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extrinsically, the rules of reason and common sense, and the technical rules of a Court of Equity, are just as applicable in the one case as in the other.

Appeal dismissed. Order that all moneys and securities held by the appellant or her solicitor be delivered to the respondent.

Solicitors for the appellant, *W. B. & O. McCutcheon.*
Solicitors for the respondent, *Harwood & Pincott.*

B. L.

Aff *Westralian Powell Wood Process Ltd* v *R* (1921) 29 CLR 458

[HIGH COURT OF AUSTRALIA.]

THE CROWN . . . . . APPELLANT;
RESPONDENT,

AND

THE WESTRALIAN POWELL WOOD PROCESS LIMITED . . . . } RESPONDENT.
PETITIONER,

ON APPEAL FROM THE SUPREME COURT OF WESTERN AUSTRALIA.

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MELBOURNE, *Oct.* 16, 17, 24, 28, 29.

Barton, Isaacs, and Rich JJ.

Patent—Application of Commonwealth Act to State patents—Licence to use patented invention—Right acquired before commencement of Commonwealth Act—Licence granted after commencement—"In the Commonwealth"—Right of licensee to determine contract—Time for giving notice of intention to determine—Patents Act 1903-1909 (*No.* 21 *of* 1903—*No.* 17 *of* 1909), *secs.* 4, 6, 87B (2).

Practice—Costs—Payment into Court with denial of liability—Costs of issues on which parties successful.

By sec. 4 of the *Patents Act* 1903-1909 the term "patent" is defined to mean, except where otherwise clearly intended, "letters patent for an invention granted in the Commonwealth."

Held, that the words "in the Commonwealth" in that definition are geographical, and, therefore, that the definition includes patents granted under a State Act as well as those granted under the Commonwealth Act.

Sec. 6 of the Act provides (*inter alia*) that the Act shall not affect any right acquired before the commencement of the Act. Sec. 87B provides: "(2) Any contract relating to the lease of or licence to use or work any patented article or patented process, whether made before or after the commencement of this section, may at any time after the patent or all the patents by which the article or process was protected at the time of the making of the contract has or have ceased to be in force, and notwithstanding anything in the same or in any other contract to the contrary, be determined by either party on giving three months' notice in writing to the other party."

The petitioner, who was the registered proprietor of a patent granted under the law of Western Australia before the *Patents Act* 1903 came into operation, by a contract made after that event had happened granted to the respondent (the Government of Western Australia) a licence to use the patented process, and the respondent agreed to treat yearly a minimum quantity of timber by that process until July 1923 and to pay a specified royalty.

Held, that the right of the petitioner against the respondent to have the contract performed was a right under the contract, and was not a right acquired before the commencement of the Act within the meaning of sec. 6.

Held, therefore, that the respondent might determine the contract in accordance with the terms of sec. 87B (2).

Held, also, that the notice specified in sec. 87B (2) must be given after the expiration of the patent or patents therein referred to.

The petitioner having brought a petition to recover damages for breach of the contract by non-payment of royalties payable thereunder, the respondent by its defence contended that the contract was determined on one or other of two dates and paid into Court a sum of money in respect of royalties up to the earlier of the two dates and, with a denial of liability, another sum in respect of royalties for the period between the two dates. The Court having decided that the contract was determined on the later of the two dates and awarded damages on that basis,

Held, that the petitioner should have the general costs of the action up to the date of the payment into Court, and that the respondent should have the general costs after that date except the costs of the issue raised by the contention that the contract was determined on the earlier of the two dates, which costs the petitioner should have.

Decision of the Supreme Court of Western Australia (*Burnside* J.) reversed.

APPEAL from the Supreme Court of Western Australia.

The Westralian Powell Wood Process Ltd., a company registered in Western Australia, was at all material times the registered

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proprietor of a patent, which had been granted under the *Patent Act* 1888 (W.A.) on 9th February 1904, for a process of treating timber. On 27th February 1912, by an indenture made between the Company and the Minister for Works for Western Australia acting on behalf of the Government of Western Australia, the Company granted to the Minister a licence to use the patented process, and the Minister agreed to treat yearly a specified minimum quantity of timber and to pay to the Company a specified royalty in respect thereof. It was also agreed by the indenture that it should remain in force during the term of the patent (which expired on 9th February 1918) and thereafter until 15th July 1923. On 21st December 1917 the Government gave notice to the Company purporting to determine the contract at the expiration of three months from the giving of the notice, and on 11th February 1918 the Government gave a notice to the Company purporting to determine the contract at the expiration of three months from the giving of the latter notice.

By a petition of right dated 14th August 1918 the Company sought to recover from the Crown £51,550 19s. 5d. as damages for a breach of the contract. By the defence the Crown relied on the validity of the determination of the contract either under the first notice on 21st March 1918 or under the second notice on 11th May 1918, and on 16th September 1918 paid into Court a sum of £1,619 9s. 3d. in respect of royalties payable before 21st March 1918 and, with a denial of liability, £523 19s. 5d. in respect of royalties payable between that date and 11th May 1918.

The action was heard by *Burnside* J., who held that sec. 87B (2) of the Commonwealth *Patents Act* 1903-1909, which was relied upon as authorizing the Government to determine the contract, did not have that effect since the contract was saved from the operation of that section by sec. 6. He also held that, even if the contract might be determined, the notice required by sec. 87B (2) must be given after the expiration of the term of the patent. He therefore made an order adjudging and declaring that the contract was still in full force and effect, ordering payment out to the petitioner of the sum of £2,143 8s. 8d., and ordering an account to be taken of the amount

due by the Crown to the petitioner under the contract up to the date of judgment and payment of the amount so found to be due.

From that decision the Crown now appealed to the High Court.

Sir Edward Mitchell K.C. (with him *Dethridge*), for the appellant. The term "right acquired" in sec. 6 of the *Patents Act* 1903-1909 does not include the patent itself; nor is a right acquired under a contract made after the Act came into operation in respect of a patent granted before that time a right acquired before that time. No right that existed before the Act came into operation is contested in this case.

[ISAACS J. referred to *Abbott* v. *Minister for Lands* (1).]

Sec. 87B (2) is a remedial provision for the benefit of the public, and the evil to be remedied existed in respect of patents granted under State laws as well as in respect of those granted under the Commonwealth Act. The definition of "patent" in sec. 4 by its language includes patents granted under State laws, and the Act is obviously intended to affect State patents in some respects. [Counsel referred to *Shire of Arapiles* v. *Board of Land and Works* (2).]

Starke and *Ham*, for the respondent. A grant of a patent under a State Act is purely local (*Potter* v. *Broken Hill Proprietary Co.* (3)). In *Ore Concentration Co.* (1905) *Ltd.* v. *Sulphide Corporation Ltd.* (4) it was held that the liability of a State patent to be revoked was an incident flowing from the State patent, and was within sec. 6 of the Commonwealth Act although the revocation was not sought until after the Commonwealth Act came into operation. So also the power to contract with the Crown as to the use of a patented invention, which was conferred by sec. 32 of the *Patent Act* 1888 (W.A.), is an incident flowing from the patent, and is within sec. 6. The scheme of the Commonwealth Act is to leave State patents entirely under the Acts by virtue of which they were granted, but under sec. 7 the proprietor of a State patent might obtain a patent under the Commonwealth Act and might surrender his State patent. Unless he did that, his State patent continued to be governed solely by

(1) (1895) A.C., 425.
(2) 1 C.L.R., 679.
(3) 3 C.L.R., 479.
(4) 31 R.P.C., 206, at p. 228.

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the State Act. The definition in sec. 4 of the Commonwealth Act of the word "patent" excludes State patents for the words "in the Commonwealth" mean "pursuant to the Commonwealth Act." That must be their meaning in secs. 41 and 46 where they are used in apposition to the words "in any State," and there is no reason for giving them a different meaning in sec. 6. [Counsel also referred to *Trade Marks Act* 1905-1912, secs. 6, 14; *Patents, Designs and Trade Marks Acts Amendment Act* 1894 (W.A.), secs. 3, 4.]

Sir Edward Mitchell K.C., in reply. Some of the sections of the Commonwealth Act obviously include State patents in the word "patent," and it depends on the language of the particular section whether the inclusion is or is not intended. The whole administration of State patent law was taken over by secs. 18 and 19, and it was intended that there should be no further State legislation as to patents; so that no legislation similar to secs. 87, 87A and 87B could be passed by the State Legislatures.

Cur. adv. vult.

Oct. 24. The judgment of the COURT, which was read by ISAACS J., was as follows:—

The facts are short. On 9th February 1904, four months before the Commonwealth *Patents Act* 1903 came into operation, a patent was granted by the State of Western Australia of which the respondent Company became the registered proprietor. That patent expired in February 1918. On 27th February 1912 a contract was made between the Crown and the Company by which a licence was granted by the Company to the Crown to use the patented process, and by which the Crown agreed to treat a minimum quantity of timber by the patented process until 15th July 1923 and pay a specified royalty. Acting as in pursuance of sub-sec. 2 of sec. 87B of the Commonwealth *Patents Act* 1903-1909, the Crown assumed to terminate the agreement after the expiry of the patent. The question is whether that sub-section applied to a State patent.

The learned Judge (*Burnside* J.) from whom this appeal comes thought sec. 6 of the Act, by reason of the words "right acquired,"

excluded such application. The "right," however, that was infringed, if any infringement has occurred, is the contractual right which was created by the agreement of February 1912, and, as that was not acquired before the commencement of the Act, it is not within the protection of sec. 6.

The case of the respondent is rested on the definition of "patent" in sec. 4. That section—the interpretation section—defines "patent" as meaning "letters patent for an invention granted in the Commonwealth." The argument is that "in the Commonwealth" means "under the Commonwealth Act" and excludes all patents granted under a State Act. The natural meaning of the phrase "in the Commonwealth" is one indicating locality, and is geographical. Some sections, as 41, 46 and 56 (*c*), seem to draw a distinction between "Commonwealth" and "State" as jurisdictions. But the introduction of the reference to "State" in those sections is not conclusive. To contrast a patent "in the Commonwealth" with a patent "in any State" is confusing. Before the Commonwealth existed there was no "State": there were five Colonies and a Province. Since the Commonwealth *Patents Act* commenced no patent could be granted by a State, only by the Commonwealth (see sec. 8). Any distinction between patents granted by the Commonwealth or by a State must refer to a period since the inauguration of the Commonwealth and before the commencement of the *Patents Act*, that is, between 1st January 1901 and 1st June 1904. "In any State" cannot mean "under a State Act," because when that is meant the apt expression is used (sec. 7). On the whole, secs. 41, 46 and 56 (*c*) seem a short but rather incautious way of providing for the circumstances which might arise under sec. 7. The true geographical meaning of the phrase "in the Commonwealth" appears beyond question in sec. 87A. Other sections seem difficult to reconcile with the limitation suggested by the Company, such as secs. 17, 22, 60, 92, 121 (2), 122, 123 and 125.

The respondent relied on the dictum of the Privy Council in the *Ore Concentration Co.'s Case* (1). That dictum, however, really tells against the Company, and for the following reason:—The patent there was a State patent and under State law was said to be invalid

(1) 31 R.P.C., at p. 228.

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ab initio. Appellant argued that sec. 61 of the Commonwealth Act cured the invalidity, if it existed. The Privy Council held that sec. 61 was excluded by reason of the invalidity—if it originally existed—being a "liability incurred" before the commencement of the Act within sec. 6. Their Lordships apparently thought that, but for sec. 6, the provisions of sec. 61 would have cured the suggested defect. If so, they could not have read the definition of "patent" in the way contended for by the respondent. This view of the definition receives additional support from the phraseology of secs. 6, 8 and 19, each of which limits the future application of State Acts to "rights acquired" and "liabilities incurred" (sec. 6), "some right previously acquired" (sec. 8), and "pending proceedings" and "then existing rights" (sec. 19 (*a*)). The last-mentioned sub-section emphasizes this by recognizing that the fees belong to the State.

But even assuming the initial meaning of the phrase to be what the Company contends for, the opening words of sec. 4 are: "In this Act except where otherwise clearly intended" &c. Clear intention is itself a vague standard. Lord *Macnaghten* in *Edyvean* v. *Archer* (1) said:—"What is a clear intention? That which is clear to one man is not always clear to another." We have to read sec. 87B by the light of all legitimate circumstances, and, on the assumption contended for, ascertain whether the Legislature clearly intended to cover such a patent as that of February 1904. The source of the enactment was sec. 38 of the Imperial Act of 1907 (7 Edw. VII. c. 29). The evils struck at by that Act were identical with the evils existing here. No reason of justice or convenience can be assigned for excluding State patents from the operation of the section. Being introduced by amending legislation, it is in parts retrospective, and, where it is retrospective as to Commonwealth patents, it may with equal justice and reason be retrospective as to State patents. A day before or a day after 1st June 1904 makes no practical difference to the patentee, and the evils intended to be cured would be the same in each case. The generality of the language fits the generality of the subject matter, namely, the protection of the general population from oppressive

(1) (1903) A.C., 379, at p. 384.

bargains resting on grants of publicly granted monopolies. Sub-sec. 2 of sec. 87B is specially outside the words of sec. 6. Sec. 6 saves rights acquired before the Act. Sec. 87B (2) applies only after the patent rights have expired. Further, there is one circumstance which appeals strongly in favour of holding the sub-section of general application: The manifest object of the Legislature was to deal with an existing evil, and to give redress at the earliest moment consistent with fair dealing. Sub-sec. 1 prohibited certain conditions of future contracts when accompanying the sale, lease or licence of a patented article or process. Sub-sec. 3 enabled a past contract for the lease or licence of a patented article or process to be avoided if it contained such a condition. Both these were instantly operative. Sub-sec. 2 provides for all past or future contracts for the lease or licence of any patented article or process whatever their terms might be, and enacts that after the monopoly ceases they may be avoided. There is no indication that relief is to be deferred: the obvious intention is that the present evil should be met at once. But, if the respondent is right the astounding consequence is that sub-sec. 2 could not operate for nine years after it was passed. The Commonwealth Act commenced in June 1904, patents are to be for fourteen years (sec. 64), and consequently 1918 would be the earliest date at which sub-sec. 2, passed in 1909, could operate in respect of a Commonwealth patent. It is also to be observed that the sub-section speaks of "the patent or *all the patents* by which the article or process was protected" &c. The words "all the patents" are specially indicative of patents in various States for the same invention. This, taken in conjunction with the period of nine years' delay which would otherwise arise, seems to point conclusively to the inclusion of existing State patents, and none the less so because the States are no longer competent to deal with the subject.

The appeal should be allowed.

As to the minor point, when the notice to terminate should be given, the better reading is that it should be given after the patent expired.

The Court then announced the order it proposed to make.

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Oct. 28.

Starke, for the respondent. The respondent is entitled to an inquiry at its own risk as to costs. The respondent should have its costs up to the date of payment into Court. After that the appellant should have the costs of the action less the costs of the issue as to royalties payable in respect of the period between 21st March 1918 and 11th May 1918, which costs the respondent should get (*Powell* v. *Vickers, Sons & Maxim Ltd.* (1); *Davies* v. *Edinburgh Life Assurance Co.* (2)). As to the costs of the appeal, the appellant has insisted on the appeal that it was not liable in respect of that period, and it has failed in that contention. As each party has partly succeeded, there should be no costs of the appeal.

Sir Edward Mitchell K.C., for the appellant. The appellant should have its costs below; otherwise it gains no benefit from the payment into Court. The respondent should pay the costs of the appeal, as the appellant has succeeded in establishing that it is not liable to pay anything beyond the sums paid into Court.

Cur. adv. vult.

Oct. 29.

The COURT pronounced an order which was to the following effect:—

Appeal allowed. Order appealed from varied so as to declare that the indenture of 27th February 1912 was determined on 11th May 1918; to order that, if required by the petitioner within two months from the date of this order and at its own risk as to costs, an account be taken of the amount due from the respondent to the petitioner under the said indenture to 11th May 1918, and that the amount if any found due on the taking of such account in excess of £2,143 8s. 8d. be forthwith paid by the respondent to the petitioner; and to order that the petitioner have the general costs of the action up to 16th

(1) (1907) 1 K.B., 71, at p. 74. (2) (1916) 2 K.B., 852.

September 1918, *that the respondent have the general costs of the action since that date except the costs of the issue raised by the contention that the contract was terminated on* 21*st March* 1918, *and that the respondent pay the costs of that issue to the petitioner. Each party to bear its own costs of this appeal. All costs to be taxed and set off.*

Solicitor for the appellant, *F. L. Stow*, Crown Solicitor for Western Australia, by *Lawson & Jardine.*

Solicitors for the respondent, *Leake, James & Darbyshire*, Perth, by *Malleson, Stewart, Stawell & Nankivell.*

B. L.

[HIGH COURT OF AUSTRALIA.]

BOYD . . . . . APPLICANT;

AND

MACPHERSON . . . . . RESPONDENT.

ON APPEAL FROM THE SUPREME COURT OF VICTORIA.

Practice—High Court—Appeal from Supreme Court of State—Special leave—Special circumstances—Custody of child—Application by father—Judiciary Act 1903-1915 (*No.* 6 *of* 1903—*No.* 4 *of* 1915), *sec.* 35 (1) (*b*).

An order made on habeas corpus by a Judge of the Supreme Court of Victoria refusing to give the custody of a child to her father, who resided out of the jurisdiction, was reversed by the Full Court.

Held, on the facts, that no special circumstances were disclosed justifying the granting of special leave to appeal to the High Court.

Special leave to appeal from the Supreme Court of Victoria: *R.* v. *Boyd*; *Ex parte Macpherson*, (1919) V.L.R., 538; 41 A.L.T., 46, refused.