[HIGH COURT OF AUSTRALIA.]

EX PARTE CELOTEX CORPORATION.

IN RE SHAW'S PATENTS.

H. C. OF A. 1937.

MELBOURNE, *June* 16, 17.

SYDNEY, *July* 26.

Dixon J.

Patent—Extension of term—Specifications in extended patents covering subject matter contained in expired patents—Profits from foreign patents—Loss attributable to Australian patents—Grant of new patent—Limitation of term—Patents Act 1903-1935 (*No.* 21 *of* 1903—*No.* 16 *of* 1935), *sec.* 84.*

A patent may be extended on an application under sec. 84 of the *Patents Act* 1903-1935 notwithstanding that matter contained in the specification is also contained in the specification of another patent which has expired and that the owner of the patent the subject of the application is thereby enabled to prevent the use of a piece of knowledge which, apart from the extension, would have become *publici juris* at the expiration of the other patent.

In an application for the extension of a patent under sec. 84 (5) of the *Patents Act* 1903-1935 the profits of the patentee on his corresponding foreign patents should be taken into account; but, although those profits may be important as affecting the exercise of the court's discretion, the condition precedent provided by the sub-section is fulfilled if a loss attributable to the Australian patent is proved. Though the limit of five or ten years prescribed by sub-sec. 5 is not expressed to apply to a grant of a new patent under that sub-section, yet such a limitation should be implied in the case of a new grant, or at least the specific mention of those periods in the earlier part of the sub-section affords a guide which ought not lightly to be departed from.

PETITION.

This was a petition under sec. 84 of the *Patents Act* 1903-1935 for the extension of four patents which expired on 15th January

* The *Patents Act* 1903-1935, sec. 84 (5) provides: "The court, if it is of opinion that the patentee has been inadequately remunerated by his patent, may order the extension of the term of the patent or part of it for a further term not exceeding five years, or, in exceptional cases, ten years, or order the grant of a new patent for the term therein mentioned, and containing any restrictions conditions and provisions that the court may think fit."

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1937, the petition being filed on 1st March 1937 and the period for taking the proceedings having been extended pursuant to sec. 84 (7) of the *Patents Act*.

The facts are fully stated in the judgment hereunder.

Dean, for the petitioner.

Sholl, for the Commissioner of Patents.

Cur. adv. vult.

July 26.

DIXON J. delivered the following written judgment:—

This is a petition under sec. 84 of the *Patents Act* 1903-1935 for the extension of four patents. The patents expired on 15th January 1937 and the petition was filed on 1st March 1937. The period for taking the proceedings had been extended pursuant to sub-sec. 7 of sec. 84.

The petitioner is an assignee of the patents. Its operations are carried on in America, where it manufactures fibre boards and similar products for both export and domestic consumption. It is the latest of a succession of corporations formed under the laws of one of the United States for the conduct of the undertaking. The earliest of the corporations acquired the beneficial interest in the inventions from the inventor. For various reasons into which it is unnecessary to enter this corporation underwent what we should call reconstruction more than once and the corporations into which it was reconstructed were renamed. In consequence there is a confusion of corporate personalities in which it is not always easy to be sure of the identity at any particular time of the beneficial owner of the patents, but I have no doubt that, in substance, the exploitation of the patents has been under substantially the same control throughout the term of sixteen years.

The subject matter of the inventions covered by the four patents in question is the manufacture of fibre boards. Two of them relate to the means of forming the boards from the fibres and two to the preparation or treatment of the fibre before that stage in the manufacture is reached. The patents are four out of fourteen applied for

under consecutive numbers on 15th January 1921 and granted. The fourteen patents cover closely related inventions for steps in the process of manufacture of fibre boards. In drawing the specifications little care seems to have been taken to prevent overlapping and in some of the specifications of the expired patents there is a disclosure of a great deal contained in the specifications for which an extension is sought. As a result a suggestion is made on behalf of the commissioner that to extend some of the patents only would be to deprive the public of the advantage which is part of the consideration of the grant made in respect of the others. That is to say, it is suggested that, where the expired patents disclose something contained in one of the specifications of the patents the subject of the petition, to extend the patent would be to prevent the use of that piece of knowledge notwithstanding that at the expiration of the other patents it ought to be *publici juris*. This reasoning appears to me to be fallacious. Perhaps the inclusion of the same matter in two concurrent specifications ought not to have been allowed. But it was allowed. The consequence is that the extension of one patent must prolong the protection which it gives within the area of the claims. The existence in another specification of a statement of the same or similar knowledge cannot limit the jurisdiction to extend the term or prevent its exercise, any more than it could be used to defeat the protection originally given.

But this is not the only difficulty to which the manner in which the specifications have been drawn gives rise. Two of the patents the subject of the petition cover respectively ground which in part at least appears to me to be included in the other two. Further, one of them has suffered some accident, probably in the process of copying the draft of the specification, which makes one passage in it unintelligible. It is not necessary for the purposes of this judgment to discuss the contents of the specifications in detail. It is enough to say that, while they contain what upon the materials before me appear to be inventions of a substantial and a meritorious nature, they contain some claims which ought not, in my opinion, to be extended and that there are features in them which have caused me a little hesitation. The jurisdiction of the court under sec. 84 enables it to extend part of a patent and in this case it would, I think, be more

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satisfactory to limit the claims and pick out those which give the patentee the protection to which it appears to have a just claim and no more. Upon the merits I have come to the conclusion that the patentee has established a case for the extension of the term.

The first condition which must be satisfied before an extension is granted is stated in sub-sec. 5. It is that the patentee has been inadequately remunerated by his patent. Patentee means the person for the time being entitled to the benefit of the patent (sec. 4). It has long been settled that an assignee may obtain an extension of the term and that, although the merit of the invention may, perhaps, be a more powerful consideration in favour of the original inventor if he remains the patentee, an assignee should be treated as his successor in title in respect of all the incidents of the patent, including the right to apply for an extension of the term. When the patentee has established inadequacy of remuneration the court must then exercise its discretion. The discretion is a wide one and the grounds upon which it proceeds are briefly described by sub-sec. 4, which directs the court to have regard to the nature and merits of the invention in relation to the public and to the profits made by the patentee as such and to all the circumstances of the case. A very full discussion of the manner in which the discretion should be exercised and of the proofs which should be required is contained in the judgment of *Isaacs* J. in *In re Robinson's Patent* (1), and in the judgment of *Starke* J. in *In re Trufood of Australia Ltd.* (2) the application of these considerations is well illustrated. In accordance with the practice followed in the latter case notice of the petition was given to the Attorney-General and the commissioner. The materials in support were served upon the commissioner. He has appeared by counsel and brought before the court information and argument of much use and value.

The fibre chiefly used for the manufacture of boards in accordance with the inventions is cane sugar megasse. The case made in support of the petition, briefly stated, is that the proprietors of the inventions intended from the beginning to establish in Australia at some place where megasse was conveniently available a manufacturing plant for the exploitation of the patents, but that, owing to the high cost

(1) (1918) 25 C.L.R. 116. (2) (1920) 28 C.L.R. 294.

of doing so, it was first necessary to establish a demand for the product. Accordingly they exported to Australia fibre boards made by means of the inventions in America, the home of the invention and the chief seat of the patentee's operations. They caused repeated investigations and inquiries to be made in Australia with a view of beginning manufacture here and would have done so but for the severity with which the depression came upon the United States. The patentee's business suffered to such an extent that it underwent reconstruction. Accounts have been presented of the profits made from and the expenditure made in connection with the Australian patents. The revenue is derived from the sale in Australia of the products manufactured in America. The expenditure is that which attended the investigations and reports as well as that incurred in selling the products. It also includes, of course, the ordinary expenses of obtaining and maintaining the patents. Sub-sec. 4 speaks of the profits made by the patentee *as such* and it is important to distinguish between profits or losses made by manufacture or the like independently of the protection given by the patent and profits or losses arising from the exploitation of the patent. It is the practice of the court to require strict proof by proper accounting of losses and to see that the commissioner has as adequate an opportunity as he desires of examining the accounts.

In the present case the accounts furnished are not as satisfactory as they might have been. For the purpose of considering whether a patentee has been inadequately remunerated the profits on his corresponding foreign patents should be taken into account as part of the circumstances of the case (Cp., per *Parker* J., *In the Matter of Johnson's Patent* (1), and *In the Matter of the Patents of Maschinenfabrik Augsburg-Nurnberg A.G.* (2)). Insufficient information is given upon this subject to form an opinion of the profit obtained from the invention as distinguished from the patents here. The case is, however, an unusual one in that the patentee's claim for an extension rests upon the defeat by circumstances of its purpose of establishing a manufacturing undertaking in Australia and the loss sustained in the preliminary development of a market here. The words of sub-sec. 5 are: " The court, if it is of opinion that the patentee has been inade-

(1) (1908) 25 R.P.C. 709, at p. 727. (2) (1929) 47 R.P.C. 193, at p. 214.

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quately remunerated by his patent," not by the invention. Although profits from foreign patents may be very important as affecting the exercise of the court's discretion, strictly the condition precedent is fulfilled if a loss attributable to the Australian patents is proved. This, I think, has been done in the present case.

The merit of the four patents is unequal but they cover inventions in relation to two steps in a process which has provided a product of considerable utility. A marked advance in manufacture seems to have been made. The merits of the inventions governing the two steps in question appear to me to be sufficient to make an extension of the term just if the other considerations establish a claim to a further period of protection. Each of the two steps in the manufacturing process is affected by two patents and unfortunately it is not easy to say how far the practical side of the process depends on one rather than the other. I am not prepared to say that the comments made by the examiners in their reports are not well founded; but I think, having regard to the course which has been taken, it is better to extend some of the claims contained in each of the patents, a course which, I think, in all the circumstances, is justifiable. I am satisfied that a bona fide effort was made with a view of establishing manufacture under protection of the patents in Australia, and it was through no fault of the patentee that this became out of the question. But as this, coupled with the fact of loss and the merits of the inventions, is the chief reason for extending the term, I think that a condition should be imposed which will result in the termination of the patent if reasonable steps are not now taken for the purpose of establishing an adequate production in Australia. This is made more important because under the *Customs (Prohibited Imports) Regulations*, (S.R. No. 69 of 1936) the importation of wall and ceiling parts and decorations is prohibited. These are things supplied by means of the invention and it would be unfortunate if the protection of the patent resulted in the exclusion of all but the patentee from a field which the patentee did not exploit by manufacture and could not exploit by importation. Under sub-sec. 5 the court may order the extension of the term of the patent or part of it for a further term not exceeding five years, or, in exceptional cases, ten years, or order the grant of a new patent

for the term therein mentioned, and containing any restrictions, conditions and provisions that the court may think fit. This is not an exceptional case and if the application had been decided before the expiration of the original term the extension must have been limited to five years. In such a case it is the practice to extend the term, as distinguished from ordering the grant of a new patent, but when the original patent has expired a new grant is considered necessary (See *In the Matter of Meyer's Patent* (1); *In the Matter of Kettering and Chryst's Patent* (2); *In re Western Electric Co. Ltd.'s Patent* (3)). Curiously enough the sub-section does not express the limitation upon the term so as to apply when a new patent is granted. But I think it is implied that the term of the new grant should be for five years only, or in exceptional cases ten years. If this be not so, at least the specific mention of those periods in the earlier part of the sub-section affords a guide which ought not lightly to be departed from. The grant of a new patent is a graft upon the original grant and has no existence apart from the parent grant (per *Montague Smith* J., *Bovill* v. *Finch* (4)). The invalidity of the original means the invalidity of the new grant.

In all the circumstances of the case I shall order the grant of a new patent for the term of five years from the expiration of the original in each of the four cases. The grants will be limited to the following claims:—In patent No. 154 of 1921, claims 1, 2 and 3. In No. 156 of 1921, claims 4 and 5. In No. 163 of 1921, claims 2, 3, 4 and 5. In No. 164 of 1921, claims 2, 3, 4 and 5.

The grants will contain conditions that no action or other proceedings shall be commenced or prosecuted and no damage shall be recovered either in respect of any infringement of any of the patents which has taken place after the date of the expiration of the original term and before the date of this order; or in respect of the sale, use or employment at any time hereafter of any article actually made in that period in accordance with the invention covered by each respective patent.

There will be a further condition in each grant that the applicants shall within fourteen days of the issue thereof furnish to the Principal

(1) (1933) 50 R.P.C. 341, at p. 354.
(2) (1924) 42 R.P.C. 507, at p. 509.
(3) (1931) 1 Ch. 68, at p. 77.
(4) (1870) L.R. 5 C.P. 523, at p. 532.

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Registrar and to the Commissioner of Patents some address in Melbourne for service of notices and shall before 1st March 1939 lodge with the commissioner a statement verified by statutory declaration of the steps taken with a view of establishing the manufacture and production in Australia of fibre boards and substances made in accordance with the inventions covered by the claims included in the said grants. There will then be a condition in each grant that the patent shall be void if the commissioner shall certify to the court that the patentee has not taken reasonable measures before 31st December 1938 with a view to beginning the manufacture and production in Australia of fibre boards or substances made in accordance with the inventions covered by the claims of all or at least one of such grants of the kind and quality and in quantities sufficient to meet such a demand as may reasonably be expected during the term of the new grant for consumption in Australia, unless, upon application made to this court by or on the part of the patentee within two months of notification of such certificate at such address, this court shall order that the certificate shall not take effect and that the grant shall stand good and valid. It shall be a further condition that sec. 87 of the Act shall apply as from the beginning of the new grant.

The petitioner must pay the costs of the commissioner.

New patent granted for the term of five years from the expiration of the original in each of the four cases subject to the terms and conditions contained in the above judgment.

Solicitors for the petitioner, *Moule, Hamilton & Derham.*

Solicitor for the respondent, *H. F. E. Whitlam*, Crown Solicitor for the Commonwealth.

H. D. W.