

BETWEEN :

HOFFMANN-LA ROCHE LIMITED APPELLANT;

Ottawa
1967
June 27

AND

DELMAR CHEMICALS LIMITED RESPONDENT.

Patents—Compulsory licence—Patent Act, s. 41—Provision for payment of royalties before date of licence—Provision for payment of royalties into court pending appeal—Whether provisions valid.

Held, a provision in a licence by the Commissioner of Patents under s. 41 of the *Patent Act* for payment of royalties on sales during the period between his decision to grant the licence and the actual grant of the licence must be struck out and also a provision that during the pendency of any appeals by the licensee from the Commissioner's decision royalties should be paid into court and the patentee's rights to inspect the licensee's records suspended.

APPEAL from Commissioner of Patents.

R. Graham McClenahan and *C. R. Carson* for appellant.

Donald J. Wright, Q.C. for respondent.

JACKETT P. (orally) :—This is an appeal by the patentee from a decision of the Commissioner of Patents granting a licence under section 41 of the *Patent Act*.

During the course of argument, I intimated to counsel for the appellant my reasons for rejecting all his attacks on the Commissioner's decision except two, and I understood him to agree with me that no good purpose would be served by my endeavouring to set such reasons out in reasons for judgment.

I heard counsel for the respondent with regard to the other two attacks by the appellant on the Commissioner's decision and I have decided that the terms of that decision are contrary to principle or manifestly wrong in two respects.

Paragraph numbered four in the licence provides that the royalties payable pursuant to the licence are to be paid on sales made by the licensee during the period between the Commissioner's decision to grant the licence and the actual grant of the licence. As I am of opinion that a licence cannot be made retroactive, and as this licence does not purport to be retroactive, I am of opinion that it was wrong in principle to make the royalty payable in respect of a period prior to the effective date of the licence. The

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respondent resists the attack on paragraph 4, even though that clause has the result of increasing the amount of royalty payable by it. I gather from argument of its counsel that it is contemplated that the licence with paragraph 4 in it may be of some use to it in infringement proceedings. That is not a valid reason for retaining a clause that is contrary to principle.

The other attack is on paragraph 14, which provides that, during the pendency of any appeals from the Commissioner's decision or from the licence, the royalty monies are to be paid into Court and the patentee's right to inspect the licensee's records is to be suspended. I accept the argument of the appellant that it is manifestly wrong that these two conditions should apply except when the validity of the licence has been attacked by the patentee. I have therefore decided to limit the application of paragraph 14 to the pendency of any appeal by the patentee from the granting of the licence.

As the appellant has failed on a substantial part of its appeal, it will pay to the respondent three-quarters of the respondent's costs of the appeal.