

S. & S. INDUSTRIES INC. (*Defendant*) .....

APPELLANT;

AND

ROSS FREDERICK ROWELL, pursuing his business under the firm name and style of Hops-Koch Products Reg'd. (*Plaintiff*) .....

RESPONDENT.

1965  
\*Dec. 7, 8  
1966  
Mar. 7

ON APPEAL FROM THE EXCHEQUER COURT OF CANADA

*Patents—Validity—Action for impeachment—Declaration of invalidity—Claim by plaintiff for damages based upon threats of legal proceedings—Malice—Patent Act, R.S.C. 1952, c. 203, ss. 28(1)(b), 46—Trade Marks Act, 1952-53 (Can.), c. 49, ss. 7(a), (e), 52.*

The plaintiff, a manufacturer of wire, sued for a declaration that a patent of which the defendant was the assignee was invalid. The patent related to the construction of frames of flat wire to be used in the manufacture of brassières. The trial judge declared the patent invalid.

In his action for impeachment, the plaintiff had also claimed damages on the ground that certain steps taken by the defendant had caused him to suffer serious losses in his trade and commercial goodwill. These steps included the institution in Ontario of an infringement action

\*PRESENT: Fauteux, Abbott, Martland, Hall and Spence JJ.

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against a large department store; the settlement of that action by an agreement to which a manufacturer of brassières using wire supplied by the present plaintiff was made a party, with provision that both those companies were debarred from contesting the patent or assisting anyone else to do so; the publication in a trade paper of a warning notice based upon the above-mentioned infringement action; and a warning letter to another manufacturer of brassières. The trial judge awarded to the plaintiff damages in an amount to be determined by the registrar of that Court.

The defendant company appealed to this Court. At the conclusion of the argument on behalf of the appellant, the appeal in so far as it declared the patent invalid was dismissed, and, after hearing counsel on the question as to whether the plaintiff had established a claim for an award of damages, judgment on that question was reserved.

*Held:* The appeal should be dismissed.

*Per* Fauteux, Abbott, Martland and Hall JJ.: The plaintiff's claim for damages can properly be founded upon s. 7(a) of the *Trade Marks Act*, 1952-53 (Can.), c. 49. The combined effect of that section and of s. 52 of that Act is to create a statutory cause of action for which damages may be awarded if a person is damaged by false or misleading statements by a competitor tending to discredit the claimant's business, wares or service. There is no express requirement that the false or misleading statements be made with knowledge of their falsity or that they be made maliciously. The natural meaning of s. 7(a) is to give a cause of action in respect of statements which are, in fact, false, and the presence or absence of malice would only have relevance in relation to the assessment of damages. The circumstances of this case bring the plaintiff within the provisions of s. 7(a).

*Per* Spence J.: In an action based on s. 7 of the *Trade Marks Act*, the plaintiff needs only prove the action of which he complains and the damages which he incurred as a result thereof, and need not prove malice or lack of reasonable cause on the part of the defendant. However, in the present case, it was not necessary to rely upon the principle that the plaintiff is not required to prove the defendant's malice. A consideration of the circumstances in this case demonstrates that there was evidence to show that what the defendant stated was so stated without reasonable and probable cause. There was, therefore, evidence of malice upon which the trial judge could have found for the plaintiff even if such were a necessary element of the proof. His judgment should not be interfered with.

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*Brevets—Validité—Action pour invalidation—Déclaration d'invalidité—Réclamations par le demandeur pour dommages basés sur des menaces de poursuites judiciaires—Malice—Loi sur les Brevets, S.R.C. 1952, c. 203, arts. 28(1)(b), 46—Loi sur les Marques de commerce, 1952-53 (Can.), c. 49, arts. 7(a), (e), 52,*

Le demandeur, un fabricant de fils métalliques, institua une action pour obtenir une déclaration à l'effet qu'un brevet dont la compagnie défenderesse était la cessionnaire, était invalide. Le brevet se rapportait à la construction de montures en fil métallique plat devant être employées dans la fabrication de soutiens-gorge. Le juge au procès a déclaré le brevet invalide.

Dans son action pour invalidation, le demandeur a aussi réclamé des dommages pour le motif que certaines mesures prises par la défenderesse lui avaient causé de sérieuses pertes dans son achalandage commercial. Ces mesures comprenaient l'institution en Ontario d'une action pour contrefaçon contre un grand magasin à rayons; le règlement hors de cour de cette action par une entente à laquelle un fabricant de soutiens-gorge se servant de fils métalliques fournis par le présent demandeur est devenu partie, avec la condition qu'il était interdit à ces deux compagnies de contester le brevet ou d'aider qui que ce soit à le faire; la publication dans un journal commercial d'une mise en garde basée sur cette action pour contrefaçon; et une lettre de mise en garde adressée à un autre manufacturier de soutiens-gorge. Le juge au procès a accordé des dommages au demandeur pour un montant à être déterminé par le registraire de cette Cour.

La compagnie défenderesse en appela devant cette Cour. Advenant la fin de la présentation de l'exposé en faveur de l'appelante, l'appel a été rejeté quant à l'invalidité du brevet, et, après avoir entendu les procureurs sur la question de savoir si le demandeur avait établi une réclamation pour dommages, le jugement sur cette question fut pris en délibéré.

*Arrêt:* L'appel doit être rejeté.

*Les Juges Fauteux, Abbott, Martland et Hall:* La réclamation du demandeur pour dommages peut proprement être basée sur l'art. 7(a) de la *Loi sur les Marques de commerce*, 1952-53 (Can.), c. 49. L'effet combiné de cet article et de l'art. 52 de cette Loi est de créer une cause d'action statutaire en vertu de laquelle des dommages peuvent être accordés si une personne a subi des dommages par suite de déclarations fausses ou trompeuses de la part d'un concurrent tendant à discréditer l'entreprise, les marchandises ou les services du réclamant. Il n'est pas requis expressément que les déclarations fausses ou trompeuses soient faites avec connaissance de leur fausseté ou qu'elles soient faites malicieusement. L'article 7(a), dans son sens naturel, donne une cause d'action relativement à des déclarations qui sont, en fait, fausses, et la présence ou l'absence de malice n'aurait de pertinence que relativement à l'évaluation des dommages. Les circonstances, en l'espèce, font tomber le demandeur sous les dispositions de l'art. 7(a).

*Le Juge Spence:* Dans une action basée sur l'art. 7 de la *Loi sur les Marques de commerce*, le demandeur n'a besoin que de prouver l'acte dont il se plaint et les dommages qu'il a encourus comme résultat, il n'a pas besoin de prouver la malice ou le manque de cause raisonnable de la part du défendeur. Cependant, dans la cause présente, il n'était pas nécessaire de s'appuyer sur le principe que le demandeur n'est pas requis de prouver la malice du défendeur. Une considération des circonstances, en l'espèce, démontre qu'il y avait une preuve à l'effet que ce que la défenderesse avait déclaré avait été déclaré sans cause raisonnable et probable. Il y avait, en conséquence, une preuve de malice sur laquelle le juge au procès pouvait se prononcer en faveur du demandeur même si la malice était un élément nécessaire de la preuve. Il n'y avait pas lieu d'intervenir.

APPEL d'un jugement du Juge Dumoulin de la Cour de l'Échiquier du Canada,<sup>1</sup> déclarant un brevet invalide et accordant des dommages dans une action d'invalidation. Appel rejeté.

<sup>1</sup> [1965] 1 Ex. C.R. 118, 28 Fox Pat. C. 79.

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APPEAL from a judgment of Dumoulin J. of the Exchequer Court of Canada,<sup>1</sup> declaring a patent invalid and awarding damages in action for impeachment. Appeal dismissed.

*Christopher Robinson, Q.C.*, and *Russell S. Smart*, for the defendant, appellant.

*David Watson* and *Jean D. Richard*, for the plaintiff, respondent.

The judgment of Fauteux, Abbott, Martland and Hall JJ. was delivered by

MARTLAND J.:—At the conclusion of the argument in this appeal, only one issue remained to be determined. That was as to whether, even though the appellant's patent was invalid, the respondent had succeeded in establishing a claim for an award of damages. The position taken by the appellant was that a patent had, in fact, been granted to it; that by virtue of s. 46 of the *Patent Act*, R.S.C. 1952, c. 203, such patent was, at all times material to the respondent's claim for damages, *prima facie* valid; and that the steps taken by the appellant to protect its position were taken with a view to protecting what the appellant conceived to be its own property rights.

The steps which were taken by the appellant are described in the judgment of my brother Spence. In summary, they included the institution in the Province of Ontario of an infringement action against Robert Simpson Company Limited; the settlement of that action by an agreement to which Peter Pan Foundations Inc. was made a party, with provision that both those companies were debarred from contesting the patent or assisting anyone else to do so; the publication, in "Women's Wear Daily", published in New York and circulated in Canada, of a warning notice based upon the abovementioned infringement action; and a warning letter to Exquisite Form Brassiere Canada Ltd. of Toronto.

The appellant's submission was that the respondent, in order to recover damages, must bring his claim within the requirements of the common law action, which has been described as "injurious falsehood", "slander of goods", and

“trade libel”. This assumes, probably correctly, that the respondent’s cause of action, if one existed, arose in the Province of Ontario and would be governed by the laws of that Province. I will deal with the appellant’s argument upon that basis, although, as will appear later, my opinion is that the respondent’s claim for damages in this case can properly be founded upon a federal statute, and, accordingly, it is not necessary to decide that point in this case.

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That a claim could be made at common law, provided the necessary conditions of liability were established, for damages resulting from the threat of legal proceedings in respect of alleged infringement of an invalid patent or trade mark has been established by English authorities. The first, in respect of a patent, was *Wren v. Weild*<sup>1</sup>. This was followed by *Halsey v. Brotherhood*<sup>2</sup>. The necessary requirements for the success of an action of this kind were summarized by Lord Davey in a case dealing with a trade mark, *The Royal Baking Powder Company v. Wright, Crossley & Co.*<sup>3</sup>, as follows:

To support such an action it is necessary for the Plaintiffs to prove

- (1) that the statements complained of were untrue;
- (2) that they were made maliciously—i.e., without just cause or excuse;
- (3) that the Plaintiffs have suffered special damage thereby.

It was the submission of the appellant that the second element abovementioned did not exist in the present case, and he relied upon the statement of Blackburn J. in *Wren v. Weild, supra*, at p. 737:

The advisers of the plaintiffs seem to have thought it was enough to maintain this action to show that the defendant could not really have maintained any action, and that if well advised he would have been told so, so as in this action indirectly to try the question whether an action for the infringement of the patent could have been maintained; whereas, as we think, the action could not lie, unless the plaintiffs affirmatively proved that the defendant’s claim was not a *bona fide* claim in support of a right which, with or without cause, he fancied he had; but a *mala fide* and malicious attempt to injure the plaintiffs by asserting a claim of right against his own knowledge that it was without any foundation.

To the same effect is the statement of Jessel M.R. in *Halsey v. Brotherhood, supra*, at p. 517:

It is said that he (the defendant) is not entitled to tell persons buying the plaintiff’s engines that they are infringements and that those persons

<sup>1</sup> (1869), L.R. 4 Q.B. 730, 20 L.T. 1007.

<sup>2</sup> (1880), 15 Ch. D. 514, 43 L.T. 366.

<sup>3</sup> (1900), 18 R.P.C. 95 at 99.

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are liable to an action; and that he is not entitled even to give a notice that these engines are infringements of his patent rights unless he follows up that notice by some legal proceeding. I must entirely dissent from that proposition. There is, as far as I am aware, no law in this country compelling a man to assert his legal right by action. He may, if he thinks fit, give notice to persons, the notices being given *bona fide*, that they are infringing his legal rights.

In England the matter of threats of proceedings for alleged patent infringement was dealt with by statute, in s. 32 of the *Patents Act of 1883*, but no similar provision is included in the Canadian *Act*. The respondent, however, relies upon the provisions of s. 7(a) of the *Trade Marks Act, c. 49, Statutes of Canada 1952-53*, as creating a statutory cause of action, similar in nature to the action for injurious falsehood, limited to claims in respect of statements made by a competitor, but in which malice is no longer an ingredient. That section provides as follows:

7. No person shall

(a) make a false or misleading statement tending to discredit the business, wares or services of a competitor;

The *Act* imposes no penalty by way of fine or imprisonment for a breach of this provision, but s. 52 provides as follows:

52. Where it is made to appear to a court of competent jurisdiction that any act has been done contrary to the provisions of this Act, the court may make any such order as the circumstances require including provision for relief by way of injunction and the recovery of damages or profits, and may give directions with respect to the disposition of any offending wares, packages, labels and advertising material and of any dies used in connection therewith.

Section 7 of the *Trade Marks Act* replaced s. 11 of *The Unfair Competition Act, c. 38, Statutes of Canada 1932*. So far as s. 7(a) is concerned, the scope of the subsection was extended beyond s. 11(a) by making it applicable to a "misleading statement" as well as to a false statement.

The combined effect of ss. 7(a) and 52 of the *Trade Marks Act* is to create a statutory cause of action for which damages may be awarded if a person is damaged by false or misleading statements by a competitor tending to discredit the claimant's business, wares or services. The essential elements of such an action are:

1. A false or misleading statement;
2. Tending to discredit the business, wares or services of a competitor; and
3. Resulting damage.

There is no express requirement that the false or misleading statements be made with knowledge of their falsity, or that they be made maliciously. To interpret these provisions as though such elements were implied would be to construe them as merely restating rules of law which already existed. I do not think this approach is a proper one. *The Unfair Competition Act* was a statutory code to provide for fair dealing in trade. Section 11 was based upon Article 10 bis of the *International Convention for the Protection of Industrial Property*, made at the Hague, November 6, 1925, to which Canada was a party. When interpreting the provisions of a code, the correct course is that stated by Lord Herschell in *Bank of England v. Vagliano Brothers*<sup>1</sup>. He was there discussing the approach taken by the Court of Appeal in construing a provision of the *Bills of Exchange Act*, in relation to the state of the law before the Act was passed, and he said:

My Lords, with sincere respect for the learned Judges who have taken this view, I cannot bring myself to think that this is the proper way to deal with such a statute as the Bills of Exchange Act, which was intended to be a code of the law relating to negotiable instruments. I think the proper course is in the first instance to examine the language of the statute and to ask what is its natural meaning, uninfluenced by any considerations derived from the previous state of the law, and not to start with inquiring how the law previously stood, and then, assuming that it was probably intended to leave it unaltered, to see if the words of the enactment will bear an interpretation in conformity with this view.

In my opinion, the natural meaning of s. 7(a) is to give a cause of action, in the specified circumstances, in respect of statements which are, in fact, false, and the presence or absence of malice would only have relevance in relation to the assessment of damages.

The circumstances of this case bring the respondent within the provisions of s. 7(a) and accordingly, in my opinion, the appeal should be dismissed with costs.

SPENCE J.:—This is an appeal from the judgment of Dumoulin J. in the Exchequer Court of Canada<sup>2</sup> pronounced on the 9th of September 1964. That judgment granted a declaration that the appellant's Canadian Letters Patent No. 525962 dated the 5th of June 1956 were invalid and awarded to the respondent damages in an amount to be determined by the Registrar of that Court.

<sup>1</sup> [1891] A.C. 107 at 144, 64 L.T. 353.

<sup>2</sup> [1965] 1 Ex. C.R. 118, 28 Fox Pat. C. 79.

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After hearing the submissions made on behalf of the appellant, this Court dismissed the appeal in so far as it declared the said Letters Patent invalid and reserved judgment upon the issue of whether the respondent was entitled to recover damages.

The said Canadian Patent No. 525962 was one which was concerned with the construction of arcuate frames of flat wire to be used in the manufacture of brassières.

It is the appellant's submission that even if the patent upon which it relied be found to be invalid no action lay for damages. It is the appellant's contention that by s. 46 of the *Patent Act*, R.S.C. 1952, c. 203, the patent was *prima facie* valid and so long as it acted honestly to protect the patent no legal wrong was committed even if in subsequent proceedings the patent were found to be invalid.

The respondent bases his claim for damages on s. 7 of the *Trade Marks Act*, 1952-53 Statutes of Canada, c. 49, and particularly paras. (a) and (e) thereof which provide:

No person shall

(a) make a false or misleading statement tending to discredit the business, wares or services of a competitor;

\* \* \*

(e) do any other act or adopt any other business practice contrary to honest industrial or commercial usage in Canada.

The respondent pointing out the specific right to damages granted by s. 52 of the same statute and the jurisdiction entrusted to the Exchequer Court by s. 54 thereof, makes an alternative submission: firstly, that the respondent is entitled to recover damages under the provisions of the paragraphs of s. 7 of the *Trade Marks Act* which I have cited whether or not the respondent proves *mala fides* and, secondly, in the alternative, that even if *mala fides* is necessary then the circumstances in the present case have revealed such *mala fides*.

A review of the English authorities cited and others convinces me that certainly under the common law action of slander of title *mala fides* was a necessary element. The matter was put concisely by Baggallay L.J. in *Halsey v. Brotherhood*<sup>1</sup>:

It appears to me that an action for slander of title will not lie unless the statements made by the defendant were not only untrue, but were made without what is ordinarily expressed as reasonable and probable

<sup>1</sup> (1881), 19 Ch. D. 386 at 389-90.

cause, and this rule applies not only to actions for slander of title strictly and properly so-called with reference to real estate, but also to cases relating to personality, or personal rights or privileges.

Baggallay L.J. continued at p. 390:

Therefore, what we have to consider is whether there is any thing to shew that what the Defendant has stated was stated without reasonable and probable cause, even assuming it to be untrue, a question upon which at the present moment we have no means of forming an opinion.

It must be remembered that in *Halsey v. Brotherhood* the Court of Appeal was considering an appeal from the judgment of Jessel M.R., reported in (1880), 15 Ch. D. 514, by which at the commencement of the trial and before any evidence was heard the action was dismissed. The pleadings alone were considered and indeed the dismissal was without prejudice to the bringing of a fresh action.

Bowen L.J. in *Skinner v. Perry*<sup>1</sup>, speaking of the common law and equity rights apart from subsequent statutory provisions, said:

At common law there is a cause of action whenever one person did damage to another wilfully and intentionally, and without just cause or excuse. Under that class of action came the action of slander of title, whether the subject of the slander was real or personal property. If a man falsely and maliciously—because the malice would show there was no just cause—made a statement about the property of another which was calculated to do, and which did do, damage to the other in the management of that property, an action would lie at Common Law, and the damages would be recoverable; and at Chancery, I suppose, that even if you could not prove actual damage had occurred, the Court might, if actual damage was likely to occur, prevent the wrongful act by injunction.

This view was held by the courts in England despite the recognition of the difficulty in proving malice on the part of the defendant.

Lord Coleridge L.C.J. said in *Halsey v. Brotherhood*, *supra*, at p. 389:

I feel strongly that there is great force in what Mr. Ince has said about the difficulty in which a plaintiff may be placed by the conduct of a person in the position of the Defendant. I do not pretend to be able to answer his observations on that head, but unless there is *mala fides*, it is one of those instances in which the law, in the interests of society, permits an injury to be done without any remedy commensurate with it.

Section 7 of the *Trade Marks Act* replaced s. 11 of the *Unfair Competition Act*, Statutes of Canada 1932, c. 38. There are variations in that the words “or misleading” now in para. (a) of s. 7 did not appear in s. 11 of the *Unfair Competition Act* nor did the words “do any act or” and “in

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<sup>1</sup> (1893), 10 R.P.C. 1 at 6.

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Canada" now in para. (e) of s. 7 appear in para. (c) of s. 11 of the *Unfair Competition Act*. In my view, additional words do not assist in the determination of whether or not *mala fides* is a necessary element of proof.

It was the opinion of Dr. Harold G. Fox, Q.C., as stated in his authoritative work, *Canadian Patent Law and Practice*, 3rd ed., vol. II, that s. 11 of the *Unfair Competition Act* was statutory authority for the common law action of slander of title or trade libel and on pp. 963-4 the learned author states:

A reading of the section will show that a cause of action is given merely when disparaging statements are made which are false. Malice need not be shown. This is a most important result for, as we have seen, the necessity of proving malice takes away much of the force and utility of a common law action.

This view was repeated in the same author's work, *Canadian Patent Law of Trade Marks*, 2nd ed., vol. II, at p. 717, where he continued:

The statutory provision is quite clear that the false or misleading character and the discrediting tendency of a statement are sufficient to give a right of action. Malice, bad faith or lack of reasonable cause are not mentioned and therefore do not need to be proved.

Authority in Canada is very sparse indeed. In *Reliable Plastics Ltd. v. Louis Marx & Co. Inc.*<sup>1</sup>, the plaintiff brought an action for impeachment of the defendant's patent and also claimed damages for threats. The latter claim was based on three grounds: (1) s. 11(a) of the *Unfair Competition Act*, (2) the common law action, and (3) an action under the *Statute of Monopolies*. Thorson P. found that the statement complained of was not false and therefore, of course, no action lay under s. 11 of the *Unfair Competition Act* or under common law. The issue, therefore, of whether or not malice were required did not arise. The editorial note to the case made by the same learned author, Dr. Fox, reads, in part:

It is regrettable that the claim for damages for threats of infringement failed for the reasons found by the learned president. . .

There is much force to the argument that by the enactment of these sections, firstly, in the *Unfair Competition Act* and then, in the *Trade Marks Act*, Parliament has intended to give a right of action whether or not the plaintiff may prove *mala fides*. As I have said, the necessity

<sup>1</sup> (1958), 17 Fox Pat. C. 184, 29 C.P.R. 113.

for that proof at common law has been clearly established in decisions including those of the House of Lords. If Parliament had intended that the ingredient should be a necessary one for the statutory cause of action which it granted in the aforesaid sections, surely it would have made such a reservation in the legislation. It must be remembered that the provision is in no sense criminal law and that *mala fides* or malice, or lack of reasonable cause, no matter what term is used, is, therefore, not a necessary ingredient. It should also be remembered that in ordinary libel law, apart from cases of qualified privilege, malice need not be proved and there is no valid distinction between the harm wrought to a plaintiff's reputation in business and the harm wrought to the wares he sells.

Moreover, the person seeking to defend his patent has a choice of immediately commencing an action for infringement and applying for an injunction to restrain the continuance of such prejudice to his patent rights, or of bringing action for damages against those who use, in their business, the wares manufactured by the alleged infringer. If he chooses the first alternative, he may join as parties defendants all who purchase from the alleged infringer to use in their business. The injunction having been granted only upon his undertaking to pay the damages incurred thereby should he fail, he proceeds at his own risk. There would seem to be no valid reason why rather than choosing that forthright course he should be permitted to proceed by threats against the purchasers from the alleged infringer without rendering himself liable for damages unless his *mala fides* could be proved.

For these reasons, I am of the opinion that in an action based on s. 7 of the *Trade Marks Act* the plaintiff need only prove the action of which he complains and the damage which he incurred as a result thereof and need not prove *mala fides* or lack of reasonable cause on the part of the defendant. However, in the particular case, it is not necessary to rely upon the principle that the plaintiff is not required to prove the defendant's *mala fides*.

The proof of malice need not be by admission of the defendant in the course of litigation or otherwise. In *Manitoba Free Press Co. v. Nagy*<sup>1</sup>, Davies J. dealing with

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<sup>1</sup> (1907), 39 S.C.R. 340.

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the necessity of proving malice in an action for slander of title, said at p. 348:

The defendant was bound to prove malice. But malice in this connection is a question of *mala fides* or *bona fides*. If the absence of *bona fides* is shewn or *may fairly and reasonably be inferred from the facts proved* then I take it that the ingredient of malice is sufficiently proved. It is laid down by Mr. Pollock in his work on Torts, page 301, that in actions of this kind

“the wrong is a malicious one in the only proper sense of the word, that is, the absence of good faith is an essential condition of liability”.

(The italics are my own.)

In determining whether there was evidence of malice, the task of this Court is, as was that of the Court of Appeal in *Halsey v. Brotherhood, supra*, to consider “whether there is anything to show that what the defendant has stated was stated without reasonable and probable cause”. In so doing, we have the advantage of considering the sworn evidence given at the trial on behalf of the plaintiff, here respondent. The only witnesses who gave evidence on behalf of the defendant, here appellant, were a brassière designer employed by it and two expert witnesses.

The plaintiff testified that he had known of the defendant's U.S. Patent as early as 1955 having received information as to it when dealing with an unconnected matter, but had not manufactured flat wire for use in brassières until 1958. In that year he did so after a customer had produced to him drawings requesting him to duplicate the product there illustrated. He testified that he does not yet know whether these drawings were in fact the defendant's as they appeared to be the customer's drawings. The plaintiff continued to manufacture flat wire for brassière frames supplying customers in both Canada and the U.S. On August 13, 1959, the defendant caused to be forwarded to the plaintiff a letter which read:

August 13, 1959.

Hops-Koch Products,  
 733 Maria Avenue,  
 MONTREAL 30, Quebec.  
 Attn: Mr. R. Rowell

I represent S. & S. Industries Inc. of New York, who is the owner of Canadian Letters Patent No. 525,962 issued on June 5, 1956 for a flat wire bent in to an arcuate shape for insertion into brassieres.

I have been credibly informed that you are making such flat wire bent in arcuate shape for use in brassieres and we have obtained samples of your product.

You are hereby advised that unless you inform us within the week that you will immediately cease and desist from the manufacture, sale and use of such flat arcuate wires for use in brassieres, you will leave us with no other alternative but to forward the matter to my Canadian associates for institution of legal proceedings for infringement of the aforesaid patent.

Your reply is awaited.

Very Truly Yours,  
"IRVING SEIDMAN"

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The defendant, however, instituted no such "legal proceedings for infringement of the aforesaid patent" as it had threatened. One cannot but note that such an action would have been the forthright method which the defendant might have utilized to protect its patent if it honestly believed the patent were valid, and that in such an action by virtue of s. 59 of the *Patent Act*, the defendant could have obtained an injunction completely protecting its alleged rights. The defendant, however, turned to other methods of "protecting its patent".

On December 7, 1959, it delivered to the Robert Simpson Co. Ltd. a statement of claim in an action in the Supreme Court of Ontario, No. 7587 for 1959. In that action, the said Robert Simpson Company had been named the sole defendant. In the statement of claim, damages were claimed for the infringement of the patent held by the defendant in this action by the sale of brassières manufactured by Peter Pan Foundations using wire supplied by the plaintiff in this action. On December 14, 1959, the defendant wrote to Exquisite Form Brassière Canada Ltd., of Toronto, a very large manufacturer. In attempting to force that manufacturer to purchase its flat wire from the defendant, it said in part:

We have been informed by our Attorneys that retailers who sell garments containing Flat Wire that do not emanate from us, or any of our licensees, may be subjected to suit. Our point to Mr. Reiner was that in order that we may best protect our interests, we would be forced to go to the stores and involve them in law suits. This brings with it the extreme loss of time on the part of all executives in the store who become involved in lengthy pre-trial examinations as well as expense involved. It is evident that such stores would be reluctant to handle a line which can implicate them in these circumstances.

Three days later, on December 17, 1959, the defendant inserted an advertisement in the widely circulated trade paper known as "Women's Wear Daily" showing a torn clipping reporting the action against the Robert Simpson Co. Ltd. to which I have referred and with the warning

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“Please protect yourself—See S. & S. reprint enclosed”, inscribed thereon. The words of Bowen L.J. in *Skinner v. Perry, supra*, are relevant:

Now, every person of common sense knows what is involved in patent actions, and what the expense of them is, and everybody knows that to be threatened with a patent action is about as disagreeable a thing as can happen to a man in business, and the thing most calculated to paralyse a man in his business, even if he be innocent of any infringement of patent law.

The plaintiff gave evidence as to the effect of these actions by the defendant:

MR. HENDERSON: Q. Mr. Rowell, I asked you if you would identify Exhibit 11 as the page in Women's Wear that you saw. Would you tell the Court what happened after the publication of that page in Women's Wear? A. The same day that it was published I received phone calls from various customers of mine wanting to know what it is all about.

Q. What was the effect in terms of your customers; the effect on your business? A. I lost the American market.

Q. Did you lose any particular customer in Canada? A. I lost Peter Pan round wires, flat wire, sorry, and the Robert Simpson.

HIS LORDSHIP: You say you lost the American market: did that represent an important proportion of your clients or your clientele.

THE WITNESS: At that time, yes, my Lord, and at the present.

MR. HENDERSON: Q. Did you ever hear of a company called Exquisite Form? A. Yes.

Q. What happened there. A. Well, Exquisite Form, New York City, never sent any more orders after—I had just started with the Exquisite Form Inc. and I lost them as a customer in the States and in Canada.

These very actions by the defendant, who had however, refrained from instituting any infringement action, caused the plaintiff in turn to take the action outlined in para. 17 of the statement of claim of this action:

17. The Plaintiff through its Patent Attorney, Mr. E. N. Fetherstonhaugh, did notify the Defendant Company on January 25, 1960, that the Defendant Company had caused the Plaintiff great harm and damages and that the Plaintiff would be forced to institute legal proceedings to recover the damages so suffered.

The defendant neither specifically admitted nor denied receipt of that letter, nor was the letter produced. It is, of course, quite plain that the defendant, upon receipt of that letter, would have had the clearest possible notice that the plaintiff strenuously denied any infringement of a valid patent. Despite that notice, it would appear that the defendant hastened to conclude its litigation with the Robert Simpson Co. Ltd. On February 2, 1960, it executed Minutes of Settlement of the action whereby both the defendant therein, the Robert Simpson Company Ltd., and its sup-

plier, Peter Pan Foundations Inc., acknowledged the validity of Canadian Patent No. 525962 and undertook not to directly or indirectly contest the validity thereof nor aid or assist others in any such proceeding in order to make, use or sell arcuate wire frames embodying the invention unless the same were manufactured by the present defendant.

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It should be noted that neither the named defendant in that action, the Robert Simpson Company Ltd., nor its supplier, Peter Pan Foundations Inc., were required to pay any sum as damages or royalties to the defendant in this action and that both were permitted to dispose of their inventories on hand.

It would appear, therefore, that the defendant, after it had received express notice that the plaintiff denied he was guilty of infringement and intended to claim damages for such actions on the part of the defendant as are the subject of the claim in this action, proceeded with the most significant expedition to settle an action avoiding any test therein of the validity of its patent, and also effectively removing any contest thereof or assistance in the contest by a large manufacturer and a very large distributor. In addition, the defendant deprived the plaintiff of an opportunity to sell his wares in a very considerable market.

Therefore, in my view, this consideration of the circumstances demonstrates that there was evidence to show that what the defendant stated was so stated without reasonable and probable cause. There was, therefore, evidence of malice upon which the learned Exchequer Court Judge could have found for the plaintiff even if such were a necessary element of the proof and his judgment should not be interfered with.

I would, therefore, dismiss the appeal with costs.

*Appeal dismissed with costs.*

*Solicitors for the defendant, appellant: Smart & Biggar, Ottawa.*

*Solicitors for the plaintiff, respondent: Gowling, MacTavish, Osborne & Henderson, Ottawa.*