

THE TORONTO TELEPHONE } PETITIONERS;
 MANUFACTURING CO..... }

1885
 Jan. 24.

AND

THE BELL TELEPHONE COM- } RESPONDENTS.
 PANY OF CANADA..... }

Patent—New combination of old materials or devices—Importation in parts—Connivance in importation by patentee, effect of—Obligation to sell invention—35 Vic. c. 26, s. 28—38 Vic. c. 14, s. 2.

An invention consisting of a new and useful combination of well known materials or devices which produces a result not theretofore so obtained is a proper subject for a patent.

2. The importation of the component parts of a telephone, in such a state of manufacture as to simply require putting together in Canada to make the completed instrument, falls within the prohibition of section 28 of 35 Vic. c. 26, as amended by 38 Vic. c. 14, s. 2.

3. Upon application being made to the respondents to purchase a number of their telephones for private purposes they refused to sell the same, accompanying such refusal by the statement: "We do not sell telephones, but we rent them."

Held, that the respondents had thereby afforded a good ground for forfeiture of their patent.

4. Connivance by the patentee in an improper importation is equal to importing or causing to be imported within the meaning of the statute.

PETITION against the continuance of Patent No. 7,789, granted on the 22nd of August, 1877, to Alexander Graham Bell, and now owned by the Bell Telephone Company of Canada, on the ground of non-manufacturing and of importing, contrary to the provisions of section 28 of *The Patent Act of 1872*.

The petition addressed to the Minister of Agriculture (bearing date 2nd September, 1884,) alleged that Patent No. 7,789 is null and void, and should be so declared, for non-compliance with the provisions of the 28th section of *The Patent Act of 1872*, requiring manufac-

1885 ture within two years and forbidding importation
 after twelve months (1).

THE
 TORONTO
 TELEPHONE
 MANUFACTURING CO.

October 20, 1884.

v.
 THE BELL
 TELEPHONE
 COMPANY
 OF CANADA.

Argument
 of Counsel.

The matter came on for hearing before the Minister
 of Agriculture.

Roaf, McLean, White and Johnston, for petitioners ;
Cameron, Q.C., McCarthy, Q.C., McMichael, Q.C.,
McDougall, Q.C., Lash, Q.C. and *Wood*, for respon-
 dents.

Counsel for respondents argued,—that the petitioners had no *locus standi* to entitle them to a hearing, having no specific interest in raising a dispute,—that the Minister had no jurisdiction in this case and should therefore not proceed with it, the more so that there is no power vested in him to summon witnesses and to administer the oath to them,—and that the extension of the patent for further periods than the five first years amounted to an acknowledgment by the Commissioner of Patents that the patent was still in full force at the time of the extension.

(1) 28. Every patent granted under this Act shall be subject and expressed to be subject to the condition that such patent and all the rights and privileges thereby granted shall cease and determine and the patent shall be null and void, at the end of two years from the date thereof, unless the patentee, or his assignee or assignees, shall, within that period have commenced, and shall, after such commencement, continuously carry on in Canada the construction or manufacture of the invention or discovery patented, in such manner that any person desiring to use it may obtain it, or cause it to be made for him at a reasonable price, at some manufactory or establishment for making or con-

structing it, in Canada, and that such patent shall be void if, after the expiration of twelve months from the granting thereof, the patentee, or his assignee or assignees, for the whole or a part of his interest in the patent, imports, or causes to be imported into Canada, the invention for which the patent is granted; and provided always, that in case disputes should arise as to whether a patent has or has not become null and void under the provisions of this section, such disputes shall be settled by the Minister of Agriculture, or his deputy, whose decision shall be final.

2. Whenever a patentee has been unable to carry on the construction or manufacture of his invention

The Minister decided that there was a dispute raised and that he was bound to act upon it, seeing that he, or his Deputy, alone had jurisdiction in such a matter, and that an extension of the term is no decision as to the validity of the patent.

Respondents then asked to postpone the hearing until new legislation could be obtained giving the Minister power to summon witnesses, and to swear them.

This postponement not being granted, the respondents intimated their intention to apply for a writ of prohibition to restrain the Minister from proceeding with the case, inasmuch as the 28th section of *The Patent Act of 1872* is *ultra vires*, in that it deals with civil rights assigned to the Provincial legislatures by *The British North America Act*. The respondents asked for an adjournment, pending the decision on their application for a writ of prohibition. Granted.

November 10th, 1884.

The case was resumed before the Deputy Minister, who, on account of the unavoidable absence of the Minister in charge of the case, declared a further adjournment to the 24th of November.

On the resumption of the case, on the 24th November, a judgment of Mr. Justice Osler, of the High Court of Justice of Ontario, Common Pleas Division, dismissing the application for a writ of prohibition, was produced. (1)

The respondents, at this state of the proceedings, within the two years hereinbefore mentioned, the Commissioner may at any time not more than three months before the expiration of that period grant to the patentee a further delay on his adducing proof to the satisfaction of the Commissioner that he was for reasons beyond his control prevented from complying with the above-mentioned condition.—*The Patent Act of 1872*, as amended by 38 Vic. c. 14 s. 2.

(1) REPORTER'S NOTE: See the report of the application and the reasons for judgment of OSLER, J. in 7 Ont. 605.

1885
 THE
 TORONTO
 TELEPHONE
 MANUFACTURING Co.
 v.
 THE BELL
 TELEPHONE
 COMPANY
 OF CANADA.
 ———
 Statement
 of Facts.
 ———

1885
 THE
 TORONTO
 TELEPHONE
 MANUFACTURING Co.
 v.
 THE BELL
 TELEPHONE
 COMPANY
 OF CANADA.

Statement
 of Facts.

asked for a further adjournment to allow them time to get a decision on an appeal from the judgment of Mr. Justice Osler.

The Minister decided against a further adjournment on that ground.

Counsel for the respondents submitted that, being forced to proceed, they had a right to have it recorded that they did so under protest, anxious as they were of not appearing to have waived their objections to the hearing of this case.

The parties then went on with the evidence; after which another adjournment was resorted to for the purpose of bringing more witnesses, as was desired by the parties.

December, 2nd and 3rd, 1884.

The hearing of the case was continued.

The evidence adduced consisted of official documents of the Patent Office, of certified copies of Customs entries, of accounts, of letters and correspondence exchanged between agents of the Bell Telephone Company of Canada and various parties, of statutory declarations and of oral testimony. The effect of the evidence is stated in the Minister's decision.

The following is an analysis of the arguments on both sides:

McMichael, Q.C. for the respondents, argued in substance:—Section 28 of *The Patent Act* is a restriction on section 6 which gives exclusive privileges to the patentees; there are inventions which cannot be brought within the scope of section 28, and “Bell's system of telephony” is one of these, it being an art of a practical nature, which consists in transmitting articulated sounds by means of electricity conveyed in a circuit with instruments at each end. These instruments are simple things, not at all like an object of manufacture, as a plough or a sewing machine, com-

plete by themselves, and susceptible of being given over as such to be worked ; here we have a thing which requires to be worked with something else, by skilled management ; everybody cannot have his circuit of telephony to work it, it can only be utilized in the way the respondents have done. They have carried out in the most ample manner the spirit of the 28th section. Now, some one says : “ I want four or five “ hundred of your machines.” The patentee says : “ You cannot have them.” “ But I have a right to “ get them,” the other may say. “ You have a right to “ one, but not to become my agent,” the patentee may answer. “ We are ready to sell for a private line, but “ have found it is far better that people should lease “ than buy, on account of the danger of failure in the “ hands of unskilful persons.” Our company is assignee of the patent, having paid a large price for the same in the year 1880, and they bring before us something which they say happened while we knew nothing about it. The invention is an electric current, and how that invention could be imported and continue to be imported is not very clear. But on the supposition that it was confined to the machine, the component parts are simple things, articles of commerce. In reference to the sale, the refusal of which is not well proved, the company said :—“ Here is what we will “ do, we will lease it to you, we will take all the trou- “ ble, we will bring that invention to your door, we “ will place it in your house, and we will give you, “ not merely a small circle to communicate with, but “ we will give you a full wide-spread range over the “ province.” Our clients have fulfilled the law, in the spirit indicated by Mr. Taché in his decision in *Barter v. Smith* (1). The man who, by his ingenuity, has made a valuable discovery should not be deprived of

1885
 THE
 TORONTO
 TELEPHONE
 MANUFACTURING CO.
 v.
 THE BELL
 TELEPHONE
 COMPANY
 OF CANADA.
 Argument
 of Counsel.

(1) Reported *ante* p. 455.

1885

THE

TORONTO
TELEPHONE
MANUFACTURING CO.

v.

THE BELL
TELEPHONE
COMPANY
OF CANADA.Argument
of Counsel.

his rights except upon the very strongest and most cogent reasons.

Cameron, Q. C. argued, in substance, for the respondents: The 28th section, here invoked, has already received a judicial interpretation in the case, so often referred to, of *Barter v. Smith* (1). This interpretation has gone forth to the world. It is to be found in every patent office and in every patent solicitor's office. It, moreover, is a decision which has received the approval of our highest courts. It has received the approval of the Court of Appeal of Ontario, and it has received the approval of the Supreme Court, who not only have endorsed the conclusions, but have endorsed the reasons given by Mr. Taché, in what is described as his able judgment. It is the interpretation, in Canada, of the law relating to patents. If it is to be altered it can only be altered by Act of Parliament, just as when the law is once fixed by the decision of the courts. I ask you, then, to apply these broad and general principles, which Mr. Taché has laid down as law in that case, to the consideration of this one, and if you do, and if you compare the facts in that case with the facts in this, I submit you can come to no possible conclusion but that there has been no violation of the section against importation. As to the point in which an importation is alleged to have taken place between the 23rd and 29th days of August, 1878, let us consider the enormity of the proposition which my learned friends desire to support. Where there was no intention to violate the law, which Mr. Taché says is necessary to constitute an offence, where the evidence shows that there was a desire to comply with the provisions of the law, you are asked to decide, on a hair-splitting technicality, that this patent shall become void. On the allegation of subsequent and continued importation

(1) Reported *ante* p. 455.

nothing is proved. What is patented is a combination, the application of a principle. The whole section does not apply, but if it did apply the patentees have manufactured so far as they could. They instructed in Boston the man Cowherd, of Brantford, to make the instruments. Cowherd died, and they got a man from Boston to teach the man Foster in Toronto to manufacture them. Then, in 1882, the demand became so great that they started a manufactory in Montreal. If it were not for the section, it would have been far cheaper not to manufacture; but to obey the law they have started a manufactory, in which \$50,000 capital is invested. But we are said to have imported the various parts of the instrument to 'assemble' them here. I say that construction is 'assembling,' that if we get the various parts in a partially manufactured condition and 'assemble' them, so as by putting them together to make a complete instrument, we construct the instrument. The different parts, steel band, drop forgings, boxwood bobbin, were imported in the raw state and worked here into instruments. Furthermore, the acts complained of were done before this company purchased the rights at a cost of about half a million of dollars; they are not accountable for an accidental delay in August, 1878, two years before they acquired the patent. Now for the refusal to sell, there is not one word in the Act that requires us to sell the invention at all. All that the patentee is required to do is that every one desirous of procuring the invention may have it at a reasonable price. In the case of Lohnes, this man wanted to make connection with our line at Whitby, making use of other instruments, to correspond east and west through our wires and exchange offices,—a thing we were not bound to do, as relating to our patentee's obligations. Again in Dinnis' case, that man came to lay a trap, being engaged in organizing a

1885

THE

TORONTO
TELEPHONE
MANUFACTURING CO.v.
THE BELL
TELEPHONE
COMPANY
OF CANADA.Argument
of Counsel.

1885
 THE
 TORONTO TELEPHONE
 MANUFACTURING CO.
 v.
 THE BELL TELEPHONE
 COMPANY OF CANADA.
 Argument
 of Counsel.

rival company, and was told that we were ready to sell the instruments at a certain price if he wanted them. He probably wanted to get a refusal, but did not get it. In Mr. Fergusson's case, he also wanted a refusal and only spoke to the first man he met in the office of the company, a person without authority, and thought he had got a refusal. In the case of Mr. Dickson, he also wanted a refusal, but did not meet with it. These people did not object to the price, nor had they discussed it; they did not insist on their so-called demand of a bargain, but simply wanted to try and get a refusal. The only other case is the Bate case in Ottawa. He was experimenting on our telephone, and, being told that he was infringing, he wrote a letter asking for the use of our patent to communicate between his and his father's house; he was told of the terms of our company and dropped the matter. Now we may look at the working of our company, which has brought this wonderful invention into general use in Canada. In Ontario alone there are about two thousand miles of lines in operation, connecting cities, towns and villages. Is there any complaint from the public? We are the representatives of Mr. Bell, the inventor, and entitled to the protection he deserves. We have invested one million of dollars in the business in Canada.

Macdougall, Q. C. counsel for shareholders, argued, in substance, in favor of the respondents:—The petitioners in this case have no *locus standi*, on a ground not taken by counsel preceding me; the petitioners are a company existing under letters-patent granted under a general Act of the Province of Ontario; the subject of telegraphs, which admittedly includes telephones, is exclusively vested under the jurisdiction of the Dominion Parliament, therefore the Provincial legislatures have no right to incorporate companies for the purpose of establishing telephonic connections,

and so the petitioners have no legal existence. I do not ask you to decide that question, but I raise it here for the purpose of putting it on record and making it a basis for future contention. This section of the law had in view to prevent inventors from taking a patent and leaving it fourteen years without use, and also to encourage home manufacture. Evidence is given that these little articles called "drop forgings" are the only ones which can be said to have been manufactured abroad, and upon this they base their allegation that there has been an infraction of the Act, the whole profit of the sale of such articles for a year would be some \$10. Is it not a farce to talk of that being an infraction of the patent law? *De minimis non curat lex* is a maxim which applies to this case. I was surprised to find the learned Judge Henry endorse the view that is expressed, I believe, in Mr. Taché's judgment, that the Minister, or his Deputy, has the power under the Act to deal with a question of this kind and decide to impeach and repeal a patent. I think the dispute referred to there is departmental. I think this case ought to be dismissed and referred to the proper tribunals. (Cites authorities to show that the rule for the construction of patent cases is that they are to be construed liberally.) There has been no importation of the thing patented, according to that rule of interpretation. As to "construction," the word must have been inserted in that section for cases in which the word "manufacture" would not apply. "Construction," Webster tells us, is "the manner of putting together the parts of a machine or system." Now that is pretty nearly 'assembling,' as explained by the American witness that we heard yesterday. We have constructed the invention in Canada, by setting up our magnetic system, producing these various beneficial results. Although I do not agree with some of

1885

THE
TORONTO
TELEPHONE
MANUFACTURING CO.
v.
THE BELL
TELEPHONE
COMPANY
OF CANADA.
Argument
of Counsel.

1885
 THE
 TORONTO
 TELEPHONE
 MANUFACTURING CO.
 v.
 THE BELL
 TELEPHONE
 COMPANY
 OF CANADA.

Argument
 of Counsel.

the views that I find in the decision in the case of *Barter v. Smith* (1), yet in some of the conclusions I do agree. At all events it is to be held as the law.

Wood, on behalf of the respondents, cited a recent decision of the English courts, (*Townsend v. Haworth*) (2) in which it was held that the importation of materials used in forming a patented compound for the preserving of vegetable fabrics from decay, was no infringement of the patent. This decision is a very strong authority for the respondents' contention, inasmuch as what is no material for infringement cannot be, in this case, a material for illegal importation.

Roaf, for the petitioners, argued in substance :—The ninth claim of Bell's patent brings it under the purview of the 28th section, being thus framed in the specification—as a new article of manufacture, a telephone constructed substantially as in figure 6,—that is the hand telephone and also the box telephone. I submit there can be no other construction put upon the acts that have been proved here but that these telephones have been imported both in a complete condition and also in a condition of being simply put together, one that comes clearly within the decision of Mr. Taché's ruling, at the latter end of the case of *Barter v. Smith*, (1) that the importation of a machine in parts is an importation of the machine which is not allowed by *The Patent Act*. The shipment, made in Boston on the 23rd August, 1878, was made after the twelve months' delay, and its entry into Canada, some days after, constituted an illegal importation of the article patented, and is fatal to the patent. They have tried to shave as close within the wording of the Act as they possibly could. These telephones were manufactured by Williams in the United States,

(1) Reported *ante* p. 455.

(2) 12 Ch. D. 831 ; Goodeve's Patent Cases, 467.

shipped by him in parts, afterwards to be merely put together, first by Mr. Cowherd in Brantford, at the rate of from thirty to thirty-five cents for each instrument. What was done first with Cowherd was done afterwards with Mr. Foster in Toronto, as is clearly proved by himself. The steel pieces were cut and punched in Boston, the *drop forgings* were made there to the extent at least of two cents of labor put upon every one of them, the disks were also cut and turned on an emery wheel in Boston ready for use; the rubber handle was manufactured abroad, and this had been going on till 1882, when they say themselves that they commenced the manufacture in Canada.—“We are soon about to commence the manufacture in Canada,” wrote Mr. Sise, the General Manager, in 1882. The tendency of the company was also to evade the law by refusing to sell. Mr. Bate wanted to connect his with his father’s house by private line; Mr. Dinnis wanted to purchase the patented article, and they were told they could only rent it. If they have imported after the twelve months and refused to sell after two years, they have forfeited their patent; this is the only question at issue. There is no parallel between the case of *Barter v. Smith* (1) and the present case. Mr. Taché decided that the importation by Smith was a mere importation of models to bring the article before the Canadian public; no such thing here, where the patented article has been imported in lots. This is no applying of the case of compounding drugs quoted by Mr. Wood; the difference is evident. Their asking \$30 for an instrument, the cost of which is about \$2, cannot be considered as a reasonable price.

McLean, on behalf of the petitioners, argued in substance:—The views taken by the learned counsel on the other side about the 28th section do not harmonize.

1885
 THE
 TORONTO
 TELEPHONE
 MANUFACTURING CO.
 v.
 THE BELL
 TELEPHONE
 COMPANY
 OF CANADA.
 Argument
 of Counsel.

(1) Reported *ante* p. 455.

1885
 THE
 TORONTO
 TELEPHONE
 MANUFACTURING CO.
 v.
 THE BELL
 TELEPHONE
 COMPANY
 OF CANADA.

Argument
 of Counsel.

Some think it is good, others think it is bad—exceedingly bad. But I would remind them that it suited the legislature which enacted it, and it suited the gentleman who had a prominent part in the making of it. As a lawyer in this case, however, it evidently does not satisfy my learned friend Mr. MacDougall. As to the meaning of the two terms “construction” and “manufacture,” it appears clear that the first applies to such structures as bridges, graving-docks and so forth, and “manufacture” to things of a portable nature. It is contended that section 28 does not cover such a patent as this one; but the law says that every patent shall be subject to these conditions; and why do they say that this patent does not come within the provisions of this section? “Oh! Mr. Bell has been a public benefactor who has discovered a marvellous art.” The patent covers this art; one says it covers the electric fluid not the wires, the other says it covers the wires. Mr. Bell has not invented telephony, but, as he describes it himself,—some new and useful improvements in electric telephony. He has invented and patented a machine to perform a certain function in telephony; it is the machine which is patented. An attempt was made to prove that the rubber handle is no necessary part of the invention; but it is claimed in the patent as such and it is clear that it is essential, whether made of rubber or other material. The manufacture commences when the raw material, as found in commerce for general purposes, is directed towards making a specific article, a telephone in this case. So far as the *wood* of the bobbin is concerned, the manufacture begins at the point at which it is sawed in a shape adapted to make the bobbin of a telephone; the *steel bars* are manufactured the moment they undergo a putting into shape by cutting, punching, and so forth, to enter as elements of a telephone; the *drop forgings* are man-

ufactured by the hammer and then perfected for their destination in a telephone. Another point is that no consideration of the parties, nor of the amount of their purchase, should influence the ruling, and no extraordinary leniency should be brought to bear; it is a question of contract, as in any other case, with fixed stipulations. The respondents cannot come here as innocent holders. In 1880 and 1881, when Mr. Foster was manufacturing, Mr. Sise knew exactly what was going into their shops, and he had had communications with Mr. Williams and knew that Williams was forwarding materials at his request.

1885
 THE
 TORONTO
 TELEPHONE
 MANUFACTURING CO.
 v.
 THE BELL
 TELEPHONE
 COMPANY
 OF CANADA.
 Argument
 of Counsel.

White, for the petitioners, argued:—It is laid down by all the authorities and endorsed by the very able judgment of your Deputy, that a patent of invention is a contract between the State and the individual. The contract may be conditional, or it may be unconditional. The contract in either case is one under which the State is supposed to receive something for the privilege which it has granted. The 28th section of *The Patent Act* prescribed the conditions to which the grant is submitted, and these conditions were confided to the jurisdiction of the Minister of Agriculture. I have no great fault to find with the judgment in *Barter v. Smith* (1), and I have no great fault to find with the doctrine that it shall be considered declaratory of the law of this country. It does not, however, mean that, because the patent was not annulled in that case, no patent should be annulled in any case. I take issue with the opinion that any such doctrine is propounded by the decision of Mr. Taché. Mr. Taché, on the contrary, held in that judgment and declared in that judgment what the object of Parliament was, and every person, no matter where he reads this judgment, whether in Europe or America, is put upon his

(1) Reported *ante* p. 455.

1885
 THE
 TORONTO TELEPHONE
 MANUFACTURING CO.
 v.
 THE BELL TELEPHONE
 COMPANY OF CANADA.
 ———
 Argument
 of Counsel.
 ———

guard as to what the law and policy of the country are intended to be. Mr. Taché declared that the object of this legislation is that Canadian industry and Canadian labor should, in the shortest possible time, be made to profit by new inventions. In another part of his judgment he states that, although he found reasons in connection with that particular case not to declare the patent void, yet every one of these cases must stand on its own merits, viewed in the light of the facts, confronted with the spirit of the law. So that, immediately before pronouncing his judgment in that case, he is careful to inform the world that there is a difference in cases. It was under all the peculiar circumstances of that particular case that Mr. Taché was induced to render his judgment in the way he did, at the same time prefacing his judgment with the remark that every case must stand on its own merits. But the circumstances in this case are of an entirely different character; the circumstances are the very opposite. The respondents knew perfectly well that the demand was already created, and there was no difficulty in doing what they have since done after five years of the life of the patent. They failed in the condition as to importation, failed to comply with the conditions as to the establishment of a manufactory in this country. The facts are that, during the first year, they imported a number of articles complete; these telephones were manufactured by Williams in the United States and sent to Canada to Thomas Henderson, the acting agent of the patentee up to the year 1880. We have it, from Mr. Sise, that in 1880 he came to Canada to represent this interest, and continued to do so up to the present time. It was only in 1882 they started a factory in Montreal. They were not under any obligation to start a factory; but they were under

the obligation to know whether the article patented was being manufactured in the country or not. Mr. Sise tells us that five years after the life of the patent had begun, a capital of \$50,000 had been expended in the establishment of a manufactory. The raw materials are there] now turned into telephones, everything being done at that factory. There was as much obligation to do all that in this country in 1878 as there was in 1882. What they are now doing is no excuse for what they failed to do during the first five years. The evidence is clear. All the parts were manufactured in Boston, packed in boxes containing what was necessary to complete a certain number of instruments; they were imported into Canada to be put together for about thirty cents apiece, in Brantford, by a tinsmith, for upwards of three years, and then in Toronto, at Mr. Foster's establishment, for twenty-five cents apiece. For not doing before what they considered necessary to do in 1882, the judgment of this tribunal must hold that the patent is avoided, because the manufacture had not commenced after the period of two years, in fact never commenced until the year 1882. Then comes the question as to whether a patentee is under any obligation to sell the patented article, or if it is a full compliance with the law to rent it under lease. I understood Mr. Taché to have spoken of a process when he speaks in his judgment of *licensing* the right of using. An argument is made of the enormous loss that an avoidance of their patent will entail on the respondents. That is not the question. The patent was a contract. Have the conditions been fulfilled? That is the question. Besides, the avoidance of the patent will not destroy the business which has been built up by the patent, to the value of \$1,000,000 invested, with a start of years over all competitors.

1885

THE

TORONTO
TELEPHONE
MANUFACTURING Co.

v.

THE BELL
TELEPHONE
COMPANY
OF CANADA.Argument
of Counsel.

1885
 THE
 TORONTO
 TELEPHONE
 MANUFACTURING CO.
 v.
 THE BELL
 TELEPHONE
 COMPANY
 OF CANADA.
 ———
 Decision of
 Pope, M. A.
 ———

THE HONOURABLE J. H. POPE, Minister of Agriculture, now (January 24th, 1885) rendered his decision. This case is the second of the kind which has come before this tribunal. It happens that both cases concern interests of vast magnitude, a circumstance which contributed to enhance the sense of the heavy responsibility imposed by the law on me, as the Minister of Agriculture, or on my Deputy, in this respect. The first case, *Barter v. Smith* (1), was tried before Mr. Taché, in November, 1876, and his judgment was rendered in February, 1877.

I have to refer to that judgment, because it has been made the basis of argument by the learned counsel on both sides in this case, because it constitutes the declaratory law of the country on points raised by the application of the 28th section of *The Patent Act of 1872*,—being in matter of doctrine and of legal interpretation unquestionably correct; and because it is endorsed, as remarked by Mr. Cameron, by the highest judicial authorities, namely, the Court of Appeal of Ontario, the Supreme Court, and, in relation to this present case, by Mr. Justice Osler in his judgment rejecting an application for a writ of prohibition.

This tribunal is, therefore, bound to attach great weight to the doctrine and rules of interpretation laid down in that judgment by the Deputy Minister, which judgment embodies the jurisprudence adopted in Canada in dealing with that section of *The Patent Act*.

The feature of Patent No. 7,789, granted for what is known under the name of "*Bell's system of telephony*," is peculiar in so far as it consists both of a process, or art, and of a portion of the machinery necessary to carry the art into practice. The two elements are inseparable; the *electric circuit* and the *two instruments* are the means of giving a practical and tangible shape

(1) Reported *ante*, p. 455.

to "*Bell's system of telephony.*" Moreover, the instruments, described in the specification and illustrated in the drawings of the patent, are the mechanical contrivances which distinguish this invention from other methods of getting at a similar result. All the elements of which these instruments are composed are of the public domain, and public are also the means of erecting an *electric circuit*; therefore, the patent is a patent for a new and useful combination of old elements, to obtain an object known beforehand. The combination is the invention, and, consequently, the subject matter of the patent and the mechanism of which it is constituted are new articles of manufacture.

The doctrine, universally admitted, of the patentability of a variety of combinations of the same elements for the same object, has been clearly laid down by the Supreme Court in *Smith v. Goldie* (1). What is patentable is the subject of a privilege, and, in Canada, is submitted to the conditions of section 28 of *The Patent Act of 1872*.

This patent, like every other patent granted, is, therefore, under the obligations exacted from all patentees by section 28 of *The Patent Act of 1872*, and subject to the adjudication of this tribunal, should disputes arise as to whether it has or has not become null and void under the provisions of this section.

The patent was granted on the 22nd of August, 1877, to Mr. Alexander Graham Bell, and is now, through a series of assignments, the property of The Bell Telephone Company of Canada, the respondents in this case. It must be remarked that it matters not who the owners are for the time being, or were at any time. It is the patent which stands before me, as the Minister of Agriculture, to be adjudicated on, not the owners. The patent does so stand with the unin-

1885
 THE
 TORONTO
 TELEPHONE
 MANUFACTURING CO.
 v.
 THE BELL
 TELEPHONE
 COMPANY
 OF CANADA.
 Decision of
 Pope, J. A.

(1) 9 Can. S.C.R. 46.

1885 interrupted privileges as well as with the uninterrupted obligations attached to it.

THE
TORONTO
TELEPHONE
MANUFACTURING Co.
v.
THE BELL
TELEPHONE
COMPANY
OF CANADA.

Decision of
Pope, J.

This tribunal has not to investigate the *locus standi* of petitioners nor of respondents, nor, in relation to companies, to enquire whether they are legally incorporated or not; such questions are not within its jurisdiction, and besides, are quite indifferent to the issue in such cases. When this tribunal is made aware that disputes are raised, in accordance with the provisions of the 28th section, by some person who undertakes to prove his allegations, it immediately becomes the duty of the judges of such disputes to investigate the matter, in the interest of public rights, if the policy of the law has not been carried out, or in the interest of patent rights, if the obligations have been fulfilled. I, as Minister of Agriculture, have not to undertake to initiate cases of disputes, but I must take notice of all cases brought before me in a formal way.

The first allegations of the petitioners in this case are that illegal importations have been made of the patented articles after twelve months from the date of the patent, specifically in the latter days of August, 1878, in January, 1879, and during the years 1880 and 1881.

The facts of the first alleged act of illegal importation are as follow:—During the first year of the existence of the patent, the patentee, or his representatives in Canada, had contracted with Mr. Charles Williams, of Boston, in the United States, for one thousand telephones to be delivered within the twelve months allowed by law for importing the invention. At the expiration of the twelve months, Mr. Williams had not been able to complete his contract, more than half of the number contracted for not having been furnished. Under the misapprehension, created by the

date of the registering of the patent (24th August) that the twelve months would only expire with the 24th day of August, 1878, Mr. Williams forwarded from Boston, on the 23rd day of same month, a lot of seventy-five telephones, which, in the ordinary course of transit, should have entered Canada on the 24th; but which, owing to some mishap, did actually pass the frontier only a few days after. The circumstances of these facts show that there was no intention to break the law, and that the importation was not considerable; therefore this case of importation in the latter part of the month of August, 1878, cannot entail the avoidance of the patent.

1885
 THE
 TORONTO
 TELEPHONE
 MANUFACTURING CO.
 v.
 THE BELL
 TELEPHONE
 COMPANY
 OF CANADA.
 Decision of
 Pope, M. A.

At the same time that no stress is put upon these facts, it is, nevertheless, an occasion to warn patentees in general against the danger of running so close to the expiry of the twelve months as to incur the risk of coming even a day too late with their last importation. This tribunal is a paternal tribunal, the judges of which are the natural protectors of patentees' rights, and, as such, bound to give to the facts the most liberal construction consistent with a compliance with the spirit of the law; but the patentees are the first guardians of their own interests and should not put their property in jeopardy by placing these judges in the position of being obliged to overstretch leniency in order to save their patents.

During the first year of the existence of the patent, then, the patentee or his legal representatives imported, or caused to be imported, about five hundred instruments ready for use, as they had a right to do; a few days after the expiration of the twelve months they also imported, or caused to be imported, seventy-five complete instruments, which latter importation, being inconsiderable, and apparently done in good faith, and not with any intention to evade the law, is

1885 declared not to have forfeited the patent. There remains now to examine what was done after that time.

THE
TORONTO
TELEPHONE
MANUFACTURING CO.
v.
THE BELL
TELEPHONE
COMPANY
OF CANADA.

Decision of
Pope, J. A.

It is desirable, first, to enter into a cursory examination of the instruments patented as new articles of manufacture. It will, however, be sufficient to investigate the elements of one of these two instruments, the one commonly called the "Hand Telephone," represented in figure 6 of the drawings of the patent. It consists:

1st., of a casing with a side cover, the whole being at the same time a handle, with a flat ring piece fixed to it, called a disk in the trade, and a perforated cup-like screwed top; the whole, and the four distinct parts of which, are of a form special to this new article of manufacture; this handle casing may be made of any suitable materials, but as a matter of fact is in this case made of hard rubber;—2nd., of four bars of magnetized steel, bound together by screws and nuts;—3rd., of two soft iron pieces, called drop forgings;—4th., of a bobbin, on which silk-covered small copper wires are rolled around;—5th., of wire posts, also called screw cups, and a regulating screw;—6th., of a metallic vibrating plate or diaphragm, sometimes called disk, as a matter of fact cut out and otherwise worked from what is commonly called japanned or ferrotype plates;—7th., of a few other insignificant articles of construction.

It will expedite matters to consider, together, the two questions, raised in the dispute, of illegal importation and of non-manufacture; for in the measure that illegal importation goes on, in that measure the industry and the labor of the country are deprived of the benefit of manufacturing.

Therefore, we have to examine what, in these instruments, is raw material which does not fall under the application of the 28th section, and what are industry and labor; because it is clear that if the aggregate amount of industry and labor entering into the mak-

ing of such instruments was merely trifling (unless a criminal intention of totally disregarding the law was shown, which is not the case here,) it would not be a liberal nor a reasonable interpretation of the spirit of the law to destroy the patent, on account of its importation or non-manufacture ; if it only, for instance, amounted in all to a value of ten dollars a year, or even if ten times as much as that for every year, it would be a case for the application of the maxim quoted by Mr. McDougall,—*de minimis non curat lex*.

1885
 THE
 TORONTO
 TELEPHONE
 MANUFACTURING Co.
 v.
 THE BELL
 TELEPHONE
 COMPANY
 OF CANADA.
 Decision of
 Pope, M. A.

As already said, it will suffice to confine our study of the case to the examination of one of the two instruments patented, the "Hand Telephone." The raw materials of this instrument comprise steel in bars, soft iron, wood and vulcanized rubber, to which must be added, as common articles of commerce, silk-covered wires, japanned plates or sheets of ferrotype, as some call them, screws, nuts, and may be wire posts. The value of each hand telephone complete is about \$2.00 ; the value of the raw materials, including common articles of commerce, entering in each instrument, may be said with certainty not to reach the aggregate of \$0.90. Therefore the industry and labor put upon each of these instruments may be set down at about \$1.10. One would be inclined to take a much more exalted idea of the value of the labor put upon the two instruments patented from the statement made by Mr. Sise, the General Manager of the Bell Telephone Company of Canada, that their telephone factory at Montreal, established in 1882, has \$50,000 capital invested in it, and that the pay-roll of that factory amounts to \$30,000 a year, wages, notwithstanding that the rubber handles of the hand telephone are not yet manufactured in Canada, as we have it from Mr. Sise, who says that they cannot get them made in Canada, having again vainly tried to do so a week

1885
 THE
 TORONTO
 TELEPHONE
 MANUFACTURING CO.
 v.
 THE BELL
 TELEPHONE
 COMPANY
 OF CANADA.
 Decision of
 Pope, M. A.

before he gave his evidence in this case; which, of course, can only mean that the Bell Telephone Company have not procured for themselves the moulds to manufacture these rubber handles. Although Mr. Sise does not discriminate the work done at their Montreal factory, it is clear that such an amount of yearly wages cannot be exclusively devoted to the making of the two instruments patented in Patent No. 7,789; but the statement, with all its surroundings, proves that the manufacture of the two instruments is not an insignificant trifle, but is on the contrary an advantage worth being looked after; there are many thousands of them now in use in Canada, and there were, at least, several thousands when the Montreal factory was started.

The question comes then:—Has the patentee or his legal representatives imported, or caused to be imported, after twelve months of the existence of their patent, the new articles of manufacture patented? There cannot be a shadow of doubt that they have so imported, or caused to be imported, the articles manufactured in parts, to be simply put together at an amount of labor costing at times \$0.30, at other times \$0.27, in Canada. It is in fact, virtually admitted by their counsel, that putting together or “assembling” the parts ready made is construction and manufacture, in the meaning of the law.

It is equally evident that, during the same period, that is coming to the year 1882, they have failed to manufacture to the extent that they have imported, and that, from the year 1882 to the date of hearing the evidence of Mr. Sise, the 3rd December, 1884, they had been importing the rubber handles in a manufactured state.

The intention, although not malicious, to evade the law, is nevertheless manifest. During that consider-

able time of the existence of the patent (to 1882), the same foreign manufacturer, Mr. Williams, with whom the patent owners had contracted for one thousand telephones to be delivered during the first twelve months of the life of the patent, and who furnished only about five hundred during that period of time, continued to send them to Canada for years, to supply an ever increasing demand; but to evade the law and give a color to the importation instead of sending the instruments consigned to the patentee's representatives, he sent them, in pieces to be put together in Canada, to some one through whose intervention the patentee's representatives received them when "assembled."

1885
 THE
 TORONTO
 TELEPHONE
 MANUFACTURING CO.
 v.
 THE BELL
 TELEPHONE
 COMPANY
 OF CANADA.
 Decision of
 Pope, M. A.

All this is proved in the clearest manner by Customs papers, by accounts furnished, by declaration from one of the Cowherds, from Mr. Foster, and by correspondence on the subject. We have it from Mr. Sise himself, with some reticence but also with some details. He explains the reason why this importation and this non-manufacture were resorted to. Mr. Charles Williams, one of the owners of the patent, says Mr. Sise, "was and is the only manufacturer of Bell Telephones in the United States; he is the only man who is licensed by the Bell Telephone Company to manufacture telephones; he is the only manufacturer to-day that I have any knowledge of.....Mr. Charles Williams was the only man who had that knowledge of it, and who had the control of Cowherd's shop..... I think we paid Williams, and I think he was the man who employed Cowherd.....Mr. Williams having arranged with Mr. Cowherd to manufacture in Canada, Mr. Cowherd had a number of machines on hand (at the time of Cowherd's death), and Mr. Foster continued the manufacture, and my impression is that he continued to contract

1885
 THE
 TORONTO TELEPHONE
 MANUFACTURING CO.
 v.
 THE BELL TELEPHONE
 COMPANY
 OF CANADA.

“ with Mr. Foster until we got our shop into such
 “ shape that we could make them ourselves.....There
 “ was no time or period when we were not supplied
 “ with telephones for the public, either from Cowherd,
 “ Mr. Foster or our own manufacture. They were
 “ continuously manufactured, inasmuch as they were
 “ ready for the public always when they came for
 “ them.”

Decision of
 Pope, M. A.

So far as the law requires a prompt introduction into Canada of a patentee's invention, the patentees have observed the law, as Mr. Sise remarks; but the protective policy of *The Patent Act*, they have, in intention and effect, disregarded and defeated to a very large amount of the industrial manufacturing value of the patented article.

In support of the contention that the importation of an instrument in parts is no importation, Mr. Wood, on behalf of the respondents, quoted a recent ruling of the English courts (*Townsend v. Haworth*) (1), in which case it was decided that the importation of the materials of a composition of matter was no infringement of the patent, and, said the learned counsel, with reason so far, what is no matter of infringement cannot be a matter for illegal importation. So far so good; but the conclusion, which is correct in the abstract, fails in the concrete, as applied to the present case. The materials of the composition are raw materials unworked; such as would be, in the present case, steel in bars, iron as a commercial article of trade, rubber and even silk-covered wires; but the moment these are worked into shape and form to constitute a Bell Telephone, they cease to be raw materials and become a manufactured article. Mr. Taché, in his judgment (2), has anticipated the ruling of the English courts in the very species of case cited

(1) 12 Ch. D. 831; Goodeve's Patent Cases, 467. (2) *Barter v. Smith*, ante, p. 493.

by Mr. Wood. "It is not difficult, says Mr. Taché, to
 "imagine a case in which the importation, of all
 "and every one of the component parts of an inven-
 "tion to be simply put together in Canada, would not
 "be an importation in the meaning of section 28 of
 "*The Patent Act*, for example, the case of a patent
 "granted for a composition of matter." It is imme-
 "diately after this that Mr. Taché adds, referring to such
 cases: "every one of which must stand on its own
 "merits."

1885
 THE
 TORONTO
 TELEPHONE
 MANUFACTURING CO.
 v.
 THE BELL
 TELEPHONE
 COMPANY
 OF CANADA.
 Decision of
 Pope, M. A.

The other and last allegation of the petitioners is, that the patentees have refused to sell their invention after two years of the existence of their patent, namely, to the inhabitants of Port Perry in 1882, to Messrs. Lohnes and McKenzie in 1884, and to others; and generally refused to sell in order to monopolize the control of telephonic operations throughout Canada, and derive from their inventions more than what they were entitled to for the use thereof.

A question has been raised as to the meaning of the words sale and license as applied to patents. One of the learned counsel was under a misapprehension about the signification of the words,—used by Mr. Taché in his decision—"license the right of using on reasonable terms (1)." In this sentence the word license is employed in its broad technical sense in patent science; it does not mean a lease upon payment of a rental, but the absolute transfer of a property, which becomes vested in the licensee or purchaser *quoad* the result suggested by the nature of the invention and the extent of the purchase in point of number. Of course, if one or many of the public prefer to lease and agree to do so, there is no disability created by the law to prevent them from entering into such a contract.

There are, in the nature of the things, three sorts of contracts in relation to patents:—1st., the license to

(1) *Barter v. Smith, ante*, p. 482.

1885
 THE
 TORONTO
 TELEPHONE
 MANUFACTURING CO.
 v.
 THE BELL
 TELEPHONE
 COMPANY
 OF CANADA.

Decision of
 Pope, M. A.

use, on the purchaser furnishing himself with the means to use ; 2nd., the sale of the means to use the invention ; 3rd., the assignment of the whole or portion of the patentee's privileges. As tersely expressed by Hall, J., in *Pitts v. Hall* (1), "a license, or assignment, or sale of a machine by the patentee is a transfer, *pro tanto*, of the property secured by the patent."

In all these cases, however, it must be borne in mind that our Patent Act differs essentially from the English and the present American laws. Our patentees are bound to license, that is to sell the use of their invention, and bound to see that their invention is not imported after twelve months, and that it is manufactured in Canada after two years, because connivance in an importation is equal to importing or causing to be imported. On the contrary, the English and American patentees are at liberty to import and at liberty to entirely withhold from the public use their invention, if they choose so to do ; therefore they can select their own conditions in a contract, in the nature of which they are bound of course when entered upon ; but into which they are not forced by law.

The instances of refusal to sell which were the subject of the evidence in this case are several, but, with the exception of three, they are mixed or seem to be mixed with demands to use poles, wires, communication with lines and exchanges, which, naturally, the patentees are not bound to furnish. The three clear instances of refusal are : 1st, the case of Mr. Bate of Ottawa, commenced in April, 1883 ; 2nd, the case of Mr. Dickson of Montreal, commenced in November, 1883 ; 3rd, the case of Mr. Richard Dinnis, of Toronto, commenced in March, 1884. The correspondence is completed and certified by statutory declarations.

In the case of Mr. Bate, he wrote on the 14th April, 1883, to the Bell Telephone Company of Canada, ask-

(1) 3 Blatchf. 207.

ing them to give him their lowest price for three telephones, including transmitters, for a private line. He was answered by Mr. McFarlane, that their agent at Ottawa was directed to call on Mr. Bate. Mr. Bate wrote a second letter to the company to explain that he wanted to purchase and not to rent the instruments. Mr. Sise, in answering this second letter, intimated to Mr. Bate the following: "We do not sell telephones, but we rent them."

1885
 THE
 TORONTO
 TELEPHONE
 MANUFACTURING CO.
 v.
 THE BELL
 TELEPHONE
 COMPANY
 OF CANADA.
 Decision of
 Pope. M. A.

In the case of Mr. Dickson, a protracted correspondence took place, first opened with Mr. Scott, agent of the company, to be continued with Mr. Sise, in which Mr. Dickson insisted on his right to get the instruments as his property, according to law, and Mr. Scott and Mr. Sise declined to sell but offered to lease or rent. To close the correspondence Mr. Dickson informed the company that being thus denied the purchase of the instruments, he had decided to have them constructed himself, for his own use; to which threat Mr. Sise answered that they could not consent to an unconditional transfer, but would sell a Bell Telephone for thirty dollars, subject to the stipulation,—“that it is to be used only between certain specified points.”

In the case of Mr. Richard Dinnis, he wanted to purchase three sets of telephones to connect his office, his residence and his factory, and asked to be informed of the cost. Mr. Sise answered him that they had never sold these instruments, but that he (Mr. Dinnis) could have three sets rented at the rate of \$20 per annum, he (Mr. Dinnis) building his own line; but that he would sell the instruments to him for \$100 per set to be used only for the purpose stated by Mr. Dinnis. Mr. Sise referred Mr. Dinnis to Mr. Neilson, agent of the company at Toronto, for further information. Mr. R. Dinnis, in an interview with Mr. Neilson accompanied by Mr. Arthur Dinnis, both of whom render an account of the

1885
 THE
 TORONTO
 TELEPHONE
 MANUFACTURING CO.
 v.
 THE BELL
 TELEPHONE
 COMPANY
 OF CANADA.

Decision of
 Pope, M. A.

interview by statutory declarations, tried to get information from Mr. Neilson about prices, and asked if he could get the instruments at a more reasonable price and unconditionally, but was answered by Mr. Neilson that he could not give any other answer than the one contained in the letter of Mr. Sise. The price asked was unreasonable and with a limitation of use.

The case of Mr. Bate was one of flat refusal. The two other cases were instances of protracted resistance ending by offers to sell under restrictions, some of which were beyond the privileges of a patentee. The limitation as to where to use the invention, after purchase, is similar to a sale of a patented sewing machine to be used only in a particular house, or the sale of a patented plough to work only on a given plot of land. The patent license, in Canada, accompanies the purchaser wherever he chooses to move on the wide territory of the Confederation, provided he does not use more than the number of articles purchased.

The policy of refusal to license or sell, for the purpose of leasing at a rental, is made plain again by the answers, although very reticent, of the manager of the company to the interrogatories of counsel. A few quotations of his evidence will suffice:—"I do not think," says Mr. Sise, "there has ever been a set sold by us." "I would not swear that we have not refused to sell private telephones. I would not say we did." "I should not be able to say whether we had absolutely refused to sell unconditionally one or two or more instruments, nor would I say that we had not." "I do not think we ever sold an instrument unconditionally."

The whole case is plain on the face of it; and it is also plain that the patentees or their representatives had in view to build up a commercial enterprise (for the benefit of the public as they contend), rather than

to content themselves with getting their mere royalty on licenses or sales as patentees. With such intention, simply, there is nothing to find fault, so far as this tribunal is concerned, if the steps necessary to carry it out had not led them beyond the provisions of *The Patent Act*.

1885
 THE
 TORONTO
 TELEPHONE
 MANUFACTURING CO.
 v.
 THE BELL
 TELEPHONE
 COMPANY
 OF CANADA.
 Decision of
 Pope, J. A.

The conclusion is, that the patentees, the respondents in this case, or their representatives, having extensively imported the patented articles, after the expiration of twelve months from the date of their patent; having not manufactured in Canada the said articles to the extent they were bound to do, after two years of the existence of their privilege; having resisted and refused to sell or deliver licenses as required by the statute to persons willing to pay a reasonable price for the private and free use of the patented invention, they have forfeited their patent.

Therefore, I decide that Alexander Graham Bell's Patent (No. 7,789) for "Bell's System of Telephony" has become null and void, under the provisions of section 28 of *The Patent Act of 1872*.