IN THE EXCHEQUER COURT OF CANADA.

1919

December 9.

BETWEEN:

THE MARCONI WIRELESS TELEGRAPH COMPANY OF CANADA, LIMITED,

PLAINTIFF;

AND

CANADIAN CAR & FOUNDRY COMPANY LIMITED,

AND

EMIL J. SIMON,

DEFENDANTS.

Patent Act, section 53—Foreign vessels—Infringement—Interpretation of contract—Lien—Security.

Held,—That assuming that the apparent title to the vessels was given to the builders by the contract, as a guarantee for builder's lien, the ownership of the vessels, on final payment, followed by delivery, reverted to the employer, the true owner, from the beginning of the contract; and these ships being built and paid for by the French Republic and enrolled as units of the French navy were foreign vessels, and should receive the protection given them under the provisions of section 53 of the *Patent Act,* R. S. C. 1906, ch. 69.

2. In construing a contract, the Court will consider the spirit and true meaning of the language used, and apply the law thereto with an equal measure of liberality. Technical narrowness will be avoided in order that justice be not defeated.

The French Republic employed the defendant Company to build for them 12 war vessels known as mine sweepers, and when the same were 95% completed, the employer requested the builder to install a wireless apparatus on each of the ships. This apparatus was alleged by plaintiff to be an infringement of its patent. The machines were purchased by the French Republic in New York, and shipped to itself at Fort William, and the installation was directed and supervised by the Republic's naval officers. The Company only furnished the labour and the material to install it,—practically the same as would be required under plaintiff's first expired patent—and were never the owners of the apparatus, which at all time remained the property of the Republic of France.

Semble,—That in such a case, the act of the builder in so installing the machine was not an infringement of the patent within the meaning of the *Patent Act.*

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THE action herein for alleged infringement was heard before the Honourable Mr. Justice Audette at the City of Montreal on the 14th day of October, 1919.

Mr. Eugene Lafleur, K.C., *and Mr. Sinclair* for plaintiff.

Mr. Wainwright for defendant, the Canadian Car & Foundry Company.

The facts are stated in the reasons for judgment of the honourable Judge which follow:

AUDETTE, J., (December 9th, 1919) delivered judgment.

The plaintiff brings this action, against the defendants, for an alleged infringement of the Canadian Patent No. 62,963, bearing date the 17th April, 1899, for Improvements in "Transmitting electrical Impulses and Signals and all apparatus therefor", and further of the Canadian Patent No. 74,799, bearing date the 18th February, 1902, for "Improvements in Apparatus for Wireless Apparatus".

These two patents, as said by witness *Cann,* are similar in that "they both radiate electric magnetic "waves and the difference consists in the method of "tuning. Patent No. 62,963 has the direct method "of excitation and consists of one circuit only; and "patent No. 74,799 consists of two circuits which are "tunable one to the other." Upon this it would appear that the patent is a narrow one, and one requiring careful examination in respect of its subject matter.

Patent No. 62,963 had already expired by lapse of time before the institution of the present action. Counsel at bar for the plaintiff abandoned all claims thereunder. It therefore follows that every claim mentioned in that patent now belongs to the public.

Under a previous judgment rendered herein the issues as between the plaintiff and the defendant Simon have been disposed of. The issues in the present controversy are only between the plaintiff and the Canadian Car & Foundry Company, Limited.

Under a contract or agreement, dated the 1st February, 1918, between the Republic of France and the said Canadian Car & Foundry Company, Limited, which for the purposes of brevity will hereafter be called "the Company", the Company agreed to build for the Republic of France twelve steel mine sweepers, complete and ready for sea. The Company built these vessels, at Fort William, Ontario, and agreed, *inter alia,* to deliver them, at the place of construction or at salt water, at their option, at least six days prior to the closing of the locks by ice, &c., &c. These vessels which were all delivered at Fort William were required for war purposes and were as such enrolled as part of the French navy.

This contract, which may be called the original contract, did not call or provide for the installation of wireless telegraph apparatus on board these war vessels. Witness *Atwood* states he could not say when the arrangement was made with respect to this installation, but it was made verbally between Mr. Park, Captain Denier and himself some time after the original contract had been in existence, and finally covered by the letter of the 25th November, 1918, Exhibit No. 8,—but this second contract was drawn after the apparatus had been installed. It is not in evidence at which date these war vessels were delivered to the Republic of France. Some had been delivered at this date of 25th November, 1918, but we have no evidence of the delivery of each vessel. The

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apparatus was installed when 95% of the works had been done in the building of these vessels.

By this second contract, the Company was to install this wireless apparatus and supply labour and material for such installation. This labour and material would have practically been the same to install what is covered by patent No. 62,963 already lapsed and which invention belonged to the public at the time of this installation, and all the required material was bought in open market. Therefore there could not in any manner be an infringement in so doing.

The apparatus itself, or the cabinet, was the property of the French Republic for having bought it in New York. When this apparatus was thus its property, the French Republic shipped it to itself—under its own address care of the Company,—at Fort William, Ontario, where it was placed in the Company's warehouse, which under arrangement with the Canadian Government, was virtually a bonded warehouse.

In this letter of the 25th November, 1918, Exhibit No. 8, we find the following paragraph:—"Except "as hereby specifically modified, all terms, condi- "tions and provisions of the said contract shall re- "main unchanged and in full force and effect",—from which the plaintiff seeks support for the contention that the property of the apparatus became the property of the Company. I cannot accede to this contention because it is not in harmony with the facts. The apparatus was installed on the vessels when this contract, with such a clause, was completed and when some, if not all, of the vessels had been delivered and paid for.

The ownership of the apparatus was at all times in the French Republic who bought it, shipped it to Fort William, and had it installed under the direction and superintendence of officers of its own navy. How could the defendant Company be said to infringe any patent involved in this apparatus? At no time did they have control or ownership of it and none of their acts could amount to a user of the patent.

In Re *Vavasseur v. Krupp*[1] we find a very interesting judgment with some analogy to the present case, and where the facts and language used by the judges is quite apposite. The plaintiff in that case had brought an action against Krupp, of Essen, Germany, and its agent in England, and also the agents for the Government of Japan, claiming an injunction and damages for the infringement of the plaintiff's patent for making shells and other projectiles. These shells had been made in Essen, Germany, had been there bought for the Government of Japan, had been brought and landed in England to be put on board three Japanese ships of war which were being built there for the Government of Japan and to be used as ammunition for the guns of those vessels.

A preliminary injunction, without prejudice to any question, had been granted restraining the defendants, etc., forbidding the parting with, selling, or disposing of the shells. The Mikado of Japan and his Envoy Extraordinary were made parties to the suit, and moved to dissolve the injunction and to remove the shells in question the property of His Imperial Majesty. The application was granted

[1] (1878), L. R. 9 Ch. D. 351.

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and that judgment was immediately taken to appeal. James, L. J., prefaced his finding by saying, at page 354: "I am of opinion that this attempt on the "part of the plaintiff to interfere with the right of "a foreign sovereign to deal with his public property "is *one of the boldest* I have ever heard of as made "in any Court in this country." And his reasons for judgment all through show that such an abuse of the help of the Court should not be encouraged. The patented shells were ordered to be handed over to the Japanese Government and on the merits the action was discontinued.[1] Likewise is not the present case tainted with an undue desire to overstretch the monopoly and privilege given a patentee under the old Statute of James I, as modified by subsequent legislation?

On the question of infringement in the present case, Counsel at bar contends, not without some colourable reason, that he has made a *primâ facie* case; but the evidence in that respect is so weak and so meagre that my common sense rebels in making a finding in that sense. We are not dealing with a pioneer patent, and in determining the question of infringement all the circumstances of the case must be regarded. The first patent No. 62,963 has given the public so much to work upon, and the evidence upon the merits of the second patent, as compared with the first, is so little convincing, as well as that which tends to show that the apparatus on the "Navarrine" at Montreal is an infringement on patent No. 74,799, that feeling as I do in the view I take of the case, I find it unnecessary to adjudicate finally upon that question. I will refrain from so doing. It is indeed impossible under the

[1] *Vavasseur v. Krupp*, (1880), 28 W. R. 366; L. R. 15 Ch. D. 474.

circumstances of the case to find that the Company did, as required by sec. 30 of the *Patent Act,* make, construct or put in practice the apparatus installed upon these war vessels, beyond the testing of the same by the naval officers of the French navy. Then the apparatus in question was the property of the French Republic and has always been, ever since it was purchased in New York. The defendant Company never had any control of the wireless apparatus.

Having said so much that takes us to the consideration of section 53 of the *Patent Act,* which reads, as follows:

"No patent shall extend to prevent the use of any "invention in any foreign ship or vessel, if such "invention is not so used for the manufacture of any "goods to be vended within or exported from "Canada."

It is beyond reasonable controversy and doubt that the Republic of France did construct these twelve war vessels in Canada and paid for them in the manner provided by the contract. However, with the obvious view of guaranteeing the payment to the builder, the following clause was inserted in the contract between the Republic of France and the Company, viz., Art. II,—par. 8—"Both parties "agree that the title of each vessel herein contracted "for shall be and *remain* in the builder until the full "purchase price for each vessel is paid in cash by "the purchaser, less any deduction agreed upon."

Armed with this protecting clause giving the builder a lien for his work and material, an arrangement having privity between the contracting parties, the plaintiff contends the vessel became thereunder the property of the defendant Company

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and not of the Republic of France, and is not therefore protected by sec. 53.

Before coming to any conclusion it is well to mention also that under article 9 of the contract the Company was obliged to insure the vessels and that provision pursues and says: "Loss if any, shall be "made payable to the purchasers and the builders, "as their respective interests may appear. . . and if "said vessel and material on hand are not kept "fully insured as above specified, the buyers may "take out such insurance and the premium paid "therefor shall be deducted from the next payment "or payments due the builder hereunder." This provision further establishes by the contract itself the interest the Republic of France had in these war vessels, and it was indeed the true owner subject to the lien for payment. The ownership is not in the Company, but held by it for its lien. If for the sake of argument one might concede the apparent title to the vessels was in the builder, the ownership of the vessel, on making final payment, followed by delivery, reverted to the French Republic from the beginning of the contract.

To come to a proper conclusion under the circumstances, I must consider both the spirit of the law together with the spirit and the true meaning of the contract. It is the intention of the parties that must guide. In seeking any conclusion in the present case one must guard against taking the shadow for the substance. Contracts must not be construed with technical narrowness. Right and justice must not be defeated by mere technicalities considered *strictissimi juris*. A Court is entitled to look at the substance of the transaction.

These war vessels to all intents and purposes were built, to the knowledge and acquaintance of all concerned, by the Republic of France, for its navy. They were enrolled as units of the same for the purposes of the Great War, no registration being required for war vessels, and it would be pedantic for me to both ignore these facts and find accordingly. Under the circumstances I am unable to find, as asked by the plaintiff, that these vessels which were built and paid for by the Republic of France were not its property—even after paying 60% of their costs as the building progressed, or may be the whole purchase as in the case of the "Navarrine". The dates of the delivery of the other vessels are not disclosed.

I therefore find that the war vessels in question were under the circumstances foreign vessels coming within the ambit of the protection given under the provisions of sec. 53 of our *Patent Act*.

This legislation giving a foreign vessel this immunity has comparatively a modern origin, and it will be interesting to know its *raison d'etre*. This legislation, in derogation of a monopoly, as enacted by sec. 53 of our Act, dates back to the *English Patent Act* as amended in 15 and 16 Vict. 1852, (Imp.) ch. 83, as a result of the decision given in 1851, in the case of *Caldwell v. Vanvlissengen* et al[1] wherein a Dutch vessel coming into an English port, an injunction was granted against her for using on board an invention protected by an English patent.

From a perusal of the Hansard's Parliamentary Debates in the House of Lords and House of Com-

[1] (1851), 9 Hare, 415.

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mons in England[1] it appears, in the discussion which then took place in the Imperial House of Commons, that if the law were to remain as it was it would greatly interfere with and hurt trade and commerce as between England and the other countries and with a view to abate such danger, the monopoly of the *Patent Law* was curtailed in a manner to protect foreign vessels. The legislation was promoted to foster trade and commerce and the present instance comes within that class since it will encourage foreign countries to take advantage of our natural resources and build some of their vessels in our country, protected as they will be by our sec. 53—with the Courts of the land seeing that it is duly enforced in its spirit as well as in its substance.

The action is dismissed with costs.

Solicitors for plaintiffs: *Greenshields, Greenshields, Languedoc & Parkins.*

Solicitors for defendant and The Canadian Car & Foundry Company: *Davidson, Wainwright. Alexander & Elder.*

[1] Pp. 1116, 1224, 1289, 1229.