

U. S. vs. AUTOMATIC SPRINKLER COMPANY.

IN THE DISTRICT COURT OF THE UNITED STATES FOR
THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

Civil Action No. 46 C 1289.

UNITED STATES OF AMERICA, PLAINTIFF,

VS.

AUTOMATIC SPRINKLER COMPANY OF AMERICA, ET AL.,
DEFENDANTS.

FINAL JUDGMENT

Plaintiff, United States of America, having filed its complaint herein on July 11, 1946; all the defendants having appeared and severally filed their answers to such complaint denying any violation of law; and all parties by their respective attorneys herein having severally consented to the entry of this final judgment without trial or adjudication of any issue of fact or of law and without admission of any party herein in respect of any such issue;

NOW, THEREFORE, before any testimony has been taken herein, and without trial or adjudication of issues of fact or law herein, and upon consent of all parties hereto, it is hereby

ORDERED, ADJUDGED, AND DECREED, as follows:

I

That this Court has jurisdiction of the subject matter hereof and of all parties hereto; that the complaint states a cause of action against the defendants under Sections 1 and 2 of the Act of Congress of July 2, 1890, entitled "An Act to protect trade and commerce against unlawful restraints and monopolies," commonly known as the Sherman Act, and acts amendatory thereof and supplemental thereto.

II

As used in this judgment:

(a) "Defendants" refers to each and all of the defendants and each and all of their officers, directors, agents, employees, successors, subsidiaries, and assigns, and each person acting or claiming to act under, through, or for them or any of them;

(b) "Defendant Automatic" refers to Automatic Sprinkler Company of America, Automatic Sprinkler Corporation of America and their officers, directors, agents, employees, successors, subsidiaries, and assigns, and each person acting or claiming to act under, through, or for them, or any of them;

(c) "Person" means any individual, partnership, firm, corporation, association, trustee, or any other business or legal entity;

(d) "Rate-of-rise system" means any automatic sprinkler system for automatically distributing water upon a fire, which is operated by means of heat actuated devices used in conjunction with an adjustable releasing mechanism, and which is designated to operate when the rate of increase of temperature in the protected area exceeds a predetermined rate;

(e) "Rate-of-rise devices" means any of the heat actuated devices and adjustable releasing mechanisms by the means of which a rate-of-rise system is operated and any auxiliary devices specially designed for supervising a rate-of-rise system;

(f) "Rate-of-rise equipment" means any part, apparatus or accessories comprising or used in connection with a rate-of-rise system, with the exception of rate-of-rise devices;

(g) "Device patents" means all United States letters patent, and all applications for such letters patent listed in Appendix A hereof; all divisions, continuations, renewals, extensions or reissues of the foregoing patents and patent applications; all patents issued upon such

applications; all patents covering any rate-of-rise devices or any process for the manufacture of rate-of-rise devices which may be issued to or acquired by defendants on or before December 31, 1952; and all such patents of which any defendant on or before that date becomes the licensee with the power to sub-license; provided that in so far as any claims of any of said patents cover combinations or systems (instead of devices) said patents with respect to such claims shall be treated as "system patents" hereunder and not "device patents";

(h) "System patents" means all United States letters patent, and all applications for such letters patent, listed in Appendix B hereof; all divisions, continuations, renewals, extensions, or reissues of the foregoing patents and patent applications; all patents covering any rate-of-rise system which may be issued to or acquired by defendants on or before December 31, 1952; and all such patents of which any defendant on or before that date becomes the licensee with the power to sublicense; provided that in so far as any claims of any of said patents cover devices (instead of combinations or systems) said patents with respect to such claims shall be treated as "device patents" hereunder and not "system patents";

(i) "1927-28 Agreements" means the following contracts and agreements:

The first agreement dated October 3, 1927, between Defendant Automatic and General Fire Extinguisher Company (now Grinnell Corporation), further identified as containing five numbered paragraphs.

The second agreement dated October 3, 1927, between Defendant Automatic and General Fire Extinguisher Company (now Grinnell Corporation), further identified as containing seventeen numbered paragraphs.

The agreement dated October 6, 1927, between Defendant Automatic and Globe Automatic Sprinkler Company of Pennsylvania.

The agreement dated January 14, 1928, between Defendant Automatic and H. G. Vogel Company.

The agreement dated March 8, 1928, between Defendant Automatic and Rockwood Sprinkler Company of Massachusetts.

The agreement dated March 3, 1928, between Defendant Automatic and Rhode Island Supply & Sprinkler Company (subsequently assigned to Rhode Island Supply & Engineering Company).

(j) "Necessary technical information" means the know-how and technical knowledge which are necessary for or useful to a licensee in the manufacture, installation, maintenance and operation of any rate-of-rise device or rate-of-rise system under patents licensed pursuant to the terms of this judgment.

III

The 1927-28 Agreements, as defined in this judgment, and each of them are hereby cancelled; and the defendants and each of them are hereby enjoined and restrained (1) from the further performance of any of the provisions of said agreements and of any agreements amendatory thereof or supplemental thereto, and (2) from entering into, adhering to, maintaining or furthering, directly or indirectly among themselves or with any other person, or claiming any rights under any contract, agreement, understanding, plan, program or course of conduct for the purpose or with the effect of continuing, reviving, or renewing any of said agreements.

IV

(a) The defendant Automatic is hereby ordered and directed, with respect to patents referred to in Section II hereof under its ownership or control, to grant to each applicant therefor at his option a non-exclusive license (1) to make, use and vend, under any, some or all of its device patents as defined; and/or (2) to install, use and vend, under any, some or all of its system patents as defined in this judgment. Defendant Automatic is hereby enjoined and restrained from making any assignment, sale or other disposition of any of said patents which

would deprive it of the power or authority to grant such licenses, unless it requires, as a condition of such assignment, sale or other disposition, that the purchaser, transferee, or assignee shall observe the requirements of Sections IV, VI, VII, VIII and X of this judgment and the purchaser, transferee or assignee shall file with this Court, prior to consummation of said transaction, an undertaking to be bound by the provisions of said Sections IV, VI, VII, VIII and X of this judgment.

(b) If at any time or times hereafter any of the defendants shall grant to any other defendant a license to make, install, use or vend under any system patent or patents or any device patent or patents as herein defined, then at each such time and in each such event the defendant so licensing another defendant is hereby ordered and directed to grant to each applicant therefor a similar non-exclusive license (1) to make, use and vend under the device patent or patents so licensed to another defendant and/or (2) to install, use and vend under the system patent or patents so licensed to another defendant.

(c) Defendants are hereby enjoined and restrained from including any restriction or condition whatsoever in any license granted by them pursuant to the provisions of this Section except that (1) the license may be non-transferable; (2) a reasonable non-discriminatory royalty may be charged; (3) a reasonable provision may be made for inspection of the books and records of the licensee by an independent auditor or any person acceptable to the licensee who shall report to the licensor only the amount of the royalty due and payable; (4) reasonable provision may be made for cancellation of the license upon failure of the licensee to pay the royalties or to permit the inspection of his books and records as hereinabove provided; (5) the license must provide that the licensee may cancel the license at any time after one year from the initial date thereof by giving thirty (30) days notice in writing to the licensor; (6) the license shall provide that the licensee shall immediately have the benefit of any more favorable terms granted other licensees.

(d) Upon receipt of written request for a license under the provisions of this section, the defendant receiving such request shall advise the license applicant in writing of the royalty which it deems reasonable for the patent or patents to which the request pertains. If the parties are unable to agree upon a reasonable royalty within sixty (60) days from the date such request for the license was received by the defendant, the license applicant may forthwith apply to this Court for the determination of a reasonable royalty, and the defendant shall, upon receipt of notice of the filing of such court application, promptly give notice thereof to the Attorney General. In any such court proceeding, the burden of proof shall be on the defendant to establish the reasonableness of the royalty requested by it, and the reasonable royalty rates, if any, determined by the Court shall apply to the license applicant and all other licensees under the same patent or patents. For said sixty (60) day period and pending the completion of any such court proceeding, the applicant shall have the right to make, use and vend under the patent or patents to which his application pertains without payment of royalty or other compensation, but subject to the final judgment and order of the Court in such proceeding, and further subject to the following provisions: The defendant may apply to the Court to fix an interim royalty rate, pending final determination of what constitutes a reasonable royalty, if any. If the Court fixes such interim royalty rate, the defendant shall then issue and the court applicant shall accept a license, or as the case may be, a sublicense, providing for the periodic payment of royalties at such interim rate from the date of the filing of such court application by the applicant. If the court applicant fails to accept such license or fails to pay the interim royalty in accordance therewith, such action shall be ground for the dismissal of his application and for the rescission of any and all of the applicant's rights under this subsection. Where an interim license or sublicense has been issued pursuant to this subsection, or where the applicant has exercised a right to make, use

and vend hereunder, reasonable royalty rates, if any, as finally determined by the Court shall be retroactive for the applicant and all other licensees under the same patents to the date the applicant files his application with the Court.

(e) Nothing herein shall prevent any applicant from attacking at any time the validity or scope of any of said patents nor shall this judgment be construed as importing any validity or value to any of said patents.

V

Defendants are enjoined and restrained from instituting or threatening to institute, or maintaining, or continuing any action, suit or proceeding for acts of infringement of any device or system patent occurring prior to the date of this judgment.

VI

The defendants are hereby ordered and directed to furnish with all licenses issued under their respective patents pursuant to Section IV of this judgment, to all licensees making application therefor, and at any time within the term of such licenses, necessary technical information as defined in this judgment, in the possession of the defendant licensor, without charge, except that the cost of furnishing such necessary technical information may be recovered from the licensee. Such cost shall not include any overhead or general charges.

VII

Defendant Automatic is hereby ordered and directed, as long as it shall manufacture, sell or deal in rate-of-rise devices, to offer to sell, and to sell such rate-of-rise devices, in such quantities as may be reasonably required and to the extent that it has such devices currently available, to any prospective purchaser or user, without discrimination among such prospective purchasers or users as to availability of such devices or as to the prices, terms and conditions of their sale.

VIII

Defendants are hereby enjoined and restrained from conditioning, or requiring or inducing any other person to condition any license or grant of immunity issued by them under a device or system patent, or any sale, offer to sell, distribution or use of any rate-of-rise device or rate-of-rise equipment (1) upon the purchase, securement or use of any other product, article or service from or through any defendant or from or through any particular or designated source or sources; (2) by requiring the purchaser, licensee or grantee to refrain from reselling or distributing such rate-of-rise devices or equipment; (3) by requiring the purchaser, licensee or grantee to resell such a device at a price or on other terms or conditions fixed by the defendants; (4) by requiring the purchaser, licensee or grantee to use, sell, install or deal, exclusively or in any determined amounts or quotas, in rate-of-rise devices or equipment made by one or more specified manufacturers, or to refrain from using, selling, installing or dealing in any rate-of-rise devices or equipment; or (5) by requiring the purchaser, licensee or grantee to purchase rate-of-rise devices or equipment exclusively or in any determinate amount or quotas from one or more specified sellers thereof.

IX

The defendants herein are hereby severally and jointly enjoined and restrained, either when acting alone or pursuant to any agreement, contract, understanding, combination or conspiracy among themselves or with any other person, from requiring or inducing any person (including but not limited to other defendants, and the licensees and distributors of any defendant), (1) to sell or to purchase any rate-of-rise device subject to any condition or restriction whatsoever with respect to the use, installation or resale of such device; (2) to sell or to purchase any rate-of-rise equipment, subject to any condition or restriction whatsoever with respect to the use, installation or resale of such equipment; (3) to give or

receive any license or grant of immunity under a system or device patent, subject to any condition or restriction whatsoever with respect to the use, installation or resale of such equipment, system or device; or (4) to agree not to buy, sell, use, install or otherwise deal in any rate-of-rise devices, equipment, or systems outside a specified geographical area.

X

For the purpose of securing compliance with this judgment and for no other purpose, duly authorized representatives of the Department of Justice shall, upon written request of the Attorney General or an Assistant Attorney General, and on reasonable notice to any defendant, be permitted, subject to any legally recognized privilege, (a) access during the office hours of such defendant to all books, ledgers, accounts, correspondence, memoranda, and other records and documents in the possession or under the control of such defendant relating to any of the matters contained in this judgment; and (b) subject to the reasonable convenience of such defendant and without restraint or interference from it, to interview officers or employees of such defendant, who may have counsel present, regarding any such matters; provided, however, that no information obtained by the means permitted in this paragraph shall be divulged by any representative of the Department of Justice to any person other than a duly authorized representative of the Department of Justice, except in the course of legal proceedings to which the United States is a party for the purpose of securing compliance with this judgment or as otherwise required by law.

XI

Jurisdiction of this cause is retained by this Court for the purpose of enabling any of the parties to this decree to apply to the Court at any time for such further orders or directions as may be necessary or appropriate for the construction or carrying out of this judgment, for the

APPENDIX A
"DEVICE PATENTS"

<i>Patents</i>		
<i>Number</i>	<i>Date</i>	<i>Title</i>
1, 831, 954	11-17-31	Pressure Supply System for Pipes
1, 837, 322	12-22-31	Sprinkler Head
1, 843, 688	2-2-32	Supervising Thermal System
1, 869, 204	7-26-32	Deluge Valve
1, 893, 210	1-3-33	Fluid Distributing Device
1, 938, 845	12-12-33	Automatic Release
1, 942, 823	1-9-34	Thermally Operated Device Operating by Expansion of Air or Other Gas When Heated
1, 959, 591	5-22-34	Combined Rate of Rise & Fixed Temperature Elect. Thermostat
1, 973, 535	9-11-34	Retard Devices for Delaying the Action of Rate-of-Rise Pneumatic Systems
1, 990, 339	2-5-35	Gate Valve Supervisory Device
1, 996, 478	4-2-35	Fire Extinguishing Apparatus
2, 027, 051	1-7-36	Fire Extinguishing & Alarm Apparatus
2, 044, 313	6-16-36	Fire Extinguishing Apparatus
2, 099, 069	11-16-37	Fire Extinguishing & Alarm Apparatus
2, 168, 244	8-1-39	Retard Device for Automatic Fire Control Systems
2, 251, 423	8-5-41	Air Pump & Alarm Unit
2, 340, 144	1-25-44	Pressure Actuated Tube Valve
2, 349, 464	5-23-44	Fluid Release Valve and Actuating Mechanism

modification thereof, the enforcement of compliance therewith, and for the punishment of violations thereof.
 Dated: February 20, 1948.
 United States District Judge
 /s/ IGOE

Patents (Cont'd.)

<i>Number</i>	<i>Date</i>	<i>Title</i>
2, 349, 883	5-30-44	Sprinkler Valve Actuating Device
2, 357, 133	8-29-44	Pressure Actuated Valve
2, 384, 342	9-4-45	Valve
2, 389, 817	11-27-45	Valve for Sprinkler Systems
2, 398, 461	4-16-46	Pressure Actuated Sprinkler Valve
2, 400, 372	5-14-46	Fluid Pressure Actuated Valve

Pending Applications

<i>Number</i>	<i>Date Filed</i>	<i>Title</i>
482, 657	Apr. 10, 1943	Hydraulic Valve Operating Device
482, 658	Apr. 10, 1943	Valve Operating Device
569, 031	Dec. 20, 1944	Fluid Valve and Remote Control System Therefor
576, 063	Feb. 3, 1945	Heat Actuated Device
601, 093	June 23, 1945	Releasing Mechanism

APPENDIX B
"SYSTEM PATENTS"

<i>Patents</i>		
<i>Number</i>	<i>Date</i>	<i>Title</i>
1, 831, 954	Nov. 17, 1931	Pressure Supply System for Pipes
1, 843, 688	Feb. 2, 1932	Supervising Thermal System
1, 869, 201	July 26, 1932	Automatic and Manual Control Fire Extinguishing System

Patents (Cont'd.)

1, 869, 202	July 26, 1932	Fluid Controlled System
1, 869, 203	July 26, 1932	Automatic Thermal Valve Actuator
1, 941, 700	Jan. 2, 1934	Dual Action Deluge Valve
1, 942, 822	Jan. 9, 1934	Automatic Fire Extinguishing System
1, 942, 823	Jan. 9, 1934	Thermally Operated Device Operating by Expansion of Air or Other Gas when Heated
1, 945, 284	Jan. 30, 1934	Automatic Fire Extinguishing Apparatus
1, 945, 620	Feb. 6, 1934	Fire Protective System
1, 950, 029	Mar. 6, 1934	Fluid Controlled System
1, 986, 479	Jan. 1, 1935	Means for Supervising Pneumatic Fire Alarm Systems
2, 027, 051	Jan. 7, 1936	Fire Extinguishing and Alarm Apparatus
2, 099, 069	Nov. 16, 1937	Fire Extinguishing and Alarm Apparatus
2, 196, 592	April 9, 1940	Fire Extinguishing System
2, 277, 873	Mar. 31, 1942	Pressure Tank Sprinkler System
2, 352, 995	July 4, 1944	Automatic Sprinkler System
2, 353, 116	July 4, 1944	Pressure Tank Sprinkler System With Secondary Supply
2, 353, 117	July 4, 1944	Deluge or Preaction Pressure Tank Sprinkler System With Secondary Supply
2, 365, 906	Dec. 26, 1944	Automatic Deluge Sprinkler System

Pending Applications

<i>Number</i>	<i>Date Filed</i>	<i>Title</i>
643, 482	Jan. 25, 1946	Pneumatically Actuated Valve Controlling Apparatus
643, 429	Jan. 25, 1946	Actuating System for Pressure Responsive Valves
732, 881	Mar. 6, 1947	Means for Maintaining Supervisory Pressure in Sprinkler System