

BETWEEN

THE BAUER CHEMICAL COM-
 PANY, INC. } PLAINTIFF;

1920
 Nov. 6.

AND

SANATOGEN COMPANY OF CAN-
 ADA, LIMITED, AND WILLIAM } DEFENDANTS.
 WELLSTED BARRY

*Trade-Marks, Title thereto—Custodian of Alien Property—Friendly
 Nation—War Measures Act.*

B. and Co. were a German firm, operating in Germany but had branches of their business, under different names, in England and the United States. The trade-marks in question were registered in their name both in England and in Canada.

When England declared war, in 1914, the trade-marks registered there were avoided, and the British branch of business sold by the Custodian of Alien Property, and while the conditions of sale did not provide for the sale of the goodwill, it was subsequently inserted in the deed of sale.

When the U.S. entered the war,—the American business of B. and Co. who were owners of the Canadian trade-marks, was taken over by the American Alien Property Custodian, and later the stock and all assets of this company including the Canadian trade-marks, were by him sold to American citizens, who, with other shareholders, now constitute the plaintiff company.

Held, that by the sale of the American Alien Property Custodian to the plaintiff of all the assets of the German company aforesaid, the Canadian trade-marks in question passed to them and became their property.

2. Although the title was obtained by the plaintiff during the war, it was derived from the Government of a friendly nation, allied with Canada in the war, which purged it of any taint of German ownership, and was not adversely affected by anything contained in the Canadian War Measures Act, 1914, or any of the Orders in Council made thereunder.
3. That there being no privity of contract between those who purchased from the English Custodian and the defendants and moreover, as defendants cannot invoke *jus tertii* they have failed to prove any title to the trade-marks in question.

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ACTION by plaintiff to restrain the defendants by injunction from selling or offering for sale their preparations under the trade-marks "Sanatogen" and "Formamint."

The case was tried at Quebec on the 5th and 6th days of August, 1920, before the Honourable Mr. Justice Audette.

Russell Smart and J. Lorne McDougall for plaintiff.

Louis Côté and J. E. C. Bumbray for defendants.

The facts are stated in the reasons for judgment.

AUDETTE J. now (November 6, 1920) delivered judgment.

By this action the plaintiff company seeks to restrain the defendants from infringing certain trade-marks and labels and from selling or offering for sale, in Canada, Chemical Pharmaceutical preparations under the trade-marks "Sanatogen" and "Formamint" or having thereon certain labels described in the trade-mark of 1912 hereinafter referred to.

The defendants, by their statement in defence, deny that the plaintiff company has any ownership in the said trade-marks, and they themselves make claim to the same in the manner hereinafter set forth.

On the 6th April, 1904, Bauer & Co., a co-partnership of Berlin, Germany, registered in Canada, a general trade-mark consisting of the word "Sanatogen."

On the 1st March, 1905, Luthe & Buhtz, of Berlin, Germany, registered in Canada, a specific trade-mark consisting of the word "Formamint" and on the 27th October, 1905, assigned the same to the said Bauer & Company, of Berlin. Germany.

Then on the 25th January, 1912, the latter, styling itself "Bauer & Cie," manufacturers and chemists, of 231 Friedrichstrasse, Berlin, Germany, trading also as The Sanatogen Company (A. Wulfing & Co.) of 12 Chenies Street, London, England, *registered in Canada in the name Bauer & Cie.*, trading as above mentioned, the specific trade-mark "Formamint," with label and device of a triangle containing the initials "A.W. & Co." and the facsimile signature "A. Wulfing & Co."

On the same day, the 25th January, 1912, the same party likewise registered in Canada, *in the name of "Bauer & Cie."* trading as above mentioned, the specific trade-mark of "Sanatogen" with label bearing the signature "A. Wulfing & Co." and the device of a shield provided with rays bearing the initials "S. Co."

Then the war between Germany and Great Britain broke out on the 4th August, 1914.

The German firm of Bauer & Cie., or Bauer & Company, according to witness Hehmeyer, is composed of John A. von Wulfing and Ernest Moeller; Wulfing being the senior partner and "the one with more money."

Hehmeyer, on behalf of the German firm, opened in the United States a regular branch office of the business, and later on a manufacturing plant. The manufacturing plant for "Formamint" was opened in 1913 and the Sanatogen manufacturing plant was decided to be erected in 1914, shortly after the outbreak of the war.

In 1914, owing to war conditions, Hehmeyer, the German agent in America, says he was given a new power of attorney superseding any other power of attorney limited in its powers, the new one being

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more comprehensive and broader, and it was understood whatever Hehmeyer would do and say would have the sanction of his principal, the German firm.

Hehmeyer registered, under a partnership name in the United States as agent for Bauer & Co., carrying on business under the name of Bauer Chemical Co.

Then in June, 1916, Hehmeyer received a wireless from Bauer & Co., telling him to incorporate and pass the interest of Bauer & Co., to an incorporated company so that they would be the owners of the stock as that was the ultimate outcome. The German citizens remaining the owners, as shareholders in this new company. The principal reasons assigned for this incorporation was the alleged improvement in export facilities, as at that time the British black-list threatened to hamper their exports to other countries. The English branch of the German company having on the 11th May, 1916, under the Trading with the Enemy Amendment Act, 1916, been taken over by the English controller.

The new company was incorporated on the 26th July, 1916, and then on the 31st July, 1916, Hehmeyer made to the company an offer in writing, purporting to be on behalf of Bauer & Co., to transfer to the company all their American rights in North and South America to the products of "Formamint" and "Sanatogen." Hehmeyer testifies he had no specific instructions from Bauer & Co. to transfer the Canadian rights, but took it upon himself to do it under his general power of attorney, (Exhibit No. 10), thinking it was the best thing to do under the circumstances, in the interests of Bauer & Co. His idea, it is clear, was to save as much as he could for his German principal, knowing moreover that the Custodian of Alien Enemy property in England had taken

over the English business of A. Wulffing & Company and was controlling it, and knew it when he incorporated his American company. (See Exhibit "A").

The United States entered into the war on the 6th April, 1917.

Then, in June, 1918, the American business of this German company, carrying on business under the name of the company incorporated in July, 1916, was, under the provisions of the Act of Congress known as The Trading with the Enemy Act, taken over by the American Alien Property Custodian, and an order for sale of the same was made on the 23rd day of January, 1919. (Exhibit "B").

As a result of such proceedings, both the stock of the Bauer Chemical Co., Inc., and all the assets of the company were sold, by the Alien Property Custodian to three American citizens, Henry Pfeiffer, G. A. Pfeiffer and Garfred D. Merner, who now constitute,—with changes in the list of shareholders,—the Bauer Chemical Co., Inc., under which name they carry on their purchased business, and who claim the Canadian trade-marks which were transferred by Hehmeyer, agent of Bauer & Co., of Berlin, in 1916, and which they claim formed part of what they bought from the American Alien Property Custodian.

The war between Germany and England was declared on the 4th August, 1914, and was brought to a termination on the 10th January, 1920, as will be seen by the proclamation published in the "Canada Gazette" on the 29th March, 1920.

Therefore, it appears that, in England, the Official controller seized the business of the branch established by the Berlin firm of Bauer & Cie, avoided their trade-marks, forfeited and sold their business. In the United States, after entering in the war, the

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American branch of this Berlin firm, incorporated into a company, was also forfeited and sold and the present plaintiffs,—American citizens and an American company,—became the owners of the trade-marks held in the company's assets at the time they were sold and which were purchased by them from the American controller. *Continental Tire Co. v. Daimler* (1).

In Canada, Parliament enacted the War Measures Act, 1914, and further enacted thereunder a number of Orders in Council, the most important among them being that of the 2nd May, 1916, respecting Trading with the Enemy, (3 Sup. Proclamations O.C., relating to European war, 1558), and that of the 14th day of April, 1920, "Canada Gazette," 1st May, 1920) respecting the Treaty of Peace at Versailles.

Under this Canadian legislation, or otherwise,—after much labour,—I have been unable to find any enactment depriving the plaintiffs of the ownership of the trade-marks in question. There is no text of law dealing with a matter of this kind.

The sale by the American Custodian has purged any taint of German ownership, and the present plaintiffs,—an American company,—are entitled to the trade-marks in question. The action is based upon a sale, or title derived from the Government of a friendly nation allied with Canada in the war and the Canadian legislation and Orders in Council respecting Trading with the Enemy do not affect such a transaction.

In the case of *Porter v. Freudenberg*, *In re Merten's Patent* (2), Lord Reading, said (at p. 869): "In ascertaining the rights of aliens the first point for consideration is whether they are alien friends or alien

(1) [1915] 1 K.B. 893.

(2) [1915] 1 K.B. 857.

enemies. *Alien friends have long since been, and are at the present day, treated in reference to civil rights as if they were British subjects, and are entitled to the enjoyment of all personal rights of a citizen including the right to sue in the King's Courts."*

Coming to the consideration of the defendants' right to the trade-marks in question and in respect of which they are sued for infringement, it will be sufficient, without going into the details of the several transactions in that respect, to state again that Bauer & Co., of Berlin, had also a branch of their business in England. When the war broke out, their trade-marks were avoided and their business seized and sold by the English Official Custodian. And while the conditions of sale did not provide for the sale of the good will, it was inserted in the deed of sale and the defendants claim that the Canadian trade-marks passed with such good will.

Helmeyer testified that all trade-marks in question were the property of the Berlin partnership. However, with respect to the defendants' claim to the ownership of the trade-marks, it will be sufficient to say, whether or not such sale by the English Custodian dealt with or included the Canadian trade-marks, that they have absolutely failed to prove any title or proprietary rights thereto. Moreover, they cannot invoke *jus tertii*, the rights which could be derived from the sale by the Custodian in England. There is no privity between the defendants and those who purchased from the English Custodian, in London, England. All the defendant Barry did was to take the law in his own hands, and to assume and convert to himself the said trade-marks and assign them to a company formed by him and which, according to his own evidence, was himself.

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The defendants' claim to the trade-marks in question has not been proven.

Plaintiffs' counsel at bar, taking sec. 84 of the Order in Council of the 14th April, 1920, (C.G., 1st May, 1920) into consideration, declared he would be satisfied to limit the recovery of damages resulting from the infringement to the period after the termination of the war, and effect is hereby given thereto.

Under the circumstances, there will be judgment in favour of the plaintiffs, and they are at liberty and entitled to issue the injunction prayed for, the damages or the account of profits to be ascertained only from the date of the termination of the war. The whole with costs in favour of the plaintiffs.

Judgment accordingly.

Solicitors for plaintiff: *Fetherstonagh & Co.*

Solicitors for defendant: *Louis Côté.*
