1941

* March 27.
* April 4.

KELLOGG COMPANY (PLAINTIFF) .....APPELLANT;

AND

HELEN L. KELLOGG (DEFENDANT).....RESPONDENT.

ON APPEAL FROM THE EXCHEQUER COURT OF CANADA

Patents—Pleadings—Conflicting applications for patent—Proceedings in Exchequer Court under s. 44 (8) of The Patent Act, 1935 (Dom., c. 32)—Plaintiff pleading alternatively that alleged invention relied on by defendant was made in course of inventor's employment by plaintiff and that, by virtue of employment contract and circumstances under which invention was made, plaintiff was entitled to benefit of it, and was owner of it—Right to raise such issue in the proceedings—Patent Act, 1935, s. 44 (8) (iv); Exchequer Court Act (as amended in 1928, c. 23, s. 3), s. 22 (c)—Plea struck out in Exchequer Court—Appeal to Supreme Court of Canada—Jurisdiction to hear appeal—Exchequer Court Act, s. 82.

There were two conflicting applications for patent pending in the patent office, one made by appellant's assignors and the other by the administratrix of the estate of K., under whom, by mesne assignments, respondent claimed. The Commissioner of Patents decided that, upon the material before him, K. was the prior inventor. Appellant then, as provided for in s. 44 (8) of *The Patent Act, 1935*

* PRESENT:—Rinfret, Crocket, Kerwin, Hudson and Taschereau JJ.

(Dom., c. 32), commenced proceedings in the Exchequer Court for the determination of the respective rights of the parties. Appellant in its statement of claim alleged that its assignors were in fact the first inventors and that appellant was entitled as against respondent to the issue of patent, and asked that it be so adjudged; and alternatively, by par. 8, in the event that the Court should find that K. was the first inventor, it alleged that K. had been employed in appellant's experimental department and if K. made any invention he made it in the course of such employment and when he was carrying out work which he was instructed to do on appellant's behalf; that by virtue of the contract of employment and the circumstances under which the invention was made, K. became and was a trustee of the invention for appellant which was entitled to the benefit of it; that K. was by reason of his being such a trustee unable to transfer any right, title or interest in the invention to any other party and appellant was now the owner of it; and asked that it be so adjudged and that respondent be ordered to execute an assignment to appellant of the entire right, title and interest in and to the invention and the application relating to it.

On motion by respondent in the Exchequer Court, said par. 8 and the prayers based thereon were struck out, it being held that appellant was not entitled to raise the issue pleaded by par. 8 in proceedings originating under s. 44 of said Act.

Appellant appealed to this Court. Respondent objected that this Court had no jurisdiction to hear the appeal. Argument was heard both on that point and on the merits of the appeal.

Held: This Court had jurisdiction to hear the appeal. That point stands to be decided, not under the provisions of the *Supreme Court Act,* but under the provisions of the *Exchequer Court Act* and of the *Patent Act* (*British American Brewing Co. Ltd.* v. *The King,* [1935] S.C.R. 568, at 570). The requirements of s. 82 of the *Exchequer Court Act* (R.S.C., 1927, c. 34) existed. The judgment appealed from was a "judgment upon a demurrer or point of law raised by the pleadings" and, that being so, the conditions of jurisdiction are complied with if the right immediately involved in the action or cause in which the demurrer or point of law was raised exceeds in value $500—it is not required that there should be at stake a pecuniary sum exceeding $500. (*Massie & Renwick Ltd.* v. *Underwriters' Survey Bureau Ltd.,* [1937] S.C.R. 265, at 266; *Sun Life Assce. Co. of Canada* v. *Superintendent of Insurance,* [1930] S.C.R. 612; *Burt Business Forms Ltd.* v. *Johnson,* [1933] S.C.R. 128, cited).

Held, also: The appeal should be allowed and the parts of appellant's statement of claim in question restored. Although the occasion for appellant's action was the Commissioner's decision that the applications were in conflict and that he would allow the claims to respondent, yet under the express enactment in s. 44 (8) (iv) of the *Patent Act, 1935,* the Exchequer Court could decide "that one of the applicants was entitled as against the other to the issue of a patent including the claims in conflict as applied for by him"; and, for the determination of that point, there is nothing in the Act or in the law which could prevent appellant from urging any fact or contention necessary or useful for the purpose of enabling the Court to decide between the parties. The allegations in said

1941

KELLOGG COMPANY v. KELLOGG.

par. 8, if true, and the conclusions based thereon, if legally correct, would be a reason for a declaration in appellant's favour in the terms of s. 44 (8) (iv), and the point so raised would properly lead to the remedies prayed for by appellant; and these remedies would be within the jurisdiction of the Exchequer Court as being covered by said s. 44 (8) (iv). It is true that the Exchequer Court has no jurisdiction to determine an issue purely and simply concerning a contract between subject and subject (*The King and Hume and Consolidated Distilleries Ltd. and Consolidated Exporters Corpn. Ltd.*, [1930] S.C.R. 531); but here the subject-matter of appellant's allegation only incidentally refers to the contract of employment; the allegation primarily concerns the invention, of which appellant claims to be the owner as a result of the contract and other alleged facts. A further reason why the Exchequer Court should exercise jurisdiction upon the point is the enactment in s. 22 (*c*) (as enacted in 1928, c. 23, s. 3) of the *Exchequer Court Act*, which gives that court jurisdiction between subject and subject in all cases where a "remedy is sought under the authority of any Act of the Parliament of Canada or at Common Law or in Equity, respecting any patent of invention * * *." The remedy sought by appellant, as a result of said par. 8, is a remedy in equity respecting a patent of invention.

(The Court pointed out that its judgment was limited to the interpretation of the statutory enactments, no question having been raised as to their constitutionality).

APPEAL by the plaintiff from the order of Maclean J., President of the Exchequer Court of Canada (1), striking out a certain paragraph of the plaintiff's statement of claim and certain sub-paragraphs of the claims in said statement of claim. The parts in question of the statement of claim, the nature of the action or proceedings, and the questions for determination, including an objection against this Court's jurisdiction to hear the appeal, are sufficiently stated in the reasons for judgment now reported. The appeal was allowed and the parts in question of the statement of claim restored.

O. M. Biggar K.C. and *M. B. Gordon* for the appellant.

S. M. Clark K.C. for the respondent.

The judgment of the Court was delivered by

RINFRET J.—Two applications for a patent of an invention relating to Prepared Food and Process of Gun-Puffing the same were pending in the Patent Office. One of them was made by the appellant's assignors, McKay & Penty;

(1) [1941] 1 D.L.R. 766.

and the other by the administratrix of the estate of John L. Kellogg, Jr., under whom by various mesne assignments the respondent claims.

The Commissioner of Patents decided that, upon the material before him, the respondent's husband was, as between the parties, the first to make the invention. He notified the appellant accordingly; and, thereupon, the appellant commenced proceedings in the Exchequer Court of Canada for the determination of the respective rights of the parties.

Under such circumstances, the Commissioner must suspend further action on the applications in conflict until in such action it has been determined either

(i) that there is in fact no conflict between the claims in question, or

(ii) that none of the applicants is entitled to the issue of a patent containing the claims in conflict as applied for by him, or

(iii) that a patent or patents, including substitute claims approved by the Court, may issue to one or more of the applicants, or

(iv) that one of the applicants is entitled as against the others to the issue of a patent including the claims in conflict as applied for by him. (Subs. 8 of s. 44 of the *Patent Act, 1935*).

The statement of claim of the appellant asserted that the latter was the owner by assignment of the invention in question; that it had been advised by the Commissioner of Patents that its application was in conflict with another application assigned to the respondent by New Foods Incorporated, to which the rights to the alleged invention had been assigned by John L. Kellogg, Sr., who was himself the assignee of the original applicant, the administratrix of the estate of John L. Kellogg, Jr.

The appellant further alleged that McKay & Penty, and not the said John L. Kellogg, Jr., were in fact the inventors of the subject-matter covered by both of the aforesaid applications and that, therefore, the appellant was entitled, as against the respondent, to the issue of the patent.

And, as an alternative claim, the appellant further stated:

1941

KELLOGG COMPANY v. KELLOGG.

Rinfret J.

8. In the event that the Court should find as a fact that the said John L. Kellogg, Jr., was the first inventor of the subject-matter of the said application serial No. 450,047, then the plaintiff alleges

(*a*) That the late John L. Kellogg, Jr., was employed in the Experimental Department of the Kellogg Company from October 15, 1936, until December 19, 1936;

(*b*) If any invention was made by the said John L. Kellogg, Jr., which is not admitted but denied, it was made during and in the course of his employment by the plaintiff and when he was carrying out work which he was instructed to do on the plaintiff's behalf. By virtue of the contract of employment and the circumstances under which the invention was made the said John L. Kellogg, Jr., became and was a trustee of the invention for the company which was and is entitled to the benefit of it.

(*c*) The said John L. Kellogg, Jr., was by reason of his being such a trustee unable to transfer any right, title or interest in the invention to any other party and the plaintiff is now the owner of any invention covered by the application serial No. 450,047.

The conclusions of the appellant's action were for an order that Messrs. McKay & Penty were, in fact, the first inventors of the subject-matter of the applications and that, as between the parties, the appellant was entitled to the issue of the patent, including the claims in conflict, which are all the claims of both the applications; but, following the allegation that, if John L. Kellogg, Jr., was the first inventor, his invention was made during and in the course of his employment by the appellant and that he had, thereby, become and was a trustee of the invention for the company, the appellant alternatively prayed that it should be adjudged that the appellant was the owner of the invention made by the late John L. Kellogg, Jr., and that the respondent should be directed to execute an assignment to the appellant of the entire right, title and interest in and to the invention and the application relating to it.

The respondent moved for an order striking out paragraph eight above reproduced of the appellant's statement of claim (and consequently that part of the conclusions based upon it) on the ground that the Exchequer Court of Canada had no jurisdiction to hear and determine the allegations and issues therein contained, and that the said paragraph was impertinent or irrelevant and might tend to prejudice, embarrass or delay the fair trial of the action.

The judgment appealed from allowed the motion upon the ground that the jurisdiction of the Exchequer Court, if any, was to be found within s. 44 of the *Patent Act*, as

otherwise the appellant's claim, in paragraph 8, was one which dealt with property and civil rights and which fell within the jurisdiction of the provincial courts.

In the view of the learned President, who delivered the judgment, what the Court was required to determine under s. 44 related to the claims in conflict, and nothing else. The appellant was not entitled, therefore, to raise the issue pleaded by paragraph 8 in proceedings originating under s. 44 of the Act. Furthermore, the material pleaded in that paragraph appeared to be one of contract between subject and subject; and it was to be doubted if the Court had jurisdiction to determine such an issue which would appear to be an issue to be determined by the provincial courts.

The appellant then appealed to this Court and was met by the objection that this Court had no jurisdiction to hear the appeal.

That preliminary question stands to be decided, not under the provisions of the *Supreme Court Act*, but under the provisions of the *Exchequer Court Act* and of the *Patent Act* (*British American Brewing Company Limited* v. *His Majesty the King* (1)).

The *Exchequer Court Act* (s. 82) gives the right of appeal to this Court to

> any party to any action, suit, cause, matter or other judicial proceeding, in which the actual amount in controversy exceeds five hundred dollars, who is dissatisfied with any final judgment, or with any judgment upon any demurrer or point of law raised by the pleadings.

The judgment appealed from is clearly a "judgment upon a demurrer or point of law raised by the pleadings." Moreover, the judgment *a quo*, being in the nature of a judgment on demurrer, it would seem that "notwithstanding the unfortunate wording of section 82 of the *Exchequer Court Act*," it is not necessary that the "actual amount in controversy" in the appeal should exceed the sum of five hundred dollars (*Massie & Renwick, Limited* v. *Underwriters' Survey Bureau Limited* (2)), provided the action, suit or cause in which the demurrer or point of law was raised is itself for an amount or value exceeding five hundred dollars. The conditions of jurisdiction are complied with if the right immediately involved in the action or cause amounts to the value of five hundred dollars; and it

(1) [1935] S.C.R. 568, at 570. (2) [1937] S.C.R. 265, at 266.

1941

KELLOGG COMPANY v. KELLOGG.

Rinfret J.

is not required that there should be at stake a pecuniary sum of more than five hundred dollars (*The Sun Life Assurance Company of Canada* v. *The Superintendent of Insurance* (1); *Burt Business Forms Limited* v. *Johnson* (2)). We are of opinion that the requirements of s. 82 of the *Exchequer Court Act* existed in this case and that we should, therefore, proceed to render judgment on the merits of the appeal.

Although the occasion for the appellant's action was the decision of the Commissioner that the respective applications of the appellant and of the respondent were in conflict and that he would allow the claims to the respondent, the appellant, in bringing suit against the respondent, was not limited to an action for the purpose of having it determined either that there was no conflict between the claims in question, or that none of the applicants was entitled to the issue of a patent containing the claims in conflict, or that a patent or patents (including substitute claims approved by the Court) may issue to one or more of the applicants; but the Exchequer Court could also decide that one of the applicants was entitled, as against the other, to the issue of a patent including the claims in conflict, as applied for by him. We have already seen that such was the express enactment of subs. 8 of s. 44 of the *Patent Act, 1935*.

And, for the determination of the latter point, we see nothing in the Act or in the law which could prevent the appellant from urging any fact or contention necessary or useful for the purpose of enabling the Court to decide between the parties.

It may be contended that an applicant, bringing an action before the Court as a result of a decision made by the Commissioner that there exists a conflict and that he will allow the claims to the conflicting applicant, is not necessarily limited to one or more of the four remedies provided for by subs. 8 of s. 44, and that he may, in addition, put forward facts and contentions of a nature to justify a different or an additional remedy. It is sufficient, for the purposes of the present case, to say that the allegations contained in paragraph 8 of the appellant's statement of claim, and the conclusions based thereon, come within the wording of paragraph (iv) of subs. (8), for if it be

(1) [1930] S.C.R. 612.

(2) [1933] S.C.R. 28.

true—as must be assumed for the purposes of deciding the point of jurisdiction—that the appellant is entitled to the benefit of the invention because John L. Kellogg, Jr., at the time when he is alleged to have made it, was in the employ of the appellant and then carrying out work which he was instructed to do on the plaintiff's behalf, and that, by virtue of his contract of employment and the circumstances under which the invention was made, he became and is a trustee of the invention for the company; if it be true further that, by reason of his being such a trustee, he was unable to transfer any right, title, or interest in the invention to any other party, and that the plaintiff is now the owner of any invention so made by John L. Kellogg, Jr., this would be one of the reasons why the appellant should be declared entitled, as against the respondent, to the issue of a patent including the claims in conflict as applied for by it, and, therefore, the point so raised would properly lead to the remedies prayed for by the appellant; and these remedies would be within the jurisdiction of the Exchequer Court, as being covered by paragraph (iv) of subs. 8 of sec. 44 of the *Patent Act*.

It should not be forgotten that we are dealing only with a judgment declaring that the Exchequer Court had no jurisdiction to hear and determine a point of that kind. The question whether the facts alleged by the appellant in paragraph (8) of the statement of claim give rise to the conclusions based upon them is a different matter which the Exchequer Court will have to decide when its jurisdiction to do so has been established.

It is undoubtedly true, as stated by the learned President, that the Exchequer Court has no jurisdiction to determine an issue purely and simply concerning a contract between subject and subject (*His Majesty the King and Hume and Consolidated Distilleries Limited and Consolidated Exporters Corporation Limited* (1)); but here the subject-matter of the appellant's allegation only incidentally refers to the contract of employment between John L. Kellogg, Jr., and the appellant. The allegation primarily concerns the invention alleged to have been made by him and of which the appellant claims to be the owner as a result of the contract and of the other facts set forth in the allegation. The contract and the claims based

(1) [1930] S.C.R. 531.

1941

KELLOGG COMPANY v. KELLOGG.

Rinfret J.

thereon are advanced for the purpose of establishing that the appellant is entitled both to the rights deriving from the invention and to the issue of a patent in its own name. That is precisely the remedy which the Exchequer Court of Canada has the power to grant under paragraph (iv) of subs. 8 of sec. 44 of the *Patent Act*.

In our view, there exists a further reason why the Exchequer Court should exercise jurisdiction upon the point raised by the appellant in its statement of claim, and that is the enactment contained in sec. 22, subs. (*c*), of the *Exchequer Court Act* (as amended by s. 3 of c. 23 of the Statutes of Canada of 1928). That subsection gives the Court

> jurisdiction as well between subject and subject as otherwise, * * * *
> (*c*) in all other cases in which a remedy is sought under the authority of any Act of the Parliament of Canada or at Common Law or in Equity, respecting any patent of invention, copyright, trade mark, or industrial design.

It will be noticed that subsection (*c*) deals with the "remedy" which is sought. And it enacts that the Exchequer Court shall have jurisdiction between subject and subject in all cases where a "remedy is sought" "respecting any patent of invention" "under the authority of any Act of the Parliament of Canada or at Common Law or in Equity." The remedy sought by the appellant, as a result of paragraph 8 of its statement of claim, is evidently a remedy in Equity respecting a patent of invention. The appellant claims that remedy as a consequence of the facts alleged in its paragraph 8. It claims the remedy as owner deriving its title from the same alleged inventor of whom the respondent claims to be the assignee, through other assignors. In such a case, the invention or the right to the patent for the invention is primarily the subject-matter of the appellant's claim, and the remedy sought for is clearly "respecting any patent of invention." And this is covered by subsection (*c*) of section 22 of the *Exchequer Court Act*, as it stands at present.

No question was raised before us or before the Exchequer Court as to the constitutionality either of paragraph (iv) of subsection 8 of s. 44 of the *Patent Act*, or the constitutionality of subs. (*c*) of s. 22 of the *Exchequer Court Act*. No proceedings were directed to that issue. No notices to the Attorney-General of Canada, or to the Provincial

Attorneys-General, were given of any intention to raise such a point. We are limiting our judgment to the interpretation of the relevant sections of the *Exchequer Court Act* and of the *Patent Act* as we find them in the statutes.

Upon the construction of these sections, we are of opinion that the Exchequer Court has jurisdiction to hear and determine the issue raised by paragraph 8 of the appellant's statement of claim and by sub-paragraphs (*c*) and (*d*) of the conclusions.

Accordingly the appeal is allowed and the parts of the statement of claim in question are restored. The appellant is entitled to its costs here and below.

Appeal allowed with costs.

Solicitors for the appellant: *Smart & Biggar.*

Solicitors for the respondent: *Clark, Robertson, Macdonald & Connolly.*