1941

* March 26.
* April 22.

HIS MAJESTY THE KING.....APPELLANT;

AND

ROBERT A. BRADLEY .....RESPONDENT.

ON APPEAL FROM THE EXCHEQUER COURT OF CANADA

Patents—Crown—Alleged use by Crown of patented invention—Right of patentee to compensation—Patent Act, 1935 (Dom., c. 32), s. 19—Right of patentee to a reference by the Crown to Commissioner of Patents to fix compensation—Procedure by Petition of Right to enforce rights—Exchequer Court Act (R.S.C., 1927, c. 34), ss. 18, 37; Petition of Right Act (R.S.C., 1927, c. 158), ss. 2 (c), 10—Nature of relief granted—Form of judgment.

If a patentee has a valid patent and his invention has been used by the Crown within the meaning of s. 19 of the *Patent Act, 1935* (Dom., c. 32), then he has a legal right under s. 19 to be paid by the Crown reasonable compensation, as ascertained and reported by the Commissioner of Patents, subject to the appeal provided for; also, by necessary implication under s. 19, the patentee has the right to have the question of the compensation referred by the Crown to the Commissioner. A petition of right lies in the Exchequer Court to enforce these rights (*Exchequer Court Act*, R.S.C., 1927,

* PRESENT:—Duff C.J. and Rinfret, Crocket, Kerwin and Taschereau JJ.

c. 34, ss. 18, 37, and *Petition of Right Act,* R.S.C., 1927, c. 158, ss. 2 (*c*), 10, considered). A claim for a declaration of the patentee's rights as above (supported by sufficient allegations of facts), is a claim for "relief" within the meaning of s. 2 (*c*) of the *Petition of Right Act* (defining "relief") and of s. 18 of the *Exchequer Court Act.* The relief granted (on establishment of the necessary facts) would be a declaration of said rights (*Attorney-General of Victoria* v. *Ettershank,* L.R. 6 P.C. 354; *Dominion Bldg. Corp.* v. *The King* [1933] A.C. 533, at 548; *Attorney-General* v. *De Keyser's Royal Hotel,* [1920] A.C. 508, cited). Judgment granting such relief is not a mere declaratory judgment in any pertinent sense; it is a judgment establishing the right to appropriate relief in the only form in which that can be done in a judgment against the Crown.

Rights of the Crown, if any, under s. 46 of the *Patent Act, 1935,* should be taken into account in passing on the patentee's claim to relief.

Judgment of Maclean J., [1941] Ex. C.R. 1, affirmed (with a variation of the order in the Exchequer Court, so as to make clearer the suppliant's rights).

APPEAL by the Crown from the judgment of Maclean J., President of the Exchequer Court of Canada (1), deciding certain points of law in favour of the suppliant.

The suppliant's petition of right alleged that there had been granted to him and he was the owner of certain Canadian Letters Patent (described); that since the date of issue thereof the Crown had constructed and used in Canada the improvements embodying the invention described therein, without compensating the suppliant; that the suppliant had made requests for admission of such use and payment of compensation therefor, but the Crown denied liability; that the suppliant had applied to the Commissioner of Patents to fix compensation under s. 19 of the *Patent Act,* and the Commissioner refused to fix compensation until use of the device was first established either by admission by the Crown or by judgment of the Court; that by reason of the acts of the Crown the suppliant had suffered loss of proper compensation; and, by paragraph 6, prayed as follows:

(*a*) A declaration that the respondent has constructed and used the subject-matter of the Letters Patent No. 361,335 aforesaid.

(*b*) A declaration that the hereinbefore recited Letters Patent are good, valid and subsisting Letters Patent.

(*c*) That the Commissioner of Patents be directed under section 19 of the Patent Act, being Chapter 32 of the Statutes of 1935, to ascertain and report what shall be a reasonable compensation to the suppliant by the respondent for its said use of the said invention.

(1) [1941] Ex. C.R. 1; [1940] 4 D.L.R. 49.

1941

THE KING
v.
BRADLEY.

(*d*) That the respondent be condemned to pay to your suppliant the amount of compensation so found to be reasonable for the use thereof, by the Commissioner of Patents.

(*e*) Such further and other relief as the nature of the case may require and to the Court shall seem just.

(*f*) Costs.

The Crown in its statement of defence admitted receipt of communications with reference to the alleged use of certain Letters Patent; admitted applications by the suppliant to the Commissioner to fix compensation and the latter's refusal to do so until use of the device had been established by admission of the Department involved or by means of a court action; disputed the suppliant's other allegations; denied liability for compensation; alleged that any grant to the suppliant of such Letters Patent for the alleged invention was invalid for reasons set out; and raised certain other defences. It also submitted that the petition of right was insufficient and bad in substance and in law in that it did not claim any relief against the Crown or allege any facts giving rise to any liability for which the Crown was bound or might be adjudged to respond, and, moreover, that if any relief were claimed in the petition of right it was not relief for which under the law and practice a petition of right would lie.

Upon motion of the suppliant, an order was made in the Exchequer Court for hearing and disposal before trial of the following questions, as questions of law arising from the pleadings, namely:

(1) Assuming the patent in suit to be valid and the invention covered thereby to have been used by the respondent, is the suppliant entitled in law to any of the remedies claimed against the respondent in respect of the use by the respondent of the patented invention, and

(2) If so, does a Petition of Right lie to enforce such remedy or remedies?

Maclean J. held that the law points submitted for decision must be determined in the affirmative. The formal order provided:

THIS COURT DOTH ORDER AND ADJUDGE that the first question of law as above set out be answered in the affirmative with respect to the remedies claimed in sub-paragraphs (*a*) and (*b*) of paragraph 6 of the Petition of Right herein.

AND THIS COURT DOTH FURTHER ORDER AND ADJUDGE that the second question of law as above set out be and the same is hereby answered in the affirmative.

Leave to appeal to the Supreme Court of Canada was granted to the Crown by a Judge of this Court.

F. P. Varcoe K.C. and *W. R. Jackett* for the appellant.

H. G. Fox K.C. for the respondent.

The judgment of the Court was delivered by

THE CHIEF JUSTICE—This appeal raises two questions, a question of substantive law and a question of procedure. The question of law concerns the construction and effect of section 19 of the *Patent Act,* which is in these terms:—

> The Government of Canada may, at any time, use any patented invention, paying to the patentee such sum as the Commissioner reports to be a reasonable compensation for the use thereof, and any decision of the Commissioner under this section shall be subject to appeal to the Exchequer Court.

On behalf of the Crown it is contended that payment under this section is a payment *ex gratia* and that the patentee has no legal right to demand it. It is no disparagement of the argument of counsel on behalf of the Crown to say that, in my opinion, it is very clear that the words "paying to the patentee such sum as the Commissioner reports to be a reasonable compensation for the use thereof" vest in the patentee a legal right.

In my view of section 19, if the conditions under which the section comes into operation are fulfilled, that is to say, if the patentee has a valid patent and his invention has been used by the Crown in the sense of the section, if these conditions subsist then the patentee has the right to be paid by the Crown reasonable compensation, as ascertained and reported by the Commissioner, subject, of course, to the appeal provided for. This involves necessarily the right to have such compensation ascertained and reported. I think, moreover, that the section contemplates a reference of the question of compensation by the Crown to the Commissioner and, accordingly, by necessary implication, that he has the right to have that question referred.

I have come to this conclusion apart from the contention of Mr. Fox that under the patent law of Canada a patentee becomes invested with the right to use by himself and his licensees his invention to the exclusion of the Crown, as well as of others. That contention raises a very important question and, I very humbly think, a question of some

1941

THE KING v. BRADLEY.

Duff C.J.

difficulty, upon which it seems inadvisable to express any opinion until a case arises in which it appears to be necessary to decide it.

So much for the respondent's substantive rights. I have no doubt that a Petition of Right lies in the Exchequer Court to enforce these rights. The sections with which we are immediately concerned are sections 18 and 37 of the *Exchequer Court Act,* and sections 2 (*c*) and 10 of the *Petition of Right Act,* chap. 158, R.S.C., 1927. They are as follows:—

The Exchequer Court Act

18. The Exchequer Court shall have exclusive original jurisdiction in all cases in which demand is made or relief sought in respect of any matter which might, in England, be subject of a suit or action against the Crown, and for greater certainty, but not so as to restrict the generality of the foregoing terms, it shall have exclusive original jurisdiction in all cases in which the land, goods or money of the subject are in the possession of the Crown, or in which the claim arises out of a contract entered into by or on behalf of the Crown.

37. Any claim against the Crown may be prosecuted by petition of right, or may be referred to the Court by the head of the department in connection with the administration of which the claim arises.

2. If any such claim is so referred no *fiat* shall be given on any petition of right in respect thereof.

The Petition of Right Act

2. (*c*) "relief" includes every species of relief claimed or prayed for in a petition of right, whether a restitution of any incorporeal right or a return of lands or chattels, or payment of money, or damages, or otherwise.

10. The judgment on every petition of right shall be that the suppliant is not entitled to any portion, or that he is entitled to the whole or to some specified portion of the relief sought by his petition, or to such other relief, and upon such terms and conditions, if any, as are just.

Section 18 is very broadly expressed. It may be of historical interest to notice that in the form in which it first appeared (section 75 (2) of chap. 135, of the Consolidated Statutes of 1886) the words were

in all cases in which demand is made or relief sought in respect of any matter which might, in England, have been the subject of a suit or action in the Court of Exchequer on its revenue side against the Crown.

It was in the Statute of 1887 that the present section 18 assumed its present form as section 15 of that Statute, and section 37 as section 23. These sections simplify the procedure in the Exchequer Court in relation to petitions of right. Section 18 extends the jurisdiction of the Court

to all those cases in which, the interests of the Crown being directly concerned, a bill could be filed, pursuant to a *fiat*, in the Court of Chancery as well as in the Exchequer, against the Attorney-General as representing the Crown, or in which he could be made a party. The jurisdiction and practice of the Court of Chancery in this respect did not differ from the equity jurisdiction and practice of the Court of Exchequer, as is fully explained by Lord Buckmaster in his judgment in *Esquimalt and Nanaimo Railway Co.* v. *Wilson* (1) in the Judicial Committee.

I must not be understood as intimating an opinion that section 18 gives the Exchequer Court jurisdiction to entertain a proceeding such as that in *Dyson* v. *Attorney-General* (2), where an action was brought against the Attorney-General in the ordinary way without a *fiat* and the claim was only for a declaration that the plaintiff was under no obligation to comply with the provisions of a notice issued by the Commissioners of Inland Revenue; and no relief in respect of money, or property, or incorporeal right was claimed against the Crown. I shall refer more particularly to this class of action presently.

I do not think there is any real processual difficulty in the way of the suppliant in respect of the relief which this petition of right claims in substance. When the whole of paragraph 6 is read, the relief claimed in substance is a declaration that the respondent is entitled to be paid reasonable compensation for the use of his invention under section 19 of the *Patent Act*. There is a prayer for further and other relief and the facts alleged are sufficient to support such a claim. Amendment of paragraph 6 could only be in point of form and I think it unnecessary. If it were necessary, it should be made. Such a claim, I have no doubt, is a claim for "relief" within the meaning of the definition of relief quoted above from the *Petition of Right Act* and within the meaning of section 18 of the *Exchequer Court Act*. In the nature of things the Court does not and cannot make a mandatory order against the Crown; but the Court can and does declare the rights of the suppliant as between the suppliant and the Crown in cases of specific performance. This is well illustrated in *The Attorney-General of Victoria*

(1) [1920] A.C. 358. (2) [1911] 1 K.B. 410.

1941

THE KING v. BRADLEY.

Duff C.J.

v. *Ettershank* (1), where the claim to relief was based upon a statutory provision which gave to the lessees of Crown lands the right on certain conditions to acquire a title in fee simple to their allotments. The Crown had contended that the lease was forfeited, and judgment was given on the petition of right declaring that the suppliant was entitled to the benefit of the lease and to the right of purchasing the fee simple of the land, provided he paid the rent due within three months. The statutory provision was treated as introducing a statutory term into the lease. Such a judgment is a declaration that the suppliant is entitled to the relief of specific performance. The subject's right to relief is declared by the Court in full assurance that the Crown will give effect to the right so declared. In the Judicial Committee Sir Montague Smith in *Attorney-General of Victoria* v. *Ettershank* (1) referred to a judgment as a decree for specific performance. Lord Tomlin's observations to a similar effect in *Dominion Bldg. Corp.* v. *The King* (2) merely stated the settled and well understood practice.

This, of course, is a vastly different thing from a judgment such as that in *Dyson* v. *Attorney-General* (3) (*supra*), which does not declare or decide that the subject is entitled to have something done in order to give effect to his legal rights as against the Crown, or that he is entitled to property or some interest therein, or to the possession thereof. The proceeding by petition of right is not applicable to such a claim as that in question in *Dyson* v. *Attorney-General* (3). Such a proceeding is only competent where a petition of right does not lie. (*Esquimalt and Nanaimo Rly. Co.* v. *Wilson* (4)). It should not be overlooked that the Board in that case gave only a limited approval to the decision in *Dyson's* case (3); as to one incidental point.

The validity, in my view of the effect of section 19, of the suppliant's claims in substance, on the facts stated, is conclusively established by the *Attorney-General* v. *De Keyser's Royal Hotel* (5). In that case, as Lord Moulton said at p. 551, the acquisition having been made under the *Defence Act, 1842*, "the suppliants are entitled

(1) (1875) L.R. 6 P.C. 354.
(2) [1933] A.C. 533, at 548.
(3) [1911] 1 K.B. 410.
(4) [1920] A.C. 358, at 364, 365, 367, and 368.
(5) [1920] A.C. 508.

to the compensation provided by that Act." Lord Parmoor explained at p. 580 that in an ordinary case, under the Lands Clauses Acts, when promoters enter into possession of lands in conformity with their statutory rights, and delay or refuse to put in force the necessary procedure for the assessment of compensation in default of agreement, the remedy is by mandamus. That remedy, as he observed, would not be applicable against the Crown; and, as Lord Dunedin says at p. 531, Petition of Right does no more than enable the subject to sue the Crown in such a case. The declaration of the Court of Appeal, to which no exception was taken, was in these words:—

> And this Court doth declare that the Suppliants are entitled to a fair rent for use and occupation of De Keyser's Royal Hotel on the Thames Embankment in the City of London by way of compensation under the Defence Act, 1842.

The respondent is, assuming the invention has been used within the meaning of section 19 and his patent is a valid patent, entitled to reasonable compensation, pursuant to the terms of that section, and if the facts are established he is entitled to judgment to that effect. Such a judgment is not a mere declaratory judgment in any pertinent sense. It is a judgment establishing his right to appropriate relief in the only form in which that can be done in a judgment against the Crown.

I find myself in difficulty, however, with regard to the formal order made in the Court below. It seems to decide that the respondent could be entitled and only entitled to a judgment in the sense of sub-paragraphs (*a*) and (*b*) of clause 6 of the Petition of Right. A Petition of Right plainly would not lie for claims limited to paragraph 6 (*a*) and (*b*) which claim no relief. I think there must have been some mistake in drawing up the order. Under such an order the suppliant is not entitled to relief in any form. It does not deal with the substance of the controversy as to his rights, which is whether, on the one hand, he has a legal right to payment on establishing the facts, or, on the other, as the Crown contends, the enactment only authorizes a payment *ex gratia*. It leaves, moreover, untouched his right to have his compensation determined in the manner prescribed, which ought to be declared, as I have explained.

1941

THE KING v. BRADLEY.

Duff C.J.

If the order as it is expressed denies him relief in respect of these matters, then it ought to be made clear that such is not its effect and that they will be dealt with at a later stage of these proceedings.

I should dismiss the appeal, subject, however, to a variation of the order of the learned trial judge, making it clear that the suppliant's right to relief under section 19 of the *Patent Act* and his right to have his claim in that respect disposed of in this action are not prejudiced by the judgment appealed from, and that the remaining questions in controversy are reserved to be disposed of later.

What I have said does not touch upon the rights of the Crown under section 46 of the *Patent Act*. In passing on the respondent's claim to relief, these rights, if any, will, of course, be taken into account.

The appeal should be dismissed with costs, subject to the reservation explained.

Appeal dismissed with costs.

Solicitor for the appellant: *W. Stuart Edwards.*

Solicitor for the respondent: *Harold G. Fox.*