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IN THE HIGH COURT OF AUSTRALIA

IN THE MATTER OF LETTERS PATENT NO.100191 GRANTED TO OSCAR ADOLPH MENDELSOHN AND LLEWELLYN JOHN HOWELLS AND ASSIGNED TO VACUUM EXTRACTORS LIMITED

V.

REASONS FOR JUDGMENT

Judgment delivered at MELBOURNE

on 21st MAY, 1952.

J. J Gourley, Govt. Print., Melb.

C.7163/51

IN THE MATTER OF LETTERS PATENT NO. 100191 GRANTED TO OSCAR ADOLPH MENDELSOHN AND LLEWELLYN JOHN HOWELLS AND ASSIGNED TO VACUUM EXTRACTORS LIMITED

JUDGMENT KITTO J.

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JUDGMENT KITTO J.

Vacuum Extractors Limited, as assignee of letters patent No. 100,191, dated 6th January 1936, applies by originating summons under s. 84 of the Patents Act 1903-1950 for an extension of the term of the patent upon one ground only, namely that by reason of hostilities it has, as patentee, suffered loss or damage.

The patent is for an invention relating to the removal of the content of eggs or like commodities. The complete specification refers to two previously known methods of commercially removing the liquid content of eggs, namely cracking the eggs by hand and emptying the content into a container, and cracking the eggs between mechanically-operated rollers. Both methods are said to suffer from the disadvantage that the content comes into contact with the outside of the shell which is usually heavily contaminated with bacteria. The patented invention provides for a hollow needle adapted to be inserted through the shell, and the application of suction to withdraw the content through the needle. The specification describes the idea and an embodiment of it in the form of a machine. This machine was never used. In 1939 the applicant company took out letters patent No. 111,747 for "improvements in and relating to machines for manufacturing egg pulp"; and it is in the complete specification for that patent that one finds a description of the only machine which the applicant has attempted to exploit commercially.

The application is opposed by a caveator, the Egg Marketing Board of New South Wales, and the Commissioner of Patents also submits that it should not be granted. One sub-

mission made by the caveator has been that if the applicant is entitled to any extension under s. 84 it must be an extension of the 1939 patent, because if one considers the claims in the 1936 patent it will be found that some of them are for an idea only and invalid, and the rest are for a machine to which the evidence has no relevance. As I have formed a clear opinion that the evidence does not establish that the applicant as patentee under either of the letters patent has suffered any loss or damage by reason of hostilities, it seems desirable to dispose of the case on that ground alone.

In the first affidavit filed in support of the application, sworn on 4th October 1951 by Mr. C. A. Smythe, the secretary of the applicant company, the recent hostilities were said to have caused loss and damage to the applicant in a variety of ways. At the hearing, however, the applicant abandoned all its contentions save one, and that was that the Assistant Controller of Egg Supplies, who was invested with certain important powers under the National Security (Egg Control) Regulations and the National Security (Egg Industry) Regulations, had so used his influence that loss and damage to the applicant as patentee resulted. The argument was that the Assistant Controller's influence flowed from his possession of the powers which the regulations gave him; that the regulations had validity only because the existence of hostilities gave the defence power an application wide enough to sustain them; and that these considerations are enough to establish an unbroken

chain of causation between the hostilities and the loss and damage which the applicant says it sustained.

The Egg Control Regulations were in force until 1943 when they were superseded by the Egg Industry Regulations. It will suffice to refer to the latter. They provided for a Controller of Egg Supplies, who at all material times was a Mr. Souter. They also provided for an Assistant Controller of Egg Supplies with powers and functions delegated to him by the Controller and exercisable subject to any directions of the Controller, and for a Deputy Controller of Egg Supplies for each State to assist the Controller as directed by him in relation to matters arising in the State. A Deputy Controller could be appointed the Assistant Controller, and at material times a Mr. R. C. Blake was both Assistant Controller and Deputy Controller for New South Wales. The regulations provided for a wide range of matters, including the compulsory acquisition of eggs by the Commonwealth; their delivery to the Controller; the making of orders by the Controller (subject to the directions of the Minister) in relation to the regulation and control of the supply, grading, treatment, processing, etc., of eggs; the prohibition by order of the Minister of the sale of eggs except to the Controller and the granting by the Controller of permits for the sale of eggs to other persons; the appointment by the Controller of agents to act on his behalf; and the prohibition of the processing, manufacture, grading, or treatment of eggs except with the written consent of the Controller.

The applicant first installed machines made in accordance with its patents in December 1940 in South Australia. No machines were installed outside South Australia (except one in Victoria in 1941) until four were put in for the Egg Marketing Board of New South Wales, the present caveator, in August 1943. One went to South Africa in 1946. Apart from that there was a complete gap in the supply of machines from April 1944 when the

South Australian Egg Board took four and June 1947 when two firms took two and one respectively. Then in December 1947 the Egg Marketing Board of New South Wales took twelve. The same Board took another seven in the following year and twenty-five in 1949. Then in the next two years the Egg Marketing Board of Victoria took four, the Tasmanian Board three, the Western Australian Board three and the South Queensland Board twenty. W. Angliss & Co. (Aust.) Pty. Ltd., a company operaing in New South Wales also took one.

Now the case which the applicant makes is that the three years' gap between April 1944 and June 1947 is attributable to the exercise by the Assistant Controller, Mr. Blake, adversely to the applicant, of influence which he had with the Egg Marketing Board of New South Wales by virtue of his possession of the powers reposed in him by the Regulations. It is said in effect that Mr. Blake, by making it known to the New South Wales Board that he disapproved of its installing the applicant's Vacuum machines, (being himself in favour of a competing machine known as the Vinall which worked on quite a different principle), inspired in the New South Wales Board a fear that if it acted contrary to his wishes in the matter he would put Angliss & Co. into the pulping business in New South Wales to the great detriment of the Board, that he would bring about or seek to bring about a reduction of the pulping charges and commission which the New South Wales Board was getting for pulping on behalf of the Controller in New South Wales, and even that he might terminate the New South Wales Board's licence under the Regulations. By this means, it is said, the New South Wales Board was, in a practical business sense, coerced into abstaining from taking vacuum machines which it would otherwise have taken.

The allegations concerning Mr. Blake's attitude do not attribute to him any impropriety. That he was genuine in preferring the Vinall machine, no one questions. On behalf of the Commonwealth certain rights had been obtained with respect to

that machine, and Mr. Blake is said to have been prejudiced in its favour more than it deserved on its merits. There are suggestions in the evidence of a feeling of hostility between the Egg Marketing Board of New South Wales and Mr. Blake, but it is clear enough that if any such feeling was entertained by the Board, either it was not reciprocated by Mr. Blake or, if it was, it did not affect him in the exercise of his official functions. Indeed in cross-examination the contrary was not even put to him. The questions to which most of the evidence is directed are, what did Mr. Blake do, and what effect did it have on the opportunities the applicant company had to exploit its machines. It is not put that Mr. Blake did anything in relation to any potential customer other than the Egg Marketing Board of New South Wales; but the applicant's contention is that all the others followed the lead of the New South Wales Board, and therefore to deter that Board for three years from taking the applicant's machines was, indirectly, to deter everyone else for the same period. The evidence does not appear to me to provide any warrant whatever for a finding that what the New South Wales Board did or refrained from doing had any effect upon others; and there is a complete absence of evidence to prove that the applicant made any effort to exploit its patent otherwise than in relation to the New South Wales Egg Marketing Board. However, it is desirable to consider the narrow issue, whether or not Mr. Blake exercised an influence on the New South Wales Board which caused that Board to refrain between 1943 and 1947 from installing any of the applicant's machines.

Mr. Blake himself made an affidavit and was cross-examined before me. In his affidavit he said that there was never any influence exerted by him (or, to the best of his knowledge, by anyone else on the Controller's behalf) to prevent the caveator or any other State Egg Marketing Board from installing or using the Vacuum Extractor or any other machines. He said he did nothing to dissuade the caveator from installing

or using the Vacuum Extractor if they so desired. In cross-examination two substantial matters were put to him. One was that if the New South Wales Board installed Vacuum machines, and it turned out that Vinall machines were more economical as regards operating costs, Mr. Blake would have had an argument for reducing the remuneration payable to the New South Wales Board. This Mr. Blake denied. He did agree, however, that there were constant conflicts between the State Boards and the Commonwealth Control as to the commission charges payable to the Boards. The other matter was that the New South Wales Board's licence could have been withdrawn. To this Mr. Blake's answer was that it could not, because the Board was the only organisation capable of handling the job, Angliss having insufficient floor space and being engaged only in manufacturing egg powder.

I see no reason to doubt Mr. Blake's credibility, and in material respects his evidence agrees with the evidence given by Mr. Whiting, the General Manager of the New South Wales Egg Marketing Board. Mr. Whiting in his cross-examination denied that Blake had put it to him that he should use the Vinall machine. He said that quite possibly Blake had suggested the Vinall machine, but he had not actually requested him to use it. Mr. Whiting's evidence shows, I think, that the New South Wales Board was to some extent concerned about the possibility of its remuneration being reduced and the possibility of its monopoly being affected by the development of Angliss in the pulping business. I do not doubt that, because of this, the Board would not lightly place itself in a position of actual conflict with Mr. Blake. But it would be altogether too much to say on the evidence in this case that, in the matter of installing or not installing Vacuum machines, the Board, because of any actual or supposed wishes or preference of Mr. Blake, was driven at any time to a decision which it would not otherwise have made. It is true that it was after the Commonwealth control under the regulations had come to an end that the installations of vacuum extractors leaped ahead.

But if one asks why this did not happen three years before, I think it probable that the answer is to be found, not at all in the manner in which Mr. Blake wielded the power vested in him by the Regulations, but rather in two sets of considerations: first, ordinary business considerations arising out of the competition between the Vacuum and the Vinall machines, whose relative merits had to be tested over a period; and, secondly, considerations arising from the insistence of the applicant upon a policy of declining to sell the extractors out and out, of charging a high remuneration for their use, and of binding its licensees not to manufacture egg pulp except by means of its machines, that is to say to refrain from using, not only competing machines, but even the hand-cracking method. The improvement in the figures of installations awaited the recognition of the superiority of the Vacuum over the Vinall machine and the adoption of a modified policy by the applicant.

The explanation of the conflict of views about the history of this matter lies, I think, not in any failure on the part of any witness to adhere to what he believed to be the truth, but in the drawing of inaccurate inferences by Mr. Smythe and his associates, and the hardening of insufficiently-sifted suspicions into firm beliefs. The correspondence which passed between the applicant and the New South Wales Board contains nothing to suggest that Mr. Smythe or anyone else connected with the applicant company thought, during the period between 1943 and 1947, that the applicant was sustaining damage from the exercise by Mr. Blake of any dominance over the New South Wales Board. On the contrary, the impression created is that at first the Board was hesitant because vacuum extractors had not been used sufficiently to convince the Board that it ought to instal them on a large scale, and that later the terms of supply, particularly the terms as to royalty, were considered unacceptable. So far as the evidence shows, the applicant company did not make any contemporaneous protest about Mr. Blake's attitude, either to him, or to his

superior Mr. Souter, or to anyone else.

I may summarize as follows that portion of Mr. Smythe's evidence which put the substance of the applicant's case. He said that at a conference in Adelaide in April 1944 representatives of the Egg Marketing Board of New South Wales offered to recommend their Board to put in more of the applicant's machines if the royalty were reduced, that the applicant agreed to this condition, but that in a subsequent telephone conversation Mr. Whiting, the Board's Manager, said that they were worried about the large number of eggs the Controller was asking them to treat and that if he insisted, and wished them to instal the Vinall machine, they would be forced to do this. Then in May or June 1944 Mr. Smythe and the chairman of the applicant company went to Sydney. They interviewed Mr. Whiting, who referred to the installation of a Vinall machine by Angliss and said that if that machine proved to be superior to the Vacuum machine, and could deal with more eggs more expeditiously and more cheaply than the Vacuum machine, they would be in a difficult position, because the Controller would then be able to reduce their pulping charges, and they would have to scrap Vacuum machines installed at a cost of £15,000 to make a place for the Vinall. Under these conditions they felt it was too much of a gamble to put in Vacuum machines at that time. Mr. Whiting added that Blake had virtually advised him that if he put in Vacuum machines and the Vinall machine proved better he, Blake, was quite liable to reduce the pulping charges. Mr. Whiting said that there was hostility between Mr. Blake and the Sydney Egg Board, and if Mr. Blake was able to show that the Vinall machine was cheaper than any other process, and the Sydney Egg Board refused to put in Vinall machines, he had the power to transfer the pulping from the Sydney Egg Board to Angliss & Co. or any other floor that he wished. Then Mr. Smythe interviewed Mr. Blake himself. This is the former's account of the interview:

> "Mr. Blake said that they (which I understand to mean the Controller and his officials) would have to try out the Vinall machine, because of its satisfactory bacteriological results and the fact that the Supervisor of Dairy Products showed some favour towards it because he felt that it might be able to deal with the enormous increase in eggs that would have to be pulped. He did not say at any stage that the N.S.W. Board must instal Vinall machines; he said that arrangements had been made with Vinall whereby the controller had the rights over the machine for the Vinall process. He also said that he thought the Vinall machine would be superior, from a manpower point of view, to the Vacuum machine. He said if the Vinall machine proved successful it would mean that the charge now allowed to agents would be reduced which would mean a saving to the poultry industry..... Mr. Blake further went on to say that the Controller had power to hand over the manufacture of pulp to any other agent in New South Wales or any other subagent for that matter. That is virtually the conversation."

Now, even if Mr. Smythe's recollection is completely accurate, his evidence appears to me to fall a long way short of proving that Mr. Blake's attitude had a compulsive effect upon the New South Wales Board. And when the evidence of Mr. Whiting and of Mr. Blake is taken into account, the conclusion seems to me to be inevitable that there was nothing even approaching coercion of the New South Wales Board by Mr. Blake in respect of the non-installation of the applicant company's machines between 1943 and 1947. Whatever weight the Board may have allowed Mr. Blake's views to have with it as it made decisions from time to time against the immediate installation of Vacuum machines, it is, in my opinion, quite impossible to find that between the powers which Blake had under the Regulations and those decisions there was such a connection that the former can be said, with any regard for reality, to have been a cause of the latter.

But even if I had thought otherwise, serious obstacles would still have lain in the applicant's path. Its task was to prove that because of the war it was worse off in its capacity of patentee than it would have been if the war had not occurred. The evidence leaves me completely unable even to guess whether the applicant would have done better than it did during the life of the subject patent if there had been no war. The difficulty is this. The volume of the applicant's receipts from the New South

Wales Egg Board (to take that Board as typical) depended upon the quantity of eggs which the Board pulped. In the pre-war years it was pulping an increasing number of eggs, and in the 1940-1941 year it reached the figure of 1,657,091 dozens. Then there were dramatic increases to 4,355,660 dozens in 1941-1942, to 7,369,947 dozens in 1942-1943. The figure fell to 4,995,577 dozens in 1943-1944 and rose again to 7,357,620 dozens in 1944-1945. Obviously the war gave a tremendous fillip to the egg pulping industry. The facts and figures set out in Mr. Whiting's affidavit, paras. 7 to 15 inclusive, give a clear picture of a very great expansion of the industry caused by the war and continuing after its cessation. Bearing this in mind, it seems to me that all the applicant would have established if it had succeeded in proving coercion of the New South Wales Board by Blake would be that the applicant was not allowed as soon as it might have been to share in the enjoyment of a war-created prosperity.

In my opinion the application should be refused, and the applicant company should be ordered to pay the costs of the Commissioner of Patents and of the caveator, including reserved costs.