[HIGH COURT OF AUSTRALIA.]

In re ELECTRIC AND MUSICAL INDUSTRIES LIMITED'S PATENT.

H. C. of A. 1949.

Melbourne, *Oct.* 20. Sydney, *Dec.* 16.

Webb J.

Patent—Expiration of term—Extension—Loss suffered by reason of war—Re-grant—Form of order—Patents Act 1903-1946 (*No.* 21 *of* 1903—*No.* 38 *of* 1946), *s.* 84 (6).

The applicant was granted letters patent in England as from April 1933 for a term which expired in April 1949, in respect of a system of circuits for use in television receivers and transmitters. It applied under s. 84 (6) of the *Patents Act* 1903-1946 for an extension of the term of the corresponding convention patent in Australia on the ground that, by reason of the war, it had been denied the opportunity of exploiting the patent in Australia. It appeared from evidence adduced by the applicant that immediately before the war the applicant was in a position to supply television broadcasting equipment, both transmission and receiving, manufactured in accordance with the patent; nothing could be done to expedite the development of television broadcasting in Australia until the Government had set up a television broadcasting transmitter; no transmitter had been erected at the outbreak of war, and it was improbable that a licence could have been obtained for a transmitter on a commercial basis; on the outbreak of war security requirements prevented the establishment of a commercial television service in Australia; towards the end of the war consideration was given to the establishment of commercial television in Australia in the post-war period, and it was decided to introduce it as a Government-controlled monopoly, in the initial stages at least, as soon as practicable after the war; and, although tenders had been received for erecting the required transmitting stations, it would be impossible to introduce this system as a commercial proposition until towards the end of 1951.

Held that the term of the patent should be extended by way of re-grant for seven years from the date of the expiration of the original patent.

Form of order in *Ex parte Celotex Corporation*; *In re Shaw's Patents*, (1937) 57 C.L.R. 19, at pp. 25, 26, followed as to conditions imposed on the re-grant.

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ORIGINATING SUMMONS.

This was an application by Electric and Musical Industries Ltd. under s. 84 (6) of the *Patents Act* 1903-1946 for the extension of the term of a convention patent. The facts appear in the judgment hereunder.

Pape, for the applicant.

Adam, for the Commissioner of Patents.

Cur. adv. vult.

Dec. 16.

WEBB J. delivered the following written judgment:—

This is an application by way of originating summons under s. 84 (6) of the *Patents Act* 1903-1946 asking that the term of a convention patent relating to a system of circuits to be used in television receivers and transmitters which was granted in the United Kingdom be extended on the ground of war loss. The effective date was 13th April 1933, and the patent expired on 13th April 1949. Any extension therefore must be by way of re-grant. Before dealing with the facts it is desirable to make a short statement of the law applicable.

Sub-section (6) provides that the Court may have regard solely to the loss or damage suffered by the patentee by reason of hostilities between His Majesty and any foreign State. It does not apply if the patentee is a subject of such State or is a company the business of which is managed or controlled by such subjects or is carried on wholly or mainly for the benefit or on behalf of such subjects. As pointed out by *Williams* J. in *Gillette Industries Ltd.* v. *Commissioner of Patents* (1), the Court may in the exercise of its discretion have regard to other matters which the Court takes into account under s. 86 (1)-(5) upon an application by petition to extend a patent on the ground that the patentee has been inadequately remunerated by his patent. But generally the Court confines its attention to the question whether the patentee has suffered loss or damage by reason of the hostilities. In what is known as the *Rhone Case* (2) *Sargant* J. described an application of this kind as one for an extension by way of quasi-substitution. He said the Court was empowered to take into account the fact that part of the original term had been rendered ineffective by reason of the war, and was empowered to give a substitutional term in lieu of the ineffective term. In *In the Matter of Letters Patent granted to von Kantzow* (3) a similar view was taken by Lord *Simonds*.

(1) (1943) 67 C.L.R. 529, at p. 531.
(2) (1921) 39 R.P.C. 27.
(3) (1944) 61 R.P.C. 109.

Where as in this case there are connected foreign patents the Court should consider the effect that the war has had on the patentee's remuneration under the foreign patents. If there has been a gain in profits under these patents due to the war this can be set-off against the loss and damage in respect of the Australian patent (See *Gillette Industries Limited* v. *Commissioner of Patents* (1)). Evidence of a reduction in output and of sales may be sufficient where profits on sales have not increased.

As to the period of extension the Court has regard to the provisions in sub-s. (5) that where the patentee has been inadequately remunerated by his patent he may be granted an extension not exceeding five years, or in exceptional cases, ten years. In *In the Matter of Smith's Patents* (2) *Sargant* J. said that although the main element in determining whether a case is exceptional is the merit of the invention as such he would not attempt to define or limit the jurisdiction to determine what was an exceptional case. He referred to two cases in which an exceptional case was not rested on the special merit of the invention. One related to the construction of sluice gates and the other to sewerage. Each invention was such that it could be used only from time to time in a small number of cases and involved a very large expenditure. In *In the Matter of MacLaurin's Patent* (3) Lord *Murray* said that the case must be exceptional and not the merit; that merit would be an important factor; but that all the circumstances had to be considered. In *Perry and Brown's Patents* (4) *Luxmore* J. stated three classes of exceptional cases: (1) where the invention displays exceptional ingenuity and is useful to the public; (2) where it has sufficient merit to warrant an extension and is of exceptional benefit to the public; and (3) where it is inherently of such a character that it must take longer than usual to get it on the market. Somewhat similar views were expressed by *Vaisey* J. in *In the Matter of Letters Patent granted to Moore* (5) and in *In the Matter of Letters Patent granted to Israel Pomieraniec* (6).

But there are further matters to be considered on an application for extension, including the lapse or expiry of a connected foreign patent or patents. In *In re Semet and Solvay's Patent* (7) the Privy Council held that where the prolongation of a patent would place the people of the United Kingdom at a disadvantage in competition with the subjects of a foreign State, that fact must militate strongly against its extension, but that the question whether the disadvantage

(1) (1943) 67 C.L.R., at p. 533.
(2) (1922) 39 R.P.C. 313, at p. 322.
(3) (1929) 47 R.P.C. 14, at p. 21.
(4) (1930) 48 R.P.C. 200, at p. 213.
(5) (1946) 64 R.P.C. 5.
(6) (1947) 65 R.P.C. 33.
(7) (1895) A.C. 78, at p. 82.

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ought to outweigh the patentee's rights to a renewal on other grounds was one of degree to be determined according to the special circumstances. In *Kettering and Chryst's Patents* (1) *Tomlin* J. made a re-grant of a patent expire with the foreign patent. The absence of an attempt to manufacture the articles in Australia is also a consideration (*Rhone's Case* (2)).

As to the facts of this case: as already stated the patent relates to a system of circuits to be used in television receivers and transmitters which enable the picture to be transmitted so as to be really a picture and not a blur at the receiving end. Electrical signals are generated representative of the light intensities of elementary areas of the scene transmitted. These signals extend over a wide frequency band ranging from direct current up to many thousands of cycles per second. The direct current and low frequency components of the signals represent slowly changing variations in the light intensity. If these components are not present at a receiver the picture is reproduced with an incorrect background brightness and is a distortion of the original. A cathode ray scans the fluorescent screen of the transmitter and releases the current for transmission to the receiver. That current goes through many amplifications and in the course of so doing the direct current, the signal, is abstracted. But without it there is no background brightness on the screen of the receiver. By means of the particular circuit described in this invention the direct current component is reinserted in the signal before it reaches the receiver.

This patent was included in a patent pool with other British patents. The pool was formed by companies which owned or controlled many patents for licensing the radio trade of Great Britain to manufacture and sell radio broadcast receivers, radio gramophones and television receivers. These patents were included in licenses granted by the applicant and other companies. From 1st October 1939 to 1st May 1946 only thirteen television receivers were sold. During the year before the war 3,941 were sold. During the seven months ended 31st December 1946, 2,000 were sold, during 1947, 9,950 and during 1948, 44,503. The manufacture of these receivers ceased almost immediately on the outbreak of war.

Television broadcasting ceased on the outbreak of war because of military necessity. The only transmitter was at the Alexandra Palace in London. Television broadcasting would have enabled enemy aircraft to pick up signals at a considerable distance and would have enabled hostile action against London. The patent

(1) (1924) 42 R.P.C. 507.

(2) (1921) 39 R.P.C. 27.

could not have been exploited in any country engaged in hostilities; and so there were no manufactures and no profits during the war.

In Australia, under the *Wireless Telegraphy Act* 1905-1936, the operation of a transmitter of any kind required a licence from the Postmaster-General but it was unlikely that any licence would have been granted. The applicant suggests a good reason for this, namely, to prevent exploitation of the public by selling television receiving sets at high prices when the quality of the transmission would fall short of the desired standard. Television had been operating in England since 1936 and it is suggested that the English experience was against private exploitation of television transmission in Australia before the war. During the war it could not have been allowed for security reasons. The *Australian Broadcasting Act* 1942 required a licence for television transmission which was not likely to be granted.

The position is summed up in the affidavit of Sir Ernest Thomas Fisk as follows: (1) Immediately before the war the applicant was in a position to supply television broadcasting equipment, both transmission and receiving, manufactured in accordance with the patent; (2) nothing could be done to expedite the development of television broadcasting in Australia until the Government had set up a television broadcasting transmitter; (3) no transmitter had been erected at the outbreak of war and it was improbable that a licence could have been obtained for a transmitter on a commercial basis; (4) on the outbreak of war security requirements prevented the establishment of a commercial television service in Australia; (5) towards the end of the war consideration was given to the establishment of commercial television in Australia in the post-war period and it was decided to introduce it as a Government-controlled monopoly, in the initial stages at least, as soon as practicable after the war; and (6) although tenders have been received for erecting the required transmitting stations it will be impossible to introduce this system as a commercial proposition until towards the end of 1951.

The applicant submits that for reasons directly connected with the war the whole of the war life of the patent, which it claims is nine years and seven months, has been lost and it seeks an extension for that period.

There is no opposition to the extension, but counsel for the Commissioner of Patents, without contesting any of the facts and admitting that a case of war loss had been made out, submitted that there was a difficulty in suggesting any particular period of extension. He said it was a moral certainty that even if there had been no war

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the Government would have prohibited the exploitation of the patent in Australia until Parliamentary Committees had investigated and reported on the form of transmission, and that ten years might have been spent in exploring the possibilities of television after its introduction in the United Kingdom; so that the patentee could not have exploited his patent during the whole of the war period. He mentioned that America had not reached the stage of commercial exploitation when war broke out. He pointed out that the English patent had been extended for six years, that is until 13th April 1955. The reason why the English patent was extended for six years does not appear. It so happens that the duration of actual hostilities was six years, that is, from September 1939 until September 1945. However, as already observed, television was on a commercial basis in the United Kingdom from 1936 until war broke out. During the year before the war nearly four thousand receiving sets had been sold. But for the war it is safe to assume there would have been considerable production and sales from 1939 onwards. This is evident from the large production and sales from the middle of 1947 to the end of 1948. These figures must, I think, have been taken into consideration in calculating the period of extension of the English patent. We are without any such guidance in Australia. But it is reasonable to conclude, as the commissioner concedes, that the war was the occasion of loss in Australia also. If the war did nothing more it postponed the period during which the Government would pursue its investigations of television with a view to formulating a policy. The period of postponement was not necessarily limited to the period of actual hostilities; but included the substantial period for winding up the war, during which television would not be likely to be given any priority of consideration.

I have come to the conclusion that there are exceptional circumstances which warrant an extension beyond five years. It seems to me that this patent falls within the classes of exceptional cases defined by *Luxmore* J. in *Perry and Brown's Patents* (1).

However, as counsel for the applicant conceded, before anything could have been done with this patent in Australia it would have been necessary to set up a television transmitter and allowance should be made for that at least.

I have come to the conclusion that there should be a re-grant of this patent for seven years from the date of expiration of the original, that is, 13th April 1949.

(1) (1930) 48 R.P.C. 200.

The grant will contain the conditions imposed by *Dixon* J. in *Ex parte Celotex Corporation*; *In re Shaw's Patents* (1) that is to say that no action or other proceedings shall be commenced or prosecuted and no damage shall be recovered either in respect of any infringement of the patent 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 the patent.

Order that there be a re-grant of letters patent No. 17139/34 *for the term of seven years from the expiration of the original, that is from* 13*th April* 1949, *subject to the conditions contained in the above judgment, and that applicant pay the costs of the commissioner.*

Solicitors for the applicant: *Madden, Butler, Elder and Graham.*

Solicitor for the Commissioner: *G. A. Watson*, Crown Solicitor for the Commonwealth.

E. F. H.

(1) (1937) 57 C.L.R. 19, at pp. 25, 26.