HERBERT LEWIS HILDRETH (PLAINTIFF) ..... } APPELLANT;

AND

THE McCORMICK MANUFACTURING COMPANY, LIMITED (DEFENDANTS) ..... } RESPONDENTS.

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*May 29, 30.
*Dec. 13.

ON APPEAL FROM THE EXCHEQUER COURT OF CANADA.

Patent law—Canadian Patent Act—R.S.C. 1906, *c.* 69, *s.* 38—*Manufacture—Sale—Lease or license.*

Under the Canadian Patent Act the holder of a patent is obliged, after the expiration of two years from its date, or an authorized extension of that period, to sell his invention to any person desiring to obtain it and cannot claim the right merely to lease it or license its use.

Judgment of the Exchequer Court (10 Ex. C.R. 378) affirmed.

APPEAL and CROSS-APPEAL from the judgment of the Exchequer Court of Canada(1), holding the plaintiff's patent void for non-manufacture and sale as required by "The Patent Act."

The plaintiff patented an invention for pulling candy and brought an action against defendants for infringement. The defence to the action was that plaintiff had, after the expiration of two years from the date of the patent, refused to sell the patented machine, and claimed the right only to lease it or license its use. This defence was maintained by the judgment of the Exchequer Court and the patent de-

*PRESENT:—Sir Charles Fitzpatrick C.J. and Davies, Idington, Maclennan and Duff JJ.

(1) 10 Ex. C.R. 378.

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clared void, but the court gave judgment for the plaintiff for infringement during the two years the patent was in force, assessing the damages at $125. Both parties appealed to this court.

On the case being called counsel for both parties agreed that the cross-appeal should stand over and only the main appeal be argued at this time.

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

Gibbons K.C. and *Haverson K.C.* for the respondents.

THE CHIEF JUSTICE and DAVIES J. concurred with the reasons stated by Maclennan J.

IDINGTON J.—The only question raised by this appeal is whether or not a patentee has, under and by virtue of section 38 of "The Patent Act," forfeited his patent by a refusal to sell any one of his machines made in accordance with his patent.

This depends upon the interpretation of sections 21 and 38, sub-section (*a*), of "The Patent Act," which read as follows:—

21. Every patent granted under this Act shall contain the title or name of the invention, with a reference to the specification, and shall grant to the patentee and his legal representatives for the term therein mentioned, from the granting of the same, the exclusive *right*, privilege and liberty of *making*, constructing and *using* and *vending to others to be used*, the said invention, subject to adjudication in respect thereof before any court of competent jurisdiction.

2. In cases of joint applications, the patents shall be granted in the names of all the applicants.

38. Every patent shall, unless otherwise ordered by the commissioner as hereinafter provided, be subject, and expressed to be subject, to the following conditions:—

(*a*) Such 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, within that period or an authorized 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 or constructing it in Canada.

It is contended that the patentee having

the exclusive right, privilege and liberty of making, constructing and using, and vending to others to be used, the said invention

would, by selling the machine, transfer that absolute dominion over it that would enable his vendee to re-sell the same, and by virtue thereof, carry with such re-sale, the right to the use of the same as patented.

Is that necessarily so?

If the patentee has the *exclusive* right of "vending to others to be used," is there, on the sale of the article, to comply with section 38, not a right to reserve, in the event of a re-sale of the article, the use of the invention?

The article may, for what it is worth for any other purpose than to serve the use of the invention as a piece of, say metal or other chattel property, be re-salable, without a transfer of the invention.

I do not pass any opinion upon this, more than to say, it is, I think, a fairly arguable question.

I merely refer to the question for the purpose of indicating that a sale may not mean more than a property in the article plus the right to use it as long as the vendee from the patentee should retain it, absolutely as to the material, qualified perhaps as to the quality of usefulness derived from the invention.

Another consideration occurs to me and that is, it may well be intended within the purview of the statute that the patentee may have a right to adjust

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the price according as he sells in the one way or in the other.

Subject to this, in construing the 38th section, I am unable to come to any other conclusion than that it requires, on the part of the patentee, something more than a mere license to use the invention or mere hiring of a machine made in accordance with the invention to fulfil the terms of the section.

I cannot read the section as if the words *"or cause it to be made for him"* were out of it. And I cannot see how we can, without putting on them an unusual meaning, give effect to them save as meaning a sale; especially when it is to be observed that it is *"to be made for him at a reasonable price."*

Needless to repeat that the meaning to be given ought not to be an unusual one but the plain ordinary meaning, unless we are constrained by the context to do otherwise.

Nor do I see that the words

> any person desiring to use *it* may obtain *it* * * * at a reasonable price

are, in their plain ordinary sense, to be interpreted otherwise than as implying a sale.

It is the article that is to be obtained and not merely *its use,* if we read this in the strictly grammatical sense.

Then, turning to section 21, there is provided therein

> the exclusive right * * * of making * * * and *using* and *vending* to others to be used.

To vend means to sell and, except in a strained sense, cannot be made to refer to a licensing or hiring.

The using may easily be referred to the personal use or use by a substitute.

The "vending to others to be used" are words that lend themselves to the purpose I have indicated as within the scope of section 38.

And, when I read the whole, apart from this perhaps too minute and needless dissection of sentences, I cannot help arriving at the same conclusion, that a sale is clearly contemplated by the statute.

If one wished an illustration of the need of such provision, it is pretty clearly furnished by the exorbitant rental demanded in this instance.

Obviously an ownership whereby a man could use or refrain from using, from time to time, just as his will and circumstances or either, free from the inconvenience of a possibly harrassing over-lord's demands for royalty, might require, is what the scope and purpose of these sections and all in the statute aiding in their interpretation required.

I think the appeal should be dismissed with costs.

MACLENNAN J.—This is an appeal by the plaintiff, and a cross-appeal by the defendant, from a judgment of the Exchequer Court, in an action for the infringement of a patent.

It was, however, agreed by counsel that the argument should be restricted to the appeal.

The defendant denied the validity of the patent, and pleaded that, if originally valid, it had become null and void, at the end of two years from its date, by virtue of section 37 of the former "Patent Act," R.S.C. 1886, ch. 61, afterwards 3 Edw. VII. ch. 46, sec. 4(*a*), and now R.S.C. 1906, ch. 69, sec. 38(*a*), because the plaintiff refused to sell the invention, and was willing only to lease it.

The learned judge upheld the original validity of

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the patent; but found infringement by the defendant within two years from its date, and for the infringement he assessed the plaintiff's damages at $125.

The learned judge, however, found that the plaintiff refused to sell the patented machine, which was a machine for pulling candy, at any price, thinking he was not bound to do so, but was only bound to lease it; and he declared that the patent had become null and void at the end of two years from its date.

The plaintiff now appeals, contending that according to the true construction of the section 37, now section 38, R.S.C. ch. 69, when read in connection with section 20, now section 21, R.S.C. 1906, ch. 69, a patentee is not bound to sell the invention out and out, but only to sell the use of it, or in other words, to lease it.

I think, however, the language of the two sections does not admit of such a construction.

The patent, according to section 20, gives the patentee the exclusive right of making and using, and "vending to others to be used, the said invention."

Then section 37 declares that every patent is subject to a condition to be null and void at the end of two years, unless the patentee

> within that period or any extension thereof, commence and carry on in Canada, the manufacture of the invention, so 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.

The patented article in question here was a machine for pulling candy.

I think it is too plain for argument that the obligation here imposed is an obligation to sell, if required, and that the right given to the public is to buy, to acquire the absolute property in the invention.

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Of course, if any one is content to take a lease, he may, but his right is to acquire the article for his own use, and as his absolute property.

Mr. Cassels asked how the sections could upon that construction be made to apply to a patent for a process. I see no difficulty even in that case, for even there the person desiring to use the invention, is entitled to acquire it absolutely, and not merely to take a lease of it.

I therefore think the plaintiff's appeal fails and must be dismissed with costs.

DUFF J.—I concur in the opinion of Mr. Justice Idington.

Appeal dismissed with costs.

Solicitors for the appellant: *Blake, Lash* and *Cassels.*
Solicitors for the respondents: *Gibbons, Harper* and *Gibbons.*