Judgment of the Lords of the Judicial Committee of the Privy Council on the Application for Prolongation of Hills' Patent for Improvements in the Manufacture of Gas; delivered 22nd July, 1863.

Present:

LORD JUSTICE KNIGHT BRUCE.
LORD JUSTICE TURNER.
SIR JOHN T. COLERIDGE.

THIS was an application for the prolongation of a Patent granted on the 28th of November, 1849, for an "Improved Mode of Compressing Peat for making Fuel or Gas, and of Manufacturing Gas, or of obtaining certain substances applicable for purifying the same." It has been resisted by an unusual number of opponents, and the several grounds of want of novelty, and want of utility, and of the Patentee having had sufficient remuneration, are insisted on in the several notices of objection put in by the several opponents. Their Lordships, however, have not in these cases been in the habit of trying the validity of Patents. They will not, of course, recommend the extension of a Patent which is manifestly bad; but, on the other hand, they will not generally enter into questions of doubtful validity. They lay aside, therefore, the questions of want of novelty and want of utility, so far as they affect the validity of this Patent. Indeed, the learned Counsel for the opponents disclaimed, and very properly, any intention of impeaching its validity directly; but they contended that, both with respect to the novelty and the utility of the invention, the degree of merit to be attributed to the Petitioner ought to be taken into account; and in their Lordships' judgment they are right in that contention. There are two points, therefore, of

general application, material to be considered in this case, the *degree* of merit to be attributed to the Petitioner in respect both of the novelty and utility of his invention, and the amount of remuneration received by him or secured to him. To these points, which are of general application, must be added a third, respecting a French Patent, granted to one Richard Laming, for fifteen years, from the 22nd February, 1849—earlier, therefore, than the Petitioner's Patent, and having still some months to run; and if this French Patent be held to be for the same invention as the Petitioner's, the power of prolongation would be, at all events, limited to so short a period that it would be clearly improper to exercise it. It may be convenient to say all which their Lordships deem it necessary to say on this point, before proceeding to dispose of the other two.

As the Patent now under consideration was granted before the passing of the 15th and 16th Victoria, cap. 83, and as the French Patent has not yet expired, this case does not fall strictly within the operation of the 25th section of the Act, but the policy which the Legislature there indicates must still guide their Lordships in the exercise of their discretion. That policy is clear—to prevent, in the case of inventions made and patented in any foreign country, the continuance of a monopoly in this country by virtue of any Patent subsequently granted here, beyond the time when the discovery shall have become public property in the foreign country. Prolongation of an existing Patent must, of course, fall within the same rule. If, therefore, it were clear that the discoveries of Hills and Laming were the same, however independently made, and that of Laming were about, within a few months, to become the property of the public by efflux of time, their Lordships would certainly think it wrong to recommend a prolongation of the monopoly in this country. Upon a careful examination, however, of the two specifications, and a consideration of the conflicting evidence upon the subject, and recollecting how this question has been dealt with in the Courts of Law and Equity before which it has come, their Lordships do not feel so free from doubt as to warrant them in rejecting the Petitioner's application on this ground alone, more especially as they are not satisfied

that any previous knowledge of Laming's experiments is brought home to the Petitioner. It cannot be doubted, however, that these two discoveries approach very closely to each other; and although their Lordships do not decide this case on the ground of this objection alone, it is not to be understood that, in another part of the inquiry, it has had no weight in the conclusion at which they have arrived on the whole case.

Their Lordships now pass to the first of the two questions stated above. It may be collected from what has been already said, that in determining whether to recommend the prolongation of a Patent or not, even where the claim to a first discovery, and the beneficial nature of that discovery, are both conceded, it will be still proper to consider both the degree of merit as inventor, and the amount of benefit to the public flowing directly from the invention. A monopoly limited to a certain time is properly the reward which the law assigns to the Patentee for the invention and disclosure to the public of his mode of proceeding. Whether that term shall be extended, in effect whether a second Patent shall be granted for the same consideration, and the enjoyment by the public of its vested right be postponed, is to depend on the exercise of a discretion, judicial indeed, yet to be influenced by every such circumstance as would properly weigh on a sensible and considerate person in determining whether an extraordinary privilege, not of strict right, but rather of equitable reward, should be conferred. Now, one may be strictly an inventor within the legal meaning of the term—no one before him may have made and disclosed the discovery in all its terms as described in his specification—but this may have been the successful result of long and patient labour, and of great and unaided ingenuity, without which, for all that appears, the public would never have had the benefit of the discovery; or it may have been but a happy accident, or a fortunate guess; or it may have been very closely led up to by earlier, and in a true sense more meritorious, but still incomplete experiments. Different degrees of merit must surely be attributed to an inventor under these different circumstances. The moral claim to an extension of time may in this way be indefinitely varied, according as the circumstances

approach nearer to the one or the other of the above suppositions.

The same principle will apply to the consideration of benefit conferred upon the public. The extent of the benefit conferred must vary in each case with the circumstances. The principal question always is, has the individual patentee, under all the circumstances, received what in equity and good sense may be considered a sufficient remuneration? On his own part, of course, there must have been no want of good faith or prudent exertion; and further, as the loss to the public may be important in the consideration, it may be necessary in some cases not to confine the inquiry to the state of things at the date of the Patent, but to regard also the circumstances existing at the time when the application is made. These principles may be collected from the previous decisions, and it has been thought right here to restate them shortly as relevant to the present case, and as the points have often arisen, and will probably arise again in future cases.

Much evidence was laid before their Lordships to reduce their estimate of the Patentee's merit in respect of originality. Some earlier Patents were introduced, and the greatest reliance was placed on the claims made on behalf of Mr. Laming and Mr. Evans. These two persons were in some measure opposed to each other; but it appeared to their Lordships that, for the present purpose at least, their mutual objections might be sufficiently reconciled. It is not easy for those who are not chemists to state in detail, and with precision, the exact effect of the evidence; but after the best consideration, their Lordships feel the case of Mr. Laming to be of great weight in the sense in which it is now to be applied.

In the interest of the public the objection put forward by Mr. Dawber is also material. He states himself to be the *inventor* of a mode of purifying gas by the use of a natural oxide of iron, and this has been contended to be within the terms of the claim made by Mr. Hills in his specification; but certainly the use of natural oxides does not appear to have been contemplated by him, and Mr. Dawber might very reasonably have supposed himself at liberty to use them, and to contract, as he states himself to have done, for the supply of them to third

parties. His material is the ochre found in certain bogs of Ireland, procurable at a comparatively cheap rate; it contains a native oxide of iron, which answers very well the purpose of purifying the gas of its sulphuretted hydrogen; possesses equally with Mr. Hills' material the quality of revivification on exposure to the air, and it also produces fine sulphur by a very simple process, when it has ceased to be useful as a purifier of gas. It is understood that Mr. Hills has insisted that this valuable discovery cannot be enjoyed by the public, except under a licence from himself, so long as his Patent exists. The result of the evidence offered on this head by the objectors, and especially in the two instances we have enlarged on, raises a considerable difficulty in the way of this Petition.

But a more serious difficulty arises upon the remaining question—the sufficiency, namely, of remuneration already received by or secured to the Patentee, the previous matters being borne in mind. After considerable variations in the accounts rendered, not quite satisfactorily explained, he finally states his net profits at 12,338*l.* 19*s.* 1*d.*, the gross profits being 41,151*l.* 15*s.* 11*d.* How this last sum was arrived at does not very distinctly appear; but the deductions appear to be open to various objections. The Royalty receipts are given at 15,713*l.* 9*s.* 8*d.*, but from this a sum of 4,250*l.* is deducted, as having been paid to Owen and Co. for the surrender of a license which the Patentee had granted to those gentlemen for the exclusive right to use the invention throughout a large part of England. Now, the profits under that licence, as well as the sums paid for it, are of course profits earned by the Patent, and ought to have been brought into the account as such. Whether they have been so or not does not appear, and it was the duty of the Patentee to make that perfectly clear to their Lordships. But further, they do not agree that he is entitled to take credit for a disbursement the necessity for which he has himself occasioned. He had within his jurisdiction, so to say, the whole kingdom: it was either profitable or not to grant a license for a part, and thereby to put it out of his own immediate power, but it was his own act to do so; and if after a while it appeared to be an unwise act, so as to make it desirable to undo it, even at a cost of 4,250*l.*, this was either a loss which he

brought on himself, or represents a profit which, but for his own election, he might himself have made, and which has been made by another party.

There is also a deduction of 9,020*l.* 12*s.* 8*d.* for law expenses. This is in general a fair head of deduction, nor is it now objectionable in the whole; but it appears that in some expensive cases of litigation, settlements were come to under compromises, on which Mr. Hills gave up claims to costs to which he had an apparent title, from his adversaries. It may have been a prudent measure to make this sacrifice, but it does not follow that it is proper to deduct it in an unexplained lump.

A more serious objection still remains, on the ground of items withheld which ought to have been introduced into the profits. Mr. Hills has turned his Patent to account in two ways: first, as a manufacturer and vendor of the patented article; and, secondly, as a grantor of licenses to third persons, who pay him royalties. No question has been raised on the second head; but as to the first, he deducts two-thirds as manufacturer's profits from the net profits received, and considers the remaining third as alone attributable to the Patent, and therefore as alone to be brought into the present account; and this is objected to. Their Lordships find that this Committee laid down expressly a contrary rule in the case of Mr. Muntz's Patent (Webster's P. C., vol. ii, p. 121), and, as it seems to them, on clear grounds. It is to be remembered that the accounts which a Patentee renders in support of such a petition as the present are not such as might be proper between two several claimants on the returns of a mercantile firm, but such as show what profits made by a firm or individual are in a large sense attributable to the possession of the Patent-Right, those which without the Patent would not have existed at all; not, of course, excluding all just deductions for labour, capital, &c. If but for the Patent there would have been no manufactory, then the net profits of the manufacturer are in that large sense attributable to the Patent. With it the manufacturer has a monopoly—in this case the monopoly of an article so beneficial as to have become almost a necessary to the Gas Companies in the large towns of the kingdom. The Patent may be said to create his trade, at least it develops it to an extent which

would be impossible without it; it cannot be reasonable, then, that when called on to state what profits he owes to the Patent, the Patentee should withhold these, which he estimates at two-thirds of his total profits from the account. Their Lordships cannot satisfactorily discharge their duty unless they have the whole case before them; they must know the whole remuneration; different considerations may be applicable to different parts of it; but if to any extent the Patentee has received his remuneration by the making and selling the patented article, the profits on that sale must be disclosed and taken into account. Their Lordships do not say that this principle is to be pushed to an unreasonable extreme, and they have said that they do not exclude all just deductions, if any; but this rule and that for which the Petitioner contended differ in principle, and the rejection of the rule contended for by the Petitioner will no doubt let in a considerable addition to the total which he has given.

It has further appeared that the Petitioner has entered into contracts with certain Gas Companies, by which, as is contended, the parties are, for the considerations therein stated, mutually bound to the supply and purchase of the now patented article for terms differing in the time they have to run, but all exceeding, more or less considerably, the duration of the Patent, and independently of its extension. Their Lordships are not called on to decide on the legal effect of these contracts, nor to express any opinion as to their consisting with public policy; but they cannot consider them as merely waste-paper. The prices agreed on must be taken to be remunerative. The presumption must be that the contracts will be performed, and the prices paid. Something, therefore, ought to have been set down for them in the accounts. Again, their Lordships are by no means satisfied with the provisions contained in these agreements against opposing the extension of the Patent. Such provisions have, to say the least, a strong tendency to contravene the interest of the public.

On all these grounds their Lordships think that the Petitioner's application must be dismissed. The onus is upon him to satisfy them that when all circumstances are considered, his remuneration has been less than he is equitably entitled to. No one

but himself is in a condition to state the whole account, and it is important to have it distinctly understood that the most unreserved and clear statement is an indispensable condition to the success of such applications as the present. It might have been enough, and perhaps it would have been the safest and most convenient course, for their Lordships to have said merely that they had not in this case been brought to the conclusion that the Petitioner's remuneration has been insufficient; but they have thought it best to comment on the above particulars, and, without stating any sum which they should have thought less, or any which would have appeared to them more, than sufficient, their examination of those particulars has convinced them that the Petitioner has in fact been sufficiently remunerated.

There remains, then, only the question of costs. The opposition has been necessarily very expensive. It has not been alleged, nor has it appeared, that any of the numerous opponents was without a sufficient interest to justify his appearance; and it would be unjust that the expense of a successful opposition should not be to some extent borne by the Petitioner who has occasioned it. Their Lordships think that he should pay a sum of 1,000*l.*, according to a distribution to be made by the Registrar amongst the parties opposing, without the expense and delay of a formal taxation, unless the Appellant prefers a taxation, in which case the Petition will be dismissed with costs generally; and their Lordships will advise Her Majesty accordingly.