

GEORGE S. BINGHAM AND }  
 ARTHUR J. SEGUIN (DEFEND- } APPELLANTS;  
 ANTS) ..... }  
 1899  
 \*Oct. 25.  
 \*Nov. 29.

AND

PETER McMURRAY (PLAINTIFF).....RESPONDENT

ON APPEAL FROM THE COURT OF APPEAL FOR ONTARIO.

*Contract—Sale of patent—Future improvements.*

By contract under seal M. agreed to sell to B. and S. the patent for an acetylene gas machine for which he had applied and a caveat had been filed, and also all improvements and patents for such machine that he might thereafter make, and covenanted that he would procure patents in Canada and the United States and assign the same to B. and S. The latter received an assignment of the Canadian patent and paid a portion of the purchase, but when the American patent was issued it was found to contain a variation from the description of the machine in the caveat and they refused to pay the balance, and in an action by M. to recover the same, they demanded by counterclaim a return of what had been paid on account.

*Held*, reversing the judgment of the Court of Appeal, that the agreement was not satisfied by an assignment of any patent that M. might afterwards obtain; that he was bound to obtain and assign a patent for the machine described in the caveat referred to in the agreement; and that as the evidence showed the variation therefrom in the American patent to be most material, and to deprive the purchasers of a feature in the machine which they deemed essential, M. was not entitled to recover.

*Held* further, Gwynne J. dissenting, that as B. and S. accepted the Canadian patent and paid a portion of the purchase money in consideration thereof, and as they took the benefit of it, worked it for their own profit and sold rights under it, they were not entitled to recover back the money so paid as money had and received by M. to their use.

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\*PRESENT :—Sir Henry Strong C.J. and Taschereau, Gwynne, Sedgewick and King JJ.

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APPEAL from a decision of the Court of Appeal for Ontario affirming the judgment of Mr. Justice Fergusson at the trial in favour of the plaintiff.

The material facts are sufficiently indicated in the above note and fully stated in the judgment of Mr. Justice Gwynne.

*Nesbitt Q.C.* and *Biggar* for the appellants. The contract could only be satisfied by giving defendant a patent of the very article specified; even if something better is given it will not be sufficient. *Leigh v. Lillie* (1); *Leake on Contracts* (3 ed.) pp. 710 *et seq.* *Bowes v. Shand* (2).

*Raymond* for the respondent referred to *Carter v. Scargill* (3); *Vermilyea v. Canniff* (4).

THE CHIEF JUSTICE.—I concur in the judgment of Mr. Justice Gwynne so far as relates to the principal action as to which the appeal must be allowed and the action dismissed with costs.

As regards the counter claim by which the appellants seek to recover the \$750 paid when the Canadian patent was assigned to them, I am of opinion that the amount so paid cannot be treated as money had and received by the respondent to the use of the appellants, inasmuch as the appellants accepted the patent and must be considered to have waived all objections to it, as they have taken the benefit of it, have worked it for their own profit, and have sold rights under it. The counterclaim was therefore properly dismissed and the judgment appealed against must stand to that extent. In other respects the appeal must be allowed with costs.

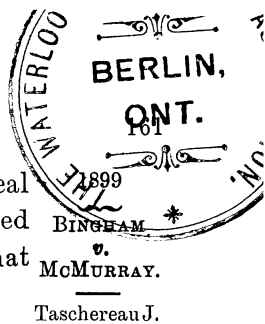
(1) 30 L. J. (Ex.) 25.

(2) 2 App. Cas. 455.

(3) L. R. 10 Q. B. 564.

(4) 12 O. R. 164.

TASCHEREAU J.—I am of opinion that this appeal should be allowed with costs, and the action dismissed with costs. On the counter-claim, I am of opinion that the appeal should be dismissed.



GWYNNE J.—This is an appeal by the defendants from a judgment recovered against them by the plaintiff upon an agreement stated in his statement of claim, in virtue of which and of the alleged fulfilment by him of all the conditions which by the agreement were to be performed by him, he claims payment by the defendants of the sum of \$2,250. To this action the defendants pleaded a general denial of the material allegations in the statement of claim and thereby cast upon the plaintiff the burthen of proving the fulfilment of all the conditions precedent to be performed to entitle him as averred to the payment of the said sum of \$2,225, and they also counter-claimed for a sum of \$750. To this counter-claim it is unnecessary at present to allude while I deal with the plaintiff's claim to recover the sum of \$2,250, which claim raises just two questions—the first being as to the construction of the agreement, and the second, whether the plaintiff has shown the fulfilment by him of his part of the agreement, upon the fulfilment of which alone he could under the terms of the agreement become entitled to recover the sum demanded.

The agreement, as pointed out by Mr. Justice Moss in delivering the judgment of the Court of Appeal for Ontario, is certainly not drawn with that accuracy of expression which is usual in agreements for the sale of patent rights for inventions such as are in question. The agreement is plainly the work of an inexperienced draftsman, but nevertheless we can, I think, very clearly determine what is the true construction of the contract of the parties. The agreement bears date the

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7th day of July, 1897, and in its first sentence it recites that the plaintiff has applied for a patent and is the owner and inventor of the same for an acetylene gas machine for the Dominion of Canada for which a caveat has been granted.

This certainly is a very ill constructed sentence, and construed literally it contains a very inaccurate statement, for in point of fact the instrument itself further on shows that the plaintiff was not, nor did he claim to be, the inventor of an acetylene gas machine, nor had he applied for a patent for any such machine, nor filed a caveat specifying therein that he had invented such a machine. Acetylene gas machines were well known machines already in use as was well known to the plaintiff who in his caveat says :

What I claim as my invention is *in* acetylene gas generators.  
 1st. The regulator F, with valve K operated by the spring X and catch N, acting automatically with the rise and fall of gas in the cap C, thus supplying just the right amount of water necessary to give a steady and practically uniform supply of gas.

2nd. The ball-cock V operating the lever V, and valve V, which shuts off the spray of water from the holes M, in combination with the regulator F, as above described.

3rd. The shaker F operated by the axis P, by partially revolving the lid D.

4th. The pail D in combination with the lid D having the receptacle D and elastic tube M, the pail D being easily removable as specified.

The caveat specifying these particulars as being the invention of the plaintiff was filed in the patent office in Ottawa on the 21st of June, 1897, and reference to it in the agreement of the 7th July, 1897, is plainly made, as it appears to me, for the purpose of identifying the invention in respect of which the parties were dealing; and its operation and effect, as it appears to me, was to incorporate into the agreement the description which was in the caveat of the invention which the plaintiff claimed the right to have secured

to him by letters patent, and for which the agreement recites that the plaintiff had "applied for a patent." The filing of the caveat, in which the plaintiff's invention is set out at length and is claimed in precisely the same terms as would have been used in an application for letters patent for the invention, seems to have been deemed sufficient to justify the allegation that the plaintiff had applied for letters patent for that invention, and not unreasonably so as it appears to me; for there can be no doubt that what the parties were dealing with each other about, was the invention as so described by the plaintiff himself, and in an agreement for the purchase and sale of an invention which the vendor claimed to be patentable, it was natural and indeed necessary for the security of the purchasers that the agreement should contain a description of the invention.

The agreement proceeds to recite that negotiations had taken place *for the absolute sale* by the plaintiff to the defendants, "*of the said patent*" which words must be construed to mean "of letters patent for said invention when issued and the agreement further proceeds to recite, that the plaintiff had agreed to sell the defendants all his (the plaintiff's)

right, title and interest in the said patent not only for Canada but for all foreign countries as well.

This recital appears clearly to indicate that what the parties had in contemplation was the sale by the plaintiff and the purchase by the defendants of all the right, title and interest of the plaintiff *in and to the said invention*, and in all letters patent to be issued therefor, when the same should be issued, and the witness part of the agreement is in precise conformity with such construction, for by the agreement it is expressly witnessed that the party of the first part (the

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plaintiff) agrees to sell to the parties of the second part (the defendants) the patent to manufacture said machine and all *improvements* and *patents* for such machine that he may hereafter make in connection with the same for \$3,000 payable as follows, viz., by defendants promissory note for \$750 payable within ten days after the issue of the letters patent for Canada for said machine, and the assignment to the said parties of the second part of the same, and the balance (or the \$2,250 now claimed) within two months after the issuance of *letters patent for the said patent* for the United States of America and the assignment thereof.

And by the said agreement the plaintiff covenanted with the defendants, *to obtain the said patent* to be issued for Canada and the United States of America, and to absolutely assign and set over the same to them, and that he will further assign to the defendants "*all interest in the said patent for every and all foreign countries.*" And the plaintiff by the said instrument did also *absolutely assign and transfer and set over unto the defendants*, "*all his interest in and to the said invention,*" and did *thereby absolutely give* to the defendants

full authority to proceed and procure the said patent for Canada and the United States, in the event of the default of the plaintiff to *procure the same* within a reasonable time,

and the plaintiff by the said instrument authorized the defendants themselves "*to at once proceed to manufacture and sell the said machine.*"

The inaptness of these words "*the said machines*" has already been noticed. The plaintiff did not claim to be the inventor of an acetylene gas machine, nor of any machine; but merely of what he claimed to be certain new and useful improvements in acetylene gas generators, as specially claimed and described in the caveat of the 21st June, 1897. The words "the said machine" when used in the agreement must be construed as "*the said invention.*"

Now from the above extracts from the said agreement it is, I think, abundantly clear that the subject matter of sale by the plaintiff and of purchase by the defendants was—the whole right, title and interest of the plaintiff in and to all and singular the several particulars described in the caveat as being the invention of the plaintiff, including his right to have letters patent issued securing the benefit of such invention, and also the letters patent themselves when issued therefor in Canada and the United States respectively which letters patent the plaintiff covenanted to obtain and assign to the defendants, and also the monopoly of the benefit to be derived from use of the *said invention* which letters patent *therefor* granted in Canada and the United States respectively would secure. Upon the instant of the instrument of the 6th July, 1897, having been executed by the parties thereto the plaintiff parted with and vested in the defendants all right, title and interest of every description whatever of the plaintiff in his said invention according to his own description thereof as contained in the caveat and incorporated into the instrument of 7th July, 1897. The defendants *eo instanti* became the sole owners of *that invention* and of all benefit to be derived *therefrom* and of all letters patent to be issued, when issued, for *that invention*, and the defendants being such absolute owners of the said invention, and having been expressly authorised by their instrument of purchase thereof *immediately* to proceed to manufacture and sell acetylene gas machines with the plaintiff's invention applied thereto, before letters patent *therefor* should be obtained, and the plaintiff having expressly covenanted with the defendants that he would obtain "said patent," which here must be construed "*letters patent for said invention*," to be issued for Canada and the United States respectively for which

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when issued and assigned to them the defendants agreed to pay \$750 for the Canada letters patent, and \$2,250 for the United States letters patent when issued and assigned, it appears to me to be quite clear that the plaintiff did not retain in himself any right to make any alterations whatever in the said invention so transferred without the express consent and permission of the transferees, so that even assuming that inventors of patentable inventions who file a caveat in the Canada Patent Office describing their invention as in the caveat, filed by the plaintiff on 21st June, 1897, might afterwards while still the owner of such invention and before obtaining letters patent therefor in Canada make alterations in their invention for the purpose of perfecting it still the plaintiff could retain no such right after transferring to the defendants *absolutely all the plaintiff's right, title and interest in and to the said invention*, but this matter although it seems to have occupied considerable attention at the trial seems to be quite irrelevant to the question which arises in this action and which relates wholly to the United States letters patent, the burthen of the issue resting wholly on the plaintiff to prove that the United States letters patent which he has obtained and the assignment of which he has tendered to the defendants, but which they refuse to accept as a fulfilment of the plaintiff's contract with them, do secure to the defendants the monopoly of the benefit of the precise invention as contracted for and purported to be transferred to the defendants by the instrument of July 7th, 1897

The true construction of the words in that instrument whereby the plaintiff agrees to sell and sells to the defendants besides *the said invention* of the plaintiff and the letters patent to be issued *therefor* "all improvements and patents for such machine that he



" may *hereafter* make in connection with the same" is that if "*hereafter*" that is, *after the then completed absolute transfer to the defendants of the plaintiffs said inven'tion, and after the issue of letters patent therefor* the right to the absolute benefit of which was transferred to the defendants by the instrument of the 7th July, 1897, he the plaintiff should make any further improvements in the said invention so the property of the defendants, when the same should be patented such improvements in the patented invention and all letters patented therefor should be the property of the defendants. It is to be construed I think as a clause not a whit more clumsily framed than other clauses in the instrument, its purpose being to supply the place of a clause usually inserted in an instrument executed for the sale and purchase of patent rights within the meaning of sec. 9 of the Patent Act, ch. 61, R. S. C., its object and effect being to prevent an inventor of patentable inventions who sells his inventions from depriving his vendor of the benefit of his purchase by claiming to his own use the benefit of any further patentable improvements which he might make in the invention so sold and which might have the effect of depriving the vendee of the original invention of the benefit of his purchase thereof.

In fine the true construction of the instrument of the 7th July, 1897, being, as in my opinion it is, that the plaintiff thereby sold and the defendants bought absolutely the whole of the plaintiff's right, title and interest in and to what the plaintiff then claimed to be his invention in its entirety as then in existence and as shown to the defendants and as described in the caveat which by reference thereto in the instrument became incorporated therein, the negotiations between the plaintiff and defendants referred to in the instrument which resulted in the

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contract of sale and purchase set out in the instrument related to nothing else whatever, and if the plaintiff has failed for any reason (it matters not what) to obtain letters patent to issue for the United States which upon assignment to the defendants would secure to them the monopoly of the benefit of the whole of such matters so represented by the plaintiff to be his invention within the United States during the period prescribed by the patent laws of the United States, then he has failed to fulfil the conditions the fulfilment of which alone would entitle him to recover the sum of \$2,250 demanded in the present action, and that the letters patent procured to be issued by the plaintiff for the United States and the assignment thereof tendered to the defendants do not secure to them such monopoly does not admit of a doubt for in those letters patent it appears that all that the plaintiff claimed as his invention and which he desired to have secured by the United States letters patent and all that was secured to him by those letters patent was:—

In an acetylene gas generator, a gasometer and a generator with a lid D secured by slideable catches C, a ball-cock V being secured to the under side of said lid, to raise the rubber tipped piston B, to shut the water off from the spray holes, m, when the pail, D, is full of water in combination with the regulator F having valve K, spring X and arm or lever Y, substantially as and for the purpose specified.

These letters patent as proved by the plaintiff's own expert witness cover nothing more than a specific device for regulating the flow of water into the generator combined with a device for preventing an overflow of the water. It is not denied, indeed it is admitted by the plaintiff, that the whole of the device as appearing in the description of the plaintiff's invention in the caveat for agitating and breaking the lumps of carbide placed on the permanently fixed screen through which an axis was passed vertically, which being moved in the manner described in the

caveat, certain catches, clamps or teeth were set in motion whereby the lumps of carbide placed on the permanently fixed screen in the generator were in a most effective manner broken and the greatest possible proportion of surface of carbide was exposed to the action of the water, is wholly omitted. Now this device I think the evidence establishes to have been the essential element of the plaintiff's invention as described in the caveat and constituted the chief value in the opinion of the defendants and those upon whose advice they were purchasing of what the plaintiff claimed as his invention, as shown to the defendants, and the most important part of the subject matters in respect of which all the negotiations mentioned in the instrument of the 7th July, 1897, which resulted in the contract contained in that instrument took place and which formed the essential motive which induced the defendants to enter into that contract.

The plaintiff's sole explanation of this part not having been covered by the United States letters patent, is that subsequently to the sale of his invention to the defendants by the instrument of the 7th July, 1897, he substituted for the device for breaking the lumps of carbide as described in his caveat filed at Ottawa, a tilting grate which appears in truth to be nothing else than the most common kind of grate in ordinary use in coal burning stoves, for removing the ashes. To any one who observes the construction and operation of such grate it is quite apparent that there is no novelty in it whatever, and therefore that it is not a patentable device at all. The plaintiff however suggests that it is applied by him to acetylene gas machines as an equivalent for the very effective device for breaking the lumps of carbide, as originally designed by the plaintiff and described in the caveat filed in the Ottawa patent office. That is to say, he contends that

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the substitution of a non-patentable device, and which therefore every one may use, is an equivalent for a device which he sold to the defendants as a patentable device of his own invention, and for securing to the defendants the monopoly of the benefit of the use of which throughout the United States he covenanted with the defendants to procure letters patent to issue for the United States and to assign such letters patent to them. Now the plaintiff's own expert witness tells us that the United States letters patent do not cover the device which the plaintiff claims to be a substituted equivalent for the original device omitted, because of the fact that there was no novelty in such substituted device, and it was therefore not capable of being secured by letters patent. But in fact there arises no question as to the substitutionary equivalents; what the plaintiff designates under that term is, as plainly appears, nothing else than an attempt by one of two contracting parties to alter the terms of a completed contract signed and sealed to the prejudice of the other, without the consent of such other. It thus conclusively, I think, appears that the letters patent which the plaintiff has procured in the United States, and the assignment thereof tendered to the defendants, do not secure to the defendants the monopoly of the use of what the plaintiff sold to the defendants as his invention, and are not such letters patent as the plaintiff by the instrument of the 7th July, 1897, covenanted with the defendants to procure and to assign to them. This appeal, therefore, should in my opinion be allowed with costs, and the plaintiff's action should be dismissed with costs.

Now as to the counterclaim which is to recover \$750 paid by the defendants to the plaintiff upon the assignment by the latter of certain letters patent issued in Canada, which sum the defendants claim a right

to recover upon the allegation that since the payment of that sum to the plaintiff they have learned that the Canada letters patent so assigned to them do not secure the rights which the plaintiff by his agreement of 7th July, 1897, covenanted that they should secure. It certainly appears by the evidence adduced in relation to the plaintiff's claim in the action that the defendants might have refused to accept the Canadian letters patent, and to pay the \$750 equally, as they have refused to accept the United States letters patent, and to pay \$2,250 claimed in the action, for the former letters patent no more fulfil the obligation of the plaintiff involved in his covenant contained in the instrument of July 7th, 1897, than do the latter, but the defendants paid the \$750 in the erroneous belief that the Canadian letters patent did secure to the defendants in Canada the benefit of the device which as the invention of the plaintiff they had contracted for. It appears also that after such payment they purchased from the plaintiff his patent rights over three counties in Ontario which he had reserved by the agreement of the 7th July, 1897, but notwithstanding these circumstances the defendants are I think entitled to be reimbursed by the plaintiff in respect of their being paid the \$750 in the erroneous belief that the Canada letters patent had secured to them what they had purchased and what the plaintiff covenanted they should secure to the defendants whereas it appears that they do nothing of the kind, and in my opinion the claim of the defendants is sufficiently stated in their counter-claim to entitle them to recover thereunder the redress to which they are entitled; however as my learned brothers are of opinion that under the counter-claim as framed the defendants cannot recover, the judgment of the counter claim remains undisturbed.

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SEDGEWICK J.—I am of opinion that the appeal should be allowed with costs and the cross-appeal dismissed.

KING J.—I am of the same opinion but think the respondent should be allowed his costs on the cross-appeal.

*Appeal allowed with costs and  
cross-appeal dismissed.*

Solicitors for the appellants : *Biggar & McBrayne.*

Solicitors for the respondent : *Raymond & Cohoe.*

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