenses, etc., with the Attorney General (for details, see below). Permits the filing of abstracts under rules and regulations issued by the Attorney General.

Prohibits the use of patents, including unreasonable failure to issue licenses thereunder, in such a way as to limit unreasonably the supply of articles in commerce (for details, see sec. 3 below).

Resale price maintenance under patents or patent licenses, declared illegal.

Five hundred dollar fine, plus $25 a day for continued violation, for failure to file patent agreements as provided above.

Violation of section 3 (see below) renders a patent null and void, and subjects the violator to a fine. Further, the Attorney General may institute civil action to enjoin violations of section 3.

Advance notice in writing to the Attorney General of acts prohibited by section 3 will bar institution of action under section 3, but not an action by the Attorney General to enjoin violations.

(*2*) *Important sections*

Section 2:

* * * [E]very sale, assignment, or other conveyance of any patent, or of any interest therein and every grant, by license or otherwise, of rights under a patent shall be in writing (except as arise by operation of law) and the seller, assignor, grantor, or licensor shall file with the Attorney General a true copy of such instrument within thirty days after its execution. * * *

Section 3:

* * * Any use of a patent, including any unreasonable failure to grant licenses thereunder, which has the effect of unreasonably limiting the supply of any article moving in interstate commerce, is hereby declared to be illegal. * * *

c. Miscellaneous (identical bills)

H. R. 7713 (Voorhis). Identical with S. 2730.

C. SEVENTY-EIGHTH CONGRESS (1943–44)

1. S. 1476 (O'MAHONEY)

a. Provisions

(*1*) *Main features*

Required all foreign contracts to be registered with the Attorney General.

(*2*) *Important sections*

Category of agreements covered (sec. 2):

* * * (e) license, cross license, or sublicense in or under any United States or foreign patent or patent application, * * * or an agreement to grant in the future any such license, cross license or sublicense; or an agreement not to sue for the infringement of any patent * * *

* * * (f) any assignment of (or any interest in) any United States or foreign patent or patent application, * * *

b. Hearings and testimony

Hearings were held on May 23, 1944, before a subcommittee of the Senate Committee on the Judiciary.[3] No report was issued.

(*1*) *Senator O'Mahoney* (*opening statement*)

The bill which I have proposed does not prohibit the organization of cartels, as many students of the problem might suggest. This is a very modest proposal providing only for the registration with the Attorney General of the contracts. It was drafted upon the theory that public knowledge of agreements which affect the public interest is the necessary basis of wise action, and that a requirement for the disclosure of commercial contracts which call for monopolistic practices would be an effective deterrent to the making of such contracts.

(*2*) *Industry representatives*

The only witnesses, all of them industry spokesmen, were as follows: Ralph W. Gallagher, president, Orville Harden, vice president, and Edward Johnson, general attorney, of Standard Oil of New Jersey; J. M. Souby, general solicitor, Association of American Railroads.

The main witness was Mr. Gallagher. He made the general point that they were often forced into restrictive agreements by foreign law or the action of foreign governments, although he emphasized that he and his company favored competition, both domestically and in international trade. He contended, however, that as long as other countries favored restrictive policies and cartel systems, Standard had no choice but to conform to these policies if it were to do business in such countries. Concerning the recordation statute, he agreed that it was proper for the Government to require the recordation of restrictive agreements, but felt the language of S. 1476 was so broad and, to some extent, ambiguous, that it would require the recordation of many routine contracts of no interest to the public, and put a serious burden on both industry and Government. Senator O'Mahoney made it clear that only those contracts involving restrictive practices need be filed.

Mr. Gallagher also made the point that the filing provisions would disclose many business secrets as to price and terms which might put persons filing at a competitive disadvantage, especially vis-a-vis foreign competitors who were not subject to similar requirements. Proponents of the bill met this objection by pointing out that the Attorney General could withhold trade secrets from public record upon application of an interested party. Mr. Gallagher proposed that the bill be modified by limiting it to restrictive agreements, that the Government be empowered to issue cease and desist orders against improper agreements, but that criminal prosecution be barred as to actions in the foreign field except as to agreements not filed with the Government and conduct pursuant to agreements which the Government had disapproved.

Mr. Souby limited his testimony to the narrow question whether the bill would require railroads to record their many agreements with Mexican and Canadian railroads concerning interchange traffic, union stations, and the like. He suggested exemption of all carriers, but

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[3] U. S. Congress. Senate. Committee on the Judiciary. Cartels. Hearings on S. 1476, May 23, 1944.

when Senator O'Mahoney pointed out this would include international air carriers and others, he narrowed his proposal to surface carriers operating in the United States.

Senator O'Mahoney, as author of the bill and chairman of the subcommittee conducting the hearings, pointed out the dangers of cartelization and desirability of working toward a postwar atmosphere more conducive to free trade. He emphasized that this was merely a recordation measure and not regulatory in nature; nor did it attempt to say what agreements were legal or illegal. He summarized the basic policy issues confronting our country as follows (hearings, pp. 24–25):

> Now, of course, the fundamental problem presented in the consideration of this bill and to which you have pointed in your testimony, Mr. Gallagher, is what the policy of the United States should be toward the activity of companies which believe in the American system of free competitive enterprise, but which, operating in foreign countries, subject themselves to the restrictive rules of those foreign countries. One could assume, for example, that a foreign country like Germany seeks to control and restrict trade and dominate the trade of the world, and American companies are doing business in such a country. Do you feel that it would be consonant with the principle of free enterprise which you have announced for such a company to indulge in the restrictive and monopolistic practices enforced by another country?
>
> * * * * * * *
>
> We know that the British Government has tolerated cartels, to state it mildly. We know that the German Government has likewise promoted the cartelization of world trade and commerce, so the question that we must decide, the leaders in business like yourself and those of us who have some responsibility in Government, is whether we are going to drift back after the war into that sort of a system in which governments and big business, through cartel agreements, will dominate and parcel up world trade, or whether we are going to make an all-out effort to establish the system of business which you have so clearly enunciated. * * *

In response to Mr. Gallagher's comment regarding the necessity for one doing business in a foreign country to conform to the prevailing practices in that country, Senator O'Mahoney continued (hearings, p. 26):

> This develops the condition to which I referred in my opening statement—a double standard of morality, where in America we ask all American enterprises to observe the antitrust laws; not to engage in combinations to restrain trade; not to engage in conspiracies to fix prices; not to allocate territory; not to use patents for the purpose of restraining opportunities for employment. But when our business enterprises operate abroad they are confronted with that sort of policy abroad, and when they secure the training and the practice in cartelization which they get by association with foreign governments and foreign companies, which do this thing, they are inevitably given an impetus, at least, to practice the same devices back home again.

The patent provisions in S. 1476 did not come up for discussion in the hearings.

2. OTHER BILLS (NO HEARINGS HELD OR OTHER ACTION TAKEN)

a. H.R. 1371 (Voorhis)

(1) Main features

Enlarged the definition of what must be filed to include:

> [E]very sale, assignment, or other conveyance of any patent or patent application, or of any interest therein, every agreement relating to a patent, patent application, or interference proceeding, and every grant by license, agreement, or otherwise, of rights under a patent or patent application. * * *

99257—57——3

Neither the above section nor previous bills made specific provision for existing agreements and instruments. This bill provides that they must be filed within 6 months after enactment. Further, any document "modifying, canceling, or supplementing" the documents to be filed must also be filed. The rest of the bill is substantially similar to S. 2730, 77th Congress, except that it provides explicitly that the instruments filed do not constitute the written notice which will bar a suit by the Attorney General. This point was not clear in the previous bills.

b. H.R. 3874 (Voorhis)

Substantially similar to H. R. 1371, with the following major changes: Gives the Attorney General 90 days in which to declare, by written opinion, a proposed course of action to be in violation of the "use" section. If an adverse opinion is rendered, a suit may be brought by the proponent of the plan for a decree declaring the action not in conflict with the statute. If a decree reversing the Attorney General's opinions is entered, the latter may ask that jurisdiction be continued so that the effects of the action may be gaged at a subsequent time.

c. H.R. 4493 (McMurray)

(1) Main features

Declares illegal every contract entered into by any domestic person:

> * * * which has the purpose or effect of participation in any combination, arrangement, agreement, or understanding for (a) limiting production; (b) fixing, maintaining, or stabilizing prices; (c) establishing quotas; or (d) allocating or dividing markets or trade territories in trade or commerce among nations, or otherwise restraining trade or commerce among the nations. * * *

The extent of United States participation in measures formulated and recommended by the Commission is to be specified by Congress.

Penalties of not exceeding $25,000 or imprisonment for 2 years, or both, are provided for domestic persons who are parties to such a contract or engage in activities in furtherance of such a contract.

Specifically provides that the bill shall not be deemed to affect the antitrust laws or laws to regulate commerce. The Webb-Pomerene Act (40 Stat. 516) is repealed, as is 54th Statutes at Large, page 724, an act limiting the import of products made under processes covered by United States patents.

The President is authorized to enter an agreement with other governments to establish an international commission.

(2) Important sections

Among other objectives and duties of the Commission concerning the prevention of restrictive international trade practices is the following:

> 6. (c) To study, formulate, and recommend means and methods for the licensing of patents, patent rights, or technology in such manner as to insure that there shall be no discrimination in the licensing and use thereof and that no system of licensing shall be utilized for the purpose of limiting production, retarding industrial development, or restraining trade or commerce.

d. Miscellaneous (identical bills)

H. R. 109 (Voorhis). Identical with S. 2730, 77th Congress.

H. R. 3786 (Voorhis). Identical with S. 1476, 78th Congress, discussed above.

S. 10 (O'Mahoney). Identical with S. 2438, 77th Congress.

D. SEVENTY-NINTH CONGRESS (1945-46)

1. S. 11 (O'MAHONEY)

a. Provisions

Identical with S. 1476 of the previous Congress, discussed above.

b. Hearings and testimony

Joint hearings were held May 17-22, 1945, before the Senate subcommittee of the Committee on the Judiciary, and the Special Committee Investigating Petroleum Resources.[4] No report was issued.

(*1*) *Francis Biddle, United States Attorney General*

Thought that the registration provision would be of value in attacking cartels in that the "web" of cartel activities would be revealed to the American public and Government. He was of the opinion that the present antitrust laws were enough to get at cartels. Stated that private international agreements of a restrictive nature have such important consequences for the Nation that they should be publicly disclosed. In his view, the fact that the Attorney General was not given discretion as to what agreements should be filed under the bill was good, because it was sometimes difficult to assess the future importance of an agreement or patent.

Stated that, inasmuch as every patent or trademark is a claim to a monopoly grant, it is proper to require registration.

Discussed some minor technical drafting problems.

Emphasized the limited nature of the bill and that it would not alone solve the cartel problem. Warned that, despite the criminal penalties, many agreements would probably not be registered.

Thought one of the most important provisions of the bill was section 7, which provided that registration would confer no immunity under the antitrust laws. Called for reform of the patent laws and for agreements with other nations, without becoming more specific.

(*2*) *William T. Kelley, chief counsel, Federal Trade Commission*

Agreed, generally, with Attorney General Biddle.

(*3*) *William L. Clayton, Assistant Secretary of State*

After discussion concerning the nature of cartels, concluded:

> * * * the international coordination of national policies is the most desirable means of meeting the problems raised by international cartels.
>
> * * * A cartel program of this character could take the form either of an international agreement to prohibit restrictive business practices in international trade, or alternatively, the establishment of a body or bodies to supervise and control in the public interest the activities of international cartels.

State Department policy was to reject the latter alternative and strongly recommend the former. Under such an agreement it would be largely the task of each government to enforce the provisions of the agreement within its own jurisdiction, with a central organization under the United Nations providing information, guidance, and acting as a central depository for information which would be filed by

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[4] U. S. Congress. Senate. Foreign Contracts Act. Joint hearings before a subcommittee of the Committee on the Judiciary, U. S. Senate and the Special Committee Investigating Petroleum Resources, on S. 11, May 17-22, 1945.

the participating nations. The witness felt that S. 11 would work into such a plan since it would

> substantially discharge the obligations of the United States under the section of the proposed convention * * * which would call upon each signatory nation to require registration of appropriate information relating to international business agreements.

Mr. Clayton listed the following as the three purposes which the bill would serve:

> 1. It would provide information on the basis of which the Attorney General could determine whether the contracts so registered were in conformity with the antitrust laws. In view of the great secrecy which has surrounded many such agreements in the past, registration might make possible a higher degree of effectiveness in the application of the antitrust laws.
>
> 2. The bill would remedy a serious deficiency in public knowledge, which until very recently, accounted for the inadequate public understanding of the importance of private international business agreements.
>
> 3. The bill would act as an automatic policeman in deterring companies and individuals from entering into restrictive agreements which could not stand the light of day.

The witness emphasized the importance of section 7, which provides that registration confers no exemption from the antitrust laws. He argued against the "regulatory" plans which would permit the controlled operation of cartels.

(4) Wendell Berge, Assistant Attorney General, Department of Justice

Felt that the bill would be the beginning of an intelligent policy on cartels in that significant facts would be revealed. Discussed cartel activities and their harm to the economy, and to our foreign policies. He felt that "cartels will find it hard to operate if the agreements upon which they are based are open to public scrutiny and examination."

Felt that our Government should know about restrictive agreements entered into with foreign nationals and restrictions under patent licenses. Even if patents are filed in the Patent Office, it is important for our producers to acquire know-how, and for the Government to know if there are restrictions. Mr. Berge came out strongly against any kind of Government regulation of cartels, since he felt this would lead to Government-run cartels with the same evils as are inherent in privately run cartels. Throughout Mr. Berge's testimony there were descriptions of how cartels operate, illustrating the points he was making.

(5) Allen C. Phelps, director, Export Trade Office, Federal Trade Commission

Took the general position that S. 11 was too broad in that it would include contracts that it was not particularly in the public interest to have recorded. Further, on the question of cartel control generally, he felt that an administrative agency should be set up to regulate cartels. He thought that the standard for allowing some cartel agreements was whether they would be in the interest of the United States. He admitted that this would give broad powers to the administrator, but felt this was the only way to handle the problem. He did not feel that other countries could be persuaded to the American attitude toward cartels, and that therefore his plan was the only alternative to

an international agreement. Several of the Senators and Mr. Kelley, counsel to the Federal Trade Commission, took issue with his position. There was also discussion of the Webb-Pomerene Act.

(6) Colloquy—Senators O'Mahoney and Edwin C. Johnson

Senator O'Mahoney stated that the act would not apply to patent applications that were not covered by foreign contracts. Senator Johnson thought the language covered a broader field.

(7) Representatives of the American petroleum industry

Presented a picture of conditions under which they operate in the international field.

(8) W. S. S. Rodgers, chairman of the board, The Texas Co.

Mr. Rodgers made two general recommendations. First, the Government of the United States should promote voluntary agreements among all nations to eliminate monopolies and cartels.

Second, pending the conclusion of such agreements, and to assure Americans the opportunity to meet foreign competition on equal terms in world commerce and to remove uncertainties in our antitrust laws, Congress should (1) recognize that the improvement of conditions of world trade is properly a function of intergovernment agreements and should not be sought through any attempt to apply unilaterally our antitrust laws to transactions in other countries; (2) make clear (*a*) that our antitrust laws are to be applied solely to the national objectives of protecting and promoting our internal economy; (*b*) that the American activities under agreements effective abroad are governed by the applicable foreign laws, trade customs and intergovernmental agreements; and (*c*) that our antitrust laws do not apply unless such activities or agreements directly and unreasonably restrain trade within the United States; and (3) provide that, in determining the reasonableness of alleged restraints of trade within the United States, due consideration be given to the benefits resulting to the national economy, national security and our foreign economic policy, from the foreign business or transaction in question.

Turning specifically to S. 11, Mr. Rodgers stated that he was in favor of full disclosure but that the bill in its present form was objectionable. He felt the "real problem facing Americans doing business abroad is clarification of the antitrust laws," which the bill did not accomplish. He made these further objections:

(1) "The bill would place American nationals at a disadvantage in foreign markets with respect to their foreign competitors." This would be due to disclosure of "important commercial information" contained in the agreements as filed.

(2) The bill implies that the laws of this country are to be effective within the territory of each foreign country and further that the United States police power extends to acts which are effective only within the boundaries of such countries irrespective of the legality of such acts under the local laws.

(3) "The bill is too far reaching" in that the definition of "foreign contracts" would embrace many routine agreements, which would impose "monumental" administrative tasks on the Government. In this connection he suggested that the definition of foreign contracts be amended so as to "eliminate any requirement for filing of purely

local contracts and require the filing of only those agreements international in scope." If this were done he would have no objection to filing such contracts.

(4) Clarification of the existing law was again emphasized as the main problem.

In connection with the third point, Senator O'Mahoney emphasized that only "restrictive" agreements had to be filed; that is, agreements which had provisions limiting production, fixing prices or dividing territories. Patent provisions were to "reach those restrictive monopolistic agreements by which patent devices are suppressed, and by which patents are used as an instrumentality of limiting production, controlling markets, and fixing prices."

Summing up, Mr. Rodgers thought that if the antitrust laws were applied unilaterally to Americans doing business overseas in an effort to break up cartels, this good would not be accomplished and it would only serve to weaken American business.

(9) R. J. Dearborn, president, Texaco Development Corp., representing National Association of Manufacturers

Read a statement of the NAM position on cartels. The international agreement approach was recommended.

The NAM position on recordation bills was summarized as follows:

> 1. As to international agreements * * * legislation should be passed compelling the recording in the United States Patent Office of all existing and future patent agreements to which one of the parties is a citizen of a country foreign to the United States.
>
> 2. Recording should apply also to domestic patent agreements * * * except that recording should not be required for simple nonexclusive licenses and exchanges of licenses under United States patents.
>
> 3. Provision should be made for safeguarding competitive information. This can be done by permitting filing of abstracts containing essential facts.
>
> 4. Recording of patent agreements should be in the Patent Office, not in the Department of Justice * * *. Assignments, licenses, and other contracts are now recorded in the Patent Office and duplicate recording should not be required in another Government department.

The witness, for the last-named reason, favored the enactment of legislation similar to Boykin bill, H. R. 2632 (discussed infra), and would have the patent agreement filing taken care of in separate legislation, rather than incorporated in a bill such as S. 11 which also covers all international restrictive agreements.

(10) Dr. Colston E. Warne, Consumers Union

Felt that the bill was only a beginning, and that stronger measures were necessary to deal with cartels. Favored an international organization approach.

2. H. R. 2632 (BOYKIN)

a. Provisions

In its main features, H. R. 2632 provides as follows:

(1) Recordation, in the Patent Office, of "every license under a patent or application for patent, and every agreement reciting any term or condition of any such license, assignment, grant or conveyance."

(2) An abstract, containing the essential data, may be filed in lieu of the full instrument, under rules prescribed by the Commissioner of Patents, reserving in the Commissioner the power to compel submission of the full agreements, and

(3) Where the agreement is between residents of the United States and residents of foreign countries, the United States resident must file.

b. Hearings and testimony

Hearings were held, May 29, 31, and June 6, 7, 1945, before the Committee on Patents, House of Representatives, 79th Congress, 1st session.[5] No report was issued but a substitute bill (H. R. 3756) was introduced which was reported out. (See infra.)

(*1*) *R. J. Dearborn, National Association of Manufacturers*

Prefaced his remarks by reading various policy resolutions adopted by the NAM, e. g.:

> It is recommended in principle that agreements, both national and international, based on or relating directly or indirectly to patents be recorded in the Patent Office and accessible only to the Government. Such recording would facilitate Government investigation of the practices involved and would enable the Government to readily determine whether they are contrary to public policy, in violation of the antitrust laws or in conflict with international policy. It would also tend to remove the suspicion which is often attached without justification to legal and beneficial patent agreements.

The NAM recommended that "international patent agreements as well as other agreements, which include restrictions as to price, quantity of production, geographical or territorial areas, or fields of use must be recorded in the Patent Office."

Aside from some particular suggestions as to the form of the bill, Mr. Dearborn made the following main points on such legislation generally:

(1) Legislation should be passed compelling recording in the Patent Office of all existing and future patent agreements to which one of the parties is a citizen of a country foreign to the United States.

(2) Recording should apply to domestic patent agreements as well as international patent agreements, except that recording should not be required, for instance, of nonexclusive licenses and extensions of licenses under United States patents. This recommendation is to prevent recording from becoming unduly burdensome to manufacturers and from cluttering Government files with nonessential materials.

(3) Provision should be made for safeguarding competitive information. This can be done by permitting the filing of abstracts containing the essential facts.

(4) Recording should be in the Patent Office rather than the Department of Justice or the Federal Trade Commission as recommended in other bills.

(*2*) *Clair W. Fairbank, New York Patent Law Association*

Approved of bill in principle, but believed it too broadly worded.

> There would seem to be no need for recording of the ordinary license which contains no restrictions and no obligations on the licensee other than to pay royalty; neither should there be any need for recording licenses under patented processes which can be carried out only in the plant of the licensee.

Thought the penalty provisions were unfair. All of the above applies to domestic patents. All agreements and licenses involving

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[5] U. S. Congress. House. Committee on Patents. Recording patent agreements and limiting patents to 20 years. Hearings, May 29, 31; June 6, 7, 1945.

foreign-owned patents should be recorded. Thought duty of recording should be on party who would suffer by nonrecording.

(3) *Maj. Paul A. Rose, Office of the Judge Advocate General*

Argued for amendments on military security grounds, which would give protection to patents that the War Department was interested in.

(4) *John C. Stedman, Department of Justice*

Agreed with the objective of the bill, but did not think that an adequate distinction was made between "those things which are intended to be for public record and those which are intended for Government information."

Felt that filing complete agreements would be useful to the Government in breaking up cartels, since one of the big problems is secrecy. However, he recognized certain drawbacks to complete recordation, i. e., (1) the undesirability of compelling individuals to disclose information not needed for the protection of the public and (2) that the requirement may be burdensome.

Felt that the provision as to the types of agreements to be recorded was too narrow and should be amended to include "all agreements relating to future invention" and modifications of existing agreements. Suggested that all existing agreements in effect at the time be recorded (as the bill was drafted, only existing agreements containing restriction, or involving nonresidents, need be recorded).

Witness favored filing complete copies, but agreed that abstracts would suffice for purposes of the public record. Witness preferred that agreements be filed in the agency, probably the Justice Department, that had most interest in them, rather than with the Patent Office, but did not consider this a crucial issue, since interested agencies would have access to them regardless of where filed. He suggested more severe penalities, to wit, criminal sanctions for failure to record (in addition to the bill's provisions for fines of $500, plus $25 a day), unenforcibility of the agreement during the period for which it is unrecorded, and rendering the agreement void as against subsequent purchasers.

(5) *Chester L. Davis, American Bar Association*

Although he had no objection to filing for purposes of title, or to protect subsequent purchasers, he thought that the present bill was a step in the direction of regulating the use of patents, which was unjustified. He stated that the bar association approved of compulsory filing of patent agreements if such recording would be notice to the Attorney General, "with the presumption that such notice would be a bar to later criminal action by the Department of Justice." A bill incorporating such a provision was submitted.

(6) *Conder C. Henry, Assistant Commissioner of Patents*

Favored filing in the Patent Office, rather than any other Government agency, because a registry of patents was already in operation there and it would be best to have all recordation concerning patents in a central location. On the question whether patent agreements should be recorded, Mr. Henry stated that he would express no opinion. However, he stated that there have been abuses of other types of property as well as patents, and nobody had suggested that agreements relating to these other properties be recorded. Further, he stated that

the abuses of patents are not attributable to any right inherent in the patent grant itself but, rather, they were abuses of contract. These abuses he listed as follows:

(1) Resale price maintenance.

(2) Agreement of the patent owner not to use the invention or to limit his use in the absence of a transfer of rights to another.

(3) Agreements not to import.

(4) Agreements to use only unpatented supplies furnished by the licensor.

(5) Agreements not to deal in the goods, wares, or merchandise of a competitor.

(6) "In fact, any use of a patent to further a monopoly not embraced in the patent grant."

On the other hand, Mr. Henry listed as among the rights of a patent owner the following:

(1) A patent owner may, in general, deal with his patent property precisely like the owner of any other class of property.

(2) He may in general fix any terms of royalty he chooses.

(3) He may fix the sale price of a licensed article, but not the resale price.

(4) He may limit the quantity of articles or percentage of the whole output to be manufactured by a licensee.

(5) He may grant licenses for a given territory.

(6) He may determine for himself the persons whom he will license.

(7) He may grant licenses limited to a given field.

Mr. Henry stated that abuses of patents were by a relatively few large industries, and that to put "a tremendous burden" on many innocent persons would be an injustice.

The following provisions was proposed by Mr. Henry:

> Every license under a patent or application for patent, and every agreement with respect to patents, excepting such licenses, contracts, or estoppels as may be created or implied by law, or as may arise from relationship of employer and employee, and every agreement providing for the exchange of technical information, any of the parties to which is not a resident of the United States and every license under a patent or application for patent and every agreement with respect to patents which includes any restrictions as to price, quantity of production, geographical area or field of use, or which includes any limitation not inherent in the patent grant or the right of any party to the agreement to engage in interstate or foreign commerce, shall be in writing and shall be recorded in the Patent Office within three months from the execution thereof, or within three months from the date this Act takes effect in the case of any such license or agreement which was executed prior to the date this Act takes effect, and which is still in effect on or after said date.

Mr. Henry was not in favor of having filed agreements open for public inspection, but thought they should be available only to duly authorized officers of the Government.

In connection with the penalty provisions, the witness suggested that an intent "to suppress the pertinent facts of the agreement" should be proved before the penalties would apply.

3. H. R. 3756 (BOYKIN)

Introduced on July 11, 1956, following the hearings on H. R. 2632 and in the light of the testimony presented at those hearings. H. R.

3756 is substantially in the form recommended by Mr. Henry of the Patent Office (see his testimony, supra, on H. R. 2632).

a. Provisions

(*1*) *Main features*

Provides for recordation of assignments, grants, and conveyances of patent applications, patents, and any interest therein.

Permits recording of abstracts under such rules and regulations as may be promulgated by the Commissioner of Patents.

Agreements in effect when act is passed must be recorded.

No penalty may be levied unless intent to conceal is shown.

(*2*) *Important sections*

Section 2:

> Every license under a patent for an invention or application for such patent and every agreement with respect to the same, and every agreement providing for the exchange of technical information, any of the parties to which is not a resident of the United States, shall be in writing and shall be recorded in the Patent Office within three months from the execution thereof * * * [if they include or recite] any restriction as to price, quantity of production, geographical area, or field of use, or any restriction beyond that inherent in the patent grant. * * *

Commenting on this provision the report states:

> Although the restrictions particularly enumerated * * * are ordinarily within the rights inherent in a patent grant, yet it is believed that all agreements including such restrictions should be recorded in order to enable the law-enforcement officers to determine whether they go beyond such rights, such as attempting to fix resale prices of patented products.

Section 5:

> Licenses and agreements recorded under section 2 of this act shall not be open to public examination and inspection unless they are also recorded under section 1 hereof, but shall be made available for examination, copying, and inspection only by duly authorized officers of the * * * Government. * * *

b. Action taken

Although no hearings were held on H. R. 3756, it was reported out on July 20, 1945.[6]

4. OTHER BILLS (NO HEARINGS HELD OR OTHER ACTION TAKEN)

a. H. R. 2612 (*Bailey*)

Declares illegal and contrary to public policy, every contract involving the use of an American patent between any domestic person and any foreign person ("person" including all types of business organizations) which has the purpose or effect of—

(1) fixing or restricting the prices, terms, or conditions to be observed in dealing with others in the purchase or sale of any article in commerce;

(2) excluding or tending to exclude any domestic or foreign person from any territorial market or field of business activity;

(3) limiting or tending to limit the supply of any article in commerce;

(4) excluding any article from commerce;

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[6] U. S. Congress. House Committee on Patents. Requiring the recording of agreements relating to patents. H. Rept. No. 932 to accompany H. R. 3756, 79th Cong., 1st sess.

(5) fixing production or sales quotas with respect to any article purchased or sold in commerce;

(6) monopolizing or attempting to monopolize commerce in any patented article; or

(7) suppressing technology or invention.

Provides penalties for domestic persons involved in such contracts. Among other defenses to infringement suits, the bill provides that defendant may prove that the patent is subject to a contract declared to be illegal and contrary to public policy. Further provides that patents shall not be granted when applications have been subject to illegal contracts, and if such contracts apply to existing contracts they may be declared null and void in a suit in equity brought by the Attorney General.

The bill contains other procedural amendments.

b. H. R. 3462 (Voorhis)

Provides for the filing of the same instruments as in H. R. 3874, 78th Congress, with these changes:

(1) Removes the bar to suit which was provided for in H. R. 3874, if full disclosure was made to the Attorney General and he did not file an opinion.

(2) Exempts agreements to which the United States is a party and which are made for the benefit of the United States.

(3) Declares the following illegal in section 29:

> Any use of a patent or patent application or of any interest therein which extends the monopoly granted by a patent beyond the invention covered by such a grant including, but not limited to, any use which limits or restricts the licensor or any licensee, or the assignor or any assignee, with respect to the amount of any article he may produce, the price at which or terms or conditions on which he may sell any article, the purpose for which or the manner in which he may use the invention or any article produced thereunder, or the geographical area in which he may use the invention or produce or sell any article * * *.

(4) Such use renders the patent null and void.

(5) Criminal penalties are provided.

c. S. 2482 (Morse, et al.)

A general antimonopoly bill. Title II prohibits participation in any agreement or understanding with business enterprises of other nations which has the purpose or effect of restricting or controlling production, distribution, markets, prices, or use of patents, inventions, or other technology.

Title IV is substantially similar to H. R. 3462, except that filing is with the United States Patent Office.

d. Miscellaneous (identical bills)

S. 10 (O'Mahoney). Identical with S. 10, 78th Congress, and S. 2438, 77th Congress.

H. R. 97 (Voorhis). Identical with H. R. 3874, 78th Congress.

E. EIGHTIETH CONGRESS (1947–48)

1. MISCELLANEOUS (IDENTICAL BILLS)

S. 10 (O'Mahoney). Identical with S. 10, 78th and 79th Congresses.

S. 72 (Morse, et al.). Identical with S. 2482, 79th Congress

F. EIGHTY-FIRST CONGRESS (1949–50)

1. MISCELLANEOUS (IDENTICAL BILLS)

S. 10 (O'Mahoney). Identical with S. 10, 80th Congress.
S. 11 (O'Mahoney). Identical with S. 11, 79th Congress.

G. SUBSEQUENT CONGRESSES (1951 TO DATE)

No relevant bills since the 81st Congress.

II. RELEVANT HEARINGS—NOT ON SPECIFIC LEGISLATION

A. TEMPORARY NATIONAL ECONOMIC COMMITTEE (1938–41) [7]

Hearings before the TNEC contain a great deal of material concerning patents and their use in monopolistic and cartel arrangements. Part 2 (Patents, Automobile Industry, Glass Container Industry (1938)) and Part 3 (Patents, Proposals for Changes in Law and Procedure (1939)), are concerned specifically with patents. Part 25 (Cartels (1940)), although dealing primarily with cartels, also discusses the patent situation. These hearings were for the most part devoted to testimony regarding the operative situation, and a reading fails to reveal more than passing mention of recordation as a method of control. However, in its final report and recommendations [8] (S. Doc. No. 35, 77th Cong., 1st sess., 1941), the TNEC, among other recommendations, proposed:

(c) *Recording of transfers and agreements.*—We recommend that any sale, license, assignment, or other disposition of any patent be evidenced by an instrument in writing and that the same be required of any condition, agreement, or understanding relating to any sale or disposition of any such patent, and that in any such case a copy of such written instrument be filed with the Federal Trade Commission within 30 days after execution. There should, of course, be a substantial monetary penalty for failure to file as required. [Approved without objection.] (P. 30.)

B. SPECIAL COMMITTEE INVESTIGATING THE NATIONAL DEFENSE PROGRAM [9]

These hearings (originally under the chairmanship of Senator Truman and later Senators Mead, Kilgore, and Brewster, respectively) contain much information on the cartel situation with reference to patents. However, references to recordation were infrequent in these voluminous hearings. There was, however, testimony by Thurman Arnold, Assistant Attorney General, in which he suggested recording as follows:

I would like to suggest that all patent licenses should be registered with the requirement of a full explanation of the terms on which they are granted.
* * * Going beyond that, I would like to suggest that all agreements with industries in foreign nations should be registered with a full explanation of their purpose * * * (hearings, pp. 4348–4349).

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[7] Temporary National Economic Committee, Investigation of Concentration of Economic Power (Pub. Res. No. 113, 75th Cong.), 1938–41.
[8] Temporary National Economic Committee. Final report and recommendations, March 31, 1941 (77th Cong., 1st sess., S. Doc. No. 35).
[9] U. S. Congress, Senate Special Committee Investigating the National Defense Program, 77th Cong.—80th Cong., April 15, 1941, to April 28, 1948.

He stated that these provisions were important, because it was difficult to find out about illegal arrangements concerning patents without a grand jury investigation, and that there was a great deal of pressure against starting grand jury investigations of companies engaged in national defense work.

III. INTERNATIONAL TRADE ORGANIZATION (1948)

A. INTRODUCTION

This section is concerned with the International Trade Organization only insofar as it dealt with the patent aspect of control of international restrictive practices.

The Habana charter for an International Trade Organization, signed on March 24, 1948, grew out of a series of conferences after World War II. Although representatives of the United States signed the Habana charter on that date, it has never been ratified by the Senate and its provisions have thus never become operative.

B. PROVISIONS IN ITO CHARTER RE RECORDATION

The relevant provisions are contained in chapter VI of the charter, Restrictive Business Practices. Article 39, provides that the ITO shall make an investigation upon complaint that one or more commercial enterprises, by combination, agreement, or arrangement between them, are—

> (e) Suppressing the application or development of technology or invention whether patented or unpatented;
>
> (f) Extending the use of rights under patents, trademarks, or copyrights not properly within the scope of the authorized grant, or to products or conditions of production, use, or sale which are not the immediate subjects of the authorized grant.

The commercial enterprises complained of must "individually or collectively possess effective control of trade among a number of countries in one or more products," in order to make such practices subject to investigation.

The investigation shall be made in order to determine whether the activity has harmful effects on the expansion of production or trade and interferes with the achievement of the general objects of the organization listed in article I.

If, after investigation, the ITO finds that the complained of practices are restrictive, it may make recommendations to the country involved, but has no other power. The obligations of the member nation are to—

> take full account of each request, decision, and recommendation of the organization * * * and, in accordance with its constitution or system of law and economic organization, take in the particular case the action it considers appropriate having regard to its obligations under this chapter (art. 50, (4)).

C. ITO HEARINGS PERTAINING TO RECORDATION (1947)

Hearings were held March 20, 21, 24–27, 29, 31, April 1–3, 1947, on ITO by the Senate Committee on Finance on the basis of earlier drafts, which on patents were substantially similar to the version adopted at

Habana.[10] Testimony was presented by Robert P. Terrill, Associate Chief, Division of International Resources, Department of State. A summary of his testimony insofar as it related to the patent provisions follows.

On the question of what "suppressing" meant in (e), and on the further question of whether it was not within the power of a patent owner to suppress his invention, the witness first answered that the test would be whether the patent owner was "failing to apply some piece of knowledge because of his own private motives, or whether he was, instead, in a conspiracy with some other party" (hearings, p. 447). Under further questioning he stated that even if the patent owner repressed the invention for his own motives, it would be a basis for complaint under the charter. However, ITO could only hold a hearing and recommend, and if "the United States did not have appropriate legislation under which it could take action, it could simply inform the organization that it had no practical way to carry out the recommendation" (hearing, p. 448).

On section (f), the witness stated that the charter made clear that the rights conferred upon a patentee by law were not diminished, but it was felt that "these rights can be used in such a way that the monopoly power derived from them is extended to objects which are not within the scope of the grant authorized by the legislature." As an example of the kind of extension that the section sought to prevent, Mr. Terrill cited tying contracts (hearings, p. 451).

Under questioning the witness emphasized that the section did not condemn such practices per se but merely called for an investigation. He also stated that it would still be up to the grantor nation to determine finally whether the practice in question exceeded the grant:

> [W]hat the ITO would be concerned with would be whether or not the practices that are referred to are such as to have harmful effect on the expansion of production and trade.
>
> It would be up to the member governments to decide whether or not their nationals had violated their own particular laws or had violated their own antitrust laws as the case might be, or had gone beyond the protection afforded by their patent laws (hearings, p. 452).

He added, however, that ITO, in its investigation, could of course come to its own conclusions as to whether the patent grant had been exceeded, but that this could not be binding on anyone.

It was suggested that in order to meet our obligations under the charter, upon the receipt of a complaint the Attorney General would probably have to take the case to a grand jury.

The questioning was mainly directed to whether any outside organization would have the power to make determinations as to the rights of American patent holders, and it was invariably answered by stating that the United States would not give up final determination.

D. ADDITIONAL BILLS RELATING TO ITO (81ST CONG.) (1949–50)

House Joint Resolution 14 (January 3, 1949), House Joint Resolution 71 (January 6, 1949), and House Joint Resolution 236 (May 3,

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[10] U. S. Congress. Senate Committee on Finance. International Trade Organization. Hearings on trade agreements system and proposed international trade organization charter, 80th Cong., 1st sess., March 20–April 3, 1947.

1949), were introduced in the 81st Congress to provide for United States membership in ITO. None of these bills was reported.

Hearings were held on House Joint Resolution 236 [11] but a search of these hearings fails to reveal any discussion or comment on the patent provisions. There is material on restrictive practices generally, citations to which may be found in the rather comprehensive index to the hearings.

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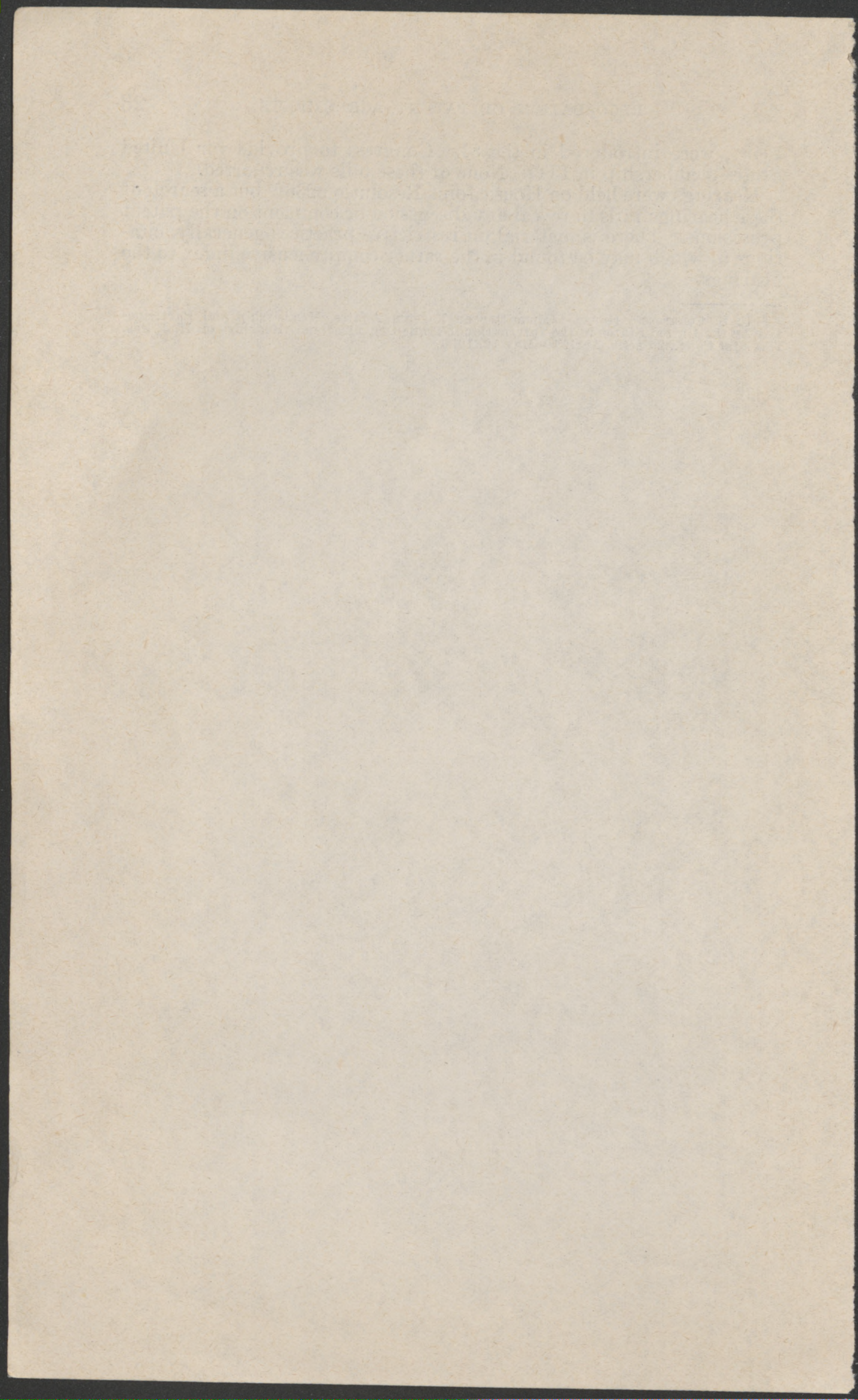
[11] U. S. Congress. House. Committee on Foreign Affairs, Membership and Participation by the United States in the International Trade Organization. Hearings on H. J. Res. 236, 81st Cong., 2d sess., April 19–May 12, 1950.



APPENDIX

A LIST OF REFERENCES

(NOTE: The literature relating strictly to the recordation of patent licenses and agreements appears to be very limited. Most nongovernmental writing on the subject is found in connection with registration of cartel agreements. Often, registration of patent provisions is considered only implicitly as part of registration of cartel agreements generally. The primary source of information on recordation of patent licenses and agreements, as such is in congressional hearings.)

MISCELLANEOUS REFERENCES

1. KRONSTEIN, HEINRICH and GERTRUDE LEIGHTON. CARTEL CONTROL: A RECORD OF FAILURE. Yale Law Journal, volume 55, February 1946, pages 297–335.

A section, "The Cartel Register," describes provisions for registration of cartel agreements, which would apply to patent provisions also (pp. 325–328).

2. NATIONAL FOREIGN TRADE COUNCIL, COMMITTEE ON INTERNATIONAL BUSINESS AGREEMENTS. MEMORANDUM ON REGULATORY MEASURES AFFECTING AMERICAN FOREIGN TRADE. New York, 1944.

Filing of international business agreements is discussed on pages 20–21.

3. PERKINS, MILO. CARTELS: WHAT SHALL WE DO ABOUT THEM? Harper's magazine, volume 189, November 1944, pages 570–578.

The author proposes national registration of cartel arrangements; patent agreements are implicitly included.

4. STOCKING, GEORGE W. and MYRON W. WATKINS. CARTELS OR COMPETITION? The economics of international controls by business and Government. New York, Twentieth Century Fund, 1948, 516 pages.

Registration of cartel agreements is discussed on pages 271–273, 427–428, and 433.

5. UNITED STATES NATIONAL PLANNING COMMISSION. THE AMERICAN PATENT SYSTEM. Washington, 1943, 27 pages. Also published as House Document No. 239, 78th Congress.

This Commission, under the chairmanship of Charles F. Kettering, recommended the passage of legislation compelling the recording in the United States Patent Office of: (1) all existing agreements (dealing with patents) to which one of the parties is a citizen of a foreign country; (2) all existing agreements regardless of citizenship of the parties which include any restrictions as to price, quantity of production, geographical areas or fields of use; and (3) all future agreements regardless of citizenship of the parties (p. 10).

CONGRESSIONAL HEARINGS AND REPORTS

6. U. S. CONGRESS. HOUSE COMMITTEE ON PATENTS. Pooling of Patents. Hearings on H. R. 4523, 74th Congress, February 11–December 12, 1935; 4 parts.

The hearings under the chairmanship of Congressman Sirovich deal largely with adverse effects of patent pooling and cross-licensing agree-

ments. The bill, H. R. 4523, would provide for the recording of pooling agreements and contracts with the Commissioner of Patents. Clerk of the committee, Edwin Fairfax Naulty, states:

"It is the secret and sinister use of patent pooling and cross licensing, with the special purpose of exclusion that is prejudicial to public interest, rather than that patent pooling and cross licensing, of themselves, are inimical.

"Public record of patent pooling and cross licensing such as is proposed by the recordation of such argreements in the United States Patent Office, and in the Federal Trade Commission would seem to be the best method of preventing such secret and sinister operations" (p. 1197).

7. U. S. TEMPORARY NATIONAL ECONOMIC COMMITTEE. Investigation of Concentration of Economic Power. Final report and recommendations, 77th Congress, 1st session. Senate Document No. 35. March 31, 1941.

One of the committee's patent recommendations calls for recording of patent transfers and agreements with the Federal Trade Commission (p. 37).

8. U. S. CONGRESS. Senate Special Committee Investigating the National Defense Program. Investigation of the national defense program. Hearings pursuant to S. Res. 71, 77th Congress, March 5–April 7, 1942; part 11.

These wartime hearings include testimony by Thurman Arnold, then Assistant Attorney General, who included recommendations for registering all patent licenses (p. 4348).

9. U. S. CONGRESS. Senate Committee on Patents. Patents. Hearings on S. 2303 and S. 2491, 77th and 78th Congress, 1942–43; 10 parts.

These hearings, under the chairmanship of Senator Homer T. Bone, covered a wide range of subjects relating to patents and their role in the war effort. Proposals for recordation of patent agreements were made, in particular by Thurman Arnold (pt. 7, pp. 3281–3282, 3312–3316) and by the chairman of the committee (pt. 1, p. 525).

10. U. S. CONGRESS. Senate Committee on the Judiciary. Cartels. Hearings before a subcommittee of the Committee on the judiciary, U. S. Senate, 78th Congress, 2d session, on S. 1476, May 23, 1944; 41 pages.

Largely testimony by two officials of the Standard Oil Company of New Jersey, relating to S. 1476 which would require the registration of certain foreign contracts made by domestic and foreign companies. This bill was the predecessor of S. 11, 79th Congress, introduced January 6, 1945, hearings on which are included as item No. 11 below.

11. U. S. CONGRESS. Senate. Foreign Contracts Act. Joint hearings before a subcommittee of the Committee on the Judiciary and the Special Committee Investigating Petroleum Resources (S. Res. 36), 79th Congress, 1st session, on S. 11, May 17–22, 1945; 267 pages.

S. 11, 79th Congress, is a bill to require the registration of certain foreign contracts made by domestic and foreign companies; patent licensing, cross-licensing and assignment are specifically covered. Hearings were largely concerned with international petroleum operations, and are a sequel to hearings, item No. 10 above.

12. U. S. CONGRESS. House Committee on Patents. Recording patent agreements and limiting patents to 20 years. Hearings on H. R. 2630, H. R. 2631, and H. R. 2632, 79th Congress, 1st session, May 29, 31, June 6, 7, 1945; 123 pages.

H. R. 2632, introduced by Congressman Boykin, is the subject of testimony on pages 69–123. This bill would require the recording of agreements relating to patents with the Commissioner of Patents.

13. U. S. CONGRESS. House Committee on Patents. Requiring the recording of agreements relating to patents. House Report No. 932 to accompany H. R. 3756 (79th Cong., 1st sess.).

A brief explanation of the bill as recommended by the committee.

14. U. S. CONGRESS. Senate Committee on Finance. International Trade Organization. Hearings on trade agreements system and proposed international trade organization charter, 80th Congress, 1st session, March 20–April 3, 1947; 2 parts.

Hearings consider the relationship of the proposed International Trade Organization to patents, but do not consider specific proposals for recordation of patent agreements.

15. U. S. CONGRESS. House Committee on Foreign Affairs. Membership and participation by the United States in the International Trade Organization. Hearings on House Joint Resolution 236, 81st Congress, 2d session, April 19–May 12, 1950; 809 pages.

Numerous references throughout the hearings deal with restrictive business practices, with some reference to patents. No specific proposals for recordation of patent agreements appear to be included.