

Friday, February 6.

(Before the Earl of Halsbury, Lord Kinnear,
Lord Atkinson, and Lord Shaw.)

WATSON, LAIDLAW, & COMPANY,
LIMITED v. POTT, CASSELS, &
WILLIAMSON.

(In the Court of Session, March 14, 1913,
50 S.L.R. 525, 1913 S.C. 762.)

*Patent--Infringement--Damages--Measure
of Damages.*

"The patentee must prove the loss that he has sustained by unlawful sales, as the natural and direct consequence of the wrong done to him, and the Judge has to determine whether such loss has been proved"—*per* Lord Kinnear.

Amount of damages awarded by the Second Division of the Court of Session for infringement of a patent *sustained* (Lord Halsbury *dissenting*).

Considerations in assessing amount.

This case is reported *ante ut supra*.

The defenders Pott, Cassels, & Williamson appealed to the House of Lords.

At delivering judgment—

EARL OF HALSBURY—I regret to say I am unable to concur in the judgment about to be delivered. The question here is simply one of the amount of damages which the plaintiff proves he is entitled to recover. The burden of proof lies upon him, and, apart from evidence, which of course may shift it, that burden lies upon him to the end, no matter in what stage of the litigation the question arises. The exact nature of the invention does not appear to me to be very material to consider. It is not disputed that the appellants manufactured and sold 252 machines, each of which contained the patented article, and in respect of each of which the plaintiff is entitled to recover such damages as was thereby occasioned to him; but in this last question arises the difficulty of proof that but for the unlawful interference by the defendants the plaintiff would have made the profits of each such sale. The Judge-Ordinary came to the conclusion that £1500 was the amount proved before him. The Judges of the Second Division doubled that amount. I understand that Lord Dundas considered that in arriving at the amount of £1500 the learned Judge was influenced by what I agree would be a totally irrelevant topic; but I cannot find the smallest ground for attributing to the Lord-Ordinary so grave an error, namely, the question of a previous offer. The question is no doubt a very difficult one, and, with all respect to Lord Moulton, I do not think it is rendered easier by suggesting a different form of calculation, namely, what would be a reasonable sum made as a charge for the licence to use a patented article. It is, as I have said, a difficult question, but it is purely a question of fact, and that question appears to me to have been vigorously contested before the Lord Ordinary. That learned Judge has in terms expressed his confidence in the witnesses, and two of the

learned Judges who have overruled him in no doubtful manner expressed their opinion to be that they do not acquiesce in his finding.

I do not think that we have the materials to assess the damages ourselves. There is no principle here in debate. I cannot think that in any sense £1500 represents nominal damages. Neither can I acquiesce in the proposition that the size of the machine can by any ingenuity be made a relevant topic in calculating the damages. I should feel great difficulty in affirming either judgment, but while I agree with my noble friend Lord Kinnear that the judgment of fact is open to review, yet in this case I should not be able to say what I was affirming, what I was overruling, or upon what principle any sum whatever was reached. Fortunately for the parties your Lordships have been able to surmount your difficulties, and so avoid throwing upon them the enormous expense of a new assessment of damages, which is the only judgment with which I could agree.

I ought to add that I entirely agree with Lord Dundas as to the omission of any reasons for the judgment of the Lord Ordinary.

LORD KINNEAR—The appellants in this case complain of a judgment of the Second Division of the Court of Session, by which they are ordained to pay to the respondents £3000 as damages for the infringement of a patent. There is no question as to the validity of the patent, nor as to the infringement; but the appellants maintain that the sum awarded is excessive, and that it ought to be reduced by one-half, or £1500, which is the sum awarded by the Lord Ordinary. The *onus* is of course upon them to satisfy your Lordships that the judgment is wrong, and I think they have failed to discharge it.

The controversy depends upon disputed matter of fact, and I shall state shortly what I think the right view of it. But it is necessary, in the first place, to consider an argument which was maintained with some insistence by the appellants, that the Lord Ordinary's award of £1500 ought to have been accepted by the Court below as conclusive. It is said that his decision on matters of fact must be considered on the same footing as the verdict of a jury, which can only be set aside if it is given without evidence or proceeds upon a misdirection in point of law. But this rests upon an entire misapprehension of the law and practice of Scotland. The procedure in the Court of Session is regulated by Acts of Parliament, which give to the party who may be aggrieved by the judgment of a Lord Ordinary a right to appeal to the Inner House on matter of fact as well as on matter of law. It is of the essence of a right of appeal so unlimited that the aggrieved party should be entitled to demand a review of the judgment of which he complains on all the grounds on which it was or ought to have been considered by the Judge of first instance.

The inveterate practice of the Court of Session is in accordance with this view of the statutes, and the learned Judges of the Second Division were therefore acting in performance of a duty which the law imposes upon them when they reviewed the

Lord Ordinary's judgment on the matter of fact, and undertook to determine, not whether there was evidence before him on which his judgment might be based, but whether on a balance of evidence his conclusion was right or wrong. This is fully explained in *Kinnell v. Peebles* (17 R. 416), and the law is laid down to the same effect by Lord Blackburn in this House in the case of *Mann v. Brodie* (10 A). It is true that in both these cases it is clearly indicated that the nature of the evidence may be such as to give the Lord Ordinary, who heard the witnesses, better means of judging than the Inner House or your Lordships, who only read the notes. In such a case the Lord President said that he should not only attach the greatest weight to the opinion of the judge who saw the witnesses and heard their evidence, but that he should have been slow to disturb his conclusion; and Lord Shand said that on a question of credibility he had not known a case where the decision of the Lord Ordinary was not affirmed. But that is a consideration which creates no difficulty in the case before your Lordships. The question does not depend on the credibility of conflicting witnesses but on the true import and bearing of facts, the existence of which is hardly controverted. The Lord Ordinary says nothing to suggest that the witnesses on one side were more worthy of belief than those on the other. On the contrary, he says that on both sides they "gave their evidence frankly and fairly," and on the weight to be given to the evidence, irrespective of credibility, he expresses no opinion whatever. The learned Judges of the Inner House had thus no alternative but to consider the evidence for themselves and give their own judgment on the facts just as if they were judging in the first instance.

The Lord Ordinary however makes one observation which suggests a somewhat different question. He says that because the question is entirely a jury one he did not think it necessary or desirable to give reasons for fixing the amount. This might be very right if the only question were one of amount, depending on considerations that could not be precisely formulated. There may be circumstances in which damages cannot be governed by any settled rule, and in such cases a discretion may well be left to a judge, as it commonly is to a jury, not indeed without limits, but within limits that are not very strictly defined. But nevertheless the estimate of amount must be based on solid grounds both of fact and law. The patentee must prove the loss that he has sustained by unlawful sales, as the natural and direct consequence of the wrong done to him, and the Judge has to determine whether such loss has been proved. Whatever his reasons may have been it cannot be supposed that the Lord Ordinary awarded a random sum, and yet his award could be presented in no other light to the Judges of the Second Division since his reasons for it were unexplained. It follows that they were required to examine the evidence in the same way as in any other question of disputed

fact and determine for themselves the amount to which damage had been proved. I think the case of the *United Horse Shoe and Nail Company* (15 R. (H.L.) 45, 25 S.L.R. 447) in this House, which was relied upon by the appellants, is a very valuable authority on the question of the weight that may properly be given to the award of the Judge of the first instance. But it gives no countenance to the notion that his award, just because it is his, is to be accepted without examination by a Court of Appeal.

The main question before the House was between substantial and nominal damages. The Lord Ordinary had held that substantial damage had been proved; the First Division reversed his judgment and awarded a certain sum by way of nominal damages; and it was held in this House that in principle the Lord Ordinary's judgment was right. The award of the First Division was thus completely displaced, and it became necessary to consider whether the Lord Ordinary's judgment should be restored even as to amount. It is evident from the judgment that for this purpose the noble and learned Lords who advised the House examined the evidence, and determined for themselves what was proved and what was not proved, and what part of the proof was relevant to the issue and what was not. As a result of this examination their Lordships held it to be proved that the patentee had suffered damage by reason of sales in infringement of his patents, and also that but for the intervention of the infringers a large part of these sales, though not the whole, would have been effected by the patentee himself. So far, the patentee's case was capable of direct proof or disproof, and their Lordships decided it according to their own view of the evidence. But when it came to an estimate of the actual amount of injury done to the patentee's trade it was thought that this was matter for a probable estimate only and not for exact calculation, because, as Lord Watson puts it, "it is impossible to ascertain with arithmetical precision what in the ordinary course of business would have been the amount of the patentee's sales and profits."

It was on this problematical question alone that the House accepted the Lord Ordinary's amount without being altogether satisfied of its accuracy. But they did so only because they were satisfied on the one hand that it did substantial justice, and on the other, that it could not be said with certainty that any different figures would be exactly right. The Lord Chancellor puts the ground of judgment in a sentence when he says—"The judgment of the Lord Ordinary, with which I concur, hardly appears adequately to represent the amount of damages held to be proved. But I so far agree with the Lord Ordinary that in arriving at the exact figure it is extremely difficult, without further materials, to arrive with any confidence at a different sum to that which the Lord Ordinary has assessed." And Lord Macnaghten says—"The amount of damages is not a matter

of exact calculation, and your Lordships have not got before you all the materials which would be required to arrive at the most accurate estimate that could be formed. But it appears to me that substantial justice will be done if your Lordships confirm the amount that the Lord Ordinary has awarded."

I am of opinion that the course followed by the Second Division in the present case is entirely consistent with that approved by the House in the case cited. They could not accept the Lord Ordinary's award, not only because they knew nothing of its grounds, but because on their own examination of the evidence they were satisfied that it did not do substantial justice. I think their own judgment rests upon a perfectly sound basis. They considered rightly that every sale of a patented article in violation of a patent is a damage to the patentee. They found it admitted that the appellants had sold 252 machines in infringement of the patent, and they came to the conclusion, on the evidence, that the profits of the respondents on similar sales came to a sum little short of £5000, or on a different calculation of over £6000. This brought the Court to the question as to the amount of loss, which has been found to be incapable of an exact solution. But the main point in controversy on this part of the case is nevertheless susceptible of argumentative proof, and on this I agree with the learned Judges below that the appellants have failed.

They maintain that if they had not interfered the respondents could not have effected the sales in question, first, because they were really due to the exceptional efficiency and popularity of their selling agents, Messrs Hollendoorn & Akkerman; and secondly, because their customers were attracted, not by the patented arrangement, but by a different arrangement of ball-bearings not covered by the patent. In so far as this is urged to show that the whole of these sales, or the great bulk of them, would have been made if the machines sold had not included the appellants' patent buffer, it appears to me a conclusive answer that Mr Hollendoorn himself took pains to advertise the merits of the patented machine by issuing illustrated circulars to the classes of persons likely to buy, and that in dealing with possible customers he put forward as a special inducement to buy from him that he was able to supply the same centrifugal machines as the respondents. On the whole evidence, I think it proved that the greater number of the machines sold by the appellants during the period of infringement were avowedly sold and purchased on the merits of the respondent's invention, and that a considerable proportion, although not all of the purchasers, would have bought from the respondents if they had not obtained Watson, Laidlaw, & Co.'s machines from the appellants' agents. This left for consideration what is no doubt a very troublesome question as to the allowance which ought to be made for other causes which might reasonably be thought to have promoted

the appellants' sales. This is not a matter which in the nature of things can be ascertained with any certainty. But the judgments show that it was very carefully considered by the learned Judges. I am not prepared to substitute any estimate of my own for that which they have made, and I do not examine in detail the grounds on which they have reduced the £5000 above mentioned to £3000, because the only question before your Lordships is whether the latter sum is excessive. I think the appellants have failed to prove the alleged excess. The respondents, without admitting that it is in fact adequate, are content to accept it as sufficient, and I am of opinion that substantial justice will be done by affirming the interlocutor. I only add that this conclusion is, to my mind, entirely in accordance with the course taken by your Lordships' House in the case of the *United Shoe and Nail Company v. Stewart*.

LORD ATKINSON—In this case the Lord Ordinary, by an interlocutor dated the 30th March 1912, assessed the damages payable by the appellants to the respondents in respect of the infringement by the former of certain letters-patent dated the 4th of May 1903 (No. 10,034 of 1903), granted in favour of James Wright Macfarlane, of the firm of Watson, Laidlaw, & Company, of 99 Dundas Street, in the county of the city of Glasgow, for the improvements in certain centrifugal machines therein described, at £1500. On a reclaiming note lodged by the present respondents the Court of Session, by its interlocutor dated the 4th of March 1913, increased that amount to £3000.

From this latter interlocutor the present appeal had been taken by the appellants.

It is admitted that the appellants manufactured and sold 252 machines, each of which so resembled the patented machines as to involve the infringement of the patent of the respondents; and to the extent, therefore, that the manufacture and sale of these pirated machines interfered with the sale by the respondents of their patented machines, the latter are entitled to be compensated in damages for the loss they have sustained. The difficulty in deciding the matter in controversy in this case, as in most cases of its kind, lies in the necessity of forming an estimate of the extent to which the sale of the patented machines has been interfered with by the sale of the pirated machines, so as to enable one to measure the amount of the loss sustained by the patentees. Had this case been tried before a judge and jury, the jury would have solved the question in a rough and ready way by the application of such commonsense and commercial knowledge as commonly enables them to decide in a practical way questions not susceptible of mathematical calculation, and their verdict could not have been disturbed by a court of review, however that court might disagree with their conclusion, unless it was of opinion that, having regard to the evidence, no reasonable men could come to the conclusion at which the jury had arrived.

This, however, is because the jury are in such a case the sole judges of fact.

If, however, a case be tried as this case, like the case of the *United Horse Shoe and Nail Company v. Stewart* (A.C. 401), was tried, before a judge sitting alone, who thus becomes the judge of both law and fact, then on appeal from his decision the conclusions of fact at which he arrived must of necessity be subject to review, and the evidence from which his conclusions were drawn must of necessity be re-examined. This course was followed in the Court of Session and your Lordships' House in the *Horse Shoe* case, and is daily followed by the Court of Appeal in this country and by this House in appeals, for instance, from the Judges of the Chancery and Admiralty Divisions when they decide without the assistance of a jury.

Of course the judge who has had the great advantage of seeing and hearing the witnesses who are examined before him is in a far better position to judge of their credibility than anyone can be who has not had that advantage, and that consideration should never be lost sight of on appeal from the decision of a judge so placed, but credibility apart, it by no means follows that he is in a better position to draw the correct inference from the evidence given than are the judges of the court which has only the notes of that evidence before it.

In *Main v. Brodie* (10 A.C. 378) the question at issue was the existence of a public right-of-way over certain lands therein mentioned. The Lord Ordinary found against the existence of this right-of-way. The First Division of the Court of Session found in favour of it, but the difference between the conclusions arrived at by these two tribunals arose from the divergence of their respective views as to the effect of the evidence given on the two points mentioned by Lord Blackburn at page 388 of the report rather than upon the question of the credibility of the witnesses.

At page 384 Lord Blackburn, in the opening sentences of his judgment, laid down the law thus—"The First Division differed from the Lord Ordinary, not as to any question of law, but as to the effect of the evidence. There was nothing in the nature of the evidence to give the Lord Ordinary, though he heard the witnesses, better means of judging than the Judges of the First Division or your Lordships, who only read the notes, and the Judges, I think, owed it to the respondent to form their own opinion and to act upon it if it was different from that of the Lord Ordinary. I think now that your Lordships owe it to the appellant to form your own opinion and to act upon it though it is different from that of the Inner House. I need not say I should not differ lightly from them, though in doing so I agreed with the Lord Ordinary."

In the *Horse Shoe and Nail* case the sole question in controversy was the amount of damages. There, as here, the main claim was that the damages were to be assessed on the assumption that if the infringers had not interfered with the patentees' trade the latter would have themselves sold, during the period of interference, a quantity of nails, in addition to what they had

actually sold, equal to the quantity sold by the infringers. The consideration of the matter of competition, its keenness and amount, was involved in the decision of this claim. The Lord Ordinary had awarded the sum of £530 as damages. The Inner House had, on appeal, reduced that sum to £50. The noble and learned Lords who took part in the decision examined the evidence for themselves. They held that the sum of £50 was insufficient, that the Lord Ordinary had to some extent proceeded upon an erroneous principle, but that as the amount of damages which their own examination of the evidence led them to conclude had been sustained, approximated nearly to the sum the Lord Ordinary had awarded, substantial justice would be done by confirming his award. The principle of that decision applies, I think, to the present case.

Here the Lord Ordinary does not in his judgment indicate in any way on what principle he proceeded, or by what method or on what basis he arrived at the figure of £1500. The respondents are content with the decision of the Court of Session. They accept it, and have not appealed against it. The appellants do not suggest that the sum of £3000 is too little. On the contrary they contend it is twice too much. The burden of showing it is too much rests upon them. They do not, in my view, discharge that burden to any extent whatever by merely showing that the amount awarded by the Lord Ordinary is only half that awarded by the Court of Session. If on examining the evidence one comes to the conclusion that it has not been clearly shown that this sum of £3000 is too large, then, in my opinion, the award of the Court of Session should be allowed to stand and this appeal be dismissed with costs.

The first and most important point to determine is how many more of the patented machines it is reasonably probable the respondents would have sold if the appellants had not sold these 252 infringing or pirated machines. This is obviously a matter which cannot be determined by mathematical calculation or with absolute accuracy. At best the result can only be an approximation.

Mr Walter, on behalf of the appellants, reduces the number of extra sales the appellants would have made if his clients never had infringed to about 105. He arrived, however, at that figure by assuming that the sales by the appellants of 119 pirated machines in the island of Java did not prejudice in any way the sale of the appellants' machines in that market, and also assumed that the same applies to 28 similar machines sold by the respondents under certain conditions which he specified. He contends that the persons who purchased these 147 machines for use were induced to do so, not from any appreciation of their superiority due to the particular improvements which the appellants had patented, or from any desire to purchase machines possessing those features, but solely because of the push and popularity of one Akkerman, through whom the sales were effected, aided by another person named Hollendoorn.

This Akkerman is a most important witness. He was examined and cross-examined on interrogatories. The Lord Ordinary neither saw nor heard him, and was in no better position to judge of his credibility than were the Judges of the Court of Session or than are your Lordships. I have read through all the evidence and examined with special care that given by the important witnesses following, namely, Pieter Gallas, R. Williamson, I. F. R. Hollendoorn, and Akkerman, together with the letters and other documents given in evidence in the case, and am utterly unable to come to the conclusion for which Mr Walter contends.

Hollendoorn acted as sole agent in Java for the sale of the appellants' machines. He himself bought these machines and re-sold them to the owners and managers of sugar estates. The respondents' machines were sold in Java through the instrumentality of Pieter Gallas, manager of a company or firm named the Constructive Winkel de Bromo, which carried on the business of supplying the appellants' centrifugal machines—the patented machines—to the managers of sugar estates in that island. This company, like Hollendoorn, purchased these machines from the respondents and made their profit on the re-sale of them. This witness, whose veracity is not impeached, states that Hollendoorn was his chief competitor in the sale of centrifugal machines in Java; that very few centrifugal machines but those of the respondents and those sold by Hollendoorn were sold in the Java market; that after he, Gallas, started to supply the patented buffer, the new feature of special merit in the patented machine designed to check oscillation, Hollendoorn put a similar buffer on the market, advertised it, and distributed circulars containing drawings and descriptions of it. The admissions made by Akkerman in answer to cross interrogatories 68, 69, and 70, are of the utmost importance. They run thus:—"*Cross Int.* 68—Was the attitude adopted by Mr Hollendoorn and you as his agent in dealing with owners and administrators of sugar estates in Java that he was able to supply machines of the same type as those supplied by Watson, Laidlaw, & Company?—(A) Yes. *Cross Int.* 69—Did he also make it public in Java that he could supply all necessary parts for their machines?—(A) Yes. *Cross Int.* 70—In fact, was not the position adopted by Mr Hollendoorn as defenders' agent in Java, in dealing with owners and administrators of sugar estates there, that he was able to supply exactly the same centrifugal machine as Watson, Laidlaw, & Company, Limited, at a lower price?—(A) Mr Hollendoorn's attitude was that he was able to supply exactly the same centrifugal machines as the pursuers, but nothing was said about a lower price."

The special feature of the invention of the appellants was a spindle supporting a revolving shaft. This spindle rested on a conical rubber buffer, and was so constructed as to admit of ball bearings being so placed in its substance as to work. It is

plain from the manner in which the circulars distributed by Hollendoorn were got up, that they were designed for the very purpose of inducing intending purchasers to believe that the machines he supplied were in all respects the same as those supplied by the respondents.

Moreover, the correspondence given in evidence clearly proved that both Hollendoorn and Akkerman were most anxious to procure, and did procure, the infringing machines of the appellants for the very purpose of disposing of them to purchasers by the means set forth in the above-mentioned interrogatories. They say they thought they had the right to do this. It is, in my view, impossible to suppose that two keen business men like Hollendoorn and Akkerman would have purchased the appellants' machines if they did not believe they could re-sell them, and equally impossible to suppose that they would have distributed these circulars and drawings and made the statements above mentioned if they were not confident that the sale of the machines they so purchased would have been stimulated by pointing out their resemblance to the respondents' machines. It may well be that the sales of the appellants' machines in Java were increased owing to the push and popularity of Akkerman. Due allowance should be made for that; but bearing in mind that the respondents' machines were extensively sold in Java, and were well known there and elsewhere, it is only reasonable to conclude that if the appellants had not infringed, a considerable percentage of the persons who purchased the appellants' machines would have purchased those of the respondents.

Applying, then, the principle adopted in the cases to which your Lordships have been referred to the evidence in this case, it would appear to me reasonably probable that at least 60 per cent. of those purchasers would have supplied themselves with the machines they required from the vendors of the respondents' machines. Sixty per cent. of 150 machines would be 90 machines—which, added to the 105 the sale of which Mr Walter admits the respondents have lost—would mean that the respondents have lost the profits they would have realised upon the sale of about 195 machines. Mr Walter admits that a fair test of this loss would be the amount the appellants would have had to pay to acquire legally the power which they usurped. That is a royalty calculated at 10s. per inch of the machine. This would, owing to the large dimensions of some of the machines, average considerably more than £15 per machine, but taking it at that average the royalties would amount to £2915. In addition to this the loss the respondents have sustained under the other heads of their claim by the sale by the defendants of such things as accessories, and by extensions, repairs, &c., has to be considered. I have some difficulty in forming any estimate as to what sum this latter loss approximates. But the loss I have already mentioned as probable on the sale of the machines alone approaches so near to the sum awarded by the Court

of Session that I fail to see that the latter is too large, and, following the precedent of *Horse Shoe and Nail* case, I think substantial justice would be done by upholding the decision of the Inner House and dismissing the appeal with costs.

LORD SHAW—This is an action brought by the respondents against the appellants for damages in respect of the infringement of a patent granted in the year 1903 for improvements in the manufacture of centrifugal machines. The merits of the patent have been the subject of previous litigation, when the validity of the patent was affirmed and the appellants were interdicted from infringement. The principle of the patent, if I may quote what was formerly said judicially upon the subject, is that “material, partly solid and partly fluid, put into a basket which is made to rotate, may be dried by the effect of the centrifugal action which occurs with the rotary motion and which separates the fluid matter from the solid. By the perforation of the basket the fluid matter, thus driven centrifugally, flies off and the solid matter remains in the receptacle. The basket or receptacle is swivelled upon the foot of the central bar or spindle. . . . It happens that the basket thus swung on the central bar, when it rotates with a certain velocity, begins to oscillate and the oscillation communicates itself also to the spindle. This oscillation, thus accompanying the rotation, may cause breakage and loss.” The invention of the respondents was one for the avoidance of this oscillation. The patent consisted of “the construction of a hollow indiarubber cone suitably supported, into which fits a counterpart cone formed upon the spindle of the machine. By this construction the inventor takes advantage of the wedging action of the spindle cone upon the encasing rubber, and obtains, along with the necessary flexibility, the control previously unknown.”

I am convinced, upon the evidence in this case, that the merits of the respondents' patent, which have already been judicially affirmed, have been proved to be of considerable commercial interest and value. I think it to be established, first, that it was in the hope and prospect that it would be so that it was copied by the appellants, the infringers; secondly, that they thought it right to apprise consumers in general of their ability to supply by the infringing machines exact replicas of those made by the respondents, and accordingly to issue the circulars and drawings to which reference will be made; thirdly, that consumers, being thus commercially apprised by the appellants of their power to supply machinery containing a novel and useful merit, purchased such machines. Upon this last head I include under the term “consumers” those agents (and especially one agent in Java with a large connection in that island) who were able to continue their commercial connections and secure fresh orders, not only on account of their talents for business, but because it was in their own interests as well as the interests of the consumers that

they should be in a position to offer machinery containing the merits of the patented invention.

I have made these observations because in the present case I am also convinced on the evidence that from the point of commercial effectiveness and output there can be no doubt of the value of the patented part to the machine as a whole. And I may add that I see no reason to suppose that it ever entered into any consumer's mind to attempt the transaction (the attempt would probably have failed) of purchasing the novel and meritorious patented portion of the machine from the patentee, and the remainder of it from the appellants or any other firm. I further apply this observation to the machines and frames, which were generally treated as one item of order.

The damages were fixed by the Lord Ordinary at £1500, given as a jury estimate and without a statement of reasons or of the lines of calculation. In the Second Division of the Inner House this award was raised to £3000. The respondents are content with this sum, and defend the judgment. Subject to this position of the respondents, your Lordships, under the principle of *Mann v. Brodie*, must consider the whole case, both in fact and in law. Nor is the balance swayed by any consideration of the advantage to the Judge of first instance in having seen the witnesses, for the Lord Ordinary was satisfied that the evidence had been fairly and frankly given on both sides.

In result accordingly the issue for this House is, whether upon a review of the whole case the one sum or the other—£1500 or £3000—comes nearest to the mark which your Lordships would fix.

The learned counsel for the appellants, in defending the lesser figure of £1500, proceeded by the method of a wide deduction from the number of machines infringing the patent which were sold. That number was 252. The sale of each of these was a legal wrong. But it is said with regard to the major number of these the sales should not sound in damages. And fortunately the argument on this subject can be focussed by the consideration that of these machines, over 130 in number, which were sold in the Island of Java, it is said—This Java trade would never have gone to the patentee; the machines sold there were disposed of by our, the infringers', agent; they contained the patented part, but, patented part or none, they would have been supplied as well and as good by us; and in any event this Java market you, the patentee, would not have touched. The figure of 250 must therefore be reduced on this simple and plain way by more than one half, and it is only with regard to the balance—the true dimension of the case—that damages can be measured. If this argument be good, the Lord Ordinary's figure can be justified. If bad, the Inner House figure of £3000 must at least stand, and the appeal fails.

There are many other details and items of the claim and case which were dealt with, but for the purpose of the broad comparison between the £1500 and the £3000 the Java

trade covers the ground both in argument and in fact. In my opinion the case does raise sharply an important question as to the assessment of damages in patent cases, and with that question I proceed to deal.

It is probably a mistake in language to treat the methods usually adopted in ascertaining the measure of damages in patent cases as principles. They are the practical working rules which have seemed helpful to judges in arriving at a true estimate of the compensation which ought to be awarded against an infringer to a patentee.

In the case of damages in general there is one principle which does underlie the assessment. It is what may be called that of restoration. The idea is to restore the person who has sustained injury and loss to the condition in which he would have been had he not so sustained it. In the cases of financial loss, injury to trade, and the like, caused either by breach of contract or by tort, the loss is capable of correct appreciation in stated figures.

In a second class of cases, restoration being in point of fact difficult—as in the case of loss of reputation, or impossible, as in the case of loss of life, faculty, or limb—the task of restoration under the name of compensation calls into play inference, conjecture, and the like. And this is necessarily accompanied with those deficiencies which attach to the conversion into money of certain elements which are very real, which go to make up the happiness and usefulness of life, but which were never so converted or measured. The restoration by way of compensation is therefore accomplished to a large extent by the exercise of a sound imagination and the practice of the broad axe. It is in such cases, whether the result has been attained by the verdict of a jury or the finding of a single Judge, that the greatest weight attaches to the decision of the court of first instance. The reasons for this are not far to seek—such as the value of testimony at first hand down to even the nuances of its expression, and they include, of course, the attitude and demeanour of the witnesses themselves. In all these cases, however, the attempt which justice makes is to get back to the *status quo ante* in fact, or to reach imaginatively by the process of compensation a result in which the same principle is followed.

In patent cases the principle of restoration is in all instances to some extent, and in many instances to the entire extent, dependent upon the same principle of restoration. The patentee may show that the trade done by the infringer would have been his (the patentee's) trade, and he is entitled in such cases to be restored against the action of the infringer, and he may adopt, in liquidating that principle in money, an alternative course. He may say—"I shall accept the profits which have been made by the infringer in this trade which ought to have been my trade;" or he may take the other head of the alternative and say—"The illicit opposition to and interference with my own trade caused me damage. I lost profit which I would have otherwise made in it; I lost business con-

nection; the development of my business on its natural lines was interrupted by my being driven by these acts of piracy out of sections of my own trade." These and other things may be heads of damage. And it is well settled that a patentee may choose his course of measuring his loss either by the profits which the infringer made or by items of damages such as those referred to, but that in respect of the same matter he cannot have both his own damages and the infringer's profits.

In the course, however, of deciding cases certain expressions have been used by learned Judges which, according to the contention, are to the effect or truly mean that if the patentee chooses the latter course, namely, to reckon up his claim under heads of damage, he is limited, so to speak, by the principle of restoration. Phrases, for instance, have been used which it is said imply that the entire measure of his damage is the loss which he has incurred of the trade in the pirated articles. And then comes in an astute argument that in all cases where the infringer can establish that the trade in the machines which happened to contain the patented article or part would under no circumstances have ever reached the patentee himself no claim can be admitted. To take an instance such as the present case affords, the patentee was not in a position to carry on business in a certain part of the world exclusively possessed for commercial purposes by the energies of the infringer and his agents.

It is said in such a case, where is the damage which the patentee has incurred? On the other heads of the case he has obtained his damages, but on this part, which covers a section of trade which in no circumstances he could have touched, he can have sustained no damage, because he would never have sold his patented articles within that section. The duty of an infringer is covered by the principle of restoration, and the patentee has surely been restored to as good a position as he was in before the infringement or would have been in but for it, if he has been put into the same financial position as he would have occupied in that region of trade where alone he would have been operating.

It is at this stage of the case, however, that a second principle comes into play. It is not exactly the principle of restoration, either directly or expressed through compensation, but it is the principle underlying price or hire. It plainly extends—and I am inclined to think not infrequently extends—to patent cases. But, indeed, it is not confined to them, for wherever an abstraction or invasion of property has occurred, then unless such abstraction or invasion were to be sanctioned by law, the law ought to yield a recompense under the category or principle, as I say, either of price or of hire. If A, being a liveryman, keeps his horse standing idle in the stable, and B, against his wish or without his knowledge, rides or drives it out, it is no answer to A for B to say—"Against what loss do you want to be restored? I restore the horse. There is no loss. The horse is none the worse; it is the

better for the exercise." I confess to your Lordships that this seems to me to be precisely in principle the kind of question and retort which underlay the argument of the learned counsel for the appellants about the Java trade.

I explain that thus: In the island of Java machines of the kind in question in this case are largely used in the process of manufacturing sugar, in which the separation of the fluid from the solid matter by a system which is swift and avoids danger and loss is of great value. Much evidence was led to the effect that in that island, however, the agent for the infringer was an able business man, and that the value of his influence and connection was such that in substance it would not have mattered whether the machines sold by him contained the novel merit of the appellants' patent or did not. He would have sold machines which he and others think as good; and in any case the respondents (the patentees) would not have sold their machines as against him. The evidence to this effect is not conclusive, but it is strong, and I desire, as the matter in that way tests the principle I am applying, to accept it in its entirety. I exclude from view all that rather condemnatory evidence which shows that consumers, and notably foreign consumers, did think most highly of the patented invention. I will exclude all the evidence which shows that the appellants, the infringers, actually copied the drawings of the patented machine, and circularised their customers in various parts of the world to the effect that they could supply that identical article, or rather the rotary machine, with that identical merit. And I will go further and assume that the respondents would not have done the Java trade in the 130 machines sold in that island by the infringers and containing the patented part.

The argument is—for indeed this instance covers sufficiently the whole ground—the argument is—Here it is demonstrated that the patentees have lost no trade which they could have obtained. And under the cover of certain judicial dicta the infringers are entitled to say that the entire measure of the patentees' damage is exhausted when restoration of the *status quo ante* has been obtained.

Now, in the first place, it is clear to my mind that suppose the patentees had chosen to ask an account of the profits made by the infringers upon the infringing machines, they would have been entitled to obtain it and a decree for the amount, and it would have been no answer to say, the account shall be given, but there shall be excluded from it places which we shall establish your trade would never have reached.

In the second place, it appears to me that although it be true that a patentee cannot have both remedies at the same time, namely, the damages to his own business and the profits of the infringer's business, still this is true simply because it is in that way that overlapping is prevented. But in the instance of which the present is an excellent type there is no overlapping whatsoever. If with regard to

the general trade which was done, or would have been done by the respondents within their ordinary range of trade, damages be assessed, these ought, of course, to enter the account and to stand. But in addition there remains that class of business which the respondents would not have done, and in such cases it appears to me that the correct and full measure is only reached by adding that a patentee is also entitled, on the principle of price or hire, to a royalty for the unauthorised sale or use of every one of the infringing machines in a market which the infringer if left to himself might not have reached. Otherwise that property which consists in the monopoly of the patented articles granted to the patentee has been invaded, and indeed abstracted, and the law when appealed to would be standing by and allowing the invader or abstractor to go free. In such cases a royalty is an excellent key to unlock the difficulty, and I am in entire accord with the principle laid down by Lord Moulton in *Meters Limited* (28 R.P.C. 163). Each of the infringements was an actionable wrong, and although they may have been committed in a range of business or of territory which the patentee might not have reached, he is entitled to hire or royalty in respect of each unauthorised use of his property. Otherwise the remedy might fall unjustly short of the wrong.

In various cases—of which the present is a good example—it is only by this combination of actual damage on the principle of restoration, with, in another section of these operations, the principle of royalty, that a full and adequate response can be made to the cardinal question which remains always to be answered in these infringement suits—the question put by Vice-Chancellor Page Wood in *Penn v. Jack* (L.R. 5 Eq. 81), viz.—“What would have been the condition of the plaintiff if the defendants had acted properly instead of improperly. That condition, if it can be ascertained, will, I apprehend, be the proper measure of the plaintiff's loss.” To apply the principle—The appellants did this Java trade improperly. Had they done it properly they would have done it under royalty. That royalty the respondents would have obtained.

Fortunately the figures—on these principles being settled—leave no doubt on the mind that the award of £3000 made by the learned Judges of the Second Division is much within the mark, and that their figure—it not being complained of as too low—must stand. To Mr Hollendoorn alone, the Java agent, over 130 infringing machines were sent. It is an admitted fact that the royalty of 10s. per inch of diameter is a fair charge, and this works out at about £17, which upon 130 machines reaches a slump amount of £2210. Thus for the Java trade alone a sum of over £2000 is due. To this sum falls to be added the loss and damage in respect of all the other branches of the trade. And much over the sum of £3000 is thus on admission, or moderate computation, reached.

I do not doubt that the conclusion reached by the Court below ought not to be disturbed.

Their Lordships dismissed the appeal with expenses.

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COURT OF SESSION.

Friday, January 23.

FIRST DIVISION.

JOHN WALKER & SONS, LIMITED, PETITIONERS.

Company—Alteration of Memorandum—Companies (Consolidation) Act 1908 (8 Edw. VII, cap. 69), sec. 9 (1).

The Companies (Consolidation) Act 1908 enacts—Section 9 (1)—“Subject to the provisions of this section, a company may, by special resolution, alter the provisions of its memorandum with respect to the objects of the company, so far as may be required to enable it (a) to carry on its business more economically or more efficiently, or (b) to attain its main purpose by new or improved means. . . .”

A company by special resolution altered its memorandum of association so as to include, *inter alia*, the following additional objects—“To amalgamate with . . . any firm, person, or company,” and “to sell, . . . exchange, lease, mortgage, dispose of, turn to account, or otherwise deal with the undertaking of this company. . . .”

On a petition by the company for confirmation of the proposed alterations the Court refused to confirm.

This was a petition by John Walker & Sons, Limited, incorporated under the Companies Acts 1862 to 1886, for confirmation of a number of alterations in its memorandum of association.

The petition, *inter alia*, set forth—“The objects for which the company was established, as set forth in clause III of its memorandum of association, as altered by special resolution of the company passed on 21st December 1893 and confirmed on 8th January 1894, and confirmed by your Lordships by interlocutor dated 20th March 1894, are as follows, viz.—‘1. To carry through and complete a transaction for the purchase and payment of the price of “Walker’s bonded stores and offices,” Strand Street and Croft Street, Kilmarnock, in the parish of Kilmar-

nock and county of Ayr, belonging to Alexander Walker, wine merchant, Kilmarnock, or the firm of John Walker & Sons, wine merchants there, of which the said Alexander Walker is the only individual partner, together with the goodwill of the business of said firm of John Walker & Sons, and their registered trade mark and whole machinery, fittings, and other apparatus in the said premises, and the whole stock-in-trade and other effects belonging to the said Alexander Walker or to his said firm; and of the lease of the shop and premises in Portland Street and Strand Street, Kilmarnock, held by the said firm of John Walker & Sons or the said Alexander Walker as an individual, and likewise the lease of the offices, vaults, and premises at 3 Crosby Square, Bishopgate Street, London, occupied by the said firm of John Walker & Sons, with the whole machinery, fittings, and other apparatus and whole stock-in-trade and other effects belonging to the said firm. 2. To work the business hitherto carried on by the said firm of John Walker & Sons, as bonded store keepers, wine and spirit merchants, Italian warehousemen, and commission agents, and to make the purchases and sales required in the said business, and to purchase and sell all such materials and goods as may be in any way used in connection with the said business, and also to carry on such other business operations as are connected with or incident to the said business. 3. To acquire the distillery known as Cardow Distillery, in the parish of Knockando, Morayshire, with the goodwill of the business now or lately carried on at said distillery, and the whole pertinents of the said distillery and business. 4. To carry on, in the United Kingdom or elsewhere, the business of distillers, maltsters, and merchants. 5. To purchase, take, or otherwise acquire any heritable or real property upon lease, feu, or ground annual or otherwise; and to sell, alienate, or dispose of any heritable or real property in like manner. 6. To acquire, hold, and exercise any patent right or licence, and to grant licences to others to use and exercise such patent right; also to disclaim, alter, or modify the same. 7. To register at home or abroad trade marks; to use such marks, and to grant licences or permissions to others to use them. 8. To let or hire all or any part of the property or effects of the company. 9. To draw, make, accept, endorse, and execute, and to discount and sell promissory-notes, bills of exchange, and other negotiable instruments. 10. To borrow any sum or sums of money by way of discount, cash credit, or overdraft, or upon bond, debenture, mortgage, promissory-note, or receipt, or in any other manner, and to grant security for all or any of the sums so borrowed, or for which the company may be or may become liable, and by way of such security to dispo, mortgage, pledge, or charge the whole or any part of the property, assets, or revenue of the company (including uncalled capital), or to dispo, transfer, or convey the same absolutely or in trust, and to give to lenders or creditors powers of sale and other usual and necessary powers, and also to raise money