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Read before the Patent Law Association
of Pittsburgh, 1931

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In the Dry Ice case, *Carbice Corporation of America v. American Patents Development Corporation, et al.*, the Supreme Court has rendered two opinions: the first, March 9, 1931, on the question of infringement[1]; the second (after rehearing), May 18, 1931, on the question of validity[2]. Both opinions were delivered by Mr. Justice Brandeis. It is to the first opinion that attention is now primarily directed. The question of infringement was ostensibly answered on the authority of the *Motion Picture* case: the relief sought was, to the eye of the court, "indistinguishable from that denied in the *Motion Picture* case."

In the *Motion Picture* case[3] the plaintiff, a manufacturer of patented projecting apparatus for motion pictures, made an agreement with a distributor that every machine sold should continue subject to the restriction that it could be used to project plaintiff's films, but no other. And each machine bore a notice which read, "The sale and purchase of this machine gives only the right to use it solely with [authorized film]." Film suitable for use in the machine was, at the time the issue arose, a commodity of common right: any one could make and sell and use such film. The defendants were not parties to the agreement. One of plaintiff's machines had been bought from the distributor and had been paid for; and defendants had leased this machine from the purchaser. The defendants used the machine to project unauthorized film.

[1]75 Sup. Ct. L-ed., 819; 283 U. S. 27

[2]75 Sup. Ct. L-ed., 1153; 283 U. S. 420

[3]*Motion Picture Patents Co. v. Universal Film Manufacturing Co.*, 243 U. S. 502, decided in 1917.

The court expressly reserved the question whether the agreement was enforceable against the distributor; that they said was "a question outside the patent law," and a question with which it was then "not concerned." The question which the court did decide was a question which the court itself formulated in these words (p. 508):

> "May a patentee or his assignee license another to manufacture and sell a patented machine and by a mere notice attached to it limit its use by the purchaser or by the purchaser's lessee, to films which are no part of the patented machine, and which are not patented?"

In other words, Could the restriction be made to "run with the machine"? That question the court answered in the negative—Justices Holmes, McKenna, and Van Devanter dissenting.

In the *Dry Ice* case there was no question of a restriction running with a machine. The question was as to the efficacy of a restriction upon *an immediate purchaser:* a question upon which (in so far as there was a parallel) the court in the *Motion Picture* case reserved judgment—a question which it recognized to be a question not of patents, but of contract law.

With better reason, the *Dry Ice* case might have been decided on the authority of the *Toilet Paper* case[4]—a case which, indeed, the court mentioned with implied approval. The patent in suit in the *Toilet Paper* case concerned a fixture for carrying a roll of toilet paper ready for consumption. The paper was consumed and replenished, roll after roll, as the fixture continued in service. The roll of paper, though shaped to the fixture, was itself unpatented. The patent in suit claimed a combination which included both the fixture and the roll of paper.

[4]*Morgan Envelope Co. v. Albany Perforated Wrapping Paper Co.*, 152 U. S. 425, decided in 1894.

The plaintiff, the owner of the patent, did not sell the fixtures alone; indeed, it refused to sell the fixtures, except to persons who bought paper also. Its practice was to sell a fixture with a case of paper (containing many rolls.) Defendant sold rolls of paper to plaintiff's customers with the intent and expectation that the paper would be used in replenishing fixtures bought from the plaintiff. The court held that such acts of the defendant did not constitute infringement. The court said (p. 432):

> "The real question in this case is, whether, conceding the combination of the oval roll with the fixture to be a valid combination, the sale of one element of such combination, with the intent that it shall be used with the other element, is an infringement. We are of opinion that it is not. There are doubtless many cases to the effect that the manufacture and sale of a single element of a combination, with intent that it shall be united to the other elements, and so complete the combination, is an infringement [Cases cited]. But we think these cases have no application to one where the element made by the alleged infringer is an *article of manufacture perishable in its nature*, *which it is the object of the mechanism to deliver*, *and which must be renewed periodically*, *whenever the device is put to use*. . . [The] distinction between repair and reconstruction becomes of no value, since the renewal of the paper is in a proper sense neither the one nor the other."

Coming to the facts in the *Dry Ice* case, they were parallel to those in the *Toilet Paper* case in these respects: (1) The combination claimed included as an element "an article of manufacture perishable in its nature"; and (2) the defendant was charged with contributory infringement in selling this element to plaintiff's customer.

Plaintiff was a dealer in frozen carbon dioxide, under the trade-name, Dry Ice; it was exclusive licensee under the patent in suit. The article described and claimed was a "transportation package" which included a container and a charge of dry ice[5] within the container. The charge of dry ice was an element of the combination. The patent (No. 1,595,426) contemplated a container, perhaps of balsa wood, perhaps of vacuum-wall type (p. 1, line 65), and certainly of enduring character, to be charged repeatedly with dry ice. Actually, the container was made of paper, used only once, and then thrown away. Each time the package was used a new assembly was made of all the elements—none of them used before. The plaintiff did not itself furnish anything but dry ice; it had no other contract with its customer than such as was to be found implicit in these circumstances: Each invoice of plaintiff's dry ice bore a notice which read, "The merchandise herein described is shipped upon the following condition: That Dry Ice shall not be used except in Dry Ice Cabinets or other containers or apparatus provided or approved by the [plaintiff]; and that Dry Ice Cabinets or other containers or apparatus provided or approved by the [plaintiff] shall be refrigerated or used only with Dry Ice. . ."

With the first alternative (that plaintiff's material be used only in plaintiff's containers), which in the absence of an express contract would seem to be unenforceable, the court did not have directly to do. It was the second alternative, that plaintiff's containers should be filled with plaintiff's article and no other, which in this suit the plaintiff sought to enforce. Plaintiff did not furnish containers; it left its customers free to obtain supplies of these as it would.

The likenesses between the *Toilet Paper* case and the *Dry Ice* case have been noted. The differences were (1) That the plaintiff in the Dry Ice case did not furnish the containers; it furnished only the perishable material with which the containers were charged, leaving the

[5]The phrase "dry ice," coined by plaintiff, was—from his point of view, at least—a specific name for his materal and no other. As a matter of convenience, and to avoid the repetition of the clumsy term, "frozen carbon dioxide," the term "dry ice" is used in this discussion as though it were without question the proper name of the substance, from whatever source derived.

customer to procure containers (durable or perishable), as he would; and (2) That, as a matter of fact, with each charge of dry ice, plaintiff's customer assembled the combination *de novo*. There was no continuing container, repeatedly filled with supplies of a perishable substance.

Of these two differences, the first seems to be unimportant. No ground of distinguishing from the *Toilet Paper* case can be perceived in the fact that plaintiff allowed its customer to acquire the containers as he pleased. The second difference, however, seems very important. In it may be seen valid ground upon which distinction from *Toilet Paper* case might have been rested; and, accordingly, it would seem that in the *Dry Ice* case the court has added to the edifice of judge-made law.

The earlier doctrine, of the *Toiler Paper* case, is that, in the absence of an express contract forbidding him, a man may, against the will of the owner of a patent, lawfully maintain in use a patented device lawfully acquired, by replenishing, from whatever source he will, supplies of a substance (itself unpatented) perishable in its nature, which must be renewed periodically, whenever the device is put to use. Even though the replenishing substance be an element of a combination claim, that circumstance can not avail. The enlarged doctrine, of the Dry Ice case, is that, in the absence of such a contract, a man to whom a patented combination is in other respects lawfully available, may complete the combination with material, itself a substance of general commerce, derived from any source he will. He may do so in spite of a forbidding notice. That is believed to be the gist of the *Dry Ice* decision; and, if it be, it is a statement of new law.

Both the *Toilet Paper* case and the *Dry Ice* case suffered because of a doubt, whether a patentable invention were indeed defined in the claims in suit; and, eventually, in the *Dry Ice* case, the court held the patent invalid—not on the abstract ground, that the combination of a container and its perishable and renewable contents is not a "manufacture" under the law; but on the concrete ground that "each element performs its function in a known way."

Incidental matters aside, it would seem that the court meant this: Commerce in paper, in dry ice—in any commodity dealt with on the open market—can not be limited by implication; and, therefore, the owner of a patent, no matter what may be the terms of his claim, may not exploit his patent in such a way as to set up or maintain by indirection a monopoly (although a more or less restricted one) in trading in such a commodity, and seek his profit altogether from that indirect monopoly. In the absence of an express contract (a situation with which the Clayton Act deals), trade in such commodities must be free; and to that condition, the patent law, to the extent that it interferes, must give way.

In the opinion of the court in the *Dry Ice* case the phrases *limited monopoly* and *partial monopoly* occur and are repeated with emphasis. What is it that the court has in mind? The phrases themselves are somewhat obscure, enigmatical, paradoxical: if a monopoly is *limited* or *partial* it is, to that extent, not a monopoly. Understanding must be gained by turning again to the facts of the case. Plaintiff was endeavoring to increase his own business in dry ice. His customer, conceivably, might have made up (with dry ice bought elsewhere) a transportation package of different and non-infringing character. The plaintiff was saying to his customer, "I'll let you use my patent—I'll give you the benefit and advantage of this invention—if you will buy the necessary dry ice from me and from no other." To that extent he was seeking to monopolize the dry-ice trade. The Clayton Act says he may not do so by express contract; this decision says he may not do so by implication.

The charge was a charge of contributory infringement, but no question of contributory infringement was decided. The court was concerned with the legality of the whole transaction; and it remains possible to assert that, had the transaction as a whole been found to be illegal, the defendant would have been found to be

accessory in illegality. The transaction as a whole, however, was found to be legal. How, then, could defendant be a contributory wrong-doer?

It is the character of the monopoly which the patent owner is maintaining—it is the sources of his profits—which in its opinion in the *Dry Ice* case the court is holding under scrutiny. Are the profits derived from the invention itself? Well and good. Are they derived from an accessory commodity, commerce in which is of common right? Does the patent owner use his patent to control trade in such a commodity? Such use of a patent is intolerable. The court reveals its mind very clearly in distinguishing, without dissent, the case of the Phonograph Records, *Leeds & Catlin v. Victor Talking Machine Co.*, 213 U. S. 301. Of that case the court said (283 U. S. 34):

> "There was no suggestion that the Victor Company, which itself manufactured and sold the patented product, sought 'to derive its profits, not from the invention on which the law gives it a monopoly, but from the unpatented supplies with which it is used.' In the case at bar the plaintiffs neither sell nor license others to sell complete transportation packages. They supply merely one of several materials entering into the combination; and on that commodity they have not been granted a monopoly."

So far as concerns the disposition of cases which may in future arise, analogous to the *Dry Ice* case, the law stands thus: The owner of a patent may not extend his monopoly which is assumed to be lawful, by seeking to make it cover by indirection trade in a perishable commodity (with which his patented invention has to do) which in and of itself is of common right: which any one may lawfully make and sell. He may, of course, grant a license under his patent. Whether in and by his license contract he may lawfully require his licensee to purchase the commodity in question from him alone, and can in consequence prevent a third party from intentionally—

and therefore maliciously—inducing the licensee to breach the contract, is a question, not of patent law, but of the scope and effect of the Clayton Act; and that question apparently must be answered in the negative. *Lord v. Radio Corporation of America*, 24 Fed. (2nd) 565; 28 Fed. (2nd) 257; certiorari denied, 278 U. S. 648.

Indeed, the implications of the Dry Ice decision reach beyond the field of *perishable* commodities. It seems reasonably plain that the Supreme Court means this—no more, no less. The owner of a patent may not, by mere notice, prevent one whom otherwise he recognizes to be his licensee from purchasing in open market a commodity, itself of common right, which happens to be an element of the patented combination, and using in that combination the commodity so purchased.

Confirmation of this analysis is found in the second opinion in the case. In it Judge Brandeis summarizes the first opinion in these words: "The owner of a patent may not limit its use so as to require that unpatented materials employed in practicing the invention shall be purchased only from the licensor."