

[HIGH COURT OF AUSTRALIA.]

IN RE JOHNSON'S PATENT.

H. C. OF A. *Patent—Extension of term—Inadequacy of remuneration—Profits from foreign patents*
1938. *—Completeness and accuracy of particulars—“ Make, use, exercise and vend ”—*
Efforts by patentee—Sufficiency—Patents Act 1903-1935 (No. 21 of 1903—No.
SYDNEY, *16 of 1935), secs. 62, 84 (4) (5).**
Sept. 12 ;
Nov. 11.
McTiernan J.

On an application under sec. 84 of the *Patents Act 1903-1935* for the extension of the term of a patent, it appeared that corresponding patents had been held in the United States and six other countries. Evidence of the remuneration received from the working of the patent in Australia and the foreign countries other than the United States was given, but no attempt was made to furnish any evidence of the profits on the American patent, which was apparently worked with greater success than the others. The reason given for the failure to furnish such evidence was that the product was manufactured there in conjunction with approximately twenty improvement patents, and it was impossible to apportion the profits in respect of the manufacture under the original patent. The evidence showed that negotiations with a number of persons for the introduction of the patent into Australia had been ineffectual. Since about a year before its expiry, however, it had been worked to some small extent, and it appeared that arrangements were contemplated for the future manufacture of the product in Australia.

Held that, as the applicant had not furnished full information as to the remuneration from the corresponding foreign patents and had not shown that all reasonable efforts were made to “ make, use, exercise and vend ” the invention in Australia, the application should be refused.

* The *Patents Act 1903-1935* provides:—Sec. 62: “The effect of a patent shall be to grant to the patentee full power, sole privilege and authority, by himself, his agents, and licensees during the term of the patent to make, use, exercise, and vend the invention within the Commonwealth in such manner as to him seems meet, so that he shall have and enjoy the whole profit and advantage accruing by reason of the invention during the term of the patent.” Sec. 84:—“(4) The court shall in considering its decision have regard to the nature and

merits of the invention in relation to the public and to the profits made by the patentee as such and to all the circumstances of the case. (5) 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.”

PETITION.

H. C. OF A.
1938.
IN RE
JOHNSON'S
PATENT.

A petition under sec. 84 of the *Patents Act* 1903-1935 was brought by Laucks Laboratories Ltd. and I. F. Laucks Inc. for the extension of the term of a patent granted to the inventor, Otis Johnson, on 7th April 1924, but antedated, under sec. 121 of the Act, to 14th August 1922, for a term of sixteen years from the latter date.

The inventor assigned the patent to I. F. Laucks Inc., a corporation registered in the United States of America, on 16th November 1936, and that corporation assigned the patent to Laucks Laboratories Ltd., a Canadian company, on 20th November 1937. The assignments were duly registered at the Patents Office on 14th and 17th January 1938, respectively.

There were not any caveators.

The material facts are stated in the judgment hereunder.

Hardie, for the petitioners.

Sugerman, for the Commissioner of Patents.

Cur. adv. vult.

McTIERNAN J. delivered the following written judgment :—

Nov. 11.

The subject matter of the letters patent No. 13658/23, the term of which is sought to be extended by this application, is an adhesive preparation having as its base the tacky substance of the soya bean. The principal use of the glue manufactured according to the invention covered by the patent is the sticking of plywood and veneer. The specification, which is entitled “Improvements in adhesives,” is as follows :—“My invention relates to an adhesive formula and the product produced therefrom. I have discovered from experiments that a high-class waterproof adhesive, such as so-called glue, may be realized from soya beans, or rather the residue derived from soya beans after the oily content of the beans has been extracted. This residue, I have found, contains a highly valuable adhesive constituent which provides an excellent base for an adhesive formula. One feature of the same residue is the fact that I can use either the residue as a whole, or else, to realize a high-grade product, I can

H. C. OF A.
1938.

IN RE
JOHNSON'S
PATENT.

McTiernan J.

extract by any suitable means the adhesive constituent of the residue. In carrying out the invention, soya beans are first pressed, or otherwise treated, to extract their oily content, and the resultant pressed cake is either finely ground, when the whole of the residue is to be used, or else it is treated to extract the adhesive constituent when the high-grade adhesive is to be produced. This adhesive constituent, or even the finely ground pressed cake, may be considered as a base for my formula and the same, on account of its adhesive qualities, I will term a tacky substance. I compound the tacky substance with various other agents which may be those used in the manufacture of adhesives, such as hydrated lime and sodium fluoride, the tacky substance and the two agents named being mixed in solution. I, of course, do not confine myself to hydrated lime and sodium fluoride, as any other agents having substantially the same characteristic qualities will be sufficient. In fact, entirely different agents may be used, but I have not as yet experimented further than the agents of this character. The hydrated lime is, of course, a waterproofing solvent, and the sodium fluoride is a so-called liquefying agent; in other words, it prevents the compound from drying out. I have found that the following proportions give satisfactory results:—About two and one-half to three parts hydrated lime, one part sodium fluoride, about ten parts of the tacky substance, and sufficient water to make up a solution of the desired consistency. The term adhesive, or glue, should not be construed in either the specification or claims as limited to the ordinary accepted meaning of the term, as this tacky substance may be used to advantage in calcimine formulas and other instances where a strong adhesive is not necessarily required. I have found in practice that by using this tacky substance I can produce a very cheap adhesive, and one that is far better than any that has been made by heretofore-known formulas. Soya beans, or rather the residue, may be obtained at a very nominal cost and the treatment necessary to either grind the residue when it is used as a whole, or when it is treated to extract the adhesive constituent, is very simple. Consequently the base for the formula is realized without expensive equipment or other high cost.” There are seven claims, namely:—“1. An adhesive composition comprising the tacky substance of the soya bean, and an

alkali-metal liquefying agent. 2. An adhesive composition comprising the tacky substance of the soya bean, an alkali-liquefying agent, and a waterproofing agent. 3. An adhesive composition comprising the tacky substance of the soya bean, hydrated lime, and sodium fluoride. 4. The method of making an adhesive composition which consists in including therein the tacky substance of the soya bean. 5. The process of making an adhesive composition which consists in extracting the oil from the soya bean, and adding to the residue an alkali-metal liquefying agent. 6. The process of making an adhesive composition which consists in extracting the oil from the soya bean, and adding to the residue an alkali-metal liquefying agent and a waterproofing agent. 7. The process of making an adhesive composition which consists in extracting the oil from the soya bean, grinding the residue, and then adding to the finely ground residue, hydrated lime and sodium fluoride."

H. C. OF A.
1938.
IN RE
JOHNSON'S
PATENT.
McTiernan J.

The application for the Australian letters patent was made by the inventor, Otis Johnson, on 3rd August 1923. The patent was accepted on 7th April 1924, but was antedated (under sec. 121 of the *Patents Act* 1903-1935) to 14th August 1922, the date of the first foreign application (in United States of America, No. 1,460,757). The term limited for the duration of the Australian patent by sec. 64 (1) of the Australian *Patents Act*, namely, 16 years, was completed on 14th August 1938. Otis Johnson held corresponding patents in Great Britain, Canada, Germany, France, India and Mexico. Thus, including the Australian and United States letters patent, he held letters patent in eight countries. The letters patent were granted in the United States on 3rd July 1923, and will expire on 3rd July 1940. The letters patent in Canada, Germany and Mexico are still in force; in India they have expired; it is stated that in Great Britain and Northern Ireland they are "not now operative." It is not clear whether the letters patent granted in France are still in force or not.

Otis Johnson assigned his United States patent to the petitioner, I. F. Laucks Inc., a United States corporation, on 14th September 1926, in consideration of "approximately \$7,000." He agreed, by an instrument dated 28th October 1925, to assign to the same petitioner, in consideration of \$3,000, his patents in the other countries,

H. C. OF A.
1938.

IN RE
JOHNSON'S
PATENT.

McTiernan J.

including Australia. A formal assignment of the Australian letters patent to this petitioner was executed on 16th November 1936 and registered at the patents office of the Commonwealth on 14th January 1938. There is no indication in the agreement of 28th October 1925 of what proportion of the consideration may be allocated as the value paid for the Australian letters patent; nor does the formal assignment give any assistance, for the consideration is stated therein by Otis Johnson to be "an exchange of property paid to me by I. F. Laucks Inc." There is an indication in the agreement, however, that the Canadian letters patent were valued more highly than any, if not all, of the others therein assigned. In clause vi. Otis Johnson warranted full title to the letters patent, agreeing that, if he had not, or could not get, within three months full title to the Canadian letters patent, "a deduction shall be made in the amount of twenty-five hundred dollars (\$2,500) from the said purchase price, irrespective of how many of the other patents may be valid."

By agreement dated 20th November 1937, the petitioner, I. F. Laucks Inc., in consideration of the sum of £25, assigned its interest in the Australian letters patent to the other petitioner, Laucks Laboratories Ltd., which is a Canadian corporation. The assignment was registered in the patent office of the Commonwealth on 17th January 1938.

Profits from the working of the patent in Australia were indicated in the following way. A statement was put in evidence entitled "Statement showing estimated profit on Australian business from date of first shipment, 16th March 1937 to 31st March 1938, under Australian patents numbered 13658/23 and 24752/30." This profit was made by the petitioner, Laucks Laboratories Ltd. The estimated profit was declared in the statement to be \$269.59. It was stated to be impossible to segregate the receipts and payments made in connection with the two letters patent for the reason that both the patents covered the manufacture of soya-bean glue, and soya-bean glue was manufactured by Laucks Laboratories Ltd. under the combined inventions covered by the two letters patent. It is declared in the affidavit containing this evidence that the statement truly and correctly showed the moneys received by Laucks Laboratories Ltd. from every source whatsoever in respect of the two patents.

No remuneration has been made by the petitioner, I. F. Laucks Inc., from the patents in Great Britain and Northern Ireland, France, India and Mexico. It is stated that in Mexico the patent was not being operated because of lack of markets; that in France it had not been operated for the same reason. It is stated that the patent in Great Britain and Northern Ireland is "not now operative." In Germany a patent is in existence, and a licence to operate under it has been granted by the petitioner, I. F. Laucks Inc., to Gesellschaft Fuer Ueber-see-handel in consideration of a royalty of "approximately one-third per cent per pound." The remuneration received by I. F. Laucks Inc. under this arrangement until July 1938 was approximately \$3,000. It appears that the total estimated profits made by Laucks Laboratories Ltd. in Canada, acting under seven licences granted by I. F. Laucks Inc., one of which covered the invention, were, from the date of incorporation, 11th July 1935, to 31st December 1937, \$9,460.38, and, from 1st January to 31st March 1938, \$5,000. It is said to be impossible to segregate the profits in respect of the seven licences. The consideration for the licence to work the Canadian patent was "in part, an agreement by the said Laucks Laboratories Ltd. to purchase certain raw materials and, in part, the issue of capital stock interest in Laucks Laboratories Ltd. to I. F. Laucks Inc." I. F. Laucks Inc. has not received any remuneration from the Canadian patent because Laucks Laboratories Ltd. has not paid a dividend. Under the United States patent, worked in conjunction with approximately twenty improvement patents, soya-bean glue has been manufactured by I. F. Laucks Inc. and three licensees for some years with great success. No profits are stated, the reason given being that, because the improvement patents were also used in the manufacture of the glue, it is impossible to apportion the profits "in respect of the grant by it of licences under the said original American letters patent or in respect of the manufacture of glue thereunder." There is evidence that in the United States "the teachings and disclosures of the Otis Johnson patent brought about a revolution in the plywood industry and by the year 1930 the 'tacky substance of the soya bean' used as an adhesive base has driven practically all other adhesive bases out of the wood-adhesive market."

H. C. OF A.
1938.

IN RE
JOHNSON'S
PATENT.

McTiernan J.

H. C. OF A.
1938.

IN RE
JOHNSON'S
PATENT.

McTiernan J.

The following sums were paid by the petitioner, I. F. Laucks Inc. as "renewal fees" or "annuities" to keep the patents in force in the various countries: Australia, \$35.00; France, \$312.00; Great Britain and Northern Ireland, \$152.00; Germany, \$1,251.50; India, \$293.00.

The petition is presented to the court for an extension of the term of the Australian patent under the provisions of sec. 84 of the Act. Sec. 84 (1) provides that "a patentee may, after advertising in the prescribed manner his intention to do so, present a petition to the High Court or the Supreme Court praying that his patent may be extended for a further term, but such petition must be presented at least six months before the time limited for the expiration of the patent." It was shown that the provisions relating to advertisement prescribed by the regulations were complied with. The petition was not presented at least six months before the time limited for the expiration of the patent, that is, before 14th February 1938, but application was made on 11th February 1938, for an order that the period within which proceedings might be taken by the petitioners for the extension of the term of the patent be extended until 14th May 1938. This application was granted. On 24th August, on the hearing of a summons for directions, it was directed that the hearing of the petition take place at Sydney on a day not earlier than 12th September; that the evidence be heard on affidavit; and that, if the Commissioner of Patents so desired, the deponents of affidavits attend court for cross-examination.

There were no caveators.

The Commissioner of Patents was represented at the hearing of the petition by counsel, who stated that the commissioner appeared, not to oppose the petition, but to give any such assistance to the court as occasion might require.

The petition was not brought by the original patentee, but by assignees. It is well settled that an assignee is a competent petitioner under sec. 84 of the Act. In *In re the Patents of Maschinenfabrik Augsburg-Nürnberg A.G.* (1) *Luxmoore J.* said:—"In this connection it is necessary to bear in mind that the petitioners are the assignees of the patent and are sub-licensees. When the Privy Council dealt

with the question of extension it was difficult for an assignee of a patent to obtain any extension at all. But the practice is, I think, less stringent to-day. The assignee, however, is always treated as being of less merit than the original inventor, but it has been recognized that unless an assignee can in a proper case get an extension you are in fact putting a fetter in the way of the inventor." Moreover, sec. 4 of the Act defines "patentee" as "person for the time being entitled to the benefit of a patent." The petitioner, Laucks Laboratories Ltd., is entitled to the benefit of the patent as assignee. Its immediate assignor, I. F. Laucks Inc., has joined in the petition.

The principles by which the court must be governed are contained in sec. 84 (4) and (5) of the Act. These provisions are :—(4) The court shall in considering its decision have regard to the nature and merits of the invention in relation to the public and to the profits made by the patentee as such and to all the circumstances of the case. (5) 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." These provisions have been explained generally in *In re Robinson's Patent* (1).

As it is a condition precedent to the making of an order under sec. 84 (5) extending the term of a patent that it should appear that the patentee has been inadequately remunerated by his patent, it is necessary, in the first place, to ascertain as accurately as possible what remuneration has been received. This inquiry is complicated in this case by the fact that there have been successive assignments of the Australian patent. The profits to be ascertained are those made by the "patentee as such." "This includes the profits made by the original patentee and all subsequent holders" (*In re the Patents of Maschinenfabrik Augsburg-Nürnberg A.G.* (2)). It is necessary, therefore, in this case, to ascertain the profits derived from the patent by the inventor and the two petitioners. The inquiry is further complicated by the fact that corresponding patents have

H. C. OF A.
1938.

IN RE
JOHNSON'S
PATENT.

McTiernan J.

(1) (1918) 25 C.L.R. 116.

(2) (1929) 47 R.P.C., at p. 213.

H. C. OF A.
1938.

IN RE
JOHNSON'S
PATENT.

McTiernan J.

been held in the United States and six other countries. In *In re Newton's Patents* (1) Sir *Arthur Hobhouse*, referring to provisions identical with the provisions of sec. 84 (4) said :—" Now it is quite true that in that section one particular class of profits is specified as something absolutely necessary to consider. There is nothing whatever in the section to say or to intimate that the Committee shall not look at other classes of profits, but they are to look 'to all the circumstances of the case.' It is difficult to suppose that the legislature could have intended to alter the rules adopted by this Committee, resting on no previous enactment but on what was found to conduce to the justice of the case and the public convenience. Their Lordships are of opinion that no such alteration is made by the statute ; and that looking now, as they looked before, to all the circumstances of the case, they find it to be a very material circumstance that they should know what has been received by way of profit on the same invention in foreign countries. It may be the determining point of the case, it may prove not to be so, but that is a point on which the Committee must form their own judgment, and it is for the petitioners to supply them with materials for that purpose." In *In re Peach's Patent* (2) the Judicial Committee refused a petition to extend the term of an English patent because there was no evidence showing the remuneration which the foreign inventor derived from the invention. Lord *Macnaghten* said : " The petitioners, who are a commercial company, the assignees of the patent, have given their Lordships no opportunity of judging whether the inventor has been remunerated in any shape or form. That, in their Lordships' opinion, is fatal to the petition " (3). In *In re Johnson's Patent* (4) Lord *Parker* (then Mr. Justice *Parker*) said : " For the purpose of considering whether the patentee has been inadequately remunerated I am of opinion—(1) that profits on his corresponding foreign patents, as well as on his English patents, must be taken into account ; and (2) that some allowance ought properly to be made for profits, which, though not yet received, will, in all probability, be received in respect of both the English and the foreign patents before their expiration." These cases were applied in *In re*:

(1) (1884) 9 App. Cas. 592, at pp. 593, 594.

(2) (1901) 19 R.P.C. 65.

(3) (1901) 19 R.P.C., at pp. 68, 69.

(4) (1908) 25 R.P.C. 709, at p. 727.

the Patents of Maschinenfabrik Augsburg-Nürnberg A.G. (1). In that case a ground upon which the court refused a petition to extend the term of a patent was that no information was given to the court about the profits on foreign patents covering the same invention made by assignors of the patent to one of the petitioners. Referring to the cases applied, *Luxmoore J.* said :—" Mr. *Cripps*, who argued the case with ability, urged that the cases to which I have referred only covered those cases where the petitioners themselves held the foreign patents and did not apply to cases where the foreign patents were held by strangers. This view is, in my opinion, disposed of by the decision in *Newton's Patent* (2). In the circumstances and after considering to the best of my ability those matters which the Act lays down must be considered, I am quite unable to answer the question whether the patentee—and this includes, of course, all those persons who have held the patents in question, including the original patentee—has been adequately remunerated or not. The onus of proving that there has been inadequate remuneration is on the petitioners and as it has not been discharged by them I think the petitions must necessarily fail " (3). In *Ex parte Celotex Corporation ; In re Shaw's Patents* (4), *Dixon J.* expressed the view that " 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." In that case the petitioner's claim for an extension of the term of the patents rested on " 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 " (5). The case, nevertheless, affirms the principle that " 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 " (5). It may be admitted in the present case that the aggregate remuneration on the Australian patent was quite unsubstantial. But the interpretation of the condition in sec. 84 (5) limiting it to the remuneration derived from the Australian patent does not

H. C. OF A.

1938.

IN RE
JOHNSON'S
PATENT.

McTiernan J.

(1) (1929) 47 R.P.C., at pp. 213, 214.

(3) (1929) 47 R.P.C., at p. 214.

(2) (1884) 9 App. Cas. 592.

(4) (1937) 57 C.L.R. 19, at p. 24.

(5) (1937) 57 C.L.R., at p. 23.

H. C. OF A.
1938.

IN RE
JOHNSON'S
PATENT.

McTiernan J.

exclude as immaterial information as to the remuneration on the corresponding foreign patents; and the cases referred to show how strictly the courts have required such information to be furnished because it is an essential part of the material necessary to enable a court to exercise its discretion.

In this case, therefore, it is very material for the court to have a reasonably accurate statement showing accounts of the financial results of the working of the foreign patents by the petitioners, especially of the working of the United States patent by the petitioner, I. F. Laucks Inc. This patent apparently was exploited more extensively and with far greater success than any of the other patents. The petitioner, I. F. Laucks Inc., made, or may have made, substantial profits on the American patent. In any case, it cannot be presumed that it made a loss or merely an unsubstantial profit on that patent. No accounts whatever of the receipts and expenses of its business of manufacturing glue in accordance with the patent and improvement patents have been presented to this court. There is even no statement giving any indication of what was received in consideration of the American licences granted in respect of the patent. The nature of the obligation to keep distinct and clear accounts of the receipts and expenditure relating to the commercial exploitation of a patent, the term of which it is sought to have extended, has been discussed generally in *In re Robinson's Patent* (1). Whether the obligation to keep accounts relating to foreign patents is as strict, certainly some accounts are necessary, and in this case there has been no attempt to furnish any evidence of the profits on the American patent.

The absence of any such accounts is sought to be excused on the ground that it is impossible to apportion the receipts and expenditure between the various patents. In *In re Dickson's Patent* (2) the court was satisfied with a general statement of accounts relating to the joint working of several patents where it was not possible to allocate any particular part of the receipts and expenditure to any particular patent. The court in that case excused the absence of separate accounts relating to the patent because it was plain, on the whole matter, that there had been no remuneration at all to the

(1) (1918) 25 C.L.R., at pp. 123-126.

(2) (1925) 42 R.P.C. 463.

patentee, and, indeed, there had been a loss. In the present case there is not, as has been observed, even a general statement of account relating to the working of all the United States patents jointly, and it may be fairly inferred from the evidence that not losses, but substantial profits, were made.

H. C. OF A.

1938.

IN RE
JOHNSON'S
PATENT.

McTiernan J.

The court is to arrive at its conclusion whether, having regard to the nature and merits of the invention in relation to the public, the profits made by the patentee as such, and all the circumstances of the case, the patentee has been inadequately remunerated by the patent. This comparison between merit and reward cannot be instituted unless all the circumstances are known, and, since it has been clearly laid down that the remuneration derived from corresponding foreign patents is one of the circumstances which must be taken into account for the purposes of the comparison, it does not appear to me that this petition can succeed even if the most favourable view were taken of the other matters to be considered under sec. 84 (4).

But this is not the only ground upon which the petition should fail. The evidence does not satisfy me that all reasonable efforts were made during the term of the patent to "make, use, exercise and vend" the invention covered by the Australian patent, and that the non-user of the patent in Australia was not due to the fault of the patentee. During the term of the patent there has been no manufacture in Australia of soya-bean glue in accordance with the invention. Early in 1937 (about one year before the expiration of the term of the patent) the applicant, I. F. Laucks Inc., forwarded to Queensland Milk Products Pty. Ltd. of Brisbane half a ton of soya-bean glue, which had been manufactured in America in accordance with the invention covered by the patent and other inventions covered by other patents. The Queensland Milk Products Pty. Ltd. blended this glue with casein and sold the product to certain of its clients in Australia. The manager of this company deposes that since 1937 Laucks Laboratories Ltd. had sold and delivered to it "large quantities" of soya-bean glue, which the company had disposed of to various Australian customers; further, that satisfactory reports on the glue had been received from such customers.

H. C. OF A.
1938.

IN RE
JOHNSON'S
PATENT.

McTiernan J.

Between May 1927 and the end of 1937, I. F. Laucks Inc. communicated (apart from Queensland Milk Products Pty. Ltd.) with nine firms in Australia with a view to negotiating the working of the patent in Australia or importing soya-bean glue manufactured in America into Australia. All such negotiations were ineffectual. It is alleged that the reasons for the failure to establish a market for soya-bean glue in Australia were the extensive use in the Australian trade of casein glue and, in part, the high tariff on imported glues and exchange and, in part, the complete prohibition, during portion of the term of the patent, on the importation of glues into Australia. It appears that in 1937 Queensland Milk Products Pty. Ltd. experimented in the cultivation of soya beans in Australia. Good crops were yielded. The manager of Queensland Milk Products Pty. Ltd. has expressed the opinion, based on personal inspection, that the beans compare most favourably with imported beans. In 1936 Laucks Laboratories Ltd. entered into negotiations with Queensland Milk Products Pty. Ltd. with a view to setting up a factory for the manufacture of soya-bean glue in Australia. These negotiations are still being carried on.

The evidence just referred to discloses that the extent of the user of the Australian patent was very small. The substance of the petitioner's claim lies rather in intention than in effort or achievement. There is evidence that the Queensland Milk Products Pty. Ltd. and the petitioner, Laucks Laboratories Ltd., intend to set up a factory in Australia for the purpose of manufacturing glue in accordance with the patent. The explanations given by the petitioners for the general failure to exploit the invention in Australia are the extensive use of casein glue in Australia and its strong position on the market, the high tariff on and, for some portion of the term of the patent, the complete prohibition against imported glues, and the high rate of exchange. These may have been obstacles to the sale in Australia of glue manufactured abroad, but it is obvious that they would not hinder the manufacture of the glue in Australia.

Non-user for the whole or a great part of the life of a patent raises a presumption against the merit of the patent, and this presumption can only be rebutted by strong evidence (*In re Allan's Patent* (1) ;

(1) (1867) L.R. 1 P.C. 507.

In re Hughes' Patent (1)). There is evidence tending to prove merit in the invention—principally, that the soya-bean glue has been manufactured and sold with great success in America. The effect of this evidence is lessened somewhat by the fact that the glue was manufactured, not under the invention covered by the patent now being considered alone, but under this invention and several others covered by the improvement patents. How far the invention covered by the patent contributed to the utility of the marketed product is not clearly indicated, although it may be that it was the basic invention. In Canada also the glue was manufactured under several patents. In Australia, the first shipment of half a ton of soya-bean glue was blended with casein glue before being sold to customers. It is clear that there was a general failure to obtain a market in Australia, but the failure may be explained on grounds other than lack of utility, such as the prejudices of the traders in favour of another product which they were accustomed to use or long-standing business connections.

It may well be that there is insufficient evidence—and strong evidence is required—to rebut the presumption of lack of merit arising from non-user. But it is not so much lack of merit, which in this case is suggested by non-user, as the non-user itself or the substantial failure to exploit the patent, insufficiently explained, which would make the exercise of the court's discretion, if it were to grant an extension of the term in this case, out of harmony with the practice and standards of the courts relating to the extension of patents. A patent confers a privilege of monopoly on the patentee, and such a privilege has been described as "being somewhat in the nature of a contract with the public" (*In re Herbert's Patent* (2), per Sir *William Erle*). It follows that the patentee who has been granted the privilege should make all reasonable efforts to work the patent during the term. In *In re Johnson's Patent* (3), in which the extension of the term of a patent was sought, Lord *Parker* (then Mr. Justice *Parker*) said:—"It is, in my opinion, incumbent on a patentee, who invokes the discretionary power conferred by section 18, to prove that he has done all a patentee could do to launch his

H. C. OF A.

1938

IN RE
JOHNSON'S
PATENT.

McTiernan J.

(1) (1879) 4 App. Cas. 174.

(2) (1867) L.R. 1 P.C. 399, at p. 402.

(3) (1908) 25 R.P.C., at p. 727.

H. C. OF A.
1938.

IN RE
JOHNSON'S
PATENT.

McTiernan J.

invention on the British market. If an invention be of that large value to the public which alone will justify the term of the patent being extended, and there is certainly a chance, and I should say a reasonable chance, of someone being found in this country enterprising enough to give it a trial, the least that can be required of a petitioner is to show that he has made an effort to find such a person."

It is shown that the petitioner, Laucks Laboratories Ltd., has made a real move by entering into the negotiations in 1936 with Queensland Milk Products Pty. Ltd. to give the invention a trial in Australia. But this move, which is to set up a factory in Australia, has come very late in the life of the patent. Neither the inventor nor the petitioners can be said to have done all they could do to launch the patent on the Australian market. The real effort to work the patent in Australia began only when the end of the term of the patent was imminent, and the petitioners require a prolongation of the term to continue these efforts. I am not satisfied that such efforts could not have been begun early in the life of the patent; for there is no evidence of any such change in the conditions of the market or in the attitude of customers or in the prospect of manufacture in Australia as would warrant the opposite conclusion.

The petition should be dismissed and the petitioners should pay the commissioner's costs.

Petition dismissed.

Solicitors for the petitioners, *Gregory S. Madden & Stokes.*

Solicitor for the Commissioner of Patents, *H. F. E. Whitlam,*
Crown Solicitor for the Commonwealth.

J. B.