

the time within the judge's territory where the contract was made and is to be enforced. Huber speaks on this point with his accustomed precision—'*Contractus, ita forum tribuit, si contrahens in eodem loco reperitur*' (2 Prælect. 730, sec. 54), distinguishing between the temporary or casual presence of the party in the territory which combined with *locus contractus* founds jurisdiction, and that residence which is called domicile for purposes of civil jurisdiction, which he describes thus, '*Ubi reus habitat*' (sec. 50, p. 729)."

2. *Institutional Writers*.—Ersk. i, 2, 20, says—"Civil jurisdiction is also founded *ratione contractus* if the defender had his domicile within the judge's territory at the time of entering into the contract sued upon, though he should not have his domicile there when the action is brought against him. But it is necessary in order to establish jurisdiction in this manner that the defender be actually within the judge's territory, and be cited by a warrant issuing from his court, or at least that he have effects lying there (L, 19 pr., sec. 1, 2, *de judic.*), for jurisdiction cannot have the least operation when both the person and the estate of the defender are withdrawn from the judge's power." Lord Kames (Law Tracts: Courts, p. 252) thus deals with the matter—"To this rule that *actor sequitur forum rei* there are several exceptions, depending on circumstances, that entitle the claimant to cite his party to appear before the judge of a territory where the party hath not a residence . . . a covenant bestows a jurisdiction on the judge of the territory where it is made, provided the party be found within the territory and be cited there. The reason is that if no other place for performance be specified it is implied in the covenant that it shall be performed in the place where it is made, and it is natural to apply to the judge of that territory where the failure happens, provided the party who fails be found there." Lord Fraser (Husband and Wife, ii, 1271-1275) states the law to the same effect, and points out that although in actions of declarator of marriage-domicile is the main basis of jurisdiction, there is also jurisdiction in respect of *locus contractus* coupled with personal citation on the ground that "it is reasonable that where one of the parties seeks to have the contract declared an action should be competent in the Scottish Courts against the other contractor found personally within their jurisdiction" at p. 1272.

3. *Modern text books* may be referred to for the purpose of showing that in the opinion of the authors the law still is what *Wylie v. Lyle* declared it to be. In Mackay's Manual of Practice it is said (at p. 55) that "declarator of marriage alleged to be contracted in Scotland would also be sustained against a foreigner if cited in Scotland." The learned author adds—"In cases under this head (that is, *locus contractus*) personal citation in Scotland is indispensable." Similar statements as to the present state of the law are to be found in Maclaren's Court of Session Practice, p. 60, and Duncan and Dykes' Principles of Civil Jurisdiction,

p. 50, where it is said "the defender must always be personally present in the territory when he is cited"—see also pp. 186-190.

If the law is conclusively settled in the sense contended for by the defender, it is futile and unnecessary to examine suggested analogies, such as declarators of nullity of marriage, with the object of determining what the law ought to be. I therefore do not propose to deal with the rival contentions of counsel as to these alleged analogies.

On the whole matter I am of opinion that the Lord Ordinary's interlocutor should be recalled and the plea of "no jurisdiction" sustained.

The Court recalled the interlocutor reclaimed against, sustained the first plea-in-law for the defender, and dismissed the action.

Counsel for the Pursuer and Respondent—Solicitor-General (Fleming, K.C.)—W. H. Stevenson. Agents—Mitchell & Baxter, W.S.

Counsel for the Defender and Reclaimer—Mitchell, K.C.—J. C. Watson. Agents—Warden, Weir, & Macgregor, S.S.C.

Saturday, March 17.

FIRST DIVISION.

[Lord Blackburn, Ordinary.]

BRITISH THOMSON-HOUSTON COMPANY, LIMITED v. CHARLESWORTH, PEEBLES, & COMPANY AND OTHERS.

Patent—Infringement—Damages—Measure of Damages where Patent Infringed is not itself the Subject of a Licence—Royalty Method—Applicability.

In actions for damages for the infringement of patents relating to electric lamps, held (1) that a royalty payable on the price of lamps sold under a licence granted by the pursuers in combination with other patentees for the manufacture and sale of lamps embodying one or more of a group of patents, could not be accepted as a measure of the damages arising from the infringement of a patent connected with the manufacture of the lamps which, although it was not expressly included in the licences granted by the pursuers, the licencees were allowed to use, but (2) that the sales effected by the infringers were on too extensive a scale to allow of an assessment of nominal damages only, and damages assessed accordingly. *Held further*, that damages for the infringement of a patent of a special nature included in the licences granted by the pursuers could be assessed on the royalty method.

Observations (per the Lord President and Lord Skerrington) on the application of the royalty method to the assessment of damages for infringement of patents.

The British Thomson-Houston Company, Limited, London, *pursuers*, brought three separate actions for interdict and damages for infringement of patents, in which the *defenders* were in the first action Charlesworth, Peebles, & Company, electrical engineers, Glasgow; in the second King & Company, electrical engineers, Edinburgh; and in the third Naamlooze Vennootschap Pope's Metaalraadlampenfabrieck, Keltensstraat 14 Venlo, Holland, and Charlesworth, Peebles, & Company.

The first and second actions were for infringement of letters-patent numbered 23775 of 1912, which related to a leading-in wire used in the construction of incandescent electric lamps, and the third for infringement of letters-patent numbered 10918 of 1913, which related to improvements in the manufacture of gas-filled incandescent electric lamps.

The defenders, after a proof had been allowed, admitted the validity of the patents and the infringements, the only question left to be decided being the damages to which the pursuers were entitled in each case. The actions against Charlesworth, Peebles, & Company and King & Company were conjoined, and the proofs in the three cases were taken at the same time under an arrangement by which the evidence in the third case should so far as competent and relevant be held as evidence in the conjoined cases.

The pursuers were the owners of patents relating to the manufacture of incandescent electric lamps, and were manufacturers and sellers of lamps embodying their patents. They had on a few occasions granted licences for the use of their patents under very special conditions, but the only licence existing was one granted by the pursuers in combination with other patentees for the manufacture and sale of lamps embodying one or more of a block of patents, twenty-nine in number, contained in a schedule, the licencees being bound to pay a royalty of 10 per cent. on the net price of lamps sold irrespective of the number of the patents used. The patent numbered 10918 of 1913 was included in the schedule but the patent for the leading-in wire was not, though according to the evidence of the pursuers' manager the licencees were accorded the right to use it by separate letter. The number of lamps sold by the defenders respectively in infringement of the pursuers' patents was ascertained and the pursuers claimed damages, the amounts of which were estimated on the basis of the licence by taking 10 per cent. of the selling price.

The Lord Ordinary (BLACKBURN) decerned in favour of the pursuers for damages measured on this basis, the amount payable being—by Charlesworth, Peebles, & Company, £1770, 7s. 6d.; by King & Company, £39, 1s. 10d.; and by the defenders in the third action, £760, 13s. 4d.

Opinion.—"In these three actions the pursuers sue for damages for the infringement by the defenders of patents held by them for improvements in incandescent electric lamps. The defenders on record

disputed both the validity and infringement of the patents, and I allowed a proof. Before going to proof, however, the defenders admitted the validity and the infringement, and the only question left to be decided is the damages to which the pursuers are entitled in each case.

"The pursuers not only manufacture and sell lamps themselves which embody their patents, but also grant licences to others to do the same on payment of royalties on the lamps sold. In these actions they have elected to measure the damage they have suffered through the defenders' infringements by the amount of royalties they would have received had the defenders been their licencees and as such entitled to use their patents.

"This method of estimating the pursuers' loss through the defenders' improper action appears to me an eminently fair and reasonable one, and is supported by authority (see *Watson, Laidlaw, & Company v. Pott, Cassels, & Williamson*, 1914 S.C. (H.L.) 18). The defenders, although they disputed the amount of the royalty which the pursuers proposed to charge, did not challenge the general proposition that this is a proper way to calculate damages suffered by an infringement of a patent." [*His Lordship here dealt with a matter with which this report is not concerned.*]

"A licence granted by the pursuers to the Ediswan Electric Light Company is produced, which is their usual form of licence, and authorises the licencees to use a considerable number of different patents belonging to the pursuers. It provides for a royalty to the pursuers of 10 per cent. of the net selling price, before deducting cash discounts, of each lamp sold by the licencees in the United Kingdom. It is proved that in addition to the 10 per cent. payable by the licencees they are restricted as to the number of lamps they may manufacture and sell, and also as to the minimum price to be charged for the lamps. There are also some other trading considerations of value to the licensors. The minimum prices are fixed by price lists published by the pursuers from time to time, and the list issued in February 1921 is the one which applies to the period of infringement. It appears that before calculating the 10 per cent. of royalty certain discounts are taken off the prices, amounting in some cases to as much as 39 per cent., but which on an average are about 30 per cent. It is also proved that a further discount is allowed off the royalties for cash payment within one month. This amounts to 25 per cent. on the royalty due, reducing the actual royalty paid from 10 to 7½ per cent.

"The defenders argued that in respect that the licencees authorise the use of a great many different patents by the licencees at a uniform royalty of 10 per cent. on the lamps sold, it is illegitimate for the pursuers to charge the full royalty on the price of a lamp which only embodies one of the patents. If I have properly understood this argument it appears to me to be completely lacking in foundation. It is admitted that it would not be possible to

use all the patents scheduled to the licence in any one lamp, and no provision is made in the licence for splitting up the royalty according to the number used in any one lamp. In my opinion the terms of the licence indicate sufficiently clearly that the licencees may make any use they like of all or any of the patents scheduled to it on condition that if in constructing a lamp they make any use of the licence they shall pay a royalty of 10 per cent. on the price of the lamp when sold. Next, the defenders argued that the pursuers' damage should be calculated on a royalty of $7\frac{1}{2}$ per cent. instead of 10 per cent., on the ground, as I understood, that payment would be made immediately on decree being granted. Had the defenders tendered a royalty of $7\frac{1}{2}$ per cent. immediately on receipt of the pursuers' demand there would have been much force in their contention, but they did not do so, and I know of no justification for holding that a payment enforced by decree is equivalent to a ready-money payment on demand. The defenders further argued that some deduction should be made from the number of lamps sold in respect that after sale a certain number are always returned as damaged lamps. The pursuers admitted that this often happened, but that the percentage of damaged lamps was usually small, though they were unable to say what it might amount to. But this does not appear to me to be a question of percentages but of fact. The defenders themselves sold the lamps, and alone have the means of ascertaining how many were returned as being damaged. Although they have provided full information of the number of lamps sold by them, they have not produced evidence of the return of any after sale, and that being so I can only assume that none were damaged, and that the defenders are not entitled to any deduction under this head.

"This I think exhausts the objections taken by the defenders in all three cases to the pursuers' proposal that their damage should be estimated on the basis of a 10 per cent. royalty on the number of lamps sold, and I am unable to give effect to any of these objections.

"The calculation of the amount of damages payable by the defenders in each action is contained in a statement prepared and spoken to by Mr Cathles for the pursuers. In the case in which the defenders are Naamlooze Vennootschap, &c., and Charlesworth, Peebles, & Company, it appears that four different sorts of lamps were sold, viz., metal filament lamps, gas-filled lamps, Sunlite lamps, and carbon filament lamps. None of these lamps were manufactured by the pursuers, or correspond exactly with any of the lamps priced in the pursuers' list. [*His Lordship then dealt with the method adopted by Mr Cathles in calculating the damages for which these defenders were liable.*]

"In the other two actions the only other points taken were that the infringement, which consisted in the use of a leading-in wire patented by the pursuers, formed a very small portion of the lamp, and that the patent was valueless as there were

other superior leading-in wires in the market. As the infringement is admitted its extent does not appear to me to matter, provided, which was also admitted, that the leading-in wire is a material part of the lamp. Nor does the value of the patent appear to me to be relevant once infringement is admitted, but as the defenders preferred to use the pursuers' patented wire in preference to others, the alleged superiority of the others is open to doubt. The defenders were not entitled to use these wires without a licence, and had they possessed a licence, would have had to pay the royalty of 10 per cent. I ought to add that in the action in which King & Company are defenders the discount of 30 per cent. is not taken into account, as this firm are retailers and no such discount is allowed by the pursuers under their licences to retail firms.

"On the whole matter I have come to the conclusion that the damages spoken to by Mr Cathles have been sufficiently established, and accordingly I shall grant decree in the action against Naamlooze Vennootschap, &c., and Charlesworth, Peebles, & Company for £760, 13s. 4d. conjunctly and severally; in the action against Charlesworth, Peebles, & Company for £1770, 7s. 6d.; and in the action against King & Company for £39, 1s. 10d., these being the figures arrived at by Mr Cathles in the statement referred to."

The defenders reclaimed, and argued—Although there had been an infringement of the pursuers' patent, they could only recover damages to the amount of the loss they could prove—*United Horseshoe and Nail Company, Limited v. Stewart & Company*, 1888, 15 R. (H.L.) 45, 25 S.L.R. 447. They had, however, failed to prove any substantial loss, and were therefore only entitled to nominal damages. The licence upon which they had rested their claim could not be accepted as evidence of loss. It did not even expressly apply to the patent infringed, and if it did so impliedly it provided for a royalty for the use of a large block of patents, and threw no light on the true royalty value of the patent in question. The pursuers could not have stipulated for such a royalty for the use of the infringed patent alone, and if they had done so the defenders could have insisted on reasonable terms by appeal to the Controller. Further, while in cases where there was a system of licences the royalties might properly be taken as a measure of the damages, this could not be done where, as here, the owner of the patent was the principal manufacturer and there was only one licence—*Meters Limited v. Metropolitan Gas Meters, Limited*, (1911) 28 R.P.C. 157, per Fletcher Moulton, L.J., at p. 164; *Watson, Laidlaw, & Company, Limited v. Pott, Cassels, & Williamson*, 1914 S.C. (H.L.) 18, per Lord Shaw at p. 32, 51 S.L.R. 238. The pursuers could have proved the fair royalty value of the patent or the loss of profits which they might have made by selling the lamps—*Clement Talbot, Limited v. Wilson*, (1909) 26 R.P.C. 467; *Meters Limited v. Metropolitan Gas Meters, Limited*—but had abstained from doing so. Counsel also referred to the Patents and Designs Act

1919, sec. 10; Fletcher Moulton on the Patent Acts, and Terrell on Patents.

Argued for pursuers and respondents—The test of the pursuers' loss was the amount which they would have received for the use of the patent if the defenders had been licensed. This had been proved by reference to the royalty provided for in the licence, after ascertainment of the number of infringing lamps sold and the nearest comparable prices of the pursuers' own lamps. That the licence applied to a block of patents and did not expressly include the patent in question was no objection. It was a licence to make and sell the pursuers' lamps, which impliedly included the right to use the patent in question and gave the only terms upon which the defenders could have obtained a licence to make pursuers' lamps or avail themselves of the patents used in them—*British Motor Syndicate, Limited v. John Taylor & Sons, Limited*, (1900) 17 R.P.C. 723, per Lord Alverstone at p. 731; *English and American Machinery Company v. Union Boot and Shoe Machine Company*, (1895) 13 R.P.C. 64; *Watson, Laidlaw, & Company, Limited v. Pott, Cassels, & Williamson (cit.)*. An infringer was not entitled to raise the question as to the separate values of patents which were included under one licence—*British Motor Syndicate, Limited (cit.)*, per Lord Alverstone at p. 731; *United Horseshoe and Nail Company, Limited v. Stewart & Company (cit.)*. That there was now only the one licence was merely due to the fact that former licencees now preferred to purchase from the pursuers. The defenders could have had no case of abuse under section 1 of the Patents and Designs Act 1919. The licence was therefore the proper test, and if it did not prove the actual loss, proved substantial loss and sufficient to enable an estimate to be made—*Penn v. Bibby*, (1866) 3 Eq. 308, per Page Wood, V.C., at p. 312. It was clearly not a case for nominal damages—*United Horseshoe and Nail Company, Limited v. Stewart & Company (cit.)*, per Lord Chancellor Halsbury at p. 46.

At advising—

LORD PRESIDENT—The pursuers have elected to measure their claims for damages by the amount which they could have exacted as monopolists in the market for licences to use the infringed patents. In the cases against Messrs Charlesworth, Peebles, & Company and Messrs King & Company the only patent alleged to have been infringed is No. 23775 of 1912. This patent relates to the leading-in wire in electric lamps and the sealing thereof in such lamps so as to prevent leakage between the interior of the lamps and the outside. In the case against the Dutch company and Messrs Charlesworth, Peebles, & Company the only patent alleged to have been infringed is No. 10918 of 1913. This patent relates to gas-filled electric lamps and is designed to increase the efficiency of such lamps.

By section 10 of the Patents and Designs Act 1919 the remedy formerly competent to a pursuer in an action of this kind to require

the infringer to account for the profits made by him by the piracy of the patented invention has been taken away, and the measure of a patentee's damages is in any case limited to the amount by which he would have been better off if there had been no infringement. If the patentee does not himself make and sell the patented article but licenses others to use it the mode of ascertaining this amount almost necessarily is to find out what loss of royalties he has sustained in consequence of the infringer's unlicensed manufacture and sale. This has long been recognised when the patentee habitually grants licences—*United Telephone Company v. Walker*, (1886) 4 R.P.C. 63. In such a case the royalties which he finds himself in a position to exact may provide a simple and effective measure for ascertaining the patentee's loss. If, however, it happens that the royalties vary in amount and in the circumstances to which they apply, they may do no more than afford material upon which the Court may arrive at a jury assessment of damages—*English and American Machinery Company v. Union Boot and Shoe Machine Company*, (1895) 13 R.P.C. 64. The difficulties which used to attach to the remedy by way of account of the infringer's profits led in *Automatic Coal Gas Retort Company v. Salford* (1897) 14 R.P.C. 450, at p. 471 to an order for an inquiry as to what would be a proper sum to be paid by the infringer as royalty. It appears that the patentee in that case was not in the habit of granting licences; if so, the case marks the beginning of a new development in the application of the royalty method of ascertaining a patentee's loss. In the *Pneumatic Tyre Company v. Puncture Proof Pneumatic Tyre Company* ((1898) 15 R.P.C. 405) Mr Justice Wills thought that the royalty method might be resorted to in a case in which the patentee's claim of damages in respect of lost manufacturing profits was hampered by the difficulty which figured so prominently in *United Horse Shoe and Nail Company v. Stewart & Company* ((1886) 14 R. 266, also in 4 R.P.C. 130, (1888) 15 R. (H.L.) 45, 13 App. Cas. 401, also in 5 R.P.C. 260), that, namely, of determining how far the infringer's sales really took away custom from the patentee and thus deprived him of manufacturers' profits. But in the Court of Appeal ((1899) 16 R.P.C. 209) this was disapproved on the ground that the royalty method was properly applicable to cases in which the patentee did in fact grant licences—see especially per Lord Russell, C.J., at p. 212. Curiously enough, however, the Court of Appeal adopted and confirmed the amount of damages which Mr Justice Wills arrived at on the royalty basis after he had reversed an assessment of ordinary damages by the Master. The case seems to present an illustration of the difficulties which surround the problem of fairly and fully compensating a patentee, and which not infrequently compel the Court to assess damages on somewhat general grounds. The *obiter dictum* of Lord Justice Fletcher Moulton in *Meters Limited v. Metropolitan*

Gas Meters, Limited ((1911) 28 R.P.C. 157, at pp. 164, 165) favoured a much wider view of the applicability of the royalty method and recommended its adoption even where there did not exist any quoted figure for a licence. "I am inclined to think," he said, "that it would be right for the Court to consider what would have been the price which—although no price was actually quoted—could have reasonably been charged for [permission to use the patent], and estimate the damage in that way." It was used as providing a check on the reliability of an estimate of lost manufacturing profits in *Watson, Laidlaw, & Company v. Pott, Cassels, & Williamson*, 1913 S.C. 762, also in 30 R.P.C. 285, 1914 S.C. (H.L.) 18, also in 31 R.P.C. 104. The use of the royalty method as an alternative method of assessing damages was expressly approved in that case by Lord Salvesen in this Court, while in the House of Lords Lord Atkinson referred to its use in the case without disapproval, and Lord Shaw expressed himself as in entire accord with the principle of Lord Justice Fletcher Moulton's dictum. In the present case the defenders did not dispute the legitimacy of the pursuers' resort to the royalty method, although the pursuers are themselves makers and sellers of the patented articles, and have granted only a few licences under the very special conditions hereinafter referred to. For myself I agree with the Lord Ordinary's opinion that the method is an eminently fair and reasonable one and that its applicability to cases in which the patentee himself makes and sells may now be said to be supported by authority.

A peculiar feature, however, of the present case is that neither of the infringed patents has ever been by itself or along with other directly associated patents the subject of a licence. The pursuers along with the General Electric Company and Siemens Brothers are licensors under a licence, dated 4th October 1920, in favour of the Edison Swan Electric Company of a block of miscellaneous patents relating to electric lamps, of which ten belong to the pursuers, eleven to the General Electric Company, and eight to Siemens Brothers. The block includes No. 10918 of 1913 but not No. 23775 of 1912. The defenders, however, elicited from the manager of the pursuers' patent department in cross-examination that the licences were accorded right to use No. 23775 of 1912 by separate letter. The letter is not produced and its date is not spoken to, but the manager said it was written when the pursuers called the attention of the Edison Swan Company to the fact that the schedule did not contain that patent. This block licence is the only licence now existing. There appear at one time to have been others, but it is not proved that they included either of the infringed patents. The royalty charge under the block licence is 10 per cent. of the net selling price (before deducting cash discounts) of each lamp embodying any one or more of the patented inventions made or sold by the licencees in the United Kingdom. The licence is covenanted to endure

"during the unexpired residue of the respective terms for which the scheduled patents have been granted and any extensions thereof." It is by no means clear to me that a royalty of this kind, obtained by a combination of patentees (of whom the pursuers are one) by pooling a large number of their patents, affords in itself any trustworthy measure of the price that could be successfully exacted by one of the patentees for the right to use any one of his own patents either in isolation or along with other patents directly associated with it. So far as regards the leading-in wire patent (No. 23775 of 1912), my confidence in the 10 per cent. royalty as a fair measure of the patentees' loss is destroyed in the light of the explanations given by the pursuers' manager when he is examined as to how it came about that the licencee was allowed the use of that patent for the 10 per cent. royalty although it had not been included in the licence of 1920. He admits that nobody has ever paid royalty in respect of the leading-in wire, but says he is sure if the pursuers altered the licence they could get royalties on it—"(Q) You have never tried?—(A) No, because the people are entitled to make lamps, and if they want to use the leading-in wire we do not consider we should put them to trouble in their factory, but it is worth something to them." It must be kept in view that there are many kinds of leading-in wire and many ways of sealing them, some of which are the subject of patents belonging to others than the pursuers, and some of which are free to the public. I feel less difficulty about the gas-filled lamp patent (No. 10918 of 1913). It is something in the nature of a specialty, and the defenders' witnesses, while they think a royalty of 10 per cent. on the selling price excessive, say they would willingly pay 7½ per cent.

The Lord Ordinary has assessed the damages by applying a 10 per cent. royalty to all the infringing lamps sold by the defenders. For the reasons just indicated I see no sufficient reason to alter this assessment so far as regards the gas-filled lamps.

But the case of the other lamps seems to me to present a problem of considerable difficulty. The defenders asked us to hold that no loss was proved, and that the damages so far as these lamps are concerned should be nominal only. I am unable to take this view of the case. Every sale by the defenders of a lamp containing an infringement of the leading-in wire patent belonging to the pursuers was unlawful as in a question with them, and the defenders are not entitled to deny the value to the patentees of an invention whereof they have in fact availed themselves. The sales effected by the defenders are on too extensive a scale to allow in my opinion of an assessment of nominal damages only. On the other hand, if a patentee is to get a substantial award he must put the Court in possession of materials which make it possible to quantify more or less approximately a substantial sum, and he has no right to complain that his claim is made subject to serious modification if—in order

to avoid disclosure of his own profits, or to escape an inconvenient and troublesome inquiry into the details of his business—he elects to present his case in a fashion which only enables the Court to solve the difficulty by something in the nature of a jury award. I cannot bring myself to the view that the evidence in this case could justify a verdict based on a 10 per cent. royalty for the leading-in wire patent, and I feel satisfied that full justice—perhaps more than strict justice—would be done to the pursuers by assessing their loss on this head at one-half of the amount awarded by the Lord Ordinary.

The only other point argued to us referred to a dispute as to the determination of the true selling price of one of the classes of lamps sold by the defenders (known as “Sunlite”) in which the leading-in wire patent was embodied. I am not, however, prepared to differ from the conclusion arrived at by the Lord Ordinary on the evidence regarding this matter.

The result is that in the case against Messrs Charlesworth, Peebles, & Company, founded on the leading-in wire patent (No. 23775 of 1912), the Lord Ordinary’s award should, I think, be reduced to £885, 3s. 9d.; in the case against King & Company, founded on the same patent, it should be reduced to £19, 10s. 11d.; while in the case against the Dutch company and Messrs Charlesworth, Peebles, & Company the Lord Ordinary’s award should stand, each of these sums being in full of the pecuniary conclusions of the action to which they respectively apply.

LORD SKERRINGTON—In the first of these three actions the Lord Ordinary awarded to the pursuers damages amounting to £1770, 7s. 6d. in respect of the defenders in that action having admittedly infringed the pursuers’ patent No. 23775 of the year 1912. This patent provides for the leading-in wire of an electrical lamp being coated with a soluble metal which seals the aperture in the bulb and so prevents any leakage of air into the bulb of a vacuum lamp or of gas from the bulb of a gas-filled lamp. The Lord Ordinary assessed the damages on the principle of giving to the pursuers a royalty of 10 per cent. on what he held to be the selling price (£17,703, 14s. 7d.) of the lamps which these defenders admitted that they had sold in infringement of this patent. In the second action, which was at the instance of the same pursuers against a firm of retailers in respect of their having admittedly infringed the same patent, the Lord Ordinary, applying the same principle and the same process, assessed the damages at £39, 1s. 10d., being 10 per cent. on £390, 18s. 3d., which he held to be the selling price of the lamps admitted to have been sold by this firm. In the third action the same pursuers claimed damages from a third set of defenders in respect of the latter having admittedly infringed the pursuers’ patent No. 10918 of the year 1913, an entirely different and independent patent relating solely to gas-filled lamps. It was explained that in a gas-filled lamp manufactured according to

the pursuers’ patent of 1913 the maker did not require to use leading-in wires of the kind protected by the patent of 1912, but that he was left to use his own judgment as to the method (and there are several available) of securing the aperture in the bulb against leakage. The Lord Ordinary, applying the principle and the process already explained, assessed the damages at £760, 13s. 4d., being 10 per cent. on £7606, 13s. 1d., which he held to be the net sales value of the lamps which these defenders admitted that they had sold in infringement of the patent of 1913.

The parties agreed by joint minute that the evidence led in the third action should, “so far as competent and relevant, be held as evidence” in the first and second actions. Counsel for the defenders and reclaimers argued that the pursuers having elected to measure the damage which they had suffered by the amount of the royalties which they would have received if the defenders had been their licencees, had failed to adduce any evidence entitling them to damages on the basis of a 10 per cent. royalty. It followed, according to the argument, that the Lord Ordinary’s award in the first and second actions must be reduced to one of nominal damages, and that in the third action it must be limited to the amount admitted by the defenders in that action, viz., a royalty of $7\frac{1}{2}$ per cent. on the selling price. On the other hand counsel for the pursuers, while admitting that his clients had precluded themselves from claiming damages upon any other basis except that of royalties, maintained that the evidence justified the amounts decreed for by the Lord Ordinary, and that in any case it was sufficient to support an award of substantial damages in each of the three actions. In choosing between these two conflicting contentions it must be kept in view that the Lord Ordinary appears to have been satisfied with and to have accepted the evidence of the pursuers’ witnesses, and that the burden lies upon the defenders to show that his conclusions were wrong. On the other hand the opinion which the Lord Ordinary issued along with his judgments seems to me to adopt, implicitly at least, a principle which was boldly and strenuously maintained by the pursuers’ counsel, but which is in my judgment radically unsound, viz., that the fact of a patentee assessing the royalty which he would have demanded for a licence at a certain sum affords a conclusive measure (if one believes his evidence) of the value of the patent and of the loss caused to the owner by its unauthorised use, even although it is not proved that any person has ever paid or might reasonably be expected to pay that royalty. According to this argument “the test is not what a wrongdoer would have been willing to pay for a licence, or what he might reasonably have been asked to pay for it, but what the injured party would have been willing to accept as the price of a licence. Why should a wrongdoer be placed by the Court in a more favourable position than a person who acted according to his duty and abstained from exercising

the patent until he had purchased the permission of the patentee?" The fallacy underlying this argument is the assumption that royalties, whether actual or hypothetical afford an absolute and universal rule for ascertaining the damage sustained by a patentee through the infringement of his patent, whereas they are merely a guide or indication which is of value if it is used with discretion in cases which are suited for its application. It seems to me to be idle to assert that a royalty which no one has in fact paid or could reasonably have been asked to pay is conclusive evidence of the royalty value of a patent or of the loss caused by its infringement.

It will be convenient to begin with the third action the decision of which is simplified by the admission given in the witness-box by Major Peebles, a partner of a firm which was one of the defenders in that action, to the effect that 7½ per cent. was a reasonable royalty for the use of the pursuers' patent of 1913 relative to gas-filled lamps. The defenders' counsel argued that the pursuers having adduced no evidence at all in regard to the royalty value of this patent must accept Major Peebles' admission with its qualification, and that the Court had therefore no power to award a larger sum than 7½ per cent. on the price received by the defenders for the lamps. This argument rests upon a confusion between the rules of evidence and a rule of pleading which requires that a pursuer who has no evidence except the admissions to be found in his opponent's pleadings should accept these admissions as they are given and with all their relevant qualifications. In a case like the present where the pursuers do not rely exclusively on any admissions in the pleadings but appeal to the evidence adduced at the proof, there is no reason why the Lord Ordinary or the Court, while giving all due credit to Major Peebles for his candour, should be compelled to treat him as the final judge in regard to the royalty value of the pursuers' patent. Moreover, it is not accurate to assert that there was no other evidence except Major Peebles' admission tending to show that the patent of 1913 was one which possessed a substantial royalty value. The fact that it was included in the schedule appended to the licence is in itself a relevant fact, though I hold (differing in this respect from the Lord Ordinary) that the evidential value of that licence is detracted from by the circumstance that the licensee was thereby authorised to use any one or more of twenty-nine patents (including the pursuers' patent of 1913) belonging to one or other of three different licensors in return for a royalty of 10 per cent. upon the selling price of the lamps manufactured in conformity with any one of these patents. While I should have had difficulty in deciding this case if it had not been for the admission referred to, I am clearly of opinion that as the evidence stands the defenders' counsel failed to show any good reason why we should substitute 7½ per cent. in lieu of the 10 per cent. awarded by the Lord Ordinary.

As regards the first and second actions

the question is entirely different, seeing that the pursuers' patent of 1912 relative to the leading-in wires of electrical lamps is conspicuous by its absence from the schedule appended to the licence, which is the only licence produced by the pursuers. Moreover, the parole evidence so far as applicable to the patent of 1912, and upon which the pursuers have chosen to peril their success, is of the flimsiest description. On the whole, however, I have come to the conclusion that the evidence, such as it is, would not entitle us to treat the admitted infringement of the patent of 1912 as one in regard to which justice would be done by an award of nominal damages. The pursuers' principal witness, Mr Gray, whom the Lord Ordinary appears to have believed, deposed that in his opinion the patent of 1912 was "worth something" to manufacturers as "saving trouble in their factory." Obviously it would be a convenience to a manufacturer of electrical lamps to be free to use any and every device (as the exigencies of his business and the materials available to him might suggest) for sealing the aperture in the bulb. This view of the matter is supported by the fact that the manufacturers of the lamps sold by the defenders in the first and second actions in contravention of the pursuers' patent of 1912 found it convenient to use the method protected by that patent. I have come to the conclusion that while the pursuers must have substantial damages they will be handsomely treated if they receive one-half of the sums awarded by the Lord Ordinary in the first and second actions respectively. I have not overlooked the fact that the defenders' counsel challenged the method by which the pursuers and the Lord Ordinary had fixed the selling price of the "Sunlite" lamps which constituted the greater part of the lamps sold in infringement of the patent of 1912. The pursuers allowed a certain deduction amounting to 10 per cent., whereas the defenders claimed that the deduction ought to be 30 per cent. Both parties proceeded upon a system which, so far as appears, was a wrong one, but I do not think that the defenders have proved that the Lord Ordinary was wrong in preferring the figure deposed to by the pursuers' witnesses.

LORD CULLEN—I concur.

LORD SANDS—I concur.

The Court altered the interlocutors reclaimed against by deleting the figure £1770, 7s. 6d. and £30, 1s. 10d., and substituting therefor £885, 3s. 9d. and £10, 10s. 11d.

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