

[HIGH COURT OF AUSTRALIA.]

THE BACCHUS MARSH CONCENTRATED
MILK COMPANY LIMITED (IN
LIQUIDATION) AND ANOTHER
DEFENDANTS,

AND

JOSEPH NATHAN AND COMPANY LIMITED RESPONDENT.
PLAINTIFF,

ON APPEAL FROM THE SUPREME COURT OF
VICTORIA.

<p>H. C. OF A.</p> <p>1919.</p> <p>—</p> <p>MELBOURNE,</p> <p>March 12-14, 17-20; May 12.</p> <p>—</p> <p>Isaacs, Higgins and Gavan Duffy J.J.</p>	<p><i>Contract—Construction—Prior negotiations—Sale of patent rights, inventions and processes—Right of vendor to manufacture, import and sell—Trade mark—Assignment—Sale of business—Goodwill—Contracts in restraint of trade—Rectification of Contracts—Evidence.</i></p>
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The A Company, which carried on business in Australia and New Zealand, entered into a written contract with the B Company, which carried on business in Australia, wherein it was recited that the A Company was the owner of certain letters patent for “certain inventions and processes of manufacture of dried milk in the form of a powder” in certain of the States of Australia other than Victoria, and that the A Company was willing to sell, and the B Company was desirous of purchasing, “the said inventions and the right to use the same and the said processes as well in Victoria as in other States of the Commonwealth of Australia and to sell the products of the same in all parts of the world except the Dominion of New Zealand and also the said letters patent and all the information and knowledge of” the A Company “and its officers of the processes secret and otherwise of such manufacture” upon the terms and conditions thereafter appearing. The contract then went on to state that it was thereby agreed (*inter alia*) that the A Company should sell and the B Company should purchase “the said letters patent and all forms of provisional protection of the said inventions and processes and the exclusive right to use the same and to sell the said powder in all parts of Australia”; that the A Company should impart to the B Company “all the knowledge of the said inventions and processes of manufacture of the powder known as dried milk

whether secret or otherwise possessed by it or its officers or employees and all information possessed by it or them relative thereto"; that the A Company would not "manufacture or sell or in any way use or take advantage of the said inventions processes or products in Victoria or elsewhere in Australia nor be directly or indirectly in any capacity concerned or interested in any business in Victoria or elsewhere in Australia manufacturing selling or in any way using trading or dealing in the said inventions or the said processes or the products thereof"; and that the B Company would on completion of the said purchase of the said inventions and patent rights grant to the A Company without charge "a licence during the remainder of the term of the said patents to import into and sell in Australia (but as infants' food only) the preparation known by the trade name of 'Glaxo.'" Glaxo was dried milk in the form of a powder which was produced, by means of the inventions and processes referred to in the contract, from milk to which had been added a certain proportion of sugar of milk, and the A Company was the registered proprietor of the name "Glaxo" as a trade mark in Australia. All the patents referred to in the contract having expired, in an action brought by the A Company against the B Company, in which there was a counterclaim by the B Company,

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Held, by Isaacs and Gavan Duffy JJ. (Higgins J. dissenting), on the evidence and the construction of the contract, that the contract did not then operate to prevent the A Company from manufacturing or importing into or selling in Australia the substance known as "Glaxo," and that the B Company had no right or title to the goodwill of the A Company's business in Australia and, per totam curiam, that the B Company had no right or title to the use of the A Company's trade mark "Glaxo."

Per Higgins J.—Until in the application of the written words to external facts there is shown to be some ambiguity or difficulty of identification, the evidence of conversations, letters, &c., must be ignored for the purpose of construction of the final contract. If the writing of the contract be exactly what the parties intended, there can be no rectification of the contract.

Observations on covenants in restraint of trade.

Decision of the Supreme Court of Victoria (*Cussen J.*) varied.

APPEAL from the Supreme Court of Victoria.

An action was brought in the Supreme Court by Joseph Nathan & Co. Ltd. against the Bacchus Marsh Concentrated Milk Co. Ltd. (in Liquidation) and the Bacchus Marsh Concentrated Milk Co. Ltd., in which the statement of claim as amended was (so far as material) as follows:—

The plaintiff says:—

1. The plaintiff is a company duly incorporated under the law of England and carries on business in Australia, New Zealand and elsewhere.

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2. The plaintiff is registered as the proprietor of the trade mark numbered 6088 pursuant to the provisions of the *Trade Marks Act* 1905-1912, the essential particular whereof is the word "Glaxo."

3. The plaintiff has manufactured and brought into Australia large quantities of an infants' food and sold and offered the same for sale under the trade mark or name "Glaxo" and with the said trade mark or name attached thereto.

4. By documents in writing dated 21st July and 18th November 1910, executed by the plaintiff and the Bacchus Marsh Concentrated Milk Co. Ltd. hereinafter called the "No. 1 Milk Company," it is provided (*inter alia*) as follows :—[Then followed the substance of clauses 1, 6, 7 and 12 of the documents of 21st July and 8th November 1910, which are hereafter set out].

5. The said Bacchus Marsh Concentrated Milk Co. Ltd. party to the said documents in writing and herein called the "No. 1 Milk Company" was duly incorporated under the laws of Victoria and carried on business in the State of Victoria.

6. The said No. 1 Milk Company was duly and lawfully wound up voluntarily on or about 30th August 1916 and the defendant the Bacchus Marsh Concentrated Milk Co. Ltd. herein called the "No. 2 Milk Company" was duly incorporated and constituted under the laws of Victoria and by some arrangement and in some manner (unknown to the plaintiff but known to the defendants) the said No. 2 Milk Company took over the business of the said No. 1 Milk Company. The managing body and shareholders in the No. 2 Milk Company are substantially the same as in the said No. 1 Milk Company.

7. The said patents mentioned in the said documents have expired.

8. The plaintiff's infants' food sold and offered for sale in Australia under the trade name or mark "Glaxo" is not manufactured or made according to the inventions or processes mentioned in the said letters patent and is not a product of the said inventions or processes or any of them. [This was abandoned before trial].

9. The defendant the said No. 2 Milk Company claims and insists under the said documents (a) that it is entitled to the benefit of the said documents and the covenants on the part of the plaintiff therein contained; (b) that since the expiration of the said patents the

plaintiff cannot import into, sell or manufacture in Australia the infant food prepared by the plaintiff and known by the trade name or mark "Glaxo" or any dried milk in the form of a powder; (c) that the defendant the No. 2 Milk Company has acquired the goodwill of the plaintiff's business in Australia and the right to use the trade name or mark "Glaxo"; (d) that the plaintiff's right to the trade mark or name "Glaxo" has determined.

10. The defendant the No. 2 Milk Company threatens and intends to act in assertion of its claims and will use the said trade mark or name "Glaxo" unless restrained by this Court.

11. Alternatively, and if the true interpretation of the said documents is in accordance with the claim and assertion of the defendant the No. 2 Milk Company, the plaintiff says that by mutual mistake of the plaintiff and the said No. 1 Milk Company the said documents do not express the true and real agreement between the plaintiff and the No. 1 Milk Company, and that the true and real agreement between the plaintiff and the said No. 1 Milk Company was and is to the effect following: (a) that the provisions of clause 7 of the document dated 21st July 1910 only operated and took effect during the existence of the patents mentioned in the said documents; (b) that the right of the plaintiff to import into, to manufacture and sell in Australia its infants' food under the trade mark or name "Glaxo" was untouched and unaffected by any agreement between the plaintiff and the said No. 1 Milk Company.

And the plaintiff claims:—

(a) A declaration that the defendant the No. 2 Milk Company is not entitled to the benefit of or to enforce the covenants of the plaintiff in the said documents of 21st July and 18th November 1910.

(b) A declaration that the said documents of 21st July and 18th November 1910, and particularly clause 7 of the document of 21st July 1910, do not operate to prevent the plaintiff after the expiration of the patents mentioned in the said documents from manufacturing or selling or offering for sale in Australia powdered milk prepared according to the inventions or processes mentioned in the said documents or the products thereof.

(c) A declaration that the plaintiff's infants' food sold under the

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 1919. to the said inventions and processes or the product thereof. [This  
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(d) A declaration that the plaintiff is entitled to import into and manufacture and sell in Australia its infants' food sold under the trade name "Glaxo."

(e) A declaration that clause 7 of the document dated 21st July 1910 if it operates according to the claim and assertion of the defendant the No. 2 Company is void as being an unlawful and unreasonable restraint upon trade.

(f) A declaration that the defendants have no right or title to the goodwill of the plaintiff's business in Australia or to the use of the plaintiff's said trade mark or name "Glaxo."

(g) An injunction restraining the defendants, their and its agents and servants, from using the said trade mark or name "Glaxo" or any colourable imitation thereof.

(h) Alternatively, rectification of the said documents to accord with the real agreement between the plaintiff and the said No. 1 Milk Company.

(i) Such further and other order as may be necessary or proper in the premises.

The defendants by counterclaim alleged :—

1. The defendant No. 2 Company is a company duly incorporated under the law of Victoria, and at all times material carried on and still carries on business throughout the Commonwealth of Australia and elsewhere.

1A. The defendant No. 1 Company, now in voluntary liquidation, is a company duly incorporated under the law of Victoria.

2. The plaintiff is a company duly incorporated under the law of England and at all times material carried on and still carries on business in New Zealand and Australia and elsewhere.

3. By agreements in writing dated respectively 21st July and 18th November 1910, made by and between the plaintiff and the defendant No. 1 Company, it was recited that the plaintiff was the owner of certain letters patent for certain inventions and processes of manufacture of dried milk in the form of a powder in all the

States of the Commonwealth of Australia except Victoria, South Australia and Tasmania, originally granted to one James Robinson Hatmaker but then in the name of the Imperial Dry Milk Company, having become such owner by assignment from the said Imperial Dry Milk Company (then in liquidation), and that the plaintiff was willing to sell and the defendant desirous of purchasing the said inventions and the right to use the same and the said processes as well in Victoria as in other States of the Commonwealth, and to sell the products of the same in all parts of the world except the Dominion of New Zealand and also the said letters patent and all the information and knowledge of the plaintiff and its officers of the processes secret and otherwise of such manufacture upon the terms and conditions thereafter appearing.

4. By the said agreements it was (*inter alia*) provided as follows :— [Then followed clauses 1, 2, 3, 6, 7, 8, 12 and 13 of the documents of 1st July and 18th November 1910, which are hereafter set out].

5. They repeat pars. 7, 8, and 9 of the defence herein. [Those paragraphs set out the provisions of clauses 9 and 10 of the agreements; alleged an agreement between the defendant No. 1 Company and its liquidator and the defendant No. 2 Company that the latter should take over all the assets of the former Company including the benefit of all contracts, and should perform all the obligations of such contracts; and alleged that the terms and conditions of the agreements of 21st July and 18th November 1910 had been duly observed and performed by the defendants.]

6. The patents referred to in the said agreements have expired, and the plaintiff contends that notwithstanding the provisions of the said agreements it has been since the expiration of the said patents and is now entitled to import into and/or manufacture and/or sell in Australia powdered milk prepared according to the inventions or processes referred to in the said agreements or the products thereof including the preparation known as "Glaxo" referred to in the said agreements, and the plaintiff will unless restrained by this Court act in assertion of its claim.

7. The plaintiff in breach of the said agreements has since the expiration of the said patents imported into and sold in Australia large quantities of the preparation known as "Glaxo" and referred

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to in the said agreements, being a preparation made in accordance with the inventions or processes referred to in the said agreements or a product thereof.

8. The plaintiff is the registered proprietor under the provisions of the *Trade Marks Act* 1905-1912 of the following trade marks :

(a) No. 6088 (the essential particular whereof is the word "Glaxo"); (b) No. 16753 (associated with No. 6088 and No. 16754); (c) No. 16754 (associated with No. 6088 and No. 16753): And the plaintiff has used and still uses the said trade marks in connection with the sale by it in Australia of the said preparation known as "Glaxo."

The defendants jointly, severally and in the alternative, counter-claim :—

(1) A declaration that the plaintiff is not entitled to import into or to manufacture or sell or offer for sale within the Commonwealth of Australia powdered milk or other products prepared according to the patents, inventions or processes referred to in the said agreements or any other similar products howsoever prepared.

(2) An injunction restraining the plaintiffs, its agents and servants, from importing into or manufacturing or selling or offering for sale within the said Commonwealth any such powdered milk or other products.

(3) A declaration that the preparation known as "Glaxo" and referred to in the said agreements is prepared according to the patents, inventions or processes referred to in the said agreements.

(4) A declaration that the plaintiff after the expiration of the said patents ceased to be and is not now entitled to import into or to manufacture or sell or offer for sale within the said Commonwealth the said preparation known as "Glaxo."

(5) An injunction restraining the plaintiff, its agents and servants, from importing into or manufacturing or selling or offering for sale within the said Commonwealth the said preparation known as "Glaxo."

(6) A declaration that the defendants are or one of them is entitled to the trade marks herein referred to [certain trade marks in relation to "Glaxo"] and each of them and are or is entitled to use the name "Glaxo" throughout the said Commonwealth.

(7) An injunction restraining the plaintiff, its agents and servants,

from using the said trade marks or any of them and from using the said name within the said Commonwealth.

(8) Alternatively, a declaration that the said trade marks have and that each of them has determined and that the plaintiff is not entitled to the exclusive use thereof.

(9) Damages for breach of the said agreements or alternatively an account of profits.

The document of 21st July 1910 (Exhibit G), which was an agreement between Joseph Nathan & Co. Ltd. (therein called "the vendor") and the Bacchus Marsh Concentrated Milk Co. Ltd.—now in liquidation—(therein called "the purchaser") was (omitting formal parts) in the following terms:—

"Whereas the vendor is the owner of certain letters patent for certain inventions and processes of manufacture of dried milk in the form of a powder in all the States of the Commonwealth of Australia (except the State of Victoria) which were originally granted to one James Robinson Hatmaker but are now in the name of the Imperial Dry Milk Company Limited particulars of which patents are set forth in the schedule hereto having become such owner by assignment from the said Imperial Dry Milk Company Limited of London now in liquidation And whereas the vendor is willing to sell and the purchaser is desirous of purchasing the said inventions and the right to use the same and the said processes as well in Victoria as in other States of the Commonwealth of Australia and to sell the products of the same in all parts of the world except the Dominion of New Zealand and also the said letters patent and all the information and knowledge of the vendor and its officers of the processes secret and otherwise of such manufacture upon the terms and conditions hereinafter appearing Now it is hereby agreed as follows:—

"1. The vendor shall sell and the purchaser shall purchase the said letters patent and all forms of provisional protection of the said inventions and processes and the exclusive right to use the same and to sell the said powder in all parts of Australia.

"2. The vendor shall also impart to the purchaser or to duly authorized officers or employees thereof all the knowledge of the

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said inventions and processes of manufacture of the powder known as dried milk whether secret or otherwise possessed by it or its officers or employees and all information possessed by it or them relative thereto.

“3. The vendor shall also whenever requested by the purchaser send to the purchaser a person expert in the said processes of manufacture to be employed by the purchaser for such period as the purchaser shall require who shall be able and willing to instruct and shall instruct such persons as the purchaser shall require in the whole of the said processes of manufacture such expert to be paid by the purchaser at such rate as may be previously agreed on between the parties hereto not exceeding the rate usually paid to such an expert by the vendor.

“4. The vendor shall supply to the purchaser at a price equivalent to the actual cost to the vendor thereof landed in Melbourne all such dried milk and of such quality as it shall require until the purchaser shall be ready to manufacture the same in Australia under the said processes.

“5. The vendor undertakes that it has good title to the said inventions and processes and that it is registered proprietor of the said letters patent hereby sold.

“6. The vendor will not enter into or carry on or be directly or indirectly interested or concerned in any capacity whatever other than that of a member of the purchasing Company in the business of reconstituting the said dried milk that is to say the business of re-rendering into a fluid state the said powder known as dried milk And also will not knowingly supply from New Zealand or from any other place or country to any person firm or company in any part of the world any of such powder for the purpose of such reconstitution and resale as liquid milk.

“7. The vendor will not manufacture or sell or in any way use or take advantage of the said inventions processes or products in Victoria or elsewhere in Australia nor be directly or indirectly in any capacity concerned or interested in any business in Victoria or elsewhere in Australia manufacturing selling or in any way using trading or dealing in the said inventions or the said processes or the products thereof.

"8. The vendor has no patent rights except in Australia and New Zealand in respect of the said inventions and processes. The vendor will not hereafter acquire or exercise any rights which may prejudice the purchaser in the sale or manufacture of dried milk in any part of the world other than New Zealand.

"9. The vendor agrees to take seven thousand five hundred fully paid ordinary shares of seven shillings and sixpence each in the purchaser Company and to pay therefor the sum of one pound per share such payment to be made at the same time as the balance of purchase money shall be payable by the purchaser under this agreement. Such shares to carry dividend from the first day of August one thousand nine hundred and ten or other the day of issue but otherwise to rank *pari passu* with existing shares.

"10. The consideration to the vendor for this agreement shall be as follows:—(a) Seven thousand five hundred pounds—one hundred pounds whereof shall be paid on the signing of this agreement and the balance at the time appointed in clause 11 and a proportionate reduction for any patent not completed by the vendor, to be determined in case of disagreement by arbitration under the last clause hereof. (b) If the purchaser shall succeed in selling in any consecutive period of twelve calendar months before the thirty-first day of December one thousand nine hundred and twelve a quantity of the said powder not less than one hundred tons and thereon realize a net profit to the purchaser of not less than one penny per pound weight the purchaser shall on such profit being realized issue to the vendor without further payment two thousand five hundred fully paid ordinary shares of seven shillings and sixpence in the purchaser Company.

"11. The purchase to be completed as soon as the vendor shall have produced the grants or letters patent mentioned in the schedule hereto and evidence of the vendor's title to the said inventions and processes and registered proprietorship of the said letters patent and upon execution of proper assignment to the purchaser thereof the said balance of seven thousand four hundred pounds shall be payable and the vendor shall simultaneously pay the sum of seven thousand five hundred pounds to the purchaser and the purchaser shall also

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allot to the vendor the seven thousand five hundred fully paid ordinary shares of seven shillings and sixpence each in the purchaser Company.

“12. The purchaser will on completion of the said purchase of the said inventions and patent rights grant to the vendor without charge a licence during the remainder of the term of the said patents to import into and sell in Australia (but as infants’ food only) the preparation known by the trade name of ‘Glaxo.’

“13. The vendor will at the expense of the purchaser do all things and execute all deeds instruments and writings which the purchaser may reasonably require for the purpose of obtaining patent rights for the said inventions in Victoria and to assure or vest in the purchaser all or any of the rights hereby sold.

“14. If any question or difference shall arise between the parties hereto or their respective representatives touching this agreement or the construction hereof or the rights duties or obligations of any person or party hereunder or as to any other matter in anywise arising out of or connected with the subject matter hereof the same shall be referred to Mr. Edward Stevens care of Mr. Henry Berry of Collins Street Melbourne merchant or if he be unable to act then to such person as he shall nominate in writing. The arbitrator from time to time acting under these presents shall have all the powers conferred on arbitrators by the *Supreme Court Act* 1890 of Victoria or any subsisting statutory modification thereof.”

The document of 18th November 1910 (part of Exhibit G) was an agreement between the same parties, and was (omitting formal parts) in the following terms:—

“Whereas two patents referred to in the within agreement namely South Australia No. 6124 and Tasmania have been found to have lapsed and it has been agreed between the parties to cancel the within agreement as to such two patents but to confirm the same as to the other three patents subject to the modifications following that is to say:—

“1. The said two patents shall be deemed to be excised from the schedule to the within agreement.

“2. The following shall be substituted for clause 6 of the within

agreement: '6. The vendor will not nor will any director thereof enter into or carry on or be directly or indirectly interested or concerned in any capacity whatever other than that of a member of the purchaser Company or as a member of any other company not carrying on the business of the purchaser Company or any business similar to the reconstituting business of the purchaser Company in the business of reconstituting the said dried milk that is to say the business of re-rendering into a fluid state the said powder known as dried milk And also will not knowingly supply from New Zealand or from any other place or country to any person firm or company in any part of the world any of such powder for the purpose of such reconstitution and resale as liquid milk.'

"3. In clause 8 the words 'acquire or' and all the words after "dried milk" shall be cancelled and the following words shall be added 'in Australia and if any such rights shall be acquired by the vendor it shall offer them to the purchaser at cost but in any case they shall not be exercised as aforesaid by the vendor.'

"4. The three following clauses shall be substituted for clauses 9, 10 and 11 of the within agreement:—'9. The vendor agrees to take seven thousand fully paid ordinary shares of seven shillings and sixpence each in the purchaser Company and to pay therefor the sum of one pound per share such payment to be made at the same time as the balance of purchase money shall be payable by the purchaser under this agreement Such shares to carry dividend from the day of issue but otherwise to rank *pari passu* with existing shares. 10. The consideration for this agreement shall be as follows:—(a) Seven thousand pounds—one hundred pounds whereof shall be paid to the vendor on the signing of this agreement and the balance at the time appointed in clause 11. (b) The parties shall enter into an agreement already prepared for the sale and purchase of dried milk and intended to be of even date herewith. 11. The purchase to be completed as soon as the vendor shall have produced the grants or letters patent for Queensland New South Wales and Western Australia mentioned in the schedule hereto and evidence of the vendor's title to the said inventions and processes and upon execution and registration of proper assignment to the purchaser thereof the said balance of six thousand nine hundred pounds shall be

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payable and the vendor shall simultaneously pay the sum of seven thousand pounds to the purchaser and the purchaser shall also allot to the vendor seven thousand fully paid ordinary shares of seven shillings and sixpence each in the purchaser Company.'

"5. For the purpose of ascertaining stamp duty the apportionment of the consideration in respect of the said patents is the sum of one hundred pounds for each patent."

Prior to the agreement of 21st July 1910 two letters were written by Reginald Purbrick, the general manager of the Bacchus Marsh Concentrated Milk Co. Ltd. (now in liquidation), to Joseph Nathan & Co. Ltd., both dated 18th July 1910.

The first letter (Exhibit B, of which Exhibit D was a copy) was (omitting formal parts) as follows :—

"Dear Sirs,—Referring to our several conversations as to the purchase of such patent rights as you possess in Australia for the manufacture of dried milk, we now offer to purchase same for the sum of seven thousand five hundred pounds (£7,500) cash. You are forthwith to apply and we agree to issue to you 7,500 shares in our Company, 7s. 6d. paid, at £1 per share, to carry all the same rights and privileges as existing shares. Dividends to accrue from 1st of August next.

"You are to furnish us, or a responsible officer of this Company, with all or any information, secret or otherwise, that you possess at the same time in the manufacture. You will further at our request and at our expense send us an expert for a limited time to instruct us in the course of manufacture.

"Patents.—It is quite understood and agreed that on account of some defaults the whole of your patents for Australasia are not in perfectly good form, and this fact having already been disclosed shall not at any time invalidate this offer or contract.

"Glaxo.—We agree to give you, free of charge, a licence to export Glaxo to Australia.

"We further offer and agree to issue to you free of payment at any time before 31st December 1912 a further 2,500 shares at par, if before or at the end of that period we are selling at least 100 tons of dried powder per annum at a profit of not less than one penny (1d.) per lb.

"We herewith hand you cheque for one hundred pounds as part of the purchase money. H. C. OF A. 1919.

"The patent rights to be handed over as soon as possible.

"You agree not to enter into the reconstituting business. You agree not to supply powder knowingly for this purpose in the world.

"You to receive from 1st August 1910 to 31st October 1912 £100 per annum as consulting fee to be rebated if you or your representative may be appointed to the Board. (IN LIQUIDATION) v.

"You agree to supply all our requirements of dried milk at actual cost until we are ready to manufacture same in Australia. Any questions or other disputes that may arise in connection with the construing of this agreement and other details in connection therewith shall be submitted to arbitration."

The second letter (Exhibit C, of which Exhibit E was a copy) was (omitting formal parts) as follows :—

"Dear Sirs,—We beg to confirm arrangement by which we are to issue you 500 shares in our Company as on the 1st August next for an option over your New Zealand factories, business, and patent rights, in dried milk, excluding Glaxo, for 18,500 cumulative preferential shares at par at 6 per cent. per annum and ordinary shares at par for the value of the Bunningthorpe Dried Milk and Cheese Factories with all plant, &c., as existing at the time of exercise of option at cost less depreciation to such date.

"In the event of payment being made of the 2,500 shares as mentioned in our letter of even date then the purchasing price under this option to be reduced by 2,500 preferential shares.

"Option to expire 31st December 1911."

Other material facts are stated in the judgments hereunder.

The action was heard by *Cussen J.*, who gave a judgment the material part of which was as follows :—

This Court as to the matters appearing in the plaintiff's amended statement of claim doth declare as follows :—

1. That the agreements dated respectively 21st July 1910 and 18th November 1910 mentioned in par. 4 of the amended statement of claim in this action do not operate to prevent the plaintiff after

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the expiration of the patents mentioned in the said agreements from importing into and selling in the Commonwealth of Australia products of the inventions and processes referred to in such patents other than the product of any colourable imitation of the product known as "dried milk" or "milk powder" or "powdered milk" including in such terms the product of milk from which the cream and butter fat have been partly or wholly abstracted.

2. That the plaintiff is entitled to import into and sell in the Commonwealth of Australia its infant food sold under the trade name "Glaxo" so long as such food is of the character of the preparation heretofore commonly put up as an infants' and invalids' food under such name.

3. That the defendants have no right or title to the use of the plaintiff's trade mark or name "Glaxo."

And this Court doth order and adjudge:—

4. That the defendants, their servants, agents and workmen be perpetually restrained from using the said trade mark or name "Glaxo" or any colourable imitation thereof.

5. That it be referred to the Chief Clerk to inquire and certify as to the amount of damages sustained by the plaintiff by reason of the use by the defendants of the plaintiff's trade mark "Glaxo" and that the defendants do pay to the plaintiff the amount so certified.

And as to the matters appearing in the defendants' counter-claim this Court doth further declare:—

6. That the plaintiff is not entitled to import into or manufacture or sell or offer for sale within the Commonwealth of Australia dried milk or milk powder or powdered milk or other products prepared according to the said inventions and processes except to the extent provided for in the foregoing declarations 1 and 2 of this order.

7. That the preparation known as "Glaxo" and referred to in the said agreements is prepared according to the said inventions and processes.

And this Court doth further order and adjudge—

8. That the plaintiff, its servants, agents and workmen be perpetually restrained from manufacturing or selling or offering for sale within the said Commonwealth any such "dried milk" or "milk powder" or "powdered milk" or other products so prepared

except to the extent provided for in declarations 1 and 2 of this order. H. C. OF A.
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9. That the defendants do pay to the plaintiff the costs of this action relating to the claim, including the costs of matters relating to trade marks but excluding the matters raised by pars. 8 and 11 of the statement of claim, and that the plaintiff do pay to the defendants the costs of the action relating to the counterclaim and of the matters raised by the said pars. 8 and 11 of the statement of claim but excluding the costs of matters relating to trade marks, and do also pay to the defendants the costs of and incidental to the amendment made with reference to adding as a defendant the Bacchus Marsh Concentrated Milk Co. Ltd. (in Liquidation), such costs respectively to include costs of discovery and interrogatories.

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From that decision the defendants appealed to the High Court, and the plaintiff gave notice in lieu of cross-appeal.

Schutt and Owen Dixon (Sir Edward Mitchell K.C. with them), for the appellants.

Starke (with him *Mann and Walker*), for the respondent.

[During argument reference was made to *Hatmaker v. Nathan & Co.* (1); *Shipwright v. Clements* (2); *Dixon Crucible Co. v. Guggenheim* (3); *Currie & Co. v. Currie* (4); *In re Hart's Registered Trade Mark* (5); *Charrington & Co. v. Wooder* (6); *Henry Leatham & Sons Ltd. v. Johnstone-White* (7); *Attorney-General of the Commonwealth of Australia v. Adelaide Steamship Co.* (8); *Pickering v. Ilfracombe Railway Co.* (9); *Dubowski & Sons v. Goldstein* (10); *Marshall v. Berridge* (11); *Mackenzie v. Coulson* (12); *Leather Cloth Co. v. Lorisont* (13); *In re Magnolia Metal Co.'s Trade Marks* (14); *Kerly on Trade Marks*, 3rd ed., pp. 385,

(1) 34 R.P.C., 317.

(2) 19 W.R., 599.

(3) 2 Brews. (Pa.), 321.

(4) 15 R.P.C., 339.

(5) (1902) 2 Ch., 621.

(6) (1914) A.C., 71.

(7) (1907) 1 Ch., 322, at p. 326.

(8) (1913) A.C., 781, at p. 794; 18

C.L.R., 30, at p. 33.

(9) L.R. 3 C.P., 235.

(10) (1896) 1 Q.B., 478.

(11) 19 Ch. D., 233, at p. 241.

(12) L.R. 8 Eq., 368, at p. 375.

(13) L.R. 9 Eq., 345, at p. 354.

(14) (1897) 2 Ch., 371, at p. 396.

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 1919. *Matthews and Adler on Restraint of Trade*, 2nd ed., pp. 84, 94.]

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Cur. adv. vult.

The following judgments were read :—

ISAACS J. This case, which has been ably argued on both sides, presents several features of importance and difficulty. The subject of the litigation between the parties may be very shortly expressed. The respondent Company (which I shall call "Nathan's," for brevity) claims to be entitled to make or sell in Australia dry milk powder, and especially a particular sort of dry milk powder for infants' food, and sold under the trade name of "Glaxo," and also to be entitled exclusively to the registered trade mark "Glaxo." The appellants deny these claims, and set up in turn a claim to the exclusive right of the same registered trade mark. The matter turns on the effect of an agreement made between Nathan's and one of the appellant Companies in 1910. The second appellant Company is a reconstruction of the first, was promoted and created by the first; and, from the terms of its constitution, and of the transfer of the property of the first, and from the original personnel and interests of the corporators of the second, the relation of the two Companies is such that for the purposes of this case they are substantially identical, and no distinction can be made. I shall therefore treat them as one, and refer to the appellants indiscriminately as the "Bacchus Marsh Company."

An agreement was arrived at in July 1910, and modified in November 1910. On 21st July 1910, and subsequently on 18th November 1910, formal documents were executed as embodying the agreement arrived at, including its modification. The rights of the parties depend on (1) the construction, (2) the rectification, (3) the validity, and (4) the effect on a trade mark, of those original instruments.

A considerable body of evidence was given on both sides as to the circumstances in which the bargain was made, and as to the terms of the negotiations leading up to the execution of the formal documents. Nathan's relies upon this evidence as assisting it both with regard

to the construction of the documents as they stand and with regard to the issue of rectification if it fails on construction. It also relies upon that evidence, together with the formal instruments, as supporting its claim that clause 7 of the contract is invalid. It is extremely convenient to look at the evidence.

1. *Construction*.—Approaching the extrinsic evidence first with a view only to construing the documents, it is important to bear in mind how far it is legitimate to regard that evidence. The law is not doubtful. It is not legitimate to refer to such evidence either for the purpose of adding a term to the written agreement or of altering its ordinary legal construction, and therefore it is not legitimate to show that it was intended to use words bearing a different sense from that which the words used express when applied to the circumstances. But it is legitimate to adduce extrinsic evidence of the surrounding circumstances in order to prove that words susceptible of more than one meaning are applicable to one only of those meanings—that is, not to alter the contract but to identify its subject. Further, for the purpose of identifying the subject of the contract, prior negotiations are available just as any other circumstance would be. But the prior negotiations cannot be used for the purpose of importing additional or different terms—that is, terms other than the words actually used express when the subject matter is fully identified. These propositions are enunciated in and enforced by cases of the highest authority, as *Inglis v. Buttery* (1); *Mercantile Bank of Sydney v. Taylor* (2); *Bank of New Zealand v. Simpson* (3); *Gordon-Cumming v. Houldsworth* (4), and *Charrington & Co. v. Wooder* (5). For the purpose of rectification, the position is quite different. The jurisdiction of equity to re-form instruments so as to make them accord with what the parties actually agreed to, or with what one party intended and the other party knew the first intended, is for the very purpose of overcoming in a proper case, by the ordinary rules of evidence, the obstacle presented, since equity construes contracts just as law does. And, further, for the purpose of determining whether or not the contract, or any particular provision in it,

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(1) 3 App. Cas., 552, at pp. 572, 577.

(2) (1893) A.C., 317, at p. 321.

(3) (1900) A.C., 182, at p. 188.

(4) (1910) A.C., 537, at pp. 541, 548.

(5) (1914) A.C., at pp. 77, 80, 82.

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1919. material extrinsic fact may be proved (*Mumford v. Gething* (1);
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(IN LIQUIDATION) Now, the question is: Do the words "the said powder" in clause
"Glaxo" or not? These words are referable back to the expression
"dried milk in the form of a powder," and ultimately depend on what
"dried milk" means in this contract. "Dried milk" is not a legal
phrase, nor had it in 1910 any fixed connotation; it was vague,
and commercially would rather refer to the substance sold by the
ton as "dried milk" than to the substance sold in small tins and
labelled "Glaxo." It was susceptible of just such meaning as the
parties mutually attached to it in their communings, or as one party
to the knowledge of the other attached to it (*Smith v. Hughes* (3),
per *Blackburn and Hannen JJ.*).

The facts material to construction are these:—In 1910 Nathan's
had considerable trade in Australia in ordinary dried milk. It was
manufactured in New Zealand, exported to Australia, and there sold
wholesale by the ton, for use by various manufacturers, and not
sold retail to the public. Nathan's also manufactured in New
Zealand a special preparation for invalids' and infants' food—I
gather, principally infants' food. Milk is reinforced with lactose or
sugar of milk to bring it into close approximation to human milk,
and then the drying process applicable to ordinary milk is applied
so as to produce the powder sold under the trade name of "Glaxo."
It was never sold by the ton, but in tins of about two lbs. weight.
It was and is essentially intended for retail trade, and as put on the
market is and always was commercially distinct from ordinary
dried milk. In 1910 Nathan's had no Australian trade in "Glaxo."
The Bacchus Marsh Company, doing a considerable trade in con-
densed and concentrated milk, was necessarily perturbed by the
prospect of having preservatives prohibited. There was a manifest
danger that dried milk, if reconstituted, that is, reconverted into
milk, might supplant their milk. Apart from this danger of
reconstitution, the Bacchus Marsh Company—as its manager,

(1) 7 C.B.(N.S.), 305.

(2) (1914) A.C., 461.

(3) L.R. 6 Q.B., 597.

Purbrick, said during the negotiations—cared nothing for dried milk. Nathan's held, or was supposed to hold, patent rights for the dried milk throughout Australia. But the practical question was how long would reconstituted milk keep. The test at Hay's Station demonstrated that it would keep well. There had been much verbal negotiation before the test, but the test decided the matter, and there quickly followed the definite offer written by the Bacchus Marsh Company of 18th July 1910. Nathan is positive that throughout the whole verbal negotiations prior to the letter he was very distinct in insisting that, while willing to sell his Company's patent rights as to "dried milk," he always drew a distinction between "dried milk" and what he called "Glaxo," and that he stipulated that his Company should have the right to import into and to sell in Australia "Glaxo." Purbrick's testimony as to this may be best gathered from certain questions and answers. In answer to the learned presiding Judge, Purbrick says only that "he" (Nathan) "never said so to me *as far as I can remember.*" He also says that when he and Nathan took the letter of 18th July to Mr. Butler he (Purbrick) or Butler suggested the restriction of clause 12 relating to "Glaxo" to infants' food, "*so that it could not be sold as dried milk.*" The letter, it will be observed, refers to the sale of patent rights and supplementary information, to a total exclusion of imported "Glaxo"—there being no intention on the part of Nathan's to manufacture in Australia—and also to a restraint as to Nathan's entering into the reconstituting business. Contemporaneously, proposals were made with respect to New Zealand. But there the proposals took wider form and embraced "factories, business and patent rights in dried milk, excluding 'Glaxo.'" It appears, from statements at the Bar, that there were separate factories for "Glaxo." So that—although these proposals fell through—two points are to be noted. First, "Glaxo" was excluded entirely, and, next, it was excluded not simply from the expression "dried milk" but from the subjects of sale, namely, "factories, business and patent rights in dried milk." If the New Zealand option had been given, there would manifestly have been a licence as to "Glaxo" during the term of the patents, and the specific factories would have been identified. The documents

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B, C, D and E were taken to Mr. Brett, whose firm of Blake & Riggall at that time was acting for Nathan's, and to Mr. Butler, whose firm of Madden & Butler then acted for the Bacchus Marsh Company. There is nothing to indicate any change of intention as to subject matter as between the parties except as to the £100 fee. Purbrick's account of his directors' meeting shows this. The directors simply approved of the solicitor's draft subject to any alterations approved by the solicitors.

Up to the execution of the contract, then, it is established that the parties in referring to "dried milk," which means the "powder," meant the ordinary form of dried milk sold as such in the market; and definitely excluded from its specification, as far as their bargain was concerned, the special article up to that time sold elsewhere as "Glaxo."

I wish to state with a little more precision what I gather the parties mutually understood by "Glaxo" as outside the connotation of "dried milk powder." It must be remembered that whatever we now know as to its composition, and whatever the appellant Company knows of its composition since Nathan's sent orders for its manufacture, the elements of "Glaxo" were in 1910 unknown to Purbrick and his Company. They knew, of course, that milk was its basis, and that it was dried under the patent process. But they did not know its manufacturing *differentia*. They knew it was put on the market in New Zealand and elsewhere, and sold and regarded as another "line," as it is termed in the evidence, and they knew how it was put up and sold, and that its get-up was inseparable from its commercial identity. This is the important feature to remember in limiting the exclusion of "Glaxo" from "dried milk." As business men, that is the *discrimen*, including always the existence of some actual or assumed difference in manufacture. "Glaxo," therefore, for the purposes of exclusion presented itself to the minds of the parties as an infants' food (suitable also for invalids) produced in the form of dried milk from a special preparation of milk which was treated by a process known only to Nathan's, the product being put up and sold, as the exhibits show, only in tins of about one or two pounds weight, as infants' or invalids' food and under the trade name of "Glaxo." That is all that the

parties assented to regard as standing commercially outside the expression "dried milk" or "dried milk powder" in their negotiations, and consequently all that they found necessary to exclude from the operation of the patents during the assigned term of their existence, a matter again to be referred to. That being their conventional meaning of the terms, the contract must be taken to refer to those when "dried milk" and "Glaxo" are spoken of. That such was in fact the mental state of both parties is shown by the circumstance that when the Bacchus Marsh Company first began to manufacture infants' food, stimulated, no doubt, by Nathan's success in "Glaxo," that Company called it "Lactogen." It never demanded the "Glaxo" formula, indeed on 7th December 1911, in writing to Nathan's, it referred to "your Glaxo formula," and as late as February 1916 and April 1916 correspondence was conducted on the basis of "Glaxo" still belonging wholly to Nathan's. It is true the expression "dried milk" occurs in the patent specifications, but Purbrick did not read them till long after the contract was executed, and apparently he attached no importance to the terminology of the specifications. The parties knew and understood what they were bargaining about.

Reliance was placed by the appellants on clause 12. They argued that if the terminology was limited as suggested by the respondent, there would either be no necessity for clause 12 or else there would have been no limitation of time of the licence to the term of the patents. But the answer is that clause 12 is necessary because the patents themselves were sold, and, assuming "Glaxo" excluded, clause 12 was necessary for that purpose in view of the assignment of the patents, but as, apart from patents, the rights to manufacture and sell ordinary "dried milk powder," which itself excluded "Glaxo," was all that was sold, there was no necessity to say anything more. One practical consideration—and in case of ambiguity practical considerations have weight—is that it would be extraordinary if Nathan's were contemplating, or if Purbrick thought that Nathan's was contemplating, commencing a "Glaxo" business, and not only creating but pushing it for seven years, and then handing it over to the Bacchus Marsh Company. It would also be extraordinary if during the patent period the Bacchus Marsh

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Company could have also put on the market and sold "Glaxo" in competition with Nathan's. But that is the necessary result if the appellants are right. The parties never at any time before the expiry of the patents said or did anything to show that they thought these extraordinary results were in the contemplation of either of them.

On the question of construction, therefore, I read the words "the said powder" in clause 1 as meaning "ordinary dried milk powder," and not as including the special preparation of infants' food put up and sold under the trade name of "Glaxo."

2. *Rectification*.—If, however, for any reason the words of the contract as they stand are too stubborn, even in the circumstances, to bear the meaning I have stated, the next question is: Should the document be so re-formed as to bring it into conformity with the intention of the parties to exclude "Glaxo" as an infants' food?

The question on this issue is, of course, what was the intention of the parties at the moment of executing the documents. Usually one would expect to have the solicitors called to explain how the various clauses took their actual form. It is true that Mr. Brett has not been called by Nathan's. But it must be remembered that Brett's firm of Blake & Riggall are now acting for the Bacchus Marsh Company. It is hardly likely, therefore, that Nathan's could call into consultation, or interview for precognition, the opposing solicitor. Besides, this view is accentuated by an incident at the trial. Nathan was cross-examined, indirectly it is true, but apparently none the less effectively, by the aid of a bill of costs—apparently the bill of costs rendered to him by the solicitors now opposing him. The learned presiding Judge happened to observe it, and properly felt bound to call attention to the fact. I therefore think it only natural for the respondent to omit calling Brett. On the other hand, the appellants were under no such difficulty with regard to their own solicitor, Butler, and yet did not call him. Nor did they call any of their directors except Purbrick, the managing director. The inference I draw is that they are bound by whatever Purbrick did and advised. He must be taken to have told them the mutual intention so far as he knew it, and according to Nathan's evidence and Purbrick's later conduct Purbrick was

not in any kind of doubt about that. Indeed, they expressly left alterations of the draft in the hands of the solicitors.

The standard of proof required by a Court of equity in the case of rectification is stated in two cases. In *Mortimer v. Shortall* (1) Lord *Sugden* L.C. says:—"Now is the evidence conclusive? I must be certain that there has been a mistake, and that the mistake is such as ought to be corrected. I do not mean to say, that the evidence must be all one way, or that there must not be any conflict: there must, however, be such a preponderance, as will satisfy my mind." The other case is *Bentley v. Mackay* (2), where *Turner* L.J. says: "Very strong and clear proof is required." The evidence of Nathan and Purbrick's written documents and conduct prior to the expiry of the patents (see *Watcham v. Attorney-General* (3)) afford all the proof required, if we believe both parties honest. His explanations of his letters in the witness-box are far from satisfactory, and show in any case that his statements are to be accepted cautiously.

Borrowing Lord *Sugden's* words, the evidence is such as to "satisfy my mind." I have no reasonable doubt. And I may add, the evidence is sufficiently definite to enable the Court to make the proper correction.

3. *Invalidity*.—I have now to deal with the third objection which the respondent raises to the appellants' claim, namely, *invalidity*. The part of the agreement relied on by the appellants as shutting out the respondent since May 1917, when the patents expired, is clause 7. They treat clause 1 as transferring property which clause 7 is designed to protect. It is said by respondent to be invalid. I should observe that the evidence shows that Nathan's did not raise this objection except to defend itself against the contention that, whatever was the actual intention respecting "Glaxo," it has lost it on strict construction, and that rectification is not obtainable. To the objection of invalidity it is answered: "If the scope of clause 7 is no wider than the thing sold, it is not invalid; and the thing sold being the exclusive right to use the inventions and

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(1) 2 Dr. & War., 363, at p. 371.

(2) 4 D. F. & J., 279, at p. 287.

(3) 87 L.J. P.C., 150.

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processes, secret and otherwise, and to sell the powder, the scope of the clause is no wider than is necessary for its protection."

If a secret process were the subject of the sale, no doubt *Leather Cloth Co. v. Lorisont* (1), approved in *Herbert Morris Ltd. v. Saxelby* (2), would cover it, at all events to a very great extent. I have serious doubts whether the extensive restriction as to "use" of the "products," which literally includes the use of the products that have been manufactured and sold by the Bacchus Marsh Company, and the restriction as to being concerned in any business using such products, are not too wide in any aspect of the case. The conversion of ordinary milk into "dry milk powder" is a distinct business; the use of the powder in any other manufacturing business, such as confectionery, is another business, and if I thought the clause indivisible or that this case turned on those restrictions I should need to further consider them. But the clause is divisible (see *Baker v. Hedgecock* (3)), and the "manufacture" and "sale" of the "products" of the inventions and processes would stand if there were really, as argued, a secret process sold which required to be protected by a clause so wide. I think *Lorisont's Case* (1) would govern the matter; see also *Fowle v. Park* (4).

It becomes very important, for the purposes of determining both the validity of clause 7 and the right to the trade mark "Glaxo," to ascertain what really was the subject of sale and purchase. First of all, the document of 21st July 1910, when carefully read, refers to Nathan's "business" in one place only, namely, at Wellington, *New Zealand*. There is no suggestion that its *Australian* "business" is the subject of sale, or was ever considered as the subject of sale. The appellants did not go so far as to contend that they claimed Nathan's business in the sense of the actual going concern, but they did claim that the business in an abstract sense of selling milk powder did pass by the contract. Still, I have to consider this question for myself as a matter of law. The document states by recital what property the vendor is possessed of, namely, "certain letters patent" for "certain inventions and processes of

(1) L.R. 9 Eq., 345.

(2) (1916) 1 A.C., 688, at p. 701.

(3) 39 Ch. D., 520, at p. 522.

(4) 131 U.S., 88.

manufacture of *dried milk in the form of a powder* in all the States . . . of Australia (except the State of Victoria)." I italicize the words indicating the subjects of property, properly so understood. Then comes a recital of what the parties wish to make the subject of a sale and purchase, namely, (1) the *said* inventions, and the *right* (a) to use the *same* and the *said* processes as well in Victoria as in other States, and (b) to sell the *products of the same* in all parts of the world except New Zealand. I stop there to observe that down to that point no invention or process is in question except the inventions and processes mentioned in the patents, and the "products" to be sold are the products of those inventions and processes only. Then comes the second item desired to be sold and bought, introduced by the words "and also," namely, (2) "the *said letters patent* and all the *information and knowledge* of the vendor and its officers of the processes secret and otherwise of such manufacture." The word "and" introducing the "information and knowledge" clause is equivalent to "with." It is not "and also," which precede the letters patent and seem intended to indicate the final main subject of the intended sale. The concluding words "of such manufacture" relate back to the patent processes.

One thing is very evident: the words in the final clause do not indicate the intended sale of any independent "secret process"; they refer only to "information and knowledge," and, whether "secret" is attached to "information and knowledge" or to "processes," the governing words are "information and knowledge" and not "processes." But the better construction, to my mind, is not to separate the "information and knowledge" from letters patent so as to introduce some separate and independent secret process which no one apparently ever heard of, but to regard the former as supplementary to the latter, the fruit of experience, and the word "secret" as being inserted by way of caution to cover any possible secret way of performing the invented process. The information and knowledge is, on the fair construction of the document, for the purpose of helping out the best way of working the patent, even though the information and knowledge may be such as have been acquired by the vendor and its employees themselves in the course of experience

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and not from any other person. The Bacchus Marsh Company was buying along with the patents the benefits of the whole experience of Nathan's in operating them.

This view is confirmed not only by the frame of the operative part of the agreement, but by the evidence. The evidence discloses no secret process whatever in existence. The "Glaxo" private formula was not a "secret process" within the meaning of the agreement, however the clause is construed, because the formula was in the *preparation* of the substance to be dried and *not in the drying process*. And in carrying out the agreement the "information" clause was worked by "details" of the manufacture being obtained at the New Zealand factory. In case of ambiguity mutual conduct showing how the parties construed the agreement may be considered (*Forbes v. Watt* (1) and *Watcham's Case* (2)).

Then we come to the operative clauses :—(Clause 1) The vendor sells (a) the *letters patent* and all provisional protection of the *said inventions and processes* ; (b) the exclusive right to use the *same* ; (c) (the exclusive right) to sell the *said powder* in all parts of Australia. It is argued that (a) and (b) include the "secret processes," and so attract the decision in *Lorsont's Case* (3). For determining the validity of the restrictive clause No. 7, it would be sufficient answer that *no secret process is shown to have existed*, and that the evidence as to the information regarding details already referred to shows that no secret process in fact existed. For purposes of construction, in my opinion no "secret process" is included in clause 1. It is certainly not in "letters patent" ; it is not in "the said inventions and processes," because that phrase in clause 1 is intended to carry out by operative words the recited intention to sell certain inventions and processes, and they are the *said inventions and processes* ; and, further, it is not to be expected that the vendor sells the "provisional protection" of a secret process, since provisional protection assumes publication. The "provisional protection" clause has reference to the intended resuscitation of the Victorian patent. And, lastly, because, not only is there an omission from clause 1 of all reference to "information" &c., but clause 2 specifically deals with the clause

(1) L.R. 2 H.L. (Sc.), 214, at p. 216.

(2) 87 L.J. P.C., 150.

(3) L.R. 9 Eq., 345.

in the recital as to “information and knowledge” by way of covenant. So that the “exclusive right”—which I agree means the right to exclude the vendor—applies only to the *patented inventions and processes*, including, of course, Victoria, where they had been patented, and to the “powder” produced according to those inventions and processes. Further, when reading the whole document, as we must do in order to make sure of the meaning of each part of it, we find that the phrase “said inventions and processes” used elsewhere, as in clauses 5, 7, 8, 11, 12, is clearly limited to the patent inventions and processes. I conclude that clause 1 of the agreement does not comprehend any secret process as the intended subject of sale. And on the facts there was no secret process, and no information or knowledge of any secret process. There was expert knowledge as to the patented inventions and processes, the result of practice, and the information as to that was the subject of sale, but only as supplementary to the “letters patent” and the inventions and processes contained therein. What was sold by clause 1—apart from the patents and the potential statutory rights of provisional protection of the inventions and processes already patented, and any possible improvements which might be thought of—was “*the exclusive right*,” apart from patents, of using the same inventions and processes, and of selling the “powder” produced by them, whatever “powder” includes.

But what is meant by the “exclusive right” to do these things? As Nathan said in his evidence, he could not sell what he had not got. The reply was not, “But you have a secret process”; it was, “As between your Company and the Bacchus Marsh Company, were they not to have the exclusive right?”—A.: “Yes.” We get the true meaning of “exclusive right” in such a case from its meaning as applied to patents, except that, being contractual here, it applies only between the parties. In *Steers v. Rogers* (1) Lord *Herschell* L.C. says:—“What is the *right* which a patentee has or patentees have? It has been spoken of as though a patent were a chattel, or analogous to a chattel. The truth is that letters patent *do not give the patentee any right to use the invention*—they do not confer upon him a right to manufacture according to his invention.

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(1) (1893) A.C., 232, at p. 235.

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That is a right which he would have equally effectually if there were no letters patent at all; only in that case all the world would equally have the right. What the letters patent confer is the *right to exclude others* from manufacturing in a particular way, and using a particular invention."

What has been done here has been an attempt by contract to create in Victoria, where it was known there was no patent—and subsequently also in South Australia and Tasmania, where it was discovered the patents had also lapsed—a right as between the parties, as near as contract can make it, of the same nature as existed where patents were of force, and also, if the clause is unlimited in point of time, to extend that same kind of right to the whole of Australia after the patents had expired. But, applying Lord *Herschell's* words to this case, the substantial right of the Bacchus Marsh Company to trade where there was no patent, or after patents had ceased, existed independently of the contract, and could not be created by the contract.

All that the "exclusive right" stipulated for could give was a *personal right to exclude Nathan's from further carrying on its business of selling dried milk in Australia*. It is not, and does not purport to be, a transfer of a business, with goodwill; where that is intended, the common form is to say so expressly. Nor is the ordinary form of selling a secret process followed where covenants of non-disclosure past and future are inserted. Nor is it a right to represent the Bacchus Marsh Company as the successor of Nathan's in the particular business then carried on by Nathan's. Goodwill is property, but, as such, is inseparable from a particular "business" in the sense of a particular going concern. It is an asset of that business, and enhances its value. (See *Commissioners of Inland Revenue v. Muller & Co.'s Margarine Ltd.* (1).) In *Hill v. Fearis* (2) Warrington J. says: "The goodwill of a business is the advantage, whatever it may be, which a person gets by continuing to carry on and being entitled to represent to the outside world that he is carrying on a business which has been carried on for some time previously." The identity of the concern is essential to the conception of goodwill. You cannot attach the goodwill of an old business

(1) (1901) A.C., 217.

(2) (1905) 1 Ch., 466, at p. 471.

to a new business. "Destroy the business," says Lord *Macnaghten* in *Muller's Case* (1), "and the goodwill perishes with it."

In the present case, that the agreement so stringently drawn from the Bacchus Marsh Company's side should entirely omit all mention of "business" and "goodwill," if they were intended to pass, is beyond comprehension. At all events, the words do not include them. The Bacchus Marsh Company could not represent itself in any way as successor of Nathan's, that the "*maison*" was the same. (See *Thynne v. Shove* (2).) The retirement of Nathan's did not transfer its business or goodwill. In *Gray v. Smith* (3) *Cotton L.J.* says: "A contract to retire from the firm has not the same effect as a contract expressly bargaining for the assignment of the goodwill."

The appellants' minute of 20th July has importance from its language as indicating the view taken by that Company of the matter. It says: "Resolved that this Company enter into the manufacture and sale of dried milk," and refers to the agreement as one for the acquirement of "certain rights." Nathan's was not engaged in the "manufacture" of dried milk in Australia.

It is clear to me that, whatever business the Bacchus Marsh Company intended to do in dried milk, it intended to do as part of *its own independent business*, and not in any way as the successor to the old business of Nathan's. Further, Purbrick in his evidence states that there was no intention whatever in 1910 of entering into the infants' food trade, so that "Glaxo" was not then considered of any importance to it, and it did not in fact manufacture infants' food until 1914. Nathan's may have thought the right to "Eclipse" trade mark passed, on the ground, and as the appellants' counsel have argued, that the trade mark indicated the method of manufacture, but unless the goodwill passed, the right to the trade mark did not, and unless "the business"—the definite particular commercial undertaking or enterprise, which Nathan's was in fact carrying on—was sold and passed, the goodwill did not pass (*Ullmann & Co. v. Cesar Leuba* (4)). There is no trace of any evidence of any intention to pass the "business," or

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(1) (1901) A.C., at p. 224.

(2) 45 Ch. D., 577, at p. 580.

(3) 43 Ch. D., 208, at p. 221.

(4) (1908) A.C., 443, at p. 446.

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to include it or the goodwill in the subjects of sale. What the parties negotiated about for Australia were "rights"; for New Zealand, it was rights and business and plant. The reservation of "Glaxo" even during the pendency of the patent term—and throughout Australia—that is, for seven years, shows that the "business" and "goodwill" did not pass. If, then, all that was substantially contracted for, independently of the patents and the exclusive rights they afforded, was the exclusive right to trade, what is the legal nature of that subject? It seems to me that it is just an instance of what Lord Macnaghten in *Nordenfelt v. Maxim Nordenfelt Guns and Ammunition Co.* (1), and Lord Parker in *Saxelby's Case* (2), call "restraints of trade" (where) "there is nothing more."

Clause 7, which is invoked as a restraint that is only reasonable to protect clause 1, is, at best, after the patents expired, simply an enlarged version of clause 1. It is the same thing written at length. Now, then, can clause 7 be relied on as a reasonably restrictive provision necessary to protect something already granted? To answer that question the law as to the validity of contracts of this class in restraint of trade as developed up to the present time has to be considered.

When stated in the form of propositions and applied to the facts of this case as above narrated, the result follows almost automatically. The propositions are:—(1) Freedom of trade cannot, without sufficient legal justification, be restricted by agreement simply on the principle of freedom of contract (*Trego v. Hunt* (3); *Saxelby's Case* (4)). (2) No person has an abstract right to be protected against competition *per se* in his trade or business (*Trego v. Hunt* (5); *Saxelby's Case* (6)). (3) If there is something which he is entitled to be protected against, then a reasonable protection for that purpose contracted for will be upheld as far as the personal interests of the parties themselves are concerned, and subject to public interests (*Saxelby's Case* (7)). (4) Reasonableness is a question of law to be determined by the Court on the special circumstances of the case (*Saxelby's Case* (8)). (5) The onus of

(1) (1894) A.C., 535, at p. 565.
(2) (1916) 1 A.C., at p. 706.
(3) (1896) A.C., 7, at p. 24.
(4) (1916) 1 A.C., 688.

(5) (1896) A.C., 7.
(6) (1916) 1 A.C., at p. 700.
(7) (1916) 1 A.C., at pp. 700-701.
(8) (1916) 1 A.C., at p. 707.

proving the special circumstances justifying the restriction as reasonable between the parties lies on the person alleging it to be so; the onus of proving injury to the public is on the person alleging it (*Salt Company's Case* (1); *Saxelby's Case* (2)). (6) When a man sells anything he may preclude himself from lessening by competition the value of what he sells, provided the restriction is not unreasonable, having regard to the subject matter of the contract (*Lorson's Case* (3), approved in *Saxelby's Case* (4)). (7) Therefore, when the goodwill of a business is sold, a reasonable covenant on the part of the vendor against competition is valid in order to protect what is bought and sold (*Saxelby's Case* (5)). (8) But the business the goodwill of which is to be protected is a specific business, transferred by the covenantor to the covenantee (*Saxelby's Case* (6)). (9) Similarly, if what are properly called "trade secrets" are sold, they are regarded as property, and may be similarly protected (*Lorson's Case* (7); *Saxelby's Case* (8)). (10) But general skill and knowledge which a person of ability necessarily acquires in his business or calling is not a trade secret, and is not knowledge which can be regarded as property (*Saxelby's Case* (9)).

The rules as I have stated them (and the same may be said of the rules specially applicable to cases of employer and employee) are, as I understand the law, only particular rules of a larger principle. That principle is that true freedom of trade is not to be restricted, but that a provision which, taken by itself, would amount to such restriction may, when considered in conjunction with and as qualified by the surrounding circumstances, prove to be not really a restriction but merely part of a larger transaction which, regarded as a whole, does not restrict, but may even assist, freedom of trade. To employ a simile, expenditure is *per se* a loss, but expenditure which secures a greater benefit is not.

Applying the unquestionable rules I have specifically formulated to the agreement and the circumstances of the case, I think it clear that the promise of Nathan's in clause 1 to give up its business

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(1) (1914) A.C., at p. 470.

(2) (1916) 1 A.C., at pp. 700, 707, 715.

(3) L.R. 9 Eq., at p. 354.

(4) (1916) 1 A.C., at p. 701.

(5) (1916) 1 A.C., at pp. 709, 713.

(6) (1916) 1 A.C., at pp. 707-709, 713.

(7) L.R. 9 Eq., at p. 353.

(8) (1916) 1 A.C., at pp. 703, 710-711,
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(9) (1916) 1 A.C., at p. 711.

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in Australia and to exclude itself from business here—assuming the exclusion to extend beyond the patent period—is not valid, and, not being a sale or transfer of property, could not support the attempted protection of clause 7. As to any secret process, the onus of showing that there is one and, if there is, what is its nature and how far it requires the all-embracing protection of even the first part of clause 7, has not been satisfied (see also *Ropeways Ltd. v. Hoyle* (1)). So far as the matter rests on inference, I infer that there was no secret process, or none requiring the protection given. That protection, in my opinion, is not only not shown to be reasonable, but is on the evidence unreasonable. Further, I think that clause 2, for the reason given, is similarly incapable of justifying clause 7. If clause 2 gives any support at all to such a clause as clause 7, the latter would certainly be too wide for any legitimate protection of clause 2.

(4) *Trade Mark "Glaxo."*—There remains the question as to the trade mark "Glaxo." In *A. G. Spalding & Bros. v. A. W. Gamage Ltd.* (2) Lord Parker emphasized the necessity of a trade mark being distinctive. That is conceded by the appellants, but they say the trade mark "Glaxo" is distinctive only of the "manufacture," and not of the particular manufacturer. The answer to that has been often given, and it is necessary to cite only the latest case which is of really controlling authority. In *Bowden Wire Ltd. v. Bowden Brake Co.* (3) the same proposition was advanced, and held by the House of Lords to be wrong (see particularly the judgment of Lord Shaw).

The Bacchus Marsh Company certainly has no right to use the trade mark "Glaxo," and would not have such right even if it had been expressly assigned to it (sec. 58 of the *Trade Mark Act* 1905-1912 and the *Bowden Wire Case* (3)).

As to the appellants' claim that at any rate Nathan's has abandoned the mark by abandoning the business in which it was used. Sec. 58 of the Act, already referred to, says (*inter alia*) that a trade mark when registered shall be determinable with the goodwill of the business concerned in the goods in respect of which the mark

(1) 35 T.L.R., 285, at p. 288.

(2) 32 R.P.C., 273, at pp. 284-285.

(3) 31 R.P.C., 385

is registered. But the business of Nathan's in the infants' food, to which alone "Glaxo" was applied, was never abandoned. Abandonment is a question of intention (*In re Hart's Registered Trade Mark* (1)). Nathan's admittedly continued it until the expiry of the patents, and it has claimed to continue that trade ever since. The action is practically based on that claim. Further, as to abandonment, and apart from contractual obligation, so far as the claim of the Bacchus Marsh Company extends to the use by it of the mark, sec. 51 of the Act, so long as the registration stands, presents a formidable obstacle.

Summarizing my conclusions, I am of opinion that the appeal fails, and that the respondent succeeds on its notice in lieu of cross-appeal. I think that the respondent is entitled to a declaration that it is now, since the expiry of the patents, entitled to import into and sell in Australia all dried milk generically so called, and, even if not entitled to all dried milk, it is entitled to import and sell the particular kind sold under the trade name "Glaxo." I think that it is also entitled to a declaration of the invalidity of clause 7 of the agreement. And lastly, if my construction of the agreement is too wide, I think that it is entitled to a rectification of the agreement so as to exclude "Glaxo" from the words "said powder" in clause 1.

I am of opinion that, as a matter of fact, the preparation known as "Glaxo" and referred to in the said agreements is prepared according to the patented invention and processes so far as relate to the drying of the milk. The formal declaration as to that is not thought to be necessary.

Judicially those are my conclusions. I think, however, I should add something further. I entertain no doubt that, until its right to "Glaxo" was denied, Nathan's thought it was legally bound by clause 7 as to ordinary dried milk, and would not have questioned its validity except to defend itself from what it considered an injustice. On the other hand, I entertain no doubt that the Bacchus Marsh Company thought Nathan's entitled to continue to sell "Glaxo," and would not have raised a claim to it had it not relied on what it thought the unexpectedly strict form of the contract in its favour. I think from the standpoint of sound

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business ethics and apart from legal intricacies and technicalities an effort might yet well be made to settle matters as the men of business thought they stood.

[Note.—See *McEllistram v. Ballymacelligot Co-operative Agricultural and Dairy Society* (1), which came to hand since delivery of the above judgment.—*I.A.I.*]

HIGGINS J. Our first duty seems to be to construe the agreement of 21st July 1910 with the agreement of variation of 18th November 1910. For this purpose one has to disregard the conversations and letters which preceded the agreement—the “preliminary communications”—and even to disregard the subsequent conversations and letters and the negotiations for amalgamation. The Court is bound to give effect to the document which the parties meant to be the final and complete declaration of their relations; and it is only when that document is ambiguous that we may allow the consideration of sound business results to affect our decision. Until in the application of the written words to external facts there is shown to be some ambiguity or difficulty of identification, the evidence of conversations, letters, &c., must be ignored for purposes of construction. This is, of course, trite law: *Quoties in verbis nulla est ambiguitas ibi nulla expositio contra verba fienda est*; and see *Shore v. Wilson* (2), per Parke B.; *Charrington & Co. v. Wooder* (3). The problem is not to find what the parties meant, but what their agreement means. I preface my judgment with these rather obvious principles because the principal difficulty of the case seems to me to arise from the effort to reconcile the contents of Exhibit G (the engrossed, signed, final agreement) with the contents of Exhibit B (a letter written by the defendant's manager to the plaintiff Company with a view to the framing of an agreement). The completed agreement contains, as the result of further negotiations between the plaintiff's agent and the defendant's manager and the solicitors of the parties, considerably more than the letter contained.

The two recitals have to be carefully studied, especially in connection with clause 1. They show an intention to sell four things—subjects which to some extent overlap: (1) the letters patent for

(1) (1919) A.C., 548.

(2) 9 Cl. & Fin., 355, at p. 555.

(3) (1914) A.C., 71.

five States—letters patent “for certain inventions and processes of manufacture of dried milk in the form of a powder”; (2) the right to use the said inventions and processes in the six States; (3) the right to sell the products of the manufacture in all parts of the world except New Zealand; (4) all the vendor’s knowledge of the processes “secret and otherwise” of the “manufacture”—that is to say, the manufacture of dried milk in the form of a powder.

Then, under clause 1, the vendor sells: (a) the letters patent, and all provisional protection of “the said inventions and processes” (the provisional protection probably refers to a possible application for Victoria); (b) “the *exclusive* right to use the same” in Australia (that is to say, the exclusive right to use *all* the inventions and processes referred to in the recitals, including any processes “secret and otherwise” referred to in the second recital); (c) the *exclusive* right to sell the said powder (the “product”) in Australia.

Inasmuch as the recitals show that the purchaser is to enjoy all the vendor’s knowledge of any processes not described in the patent, there seems to be no ground for rejecting the natural meaning of “the said inventions and processes” as meaning *all* the processes, secret or not secret, referred to in the recitals. I read the words “secret and otherwise” as applying, in the recital, to the next antecedent noun—“processes”; but even if they apply to “information and knowledge” the effect is substantially the same. There is no reason for treating any processes used in the manufacture but not described in the patents as excluded from the sale. To include them was the express object of the last words in the second recital. For instance, if in working the invention the vendor had discovered some important condition of working not claimed in the patent, or had discovered that the addition of some lactose to the milk before evaporation gave the product—the powder—the quality of a valuable and marketable infants’ or invalids’ food, I am of opinion that the vendor grants to the purchaser (as against himself) the exclusive right to use that discovery in Australia. This result exactly fits the case of “Glaxo”—which is in fact a dried milk powder within the description in the letters patent, although dried milk powder with an exceptional characteristic. We are at liberty to examine

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the letters patent with specification referred to in the agreement ; and we find there that the invention claimed comprises : (1) milk solids in light conservable form obtained by drying milk according to the high temperature process hereinbefore described ; (2) dried products containing milk solids obtained by drying liquid mixtures of milk and other substances according to the process of high temperature drying hereinbefore described.

There is not one iota in these claims that does not apply to "Glaxo." I concur with the learned primary Judge that the word "exclusive" implies an absence of competition on the part of the vendor (within Australia), and, in effect, a negative covenant against use (within Australia) on the vendor's part. It also implies exclusion of others so far as the vendor can exclude them. The result is that, in my opinion, the exclusive right to manufacture "Glaxo" in Australia, and to sell "Glaxo" in Australia, passed (*inter alia*) to the purchaser—that is to say, the sole right now belonged to the purchaser as between the vendor and the purchaser so far as Australia was concerned. In other words, the Nathan Company sold to the Bacchus Marsh Company—or meant to sell so far as it could—not only the patent rights for the manufacture of dried milk but all its knowledge as to the processes of manufacture—whether the processes were secret or not, and even if the product by means of some addition to the processes described in the patent was calculated to subserve some special purpose. The patents, the processes, the knowledge—everything, secret or not—were to go to the purchaser so far as Australia was concerned. It is quite probable that Nathan, when making the agreement Exhibit G, had no idea that something was included in the sale which would turn out to be extremely valuable ; but just as one who sells land in ignorance that it contains a coal mine is bound by his contract, so is Nathan's bound—if the meaning of the agreement is as I have stated.

The second clause strongly confirms this view that the "processes" to be sold were not confined to the processes in the specification. In this clause the vendor covenants to impart to the purchaser all its knowledge of the "said inventions and processes of manufacture of the powder known as dried milk whether secret or otherwise possessed by it," &c., "and all information . . .

relative thereto." The words "whether secret or otherwise" must be read as applying here to "processes," as in the recitals, unless the context forbid; and it does not forbid. The expression "secret processes" is perfectly appropriate. That which is the subject of assignment in clause 1—the right to exclusive use of *all* the processes (*inter alia*)—is the subject of covenant in clause 2.

The third clause is a covenant to supply the purchaser with an expert to instruct "in *the whole* of the said processes of manufacture." These words also must include the processes "secret and otherwise." Instruction is peculiarly appropriate for processes not claimed in the specification.

The fourth clause obliges the vendor to supply the purchaser at cost with all such dried milk as should be required until the purchaser should be ready to manufacture it in Australia under the said processes. The filling of this gap before the purchaser can manufacture offers some explanation of the peculiar limitation of time in clause 12, referred to hereafter. Clause 5 is a covenant for title. Clause 6 prevents the vendor from being interested in the business of "reconstituting" the dried milk, and from knowingly supplying to others any of the powder for "reconstitution." Clause 7 has been much debated; but what it means seems to be quite clear. The vendor is not to manufacture or sell or in any way use or take advantage of the inventions, processes or products in Victoria or elsewhere in Australia, and is not to be interested in any business in Australia manufacturing, selling or in any way using, trading or dealing with the said inventions, processes or products. This clause seems to me to gather up in express form the negative consequences of the sale to the purchaser of all the processes, patented and unpatented, and of the exclusive right to sell the products in Australia; and, as in other cases of absolute sale, the vendor is to be excluded from the thing sold for all time. That this exclusion was deliberately intended to be permanent is confirmed by clause 8; in which the vendor covenants that it "will not *hereafter* acquire or exercise any rights which may prejudice the purchaser in the sale or manufacture of dried milk in any part of the world other than New Zealand." "Hereafter" must mean for all time.

Clauses 9, 10 and 11 deal with the consideration—£7,500, to be

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applied in taking up 7,500 shares (paid up to 7s. 6d. each) in the purchasing company. Clause 12 binds the purchaser on completion of the purchase to grant to the vendor a licence "during the remainder of the term of the said patents to import into and sell in Australia (but as infants' food only) the preparation known by the trade name of 'Glaxo.'" Taking clause 12 in conjunction with clause 4, it would appear that, as the vendor was to supply dried milk to the purchaser until the purchaser was ready to manufacture it, the vendor was to be allowed to sell in Australia to others than the purchaser any of the dried milk preparation known as "Glaxo," but as infants' food only. This licence was to be limited to the term of the patents. Such a "licence" would be unnecessary and unmeaning unless the right to use the process for making "Glaxo" and for selling the product was included in the assignment to the purchaser under clause 1. It would be absurd for the purchaser to give a "licence" to sell unless the purchaser had the exclusive right to sell—exclusive as against the vendor. A licence is given by one who has the right to one who has not the right. The fact that a licence had to be given by the purchaser for the sale of "Glaxo" is, to my mind, conclusive that as between the parties the term "dried milk" had not acquired any conventional meaning of "dried milk *minus* 'Glaxo.'" Then, under clause 13, the vendor was to try to get for the purchaser patent rights in Victoria.

This agreement was varied by another of 18th November 1910, after it had been discovered that the patents for South Australia and Tasmania had lapsed as well as the patent for Victoria. Alterations were made in clauses 6, 8, 9, 10, 11, not directly bearing on the issues in this case; but it is to be noticed that no change whatever was made in the clauses as to which there is most dispute—clauses 1, 7, 12. It is my opinion, therefore, that the Nathan Company is precluded by the first agreement from manufacturing "Glaxo" in Australia and (since the expiry of the patents and of the proposed licence) from importing into and selling the food known as "Glaxo" in Australia.

As I have intimated already, I do not think that this is a case in which we should balance probabilities for the purpose of construction. But the plaintiff appeals to probabilities; and after forming

an opinion as to the construction of the document, one may, perhaps, legitimately look back and consider whether the result shocks the intelligence. I do not think it does. At the time of the agreement "Glaxo" had never yet been sold in Australia. It had been sold in England for one or two years, but the trade was rapidly growing. If "Glaxo" rights were to be excluded, why did it not occur to anyone to expressly exclude them, either in the exchanges of the draft, or in the making of the alterations in the new agreement in November? Finally, the vendor—the Nathan Company—was to get paid-up shares in the purchasing Company—was to derive profit without the labour of management.

But it is urged for the Nathan Company that clause 7 of the agreement is void for unreasonable restraint of trade. It is difficult to appreciate this argument if it is once established that the letters patent and the exclusive right (as against the Nathan Company) to use all the processes mentioned in the recital and to sell any dried milk in the form of a powder have been sold and assigned to the Bacchus Marsh Company. If A sell a horse to B, there would be no unreasonable restraint of trade in a covenant by A not to use the horse. Such an obligation is, indeed, implied in the sale. The same principle applies to the sale of a patent or of knowledge of a process. As Lord *Herschell* said in the *Nordenfelt Case* (1): "A covenant entered into in connection with the sale of the goodwill of a business must be valid where the full benefit of the purchase cannot be otherwise secured to the purchaser"; and the same principle must surely apply to the sale of processes, patented and unpatented. To adopt the homely phrase made use of by Lord *Macnaghten* (2), the vendor "may not sell the cow and sup the milk." Freedom of contract as to sale is as valuable to the public generally as freedom of an individual to sell a specific class of commodities. No case has been cited in support of the plaintiff's argument, and in my opinion the contention ought to be rejected.

The Nathan Company claims, however, an injunction restraining the Bacchus Marsh Company from using the registered trade mark or name "Glaxo"; and it is entitled to the injunction unless the trade mark or name was assigned by the agreement. To effect an

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(1) (1894) A.C., at p. 548.

(2) (1894) A.C., at p. 572.

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assignment there is no need for the express word "assign"; it is sufficient if the agreement show an intention to appropriate the trade mark to the purchasing Company. But to assign a patent, or an unpatented process, is not necessarily to assign a trade mark for the product of the process. The assignee may manufacture and sell under another name or mark. He has the right to use the device; but how does it follow that he must be entitled to use the name? We have been referred to sec. 58 of the *Trade Marks Act* 1905: "A trade mark when registered may be assigned and transmitted only in connection with the goodwill of the business concerned in the particular goods or class of goods in respect of which it has been registered and shall be determinable with that goodwill." Now, the trade mark was registered in respect of "food products"; and there are food products other than dried milk powder: so that it is doubtful whether the trade mark can be assigned except in connection with a business concerned in food products generally. But even if the word "the" could be ignored before the word "particular," it by no means follows that the goodwill of the business in "Glaxo" has been assigned. The section is negative in effect—"may be assigned *only* in connection with the goodwill." There can be no assignment except in connection with the goodwill; but it does not follow that if the goodwill be assigned the trade mark is assigned. Possibly, the assignment of all right to manufacture and use the dried milk products in Australia may carry the goodwill of the Nathan Company as to those products; but I can find no indication of an intention to assign the trade mark. With doubt, I have come to the conclusion that the injunction should be granted. For obvious business purposes the agreement ought to have conferred on the purchaser a right to use the trade mark; but I know of no principle which would justify me in holding that there is an assignment of the mark by implication, or any permission to use the mark.

Par. 11 of the statement of claim is as follows:—"Alternatively and if the true interpretation of the said documents is in accordance with the claim and assertion of the defendant the No. 2 Milk Company the plaintiff says that by mutual mistake of the plaintiff and the said No. 1 Milk Company the said documents do not express the true and real agreement between the plaintiff and the No. 1

Milk Company and that the true and real agreement between the plaintiff and the said No. 1 Milk Company was and is to the effect following: (a) That the provisions of clause 7 of the document dated 21st July 1910 only operated and took effect during the existence of the patents mentioned in the said documents; (b) that the right of the plaintiff to import into to manufacture and sell in Australia its infants' food under the trade mark or name 'Glaxo' was untouched and unaffected by any agreement between the plaintiff and the said No. 1 Milk Company." This paragraph has been the main cause of the length of the proceedings here and in the Court below. No objection was taken to it in the defence, and under this paragraph a vast mass of evidence, letters and conversations has been admitted as to negotiations before the agreement and since the agreement. This evidence would have been irrelevant but for this paragraph; and yet no case has been produced which would justify the rectification of an agreement because of a misinterpretation of the agreement, even mutual. In effect, the plaintiff says: "This written agreement means so-and-so, and, if it does not, I want it to be rectified so that it may have that meaning." This seems to me to be a perversion of the equitable doctrine as to rectification of instruments. If some words have been put into the instrument which were not meant to be put in, or if some words have been left out of the instrument which were meant to be there, equity relieves; but, according to the cases, it does not relieve where the mistake is as to the legal effect of certain words that the instrument contains (*Powell v. Smith* (1)). "If A induces B to execute a lease in the belief that the lease will have an effect different from what it really has, B may have a remedy in this Court; but not a remedy by way of rectification" (*Willesford v. Watson* (2); and see *Johnson v. Donaldson* (3)). The same principle seems to be accepted in America: "If the writing be exactly what the parties intended, there can be no reformation" (see *Harvard Law Review*, vol. XXIII., p. 610). If this kind of pleading be permitted, there will be no finality in written instruments meant to be final; the rule against allowing the written

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(1) L.R. 14 Eq., 85, at pp. 89-90. affd. L.R. 8 Ch., 473.

(2) L.R. 14 Eq., 572, at p. 577; (3) 6 V.L.R. (Eq.), 121; 2 A.L.T., 12.

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words to be altered or qualified by the “uncertain testimony of slippery memory” will become obsolete; and whenever there is a dispute as to the effect of an instrument Courts will have to find first what it means, and then to say what, on the balance of evidence and probabilities, was the intention hidden in the recesses of the parties’ minds. It should be clearly understood that the rights of parties under agreements are to be decided according to the expressions in the agreements, and not according to the words used in “preliminary communings,” but that in exceptional cases, such as when it is clearly proved that a word or words have been wrongly inserted or omitted, that the agreement as written does not truly show what the parties intended to write, a Court of equity will not refuse relief. It was not until the end of his argument that Mr. *Starke*, being asked to say what was the mistake to be rectified, pointed to clause 1, and said that “Glaxo” should be expressly excluded. There is not the slightest evidence that such an express exclusion was intended to be inserted. These considerations are, in my opinion, quite sufficient, in the present state of the law, to justify the learned primary Judge in dismissing the claim for rectification. But *Cussen J.* has also taken the strong ground that on the facts there never was any agreement, any *consensus ad idem* between the parties, or even their negotiators, except this written agreement of 21st July 1910, up to that date. Exhibit B (*Purbrick’s* letter of 18th July 1910) has been much pressed on us, but though the solicitors were given this letter as a basis to work on, there were many communings and exchanges and alterations of the draft agreement before the agreement was signed by the companies. The solicitors have not been heard; and, above all, the directors of the Companies have not been heard. It is the directors of the Bacchus Marsh Company, and not the manager, who, under the articles, have the right to make agreements on behalf of the Company. These directors have not been shown to have assented finally to anything but the agreement of 21st July; they “generally approved” only of the draft agreement subject to any alterations; and in exercising their discretion on behalf of the Company, they would ordinarily confine their attention to the document put before them for signature. There is not the slightest evidence that they

made any mistake in not excluding "Glaxo" from the sale. We have no right to force them to carry out an agreement which they might have refused to make. This is not a claim for rescission of the agreement on the ground of any misrepresentation on the part of Purbrick; it is a claim for rectification; and for rectification there has to be shown *mutual* mistake of the parties to the contract. To say that the Nathan Company, under the circumstances, could not well call the solicitors who acted for them in the drawing of the agreement does not relieve that Company of the onus of proving that the two agreeing parties—the two sets of directors—made one common mistake in what they signed.

I desire, however, not to be understood as laying down any rule that no relief of any kind can be given where both parties sign an agreement under a mistake of law. We are dealing here with a claim, not to set aside the agreement, but to rectify it, and to enforce it as rectified.

It would follow from my opinion, that the Bacchus Marsh Company under its counterclaim is entitled to a declaration substantially as sought in claim 1 of the counterclaim, and to an injunction as sought in claim 2. Claim 3 is for a "declaration" that "Glaxo" is prepared according to the processes, &c., referred to in the agreement; but a "declaration" is confined by the Courts to questions of law. My finding of fact would be that "Glaxo" is so prepared—the fact is practically admitted by the plaintiff's abandonment of par. 8 of the statement of claim. Claims 4 and 5 should be granted, but they had better be combined with claims 1 and 2. Claim 6, as to the trade marks and name "Glaxo" should be refused, as well as claim 7 for the injunction. There is no ground for declaring that the trade marks have "determined," whatever may be meant.

The plaintiff is entitled to a declaration substantially as claimed in its claim (f) and to an injunction as claimed in claim (g).

GAVAN DUFFY J. In my opinion the evidence shows that when the letter Exhibit B was discussed on 18th July 1910, the negotiating parties intended that the subject matter of the sale should be certain letters patent which were supposed to exist in all the States of the Commonwealth of Australia, and nothing else.

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They evidently thought that the assignment of the letters patent would prevent the vendor from importing into Australia and there selling a substance known as "Glaxo," which it sold as an infants' food, and it was provided that the purchaser should give to the vendor a licence to export "Glaxo" to Australia. It was further provided that the vendor should furnish the purchaser with all or any information, secret or otherwise, that it possessed in the manufacture; and, as the purchaser was acquiring the letters patent for the purpose of using the patented processes in what is known as the reconstituting business, it was provided that the vendor was not to enter into that business, or knowingly supply milk powder to be used in that business in any part of the world.

In the course of the discussion it was disclosed that no letters patent existed in Victoria, but Mr. Purbrick, who was negotiating for the purchaser, does not appear to have thought that it would be necessary on that account to introduce any new term into the contemplated contract, and no new term was proposed by either party.

Exhibit B was treated as the basis of the contemplated contract, and it was given to the purchaser's solicitor so that he might prepare an instrument embodying the contract. Such an instrument was prepared by him and ultimately executed in duplicate by the parties, and one of such duplicates is Exhibit G. We have to consider the effect of that contract on the questions now in issue between the parties, and, in doing so, I think we may ignore the subsequent agreement of November 1910. The solicitor was, of course, aware that, as no letters patent existed in Victoria, it would be necessary to make some special provision with respect to that State, for it was there that the purchaser intended to use the inventions and processes about which they were bargaining. It is not clear whether he discussed this question with the parties or their agents, but on examining Exhibit G we find that its subject matter is identical with that proposed in Exhibit B, namely, letters patent existing in all the Australian States, except that it does not purport to sell letters patent existing in Victoria as contemplated by Exhibit B, but does purport to sell all forms of provisional protection of the inventions and processes which are the subject matter of the letters patent,

and the exclusive right to use the patented inventions and processes, and to sell the product in all parts of Australia, and contains an undertaking that the vendor shall do whatever the purchaser may reasonably require for the purpose of obtaining letters patent in Victoria and to assure or vest in the purchaser all or any of the rights sold.

The first recital in Exhibit G states that the vendor is the owner of certain letters patent for certain inventions and processes of manufacture of dried milk in the form of a powder in all the States of the Commonwealth of Australia except the State of Victoria. The second recital states that the vendor is willing to sell and the purchaser is desirous of purchasing the said inventions and the right to use the same and the said processes as well in Victoria as in other States of the Commonwealth of Australia, and to sell the products of the same in all parts of the world except in the Dominion of New Zealand, and also the said letters patent and all information and knowledge of the vendor and its officers of the processes secret and otherwise of such manufacture, upon the terms and conditions thereafter appearing. It is said that the expression "all the information and knowledge of the vendor and its officers of the processes secret and otherwise" shows that the parties were dealing with secret processes other than the patented processes, and therefore with something not contemplated by Exhibit B. But this is not so; in my opinion the words of the recital have reference to the "information secret or otherwise" mentioned in Exhibit B, and the words "secret or otherwise" must be read as qualifying the words "information and knowledge," and not the word "processes."

Clause 1 of the agreement is as follows: "The vendor shall sell and the purchaser shall purchase the said letters patent and all forms of provisional protection of the said inventions and processes and the exclusive right to use the same and to sell the said powder in all parts of Australia." By this clause the vendor agrees to sell and the purchaser to buy (1) the letters patent for the inventions and processes of manufacture of dried milk in the form of "powder" mentioned in the first recital, and all forms of provisional protection of the said inventions and processes; (2) the exclusive rights to use these inventions and processes;

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(3) the exclusive right to sell in all parts of Australia the said "powder," that is to say, dried milk in the form of powder the product of such inventions and processes. It is to be observed that the vendor purports to give to the purchaser the exclusive right of manufacturing by means of these inventions and processes, and of selling the product throughout Australia, and that the vendor had no power to do this with respect to Victoria, where no letters patent existed. The form adopted shows that the parties were anxious that the purchaser should be as far as possible in the same position in Victoria as in the other States of Australia; indeed, they probably thought that the vendor would be able to obtain letters patent in Victoria and assign them to the purchaser. There had been an application for letters patent in Victoria, but it had lapsed, and the assignment of "all forms of provisional protection of the said inventions and processes" contained in clause 1 of Exhibit G, and the undertaking contained in clause 13 that the vendor will do all things and execute all deeds, instruments and writings which the purchaser may reasonably require for the purpose of obtaining patent rights for the said inventions in Victoria and to assure or vest in the purchaser all or any of the rights thereby sold, indicate that the parties anticipated that letters patent would ultimately be obtained in Victoria and assigned by the vendor to the purchaser. I think that the effect of clause 1 was to give to the purchaser rights which were to continue during the existence of the letters patent in the various States, and in Victoria, if no letters patent were obtained there, during such time as the letters patent which had been applied for there would have continued to exist if they had been granted. It was not intended to give greater rights in Victoria than in the States where patent rights existed, and in these States it was not intended to confer any rights which would operate after the letters patent had ceased to exist. Had the clause not contained the words "to sell the said powder in all parts of Australia," it would have been in a usual and proper form for the assignment of the patent rights then existing in Australia, and the added words were, in my opinion, designed to secure to the purchaser, so far as possible, the same rights in Victoria as it was acquiring in the other States. I shall not consider whether an attempt to preclude the vendor from

manufacturing and selling in Victoria was bad as being a restraint of trade, because I think the operation of the restraint is now exhausted even if it was validly created, and for the same reason I say nothing as to the validity of clause 7, but my silence must not be taken as indicating any dissent from the view expressed in the judgment of my brother *Isaacs*.

Clause 2 must, in my opinion, be read as binding the vendor to impart to the purchaser or its officers all the knowledge, whether secret or otherwise, of the inventions and processes of manufacture, in pursuance of the provision in Exhibit B, and not as binding them to impart all the knowledge of some processes secret or otherwise, other than that which is the subject matter of the letters patent.

Clauses 3 and 4 reproduce provisions contained in Exhibit B. Clause 5 corroborates the view that the words "the said inventions and processes" in clause 1 mean the inventions and processes mentioned in the first recital, because they necessarily have that meaning in clause 5. Clause 6 reproduces a provision contained in Exhibit B.

Clause 7 may be read as ancillary to the provisions of clause 1, and operating only during the period of its operation, or it may be read as introducing a subject matter not contained in Exhibit B or mentioned during its discussion, by permanently excluding the vendor within Australia from selling or in any way using, trading or dealing in "Glaxo," which is said to be one of the products mentioned in clause 7. In my opinion clause 7 is ancillary to clause 1, and is intended to protect the rights conferred by that clause during its operation and no longer. The inventions, processes and products which the vendor is restrained from using, manufacturing or selling are those which the purchaser is authorized to use, manufacture and sell. The right and the restraint are correlative, and are identical as to their period of operation.

Exhibit B purported to reserve to the plaintiff Company the right to export "Glaxo" to Australia, notwithstanding the assignment of the letters patent. If my interpretation of clauses 1 and 7 be correct, and if "Glaxo" be "powder" within the meaning of clause 1 or a "product" within the meaning of clause 7, the plaintiff Company, unless it obtained permission from the purchaser, would have

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been unable to export "Glaxo" into any Australian State while letters patent remained in force there, and, in the case of Victoria, during the period of restraint stipulated for in clause 1 if that stipulation was valid.

The parties evidently thought that the importation of "Glaxo" during these periods, and during these periods only, was prohibited by clauses 1 and 7, and accordingly they provided by clause 12 as follows: "The purchaser will on completion of the said purchase of the said inventions and patent rights grant to the vendor without charge a licence during the remainder of the term of the said patents to import into and sell in Australia (but as infants' food only) the preparation known by the trade name of 'Glaxo.'" As the terms of all the patents have expired, and the rights conferred by clauses 1 and 7 have now ceased to exist, it is not necessary to say whether the words "during the remainder of the term of the said patents" are to be read as giving a right to the plaintiff Company to import into and sell in each State of Australia during the term of the patent in that State, or as giving a right to import into and sell in any part of Australia until the last of such patents has expired. Whatever be the meaning of the clause, it can no longer affect the right of the plaintiff Company to import into Australia or there sell its preparation known as "Glaxo." If "Glaxo" does not come within the purview of clauses 1 and 7 of Exhibit G, the defendant Company never had any right with respect to it; if it does come within their purview, clause 12 precluded the defendant Company from obtaining any right such as it now claims with respect to "Glaxo" during the period of their operation. The result is that the defendant Company has no claim against the plaintiff Company with respect to "Glaxo" or the trade name or mark under which it has been sold by the plaintiff Company.

In my opinion the plaintiff Company is entitled to the relief claimed in the statement of claim under clauses (b), (d), (f) and (g), and the defendant Company is not entitled to any of the relief sought by the counterclaim.

The judgment appealed against should be varied accordingly, and the appeal should be dismissed.

ISAACS J. In view of the opinions expressed, the formal judgment of the Court will be as follows:—The judgment appealed from will be varied (1) by inserting in the declaration in par. 1 before the word “importing” the words “manufacturing or,” and instead of the word “and” before the word “selling” the word “or,” and by omitting from the said declaration all the words after the word “patents” where it secondly occurs; (2) by inserting in the declaration in par. 2 before the word “import” the word “manufacture”; (3) by omitting from the declaration in par. 2 all the words after the word “Glaxo”; (4) by inserting in the declaration in par. 3 after the word “title” the words “to the goodwill of the plaintiff’s business in Australia or”; (5) by omitting the declaration in par. 6; (6) by omitting the declaration in par. 7 and the order in par. 8; (7) by varying the order in par. 9 so as to read as follows: “That the defendants do pay to the plaintiff the costs of this action including the costs of matters relating to trade marks but excluding the matters raised by pars. 8 and 11 of the statement of claim and that the plaintiff do pay to the defendants the costs of the action relating to the issues raised by the said par. 8 of the statement of claim and do also pay to the defendants the costs of and incidental to the amendment made with reference to adding as a defendant the Bacchus Marsh Concentrated Milk Company Limited (in Liquidation) such costs respectively to include costs of discovery and interrogatories.”

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*Judgment appealed from varied as stated above.*

*Appellants to pay costs of appeal.*

Solicitors for the appellants, *Blake & Riggall.*

Solicitors for the respondent, *Malleson, Stewart, Stawell & Nankivell.*

B. L.