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Declined to Extend by [Miller v. Holzmann](#), D.D.C., June 23, 2008

63 S.Ct. 1265

Supreme Court of the United States.

DIRECT SALES CO., Inc.,

v.

UNITED STATES.

No. 593.

|

Argued April 12, 1943.

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Decided June 14, 1943.

Synopsis

On Writ of Certiorari to the United States Circuit Court of Appeals for the Fourth Circuit.

The Direct Sales Company, Inc., was convicted of conspiracy to violate the Harrison Anti-Narcotic Act, its motions for new trial and for arrest of judgment were denied, [44 F.Supp. 623](#), its conviction was affirmed, [131 F.2d 835](#), and it brings certiorari.

Affirmed.

West Headnotes (9)

[1] Conspiracy Agreement; buyer-seller rule

In prosecution for conspiracy to violate the Harrison Anti-Narcotic Act, seller's intent to further, promote, and co-operate in buyer's illegal use, is when given effect by overt act, the gist of the "conspiracy". [18 U.S.C.A. § 371](#); Harrison Anti-Narcotic Act, §§ 1, 2, 26 U.S.C.A. §§ 2553, 2554(a, g), 3220, [3221](#), 3224.

28 Cases that cite this headnote

[2] Conspiracy Agreement; buyer-seller rule

A seller's intent to further, promote, and co-operate in buyer's illegal use of narcotics is not identical with mere knowledge that buyer

purposes unlawful action, but cannot exist without such knowledge. [18 U.S.C.A. § 371](#); Harrison Anti-Narcotic Act, §§ 1, 2, 26 U.S.C.A. §§ 2553, 2554(a, g), 3220, [3221](#), 3224.

143 Cases that cite this headnote

[3] Conspiracy Controlled Substances

To establish seller's intent to further, promote, and co-operate in buyer's illegal use of narcotics, evidence of seller's knowledge that buyer purposed unlawful action must be clear and not equivocal. [18 U.S.C.A. § 371](#); Harrison Anti-Narcotic Act §§ 1, 2, 26 U.S.C.A. §§ 2553, 2554(a, g), 3220, [3221](#), 3224.

131 Cases that cite this headnote

[4] Criminal Law Application in criminal prosecutions

Charges of conspiracy are not to be made out by piling inference upon inference.

82 Cases that cite this headnote

[5] Conspiracy Persons Liable

A mail order house which, over long period, sold narcotics to physician in far greater quantities than he could have lawfully used, and which actively stimulated physician's purchases by soliciting quantity sales and giving discounts thereon although warned by narcotics bureau of illegal use of narcotics sold by it, was guilty of "conspiracy" to violate the Harrison Anti-Narcotic Act. [18 U.S.C.A. § 371](#); Harrison Anti-Narcotic Act, §§ 1, 2, 26 U.S.C.A. §§ 2553, 2554(a, g), 3220, [3221](#), 3224.

16 Cases that cite this headnote

[6] Conspiracy Object of Conspiracy, Means of Accomplishing, and Conduct in Furtherance

A party's stake in alleged conspiracy is relevant to question whether he participated therein, thought not essential.

40 Cases that cite this headnote

[7] **Conspiracy** 🔑 Controlled Substances

Conspiracy 🔑 Privilege or immunity; good faith

A seller of narcotics to physicians is not immune from prosecution for conspiracy to violate the Harrison Anti-Narcotic Act merely because seller receives the required order form for each sale. 18 U.S.C.A. § 371; Harrison Anti-Narcotic Act, §§ 1, 2, 26 U.S.C.A. §§ 2553, 2554(a, g), 3220, 📄 3221, 3224.

3 Cases that cite this headnote

[8] **Conspiracy** 🔑 Particular Substances

That all transactions between physician and mail order house from which he procured narcotics for illegal resales were carried on by mail did not bar conviction of mail order house for “conspiracy” to violate the Harrison Anti-Narcotic Act, notwithstanding that accused's overt acts consisted solely of sales which, but for their volume, frequency, and prolonged repetition, coupled with accused's unlawful intent to further physicians project, would have been wholly lawful. 18 U.S.C.A. § 371; Harrison Anti-Narcotic Act, §§ 1, 2, 26 U.S.C.A. §§ 2553, 2554(a, g), 3220, 📄 3221, 3224.

45 Cases that cite this headnote

[9] **Conspiracy** 🔑 Means of accomplishing conspiracy

A conspiracy can be committed by mail.

1 Cases that cite this headnote

Attorneys and Law Firms

****1266 *704** Mr. Wm. B. Mahoney, of Buffalo, N.Y., for petitioner.

Mr. Valentine Brookes, of Washington, D.C., for respondent.

Opinion

Mr. Justice RUTLEDGE delivered the opinion of the Court.

Petitioner, a corporation, was convicted of conspiracy to violate the Harrison Narcotic Act.¹ It challenges the sufficiency of the evidence to sustain the conviction. Because of asserted conflict with 📄 [United States v. Falcone](#), 311 U.S. 205, 61 S.Ct. 204, 85 L.Ed. 128, certiorari was granted.

Petitioner is a registered drug manufacturer and wholesaler.² It conducts a nationwide mail-order business from Buffalo, New York. The evidence relates chiefly to its transactions with one Dr. John V. Tate and his dealings with others. He was a registered physician, practicing in Calhoun Falls, South Carolina, a community of about 2000 persons. He dispensed illegally vast quantities of morphine sulphate purchased by mail from petitioner. The indictment charged petitioner, Dr. Tate, and three others, Black, Johnson and Foster, to and through whom Tate illegally distributed the drugs, with conspiring to violate ***705** Sections 1 and 2 of the Act,³ over a period extending from 1933 to 1940. Foster was granted a severance, Black and Johnson pleaded guilty, and petitioner and Dr. Tate were convicted. Direct Sales alone appealed. The Circuit Court of Appeals affirmed. 131 F.2d 835.

The parties here are at odds concerning the effect of the Falcone decision as applied to the facts proved in this case. The ****1267** salient facts are that Direct Sales sold morphine sulphate to Dr. Tate in such quantities, so frequently and over so long a period it must have known he could not dispense the amounts received in lawful practice and was therefore distributing the drug illegally. Not only so, but it actively stimulated Tate's purchases.

He was a small-town physician practicing in a rural section. All of his business with Direct Sales was done by mail. Through its catalogues petitioner first made ***706** contact with him prior to 1933. Originally he purchased a variety of pharmaceuticals. But gradually the character of his purchases narrowed, so that during the last two years of the period alleged for the conspiracy he ordered almost nothing but morphine sulphate. At all times during the period he purchased the major portion of his morphine sulphate from petitioner. The orders were made regularly on his official order forms. The testimony shows the average physician in the United States does not require more than 400 one-quarter grain tablets annually for legitimate use. Although Tate's initial purchases in 1933 were smaller, they gradually

increased until, from November, 1937, to January, 1940, they amounted to 79,000 one-half grain tablets. In the last six months of 1939, petitioner's shipments to him averaged 5,000 to 6,000 half-grain tablets a month, enough as the Government points out to enable him to give 400 average doses every day.

These quantity sales were in line with the general mail-order character of petitioner's business. By printed catalogues circulated about three times a month, it solicits orders from retail druggists and physicians located for the most part in small towns throughout the country. Of annual sales of from \$300,000 to \$350,000 in the period 1936 to 1940, about fifteen per cent by revenue and two-and-a-half per cent by volume were in narcotics. The mail-order plan enabled petitioner to sell at prices considerably lower than were charged by its larger competitors, who maintained sales forces and traveling representatives. By offering fifty per cent discounts on narcotics, it 'pushed' quantity sales. Instead of listing narcotics, like morphine sulphate, in quantities not exceeding 100 tablets, as did many competitors, Direct Sales for some time listed them in 500, 1000 and 5000 tablet units. By this policy it attracted customers, including a disproportionately *707 large group of physicians who had been convicted of violating the Harrison Act.

All this was not without warning, purpose or design. In 1936 the Bureau of Narcotics informed petitioner it was being used as a source of supply by convicted physicians.⁴ The same agent also warned that the average physician would order no more than 200 to 400 quarter-grain tablets annually⁵ and requested it to eliminate the listing of 5000 lots. It did so, but continued the 1000 and 500 lot listings at attractive discounts. It filled no more orders from Tate for more than 1000 tablets, but continued to supply him for that amount at half-grain strength. On one occasion in 1939 he ordered on one form 1000 half and 100 quarter grains. Petitioner sent him the 1000 and advised him to reorder the 100 on a separate order form. It attached to this letter a sticker printed in red suggesting anticipation of future needs and taking advantage of discounts offered. Three days later Tate ordered 1000 more tablets, which petitioner sent out. In 1940, at the Bureau's suggestion, Direct Sales eliminated its fifty and ten per cent discounts. But on doing so it translated its discount into its net price.

Tate distributed the drugs to and through addicts and purveyors, including Johnson, **1268 Black and Foster. Although he purchased from petitioner at less than two dollars, *708 he sold at prices ranging from four to eight

dollars per 100 half-grain tablets and purveyors from him charged addicts as much as \$25 per hundred.

On this evidence, the Government insists the case is in different posture from that presented in *United States v. Falcone*. It urges that the effort there was to connect the respondents with a conspiracy between the distillers on the basis of the aiding and abetting statute.⁶ The attempt failed because the Court held the evidence did not establish the respondents knew of the distillers' conspiracy. There was no attempt to link the supplier and the distiller in a conspiracy inter sese. But in this case that type of problem is presented. Direct Sales was tried, and its conviction has been sustained, according to the claim, on the theory it could be convicted only if it were found that it and Tate conspired together to subvert the order form provisions of the Harrison Act. As the brief puts the Government's view, 'Petitioner's guilt was not made to depend at all upon any guilt of Dr. Tate growing out of his relationship to defendants other than petitioner or upon whether these other defendants were linked with the Tate-Direct Sales conspiracy.'

On the other hand, petitioner asserts this case falls squarely within the facts and the ruling in the *Falcone* case. It insists there is no more to show conspiracy between itself and Tate than there was to show conspiracy between the respondent sellers and the purchasing distillers there. At most, it urges, there were only legal sales by itself to Dr. Tate, accompanied by knowledge he was distributing goods illegally. But this, it contends, cannot amount to conspiracy on its part with him, since in the *Falcone* case the respondents sold to the distillers, knowing they would use the goods in illegal distillation.

*709 Petitioner obviously misconstrues the effect of the *Falcone* decision in one respect. This is in regarding it as deciding that one who sells to another with knowledge that the buyer will use the article for an illegal purpose cannot, under any circumstances, be found guilty of conspiracy with the buyer to further his illegal end. The assumption seems to be that, under the ruling, so long as the seller does not know there is a conspiracy between the buyer and others, he cannot be guilty of conspiring with the buyer, to further the latter's illegal and known intended use, by selling goods to him.

The *Falcone* case creates no such sweeping insulation for sellers to known illicit users. That decision comes down merely to this, that one does not become a party to a conspiracy by aiding and abetting it, through sales of supplies or otherwise, unless he knows of the conspiracy; and the inference of such knowledge cannot be drawn merely from

knowledge the buyer will use the goods illegally. The Government did not contend, in those circumstances, as the opinion points out, that there was a conspiracy between the buyer and the seller alone. It conceded that on the evidence neither the act of supplying itself nor the other proof was of such a character as imported an agreement or concert of action between the buyer and the seller amounting to conspiracy. This was true, notwithstanding some of the respondents could be taken to know their customers would use the purchased goods in illegal distillation.

The scope of the concession must be measured in the light of the evidence with reference to which it was made. This related to both the volume of the sales and to casual and unexplained meetings of some of the respondents with others who were convicted as conspirators. The Court found this evidence too vague and uncertain to support a finding the respondents knew of the distillers' conspiracy, *710 though not inadequate in some instances to sustain one that the seller knew the buyer would use the goods for illegal distilling. It must be taken also that the Government regarded the same evidence as insufficient to show the seller conspired directly with the buyer, by selling to him with knowledge of his intended illegal use.

Whether or not it was consistent in making this concession and in regarding the same evidence as sufficient to show that the **1269 sellers knew of and joined the buyers' distilling ring is not material. Nor need it be determined whether the Government conceded too much. We do not now undertake to say what the Court was not asked and therefore declined to say in the Falcone case, namely, that the evidence presented in that case was sufficient to sustain a finding of conspiracy between the seller and the buyer inter sese. For, regardless of that, the facts proved in this case show much more than the evidence did there.

The commodities sold there were articles of free commerce, sugar, cans, etc. They were not restricted as to sale by order form, registration, or other requirements. When they left the seller's stock and passed to the purchaser's hands, they were not in themselves restricted commodities, incapable of further legal use except by compliance with rigid regulations, such as apply to morphine sulphate. The difference is like that between toy pistols or hunting rifles and machine guns. All articles of commerce may be put to illegal ends. But all do not have inherently the same susceptibility to harmful and illegal use. Nor, by the same token, do all embody the same capacity, from their very nature, for giving the seller notice the buyer will use them unlawfully. Gangsters, not hunters or

small boys, comprise the normal private market for machine guns. So drug addicts furnish the normal outlet for morphine which gets outside the restricted channels of legitimate trade.

*711 [1] [2] [3] [4] This difference is important for two purposes. One is for making certain that the seller knows the buyer's intended illegal use. The other is to show that by the sale he intends to further, promote and cooperate in it. This intent, when given effect by overt act, is the gist of conspiracy. While it is not identical with mere knowledge that another purposes unlawful action, it is not unrelated to such knowledge. Without the knowledge, the intent cannot exist.

United States v. Falcone, supra.⁷ Furthermore, to establish the intent, the evidence of knowledge must be clear, not equivocal. Ibid, This, because charges of conspiracy are not to be made out by piling inference upon inference, thus fashioning what, in that case, was called a dragnet to draw in all substantive crimes.

The difference between sugar, cans, and other articles of normal trade, on the one hand, and narcotic drugs, machine guns and such restricted commodities, on the other, arising from the latter's inherent capacity for harm and from the very fact they are restricted, makes a difference in the quantity of proof required to show knowledge that the buyer will utilize the article unlawfully. Additional facts, such as quantity sales, high pressure sales methods, abnormal increases in the size of the buyer's purchases, etc., which would be wholly innocuous or not more than ground for suspicion in relation to unrestricted goods, may furnish conclusive evidence, in respect to restricted articles, that the seller knows the buyer has an illegal object and enterprise. Knowledge, equivocal and uncertain as to one, becomes sure as to the other. So far as knowledge *712 is the foundation of intent, the latter thereby also becomes the more secure.

The difference in the commodities has a further bearing upon the existence and the proof of intent. There may be circumstances in which the evidence of knowledge is clear, yet the further step of finding the required intent cannot be taken. Concededly, not every instance of sale of restricted goods, harmful as are opiates, in which the seller knows the buyer intends to use them unlawfully, will support a charge of conspiracy.⁸ But this is not to **1270 say that a seller of harmful restricted goods has license to sell in unlimited quantities, to stimulate such sales by all the high-pressure methods, legal if not always appropriate, in the sale of free commodities; and thereby bring about subversion of the other forms, which otherwise would protect him, and violation of

the Act's other restrictions. Such a view would assume that the market for opiates may be developed as any other market. But that is not true. Mass advertising and bargain counter discounts are not appropriate to commodities so surrounded with restrictions. They do not create new legal demand and new classes of legitimate patrons, as they do for sugar, tobacco and other free commodities. Beyond narrow limits, the normal legal market for opiates is not capable of being extended by such methods. The primary effect is rather to create black markets for dope and to increase illegal demand and consumption.

*713 [5] [6] When the evidence discloses such a system, working in prolonged cooperation with a physician's unlawful purpose to supply him with his stock in trade for his illicit enterprise, there is no legal obstacle to finding that the supplier not only knows and acquiesces, but joins both mind and hand with him to make its accomplishment possible. The step from knowledge to intent and agreement may be taken. There is more than suspicion, more than knowledge, acquiescence, carelessness, indifference, lack of concern. There is informed and interested cooperation, stimulation, instigation. And there is also a 'stake in the venture' which, even if it may not be essential, is not irrelevant to the question of conspiracy.⁹ Petitioner's stake here was in making the profits which it knew could come only from its encouragement of Tate's illicit operations. In such a posture the case does not fall doubtfully outside either the shadowy border between lawful co-operation and criminal association or the no less elusive line which separates conspiracy from overlapping forms of criminal cooperation.

[7] Unless, therefore, petitioner has been exempted arbitrarily by the statute's terms, the evidence clearly was sufficient to sustain its conviction for conspiring with Tate. Its position here comes down ultimately to the view alluded to above that the statute has, in fact, thus immunized its action. In effect this means the only restriction imposed upon it, apart from other provisions not now material, such as those affecting registration, was the requirement it should receive from purchasing physicians a signed order form for

each sale. That done, in its view, its full duty to the law was fulfilled, it acquired a complete immunity, and what the physician had done *714 or might do with the drugs became of no further concern to itself. Such a view would legalize an express written agreement between a registered wholesaler and a physician for the former to supply him with all his requirements for drugs for both legal and illegal distribution, conditioned only upon his using the required order forms. The statute contains no such exemption in explicit terms. Nor was one implied.¹⁰

[8] [9] This being true, it can make no difference the agreement was a tacit understanding, created by a long course of conduct and executed in the same way.¹¹ Not the form or manner in which the understanding is made, but the fact of its existence and the further one of making it effective by overt conduct are the crucial matters. The proof, by the very nature of the crime, must be circumstantial¹² and **1271 therefore inferential to an extent varying with the conditions under which the crime may be committed. But this does not mean either that the evidence may be equivocal or that petitioner is exempt from its effects when it is not so, merely because in the absence of excesses such as were committed and in other circumstances the order form would have given it protection. It follows the mere fact that none of petitioner's representatives ever met Dr. Tate face to face or held personal communion with him is immaterial. Conspiracies, in short, can be committed by mail and by mail-order houses. This is true, notwithstanding the overt acts consist solely of sales, which but for their volume, frequency and prolonged *715 repetition, coupled with the seller's unlawful intent to further the buyer's project, would be wholly lawful transactions.

Accordingly, the judgment is

Affirmed.

All Citations

319 U.S. 703, 63 S.Ct. 1265, 87 L.Ed. 1674

Footnotes

- 1 The conspiracy statute, R.S. s 5440, as amended, 18 U.S.C. s 88, provides: 'If two or more persons conspire either to commit any offense against the United States, or to defraud the United States in any manner or for any purpose, and one or more of such parties do any act to effect the

object of the conspiracy, each of the parties to such conspiracy shall be fined not more than \$10,000, or imprisoned not more than two years, or both.'

The pertinent provisions of the Harrison Act are set out in note 3, *infra*.

2 38 Stat. 785, as amended, 26 U.S.C. ss 3220, 3221.

3 38 Stat. 785, as amended, 26 U.S.C. ss 2553, 2554. The indictment charged the conspiracy's object was to violate those portions of the Act (as amended) which provide:

'It shall be unlawful for any person required to register under the provisions of this part or section 2551(a) to import, manufacture, produce, compound, sell, deal in, dispense, distribute, administer, or give away any of the aforesaid drugs without having registered and paid the special tax as imposed by this part, or section 2551(a).' 26 U.S.C. s 3224.

'It shall be unlawful for any person to purchase, sell, dispense, or distribute any of the drugs mentioned in section 2550(a) except in the original stamped package or from the original stamped package * * *.' 26 U.S.C. s 2553.

'It shall be unlawful for any person to sell, barter, exchange, or give away any of the drugs mentioned in section 2550(a) except in pursuance of a written order of the person to whom such article is sold, bartered, exchanged, or given, on a form to be issued in blank for that purpose by the Secretary.' 26 U.S.C. s 2554(a).

'It shall be unlawful for any person to obtain by means of said order forms any of the aforesaid drugs for any purpose other than the use, sale, or distribution thereof by him in the conduct of a lawful business in said drugs or in the legitimate practice of his profession.' 26 U.S.C. s 2554(g).

4 Thus, although there were more than 1350 wholesale drug dealers in the United States from whom physicians might order narcotics (Traffic in Opium and Other Dangerous Drugs for the Year Ended December 31, 1941, United States Treasury, Bureau of Narcotics), about 27% of the 204 doctors convicted were petitioner's customers.

5 Testimony in the record establishes that the practice in the profession is to give one-eighth or one-fourth grain doses, and only rarely one-half grain doses. Cf. [United States v. Behrman](#), 258 U.S. 280, 289, 42 S.Ct. 303, 305, 66 L.Ed. 619. Furthermore, there was expert testimony to the effect that codein may be, and preferably is, used for the same medical purposes as morphine sulphate. During the period from 1934 to 1940, however, the record does not show that Tate ever ordered codein from petitioner.

6 R.S. s 5323, 18 U.S.C. s 550.

7 Although this principle was there applied to aiding and abetting a conspiracy among others, it has at least equal force in a situation where the charge is conspiring with another to further his unlawful conduct, without reference to any conspiracy between him and third persons.

8 This may be true, for instance, of single or casual transactions, not amounting to a course of business, regular, sustained and prolonged, and involving nothing more on the seller's part than indifference to the buyer's illegal purpose and passive acquiescence in his desire to purchase, for whatever end. A considerable degree of carelessness coupled with casual transactions is tolerable outside the boundary of conspiracy. There may be also a fairly broad latitude of immunity for a more continuous course of sales, made either with strong suspicion of the buyer's wrongful use or with knowledge, but without stimulation or active incitement to purchase.

9 Cf. [United States v. Falcone](#), 2 Cir., 109 F.2d 579, 581; and compare [Backun v. United States](#), 4 Cir., 112 F.2d 635, 637; [United States v. Harrison](#), 3 Cir., 121 F.2d 930, 933; [United States v. Pecoraro](#), 2 Cir., 115 F.2d 245, 246.

10 Cf. [Gebardi v. United States](#), 287 U.S. 112, 53 S.Ct. 35, 77 L.Ed. 206, 84 A.L.R. 370; see also 81 U. of Pa.L.Rev. 474.

11 [Glasser v. United States](#), 315 U.S. 60, 80, 62 S.Ct. 457, 469, 86 L.Ed. 680; [United States v. Manton](#), 107 F.2d 834, 839; [United States v. Harrison](#), 3 Cir., 121 F.2d 930, 934; [Eastern States Retail Lumber](#)

Dealers' Ass'n v. United States, 234 U.S. 600, 34 S.Ct. 951, 58 L.Ed. 1490, L.R.A.1915A, 788;  Interstate Circuit, Inc., v. United States, 306 U.S. 208, 59 S.Ct. 467, 83 L.Ed. 610.

12 **Ibid.**