HUTCHINS CAR ROOFING COMPANY AND ROBERT E. FRAME.....PLAINTIFFS; 1916 May 3

AND

RICHARD WEBB BURNETT.....DEFENDANT.

Patents—Conflicting claims—Jurisdiction—Arbitration—Stay of proceedings.

The Exchequer Court has jurisdiction under sec. 23 of the Exchequer Court Act (R.S.C. 1906, c. 140) to determine conflicting applications for patents notwithstanding the pending of a similar proceeding before the Commissioner of Patents, by way of arbitration, under sec. 20 of the Patent Act (R.S.C. 1906, c. 69); where jurisdiction is assumed the other proceedings will be stayed.

APPLICATION to stay proceedings in an action in the Exchequer Court to determine conflicting claims for patents.

Tried before the Honourable Mr. JUSTICE CASSELS, at Ottawa, November 27, 28, 1916.

A. W. Anglin, K.C., for plaintiffs; *A. R. McMaster*, K.C., for defendants.

CASSELS, J. (May 3, 1916), delivered judgment.

This was a statement of claim filed on behalf of the plaintiffs, by which the plaintiffs allege that they presented a petition to the Commissioner of Patents for Canada, under the serial No. 178043 for the granting of certain letters patent. The statement of claim further alleges that in regard to the claims Nos. 25 to 36, inclusive, there was a conflict between the plaintiffs and the defendant, as to whether the plaintiff company as assignee of the plaintiff Frame, were entitled to a patent for these claims, or whether the defendant who had made application for a patent was or was not entitled to the patent.

The statement of claim also alleges that the Commissioner declared a conflict between claims Nos. 25 to 36 inclusive of the plaintiffs' said specification, and claims 12 and 14 to 24 of the defendant's said specification.

1916

HUTCHINS CAR ROOFING CO. v. BURNETT.

Reasons for Judgment.

By the plaintiffs' statement of claim they ask that it might be declared that the plaintiff, Robert E. Frame, was the first and true inventor of the invention described in the plaintiffs' said specification, and asked for an order requiring the issue of letters patent to the plaintiffs.

The defendant by his statement of defence pleads, as follows:—

"1. The defendant pleads that the present proceedings "are wrongfully and illegally instituted in this Court.

"2. That the issue raised between the parties hereto in "the present proceedings has already been begun before "the Honourable the Commissioner of Patents at Ottawa "under and by virtue of Sec. 20 of the Patent Act, and in "virtue of said section the defendant named as arbitrator "William P. McFeat, of the City of Montreal, in the "Province of Quebec, patent solicitor, but the plaintiffs "failed to appoint their arbitrator.

"3. That the defendant has a right to demand and does "demand that this Court do declare that it has no juris- "diction to entertain at the present time the application "of the plaintiffs, and that the present proceedings insti- "tuted by them be dismissed."

By sec. 20, of the Patent Act,[1] it is provided as follows:—

"In case of conflicting applications for any patent, the "same shall be submitted to the arbitration of three skilled "persons, two of whom shall be chosen by the applicants, "one by each, and the third of whom shall be chosen by the "Commissioner; and the decision or award of such arbi- "trators or of any two of them, delivered to the Commissioner "in writing, and subscribed by them or any two of them, "shall be final, as far as concerns the granting of the patent.

"2. If either of the applicants refuses or fails to choose "an arbitrator, when required so to do by the Commissioner, "and if there are only two such applicants, the patent "shall issue, to the other applicant.

These clauses were enacted prior to the provision of the Exchequer Court Act.[2]

[1] R.S.C. 1906, c. 69.

[2] 54–55 Vict., c. 26; R.S.C. 1906, c. 140.

Sec. 23 provides as follows:—

"The Exchequer Court shall have jurisdiction as well "between subject and subject as otherwise—(*a*) in all cases "of conflicting applications for any patent of invention.

It is alleged by the defendant, who is a resident of the Province of Quebec, as I have stated, that he named as his arbitrator William P. McFeat. It is admitted he is the patent solicitor for the defendant to prosecute his claim in the patent office,

It is open to question whether Mr. McFeat is competent to act as arbitrator, and whether the appointment is a valid one.

The Quebec Code of Procedure, sec. 8 provides, as follows:—

"Experts, Viewers, References in Matters of Account, "and Arbitrators.

"397. The grounds for recusing an expert are:

"7. Being a party in a similar suit, or the attorney or "agent of a party in the cause;

"8. And, generally, the grounds of exclusion applicable "to witnesses."

"412. The preceding provisions relating to experts "apply to arbitrators, in so far as they are compatible with "those of the present paragraph; nevertheless, arbitrators "need not be sworn unless the order appointing them "requires it."

This alleged appointment by the defendant was apparently made prior to the filing of the present statement of claim. The arbitrator being named by the defendant on April 9, 1915. The statement of claim was filed on May 21, 1915.

On the opening of the case I was of the opinion that this question of law as presented could not be upheld. There is undoubtedly jurisdiction, I think, in the Exchequer Court to entertain the action. I suggested to the counsel that in my opinion the proper form of application would be an application to stay the proceedings in the suit commenced in the Exchequer Court on the ground that a proceeding had been instituted under the Patent Act of a similar nature. See *Re Conolly Bros.*[1]

[1] [1911] 1 Ch. D. 731 at 740.

1916

HUTCHINS CAR ROOFING CO. v. BURNETT.

Reasons for Judgment.

It was thereupon agreed that the motion should be treated as an application to stay the proceedings in the suit commenced in the Exchequer Court.

Certain admissions of facts were thereupon made which are set out in the statement filed before me.

Subsequently an agreement was produced by Mr. Anglin bearing date February 27, 1913, and executed between Richard Webb Burnett, the present defendant, and the plaintiff, whereby Burnett agreed to grant to the plaintiffs an exclusive license under the patents set out in the agreement, and a provision was inserted, as follows:—

"2. Party of the first part further agrees, for the con-"sideration herein expressed, to sign any and all papers "and to do any and all things necessary to complete said "pending applications, and to obtain patents in any "foreign countries that said second party may desire, all "of such matters to be under the direction and control of "the second party, copies of all Patent Office letters, "amendments, etc., to be promptly sent to the first party "and to disclose to said second party any further inventions "which he may make, covered by this license, and to do "all acts and things necessary to obtain letters patent "thereon, all further patent expenses under this contract "to be borne by the second party as well as the responsi-"bility for the proper promotion of said patent matters."

The contention of Mr. Anglin acting for the plaintiff, in the statement of claim, was to the effect that his client had the direction and control, as the present plaintiffs have to prosecute the claims to the patent, and have to bear all the expenses of the obtaining of the patents.

Mr. Anglin claimed on behalf of his clients that this being so, he had the right to elect the tribunal to determine the questions.

Counsel for the defendant objected to the receipt of this document, but as the whole character of the so-called demurrer or point of law had been changed into an application to stay proceedings, I gave leave to the plaintiff to put in this document.

The case presents a peculiar anomaly. There is no practical pecuniary gain or loss to the defendant whether he is declared entitled to the patent or whether the plaintiff

1916

HUTCHINS CAR ROOFING CO. v. BURNETT.

Reasons for Judgment.

is declared entitled to it. By the agreement in question whatever he gets passes to the plaintiff as his licensee; and certain sums are to be paid by way of royalty no matter whether Burnett, the defendant, succeeds on the contest or not—but it is rightly said by Mr. Anglin, it becomes a matter of considerable moment to ascertain which of them is the inventor, as if it were held that the defendant on his application be entitled to a patent for the claims in respect to which a patent is asked, and it were to turn out that the defendant was in fact not the inventor but that the true inventor were the plaintiff, then the defendant's patent might be held void, and of no effect for want of invention—and Mr. Anglin rightly contends that it becomes a matter of importance to have the question determined either under the provisions of the Patent Act or by this Court.

I cannot accede to the proposition that where the contest is one between the plaintiff and the defendant, the plaintiffs claiming adversely to the defendant, that the plaintiffs should be the proper persons to prosecute the defendant's application. It would be manifestly unfair that he should be acting in the proceedings, asserting the defendant's rights as against his own claim. I think, however, that on the question of staying proceedings, it is important to bear in mind that all the costs incurred in the prosecution of these claims must be borne by the plaintiffs, the plaintiffs should have some say in having the case determined in the cheapest manner. I think it is manifest that the Exchequer Court is equally competent to decide the question as a Board of Arbitrators, and it is apparent that the costs in the Exchequer Court should be very much less than if it were decided by arbitration.

On May 27, 1915, the Chief Clerk of the Patent Office, wrote the following letter:—

"Patent Office,
"Department of Agriculture,
"Ottawa, May 27, 1915.

"No. 178043.

"Gentlemen:—

"I have the honour by direction to acknowledge the "the receipt of your letter of the 22nd instant on the subject

1916

HUTCHINS CAR ROOFING CO. v. BURNETT.

Reasons for Judgment.

"of the application of Hutchins Car Roofing Company, "assignee of R. E. Frame, Serial No. 178043 for "Car "Roofs" conflicting with R. W. Burnett's application, "Serial No. 171810 for Car Roofs.

"In reply I am to respectfully inform you that the "Office has noticed that the applicant, Hutchins Car "Roofing Company, has decided to have the matter of the "conflict determined by the Exchequer Court of Canada, "under the jurisdiction conferred upon that Court by "the Exchequer Court Act, and further advising that you "have filed a statement of claim with the Registrar of said "Court.

"You are therefore advised, in view of the foregoing, "that no further proceedings will be taken by the Patent "Office in connection with this matter until after the "Exchequer Court has rendered its decision.

"Your obedient servant,

W. J. LYNCH,
Chief Patent Office.

"Messrs. Blake, Lash, Anglin & Cassels,
Toronto, Ont."

I gather from this letter that the Patent Office prefers the matter determined by the Exchequer Court. I presume they would have the right on an application to them to stay the proceedings pending in their own tribunal, and they have done so. I do not read the letter of June 11, 1915, in any way as receding from the position adopted by them

The Patent Commissioner having stayed the proceedings until a decision by the Exchequer Court, I think the application fails.

The costs of the application to decide the questions of law and also the motion to stay proceedings to be costs to the plaintiffs in the cause in any event.

*Application dismissed.**

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

Solicitors for defendants: *Campbell, McMaster & Papineau.*

*Motion to quash appeal to Supreme Court of Canada dismissed: 54 Can. S.C.R. 610,36 D.L.R. 45.