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 June 25
 Oct. 2

BETWEEN:

PARKE, DAVIS & COMPANY, APPELLANT,

AND

FINE CHEMICALS OF CANADA, }
 LIMITED, } RESPONDENT.

Patents—Patent Act, R.S.C. 1952, c. 41, ss. 41, 105, 106 and 107—Appeal from decision of Commissioner of Patents granting a licence under the provisions of the Patent Act—Proper procedure followed by Commissioner—No denial of natural justice—Appeal dismissed.

The appellant owns certain patents for inventions intended for the preparation of medicines. By a decision of the Commissioner of Patents a licence was granted to the respondent under the provisions of s. 41(3) of the *Patent Act* R.S.C. 1952, c. 41, in respect of those patents. Appellant now asks this Court to set aside the decision of the Commissioner of Patents on the ground that it was rendered before the appellant was given any opportunity of submitting evidence or making submissions to the Commissioner to establish reasons why a licence should not be granted to the respondent. Appellant contends that this is a denial of natural justice.

The respondent had filed an application requesting the grant to it of a licence under the patents and the Commissioner in a letter to respondent's solicitor outlined the practice to be followed and also advised the appointed representative of the patentee that an application for licence had been filed by respondent who had been requested to serve upon the representative the application and verifying affidavit and that the patentee would have two months within which to file with the Commissioner a counter-statement. All these steps were taken and later the Commissioner advised appellant's solicitor that "in view of the knowledge acquired during previous hearings in which the applicant for licence was concerned he had come to the conclusion that a licence is to be granted in this case". After protesting that the licence had been granted without a hearing, the appellant, who did not request a formal hearing or an opportunity of presenting further evidence or argument, though six months had elapsed after the date the appellant had filed its counter-statement before the Commissioner made his decision, launched this appeal.

Held: That Parliament in enacting s. 41 of the Act has conferred on the Commissioner the power to decide the question and he is required to grant the licence "unless he sees good reasons to the contrary" and in the absence of any requirement or direction as to how he should proceed the law will imply no more than that the substantial requirements of justice shall not be violated.

2. That the appellant had had ample opportunity of stating its case and did so, and by the material filed with the Commissioner the issues were clearly defined and the facts attested to by affidavit and the Commissioner would need nothing more to resolve the simple issue which was before him, namely whether the appellant had established good cause why the licence should not issue.

3. That the Commissioner was fully entitled to use knowledge acquired in other proceedings as to the ability of the respondent to manufacture the product concerned and in the absence of any requirement as to how he should proceed in such applications, he was entitled to use information so acquired by him by reason of his office and to do so does not constitute a denial of natural justice to the appellant.

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APPEAL from a decision of the Commissioner of Patents.

The appeal was heard before the Honourable Mr. Justice Cameron at Ottawa.

Christopher Robinson, Q.C. and *J. M. Godfrey, Q.C.* for appellant.

Harold G. Fox, Q.C. for respondent.

The facts and questions of law raised are stated in the reasons for judgment.

CAMERON J. now (October 2, 1959) delivered the following judgment:

This is an appeal from a decision of the Commissioner of Patents dated April 1, 1959, that a licence is to be granted to the respondent under the provisions of s. 41 (3) of *The Patent Act* R.S.C. 1952, c. 41 in respect of the above named patents, the property of the appellant. The Court is asked to set aside the said decision on the ground "that it was rendered before the appellant was given any opportunity of submitting evidence or making submissions to the Commissioner to establish reasons why a licence should not be granted to the respondent". This, it is said, is a denial of "natural justice".

Section 41 of the Act relates to chemical products and substances intended for food or medicine and it is admitted that the patents in question were for inventions intended for the preparation of medicines. The section in part is as follows:

(3) In the case of any patent for an invention intended for or capable of being used for the preparation or production of food or medicine, the Commissioner shall, unless he sees good reason to the contrary, grant to any person applying for the same, a licence limited to the use of the invention for the purposes of the preparation or production of food or medicine but not otherwise; and, in settling the terms of such licence and fixing the amount of royalty or other consideration payable the Commissioner shall have regard to the desirability of making the food or medicine available to the public at the lowest possible price consistent with giving to the inventor due reward for the research leading to the invention.

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(4) Any decision of the Commissioner under this section is subject to appeal to the Exchequer Court.

The various steps taken, as disclosed by the Patent Office file, are not in dispute. The respondent on June 21, 1958, filed an application requesting the grant to it of a licence under the above-mentioned patents for the use of the patented inventions for the purpose of the preparation or production and sale of the patented products. Certain facts which will be referred to later were set out and the application was supported by the affidavit of the secretary-treasurer of the respondent company, in which he stated that he had knowledge of the facts stated and that such facts were true to the best of his knowledge and belief.

Neither the Act nor the Rules established thereunder contain any provisions as to the procedure in applications under that section. By letter dated July 15, 1958, addressed to the respondent's solicitor, the Commissioner outlined the practice to be followed, including advertising in the Canada Gazette and the Canadian Patent Office Record; service of the application and affidavit upon the patentee's representative; the right of the patentee to file and serve a Counter-statement, verified by affidavit, the respondent to have thirty days to file and serve a Reply in the manner set out above.

On the same date, the Commissioner wrote to the appointed representatives of the patentee as follows:

An application for licence under the provisions of section 41(3) of *The Patent Act* has been filed by Fine Chemicals of Canada Ltd. of Toronto. The applicant has been requested to serve upon you the application and the verifying affidavit within two months of the date of this letter.

You will have two months within which to file a counter-statement supported by affidavit with me and serve a true copy thereof upon the applicants.

That procedure was followed and on October 10, 1958, the appellant filed its Counter-statement, alleging certain facts which will be later referred to, and supported by the affidavit of Mr. K. D. McGregor, a vice-president and secretary of the appellant company, certifying that the facts stated therein were true. On November 4, 1958, the respondent filed its Reply to Counter-statement.

The next step taken by the Commissioner was to inform the solicitors for the parties by letter dated April 1, 1959, that a licence would be granted. The letter to the appellant's solicitors reads in part as follows:

I have reviewed the file in connection with this application. In view of the knowledge acquired during previous hearings in which the applicant was concerned I have come to the conclusion that a licence is to be granted in this case.

I therefore set Thursday April 30, 1959, for a hearing at which the parties will have an opportunity to discuss the rate of royalty under the licence. No other argument will be heard. The patentees are requested to be ready to substantiate with figures their claim for royalty.

By letter dated April 22, the solicitors for the appellant took strong objection to the licence having been granted "without a hearing", alleging also that their clients had certain evidence which they wished to present as to why the licence should not be granted. The Commissioner replied on April 27 as follows:

This is to acknowledge your letter of April 22nd, in which you object to the ruling that a licence should be granted without hearing and in which you suggest that my decision was taken upon representations of Dr. Fox without your knowledge.

I beg to advise that Section 41(3) does not provide for a hearing. Hearings have been held in the past in such cases when I felt that I needed informations which were necessary for me to arrive at a decision.

In the present case I had arrived at the conclusion that a licence was in order before the communication of Dr. Fox. I am familiar with the business and qualifications of the applicant and also with the possible arguments of the patentee.

For these reasons I cannot alter my ruling, but in view of the absence of Mr. McGregor I agree to postpone the hearing for the purpose of fixing a royalty to May 25th at ten o'clock a.m. in my office.

Subsequently on June 1, 1959, the appellant launched its appeal from the Commissioner's decision. By mutual consent, the hearing to determine the amount of the royalty has been adjourned pending the result of this appeal.

It is to be noted that the appellant, at any time prior to receiving the Commissioner's advice that the licence would be granted, did not request a formal hearing or an opportunity of presenting further evidence or argument. Six months had elapsed after the date the appellant had filed its Counter-statement before the Commissioner made his decision, and in that time nothing was done by the appellant.

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In these circumstances, the Court is asked to set aside the decision of the Commissioner on the sole ground that he should have had a formal hearing at which the appellant could have submitted further evidence as to why the application should not be granted, and argument thereon. By reason of his failure to do so, it is said that he acted in such a way as to deprive the appellant of "natural justice". It is apparent that in reaching his decision to grant the licence, the Commissioner did not "see good reason to the contrary", to use the words of the statute. No appeal is taken on the merits of the Commissioner's decision, and I shall refrain, therefore, so far as possible, from commenting thereon.

It is of considerable importance to note that while Parliament, in enacting s. 41, conferred on the Commissioner the duty of granting the licence applied for "unless he sees good reason to the contrary", it made no provision for the procedure to be followed by him in reaching a conclusion as to whether the application should be granted or refused. The sole reason for refusing the application is that the Commissioner does see good grounds for so doing. While wide rule-making powers are conferred by s. 12 on the Governor-in-Council, those established under P.C. 1954-1955 contain no provision relating to the procedure to be followed in applications under s. 41. It is of interest to note, however, that by s. 71 of *The Patent Act*, full provision is made for the procedure to be followed by the Commissioner in disposing of applications for compulsory licences where there has been an abuse of the exclusive rights granted under patents. Thereby, anyone opposing the application may file "a Counter-statement verified by a statutory declaration fully setting out the grounds on which the application is to be opposed". Then by s-s. (2), the Commissioner is given power to dismiss the application without a hearing after considering it and the Counter-statement, unless one of the parties has demanded a hearing or the Commissioner himself appoints a hearing. Then, by the above-mentioned rules (which by the Act have the same effect as if they had been embodied in the Act), ss. 96 to 109, further provision is made for the procedure to be followed in applications under ss. 67 to 73 of the Act,

relating to compulsory licences. Section 97 authorizes the Commissioner to dismiss an application unless he is satisfied that an applicant has a *bona fide* interest and that a *prima facie* case for relief has been made out from the matters alleged in the application and the accompanying declaration. It is clear from ss. 105 to 107 that, unless a hearing has been requested, the Commissioner has power to decide the issues upon the materials filed.

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105. The Commissioner may, and if requested to do so by the Attorney General of Canada or any party to the proceedings in Form 21, shall, by notice in writing to all parties to the proceedings, fix a date of hearing not less than one month from the date of such notice.

106. If any party to the proceedings has, within two weeks after the date of the notice fixing the date of the hearing, filed with the Commissioner and served upon all parties to the proceedings a notice of intention to adduce evidence at the hearing referred to in section 105, the Commissioner shall entertain oral evidence adduced at the hearing.

107. If no date of hearing has been fixed under section 105, the Commissioner shall decide the issues upon the material filed.

It is apparent, therefore, that the Commissioner in the absence of any requirement in the Statute or Rules as to the procedure to be followed in applications under s. 41 of the Act, adopted the procedure which he thought suitable to the circumstances and in substance followed that which was applicable in applications for compulsory licences. He required public advertisement of the application, service upon the patentee's representatives, filing of a Counter-statement, and that the allegations in the application and Counter-statement should be supported by affidavit.

Counsel for both parties referred me to a number of cases in which the Courts had discussed the term "natural justice" in relation to the proceedings of a great variety of bodies. In my view, the proper principle to be applied here is that stated in *Spackman v. Plumstead Board of Works*¹. That was a case where an architect had been given power to fix the general line of buildings on a road. There the Earl of Selborne at p. 240 said:

No doubt, in the absence of special provisions as to how the person who is to decide is to proceed, the law will imply no more than that the substantial requirements of justice shall not be violated. He is not a judge in the proper sense of the word; but he must give the parties an opportunity of being heard before him and stating their case and their view. He must give notice when he will proceed with the matter, and he must act honestly and impartially and not under the dictation of some other

¹ (1885) 10 A.C. 229.

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person or persons to whom the authority is not given by law. There must be no malversation of any kind. There would be no decision within the meaning of the statute if there were anything of that sort done contrary to the essence of justice.

In the instant case, Parliament has conferred on the Commissioner power to decide the question, but his decision is of a very limited nature. He is required to grant the licence "unless he sees good reason to the contrary". In the absence of any requirement or direction as to how he should proceed "the law will imply no more than that the substantial requirements of justice shall not be violated."

I am unable to find in this case that there was any such violation. True it is that the Commissioner did not have an oral hearing on the issue which he had to decide. But by following the procedure which I have outlined above, he gave full opportunity to the appellant to state its case in writing and to meet the statements set out in the application of the respondent.

The term "Counter-statement" is well known to agents and attorneys dealing with patent matters. It must have been apparent to the agents of the appellant that the Commissioner, in requiring proof by a supporting affidavit of the allegations in the application and the Counter-statement (his letters to the parties' agents makes this clear), was not merely requesting something in the nature of pleadings, but rather was asking for all material facts on which the parties would rely and proof thereof by affidavit, so that, if he thought proper to do so, he could determine the issue on the materials so filed, including the Reply, and without a formal oral hearing if he so decided.

I do not doubt that it was within the power of the Commissioner—had he deemed it necessary to do so—to direct an oral hearing at which a further opportunity would have been afforded the appellant to adduce evidence, to cross-examine the witnesses of the respondent and to present argument. The record shows that he had done so on some occasions but it does not follow that he must do so in all cases. In this case, and particularly because of the failure of the appellant to request the further opportunity of presenting its case in an oral hearing, I think he was entitled

to come to the conclusion that the appellant had fully stated its case and that he had sufficient material before him to reach a decision on the issue.

Counsel for the appellant stressed the point that the Statute provides a right of appeal from the Commissioner's decision to this Court and that therefore, without the full hearing now requested by the appellant, this Court sitting in appeal would not have sufficient material to determine whether or not the appeal should be allowed. He referred me to *In re General Accident Assurance Co. of Canada*¹, a decision of the Court of Appeal for Ontario. The facts and findings are stated in the headnote as follows:

A complaint was made to the Superintendent of Insurance, pursuant to the provisions of sec. 262 of the Ontario Insurance Act, 1924, as amended, that there was discrimination in the automobile insurance rates charged by an insurance company. The Superintendent made an investigation of the business of the company, and evidence on oath was taken before him, but he himself examined the witnesses summoned by him and refused to allow counsel for the accused company to cross-examine them or to produce evidence on behalf of the company. He found that there was discrimination, and made an order under subsec. 3 of sec. 262 directing that the discrimination be removed.

The Court allowed an appeal by the company under sec. 13 of the Act, and remitted the case to the Superintendent for trial according to law.

Held, per Latchford, C.J., and Riddell, J.A., that the Superintendent was acting judicially and his actions might be called in question on appeal: his conduct violated every principle of fairplay and natural justice.

Per Middleton and Masten, J.J.A., that where the Superintendent is called upon to act and proceeds under sec. 262, he must afford both to the complainants and the accused company the opportunity of presenting their respective contentions and the evidence in support of them.

In that case there was a hearing by the Superintendent of Insurance and oral evidence was heard by him, but counsel for the accused company was denied the right of cross-examination or of calling its own witnesses. All four Judges were of the opinion that the hearing in this respect had been unfair and that the case should be remitted to the Superintendent for re-trial according to law. But the reasons for judgment of Masten, J. A. (with which Middleton, J. A., agreed) indicate that he was not prepared to go as far as Riddell, J. A. (with whose opinion Latchford, C. J., agreed) in considering the procedure followed by the Superintendent. At p. 481, Masten, J. A., said:

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Further, as this is an appeal proper and not a rehearing, such evidence must in the first instance be adduced before the Superintendent.

This leads me to the conclusion that where the Superintendent is called upon to act and proceeds under sec. 262, he must afford both to the complainants and to the defendant company the opportunity of presenting their respective contentions and the evidence in support of them.

I deliberately express my opinion in those general terms, deeming it unnecessary and undesirable on this appeal to attempt to define more precisely the procedure to be adopted or the exact limits of the administrative and executive functions of the Superintendent. It suffices for the disposition of this appeal to say that this Court must have before it for the exercise of its functions whatever in the way of relevant evidence the appellants desire to present.

In this case, this Court sitting in appeal would have before it the same material as was before the Commissioner, namely, the Application and Counter-statement, both supported by affidavit and the Reply of the appellants as well. If Parliament, by providing a right of appeal to this Court from such a decision of the Commissioner, intended to confer on the Court the same power of determining the issue as the Commissioner possessed—and this perhaps would seem to be the case—this Court would have the same material before it as the Commissioner had and that material, in my view, would in this case be adequate for the hearing of the appeal.

The issues raised in the application and Counter-statement are very simple. In the application, after a formal request to the Commissioner for a licence, the facts upon which the petition is based are set out. First it is stated that the patents are for inventions intended for or being capable of being used for the preparation or production of medicine and are patents covering stages in a required procedure for one medicinal compound, namely, chloramphenicol and its derivatives. That allegation is admitted in the Counter-statement. Then para. (b) states that the petitioner by correspondence and interview with the appellant, requested a licence and that it was refused. The Counter-statement does not deny this allegation, but states merely "that the correspondence speaks for itself". Then para. (c) of the petition alleges that so far as it knows, the product is not being fully manufactured in Canada, the demand being supplied by importation. In the Counter-statement, it is alleged that this statement is irrelevant and

that without prejudice it denies that the demand for chloramphenicol is being supplied by importation and that, in fact, the demand is being supplied by Parke Davis and Co. Ltd., a duly licenced subsidiary of the appellant, the manufacture of which is completed at the plant of the latter company in Brockville.

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Then by para. (d) of the petition, the applicant states that it has an established business and plant for the manufacture of pharmaceuticals and pharmaceutical chemicals and that it is prepared to make the product of the patent for sale in Canada and that if granted a licence, it intends to use it for the purpose of the preparation and production of medicine. In the Counter-statement, the appellant says that the respondent's plant lacks proper facilities for the manufacture of chloramphenicol and that so far as it knows, the respondent is not competent, qualified, equipped or capable of manufacturing the product and does not intend to use the patents for the purpose of the production and preparation of medicine. In its Reply, the respondent in para. 1 states that the manufacture of the product as supplied in Canada by the appellant is merely completed in Canada, the main steps in its preparation apparently being carried on in the United States. In para. 2 it repeats the statement contained in its petition and states that it has the facilities for such manufacture and is competent, qualified, equipped and capable of undertaking the manufacture of the product.

I have set out these particulars, not because I wish to review the Commissioner's decision in relation thereto (that matter not being before me), but rather to indicate that the appellant had ample opportunity of stating its case, and did so. By the Petition, Counter-Statement and Reply, the issues were clearly defined and the facts attested to by affidavit. In this case, the Commissioner would need nothing more to resolve the simple issue which was before him, namely whether the appellant had established good cause why the licence should not issue. As he stated himself, the Commissioner needed nothing further before making his decision.

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A further objection is also raised by the appellant. Attention is drawn to a portion of the Commissioner's letter to the appellant's solicitor dated April 1, 1959 (*supra*) as follows:

I have reviewed the file in connection with this application. In view of the knowledge acquired during previous hearings in which the applicant was concerned, I have come to the conclusion that a licence was to be granted in this case.

Counsel for the appellant submits that the Commissioner had no right to use any information acquired by him in any matter other than in the present application and that to do so was again a denial of "natural justice". No particulars are given as to what knowledge he so acquired and the Commissioner was not before me at the hearing of the appeal. I think the statement probably referred to knowledge acquired in a similar matter between the same parties regarding a licence under s. 41(1) (see *Parke Davis & Co. v. Fine Chemicals of Canada Ltd.*¹, a decision of the Supreme Court of Canada). I have examined the file of that case in this Court and it is apparent therefrom that the same question as is raised here, namely, the ability and competency of the respondent to manufacture the product there in question, was raised, and inasmuch as the Commissioner then decided to grant the application for a licence, he must have decided that point in favour of the respondent, or possibly he may have considered it of no importance. In any event, if he considered it to be of any importance in this case, I think he was fully entitled to use the knowledge so acquired as to the ability of the respondent to manufacture this product. In the absence of any requirement as to how he should proceed in such applications, I think the Commissioner was entitled to use information so acquired by him by reason of his office.

For these reasons, I have come to the conclusion that the appeal fails and it will be dismissed with costs.

Judgment accordingly.