

BETWEEN

FREDERICK JOHN HAMBLY.....PLAINTIFF;

1902

AND

Mar. 20.

ALBRIGHT & WILSON, LIMITED....DEFENDANTS.

Patent for Invention—Process for manufacturing phosphorus—Importation and non-manufacture—The Patent Act, sec. 37—Interpretation.

A patentee is not in default for not manufacturing his invention unless or until there is some demand for it with which he has failed to comply, or unless some person has desired to use or obtain it and has been unable to do so at a reasonable price; and where the invention is a process only the patentee satisfies the statute and the condition of his patent by being ready to allow the process to be used by anyone for a reasonable sum.

The Anderson Tire Co. of Toronto v. The American Dunlop Tire Co. (5 Ex. C. R. 100) referred to.

2. The effect of section 31 of *The Patent Act* is to make the patent void only as to the interest of the person importing or causing to be imported the article made according to the process patented; and importation by a licensee will not avoid the patent so far as the interest of the owner is concerned.
3. *Semble*: That the importation of an invention made in accordance with a process protected by a patent is an importation of the invention,—

Sed Quære whether the provision of section 37 of *The Patent Act* requiring the manufacture in Canada of the invention patented, after the expiry of two years from the date of the patent, applied to the case of a patent for an art or process?

THIS was an action to obtain a declaration avoiding Canadian letters patent numbered 65698 for improvements in the manufacture of phosphorus.

The facts are stated in the reasons for judgment.

January 15 and 16, 1901.

The case was heard at Ottawa.

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H. Ayles, K.C. and *A. W. Duclos*, for the plaintiff;
F. S. MacLennan, K.C., and *C. A. Duclos*, for the
 defendants.

March 9, 1901.

On this date THE JUDGE OF THE EXCHEQUER COURT made an order referring the case for inquiry and report, touching certain matters in issue, to the Registrar of the court. The reasons upon directing such order are as follows:—

The plaintiff is employed as chemist by the Electric Reduction Company, which carries on a considerable business in the manufacture of phosphorus at Buckingham, in the Province of Quebec, and against which the defendants have brought an action for infringement of the patents hereinafter referred to. The defendants are the owners of the Canadian patent numbered 65698 for improvements in the process of obtaining phosphorus. The patent mentioned is a reissue of patent numbered 61494, and that in turn a reissue of patent numbered 32355, granted on the 19th of September, 1889, to James Burgess Readman, of Edinburgh, County of Midlothian, Scotland, Doctor of Science, for an alleged new and useful improved process for obtaining phosphorus "by subjecting " materials containing it to heat generated by an electric current within the furnace chamber containing " the materials and applied directly to them in the " manner " set out in the specification attached to the letters patent.

The action is brought to obtain a declaration that the letters patent numbered 65698 are null and void, on the grounds, (1) that the reissue was made contrary to law and is bad; (2) that there has been importation of the invention contrary to the provisions of section 37 of *The Patent Act*; (3) that there has been a failure

to manufacture in accordance with the terms of that section.

The defendants, as appears from the answers to certain interrogatories submitted to them, acquired a sole license dated the 10th of February, 1892, under patent number 32355. Neither the terms of that license, nor the conditions on which it was granted, nor the time during which it was to run, are stated by the defendants, but it appears that on the 26th day of May, 1898, Dr. Readman, in consideration of one dollar, assigned to the defendants "all his right, title and interest in and to the Patent of Canada No. 32355."

Now with reference to the manufacture of the invention, it is admitted that neither Dr. Readman nor the defendants have ever manufactured phosphorus in Canada. The only person or company that has done that is the Electric Reduction Company, and they have established a considerable business, so that they supply not only the home market, but export considerable quantities to the continent of Europe. The owners of the patent have satisfied themselves, and think that they have satisfied the provisions of *The Patent Act* by giving notice by a few insertions each year in two newspapers published at Montreal, that they were willing to grant licenses for the use of the invention, or otherwise to supply the same, or to comply with the provisions of the statute. It is contended for them that the provisions as to manufacture and importation do not apply to a patent for a process, and in any event the provision as to manufacture is satisfied if they are ready at all times to manufacture it, or to permit it to be manufactured for any one desiring to obtain it. The notices to which I have referred were given for the years 1893 to 1897, both inclusive, in the name of Dr. Readman, though it would appear that having in 1892 given the defendants a sole license under the

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patent, he was not, so far as the evidence now before the court shows, in a position to grant any one the license that he offered by his notice.

As to importation one clear case is made out of the importation into Canada early in 1898 of thirty cases of phosphorus. This phosphorus was ordered for Messrs. Eddy & Co., by Messrs. Bellhouse, Dillon & Co., of Montreal, from the defendants in England, in the latter part of the year 1897, and it being then too late to ship from there, the defendants wrote that they had told Mr. Ricker, of New York, that when Eddy & Co. were open to buy he had better arrange to supply them either from stock in New York, or from their new Niagara Works. The order was filled from the Niagara Works, the phosphorus being there manufactured according to the process protected by the patent in question. Although in their letters the defendants refer to the works at Niagara, which are carried on by "The Oldbury Electro-Chemical Company" as their works, they now say that the latter company is an American company incorporated under the laws of the State of New York, and the active management is in the hands of the American directors who have absolutely no interest in the Canadian patent, the subject of this suit, nor in the defendant company, and the defendant company hold no shares in the Oldbury Electro-Chemical Company, although it is true that some shares in the latter company are held by individual shareholders in the defendant company. The suggestion is that the shareholders of a company holding a Canadian patent may either with or without bringing in other persons—for that can, I think, make no difference—form themselves into another company, which having as such company no interest in the patent, may, without danger to its validity, import as they like into Canada—the invention protected by the patent. If that could

be done, and courts would shut their eyes to the real nature of the transaction, the provision of the Act as to importation would of course become a dead letter. But we have not come to that yet, and in this case the defendants must, I think, within the meaning of the statute be held to have caused the phosphorus in question to be imported into Canada.

At present I refrain from dealing further with the important questions involved in this case. I think I should have more definite and precise information as to what the defendants' real interest in the patent was between the years 1892 and 1898. They may have some bearing upon the validity of the notices given in Dr. Readman's name, if such notices are held to be a compliance with the statute, and it will have an important bearing on the result, if a conclusion should be reached that because of the importation mentioned the patent is void in respect of the defendants' interest at that time.

There will be a reference to the Registrar of the court to enquire and report what the nature and extent of the defendants' interest in patent numbered 32355, and in any reissue thereof, were between the 10th day of February, 1892 and the 26th day of May, 1898, and any commission to take evidence out of Canada, that may be necessary, may issue.

It is possible that the defendants should be directed in any event to bear the cost of this inquiry, because of the reserve and economy of information with which they have seen fit to answer the interrogatories submitted to them; but I will reserve that question until after the enquiry and report are made.

January 29, 1902.

The Registrar now made his report, which was as follows:—

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Whereas by a judgment of this court hearing date the 9th day of March, 1901, it was, among other things, ordered that there be a reference to L. A. Audette, the Registrar of this court, to inquire and report what was the nature and extent of the defendants' interest in patent numbered 32,355, and in any reissue thereof, between the 10th day of February, 1892, and the 26th day of May, 1898.

And whereas the reference was proceeded with on the 25th day of May and on the 7th day of December, 1901, in the presence of H. Aylen, Esq., of counsel for the plaintiff, and F. S. Maclennan, Esq., K.C., of counsel for the defendants, and upon hearing read the evidence adduced, the Commission returned and filed in this court on the 2nd day of December, 1901, and upon hearing what was alleged by Counsel respectively, the undersigned begs leave to report as follows :—

Dr. Readman, the inventor, says that the first dealing with the Canadian Patent No. 32,355, in issue in the present case, was a preliminary agreement with F. Walton, as trustee with an interested company, by which he gave him the necessary power-of-attorney to sell and assign the said patent. There was also the preliminary syndicate that he had in Edinburgh, and which was ultimately disposed of to F. Walton in 1890. However, Dr. Readman himself says after he executed that power-of-attorney to Walton on 7th January, 1890 he had no further interest in the Canadian patent. He considered he had by that deed sold and parted out and out with all his interest in the Canadian patent.

Then on the 23rd October, 1891, Walton sold to the Phosphorus Co.

On the 10th February, 1892, the Phosphorus Company executed the deed or license which consti-

tutes the defendants' title from that date to the date of the clear and distinct assignment bearing date the 26th May, 1898. The deed of the 10th February, 1892, did not vest the property in the defendants for all purposes; the Phosphorus Company retained some beneficial and equitable interest in the Patent.

The part Readman took in the deed of the 26th May, 1898, was only for greater certainty, as Walton's name did not appear in the Canadian registries, where Readman's name was still retained, notwithstanding the above mentioned deed.

Therefore I have the honour to report that the defendants' interest in Patent No. 32,355 between the 10th of February, 1892, and the 26th of May, 1898, was that acquired under the license bearing date the 10th February, 1892, from the Phosphorus Company, which retained some beneficial and equitable interest in the same, as it more fully appears by the said deed; and that Readman had no interest in the said Patent during the period mentioned, he having parted out and out with all interest in the same in 1890, and that, besides the defendants, the only other parties who had any interest in the said Patent during the period mentioned were the Phosphorus Company which retained the several rights and interests mentioned in the deed of the 10th February, 1892.

In witness whereof I have hereunto set my hand this 28th day of January A.D. 1902.

(Sgd.) L. A. AUDETTE,
Registrar and Referee.

February 27th, 1902.

The argument of the motion by defendants to confirm the referee's report was now heard.

H. Ayles, K.C., in support of the motion: This is an action brought by way of statement of claim to cancel certain letters patent which the defendants claim

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to be the owners of, first, because of non-manufacture within Canada; secondly, of wrongful importation into Canada; and thirdly, because the patent in question is a reissue patent, and was not issued on the application of the original owner, but was issued without his preparing the specifications and without his making the affidavit that the reissued patent represented his invention. Also, because the reissued patent had been granted by inadvertence and mistake.

The question of non-manufacture was considered at the trial, and the only proof of attempted manufacture consisted of evidence that notices were published in Montreal just a few days before the two years limited under the 37th section had expired.

F. S. MacLennan, K.C., for the defendants.

The whole case is now open for rehearing, and I imagine that the defendants have the right of reply.

[BY THE COURT :—You may go on now with defendants' argument.]

The patent in question as issued is our client's own property. There is no doubt about that fact.

Now, my first proposition is that section 37 of *The Patent Act* is not applicable to the case of a process patent. I submit that the construction of that section plainly excludes the manufacture of a process.

Looking at section 7 of *The Patent Act*, we find that the subject matter of a patent in Canada may be for an art, or it may be for a process. It may be for a machine, or for some article produced by a certain machine; something that has an existence of its own apart from the process. On the other hand the process is something that in itself cannot be manufactured. It is a process whereby something new is produced, or whereby something old is produced by a new method. Looking at the language of section 37, sub-section (a) of *The Patent Act*, which has reference to the manufac-

ture of the patented article, we find that unless the patented article is manufactured within the terms of the statute, viz : that the patentee must commence and afterwards carry on the manufacture of the invention patented, the patent will be void. Now, I submit that there could not be a manufacture of a method or a process. And, therefore, it must be said that by fair construction of section 37 the owner of a process patent is not to lose his rights by reason of non-manufacture.

Assuming for the sake of argument that a process patent is within the language of the 37th section, I submit that it must be shown that there was a demand made upon the patentee for the process, and that they did not, or were not in a position, to furnish it. Now I think the evidence demonstrates that this phosphorus is the same as ordinary phosphorus in the market. Our invention does not claim to produce a phosphorus better than the ordinary merchantable quality. We simply produce an old article by a cheaper method. If we are asked to sell anything under our patent it would have to be the process itself. Now there has been no demand on us for the purchase of the process. There is no evidence at all that we have refused to do anything with respect to our invention, that is upon us by the provisions of section 37.

[BY THE COURT:-- By your invention you say that you simply enable the public to get phosphorus at a cheaper rate?]

Yes; and I submit that the object and meaning of section 37 seems to be to encourage and protect Canadian labour by compelling the patentee to manufacture his invention at some factory or establishment in Canada. Surely these words are inconsistent and incompatible with any application to a process patent.

Assuming that the court should come to the conclusion that the patentee should be ready to manufacture

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or sell this process, I rely upon the fact that the plaintiff has failed to prove that we ever failed to comply with the demand of the purchaser. The evidence for the defendants is that nobody ever applied to purchase it, and the plaintiff admits that neither he nor his company ever applied. The evidence shows clearly that no person ever came to us or anybody representing us to purchase the process.

[BY THE COURT:—The notice of the application for the reissue of the patent was given by whom? Was it given for Readman or Albright?]

That notice was given on behalf of Readman; but I might say there is nothing in the law requiring such a notice to be given.

[BY THE COURT:—No, but it is a method adopted to satisfy the law.]

Readman was the owner so far as the Patent records showed at that time. But it is true that Readman says that he did not know anything about this notice.

[BY THE COURT:—Then probably if the notice was not given by one having the proper interest in the patent, we may get back to the fact that there was in reality no notice at all.]

Assuming that to be so, no notice was necessary to be given at all. And there is the further fact to be borne in mind that nobody applied to purchase the process and nobody was refused.

[BY THE COURT:—Were not the Albrights the people who ought to have been ready to sell the invention?]

It was the Phosphorus Company. The Referee's report really amounts to that. It was in this way, the Albrights gave a power-of-attorney to Walton about 1892. The Phosphorus Company was formed to acquire the rights of all these parties. Walton

assigned the British rights in 1891 to the Phosphorus Company; and undertook, by deed, to be ready under the directions of the Phosphorus Company, to assign to third parties. In 1892 the Phosphorus Company gave a license to us for the use of the Canadian patent, that is to say the Phosphorus Company gave Walton a direction to assign the Canadian Patent to Albright & Wilson, who are now the actual owners of the patent. This direction was given by the Phosphorus Company to Readman, who was then the actual owner of the patent, to assign the patent to the defendants in 1898. The patent was placed under the control of the defendants in 1898. In May, 1898, the part that Readman took in it was for greater certainty only, he being the legal owner.

[BY THE COURT:—Is there really anything to show that this was Albright's notice, though given in Readman's name?]

I think it was undoubtedly their notice. Albright & Co. were the only people who had the right to grant a license. That fact being on record, I submit that they would be presumed to have given the notices. The fact that they were given in Readman's name was because he was on record as the owner of the patent. But at all events I submit that even if there is no notice at all we are in no worse position so far as the statute is concerned, because the notice is not a matter required by the statute. It does not improve our position or give us judicial support.

Under the case of *Barter v. Smith* (1), even if the provisions of section 37 apply, it would not be necessary for the defendants to do more than to be in a position to supply any demand made upon them for their invention. The case of *Barter v. Smith* (1) is a leading one and was affirmed in the Ontario Court of

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Appeal, and afterward in the Supreme Court of Canada. The principle there laid down was also affirmed in *Anderson Tyre Co. v. American Dunlop Tyre Co.* (1); and also by Sir John Thompson in his opinion in the Departmental case of *The Royal Electric Co. v. The Edison Co.* (2). I specially refer to where Sir John Thompson says that the importation to avoid the patent must be of the invention for which the patent is granted. The statute must be construed strictly, because the patentee is penalized—it is a penal remedy—and the patentee must be clearly brought within the law before he can be adjudged liable to have his patent voided.

Moreover the action here is not for the purpose of cancelling our license. The license is void now, and we have all the rights of a full assignment.

[BY THE COURT:—One has to make up his mind what was the interest. Was it that of a licensee or an assignee?]

With reference to the English authorities and the English statute I desire to say that there might be an infringement of a process patent in England which would not be an infringement in Canada. I refer to section 33 of the English Patent Act of 1883, and I say that a patent granted in the form prescribed in the first schedule of the Act would not be the same as a patent granted under our Act. I submit that a grantee's rights under a Canadian process patent for an old product are greater than those of a grantee under the English Act.

[BY THE COURT:—Why?]

Because it depends upon the terms of the grant and the terms of the patent. If the grant is different in England, and cases have been determined there in regard to the special statutory provisions prevailing there, then

(1) 4 Ex. C. R. 82.

(2) 2 Ex. C. R. 597.

the cases will not apply here. I am endeavouring to point out that the English patent is very much broader than the Canadian patent. The patentee there gets the whole benefit, commodity and advantage of the patent.

[BY THE COURT:—Does he not have that in this country ?]

But the language of the English Act is wider (He cites *Elmslie v. Boursier* (1). That judgment is based entirely upon the words "giving the whole, profit, commodity, benefit and advantage to the patentee," and not upon the general provisions "to make, exercise and vend."

There is a difference between this case and the case of *Auer Incandescent Light Mfg. Co. v. O'Brien* (2), because in that case it was decided that the process was the only way of making the patented invention. (He cites section 20 of *The Patent Act*; *Von Heyden v. Neustadt* (3); *Saccharin Corporation v. Anglo, etc. Works* (4); *Badische Anilin v. Levinstein* (5). As I said before, the *Auer Light Case* (2) is different because the product could only be made by that particular process at that time; and by the evidence of Mr. Dillon in this case it is impossible to tell the phosphorus produced by the patented process from that produced by any older method; the only result being phosphorus obtained by a cheaper process. Therefore, I say that even if there were importation of phosphorus manufactured by the process abroad it would not be an importation within the meaning of Section 37 of *The Patent Act*. Then again we submit that if it be held to be an importation of the patented invention, the importations were too small in quantity to effect an avoidance of the patent; under the authorities of *Barter v. Smith* (6) and cases affirming

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(1) L. R. 9 Eq. 217 at p. 222

(2) 5 Ex. C. R. 243.

(3) 14 Ch. D. at p. 232.

(4) 17 Cutl. R. P. C. 307.

(5) 4 Cutl. P. C. at p. 462.

(6) 2 Ex. C. R. 455.

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that case. The importation of thirty cases of phosphorus was an inconsiderable quantity under the ruling in these cases, and did not displace appreciably Canadian labour.

Furthermore, we submit that it was not an importation in any sense, because the sale was made abroad in a foreign country and the goods were delivered abroad to a vendee who was not the defendants; so it could not be said in any sense that if they were imported into Canada they were imported by the defendants. On the contrary they were imported, if at all, by third parties. The most the defendants had to do with it was that they informed an intending purchaser of phosphorus that they could get the order filled from New York or Niagara Falls. Now the defendants did not know the law, although I suppose they were bound to know it; but this goes to show *bona fides*, and the absence of any intention on their part to violate the law. They were led into it in that way. The importation into Canada of thirty cases would not be such as would displace Canadian labour within the policy of the Act. (He cites *Saccharin Corporation v. Reitemeyer* (1).

I wish to point out further that *The Patent Act*, sec. 37, as it then existed, was interpreted in *Barter v. Smith* in the year 1877. Section 37 was then section 28, and it has since been re-enacted three times, namely, in 1886, 1890 and 1892. The presumption then is, under the authorities, that the legislature has adopted the interpretation and construction placed upon it in the case of *Barter v. Smith* and in subsequent cases in the same line. In support of such a presumption being drawn, I would refer to the case of *Greaves*

(1) 69 L. J. Ch. 761.

v. *Tosfield* (1); *Barlow v. Teal* (2); *Ex parte Campbell* (3); *Hardcastle on Statutes* (4).

I submit that it was the interest of a licensee only that could be bound by the importation complained of. The document which is in evidence does not contain apt words upon which to assign a full grant in the patent. It cannot be said to be an assignment, because nothing short of words of grant will make a document of this kind anything more than a license. The report of the Referee is that the interest of our people was that of licensees.

[BY THE COURT :—Is the instrument limited as to time?]

It is for the full life of the patent. When the patent dies the license terminates. Your lordship will see that it refers to foreign patents as well, patents in Norway, Sweden, France, etc. While the defendants had the right to sub-let they had not the right to assign. They had no power to make a grant within themselves, and so were not owners until they obtained a regular assignment. (He cites *Heap v. Hartley* (5); *Edmunds on Patents* (6); *Waterman v. McKenzie* (7); *Pope v Gormully* (8). I wish especially to direct your lordship's attention to *Gayler v. Wilder* (9). See also *Robinson on Patents* (10); *Guyot v. Thomson* (11).

As to the question of costs, in any event the costs of the reference should not be allowed against us, because my learned friend had the right to take a commission to discover the character of our interest. He did get the answer that we were licensees; he could have done that by commission and the costs of

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(1) L. R. 14 Ch. D. 563.

(2) 15 Q. B. D. 403.

(3) L. R. 5 Ch. App. at p. 706.

(4) 3rd Ed. p. 156.

(5) 42 Ch. D. at p. 469, 470.

(6) 2nd ed. p. 300, 301 & 363.

(7) 138 U. S. 252.

(8) 144 U. S. 248.

(9) 10 How. at pp. 477, 498.

(10) Vol. 2, secs. 806, 807 & 808.

(11) [1894] 3 Ch. 388.

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the reference would not have been necessary. The license was produced and filed on the 25th of May, which was before the commission was issued, and admissions were put upon the record to the effect that our people were then licensees and equitable owners, and that goes further than the evidence for the plaintiffs had gone. I do not think that we should be held responsible for the costs of the commission to England.

C. A. Duclos :—There is one point upon which my learned friend Mr. Maclellan did not touch, viz : the validity of the reissue of the patent as such. There are two reissues of the original patent. The first reissue specifications were substantially the same as the original, the difference not being material. My contention is that the first reissue is absolutely the same as the original patent, covers exactly the same invention, and was perfectly innocuous and probably useless. As to the second reissue, your lordship will remember the circumstances. The second reissue was not at the instance of the owner of the patent. It was instigated and brought about by the Department ; it was the Commissioner himself who demanded that the first reissue should be cancelled under threat of proceedings by *scire facias* to set the patent aside. The correspondence leading up to that reissue is perfectly clear upon that point.

Now this reissue is also objected to in form as well as in substance. It is said that the oath is not in form and that the specifications were not signed by the inventor. There is nothing in the statute which calls for the oath. Neither the oath nor the signature are necessary under the statute. [He refers to Form 82 in the Patent Pamphlet issued by the Department of Agriculture, and section 52 of *The Patent Act*.]

I can see a distinction between the effect of non-manufacture and that of importation. I can see that

the section could not apply to a process patent so far as non-manufacture is concerned, and yet might be held to apply in the case of importation. I look upon the manufacture required in section 37 as a qualified manufacture. We are not called upon to exploit the invention as they have it in the French law. Upon a *ratio materiae* this could not apply to a process patent. Now, the object of the legislature was to secure in Canada the benefit of the invention. Anyone who wanted phosphorus could make it and could buy it perfectly freely. The chemical phosphorus is just as good as other phosphorus. The only benefit arising under our invention was the producing of it in a cheaper way. Section 37, in such a case, only contemplates a person going to the owner and asking him to make the phosphorus for him, because it is only a qualified manufacture we are called upon to carry out.

Although there is no statutory necessity to give the notice to which allusion has been made, when it is given it takes away any objection of the kind that the purchaser, or intending purchaser, may not know where to apply to obtain the invention. And where it is given at all it must be presumed to have been given in the interests of the then owner of the patent. I think that is the only use of the notice. The effect of it is to say that the owner has been always ready to sell or license to anyone who desires to have it.

As to importation, the proof in this case does not show that the importation was by the defendants (He cites *Badische Anilin v. Basle Chemical Works* (1)). This case explains what is meant by "causing" importation to be made. I do not think, upon the facts in evidence, that the court could say that the defendants had caused any importation within the

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(1) 67 L. J. Ch. at p. 143.

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meaning of section 37. The goods were delivered f. o. b. at Niagara Falls, and the whole transaction was complete outside of Canada. And Bellhouse Dillon & Co. were in no sense the agents of the defendants. Their agency had ceased before this transaction. At the most it could only be said that if there were any importation at all, it was the importation of a licensee, and the licensee may be likened to the legal position of a lessee. The lessee is not permitted to destroy the property, nor is a licensee. The licensee is bound to protect the property. It would be disastrous to the owner of the patent if, for instance, a licensee in order to avoid the payment of royalties, was able to do some act which would have the effect of destroying the patent. That power ought not to be reposed in a mere licensee.

There is no other country where an enactment in all terms identical with this 37th section is in force. The law of France is more similar than any other laws; but there it is necessary for the patentee to "exploit" or work the patent. The French law is more onerous upon the owner of the patent.

*H. Ayles, K.C.*, for the plaintiff:

The owner of the patent is required to manufacture within the meaning of the Act. The Act requires him to supply the subject of the patent to the public. Defendants admit that they never made efforts to manufacture in Canada, so they would have to import it to supply the demand. And the notice is bad, because Readman had no authority to give it. He had no interest in the patent. On the other hand Readman knew nothing about the giving of the notice. It is difficult to imagine how Evans could give the notice for the defendants when neither the defendants nor the Phosphorus Company knew anything about

it. (He cites *Barter v. Smith* (1).) Clearly here Mr. Taché points out why the clause corresponding to the 37th section now was introduced into the then Act, namely, for protecting the Canadian public and for protecting Canadian labour.

Stress has been laid in this case on the fact that the proportion of Canadian labour displaced is very small. But the facts are different here from the facts in the case of *Barter v. Smith*. It was held in the *Anderson Tyre Case* (2) that the article was introduced not for commercial purposes, and that only about fifteen cents worth of labour had been displaced. In *Barter v. Smith* it is not right to say that Mr. Taché's opinion was supported or affirmed by the Supreme Court in *Smith v. Goldie* (3). It is true that Mr. Justice Henry did refer to Mr. Taché's remarks with approval; but that was only *obiter*, and the other judges did not pass upon it, and so it is hard to say that on the question mentioned Mr. Taché's views were approved by the Supreme Court. (He refers to *Von Heyden v. Neustadt* (4))

Canadian labour must have been displaced by this importation when the Electric Reduction Company have been sued by the defendants for infringement of the patent. My learned friends have referred to the French law. The courts in France can exercise a discretionary power as to how far an importation has infringed the law, but that is not the case under our statute.

Surely the notice is no compliance with the statutory requirements to manufacture. Surely a man ought not to be excused by showing that although he did not manufacture, he held himself ready to let somebody else do it for him. Phosphorus was formerly manufactured abroad, and now Canada has become an

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(1) 2 Ex. C. R. at pp. 480, 481. (3) 9 Can. S. C. R. 46.  
 (2) 5 Ex. C. R. 100. (4) 14 Ch. D. at p. 702.

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exporter of phosphorus. There was a demand for cheap phosphorus under electrical process, and we have employed Canadian labour to the extent of forty thousand dollars a year. Clearly this importation was for commercial purposes.

As to the necessity of an affidavit on the part of an inventor for a reissue, I would refer to section 23 of *The Patent Act*. The first reissue is entirely different from the original. Their affidavit amounts to this on the first reissue, namely that Readman did not get what he was entitled to. And this proves that there was a mistake made. But Readman says that he was never consulted about it.

[BY THE COURT:—Is there a difference between the original patent and the reissue?]

The first re issue says there should be an exclusion of all gases.

The fact is that the Minister has decided that the first reissue was granted through inadvertence and mistake. My interpretation is that the Minister decided that the first reissue was obtained through misrepresentation, and he ordered its surrender. I submit that he had no right to make a second reissue, although he seemed to say to them that he would give them what they had before, that is the original patent. I say that if the Minister took a bond he would not have been in a better position; and I say that the Minister had no right to give it to them back after they had made a bad reissue. The defendants were the Phosphorus Company as well as Albright, Wilson & Co. The defendants controlled the works at Niagara Falls, and the license was a transfer in substance and in fact. (He cites *Frost on Patents* (1).

If the monopoly is the grant, what is the interest of the defendants? The royalty is the price, in the civil

law, of a sale. The vendor tacitly warrants that he has a title in the thing sold. There would be a transfer with warranty subject to the payment of the price. If the licensees are troubled in the property, the payment of all damages suffered by them would have to be taken out of the royalty. The English law is different, and the maxim of *caveat emptor* applies. The motive spring of all these royalties was protection; in case the patent was set aside in any country all the damages should come out of the royalty. (He refers to *Guyot v. Thomson*, (1) cited by counsel for the defendants)

If the owners of the patent do not sue, when requested to do so by the licensees, then the licensees can sue in their own name. Now as all these parties are merely nominal, that is, that Albright & Wilson and the Phosphorus Company are really the same people, all the transactions are between the defendants acting under different names. This transfer to them by assignment would amount to what is called "consolidation" in the civil law, which occurs when a man is the beneficial owner and joins to that the legal ownership. Now it would be inequitable for a licensee and an assignee, being one and the same person, to do something that would avoid the patent in the capacity of licensee, and then consolidate his titles, and say that as assignee he should not be bound by his acts as licensee. (Cites *Ridout on Patents*.) (2):

*F. S. MacLennan*, in reply;—I do not see how your lordship can review the action of the Minister of Agriculture in granting a reissue.

[BY THE COURT:—If he had jurisdiction, I do not think a court could go into the question.]

We say we were entitled to a reissue. I have cited a number of cases as to reissue, and they show that a

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(1) [1894] 3 Ch. 388.

(2) P. 186.

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reissued patent is exactly in the same position as an original patent. As to the notice I might say that no one has been shown to be prejudiced by reason of the form in which the notice was given. Under the decision in the *Saccharin Corporation v. Reitmeyer* (1) our clients cannot be connected with the importation, because the sale and delivery took place in the United States.

So long as the words of the license do not amount to a grant it is not an assignment and must be treated as a license.

As to the identity of existence between these corporations, the fact that some persons were shareholders in both companies does not make the corporations identical.

THE JUDGE OF THE EXCHEQUER COURT now (March 20th, 1902) delivered judgment.

As stated on a former occasion, the action is brought to obtain a declaration that letters-patent numbered 65698 are null and void on the grounds (1) that the reissue was made contrary to law and is bad; (2) that there has been an importation of the invention contrary to the provisions of section 37 of *The Patent Act*; and (3) that there has been a failure to manufacture in accordance with the terms of that section.

With regard to the first ground on which the declaration is asked, it appears to me that the Commissioner had jurisdiction to grant the reissue, and that his decision should be accepted as conclusive of the questions now raised as to the reissue. (*The Auer Incandescent Light Manufacturing Co. v. O'Brien* (2)).

With regard to the third ground on which it is sought to impeach the patent it is certain that neither the patentee, nor his assignee, The Phosphorus Com-

(1) 69 L. J. Ch. 761.

(2) 5 Ex. C. R. 283.

pany, nor the defendants, its licensees, ever had any intention of manufacturing phosphorus in Canada in accordance with the process for which the patent was issued, or otherwise. This is clear from the evidence of Mr. John William Wilson, a director of the defendant company taken under commission. He states that from a manufacturer's point of view the consumption of phosphorus in Canada has never been sufficient to justify the defendants in putting up works to work the Readman patent for Canada alone; that they believed they were well enough placed by their own works not to do so, although they had been pressed once or twice by the Phosphorus Company to do so. By the expression "our works," which Mr. Wilson uses, I understand him to mean the defendants' works in England, and possibly also those that were put up in the United States at Niagara by The Oldbury Electro-Chemical Company, to which the defendants in some of their letters refer as "their works." Mr. Wilson also stated that obviously it would be no advantage to the defendants to manufacture in Canada unless there was a demand there; that they preferred to supply Canada from their other works, and that up to the end of 1896 they supplied the Canadian trade from England with phosphorus manufactured under their process chemically which had nothing to do with the patent in question.

By the 37th section of *The Patent Act*, the provisions of which constituted one of the conditions on which the patent was granted, it is provided that the patent and all the rights and privileges thereby granted shall cease and determine and the patent shall be null and void at the end of two years from the date thereof, unless the patentee or his legal representatives or assignee, within that period or any authorized extension thereof, commence and after such commencement

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continuously carry on in Canada the construction or manufacture of the invention patented, in such a manner that any person desiring to use it may obtain it, or cause it to be made for him at a reasonable price at some manufactory or establishment for making or constructing it in Canada. Now this provision presents the difficulty that the language used is not apt or appropriate where the invention is an art or process, as it may be. One does not construct or manufacture a process, and no one can obtain a process or cause it to be made for him at a manufactory or establishment. In the present case the phosphorus made by the process for which the patent issued is the same as that made chemically. The invention is useful because phosphorus may be made more cheaply in the way discovered by the patentee. The only advantage that can possibly accrue to the people of Canada, for the grant given, is that during its existence they may get phosphorus cheaper than they otherwise would, and that after the grant has terminated the invention may be free to all. The only way that advantage could be secured in the present case, without allowing the importation of phosphorus made in accordance with the process protected by the patent, would be to impose upon the patentee or his assignees the obligation to make it, or cause it to be made, in Canada, according to that process, so that anyone desiring to do so could obtain it at a reasonable price. But as stated there is the difficulty, and it is a real one, that Parliament has not so provided in apt and clear terms.

Then there is this further difficulty that in earlier cases arising upon this provision it has in substance been held by Dr. Taché and others that a patentee is not in default for not manufacturing his invention, unless or until there is some demand for it with which he has failed to comply; unless some person has desired to

use or to obtain it and has been unable to do so at a reasonable price; and that where the invention is a process only the patentee satisfies the statute and the condition of his patent by being ready to allow the process to be used by any one for a reasonable sum. (*Barter v. Smith* (1); *The Toronto Telephone Manufacturing Co. v. The Bell Telephone Co. of Canada* (2). Now, Dr. Taché's views are entitled to great consideration, and whether one agrees therewith or not, he cannot get away from the fact on which Mr. Maclellan relies, and to which I alluded in *The Anderson Tire Co. of Toronto, Limited v. The American Dunlop Tire Co.* (3); that these provisions of *The Patent Act* have since his decisions been re-enacted on several occasions without anything to indicate any dissent by Parliament from the view that had been taken of such provisions. I do not myself profess to be satisfied with the result as illustrated by the present case, in which the only use made of the patent has been to aid the defendants in holding in their hands the trade in phosphorus within Canada, without any intention of manufacturing phosphorus here, or of giving the people of Canada the advantage of having it made by the cheaper process for which the patent was granted.

But the construction put upon the provision in question has been received and acted upon for too long to be now disturbed, except by an amendment of the provision, if Parliament should deem any amendment necessary. Accepting the construction that has been put upon this provision, imposing on a patentee the obligation to manufacture to be correct, the defendants here are not in default.

Then as to importation contrary to the statute, one case of the importation of phosphorus made by the

(1) 2 Ex. C. R. 455.

(2) 2 Ex. C. R. 524.

(3) 5 Ex. C. R. 100.

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process for which the patent was granted, has been made out, with which the defendants were connected I think in such a way that it can with propriety be said that they caused the importation to be made. I am also of the opinion that the importation of phosphorus made according to the process mentioned is, within the meaning of the 37th section of *The Patent Act*, an importation of the invention. But that does not make the patent void; but void only as to the interest of the person importing or causing to be imported. At the time of the importation proved in this case the legal title to the patent was in Dr. Readman, while the Phosphorus Company was the beneficial owner, subject to an exclusive license to the defendants to manufacture phosphorus in Canada upon, among other terms, one for the payment of a royalty of one penny per pound on all phosphorus so manufactured. Afterwards and before this action was commenced Dr. Readman, at the request of the Phosphorus Company, assigned the patent to the defendants. By that assignment, which was made on the 26th of May, 1898, the legal title to the patent was vested in the defendants, and the license became merged therein. Apparently this was done for the mutual convenience of the Phosphorus Company and the defendants, and without any intention by the former to give up its claim to the royalty on any phosphorus manufactured in Canada. This action is brought to have the patent declared null and void, which under the circumstances cannot be done, and even if it were thought that some other relief than that prayed for might be granted, nothing would be gained by declaring the patent void as to the defendants' interest at the time of the importation mentioned; for that would be to still leave them the owners of the

patent either in their own right or in the right of the Phosphorus Company.

There will be judgment for the defendants, and they will be allowed their costs, except those of the reference to the registrar, in respect of which each party will bear his own costs.

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Judgment accordingly.

Solicitors for plaintiff: *Aylen & Duclos.*

Solicitors for defendants: *Macmaster, Maclellan & Hickson.*