

## THE RIGHT TO USE A PATENTED ARTICLE.

### A Study of *Henry vs. A. B. Dick Co.*

(1912) 224 U. S. 1.

The decision of the Supreme Court of the United States in the case of *Henry vs. A. B. Dick Company* (1912) 224 U. S. 1, is one of the most remarkable ever announced by that Court. Issued on March 11, 1912, it instantly took rank as a decision of great importance. The concern of business men and the public generally was evinced in elaborate press reports of the opinions and editorial comments thereon. The case acquired a popular designation—"the mimeograph case." The decision has been much discussed in law periodicals; it instantly provoked an activity in Congress<sup>1</sup> which culminated in a section of the so-called Clayton Anti-trust Act designed to wipe out the rule announced by the majority.<sup>2</sup> The decision is still a matter of vast concern. The statute mentioned has yet to be construed and in no event can it regulate intra-state commerce in patented articles. Moreover, the novel premises and the elaborate reasoning of the Court will continue to have a subtle effect for many years in spite of any legislation that reasonably may be expected. Statutes cannot altogether encompass processes of reasoning. The opinion in this case is crammed with wide generalizations and pervaded with a notion of property rights that elude and defy the coarse rule of thumb of the legislature.

What is the nature and scope of property rights in patented articles? When does a breach of a contract pertaining to a patented

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<sup>1</sup>The Chief Justice in a vigorous dissenting opinion directly challenged Congress to change the law. One of the reasons stated for his dissent was "to serve to make it clear that if evils arise (i. e. from the decision of the Court) their continuance will not be caused by the interpretation now given to the statute, but will result from the inaction of the legislative department in failing to amend the statute so as to avoid such evils."

<sup>2</sup>Sec. 3. Clayton Anti-trust act

"That it shall be unlawful for any person engaged in commerce, in the course of such commerce, to lease or make a sale or contract for sale of goods, wares, merchandise, machinery, supplies or other commodities, whether patented or unpatented, for use, consumption or resale within the United States or any Territory thereof or the District of Columbia or any insular possession or other place under the jurisdiction of the United States, or fix a price charged therefor, or discount from, or rebate upon, such price, on the condition agreement or understanding that the lessee or purchaser thereof shall not use or deal in the goods, wares, merchandise, machinery, supplies or other commodities of a competitor or competitors of the lessor or seller, where the effect of such lease, sale or contract for sale or such condition, agreement or understanding, may be to substantially lessen competition or tend to create a monopoly in any line of commerce."

article amount to an infringement of the patent? Does the rule as to election of remedies obtain where a litigant has the right to sue for a breach of contract in a State Court and for infringement of a patent in a Federal Court? Where a dispute grows out of the use of a patented article in violation of a contract what factor determines whether jurisdiction of the litigation resides in the State Courts or Federal Courts? These are the great questions that are propounded and answered. These questions go to the root of our trade and our jurisprudence. The voluminous and conflicting answers of the majority and minority, evincing a tough struggle among the members of the Court, are worthy of the closest study. Before taking them up, a brief statement of the facts involved will be helpful.

#### CASE STATED.

The A. B. Dick Company, a corporation was engaged in the business of manufacturing and selling patented mimeographs. Office machines of the character are widely known and used. The Dick Company sold a specimen machine (whether directly or through middle-men does not appear) to a Miss Skou in New York City. Attached to the machine was an inscription or notice in these words:

#### “License Restriction.

This machine is sold by the A. B. Dick Co. with the license restriction that it may be used only with the stencil paper, ink and other supplies made by the A. B. Dick Company, Chicago, U. S. A.”

The defendant, with a knowledge of the “license restriction,” placarded on the specimen, sold to Miss Skou a quantity of ink for use on the machine and she so used the ink. Thereupon the A. B. Dick Company brought suit in the Federal Court against Henry, charging him with *contributory* infringement of its patents on the mimeograph. A majority of the Court<sup>3</sup> held that Henry was guilty of contributory infringement. The Court reached this conclusion by a course of reasoning about as follows: The rights in patented articles are such that the owner of the patent may completely sever ownership of the article from the right to use it. The article (i.e. title thereto) may pass to a purchaser with no right of use or with only a right to use in a specified way; the use not permitted is necessarily reserved to the patentee. If that

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<sup>3</sup>Justices Lurton, Holmes, McKenna and Van Devanter. Dissenting the Chief Justice, Justices Hughes and Lamar.

reserved control of use be violated, the patent is thereby invaded. Here, while the property in the mimeograph passed to Miss Skou the right to use the *invention* was restricted to use with ink supplied by A. B. Dick Company. Hence, when Miss Skou used the machine with Henry's ink she thereby became a *principal* infringer and Henry a *contributory* infringer. When this situation was brought about the A. B. Dick Company had the right to pursue alternative remedies. It had the right to sue in a State Court for breach of contract or for specific performance of contract, or it might waive the breach of contract and sue in the Federal Court in tort for infringement of its patent. The choice of remedies determines jurisdiction. Here the patent owner waived the breach of contract and elected to pursue its remedy for infringement of which action the Federal Court has exclusive jurisdiction. This is the scheme of the Court's reasoning. We will proceed to study the various steps in detail each time letting the Court speak for itself.

#### *Nature of Property Rights in Patented Articles.*

Obviously the fundamental proposition, the main thesis, of the Court's reasoning is the assertion as to the nature and scope of the property rights in patented articles. All other assertions in the opinion are corollaries, deducible from this main theme. The Court is full and explicit on this feature as on the others. We have this: pp. 24-5,

"The property right to a patented machine may pass to a purchaser with no right of use, or with only the right to use in a specified way, or at a specified place, or for a specified purpose. The unlimited right of exclusive use which is possessed by and guaranteed to the patentee will be granted if the sale be unconditional. But if the right of use be confined by specific restriction, *the use not permitted is necessarily reserved to the patentee.* (the italics are mine). If that reserved control of use of the machine be violated, the patent is thereby invaded. This right *to sever ownership and use is deducible from the nature of a patent monopoly* and is recognized in the cases." (Again, the italics are mine.)

These propositions are declared by the Court to be a part of the supreme law of the land. It is important to reach a thorough understanding of them if that be possible. Just how to study to that end is puzzling. A member of the Court has counseled us to

learn "how to make the facts live."<sup>4</sup> It may be worth while to attempt to make the "facts" asserted in the above proposition "live" and make them "live" in connection with the "facts" reported in this case.

We begin with the initial statement quoted: "The property right to a patented machine may pass to a purchaser with no right of use." Let us apply that to the "facts" of *Henry vs. Dick Co.* in a way to make those "facts live." The mimeograph is a machine; it is a physical, dimensional thing with length, breadth, thickness and weight. To use it one must grasp it with one's hands, apply ink on the type, feed paper to the rollers and turn the rollers with a crank. Let us suppose now that the A. B. Dick Company has selected a specimen which we will particularly indentify as "Serial Number 1,001." We are dealing by supposition with that individual specimen, and that only. The A. B. Dick Company sells that single specimen known as "Serial No. 1,001" to X. Attached to the specimen is a placard reading as follows:

"License Restriction.

"This machine is sold by the A. B. Dick Company with the license restrictions *that it shall not be used in any manner.*" It is said that extreme cases test the law; they also test one's reasoning. Here we certainly have an extreme case, propounded by the declarers of the law. X. "owns" this specimen No. 1,001, that is to say he has possession and the exclusive right to possession, of the physical object. Without accounting to any one else he can burn it up, cast it into the sea or seal it in an iron vault to his latest posterity. In so doing he would not invade any right of A. B. Dick Company. But X. cannot "use" the specimen in any manner without violating the restriction. Where then, is the right to "use" this specimen? The Court tells us very positively that "the use not permitted is necessarily reserved to the patentee." Therefore, the A. B. Dick Company still has the exclusive right to "use" this specimen, Serial No. 1,001. The rights of ownership and use are "severed" in this manner,

Specimen No. 1,001 { exclusive right to use in A. B. Dick Company,  
 { exclusive possession and ownership in X.

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<sup>4</sup>Mr. Justice Holmes in 20 American L. Review, 919: "The main part of intellectual education is not the acquisition of facts but learning how to make the facts live. Culture, in the sense of fruitless knowledge, I, for one, abhor. The mark of a master is that facts, which before lay scattered in an inorganic mass, when he shoots through them the magnetic current of his thought, leap into an organic order and live and bear fruit."

Now, if X. "uses" the specimen in any manner with any ink whatever, "the patent is thereby invaded," and this is so because the "use not permitted is necessarily reserved" to the A. B. Dick Company.

Here the trouble begins. How can A. B. Dick Company possibly exercise its "reserved" right of use in specimen No. 1,001? X. owns the specimen, he has possession, more, exclusive possession, more still, the right to exclusive possession. All these rights were conferred upon him by the A. B. Dick Company and they are rights of property protected in him against A. B. Dick Company and all other persons by the supreme law of the land. To exercise its "right of use" in that specimen some agent of the A. B. Dick Company must lay his hands on that specimen, spread ink over it, adjust paper to the mechanism and turn the crank. Such agent cannot so much as touch the specimen without thereby invading the rights of possession and ownership in X. So that matters are dead-locked. X. possesses and owns the specimen but has no right to use it; the A. B. Dick Company has an "exclusive right to use" it but has completely parted with possession and ownership. The important thing, however, is this, X.'s right of possession and ownership with no right of use is conceivable, realizable. We can make the "facts" of that right "live." We can see X. holding and possessing Specimen No. 1,001 throughout the long term of the patent without using it once. But A. B. Dick Company by no possibility can so much as use the machine once without invading X.'s right of possession and ownership. For while one can own and possess a mimeograph without using it, one cannot use it without possessing it. Whether the mimeograph be patented or unpatented, to take a single specimen and vest the exclusive right to use in one person and the exclusive possession in an entirely different person is manifestly impossible. The two rights cannot adversely co-exist; their exercise simultaneously is an impossibility.

This will be still clearer if we change the facts about. Suppose A. B. Dick Company should grant the exclusive right to use Specimen No. 1,001<sup>5</sup> to X. but reserve to itself the ownership and

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<sup>5</sup>Throughout the discussion, it is imperative to keep in mind that the case has to do only with the rights of the parties in a single definitely identified specimen. The Court appears to use the terms "the patented invention," "the patented machine" and "the machine sold" as equivalent interchangeable expressions. However, the first two expressions are superlatively ambiguous. They may refer to all specimens collectively or only to the specimen involved. The unexpected conclusion that is deduced from this substitution of entirely

exclusive possession of that specimen. What would X. have? He could not "use" the specimen for the all sufficient reason that he could not so much as touch it without invading the rights "necessarily reserved to the patentee." What would A. B. Dick Company have? It would have the physical possession of the machine but could not use it in any manner without invading the exclusive right of use granted to X. The exclusive right to use split apart from and vested adversely to the rights of possession and ownership is mythical, it does not and cannot exist. The main proposition in the Court's opinion contains a *reductio ad impossibile*. Patent law or no patent law, the same physical object cannot be in the

different meanings of similar terms is forcibly illustrated in the printed brief filed on behalf of the A. B. Dick Co. We have this p. 11:

"It (the A. B. Dick Company) has reserved to itself, for its own exclusive enjoyment, should it see fit, the right to use the patented invention *in any manner whatsoever*, as, for example, with supplies not of its own production. Out of its broad right to the exclusive use of the patented machine, the complainant has carved a limited right to use it in a particular manner, i.e. with supplies of its own manufacture. Also, it is this limited right, and this only, with which the complainant parts in its grant of the license (Certificate p. 1) to use the machine 'only with the stencil, paper, ink and other supplies made by A. B. Dick Company.'"

"Manifestly, after conveying such a limited right, the complainant is still vested under its patent monopoly, with all the rights not so conveyed. These are the exclusive right to *make* the patented machine, the exclusive right to *sell* that machine, and finally, the exclusive right to *use* that machine with supplies not of its own production. \* \* \* The use, by another, of the patented machine with supplies not made by the Dick Company would infringe the complainant's exclusive right to do that thing (with which right the complainant never parted) just as much as the manufacture of the patented machine by another would infringe the complainant's exclusive right to make." (The italics are in the text.)

In the beginning of the passage quoted learned counsel uses the term "patented invention" and later substitutes "that machine." The fallacy of using an abstract, generic term in the premises of an argument and substituting a concrete, specific term in the conclusion is at least as old as Plato's dialogues. If throughout the passage quoted, we substitute appropriate words to designate a single specimen mimeograph the argument means this: The A. B. Dick Company can sell or ("license") the same single, identical specimen to A. to be used exclusively with red ink, to B. to be used with black ink, to C. to be used with blue ink and reserve to itself the exclusive right to use the same specimen with purple ink. Then four persons each have a right to the exclusive possession and exclusive use of a single specific thing at every moment of the time. Why not sell four theatre tickets for each seat at one and the same performance? The owner of the theatre has an exclusive right to occupy every seat in "any manner whatsoever." His right in selling the use of seats is just as absolute as the rights of the patent owner in a specimen mimeograph. Out of his broad right to the exclusive use of a given seat at a given performance, why cannot he carve a limited right to A. to use the seat with full dress clothing, carve out another limited right to B. to use the same seat at the same performance with informal dress, still another limited right to C. to use the seat with homespun, reserving to himself the exclusive right to use the same seat with knickerbockers or a golf suit? The physical inconvenience of four men occupying the same seat at the same moment of time would not be greater than use of the same mimeograph at the same moment of time by a woman in New York and a corporation in Chicago.

exclusive possession of two distinct persons at the same moment of time. I do not stop now to inquire how the contradiction is to be resolved.

The next and narrower proposition advanced by the Court and applied in the case is this:

“If the right of use be confined by specific restriction the use not permitted is necessarily reserved to the patentee. If that reserved control of use of the machine be violated, the patent is thereby violated.” Clearly this is an abstract of the facts in issue before the Court. Again, let us seek to make the “facts live.” The A. B. Dick Company then “sold” our Specimen No. 1,001 to Miss Skou with the license restriction that it may be used only with ink, etc., made by A. B. Dick Company. In other words A. B. Dick Company has “reserved” to itself the exclusive right to use this same Specimen No. 1,001 with ink, etc., made by all persons other than itself, viz., made by John Smith, Henry Brown, etc. Here, then, the right of use and ownership in this specimen may be stated thus,

Specimen No. 1,001	}	right of ownership and possession in Miss Skou, right to use with Dick Company’s ink exclusively in Miss Skou, right to use with Smith’s ink exclusively in A. B. Dick Company.
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Again we are confronted with the same impossibility. Miss Skou has the right of ownership and possession. Moreover, she has the *exclusive* right to use the specimen with ink made by A. B. Dick Company. Acting within the very letter of the rights conferred on her by the “sale,” a term of which is the restriction, she could buy a large quantity of ink made by Dick, hire a relay of boys and use the specimen morning, noon and night, during every moment of time. Likewise she could destroy the specimen, or lock it up in her house and permit no one even to see it until the patent had expired and the wretched specimen had mouldered into dust. How could A. B. Dick Company use *that* specimen with ink made by John Smith? Obviously this second proposition contains the same *reductio ad impossibile* as the first, but here the impossibility is more palpable. Here the Court predicates an *exclusive right* to use the same, single chattel at the same moment of time in two separate and distinct persons. It predicates an exclusive right in Miss Skou to use the specimen with ink made by A. B. Dick Company; and it predicates a like exclusive right in A. B. Dick Co. to use the same specimen with ink made by all others. For A. B. Dick Co. to use that speci-

men at any time with any ink it must invade Miss Skou's exclusive right of possession and her exclusive right to use the specimen with ink made by A. B. Dick Co. What then becomes of A. B. Dick Company's "reserved right" to use that specimen with ink made by John Smith? How can the "facts" of that right be made to "live"? Is it not a "right" that exists only *in vacuo*?

For what is a "right"? It has been defined with great clearness by high authority.

"A legal right is nothing but a permission to exercise certain natural powers and upon certain conditions to obtain protection, restitution or compensation by the aid of the public force. *Just so far as the aid of the public force is given to a man he has a legal right, and this right is the same whether his claim is founded in righteousness or iniquity,*"<sup>6</sup> (the italics are mine.) This is a searching definition. It asserts that back of words and phrases the grim reality of the law is in a club or a musket; and these esteem neither righteousness nor iniquity.

In the situation last stated the "aid of the public force" would be given to Miss Skou in so far as to protect her possession, right to possession, ownership and *use* of specimen 1,001 *with ink made by A. B. Dick Company*. She was in New York State. The public force of that great commonwealth, its judges, its executive and if need be, its militia, were pledged to protect her possession, ownership and use of the specimen mimeograph with ink of A. B. Dick Company. Just how far now is the aid of the public force given to A. B. Dick Company? Supposing Miss Skou to be acting within the restriction, the public force is pledged to protect her possession and to resist every attempt of A. B. Dick Co. to gain even momentary possession for itself. If the public force should attempt to protect two different persons in the exclusive right to use the same specimen mimeograph at the same instant of time, it would find itself divided against itself. A public force, like a house in that condition, cannot stand.

Here, then, we have a further limitation imposed by the "living facts." The right to use a single physical thing cannot be split apart and vested in different persons *except under the category of time*. A. may have the right to use a given fountain pen with *red ink* in the morning and B. the right to use the same pen with *black ink* in the afternoon. But "in the essential nature of things"<sup>7</sup>

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<sup>6</sup>Holmes: *The Common Law*, 214.

<sup>7</sup>*Adams vs. Burke* (1873) 17 Wall 453.

it is impossible for A. and B. to use the same pen at the same moment of time with any ink, any court or statute to the contrary notwithstanding. So it is not permissible to say that A. has granted to B. the right to use the pen with black ink and "reserved to himself" the right to use the same pen with red ink. It is not permissible, for to do so is to fling an impotent challenge to the unalterable constitution of time, space and matter. What is true of the pen is true of the mimeograph. The A. B. Dick Company's "reserved right" to use the specimen sold to Miss Skou with ink made by some one other than itself is a myth. It does not exist. No one can conceive of the exercise of such "right" consistently with the right of ownership and use recognized in Miss Skou. So long as she availed of ink made by A. B. Dick Company her right of use was exclusive. Two exclusive rights to use the same mimeograph, pen, or horse vested in separate persons and exercised simultaneously is as inconceivable as two centers to the same circle. "There cannot be two possessions properly so-called at the same time" *Duffy vs. Charak*, (1915) 236 U. S. at 99.

No matter what be "the nature of a patent monopoly" such a severation of "ownership and use" is not "deducible." The thing "deduced" is an impossibility. "What is beyond possibility cannot exist" (Peloubet: Legal Maxims No. 2493).

Entirely aside from this unconquerable stubbornness of the world of facts the immemorial principles of the law cannot be accommodated to the propositions announced by the Court. To say that the property right to a machine (whether patented or unpatented) may pass to a purchaser with no right of use, or with only a limited right of use is to obliterate every notion of property recognized by the law. The word "property" is an unmeaning ellipsis.<sup>8</sup> The right of property in a physical thing, viz., land, a horse or a book and the right to use that thing and to dispose of it to others for use by them have been recognized from the beginning as one and the same thing. The right of use *is* the right of property.<sup>9</sup> The right to use, the right to exclude others, and the

<sup>8</sup>Digby: History of Real Property (5th Ed.) 302.

"The word 'property' is used in so many senses as to be nearly useless for juristic purposes."

<sup>9</sup>Austin's Jurisprudence Lecture 47.

"Taken with its strict sense it (i.e. the word 'property' or 'Dominion') denotes a right—indefinite in point of user—unrestricted in point of disposition—and unlimited in point of duration—over a determinate thing." Rutherford's Institutes Bk. 1. Chap. IV.

right of disposition completely exhaust the possibilities of legal proprietorship in every species of property. Of chattels there can be no use without excluding others (i.e. possession) and if the owner disposes of them temporarily and contingently (bailment or license) or finally and absolutely (sale) the right of use is *the* thing of value that is disposed of. The Court says the right to use the patented appliance may be and often is of greater value than the materials composing it. "This is one of those general truths which become untrue by being inaccurately expressed" (194 U. S. at 160). The assertion is an incomplete expression of a truism, for it is universally true that the right to use (tangible) property is more valuable than the materials composing the property. Surely the right to use

"Full property in a thing is a perpetual right to use it to any purpose, and to dispose of it at pleasure.

"Property in the strict notion of it, is such a right to a thing as excludes all persons except the proprietor, from all manner of claim upon it."

1. Blackstone Com. 138.

"The third absolute right, inherent in every Englishman, is that of property; which consists in the free use, enjoyment and disposal of all of his acquisitions, without any control or diminution, save only by the laws of the land."

1. Lewis Eminent Domain (3rd Ed.) Sec. 63.

"A little reflection will suffice to convince any one that property is not the corporeal thing of which it is predicated, but certain rights in or over the thing. \* \* \* These are the rights of user, the rights of exclusion and the right of disposition."

Green vs. Biddle (1823) 8 Wheat at 76.

Mr. Justice Washington: "A devise of the profits of land or even a grant of them will pass a right to the land itself. 'For what' says Lord Coke 'is the land, but the profits thereof.'"

Wynehamer vs. People (1856) 13 N. Y. at 433.

Comstock, J. "Property is the right of any person to possess, use, enjoy and dispose of a thing. The term although frequently applied to the thing itself, in strictness means only the rights of the owner in relation to it." 1c. 396. "Nor can I find any definition of property which does not include the power of disposition and sale, as well as the private use and enjoyment."

Tod vs. Wick Brothers & Co. (1881) 36 Oh. St. at 385.

"In a strict legal sense, whether the term is applied to things animate or inanimate, property consists in the right to their use, enjoyment and disposition."

St. L. J. & S. R. Co. vs. Kirby (1882) 104. Ill. at 349.

"The value of land consists in its fitness for use, present or future, and before it can be taken for public use, the owner must have just compensation. If he has adopted a peculiar mode of using that land, by which he derives profit and he is deprived of that use, justice requires that he be compensated for the loss. That loss is the loss to himself."

C. & W. I. R. R. Co. vs. E. C. Ry. Co. (1886) 115 Ill. at 385.

"To say that the use of the subject of property may be limited or partially destroyed in the manner proposed, without affecting the right of the property itself, is in plain terms, a legal absurdity, for property itself, in a legal sense, is nothing more than the exclusive right of 'possessing, enjoying and disposing of a thing,' which, of course, includes the use of a thing."

Jones vs. Vanzandt (1849) 4 McLean at 603.

"Property is the exclusive right of possessing, enjoying and disposing of a thing which is in itself valuable. It is ownership."

a horse is more valuable than the materials composing the horse. The right to use a house is more valuable than the materials composing the house. This truth is demonstrated by every cyclone. If one runs through the entire list of tangible objects of property rights one will not find an exception to the profound remarks of Aston J. in *Millar vs. Taylor* (1774, 4 Burr at 2338): "For to have the property of anything and to have the sole right of using and disposing of it are the same thing; they are equipollent expressions. Property without the use is an empty sound."

That the right of use *is* the right of property is emphatically true of chattels protected by a patent. This glints out from every phase of the patent law. An article must be useful or it is not patentable. "A patentable invention is a mental result. It must be new and shown to be of practical utility" (*Smith vs. Nichols* 1875, 21 Wall 112). The wrong of infringement is measured by the value of the right of use. Where the defendant from the use of the patented device has derived no advantage over other available methods in common use the patent owner is only entitled to nominal damages. (*Black vs. Thorne*, 1884, 111 U. S. 122.) Where the entire commercial value of the whole device depends upon the patented part the infringer is liable for all profits on the device taken as a whole. (*Garretson vs. Clark*, 1884, 111 U. S. 120.) Infringing articles are valueless for the reason that as to them there is no right of use in any one. The owner of the patent cannot use

*Grand Rapids Booming Co. vs. Jarvis* (1874) 30 Mich at 320-21.

Christiancy, J. "Among the incidents of property in land or in anything else, is not the right to enjoy its beneficial use and so far to control it as to exclude others from that use, the most beneficial, the one most real and practicable idea of property, of which it is a much greater wrong to deprive a man, than of a mere abstract idea of property without incidents? This use or the right to control it with reference to its use, constitutes in fact, all that is beneficial in ownership, except the right to dispose of it; and this latter right or incident would be rendered barren and worthless, stripped of the right to use."

*St. Louis vs. Hill* (1893) 116 Mo. at 533.

"Property in a determinate object is composed of certain constituent elements, to-wit: The unrestricted right of use, enjoyment and disposal of that object."

*Low vs. Rees Printing Co.* (1894) 41 Neb. at 146.

"Property, in its broader sense, is not the physical thing which may be the subject of ownership, but is the right of dominion, possession and power of disposition which may be acquired over it."

*Eaton vs. R. R. Co.* (1872) 51 N. H. at 511.

"Use is the real side of property."

In the income tax cases, *Pollock vs. Farmers L. & T. Co.* (1894) 157 U. S. at 591 Mr. Justice Fields said: "Hamilton, speaking on the subject, asks: 'What, in fact is property but a fiction, without the beneficial use of it?' And adds: 'In many cases, indeed the *income or annuity* is the property itself.' "

them, for the right of possession is in the infringer. The latter cannot use them for the right of use is as to him interdicted by the patent statute (see *Belknap vs. Schild*, 1895, 161, U. S. at 24).

Under the patent law the right of use and the right of property in a patent protected chattel are completely fused and identified. One can not be taken and the other left. They are as inseverable as the concave and the convex of a circle. In *Bloomer vs. McQuewan* (1851, 14 How at 553) speaking of the Woodworth patented planing machines, Chief Justice Taney said, "Their only value consists in their use." In dealing with the patented coffin plate involved in *Adams vs. Burke* (1873, 17 Wall, 453) Mr. Justice Miller, as was his wont, "touched both ends and filled the middle" (Pascal) when he said, "In the essential nature of things, when the patentee, or the person having his rights sells a machine or instrument *whose sole value is in its use*, he receives the consideration for its use and he parts with the right to restrict that use." (Italics are mine.)

When the owner of a patent sells a specimen patented article he sells the right to use that article or the transaction is a legal hocus pocus by which nothing passes. To say that the vendor can transfer the right of property but reserve the right of use is to say that he can transfer and reserve the same identical value in the one transaction. Language must be emptied of its meaning and "the essential nature of things" must be completely subverted to make room for such a contradiction.

*Breach of a License Restriction as Infringement of a Patent.*

Next in order we come to the Court's assertion that a breach of the "license restriction" here was at the same time infringement of the patent. It will be seen that unforeseen consequences are bargained for in that proposition.

p. 14. "That the license agreement constitutes a contract not to use the machine in a prohibited manner is plain."

p. 17. "Although the complainant might have sued upon the broken contract or brought a bill to declare a forfeiture of the licensee's rights for breach of the implied covenant to operate it only in connection with materials supplied by it, it has elected to sue for infringement."

p. 31. "It must also follow that if the stipulation (i.e. in the license restriction) be one which qualified the right of use in a machine sold subject thereto, *so that a breach would give rise to a right of action upon the contract, it would be at the same time an act of infringement giving to the patentee his choice of remedies.*" (The italics are mine.) Here we have an interesting light on the "nature of a patent monop-

oly." When Miss Skou violated the "license restriction" forbidding her to use the specimen mimeograph that she had bought she infringed the patent of A. B. Dick Company. This line of reasoning calls for closer study than the previous quotations.

In short, we are told that the breach of contract (under the circumstances) was "at the same time an act of infringement." How can the breach of a contract *per se* ever be an infringement of a patent? In the decisions of the Supreme Court the notion was never previously suggested. The proposition entails amazing implications. The patent right is created by the patent statute and apart from that statute has no existence whatever. It is a right absolute in the patentee, correlated with an absolute duty on all other persons including the government, for a period of seventeen years. The duty created by statute is indeterminate, without mutuality, or consideration, as that term is used in law of contracts, and imposed on all persons other than the patent owner, without reference to their knowledge or assent.

On the other hand a right resting in contract is created by the consent of the minds of the contracting parties. "Each party comes under an obligation to the other, and each reciprocally acquires a right to whatever is promised by the other" (4 Wheat. at 656). There must be a consideration and a mutuality of obligation. The mutual rights and duties are determinate and personal to the contractors. There is not a single point of likeness between a statutory right such as a patent and a right secured by a contract. "A statute liability wants all the elements of a contract, consideration, mutuality as well as assent of the party" (*Morley vs. Lake Shore Ry. Co.* 1892, 146 U. S. at 169).

Infringement is a violation of the *statutory* duty imposed and an invasion of the *statutory* right created by the patent statute. Breach of contract is a violation of a *contractual* duty and the invasion of a *contractual* right. The duty violated and the right invaded are created by *contract* and not otherwise.

Now, in order for the same act by the same person to be both a breach of contract and an infringement of a patent, the person committing the act must be under both a *contractual* duty imposed by the contract and a *statutory* duty imposed by the patent statute, not to commit that act. Likewise the complaining party must be secured in the right invaded both by a *contract* and the *patent statute*. This concession is inevitable. It is a mere truism to assert that there can be no right without its correlative duty. The Court says the breach of contract here was infringement of the patent.

Stated in terms of rights and duties that means this: Miss Skou's use of Henry's ink was a breach of a *contractual* duty and at the same time a breach of a *statutory* duty, owing to A. B. Dick Company. Abstractedly stated, the same act was the breach of a *contractual* duty and the invasion of a contractual right, and also the breach of a *statutory* duty and the invasion of a statutory right. Again the "facts" implicated cannot be made to live; the statement contains a *reductio ad impossibile*.

There is no more battered legal commonplace than that where a man is under a duty imposed by a statute to do or to refrain from doing a given act, a contract duty taken upon himself to do or to refrain from doing that act is void.<sup>10</sup> The promisor is already bound absolutely in his duty by statute. The contract cannot create any additional right in the other party or impose any additional duty on him. X. is under a statutory duty to pay taxes. How would it be possible for the collector to place him under a contractual duty to pay taxes? I am under a statutory duty to refrain from killing my neighbor. How would it be possible for me to take on myself a *contractual* duty to refrain from killing him? The patent statutes impose on every one, including the government, the absolute duty not to infringe the patent, viz., to refrain from making, using or selling specimens of the thing patented without the patent owner's consent. Before the sale by A. B. Dick Company Miss Skou was under an absolute duty imposed by the patent law not to use the mimeograph anywhere, in any manner, with any ink whatsoever. The right in A. B. Dick Company and the duty imposed on Miss Skou were created by the statute and certainly could not be added to by a contract. It is obvious that if A. B. Dick Company had executed and delivered to Miss Skou a promissory note in exchange for her promise not to use the mimeograph the note would have been void. She would suffer no detriment and A. B. Dick Company would gain no benefit either by the promise or the performance of what was promised. So long as the statutory right and duty exist there is no room for the contractual right and duty. The latter cannot be superimposed upon the former for the reason that the promise to perform or the actual performance of the statutory duty is no consideration for the surrender of any right by the promisee.

Therefore, it may be asserted with confidence that Miss Skou

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<sup>10</sup>1 Parsons on Contracts (9th Ed. 1904) 475 note.

1 Elliott on Contracts Sec. 215 note.

Harriman on Contracts (2nd Ed.) Sec. 106 Et. Seq.

Clark on Contracts (3rd Ed.) Secs. 74-76.

in using ink made by Henry, did not violate the statutory duty imposed on her and all others by the patent statute *and* at the same time a *contractual* duty imposed upon her by a contract with A. B. Dick Company. The co-existence of the two duties on her or of the two correlative rights in the A. B. Dick Company is unthinkable. The existence of the one duty is the mark of the non-existence of the other. While she may have violated one she could not have violated both at the same time. There is no middle ground.

What then, was the origin and sanction of Miss Skou's duty not to use ink made by Henry and of the correlative right in A. B. Dick Company to have her refrain from using ink made by another than itself? Fortunately the Court leaves no room for doubt on this point. In setting out the circumstances under which a violation of the terms of the restriction is at the same time infringement of the patent, the Court said:

p. 26. "The purchaser *must have notice* that he buys with only a qualified right of use. He has a right to assume *in the absence of knowledge* (i.e. of the restriction) that the seller passes an unconditional title to the machine, with no limitations upon the use." (The italics are mine.)

Earlier in the opinion it was said p. 12, "It is not denied that she accepted the machine *with notice of the conditions* under which the patentee consented to its use." (Italics are mine.)

Now why is notice or knowledge of the restriction necessary? Notice or knowledge of the restriction at the time of the purchase is necessary to make a violation of the restriction an infringement. If a John Chinaman unable to read the English language had observed this mimeograph in a show window and purchased it he could have used it with any and every obtainable ink without infringing the patent. Yet the patentee's patent right is absolutely and entirely created and fixed by the patent statute; it is not in the slightest degree contingent upon the knowledge or ignorance of any would-be infringer. The strange thing is that knowledge or notice of the restriction on the part of the purchaser creates a right in the patentee and imposes a duty on the purchaser *that otherwise would not exist*. Of course, the knowledge or notice does not and cannot add to or take from the patent statute or the patent right. Knowledge or notice serves to implicate a consent, an agreement on the part of the purchaser to refrain from using ink made by another than A. B. Dick Company. This shows very clearly that the duty to refrain from using Henry's ink was a *contractual*

duty imposed by the contract implied from a knowledge or notice of the restriction and an implied assent thereto.

After the sale the A. B. Dick Company was invested with a contractual right to have Miss Skou refrain from using ink made by any one other than itself and she in turn was under a reciprocal *contractual* duty so to refrain. Without this knowledge or notice according to the explicit language of the Court the right and duty would not have come into existence.

The notice or knowledge of the restriction is necessary to the creation and existence of the *contractual* duty and right. It has no relevancy whatever to the creation and scope of the *statutory* patent right and the reciprocal statutory duty.<sup>11</sup> Before the sale took place there was no contractual right and duty between A. B. Dick Company and the purchaser.

The A. B. Dick Company in virtue of its patent had a statutory right to exclude every one from making, using and selling the mimeographs without its consent. This entirely negative right to exclude others is the beginning and the end of the patent franchise. Any one who adds to or takes from that precise and definite notion delivers himself to obscurity, confusion and contradiction.<sup>12</sup> When

<sup>11</sup>Hogg vs. Emerson (1850) 11 How. at 607-8.

Brake Co. vs. Mfg. Co. (1884) 19 Fed. 514.

Royer vs. Coupe (1886) 29 Fed. 358.

Bate Refrigerating Co. vs. Gillett (1887) 31 Fed. at 816.

<sup>12</sup>Bloomer vs. McQuewan (1852) 14 How. 539. Chief Justice Taney: "The franchise which the patent grants consists altogether in the right to exclude every one from making, using or vending the thing patented without the permission of the patentee. This is all he obtains by the patent."

Patterson vs. Kentucky (1878) 97 U. S. 501. Mr. Justice Harlan: "The sole operation of the statute (viz. patent law) is to enable him to prevent others from using the product of his own labor except with his consent. But his own right of using is not enlarged or affected."

The authorities are collated in the writer's *Restraints of Trade in Patented Articles*, pp. 10-13.

During the course of its reasoning the Court referred to the proposition, many times repeated in prior decisions, that the patentee's rights to exclude others from making, using and vending are several and apportionable. L. c. 46. "Thus, there are several substantive rights, and each is the subject of subdivision, so that one person may be permitted to make, but neither to sell nor use, the patented thing. To another may be conveyed the right to sell, but within a limited area, or for a particular use, while to another the patentee may grant only the right to make and use, or to use only for specific purposes." Here, however, the *subject matter* of the various grants supposed is the abstract, incorporeal patent franchise. For example, A. has a patent on a typewriter. He grants a license to X. to make 1000 specimens in Massachusetts; he grants Y. a license to sell 1000 specimens in New York, and still another license to Z. to use 1000 specimens in Illinois. Now when X. makes the 1000 specimens in Massachusetts they are his property, just as are the shoes on his feet or the roof over his head. A. cannot license Y. to sell or Z. to use those 1000 that belong to X.

the A. B. Dick Company made our Specimen No. 1,001 it did not avail of or exercise its patent right. If there had been no patent law and no patent it could have made the same specimen. It is inconceivable that any person could have infringed its patent by making *that* specimen, No. 1,001. There cannot be two makings of a single specimen. Then A. B. Dick Company sold that specimen to Miss Skou. In so doing it did not avail of or exercise the patent right. It could have sold the specimen without the existence of a patent or the patent law. It is inconceivable that any one could have infringed its right to sell that specimen. It exercised to the fullest and exhausted the common law protected right to sell that specimen. According to the Court's statement Miss Skou got possession, and the right of property and ownership in that Specimen No. 1,001. Did A. B. Dick Company "consent" to her use of it? Necessarily, for we have seen that the right to use the specimen mimeograph and the property right in it are two terms for one and the same thing. The value of the mimeograph *as such* consisted entirely in its use. And "property without the use is an empty sound."

But the A. B. Dick Company did not content itself with parting with the title in exchange for the purchase money. It imposed a *contractual* duty on the purchaser that she would use a machine that belonged to her, only with ink made by the A. B. Dick Company. This contract created a *contractual* right and a reciprocal *contractual* duty that are not even remotely connected with the patent right. When Miss Skou used ink made by Henry she breached a con-

If Y. and Z. are to exercise the rights of selling and using it must be with reference to specimens other than those that X. has made and owns.

The rights to make, use and sell as protecting a given specimen cannot be apportioned and separately vested. True, if A. grants to X. the right to make one specimen in Massachusetts and stops there, no one can sell or use *that* specimen. This is not because A. has reserved to himself the right to use and sell the specimen; he cannot reserve something he never had. It is because A. has not cancelled or waived his right to exclude X. and all others from selling and using that specimen. But when A. makes a specimen and transfers it to X. either temporarily by way of lease or finally by way of a sale, X. during the period of his possession, has all the rights of use in that specimen that are exercisable by any one. There may be all kinds of limitations and restrictions; X. may be required to use the specimen only in Massachusetts, then only with purple ink and between the hours of 8 and 10 in the morning. These are but *contractual* restraints that X. has taken upon himself with reference to a possession and dominion from which he can exclude the world including the owner of the patent. These restraints do not point to a reservation in the patent owner. They are purely negative and have nothing to do with the patent franchise. They cannot be distinguished in character from a covenant by the grantee not to manufacture and sell intoxicating liquors on the premises purchased.

tractual duty and invaded a contractual right. This transformation of rights and duties stands out clearly if we abstract the relation of the parties before and after the sale thus:

I. Before the Sale.

<p>A. B. DICK CO.  <i>Patent Right:</i> To exclude every one from using specimen 1,001 without its consent.  <i>Patent Duty:</i> None.    <i>Contract Right:</i> None.  <i>Contract Duty:</i> None.</p>	<p>MISS SKOU  <i>Patent Right:</i> None.    <i>Patent Duty:</i> To refrain from using Specimen 1,001 without Dick Company's consent.  <i>Contract Right:</i> None.  <i>Contract Duty:</i> None.</p>
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II. After the Sale.

<p><i>Patent Right</i> (in No. 1,001): None.  <i>Patent Duty</i> (in No. 1,001): None.    <i>Contract Right:</i> To have purchaser use No. 1,001 only with Dick Co.'s ink.  <i>Contract Duty:</i> To warrant title and exclusive right to use with Dick Company's ink.</p>	<p><i>Patent Right:</i> None.  <i>Patent Duty</i> (as respects No. 1,001): None.    <i>Contract Right:</i> Exclusive possession and ownership in No. 1,001.    <i>Contract Duty:</i> To use No. 1,001 only with ink made by Dick Company.</p>
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When the Court declared the origin and sanction of the purchaser's duty to be contractual, it thereby denied the existence of a statutory duty to refrain from doing the same act. When it affirmed the existence of a breach of contract it thereby denied the violation of the patent statute.

*Election of Remedies for "Infringement" of a Patent.*

The Court's conclusions on the nature of the patent monopoly and breach of a so-called "license" as infringement entails remarkable results in matters of procedure.

We have this: p. 14. "That the patentee may waive the tort (i. e. infringement) and sue upon the broken contract or in assumpsit, is elementary." Here again, we have a doctrine that never before was propounded by the Supreme Court.

The rule as to the right of a litigant to waive a remedy sounding in tort and pursue one resting in contract has been the subject of a vast number of conflicting decisions that need not here be noticed. There are certain propositions concerning the rule that are indisputable. These will suffice. The rule as generally stated is that one may waive the tort and sue in assumpsit. The Court reverses this and says the complainant may waive the contract and sue in tort. There must be a tort, however, before the remedy therefor can be waived or pursued. "A right of action in contract cannot be created by waiving a tort" (186 U. S. at 409). Con-

versely a right of action in tort cannot be created by waiving a contract, for a tort is never implied.<sup>13</sup> I have attempted to show that there was no tort (i.e. infringement) in this case.

Again, the rule is that the complainant may waive an actual tort and sue on a fictitious contract implied by the law without the consent of the defendant. The Court changes this about and says the complainant may waive an express contract created by the consent of the parties and sue on a tort *that consists entirely in a breach of that express contract*. Waiving further consideration of the unreality of the tort, it is certain that previously the Court had stuck to the rule that where there is an express contract, unexecuted and still in force the complainant must sue on that.<sup>14</sup>

Further, no one will deny that historically the right of a litigant to waive a tort and sue in assumpsit was confined to common law actions. The contract implied was a duty imposed and sanctioned by the common law. The tort waived was a breach of a duty imposed by the common law. The remedy whether in assumpsit or tort was a common law remedy pursuable in the same forum. It certainly would have caused Baron Parke to stare and gasp with amazement if a lawyer had argued before him that under this rule a litigant could waive the breach of an express contract justiceable only in a court of common law jurisdiction and sue in equity in a court of another and limited jurisdiction, on a tort unknown to the common law, a tort created specially by a statute enacted by a sovereignty entirely distinct from the sovereignty back of common law duties. Yet that is precisely the situation developed by the Court in this case. Infringement of a patent is a tort unknown to the common law, created by the patent statute. The remedy for infringement likewise is created by that statute. Where a statute creates a new right and prescribes the remedy, that remedy is exclusive and has no alternative. This has been so many times ruled as to be axiomatic.<sup>15</sup>

Moreover, the rule supposes only one wrong and invests the wronged person with alternate remedies for one and the same cause of action. But the Court construes one and the same act to be two

<sup>13</sup>Andrews' Stephens on Pleading (2nd Ed.) 85.

<sup>14</sup>Fresh vs. Gilson (1842) 16 Peters 327.

Ingle vs. Jones (1864) 2 Wall 1.

Bibb vs. Allen (1892) 149 U. S. 481.

<sup>15</sup>Pollard vs. Bailey (1874) 20 Wall 527.

Fourth National Bank vs. Francklyn (1886) 120 U. S. 747.

Globe Newspaper Co. vs. Walker (1907) 210 U. S. 356.

U. S. ex rel. vs. McCord (1913) 233 U. S. at 162.

distinct wrongs, viz., infringement of a patent and breach of a contract. These are two distinct wrongs giving rise to two separate and distinct causes of action. The Federal Courts have exclusive jurisdiction of infringement and the right to recover as well as the measure of relief is absolutely fixed by a Federal Statute.

Waiving diversity of citizenship and a dispute involving \$3,000 in amount, the State courts have exclusive jurisdiction of suit for a breach of contract, and the amount of the recovery as well as the validity of the contract depends absolutely on state laws. So that pursuing one remedy on one cause of action to final judgment and even obtaining satisfaction would be no bar to a suit on the other cause of action. The Supreme Court has held that a judgment in a State Court in a suit on a license contract is not *res adjudicata* of an action for infringement in Federal Court between the same parties involving the same use of the same patented invention.<sup>16</sup> The State laws of contracts as applied to patented articles is "an empty sound" if the breach of such contract gives rise to an action for "infringement" in the Federal Courts.

There are many phases in the Court's opinion not touched on in this article. The Court throughout treats the purchaser and owner of the specimen mimeograph as a "licensee." This was never done in any previous decision of the Court. A license has hitherto been regarded as a permission to do something that without the permission could not lawfully be done. It cuts down the rights of the licensor and enlarges the rights of the licensee. The restriction here discussed did just the opposite; it cut down the rights of the so-called licensee and created new rights in the licensor. Aside from this to call the purchaser and owner of a chattel a "licensee" as to his right to use his own is at least a surprising use of familiar words.

#### CONCLUSION.

No attempt has been made in this writing to discuss the previous decisions of the Supreme Court on the question involved in *Henry vs. A. B. Dick Co.* Those decisions were arrayed and placed before the Court in argument and were by the Court ignored or explained away. Since the Court is the final arbiter of the scope and meaning of its decisions the last announcement must be accepted as the supreme law of the land, unless and until the Court reverses itself or Congress changes the law. But it is certain that

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<sup>16</sup>Oliver vs. Rumford Chemical Works (1883) 109 U. S. 75.

the decisions and the reasoning of the Court in this case will cause trouble for many years to come.

"It is one of the misfortunes of the law that ideas become encysted in phrases and thereafter for a long time cease to provoke further analysis." (225 U. S. at 391.) The patent statute in form declares that the patentee shall have the exclusive right to make, use and vend the thing patented. The lower Federal Courts early took this phrase to mean that the patent creates in the inventor-patentee the right to make, use, and sell the thing described in the patent. From this they reasoned that when the patentee makes a patented article and uses or sells it he exercises a right created by the patent statutes, and that the rights of the parties growing out of such a making, using and selling are regulated by the patent statute. From this it is only one step to conclude that the breach of a contract with reference to the sale of a patented article is infringement of the patent right.

The Supreme Court beginning with *Bloomer vs. McQuewan* in 1852 and running down to *Keeler vs. Folding Bed Company* (1895, 157 U. S. 659) stuck to the unvarying announcement that the patent confers on the patentee only the negative right to exclude others; that "no constitutional or statutory provision of the United States was or ever has been necessary to the right of any person to make an invention, discovery or machine or to use it when made or to sell it to some one else. Such right has always existed and would exist now, if all patent laws were repealed" (Mr. Justice Miller, 1883, 18 Fed. 62): that "contracts in relation to it (i.e. a patented article) are regulated by the laws of the State and are subject to State jurisdiction" (14 Howard at 550); that "in permitting others to use the patented thing the owner of the patent is not exercising any federal right, privilege or franchise. The right of the patent owner to permit or license the use of the invention is not the creature of the federal franchise or statute but of the common law" (Jackson J., 29 Fed. at 43).

But the lower Federal Courts beginning with *Brooks vs. Stolley* (1845) 3 McLean 523, held that the breach of a license contract was infringement of the patent. Though these early cases have been marked as wholly inconsistent with the decisions of the Supreme Court<sup>17</sup> in 1896, the Court of Appeals for the 6th Circuit in the so-

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<sup>17</sup>Hartell vs. Tilghman (1878) 99 U. S. at 555: "It may be conceded that the case of Brooks vs. Stolley is in some respects opposed to the authorities we have cited. But in them it stands alone and is not supported by the better reason."

called Button Fastener Case, 77 Fed. 288, reinvigorated the idea "encysted in phrases." This precedent was widely followed in other Circuits but found no expression in the Supreme Court until *Henry vs. A.B. Dick Co.* If the decision means that the breach of a contract with reference to the use of a patented article sold by the patentee, is infringement of a patent, then, the general law of contracts sanctioned by State laws can be completely subverted by the simple election of the complainant to sue for "infringement" in the Federal Courts.

We can be certain of one principle announced by the Court in *Bardeen vs. Northern Pac. R. R. Co.* (1893, 154 U. S. at 322); "It is more important that the Court should be right upon later and more elaborate consideration of the cases than consistent with previous declarations. Those doctrines only will eventually stand that bear the strictest examination and the test of experience." That is a part of "the essential nature of things."

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White vs. Lee (1880) 3 Fed at 223, Lowell J.

"In some few patent cases, beginning with *Brooks vs. Stolley*, it has been held that a patentee enjoyed the unusual privilege of treating a breach of covenant as if it of itself, worked a forfeiture. No doubt the parties may agree that such an effect shall follow; and this will account for some of the decisions. The others of this sort are overruled by *Hartell vs. Tilghman*, 99 U. S. 547."

M'Mullen vs. Bowers, 9th C.C.A. (1900, 102 Fed at 497).

"There are a few of the earlier cases, which contrary to the views we have expressed, held that any breach of condition by the licensee, even for the non-payment of royalties or license fees, forfeited his license and made him an infringer of the patent. \* \* \* The doctrines announced in the decisions referred to have never been followed by the supreme court of the United States."

Robinson on Patents Sec. 915. "If the license is granted on conditions, it affords no protection to the licensee unless the conditions are fulfilled, though late authorities declare that it must be rescinded by agreement or by a decree in equity before an action for infringement by acts done under color of the license can be maintained."