1926
July 3.

CANADIAN WESTINGHOUSE CO., LTD...PLAINTIFF;

VS.

W. W. GRANT LIMITED ET AL.....DEFENDANTS.

Patents—Infringement—Treaty of Peace (Germany) Order, 1920—Section 83—11-12 Geo. V, c. 44

In 1914 one A, a citizen of the United States, obtained there a patent relating to the development of radio, and in 1923 obtained a patent in Canada for the same thing on application filed on July 10, 1920, which was assigned to the plaintiff.

G. knew and made use of the invention disclosed in this patent since 1915, but had no knowledge then of the invention of A., the plaintiff's inventor. During the war he was in the R.F.C., in charge of radio construction, etc. On his return to Halifax, after the war, he continued radio development work, and in 1919 constructed and sold several radio sets containing the subject matter of the plaintiff's patent. Later, after serving with the Canadian Air Board, G. went to Calgary and started in business for himself. In 1922 he organized a company which manufactured radio sets upon the same design as disclosed in the plaintiff's patent. This company was unsuccessful, and in 1925 the W. W. Grant Co. Ltd., was organized for the same purpose. This company did not derive any rights from Grant as agent or licensee.

Held, that the provisions of ch. 44, *Statutes of Canada*, 1921, did not repeal section 83 of the Treaty of Peace, (Germany) Order, 1920, and the patent in question was not granted under the provisions of that statute.

2. That the proviso to sec. 83 of the Treaty of Peace, (Germany) Order, 1920, was intended to protect *bona fide* rights acquired in industrial property prior to January 10, 1920, which were in conflict with the rights applied for by another and who claimed rights of property in respect of them, and that in 1919 G. personally was in *bona fide* possession of rights protected by the said Order, and did not in consequence infringe plaintiff's patent.

3. That, however, the defendant W. W. Grant, Limited, having only come into existence in 1925, and not having derived any rights through G. as agent or licensee, was not protected and had infringed plaintiff's patent (1).

ACTION for infringement of a Patent for invention relating to development of radio.

Ottawa, May 25, 1926.

Action now tried before the Honourable the President.

(1) An appeal has been taken to the Supreme Court of Canada

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Russell S. Smart for plaintiff.

F. T. Congdon, K.C., and *J. B. Barron* for defendant.

The facts are stated in the reasons for judgment.

MACLEAN J., now this 3rd day of July, 1926, delivered judgment.

This is an action for infringement of Patent No. 216,321 granted on March 7, 1923, to Edwin H. Armstrong on an application filed on July 10, 1920, and is claimed to be a basic patent relating to the development of radio. Armstrong was a citizen of the United States, and in that country in 1914 he procured a patent covering the same subject matter. The Canadian patent was subsequently assigned to the plaintiff. Under the provisions of the Patent Act in force at the date when Armstrong obtained a patent in the United States, any inventor who elected to obtain a patent for an invention in a foreign country before obtaining a patent for the same invention in Canada, might obtain a patent in Canada if the patent was applied for within one year from the date of issue of the first foreign patent for such invention. Legislation was enacted subsequent to the end of the war extending the period for applications for patents, validating patents, etc. It is the proper construction to be placed on this legislation, that is the substantial matter in issue here.

For the purpose of the trial of this action the following admissions were made by the parties:—

1. The defendants, prior to June 4, 1921, commenced to manufacture and sell, and have since continued to manufacture and sell, radio receiving sets embodying the inventions described in the patents referred to in the Statement of Claim.

2. The defendants, prior to and after the issue of the said letters patent, and prior to the institution of this action, have manufactured, used and sold radio receiving sets having the electrical characteristics indicated by the attachment current diagram.

The defendants, while admitting the validity of the patent in suit, claim that it was granted or validated under the provisions of chapter 44 of the Statutes of Canada, 1921, which came into force on June 4, 1921, and that prior to the granting or validating of the patent under that statute, the defendants had commenced the use, manufacture and sale of the invention claimed under the patent,

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and that they are entitled under the provisions of that statute to continue in Canada the manufacture, use and sale of such invention. Alternatively the defendants contend that if this statute does not protect such rights, they have a right to the manufacture, sale and use of the invention under Sec. 83 of the Treaty of Peace (Germany), Order 1920, which I shall hereafter refer to as the Order. Upon the provisions of that statute and Order the defendants rely.

On the other hand the plaintiff contends that the patent was applied for and issued under the provisions of section 82 of the Order and that on January 10, 1920, the defendants had not acquired any rights in the invention protected by the provisions of the Order, Sec. 83 of the Order is as follows:—

> The rights of priority, provided by Article 4 of the International Convention of Paris for the Protection of Industrial Property, of March 20, 1883, revised at Washington in 1911, or by any other convention or statute for the filing or registration of applications for patents or models of utility, and for the registration of trade-marks, designs and models which had not expired on the first day of August, 1914, and those which have arisen during the war, or would have arisen but for the war, shall be extended in favour of all nationals of Germany, and of the Powers allied or associated during the war with His Majesty, until the eleventh day of July, 1920.
>
> Provided, however, that such extension shall in no way affect the right of Germany or of any of the Powers allied or associated during the war with His Majesty or of any person who before the tenth day of January, 1920, was bona fide in possession of any rights of industrial property conflicting with rights applied for by another who claims rights of priority in respect of them, to exercise such rights by itself or himself personally, or by such agents or licensees as derived their rights from it or him before the tenth day of January, 1920, and such persons shall not be amenable to any action or other process of law in respect of infringement.

On July 10, 1920, the plaintiff made application for a patent under the provisions of the above section of the Order. Nationals of the United States were undoubtedly entitled to the protection afforded by the Order.

Chapter 44 of the Statutes of Canada, 1921, was assented to on June 4 of that year, and section 7 thereof is as follows:—

> 7. (1) A patent shall not be refused on an application filed between the first day of August, 1914, and the expiration of a period of six months from the coming into force of this Act, nor shall a patent granted on such application be held invalid by reason of the invention having been patented in any other country or in any other of His Majesty's Dominions

or Possessions or described in any printed publication or because it was in public use or on sale prior to the filing of the application, unless such patent or publication or such public use or sale was issued or made prior to the first day of August, 1913.

(2) No patent granted or validated under the provisions of the next preceding section or of this section shall abridge or otherwise affect the right of any person, or his agent or agents, or his successor in business, to continue any manufacture, use, or sale commenced before the coming into force of this Act by such person nor shall the continued manufacture, use, or sale by such person, or the use or sale of the devices resulting from such manufacture or use constitute an infringement.

The Order and the Statute of 1921 cover much the same field and are doubtless confusing. In is clear that the plaintiff applied under the Order for his patent. The plaintiff's application therefore having been made within the extended period fixed by the Order, it seems to me that it is the Order and not the statute which applies to the patent in question. The right to apply for a patent having been vested in the plaintiff's assignor, he cannot be divested of or limited in the right given him by the Order, except by very clear language. The statute of 1921 could not I think have been intended to repeal section 83 of the Order. I cannot therefore accept the contention of counsel for the defendants that the patent in suit was granted under that statute. The question then arises if the defendants acquired any rights which are preserved by the proviso to article 83 of the Order, and it is necessary therefore to ascertain what the defendants had done prior to January 10, 1920, which might constitute rights which might be so preserved.

The defendant Grant claims to have known and made use of the plaintiff's patent since 1915, and part of it in 1913. The patent may be generally described as a "circuit." During the war he was second in command of the wireless and telegraphic section of the Royal Flying Corps, and he had charge of all the radio equipment used by the flying corps in France in respect of construction, repairing and development. There is no doubt Grant was active in the development of the radio, and during the war much important development work had taken place in connection with this art, to which of course he observed. On his return to Halifax at the end of the war, he states he continued his development work and immediately commenced to look for a market for his knowledge of the art, and for

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the first four or five months he did nothing else. In 1919 he states he constructed three radio sets which contained the subject matter of the plaintiff's patent, and which sets he sold though he was unable to give the names of the purchasers. He was in the same year about to instal a radio equipment on a yacht in Halifax, but the yacht was wrecked before he was able to place the equipment on the yacht. About the same time he erected a broadcasting station at Halifax, the second if not the first in Canada. In April, 1920, he entered the service of the Air Board at Ottawa, and was placed in charge of the radio department of the Board. While in this employ he constructed radio sets for the Board which included the patent in question, and he also erected several broadcasting stations in Western Canada for the Board. In November, 1921, he left the services of the Air Board and started in business himself in Calgary. There he built a broadcasting station with the hope of enlarging the market for radio sets. He organized a company in 1922 which commenced the manufacture of radio sets in a large way from designs made in 1921, and which designs contained the plaintiff's invention. I might here say that Grant states he first heard in 1922 that the circuit involved in the plaintiff's invention was patented in the United States, and he learned of the Canadian patent in 1923. The company referred to was not financially successful and soon ceased to do business. The W. W. Grant Company Ltd., one of the defendants in this action, was later organized for the same purpose and is now doing business, and whatever manufacturing it has done has been since the date of its incorporation. I thought it better to set forth at considerable length the substance of Grant's evidence even though some of it may not be strictly relevant.

The proviso to Sec. 83 of the Order is not clear, but it was evidently intended thereby to protect *bona fide* rights acquired in industrial property prior to January 10, 1920, which are in conflict with rights applied by another and who claims rights of property in respect of them. So far as the facts are concerned I am of the opinion that it is only the manufacture and sale of radio sets by Grant in Halifax in 1919, and which contained Armstrong, which

can avail the defendants, and I exclude the defendant company because it did not come into existence until 1925 and there is no evidence that it through Grant derived any rights as agent or licensee. The remaining question for decision is: Did Grant personally acquire any rights which are protected by the Order. I accept Grant's evidence as to the manufacture and sale of radio sets, containing Armstrong, at Halifax in 1919. It seems to me the test is this, had Sec. 83 of the Order not been enacted in 1920, or at any time, did Grant by user, manufacture, publication or sale in 1919, put himself in such a position that he might have prevented Armstrong from patenting in Canada. In my opinion Armstrong in the face of the facts, could not have obtained a valid patent in Canada, and Grant would have had the right without constituting infringement, to market Armstrong in Canada. Armstrong had the right to a patent in Canada only because he was within the extended period fixed by the Order. It does not follow that Grant was entitled to a patent in Canada. He may not have been the first inventor within the Patent Act, or if he was, he may have failed to apply in time, but nevertheless his user and manufacture in 1919 but for the Order would prevent Armstrong or anyone else I think from obtaining a patent, which means he would have the right to a continued user, and therefore I think it can be fairly said that Grant in 1919 was in *bona fide* possession of rights of industrial property which are protected by the Order. He has not therefore infringed the plaintiff's patent. There is little or no authority upon this point. I observe that Terrel on Patents, 6th Ed., p. 429, states that while the proviso is far from clear, that it probably includes persons who made or used prior to January 10, 1920, an unpatented article. It might also, he states, be held that the protection extends to an invention which was in the possession of a person though not actually used. I would also refer to a discussion of the meaning of article 308 of the Treaty of Peace, which corresponds to Sec. 83 of the Order, by the Comptroller General in the matter of *Armstrong's* application for a British patent (1), which I think is helpful.

(1) [1922] 39 R.P.C. 146 at p. 153.

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I am of the opinion therefore that the plaintiff must succeed against W. W. Grant Ltd., and is entitled to the relief claimed. The plaintiff's action against the defendant W. W. Grant fails. Inasmuch as the point involved in the action is new, and in view of my conclusions, I feel that a proper disposition of the question of costs would be to direct that each party bear its own costs.

Judgment accordingly.