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## ABUSE OF MONOPOLY

### THE ACTION TO RESTRAIN THREATS OF LEGAL PROCEEDINGS.

Nowadays one is inclined to associate the expressions "abuse of monopoly" or "abuse of exclusive rights" either with cartels, combines and patent-pooling agreements or with the practice of using patents to obstruct and impede scientific and industrial development. This latter form of abuse is colloquially known as the burying of patents or as "putting them in moth balls". Such obstructionist tactics may perhaps be successful in those countries which have no working provisions in their Patent Acts but in jurisdictions such as Great Britain and Canada the sections of the respective Patent Acts with regard to working provisions and the grant of compulsory licenses preclude the operation of such a policy of hindering or obstructing development.<sup>1</sup> There is, however, a further manner in which the monopoly right granted by letters patent for invention may be abused and which may cause grievous hardship to a person engaged in commerce or in industry. This situation arises in connection with threats by a patentee of legal proceedings, and concerning it the Canadian Patent Act, curiously enough, makes no provision whatever. The abuse arises not so much in the case of threats of proceedings which are actually brought against the defendant concerned but in cases where threats are broadcast and no action is brought, the business of the threatened person materially suffering in consequence. While it is quite true that many of the terrors associated with patents and monopolies in the sixteenth and seventeenth centuries have disappeared, the dangers inherent in any monopoly system are not only evident but are cause for constant and strict examination to ensure that a system which has been lauded as the greatest single contributor to modern industrial and scientific progress should not, in its operation, become an object of suspicion or of contempt on the part of the public.

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<sup>1</sup> See the British Patents and Designs Act (1907-1932) sec. 27: Canadian Patent Act (1935) sec. 65-71.

The unhappy circumstances which surround threatened patent litigation were vividly exemplified as long ago as 1892 by Lord Justice Bowen when he said in his judgment in *Skinner v. Shew*:<sup>2</sup>

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 is the thing most calculated to paralyse a man in his business, even if he be innocent of any infringement of patent law.

There has always been a tendency for patentees to resort to threats of legal proceedings. These threats are addressed not so much to the party alleged to be infringing but more generally to customers and other persons who have no direct interest in the infringement other than as purchasers or users, but who nevertheless form the only means by which a manufacturer may dispose of his goods. It is obvious, therefore, that it is a matter of prime importance to trade and industry that the encroachments of patentees upon sound and honest methods of business should be kept within those bounds which are prescribed by law.

In view of the fact that the Canadian Patent Act, in contrast to the British Patents Act, gives no statutory remedy to restrain threats of legal proceedings, it is obviously a matter of interest whether such conduct on the part of patentees can be restrained or whether they may, at their pleasure, issue threats to all and sundry which may or may not be founded upon infringement of a valid patent right. Doubts have been expressed in legal circles whether the action to restrain threats of legal proceedings, as it is known in England, applies in Canada and it is a strange thing that, in all the history of patent litigation in Canada, the matter has only come up for judicial decision in two cases.<sup>3</sup> The decision in the first case does not, however, in any way decide the issue which we propose to discuss. It was a decision of the Exchequer Court of Canada under the terms of the Exchequer Court Act as it then existed.<sup>4</sup> The Exchequer Court being purely a creature of statute, its jurisdiction must be found in statute, and at the time of the *Sharples* case the Exchequer Court had no jurisdiction at common law. This situation has now been cured by the amendment in 1928<sup>5</sup> to the Exchequer Court Act<sup>6</sup> which gave the

<sup>2</sup> [1893] 1 Ch. 424.

<sup>3</sup> *Sharples et al v. National Manufacturing Co., Ltd.*, Jan. 23, 1905, cited in *Audette's Practice of the Exchequer Court*, 2nd ed., p. 508, *Kilgour Davenport Co., Ltd., v. Heale* (1925), 38 O.W.N. 361.

<sup>4</sup> R.S.C. 1906, c. 140, s. 23.

<sup>5</sup> 18-19 Geo. V. c. 23, s. 3.

<sup>6</sup> R.S.C. 1927, c. 34, s. 22.

Exchequer Court incidental jurisdiction at common law and in equity in actions respecting patents and trade marks. The second case<sup>6A</sup> was rather inconclusive in the result. The plaintiff in an action for infringement, which action failed on the ground of non-infringement, had, before the bringing of the action for infringement, sent a letter to some of the defendant's customers warning them against buying beds manufactured by the defendant company, saying that they were an infringement of the plaintiff's patent. The defendant company counterclaimed for an injunction and for damages. In dismissing the counterclaim it was held that the injunction was unnecessary—there was no likelihood that so long as the judgment holding non-infringement stood the plaintiffs would repeat the statements complained of; and, while there was some slight evidence of loss sustained by the defendant company as a result of the sending of the letter, it would be impossible to award anything more than nominal damages upon the evidence given at the trial, and the case did not seem to be one for a reference. Accordingly, no order was made in respect of the counterclaim. The fundamental question, however, of whether an action to restrain threats of legal proceedings lies at common law in Canada has not yet been decided. The importance of such a question in these days of expanding trade and of deep interest in and concern over any possible abuses of the patent system leads to the presumption that an examination of this question may prove of some interest.

The action to restrain threats first took statutory form in England by the enactment of sec. 32 of the Patents Act of 1883 which read as follows:

Where any person claiming to be the patentee of an invention, by circulars, advertisements, or otherwise, threatens any other person with any legal proceedings or liability in respect of any alleged infringement of the patent, any person aggrieved thereby may bring an action against him, and may obtain an injunction against the continuance of such threats, and may recover such damage (if any) as he has sustained thereby, if the alleged infringement to which the threats related was not in fact an infringement of any legal rights of the person making such threats:

Provided that this section shall not apply if the person making such threats with due diligence commences and prosecutes an action for infringement of his patent.<sup>7</sup>

<sup>6A</sup> *Kilgour Davenport Co., Ltd., v. Heale* (1925), 38 O.W.N. 361.

<sup>7</sup> This section became sec. 36 of the Patents and Designs Act of 1907 (7 Edw. VII, Ch. 29) and will be found as sec. 36 of the 1932 amendments to the British Patents Act (22—23 Geo. V, c. 32). This section reads as follows: "Where any person, by circulars, advertisements or otherwise, threatens any person with an action for infringement of patent or other like proceedings, then, whether the person making the threat is or is not entitled to or interested

But what is the situation in Canada? In default of any such statutory provisions, does the action to restrain threats lie? It is believed that the action to restrain threats of legal proceedings based on patents and other forms of industrial property lies in Canada at common law. For reasons which will be stated later, it also appears that such an action based upon patents and possibly upon trade marks or copyright, lies in Canada under the provisions of the Statute of Monopolies.<sup>8</sup> The same right of action with respect to trade marks, and possibly patents, designs and copyright, exists under the Unfair Competition Act, 1932.<sup>9</sup>

### THE ACTION AT COMMON LAW

The source of the action to restrain threats is traced to the common law action for slander of title to personalty—an action which is sometimes described as an action for trade libel.<sup>10</sup> Thus, in *Royal Baking Powder Co., v. Wright, Crossley & Co.*,<sup>11</sup> where the words complained of consisted of a notice to the trade of intention to proceed against persons selling goods under certain labels, Lord Davey<sup>12</sup> described the action as “slander of title” and both Lord James of Hereford and Lord Robertson<sup>13</sup> described it as “trade libel”. The action lies alike whether the threats relate to proceedings under a patent or under a trade mark.<sup>14</sup>

The first occasion on which an action was brought to restrain threats in connection with a patent was that of *Wren v. Weild*.<sup>15</sup> In that case the plaintiffs brought an action alleging that the defendants falsely and maliciously wrote to and told persons who had bought certain machines of the plaintiffs that the machines

in a patent or an application for a patent, any person aggrieved thereby may bring an action against him, and may obtain a declaration to the effect that such threats are unjustifiable and an injunction against the continuance of such threats and may recover such damage, if any, as he has sustained thereby, unless the person making the threats proves that the acts in respect of which the proceedings are threatened constitute or, if done, would constitute an infringement of a patent in respect of a claim in the specification which is not shown by the plaintiff to be invalid or an infringement of rights arising from the acceptance of a complete specification in respect of a claim therein which is not shown by the plaintiff to be capable of being successfully opposed.

“(2) The defendant in any such action as aforesaid may apply, by way of a counterclaim in the action, for any relief to which he would be entitled in a separate action in respect of any infringement by the plaintiff of the patent to which the threats relate.”

<sup>8</sup> (1624) 21 Jac. I, c. 3, s. 4; R.S.O. 1897, c. 323, s. 4.

<sup>9</sup> 22-23 Geo. V, c. 38, s. 11.

<sup>10</sup> *Wren et al., v. Weild* (1869), L.R. 4 Q.B. 730; *Ratcliffe v. Evans*, [1892] 2 Q.B. 524.

<sup>11</sup> (1901), 18 R.P.C. 95.

<sup>12</sup> At p. 99.

<sup>13</sup> At p. 103.

<sup>14</sup> *Colley v. Hart* (1890), 7 R.P.C. 113.

<sup>15</sup> (1869), L.R. 4 Q.B. 730.

were infringements of the defendant's patents; that the defendant claimed royalties for the use of the machines; and, that if they used the machines without paying royalties, he would take legal proceedings. The plaintiffs at the trial offered to prove various specifications and machines existing before the date of the defendant's patents to show that the defendant's specification claimed matters that were not new. It was, however, held that as the defendant's patent was still subsisting and not set aside on *scire facias*, or otherwise, the evidence was immaterial and a non-suit was directed. On a rule to set aside the non-suit, Blackburn J. said:<sup>16</sup>

No action precisely like this has ever been brought; but there is a well-known action for slander of title, where an unfounded assertion that the owner of real property has not title to it,—if made under such circumstances that the law would imply malice, or if express malice be proved, and special damages shown, such as, for instance, that a bargain to sell the land is lost,—is held to give a cause of action. And we see no reason why a similar rule should not apply where the false and malicious assertion relates to goods, and the damage arises from the loss of a bargain to sell them.—But it is obvious that, where a person claims a right in himself which he intends to enforce against the purchaser, he is entitled, and, indeed, in common fairness, bound, to give the intended purchaser warning of such his intention: and, consequently, we think no action can lie for giving such preliminary warning, unless either it can be shown that the threat was made *mala fide*, only with the intent to injure the vendor, and without any purpose to follow it up by an action against the purchaser, or that the circumstances were such as to make the bringing an action altogether wrongful.

The necessity for *mala fides* on the part of the defendant in order to enable the plaintiff to proceed is well put by Blackburn J.:<sup>17</sup>

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.

The basic feature of the action was stated by Blackburn J.<sup>18</sup> when he said:

<sup>16</sup> At p. 734.

<sup>17</sup> At p. 737.

<sup>18</sup> At p. 737.

But we think that as soon as it was shown in evidence that the defendant really had a patent right of his own and was asserting it, the occasion privileged the communication, and the plaintiffs were bound to prove such malice as would support the action.

The doctrine of *Wren v. Weild* was explained and amplified in *Halsey v. Brotherhood*.<sup>19</sup> In that case both the plaintiff and the defendant were manufacturers of steam engines and both were the owners of patents covering the engines they manufactured. The patents granted to the defendants had never been challenged, nor were they alleged to have been challenged in the statement of claim. The defendant had a large connection and a flourishing business and had endeavoured to prevent, and had to a considerable extent succeeded in preventing, the plaintiff from doing business by systematically threatening persons proposing and intending to be customers of the plaintiff, that in the event of their dealing with the plaintiff he, the defendant, would take legal proceedings against them and obtain an injunction restraining them from so doing. The consequence had been that in a number of instances the defendant had deterred persons from dealing with the plaintiff for the purchase of his engines. The plaintiff claimed damages. In dismissing the action, Jessel M.R. said:

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 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.

The broad principle upon which such an action is based was stated by Jessel M.R.,<sup>20</sup> where he said: "The plaintiff must make out, if he wants to maintain an action for damages, that the defendant has not been acting *bona fide*. If he wants an injunction, he must make out that the defendant intends to persevere in making the representations complained of, although his allegation of infringement by the plaintiff is untrue."

Jessel M.R. was quite clear in pointing out<sup>20A</sup> that "there is no distinction that I am aware of in the assertion of a legal right under a patent, and the assertion of any other legal right." But as the Master of the Rolls indicated, the essence of the basis of

<sup>19</sup> (1880), 15 Ch. D. 514.

<sup>20</sup> At p. 523.

<sup>20A</sup> At p. 518.

the action is bad faith. It is one thing to do a thing in good faith and a completely different thing to do it in bad faith. As Jessel M.R. said:<sup>21</sup>

It is a totally different thing where a man, knowing he has no legal right threatens proceedings for a collateral purpose. There he may be liable to an action. If a man, with a view to prevent another man carrying on his business, knowing he has himself no patent, or knowing that he has an invalid patent, or, knowing that the thing manufactured by the other man is not an infringement for the purpose of injuring the other man in his trade, threatens the purchasers or advertises that the thing is an infringement, of course he is liable like any person who makes a false assertion to the injury of another in his trade, because it is an untrue assertion and not made *bona fide*. The mere fact of a man mentioning he has a right, and that something is an infringement of it, does not *per se* give a ground of action. It is obvious that such a course of conduct, adopted *bona fide*, does not constitute a case in which an action could be maintained, for the essence of the case is the falsity of the assertion and the want of good faith in making it. That is, the assertion is made, not for the purpose of preserving the alleged legal right, but for a different purpose, and has injured the plaintiff in his trade.

When the case went to appeal,<sup>22</sup> the decision in *Wren v. Weild* was accepted by all the Court as authoritatively establishing the proposition upon which a threats action was based, and Lord Justice Lindley stated it as follows:

*Wren v. Weild* comes to this: if I am a patentee, so long as I act honestly I am entitled to say, without running the risk of having an action for damages brought against me, that somebody is infringing my patent, or that somebody else's manufacture is an infringement of my patent. If I say that honestly, I am not liable to an action for damages. If I say it dishonestly, I am so liable, and if I know that what I say is untrue, it would not take much to persuade a jury that I was acting dishonestly, and then an action for damages would lie. The absence of reasonable and probable cause would be proved as against anybody who kept on making such allegations dishonestly; but so long as the patentee makes such allegations honestly, *Wren v. Weild* shows that no action lies against him. It seems to me also that no injunction will lie against him so long as he acts honestly. But if it is proved that his statement is false to his knowledge, and there is reason to suppose that he intends to repeat those false statements, an injunction ought to lie, because he would be about to do that which he has no right to do.

Lord Justice Baggallay<sup>23</sup> pointed out the *prima facie* presumption of validity which attaches to any patent for the purpose of a threats action.

<sup>21</sup> At p. 518.

<sup>22</sup> (1881), 19 Ch. D. 386.

<sup>23</sup> At p. 390.

The defendant's patent must be assumed to be valid, there having been no proceeding by *scire facias* to set it aside, and, assuming it to be a valid patent, he is entitled to all the rights and benefits which it conferred upon him; and I take it to be the result of the case to which I have already referred,<sup>24</sup> that he was entitled to state that the engines manufactured by the plaintiffs were infringements of his patent, and to threaten proceedings against any person in respect of such infringement, provided he observed the rule that those threats must have been made by him with reasonable and probable cause; unless they are made with reasonable and probable cause, there would be the inference that they were maliciously made.

In somewhat more homely language Lord Coleridge L.C.J.<sup>25</sup> clearly explained the basis of the action.

Here is a defendant in possession of a patent, who says, and, for all it appears, says with perfect *bona fides* to the plaintiff and to persons who are going to deal with the plaintiff, 'Remember that what the plaintiff is making is an infringement of my patent and is an injury to my property, and I tell you that if you proceed to injure my property, I shall take proceedings against you.' The result of that may be injury to the plaintiff. Possibly in this case it has been injury to the plaintiff. I am quite content to assume that it has, but it appears to me that a statement made under such circumstances does not give a ground of action merely because it is untrue and injurious to the plaintiff, there must be also the element of *mala fides* and a distinct intention to injure the plaintiff apart from the honest defence of the defendant's own property.

These two cases were considered by the Court of Appeal in *Skinner & Co., v. Perry*.<sup>26</sup> The principles of the common law action were clearly stated by Lord Justice Bowen as follows:

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 to 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. The cases on the Chancery side and on the Common Law side which occurred before the Act, and which make it clear what the state of the law was, are *Halsey v. Brotherhood* on the Chancery side and *Wren v. Weild* on the Common Law side. Although an action was held not to lie, the law is laid down in an unmistakeable manner. Nor does it require elaboration to show that if I make a mis-statement

<sup>24</sup> *Wren v. Weild* (1869), L.R. 4 Q.B. 730.

<sup>25</sup> At p. 389.

<sup>26</sup> (1893), 10 R.P.C. 1 at 6.



falsely and maliciously about the property of another which does him damage that the Common Law would take cognisance of such an action. Then comes the statute. It is to be observed that in order to make good such a cause of action at Common Law, or in order to make good such an application to the Court for an interference by the Court on the Equity side, you must show that the statement was false and malicious—a wilful act done without just cause or excuse; and a person in the maintenance of what he conceived to be his rights putting forward a statement without knowing it to be false, but believing it to be true, even if the statement did damage to another person, an action would not lie, and the Court of Equity would not interfere. Why? Not because this is a right which belongs to the law of libel, but because it belongs to the general class which I have described, and the effect is the same, that if there was an occasion upon which a person was acting upon his rights in putting forward his own case, the law would not interfere, and the result of that would be, as is obvious, that a threat about an infringement, or an alleged infringement, could not be made the subject of an action or a suit unless you were prepared to show it was *mala fide*—that there was no reasonable excuse for it.”<sup>27</sup>

In order that a patentee may have a good defence to a threats action at common law, it is not necessary for him to bring an action for infringement against the party threatened. This plainly appears from the judgment of Jessel M.R. in *Halsey v. Brotherhood*,<sup>28</sup> and was reiterated by North J. in *Sugg v. Bray*:<sup>29</sup> “The clear law as stated in *Halsey v. Brotherhood* is that a person is not bound to commence an action for infringement; and that his refraining from so doing is no evidence of *mala fides* in the warnings he gives to prevent infringements.”

It is immaterial whether the patentee is justified in claiming infringement of his patent by the threats upon which the action is based. It is sufficient that he honestly believed that he was justified. This is clearly put by North J. in *Sugg v. Bray*:<sup>30</sup>

It follows that if the defendant has a *bona fide* belief, with or without foundation, that he has the right he claims—or rather, I ought to say, that unless the plaintiff proves that the defendant has not such a belief or fancy—the plaintiff will fail in his action, whether the defendant’s belief be with or without cause. The real question is whether in fact, the defendant had a *bona fide* belief that his allegations were true—that is, whether there was in his mind a reasonable and probable cause for acting as he did; not whether there is such a reasonable and probable cause in the opinion of the Court which tries the case. The state of facts might indeed be such as to render it impossible for a judge or jury to believe that the defendant’s state of mind really was what he asserts it to have been; but if the conclusion is arrived at that the defendant’s

<sup>27</sup> See also *Sugg v. Bray* (1886), 2 R.P.C. 223 at 243, per North J.

<sup>28</sup> *Supra*.

<sup>29</sup> (1886), 2 R.P.C. 223 at 245.

<sup>30</sup> (1886), 2 R.P.C. 223 at 243.

allegation, as to his *bona fide* belief, is not displaced by the evidence, the fact that the defendant's belief or fancy is not reasonable in the opinion of the judge or jury is immaterial. The important case of *Halsey v. Brotherhood*<sup>31</sup> also shows that a man is not liable to an action for damages in respect of notices issued by him *bona fide* in assertion of what he believes to be his legal rights, even though his views as to such rights are erroneous.<sup>32</sup>

It is, therefore, immaterial that the patent on which the threats are based is subsequently declared to be invalid.<sup>33</sup>

The following conclusions may, therefore, be stated:

1. The action to restrain threats of legal proceedings is a common law action and, therefore, may be brought in any of the courts of common law jurisdiction in Canada.

2. The action will lie whether the threats are based upon a patent, a design, a trade mark or a copyright.

3. In order that the plaintiff may have a good cause of action the threat or threats must have been made without reasonable and probable cause, *i.e.*, maliciously. If it can be shown that the defendant, in issuing the threats, did so in the honest belief, even though mistakenly, that he was doing so in defence of what he thought were his legal rights, no action will lie.

4. If the person issuing the threats has no patent (or other form of industrial property on which the threats are alleged to be based) or if he knows his patent to be invalid, the threats will be held not to have been made *bona fide* and such person will be restrained from making further threats and ordered to pay damages.

5. In order to prove good faith, it is not necessary, in Canada, for a person issuing threats, to follow them up with an infringement action.<sup>34</sup>

#### THE ACTION UNDER THE STATUTE OF MONOPOLIES

We turn now to the second form of remedy which is provided by sec. 4 of the Statute of Monopolies.<sup>35</sup>

There can, of course, be no question that the Statute of Monopolies, being part of the law of England as it existed at the date of the Conquest of Canada, became the law of Canada and is still in force and effect. The Treaty of Paris of 1763 provided for the immediate introduction of English law, and the

<sup>31</sup> 15 Ch. D. 514, and 19 Ch. D. 386.

<sup>32</sup> See also *Brauer v. Sharp* (1886), 3 R.P.C. 197.

<sup>33</sup> *Brauer v. Sharp* (1886), 3 R.P.C. 197.

<sup>34</sup> *Sugg v. Bray* (1886) 2 R.P.C. 223 at 245 per North J.

<sup>35</sup> 1624, 21 Jac. I, c. 3.

establishment of courts of justice in which civil and criminal cases should be tried "as near as may be agreeable to the laws of England". So far as the Province of Quebec is now concerned, the Quebec Act of 1774<sup>36</sup> altered this situation and provided for the French Civil law to be enforced therein, according to the French Civil Code. By sec. 92 (14) of the British North America Act, 1867, the administration of justice in the provinces is a matter of provincial concern. The present discussion must, therefore, be taken as excluding any reference to Quebec. Any question that might have arisen as to the force and effect of the Statute of Monopolies in England up to the time of the Conquest of Canada and the Treaty of Paris is effectively put at rest by the judgment of Mathew J. in *Peck v. Hindes*<sup>37</sup> where it was held that sec. 4 of the Statute of Monopolies was in force and effect at the date of the judgment.<sup>38</sup>

It would, therefore, appear probable that the Statute of Monopolies became part of the law of Canada *ex proprio vigore* at the time of the Treaty of Paris on the principles laid down in the decisions in *Uniacke v. Dickson*;<sup>39</sup> *Doe d. Anderson v. Todd*;<sup>39A</sup> and *Freeman v. Morton*<sup>40</sup> as being a statute suited to the needs and conditions of even such a sparsely-settled country as Canada was at that date. That point, however, becomes somewhat academic in the light of further legislation, at least in so far as the Province of Ontario is concerned. We have already seen that Quebec is now guided in civil matters by the Civil Code and we may therefore take it for granted that the Statute of Monopolies is not in force in that province.<sup>41</sup> It is not proposed to examine the law of each province but, rather by treating of the law of Ontario alone, point a course as to what may be the law of the remaining

<sup>36</sup> 14 Geo. III, c. 83, s. 8.

<sup>37</sup> (1898), 15 R.P.C. 113.

<sup>38</sup> See also *Gordon, Monopolies by Patent*, 1897, p. 12.

<sup>39</sup> (1848), 2 N.S.R. 287.

<sup>39A</sup> (1846), 2 U.C.Q.B. 82.

<sup>40</sup> (1858), 3 N.S.R. 340.

<sup>41</sup> That the Imperial Statute of Monopolies is not in force in the Province of Quebec is shown by the judgment of the Quebec Superior Court in *Adams v. Peel et al.* (1850), 1 L.C.R. 130 at 133 per Day, Smith and Mondelet JJ., Superior Court, Montreal. "Le Statut de Jacques 1er, en vertu duquel les Lettres Patentes Royales ont été accordés, était d'un caractère restrictif des monopoles, et ne conférait pas un droit nouveau, ou un privilège général, et le Couronne, en donnant sa sanction à notre acte constitutionnel, s'est dépouillée de la prérogative que lui accordait le Statut de Jacques 1er, quant à ce qui regarde cette partie de la domination anglaise; il ne peut donc, sur cette matière, y avoir d'autre autorité que celle de la Législature locale, qui seule doit prévaloir. Il y aurait, d'ailleurs, incongruité dans la simultanéité de deux pouvoirs octroyant, dans le même pays, des privilèges exclusifs. Dans le cas de conflit, il faudrait balancer entre l'autorité métropolitaine et l'autorité coloniale."

provinces. Lawyers of those provinces can more easily answer the question themselves.

So far as Ontario is concerned the matter is settled by specific statutory enactment. In 1791 the Imperial Constitutional Act<sup>42</sup> provided that "in all matters of controversy relative to property and civil rights, resort shall be had to the laws of England, as the rule for the decision of the same." Furthermore, the Constitutional Act of 1792<sup>43</sup> passed by the legislature of Upper Canada, provided for the introduction into that province of all English law as it existed at that date. By virtue of an Act passed by the Legislature of Ontario in 1902, being Chapter 13 of that year, the revision, classification and consolidation was authorized of certain Imperial Statutes which, by virtue of divers Acts of the Provinces of Upper Canada, Canada and Ontario, had become part of, and were incorporated into, the Statute Law of Ontario. Acting under authority of that statute there was enacted, by the Legislature of the Province of Ontario, the Statute of Monopolies, which appeared as Chap. 323 of the Revised Statutes of Ontario, 1897, and will be found in Vol. III of the revision of that year. It has been re-enacted in all subsequent revisions and now appears as c. 323 of R.S.O. 1897 in the Appendix, Vol. IV of R.S.O., 1937. Subject to the modernization of the language employed and the dropping of some provisions of a merely contemporaneous nature, the Ontario Statute of Monopolies is practically *verbatim* the same as the original Imperial statute of 1624.

The section which concerns us is sec. 4 which reads as follows:

If any person shall be hindered, grieved, disturbed, or disquieted, or his goods or chattels any way seized, attached, distrained, taken, carried away, or detained, by occasion or pretext of any monopoly, or of any such commission, grant, license, power, liberty, faculty, letters patents, proclamation, inhibition, restraint, warrant of assistance, or other matter or thing tending as aforesaid, and will sue to be relieved in or for any of the premises, then and in every such case, the same person shall have his remedy for the same by action to be grounded upon this statute, the same action to be heard and determined in the Supreme Court against him by whom he shall be so hindered, grieved, disturbed, or disquieted, or against him by whom his goods or chattels shall be so seized, attached, distrained, taken, carried away, or detained, wherein, all and every person which shall be so hindered, grieved, disturbed or disquieted, or whose goods or chattels shall be so seized, attached, distrained, taken, or carried away, or detained, shall recover three times so much as the damages which he sustained by means or occasion of being so hindered, grieved, disturbed, or disquieted, or by

<sup>42</sup> 31 Geo. III, c. 31, s. 3.

<sup>43</sup> Ch. 1, s. III.

means of having his goods or chattels seized, attached, distrained, taken, carried away, or detained, and in such suits, or for the staying or delaying thereof, no privilege, injunction or order of restraint, shall be in any wise prayed, granted, admitted, or allowed; and no person shall, after notice given that the action depending is grounded upon this statute, cause or procure any action grounded upon this statute to be stayed, or delayed, before judgment, by colour or means of any order, warrant, power or authority, save only of the court wherein such action as aforesaid shall be brought and depending, or after judgment had upon such action, shall cause or procure the execution of, or upon, any such judgment to be stayed or delayed by colour or means of any order, warrant, power or authority, save only by due process of law. 21 Jac. I., c. 3, s. 4.

Sec. 4 of the Statute of Monopolies is long and complicated but may be shortened<sup>44</sup> as follows:

If any person shall be hindered, grieved, disturbed or disquieted. . . . by occasion or pretext of any monopoly, or of any such commission, grant, license, power, liberty, faculty, letters patent" and so on "then, and in every such case, the same person or persons shall have his remedy for the same by action to be grounded upon this Statute. . . . and . . . shall recover three times so much of the damages which he sustains by means or occasion of being so hindered, grieved, disturbed or disquieted."<sup>45</sup>

The grievous weight of monopolies which the Statute was designed to correct in 1624 is well known. The history of the Act is clearly reflected in its provisions from which it appears that James I had, in the year 1610, yielded to the pressure that was applied by his subjects and had issued a royal declaration that in future there should be no monopolies nor any grants or commissions which would interfere with the fair course of trade. What was complained of is enumerated at great length in the preamble to the Act<sup>46</sup> and a great number of different types of documents supposed to be issued by the Royal prerogative were enumerated at length and condemned by the Statute. The first section declares that all these monopolies and all commissions, grants, licenses, charters, letters patent, proclamations, inhibitions, restraints, warrants of assistance, and so on, and all other matters tending to create or protect monopolies, and to interfere with the fair course of trade "are altogether contrary to the laws of this realm and so are and shall be utterly void and of none effect and in no wise to be put in use or execution". There is an elaborate description of what is intended to be dealt with in the

<sup>44</sup> As was done by Mathew J. in *Peck v. Hindes* (1898), 15 R.P.C. 113 at 126.

<sup>45</sup> The original text of sec. 4 of the Statute was much longer and more complicated. The above quotation is a paraphrase by Mathew J. of the form in which the section was settled by the Statute Law Revision Act of 1888, 51 Vic. c. 3; Cf. R.S.O. 1897, c. 323.

<sup>46</sup> Cf. R.S.O. 1897, c. 323, s. 1.

enactment which was sanctioned by the King and sanctioned because he is reminded in the preamble of the Act that his royal declaration of the previous period, 1610, the Statute being passed in 1624, had bound him to abstain from creating any such monopolies or any such illegal privileges as had been previously granted. Sec. 2 of the Statute provided that all monopolies and letters patent should thereafter be examined, heard, tried and determined by and according to the common laws of the realm and not otherwise. Sec. 6 of the Statute provided that its terms should not extend to any letters patent and grants of privileges thereafter to be made of the sole working or making of any manner of new manufactures within the realm to the true and first inventor and inventors of such manufactures.

Curiously enough no action was ever brought in England under sec. 4 of the Statute until the year 1898 when the case of *Peck & Co., v. Hindes*<sup>47</sup> was heard before Mr. Justice Mathew in the Queen's Bench Division. The facts of that case were, shortly stated, that the H. Company brought action against P. & Co., for infringement of certain letters patent, which action was discontinued. P. & Co., the present plaintiff, thereupon brought, against H. Company, the present defendant, an action to restrain threats, under sec. 32 of the Patents Act of 1883. The jury found that the threats of the H. company to take proceedings against P & Co., were made in good faith and that their action against P. & Co., was commenced and prosecuted with due diligence, which constituted, under the statute, a good defence to the action. The question was then argued before the Judge as to whether the H. Company's discontinued action for infringement was an illegal one under the Statute of Monopolies, it being alleged that the defendants, the H. Co., knew perfectly well when they brought their action that they could not maintain it, and, therefore, that it was an action brought in bad faith and was not an honest litigation. It was held that it was not one which gave rise to the action contemplated by sec. 4 of the Statute of Monopolies, Mathew J. holding that the Act applies in its terms to invalid and improper exercises of the royal prerogative, and not to letters patent which were perfectly legitimate, and protected by law, whether those patents were valid or invalid. As Mr. Justice Mathew pointed out<sup>48</sup>: "It was a point that surprised me, because, on the face of it, it appeared to be a suggestion wholly inconsistent with that fundamental canon of the common law, that an action may be brought in good faith

<sup>47</sup> (1898), 15 R.P.C. 113.

<sup>48</sup> At p. 126.

without any other penal consequences than the liability of the plaintiff, if he fails, to pay the costs of the defendant." A reading of the judgment of Mathew J. makes it quite clear that the action was decided upon the basis of sec. 6 of the Statute of Monopolies which provides that the prohibition in the Statute shall not apply to letters patent which are granted for new inventions or new manufactures as they are there called, and in the final sentence of his judgment Mr. Justice Mathew says "that the Statute of Monopolies does not apply." Mathew J. was very careful to refrain from stating any broader proposition than that sec. 4 of the Statute of Monopolies did not apply to an action founded upon an unsuccessful action for infringement, whether based upon patents which are valid or invalid.

There can, of course, be little question but that a person who uses a patent which constitutes a monopoly to threaten and harass members of the public without in any way endeavouring to enforce his exclusive rights by action in the courts of common law, as contemplated by sec. 2 of the Statute of Monopolies, is offending against the mischief provided for in sec. 4 of that Statute. J. W. Gordon<sup>49</sup> gave it as his opinion that "the Section itself remains upon the Statute book, and is unquestionable law at this moment.—Yet it has suffered eclipse by a long series of decisions in the courts which are irreconcilably at variance with its provisions and it was conspicuously ignored in the drafting of the Patents, Designs and Trade Marks Act of 1883". Fletcher Moulton in his work on *Letters Patent for Inventions*,<sup>50</sup> states that "the second course open to the person aggrieved (by threats) is the possible remedy offered by sec. 4 of the Statute of Monopolies."

In *Wren v. Weild*, which was the first action ever brought to restrain threats, no one knew or suspected the application of the Statute of Monopolies. That case was treated as one of slander of title or trade libel and it was held that the threats were not actionable if made *bona fide*.<sup>51</sup> It is obvious from a reading of the section that the question of good or bad faith does not enter into the determination of the question. If any person is "hindered, grieved, disturbed, or disquieted by occasion or pretext of any monopoly or letters patent" within the meaning of sec. 4 of the Statute of Monopolies, then there is a good cause of action which subjects the offending party to treble damages. Whatever may be the effect of such cases as *Wren v. Weild* and

<sup>49</sup> *Patents by Monopolies*, 1897, p. 12.

<sup>50</sup> 1913, p. 221.

<sup>51</sup> Refer to the argument of Bousfield, Q.C., in *Peck v. Hindes*, *supra*, at p. 123.

*Halsey v. Brotherhood*, it is obvious that they can have no effect in diminishing the right of action provided by the Statute.

In so far as Great Britain is concerned, the present question has, of course, only an academic interest because much wider rights were given by sec. 32 of the Patents Act of 1883 which has now been continued as sec. 36 of the Patents Act of 1932. The question is, however, a live one for Canada, for, as we have noticed before, there is no statutory provision comparative to that contained in the British Patents Act and for the elucidation of the problem we must depend upon such decisions and information as we may have prior to the enactment of 1883.

It will, therefore, be seen that in Canada a person aggrieved and obstructed in his trade by threats of legal proceedings may pursue his remedy under the common law as laid down in the cases of *Wren v. Weild* and *Halsey v. Brotherhood*, or by proceeding under sec. 4 of the Statute of Monopolies.<sup>52</sup> It being clear that there is a choice of remedies, it is natural to raise the question which will be the more advantageous action to pursue. In most cases it would appear obvious that the remedy provided by the Statute of Monopolies is preferable because its provisions as to damages are much more advantageous to the plaintiff if successful. Furthermore, it is not necessary, in the action under the statute, to prove malice as it is in the common law action. The statute provides a right of action on the mere proof that a person has been hindered or grieved, etc., by occasion or pretext of any monopoly.

#### BASIS OF ACTION UNDER THE STATUTE OF MONOPOLIES

What then is the basis of the action in Canada to restrain threats of legal proceedings? It would be simpler to take them in reverse order and dispose of the action under the Statute of Monopolies first. The only case ever brought under the Statute—that of *Peck v. Hindes*<sup>53</sup>—is somewhat unsatisfactory for the reason that the judgment proceeds on negative terms. It merely decided that an action for infringement of a patent, whether based upon a valid or an invalid patent, does not give rise to the cause of action contemplated by sec. 4 of the Statute of Monopolies. This decision, which occurred later in time than the publication of Mr. J. W. Gordon's book in 1897 disposes of one point raised by Mr. Gordon<sup>54</sup> to the effect that the action under the Statute of Monopolies would be preferred because

<sup>52</sup> R.S.O. 1897, c. 323, s. 4.

<sup>53</sup> *Supra*.

<sup>54</sup> At p. 18.



the plaintiff "has the great advantage in this action of being able to compel the patentee to support the validity of his patent." This apparent conflict between the case of *Peck v. Hindes* and the statement of Mr. Gordon is more apparent than real, however. What *Peck v. Hindes* decides is that no one is to be penalized, otherwise than by costs, for bringing an unsuccessful action—this in accordance with well known constitutional principles. The case, however, by no means decides that a person may escape the consequences of making threats merely by bringing an action and it would seem, to this extent, that Mr. Gordon was right in his statement. In the absence of any decision on the point all that a writer can do is contribute his opinion to elucidate what is quite definitely a very difficult problem. It would, however, appear reasonably clear that a defendant must establish the validity of his patent if he is to succeed in pleading his patent as a defence to a threats action brought under the Statute of Monopolies for this reason that, while sec. 4 provides a cause of action if any person is grieved, disturbed or disquieted by occasion or pretext of any monopoly or letters patent, sec. 2 of the same Statute provides that all monopolies and letters patent shall be tried and determined according to the common laws of the realm. What was intended by the Act was to force patentees, alleging that they possessed rights of monopoly, to come into a court of law before their rights were acknowledged and establish that their letters patent or their monopolies were good according to the law of the land. It would seem clear, therefore, that while on the authority of *Peck v. Hindes*<sup>55</sup> a person could not be penalized for bringing action in a court of law to support his letters patent even though he were unsuccessful, yet nevertheless he could be and would be penalized if he endeavoured to use his patent as a club held *in terrorem* over the heads of his competitors, and by so doing grieved, disturbed or disquieted those persons, by methods other than bringing the matter for hearing and determination before a court of law. On the ordinary rules of statutory construction, sec. 2 of the Statute of Monopolies would clearly appear to be an exception to the cause of action set forth in sec. 4. Apart from that exception, however, any action which grieved, disturbed or disquieted any person would constitute a cause of action and there is certainly nothing in the decision in *Peck v. Hindes*<sup>56</sup> which decides otherwise. Further, it would appear that if the defendant were unable to support the validity of his patent there is at least a question whether the exception contained in

<sup>55</sup> *Supra.*<sup>56</sup> *Supra.*

sec. 5 of the Statute would operate as a defence to the action provided by sec. 4. *Peck v. Hindes* is authority for the limited proposition that an action for infringement of a patent, whether valid or invalid, does not give rise to the action contemplated by sec. 4. This holding was based on sec. 2 of the statute which requires trial of patents and monopolies by the courts of common law. But where a person uses his monopoly or patent to grieve and hinder others without complying with the terms of sec. 2 and bringing an action for infringement, it is arguable that sec. 5 does not provide an exception or defence to the action contemplated by sec. 4.

It would seem clear, therefore, that in an action brought under sec. 4 of the Statute of Monopolies the question of good or bad faith would not arise. A cause of action is given to any person grieved, disturbed or disquieted by occasion or pretext of any monopoly or letters patent and if a person, whether he owns a patent or whether he does not, chooses to harass or threaten any person on account of a patent, he is clearly in breach of the Statute. For it is to be noted that the statute provides for a remedy where any person is grieved, etc., "by occasion or pretext of any monopoly—letters patent— or other matter." The existence of a patent is therefore not necessary. Using such as a pretext is sufficient to give a right of action.

It is at least arguable that the use of the word "monopoly" in section 4 of the statute gives a right of action where the grievance is caused by threats based upon trade marks, designs or copyright. All these forms of industrial property constitute monopolies<sup>57</sup> and while it is quite true that they were by no means included among the types of mischief at which the Statute of Monopolies was directed at the time of its enactment in 1624, the fact cannot be overlooked that these additional types of monopoly have only received legal recognition subsequent to the passage of the statute, and that its re-enactment in 1902 may well be taken as intending to include them.

But a serious question arises. Is the Ontario Statute of Monopolies valid legislation? Is it *intra vires* the power of a provincial legislature to pass such a statute after 1867? By the British North America Act, 1867, patents of inventions and discovery were among those powers enumerated in sec. 91 and assigned exclusively to the legislative authority of the Parliament

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<sup>57</sup> *Jeffreys v. Boosey* (1854), 4 H.L.C. 815 at 867; *Landeker & Brown v. Wolff & Co., Ltd.*, (1907), 52 Sol. J. 45; *Harms Inc. & Chappell & Co., v. Martens Club Ltd.*, [1927] 1 Ch. 526 at 535; *Fox, Canadian Law of Copyright*, p. 4.

of Canada.<sup>58</sup> Is the Statute of Monopolies legislation concerning "patents of invention and discovery" or is it legislation concerning civil rights in the province or the administration of justice in the province, matters which were assigned to the exclusive legislative authority of the provincial legislatures?<sup>59</sup>

To answer those questions one must examine the purpose for which the Statute of Monopolies was originally passed in 1624. It was not by any means enacted as a patent statute having as its primary purpose the establishment of a system whereby letters patent might be obtained for meritorious inventions. It was enacted as the result of a long and turbulent agitation against the abuse of monopolies of all kinds as well as other grievances which are set out in the preamble to the Act which now appears as sec. 1 of the Ontario statute. Those grievances included many things other than letters patent, embracing the dispensing with penal laws, compounding of forfeitures, and monopolies and licenses of a wide variety and character. A perusal of the declaration contained in King James' Book of Bounty of 1610, which Coke has noted as one of the important factors contributing to the enactment of the Statute of Monopolies,<sup>60</sup> will show that the primary and essential purpose of the statute was to declare the common law with respect to, and put an end to, the abuse of the grant of illegal monopolies and other powers and licences having nothing to do with inventions and new manufactures. sec. 6<sup>60A</sup> merely exempted patents for new manufactures from the prohibition contained in the declaration of sec. 1. On those facts the Statute of Monopolies, as re-enacted by the Ontario Legislature, cannot be construed as legislation concerning "patents of invention and discovery" but must be held to be legislation concerning "civil rights within the province" and so within the competence of a provincial legislature. Further, it would seem that sec. 4, which gives the right of action of which we have been speaking, is a provision concerning "the administration of justice within the province" and therefore falls within sec. 92 (14) of the British North America Act.

On this basis, therefore, the Ontario Statute of Monopolies is not *ultra vires* the Ontario Legislature and the action provided

<sup>58</sup> Sec. 91 (14).

<sup>59</sup> Sec. 92 (13) and (14).

<sup>60</sup> 3 Inst. 182.

<sup>60A</sup> In order to avoid confusion, it should be noted that Sec. 6 of the Statute of Monopolies, 1624, which exempted patents for new manufactures from the prohibition contained in the declaration of the Statute, becomes Sec. 5 in the Ontario Act. The original Statute contained several sections making provisions of a contemporary nature which have, of course, been dropped from the Ontario revision.

by sec. 4 of the statute will lie in any appropriate case. At any rate, the action contemplated by sec. 4 covers a variety of factors other than patents of invention and there can be no question of the right of a provincial legislature to legislate on those subjects even if complaint might be taken with respect to sec. 5. Further, it is suggested that sec. 5 itself is not legislation with respect to patents but merely provides that patents of invention shall constitute an exception to the declaration prohibiting monopolies and letters patent contained in sec. 1, thus leaving the field free and untrammelled for action by the Dominion Parliament.

The wording of sec. 4 of the statute may be interpreted as providing a right of action in case of damages occurring through threats and libels based upon other forms of industrial property—trade marks, designs and copyright. These constitute monopolies and any grievance “by occasion or pretext of any monopoly” gives rise to a right of action under sec. 4. As pointed out, however, in *Peck v. Hindes*<sup>61</sup> the right of action does not arise merely by reason of an action for infringement based upon a patent. The same is obviously true of other forms of industrial property. No person can be penalized, other than by costs, for bringing an action to support what he considers to be a legal right. Sec. 2 of the statute takes care of that by forcing the trial of such questions into the courts of common law and if any section of the statute applies to forms of industrial property other than patents, then so does sec. 2 and the decision in *Peck v. Hindes* would control.

#### BASIS OF THE COMMON LAW ACTION

As we have seen, when it comes to the action of slander of title or trade libel, as established in the decisions in *Wren v. Weild* and *Halsey v. Brotherhood*, it is necessary to prove that there is express malice on the part of the person issuing the threat. It is obvious, of course, that the necessity of proving such an allegation goes far to rendering nugatory almost any action that is based upon threats. This onus, which rests on the plaintiff, practically nullifies the possibility of obtaining any remedy, for it is obvious that the proof of such malice is a matter of such extreme difficulty as to amount, in most cases, to the impossible.<sup>62</sup> It was for this reason that the statutory remedy, on much broader terms, was provided in England. But malice is capable of proof

<sup>61</sup> (1898), 15 R.P.C. 113.

<sup>62</sup> *Bonnard v. Perryman*, [1891] 2 Ch. 269; *Halsey v. Brotherhood* (1881), 19 Ch. D. 386; *Parnell v. Dredge* (1896), 13 R.P.C. 392; *Lycett Saddle & Motor Accessories Co., Ltd., v. J. B. Brooks & Co. Ltd.*, (1904), 21 R.P.C. 656; *Craig v. Dowding* (1908), 25 R.P.C. 1, 259.

and once proved, an injunction will follow as a matter of course.<sup>63</sup> However that may be, it is well established that before the common law action can succeed it must be shown that the threats were made maliciously.<sup>64</sup> Unless there is plain evidence of malice, in the plain, common, vernacular meaning of the word malice, there is no cause of action.<sup>65</sup> Thus, in *Halsey v. Brotherhood*<sup>66</sup> Lord Coleridge L.C.J. laid down the rule that:

It seems to me to be clear law that in an action in the High Court in the nature of slander of title, where the defendant has property of his own in defence of which the supposed slander of the plaintiff's title is uttered, it is not enough that the statement would be untrue, but there must be some evidence, either from the nature of the statement itself or otherwise, to satisfy the court or the jury that the statement was not only untrue, but was made *mala fide* for the purpose of injuring the plaintiff, and not in the *bona fide* defence of the defendant's own property. It seems to be clear that if the statement is made in defence of the defendant's own property, although it injures and is untrue, it is still what the law calls a privileged statement; it is a statement that the defendant has a right to make, unless, besides its untruth and besides its injury, express malice is proved, that is to say, want of *bona fides* or the presence of *mala fides*. Therefore there has to be proved express malice on the part of the persons issuing the circular.<sup>67</sup>

Malice may be inferred if the person making the threat owns no patent on which to base the threat for in such case the threat is obviously made without reasonable and probable cause. So also, if threats are based upon a patent which the owner knows to be invalid, malice will be inferred. Thus, if a judgment in a judicial proceeding has demonstrated the falsity of threats either by holding non-infringement or invalidity of the patent on which the threats are based, any repetition of the threats will be considered malicious and will be restrained.<sup>68</sup>

A patentee is entitled to issue notices and circulars warning persons of infringement if such threats are given in good faith and in the belief that infringement is being committed,<sup>69</sup> and he

<sup>63</sup> *Cars v. Bland Light Syndicate Ltd.*, (1911), 28 R.P.C. 33.

<sup>64</sup> *English & American Machinery Co. v. Gare Machine Co.*, (1894), 11 R.P.C. 631.

<sup>65</sup> *Brauer v. Sharp* (1886), 3 R.P.C. 197, per Bacon V.-C.; *Challender v. Royle* (1887), 36 Ch. D. at 433, per Cotton L.J.; *Colley v. Hart* (1890), 7 R.P.C. at 113 per North J.

<sup>66</sup> (1880) 15 Ch. D. 514; 19 Ch. D. 386.

<sup>67</sup> Cited with approval by Stirling J. in *Incandescent Gas Light Co., Ltd., v. Sunlight Incandescent Gas Lamp Co., Ltd.*, (1897), 14 R.P.C. 180; See also *Sugg v. Bray* (1886), 2 R.P.C. 223 at 243 per North J.

<sup>68</sup> *Wren v. Weild* (1869), L.R. 4 Q.B. 213; *Burnett v. Tate* (1882), 45 L.T. 743 at 744; *Anderson v. Leibig's Extract of Meat Co.* (1882), 45 L.T. 757; *Household v. Fairburn* (1885), 2 R.P.C. 142.

<sup>69</sup> *Wren v. Weild* (1869), L.R. 4 Q.B. 730; *Halsey v. Brotherhood* (1880), 15 Ch. D. 514; 19 Ch. D. 386; *Sharp v. Brauer* (1886), 3 R.P.C. 193; *Skinner v. Shew* [1893] 1 Ch. 413.

cannot be restricted from issuing such notices complaining of infringement unless they were proved to be untrue so that to continue so to issue them would not be *bona fide* and would injure the persons threatened.<sup>70</sup> One threat may be sufficient to found the right to an injunction.<sup>71</sup>

General warnings against infringement seldom fall within the class of threat which will give a cause of action.<sup>72</sup> In some cases, however, what may appear to be such a *bona fide* warning may be construed into a threat against a particular individual.<sup>73</sup> Notices of this general type may be circulated in a *bona fide* attempt to protect rights; in other cases they may be issued *mala fide* with the intention of harming a competitor's business. But statements, even though untrue and a cause of injury, provided they are made *bona fide*, constitute only *damnum* and not *injuria* at Common Law and hence are not actionable.<sup>74</sup> Nor is there, in Canada, as distinct from the practice established by sec. 36 of the Imperial Act, any obligation on the part of a person issuing such statements as to infringement to follow up such statements with an action for infringement against the persons mentioned.<sup>75</sup>

What constitutes a threat sufficient to give a right of action may be gathered from the early cases of *Wren v. Weild* and *Halsey v. Brotherhood* which we have already considered. No useful purpose would be served by examining the later decisions in England as to what constitutes a threat because they are all concerned with an interpretation of the statutory remedy first provided in 1883 and continued in the present Imperial Patents Act. These decisions turn mainly upon the meaning to be attributed to the words "by circulars, advertisements or otherwise". In case of an action based on threats or for slander of title or trial libel, recourse must be had to the common law and the definitions laid down in such cases as the two cited above, as well as *Dicks v. Brooks*,<sup>76</sup> *Royal Baking Powder Co., v. Wright*

<sup>70</sup> *Dicks v. Brooks* (1880), 15 Ch. D. 40; 49 L.J. Ch. 812; *Halsey v. Brotherhood* (1880), 15 Ch. D. 514; *Burnett v. Tate* (1882), 45 L.T.N.S. 748; *Sugg v. Bray* (1885), 2 R.P.C. 224; *Kilgour Davenport Co., Ltd., v. Heale* (1925), 28 O.W.N. 361.

<sup>71</sup> *Webb v. Levinstein & Co. Ltd.*, (1898), 15 R.P.C. 78.

<sup>72</sup> *Challender v. Royle* (1887), 36 Ch. D. 428; *Johnson v. Edge* (1892), 9 R.P.C. 142; *Crowther v. United Flexible Metallic Tubing Co. Ltd.*, (1905), 22 R. P.C. 549; *Weldrics Ltd., v. Quasi-Arc Co., Ltd.*, (1922), 39 R.P.C. 323; *Brauer v. Sharp* (1886), 3 R.P.C. 197.

<sup>73</sup> *Johnson v. Edge* (1892), 9 R.P.C. 142, 148; *Bishop v. Inman* (1900), 17 R.P.C. 760; *Boneham & Hart v. Hirst Bros. & Co. Ltd.*, (1917), 34 R.P.C. 209.

<sup>74</sup> *Commercial Development Corporation Ltd., v. Castner Kellner Alkali Co.*, (1897), 14 R.P.C. 939.

<sup>75</sup> *Halsey v. Brotherhood* (1880), 15 Ch. D. 518; *Sugg v. Bray* (1886), 2 R.P.C. at 245; *Challender v. Royle* (1887), 36 Ch. D. at 433 per Cotton L.J.; *Colley v. Hart* (1890), 7 R.P.C. at 113 per North J.

<sup>76</sup> (1880), 15 Ch. D. 22.

*Crossley & Co.*,<sup>77</sup> *Anderson v. Leibig's Extract of Meat Co.*,<sup>78</sup> and *Thorley's Cattle Food Co., v. Massam*.<sup>79</sup> In any case, it should be borne in mind that, at common law, the essence of the action is that the threats are made maliciously. Generally speaking, therefore, general warnings to the trade can hardly ever be construed as being made *mala fide*. But, if the action is brought under the Statute of Monopolies, the question of malice does not arise, as we have seen. All that is necessary is to show that the plaintiff is a person who has been hindered or grieved by occasion or pretext of a monopoly. That is all that is required to bring him within the protection of the Act.

Where a plaintiff is proceeding in an action for infringement he is entitled to give *bona fide* notices to the defendants' customers that by dealing in the defendant's goods they subject themselves to action by the plaintiff and that in the event of the plaintiff's success they run the risk of paying damages and of having their goods ordered delivered up to the plaintiff for destruction.<sup>80</sup>

#### IS THE ACTION RESTRICTED TO PATENTS?

So far we have discussed the action to restrain threats only with relation to patents. It is felt that the same right of action applies with relation to other forms of industrial property. In *Colley v. Hart*<sup>81</sup> North J. pointed out that while no action such as *Wren v. Weild* had ever been brought with regard to threats in respect of a trade mark he was "not prepared to say that there might not be an analogous right of action with respect to a threat about a trade mark that there was at common law with respect to a threat about a patent". In the result, however, the action was dismissed both as to the patent and the trade mark for the reason that no malice was found. In *Dicks v. Brooks*<sup>82</sup> the action was brought for damages for threats made in respect of copyright. Bramwell L.J., in the Court of Appeal, while dismissing the appeal and the action on the ground that no damage had been suffered, arrived at the conclusion, based upon the law of libel, that if damages had been suffered, the threat would

<sup>77</sup> (1901), 18 R.P.C. 95.

<sup>78</sup> (1881), 45 L.T.N.S. 757.

<sup>79</sup> (1880), 14 Ch. D. 763.

<sup>80</sup> *Nähmaschinen Fabrik v. Singer Mfg. Co.*, (1893), 10 R.P.C. 310; *Incandescent Gas Light Co. v. Sunlight Incandescent Gas Lamp Co.*, (1897), 14 R.P.C. 180; *Dunlop Pneumatic Tyre Co. v. New Seddon Pneumatic Tyre and Self-Closing Tube Co.*, (1897), 14 R.P.C. 332; *Dunlop Pneumatic Tyre Co., Ltd., v. Clifton Rubber Co. Ltd.*, (1902), 19 R.P.C. 527; *Brauer v. Sharp* (1886), 3 R.P.C. 197.

<sup>81</sup> (1890), 7 R.P.C. at 113.

<sup>82</sup> (1880), 15 Ch. D. 22.

have been actionable because it was based on a mistake of fact, as opposed to a mistake of law. The judgment makes no mention of malice, although that element was considered by Bacon V.C. in the court below. No doubt Bramwell L.J., intended to imply that the mistake of fact would imply malice. The action of trade libel or slander of title based upon a trade mark, design or copyright seldom, however, takes the form of an action to restrain threats. In these cases it usually arises as a remedy to prevent disparaging statements being made about a trader's goods, or suggesting that certain goods "are the only genuine article". The principle of decision is the same in all these cases and was stated by Malins V.C. in *Thorley's Cattle Food Co., v. Massam*<sup>83</sup> as follows:

Therefore, upon principle, I cannot entertain the least doubt that it is right and proper for this court, where it sees that one trader is practising an unfair mode of trading, representing that his article is the only genuine one, from which it follows that all others are spurious, that that is so calculated to injure the business of another that this court, seeing it is a wrong which ought not to be repeated, will prevent it by injunction.<sup>84</sup>

#### THE ACTION UNDER THE UNFAIR COMPETITION ACT, 1932

The Unfair Competition Act, 1932,<sup>85</sup> provides that

No person shall, in the course of his business (a) make any false statement tending to discredit the wares of a customer."

The action for slander of title or trade libel has, therefore, received statutory authority. 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 the common law action. The section is included in the Unfair Competition Act, 1932, which concerns itself almost exclusively with trade marks and passing off. The question arises whether this section could be invoked as the basis of an action to restrain threats of legal proceedings based upon a patent. There seems no reason why it could not. Although the statute concerns itself with trade marks it must be remembered that the intent behind the act was to set up a complete code providing for fair dealing

<sup>83</sup> (1880), 14 Ch. D. 763 at 780.

<sup>84</sup> See also *Royal Baking Powder Co. v. Wright, Crossley & Co.*, (1901), 18 R.P.C. 95; *Sheppard Publishing Co. v. Press Publishing Co.*, (1905), 10 O.L.R. 243; *Massey Harris Co. v. De Laval Separator Co.* (1906), 11 O.L.R. 227; *Acme Silver Co. v. Stacey Hardware Co.*, (1891), 21 O.R. 261.

<sup>85</sup> 22-23 Geo. V, c. 38, s. 11.



in trade. Sec. 11 was based upon and intended to give legal effect, in Canada, to Article 10 *bis* of the International Convention for the Protection of Industrial Property, made at The Hague, Nov. 6, 1925, to which Canada was a signatory. The convention treats of patents as well as trade marks, industrial designs and matters of unfair competition generally and it is, therefore, obvious that the meaning of the pertinent Article cannot be restricted to trade marks and passing off but must include matters concerning patents. Article 10 *bis* reads as follows:

(1) The countries of the Union are bound to assure to nationals of countries of the Union an effective protection against unfair competition.

(2) Every act of competition contrary to honest practice in industrial or commercial matters constitutes an act of unfair competition.

(3) The following particularly are to be forbidden:

1. All acts whatsoever of a nature to create confusion by no matter what means with the establishment, the goods or the services of the competitor;

2. False allegations in the course of trade of a nature to discredit the establishment, the goods or the services of the competitor.

Obviously, statements which allege that a person in manufacturing an article is infringing a patent and rendering purchasers from him liable to an action for damages are "false allegations in the course of trade of a nature to discredit the establishment, the goods or the services of a competitor" within the meaning of this Article of the Convention. Just as obviously they constitute a "false statement tending to discredit the wares of a competitor" within the meaning of sec. 11 of the Unfair Competition Act, 1932, and will, therefore, give the person threatened a cause of action for damages and an injunction. The statutory provision is quite clear that the falsity and discrediting nature of the statement is 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. Plainly, the statutory cause of action is preferable to the action at common law.

#### THE REMEDY

The obvious remedy which is applicable in all the cases that we have discussed is an award of damages. The action under the Statute of Monopolies may, however, be preferred in view of the fact that it gives treble damages.<sup>86</sup> Punitive damages are not provided for in the actions at common law and under the

<sup>86</sup> R.S.O. 1897, c. 323, s. 4.

Unfair Competition Act. Doubtless the court, acting on its inherent jurisdiction, could award exemplary or punitive damages if it thought the case required it.<sup>87</sup> But the usual measure of damages is that which is the natural and probable consequences of the threats.<sup>88</sup> Thus in *Ungar v. Sugg*<sup>89</sup> Esher said:

But then what is the liability? It must be for damages done by the threats—not damages done by anything else. They are not liable for the damage which is the result of any rumour getting about in the trade which is not their own act—the threats which they have made, and which they have caused to be made known to the people to whom their circulars were given.

The usual form of order directs an inquiry as to damages.<sup>90</sup>

The plaintiff is also, in a proper case, entitled to an injunction. This right may or may not be co-extensive with the right to damages. The principles on which it will be ordered were stated by Jessel M.R. in *Halsey v. Brotherhood*.<sup>91</sup>

Therefore. . . . the plaintiff must make out, if he wants to maintain an action for damages, that the defendant has not been acting *bona fide*. If he wants an injunction he must make out that the defendant intends to persevere in making the representations complained of, although his allegation of infringement by the plaintiff is untrue.

In other words, as Lindley L.J. put it in *Skinner v. Perry*,<sup>92</sup> quoting the headnote from *Halsey v. Brotherhood*, if the threats are issued *bona fide* in assertion of what the defendant "believes, though erroneously, to be his legal rights under his patent, he does not render himself liable to an action by the vendor for damages for injury caused by issuing them, though he may be liable, notwithstanding his *bona fides*, to be restrained by injunction from continuing to issue the notices if it is proved in the action for an injunction that his allegation of infringement is untrue."<sup>93</sup>

### CONCLUSIONS

The action to restrain threats of legal proceedings is, therefore, similar to the action for slander of title and lies at common law,

<sup>87</sup> Cf. *Zamacois v. Douville* (1943), 3 Fox Pat. C. 44 at 76 per Angers J.; *Bernard v. Bertoni* (1889), 16 Q.L.R. 73; *Underwriters' Survey Bureau Ltd., et al v. Massie & Renwick Ltd.*, (1942), 2 Fox Pat. C. 39.

<sup>88</sup> *Horne v. Johnson* (1921), 38 R.P.C. 366 at 372.

<sup>89</sup> (1892), 9 R.P.C. 113 at 118.

<sup>90</sup> *Hoffnung v. Salsbury* (1899), 16 R.P.C. 375; *Pittivel & Co., v. Brackelsburg Melting Processes Ltd.*, (1932) 49 R.P.C. 73.

<sup>91</sup> (1880), 15 Ch.D 514 at 523.

<sup>92</sup> (1893), 10 R.P.C. 5.

<sup>93</sup> See also *Skinner v. Shew*, [1893], 1 Ch. 422; *Skinner v. Perry* (1893), 10 R. P.C. 6; *Brauer v. Sharp* (1896), 3 R.P.C. 197; *English & American Machinery Co. Ltd., v. Gare Machinery Co Ltd.*, (1894), 11 R.P.C. 631; *Dredge v. Parnell* (1896), 13 R.P.C. 394; *Household v. Fairburn* (1894), 1 R.P.C. 114; 2 R.P.C. 142.

under sec. 4 of the Ontario Statute of Monopolies, and under sec. 11 of the Dominion Unfair Competition Act, 1932. While a threats action is usually concerned with patents, it may equally be concerned with other forms of industrial property. The remedy provided in Ontario by sec. 4 of the Statute of Monopolies is not limited to patents but extends to cases of grievances arising by occasion or pretext of any monopoly within which term are included patents, trade marks, designs and copyright. The remedy provided by sec. 11 of the Unfair Competition Act, 1932, is not confined to cases of infringement of trade mark and passing off but extends to all the other forms of industrial property and will include an action to restrain threats of legal proceedings whether based on a patent or not.

While the common law action for slander of title, trade libel or to restrain threats lies only in the common law provinces and the action under the Statute of Monopolies lies only in Ontario and such other provinces which have incorporated that statute into their own body of law, the statutory right of action under sec. 11 of the Unfair Competition Act, 1932, applies throughout the whole of Canada by virtue of its enactment as a piece of Dominion legislation.

While in the common law action malice must be proved as an element before the action can be successful, it is not necessary to prove malice in the actions based upon the Statute of Monopolies or the Unfair Competition Act.

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