

Between

1906
Nov. 12.

ROBERT LEWIS HILDRETH.....PLAINTIFF ;

AND

THE McCORMICK MANUFACTUR- }
ING COMPANY, LIMITED. } DEFENDANTS.

*Patent for invention—Manufacture and sale—The Patent Act, sec. 37—
Unconditional sale—License.*

The condition in sec. 37 of *The Patent Act* [now sec. 38 of R. S. C. 1906, c. 69] that a patent shall become void if the patentee does not within two years of the date of the patent, or any authorized extension of such period, 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 should be construed to mean that the patentee must not only manufacture his invention in Canada but manufacture it in such a manner that any person who desires to use it may buy or obtain an unconditional title to it at a reasonable price.

2. It is not a compliance with the above condition that a person who desires to buy or obtain an unconditional title to the patented invention is put in a position to obtain the use of it at a reasonable rental.

ACTION for the infringement of a patent for invention.

The facts of the cases are stated in the reasons for judgment.

May 15th, 1906.

The case came on for trial at Toronto.

W. Cassels, K.C. and *A. W. Anglin* for the plaintiff;

G. C. Gibbons, K.C., J. Haverson and *G. S. Gibbons* for the defendants.

Mr. Cassels contended that the plaintiff's patent was a primary one, and entitled to protection to the utmost extent. The specification will receive a liberal construction in favour of the patentee. He cited *Re Anderson and*

Anderson's Patent (1); *Morley Sewing Machine Co. v. Lancaster* (2); *Proctor v. Bennis* (3); *Badische Anilin v. Levinstein* (4).

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Argument
of Counsel.

On the point as to whether the patentee was bound to sell, he contended that there was nothing in the 37th section of *The Patent Act* compelling the patentee to give an unconditional title to his invention. The condition of the section is complied with if he puts it in the power of a person desiring to use it to obtain such use upon a reasonable rental.

Mr. *Anglin* submitted that there was no proof of a definite and formal demand by the defendants for the sale to them of the invention. Under such circumstances there could be no forfeiture for refusal to sell. "Price," as used in the statute, moreover, does not necessarily mean a price in money. (Cf. *London, &c. Bank v. Belton*) (5). The term "price" does not mean more than compensation to the patentee; nor does it mean that the price paid shall be for an unconditional grant of title. (Cf. *Hudson Iron Co. v. Alger* (6).

Mr. *Gibbons*, for the defendants, contended that the patent was void for want of subject-matter. The patented article was in public use before the Canadian patent was obtained. There was disclosure of the invention to the public in the United States in the process of perfecting it, which exceeded the privilege of experimentation.

Again, there was no manufacture in Canada so that it could be procured here for a reasonable price.

As to formality of demand for a sale at a reasonable price, when a person informs me that his policy is to rent and not to sell, there is no occasion for a formal demand. The circumstances imply a formal demand of which the announcement of the policy is an implied refusal.

(1) 7 Cutl. R. P. C. 325.

(2) 129 U. S. R. 263.

(3) 36 Ch. D. 740.

(4) 12 App. Cas. at p. 717.

(5) 15 Q. B. D. 457.

(6) 54 N. Y. 173.

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Mr. *Haverson*, following on the same side, contended that by the amendment of 1903 (3 Edw. VII, c. 46, s. 7) Parliament establishes a distinction between "sales" and "licenses."

Mr. *Cassels*, in reply, cited *Smith v. Goldie* (1); *Patterson v. Gas Light and Coke Co.* (2); *Bingham v. McMurray* (3).

THE JUDGE OF THE EXCHEQUER COURT now (November 12th, 1906) delivered judgment.

The plaintiff brings his action for an infringement by the defendant company of letters patent numbered 79,392, bearing date the 17th day of February, 1903, and granted to the plaintiff for alleged new and useful improvements in candy pulling machines. The claim made by the inventor in the specification attached to the letters patent is one for "a candy pulling machine comprising a plurality of oppositely disposed candy hooks or supports, a candy puller, and means for producing the specified relative in and out motion of these parts for the purpose set forth." It is an incident of this machine that the candy hooks or supports, and the candy puller, hold the mass of candy in suspension while it is being pulled. This, it appears is an important feature, though no stress is laid upon it in the specification, and it is not claimed as a novel feature though it was in fact new. In this respect the plaintiff's machine is clearly distinguishable from a candy pulling machine that had been previously constructed by one Dickenson; and it is a feature that it has in common with a machine subsequently made by one Charles Thibodeau, a skilled mechanic employed by the plaintiff under a contract by which the plaintiff was entitled to the benefit of his improvements. The plaintiff asks for an injunction, for

(1) 7 Ont. A. R. 628, 9 S. C. R. 46. (2) 3 App. Cas. 239.

(3) 30 S. C. R. 215.

damages and for such other relief as he may be found entitled to.

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In the statement of defence there is in the first place a general denial of the allegations contained in the statement of claim. Then follow a number of defences, in two of which allegations of prior public user or sale are made in respect of a similar machine to that for which the plaintiff obtained his patent. The question, however, is not whether the machines were similar, for they might in some respects be so and yet one not be an anticipation of the other; but the real question is whether they were the same, or so like or similar to each other that the one would be an anticipation of the other. Accepting the use of the word "similar" in that sense the defences may be concisely stated as follows:—

1. That the plaintiff's alleged invention was not new;
2. That a similar machine was in public use in the United States of America long before the plaintiff's alleged invention thereof;
3. That the plaintiff placed on sale and in public use similar machines at Detroit and other places in the United States more than a year previous to his application for his said patent in Canada;
4. That the plaintiff, in the year 1900, obtained a patent in the United States for his alleged invention and did not make application for letters patent therefor in Canada within one year from the date of the issue of such patent.
5. That the specifications in the plaintiff's Canadian application are insufficient;
6. That the plaintiff did not manufacture his invention in Canada in accordance with the statute;
7. That the plaintiff imported the invention into Canada contrary to the statute.

Of these issues I find the first, second, third, fourth and fifth in the plaintiff's favour. There is no direct allegation in the statement of defence that the defendants did

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not infringe. Whether they did or not is involved in the question as to whether an unauthorized use in Canada of the Thibodeau machine referred to is an infringement of the plaintiff's patent. That question I answer in the affirmative.

With regard to the defence that the letters patent sued on have become null and void because the patentee has failed to comply with the condition as to manufacture of the invention on which they were granted, it will be observed that the letters patent were issued on the seventeenth day of February, 1903, and were made subject, among others, to a condition that will be found in the thirty-seventh section of *The Patent Act* as that section is enacted in the sixth section of the Act 55-56 Victoria, Chapter 24, and which is as follows:—

“37. Every patent granted under this 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 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.”

Upon that provision two questions, one of law and the other of fact, arise in this case: First, does a patentee comply with this condition when he makes arrangements for the manufacture of his patented invention in such a manner that any person desiring to use it may obtain the use of it on a lease thereof at a reasonable

rental, but makes no arrangement to sell it, or refuses to sell it, unconditionally, at a reasonable price to any one desiring to use it and wishing to buy it?

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In *Barter v. Smith* (1), Dr Taché, then the Deputy Minister of Agriculture, discussing a similar question expressed his view that "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 in the *Toronto Telephone Manufacturing Co. v. The Bell Telephone Company of Canada* (2), Mr. Pope, the Minister of Agriculture, explained that there was some misapprehension about the signification of the words "license the right of using on reasonable terms" used by Dr. Taché, and what he really meant was not "a lease upon payment of a rental, but the absolute transfer of a property." And in the latter case it was held that a refusal to sell a patented invention to a person desiring to use it, accompanied by an offer to rent it to him, afforded a good ground for the forfeiture of the patent. In *Power v. Griffin* (3) Mr. Justice Armour, referring to Dr. Taché's decision in *Barter v. Smith*, said there was nothing in the words in the condition to warrant the view "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." As stated in the *Copeland-Chatterton Co. v. Hatton* (4), it seems to me that any person desiring to use an invention for which a patent has been granted subject to the condition mentioned is entitled in Canada to acquire for a reasonable price the complete ownership of the thing, whatever it is that the owner of the patent is bound to manufacture or permit to be manufactured.

(1) 2 Ex. C. R. 484.

(3) 33 S. C. R. at p. 48.

(2) 2 Ex. C. R. 519.

(4) 10 Ex. C. R. at p. 238.

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so that any person desiring to use it may obtain it or cause it to be made for him at a reasonable price. I think that the question of law that has been referred to as arising in this case upon the condition as to manufacture should be answered in the negative.

That brings us to the question of fact as to what the plaintiff in this case did. There was no extension of the time within which he was under obligation to commence the manufacture of his invention in the manner and for the purposes mentioned in the statute. The two years during which he was at liberty to do in Canada what he saw fit with his invention, except to import it contrary to the statute, expired on the 17th day of February, 1905. Prior to that date he had made arrangements with the Fletcher Manufacturing Company of Toronto to manufacture in Canada his candy pulling machine as improved by Thibodeau. He also made arrangements to lease the machine so that anyone desiring to use it could obtain it on a lease at a rental. He refused to sell the machine. In that he was, during the two years from the date of his patent, entirely within his rights. But at the expiry of the two years, he made no change whatever in his arrangement with the Fletcher Manufacturing Company. He did not give them authority to sell a machine to any person who desired to use it and wished to buy it, or in any way enlarge their powers in that respect. The former course of business of offering to lease the machines for a rental was continued. Mr. Fletcher says that some persons wanted to buy the machine from his travellers and had found fault, that is as I understand it, because they could not buy instead of renting a machine; and he adds that he had spoken to the plaintiff on the subject. Mr. Fletcher was in this matter speaking of what he had learned from the travellers. He was not speaking from his own knowledge; and there is no direct proof of any

request by any one to buy a machine from his travellers and a refusal by the latter to sell. The matter is of importance only so far as it shows what the course of business was. In that respect there was no change until nearly a year after the present action was commenced. The statement of claim herein bears date of the 22nd day of April, 1905, and it was not until the 31st of March, 1906, that the plaintiff gave his Canadian agents authority to sell as well as to lease his candy pulling machines.

On or about the first day of September, 1903, the defendants leased from the plaintiff one of his machines of the Thibodeau form. Such a machine costs to construct from one hundred and fifty to two hundred dollars. But with one man it will do the work of at least ten men in pulling candy. The rental was three hundred dollars a year, and persons who are in business in a large way are willing to pay that amount of yearly rent. The officers of the defendant company thought they could not afford to pay such a sum, and Thomas P. McCormick, the general superintendent of the company, in May, 1904, went to Boston and endeavoured to buy a machine from the plaintiff. The latter refused to sell or to set a price. That, as has been observed, he had a right at the time to do. At the end of the year for which the defendants had leased the plaintiff's machine, that is, on or about the first day of September, 1904, it was returned to the plaintiff, and then the defendant company had a similar machine, that is, one of the Thibodeau type, made for their use, and the same has since been used in their business without the plaintiff's license, permission or assent. The fact that the defendants had made and were using this machine having come to the plaintiff's knowledge, the latter sent an employee of his to see Mr. McCormick and to find out the facts. The person so sent was a Mr. Hooten who had been in the plaintiff's employ for a long time, and

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who was then his representative in the United States. He had done some business for the plaintiff in Canada, and had at different times represented him here. Hooten was at London between the 20th and 25th days of February, 1905, and saw Mr. George G. McCormick, the Vice-President and Manager of the defendant company there.

During the discussion that took place between Hooten and McCormick the latter offered, instead of defending the suit with which the defendants were threatened, to buy one of the plaintiff's machines, but Hooten said that the plaintiff would not sell a machine on any account. When this evidence was tendered it was objected that it was not covered by the particulars that the defendants had given. Hooten, had, it appeared, been in court earlier in the day, but was not there at that particular time. I allowed the evidence to be given subject to objection, and on the understanding that it would be struck out if no amendment of the particulars were allowed. As to that I allowed the motion to amend to stand until after the noon-day recess to see if the plaintiff could find Hooten. After recess, it appearing that Hooten was present, I allowed the amendment. In the shorthand writer's notes it appears that the amendment was allowed to enable the defendants to prove the application made at Boston to purchase the machine. But that is a mistake. The amendment, as the general context will show, was allowed to enable the defendants to prove the offer to purchase made to Hooten as the plaintiff's agent and representative at London in February, 1906. That was after the two years, during which the plaintiff had a right to sell or refuse to sell as he saw fit. Hooten was not called as a witness, and it is fair and reasonable to infer from that fact that he could not put the matter in any better light for the plaintiff than that in which Mr. George G. McCormick's evidence had left it. The plaintiff's answer to this part of the defendant's case is that Hooten had no authority to

make the statement attributed to him by McCormick. But whatever his authority may have been as the plaintiff's representative at the time his answer to the defendants' request truly represented the plaintiff's attitude and position in the matter at that time, and it seems to me that under the circumstances disclosed notice to him that the defendants wished to obtain one of the plaintiff's machines by purchase was good notice to the plaintiff of that fact. I do not think that the defendants were bound to send again to Boston to make the offer to the plaintiff, or even to write him to renew the offer, or to go to Toronto to make it to the Fletcher Manufacturing Company which had no authority to accede to the request. The offer and request to purchase a machine made at the time to Hooten was not acceded to, and shortly afterwards this action was brought.

To say that Hooten had no authority, that is no express authority, to give McCormick the answer that he gave, does not, it seems to me, meet the case presented. It must, I think, be looked at as a whole, and briefly, it is this: On the 17th day of February, 1905, the plaintiff was the owner of a patent for a candy pulling machine that then became subject to the condition that the patent should become void if the plaintiff did not thereafter continuously carry on in Canada the construction or manufacture of the machine in such a manner that any person desiring to use it might 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. Taking that condition, as I do, to mean that the patentee must make arrangements, not only to manufacture his patented invention, but to manufacture it in such a manner that a person who desires to use it may buy it or obtain an unconditional title to it, at a reasonable price, it is clear that so far from complying with the condition the plaintiff made arrangements to manufacture the

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machine in a manner and under such conditions that no one in Canada could buy the machine or obtain the absolute property therein at any price. He was well aware, too, that persons in Canada had at a time when he was not bound to sell desired to buy and use the machine. Then when he learned that the defendant company was infringing he sent his agent to see about such infringement. The manager of the company on that occasion, to avoid litigation and to put an end to their differences renewed the offer to purchase one of the plaintiff's machines. The defendants desired to use the patented invention and wished to buy it. At that time the plaintiff was, as I construe the statute, bound to sell it to the defendants at a reasonable price. The offer was not accepted and the threatened action was brought. And for nearly a year thereafter the plaintiff made no arrangement for selling the patented machine in Canada; but continued his former course of business of manufacturing machines for lease only, a course of business that was lawful enough in its inception; but which was, I think, contrary to the condition to manufacture after that condition attached to the patent and became operative. The case is one, I think, in which the patent ought to be declared void, and there will be a declaration to that effect.

The finding on this issue makes it unnecessary to discuss the issue relating to alleged importations contrary to the statute. It is to be observed however that there were no importations of the completed machine after the expiry of the year during which such importation was lawful. The castings for one machine were imported as late as January or February of 1906, but whether that constituted a contravention of the statute need not, for the reason given, be now determined.

From September, 1904, until towards the end of February, 1905, the defendants were infringing the plaintiff's patent, and in respect of that infringement I assess the

plaintiff's damages at one hundred and twenty-five dollars. For that amount and for the costs of an action for that amount there will be judgment for the plaintiff.

But there will be no injunction order or other relief. And there will be a declaration that the plaintiff's letters patent numbered 79,392, granted to him on the 17th day of February one thousand nine hundred and three for improvements in candy pulling machines have ceased and determined, and have become null and void, by reason of his failure to comply with the condition as to manufacture on which they were granted.

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Judgment accordingly.

Solicitors for the plaintiff: *Blake, Lash & Cassels.*

Solicitors for the defendants: *Gibbons & Harper.*
