

MICHAEL POWER (DEFENDANT).....APPELLANT ;

1902

AND

\*Dec. 15.

JUDSON M. GRIFFIN AND WIL-  
LIAM E. BRINKERHOFF (PLAIN- } RESPONDENTS.  
TIFFS)... ..

ON APPEAL FROM THE EXCHEQUER COURT OF CANADA.

*Patent of invention—Manufacture—Extension of time.*

A patent of invention expires in two years from its date or at the expiration of a lawful extension thereof if the inventor has not commenced and continuously carried on its construction or manufacture in Canada so that any person desiring to use it could obtain it or cause it to be made.

A patent is not kept alive after the two years have expired by the fact that the patentee was always ready to furnish the article or license the use of it to any person desiring to use it if he has not commenced to manufacture in Canada. *Barter v. Smith* (2 Ex. C. R. 455), overruled on this point.

The power of extension beyond the two years given to the Commissioner of Patents or his deputy can only be exercised once.

*Quære.* Can it be exercised by an Acting-Deputy-Commissioner ?

APPEAL from a judgment of the Exchequer Court of Canada (1) in favour of the plaintiffs.

The action was for infringing a patent of invention for improvements in abrading shoes for truing-up car wheels, and was brought against the appellant and the Toronto Railway Company. The Judge of the Exchequer Court held that the invention was new and useful and had been infringed and gave judgment against the defendant Power. The railway company had previously withdrawn its defence and submitted to judgment. The defendant Power appealed.

\*PRESENT :—Sir Elzéar Taschereau C. J. and Sedgewick, Davies, Mills and Armour JJ.

(1) 7 Ex. C. R. 411 *sub nom.* *Griffin v. Toronto Railway Co.*

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*W. Cassels K.C. and Anglin* for the appellant.

*Ridout* for the respondents.

It appeared at the opening of the argument for the appellant that there had been no manufacture of the patented article within two years from the date of the patent and that the patent had lapsed unless the time was extended. One extension had been granted which expired in August last, and a second was obtained which, if authorized, kept the patent alive. Judgment was reserved on the question of the validity of the second extension and hearing on the merits was postponed in the meantime.

THE CHIEF JUSTICE.—This is an appeal from a judgment of the Exchequer Court upon an action by the respondents against the appellant for infringement of certain letters patent of invention for improvements in abrading shoes for truing up car wheels. That judgment maintains the respondents' action and restrains the appellant from using the invention in question, with a reference to ascertain the damages that the respondents may have suffered.

In my opinion we should rescind the said restraining order (upon which alone we can now pass, as I will state later on), for the reason that it appears upon the record that the respondents' patent has now lapsed.

The said patent bears date the 11th of August, 1899. It therefore lapsed on the 11th of August, 1901, under sec. 37, subsec. 1 of ch. 61 R. S. C. as amended in 1892 by sec. 2 of 53 Vict. ch. 13 (D) unless the respondents, before that last date (or before the expiration of any authorised extension thereof) commenced and, after such commencement, continuously carried on in Canada the construction or manufacture of their patented invention in such a manner that any person desiring to use it could 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. The grant of the patent is expressly made subject to that statutory condition.

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Now there is no evidence whatever that the respondents ever carried on in Canada the construction or manufacture of their invention. That the burden of proving it was on them is unquestionable. An essential allegation of their statement of claim is that their patent is in full force and valid, and that allegation is expressly put in issue by the appellant's pleas as allowed by sec. 33 of ch. 61 R. S. C. by which it is enacted that the defendant in any action for infringement

may plead specially as matter of defence, any fact or default which by this Act, or by law, renders the patent void; and the court shall take cognizance of that special pleading and of the facts connected therewith, and shall decide the case accordingly.

Upon a suggestion by the court, during the argument at bar, that, if so desired, the case would be remitted back to the Exchequer Court in order to give the respondents an opportunity to prove that fact, if their not doing it before was due to an oversight or a misunderstanding, their counsel conceded that such a reference would not help their case as he was instructed that his clients had not at any time carried on in Canada the construction or manufacture of their invention.

It was urged, on behalf of the respondents, that under the decision of this court in *Smith v. Goldie* (1), their not manufacturing in Canada within two years was not fatal to their patent. But that case merely determines that, under the statute as it then read (35 V. c. 26, sec. 28), the Deputy Commissioner's decision as to the invalidity of a patent for the non-manufacturing

(1) 9 Can. S. C. R. 46.

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within the two years was final. Anything that may be found in the report of that case (and of any case) that was not necessary for the determination of the controverted points therein is *obiter* and not binding as authority. And the number of judges who concurred in such *obiter* does not make it anything else. Then a simple concurrence is nothing more than a concurrence in the conclusions, or at most in the reasons upon which exclusively the points actually determined are based. The statute is clear. There is no room for interpretation. It says in express words that if a patentee has not manufactured in Canada during the two years, the patentee's rights are at an end.

It is further argued, however, on behalf of the respondents, that their patent has been kept and is now in force in virtue of an extension of time granted to them by the Commissioner under the provisions of subsec. 2 of sec. 37 ch. 61 R. S. C. which reads as follows:

Whenever a patentee has been unable to carry on the construction or manufacture of his invention within the two years hereinbefore mentioned, the commissioner may, at any time not more than three months before the expiration of that term, grant to the patentee an extension of the term of two years on his proving to the satisfaction of the commissioner that he was, for reasons beyond his control, prevented from complying with the above condition

of commencing and continuously carrying on in Canada within two years from the date of the patent the construction or manufacture of his invention as enacted in sec. 1 of said section 37.

It is in evidence that under the said provision a "further delay of twelve months to manufacture" (from the 11th of August, 1901) was granted to the respondents, on the 8th of June, 1901, by the Acting Deputy Commissioner. But these twelve months expired on the 11th of August last. Another extension, it is true, for another twelve months up to the

11th of August next appears to have been granted in May last by the same officer; but this last extension is absolutely unauthorised by the statute, and is an absolute nullity. Having once exercised the power given to him by the statute the commissioner was *functus officio*. He might have extended the delay for more than twelve months, but he could not twice exercise the same power. There is no possible room, under the wording of the statute, for the contention that the commissioner could extend this delay from time to time, and a jurisdiction of this nature cannot be extended by construction. We therefore have to hold that this patent lapsed on the 11th of August last.

The fact of their asking for these extensions, I may here notice, imports a clear admission by the respondents, that they had not within the two years fulfilled the obligations required from them by the statute in order to keep their patent in force, and that admission extends to the 11th of August last, for when they then applied for another extension up to the 11th of August next they admitted that without that extension their patent was gone.

Having come to the conclusion that the respondents' patent expired on the 11th of August last, it necessarily follows that the order restraining the appellant from using it must be set aside. But that does not put an end to this appeal. The patent issued on the 11th of August, 1899. The writ on the 5th of April, 1901; the trial in March, 1902, and the judgment of the Exchequer Court on April 21st, 1902. The patent, therefore, lapsed only since the judgment appealed from. So that we are not in a position to dispose of the whole case. The question of damages has to be disposed of. The respondents are entitled to the damages, if any, that they may have suffered up

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to the 11th of August last, from the alleged infringement by the appellant. And for determining whether they are entitled to any damages we will have to hear the parties upon their respective contentions as to the validity of the patent *ab initio* up to the 11th of August last, and the alleged infringement of it by the appellant, during three years from its date. It may be that now that their patent for the future is out of existence as we now determine, the respondents will not think it advisable to proceed further. But that must appear on the record. The case will, therefore, be postponed till the February term. The parties will, in the meantime, decide what to do, either re-inscribe the case for hearing upon which hearing the points we now determine will not be allowed to be re-opened, or file with the registrar the retraxit by the respondents of their claim for damages necessary to enable us to enter a final judgment in the case. We make no order as to costs for the present.

There is a point which it is expedient to allude to. The statute says that any extension of the two years term may be granted by the commissioner. Now the extension to the respondents' of June, 1901, is granted, not by the commissioner, not even by the deputy commissioner, but by an officer calling himself the acting deputy commissioner. In my opinion I would not be disposed to hold this extension void on that ground. The majority of the court, however, think it advisable to hear the parties on that point, if the respondents proceed further in the case. On this point depends whether it is for two or for three years that the respondents are entitled to damages.

The entry to be made by the registrar will be as follows:

The court declares the respondents' letters-patent to have lapsed on the 11th of August last. No order to

be drawn up till final judgment on the whole case. Costs reserved. Either party at liberty to re-inscribe the case for hearing at the next term or at any time thereafter. If respondents file in the registrar's office a retraxit of their claim as to damages, case to be re-submitted without argument. If no such retraxit is filed, case to be heard upon the respective contentions of the parties as to the validity of the patent before the 11th of August last and the alleged infringement thereof by the appellant, and whether, if respondents entitled to damages at all, these damages should be assessed for three years or only for two years.

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SEDGEWICK J.—I concur in the judgment for the reasons stated by His Lordship the Chief Justice.

DAVIES J.—I concur with the judgment of the Chief Justice. I reserve my judgment as to the power of an *Acting* Deputy Commissioner of Patents to grant an extension of the term of the patent under the statute.

MILLS J.—I concur in the conclusions reached by His Lordship the Chief Justice.

ARMOUR J.—This is an appeal from the judgment of the Exchequer Court in an action brought by the plaintiffs against the defendants for infringement of their patent by which it was declared that the defendants had infringed the plaintiffs' patent.

The plaintiffs' patent was issued on the eleventh day of August, 1899, and by it was granted for the period of eighteen years the exclusive right, privilege and liberty of making, constructing and using and vending to others to be used in the Dominion of Canada certain alleged new and useful "improvements in abrading shoes for truing-up car wheels," subject to adjudication

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before any court of competent jurisdiction and subject to the conditions contained in the Patent Act, chapter 61 of the Revised Statutes of Canada, and the Acts amending the same.

The defendants pleaded that the said patent had become void by reason of non-compliance with and breach of the terms and conditions of the Patent Act and amendments thereto.

Section 37 of the Patent Act provides that every patent granted under the Act shall be subject and be expressed to be subject to the following conditions; (a) that such patent and all the rights and privileges thereby granted shall cease and determine and that 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 his assignee, within that period or any authorised extension thereof, commence, and after such commencement, 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 it or constructing it in Canada. And it also provides that whenever a patentee has been unable to carry on the construction or manufacture of his invention within the two years, hereinbefore mentioned, the Commissioner may, at any time not more than three months before the expiration of that term, grant to the patentee an extension of the term of two years, on his proving to the satisfaction of the Commissioner that he was, for reasons beyond his control, prevented from complying with the above condition. It was admitted on the argument before us that neither the construction or manufacture of the invention patented had ever been commenced or carried on in Canada. But it was



contended that this was not necessary in order to satisfy the above condition, and reliance was had for this contention upon the decision of Dr. Taché when Deputy Minister of Agriculture in the case of *Barter v. Smith* (1), and upon the reference thereto in *Smith v. Goldie* (2), and in the same case in this court. This decision was upon sec 28 of the Patent Act of 1872, containing a similar provision to that contained in sec. 37 of the present Patent Act, but providing that in case disputes should arise as to whether a patent had or had not become void thereunder, such disputes should be settled by the Minister of Agriculture or his deputy whose decision should be final. The purport of Dr. Taché's decision will appear from the following quotations :

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The words "carry on in Canada, the construction or manufacture" with their context, cannot therefore mean anything else than that any citizen of the Dominion, whether residing in Prince Edward Island, in British Columbia, in Ontario, Quebec or elsewhere on Federal soil, has a right to exact from the patentee a license to use the invention patented or obtain the article patented for his use at the expiration of the two years' delay on condition of applying to the owner for it and on payment of a fair royalty.

The real meaning of the law is that the patentee must be ready either to furnish the article himself or to license the right of using on reasonable terms to any person desiring to use it. But again that desire on the part of such a person is not intended by the law to mean a mere operation or motion of the mind or of the tongue, but in effect a *bonâ fide* serious and substantial proposal, the offer of a fair bargain accompanied with payment. As long as the patentee has been in a position to hear and acquiesce in such demand and has not refused such a fair bargain proposed to him, he has not forfeited his rights,

thus holding contrary to the express words of the condition that it was not necessary that the patentee should within the period mentioned commence, and

(1) 2 Ex. C. R. 455, at p. 474. (2) 7 Ont. App. R. 628 ; 9 Can. S. C. R. 46.

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after commencement continuously carry on, in Canada the construction or manufacture of the invention patented, and holding, without any words in the condition to warrant it, that the condition would be sufficiently satisfied by the patentee granting to any person desiring to use the invention patented a license to use it upon applying to him for it and upon payment of a fair royalty. This decision cannot be supported, nor can it be held to be supported by the decisions in the Court of Appeal for Ontario, and in this court in *Smith v. Goldie* (1) for what was said by Mr. Justice Patterson in the former court, and by Mr. Justice Henry in this court, was plainly *obiter*, for each of them held that the decision of Dr. Taché was final and not subject to appeal.

Reliance was also had upon the following extensions indorsed upon the plaintiff's patent.

A further delay of twelve months to manufacture granted June 8th, 1901, A. L. Jarvis, Acting Deputy Commissioner.

A further delay of twelve months to manufacture granted May 14th, 1902, A. L. Jarvis, Acting Deputy Commissioner.

The power of granting an extension of the term when the patentee has been unable to carry on the construction or manufacture of his invention within two years from the date of his patent, is conferred upon the Commissioner upon the patentee proving to his satisfaction that he was, for reasons beyond his control, prevented from complying with the conditions. This power is, by the Patent Act, conferred upon the Commissioner alone, and having regard to the context and that the power so conferred is a judicial one and not a ministerial one, it is, in my opinion, doubtful whether the provisions of sec. 7 of the Interpretation Act and of its subsec. 40 apply so as to authorise the Deputy-Commissioner or the Acting-Deputy-Commis-

sioner, the Deputy-Commissioner being alive, to grant the extension. But assuming, without however determining, that they do so apply, the words used in granting the power authorise only one extension, and by the grant of the extension of the 8th June, 1901, the power was exhausted. The plaintiff's patent, therefore, became void on the 11th August, 1902, by reason of non-compliance with the conditions.

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*Order accordingly.*

Solicitors for the appellant: *Blake, Lash & Cassells.*

Solicitor for the respondents: *John G. Ridout.*