

61 BK V. 13 of 1929 (18)

Leggett Products Pty  
Ltd and  
Howe

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Reasons for Judgment  
(Shorter J.)

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Delivered 7.4.1930

JUDGMENT

STARKE J.

This is a motion on the part of Leggett Products Proprietary Limited for an Order that the proprietor of the Letters Patent 445 of 1916 grant a compulsory licence to the applicant, or alternatively, for a declaration that the patented article or process is not manufactured or carried on to an adequate extent in the Commonwealth. The motion was heard by me in November 1929, but has stood over at the request of the parties, doubtless for the purpose of negotiating a settlement of the matter. However, these negotiations have fallen through, and the judgment of the Court must now be given.

The application for the Letters Patent (No 445 of 1916) was dated 14th March 1916, but the patent is dated 16th August 1915, under the provisions of Section 121 of the Patents Act 1903-09. The patent is for improvements in portable vulcanizing packages. These consist of a holder or pan carrying a quantity of combustible material on one side and a quantity of vulcanizable material on the opposite side. Patches can thereby be applied to the inner tubes of pneumatic tyres or other articles capable of repair by vulcanizing a patch thereon.

The motion is founded upon Section 87A of the Patents Act 1903-09. That Section gives jurisdiction to the Court to declare that the patented article is not manufactured to an adequate extent in the Commonwealth, and if it is satisfied that the patented article is manufactured exclusively or mainly outside the Commonwealth, then, subject to the provisions of the Section and unless the patentee proves that the article is manufactured to an adequate extent in the Commonwealth, or gives satisfactory reasons why the article is not so manufactured, the Court shall make the Order applied for, to take effect either forthwith or at the expiration of such reasonable time as is specified in the Order. The object of the provision is to encourage the development of industries in Australia, and to prevent monopolies fettering that development. Cf. English Patent and Designs Act 1907-19 s. 27, Hatschek's Patents 26 R.P.C. 228, Marconi's Patents 46 R.P.C. 457, 479.

It is beyond doubt that the patentee and his licensees did not manufacture the patented article in Australia until November 1929, some six months after this motion was launched; they conducted their manufacture

in America. The only manufacture in Australia of the patented article was by infringers of the patent, and they were promptly restrained in legal proceedings instituted by the patentee and his licensees. In the Mercedes Daimler Case 27 R.P.C. 763, Parker J. held, under S. 27 of the English Act, that the manufacture of the patented article in derogation of the patentee's rights might establish, or be taken into account for the purpose of establishing, the manufacture of the article to an adequate extent in the United Kingdom. The Commonwealth Act is not in the same terms as the English Act, however, and sub-sections (4) and (5) of Section 87A of the former Act may well indicate a different intent on the part of the Legislature. But I do not feel called upon to decide this question in the present case, for I am satisfied that, even if the manufacture of the patented article by infringers be taken into account, still the manufacture of that article was mainly, if not exclusively, outside the Commonwealth; and the patentee has not proved that it was manufactured to an adequate extent in the Commonwealth. Then has the patentee given satisfactory reasons why the article was not so manufactured? He rightly refers to the Patents Act of 1916 suspending the operation of Section 87A of the Act of 1903-09 during the continuance of the war and a period of six months thereafter. But that reason only operates until the end of 1919. No doubt the patentee forwarded adequate supplies of the patented article to Australia from America, and placed them on the market, wholesale and retail, at prices that were not unreasonable; but that is not a satisfactory reason, it is rather a state of affairs that the patentee must explain. The manufacture of the patented article did not require any great skill or much capital expenditure. Then the patentee relies upon the fact that he was suppressing infringers and could not look forward with confidence to the full enjoyment of the benefit of the Letters Patent, and that the expenditure of money in establishing a factory in Australia would have been an unjustifiable commercial risk. But that rather proves that the patentee was intent upon establishing his monopoly and supplying the Australian markets from America. Certainly, it gives a reason for not manufacturing the article in Australia, but one quite contrary to the intent of Section 87A, and most unsatisfactory from the point of view of encouraging the development of an industry in Australia.

So I must consider whether the Court should make an Order in the terms of the motion, to take effect forthwith, or at the expiration of some reasonable time.

I do not think an Order should have been made at the hearing in November last to take effect forthwith, but only at the expiration of a reasonable time, more particularly as this was the first case brought before the Court under Section 87A. At that hearing, I should have been prepared to make an Order to take effect on the expiration of six months from the last day of November 1929. Since November, however, the patentee or ~~its~~ his licensee has established a factory in Sydney, and is now, and has been for some time, manufacturing the patented article in Australia. I am satisfied that the patentee and his licensee are now manufacturing the patented article to an adequate extent in Australia, and if I had in November last made the Order sought I should now revoke it pursuant to Sub-section (5) of Section 87A of the Patents Act 1903-09.

Under Section 87A(6) the Court, in any case in which it is empowered to make an Order declaring that the patented article is not manufactured to an adequate extent in the Commonwealth, may, instead of making such an Order, order the patentee to grant a compulsory licence to the applicant on such terms as the Court thinks fit. I should have refused the part of the motion claiming such a licence, in November, and I now refuse it. Leggett Products Pty Ltd. are opponents of the patentee and were infringers of his patent. No prudent business man would be likely to select ~~any other person~~ <sup>which the Company</sup> as his licensee, and certainly I should not think it just to foist such a licensee on the patentee, or to exercise the Court's discretion in its favour.

Technically, perhaps, I should make an Order under Section 87A of the Patents Act 1903-09 to take effect <sup>as of the 20th Nov 1929 - the date of the hearing before me -</sup> at the expiration of six months from 30th November 1929, and go on to revoke it, but as matters stand I shall make no Order on the motion, and leave the parties <sup>other than the Commissioner of Patents</sup> to abide their own costs.

*Order that the Patentee & Leggett Products Pty Ltd. do pay the costs of the Commissioner of Patents of the motion.*