RADIO CORPORATION OF AMERICA....APPELLANT;

AND

HAZELTINE CORPORATION and PHILCO-FORD CORPORATION (DELAWARE) ..... RESPONDENTS.

1969

*Feb. 7

Mar. 31

ON APPEAL FROM THE EXCHEQUER COURT OF CANADA

Patents—Conflict proceedings—Action in Exchequer Court—Statement of claim—Motion to strike out paragraph of statement of claim—What may properly be pleaded—Patent Act, R.S.C. 1952, c. 203, s. 45(8).

* PRESENT: Martland, Ritchie, Hall, Spence and Pigeon JJ.

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Applications for patents were made by the appellant and the respondents. The Commissioner of Patents found that a conflict existed between their claims and awarded the claims in conflict to the respondent H. The appellant brought an action in the Exchequer Court, pursuant to s. 45(8) of the *Patent Act*, R.S.C. 1952, c. 203, for a determination of its rights. By paragraph 7 of its statement of claim, the appellant alleged that claim C1 in the applications of both parties covered more than was invented in respect to which any party was entitled to a patent and that the appellant was entitled, as between the parties, to a patent including a substitute claim for claim C1. The respondent H applied for an order striking out this paragraph of the statement of claim or, in the alternative, for particulars. The order to strike out was made by the Exchequer Court. An appeal was launched to this Court, where the issue raised was as to what may properly be pleaded in a statement of claim filed in pursuance of s. 45(8) of the Act.

Held: The appeal should be allowed.

The pleadings under s. 45(8) of the *Patent Act* are not limited to a determination of the sort of issue defined in paragraph (*d*) of the subsection, *i.e.*, which of the applicants is entitled, as against the others, to the issue of a patent including the claim in conflict as applied for by him. Subsection (8) does not give a right of appeal from the determination made by the Commissioner under subsection (7), but enables one of the applicants to commence an action in the Exchequer Court "for the determination of their respective rights". Each paragraph of subsection (8) is given equal status and the Court is empowered to make a determination under any of the four paragraphs. An action could be brought to obtain any one or more of the kinds of determination provided for by paragraphs (*a*) to (*d*) inclusive.

Brevets—Conflit de demandes—Action devant la Cour de l'Échiquier—Déclaration—Requête pour faire rayer un paragraphe de la déclaration—Que peut-on alléguer dans la déclaration—Loi sur les brevets, S.R.C. 1952, c. 203, art. 45(8).

Des demandes de brevets ont été présentées par l'appelante et les intimées. Le Commissaire des brevets a conclu qu'il existait un conflit entre leurs revendications et il a attribué à l'intimée H les revendications concurrentes. L'appelante a institué une action devant la Cour de l'Échiquier, en vertu de l'art. 45(8) de la *Loi sur les brevets*, S.R.C. 1952, c. 203, en vue de faire déterminer ses droits. Au paragraphe 7 de sa déclaration, l'appelante a allégué que la revendication C1 dans les demandes de brevets des deux parties couvrait plus que ce qui faisait le sujet d'une invention au sujet de laquelle l'une ou l'autre partie avait droit à la délivrance d'un brevet, et que l'appelante avait droit, quant aux parties, à la délivrance d'un brevet comprenant une revendication substituée à la revendication C1. L'intimée H a demandé que ce paragraphe de la déclaration soit rayé ou, alternativement, que des détails soient fournis. La Cour de l'Échiquier a ordonné que le paragraphe soit rayé. De là l'appel devant cette Cour, où la question soulevée était de savoir ce qu'on peut alléguer dans une déclaration produite en vertu de l'art. 45(8) de la Loi.

Arrêt: L'appel doit être accueilli.

Les plaidoiries sous l'art. 45(8) de la *Loi sur les brevets* ne sont pas limitées à décider la sorte de question visée par le paragraphe (*d*) de de l'alinéa (8), *i.e.*, lequel des demandeurs a droit à l'encontre des autres à la délivrance d'un brevet comprenant la revendication concurrente, selon la demande qu'il en a faite. L'alinéa (8) ne donne pas un droit d'appel de la décision du Commissaire rendue en vertu de l'alinéa (7), mais permet à un des demandeurs de commencer une action devant la Cour de l'Échiquier «en vue de déterminer leurs droits respectifs». On doit donner à chaque paragraphe de l'alinéa (8) un statut égal et la Cour a le pouvoir d'en venir à une décision sous n'importe lequel des quatre paragraphes. Une action peut être instituée pour obtenir une ou plus des décisions prévues sous les paragraphes (*a*) à (*d*) inclusivement.

APPEL d'un jugement du Juge Noël de la Cour de l'Échiquier du Canada, rayant un paragraphe de la déclaration. Appel accueilli.

APPEAL from a judgment of Noël J. of the Exchequer Court of Canada, striking out a paragraph of the statement of claim. Appeal allowed.

Russell S. Smart, Q. C., and *Robert H. Barrigar*, for the appellant.

Douglas S. Johnson, Q. C., and *William M. Thom*, for the respondents.

The judgment of the Court was delivered by

MARTLAND J.:—This is an appeal from an order of the Exchequer Court striking out paragraph 7 of the appellant's Statement of Claim in an action brought by the appellant against the respondents in that Court.

The circumstances giving rise to these proceedings are as follows: Applications for patents were made by the appellant and by the respondents. The applications are in conflict by reason of the appearance in each of them of claims designated by the Commissioner of Patents as C1 to C14 inclusive. By his decision, made pursuant to s. 45(7) of the *Patent Act*, R.S.C. 1952, c. 203, he awarded these claims to the respondent Hazeltine Corporation.

Subsection (7) of s. 45 provides as follows:

(7) The Commissioner, after examining the facts stated in the affidavits, shall determine which of the applicants is the prior inventor to whom he will allow the claims in conflict and shall forward to each applicant a copy of his decision, a copy of each affidavit shall be transmitted to the several applicants.

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The action in the Exchequer Court was brought by the appellant, pursuant to subs. (8) of that section, which states:

> (8) The claims in conflict shall be rejected or allowed accordingly unless within a time to be fixed by the Commissioner and notified to the several applicants one of them commences proceedings in the Exchequer Court for the determination of their respective rights, in which event the Commissioner shall suspend further action on the applications in conflict until in such action it has been determined either
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> (*a*) that there is in fact no conflict between the claims in question,
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> (*b*) that none of the applicants is entitled to the issue of a patent containing the claims in conflict as applied for by him,
>
> (*c*) that a patent or patents, including substitute claims approved by the Court, may issue to one or more of the applicants, or
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> (*d*) that one of the applicants is entitled as against the others to the issue of a patent including the claims in conflict as applied for by him.

In paragraph 7 of the Statement of Claim, the appellant made the following allegation:

> 7. The plaintiff says that claim C1 covers more than was invented in respect to which any party hereto is entitled to a patent, and the plaintiff is entitled, as between the parties, to a patent including a substitute claim for claim C1 approved by the Court.

The prayer for relief contained the following paragraphs, seeking the Court's determination:

> (*b*) That none of the applicants is entitled to the issue of a patent containing claim C1 as applied for by them.
>
> (*c*) That the plaintiff is entitled to the issue of a patent including a substitute claim for claim C1 approved by the Court.

The respondent Hazeltine Corporation applied for an order striking out paragraph 7 of the Statement of Claim, or, in the alternative, for particulars as to what claim C1 covers that is more than was invented in respect to which any party is entitled to a patent and particulars as to the substitute claim to which the appellant alleges it is entitled. An order was granted striking out paragraph 7 of the Statement of Claim.

The issue which is thus raised is as to what may properly be pleaded in a statement of claim filed in pursuance of s. 45(8) of the *Patent Act*.

This Court decided in *Radio Corporation of America v. Philco Corporation (Delaware)*[1], that it was not open to a plaintiff, in proceedings taken pursuant to s. 45(8), to

[1] [1966] S.C.R. 296, 32 Fox Pat. C. 99, 56 D.L.R. (2d) 407.

attack claims contained in an application in relation to which no conflict had been found by the Commissioner, and that proceedings under that subsection were restricted to a determination of the respective rights of the parties in relation to the subject-matter of the claims put in conflict by the Commissioner. That case, however, is not decisive in respect of the present appeal, where the issue relates to claim C1, which is in conflict.

The basis for striking out paragraph 7 of the Statement of Claim is to be found in the reasoning contained in some recent decisions of the Exchequer Court, of which *Texaco Development Corporation v. Schlumberger Limited*[2], *The Carborundum Company v. Norton Company*[3], and *E. I. DuPont de Nemours and Company v. Allied Chemical Corporation*[4] are examples. The effect of these decisions is stated in the last mentioned case, at p. 152, as follows:

> In my view, what this Court is authorized to deal with under section 45(8) of the *Patent Act* is a claim by a party who has failed to obtain a favourable decision from the Commissioner that he is entitled, as against the person who obtained the favourable decision, to the issue of a patent including the conflict claims, *"as applied for by him"* (paragraph (*d*) of section 45(8)). This requires that evidence be placed before the Court by the plaintiff designed to show that the plaintiff's inventor did invent the invention, and when he invented it, and either that the defendant's inventor did not invent it or that he did but at a time subsequent to the making of the invention by the plaintiff's inventor. The defendant, of course, is entitled to adduce evidence in relation to the same matters. The upshot of all the evidence may be that the Court is convinced that it cannot adjudicate in favour of either of the parties under section 45(8)(*d*), but
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> (*a*) that there is in fact no conflict, in which case it adjudicates under section 45(8)(*a*), or
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> (*b*) that none of the parties is entitled to the issue of a patent containing the claims in conflict as applied for by him, in which case it adjudicates under section 45(8)(*b*).
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> I reiterate that I do not regard either of such latter possible classes of judgment as being the purpose of section 45(8) proceedings. I regard them as judgments arising incidentally in the course of proceedings designed to obtain a judgment under section 45(8)(*d*).

The effect of this interpretation of s. 45(8) of the *Patent Act* is that the task of the Exchequer Court, in proceedings brought pursuant to that subsection, is restricted to a determination of the sort of issue defined in paragraph (*d*) of the subsection, i.e., which of the applicants is entitled,

[2] [1967] 1 Ex. C.R. 459, 33 Fox Pat. C. 194, 49 C.P.R. 225.
[3] [1967] 1 Ex. C.R. 466, 33 Fox Pat. C. 148, 51 C.P.R. 97.
[4] [1967] 2 Ex. C.R. 151, 35 Fox Pat. C. 112, 52 C.P.R. 36.

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as against the others, to the issue of a patent including the claims in conflict as applied for by him. The evidence to be led is to show that the plaintiff's inventor did invent the invention, when he did it, and that the defendant's inventor did not invent it, or did so at a later time. Consequently the pleadings are to be limited to that issue.

On this interpretation of the subsection, paragraph (*a*), (*b*) and (*c*) do not have application except incidentally, in the course of proceedings designed to obtain a judgment under paragraph (*d*). It is not the purpose of proceedings under s. 45(8) to obtain the kind of judgment contemplated in the paragraphs other than (*d*), and consequently the pleadings should relate only to the issue under that paragraph. The Court may make a determination under one of the other paragraphs but should do so only incidentally to proceedings under paragraph (*d*).

With great respect, I am unable to interpret s. 45(8) in that way, whether or not the consequences of such an interpretation are desirable. Subsection (7) limits the jurisdiction of the Commissioner to a determination as to which of the applicants is the prior inventor to whom he will allow the claims in conflict. If the task of the Exchequer Court had been intented also to be limited to that issue, the statute could have provided merely for an appeal from the Commissioner to the Court. But subs. (8) does not give a right of appeal. Instead, it enables one of the applicants involved in conflict proceedings to commence an action in the Exchequer Court "for the determination of their respective rights".

If an action is commenced, the Commissioner must suspend further action on the applications in conflict until, "*in such action*", it has been determined *either*

(a) that there is no conflict;

(b) that none of the applicants is entitled to the issue of a patent containing the claims in conflict;

(c) that a patent or patents, including substitute claims, approved by the Court, may issue to one or more of the applicants; *or*

(d) that one of the applicants is entitled as against the others to the issue of a patent including the claims in conflict.

Subsection (8) does not require that the Court must first seek to make a determination under paragraph (*d*) and only make a secondary determination under paragraph (*a*), (*b*), or (*c*) in the alternative. Each paragraph is given equal status, and the Court is empowered to make a determination under any of the four paragraphs.

In my view s. 45(8) enables any applicant involved in conflict proceedings, where a determination has been made by the Commissioner, to commence an action in the Exchequer Court to seek to obtain, in relation to the claims in conflict, any one or more of the kinds of determination by the Court for which paragraphs (*a*) to (*d*) inclusive provide. As in any other proceeding seeking relief, it is essential that the pleadings should allege the facts on the basis of which the relief is sought, and should specify that relief.

This interpretation of subs. (8) is supported by the decision of this Court in *Kellogg Company v. Kellogg*[5]. That case involved two conflicting applications for a patent. The respondent was an assignee by mesne assignments in respect of an invention by John L. Kellogg Jr., who, the Commissioner decided, was the prior inventor. The appellant commenced proceedings in the Exchequer Court pursuant to s. 44(8) of *The Patent Act*, 1935, c. 32, Statutes of Canada, 1935, the predecessor of the present s. 45(8). The appellant claimed, inter alia, that if John L. Kellogg Jr. was the first inventor, he had been, at the time of the invention, an employee of the appellant, and that the invention was made in the course of his employment while carrying out work, which he had been instructed to do, on the appellant's behalf, and that he was a trustee of the invention for the benefit of the appellant. The pleadings alleging this trust and the prayer based upon it were struck out in the Exchequer Court on the ground that this issue could not be raised in proceedings under s. 44(8).

The appeal to this Court was allowed. Rinfret J., as he then was, said, at p. 248:

> Although the occasion for the appellant's action was the decision of the Commissioner that the respective applications of the appellant and of the respondent were in conflict and that he would allow the claims to the respondent, the appellant, in bringing suit against the respondent, was not limited to an action for the purpose of having it determined either

[5] [1941] S.C.R. 242, 1 Fox Pat. C. 101, 1 C.P.R. 30, [1941] 2 D.L.R. 545.

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that there was no conflict between the claims in question, or that none of the applicants was entitled to the issue of a patent containing the claims in conflict, or that a patent or patents (including substitute claims approved by the Court) may issue to one or more of the applicants; but the Exchequer Court could also decide that one of the applicants was entitled, as against the other, to the issue of a patent including the claims in conflict, as applied for by him. We have already seen that such was the express enactment of subs. 8 of s. 44 of the *Patent Act, 1935*.

And, for the determination of the latter point, we see nothing in the Act or in the law which could prevent the appellant from urging any fact or contention necessary or useful for the purpose of enabling the Court to decide between the parties.

This passage makes it clear that the Court was of the opinion that the appellant could bring a suit to seek any of the kinds of determination contemplated in s. 44(8), which are the same as those defined in the present s. 45(8).

Paragraph 7 of the Statement of Claim in this action is drawn with a view to obtaining the kind of determination contemplated in paragraphs (*b*) and (*c*). It is undoubtedly drawn in very broad and general terms, but the respondent has, in its notice of motion, applied for an order for particulars, in the alternative to an order to strike out the paragraph, and that phase of the application has not yet been decided.

In my opinion the appeal should be allowed, with costs, and the order under appeal should be set aside.

Appeal allowed with costs.

Solicitors for the appellant: Smart & Biggar, Ottawa.

Solicitors for the respondent, Hazeltine Corporation: MacBeth & Johnson, Toronto.

Solicitors for the respondent, Philco-Ford Corporation (Delaware): Gowling, MacTavish, Osborne & Henderson, Ottawa.