

so as a witness for the Crown. I cannot see what possible objection there can be.

LORD KYLLACHY concurred.

The Court answered the question in the negative and sustained the appeal.

Counsel for the Appellant—The Solicitor-General (Salvesen, K.C.)—Orr Deas. Agent—W. J. Dundas, C.S., Crown Agent.

Counsel for the Respondent—Garson. Agents—Simpson & Marwick, W.S.

COURT OF SESSION.

Friday, June 23.

FIRST DIVISION.

[Lord Low, Ordinary.

ALEXANDER TURNBULL & COMPANY, LIMITED v. CRUIKSHANK & FAIRWEATHER.

Patent—Reparation—Negligence—Mandate—Damages for Loss of Patent through Fault of Agent—Defence of Invalidity of Patent—Relevancy.

A firm of engineers having raised an action against a firm of patent agents to recover damages for the loss of two patents, occasioned, as averred, by the failure of the agents to notify them when the renewal fees were due, the defenders averred and pleaded that the patents were invalid through want of novelty, and that thus no loss, or at most very slight loss, had been sustained by their alleged negligence. *Held (aff. the judgment of Lord Low, Ordinary)* that this defence, whether pleaded as a complete defence to the action, or merely in mitigation of damage, was irrelevant, and that the averments ought not to be remitted to proof, although the patents, as documents, must remain open to construction for the purpose of seeing what they covered, in connection with which damage had been suffered and had to be assessed. *Davidson v. Mackenzie*, December 20, 1856, 19 D. 226, and *Stiven v. Watson*, January 27, 1874, 1 R. 412, 11 S.L.R. 273, *followed*.

On 12th July 1904 Alexander Turnbull & Company, Limited, a firm of engineers, having their registered office at St Mungo Works, Bishopbriggs, near Glasgow, raised an action against Messrs Cruikshank & Fairweather, chartered patent agents in Glasgow, to recover damages which they averred that they had suffered through the lapsing of two patents for improvements in valves of which they were in right, Nos. 3447 and 3994, both of the year 1893. The sums claimed as the amount of loss sustained by the lapsing of these patents were £6000 and £1000 respectively. The averments of the parties appear from the Lord

Ordinary's opinion. Those of the pursuers were to the effect that the patents had lapsed owing to failure to pay the necessary fees, a failure caused by the negligence of the defenders to notify when the fees fell due. Those of the defenders that the patents were bad in themselves for want of novelty, and consequently that no loss could have been sustained.

The pursuers pleaded, *inter alia*—“(1) The pursuers having incurred loss, injury, and damage to the extent of the sums sued for through the gross negligence and breach of duty of the defenders in discharging the agency undertaken by them, as condescended on, the pursuers are entitled to decree, as concluded for, with interest and expenses. (2) The defences are irrelevant.”

The defenders pleaded, *inter alia*—“(4) The said letters-patent being invalid, the pursuers have sustained no loss through their lapse. (5) In any view, the sum sued for is excessive.”

On 3rd April 1905 the Lord Ordinary pronounced the following interlocutor:—“The Lord Ordinary having considered the cause, finds that the statements of the defenders in their answer to article 6 of the condescendence, that the patents number 3447 of 1893 and number 3994 of 1893 are invalid, are irrelevant, and ought not to be remitted to probation; therefore to that extent sustains the second plea-in-law for the pursuers, repels the fourth plea-in-law for the defenders, and before further answer allows the parties a proof of their respective averments in the closed record, and to each a conjunct probation; appoints the same to proceed on a day to be afterwards fixed; and reserves all questions of expenses.”

Opinion.—“The pursuers carry on engineering works in Glasgow, and they are in right of certain patents. The defenders are patent agents and acted as agents for the pursuers in regard to patents which the latter held. The pursuers aver that it was part of the duty of the defenders to give notice to them from time to time when renewal fees necessary to keep patents in force became payable to the Patent Office, so that they might make payment of the fees in due time and prevent the patents from lapsing. That duty, the pursuers aver, the defenders failed to perform, in respect that in 1901 they omitted to give notice to the pursuers that fees for two of their patents had become due, in consequence of which the fees were not paid and the patents lapsed. In this action the pursuers claim damages from the defenders for the loss which they have sustained through the lapsing of the patents.

“In their defences the defenders allege that the two patents were invalid for want of novelty, and the question which was argued in the procedure roll was whether that is a relevant defence.

“There are two pleas-in-law, either of which that defence might be regarded as supporting. The one is that the ‘letters-patent being invalid, the pursuers have sustained no loss through their lapse,’ and the other that ‘the sum sued for is excessive.’

"It was practically conceded that the defenders could not be allowed to prove the alleged invalidity of the patents merely for the purpose of reducing the damages, because it would be impossible to estimate the chances of the validity of the patents, if they had not lapsed, ever being challenged. The defenders, however, argued that if they could establish that the patents were invalid, the result would be to show that the pursuers had not sustained any loss of which the law could take cognisance through the patents being allowed to lapse, because no one could lawfully make profit out of a patent for an invention which was not entitled to protection.

"I am of opinion that that argument cannot be sustained. It is true that, although letters-patent are not granted as a matter of course, they are always granted at the risk of the patentee, and are liable to be set aside if the requirements of the law have not been complied with. But my understanding of the law is that when letters-patent have been duly sealed and registered the patentee is entitled to use the patent unless and until it is found to be invalid in an appropriate action. Now, so far as I know, there are only two ways in which the validity of a patent can be challenged. In the first place, the challenge may be made by way of defence to an action of infringement. But in that case, even if the patent is found to be invalid, it is not reduced, but it is still open to the patentee, if the circumstances permit, to cure the defect which has been found to invalidate the patent by amending the specification. The other mode of challenge is by way of reduction of the letters-patent. Unless, however, the pursuer in such an action alleges that the patent was obtained by fraud, or that he was the true inventor, or that he had manufactured or sold the patented article before the date of the patent, he can only sue with the concurrence, on just cause shown, of the Lord Advocate.

"The way therefore in which the defenders in this case seek to have the letters-patent found to be invalid is a novelty. They are in substance seeking to have the letters-patent reduced by way of exception and without the concurrence of the Lord Advocate. I do not think that that is competent.

"But however that may be, I do not think that the result of the defenders' establishing that the patent was invalid, on such grounds as they allege, would be that this action would fall to be thrown out. If it had been averred that the pursuers had obtained or used the letters-patent fraudulently, the case might have been different. But nothing of that sort is suggested. All that is said is that if a number of prior specifications are examined, it will be found that the invention did not possess that novelty which entitled it to protection. Assuming that to be true, I cannot assent to the conclusion for which the defenders contend, that during all the years in which the pursuers have used the patents, they must be regarded as having

acted dishonestly. Although the Crown does not guarantee the validity of letters-patent, the very object of granting them is that they may be used, and the patentee is, in my judgment, entitled to use them unless and until they are found to be invalid in one or other of the ways recognised by the statutes.

"I am therefore of opinion the defence, in so far as it is rested upon the alleged invalidity of the patents, is not relevant."

The defenders reclaimed, and argued—If the patents were bad they were valueless, and so there was no loss. The defenders should be allowed the same right as a member of the public, viz., the right to prove the patent invalid, and so valueless—*Webster v. De Tastet*, 7 T.R. [1797] 157. It was but equitable that if they were to be sued in respect of their duties they be permitted to avail themselves of them also—*Davidson v. Mackenzie*, December 20, 1856, 19 D. 226, the dissenting opinion of Lord Deas, p. 254. If, however, it was held that the proof of invalidity of the patent would not entirely excuse the defenders, they were certainly entitled to scrutinise such a legal monopoly to discover how its value might have been diminished by defects, possibly latent in character, and how consequently the damages due to the pursuers might be reduced. The present case was distinguishable from those of *Stiven v. Watson*, January 27, 1874, 1 R. 412, 11 S.L.R. 223; and *Davis v. Garrett*, 1830, 6 Bing. 716—inasmuch as the life of a patent in ordinary circumstances must be assumed, but it was always open to a proof of invalidity. A patent being a legal monopoly was unlike everything else, and quite dissimilar to a diligence such as was in question in *Davidson v. Mackenzie*, *ut supra*; there the answer was that the legal warrant was bad, but here qualities inherent in the nature of the subject were treated of.

Counsel for the pursuers and respondents argued—No one could say what the chances were of a patent being challenged. It was, further, no answer to the claim for the reclaimers to state that loss would have been sustained whether they did their duty or not. The defence suggested could only exclude the action if it could have been shown that no possible gain could by any means accrue from the patent. As to the proposed inquiry into the validity of the patent in order to mitigate damages, that was an invitation to contest its validity with the reclaimers, who had acted in a fiduciary capacity in respect thereof, and who had no title to impugn it, for they were not among the enumerated classes who could do so—*Patents, Designs, and Trade-Marks Act 1883* (46 and 47 Vict. c. 57), sec. 26, sub-sec. 4. The principle which ruled this case was laid down by Tindal (C.J.) in the case of *Davis v. Garrett*, *ut supra*, viz., that a wrongdoer could not apportion or qualify his own act by showing a possibility of loss, even if he had not failed in his duty—a certainty of loss must be proved. This doctrine had been ap-

proved in the case of *Lilley v. Doubleday*, L.R., 1881, 7 Q.B.D. 510, was laid down in Bell's Com. (7th ed.), vol. i, bk. 3, part 1, chap. 3, p. 531, and was supported by the cases of *Davidson v. Mackenzie* and *Stiven v. Watson*, *ut supra*. The case of *Halsey v. Brotherhood*, L.R., 1880, 15 Ch. Div. 514, and L.R., 1881, 19 Ch. Div. 386, settled that a patent was valid until it was successfully impugned. The patent therefore must receive a fair construction on the footing that it was valid, and from that construction the damages might be ascertained, *e.g.*, what the loss had been in respect of a particular sort of valve falling within its scope. The averments of the defenders were therefore irrelevant and ought not to be remitted to proof. *Davidson v. Mackenzie* and *Stiven v. Watson*, *ut supra*, were really in point.

At advising—

LORD PRESIDENT—This reclaiming-note raises some puzzling questions, easier to propound than to answer. The action is at the instance of a gentleman, who had got letters-patent for an invention, against a firm of patent agents for damages on the ground of negligence. The allegation is that the defenders, having undertaken to do certain things for hire, and amongst others to keep the pursuer informed from time to time of the dates on which certain payments, which under the regulations of the Patent Office are necessary in order to keep a patent in force, fell to be made, nevertheless neglected to do so, with the result that the patent lapsed and is no longer of any avail.

There are, of course, denials as to damage that has thereby ensued, and parties are agreed that on this point inquiry is necessary. But a matter of interest has arisen on a special averment of the defenders contained in the answer to article 6 of the condescendence. Their averment is as follows:—They deny the statement that the pursuers have suffered loss and damage, and then proceed to table a large number of specifications prior in date to the pursuers' patent, with the object of showing that the pursuers' patent was of no value, as it was invalid by anticipation. The meaning which they attach to this is *prima facie* disclosed by their fourth plea-in-law, which is—"The said letters-patent being invalid, the pursuers have sustained no loss through their lapse." The Lord Ordinary in dealing with that plea pronounced the interlocutor now under review, which is as follows:—"Finds that the statements of the defenders in their answer to article 6 of the condescendence that the patents . . . are invalid, are irrelevant, and ought not to be remitted to probation: Therefore to that extent sustains the second plea-in-law for the pursuers; repels the fourth plea-in-law for the defenders; and before further answer allows the parties a proof." We have to determine whether that interlocutor is right.

It is clear from the state of the pleadings and from certain statements in the Lord Ordinary's note that the discussion before

his Lordship was confined to one, and that the extreme point, that proof should be allowed to show that the patent was bad, and that in consequence no damages at all were due. But before your Lordships the discussion has taken an ampler form, to which I shall revert presently, but the first point was not given up. The first question for us is whether the Lord Ordinary was right in pronouncing the interlocutor he has done upon the plea urged in what I call the extreme sense. I am of opinion that he was. The subject is not free from difficulty, but it has already been under the consideration of the Court. Two authorities were quoted to us, which in my opinion are indistinguishable from the present case. I refer to the cases of *Davidson v. Maekenzie* (19 D. 226) and *Stiven v. Watson* (1 R. 412). *Davidson's* was a case in which a person who had had an inhibition executed by means of which he sought to secure a preference over a debtor's estate, brought an action against the Keeper of the Register of Inhibitions, who by neglecting to record it had prevented the inhibition from receiving any effect at all. I think your Lordships will see that this is extraordinarily analogous to the present case on the point I am now dealing with. The action of the Keeper destroyed the life, or, more accurately, prevented the birth, of the inhibition, just as here the action of the defenders destroyed the life of the patent. Accordingly in so far as the action of the defenders here cut short the life of the patent, it seems to me that there is a perfect analogy between that and *Davidson's* case. The defence proposed by the defender in *Davidson's* case was, that even if he had duly recorded the inhibition it would have been of no value, because he was prepared to show that the inhibition was bad before he got it to record. Here the defenders propose to show the patent was bad and therefore worthless. I am aware that in the case of *Davidson* there was an inquiry, owing to the view taken by the Lord Ordinary, and that therefore there was a double ground of judgment. However, the opinions of the Lord President and Lords Curriehill and Ivory clearly show that they held that this was not a relevant defence in the mouth of the Keeper of the Register. I think that at the bottom of the judgment was this, that after all the inhibition might have served its purpose even although the defects were there, because it was impossible to say whether they would have been pled or not. I am the more fortified in thinking that the true ground of judgment because it is clearly brought out in the case of *Stiven*. This was a case where a person had a right to have certain yarn delivered to him, and being afraid that the yarn might not be delivered to him, he was to get from the persons who were bound to deliver it, a certain quantity of tow. It was necessary that the tow should be held in security by a third person to whom it was delivered. This person neglected to intimate the delivery-order, which had the effect that the property did not pass. The result was that

when bankruptcy ensued the security was lost. The reply of the third person to an action of damages was, "You cannot get damages from me, because even if I had duly completed the efficacy of the delivery order by giving intimation to the warehouse, it would have been no use, since your security in my hands would have been reducible under the Bankruptcy Acts." The *ratio decidendi* is shortly put by Lord Neaves—"The intention was that Watson should become the agent or mandatory of Stiven. That relation once constituted, a duty arose, and Watson was liable in damages if he failed to perform it, which it is clear that he did. We are now asked on that footing to hold that the agent or servant might turn round and say—'It would have done you no good if I had performed my duty.' I should have great difficulty in sustaining that defence. It is not a plea to be favoured, and I doubt whether it is relevant, unless at least it is demonstrated that the performance of the duty could under no circumstances have been of use to the person for whose benefit it was undertaken." The Lord Justice-Clerk says—"A somewhat novel plea is urged to the effect that even if the defender had intimated the order Stiven would have been none the better, as he could not have made use of the security, because it was granted within sixty days of bankruptcy, and might therefore have been set aside by the trustee on Annan's estate. I have no doubt it was a security, and perhaps it might have been challenged with success. But the defender to make his plea plausible must be able to say that it would have been reduced. But how can we tell? The effect of the possession of this tow by the creditor might have been the delivery of the overdue yarns, in which case the other creditors would have had nothing to say." I think these two authorities really settle the matter upon the first point, and therefore upon the case argued to the Lord Ordinary I have come to the conclusion, while admitting that it is a difficult case, still without hesitation, that the Lord Ordinary is right.

But when the case came here the argument assumed a wider range. Mr Sandeman saw he might well urge what he wanted in the sense of what I may call mitigation of damages. His argument was this—"What you have not got through my default is a patent, and I am liable for the necessary results of that. But the value of a good patent and a bad patent is different; and therefore just as if you had lost a horse I should be entitled to prove that he was a bad horse, to mitigate the damages, so here I am entitled to prove whether it is a good or a bad patent." This sounds plausible, and was well put by Mr Sandeman, but if pressed is found, I think, to be really the same point over again, because the material point is not the validity or invalidity of the patent, but the chance of someone attacking it. It is not a true analogy with the horse. The difference lies in the nature of the inquiries to show the value of the horse and

the patent. It is clear from the cases I have quoted you could not have excused yourself for the loss of the horse by saying—"If I had delivered the horse it would have done you no good, because there was a flood in the stable that would have drowned the horse next day." That is the same class of objection as is made here. Accordingly I think you really have the discussion though in somewhat astute form of the old plea over again.

But Mr Clyde stated another argument even more puzzling. He said he wanted to prove the validity or invalidity of the patent for another reason. His argument was this—"Esto, I cannot in the proper sense of the word go into the invalidity of your patent? But you are going to sue me for damages. How are you going to fix the value of your patent? You cannot fix it as you do the value of wheat by taking the market value at the time. You can only fix it by finding out what you would have made from it if you had had it. You will begin your inquiry by saying—'If I had had my patent I should have sold so many valves under it. Not having my patent I cannot sell so many because other people are now making them. Before they would have been struck at under my patent, and I would have made the valves myself, or else obtained a royalty.' Clearly the beginning of the inquiry is to show what the patent will cover. "But," says Mr Clyde, "how am I to find out what the patent will cover unless I am entitled to go into the question of prior specifications, and prove the state of prior knowledge, in order to show what is the true meaning and construction of the patent." That is ingenious and plausible, but I think there is a way in which it may be solved. In the first place, it might be solved narrowly by saying that there is nothing in the Lord Ordinary's interlocutor which prevents Mr Clyde doing what he wishes to do, because the interlocutor is merely that the averments that the patents are invalid are irrelevant and should not be remitted to probation. That would be one way out of the difficulty, but I think it would be a very unfair way to the Lord Ordinary after there has been so much discussion. In the next place, it is quite obvious that the construction of the patent must in one sense be an open question at the proof. Suppose that Mr Macmillan in leading his proof was simply to put in his clients' books and show the turnover, it is obvious that Mr Clyde would say—"I want to see the items, because for all I know you may be putting in sales, not of valves, but of pistons or anything else, and clearly you cannot recover upon these." To come to a less extreme case, if the patent is one for a particular form of valve, say for a needle valve, it is obvious that damages could not be recovered for diminution in the sales of mushroom valves. So in that sense the construction of the patents must be open to proof.

But the construction of the patents must be merely the construction of documents. I am aware it is often said you must con-

strue a patent in what may be called a wider or narrower sense, according to what you may find in prior specifications, or in books, or in view of things that have been formerly used or sold. I do not think that that is truly a rule of construction, but that it represents the exigencies of counsel in a case where a patent is being tested. I hold that though the construction is open, the Lord Ordinary and counsel must make the best of it on the documents as they are. I am quite aware this will entail entering into a difficult subject of inquiry. But there are many difficulties in the case arising out of questions of a problematical character—for instance, whether there was a good chance of the invention being superseded by something else. All that is relevant, and I am only pointing out that an inquiry must always be difficult when its domain is in the region, not of what is or what was, but of what might have been. But this is the defenders' fault. If they had performed their duty and had kept the patent alive, we should have had none of these troublesome inquiries to make.

I think the determination of the case should be that we should adhere to the Lord Ordinary's interlocutor, and it would be quite improper in an interlocutor to say anything else. But I think he will consider these further remarks if they seem just to him; and although on this question of construction he will at the proof be entire master of the case, he will give effect to them when the inquiry is taken.

LORD ADAM and LORD KINNEAR concurred.

LORD M'LAREN was absent.

The Court adhered.

Counsel for the Reclaimers and Defenders—Clyde, K.C.—Sandeman. Agents—Martin & M'Glashan, S.S.C.

Counsel for the Respondents and Pursuers—M'Lennan, K.C.—Macmillan. Agents—R. H. Miller & Company, S.S.C.

Tuesday, June 27.

FIRST DIVISION.

DUKE OF HAMILTON'S TRUSTEES v.
CALEDONIAN RAILWAY COMPANY.

Railway—Minerals—Minerals Required to be Left Unworked—Property in Minerals Left Unworked—Right of Railway Company to Demand Conveyance—Railways Clauses Consolidation (Scotland) Act 1845 (8 and 9 Vict. cap. 33), secs. 70, 71.

A railway company in virtue of the provisions of the Railways Clauses Consolidation (Scotland) Act 1845, gave notice to certain trustees requiring them to leave unworked certain minerals lying under or near the railway which the trustees had given notice of an intention to work. The compensa-

tion to be paid therefor was settled by the parties. The railway company having maintained that the property in the minerals passed to them, and that they were therefore entitled to a conveyance, *held*, in a special case, that the railway company was not entitled to a conveyance of the minerals.

The Railways Clauses Consolidation (Scotland) Act 1845 (8 and 9 Vict. cap. 33) enacts:—“(Working of Mines)—And with respect to mines lying under or near the railway, be it enacted:—

Section 70. “*Promoters of the Undertaking not to be Entitled to Minerals.*—The company shall not be entitled to any mines of coal . . . or other minerals under any land purchased by them, except only such parts thereof as shall be necessary to be dug or carried away or used in the construction of the works, unless the same shall have been expressly purchased; and all such mines, excepting as aforesaid, shall be deemed to be excepted out of the conveyance of such lands, unless they shall have been expressly named therein and conveyed thereby.”

Section 71. “*Mines Lying Near the Railway not to be Worked if the Company Willing to Purchase them.*—If the owner, lessee, or occupier of any mines or minerals lying under the railway, or any of the works connected therewith, or within the prescribed distance, or where no distance shall be prescribed, forty yards therefrom, be desirous of working the same, such owner . . . shall give to the company notice in writing of his intention so to do thirty days before the commencement of working; and upon the receipt of such notice it shall be lawful for the company to cause such mines to be inspected by any person appointed by them for the purpose, and if it appear to the company that the working of such mines, either wholly or partially, is likely to damage the works of the railway, and if the company be desirous that such mines or any parts thereof should be left unworked, and if they be willing to make compensation for such mines or minerals, or such parts thereof as they desire to be left unworked, they shall give notice to such owner . . . of such their desire, and shall in such notice specify the parts of the mines under the railway or works or within the distance aforesaid which they shall desire to be left unworked, and for which they shall be willing to make compensation; and in such case such owner . . . shall not work or get the mines or minerals comprised in such notice, and the company shall make compensation for the same, and for all loss or damage occasioned by the non-working thereof, to the owner . . . thereof respectively; and if the company and such owner . . . do not agree as to the amount of such compensation the same shall be settled as in other cases of disputed compensation.”

Section 72. “*If Company Unwilling to Purchase, Owner may Work the Mines.*—If before the expiration of such thirty days the company do not give notice of their desire to have such mines left unworked,