

same, and did appropriate and thus steal the same." Now, in my opinion that is not a relevant charge of theft, because everything thus set out might be perfectly true, and yet the accused might not be guilty of theft. I am not prepared to affirm that the mere finding of a £1 note, coupled with a denial of having found it, is conclusive evidence of felonious appropriation. One would like to know who the owner of the note was, and whether the person to whom the accused is said to have denied finding it had a right to ask the question. The circumstances set out are only these two—that the accused found a £1 note, and that he denied having found it. Now, it may be very wrong to deny having found a £1 note; on the other hand, such a denial may be quite innocent.

On the whole matter my opinion is that the Procurator-Fiscal having undertaken to set out such particulars as would necessarily amount to theft has failed to do so, and has instead given an argumentative statement of what he considers would amount to theft, but which, being consistent with innocence, leaves us no security that the accused was rightly convicted. On these grounds I am of opinion that the conviction ought to be quashed.

LORD RUTHERFURD CLARK—I am sorry to be obliged to differ, but I differ entirely. We have here nothing to consider but whether this complaint is or is not relevant. The complaint states merely these two facts—that the accused found a £1 note, and that he appropriated it to his own use. Under the new Act "appropriate" is to be read as "feloniously appropriate," but that really is of no importance, for if a person finds a £1 note, and appropriates it to his own use, I think that is plainly theft, and nothing else.

LORD YOUNG—Your Lordships have differed in opinion, and that, according to the constitution of this Court, gives me a vote.

I ventured to point out in the course of the discussion that the charge here is an argumentative charge, and that it is against the rule of our law to state charges argumentatively. It sets out that the accused found a £1 note, that he denied having found it, and that he appropriated it, and the argumentative conclusion from these facts is that he did steal the same. Now, I agree with Lord M'Laren that this conclusion does not necessarily follow from the facts on which it bears to proceed. A man may find a £1 note, and finding it, may deny having done so, and may appropriate it, and yet not be a thief. He may be a thief no doubt, but, on the other hand, he may not—the conclusion of theft is not the necessary inference. There must be circumstances entitling a jury to attribute to the accused the *animus furandi*. A man of large property may find money in the street, and may give it in the way of alms to the next beggar; that is undoubtedly appropriation. Yet who would call it theft, even if the finder had denied having found it? His denial may be a very important circumstance, and if the whole other circumstances point to the conclusion of theft, then he may be rightly convicted. Another important circumstance is that the finder knew who the true owner was, but in this indictment it is not suggested to whom the £1 note belonged, or even that the prosecutor

knew to whom it belonged. That is all the more inexcusable here, since according to our law—our common law, and apart from the recent statute—the *modus* of theft does not require to be set out in the indictment. All that our law requires is that the indictment should bear that accused "did steal" the article mentioned. But the particular circumstances being here set out—though insufficiently set out—to warrant the inference of theft, there is or is not an act of theft according to the evidence. I am not prepared therefore to sustain this indictment, and I am the more disposed to take this strict course—if indeed it be a strict course—because I have grave doubts whether this case should ever have been prosecuted. In one sense all crimes are crimes against the public as well as against the individual injured, but where in a case of this sort the individual injured makes no complaint to the authorities, and the friends of the accused come forward and restore what has been taken, it occurs to me that it is not for the public prosecutor to step in and insist in bringing the matter to the test of a criminal prosecution. I think that in cases of this kind—and I do not of course speak of cases of another and more serious description—the public prosecutor ought to act only on the deliberate complaint of the injured person.

The Court quashed the conviction.

Counsel for the Appellant—J. P. Grant.
Agent—Alex. Macdonald, Solicitor, Portree.

Counsel for the Respondent—Rankine. Agent
—J. Auldjo Jamieson, W.S., Crown Agent.

HOUSE OF LORDS.

Monday, March 26.

(Before Lord Chancellor (Halsbury), Lord
Watson, and Lord Macnaghten).

UNITED HORSESHOE & NAIL COMPANY
(LIMITED) v. STEWART & COMPANY.

Patent—Damages—Infringement.

In an action of damages brought by a company engaged in the manufacture of horseshoe nails against another company engaged in the same manufacture for damages caused by the defenders' infringement of patents belonging to the pursuers for improvements in the mechanism used in the manufacture, the defenders admitted that certain boxes of nails, manufactured and sold by them, had been made by means of machines which in a previous action had been held to be in certain small particulars infringements of the pursuers' patents. The defenders led evidence to show that the pirated portions of the mechanism were not essential to the manufacture of the nails, and that without using these portions they could have made the nails as well, and almost if not quite as cheaply as with them.

Held (rev. judgment of First Division) that the amount of damages did not fall

to be assessed on the footing that the infringers must pay merely for the benefit which they had taken from the use of the improvements pirated, because every sale must be treated as an illegal transaction in a question with the patentees, and its inherent illegality was not affected by the circumstance that the infringement consisted in using an inconsiderable part of the invention, and that therefore the infringers were liable to make full compensation for the injury which their competition occasioned to the patentees.

This case is reported *ante*, December 17, 1886, 14 R. 266, and 24 S.L.R. 180.

The pursuers appealed.

At delivering judgment—

LORD CHANCELLOR—My Lords, no question arises in this case as to the title of the pursuers to recover against the defenders a judgment for such an amount of damages as the pursuers can establish to have been sustained by the infringement of the patent right whereof the pursuers are possessed.

I am unable to follow the object of the minute and very careful examination which has been made by some of the learned Judges below as to the particulars of the patent or patents that have been infringed.

The actual infringement complained of consists in the sale of cases of nails produced by patent machines which are admitted to be infringements of the pursuers' patents. Every nail thus produced was an infringement of the pursuers' patent, the sale of which could have been interdicted, and would give a right of action against all concerned in its production and sale.

The question appears to me to arise solely on the assessment of damages. But I think the admissions in this case render unnecessary and indeed irrelevant an examination into the various parts of the patents.

The cases of nails *tales quales* were infringements, and in so far as those nails, such as they were, interfered with the sale of the pursuers' own goods, they were properly the measure of the damages which the pursuers were entitled to obtain. I say so far as they interfered with the sale of the pursuers' own goods, and while I agree with the Lord Ordinary that the pursuers can only recover compensation for the actual loss which they have sustained, the estimate of the particular sum which is to be arrived at when assessing compensation for the injury is purely a matter for a jury, and can rarely be made the subject of exact arithmetical calculation.

I am satisfied, however, that the boxes and cases of nails sold by the defenders did in fact interfere with the pursuers' sale. I am unable to agree with Lord Adam that there is nothing in the proof to show or make it probable that the pursuers would have made these sales. I do not say all these sales. I think there is considerable evidence to show that purchasers generally would have sought that particular nail, and I do infer that the pursuers, but for the intervention of the defenders, would have effected a large part of the sales. And I certainly find from the evidence that among the competing nails in the market

they were not all equally sought after, but that the pursuers' nails had a higher reputation. I think it is nothing to the purpose to show, if it is shown, that the defenders might have made nails equally good and equally cheap without infringing the pursuers' patent at all. I will assume that to be proved, but if one assumes that the nails which were in fact made by the pirated machines injured the pursuers' sales, what does it matter if it is ever so much established that the loss which the pursuers have sustained by the unlawful act of the defenders might also have been sustained by them under such circumstances as would give the pursuers no right of action.

Your Lordships have to deal with the facts as they exist, and those facts, as I say, are that the defenders have in derogation of the pursuers' rights sold cases of nails which they had no right to sell, and for which, to the extent to which they have interfered with the sale of the pursuers' patented nails, the pursuers are entitled to damages.

The difficulty I have had in the conclusion at which one should arrive in this case consists in this, that while the only ground upon which I can suppose the judgment appealed against could be supported would be that there was a bare infringement of right without any proof of damages, the judgment for £50 appears to me not to be reconcilable with the idea of nominal damages. And the judgment of the Lord Ordinary, with which I concur, that the pursuers were entitled to recover substantial damages hardly appears to me adequately to represent the amount of damages which the learned Judge held to be proved. In short, the judgment of nominal damages results in a judgment for damages that are not nominal, and the judgment for substantial damages results in a judgment for damages which are hardly substantial. 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. I have come to the conclusion therefore that I must treat the question as treated by the learned Judges below, as being a question between substantial and nominal damages, and if the former, then to restore the judgment of the Lord Ordinary, even as to amount, though with some hesitation, for the reason I have indicated, as to whether the precise amount arrived at is that which a very minute examination of the evidence would altogether justify.

I therefore move your Lordships that the interlocutor appealed from be reversed, and that the judgment of the Lord Ordinary be restored, but inasmuch as the litigation has resulted in a restoration of the judgment arrived at by the Lord Ordinary, and as the appellants were those who first appealed against that judgment, I think there should be no costs beyond the costs originally incurred—that is to say, that the appellants should have the costs of the proceedings before the Lord Ordinary, but not further.

LORD WATSON—My Lords, the appellant company sell through their agents John Donald & Son, of Glasgow, horseshoe nails made at their works in Sweden, and for the purposes of their

manufacture they retain the exclusive use of two patents for improved machinery, to which they have acquired right by assignment. Messrs Kollen, who are also nail manufacturers in Sweden, between February 1883 and March 1885, supplied the respondents 6215 boxes, each containing 25 lbs. weight of horseshoe nails, produced by machinery which violated the appellants' patent rights, and of these 5752 boxes were sold by the respondents before the 20th March 1885. On that date the appellants obtained a decree interdicting the respondents from selling or using any horse-shoe nails made in accordance with the patents. The respondents thereupon ceased to sell the nails in question.

The present action was brought by the appellants for damages in respect of injury to their trade occasioned by the competition which they encountered in the Scotch market from the nails illegally sold by the respondents. They allege that their average sales were thereby diminished, at least to the extent of the 5752 boxes actually sold by the respondents, that they were compelled to dispose of their own nails at lower prices than they would otherwise have obtained, and that notwithstanding the withdrawal of the interdicted nails from the market, their trade will not recover its former position, either as regards extent of sales or prices, for a considerable time. The respondents do not impeach the decree of interdict which is now *res judicata*, but they maintain that this is a case of *damnum sine injuria*, and that the appellants can only recover nominal damages.

The Lord Ordinary (Kinnear) after a proof had been taken before him, assessed the damages at £530. The appellants being dissatisfied with the sum awarded them presented a reclaiming-note, of which the respondents likewise availed themselves, the result being that the Judges of the First Division unanimously altered the Lord Ordinary's interlocutor, and reduced the damages to £50.

It is hardly disputed that as a matter of fact the sale of the respondents' nails, which were known as the shoe brand, did interfere with the appellants' sale of their globe nails manufactured by their patent machinery. The goods were of much the same quality, and the respondents' own witnesses state that they were in the habit of purchasing whichever of the two nails was at the time the lowest priced. The evidence of Mr Lamb, the respondents' traveller, shows that their goods were in constant and direct competition with those of the appellants. On one occasion he had to discontinue his attempt to sell his shoe brand in consequence of a recent reduction in price of the globe nails, and he accordingly communicated with the respondents, and got a reply to sell at the same price as the "globe." It is also established that the appellants' sales, which in 1882 had reached an average of 1268 boxes per month, were reduced during their two years of competition with the shoe nails to a monthly average little exceeding 1000 boxes, which were disposed of at lower prices than they had previously been able to obtain. These are facts which *prima facie* entitle the appellants to substantial and not merely to nominal damages. The grounds upon which the learned Judges of the First Division have held that only nominal damages are due appear to be these, that the

Messrs Kollen in the manufacture of the shoe brand nails used a very inconsiderable part of the appellants' patents, and that if they had not infringed at all they would still have produced nails of the same class which would have competed as successfully with the appellants' goods as the nails which they illegally sold.

Lord Adam, who delivered the leading judgment, said—"On the whole matter I have come to the conclusion that if the patent is used exactly as described in the letters-patent no saving is effected but the reverse, and that in my view the saving is so immaterial that I have no doubt the defenders without its use would still have manufactured their nails and competed with the pursuers just as they are doing now." The Lord President and Lord Mure concurred in the views expressed by Lord Adam. Lord Shand was of opinion that it had not been shown that the adoption of the parts of the respondents' patents was of material advantage to the appellants, and that had the interdict been granted at the date when that process was brought into Court, and the invasion of the patents then discontinued, the respondents would have been in the market "as competitors all the same with nails in all respects the same, but manufactured without the use of the parts of the patents already noticed."

Towards the close of his judgment Lord Adam expresses the opinion that the appellants were entitled to the profits derived from the illegal use of their patents, and cites a decision of the Supreme Court of the United States (*Newry v. Whitney*, 14 Wallace's Rep. 620) to the effect that the measure of profits recoverable is the saving in the cost of manufacture effected by such use, and it is on that footing apparently that his Lordship arrived at the estimate of £50. Lord Shand adopted the same principle, which is manifestly erroneous. It was held by this House in *Neilson v. Betts*, 5 Eng. & Ir. App. 1, that a patentee cannot claim both profits and damages, but must choose between them, and the appellants have made their election by raising the present action.

When a patentee elects to claim the profits made by the unauthorised use of his machinery it becomes material to ascertain how much of his invention was actually appropriated in order to determine what proportion of the net profits realised by the infringer was attributable to its use. It would be unreasonable to give the patentee profits which were not earned by the use of his invention, but the case is altogether different when the patentee of machinery who does not grant licences claims damages from an infringing manufacturer who competes with him by selling the same class of goods in the same market. In that case the profit made by the infringer is a matter of no consequence. However large his gains, he is only liable in nominal damages so long as his illegal sales do not injure the trade of the patentee, and however great his loss he cannot escape from liability to make full compensation for the injury which his competition may have occasioned. Every sale of goods manufactured without licence by patent machinery is and must be treated as an illegal transaction in a question with the patentee, and its inherent illegality is not affected by the circumstance that the infringement consisted in using

a small, and it may be the least useful, part of the invention. When it had been conclusively found that they infringed it, it was no longer open to the respondents to impeach the utility of those parts of the appellants' patents which were copied in the Messrs Kollen's machines. If these parts are not commercially useful—if, as Lord Adam holds, they effect no saving in the manufacture of nails, but the reverse—it would necessarily follow either that the patent was wholly void, or that there was no substantial infringement which would entitle the patentees to an interdict.

The object of inquiry in a case like the present is the *quantum* of injury done to the trade of the patentee by the illegal sales of the infringer. That must always be more or less matter of estimate, because it is impossible to ascertain with arithmetical precision what in the ordinary course of business would have been the amount of the patentees' sales and profits. When the product of patented machinery is a new and special article which cannot be successfully imitated without its use the process is comparatively simple, but that is not the case with horseshoe nails. The appellants had many rivals in their trade, and it is conceded that in estimating their damage there must be taken into account all legitimate competition to which they would have been exposed if Kollen's nails had not been in the market. I am clearly of opinion that the respondents are not entitled to assail these patents, and cannot be heard to say that the invention, so far as appropriated by the Kollens was of no advantage to their manufacture. But I am unable to go the full length contended for by the appellants, and to treat the case on the footing of leaving altogether out of view the fact that if the respondents had not sold the shoe brand, they would have been in the market, as they had been previously, selling other nails. That fact appears to me to be beyond dispute, and I think that to ignore it would be tantamount to giving the appellants not compensation merely, but profits which they would never have earned if the respondents had not infringed.

Assuming that the respondents might possibly have produced nails of similar quality with the shoe brand by means of machinery which did not infringe their patents, I do not think it is proved or ought to be presumed in favour of infringers that they would certainly have done so, and I have come to the conclusion that the sum of £530 fixed by the Lord Ordinary fairly represents the damage sustained by the appellants. I should have been inclined to assess damages at a higher figure had it not been for these considerations. The appellants' sales had in the year 1882 risen to 1268 boxes per month, and yet the combined sales of both parties in 1883 and 1884, according to the most favourable estimate, did not exceed 1310 boxes monthly notwithstanding the way in which these sales were pressed in the market, and the frequent reductions made in price. That circumstance of itself indicates the presence of other formidable competitors in the Scotch market, and leads me to infer that even in the absence of competition by the respondents the appellants' sales would not have exceeded the limit they had attained in 1882, and that their average could not have been maintained without a reduction of price. Again, it appears to me that the appellants have failed to establish that after the respon-

dents' illegal competition ceased they continued to suffer from its effects. On the contrary, I think it is probable, if not proved, that after the date of the interdict they derived pecuniary benefit from the respondents' outlay and exertions in pushing the sale of their shoe brand nails.

I am accordingly of opinion that the interlocutor of the First Division ought to be reversed, and that of the Lord Ordinary restored; and I agree that neither party ought to have costs after the date of the Lord Ordinary's judgment.

LORD MACNAGHTEN—My Lords, the appellants' claim for damages comes under two heads—loss of sales, and fall in prices.

The Lord Ordinary assesses the damages at £530. He arrived at that figure in this way. The total number of boxes sold by the respondents during the period of interference was 5752. From that number he struck off 700 as having been imported before the 27th of June 1883, the date on which the appellants acquired title to their patents, and he calculated that the appellants would have realised the sum of £530 as the amount of profit on the sale of the remaining 5052 boxes if they had sold these boxes themselves. There were two other elements which the Lord Ordinary took into consideration. On the one hand, it was not certain that the appellants would have made the whole of those sales themselves. On the other, the competition of the respondents might to some extent have lowered the selling price of the nails in the market. But in the result those considerations were allowed to balance each other.

On a reclaiming-note the Judges of the First Division reduced the damages to £50. They entered into an elaborate inquiry as to the utility of those parts of the patents which the respondents were found to have infringed. They pronounced those parts to be only subsidiary and unimportant, and so they came to the conclusion that if the interdict had been granted at an earlier date, or if the respondents had been better advised, they might have been in the market with nails in all respects the same, but manufactured without the use of those parts of the patents which they had no right to use. On this ground they held the first branch of the appellants' claim untenable.

As regards the claim in respect of reduction of price, the learned Judges did not reject it as being too remote, but they thought that it had not been proved that the competition of the respondents was really the cause of bringing down the price. They considered the reduction attributable in a great measure to the competition of other nail manufacturers. In the result they seem to have been of opinion that the appellants were only entitled to nominal damages, which, somewhat singularly, they assessed at the sum of £50, as being the measure of the advantage which the respondents gained by the infringement.

I am unable to agree with this view. The decision in the patent action and the minute of admissions in the present case establish beyond question that in selling the shoe brand nails the respondents infringed the appellants' rights. The sale of each and all of those nails was unlawful. It appears to be beside the mark to say

that the respondents might have arrived at the same result by lawful means, and that without infringing the appellants' right they might have produced a nail which would have proved an equally dangerous rival of the globe nail.

The sole question is, what was the loss sustained by the appellants by reason of the unlawful sale of the respondents' nails? The loss must be the natural and direct consequence of the respondents' acts. In the first place, I think the claim for loss of profits by reason of the reduction of price must be rejected. I do not think that was the natural or direct result of the respondents' acts. The appellants seem to have had no difficulty in ascertaining where the competing nails were made, and in coming to the conclusion that they were produced by machinery which infringed their patent rights. The appellants must be taken to have believed in their case. If they believed that the respondents were infringing their rights, and relied on obtaining redress in due course of law, it appears to me that it was not a reasonable course on their part to reduce the price so as to injure their own trade. On establishing their rights they would be entitled either to the profits which the respondents might have made, or to the damages which they could prove they had sustained. In lowering their prices they seem to me to have been prompted by a desire to provide for the contingency of their failing in their action, and by an anxiety to drive their rivals from the field whether they were right or wrong.

There remains the other head of damage—loss of sales by reason of the competition of the respondents.

I think the appellants are entitled to take into account the total quantity of nails sold by the respondents, and that they are not limited, as the Lord Ordinary held they were, to the period commencing on the 27th of June 1883. Although that was the date on which the appellants acquired their title to the patents, they succeeded to the rights and to the property of their predecessors in title.

Then comes the question, to what extent did the wrongful acts of the respondents operate to prevent sales by the appellants? I think it would be going too far to say that if the respondents had not been in the field the appellants would have sold an additional quantity equal to the amount sold by the respondents. But considering that the respondents seem to have worked the ground occupied by the appellants, and having regard to the progressive increase in sales during the previous years, and to the fact that the sales of the appellants and of the respondents taken together did not largely exceed the appellants' sales in 1882, I think it is a fair inference that if the appellants had been left undisturbed the natural increase of their business would have come near the aggregate of the quantity sold by the appellants and respondents together.

If it were assumed that but for the interference of the respondents the appellants would have sold 5752 boxes in addition to what they actually sold, their loss, taking the actual prices, would be £611. I think it would be reasonable to strike off from that amount a moderate percentage as representing sales due to increased activity produced by the rivalry of two competitors. This would reduce the damages very

much to the amount found by the Lord Ordinary, though he has arrived at the result in a somewhat different way.

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, nor indeed all the materials that were before the Lord Ordinary. But it appears to me that substantial justice will be done if your Lordships confirm the amount that the Lord Ordinary has awarded. It would be lamentable to condemn the parties to further litigation.

As regards costs, it seems to me that the respondents ought to pay the costs of the trial before the Lord Ordinary, but that there ought to be no costs of the subsequent proceedings.

Interlocutor of the First Division reversed; interlocutor of the Lord Ordinary restored; no costs after the date of the Lord Ordinary's interlocutor.

Counsel for the Appellants—Rigby, Q.C.—Guthrie Smith. Agent—H. C. Godfrey, for Gill & Pringle, W.S.

Counsel for the Respondents—Finlay, Q.C.—Ure. Agent—W. A. Loch, for Maconochie & Hare, W.S.

Thursday, April 26.

(Before Lord Herschell, Lord Fitzgerald, and Lord Macnaghten.)

INLAND REVENUE *v.* TOWN AND COUNTY BANK (LIMITED).

(*Ante*, March 4, 1887, 24 S.L.R. 388; 14 R. 528.)

Revenue—Income-tax—Income-Tax Act, 1842 (5 and 6 Vict. cap. 35), Schedule D, Cases I. and II., Rule 1—Deduction for Value of Premises occupied as Dwelling-house.

A bank was charged with income-tax under Schedule A of the Income-Tax Act, 1842, on certain premises belonging to it in which it carried on its business, and which were also to some extent occupied as dwelling-houses by the manager and agents, that accommodation being given by the bank to them as part of their emoluments. In assessing the bank for income-tax under Schedule D, the Income-Tax Commissioners refused to allow deduction from the gross profits of the bank of the annual value of these premises, in so far as they were occupied as dwelling-houses.

Held (affirming the judgment of the First Division) that the bank was entitled to deduct the value of the whole premises in question, the portions used as dwelling-houses not being beneficially enjoyed as such by the bank.

This case is reported *ante*, March 4, 1887, 24 S.L.R. 388, and 14 R. 528.

The Inland Revenue appealed.

At delivering judgment—

LORD HERSCHELL—My Lords, this is an appeal from the judgment of the First Division of the