Thursday, March 14.

NEWTON *v.* CARRICK & SONS.

Mutual Agreement—Patent—Exclusive License.

The holder of a patent for making washing machines granted an exclusive license for this country to a manufacturer for making these machines, and he thereafter, through an agent, made an arrangement with another manufacturer, allowing him to make the machines. *Held* that the holder of the patent could not sue the manufacturer to whom he had granted the exclusive license for the royalties stipulated, as he had not performed his part of the contract, which was to grant an exclusive license.

This was an action by G. W. Newton, London, against Carrick & Sons, Dalry Iron Works, concluding for certain sums as due under agreements and other deeds between the parties. The facts fully appear from the interlocutor which the Lord Ordinary (MURE) pronounced after a proof had been led.

"*7th December* 1871.—The Lord Ordinary having heard parties' procurators, and considered the closed record, proof adduced, and whole process,—Finds (1st) that in the month of October 1868 the defenders acquired from Mr M. C. Turner, as manager of the Home Manufacturing Company of New York, an exclusive license for the manufacture and sale, in Great Britain and Ireland, of a machine called the home-washer and wringer, which had been patented by the pursuer, and assigned by him to the Home Manufacturing Company: Finds (2d) that under the license so granted, and in consideration, *inter alia*, of the royalties therein stipulated, the company undertook 'at all times to do whatever was reasonable and requisite and incidental to the arrangement,' to forward the successful working of the patent: Finds (3d) that upon obtaining this license the defenders proceeded with the manufacture of the machines, and duly paid either to the company or to Mr Ralph, their agent in this country, the royalties due in respect of all machines so manufactured, down to the 31st of March 1870: Finds (4th) that about the end of 1869, Messrs Shackleton, Taylor, & Company, of Accrington, applied to the defenders for permission to manufacture these machines, and that having failed to effect an arrangement with the defenders, they then applied for a license to the pursuer, as the original patentee, who referred them to Mr Ralph, as the agent in England for the proprietors: Finds (5th) that upon this Mr Ralph, unknown to the defenders, opened up a communication with Shackleton & Company on the subject, with a view to grant them a license; and endeavoured, during the months of January, February, and March 1870, in concert with Mr Turner, who had in the meantime come to London, to effect an arrangement with the defenders, by which their exclusive license was to be restricted to Scotland, Ireland, and the north of England, in order that the company might be free to grant licenses to others in England for the manufacture of the machines: Finds (6th) that while these negotiations were going on, Shackleton & Company were allowed and recommended by Mr Ralph to proceed with the manufacture of the machines; and that the negotiation with the defenders having failed, Mr Ralph concluded an agreement with Shackleton & Company, in the month of March 1870, by which they were authorised, unknown to the defenders, to manufacture the machines for payment of a royalty of 6s. on each machine manufactured by them: Finds (7th) that after that date, and during the period libelled in this action, Shackleton & Company continued to manufacture and dispose of considerable quantities of machines of the same description as those manufactured under the patent by the defenders, and have paid royalties therefor to Mr Ralph, as the representative of the proprietors of the patent, which he throughout held himself out to be: Finds (8th) that upon it coming to the knowledge of the defenders that Shackleton & Company were so manufacturing the machines, they remonstrated with Mr Turner on the subject, and requested him to take steps, or to concur with them in taking steps, to protect them in the working of the patent, which he declined to do, and shortly thereafter returned to New York, leaving Mr Ralph to attend to his interests, and those of the Home Manufacturing Company, in the matter; Finds (9th) that in the month of March 1871, the pursuer reacquired the patent from the Home Manufacturing Company, under an assignment which bears to be for the consideration of £1 sterling, and in respect of which he is assigned, *inter alia*, into all royalties due to the company under the license in question: Finds (10th) that when the pursuer so reacquired the patent, he was in the knowledge of the disputes which had arisen between the defenders and Mr Turner relative to the infringement of the patent, and that the defenders had in consequence declined to make payment of royalties since the 31st day of March 1870: Finds, in these circumstances, in point of law—1st, That as the Home Manufacturing Company have, in direct violation of the agreement made by them with the defenders, authorised, through their agent Mr Ralph, Shackleton & Company to manufacture machines of the same description as those patented by the pursuer, and declined to concur with the defenders in taking steps for the protection of their interest, are not at present entitled to insist against the defenders for payment of the royalties in question; and 2d, that the pursuer, as assignee of the Home Manufacturing Company, is subject in the matter in question to the same objections as those pleadable against the company: Therefore dismisses this action, and decerns: Finds the defenders entitled to expenses," &c.

"*Note.*—The Lord Ordinary is satisfied, from a careful perusal of the correspondence in this case, in connection with the oral evidence adduced, that there has been on the part of the Home Manufacturing Company, through their agent Mr Ralph, a deliberate and continued violation of the agreement founded on by the pursuer, in the transaction entered into with Shackleton & Company. This is clear from the evidence of the partners of that firm, who state that, since the month of March 1870, they have manufactured and sold very considerable quantities of home-washers of the same description as those to which the patent relates; it having been solely with a view to obtain a license to make those machines that they communicated, on the recommendation of the pursuer, with the agent in this country for the patentees. And the Lord Ordinary has been unable to look upon the wording of the agreement made with Shackleton & Company, and of that part of it in particular which relates to a trademark, in any other light than that of a device adopted to give a colour to the transaction; because Mr Shackleton distinctly

depones that 'it was for permission to make the homewasher, and not for the trademark, that we paid the royalties.'

"That these proceedings must have been attended with serious loss and inconvenience to the defenders is plain from the fact that, since Shackleton & Company obtained this permission, they have not only manufactured and sold the machines, but have also established agencies in various parts of England and Ireland, and have in one instance, viz., at Newcastle, directly supplanted the defenders by employing the agents who formerly acted for them; and that the sales thus made have, in all probability, been attended with a corresponding gain to the parties to the transaction, is also pretty plain from the fact that, during a considerable portion of the period embraced in this action, Shackleton & Company have manufactured at the rate of thirty machines a-week, which, at a royalty of 6s. a machine, would yield to the Home Manufacturing Company, or their agent, a much larger sum, in name of profit, than that claimed from the defenders under the present action.

"In this state of the fact, it was, as the Lord Ordinary conceives, the duty of the Home Manufacturing Company, as granters of the defender's license, as soon as they were made aware of what their agent had done, and if they disapproved of his conduct, to have repudiated his actings, intimated to Shackleton & Company that he had exceeded his powers, and to have concurred with the defenders in taking steps to protect them in the successful working of the patent. This, however, the company have not only declined to do, but they, on the contrary, rather appear to have adopted the proceedings of their agent, by leaving him to attend to their interests in this country in October 1871, after they had been made fully aware of his conduct.

"In these circumstances, the main question raised for decision is, whether the pursuer, as assignee of the Home Manufacturing Company, is now entitled to recover the royalties sued for from the defenders, leaving them to take proceedings against Shackleton & Company in England for infringement of the patent, and against the Home Manufacturing Company for damages for their violation of the agreement; and the Lord Ordinary has come to the conclusion that he is not. It may be that an action of damages, as contended for by the pursuer, is, in the ordinary case, the remedy for breach of contract. But to hold that in the present case that is the only remedy, would, in the opinion of the Lord Ordinary, amount practically almost to a denial of redress; because it is a remedy which the defenders cannot very well avail themselves of, except by going to New York to institute proceedings against Mr Turner; while, as regards Shackleton & Company, it is very doubtful whether proceedings in England can competently be taken against them without the concurrence of the proprietors of the patent, which has here been refused. The defenders are not assignees who have acquired the whole right and interest of every description in the patent; but are the licensees of parties who still retain the property. Now it seems to be settled in England that a special licensee cannot by himself institute an action for infringement (Coryton on Patents, p. 121); and the Lord Ordinary has not been able to find in any of the English authorities referred to at the debate, that a general licensee is in any different position in this respect. The preponderance of the dicta in those authorities seems, on the contrary, to point to this, that in such an action all the parties interested in the patent must concur (Hindmarch, pp. 244, 252).

"In the present case, therefore, which is one of mutual contract, it appears to the Lord Ordinary that the rules laid down as applicable to such contracts in the authorities relied on by the defenders, viz., that one party cannot insist for implement who refuses to fulfil, and still less so one who, as here, directly violates his counter obligations, ought in justice to be followed, and that the Home Manufacturing Company are, in the circumstances, not entitled to demand payment of the royalties in question until they concur with the defenders in taking steps to protect the patent from infringement, and are ready to make good to the defenders the loss sustained by them through contravention of the agreement.

"The Lord Ordinary has therefore dismissed this action, because he does not consider that the pursuer, as assignee of the Home Manufacturing Company, is in any better position, as regards his right to recover royalties during the period libelled, than his cedents. By the ordinary rules of law applicable to assignees, they are held to be open, in the general case, to the same objection arising directly out of the contract into which they are assigned, as those pleadable against the cedent, and in this case the Lord Ordinary has had the less hesitation in applying this rule, inasmuch as the pursuer appears, from the correspondence, to have been fully aware of the existence of the disputes between the defenders and his cedent at the time he took the assignation."

The pursuer reclaimed.

MILLAR, Q.C., and JOHNSTON for him.

SCOTT and MACDONALD for respondents.

The Court unanimously adhered, with additional expenses.

Agents for Pursuer—Menzies & Coventry, W.S.
Agent for Defenders—James Buchanan, S.S.C.

Friday, March 15.

FIRST DIVISION.

SPECIAL CASE—PRINGLE'S TRUSTEES AND OTHERS.

Succession—Heritable and Moveable—Trustee.

A trust was constituted partly for administration of the truster's estate during his lifetime, and partly for its disposal after his death. *Held* that a sum which had been invested by the trustees on heritable security, with the truster's knowledge, and allowed to remain undisturbed till his death, did not form part of his moveable estate in estimating the fund for *legitim*.

Policy of Insurance.

Held that two current policies of insurance, which had been effected for the benefit of a deceased on the life of his wife, who survived him, were to be included in his moveable estate in estimating the fund for *legitim*, and that for this purpose the policies were to be taken at their real actuarial value as at the date of his death, and not at their surrender value at that date.