

Appl
Smith Kline & French Labs Ltd v Comr of Patents 18 IPR 513

[HIGH COURT OF AUSTRALIA.]

IN RE ROBINSON'S PATENT.

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1918.

MELBOURNE,
June 25, 26,
27, 28;
July 1, 8, 9.

Isaacs J.

Patent—Extension for further term—Application—Practice—Inadequacy of remuneration—Public interest—Merits of invention—Accounts of profits—Extension of time for application—Application made after expiry of patent—Provisions, restrictions and conditions of extension—Patents Act 1903-1909 (No. 21 of 1903—No. 17 of 1909), sec. 84—Patents, Trade Marks and Designs Act 1914 (No. 15 of 1914), sec. 3—Patents, Trade Marks and Designs Act (No. 2) 1914 (No. 16 of 1914), sec. 3—Solicitor-General Act 1916 (No. 28 of 1916), sec. 3—Patents (Temporary) Regulations 1914 (Statutory Rules 1914, No. 174), reg. 8.

On an application for the extension of a patent under sec. 84 of the *Patents Act* 1903-1909, the rules and practice of the Privy Council as to the extension of patents should, whenever they are applicable and are not contrary to statutory provisions, be followed.

The granting of an extension of a patent is subject to the paramount consideration of the public interest.

On an application for an extension of a patent the applicant must prove the inadequacy of his remuneration during the term of the patent, and must disclose fully all circumstances within his own knowledge which are material for the Court to know.

He must also satisfy the Court that the invention as it stands has in fact considerable practical merit for the public deserving of some substantial remuneration.

In order that he may show that he has been “inadequately remunerated by his patent” he must show that his profits have been disproportionately small in comparison with the merits of his invention in relation to the public.

The applicant should exhibit in the affidavit in support of his application a balance-sheet showing what he presents as being the receipts and expenditure year by year in respect of the patent.

He must further show that he has made reasonable endeavours to make his invention lucrative.

Among the circumstances which the Court will take into consideration are the personal ingenuity involved, and the efforts and expense which the inventor has incurred, in arriving at the invention. H. C. OF A.
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By virtue of sec. 3 of the *Patents, Trade Marks and Designs Act* 1914, as amended by sec. 3 of the *Patents, Trade Marks and Designs Act* (No. 2) 1914, the time within which under sec. 84 of the *Patents Act* 1903-1909 an application for the extension of a patent may be made may, before the expiration of the patent, be extended to a time subsequent to such expiration. IN RE
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Provisions, restrictions and conditions of an extension of a patent considered.

PETITION.

James Robinson, the holder of letters patent granted by the Commonwealth for "Improvements in and relating to shares for scarifiers, cultivators and like implements," applied by petition to the High Court for an order for an extension of his patent for a further term of fourteen years or for such other term as might seem fit. A caveat against the extension was entered by Friedrich Wilhelm Arthur Anders. The material facts are stated in the judgment of *Isaacs J.* hereunder.

Cohen and Braham, for the petitioner.

Hayes, for the caveator.

Cur. adv. vult.

ISAACS J. read the following judgment:—This is a petition presented by James Robinsen under sec. 84 of the *Patents Act* 1903-1909 for the extension of his Commonwealth patent, No. 552, for "Improvements in and relating to shares for scarifiers, cultivators and like implements." Patent No. 552 was granted on 1st June 1904; and, being based on a South Australian patent, No. 6446, dated 5th February 1904, for fourteen years from that date, the Commonwealth patent was limited by sec. 7 of the Act to a duration not exceeding the unexpired period of the State patent. The Commonwealth patent was granted for the whole of that unexpired period, which terminated on 4th February 1918. The petition was presented on 23rd April 1918, and at the threshold of the case it was objected on behalf of the

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caveator, Anders, that the statutory condition as to time enacted by the first paragraph of sec. 84 was not observed, and, therefore, the Court has no jurisdiction to entertain the petition. Later legislation, which was referred to, did not, it was urged, cure the objection. In view of all the circumstances I have thought it better in every way to hear the case through, and decide both the merits and the question of jurisdiction, so that with the least expense and greatest expedition the respective rights of the parties and the public may be authoritatively settled.

I shall, in the first place, assume that there is jurisdiction, in other words, that the petition was presented within the time allowed by law.

This is the first case of the kind arising under the Act, and it has raised several very important questions of law in addition to the controversy of fact between the parties. For future guidance, and as suggested to me during the argument, I propose to state explicitly the principles which I find necessary to apply to the facts of the present case; and I think it will be more useful if I state them separately from the facts and in advance.

A patent confers a privilege which Sir *William Erle*, speaking for the Judicial Committee in *In re Herbert's Patent* (1), said is "somewhat in the nature of a contract with the public." The contract is that, in return for the exclusive right to make and use the invention for the term of the patent subject to whatever statutory obligations exist, the public should have the use of the invention for ever afterwards. Then added the learned Judge: "An extension of the term, in fact, being the taking away from the public that which is in the nature of a contract between the patentee and the public." For hundreds of years the law of England permitted no extension of a patent under any circumstances unless by a special personal Act of Parliament. In 1835 this was relaxed, and the Crown was permitted to grant extensions upon recommendation by the Judicial Committee of the Privy Council after careful inquiry. A practice has been established in England with very slight modifications from 1835 to 1883, when the Act of that year was passed, and thence to the present time; and that practice has fixed certain principles

(1) L.R. 1 P.C., 399, at p. 402.

which must be observed in dealing with applications like the present. In *In re Newton's Patents* (1), decided in 1884, the Judicial Committee said that in enacting par. 4 of sec. 25—which, substituting the Court for the Judicial Committee, is identical with par. 4 of sec. 84 of the Commonwealth Act—"it is difficult to suppose that the Legislature could have intended to alter the rules adopted by this Committee, resting on no previous enactment but on what was found to conduce to the justice of the case and the public convenience. Their Lordships are of opinion that no such alteration is made by the Statute." There is nothing in the Commonwealth Act to render that decision inapplicable. Indeed, pars. 4 and 5 of sec. 84, in following for all present purposes English legislation, are really modelled on prior decisions of the Privy Council. The rules and the practice of the Privy Council should, therefore, be followed wherever applicable and not contrary to statutory provision. With one qualification I act on the principles established in England by authority, and administered at the present day, and even that qualification has authority.

Starting with the proposition that *primâ facie* there is a bargain between the inventor and the public of the nature stated, the State recognizes that special circumstances may deprive the patentee of the substantial benefit he is presumed and intended to get, namely, adequate remuneration during his term, in return for the benefit he has conferred upon the community by introducing his invention and presenting it to the public after his term has expired. The law permits him in that event to apply to vary his contract and obtain further consideration. But from the nature of the case and consistently with the legislative provisions, the extension of a patent being a concession and not a right, or being (as said in *In re Honiball's Patent* (2), for instance) "anything but a matter of course," two obligations rest upon a petitioner at the outset. The first is that the *onus* of proving inadequacy of remuneration rests upon him (*In re Trotman's Patent* (3); *In re Saxby's Patent* (4); *In re Clark's Patent* (5) and *In re Willans and*

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(1) 9 App. Cas., 592, at p. 593.
(2) 9 Moo. P.C.C., 378, at p. 393.
(3) L.R. 1 P.C., 118, at p. 124.

(4) L.R. 3 P.C., 292, at p. 294.
(5) L.R. 3 P.C., 421, at p. 425.

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Robinson's Patent (1)). The second is that candour and good faith are always required of a petitioner for extension of a patent, and he has a duty to disclose all circumstances within his knowledge, and not of mere common knowledge, which it is material the Court also should know (*In re Clark's Patent* (2) ; *In re Standfield's Patent* (3) and *In re Johnson's Patent* [No. 2] (4)). It is to be remembered that although inadequacy of remuneration is a *conditio sine qua non* of extension, nevertheless, as Lord (then Mr. Justice) *Parker* said in the case last cited (5), "even where this inadequacy exists, there may be other circumstances sufficient to induce the Court to refrain from exercising its power."

One principle is fundamental, and should therefore be at once stated. It is that the concession to the patentee of an extension of his patent, based on the disproportion between the benefit he has given and the reward he has received, is always subject to the paramount consideration of the public interest. In *In re McInnes' Patent* (6) Sir *William Earle* stated that one of the considerations guiding the Privy Council in recommending extensions was that "no detriment to the public interest could arise from such extensions." Indeed, the pioneer Act of 1835 begins by reciting the desirability of the better protecting of patentees in the "rights intended to be secured by such letters patent," and also "the more ample benefit of the public from the same." It may happen that on examination of the whole circumstances it will be seen that the public interest, so far from being served, would suffer injury by an unconditional extension, or possibly any extension at all. The general and indirect public benefit arising from the encouragement of inventors may be so far outweighed by the direct disadvantages of extension as to lead to the rejection of the petition altogether (*In re McDougal's Patent* (7) ; *In re Semet and Solvay's Patent* (8)), or it may lead to the attaching of a condition, such as in *In re Carpenter's Patent* (9) and *In re Napier's Patent* (10), that the Crown should have the right of using it for public purposes, or, as in *In re Hart's*

(1) 13 R.P.C., 550, at p. 552.

(2) L.R. 3 P.C., at p. 426.

(3) 15 R.P.C., 17.

(4) (1909) 1 Ch., 114, at p. 126.

(5) (1909) 1 Ch., at p. 118.

(6) L.R. 2 P.C., 54, at p. 58.

(7) L.R. 2 P.C., 1, at p. 4.

(8) (1895) A.C., 78, at p. 82.

(9) 2 Moo. P.C.C. (N.S.), 191 (n.).

(10) 6 App. Cas., 174.

Patent (1), that the patentee should undertake to abide by directions as to price of the article or terms of granting a licence.

Proceeding now to the specific provisions of sec. 84, I quote par. 4, which is in these terms: "The Court shall in considering its decision have regard to the nature and merits of the invention in relation to the public and to the profits made by the patentee as such and to all the circumstances of the case." Par. 5 says: "The Court, if it is of opinion that the patentee has been inadequately remunerated by his patent, may order the extension" &c. The nature and merits of the invention are to be considered "in relation to the public." The nature of the invention has always been regarded as an important feature (*In re Woodcroft's Patent* (2)). Consideration of the nature of the invention involves not merely an inquiry as to the particular art concerned, but also the question of the step taken (*In re Woodcroft's Patent* (3); *In re Van Gelder's Patents*; *Ex parte Thompson* (4) and *In re Johnson's Patent* [No. 2] (5)). The nature of the invention, apart from its intimate connection with the merits, and possibly public interests, may closely affect the question of public adoption of the invention within the original term. *In re Jones's Patent* (6), *In re Semet and Solvay's Patent* (7) and *In re Parson's Patent* (8) are some among many instances.

Then as to the merits of the invention. I understand the "invention" in the sense in which Lord Moulton (then Lord Justice) expressed it in *British United Shoe Machinery Co. Ltd. v. A. Fussell & Sons Ltd.* (9), viz., "the invention for which the monopoly is granted, and has nothing to do with the way in which the inventor arrived at it." As I read the words "the merits of the invention in relation to the public," it means the value or advantage or benefit of that particular invention as described in the patent and specification, the invention as it stands completed and ready to be put into use. Its merits may have been properly recognized in the past, or they may not for some reason have been

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(1) 25 R.P.C., 299, at p. 309.

(2) 2 Web. Pat. Cas., 18, at p. 32.

(3) 2 Web. Pat. Cas., 18.

(4) (1907) A.C., 174, at p. 177.

(5) (1909) 1 Ch., at p. 118.

(6) 1 Web. Pat. Cas., 577.

(7) (1895) A.C., at p. 81.

(8) (1898) A.C., 673, at p. 677.

(9) 25 R.P.C., 631, at p. 651.

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recognized by practical adoption on the part of the public, but the merits of the invention in itself so far as the public has gathered, or will probably in the future gather, advantage from it, must be considered by the Court as one of the necessary elements in forming its conclusion. The merit of an invention in relation to the public means "the merit of utility," of "public utility" (*In re Betts' Patent* (1)), that is, an actual substantial benefit to the public, for which the petitioner claims he has not been fully or equitably paid. That is something higher than the "utility" which is sufficient to support a patent in the first instance (*In re Saxby's Patent* (2); *Philpott v. Hanbury* (3); *Scott v. Hamling & Co. Ltd.* (4) and *In re Van Gelder's Patents* (5)). How much higher, it is impossible to define. No settled form of expression has been adopted by the Courts. In *In re Derosne's Patent* (6) Lord Brougham speaks of "a benefit to the public," and in *Woodcroft's Case* (7) he speaks of "considerable merit." Lord Cairns speaks of a "high degree of merit" (*In re Saxby's Patent* (8)). In *In re Pieper's Patent* (9) Lord Watson said: "Although their Lordships are quite prepared to hold that this is a patent of sufficient merit to warrant the prolongation in favourable circumstances, it does not seem an invention of rare or exceptional merit." Lord Monkswell speaks of "exceptional merit" (*In re Stewart's Patent* (10)), and Lord Davey of "striking or unusual merit" (*In re Thornycroft's Patent* (11)). In *In re Johnson's Patent* [No. 2] (12) Lord (then Mr. Justice) Parker speaks of "that large value to the public which alone will justify the term of the patent being extended."

The fundamental truth, in all these expressions, is that the petitioner must satisfy the Court in the first place that his invention as it stands has in fact considerable practical merit for the public, deserving of some substantial remuneration, and, when he has shown that, he has taken one necessary step in his case. There is no standard of merit. Lord Brougham, in *In re Woodcroft's Patent* (13),

(1) 1 Moo. P.C.C. (N.S.), 49, at p. 61.
(2) 7 Moo. P.C.C. (N.S.), 82, at p. 84.
(3) 2 R.P.C., 33, at p. 37.
(4) 14 R.P.C., 123, at p. 139.
(5) (1907) A.C., at p. 177.
(6) 2 Web. Pat. Cas., 1, at p. 4.
(7) 2 Web. Pat. Cas., at p. 31.

(8) L.R. 3 P.C., at p. 294.
(9) 12 R.P.C., 292, at p. 295.
(10) Griff., 264.
(11) (1899) A.C., 415, at p. 417.
(12) (1909) 1 Ch., at p. 125.
(13) 2 Web. Pat. Cas., 18.

observed: "We cannot here weigh degrees of merit in golden scales." Simplicity, which arises in the present case, is no detraction (*In re Hazeland's Patent* (1); *In re Semet and Solvay's Patent* (2)). Indeed, as Lord Brougham said in *In re Muntz's Patent* (3), it "greatly increases the value of . . . an invention."

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The first step of proving the general merits of the invention (see *In re Houghton's Patent* (4)) having been accomplished—and it must always rest in the sound judgment of the tribunal in each case whether it has been accomplished—it is next incumbent on the petitioner to satisfy the Court as to the amount of remuneration he has actually received, in order that the Court may, in the words of the Act, have regard "to the profits made by the patentee." The word "profits" must be observed. The task set the petitioner as to this is to show, in the further words of the Statute, that he has been "inadequately remunerated by his patent," which means that his profits are disproportionately small in comparison with the merits of his invention in relation to the public (*In re Honiball's Patent* (5); *In re Pitman's Patent* (6)). Lord Parker, in *In re Johnson's Patent* [No. 2] (7), says: "The consideration which supports the grant of the monopoly created by letters patent being in fact the disclosure of something of value to the public, it is only where this value largely exceeds the benefit derived by the patentee from his invention that the patentee can be said to have been inadequately remunerated."

The first step towards fulfilling the task of establishing the necessary substantial disproportion is to prove the actual net receipts in respect of the patent itself. In the absence of specific evidentiary requirements the only essential is to prove the facts in the ordinary way to the satisfaction of the Court, and in that case no rigid rule exists as to what evidence will suffice for this purpose. (*In re Hutchison's Patent* (8); *In re Betts' Patent* (9)). The general rule, however, as laid down originally in the earlier cases such as *Perkin's Case* (10), *Woodcroft's Case* (11) and *Betts'*

(1) 11 R.P.C., 467, at p. 470.

(2) (1895) A.C., at p. 80.

(3) 2 Web. Pat. Cas., 113, at p. 119.

(4) L.R. 3 P.C., 461, at p. 462.

(5) 9 Moo. P.C.C., at p. 393.

(6) L.R. 4 P.C., 84, at p. 87.

(7) (1909) 1 Ch., at p. 118.

(8) 14 Moo. P.C.C. 364.

(9) 1 Moo. P.C.C. (N.S.), 49.

(10) 2 Web. Pat. Cas., 6, at p. 15.

(11) 2 Web. Pat. Cas., at p. 30.

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Case (1), and followed in later cases, is that the petitioner should, clearly and satisfactorily, and as far as possible strictly, prove this branch of his case. Lord *Chelmsford* said (1):—"There can be no difficulty in a patentee beginning from the first to keep a patent account distinct and separate from any other business in which he may happen to be engaged. He knows perfectly well that if his invention is of public utility, and he has not been adequately remunerated, he will have a claim for an extension of the original term of his patent. It is not, therefore, too much to expect that he should be prepared, when the necessity arises, to give the clearest evidence of everything which has been paid and received on account of the patent." In that case, the petitioner had not carried out that system, and the Privy Council were compelled, as they said, "in many particulars to resort to conjecture where certainty ought to have been afforded." There, fortunately for the petitioner, the Judicial Committee were satisfied that, even making large deductions, he had not received adequate remuneration, but he had failed in his duty and ran considerable risk, which perhaps in later days would have ended in failure. See *In re Willacy's Patent* (2) and *In re Hughes' Patent* (3), in both of which cases Lord *Chelmsford's* words were repeated by the Privy Council; *In re Clark's Patent* (4), reaffirming Lord *Cairns* in *In re Saxby's Patent* (5). I would strongly impress upon every patentee the advisability of observing and following in the future the course indicated in those cases, if he has any intention of applying for an extension of his patent. He should, moreover, see that so far as practicable his accounts and the balance-sheet he presents are free from entanglements. If he does not, he incurs the obligation of showing that his omission is justified by the circumstances or is immaterial.

There is one recognized excuse for accounts which are faulty in not exhibiting the true amount of profits, though by no means absolving the patentee from keeping accounts altogether. If, notwithstanding the absence of precise accountancy, it can be established clearly and beyond any reasonable doubt that there

(1) 1 Moo. P.C.C. (N.S.), at p. 61.

(2) 5 R.P.C., 690, at p. 695.

(3) 15 R.P.C., 370.

(4) L.R. 3 P.C., at p. 425.

(5) L.R. 3 P.C., at p. 294.

has been an absolute loss, there is no need to pursue further the statutory inquiry as to “ the profits made by the patentee as such ” H. C. OF A.
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(*In re Heath's Patent* (1) ; *In re Darby's Patent* (2) ; *In re Thompson's Patent* (3) ; *In re Thomas' Patents* (4)). ~
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It may be that cases arise where, although profits are made, it is not practically possible to separate the accounts of the patent from the rest of the business. That case is met by the observations of the Privy Council in *In re Trotman's Patent* (5) and *In re Lake's Patent* (6), which must be read with *In re Johnson's Patent* (*Wilcox & Gibbs*) (7), and the earlier cases of *In re Galloway's Patent* (8), *Muntz v. Foster* (9) and *In re Hills' Patent* (10). *Galloway's Case* lays down the rule that the manufacturer's profits as distinguished from “ the profits made by the patentee as such ” mean the profits which the manufacturer would have made if he had “ no right to the patent, and no right to the monopoly.” It is evident that that may depend very much on the circumstances. The Judicial Committee has held that “ there is no specific rule which can be acted upon ” (*In re Duncan and Wilson's Patent* (11)) ; and in *In re Willans and Robinson's Patent* (12) Lord Watson observed that “ every case of this kind must depend on its own circumstances.”

Distinct and clear separate accounts should be kept so as to show year by year the progress of the remuneration. That is held by the Privy Council to be a material fact for the consideration of the Court (*In re Yates & Kellett's Patent* (13) and *In re Pieper's Patent* (14)).

Various questions arose as to certain permissible allowances, and to those I shall refer. The patentee's own time may be allowed for. It should be “ narrowly watched,” but a fair charge is permissible (*In re Carr's Patent* (15)). The fair cost of advertising and travelling and cost of attending shows for the purpose of pushing the sale of the invention are also admissible (*In re Duncan and Wilson's Patent* (16)). But the expenses so charged—as, for instance, at agricultural

(1) 8 Moo. P.C.C., 217, at p. 222.

(2) 8 R.P.C., 380, at p. 384.

(3) 19 R.P.C., 565, at p. 568.

(4) 9 R.P.C., 367, at p. 372.

(5) L.R. 1 P.C., at p. 123.

(6) (1891) A.C., 240, at p. 243.

(7) L.R. 4 P.C., 75, at p. 82.

(8) 1 Web. Pat. Cas., 724, at p. 729.

(9) 2 Web. Pat. Cas., 93, at p. 121.

(10) 1 Moo. P.C.C. (N.S.), 258, at p. 269.

(11) 1 R.P.C., 257, at p. 260.

(12) 13 R.P.C., at p. 553.

(13) 12 App. Cas., 147, at p. 148.

(14) 12 R.P.C., at p. 295.

(15) L.R. 4 P.C., 539, at p. 542.

(16) 1 R.P.C., at p. 259.

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shows—must be satisfactorily proved to have been incurred for the purpose of the patent (*In re Willacy's Patent* (1)). Amounts paid to legal advisers for the purpose of maintaining the patent and preventing infringements are also allowable. But it was settled in *In re Hills' Patent* (2) that where a patentee gives up claims to costs to which he has an apparent title from his adversaries, however prudent it may be to make the sacrifice, the amount cannot be allowed without explanation.

There is no legal standard of proportion. It necessarily varies with the circumstances. In one case £2,835 was thought enough (*In re McInnes' Patent* (3)). In *In re Beanland's Patent* (4) even less than £1,100 was considered not inadequate. In another case £20,000 was considered too little (see *In re Thomas' Patent* (5)).

In one respect only have I felt bound to observe a distinction between the present practice in the Privy Council, which should be observed here in future, and that which I think should prevail in this case. For some years there existed in England a specific rule (No. 9) of the Privy Council, made under the Act of 1835, by which the petitioner was required to lodge copies of the balance-sheet of expenditure and receipts relating to the patent, which accounts were to be proved on oath before the Committee at the hearing. The existence of this rule was in several cases made the ground of strict treatment of the petitioner. There is now a corresponding rule of the English Supreme Court. We have so far enacted no such rule for extension petitions, and no practice has yet been established so as to give definite instructions to petitioners, and on this account I do not propose to apply so strictly as I otherwise might the observations I find in some of the English cases. Lord Langdale, in *In re Perkin's Patent* (6), decided in 1845, made allowance for want of precision where a rule on that point had not yet been distinctly laid down. The printed rule on that subject was not introduced till some years afterwards. Our own Rules of Court contain (in Orders L. and LI.) provisions as to patent appeals and as to proceedings for revocation of patents. But rules as to extension

(1) 5 R.P.C., at p. 695.

(2) 1 Moo. P.C.C. (N.S.), at p. 268.

(3) 5 Moo. P.C.C. (N.S.), 72.

(4) 4 R.P.C., 489.

(5) 9 R.P.C., at p. 372.

(6) 2 Web. Pat. Cas., at p. 16.

proceedings are omitted, though they existed in England. The Court's own omission should therefore not be forgotten when it is dealing with a suitor. But, for the future, applicants for extension will not have the same reason for consideration at the hands of the Court as the present petitioner. It must be distinctly understood that this case is not to be treated as a precedent in this respect. The intimation I now give will be sufficient warning to future applicants for extension, even in the absence of enactment.

Forms of accounts which have been actually used in the Privy Council and on which the Judicial Committee have recommended extension of the terms of the patents are to be found in *Lawson on Trade Marks*, 3rd ed., at pp. 619 *et seqq.* See also *Safford and Wheeler's Privy Council Practice*, at pp. 1029 *et seqq.* These forms are not only serviceable as models to be moulded so as to meet the circumstances of each particular case, but they are useful to show what charges are considered permissible. Items actually allowed in *In re Perkin's Patent* (1) are shown in *Agnew on Patents*, at p. 207, and this example is instructive.

Pending the making of any specific rule of Court dealing with the lodging of accounts, a petitioner should, as in this case, exhibit to his affidavit a balance-sheet, showing what he presents as the receipts and expenditure year by year in respect of the patent. But it must henceforth be thoroughly understood that the balance-sheet must be carefully prepared, and preferably on the lines shown in the precedents referred to, so that the Commissioner, or other officer of the Crown, and every person who lodges or might be disposed to lodge a caveat shall have an intelligible and complete statement to examine, and so that the petitioner shall be prepared to stand by the account without such alteration as would materially alter the character or effect of the account. It is manifestly important that petitioners should as a rule be held to prove the accuracy of a balance-sheet so presented and publicly notified (*In re Wuterich's Patent* (2)). Assuming the accounts as a matter of figures show, when proved, an apparent disproportion when compared with the merits of the invention, the petitioner must still show that he has endeavoured reasonably to make his invention lucrative (*In re*

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(1) 2 Web. Pat. Cas., at p. 17.

(2) (1903) A.C., 206.

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Lord Parker said : " It is, in my opinion, incumbent on a patentee who invokes the discretionary power conferred by sec. 18 " (that is, of the Act of 1907, and corresponding with our sec. 84) " to prove that he has done all a patentee could do to launch his invention on the British market." In *In re Stoney's Patent* (3) Sir William Grove, for the Judicial Committee, was equally emphatic. And see *In re Van Gelder's Patents* (4). The patentee is expected to " push " his invention, as it is termed, with proper activity, and failure in that respect, unless shown to be excused, will be fatal to an application for extension (*In re Patterson's Patent* (5); *In re Pieper's Patent* (6); *In re Henderson's Patent* (7) ). Want of sufficient means may be a valid excuse (*In re Wright's Patent* (8); *In re Norton's Patent* (9) ). It is so where it is shown to be a circumstance over which the patentee has no control (*In re Wiold's Patent* (10) ). That is the test. If, for instance, the patentee has done all that is reasonable to push his invention, he is not to be blamed if his want of success arises from the apathy or natural hostility of workmen, manufacturers or even users (*In re Parson's Patent* (11) ).

Having dealt with the two considerations specifically expressed by the Legislature as " absolutely necessary " (*In re Newton's Patents* (12) ), the Court is required in general terms to have regard to " all the circumstances of the case." These are necessarily not susceptible of enumeration or definition. They, however, in the view I take of the meaning of the word " invention " in the phrase " nature and merits of the invention in relation to the public," include the personal ingenuity and efforts and expense of the inventor in arriving at his invention. Assuming the invention in itself to be a real and meritorious invention, it makes no real difference whether the consideration of these elements be imported into the statutory " merits of the invention," or whether they remain outside those " merits of the invention " and be brought, as I think they should,

(1) (1899) A.C., at p. 418.

(2) (1909) 1 Ch., at p. 125.

(3) 5 R.P.C., 518, at p. 523.

(4) (1907) A.C., at p. 178.

(5) 6 Moo. P.C.C., 469, at p. 470.

(6) 12 R.P.C., at p. 295.

(7) (1901) A.C., 616, at p. 620.

(8) 1 Web. Pat. Cas., 575, at p. 576.

(9) 1 Moo. P.C.C. (N.S.), 339, at p. 343.

(10) L.R. 4 P.C., 89, at p. 92.

(11) (1898) A.C., 673, at p. 677.

(12) 9 App. Cas., at p. 593.



into account as merits of the inventor. In either case, it is a just factor in the account between the inventor and the public that but for his inventive ingenuity, or his expenditure or his personal efforts, the invention assumed to be inherently meritorious might never have come into existence, or might have been indefinitely delayed. How it has come about is material as one of the circumstances of the case. Lord *Parker*, in *In re Johnson's Patent* [No. 2] (1), laid stress on the importance of one of these circumstances, and in *In re Hills' Patent* (2) Sir *J. T. Coleridge*, for the Judicial Committee, stated the principle fully. *In re Beanland's Patent* (3) is another instance. This phase, like all others I have referred to, arises in the present case.

I have now dealt with all the relevant questions of law on the assumption that I have jurisdiction to determine the merits of the petition. And it will be better to consider the facts before testing the assumption of jurisdiction.

The petitioner's invention consists of an improved share for scarifiers and cultivators. In 1904, after prior attempts, he hit upon the idea of corrugating or compressing the metal at one end of the share, instead of cutting away a portion of the tool. The result is that it is slightly cheaper to manufacture, it makes the share firmer and steadier, and consequently more effective in operation, and it also enables a steel share when worn at the cutting end to be reversed by a simple and inexpensive process and to start a new life as an effective share. There is no doubt that the nature and the merits of the article in relation to the public, though not what one would term conspicuously great, are yet sufficiently great to warrant an extension of the patent if other circumstances concur. The ultimate adaptation of implements to carry these shares is strong evidence of their utility. There could scarcely be a greater tribute to their merits than the eagerness with which the opponent, Anders, a rival manufacturer, with a full knowledge of the public estimation in which these articles are held, seized on the opportunity directly the patent term expired to make the Robinson type of shares. The fact that the invention is a valuable aid to agriculture,

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(1) (1909) 1 Ch., at p. 118.

(2) 1 Moo. P.C.C. (N.S.), at p. 265.

(3) 4 R.P.C., at p. 491.



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and particularly in districts where natural obstacles exist, is an element of great importance in this connection.

The main question is whether the petitioner has satisfactorily proved the inadequacy of his remuneration. He has produced a schedule of receipts and expenditure which was prepared by his daughter, who keeps his books and accounts. I may say at once that that schedule is not satisfactory. It is incomplete, and it is inaccurate. If a practice had been settled, either by express rule or by judicial decision, requiring an accurate schedule, I should have been very indisposed to extend to the petitioner the further opportunities he has had for rectifying the accountancy and placing before me the actual pecuniary result of his patent. So far as the caveator is concerned, the proof that £15,000 capital is embarked in the business was elicited by him. But, as already pointed out, the absence of any settled practice induced the Privy Council in one case, and, coupled with special omission in the rules, has induced me in this case, to allow such latitude in this respect as can never be expected in the future.

The petitioner, I am convinced, has been honest and candid, and did not wilfully hold back or colour any material circumstance. He tried hard to meet every difficulty I expressed with regard to his accounts. As to them, at least, it comes to be a question of whether he has succeeded in establishing to my satisfaction the necessary substantial disproportion of remuneration as compared with merits in the circumstances, so as to induce the Court to grant a substantial extension of his monopoly, either conditionally or unconditionally.

As to the public interest, I shall have to advert to that later. In the result the accounts stand thus :—The petitioner has during the original 14 years made in all 62,474 dozen and 5 shares, and received for them, after deducting trade discounts, the sum of £34,891 18s. 6d. There is some evidence that, besides this, he allowed variously 2½ per cent. and 5 per cent. further discount for payment within a month, but as there was nothing definite proved as to this I do not further regard it, but take the net receipts at the sum I have mentioned. This sum, which is definitely proved, exceeds the sum stated in the petitioner's account by £4,148 3s. 3d. On the other side of the account as submitted, the petitioner claimed as expenses a total sum of



£31,323 1s. 9d., which on his balance-sheet showed a loss of £579 6s. 6d. Taking the proved receipts, and without challenging any of the claimed expenditure, there would be a balance of gain amounting to £3,568 16s. 9d. But that expenditure is challenged. The caveator, as required, specified his objections to the petition, and to those objections, so far as he is personally concerned, he must be strictly held. Apart from a reference to sizes of shares and shares on hand, they are directed to the merits of the invention, and to the expenditure side of the account. As to the expenditure side, I have not thought it necessary to have it tested by an accountant, as I required the receipts to be tested, because without that test, and upon the evidence given and the way it was given, I am satisfied I can arrive at a sufficiently clear and satisfactory conclusion to decide this case.

The petitioner claims £2,408 11s. 5d. in respect of machinery. I accept his statement that one-third of the use of that machinery is for his general business. That takes off £800, and leaves £1,600 attributable to the patent business. In view of his somewhat generous statement as to its present salable worth—which statement, however, I do not think it would be fair to him to take at its full absolute face value—I allow only £600 for past use, and in addition to the £800, attributable to his general business, I deduct a further £1,000 from his claim. In other words, the item cost of machinery so far as it can be considered as used exclusively in connection with the patented article, up to the present time, and credited as an outlay, I put down at £600. The charges for material, and labour, power and fuel were in my opinion satisfactorily proved. They were by no means over-estimated, and as to power and fuel it was my impression from the petitioner's evidence that he had been rather severe upon himself. I have no hesitation in accepting the amounts claimed for these items. The fees, &c., for obtaining and maintaining letters patent, and claimed at £178 15s. 11d., should be reduced to the amount actually and strictly proved, viz., £20. I have no doubt morally that something more might have been proved, but it was not, and therefore judicially I allow nothing in respect of it. The amount charged for personal

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effort in pushing the invention is charged at £1,725. On consideration I allow that. The two visits to England I take together. They cost £1,150, but the machinery which was their outcome is reckoned as to one-third for the rest of his business, and therefore the expenses should similarly be divided. That leaves (say) £767 attributable to the patent, and the benefit of the expenditure, which is really part of the cost of the machinery, can no more be confined to the original term of the patent than to the particular year in which the money was expended. I allow a sum of £500 at the same ratio as the direct cost of the machinery plus a small covering margin. The advertising, &c., is charged for at £1,620. Having regard to the samples of advertising I saw, I qualify, with severity I admit, the rest of the evidence as to this, and allow the item at £1,000.

The amounts that I have allowed have been allowed, not because I am satisfied that they were the true amounts incurred, but because, though I am clear those sums at least have been so far spent or used up for the purposes of the patent, the petitioner has not convinced me that any greater sums should be so allowed. They are minimum allowances, which in the circumstances I treat as maximum allowances. The sum claimed for expenditure is £31,323 1s. 9d. The reductions I make in the credits are: Machinery, £1,808 11s. 5d.; fees, &c., £158 15s. 11d.; visits to England, £650; advertising, £620;—a total of £3,237 7s. 4d. Therefore the net amount I allow for expenditure is £28,085 14s. 5d. on the items in the schedule.

Then, from proved receipts, viz., £34,891 18s. 6d., take expenditure £28,085 14s. 5d., leaving a balance of receipts of £6,806 4s. 1d. That is very different from the claimed net loss of £579 6s. 6d. It is probably more than it would be if bad debts and cash discounts were proved, but I leave the petitioner to abide by his own default in this respect.

Nevertheless, it would be most unjust to let the account stand there. As it has been gone into, the petitioner is entitled to the benefit of whatever certainty has been established. It was elicited in cross-examination of the petitioner by the caveator's counsel that he has embarked about £15,000 capital in his business.



The forms and precedents to which I have referred show that rent paid, interest on capital and taxes are—in accordance with common sense—recognized allowances for expenditure. The statement as to capital was not questioned by learned counsel for the opponent, and I saw no reason to question it. I assume, however, it includes the £2,408, spent for machinery. After deducting from that £2,408 the £600 for which capital credit has been already given, there is left a balance of (say) £14,400 for which no capital credit is taken. Of this, upon the evidence, certainly not less than £8,000 should be attributed on the average to the patent business. If  $4\frac{1}{2}$  per cent. per annum interest be taken as a minimum (I do not say that is a rate altogether just to the petitioner, for the Privy Council allowed 5 per cent. in *Perkin's Case*—see *Agnew on Patents*, p. 208), that would mean an allowance of £360 a year for 14 years, or a total of £5,040. That assumes nothing is paid or allowable for rent. I disregard also taxes, because not proved. Reducing the sum of £6,806 4s. 1d. by £5,040, the sum of £1,766 4s. 1d. remains as the highest possible amount at which, with the utmost lawful severity, the petitioner's remuneration, so far, can be placed. Such a sum could not be considered adequate for this invention if its merits had been properly pressed upon the public.

It is a very serious circumstance militating against his application, that although his Commonwealth patent covers the whole of Australia the patentee has not, except in South Australia, made any substantial effort to push his invention, and in some States he made none at all. In view of the provisions of the *Patents Act*, so far as they are not suspended during the War, an inactive patentee runs a risk even during the original life of his patent. I need not say more as to that, but must add that, when he comes for the concession of an extension, the circumstance that he has over so large an area maintained a monopoly without an effort at supply is a strong answer to a request for a continued monopoly. *Primâ facie* his small returns are the consequence of his own inactivity. However, to some extent the petitioner has established a satisfactory excuse. He has shown that from 1904 to 1913 he was busily engaged in South Australia, where his works are situated and where much of the comparatively difficult land exists, in endeavouring to overcome

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the "apathy and hostility" of farmers and manufacturers, whose implements were not so fashioned as to permit of the adoption of the petitioner's shares. He had undoubtedly considerable difficulty in this regard, and there is much to be said for his view that he had first to convince his immediate market, that is, South Australia, before launching out into the wider field of the whole Commonwealth. In 1904 the scarifiers in use would not take his shares; now about 90 per cent. of the scarifiers fit them. Until 1913 he never troubled himself outside South Australia. In that year he commenced to sell shares to Victorian farmers, not very far from the South Australian border. He has made some few sales in New South Wales, and indirectly he sold a few dozen shares to a farmer in Western Australia. He, however, did not advertise in the States outside South Australia. At that time he had three sons at home taking an active and responsible part in his business. In 1914, just as he had overcome his natural difficulties close at hand, the War took from him his three sons, of whom two are still on active service and one is a prisoner of war. This deprivation of those on whose practical knowledge and experience he relied and in whom he of course had unbounded confidence, and who, moreover, could not be replaced at all without greatly increased expense, has, without question, been a great drawback to his success. But for that, he says, he could have pushed his invention in the other States as well. I am clear that, so far as time is concerned, the War and its direct consequences to him entitle him to the favourable consideration of the Court as a just reason for his failure to extend his supplies in the States other than South Australia. On the whole I think I should act on two considerations in his favour, the principal one being the disorganization of his business by the War, and the other the difficulty of overcoming the passive resistance of manufacturers and farmers and convincing them of the advantages of his invention. But I have to bear in mind the fact that the public are being so far deprived of the free access to the invention that they at this moment possess, and unless some assurance is given that their wants, particularly outside South Australia, will be reasonably met both in quantity and price, the injury to public interests by granting an extension would, in my opinion, so far outweigh the indirect



public benefit of encouraging invention that, notwithstanding the inadequacy of the petitioner's remuneration, I should be disposed to refuse the application. I therefore would not, in any event, grant a simple extension of the original patent, but in accordance with the well established English practice (*In re Cocking's Patent* (1); *In re Smith's Patent* (2); *In re Stoney's Patent* (3)) would grant an extension by way of new patent, subject to some conditions, restrictions or provisions.

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But it is necessary to determine whether the assumption made that there is jurisdiction to determine the merits of this application is correct or not. I have stated the objection taken, and it is clear that apart from legislation later than sec. 84 the objection must prevail (*Robinson v. Forgan* (4)). Reliance, however, is placed by the petitioner on subsequent legislation. By the combined effect of two Acts, viz., Nos. 15 and 16 of 1914, and a regulation made by the Governor-General on 3rd December 1914 (Statutory Rules 1914, No. 174), the *Solicitor-General Act* (No. 28 of 1916), the *Gazette* notification of 24th January 1918 (p. 78) and the delegation therein mentioned, the Solicitor-General has the power of extending the time for doing any act under the *Patents Act*, within the limits set by reg. 8 of 3rd December 1914. "Under the Act" includes "under the regulations" (see the authorities cited in *Duncan v. Theodore* (5)). Regulation No. 220 of 1916, which was made before the *Solicitor-General Act* was passed, need not, therefore, be considered.

On 29th January 1918, and consequently while the patent was still unexpired, the Solicitor-General on the application of the present petitioner extended the time for presenting his petition to four months after the expiration of the patent. He imposed certain conditions, which have been complied with. At first sight it appears strange that an expired term can be extended. But when the history of the law relating to the extension of a patent is considered, the difficulty disappears. The *Ipswich Clothworkers' Case* (6) laid down that when a patent is expired "the King cannot make a

(1) Griff., 258.

(2) Griff., 263.

(3) 5 R.P.C., at p. 524.

(4) 24 C.L.R., 382.

(5) 23 C.L.R., 510, at p. 543.

(6) Godb., 252, at p. 254.



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 1918. but only by Act of Parliament. In 1835 the Act 5 & 6 Will. IV.  
 — c. 83, by sec. 4, as amended by the Act of 1839 (2 & 3 Vict. c. 67),  
 IN RE laid the foundation of the modern practice. The Judicial Committee  
 ROBINSON'S was enabled to report in favour of an extension of the term even  
 PATENT. after its expiration.

The important fact to bear in mind is that, reading the two Acts together, it is plain (1) that whether the Crown made a simple extension of the old patent or made a new grant it was equally a "prolongation" of the original patent; (2) that even under the Act of 1835 the Crown might "prolong" or "extend" the original patent although it had expired, provided the Judicial Committee had reported favourably on it before the expiration of the term; (3) that under the Act of 1839 both the actual extension of the original term and the recommendation for such extension could take place after the expiration of the term, and, what is much to the point, Parliament recognized and called the exercise of the power, though after the expiration of the term, a "prolongation" or "extension" of that term.

In the case of *Ledsam v. Russell* (1) the learned Lords in the case cited referred to the new grant as an "extension" of the earlier patent (see pp. 693, 699, 701 and 702 of the Report). See, also, per *Patteson J.* in the Exchequer Chamber (2). When the case was in the Court of Exchequer, *Parke B.*, who delivered the judgment of the Court, and all the Courts agreed, said (3):—"The use of the terms 'prolongation' and 'extension' would seem to indicate one continuous term, without an interval. On the other hand, the remainder of the clause appears not to require it." And the Court held, as finally approved, that the Crown could "prolong" or "extend" a term that had in fact expired. See *In re Heath's Patent* (4), where the Privy Council refer to new letters patent as carrying out a report in favour of an extension of the original patent.

The Act 16 & 17 Vict. c. 115, sec. 7, passed a few months afterwards, speaks of new letters granted for a further term as "new

(1) 1 H.L.C., 687.

(2) 16 M. & W., 633, at pp. 641, 642.

(3) 14 M. & W., 574, at p. 583.

(4) 8 Moo. P.C.C., at p. 225.



letters patent granted by way of prolongation." The new letters patent so granted, though "new" and subject to some provisions in the Act relating to new patents (see *In re Cocking's Patent* (1) and *In re Smith's Patent* (2)), are not "original" (see *In re Betts' Patent* (3)) and are free from certain other provisions relating to original patents. In *Bovill v. Finch* (4) it is said:—"The 2 & 3 Vict. c. 67, s. 2, which enables the Crown to grant an additional term, speaks of it as a 'prolongation' of the 'term,' and 'a further extension of the term in the letters patent.' Every new grant, therefore, is a graft only on the original grant, and has no existence apart from the parent grant."

In 1883 the Imperial Act 46 & 47 Vict. c. 57 substantially followed the language of the former legislation. Sec. 84 of the Commonwealth Act, so far as the point now under consideration is concerned, practically adopts the same language. The whole section is headed "Extensions of Patents." The first paragraph is based on a petition for the extension of the original patent for a further term, and the last paragraph enables the Court to order the grant of a new patent. It is not, and could not be, disputed that the Court's order, like the English recommendation and grant, may be made after the expiration of the original term, that is, notwithstanding a gap has occurred. If so, there is nothing in sec. 84, any more than there is or ever was in the long line of patent legislation interpreted by authoritative decisions, to insist on an uninterrupted period for the whole term comprised within the original and extending grants. If in the nature of the thing itself as ordinarily understood and practised no such necessity exists, then the objection fails, for there is then no reason for cutting down the full natural sense of the words in the Act No. 16 of 1914. Those words in their natural and primary sense are unlimited, except by their subject matter, and as the subject matter does not create the limit suggested, that limit does not exist. The requirement of the section that it is a "patentee" who must petition, at first gave me some little hesitation. But the Legislature has defined the word (sec. 4) to mean "person for the time being entitled to the benefit of a patent." That is to bring

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(1) Griff. P.C., 258.

(2) Griff. P.C., 268.

(3) 1 Moo. P.C.C. (N.S.), at p. 57.

(4) L.R. 5 C.P., 523, at p. 532.



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in beyond any controversy other persons such as assignees, mortgagees and personal representatives, though not with the same moral claims to an extension as the original patentee. As one of the "benefits" of the patent is the chance of an extension (or, as Lord *Watson* calls it, the further privilege of leave to apply for a prolongation of his patent as incidental thereto—*In re Brandon's Patent* (1)), the petitioner remains the "patentee" within the meaning and for the purpose of the section so long as the possibility of extending the term continues, as, for instance, after the expiration of the term between petition and judgment.

It is evident also from sec. 85A that even where a patent has lapsed and become "void" owing to the failure of the patentee to pay fees—that is, when the patent has absolutely ceased to exist (see condition number 2 in the First Schedule of the Act, which gives the form of patent)—still, says the section, "the patentee" may apply to the Commissioner to restore the patent. That is a clear case of "patentee" meaning the person entitled to the benefit of restoring the defunct patent, and not meaning simply the holder of a still continuing patent. It must not be overlooked either, that the amending Acts Nos. 15 and 16 of 1914 are temporary enactments, passed for war purposes and to meet the abnormal circumstances occasioned by the War. While sec. 108 of the principal Act confines the power of the Governor-General to regulations "not inconsistent with this Act," it is clear that that limitation is consciously departed from by the Legislature in passing the two amending Acts. The four classes of regulations expressly permitted by sec. 3 of No. 15 of 1914 are on the face of them inconsistent with the principal Act. The fifth class added by the second Act is equally on its face in open inconsistency with the principal Act. Having regard to all the considerations stated, I have no hesitation in holding the order of the Solicitor-General was lawfully made, and, the conditions of that order having been complied with, the Court has jurisdiction to deal with the merits of this petition. The case of *In re Woodall & Duckham's Patent* (2), so far as it goes, supports the view that no narrow construction is to be applied to Act No. 16 of 1914.

(1) 9 App. Cas., 589, at p. 591.

(2) 34 R.P.C., 228.



As to the term of extension I refer to the observations of Sir William Grove, speaking for the Judicial Committee in *In re Stoney's Patent* (1), and, adding to those observations the further consideration that the War still continues and the petitioner's sons are still away, I think I should grant him a further term of seven years (see *In re Inglis's Patent* (2) and *In re Creed's and Coulson's Patent* (3)), but on the following provisions, restrictions and conditions :—

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*Provisions and Restrictions.*—(1) That the patentee will not take any action or proceeding in respect of the manufacture or sale of the said shares between 5th February 1918 and the date of the order for this extension, nor in respect of the use by any retail purchaser of any of the said shares purchased by him between those dates; (2) the patentee shall within three months establish and maintain or cause to be established and maintained in each Australian State, either in its capital city or, if so directed by the Commissioner, elsewhere in the State, a depot where his patented articles (particularly including steel shares) of suitable kinds and sizes can be obtained in reasonable quantities and at reasonable prices, and will give or cause to be given reasonable public notification thereof; (3) the written opinion or direction of the Commissioner as to place of depot, and as to what are reasonable kinds, sizes, quantities and prices, in each State, shall be conclusive for all purposes of these provisions, and the patentee shall comply with every such direction; (4) that in the month of August in each year of the extended period of the patent, beginning with the present year, the patentee shall submit to the Commissioner a list in writing of wholesale and retail prices, proposed to be charged in future to the purchasers, in each State for the various kinds and sizes of his patented article: no prices higher than those respectively approved in writing by the Commissioner shall, without his subsequent written approval, be charged for any of the patented articles; (5) that in the month of July in the year 1919 and every subsequent year of the extended period of the patent the patentee shall submit or cause to be submitted to the Commissioner a statement in writing, verified by statutory declaration, showing the sales by

(1) 5 R.P.C., at pp. 523, 524.

(2) 34 R.P.C., 157.

(3) 34 R.P.C., 11.



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the patentee or any licensee of the patented articles in each State during the past year, and showing how far during that year all these provisions have been complied with; he shall also by statutory declaration furnish such further information as the Commissioner shall require; (6) the patentee shall charge only a fair and reasonable royalty to persons licensed by him to manufacture and sell the said shares, and shall abide by any written direction given by the Commissioner as to granting any licence and as to the terms on which any licence ought to be granted by him; (7) in these provisions and in the conditions hereunder appearing, the expression "patentee" has the same meaning as it has in the Act, and the expression "the Commissioner" means the Federal Prices Commissioner, or, if at any time there be no such officer, then the Commonwealth Industrial Registrar.

*Conditions.*—This extension is subject to the following conditions in addition to those contained in the Schedule to the Act: (1) That it shall cease and determine unless all the shares the subject matter of the patent sold in Australia by the patentee or pursuant to his authority, permission or license shall be manufactured in the Commonwealth; (2) that it shall cease and determine if the patentee wilfully and without reasons satisfactory to the Commissioner fails to comply with any direction in writing of the Commissioner given with reference to any of the foregoing provisions.

*Order accordingly.*

Solicitors for the petitioner, *Braham & Pirani*.

Solicitors for the caveator, *Barwell, Kelly & Hague*, Adelaide, by *G. F. A. Jones*.

B. L.