[PRIVY COUNCIL.]

THE WESTRALIAN POWELL WOOD PROCESS LIMITED . . . . . APPELLANT;
PETITIONER,

AND

THE CROWN . . . . . RESPONDENT.
RESPONDENT,

ON APPEAL FROM THE HIGH COURT.

PRIVY COUNCIL.* 1921. May 30.

Patent—Application of Commonwealth Act to State patents—Right acquired before commencement of Commonwealth Act—Licence granted after commencement—"In the Commonwealth"—Right of licensee to determine contract—Licence to Crown—Patents Act 1903-1909 (*No.* 21 *of* 1903—*No.* 17 *of* 1909), *secs.* 4, 6, 87B (2), 92—*Patent Act* 1888 (*W.A.*) 52 *Vict. No.* 5), *sec.* 32.

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."

* Present—Viscount Haldane, Lord Buckmaster and Lord Shaw.

The petitioner, a company which 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 licence, although it was granted to the Crown, which under sec. 92 of the Act had a right to use the invention, was within sec. 87B (2).

Held, also, that the right of the petitioner under the law of Western Australia to enter into such a contract 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).

Decision of the High Court: *The Crown* v. *Westralian Powell Wood Process Ltd.*, 27 C.L.R., 236, affirmed.

APPEAL from the High Court.

This was an appeal by the Westralian Powell Wood Process Ltd. from the decision of the High Court: *The Crown* v. *Westralian Powell Wood Process Ltd.* (1).

The judgment of their Lordships, which was read by Lord BUCKMASTER, was as follows:—

The appellants are the registered proprietors of letters patent for a process for the treatment and preservation of timber. They obtained the protection of letters patent issued under the Western Australia *Patent Act* 1888 on 9th February 1904. On 1st June 1904 the Commonwealth *Patents Act* 1903 came into operation; this statute was amended in 1909, and the Act of 1903-1909 became operative on 13th December 1909. On 27th February 1912 the appellants entered into a contract with the Minister for Works for the State of Western Australia acting on behalf of the Government of Western Australia, whereby they granted in terms a licence for the use of the said process at a royalty fixed at 9d. per 100 superficial feet for timber treated within the State and 2s. per 100 superficial feet for timber treated outside. The period during which the agreement was to remain in force was the continuance of the patent and thereafter until 15th July 1923, with a further provision in case the patent term was extended. On 9th February 1918 the term of the patent expired, and on 11th February 1918

(1) 27 C.L.R., 236.

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a notice was given on behalf of the Crown, following up one already delivered on 21st December 1917, terminating the contract. The question that is in dispute upon this appeal is whether or no power was reserved to the Crown so to end the bargain. Mr. Justice *Burnside* thought they were not so entitled, but his judgment was overridden by the unanimous opinion of the High Court of Australia, from whose judgment this appeal, by special leave, proceeds.

The question involved depends upon the effect of the Commonwealth *Patents Act* 1903-1909, on a patent granted before the Commonwealth *Patents Act* came into operation in one of the Colonies that ultimately became one of the States of the Commonwealth. By sec. 87B, sub-sec. 2, of the Commonwealth Act it is provided that "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." No such provision is found in the Western Australia statute under which the appellants' patent was issued; and their contention is, first, that the position they occupied remains wholly unimpaired except so far as the Commonwealth statute in express terms or by necessary implications effects a change, and, secondly, that the provision of sec. 87B, sub-sec. 2, did not affect their arrangements with the Government, since the agreement they made with them was not a contract relating to the licence to use or work the patented process inasmuch as the Crown could use as of right, and the licence as a licence was consequently nugatory. It will be convenient to take this latter contention first into consideration. The point does not appear to have been raised in either of the Courts below, but as it relates to the proper construction of a statute, their Lordships have not thought fit to exclude it from the appellants' argument.

In order that the position may be properly understood, it is necessary to consider sec. 92 of the Commonwealth *Patents Act*.

It is in these terms:—"(1) A patent shall to all intents have the like effect against the King as it has against a subject. (2) But a responsible Minister of the Crown administering any department of the Public Service, whether of the Commonwealth or a State, may use the invention for the Public Service on such terms as are agreed upon with the patentee or in default of agreement on such terms as are settled by arbitration in the manner prescribed." This section has its equivalent in substance, though not in terms, in sec. 32 of the *Patent Act* 1888 of Western Australia. The result of both these sections is that liberty is reserved to the Crown to use a patented process, and if such liberty is exercised, in the absence of agreement, the terms of user are settled, if the Western Australia statute applies, by the Court after hearing all parties, but, if the Commonwealth statutes operate, by arbitration as prescribed. It is urged that the right to use so established, prevents the possibility of a licence being granted, since the essence of a licence is to confer the right of doing that which, without the licence, would not be permitted. It does not seem to their Lordships that this argument is conclusive of the matter; although the Crown is at liberty to use the invention, it is only at liberty to use on conditions which in the absence of an agreement involve the settlement of the terms in the manner which the statutes provide. There is nothing to compel them to exercise this right, and the Crown is at liberty, if it thinks fit, to accept the ordinary grant of a licence containing terms which may differ from those which might have been settled either by arbitration or by the Court. It is true that this may only amount in the end to an agreement of the terms between the parties; but that is not necessarily the case, since if in effect an arrangement by way of licence does confer upon the Crown rights of termination not otherwise enjoyed, the Crown are at liberty to contract that the use of the patent shall take the form of a licence. There can be no doubt that the present grant, which was under seal, is in every detail and particular, as well as in language, the ordinary form of a licence to work a patent. It contains a recital of a proposal for a full licence and authority, and the grant follows the words of the recital. In other words, the parties have in fact contracted that the relationship between themselves shall

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be that of licensor and licensee, and, though it might have been possible that the same result could have been reached by other means, this does not prevent the arrangement being what in name it purports to be, and consequently within the provisions of sec. 87B (2). Apart altogether from this conclusion, their Lordships think the statute applies for this reason, that there is no limitation suggested as to the meaning of the word licence, and it may as readily embrace a licence to use by statute, such as the Crown undoubtedly enjoys, as a licence by grant.

If, therefore, the words "patented article," "patented process" and "the patent" used in the section apply to a patent granted before the operation of the Commonwealth statutes by one of the Colonies that became component States of the Commonwealth, the appellants must fail; and this leads to the second branch of the appellants' case, which is the real point that was considered in the High Court of Australia. It depends upon their being able to contend successfully, first, that the definition of patent in the Commonwealth statute is not applicable, and, secondly, that even if it were, sec. 6 of the statute preserves the rights extending under the State Patent Act, and that one of those rights was to secure payment by way of royalty for the use of the patented invention beyond the term of the patent without liability to determination. The definition section contains these terms:—"'Patent' means letters patent for an invention granted in the Commonwealth." "'Patented article' means an article in respect of which a patent has been granted." As each State is a part of the Commonwealth, letters patent granted under any statute in one of the Colonies are strictly included; but it is argued that "in the Commonwealth" means by or for the Commonwealth, and that the Commonwealth is rather a political description than a geographical area. The real answer to this is that the word "Commonwealth" can and may have both meanings, and that in this statute both such meanings occur. Secs. 41 and 46 and 56 (*c*) support the appellants' view, as each of these sections contains a contrast between an invention patented in the Commonwealth or in any State; but that merely shows that, it may be, in certain sections there is a contrast between the Commonwealth and the State. On the other hand, in sec. 87A

and in other sections the phrase " in the Commonwealth " is clearly used in a geographical sense. The question is in each section what the true meaning may be : it is a pure question of construction ; and it is sufficient for their Lordships to say that they agree with the High Court in the view they have expressed as to the meaning in this section.

There remains the construction of sec. 6. This is in the following terms : " This Act shall not affect any proceedings pending under any State Patent Act nor any right or liability acquired or incurred before the commencement of this Act, and any pending proceedings may, subject to the provisions relating to the transfer of Patent administration from the States to the Commonwealth, be continued and completed as if this Act had not been passed." The appellants' argument here depends upon assuming that the power possessed by virtue of the colonial statute was a right acquired by the patentee before the commencement of the statute. This is not in their Lordships' view the true meaning of the section. A right acquired does not mean a potential privilege enabling a contract to be made, but an actual right which was then enjoyed. If the contract in question had been made before the Commonwealth statute came into force, the privilege of sec. 6 would have been conferred, but the power to make such a contract is a different thing from the right which the contract confers, and it is the latter and not the former which in this connection this section safeguards. The other construction involves the conclusion that the section means no more than that no patents already granted should be affected except by express language, and there is no reason why, had this been desired, it should not have been made plain.

Their Lordships regard it as unnecessary to discuss this question in greater detail, for there is nothing that they can usefully add to the clear and concise reasoning in which *Isaacs* J. clothed the judgment of the High Court.

For these reasons their Lordships think that this appeal must fail and should be dismissed with costs, and will humbly advise His Majesty accordingly.