

No. 2307

United States
Circuit Court of Appeals

For the Ninth Circuit.

SHERMAN-CLAY & COMPANY,
a Corporation,
Appellant,

vs.

SEARCHLIGHT HORN COMPANY,
a Corporation,
Appellee.

Transcript of Record.

Upon Appeal from the United States District Court
of the Northern District of California,
Second Division.

FILED

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[Clerk's Note: When deemed likely to be of an important nature, errors or doubtful matters appearing in the original certified record are printed literally in italic; and, likewise, cancelled matter appearing in the original certified record is printed and cancelled herein accordingly. When possible, an omission from the text is indicated by printing in italic the two words between which the omission seems to occur. Title heads inserted by the Clerk are enclosed within brackets.]

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Names and Addresses of Attorneys.

NICHOLAS A. ACKER and J. J. SCRIVNER, Esquires, Attorneys for Defendant and Plaintiff in Error,

69 Post Street, San Francisco, California.

Messrs. MILLER & WHITE, Attorneys for Plaintiff and Defendant in Error,

Crocker Building, San Francisco, California.

In the District Court of the United States for the Northern District of California, Second Division.

SEARCHLIGHT HORN COMPANY,

Complainant,

vs.

SHERMAN CLAY & COMPANY,

Defendant.

Bill of Complaint for Infringement of Patent.

To the Honorable, the Judge of the District Court of the United States for the Northern District of California, Second Division, Sitting in Chancery:

The Searchlight Horn Company, a corporation created and existing under and by virtue of the laws of the State of New York and having its principal place of business in the City of New York in said State, complainant, brings this its bill of complaint against Sherman Clay & Company, a corporation duly organized and existing under and by virtue of

the laws of the State of California, and having its principal place of business at the City and County of San Francisco, in the State of California, defendant, and thereupon your orator complains and says:

1. That at all the times hereinafter mentioned your orator was and still is a corporation organized and existing under and by virtue of the laws of the State of New York and having its principal place of business at the City of New York in the State of New York; and at all said times the defendant herein was and still is a corporation organized and existing under and by virtue of the laws of the State of California and having its principal place of business at the City and County of San Francisco, in the State of California. [1*]

2. That heretofore, to wit, on and prior to April 14, A. D. 1904, one Peter C. Nielsen, a citizen of the United States, residing at Greenport in the county of Kings, in the State of New York, was the original and first inventor of certain new and useful improvements in Horns for Phonographs and similar machines, more particularly described in the letters patent hereinafter referred to; that said improvements were new and useful inventions not known to or used by others in this country, nor patented or described in any printed publication in this or any foreign country before the said invention thereof by the said Nielsen, nor more than two years before the application of said Nielsen for a patent therefor hereinafter alleged, nor in public use or on sale in this country for more than two years prior to said

*Page-number appearing at foot of page of original certified Record.

application, and for which improvements no application for a foreign patent had been made or filed by him or his legal representatives or assigns in any foreign country more than 12 months prior to his application therefor and which improvements had not been abandoned by the said Nielsen.

3. And your orator further shows unto your Honors that heretofore, to wit, on April 14, A. D. 1904, said Peter C. Nielsen filed in the Patent Office of the United States an application in writing praying for the issuance to him of letters patent of the United States for said invention; that such proceedings were had and taken in the matter of said application by the officials of the Patent Office of the United States that hereafter, to wit, on October 4, A. D. 1904, letters patent of the United States were granted, issued and delivered by the Government of the United States to the said Peter C. Nielsen, whereby there was granted and secured to him, his heirs and assigns, for the full term of seventeen years from said last-named date the sole and exclusive [2] right, liberty and privilege to make, use and sell the said invention throughout the United States of America and the territories thereof; the said letters patent were issued in due form of law in the name of the United States of America under the seal of the Patent Office of the United States, signed by the Commissioner of Patents of the United States, and bore date October 4, A. D. 1904, and were numbered 771,441, all of which, together with a more particular description of the said invention will more fully appear from the said letters patent themselves, which

are ready in court to be produced by your orator or a duly authenticated copy thereof.

4. That prior to the issuance of said letters patent all proceedings were had and taken which were required by law to be had and taken prior to the issuance of letters patent for new and useful inventions.

5. And your orator further shows unto your Honors that by a regular chain of assignments made in writing duly executed and acknowledged and recorded in the Patent Office of the United States, your orator heretofore, on January 4, 1907, became and ever since continuously has been and is now the sole owner and holder of the said letters patent and of all the rights, liberties and privileges by them granted and conferred throughout the United States of America and the territories thereof.

6. And your orator further shows unto your Honors that the invention covered by said letters patent and protected by the claims thereof is one of great value and utility, and your orator and its predecessors practiced the same extensively and made and sold large numbers of devices covered by said letters patent, and have expended large sums of money in introducing the same to the public and in making and selling said devices, and upon each one of said devices so made and sold by your orator the word "Patented," together with the date and number of said letters patent have been stamped and marked.

[3]

7. And your orator further shows unto your Honors that heretofore, to wit, on the 9th day of May, 1911, your orator commenced an action at law in this

Honorable Court against Sherman Clay & Company, the defendant herein, and on that day filed its declaration in due form of law whereby it alleged all the facts hereinabove stated in this bill of complaint, and charged that the defendant, Sherman Clay & Company, had infringed upon the said letters patent to your orator's great injury and damage in the sum of Fifty Thousand Dollars, and prayed that a judgment be rendered against said defendant for said damages. That thereafter, to wit, on May 25, 1911, said defendant appeared in said action at law by its attorneys learned in the law and filed an answer denying all the allegations in the said declaration and thereafter, to wit, in due season and thirty days before the trial of said action filed a notice in writing, under section 4920 of the Revised Statutes, setting up that the said Nielsen was not the first or original inventor or any inventor of the invention described, claimed and patented in and by said letters patent, No. 771,441, but that long prior to the supposed invention thereof by the said Nielsen the thing sought to be patented by the said patent was shown, indicated, described and patented in and by certain prior patents of the United States and of Great Britain, which were specified by date and number, and that long prior to the supposed invention of said Nielsen the thing attempted to be covered by the said patent had been manufactured, used and sold by and known to others in this country, and the names and addresses of the persons alleged to have had such prior knowledge and use and the places where the same were used were set up in de-

tail in the said notice; that thereafter, upon issues so joined, the said action at law came on duly and regularly for trial before the above-entitled court and a jury, which said trial commenced on the first day of October, 1912, and was completed on October 4th, 1912; that evidence was introduced by both sides [4] and the case was fully and fairly tried on its merits, and after argument by counsel on both sides was submitted to the jury for its decision; that thereupon, on the 4th day of October, 1912, said jury returned its verdict in favor of the plaintiff in said action, complainant herein, and against the defendant in said action, defendant herein, and assessed damages in favor of the plaintiff and against the defendant for the infringement aforesaid in the sum of \$3,578.00. Thereupon a judgment was duly made and entered in favor of the plaintiff and against the defendant for \$3,578.00 and the costs of suit, which said judgment has never been changed, altered or modified, but is still in force and effect.

8. And your orator further shows unto your Honors that within six years last past, and also since the commencement of the aforesaid action at law, and since the rendition of the verdict and the entry of judgment therein as above recited, the defendant herein, without the license or consent of your orator at the City and County of San Francisco and State of California, and elsewhere, has used and sold, and is now using and selling, horns for phonographs containing and embracing the invention described, claimed and patented in and by the said letters patent, and particularly by claims 2 and 3

thereof; that the horns so used and sold as aforesaid by the defendant were and are known as the "Victor Phonographic Horns," and were made according to the specification of the said letters patent, No. 771,441, and contain and embrace the invention therein described, claimed and patented, and constituted and do constitute an infringement upon claims 2 and 3 of the said letters patent; that the aforesaid horns and particularly the horns used and sold by the defendant since the commencement of the said action at law, and since the rendition of the verdict and judgment therein were and are of the same identical design, form and construction as the horns which were held by the jury in said action at [5] law to be an infringement upon claims 2 and 3 of said Nielsen patent, it being a fact that since the rendition of the said verdict and the entry of the said judgment the defendant has continued to use and sell and is now using and selling the same style of horns and continuing the same infringement that it was guilty of prior thereto.

9. And your orator further shows unto your Honors that the defendant threatens and intends to continue, and, unless restrained by this Court, will continue to use and sell said infringing horns without the license or authority of your orator, and if defendant is permitted so to do, your orator will suffer great and irreparable injury for which it has no plain speedy or adequate remedy at law; that your orator has notified the defendant of the infringement aforesaid and requested the defendant to cease and desist therefrom, yet nevertheless the defendant has

continued after such notice to use and sell horns for phonographs containing the invention aforesaid.

10. And your orator alleges upon information and belief that the defendant has realized large gains and profits by reason of its said infringement aforesaid, the exact amount of which is unknown to your orator, and that your orator has suffered damages from and by reason of said infringement, the exact amount of which is likewise unknown to your orator.

11. And your orator further shows unto your Honors that if the defendant is allowed to continue its infringement aforesaid, your orator will suffer great loss and damage, and for the wrongs and injuries herein complained of your orator has no plain, speedy or adequate remedy in the ordinary course of law, and forasmuch as your orator is without remedy in the premises save in a court of equity where matters of this kind are properly cognizable and relievable,

TO THE END that the defendant, Sherman Clay & Company, [6] may, if it can, show why your orator should not have the relief herein prayed (but not under oath or seal, an answer under oath and seal being hereby waived), according to the best and utmost of the knowledge, recollection and belief of its officers, full, true, direct and perfect answer make to all and singular the matters and things hereinabove charged, your orator prays that the said defendant may be enjoined and restrained from infringing upon the said letters patent, and particularly upon claims 2 and 3 thereof, and be decreed to account for and pay over to your orator the gains

and profits realized by the defendant, and in addition thereto the damages sustained by your orator by reason of the infringement of said letters patent aforesaid together with costs of suit.

May it please your Honors to grant unto your orator the writ of injunction issued out of and under the seal of this court upon the filing of the bill of complaint provisionally and until the final hearing, enjoining and restraining the said defendant, Sherman Clay & Company, its agents, servants, officers, clerks, employees and attorneys from making, using or selling any horns for phonographs or similar instruments containing the invention described in the specification of said letters patent and claimed and patented in and by claims 2 and 3 of said letters patent, and that upon the final hearing of this case said injunction be made perpetual and that your orator may have such other and further relief as to your Honors may seem meet and proper and in accordance with equity and good conscience.

May it please your Honors to grant unto your orator the writ of subpoena ad respondendum directed to the defendant Sherman Clay & Company, commanding it by a day certain and under a certain penalty to be and appear in this Honorable Court then and there to answer this bill of complaint and to stand to and abide by such orders, directions and decrees as to your Honors shall seem meet and in accordance with equity and good conscience. [7]

And your orator will ever pray, etc.

SEARCHLIGHT HORN COMPANY,
Complainant.

[Seal Searchlight Horn Company.]

By WILLIAM H. LOCKE, Jr.,
President.

CHARLES P. BOGART,
Secretary.

JOHN H. MILLER and

WM. K. WHITE,

Solicitor and of Counsel for Complainant,
Crocker Bldg., San Francisco, Cal.

United States of America,
Southern District of New York,
City and County of New York,—ss.

William H. Locke, Jr., being duly sworn, deposes and says that he is President of Searchlight Horn Company, complainant in the within entitled action; that he has read the foregoing bill of complaint and knows the contents thereof; that the same is true of his own knowledge, except as to the matters which are therein stated on his information or belief, and as to those matters, that he believes it to be true.

WILLIAM H. LOCKE, Jr.

Subscribed and sworn to before me this 6th day
of November, 1912.

[Seal]

WILLIAM R. RUST,
Notary Public Kings County.

Certificate filed in New York County. [8]

No. 12,078.

State of New York,
County of New York,—ss.

I, William F. Schneider, Clerk of the County of New York, and also Clerk of the Supreme Court for the said County, the same being a Court of Record, DO HEREBY CERTIFY, That William R. Rust has filed in the Clerk's Office of the County of New York, a certified copy of his appointment and qualification as Notary Public for the County of Kings with his autograph signature, and was at the time of taking the annexed deposition duly authorized to take the same, and that I am well acquainted with the handwriting of said Notary Public, and believe that the signature to the annexed certificate is genuine.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the seal of the said Court and County the 6 day of Nov., 1912.

[Seal]

WM. F. SCHNEIDER,

Clerk.

[Endorsed]: Filed Nov. 25, 1912. W. B. Maling, Clerk. By J. A. Schaertzer, Deputy Clerk. [9]

*In the District Court of the United States for the
Northern District of California, Second Division.*

SEARCHLIGHT HORN COMPANY,

Complainant,

vs.

SHERMAN CLAY & COMPANY,

Defendant.

Notice of Motion for Preliminary Injunction.

To Sherman Clay & Company:

You are hereby notified that on Monday, December 9, A. D. 1912, at the hour of ten o'clock A. M., or as soon thereafter as counsel can be heard, complainant in the above-entitled action will move the said Court at the courtroom thereof in the Postoffice Building, at the City and County of San Francisco, State of California, for an order granting to complainant a preliminary injunction enjoining and restraining you until the final hearing of the case from making, using or selling or offering for sale any phonographic horn which infringes upon claims 2 or 3 of United States letters patent No. 771,441, issued October 4, 1904, to Peter C. Nielsen, which said patent is now owned by complainant.

Upon the hearing of this motion complainant will rely upon the papers and pleadings, together with the exhibits and testimony on file and of record in the action at law in this court, entitled Searchlight Horn Company against Sherman Clay & Company, No. 15,326, also the verified bill of complaint on file in this case and the affidavits of William H. Locke, Jr., and Hubert G. Prost (copies of which are herewith served upon you), together [10] with the trade catalogue referred to in the affidavit of Hubert G. Prost, which complainant has heretofore filed with the Clerk of the Court.

The ground of the above motion is that claims 2 and 3 of said patent have heretofore been sustained and held valid in the aforesaid action at law by this

same complainant against you in the above-entitled court, and that the issuance of a preliminary injunction is necessary and proper under the rules of practice of this court, and that unless the same is granted, complainant will suffer great and irreparable injury for which there is no plain, speedy or adequate remedy at law.

Dated this 23d day of November, 1912.

Yours, etc.,

MILLER & WHITE,

Attorneys for Complainant, Crocker Building, San Francisco. [11]

In the District Court of the United States for the Northern District of California, Second Division.

SEARCHLIGHT HORN COMPANY,

Complainant,

vs.

SHERMAN CLAY & COMPANY,

Defendant.

Affidavit of William H. Locke, Jr.

State of New York,

City and County of New York,—ss.

William H. Locke, Jr., being duly sworn deposes and says: This affidavit is made for use on behalf of complainant in a motion for preliminary injunction to be made in a suit having the above title shortly to be commenced in the District Court of the United States for the Northern District of California, Second Division.

I am the president of the Searchlight Horn Company, the owner of the Nielsen patent, No. 771,441, involved in the proposed suit, and for infringement of which said suit is to be brought.

In the early stages of the horn business and prior to 1907, the horns for phonographs were not a part of the equipment of the Phonograph Companies, but were made by different manufacturers of horns. The phonograph companies sold the phonographs and the horn companies sold the horns. In 1907 the phonograph companies made the horn a part of their equipment and from that time on sold the horn with the phonograph, thereby making it unprofitable for the individual horn manufacturers to continue in business as theretofore. In this way the sale of [12] horns became a monopoly with the phonograph companies, and the Searchlight Horn Company could no longer continue its business at a profit as theretofore. The Victor Talking Machine Co. did not purchase any horns from the Searchlight Horn Company but procured its horns to be made for them by other manufacturers, principally the Tea Tray Company, of Newark, N. J., without the license or authority of complainant. This forced the Searchlight Horn Co. to discontinue the actual manufacture of horns, and in May, 1908, they made a business arrangement with the Standard Metal Manufacturing Co. of Newark, N. J., to make and sell the Searchlight Folding Horn on a division of the profits resulting therefrom. If an injunction is granted herein against the defendant prohibiting further sale of infringing horns, the Victor Talking

Machine Co. will be compelled to secure its horns from complainant or someone authorized by complainant to manufacture same under the Nielsen patent. In such event the complainant would be willing to supply or cause to be supplied to the Victor Talking Machine Company horns made under the Nielsen patent for a reasonable consideration, whereby the Victor Talking Machine Co. would be enabled to continue to sell horns with its phonographs without interference with or cessation of its business, or any great damage thereto.

I am informed that Sherman Clay & Company is the Pacific Coast distributing agent for the Victor Talking Machine Co. and sell only such phonographs as are supplied to them and manufactured by the said Victor Talking Machine Co., and consequently the infringing machines marketed by Sherman Clay & Co. are all obtained from the Victor Talking Machine Co., and the Victor Talking Machine Company obtains them from manufacturers, who have no license under the Nielsen patent.

I was in San Francisco up to October 5th, 1912, and attended the trial of the action at law brought by the Searchlight Horn [13] Company against Sherman Clay & Co. in the above-entitled court, which resulted in a verdict for the plaintiff. I have been informed and I believe that since the commencement of that action at law, and even since the rendition of the verdict therein, Sherman Clay & Co. have continued to sell and offer for sale the identical form and style of phonograph horn which was held by the jury in said action at law to be an infringement

of the Nielsen patent, all without the license or consent of the Searchlight Horn Company. If the defendant is allowed to continue the said infringing acts, the Searchlight Horn Company will be subjected to great and irreparable injury for which, in my opinion, there is no plain, speedy or adequate remedy at law, and that a preliminary injunction will be the only adequate protection which the Searchlight Horn Company could obtain. The Nielsen patent expires on April 14, 1921, and I am informed that in the ordinary course of events attending the trial of equity cases, it will not be likely that this equity case above entitled could be disposed of in the lower court by a final decree before the expiration of several years, and that even then the defendant would be entitled to appeal to the Court of Appeals from any adverse judgment which would further postpone the time when complainant could obtain a definite remedy by injunction, whereas if a preliminary injunction is granted in this case, defendant would be compelled either to cease its infringement and leave the market to the complainant or else would be compelled to obtain its horns either from the complainant or some one authorized by complainant to manufacture under the Nielsen patent. There is not at the present time, nor has there ever been, any fixed established royalty for the manufacture and sale of the device covered by the Nielsen patent. The only license agreement complainant has ever entered into has been the business arrangement with the Standard Metal Manufacturing Company, hereinabove referred to, relating to the sale of folding

horns on a division of the profits. In justice and equity [14] I believe that Searchlight Horn Company is entitled to a preliminary injunction. In case such injunction be granted, the Searchlight Horn Company will be willing and able to supply the market with the Nielsen patented horn by causing the same to be manufactured by responsible manufacturers and to be sold to phonograph companies or any other person desiring the same throughout the United States.

WILLIAM H. LOCKE, Jr.

Subscribed and sworn to before me this 6th day of November, 1912.

[Seal]

WILLIAM R. RUST,
Notary Public, Kings County.

Certificate filed in New York County.

No. 12,079.

State of New York,
County of New York,—ss.

I, William F. Schneider, Clerk of the County of New York, and also Clerk of the Supreme Court for the said County, the same being a Court of Record, DO HEREBY CERTIFY, That William R. Rust has filed in the Clerk's Office of the County of New York, a certified copy of his appointment and qualification as Notary Public for the County of Kings with his autograph signature, and was at the time of taking the annexed deposition duly authorized to take the same, and that I am well acquainted with the handwriting of said Notary Public, and believe that the signature to the annexed certificate is genuine.

In testimony whereof, I have hereunto set my hand and affixed the seal of the said Court and County, the 6 day of Nov., 1912.

[Seal]

WM. F. SCHNEIDER,
Clerk. [15]

*In the District Court of the United States for the
Northern District of California, Second Division.*

SEARCHLIGHT HORN COMPANY,
Complainant,
vs.
SHERMAN CLAY & COMPANY,
Defendant.

Affidavit of Hubert G. Prost.

State of California,
City and County of San Francisco,—ss.

Hubert G. Prost, being duly sworn, deposes and says that since the rendition of the verdict and the entry of the judgment in the case of the Searchlight Horn Company vs. Sherman Clay & Company, No. 15,326, in the above-entitled court, wherein judgment was rendered in favor of plaintiff therein and against the defendant for \$3,578.00, I called at the store of Sherman Clay & Company at San Francisco, California, at the request of complainant's counsel, for the purpose of ascertaining if the defendant was still selling or offering for sale phonographic horns of the same style and manufacture as those involved in the aforesaid action at law, and I there saw on

exhibition for sale in the store of said Sherman Clay & Company a Victor Phonograph to which was attached a phonograph horn of the same style, character and manufacture as the horns involved in the aforesaid action at law and for which judgment was rendered. On that occasion the employee of defendant, who had the matter in charge, offered to sell horns of that kind and at the same time delivered to me a printed pamphlet or trade catalogue showing the different styles of horns and phonographs then on sale and being offered for sale [16] by Sherman Clay & Company; said catalogue shows on page 30 the list of prices for the so-called Flower horns which are the horns that were involved in the said action at law, and also shows at other pages in the catalogue cuts of said horns showing their style and form. I herewith deliver to complainant's counsel for filing with the Clerk of the Court the aforesaid trade catalogue, and I make this affidavit to be used on motion for a preliminary injunction in this suit in the above-entitled court shortly to be commenced and having the above title, being Searchlight Horn Company vs. Sherman Clay & Company.

HUBERT G. PROST.

Subscribed and sworn to before me this 22d day of November, 1912.

[Seal] GENEVIEVE S. DONELIN,
Notary Public in and for the City and County of San
Francisco, State of California.

[Endorsed]: Filed Nov. 25, 1912. W. B. Maling,
Clerk. By J. A. Schaertzer, Deputy Clerk. [17]

Subpoena ad Respondendum.

UNITED STATES OF AMERICA.

District Court of the United States, Northern District of California, Second Division.

IN EQUITY.

The President of the United States of America,
Greeting: To Sherman Clay & Company, a
Corporation Duly Organized and Existing Under and by Virtue of the Laws of the State of California.

YOU ARE HEREBY COMMANDED, That you be and appear in said District Court of the United States, Second Division, aforesaid, at the courtroom in San Francisco, on the 6th day of January A. D. 1913, to answer a Bill of Complaint exhibited against you in said court by SEARCHLIGHT HORN COMPANY, a corporation created and existing under and by virtue of the laws of the State of New York, and having its principal place of business in the city of New York, State of New York, and to do and receive what the said Court shall have considered in that behalf. And this you are not to omit, under the penalty of FIVE THOUSAND DOLLARS.

WITNESS, The Honorable WILLIAM C. VAN FLEET, Judge of said District Court, this 25th day of November, in the year of our Lord one thousand

nine hundred and twelve and of our Independence the 137th.

[Seal]

W. B. MALING,

Clerk.

By J. A. Schaertzer,

Deputy Clerk. [18]

MEMORANDUM PURSUANT TO RULE 12,
RULES OF PRACTICE FOR THE COURTS
OF EQUITY OF THE UNITED STATES.

YOU ARE HEREBY REQUIRED to enter your appearance in the above suit, on or before the first Monday of January next, at the Clerk's office of said court, pursuant to said bill; otherwise the said bill will be taken *pro confesso*.

W. B. MALING,

Clerk.

By J. A. Schaertzer,

Deputy Clerk.

RETURN ON SERVICE OF WRIT.

United States of America,

Northern District of California,—ss.

I hereby certify and return that I served the annexed Subpoena Ad Respondendum on the therein named Sherman Clay & Company, a corporation, by handing to and leaving an attested copy thereof, together with Bill of complaint attached thereto, on Leander S. Sherman, President of the Sherman Clay & Company, a corporation, personally, at San

Francisco, in said District, on the 25th day of November, 1912.

C. T. ELLIOTT,
U. S. Marshal.

By Paul J. Arnerich,
Deputy.

[Endorsed]: Filed Dec. 2, 1912. W. B. Maling,
Clerk. By J. A. Schaertzer, Deputy Clerk. [19]

*District Court of the United States, in and for the
Northern District of California, Second Division.*

SEARCHLIGHT HORN COMPANY,
Plaintiff,

vs.

SHERMAN CLAY & COMPANY,
Defendant.

**Answer of Sherman Clay & Co. to the Bill of
Complaint.**

This defendant, reserving all manner of exceptions that may be had to the uncertainty and imperfection of the Bill of Complaint herein, comes now and answers thereto or to so much thereof as it is advised is material to be answered, and says:

I.

Respondent denies that on or prior to April 14, 1904, or at any other time, or at all, one Peter C. Nielsen, mentioned in the Bill of Complaint herein, was the original and first inventor, or the original or first inventor, of certain improvements in horns for phonographs or similar machines. Denies that

the said improvements mentioned in said Bill of Complaint were new and useful or new or useful inventions, and denies that the same were not known to or used by others in this country, and denies that they were not patented or described in any printed publication in this or any foreign country before the said alleged invention thereof by the said Neilsen, and denies that the same were not known or described in any printed publication in this or any foreign country more than 2 years prior to the said alleged application of said Neilsen for a patent therefor, and denies that the same was not in public use or on sale in this country for more [20] than 2 years prior to the said application for said alleged patent.

II.

Respondent admits that a patent for an improvement for horns for phonographs and other similar instruments was issued to the said Neilsen as alleged in paragraphs 3 and 4 of the said Bill of Complaint.

III.

Respondent denies upon its information and belief that the complainant herein is now or ever was the owner of said letters patent.

IV.

Answering paragraph 6 of said Bill of Complaint, defendant avers that it has no information or knowledge sufficient to enable it to make answer thereunto, and upon all and each of the matters contained in said paragraph 6 the complainant is required to make due and competent proof.

V.

Answering paragraph 8 of said Bill of Complaint

respondent denies that within 6 years last past or since, or at any time or at all, it ever used or sold, or that it is now using or selling, any horns for phonographs containing and embracing the invention described and claimed and patented in and by said letters patent, or any or either of the claims thereof. Denies that any of the horns for phonographs ever used or sold by this respondent were made according to the specification of the said letters patent No. 771,441, and denies that any horns used or sold by this respondent embrace or embraced the invention therein described, claimed or patented, and denies that any such horns ever used by the said respondent were infringements upon claims 2 or 3 of said letters patent.

VI.

Answering paragraph 9 of said Bill of Complaint, respondent [21] denies that since the trial of the case mentioned in the Bill of Complaint that it has ever threatened or that it intends to continue to use or sell any of said horns until the final determination of this case.

VII.

Answering paragraph 10 of said Bill of Complaint, respondent avers that it has no knowledge or information sufficient to enable it to make answer thereto, and hereby requires competent proof thereof by the complainant.

VIII.

Answering paragraph 11 of said Bill of Complaint, defendant denies that the complainant will suffer great loss, or any loss or damage, by reason of the refusal of the Court to grant an injunction

herein, or by reason of any wrongs or injuries committed by this defendant, and defendant avers that complainant has a plain, speedy and adequate remedy at law to recover any royalties or damage that might accrue to it by reason of any infringement of said patent by this defendant.

IX.

Respondent further avers as a separate and special defense to this action that the said complainant and its predecessors in interest were and are guilty of laches, and are estopped from the prosecution of this action in equity for the reasons hereinafter stated, to wit: That said complainant and its predecessors, both as individuals and corporations, resided and had their places of business in and about the city of New York in the State of New York; that the Victor Talking Machine Company is a corporation organized and existing under the laws of the State of New Jersey, and has and has had its principal place of business at Camden, New Jersey, during all the times herein stated; that the Tea Tray Company is also a corporation organized and existing under the laws of the [22] State of New Jersey and has its principal place of business at Newark, New Jersey; that the Edison Phonograph Company is also a corporation organized and existing under the laws of the State of New Jersey, and has had and now has its principal place of business at Orange, New Jersey; that the American Graphophone Company is also a corporation organized and existing under the laws of the State of West Virginia, and has its principal place of business at

Bridgeport, Conn.; that the Columbia Phonograph Company is a corporation organized and existing under and by virtue of the laws of the State of New Jersey, and has its principal place of business at New York City, New York; and defendant further avers that all of said corporations and others during all the times since the year 1904, or thereabouts, have been actively engaged in the manufacture, use, sale and public distribution of the style and class of horns used and sold by this defendant and which are claimed to be infringements of said patent; that they so made, sold and distributed the same to many wholesale and retail dealers throughout the United States; that the said manufacture, use and sale, and the distribution thereof to corporations and individuals and to wholesale and retail dealers in the immediate neighborhood and adjacent cities, towns and territory of the main office of the said complainant has been public, general and notorious, and that said complainant and its predecessors have during all of said time had full knowledge of such manufacture, use, sale and distribution of said devices by the entire trade engaged in that line of business.

Defendant further avers that it purchased said goods from the Victor Talking Machine Company, and that it did so purchase and sell the same in perfect good faith, and at all times ignorant that it was contended or claimed by the complainant or any of its predecessors that the horns sold by the Victor Talking Machine Company and others hereinbefore mentioned were infringements [23] of the said Neilsen patent or in violation of any rights or privileges owned or claimed by the complainant herein.

Defendant further avers that it never had any knowledge or any reason to suppose that the buying, selling or using of the devices heretofore sold by it were infringements upon any rights of the complainant herein up to the time herein stated.

Defendant further avers that by reason of the said acts of said complainant and its predecessors in interest in permitting the public in general to manufacture, sell, distribute and use such horns, with its personal knowledge and consent, not only in its immediate neighborhood but throughout the entire country, this respondent was and has been greatly misled, and by the said acts of said complainant was led to suppose, and did suppose, that defendant and all other persons had a perfect legal right to manufacture, buy, sell and use said phonographic horns.

Defendant further avers that for a period of more than 8 years last past the complainant has constantly, continuously and willfully disregarded and ignored any exclusive rights that it might have, or that may have been conferred upon it by the said Neilsen and his predecessors in interest by virtue of said patent, and have knowingly and willfully, and for the purpose, as defendant is informed and believes, of silently permitting and allowing the public to become involved in extensive infringements of said patent for the purpose of ultimately collecting large royalties and damages by reason of its stale claims for the infringements of said patent.

Defendant further avers that it is informed and believes, and so stated the fact to be, that this court, sitting as a court of equity, should not now exercise

jurisdiction to enforce by equitable proceedings any rights that the complainant may have or [24] might have had for the alleged infringement of said patent had they pressed their claims within a reasonable time, and that said complainant is guilty of great laches and inequitable conduct, in so delaying the enforcement of their rights, and is now estopped from maintaining suits on the equity side of this court for injunctions against, and accountings from the alleged infringers.

X.

For a further and special defense to said action, the said defendant hereby gives notice that under and pursuant to the provisions of Section 4920 of the Revised Statutes of the United States, the defendant above named will upon the trial of the above-entitled action prove and offer evidence tending to prove the following special matters, as a defense to said action, to wit:

That the horn for phonographs or similar machines patented by said Peter C. Neilsen, No. 771,441, dated October 4, 1904, mentioned in the declaration herein and sued on in this action, had been patented, fully shown, indicated and described prior to the alleged invention or discovery thereof by the said Peter C. Neilsen, in the following letters patent of the United States and foreign countries; and the names of the patentees of said letters patent and the dates of said patents and when granted are here given, to wit:

No. 8824, dated and granted Dec. 7, 1857, to Frederick S. Shirley, for an improved Design for Glass-ware.

No. 10,235, dated and granted Sept. 11, 1877, to Edward Cairns, for improved Design for Speaking-Trumpets.

No. 34,907, dated and granted Aug. 6, 1901, to Charles McVeet and John F. Ford, for an improved Design for a Ship's Ventilator. [25]

No. 72,422, dated and granted Dec. 17, 1867, to George S. Saxton, for improvements in Manufacture of Corrugated Bells.

No. 165,912, dated and granted July 27, 1875, to William H. Barnard, for improvements in Lamp-Chimneys.

No. 181,159, dated and granted Aug. 15, 1876, to Charles W. Fallows, for improvement in Toy Blow-Horns.

No. 187,589, dated and granted Feb. 20, 1877, to Emil Boesch for improvement in Reflectors.

No. 216,188, dated and granted June 3, 1879, to Thomas W. Irwin and George K. Reber, for improvement in Water-Conductors.

No. 240,038, dated and granted April 12, 1881, to Nathaniel C. Powelson and Charles Deavs, for improved Reflector.

No. 274,930, dated and granted April 3, 1883, to Isaac P. Frink, for improved Reflector for Chandeliers, etc.

No. 276,251, dated and granted April 24, 1883, to Philip Lesson, for improved Child's Rattle.

No. 337,972, dated and granted Mar. 16, 1886, to Henry McLaughlin, for improved Automatic Signal-Buoy.

No. 406,332, dated and granted July 2, 1889, to

James C. Bayles for improved Pipe or Tube.

No. 409,196, dated and granted Aug. 20, 1889, to Charles L. Hart, for improved Sheet-Metal Pipe.

No. 427,685, dated and granted May 13, 1890, to James C. Bayles for improved Pipe-Section.

No. 455,910, dated and granted July 14, 1891, to William J. Gordon, for improved Sheet-Metal Elbow or Shoe.

No. 612,639, dated and granted Oct. 18, 1898, to James Clayton, for improved Audiphone.

No. 648,994, dated and granted May 8, 1900, to Major D. Porter, for improved Collapsible Acoustic Horn.

No. 651,368, dated and granted June 12, 1900, to John Lanz, for improved Composite Metal Beam or Column. [26]

No. 699,928, dated and granted May 13, 1902, to Charles McVeety and John F. Ford, for improved Ship's Ventilator.

No. 705,126, dated and granted July 22, 1902, to George Osten and William P. Spalding, for improved Horn for Sound Recording and Reproducing Apparatus.

No. 738,342, dated and granted Sept. 8, 1903, to Albert S. Marten, for improved Interchangeable Sound-Amplifying Means for Talking or Sound-Reproducing Machines.

No. 739,954, dated and granted Sept. 29, 1903, to Gustave Herman Villy, for Horn for Phonographs, Ear-Trumpets, etc.

British Letters Patent No. 7594, dated and granted April 24, 1900, to William Phillips Thompson for im-

improvements in Graphophones or Phonographs.

British Letters Patent No. 17,786, dated and granted August 13, 1902, to Henry Fairbrother for improvements in Phonographs and other Talking Machines.

British Letters Patent No. 20,567, dated and granted Sept. 20, 1902, to John Mesny Tourtel for improvements in Phonographs.

That prior to the year 1894 devices fully showing and describing and indicating the alleged invention patented by the said Peter C. Neilsen, No. 771,441, dated October 4, 1904, mentioned in the declaration herein and sued in this action, has been manufactured, sold and placed into use in this country, and were known to others in this country long prior to the alleged invention and discovery thereof by the said Peter C. Neilsen, the same having been manufactured, sold, placed into use and known to the following named persons, to wit:

Manufactured and sold as early as the year 1893 by the Tea Tray Company, now located at the corner of Murray and Mulberry Streets, Newark, New Jersey.

Manufactured and sold prior to the year 1896 by the firm of Noble and Brady, located and doing business in New Britain, [27] Connecticut.

That the manufacture and use of such devices was known to John H. B. Conger, residing at #26 Van Ness Place, Newark, New Jersey; George C. Magill, residing at #311½ South 12th Street, Newark, New Jersey; Charles J. Eichhorn, whose address is corner Murray and Mulberry Streets, Newark, New

Jersey; Peter Shoeppler, residing at #48 N. Arlington Avenue, East Orange, New Jersey; Thomas H. Brady, residing at #124 Washington Street, New Britain, Conn.; William J. Noble, residing at #109 Section Street, New Britain, Conn.; August Doig, residing at #26 South High Street, New Britain, Conn.; James Connelly, residing at #164 Beaver Street, New Britain, Conn.; and that the devices manufactured and sold and known to the above-mentioned parties were used by the New Jersey Phonograph Company, whose place of business was at the corner of Orange and Plain Streets, in the City of Newark, New Jersey; North American Phonograph Company of #30 Park Place, New York City, New York, and by others whose names, addresses and places of business are unknown at this time, but when ascertained this defendant craves leave to incorporate in the notice herein given as to manufacture, sale, use and knowledge of the alleged invention contained in the letters patent in suit.

WHEREFORE defendant prays that the motion for a preliminary injunction herein be denied, and that the Bill of Complaint be dismissed for want of equity.

N. A. ACKER,

J. J. SCRIVNER,

Sol. and Attorneys for Defendant.

N. A. ACKER,

J. J. SCRIVNER,

Of Counsel. [28]

United States of America,
Northern District of California,
City and County of San Francisco,—ss.

Ferdinand W. Stephenson, being first duly sworn, deposes and says: That he is an officer, to wit, Secretary of the Sherman Clay & Company, a corporation, the defendant named in the foregoing Answer; that he has read the said Answer and knows the contents thereof, and that the same is true of his own knowledge except as to the matters which are therein stated on information and belief, and that as to those matters he believes it to be true.

FERDINAND W. STEPHENSON.

[Corporate Seal Sherman & Clay Company.]

Subscribed and sworn to before me this 31st day of December, 1912.

[Seal]

A. K. DAGGETT,

Notary Public in and for the City and County of San Francisco, State of California.

Due service and receipt of a copy of the within Ans. is hereby admitted this 2d day of January, 1913.

MILLER & WHITE,

Attorneys.

[Endorsed]: Filed Jan. 4, 1913. W. B. Maling, Clerk. By J. A. Schaertzer, Deputy Clerk. [29]

*District Court of the United States, in and for the
Northern District of California, Second Di-
vision.*

SEARCHLIGHT HORN COMPANY,
Plaintiff,

vs.

SHERMAN CLAY & COMPANY,
Defendant.

Affidavit of Andrew G. McCarthy.

State of California,
City and County of San Francisco,—ss.

Andrew G. McCarthy, being first duly sworn, deposes and says: That during all the times herein-after mentioned he was and is one of the managing directors of the corporation defendant, and has sole charge of the Talking Machine Department of the business of said defendant; that he was at all times heretofore and is now familiar with all the business of said firm connected with that department; that he has read the Bill of Complaint and affidavits of William H. Locke, Jr., and Herbert G. Prost, filed herein for the purpose of obtaining a preliminary injunction in this cause.

Affiant further says that immediately after the entry of the judgment in the case of the Searchlight Horn Company vs. Sherman Clay & Company, No. 15,326, the same being an action at law tried in this court, he gave instructions to the employees of said Company in its place of business in San Francisco, California, directing them not to sell or offer for sale

any of the horns which were claimed at said trial to be infringements of the said Neilsen Patent involved in said action and in this suit. [30]

Affiant states that since the entry of said judgment, to wit, on the 4th day of October, 1912, the wholesale department of the said defendant has sold at wholesale, approximately thirty of said horns, but otherwise no horns have been sold by the said defendant, which was claimed in said action to be infringements of said patent, and affiant, upon his information and belief, denies that any employee in the retail department of said defendant corporation has since said date offered for sale said horns or any of them, or any similar horn, as alleged and stated in the affidavit of said Prost.

Affiant further says that the horns which it has heretofore offered for sale and placed on the market are horns supplied to the defendant company with talking machines which the said company purchased from the Victor Talking Machine Company, a corporation located and doing business at Camden, New Jersey, and on his information and belief affiant states that the Victor Talking Machine Company has been marketing, selling and offering for sale horns of the same character in connection with the talking machine goods ever since the year 1904, and has largely distributed the said goods and horns throughout the United States to dealers handling such class of goods, the Victor Talking Machine Company being the largest manufacturer and seller of talking machines in this country.

Affiant further says that this motion should not be

granted and an injunction issued, for the reason that said complainant and its predecessors in interest, both as individuals and corporations, have during all the period of time since the issuance of the Neilsen Patent in suit been residents and engaged in business in and about the city of New York and nearby places; that the Victor Talking Machine Company is a corporation organized and existing under the laws of the State of New Jersey and has its principal place of business at Camden, New Jersey, which is in [31] close proximity to the city of New York; that the Tea Tray Company is also a corporation organized and existing under the laws of the State of New Jersey, and has its principal place of business at Newark, New Jersey, which is also a near-by city, and that the Tea Tray Company has been for a long number of years engaged in the manufacture of horns for talking machine companies, and has made during all of said time horns of the type involved in the patent in suit; that the Edison Phonograph Company is a corporation organized and existing under the laws of the State of New Jersey and has its principal place of business at Orange, New Jersey, and that the said Edison Phonograph Company is a large manufacturer and dispenser of talking machines, and in connection with said machines employs horns of the type and kind embodied in the patent in suit, and for a long number of years, to wit, since the year 1904, affiant is advised that the said Edison Phonograph Company has been placing on the market phonographs equipped with such horns; that the American Graph-

ophone Company is a corporation organized and doing business under and by virtue of the laws of the State of West Virginia, and has its principal place of business at Bridgeport, Conn., and that the said American Graphophone Company is a large manufacturer and dispenser of talking machines, and in connection with the said machines employs horns of the type of the horn of the patent in suit; also that the Columbia Phonograph Company is a seller to a large extent of talking machines which are equipped with horns of the type involved in the present controversy and that said company has been placing such machines so equipped with horns on the market since about the year 1904 or 5, and has largely distributed these goods equally with the other manufacturers above mentioned to a large number of dealers throughout the United States, the Columbia Phonograph Company being a corporation located and doing business in territory adjacent to that in which the Victor Talking [32] Machine Company, the American Graphophone Company and the Edison Phonograph Company are located and doing business, all of said companies having their places of business adjacent to the city of New York.

Affiant further says that all of said companies have been distributing their said goods throughout the United States to wholesale and retail distributors with the full knowledge, consent and approval of the plaintiff and its predecessors in interest; that affiant is informed and believes, and so states the fact to be, that in no instance until about the time of the commencement of the action before referred to, No.

15,326, did complainant and its predecessors in interest ever take any legal steps to enforce any contention that the class of horns sold by this defendant were infringements of the said Neilsen patent in suit, but, on the contrary, by reason of the extensive use and sale of these horns throughout the United States to all dealers generally, the defendant herein believed, and had every reason to believe, that the company supplying it with talking machines and horns had every right under the law to justify the disposal of the said goods.

Affiant further says that by reason of the said acts of said complainant and its predecessors in interest permitting the public in general to manufacture and sell said horns at points near by and within the immediate neighborhood and jurisdiction of the said complainant, this respondent was and has been misled and supposed that it had a perfect right to buy and sell said machines equipped with such horns, and they had no knowledge that prior to about the time of the commencement of the said law case mentioned in the Bill of Complaint herein that it was claimed by the complainant that the said horns then being purchased by defendant of the said Victor Talking Machine Company were infringements of said patent, and that all of said horns purchased and sold by this defendant were purchased and sold in perfect good [33] faith, and in ignorance that they were violating any rights claimed by the said complainant or its predecessors.

Affiant further avers that the said complainant and its predecessors have for more than 8 years last past

constantly and continuously disregarded any exclusive right that might have been conferred upon the said Neilsen or its successors in interest by virtue of said patent, they having at all times as above stated full knowledge of the manufacture, sale and distribution of said horns throughout the United States by numerous dealers in the talking machine trade, and that by reason of the said dilatoriness on the part of the complainant and its predecessors in interest they are guilty of laches, and are estopped from obtaining any equitable relief in said action, and by reason of such negligence this Court should not take equitable jurisdiction of this case, and especially this Court should not at this time grant any preliminary injunction which would preclude the defendant at this time from disposing of such goods as it may have on hand and which were purchased in good faith, and more especially so in view of the fact that the defendant is perfectly able to respond in any damages which might accrue by reason of any action brought for the recovery of damages, and that the granting of a preliminary injunction at this time would work a greater hardship on the defendant than the refusal thereof would work on the plaintiff.

Affiant further avers that owing to the fact that the complainant is entirely cognizant that the defendant is fully able to respond in any damages that might hereafter be obtained for any alleged infringement of said patent, that this motion is not made in good faith, but made for the purpose, as affiant is informed and believes, of compelling this defendant to compromise and settle the suit referred to

in the complaint herein, wherein a judgment was entered for \$3,750, and to harass and embarrass the [34] defendant in the *same* of its talking machine goods, and to publish the same broadly, and on the strength thereof compel other innocent dealers to pay tribute or compromise for alleged claims of infringement before any final adjudication of the present action.

Affiant further says that there has been no final adjudication at this time of the above-mentioned law action, No. 15,326, where a judgment was entered against the defendant company, but, on the contrary, there is now pending in this court a motion for a new trial, and that it is the intent of the defendant company to prosecute said case to a final determination in the Circuit Court of Appeals in case the motion for a new trial is denied; and until such final adjudication of the said action no preliminary injunction should be granted, the granting of which at this time would seriously interfere with the business of the defendant corporation.

Affiant further says that the granting of this motion would in no manner inure to the substantial benefit of the plaintiff, as in any event it could have but a very limited scope, and the defendant being entirely responsible as aforesaid for any royalties or damages that might accrue there is no necessity or justification for the granting of the motion at this time.

ANDREW G. McCARTHY.

Subscribed and sworn to before me this 31st day of December, 1912.

[Seal]

A. K. DAGGETT,

Notary Public in and for the City and County of San Francisco, State of California. [35]

Service of the within affidavit of A. G. McCarthy admitted this 2 day of January, 1913.

MILLER & WHITE,

Solicitors for Complainant.

[Endorsed]: Filed Jan. 4, 1913. W. B. Maling, Clerk. By J. A. Schaertzer, Deputy Clerk. [36]

District Court of the United States, in and for the Northern District of California, Second Division.

SEARCHLIGHT HORN COMPANY,

Plaintiff,

vs.

SHERMAN CLAY & COMPANY,

Defendant.

Affidavit of William F. Morton.

State of California,

City and County of San Francisco,—ss.

William F. Morton, being first duly sworn, deposes and says: That during all the times hereinafter mentioned *has was* and is the head salesman of the retail talking machine department of the corporation defendant herein, and as such has charge and supervision of the sales and stock of talking machines and accessories thereof handled by the defendant corpora-

tion; that he is under the supervision of Mr. Andrew J. McCarthy, who is the managing director of the corporation defendant; that on or about the 4th day of October, 1912, he was given instructions by the said Andrew G. McCarthy not to dispose or offer for sale any of the phonographic horns which the corporation defendant then had on hand, the said horns being what were commonly known as flowered horns, and the horn involved in *section* at law No. 15,326, entitled Searchlight Horn Company vs. Sherman Clay & Company; that in accordance with the instructions received from Andrew G. McCarthy he personally notified each of the clerks in his department not to sell or offer for sale any of such horns until further advised either by affiant or by Andrew G. [37] McCarthy; that to affiant's best knowledge and belief no such horns have at any time been sold by the defendant corporation since on or about the 4th day of October, 1912; that he has interviewed each salesman in the talking machine department of the defendant corporation for the purpose of ascertaining whether any such horns had been sold since the instructions issued for the nonsale thereof, and has been advised by each of the clerks that no such horns have been sold since the instructions heretofore mentioned were given.

That no such horns could have been sold without the sale thereof having been brought to the attention of either affiant or of the said Andrew G. McCarthy; that he has read the affidavit of Herbert G. Prost, given on behalf of the Searchlight Horn Company in connection with Equity Suit No. 15,623, entitled

Searchlight Horn Company vs. Sherman Clay & Company, in connection with which suit affiant is informed that motion has been made for a Preliminary Injunction, the said affidavit having been given for the purpose of obtaining, as he understands, a Preliminary Injunction in this cause.

That affiant, on information and belief, states that the horns sold by Sherman Clay & Company in connection with its talking machines, prior to the 4th day of October, 1912, were horns supplied to the defendant corporation by the Victor Talking Machine Company in connection with talking machines purchased from said company; that affiant does not believe that any horn supplied by the Victor Talking Machine Company to the defendant corporation was ever offered for sale to the said Herbert G. Prost, and does not believe that the said Prost saw talking machines exhibited for sale in the sales room of the defendant corporation equipped with horns referred to in the said affidavit, for the reason that all such horns were removed from the talking machine department and stored away in the basement of the defendant corporation on the instructions being given by Andrew G. McCarthy not [38] to sell any of such horns; that about the time that the said Herbert G. Prost visited the sales department of the defendant corporation, as set forth in his affidavit, there was on the floor of the sales department a Columbia machine equipped with a horn somewhat similar to the horn sold with the Victor Talking Machine, and affiant believes that the said Prost took such horn to be one of the horns heretofore sold by the defendant

corporation prior to October 4/'12; that such machine was a second-hand talking machine, the same having been received by the defendant corporation as part payment in connection with the sale of a Victor Talking Machine, and since the affidavit of Mr. Prost has been disposed of.

That he has every reason to believe that the said Herbert G. Prost received a catalogue illustrative of the various goods sold by the defendant corporation, which catalogue was doubtless asked for by the said Prost and given to him at his request; that said catalogue is one of the catalogues used by the defendant corporation for a long time, and such catalogue does illustrate horns of the flower type, as heretofore sold by the defendant corporation, no special catalogue being used by the defendant corporation for the horns; that had said Herbert G. Prost offered to purchase one of the horns referred to in his affidavit, the same would not have been sold to him under the instructions before referred to not to sell any of such horns, and affiant is satisfied that no clerk in connection with the sales department of the talking machines of the defendant corporation would have taken upon himself the responsibility of deliberately disobeying such orders; that the present affidavit is given on behalf of the defendant corporation for use on the hearing of the motion of the plaintiff corporation for a Preliminary [39] Injunction.

WILLIAM F. MORTON.

Subscribed and sworn to before me this 31st day of December, 1912.

[Seal] A. K. DAGGETT,
Notary Public in and for the City and County of San
Francisco, State of California.

Service of the within aff. admitted this 2d day of Jan., A. D. 1913.

MILLER & WHITE,
For Plffs.

[Endorsed]: Filed Jan. 4, 1913. W. B. Maling,
Clerk. By J. A. Schaertzer, Deputy Clerk. [40]

*In the District Court of the United States for the
Northern District of California, Second Division.*

No. 15,623.

SEARCHLIGHT HORN COMPANY,
Complainant,

vs.

SHERMAN CLAY & COMPANY,
Defendant.

**Rebuttal Affidavit of William H. Locke, Jr., on
Behalf of Complainant on Motion for Prelim-
inary Injunction.**

State of New York,
City and County of New York,—ss.

William H. Locke, Jr., being duly sworn, deposes
and says:

I am the same William H. Locke, Jr., who has
heretofore made an affidavit on behalf of complain-
ant in the above-entitled suit, and am the president

of the complainant corporation.

I have read the affidavit of Andrew G. McCarthy, dated December 31, 1912, and filed herein on behalf of defendant in opposition to the motion for preliminary injunction. I note the statement therein on information and belief that ever since the year 1904 the Victor Talking Machine Co. has been marketing and selling horns of the character heretofore held to be an infringement of the Neilsen patent. I am acquainted with the facts in that regard and state that the Victor Talking Machine Co. first began to market, sell and offer for sale the aforesaid horns in 1906. I also note the statements in McCarthy's affidavit that the Tea Tray Company of New Jersey, the Edison Phonograph Company of New Jersey, the American [41] Graphophone Co. of Connecticut and the Columbia Phonograph Co. have been placing upon the market and selling talking machines and phonographs equipped with horns of the kind heretofore held to be an infringement of the Neilsen patent, and that all of said companies have been distributing their goods throughout the United States to wholesale and retail distributors with the full knowledge and consent of the plaintiff and its predecessors in interest, and that in no instance until about the time of the commencement of the action at law at San Francisco, No. 15,526, did complainant and its predecessors in interest ever take any legal steps to enforce any contention that the class of horns sold by defendant were infringements of the Neilsen patent, but that by reason of the extensive use and sale of these horns throughout the United States the de-

fendant believed, and had reason to believe, that the company supplying the same had every right under the law to justify the disposal of the said goods, and I note the further statement in said affidavit that the complainant and its predecessors have for more than eight years last past constantly and continuously disregarded any exclusive right that they might have in the said Neilsen patent, as they had at all of said times full knowledge of the manufacture, sale and distribution of said horns throughout the United States by numerous dealers and delayed to prosecute the same, and are guilty of laches and are estopped from now prosecuting the same in a suit in equity.

In regard to the foregoing statements, I aver that the same are not true, but are inaccurate in many particulars and are wholly untruthful in many others. On May 9, 1906, the Searchlight Horn Company, through its attorney, notified the Victor Talking Machine Co. formally and in writing that the horns marketed by them were an infringement upon the Neilsen patent, No. 771,441. In reply to that letter, the attorney for the Victor Talking [42] Machine Co. wrote to the Searchlight Company's attorney acknowledging receipt of same and promising to examine into the matter and report the result. In a similar manner the Searchlight Horn Company notified the Tea Tray Co. of Newark, N. J., the New Jersey Sheet Metal Company of Newark, N. J., and various and sundry other manufacturers and dealers in horns of that character, and in order to make assurance doubly sure, and for fear that some persons affected might not have been notified, in November,

1906, the Searchlight Horn Co. caused to be printed a circular notice, of which a copy is hereunto attached and marked Exhibit "A," and mailed said circulars generally and promiscuously to all persons they knew of who were engaged in the business of making, selling or dealing in phonograph horns or phonographic supplies throughout the United States, and affiant believes that amongst other persons to whom a copy of said circular was sent is Sherman Clay & Company, defendant herein.

The Searchlight Horn Company also at various times thereafter was in negotiation with the manufacturers and dealers in phonographic horns, including the Victor Talking Machine Co., looking towards a settlement of their differences and the taking over of the Neilsen patent and the other patents owned by the Searchlight Horn Company, at all of which times the Searchlight Horn Company asserted its rights to said patents and gave everyone to understand that infringers thereof would be prosecuted. In May, 1908, the Searchlight Horn Company was compelled to transfer its manufacturing business over to the Standard Metal Mfg. Co. of New Jersey.

The Searchlight Horn Company has at all times asserted its rights under said Neilsen patent and its intention to prosecute infringers, and has taken all means in its power to give publicity thereto, and all of the manufacturers and dealers in talking machines and especially the Victor Talking Machine Co. and the [43] Tea Tray Co. have been well aware of the Searchlight Horn Company's position in the matter.

The reason why suits were not brought before was because of lack of means on the part of the Searchlight Horn Company and their inability to secure the services of a proper and competent attorney to take charge of the litigation. In the spring of 1910, I secured the services of our present attorney and gave him instructions to proceed with all reasonable diligence in the prosecution of all infringers. He was required to do a great deal of preliminary work and investigation before suit could be filed, but I believe that he proceeded with reasonable diligence thereafter.

I note the further statement of Mr. McCarthy in his affidavit that this motion for preliminary injunction was not made in good faith, but for the purpose, as he is informed and believes, of compelling the defendant to compromise and settle the suit referred to wherein a judgment was entered for \$3,578, and to harass and embarrass the defendant, and to publish the same broadly, and to compel other innocent dealers to pay tribute. I deny these statements. They are not true. This motion is made in good faith. It is not made for the purpose of compelling the defendant to compromise and settle the aforesaid suit and pay the judgment, or to harass and embarrass the defendant, etc. On the contrary, we do not desire the defendant to settle and compromise the aforesaid suit, or to pay the judgment therein at this time. We desire earnestly that the defendant shall by writ of error take said judgment to the Court of Appeals, to the end that there may be a final adjudication of the case by the Court of Appeals; of course,

we shall then endeavor to compel other infringers to make just compensation for their infringement. This motion is made in good faith and for the purpose of protecting the right of the complainant, and to ascertain if the complainant has a right to secure preliminary injunctions [44] against infringers of its patent. It is not intended that such injunctions, if granted, should be used in any improper manner, but only in the enforcement of the rights of complainant.

WILLIAM J. LOCKE, Jr.,

Subscribed and sworn to before me this 13th day of January, 1913.

[Seal]

LORENZ L. PRITZL,

Notary Public New York County. No. 107.

Certificate filed in Kings County, Kings County Register's No. 4969, New York County Register's No. 4096. Commission expires March 30, 1914.

No. 24,435.

State of New York,
County of New York,—ss.

I, William F. Schneider, Clerk of the County of New York, and also Clerk of the Supreme Court for the said county, the same being a Court of Record, DO HEREBY CERTIFY, That Lorenz L. Pritzl, before whom the annexed deposition was taken, was, at the time of taking the same, a Notary Public of New York, dwelling in said county, duly appointed and sworn, and authorized to administer oaths to be used in any court in said State, and for general purposes; that I am well acquainted with the handwrit-

ing of said Notary, and that his signature thereto is genuine, as I verily believe.

In Testimony Whereof, I have hereunto set my hand and affixed the seal of the said Court and County, the 13 day of Jan., 1913.

[Seal]

WM. F. SCHNEIDER,

Clerk. [45]

EXHIBIT "A."

SEARCHLIGHT HORN COMPANY
MANUFACTURERS OF
THE MARVELOUS SEARCHLIGHT
HORNS.

Telephone 2606 Bushwick.

753-755 Lexington Avenue,
Brooklyn, N. Y. November 15th, 1906.

Dear Sirs:—

Becoming alarmed at the rapidity with which our "SEARCHLIGHT HORNS" have gained the favor of the public, our competitors have in an unbusiness-like manner attempted to intimidate our customers.

We therefore notify you that the Searchlight horn is protected by United States Letters Patents No. 771,441, of October 4, 1904, and No. 12,442 of Jan. 30, 1906.

Among other claims, said patents contain the following: A phonograph horn or the like comprising a number of flexed strips having curved meeting edges and means joining said edges, said strips being so flexed and said edges so curved and joined that the horn is given a trumpet-like or bell-like form, the strips forming angles where said edges meet.

A horn for phonographs and similar instruments, said horn being larger at one end than at the other and tapered in the usual manner, said horn being composed of longitudinally arranged strips secured together at their edges and the outer side thereof at the points where said strips are secured together being provided with longitudinal ribs, substantially as shown and described.

All of the so-called "Flower Horns" made by our aforesaid competitors are flagrant infringements of said patents.

The "Searchlight Horn" is further protected by United [46] States patent No. 38,275 of October 9th, 1906; and other patents covering said horn will issue in due course.

If after the knowledge of these facts you consider it prudent to buy "Flower Horns" other than the "Searchlight," do not hold us blameworthy if trouble ensues, as we have been obliged to place the patents in the hands of our attorney with instructions to take steps to protect our rights thereunder; and remember, please, that we make the best horn in the market and sell it at a fair price.

Very truly yours,

SEARCHLIGHT HORN COMPANY.

Service of the within Affidavit of William H. Locke, Jr., admitted this 25th day of January, A. D. 1913.

N. A. ACKER,

Solicitor for Defendant.

[Endorsed]: Filed Jan'y 27, 1913. W. B. Maling,
Clerk. [47]

At a stated term, to wit, the March term, A. D. 1913, of the District Court of the United States of America, in and for the Northern District of California, Second Division, held at the courtroom in the City and County of San Francisco, on Monday, the 28th day of April, in the year of our Lord one thousand nine hundred and thirteen. Present: The Honorable WILLIAM C. VAN FLEET, District Judge.

No. 15,623.

SEARCHLIGHT HORN COMPANY

vs.

SHERMAN CLAY & COMPANY.

Order Granting Motion for Preliminary Injunction.

Complainant's motion for a preliminary injunction herein heretofore heard and submitted being now fully considered, and the Court having rendered its oral opinion thereon, it was ordered that said motion be and the same is hereby granted, and that a preliminary injunction issue accordingly. [48]

In the District Court of the United States for the Northern District of California, Second Division.

No. 15,623.

SEARCHLIGHT HORN COMPANY,

Plaintiff,

vs.

SHERMAN CLAY AND COMPANY, a Corporation,
tion,

Defendant.

Writ of Injunction.

To Sherman Clay and Company, a Corporation, Its Officers, Agents, Clerks, Attorneys, Servants and Workmen, Greeting:

WHEREAS the above-named plaintiff has heretofore filed in this Court its bill of complaint alleging that on October 4, A. D. 1904, letters patent of the United States, No. 771,441, for an improvement in phonographic horns were issued to Peter C. Nielsen, and that said patent is now owned by plaintiff herein, and that you have heretofore infringed upon claims 2 and 3 of said letters patent by selling to others phonographic horns containing and embodying the invention set forth and claimed in said claims 2 and 3 of said letters patent contrary to the form, force and effect of the Statutes of the United States in such cases made and provided:

AND WHEREAS, the plaintiff has heretofore applied to this Court and made a motion in writing in due form asking for a preliminary injunction enjoining and restraining you until the final hearing of the case or the further order of the Court from continuing the said infringement, which said motion was supported by the verified bill of complaint and certain affidavits filed [49] on behalf of the plaintiff and was resisted by you, the defendant, by verified answer and certain affidavits filed by you in your behalf; and

WHEREAS, the said motion was heretofore duly and regularly heard and considered by the Court and an order made thereupon that said motion be

granted and that a preliminary injunction be issued in accordance therewith:

NOW, THEREFORE, we do hereby strictly command and enjoin that you, the said Sherman Clay and Company, a corporation created under the laws of the State of California, your officers, agents, clerks, attorneys, servants and workmen, and each of you, do forthwith and until the further order of the Court cease, desist and refrain from making, using or selling or offering for sale any horn or horns for phonographs either attached to and connected with, or separate or disconnected from any phonographs containing and embodying the invention described in said letters patent, No. 771,441, and claimed by claims 2 and 3 thereof, or either of them, as heretofore construed by the Court, which said claims read as follows:

2. A horn for phonographs and similar machines, the body portion of which is composed of longitudinally arranged strips of metal provided at their edges with longitudinal outwardly-directed flanges whereby said strips are connected and whereby the body portion of the horn is provided on the outside thereof with longitudinally-arranged ribs, said strips being tapered from one end of said horn to the other, substantially as shown and described.

3. A horn for phonographs and similar instruments, said horn being larger at one end than at the other and tapered in the usual manner, said horn being composed of longitudinally-arranged strips secured together at their edges

and the outer side thereof at the points where said strips are secured together being provided with longitudinal ribs, substantially as shown and described.

Which said commands and injunctions you and each of you are hereby respectively required to observe and obey until our said District Court shall make further orders in the premises. [50]

Hereof fail not under penalty of the law thence ensuing.

WITNESS the Honorable WILLIAM C. VAN FLEET, Judge of said District Court this 29th day of April, A. D. 1913, and the one hundred and thirty-seventh year of the Independence of the United States of America.

[Seal] Attest: WALTER B. MALING,
Clerk U. S. District Court, Northern District of California.

RETURN ON SERVICE OF WRIT.

United States of America,
Northern District of California,—ss.

I hereby certify and return that I served the annexed Writ of Injunction on the therein named Sherman Clay & Company, a corporation, by handing to and leaving a true and correct copy thereof with Leander S. Sherman, who is the President of the Sherman Clay & Company (a Corp.), personally, at San Francisco, in said District, on the 29th day of April, 1913.

C. T. ELLIOTT,

U. S. Marshal.

By Paul J. Arnerich,

Deputy.

[Endorsed]: Filed May 5, 1913. W. B. Maling,
Clerk. By J. A. Schaertzer, Deputy Clerk. [51]

*In the United States District Court, in and for the
Northern District of California, Second Divi-
sion.*

IN EQUITY—No. 15,623.

SEARCHLIGHT HORN COMPANY,
Complainant,

vs.

SHERMAN-CLAY & COMPANY,
Defendant.

Petition for Order Allowing Appeal.

Sherman-Clay & Company, the above-named defendant, conceiving itself to be aggrieved by the interlocutory order made and entered in the above-entitled cause in the above-entitled court on the 29th day of April, 1913, wherein and whereby it was ordered and decreed that the defendant, pending the final hearing and decree herein, be enjoined from using, selling and offering for sale devices or inventions described and covered by United States letters patent No. 771,441, sued upon in said cause and described in complainant's Bill of Complaint, and by which interlocutory order complainant was awarded a preliminary injunction against the said defendant, hereby petitions said Court for an order allowing said defendant to prosecute an appeal from said interlocutory order granting said preliminary injunction to the Honorable, the United States Circuit Court of Appeals for the Ninth Circuit, under

and in accordance to the laws of the United States in that behalf made and provided, and also that an order be made fixing the amount of security which the said defendant shall give and furnish upon such appeal, and that upon the giving of said security the injunction herein granted shall be suspended and stayed until the determination of said appeal by [52] said United States Circuit Court of Appeals for the Ninth Circuit.

And your petitioner will ever pray, etc.

J. J. SCRIVNER,

N. A. ACKER,

Solicitors for Deft.

N. A. ACKER,

Of Counsel.

[Endorsed]: Filed May 22, 1913. W. B. Maling, Clerk. By J. A. Schaertzer, Deputy Clerk. [53]

In the United States District Court, in and for the Northern District of California, Second Division.

IN EQUITY—No. 15,623.

SEARCHLIGHT HORN COMPANY,

Complainant,

vs.

SHERMAN-CLAY & COMPANY,

Defendant.

Assignment of Errors.

Now comes SHERMAN-CLAY & COMPANY, the defendant in the above-entitled cause, and files

the following assignment of errors upon which it will rely in the United States Circuit Court of Appeals for the Ninth Circuit, and which it will rely upon its appeal in the above-entitled cause, viz.:

Error of the Court in granting the preliminary injunction.

Wherefore the said defendant prays that the judgment of the said District Court be reversed and that such other and further order be made as may be meet and proper in the premises.

N. A. ACKER,

J. J. SCRIVNER,

Solicitors for Defendant.

[Endorsed]: Filed May 22, 1913. W. B. Maling, Clerk. By J. A. Schaertzer, Deputy Clerk. [54]

In the United States District Court, in and for the Northern District of California, Second Division.

IN EQUITY—No. 75,623.

SEARCHLIGHT HORN COMPANY,

Complainant,

vs.

SHERMAN-CLAY & COMPANY,

Defendant.

Order Allowing Appeal.

Upon motion of N. A. Acker, Esq., counsel for defendant, and on filing petition of Sherman-Clay & Company, defendant, together with an assignment of errors, it is ordered that an appeal be and is hereby

allowed to the United States Circuit Court of Appeals for the Ninth Circuit from the interlocutory order entered on the 29th day of April, 1913, granting an injunction *pendente lite* against the defendant herein; that the amount of the bond upon said appeal be, and the same is hereby, fixed at the sum of two thousand dollars; and it is further ordered that upon the giving of such security the injunction heretofore granted on the 29th day of April, 1913, shall be suspended and stayed until the determination of the said appeal by the said Circuit Court of Appeals for the Ninth Circuit, and that a certified transcript of the record and proceeding herein be forthwith transmitted to the said United States Circuit Court of Appeals.

WM. C. VAN FLEET,
Judge.

[Endorsed]: Filed May 22, 1913. W. B. Maling, Clerk. By J. A. Schaertzer, Deputy Clerk. [55]

In the District Court of the United States for the Northern District of California, Second Division.

No. 15,623.

SEARCHLIGHT HORN COMPANY,
Complainant,
vs.
SHERMAN-CLAY & COMPANY,
Defendant.

Undertaking on Appeal.

Know All Men by These Presents, That the Fidel-

ity & Deposit Company of Maryland, a corporation organized and existing under and by virtue of the laws of the State of Maryland, is held and firmly bound unto Searchlight Horn Company, a corporation, in the sum of Two Thousand Dollars (\$2,000), to be paid unto the said Searchlight Horn Company, its successors and assigns, for which payment, well and truly to be made, the Fidelity & Deposit Company of Maryland binds itself, its successors and assigns, firmly by these presents, sealed with its corporate seal and dated this 22d day of May, 1913.

The condition of the above obligation is such that, whereas the above-named defendant has taken an appeal to the United States Circuit Court of Appeals for the Ninth Circuit, to reverse the order made and entered by the United States District Court for the Northern District of California, Second Division, in the above-entitled cause, granting a preliminary injunction enjoining and restraining the defendant, its agents, servants, etc., pending the final hearing in said cause or until further order of this Court, from manufacturing, selling or using or offering for sale any horn for phonographs embodying the invention described in United States letters patent No. 771,441, granted Peter Nielsen, October 4, 1904, [56] and claimed by claims 2 and 3 thereof, as heretofore construed by this Court, which order was rendered and entered in said District Court and a writ of injunction issued in conformity therewith on the 29th day of April, 1913.

Now, therefore, if the above-named defendant shall prosecute said appeal to effect and answer all dam-

ages and costs if it fails to make good its plea, then this obligation shall be void; otherwise to remain in full force and effect.

[Seal Fidelity & Deposit Co. of Maryland.]

**FIDELITY AND DEPOSIT COMPANY
OF MARYLAND.**

By PAUL M. NIPPERT,

Attorney in Fact.

Attest: JOHN D. ALCOCK, Jr.,

Agent.

Approved:

WM. C. VAN FLEET.

[Endorsed]: Filed May 23, 1913. W. B. Maling,
Clerk. By J. A. Schaertzer, Deputy Clerk. [57]

**[Certificate of Clerk U. S. District Court to
Transcript of Record, etc.]**

*In the District Court of the United States, in and
for the Northern District of California, Second
Division.*

No. 15,623.

SEARCHLIGHT HORN COMPANY,

Complainant,

vs.

SHERMAN CLAY & COMPANY,

Defendant.

I, Walter B. Maling, Clerk of the District Court of the United States, in and for the Northern District of California, do hereby certify the foregoing fifty-seven (57) pages, numbered from 1 to 57,

inclusive, to be a full, true and correct copy of the record and proceedings in the above-entitled cause, and that the same constitute the record on appeal to the United States Circuit Court of Appeals for the Ninth Circuit.

I further certify that the cost of the foregoing transcript of record on appeal is \$34.80; that said amount was paid by N. A. Acker, attorney for defendant; and that the original citation issued in said cause is hereto annexed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the seal of said District Court, this 18th day of August, A. D. 1913.

[Seal] WALTER B. MALING,
Clerk United States District Court, Northern District of California. [58]

Citation [Original].

UNITED STATES OF AMERICA,—ss.

The President of the United States, to Searchlight Horn Company, Greeting:

You are hereby cited and admonished to be and appear at a United States Circuit Court of Appeals, for the Ninth Circuit, to be holden at the city of San Francisco, in the State of California, on the 22d day of June, 1913, being within thirty days from the date hereof, pursuant to an order allowing appeal filed in the clerk's office of the District Court of the United States, for the Northern District of California, wherein Sherman-Clay & Company is appellant and you are appellee, to show cause, if any there be, why

the order granting an injunction rendered against the said appellant, as in the said order allowing appeal mentioned, should not be corrected, and why speedy justice should not be done to the parties in that behalf.

WITNESS, the Honorable WILLIAM C. VAN FLEET, United States District Judge for the Northern District of California, this 22d day of May, A. D. 1913.

WM. C. VAN FLEET,

United States District Judge. [59]

Service of within Citation, by copy, admitted this 23d day of May, A. D. 1913.

MILLER & WHITE,

Attorney for ———.

[Endorsed]: Original. No. 15,623. In the District Court of the United States, Northern District of California. Sherman-Clay & Company, Appellant, vs. Searchlight Horn Company, Appellee. Citation. Filed May 24th, 1913. W. B. Maling, Clerk. By J. A. Schaertzer, Deputy Clerk.

[Endorsed]: No. 2307. United States Circuit Court of Appeals for the Ninth Circuit. Sherman-Clay & Company, a Corporation, Plaintiff in Error, vs. Searchlight Horn Company, a Corporation, Defendant in Error. Transcript of Record. Upon

Writ of Error to the United States District Court of
the Northern District of California, Second Division.

Received and filed August 18, 1913.

FRANK D. MONCKTON,

Clerk of the United States Circuit Court of Appeals
for the Ninth Circuit.

By Meredith Sawyer,
Deputy Clerk.

*In the United States Circuit Court of Appeals for
the Ninth Circuit.*

SHERMAN, CLAY & COMPANY,

Appellant,

vs.

SEARCHLIGHT HORN COMPANY,

Appellee.

**Order Extending Time to [July 20, 1913, to] File
Record and to Docket Cause.**

Good cause appearing therefor, it is ordered that
the appellant may have to and including the 20th
day of July, 1913, within which to file its Transcript
of Record on Appeal and to docket the cause in the
United States Circuit Court of Appeals for the
Ninth Circuit.

Dated June 20th, 1913.

WM. W. MORROW,

United States Circuit Judge, for the Ninth Judicial
Circuit.

[Endorsed]: No. ——. United States Circuit
Court of Appeals for the Ninth Circuit. Order Un-

der Rule 16 Enlarging Time to ——— to File Record Thereof and to Docket Case. Filed Jun. 20, 1913. F. D. Monckton, Clerk.

In the United States Circuit Court of Appeals for the Ninth Circuit.

SHERMAN-CLAY & COMPANY,

Appellant,

vs.

SEARCHLIGHT HORN COMPANY,

Appellee.

Order Extending Time to [August 18, 1913, to] File Record and to Docket Cause.

Good cause appearing therefor, it is ordered that the appellant in the above-entitled cause may have to and including the 18th day of August, 1913, within which to file its record on appeal and to docket the cause in the United States Circuit Court of Appeals for the Ninth Circuit.

Dated July 18, 1913.

WM. W. MORROW,

United States Circuit Judge.

[Endorsed]: No. ——. United States Circuit Court of Appeals for the Ninth Circuit. Order Under Rule 16 Enlarging Time to ——— to File Record Thereof and to Docket Case. Filed Jul. 8, 1913. F. D. Monckton, Clerk.

No. 2307. United States Circuit Court of Appeals for the Ninth Circuit. Two Orders Under Rule 16 Enlarging Time to August 18, 1913, to File Record Thereof and to Docket Case. Refiled Aug. 18, 1913. F. D. Monckton, Clerk.

IN THE

United States Circuit Court of Appeals

FOR THE NINTH CIRCUIT

SHERMAN, CLAY & COMPANY,

a Corporation,

Appellant

vs.

SEARCHLIGHT HORN COMPANY,

a Corporation,

Appellee

In Equity

No. 2307

BRIEF ON BEHALF OF APPELLANT.

This is an appeal from an order granting preliminary injunction in the suit of Searchlight Horn Company, a corporation organized and existing under the laws of the State of New York, having an office in Brooklyn, New York, against Sherman, Clay & Co., a corporation organized and existing under the laws of the State of California, having its office in the City of San Francisco, State of California, for alleged infringement of U. S. Patent No. 771,441, issued to Peter C. Nielsen, October 4,

1904, for alleged improvement in horns for phonographs. The bill was filed November 25, 1912, and the decree on preliminary injunction was granted April 29, 1913. For convenience, Sherman, Clay & Co. (the appellant) will be hereinafter referred to as the defendant, and the Searchlight Horn Company (the appellee) as the plaintiff.

The defendant, Sherman, Clay & Co., is a dealer in talking machines among other things, and is alleged to have sold the alleged infringing horns purchased from the Victor Talking Machine Company, in conjunction with the Victor Talking Machines, which horns are shown to have been procured by the Victor Company from the Standard Metal Manufacturing Company of Newark, New Jersey.

The motion for preliminary injunction in this case is based mainly upon the judgment in an action at law (writ of error case No. 2306) between the same parties for alleged infringement of the same patent, rendered in the United States District Court for the Northern District of California, on October 4, 1912, in favor of the plaintiff, for \$3578, which was subsequently reduced to nominal damages of One Dollar.

The object of the Bill in Equity was to restrain the defendant from the alleged infringement complained of in the action at law, as well as from continuing to sell the alleged infringing horns; the Bill also prays for an accounting, and that the defendant shall pay over to the plaintiff the gains and profits realized by the defendant, in addition to the damages sustained by reason of the alleged

infringement, together with its costs (Equity Record, pages 8 and 9).

The plaintiff's motion is based upon the affidavit of William H. Locke, Jr. (Record, page 13) and affidavit of Hubert G. Prost (Record, page 18). The defendant's answer, while admitting the said judgment of the said Court in the action at law, denies the validity of the said patent, in view of the prior art cited in the answer, material portions of which had not been before the Court in the action at law, and denied infringement.

The answer also set forth and averred laches on the part of the plaintiff in bringing its action in equity, in making this motion for preliminary injunction in December, 1912, after many years of manufacture, sale and use of the alleged infringing device by numerous manufacturers, with the full knowledge of the plaintiff, and allowing the defendant, without objection or suit to continue the sale of the said alleged infringing horns, and that the plaintiff was estopped from prosecuting the said action in equity by reason of the facts averred as a defense. (Equity Record, pages 22 to 33).

The defendant supported its defenses by the affidavits of Andrew G. McCarthy (Record, page 34) and William F. Morton (Record, page 41). The plaintiff also produced a rebuttal affidavit of William H. Locke, Jr. (Record, page 45).

ARGUMENT.

The plaintiff in its motion, and in its notice of motion, for preliminary injunction (Record, page

12), produced in this equity suit and relied upon the papers and pleadings, together with the exhibits and testimony on file, and of record in the said action at law between the parties, entitled: Searchlight Horn Company vs. Sherman, Clay & Co., No. 15,325, as well as on the Bill of Complaint in this equity case and the said affidavits of Locke and Prost, together with a trade catalogue referred to in the affidavit of Prost.

The case is, therefore, before this Honorable Court in this equity proceeding upon its merits, as disclosed in the said record, exhibits, etc., in the action at law. As the decision of the lower Court in this equity proceeding upon the merits is not *res adjudicata*, as far at least as this Honorable Court of Appeals is concerned, the whole record on the merits as to validity and infringement is before this Honorable Court for review in considering the question of whether the Court below in granting said preliminary injunction abused or exceeded its discretion, as well as in considering the question of laches, and the other defenses here presented.

In order to save the time of the Court in the argument of the action at law, and of this appeal, which were argued before this Honorable Court on November 3, 1913, the argument on the merits, as far as the matter shown in the action at law is concerned, was not repeated in the argument in the equity suit, and this question was submitted; it pertained to the merits of the equity suit equally as well, and was, therefore, submitted to this Honorable Court without further argument.

Defendant's contention is that the whole question

of merits involved and of record in the action at law which has been produced and relied upon by the plaintiff is before this Court in this equity suit independently of the judgment in the action at law, as far as the merits are concerned, and that defendant is entitled in this equity suit to a review of the said question of merits herein, even independently of the merits as embodied in the action at law as such. Should there have been in the action at law any failure or any insufficiency of any exception to cover any of the assignments of error, which we will submit, however, there was not, the merits should be considered and passed upon in this action in equity by this Honorable Court irrespective of any technical objections raised in the law action, which do not pertain here.

The judgment of the Court below in the law case, of course, cannot be considered as *res adjudicata* as to this case; the said judgment being now before this Honorable Court on writ of error, and consequently not final.

Re-Abuse of Discretion.

The defendant contends:

(1) That the Court below abused its discretion in granting the said preliminary injunction, in view of the facts shown by the record on the merits, in not denying the motion on the ground of want of patentability;

(2) That the Court below abused its discretion in granting the preliminary injunction, in view of

the fact that there was no proof in the record in the action at law of any sales by the defendant of alleged infringing horns, whose manufacture was not authorized by the plaintiff;

(3) That the Court below abused its discretion in granting preliminary injunction, in view of the fact that there was no proof of any sales by the defendant since the judgment in the action at law of any alleged infringing horns—the manufacture of which was not authorized by the plaintiff;

(4) That there was no evidence of any threat or intention on the part of the defendant to continue the sale of any alleged infringing horns since the judgment in the action at law; on the contrary, there was clear evidence that at the time the suit in equity was instituted, and subsequent to the judgment in the action at law, the defendant had discontinued the sales of the alleged infringing horns, and had given careful instructions to its employes not to sell any alleged infringing horns until further action by the Court. (See defendant's affidavits of Andrew G. McCarthy—Record, page 34—and of William F. Morton—Record, page 41).

(5) That the plaintiff was guilty of laches in bringing its motion for preliminary injunction, when, for a period of about six years, it had allowed the trade to manufacture and sell said infringing horns without suit, and without protest of suit, since November, 1906, until suit brought in November, 1912, with full knowledge.

(6) That the Court below abused its discretion in granting the injunction in view of the grave

doubt existing, both as to the plaintiff's right and the defendant's alleged wrong, and should not have granted the preliminary injunction;

(7) That the Court abused its discretion in granting the said preliminary injunction under the circumstances in view of the absence of any proof that the defendant was financially irresponsible, and in view of the fact which appears to the contrary that the defendant was and is a substantial going concern, of well-known financial responsibility;

(8) That the plaintiff's action should have been against the real parties in interest, namely: The Standard Metal Manufacturing Company of Newark, New Jersey, the manufacturer of the alleged infringing horns, or the Victor Talking Machine Company of Camden, New Jersey, which purchased the horns from the Standard Metal Manufacturing Company, and sold the same to the defendant dealer in San Francisco, in connection with the Victor machines;

(9) That the plaintiff has shown bad faith, and should not be entitled to equitable remedy in this case against a dealer on the Pacific Coast, when the suit should have been properly brought against the real defendant on the Atlantic Coast, which is the plaintiff's *habitat*, and place of business;

(10) That the Court abused its discretion in thus granting and continuing a preliminary injunction against a dealer, inasmuch as a suit in equity should have been brought if there was any ground for complaint, and now has been brought since the

judgment in the action at law, against the Victor Talking Machine Company in the United States District Court for the District of New Jersey, praying injunction and an accounting, which suit is pending, and in which the plaintiff has not as yet taken any testimony, or done anything further than file the Bill in Equity;

(11) That the plaintiff has shown bad faith in the said suits, and in the order of prosecution of the same, and does not come into Court with "clean hands"; the Court below, in granting said preliminary injunction, thus further abused its discretion.

CONCERNING THE FACTS.

All the facts relative to this case will not be fully gone into, as they have been so fully considered in the argument on the writ of error in the law case, and in the brief filed with this Court in that case, to which the attention of the Court is particularly directed in considering the present suit in equity. Among other things, the fact is—as shown in the action at law—that there is **no proof of any sales by the defendant of any alleged infringing horns which were not manufactured by an authorized source.** The proofs in the action at law, as well as in the present case, show that since May 8, 1908, under an arrangement with the plaintiff company—which then went out of business—the Standard Metal Manufacturing Company of New Jersey, supplied the market with these alleged infringing horns, and that the Victor Talking Machine Company since that time has purchased its

said horns from the said Standard Metal Manufacturing Company. As pointed out in the brief in the action at law, there is no evidence that the Victor Talking Machine Company purchased any of the said alleged infringing horns from any other source.

The proofs also show that Sherman, Clay & Co., the defendant, purchased all its alleged infringing horns since May 8, 1908, from the Victor Talking Machine Company, and that prior to that date it purchased them from the plaintiff, the Searchlight Horn Company. This matter is so fully considered in the brief of the defendant (the plaintiff in error) in the action at law that it will not be reconsidered here, but the attention of the Court is particularly directed to the consideration of the subject in the other brief herein; the evidence is fully discussed, and the facts here stated fully substantiated.

It is true that in the moving papers in this equity suit an affidavit has been produced, by the plaintiff, of William H. Locke, Jr., in which he attempts to **intimate** that the agreement with the Standard Metal Manufacturing Company only related to folding horns (bottom of page 16, Equity Record), and on page 14 of the Equity Record he **intimates** that the Victor Talking Machine Company procured most of its horns from the Tea Tray Company of Newark, New Jersey. A careful reading of Mr. Locke's statement, at the bottom of page 16 of the Equity Record, will show that he **does not directly state** that the license agreement between the plaintiff and the Standard Metal Manufactur-

ing Company related only to folding horns. His statement is necessarily guarded. He says (Equity Record, bottom page 16):

“The only license agreement complainant has ever entered into has been the business arrangement with the Standard Metal Manufacturing Company, hereinabove referred to, relating to the sale of folding horns on a division of the profits.”

It is thus seen that the words “relating to the sale of folding horns” is parenthetical, and is **not a direct averment** that the said agreement related only to folding horns. Mr. Locke could not make such an averment, in view of his clear testimony to the contrary in the action at law.

In regard to his statement that the Victor Talking Machine Company procured **its horns** principally from the Tea Tray Company (Equity Record, page 14), it will be seen here that Mr. Locke **does not make the direct averment** that the Victor Talking Machine Company procured the **alleged infringing horns** principally from the Tea Tray Company, as that would be in variance with his testimony in the action at law. He intimates that the Victor horns in suit were purchased from the Tea Tray Company, yet he **does not directly so state**. What he does say is: that the Victor Talking Machine Company “procured **its horns** to be made for them by other manufacturers, principally the Tea Tray Company of Newark, New Jersey.” As it appears by the evidence in the two cases, the Victor Talking Machine Company dealt in **numerous constructions of horns**, and no doubt it is true that

it bought many horns of other types and constructions from the Tea Tray Company. If it bought any of the alleged infringing horns from the Tea Tray Company there is no proof of the alleged fact in this, or in the other case.

As shown by the record in the law case, there can be no question but what the Standard Metal Manufacturing Company was an authorized manufacturer of the alleged infringing horns by the arrangement of May 8, 1908. The evidence is: that the Victor Talking Machine Company procured its alleged infringing horns from the said Standard Metal Manufacturing Company, and the defendant bought its horns from the Victor Company.

It might here be noted, showing the good faith of the defendant in this matter, that, while there was no proof in complainant's motion papers of any sale of an alleged infringing horn subsequent to the judgment in the action at law, the defendant voluntarily admitted (affidavit of Andrew G. McCarthy, Equity Record, page 35) that—while instructions had been carefully given, after the judgment in the law action, not to sell any more of the said alleged infringing horns until further order of the Court, and great care had been taken that none should be sold—it happened that thirty (30) of said alleged infringing horns were sold by the wholesale department of the defendant. It is further shown: that outside of these thirty (30) horns none others were sold, and that the strict instructions of the defendant company to its employes was to sell none, and to offer none for sale. The alleged infringing horns which appeared in the catalogue were in the

general catalogue, illustrating numerous and various other constructions of other horns and machines, which had been printed, and published, before the judgment in the action at law.

It is respectfully submitted that, under these circumstances also, the Court below abused its discretion in granting preliminary injunction where no preliminary injunction was called for, or warranted, in view of the well-settled decisions. In cases similar to the case at bar, it is respectfully submitted that the weight of authority appears to be, that there should be no preliminary injunction pending a final disposition of an action at law by the Appellate Court.

The defendant is responsible, and plaintiff can be adequately compensated. There is nothing to show any irreparable damage to the plaintiff, and the burden is on the plaintiff, under such circumstances, to show irreparable damage. In fact, the granting of the injunction would cause greater irreparable damage to the defendant than to the plaintiff.

It is respectfully submitted, that the plaintiff has been guilty of **gross laches** in this case, as hereinbefore pointed out, and as shown by the defendant's opposing affidavits. It is shown by the record in the law case, as well as by the papers in the equity suit, that a large number of manufacturers, and the trade generally, had been making and selling the alleged infringing construction ever since 1904, without any substantial protest or suit on the part of the plaintiff. The plaintiff shows by the rebuttal affidavit of Mr. Locke (Equity Record, pages

45 and 52) that the plaintiff sent out a circular to the trade November 15, 1906, notifying the trade generally of the alleged infringement of the Villy Reissue, No. 12,442, patent No. 771,441 of January 30, 1906, and of the Nielsen patent in suit. It states, *inter alia*:

“All of the so-called ‘Flower Horns’ made by our aforesaid competitors are flagrant infringements of said patents.”

The evidence is, that these so-called “flagrant infringements” were continued, at least up to suit brought, and that no serious attempt is shown to have been made by way of suit, or otherwise, to enjoin any of the said alleged infringements, but the plaintiff has allowed the trade generally, for a period of six years and more, to proceed unmolested, and the patent has never been adjudicated in any other suit. It is respectfully submitted that, under the well-settled authorities, the owner of a patent is barred, and estopped, from injunctive relief by preliminary injunction under these circumstances, and it is a question whether he is entitled under such circumstances to any relief whatsoever in a Court of Equity.

It is, therefore, respectfully submitted that the Court below erred in granting the preliminary injunction on the ground of laches.

The Bill Should Be Dismissed Under Such Circumstances.

It is respectfully submitted that the authorities show that the bill of complaint should be dismissed

upon hearing of motions of this character, when it clearly appears, as it does in this case, that the patent is invalid, and that the defendant did not infringe.

We would cite in support of this proposition as to the power of the Court to dismiss the bills of complaint upon hearings of such motions, a few cases, viz:

Harriman vs. North Securities Company, 197 U. S. 244; Castner vs. Coffman, 178 U. S. 168; Mast, Foos & Co. vs. Stover Mfg. Co., 177 U. S. 486; De Laval Company vs. Vermont Company, 109 Fed. Rep. 813; Streat vs. American Company, 115 Fed. Rep. 634.

CONCLUSION.

It is respectfully submitted, in view of the foregoing, that the Court below erred in granting the said preliminary injunction; that the same should have been denied, and that in granting the said preliminary injunction the Court below abused its discretion, and that the decree should, therefore, be reversed with costs to the appellant. All of which is respectfully submitted.

NICHOLAS A. ACKER,
J. J. SCRIVNER,
HORACE PETTIT,

Counsel for Appellant.

November 8, 1913.

IN THE
United States Circuit Court of Appeals
FOR THE NINTH CIRCUIT

October Term, 1913.

SHERMAN CLAY & COMPANY,
a corporation,

Appellant,

vs.

SEARCHLIGHT HORN COM-
PANY, a corporation,

Appellee.

No. 2307

BRIEF FOR APPELLEE.

This is an appeal from an order granting a preliminary injunction in a suit by appellee against appellant in the Northern District of California for infringement of patent, No. 771,441, granted to Peter C. Nielsen on October 4, 1904, for a phonograph horn.

The bill was filed November 25th, 1912, and in addition to the usual allegations found in such bills

it sets out in paragraph 7 (Record 4-6) that on May 9, 1911, complainant commenced an action at law against Sherman Clay & Company, appellant herein, in the District Court of the United States for the Northern District of California, claiming infringement of the same patent involved herein, and that after a trial on the merits, upon pleadings and full proofs, a verdict was rendered by the jury on October 4, 1912, in favor of plaintiff for \$3,578.00, upon which verdict judgment was duly made and entered in favor of complainant for that sum, together with costs.

The bill further alleges that after the rendition of the verdict in said action at law, the defendant, Sherman Clay & Company, continued to sell and offer for sale, and at the time of the filing of the bill was selling and offering for sale, phonograph horns of the same identical design, form, and construction as those which were held by the jury to be an infringement of claims 2 and 3 of the patent in suit. In other words, the defendant continued the infringement after the verdict.

It will thus be seen that the preliminary injunction in this case against Sherman Clay & Company was granted upon the strength of a prior adjudication of the same patent, in the same court, in an action against the same defendant, for the sale of the same infringing article.

The notice of motion for preliminary injunction (Record 12) stated that upon the motion plaintiff would rely upon (1) the papers and pleadings together with the exhibits and testimony on file and of record in the said action at law, (2) the verified bill of complaint on file, (3) the affidavits of Wm. H. Locke, Jr., and Hubert G. Prost, and (4) the trade catalogue referred to in the affidavit of Prost.

The affidavits of Locke and Prost show that the infringing horns sold by defendant were obtained from the Victor Talking Machine Co., of Camden, N. J., and that since the verdict in the action at law Sherman Clay & Company continued to sell and offer for sale the same identical horns involved in the action at law; also that there is no fixed royalty established by the patent owner; that the plaintiff is able to supply the demand of the trade, and is willing to supply the defendant with the patented article, and that irreparable injury will ensue to the patent owner if the preliminary injunction is not granted.

Defendant replied to the motion by filing an answer and submitting affidavits of Andrew G. McCarthy and Wm. F. Morton, two of the employees of the defendant.

Said answer attacked the validity of the patent by citation of prior patents and publications and instances of alleged prior use, but no evidence in that behalf was offered at the hearing. The answer also alleged

upon information and belief that the plaintiff had been guilty of laches in not instituting the suit at an earlier date. The affidavit of McCarthy alleged that after the entry of the judgment in the action at law, he gave instructions to the clerks of Sherman Clay & Company not to sell or offer for sale any of the infringing horns, but admits that since that date Sherman Clay & Company has sold said horns in their wholesale department to the extent of about thirty. According to this allegation, the defendant discontinued the infringement *at retail*, but continued it *at wholesale*. The affidavit of Morton merely avers that no retail sales of the infringing horns had been made since the verdict in the action at law.

The affidavit of McCarthy further avers *on his information and belief* that the Victor Talking Machine Co. had been marketing these infringing horns since 1904, and had distributed them throughout the United States; also that certain other companies in the East, which are mentioned, had likewise been marketing said horns throughout the United States during the same period of time, and that the Searchlight Horn Company had permitted this infringement without protest, from which it is alleged by McCarthy that Sherman Clay & Company had been misled into the supposition that it had a right to market said infringing horns and that, therefore, plaintiff was guilty of such laches as to disentitle it to an injunction.

The affidavit of McCarthy further avers that the motion for an injunction was not made in good faith, but *as he is informed and believes* for the purpose of compelling Sherman Clay & Co. to compromise the action at law, wherein a judgment was rendered for \$3,750, and to harass and embarrass the defendant in the sale of its goods. (Note: The insincerity of this allegation will be apparent from the fact that plaintiff afterwards voluntarily remitted said verdict by reducing it to the nominal sum of \$1.00.)

Complainant then filed a rebutting affidavit by Wm. H. Locke, Jr., denying the allegation of laches set up by McCarthy and averring that the Victor Talking Machine Co., from whom Sherman Clay & Co. received the infringing machines, first began to sell the same in 1906, two years after the time alleged by McCarthy, and that Searchlight Horn Co. on May 9, 1906, duly notified the Victor Talking Machine Co. of said infringement and requested the discontinuance thereof; they also notified the other companies referred to in the affidavit of McCarthy, and even printed and spread broadcast a circular warning the trade generally of the infringement and notifying the public that the rights under said patent would be protected (Record 51-2). The affidavit of Locke further explains that the reason why suits were not earlier brought was because of a lack of financial means, and the inability of the Searchlight Horn Company to secure a competent attorney to take

charge of the litigation, the fact being that by reason of the infringements in the East, especially that of the Victor Talking Machine Company, the business of the Searchlight Horn Company was broken up and destroyed in May, 1908, and the company put into financial difficulties; the affidavit further shows that in the spring of 1910, the Searchlight Horn Company succeeded in securing their present attorney and instructed him to proceed with all due diligence against infringers; and said affidavit further states that the Searchlight Horn Company has at all times during its ownership of the Nielsen patent asserted its rights thereunder and its intention to prosecute infringers and has taken all means in its power to give publicity thereto, and that the Victor Talking Machine Company was well aware of its position in that behalf; and in answer to the charge made by McCarthy *on information and belief* that the motion is not made in good faith, but for the purpose of compelling a compromise and payment of the judgment in the action at law, Locke denies the same vigorously and says that he does not desire the defendant to settle and compromise the said action at law, but earnestly desires that said case be taken up on writ of error to this court to the end that there may be a final adjudication of the patent by the court of last resort.

After an exhaustive argument the lower court (Judge Van Fleet presiding) granted the preliminary injunction, but in the order allowing an appeal from

said order, the Court superseded the injunction pending the appeal upon the filing by defendant of a bond in the sum of \$2,000.00. This bond was filed and the writ of injunction was superseded pending appeal, so that the defendant has not been prevented from continuing the sale of the infringing machines, and has suffered no inconvenience or damage by reason of the injunction and order except that of being compelled to furnish said bond. As a surety company's bond is obtainable for almost a nominal sum, which is properly taxable as costs, such inconvenience may properly be considered as *nil*. So far from abusing his discretion, the learned Judge of the lower court acted with unusual leniency towards the appellant.

ARGUMENT.

On appeal from an order granting a preliminary injunction before the trial of a case on the merits, the review of the appellate court is limited to the inquiry whether the lower Court abused its discretion in granting the order.

The granting of preliminary injunctions rests in the sound discretion of the trial Court. By such injunctions the trial Court does not undertake to finally determine the rights of the parties, but only to preserve those rights in *statu quo* until a trial on the merits can be had. This is one of the many things

which the wisdom of the law has entrusted to the sound discretion of the trial Judge, to be exercised as he sees fit under the disclosed circumstances and conditions of each particular case. The rule has been so well settled by the decisions of this Court that it will only be necessary to refer to them, and in that behalf we cite *Jensen Can-Filling Co. vs. Norton*, 64 Fed., 662; *Southern Pacific Co. vs. Earl*, 82 Fed., 690; *Kings County Raisin & Fruit Co. vs. U. S. Consolidated Seeded Raisin Co.*, 182 Fed., 60.

Now on the record before this Court, did the learned trial Judge abuse his discretion in granting the motion for preliminary injunction?

In the first place the action at law was against the same defendant for the sale of the same machines and for infringement of the same claims of the patent as in the case at bar. Under these circumstances we might well have taken the position that said judgment in the action at law operated as *res adjudicata* against the defendant herein. Said action at law was tried on the merits after a full exposition of the prior art and elaborate arguments *pro* and *con*. Defendant had its day in court on the issues involved therein, and while that judgment was in force, clearly the defendant was not entitled to re-litigate herein matters disposed of therein. *Cheatham vs. Transit D. Co.*, 203 Fed., 285.

Furthermore, plaintiff's patent does not appear in this record. It has not been brought to this court

nor made a part of the record by the appellant. Neither has the prior art been brought here or made a part of the record, nor has any portion of the record or proceedings in the action at law been brought here or made a part of the record by the appellant, although in the notice of motion for an injunction appellee stated that it would rely on, and as a matter of fact did rely on and use, the papers and pleadings together with the exhibits and testimony on file and of record in the said action at law against Sherman Clay & Co. Under these circumstances this Court is not in a position to consider the scope or validity of the patent in suit, or the effect of the prior art thereon, or the matter of infringement, or any of those numerous other things which influence the Court's discretion in granting a preliminary injunction. It is idle, therefore, for appellant to argue here that the lower Court abused its discretion in granting a preliminary injunction, since the facts on which the Court exercised its discretion have not been brought to this Court nor made a part of the record by the appellant.

The only matter before the lower Court in this equity suit which was not before it in the action at law is the alleged charge of *laches* on the part of the Searchlight Horn Company. That charge is made by an employee of the appellant at San Francisco, and is made *on his information and belief*. He does not show the source of his information upon which he forms his belief, but merely makes his allegation *on*

information and belief. Consequently, the lower Court would have been fully justified in overruling that defense on the ground that it was not supported by any competent evidence. The defense was an affirmative one and the burden of proof was on defendant to establish it by satisfactory and convincing evidence. The only evidence offered by defendant was an allegation on information and belief by an employee of defendant residing at San Francisco concerning matters of fact supposed to have occurred in New York many years ago.

But furthermore, this defense was fully met by the affidavit of W. H. Locke, Jr., the president of the Searchlight Horn Company, who was fully aware of all the facts and had personal knowledge thereof. In substance, the charge which McCarthy makes *on information and belief* is that for many years last past the Victor Talking Machine Company, from whom Sherman Clay & Company secured the infringing devices, and also certain other phonograph companies in the East, were engaged in marketing the infringing articles throughout the United States without protest from or objection by the Searchlight Horn Company, and from that fact, *alleged on information and belief*, it is asserted by Mr. McCarthy that the defendant was misled into believing that the defendant had a right to sell the infringing machines and to infringe this patent to its heart's content. Mr. Locke meets this charge fully and fairly. He states that the Victor

Talking Machine Company did not commence to infringe in 1904, as alleged by McCarthy on his information and belief, but not until 1906; that in May, 1906, the Searchlight Horn Company formally notified said Victor Talking Machine Company in writing as to the patent and the infringement thereof, and notified them to cease said infringement; and that the Searchlight Horn Company would protect its rights in the courts; also that the Searchlight Horn Company was unable to commence suit at that time by reason of its lack of money and inability to secure a competent attorney to prosecute so heavy a litigation; also that they finally succeeded in obtaining necessary means and employing a competent attorney in 1910, and immediately thereafter began this action at law against Sherman Clay & Company, which resulted in the verdict aforesaid. In addition to this the affidavit of Locke shows that the company notified other infringers and sent out a printed notice to the trade in general warning them against infringement of the patent in suit, and notifying them that the company intended to uphold its rights under the patent, and the said affidavit of Locke further states as follows (Record 48-9):

“The Searchlight Horn Company has at all times asserted its rights under said Nielsen patent and its intention to prosecute infringers, and has taken all means in its power to give publicity thereto, and all of the manufacturers and dealers

in talking machines and especially the Victor Talking Machine Company and the Tea Tray Company have been well aware of the Searchlight Horn Company's position in the matter.

"The reason why suits were not brought before was because of lack of means on the part of the Searchlight Horn Company and their inability to secure the services of a proper and competent attorney to take charge of the litigation. In the spring of 1910 I secured the services of our present attorney and gave him instructions to proceed with all reasonable diligence in the prosecution of all infringers. He was required to do a great deal of preliminary work and investigation before suit could be filed, and I believe that he proceeded with reasonable diligence thereafter."

In view of the insufficient and make-shift allegation on information and belief by McCarthy, a mere employee of Sherman Clay & Company, on the one side, and the positive denial of laches and the statement of facts in support of such denial by Wm. H. Locke, Jr., the president of the Searchlight Horn Company, who was personally familiar with and cognizant of the facts of the case, on the other side, it is idle to assert that the learned Judge of the lower court abused his discretion in overruling the feeble and insubstantial defense of laches.

And finally, we doubt if the appellant has framed any sufficient assignment of error to justify the Court in considering the point of alleged laches. The only

assignment of error made in this case, as appears from page 59 of the record, is as follows:

“Error of the Court in granting a preliminary injunction.”

This assignment of error is so indefinite that we doubt if an appellate court would be justified in considering it at all. Does the appellant mean by this assignment of error that the patent was invalid by reason of want of invention, or anticipation by prior patents and publications, or by prior use, or that the claims were so limited as not to be infringed, or does it mean that plaintiff was guilty of laches, or does it mean that the lower Court abused its discretion in any particular? It is impossible to determine from this assignment of error what is the precise point on which the appellant relies for a reversal by this Court, and for that reason this Court would be justified in affirming the order by reason of failure of the appellant to submit any intelligent and sufficient assignment of error.

The case is a very simple one. A patent owner brings an action at law against an infringer, in which action a full and exhaustive trial is had on the merits with the result that a verdict is rendered in favor of the plaintiff. Such verdict, of course, covered only past infringement. After the verdict the defendant continues to infringe by continuing to sell the same

identical class of articles which were held to be an infringement. Thereupon the patent owner brings a suit in equity against the defendant in the same court to obtain an injunction against the further sale of the same infringing articles, and moves for a preliminary injunction. The same defenses are set up in the equity suit that were set up and fully tried out in the action at law, with the additional defense of laches on the part of the patent owner made *on information and belief* of an employee of the defendant, which charge of laches is fully and completely denied by the president of the plaintiff corporation, who was personally cognizant of all the facts and circumstances relating to the matter. Thereupon the motion for preliminary injunction was granted, but its operation pending appeal suspended upon the filing of a supersedeas bond on the part of the defendant in the moderate amount of \$2,000. Do these facts disclose an abuse of discretion by the lower Court? To propound the question is to answer it in the negative.

We ask an affirmance of the order appealed from.

Respectfully submitted.

JOHN H. MILLER,
WM. K. WHITE,
Counsel for Appellee.

IN THE
United States Circuit Court of Appeals
FOR THE NINTH CIRCUIT.

October Term, 1913.

SHERMAN CLAY & COMPANY, <i>Appellant,</i>	}	No. 2307. Appeal from Order Grant- ing Prelimi- nary Injunc- tion.
vs.		
SEARCHLIGHT HORN COMPANY, <i>Appellee.</i>		

REPLY BRIEF OF APPELLEE.

No oral argument was made by the appellant in this case, and we had no means of knowing what points would be relied on until we received the subsequently filed brief on behalf of appellant. That brief is filled with so many misstatements and false deductions that we deem it proper to call the court's attention thereto by a reply brief.

The sole and only assignment of error appearing in the record, which is at page 59, reads as follows:

“Error of the court in granting the preliminary injunction.”

It does not state wherein there was any error, nor does it assign any abuse of discretion on the part of the lower court. Yet, in the reply brief of appellant, this one assignment of error has been multiplied into eleven assignments or reasons why the order should be reversed. In fact, at the end of the brief, a 12th assignment of error is added, consisting of the contention that the entire suit should be dismissed by this court.

Another preliminary matter may be noted. At pages 4 and 5 of appellant's brief it is contended that this case is now before this court upon the merits as disclosed in the record, exhibits, etc., in the action at law, No. 2306, and that the whole question of merits involved and of record in said action at law is before this court in this equity suit, independently of the judgment in the action at law, and that the appellant herein is entitled to rely thereon just as though the entire record in the action at law were embodied in the record in this equity case.

It is true that in the notice of motion for a preliminary injunction in the lower court it was stated that the appellant would rely upon the papers and pleadings, together with the exhibits and testimony on file and of record in the said action at law, as well as upon the bill of complaint herein and the attached affidavits. But the said papers and pleadings, exhibits, and testimony in the said action at law have not been embodied in, and are no part of, the record herein.

It does not even appear from the record herein that the said papers, pleadings, exhibits and testimony in the action at law were used or put in evidence upon the hearing of the motion for preliminary injunction in the lower court. Indeed, the certificate of the clerk to the record herein would imply that they were not put in evidence. That certificate appears at pages 62 and 63 of the present record, and is to the effect that the foregoing pages, to which it is attached, are "a full, true, and correct copy of the record and proceedings in the above entitled cause and that the same constitutes the record on appeal to the United States Circuit Court of Appeals for the Ninth Circuit." But the foregoing pages certified to by the Clerk do not contain any of the proceedings or exhibits or testimony of the action at law. In fact, even the patent in suit nowhere appears in or as a part of the present record. So far as the present record is concerned, this court has no knowledge of the contents of said patent, much less of its scope. Nor do any of the prior patents relied on by appellant appear in this record, nor any of the testimony in the action at law.

Under these circumstances, this court is not in a position to intelligently pass on the question of the lower court's discretion in granting the injunction. The record in the action at law is no part of the present record, and its absence therefrom is due solely to the appellant. It was his duty to see that a proper record was made up, and if he desired to rely upon

anything appearing in the action at law, it was his duty to make it a part of the record herein. The fact that the record in the action at law has been brought to this court in another case does not make it a part of the record herein. The record of one case in this court can not be read into and be made a part of the record in another case without some proper proceedings taken to that effect. There is no stipulation here that the record in the action at law shall be taken to be a part of the record of this equity case. The practice in an appellate court must be orderly and according to established rules. The course pursued by appellant in this regard violates a fundamental rule of practice.

Subdivision 3 of Rule 14 of this court, says:

“No case will be heard until a complete record, containing in itself, and not by reference, all the papers, exhibits, depositions and other proceedings which are necessary to the hearing in this court, shall be filed.”

This point would appear to be settled by the decision of this court in *Arizona vs. Clark*, 207 Fed., 821.

We now address ourselves to the eleven assignments of error contained in appellant's brief.

1. *The first assignment is that the motion should have been denied on the ground of want of patentability.* This is merely a bald statement of counsel.

No argument is made thereon in the brief. We therefore pass it over without further comment.

2. *The second assignment is that there was no proof in the record in the action at law of any sales by the defendant of the infringing horns whose manufacture was not authorized by the plaintiff.*

Barring the fact that appellant has no right to rely upon the record in the action at law for the reason that it is no part of the record herein, we deny the statement emphatically. The theory of appellant's counsel in that behalf is that on May 8th, 1908, the Searchlight Horn Company went out of business and turned over to the Standard Metal Mfg. Co. the right to supply Nielsen horns to the trade, and that the Victor Talking Machine Company, from whom Sherman Clay & Company secured its infringing horns, had obtained these horns from the Standard Metal Mfg. Co., from which fact it is alleged that the infringing horns were procured from a licensed manufacturer. This statement is not correct.

In the first place, it is a suggestive fact that neither in the answer nor in the affidavits of the appellant does any one on behalf of appellant assert or allege that the infringing horns of Sherman Clay & Co. were manufactured by the Standard Metal Mfg. Co. The absence of such an allegation is doubtless due to the fact that it could not be truthfully made. If it were a fact, appellant would have been too glad and

anxious to state it, and would have stated it in his answer and affidavits. It may be surmised, though it is only a surmise at best, that since May 8, 1908, Sherman Clay & Co. have sold *some* horns which had been manufactured by the Standard Metal Mfg. Co.; but it is true beyond dispute that during that time they have also sold horns which were manufactured by the Tea Tray Co. of New Jersey, and that company does not pretend to have ever had any license.

Furthermore, there never was any license from the Searchlight Horn Company to the Standard Metal Co. to manufacture the Nielsen patented horn. Whatever arrangement there was between the two companies related solely to a folding or collapsible horn and to that only. At page 14 of the record, Mr. Locke says in his affidavit that in May, 1908, the Searchlight Horn Company "made a business arrangement with "the Standard Metal Manufacturing Company of "New Jersey to make and sell the Searchlight *folding* "horns on a division of the profits resulting there- "from." And at the bottom of page 16, he says:

"The only license agreement complainant has ever entered into has been the business arrangement with the Standard Metal Manufacturing Company hereinabove referred to *relating to the sale of folding horns* on a division of the profits."

No evidence was produced at the hearing by appellant to controvert these statements. They stand unimpeached and uncontradicted. Hence, it is idle for

appellant to now urge that the agreement covered the sale of the Nielsen patented horns. Appellant had ample opportunity in the lower court to clear up this matter, but produced no evidence in opposition to the statements of Mr. Locke.

And still further, the record in this case shows that the appellant was selling those infringing horns prior to the arrangement with the Standard Metal Manufacturing Co. made in 1908.

3. *The third assignment of error in the brief is the assertion that there was no proof of any sales by the defendant since the judgment in the action at law of any infringing horns which had not been authorized by the plaintiff.* This is another misstatement. The bill of complaint alleges such sales (Record, 6). The affidavit of Locke alleges such sales on information and belief. The affidavit of Prost alleges that since the judgment in the action at law he saw on exhibition for sale in the store of the defendant at San Francisco one of the infringing horns and that one of the clerks of the defendant offered to sell him horns of that kind and delivered to him a printed catalogue showing cuts and descriptions of the same (Record 19). And finally, the affidavit of McCarthy, one of the managers of the defendant corporation, shows at page 35 of the record, that since the entry of said judgment, the wholesale department of Sherman Clay & Company had sold approximately thirty of the said infringing horns. In this behalf it is pre-

tended by appellant that after the judgment instructions were given to the clerks in the stores of appellant to sell no more of these horns. At best that appears to have related merely to the retail department; for, as we have already shown, Mr. McCarthy sold in the wholesale department some thirty of said horns. We thus see that even if the retail department ceased its sales, the wholesale department continued the sales. And even if such instructions were given to the clerks, it would appear that they were not followed because Mr. Prost testified that one of said clerks offered to sell him infringing horns.

4. *The fourth assignment of error in the brief is that there was no evidence of any threat or intention on the part of the defendant to continue the sale of the infringing horns after the entry of the judgment.* This is dispised of by the observations already made showing that the retail clerks offered to sell Mr. Prost infringing horns and furnished him with a catalogue containing their description, and the further fact that McCarthy actually sold thirty of them.

5. *The fifth assignment of error in the brief is that the plaintiff was guilty of laches in bringing its motion for preliminary injunction.* This contention is set up in the affidavit of McCarthy only on his information and belief. He does not give the source of the information upon which he forms his belief. Such a defense could not be made out upon such flimsy

evidence; but, in any event, it is fully met by our affidavits. Beginning at page 47 of the Record, Mr. Locke gives a history of the matter, and it appears therefrom that the Searchlight Horn Company always asserted its rights under the Nielsen patent, but was delayed in bringing suits because of lack of financial means. The appellant cuts a sorry figure in court when it has to rely on the poverty of its opponent to make out a case of laches. Courts are established for the poor man as well as for the rich man, and poverty cannot be imputed to a man as a crime.

6. *The sixth assignment of error in the brief asserts that the injunction should have been denied because of the grave doubt existing as to the plaintiff's rights and the defendant's wrong.* No argument is made under this head. Neither shall we make any, except to allege that there is nothing in this record to show any such grave doubt. Since the patent is not in the record, how can the court decide anything regarding its validity?

7. *The seventh assignment of error in the brief is that the injunction should have been denied because of the absence of any proof that the defendant was financially irresponsible.* According to this theory, no preliminary injunction could ever be granted against a rich defendant, but only against an impecunious one. Having already tried to capitalize the appellee's poverty, the appellant now tries to capitalize his own

wealth. There is no such rule of law. While insolvency of a defendant may be an additional reason for granting an injunction in some cases, it is not indispensable. The rich man is as much subject to the law as the poor man.

9. *The 8th, 9th, 10th and 11th assignments in the brief are to the effect that the suit should have been brought in New Jersey against the Standard Metal Co. or Victor Talking Mach. Co., and that it was an evidence of bad faith to bring the suit in California against Sherman Clay & Co.* According to this theory a patent owner has no right to sue any infringer of his patent wherever such infringement may be found, but must find out the person who supplied the infringer with the articles and then bring suit against that person, wherever found. The statement of the proposition is its own refutation. A patent owner is entitled to sue any infringer he may select, and he must sue that infringer at the place where he resides. It is not for the infringer to decide which one may be sued or where the suit may be brought. That matter rests wholly in the sound judgment of the patent owner.

10. *The last assignment of error, not numbered, appearing at the bottom of page 13, is that the bill should be dismissed by this court, because it appears that the patent is invalid and that the defendant has not infringed.* The learned counsel even goes to the extent of citing authorities to show the power of this

court to dismiss the bill. No one disputes the power of the court in that behalf; but it can scarcely be argued with any show of reason that this bill should be dismissed because of invalidity of the patent, when the said patent is no where contained in the record and is not before this court for inspection. The truth of the matter is that this appeal is, in our opinion, purely frivolous. Instead of dismissing the bill, this court ought to impose terms upon the appellant for having prosecuted a frivolous appeal.

Respectfully submitted.

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