

the distribution of debenture stock to shareholders calculated as justified by the state of the Realization Reserve Account should be properly held to be taxable as profit according to the pecuniary value thereof.

3. Declare that the case does not state facts sufficient to determine any other questions either as to the amount of the profits, or the years in which they are assessable.

4. Declare that the Commissioner be at liberty to apply to the Supreme Court for any inquiries and accounts that may be necessary.

5. Declare that neither party shall be entitled to costs.
There will be no costs to either party before this Board.

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COMMISS-
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TRUST LTD.
—

[HIGH COURT OF AUSTRALIA.]

NEILSON APPELLANT;

AND

THE MINISTER OF PUBLIC WORKS }
FOR NEW SOUTH WALES . . . } RESPONDENT.

ON APPEAL FROM THE COMMISSIONER OF PATENTS.

Patent—Specification—Amendment—Want of subject matter—Substantially different invention—Patents Act 1903 (No. 21 of 1903), secs. 71, 78. H. C. OF A.
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On an appeal from the refusal of the Commissioner of Patents to allow certain amendments of a specification,
Held, that the amendments were properly disallowed :
SYDNEY,
Aug. 11, 12,
13, 14.

By Barton J., on the ground that, whether the invention claimed in the proposed amendments of the specification was the discovery of a new principle or a mere working direction for the use of existing apparatus, it was substantially different from that claimed by the original specification, and there- Griffith C.J.,
Barton,
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fore that the amendments were within the prohibition of sec. 78 of the *Patents Act 1903* ;

By *Isaacs, Gavan Duffy* and *Rich JJ.*, on the ground that the claims set out in the proposed amendments of the specification disclosed no patentable subject matter ;

By *Griffith C.J.*, on both grounds.

APPEAL from the Commissioner of Patents.

Matthew Montgomerie Neilson had applied for a patent for an invention called "Non-septic treatment of sewage and other organic liquid." The Commissioner of Patents having dismissed certain opposition to the grant of a patent on the ground of want of novelty, the High Court, on an appeal by the opponent, held that as to certain of the claims a patent should not be granted unless within one month the applicant should apply for and obtain leave to amend the specification in certain respects: See *Griffith v. Neilson* (1), where the complete specification is set out.

The applicant thereupon applied for leave to amend the specification. The Commissioner allowed certain of the amendments and refused others. Of those which were refused the two following claims were proposed to be substituted for the original first and second claim :—

"1. The herein described process of treating sewage which consists essentially in partially fermenting the same under anaerobic conditions and immediately thereafter slowly flowing the liquid elements and finely divided suspended solid matter therewith through a series of aerating and intermixing chambers

"2. A process of treating sewage characterized by the partial fermentation thereof under anaerobic conditions, the retention of solid matter in an anaerobic chamber by means of a baffle until disintegrated, the withdrawing from the said chamber by flow of the liquid product and disintegrated solids suspended therein, and the progressive mixing and aerating thereof in a succession of chambers whilst slowly flowing there-through and in circulatory motion in the surface strata, substantially as described."

From the decision of the Commissioner the applicant now appealed to the High Court.

Leverrier K.C. (with him *Flannery*), for the appellant.

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Schutt (with him *Mack*), for the respondent.

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During argument reference was made to *Griffith v. Neilson* (1); *In re Deeley's Patent* (2); *Muirhead v. Commercial Cable Co.* (3); *Terrell on Patents*, 5th ed., p. 131; *Wallace and Williamson on Letters Patents for Inventions*, p. 229; *Clark v. Adie* [No. 1] (4); *Kelly v. Heathman* (5); *Deeley v. Perkes* (6); *Moore v. Hesketh & Phillips* (7); *In re Crist's Application* (8); *In re Hennebique's Patent* (9).

Cur. adv. vult.

GRIFFITH C.J. This is an appeal from a refusal by the Commissioner of Patents to allow certain amendments of a complete specification. The circumstances of the application were these. The applicant applied for a patent in 1909, which was objected to on the ground of want of novelty but granted by the Commissioner. On appeal this Court held that it could not be granted upon the specification in its then form, but gave the applicant an opportunity to apply for amendment. He then made his application to the Commissioner.

Aug. 14.

The invention was originally described as an invention for "non-septic treatment of sewage and other organic liquid." On the former appeal I briefly described the nature of the treatment of sewage in septic tanks, which description is to be found in *Griffith v. Neilson* (10). It is sufficient for the present purpose to say that in theory that process comprises two stages—first, decomposition of the organic matter in a closed tank or chamber with the aid of anaerobic germs, and, secondly, the oxidization of the products of that decomposition with the aid of aerobic germs. The applicant says that the first stage itself includes two stages, one of which he calls fermentation and the other putrefaction, but the actual operation of the process is continuous. The sewage

(1) 13 C.L.R., 131.

(6) (1896) A.C., 496.

(2) 12 R.P.C., 65; 192.

(7) 4 C.L.R., 1411.

(3) 12 R.P.C., 39, at p. 62.

(8) 20 R.P.C., 475.

(4) 2 App. Cas., 315.

(9) 28 R.P.C., 41.

(5) 45 Ch. D., 256.

(10) 31 C.L.R., 131, at p. 140.

H. C. OF A. enters at one end of the apparatus, and continuously flows on
1914. through it to the other end, where the effluent should, as far as
NEILSON practicable, be pure water.
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MINISTER OF It is obvious that under these circumstances the steps of
PUBLIC fermentation and putrefaction are not, and cannot be kept,
WORKS, distinct, since freshly admitted sewage will be, perhaps, unfer-
N.S.W. mented at all, or, at any rate, in a different stage of fermentation
Griffith C.J. from that which has been admitted many hours before. In the

body of the original complete specification it was stated that, according to what the applicant claimed as his invention, which he called a "non-septic" process, "the sewage is first allowed to ferment or, in other words, it is exposed to anaerobic action, in order to disintegrate the solids and render the whole amenable to the subsequent treatment, but the fermentation is not, as in the septic treatment, permitted to pass into putrefaction. Subsequently the sewage before leaving the 'non-septic' tank" (by which he means the whole of the apparatus) "is subjected to the action of aerobic micro-organisms, by which it is converted into the desired effluent."

The first claim which he made, and which he now seeks to amend, was in these words:—"In tanks for the treatment of sewage, or other liquid containing organic matter, the use of translating chambers to supply the effluent with oxygen from the air, substantially as described." It was objected that that was a claim, not for a new process combining the principles and operation of a septic tank with translating chambers, but for the use of translating chambers in the abstract, which was clearly not novel. The Court thought that the specification might be construed as suggesting that the real invention, if any, was a process, and therefore allowed the applicant to mend his hand, which he has now tried to do.

In his amended specification, which bears a new title, namely, "Improvements in the bacterial treatment of sewage and other flowing organic matter," the first claim reads thus:—"The herein described process of treating sewage which consists essentially in partially fermenting the same under anaerobic conditions and immediately thereafter slowly flowing the liquid elements and finely divided suspended solid matter therewith through a

series of aerating and intermixing chambers." Then follows an expanded description of what in his original claim he had called "translating chambers." He also put this claim in an alternative form as a second claim, which is substantially to the same effect as the first.

Sec. 71 of the *Patents Act* 1903 provides that "An applicant or a patentee may . . . seek leave to amend his complete specification by way of disclaimer correction or explanation." Sec. 78 provides that "No amendment shall be allowed that would make the specification as amended claim an invention substantially larger than or substantially different from the invention claimed by the specification before amendment." The questions then are whether the proposed amendments are really by way of disclaimer, correction or explanation, and whether they claim an invention substantially larger than or substantially different from that originally claimed.

In argument before us it was contended for the applicant that the real nature of the invention is the separation of the process into two stages or parts, the first being partial fermentation, and the second the subjecting of the sewage at that stage and not later to aeration; and that this separation leads to improved results. Both stages form a part of the ordinary and well known septic tank system. The substance of the alleged invention, therefore, is that by choosing a particular time for beginning the aeration better results are obtained. No directions are given for ascertaining when the proper degree of fermentation has been attained, but it is said that it can be easily and sufficiently ascertained for all practical purposes.

It is obvious that, since the ordinary operation of the process is continuous and the passage of the liquid from the first or receiving tank is over its further edge, the flow cannot begin until the tank is full, and that that event will depend upon the capacity of the tank and the rate and quantity of the influx of sewage into it. If that influx is slow, the liquid will remain for a longer, and if rapid for a shorter, time, and the extent of fermentation before efflux will vary accordingly, so that sometimes it will be more and sometimes less than that which the applicant thinks desirable. It is also obvious that to ensure the

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desired quality of effluent from the first tank it will be necessary to ascertain its quality at any given time and to provide for its efflux when the proper time is reached. But no direction is given on either point by the proposed amendments. The apparatus used is the ordinary apparatus for the septic tank system.

In my opinion, it follows that the alleged invention is either a new principle unaccompanied by any description of the means for carrying it into effect, or a mere working direction, neither of which is proper subject matter for a patent.

Apart from this fatal objection, the fact that the original specification contained no direction or explanation on either point is sufficient, in my opinion, to show that what the inventor then intended to claim was merely the application of translating chambers of the kind described, and that his invention began at that stage and was not an invention for dividing the whole process into two parts. Whether, therefore, the invention now alleged is the discovery of a new principle or a mere working direction for the use of existing apparatus, it is substantially different from that originally claimed, and is not allowed by the Act.

Before concluding I may remark that, if the amendments were allowed, any possessor of a septic tank would be guilty of an infringement whenever it happens that by an unusual influx of sewage or water into the receiving tank the effluent is in the proper stage of partial fermentation when it becomes exposed to aeration.

Mr. *Leverrier* did not press the proposed amendment of the seventh claim if the Court should be against him as to the amended first or second claim.

For these reasons I think that the amendments were properly refused.

BARTON J. I agree that the amendments are within the prohibition of sec. 78 of the *Patents Act*, and that the appeal should be dismissed.

ISAACS J. read the following judgment :—Two entirely distinct sets of objections to the proposed amendments have been raised in argument.

One set is on broad lines and touches the foundation of the whole matter, namely, that even regarding it as an original specification the alleged invention is not patentable for want either of novelty or of subject matter; the other set of objections is based on this, that even supposing the new claims would be good if originally inserted, they offend against sec. 78 of the Act.

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Mr. *Leverrier* very strongly urged that an opportunity should be given to him to call evidence before deciding against him on the broader ground. And, as this is really an application to the Court in its original jurisdiction, I should have agreed with him but for one thing. He was repeatedly invited to state to what point the evidence would be directed, and the only suggestion was one which, in my opinion, renders the question of further evidence futile. Assuming the point suggested were established, the application would still fail. The position suggested was, in effect, that the present mechanism of septic tank purification can in actual practice be best utilized by drawing off the material from the anaerobic chamber before putrefaction has commenced, and that under certain conditions that drawing off can be effected.

But no suggestion was made of any new method of effecting this, or of any system by which, in ordinary use, the material can with any degree of dependence be caused to leave the anaerobic chamber before putrefaction. It was not denied that unless the conditions of user can be controlled as to quantity of material and frequency of introduction, for instance, and so as to conform to some standard known to bacteriologists, it is a mere haphazard chance whether the material comes out putrefied, or only partly fermented, or at any particular stage of fermentation.

Assuming, therefore, the idea is original that the best conditions are fermentation short of putrefaction, still without some practical means of carrying out that idea so as to add to the sum of human art—not merely human discovery—the idea is not patentable.

In *Reynolds v. Herbert Smith & Co.* (1) *Buckley J.* said:—
“Discovery adds to the amount of human knowledge, but it does so only by lifting the veil and disclosing that which before had

(1) 20 R.P.C., 123, at p. 126.

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been unseen or dimly seen. Invention also adds to human knowledge, but not merely by disclosing something. Invention necessarily involves also the suggestion of an act to be done, and it must be an act which results in a new product, or a new result, or a new process, or a new combination for producing an old product or an old result." But what is the "act" in the present case? It is said to be the "process." But that is delusive. One might talk of the process of transferring energy from the waves of the sea to some machine. But the process must be indicated, or else the new idea remains as "a problem" (*per Smith J. in Lane Fox v. Kensington and Knightsbridge Electric Lighting Co. Ltd.* (1)). And, as the matter stands, all that the applicant gives is an idea of stopping the process short of putrefaction, and says "There is the idea; any practical man can carry it out." Now, in the first place, it is evident no practical man can carry it out, in the sense of devising a reliable means of securing the result.

An average result can be obtained, says learned counsel; but I fail to understand that—Is it an average for a year or a month or a day?—and in any case it is at best really no more than a clever and original suggestion for better working an existing apparatus. It is not like the dilute cyanide process, because dilute cyanide was a new factor, an additional link in the working apparatus, and the combined apparatus which included this additional factor was really a new apparatus.

Lord *Westbury* and Lord *Chelmsford* have both said that the phrase "combination of machinery" is merely the word "machine" writ large, and so the new cyanide recipe, or the Muntz combination, or even the *Saccharin Corporation Case* (2) (the strongest in applicant's favour) is distinguishable. The *Saccharin Case* was one where the discovery that the temperature should never be allowed to rise above a certain point was patentable. But there sufficient working directions were given by which the idea was practically workable in a dependable manner so as to produce the beneficial results. It was a clear addition to human art.

I have come to the conclusion that, on the best suggestion

(1) 9 R.P.C., 221, at p. 248.

(2) 17 R.P.C., 28.

made, the claims as put in argument are nothing more than a statement that if a person can by means of existing knowledge manage to arrange conditions so as to prevent putrefaction by drawing off the fermenting substance at an earlier stage, he will get better results from the old apparatus. That, in my opinion, is not patentable.

I would point out, however, that even on this branch of the case the new claim No. 1 is wider than the suggested idea. The claim does not say ferment up to the point of putrefaction. It says "partially ferment." What degree of fermentation is pointed to is undetermined. It may be the earliest instant or the latest. Putrefaction is itself fermentation. So that as the claim stands it draws no line at putrefaction, which consistently with the claim may not be reached, or may be passed. It is really impossible to say when, short of entire destruction of the material, fermentation ceases to be partial. This difficulty arises, as I think, from the fact that any definite device for the process of arresting fermentation at any particular stage was never considered by the applicant as a patentable matter, or as a matter intended to be claimed as a monopoly. He had struck an idea, and thought that was sufficient. And even now, as I have said, no suggestion of any such device has been made. If there is any invention sec. 36 of the Act requiring the complete specification to end "with a distinct statement of the invention claimed," has not been complied with.

This renders it unnecessary really to determine the second branch. But I may say I see serious difficulties in the applicant's way. One is that the form of disclaimer is not used, and a branch of the process is brought into the area of exclusive property which was not there before. But as a combination—possibly to avoid anticipation by Wanklin and Cooper—it must not be forgotten that, as laid down by *Harrison v. Anderston Foundry Co.* (1), "if there is a patent for a combination, the combination itself is, *ex necessitate*, the novelty." It is a question thereupon whether the claim for a combination is not substantially different from the original claim for one of the integers. However, I prefer to rest my judgment on the broader

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(1) 1 App. Cas., 574, particularly at p. 578.

H. C. OF A. ground, which notwithstanding rule 102 I feel at liberty to do,
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Gavan Duffy J.
Rich J.

The judgment of GAVAN DUFFY and RICH JJ. was read by GAVAN DUFFY J. We think the application should be refused in the exercise of the Court's discretion to refuse an amendment where the amended claim would disclose no patentable subject matter. We adopt the statement in the judgment of our brother *Isaacs*, where he says:—"The claims . . . are nothing more than a statement that if a person can by means of existing knowledge manage to arrange conditions so as to prevent putrefaction by drawing off the fermenting substance at an earlier stage, he will get better results from the old apparatus."

Appeal dismissed.

[Subsequently, on 3rd September, upon the application of the appellant, and with the consent of the respondent, the time limited by the order of the High Court made on the 31st August 1911 for sealing the patent (see *Griffith v. Neilson* (1)) was extended for two months from 14th August 1914.]

Solicitors, for the appellant, *Minter, Simpson & Co.*

Solicitor, for the respondent, *J. V. Tillett*, Crown Solicitor for New South Wales.

B. L.

(1) 13 C.L.R., 131, at p. 152.