Original

IN THE HIGH COURT OF AUSTRALIA.

Von Platen and others

v.

Hallstroms Proprietary Limited

and others.

REASONS FOR JUDGMENT.

of The Honourable Justice Starke

Judgment delivered at Melbourne

on Thursday, 28th March, 1940

H. J. Green, Govt. Print., Melb.

C.2774

THE PETITION OF VON PLATEN AND OTHERS FOR THE EXTENSION OF LETTERS PATENT.

JUDGMENT.

This is a petition praying the extension of two Letters Patent, 13860/23 and 13861/23, for "improvements in absorption refrigerating apparatus". The Letters Patent are what is known as Convention Patents granted pursuant to the provisions of the Imperial Patents Act 1907-1932 Sec.91 and the Commonwealth Patents Act 1903-1935 Sec.121. The applications were dated 16th. August 1923 but the patents were dated 18th. August 1922 which was the date of the first foreign application (Sweden). The patents expired on the 18th. August 1938.

On the 18th. August 1938 an order was made extending the period within which proceedings might be taken for the extension of the Patents until 31st. December 1938. See Commonwealth Patents Act Sec.84(1)(7). The petition praying the extension of the Letters Patent was presented to this Court on the 29th. December 1938 but caveats had been filed on the 12th. and 13th. December by three objectors. The order of the 18th. August was made by me ex parte but the facts disclosed on the hearing of this petition suggest some reconsideration of that procedure. Hallstroms Pty. Ltd. , one of the caveators against the grant of this petition, proceeded with the reorganisation and extension of its business on the faith of the expiration of the Letters Patent for some nine months without any notice of proceedings for the extension of their terms. It would be well, I think, to require some public notice of an application under Sec.84(7) before any extension of time is allowed within which proceedings for the extension of the term of any patent may be taken.

The Letters Patent in this case are, as already stated, for "improvements in absorption refrigerating apparatus". But when the Complete Specifications are examined, the invention is

rather for the arrangement of apparatus, whereby a refrigerating system can be continuously operated, having no movable parts, whilst using a volatile substance as a cooling agent or refrigerant. The principal parts of this arrangement are, according to the specifications, as follows; (1) A generator or boiler, (2) A condenser, (3) An evaporator or cooler, (4) An absorber, (5) A thermo-syphon arrangement called a pump. All parts of the apparatus are in open and unobstructed communication with one another so that the absolute pressure is equal throughout the unit and when charged the unit is hermetically sealed and there are no moving parts. The unit is filled with a gas such as hydrogen which is inert with respect to the cooling agent and a cooling agent or refrigerant such as ammonia dissolved or absorbed in water is poured into the Generator. The cycle of operations is described in the Specification to Letters Patent 13861 substantially as follows:- The generator is heated and the cooling agent or refrigerant is expelled from the water and pushes back the Hydrogen or other gas and confines it to the Evaporator-Absorber side of the system. The gas or vapour - the cooling agent - driven off in the generator or boiler, flows through the condenser where it is condensed and flows on to the evaporator in a liquid condition. The cooling agent there evaporates and mixes with or diffuses into the inert gas in the evaporator while absorbing heat from the surroundings of the evaporator whereby refrigeration is effected. The mixture of the inert gas and the vapour of the cooling agent when heavier than the inert gas falls downwards to a cooled absorber and is there brought in contact with a liquid, supplied to the absorber from the generator, flowing or dripping down through the absorber. The cooling agent, but not the inert gas, is dissolved or absorbed in the liquid and is thus separated from the gas mixture. The concentrated absorption liquid is returned to the generator by the thermo-syphon arrangement. The inert gas, on the other hand, being of less specific weight, rises through the absorber and returns to the evaporator where it again mixes with fresh vapour of the cooling agent. The direction of circulation could be reversed if gases of

of other specific weights than those mentioned in the Specification were used but this is unimportant.

The system involves, said Professor Hartung, no advance in physical or chemical laws but a novel and beautiful application of those laws to the solution of a practical problem. It is based upon what is known as Dalton's Law and its implications. The law has been thus expressed:- The pressure of a mixture of a gas and a vapour is approximately equal to the sum of the pressures which each would exert if it occupied the same space alone. The individual pressures are known as partial pressures. Assume that the total pressure on the generator side of the system after the inert gas has been pushed away to the evaporator absorber side reaches and is maintained at 300 lbs. to the square inch. The cooling agent in liquid form is liberated into the space comprising the Evaporator and Absorber side of the system wherein Hydrogen is maintained at a partial pressure of say 260 lbs. to the square inch. The cooling agent evaporates. But according to Dalton's Law and its implications the evaporation of the liquid cooling agent can only take place at a rate that will maintain a partial vapour pressure of 40 lbs. to the square inch which is a pressure corresponding to a temperature low enough to give refrigeration. The total pressure throughout the system is thus equalised, on the assumed pressures, at a pressure of 300 lbs. to the square inch which is one of the principles upon which the invention is founded.

This application of an inert gas to maintain equilibrium of the whole pressure system - as a pressure equaliser - was not in itself new. It had been propounded by one Geppert in an invention relating to improvements in Absorption Refrigerating apparatus. But the inventions the subject of the petition also use the further fact, as already mentioned, that the density of the inert gas is different from that of the inert gas mixed with the vapours of the cooling agent. By reason of this difference an automatic circulation is established by the downward fall of the mixed gas towards the absorber, the separation of in the

absorber and the return of the inert gas to the evaporator and the cooling agent to the generator by the thermo-syphon arrangement before mentioned.

The Specifications to Letters Patent 13860 and 13861 really describe the same invention but the claims in specification 13860 do not extend to the circulation of the absorption liquid whilst the claims in specification 13861 relate to that matter. The specifications contain several claims but those numbered 1 state the substance of the invention.1 (13860):-

An absorption refrigerating apparatus of the kind in which the cooling agent is caused to evaporate in and mix with an inert gas serving to equalise the pressure in the apparatus and arranged to circulate through the cooler and the absorber characterised by the circulation of the inert gas being effected by the physical influence of the evaporation and the absorption on the mixture of the inert gas and the vapours of the cooling agent while using an inert gas the specific weight of which is substantially different from that of the vapours of the cooling agent.

1(13861) - An absorption refrigerating apparatus in which the boiler and the absorber are arranged in open communication with one another and connected so as to form a circulating system for the absorption liquid characterised by the circulation of the liquid being effected automatically by means of a thermo-syphon pump included in the said circulating system.

Extension of Letters Patent is not granted as of right: it is a matter for the exercise of the judicial discretion. Hill's Patent 1.Moo.N.S. 264 at p.265. The Court may grant an extension to an assignee of the invention as well as to an actual inventor. Commonwealth Patents Act Sec4. It must have regard to the nature and merits of the invention in relation to the public - the value to the public rather than the ingenuity involved in it. The invention must possess practical utility in a high degree - Woodcroft's Patent 2 W.P.C.18. And the merit of the invention must be judged from what is disclosed in the specification Johnson's Patent 25 R.P.C. at p.723. But the Court does not investigate the validity of the

patent; though if it is clearly bad an extension will be refused Hill's Patent 1 Moo.N.S. 258. The question of validity is left for decision in other proceedings such as revocation or infringement proceedings. Kay's Patent 1 W.P.C. 568; Johnson's Patent 25 R.P.C. 709. The Court must be satisfied that the patentee has not been adequately remunerated by his ppatent; that is his Australian patent. Celotex Case 57 C.L.R.19. It must have regard to the profits of the patentee as such; the profits made by the various holders of thepatent right, and not merely by the actual inventor himself. Trotman's Patent 3 Moo.N.S.494; Hill's Patent 1 Moo.N.S. at 268. It must have regard to all the circumstances of the case; the diligence of the patentee in bringing his patent into use - Dolbear's Patent 13 R.P.C.203, Van Gelder's Patent 24 R.P.C. at p.175 - the profits made on foreign ppatents for the same invention, the lapse of foreign patents, and so forth.

In the present case the petition for an extension of the patents is presented by the actual inventors, the registered proprietor of the Letters Patent, Platen Munters Refrigerating System Aktiebolaget, Aktiebolaget Electrolux and Electrolux Pty. Ltd. About the year 1922 Von Platen, Munters and Tillquist, two engineers and a merchant of Sweden, propounded the invention relied upon. According to the evidence they disposed of their world rights in the invention already described and other inventions and future improvements to the Platen Munters Refrigerating System Aktiebolaget, a Swedish Company, hereafter referred to as the Von Platen Company. Each inventor received 70 shares of the nominal value of 1000 Swedish crowns in the Company. The capital of the Company was but 300 shares of 1000 crowns each. About 1925 another Swedish Company called Aktiebolaget Electrolux hereafter called the A.B.Company, acquired all the shares in the Von Platen Company. The capital of the A.B.Company was 15,000 shares, each of 100 Swedish crowns. It issued to each of the inventors 3,500 shares. It has a verbal licence to manufacture

use and sell machinery and apparatus for refrigerating falling within the scope of the invention. Apparently various subsidiary companies were formed to exploit the invention throughout the world; e.g. a manufacturing company in Sweden called the Artic Aktiebolaget, a company in Australia called the Electrolux Pty. Ltd. The Australian Company was originally called the Electrolux Ltd. but in 1937 its name was altered to that at present used. The capital of Electrolux Ltd. was originally £300,000, divided into 200,000 ordinary shares of £1 and 100,000 preference shares of £1 but was reduced owing to losses of capital, to £50,000 shares of £1 each. The A.B.Company holds 49,995 shares, practically the whole share issue. The Electrolux Pty. Ltd., hereafter called the Australian Company, has the exclusive but not transferable right to make use and sell throughout the Commonwealth of Australia machinery and apparatus within the scope of the invention. The American rights appear to be exercised by a Company formed in America called Servel Incorporated which pays royalties to the Von Platen Company.

The Electrolux organisation in Sweden, says the deponent Pond, is somewhat complicated. It is, but all parties interested in the Australian patents are parties to the petition and in particular the present registered proprietor and assignee from the actual inventors namely Platen Munters Refrigerating System Aktiebolaget. Ample interest therefore sustains the petition. But it is contended on various grounds that the Letters Patent should not be extended.

1. The patents are invalid.

a. The Patents Act 1903-1935 Sec.121 requires that the application for a convention patent should be made within twelve months from the application for protection abroad. Von Platen and Munters made application within due time, but

Tillquist was not named as a party to the application. The Examiner of Patents reported adversely on these applications on the ground that the basic Swedish application was in the name of the three inventors. In view of this the Commissioner of Patents intimated that he might have to refuse to proceed with the application under Sec.121 of the Act unless an amended application was lodged in the name of the three foreign applicants. Other application forms ~~xxxx xxxxx~~ on the part of Von Platen, Munters and Tillquist were lodged but out of time if treated as original and new applications. But the Commissioner, I gather, treated these documents as amendments in substance of the original applications and acted accordingly. See act Secs.39,42,44. In this I think he is supported by the case of Goldman v Bramley 55 C.L.R.744.

It is not my duty, sixteen years afterwards, to consider whether the determination of the Commissioner in favour of the grant of Letters Patent was erroneous and the Letters Patent consequently invalid. The Court will not in a doubtful case investigate the validity of the Letters Patent: if need be the question can be raised in other proceedings.

b. That the invention described and claimed in the Australian Letters Patent is not the same invention the subject matter of the basic Swedish application or more shortly there is disconformity between the Australian and the foreign application in the sense that the provisions of Sec.121 of the Patents Act 1903-1935 have not been observed. The cases show, I think, that the Australian grant must be confined within the limits of the Swedish application. Cf. Electric etc. Ltd. and anor. v Lissen Ltd. and anor. 56 R.P.C. at pp.47-52; Application of Andreas 51 R.P.C. 188; Application of Sevag 55 R.PC.193. It may be doubted whether this objection would have been open to an opponent on the original application for a grant pursuant to Sec.121. See Act Secs.121(3),56. But there is no doubt, I think, that the Commissioner might

refuse a grant in the case of disconformity howsoever the matter came to his attention; Andrea's application supra. It is to be presumed however that the Australian Patents were rightly granted. The Court is not investigating the validity of those Patents and unless the disconformity clearly and indubitably invalidates the patents an extension should not be refused. The specifications clearly enough describe the same invention but the claims which delimit the invention are not expressed in the same words. (See also English specification 202650). The basis of the claims in Specification 13860 is found however in the Swedish Specification. The first seven claims in the Swedish Specification are for a cooling method. But the method involves a cooling agent which evaporates in or diffuses in an evaporated condition through an inert gas thereby equalising pressures and arranged to circulate through the evaporator and the absorber by means of different specific weights. See Claims 1,2,6 & 7. The next five claims are apparatus claims but claim 12 for example is for apparatus characterised by a circulating system for the cooling agent comprising a boiler, a condenser, and a cooler being combined partly with a circulating system for the absorption liquid arranged in connection with the cooler and partly with a circulating system for the inert gas or gas mixture. Again the basis of the claim in Specification 13861 is, I think, found in Claims 3,4,9,10, & 12 of the Swedish application. Disconformity is not so clear that an extension of the Australian patents should be for this reason be refused. This objectionwas taken at the last moment by Hallstroms Pty. Ltd., one of the caveators, and was only allowed upon severe terms. But these terms are unimportant in the view I have taken of the objection.

c. That the invention was anticipated by the Specification of ane Herman Geppert for improvements in refrigerating apparatus English Specification 13865 of 1899. Geppert, as Professor

Hartung said in his evidence, first suggested the use of an inert gas as a pressure equaliser so that a constant pressure might be maintained in an absorption refrigerating system. But Geppert's Specification does not disclose the circulating system of Von Platen and others by means of the difference in density of the inert gas and the mixture of the inert gas and the vapours of the cooling agent nor the method of circulating the absorption liquid. Geppert himself says that in his specification no circulation of gas is thought of, the refrigerant diffusing from the surface of the evaporation through the layer of neutral gas to be found between the surface of the vapourisation and the surface of absorption and Professor Hartung satisfied me that the circulating systems of VonPlaten and others from the evaporator onwards are not disclosed by Geppert. In any case the anticipation, I may add, is not so clear that the extension of the Australian patents should on this ground be refused.

2. The invention does not possess any high degree of merit of of utility. The refrigerator now made and sold by the Australian Company is a very ingenious domestic refrigerator a new type, highly meritorious and of great practical utility. It embodies the principles of the invention described in the specifications to the Australian Letters Patent. But it is said that the specifications give no sufficient directions for the construction of that machine and that the invention must be judged by the specifications. The specifications, it is said, are silent give no directions for balancing the unit, the dimensions, the pressure and so forth, and without such directions the apparatus has no practical utility. Balancing the refrigerator is most important according to both Professor Hartung and Mr. G.E.Jodell but that means ascertaining by trial the most effective conditions for putting the invention into operation. The description of an invention is not insufficient even if it be necessary to make a number of trials to ascertain the best working conditions. Edison Co. v Holland 6 R.P.C.243 at p.282; Watson and Co. Ltd.

v Pott, Cassels and anor. 27 R.P.C. at p.558. For present purposes it is enough to say that the description of the invention is not clearly and indubitably insufficient. Further/it is said that the machine manufactured and sold to the public is not constructed in accordance with the specifications and would be useless if so constructed.

a. An air cooled system is substituted for a water cooled system, which has certain disadvantages arising from the want or insufficiency of a water supply, the impurity of the water supplied, corrosion of thepipes, and from the temperature in hot climates. Air cooling was a common and well known engineering practice in connection with mechanical devices. The application of/air cooling/to an device the Von Platen refrigerator was by no means obvious or easy. It required a good deal of thought and experiment and even ingenuity. But an appropriate device in the shape of what are called fins, which took up and radiated heat into the atmosphere, was ultimately adopted. It proved successful. Indeed in manufacture the air cooled machine superseded that which was water cooled.

b. An inhibitor also has been introduced into the system which is not mentioned in thespecifications. Corrosion took place in the pump tube used in connection with the circulation of the absorption liquid at a point where the heat was greatest. A deposit of some iron oxide occurred, possibly crystals of magnetite, which blocked the tube and prevented or retarded the circulation of the absorption liquid. Steps were taken to counteract this corrosive action. An inhibitor or substance was introduced into the system in relatively small quantities.for this purpose. The use of inhibitors, says Professor Hattung, was quite well known: indeed the American Bureau of Standards published in 1920 some experiments with inhibitors in connection with ammonia absorption refrigerating machines. But the methods adopted were, I think, empirical and depended upon trial and observation and not upon scientific theory. After trial and

experiment it was found that an addition of a small percentage of sodium chromate to the ammonia liquid introduced into the generator was a satisfactory inhibitor in the Von Platen system.

c. Other alterations have been made in the refrigerator now constructed by the Australian Company: e.g. a pressure equalising vessel and a high temperature evaporator have been added, the porous material mentioned in the specification has been omitted and so forth.

Air cooling and the inhibitor no doubt add considerably to the commercial and practical value of the invention. But the apparatus constructed according to the specifications would work efficiently though not so efficiently as apparatus that was air cooled and into which a satisfactory inhibitor was introduced. The other alterations, though useful and increasing the efficiency of the refrigerator, do not change its character or method or make an otherwise useless refrigerator useful. The essence and real merit of the Von Platen invention however is the circulation system which the inventors adopt and describe. It was a new departure and gave a new method of refrigeration to the public. In my opinion the invention was one of high merit and ingenuity and of much value to the public. The fact that the invention has been gradually improved in mechanical form and brought to a high degree of efficiency in actual use does not detract from the invention or establish that it is insufficiently described or is useless as described. Indeed the improvements tend rather to confirm and demonstrate the latent or potential value of the invention.

3. The patentees have not presented proper accounts of their remuneration and in any case have not established that they have not been sufficiently remunerated. There is no doubt that the Court has always insisted upon accuracy and clearness in the patentee's account of profits. Robinson's Patent 25 C.L.R. 116. But the rule is one of prudence or of practice rather than a rule of law and its real object is to enable the Court to

ascertain the actual remuneration received by the patentee. If it be proved that a patentee has been inadequately remunerated then the condition of the Act is satisfied whatever be the form of the accounts. But a patentee runs considerable risk of an unfavourable determination if he ignores the practice of the Court. The present case is peculiar. In my opinion the registered proprietor of the patent must be the applicant for the extension of Letters Patent whatever be the rights legal or equitable behind the register or whatever be the right of another to use the name of the proprietor. And the condition of the Act is that the patentee has been inadequately remunerated by his patent. The actual inventors and their assignees and the Von Platen Company, the registered proprietor of the Australian Letters Patent, never manufactured nor sold in Australia refrigerating apparatus the subject of the Letters Patent. The patent was really worked and developed in Australia through licensees and sub-licensees. Indeed it may be said that the three Companies already mentioned were so closely connected that the development of the patent rights in Australia is attributable to the exertions of all three combined. ~~Probably~~ Possibly the actual inventors and the Von Platen Company - the registered proprietors of the invention - have received but little profit directly from the use of the patent in Australia. But the Court must have regard to the profits made from the exercise of the patent rights. It must have regard to the profits of the various holders of the patent rights - the profits of the patentee as such, including, in the present case, the profits made by the licensees or sub-licensees exercising those rights in Australia. Only in this way can the profits obtained from the exercise of the Australian patent rights be measured. And in truth the actual inventors and the Von Platen Company obtain their remuneration from the Australian patents in the manner described and through the sources mentioned. Trotman's Patent 3 Moo.N.S.494; Cf. Chambers' Patent 44 R.P.C. 332. The petitioners have been

rather backward in the statement of the profits and much relevant matter has been disclosed under pressure of cross-examination or at the suggestion of the Court. The accounts of the Australian Company have, I am satisfied, been exceptionally well kept and regularly audited. Consequently there was little excuse for not presenting the actual profit and loss accounts of the Company in connection with the manufacture and sale of refrigerators during the period of the Letters Patent and subsequently. They had all been regularly and carefully prepared and duly audited and were in existence. The filed accounts disclose a net loss to the Australian Company of £25000 in round figures during the period mentioned. It is, I think, overstated. A sum of no less than £25000 was charged against gross profit for the trading years 1936,1937, and the eight months to the end of August 1938 for "preliminary expenses". The auditor, Mr. Gladstones, explained that a better phrase would have been "factory expenses not charged against costs". But though the explanation of the items given by the Secretary of the Company, Mr. Dixon, and by Mr. Gladstones satisfy me that they are a legitimate charge against profits still the evidence did not convince me that the amount charged against the particular years was reasonable. It is, I agree, a matter of judgment into which business considerations enter and though some deduction on this account was legitimate I am quite unable on the evidence to say what the deduction should have been. It was for the petitioner to make the matter clear. Again a sum of nearly £6000 is charged against profits as "provision for service under guarantee". The sum is not for repairs effected on refrigerators: they were met as a working expense. This provision is a reserve fund against liabilities under a service guarantee. It is no doubt prudent to make such a provision but again it seems to me excessive in the circumstances of the case but I am unable to assign any particular amount. A taxation reserve was also

challenged but the evidence satisfied me that it was a legitimate deduction from profit.

The excessive deductions are not, I think, of much importance, for in the period following the expiration of the patents the Australian Company made a very considerable profit in connection with the manufacture and sale of refrigerators under the ~~patent rights~~ made according to the patent method. From the expiration of the Australian rights in August 1938 to the end of May 1939 the profits in connection with the sale and manufacture of the refrigerator amounted to £62000 in round figures. If the deductions were excessive in the period 1936 to August 1938 still the excess might rightly, I think, have been thrown by prudent business men against the extraordinary profits of 1938-1939. The net balance of profit would then be the same, namely £37,000. True, the profit was made subsequently to the expiration of the Letters Patent and cannot strictly be described as profits arising from the exercise of the patent rights. Still it is an important circumstance of the case and the profits in substance flow from the grant of the Letters Patent. But whether the profit of £37,000 has been sufficient in view of the merit of the invention depends a good deal upon the funds employed in the business. These funds came, says Mr. Gladstones, from two sources:

(i) £50,000 subscribed by shareholders in respect of their shares in the Company. I should add that the capital of the Company was originally £300,000 but it was reduced in 1935 to £50,000 owing to losses. A sum of £32,209 is treated in an account submitted by the petitioners as Refrigerator losses written off in this capital reduction. But in stating the net losses of the Australian Company in the period 1927 to August 1938 this sum is taken into account and is included in the final figure - £25,000.

(ii) Moneys owing to the A.B.Company of Sweden in connection with refrigerator supplies. The A.B.Company supplied goods etc. to the Australian Company, which disposed of them

and employed the proceeds, by arrangement with the A.B.Company, in connection with its refrigerating business. The amount fluctuated from time to time. In the early years, 1928-1936, the amount owing to the A.B.Company averaged about £40,000 but in the later years 1937-1939 the amount rose in 1937 to £113,000 and in May 1939 to £187,000 in round figures - See Exhibit N. The Australian Company paid and was charged no interest on the money so owing to the A.B.Company. The A.B.Company thus stood out of its money for the purpose of exploiting manufacturing and selling the patent invention in Australia. And it is claimed that a fair chargge for the use of these funds should be allowed against profits. If the sum had formed part of the capital of the Company or had been borrowed at interest, fair charges for the use of the capital or the borrowed money might, it was said, have been debited against profits.

The Von Platen Company, it will be remembered, is the registered proprietor of the Australian Letters Patent. Still this Company and the A.B.Company and the Australian Company are so closely connected together in the ownership and exploitation of the Australian Patents that it is legitimate, in my opinion, in considering the adequacy of the remuneration derived from the patents, to have regard to the funds made available by any of them for exploiting and bringing the invention into use in Australia. As profits made from the exercise of the invention- "the profits of the patentee as such" - must be considered, so, in my opinion, fair charges or allowances should be made for capital used or funds made available for the purpose of exploiting the invention. On this basis a net balance of profit amounting to about £37,000 over sixteen years is not large. But it must be remembered as a circumstance affecting the case that a valuable business has been established by the exercise of the patent rights. As at December 1938, the assets of the Australian Company are stated at £290,000. Included in this amount is "Sundry Debtors" £100,600, less reserve for doubtful debts and Stock in hand at cost or under

£123,500. The amounts are stated in round figures. According to the evidence, the Australian Company is conducting its refrigerator business on the basis that it would sell about 12,000 machines a year, which, I gather, should return in manufacturing and other profits from £30,000 to £40,000 a year. I refer to the evidence of Mr. Dixon and the affidavit made by Mr. Gladstones in September of 1939. But I do not know how the present war will affect this estimate.

Another circumstance much relied upon by the Caveators was the delay of those who controlled the patent rights in bringing the refrigerator into use in Australia. The application for Letters Patent was made in August of 1923. A good deal of experimental work was done in Sweden between 1922 and 1926. By the latter year water cooled refrigerators had been constructed on a commercial scale and appear to have been fairly satisfactory in European countries. In 1927 they were introduced into the warmer climate of Australia but were disappointing. By 1931 an air cooled refrigerator had been constructed on a commercial scale. By 1931 also, after trial and experiment, the most effective inhibitor for use with the Von Platen refrigerator had been determined; namely the addition of a small percentage of sodium chromate to the ammonia liquid introduced into the generator. From 1931 onwards the air cooled refrigerator in which sodium chromate was used as an inhibitor, was being sold in Europe and America in a considerable way of business and proved entirely satisfactory. But it was not introduced into Australia much, if at all, before 1934. In 1933 the Australian Company erected a small factory for charging and reservicing machines in Australia and in 1934 began constructing air cooled machines - about 50 a month - but it was about 1936 that constructional activity in Australia really developed. It appears to me that no lack of effort can be attributed to the patentees, their assignee or licensees or sub-licensee, in pushing the inv-

ention in Australia or elsewhere from 1922 to 1931. They used every endeavour to find the most effective form of refrigerator for carrying out their method of refrigeration. One of the witnesses, James, stated that any competent refrigerating engineer could have made the water cooled refrigerators of the Electrolux type commercially effective. But though he apparently repaired some 50 machines and made them effective for some time still his experience of the machines was limited. James' evidence does not satisfy me that Jodell and other skilful Swedish engineers who were working to make the water cooled refrigerator a commercial success missed the simple and obvious structural alterations which he adopted. In truth the difficulties encountered were inherent in a water cooled system. Structural alterations in the machine might aid it but could never wholly remove the difficulties arising from variations in temperature and in the water supply. But there was some delay between 1931 and 1934 in introducing the air cooled refrigerator into Australia. It was said that the water cooled machine had not been successful in Australia and that the patentees could not risk another failure. They were bound, in their own interest, to make sure that the air cooled machine would not similarly fail. The argument has force but air cooled machines had been tested and tried in Europe and their success was established by the end of 1931. Still it was a difficult period financially in Australia. As is well known, a financial crisis had developed about 1930 and continued for several years, See Year Book of the Commonwealth of Australia 1931 p.757. Great effort on the part of those who held the patent during this period could not well be expected. They began to move in 1936 and were very active from 1936 onwards. It is not easy to say whether the Australian Company would or would not have made a profit on a loss on their trading account if it had operated during the period 1931-1935 but the trading profit, if any, would not, I think, have been

large. The expenses debited in the profit and loss statements are significant and must have been considerably increased if the Company had been more active. On the whole, I do not think that the pecuniary position of those who held and controlled the patent rights in Australia was much affected by the delay already mentioned.

Another circumstance of the case is the position of and the profits made from foreign patents relating to the invention. The petition states that Letters Patent for the invention in foreign countries have expired or are on the point of expiration. In important manufacturing countries such as Sweden and England the patents have expired. They have also expired in France, Italy, South Africa, New Zealand and many other countries. They are still on foot, according to the petition, in the United States of America, Germany, Holland and other countries, Every foreign patent for the invention will, according to the petition, have expired by the end of the year 1945. In my opinion, the expiration of so many foreign patents is a circumstance that weighs heavily against the extension of the Australian Letters Patent for any long period.

The extension of the monopoly affects not only the public but the manufacturers of Australia, particularly the caveator Hallstroms Pty. Ltd. But that is true of the extension of Letters Patent in most cases and though a weighty ground is yet not a conclusive reason for refusing to extend a monopoly. The merits and profits of the inventor must be balanced against the public and other interests.

The profits made from the foreign patents must also be considered. The actual inventors, Von Platen, Munters and Tillquist, have each been well rewarded. In 1923 they disposed of their rights in the invention to the Von Platen Company and in consideration thereof received (1) 70 shares each of 1000 Swedish crowns, (2) 210,000 Swedish crowns in cash. In 1925 the A.B.Company acquired the shares of the Von Platen Company.

It issued to each of the inventors 3500 shares of 100 crowns each for their shares in the Von Platen Company. It also agreed to pay the inventors a royalty on all refrigerators made in accordance with the invention at the rate of one half a Swedish crown up to 200,000 machines and .75 crown per machine thereafter (See Von Platen's affidavit 17th. August 1939.) The receipts of the inventors, expressed in Swedish crowns, are stated in the affidavit of S.A.F.Pond dated 17th. July 1939.

Subsequently in 1928 bonus shares were issued by the A.B. Company to its members in the proportion of one bonus share for each share previously held.

	Platen	Munters	Tillquist	Total
Cash.	210,000	210,000	210,000	630,000
Dividends on 3500 shares for four years	129,500	129,500	129,500	388,500
Dividends on 7000 shares for nine years	567,000	567,000	567,000	1,701,000
Royalties	783,101	810,494	Nil	1,593,595
				4,313,095.

Of these royalties, 5788 crowns refer to royalties for sale of refrigerators in Australia. (Affidavit of Sahlin and Hyllen, 13th, July 1939). The rate of sterling exchange ranged between 18 and 19 crowns to the pound. Taking the mean, 18½, the result in sterling would be £233,140. Pond's affidavit however is not, I believe, accurate as to the actual receipts of either Munters or Tillquist for Munters sold some 1400 shares and received only 2100 bonus shares; Tillquist is dead and I am not clear whether he sold his shares or not. But I suppose the figures represent nearly enough the returns derived from the shares in the hands of the holder whoever he may be. Von Platen apparently still holds 7000 shares and Munters 4200 shares in the A.B. Company. In 1928 a small parcel (30) of Munters shares averaged 325 Swedish crowns a share. The receipts from or the value of these shares must be added to be receipts already mentioned. Even at par value, 21,000 shares of 100 Swedish crowns each represents a capital value of over £100,000 sterling. But it

is said that the Companies which took over and carried the invention to success made but little profit. According to the affidavits of Sahlin and Kai Hyllen sworn 30th. January 1939 and S.A.F.Pond sworn 17th. July 1939, the accounts of exploiting companies in connection with foreign profits may be stated in Swedish crowns as follows:-

Loss		5,193,991
Less amount received by Von Platen Company from patents	772,957	
Manufacturing profit for A.B.Artic 1925-1937	1,331,717	
		2,104,674
Grand Net Loss		3,089,317.

or in sterling nearly £170,000.

There is no means of checking these figures.

According to the petitioners these figures include royalties from the sale of refrigerators made according to the invention the subject of the Letters Patent in American territory. It appears that the Von Platen Company is entitled to a royalty of 1.8% subsequently increased to 2.5% on all refrigerators sold in American territory. And it may be noted that the Von Platen Company has ~~been~~ been able to pay dividends to the A.B.Company from 1931 to 1936 ranging from 7% to 8% and in 1937 a dividend of 10% was paid. It also appears that an American Company "in order to be able to enter into the royalty agreement with the Von Platen Company paid to a Company controlled by Mr. Wenner-Gren an amount of 2,500,000 dollars and 25,000 shares valued at one dollar each in Electrolux Servel Corporation". Mr. Wenner-Gren is a business man of high repute in Sweden, who has been described as the founder and General Managing Director of the International Electrolux Organisation. That organisation, I gather, was very complicated and consisted of various companies or bodies throughout the world. But it is impossible on the information presented to the

Court to feel certain what company was controlled by Mr. Wenner-Gren, or what was its organisation, or how it was controlled or its rights in relation to the invention the subject matter of the Letters Patent. Mr. Wenner-Gren's own account of the American transaction is given in a Bulletin of February 1926 issued to the Electrolux organisation - Ex. H7 - "As you all know .... I sailed for New York in the beginning of October to exploit the Electrolux Refrigerator Patents on the American market ..... But the gruelling hard work that was nece_ssary to accomplish our end but gives us the greater satisfaction as we look back and realise that sheer merit has won out .... and that we have put over the greatest patent deal that has ever been made in the whole world ..... Stated briefly, we have sold the American rights for 2,500,000 dollars, the largest sum of money, and cash at that, that has ever been paid for a patent. Not is that all: we do not relinquish our rights but hold half of the common stock and the necessary control in the new enterprise, retain the name Electrolux and receive a royalty on every icebox sold".

It does not matter, to my mind, whether this sale was on behalf of the Von Platen Company which held the Patent rights or some Company controlled by Wenner-Gren or otherwise which held some assignment of or interest in the American rights. The fact that emerges is that this enormous consideration - nearly £500,000 in English currency - was obtained from the exercise of the patent rights; from the vending of the patent rights. The only deductions suggested from the cash consideration are 297,000 dollars for commission or some such charges and 2,000 dollars, fees or similar expenses.

In 1928 an amalgamation or reconstruction of the Electrolux organisation took place. The assets taken over included the 2,200,000 dollars remaining from the American deal and also the 25,000 shares of one dollar each in the

American Company. Shares were issued by the reconstructed A.B. Company in exchange for these assets to the equivalent thereof in Swedish crowns But it is impossible on the information presented to this Court to ascertain to what Company or person or under what arrangement such shares were issued. But I do not doubt that Mr. Wenner-Gren benefitted very considerably nor that he has a very large - if not a controlling-interest in the Electrolux organisation as it now exists.

In my judgment the American transaction is the decisive circumstance of this case. The actual inventors, so Von Platen swears, devoted two years of constant work without remuneration and expended approximately 50,000 crowns on material equipment, patent fees, and other expenses. But they received about £233,000 in sterling and some 21,000 shares in the A.B. Company. The commercial success however of the venture is due to the long and skilful effort of the exploiting Companies headed by Mr. Wenner-Gren. The funds risked by those ventures except in Australia are not disclosed. The figures presented to the Court suggest a loss of nearly £170,000 in English currency. But against that the enormous cash consideration received from the sale of the American rights must be considered - about £450,000 net.- also the shares in the American Servel Corporation which are of great value though the petitioners have not disclosed the actual value to the Court. And in addition it is a circumstance of considerable weight that the petitioners and their associates have established in Australia and indeed throughout the world successful businesses which enable them to meet any competition in the manufacture of domestic refrigerators of the type the subject of the Letters Patent. Another circumstance, and by no means unimportant, is the serious lack of candour on the part of the petitioners in relation to the American transaction. It took many months, repeated communications with Sweden, and discovery of documents in Australia, before the substance of the transaction was disclosed

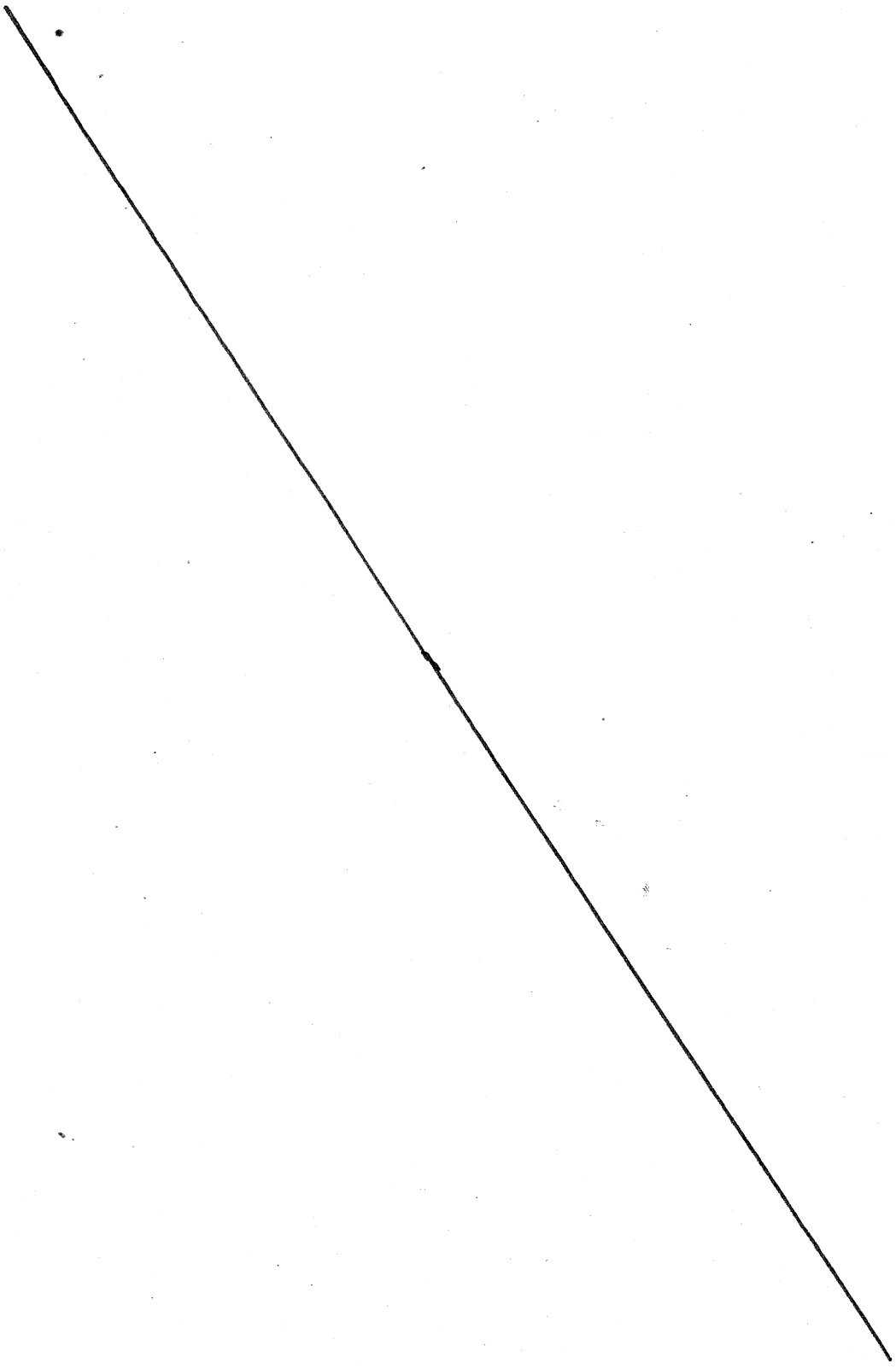
and still much is undisclosed.

The rewards obtained by the actual inventors and by the companies or persons exploiting the invention have been so large and the general circumstances of the case, such as the delay of the petitioners in presenting their petition, the expiration of foreign patents, the established position of the Electrolux organisation in Australia and throughout the world, and to some degree the lack of candour of the petitioners in connection with the American transaction, have gradually led me to the conclusion that an extension of the Australian monopoly should not be granted. The extension of the Letters Patent in Australia cannot be of any advantage to the public and the strength of the Electrolux organisation is such that, I believe, a refusal of the extension will not have much influence upon its position in Australia or elsewhere.

Before the facts in relation to the American transaction were proved I was prepared, as I informed the parties at their request, to extend the Letters Patent for a period of three years upon certain terms and conditions. If however the American transaction is not decisive it may be useful if I annex for reference the order that I should have made. The facts of the case would not warrant a very long extension and conditions should be imposed analagous to those imposed in the case of the restoration of lapsed patents. See Patent Regulations 1912-1934 rr.38 & 39; In re British Thomson Houston Ltd. Patent 46 R.P.C. at p.377. In any event no order would have been made against the Caveators to pay any costs, for their opposition to an extension of the Letters Patent was warranted by the matters stated in the petition and was helpful to the Court.

Two matters have been suggested for my consideration by the Commissioner of Patents. One relates to the examination by him of the accounts presented by petitioners for the extension

of patents. The Judicature Rules Order 53 (a) r.3(i) regulates the English procedure. But no such rule exists in this Court. All I think I can say is that the Commissioner appears in the public interest, at the suggestion of the Court, to assist it



so far as he can. The extent of that assistance, which I regard as extremely useful, is entirely a matter for his own discretion. Speaking for myself, I should say that it would be unreasonable to expect that the Commissioner should audit and verify the accounts in the manner prescribed by the English rule. Until a local rule so provides and a competent officer be provided for that purpose, all that can be expected of the Commissioner is that he should examine the accounts actually presented to the Court and call its attention to the nature and result of the accounts and to any want of clearness or of information in them having regard to the requirements stated in Robinson's Case 25 C.L.R.116.

The other relates to the Court making orders requiring certificates from or the approval or satisfaction of the Commissioner in connection with the extension of Letters Patent. The Commissioner regards such orders as undesirable both from a public and an administrative point of view. Robinson's Case 25 C.L.R. at p.116 and the Celotex Case 57 C.L.R. at p.26 illustrate two forms of order to which the Commissioner called attention. Another I suggested in this case, that the petitioners should file with the Commissioner, as a condition of extension of the Letters Patent, a complete description of the refrigerator now manufactured by the patentees and of the best inhibitor known to it for the better information of the public. But it was not suggested that the description should form part of the specifications. In my opinion the Commissioner is right and I am indebted to him for pointing out the objections he sees to such orders. In the first place, such orders impose upon him functions outside the Patents Act. Those functions he cannot, in his opinion or in mine, satisfactorily discharge. He is unable to resort to any powers and authorities conferred upon him by the Act and his certificate or determinations would not apparently be subject to any judicial review.

Further, the description proposed in the present case would be extraneous to the Register and outside the Act. It might mislead the public and would embarrass the Commissioner in case of an application for the amendment of the specification. The Court, as the Commissioner suggests, can refuse extension if it thinks the specification clearly insufficient: otherwise the patentees should take the responsibility of the specification as it stands or apply for amendment which could be opposed in the prescribed manner or the Court might require such an application to be made as a condition of extension.

1. Order that the petition of Von Platen and others for the extension of Letters Patent 13860/23 and 13861/23 filed in this Court on 29th. December 1938 be dismissed,

2. Order that the petitioners do pay the costs of the Commissioner of Patents.

3. Order that the petitioners do pay the costs of the Caveators so far only as such costs have been increased by the controversy or issue raised on the hearing of the petition relating to the sale and disposal of the American rights to the inventions the subject of the said Letters Patent but so that the Caveators have one set of costs only between them/ And direct that Electricity Meter Manufacturing Company Pty. Ltd. and Dominion Products Ltd. shall be entitled to one half share of such costs and Hallstroms Pty. Ltd. to the other half share of such costs.

4. Otherwise order that the Caveators abide their own costs on the petition.