

Privy Council Appeal No. 96 of 1934.

Paper Sacks Proprietary, Limited *Appellants*

v.

Norman Lethbridge Cowper *Respondent*

FROM

THE FULL COURT OF THE HIGH COURT OF AUSTRALIA.

JUDGMENT OF THE LORDS OF THE JUDICIAL COMMITTEE OF
THE PRIVY COUNCIL, DELIVERED THE 26TH JULY, 1935.

Present at the Hearing:

LORD BLANESBURGH.

LORD RUSSELL OF KILLOWEN.

SIR LANCELOT SANDERSON.

[*Delivered by* LORD RUSSELL OF KILLOWEN.]

This appeal arises in proceedings taken by the appellants by petition presented under the Australian Patents Act 1903-1921 (hereinafter referred to as the Patents Act) by which it was sought to obtain the revocation of certain letters patent granted to Bates Valve Bag Company of Chicago, U.S.A., dated the 17th February, 1925, and numbered 21,809 in the Department of Patents of the Commonwealth of Australia. The respondent to those proceedings and to the present appeal is Norman Lethbridge Cowper the assignee of the letters patent.

The grounds upon which the claim to revocation was based were as follows:—(1) want of subject matter, (2) want of novelty and (3) ambiguity. One of the allegations, contained in the amended particulars of objection, was an allegation that the alleged invention had been disclosed to a number of persons in Sydney by one McAuliffe and one Randall, between the 5th and 16th days of February, 1925. This allegation, which was established by the evidence, gives rise to certain questions which depend for their answer upon the true construction of the Patents Act, and have nothing to do with the consideration of the question of validity dependent upon what may conveniently be termed the merits of the patent.

Their Lordships propose to deal in the first instance with these points of construction under the Patents Act. The subject matter of the patent must, however, first be described in general terms.

The patent is for improvements in paper bags and relates to paper bags " adapted for heavy service ", a phrase which is defined in the specification. In fact the particular form of the alleged invention, which has been in use and has been an undoubted commercial success (Exhibit C in the case), is a five ply paper bag (each ply consisting of a tube of paper) the plies being sewn together with reinforcing strips at each end of the bag. It is used as a cement-container, and is filled by means of a valve formed by folding-in the walls of the bag at a point in the side close under the sewn seam at the top. The plies are of light-weight paper, and are moveable relatively to each other; and the specification states that " it has been found that the walls when so made may be folded without causing any substantial weakening thereof . . . and that the strength and durability of the bag under rough handling are greatly increased over a bag made from a single sheet of substantially the total weight of the several sheets used."

Such being a general description of the patented bag as used, the relevant provisions of the Patents Act may now be referred to.

The Act is divided into 10 Parts of which Part IV deals with " Procedure ". This Part, in its turn, is divided into eight divisions. Division 1 deals with applications for patents up to and including the point at which the Commissioner of Patents decides whether the application and the specification, which must accompany it, are to be accepted or refused. If accepted, the acceptance has to be advertised, and thereupon the application and specification are open to public inspection. At this stage opposition to grant of the patent may arise, and division 2 deals with such opposition. The grant may be opposed by any person on certain grounds specified in section 56 therein " but on no other ". The case is heard and determined by the Commissioner from whose decision an appeal lies to the High Court or the Supreme Court of the State in which the Patent Office is situated. Division 3 is entitled " Patents and their Sealing ", and section 66 therein provides that if there is no opposition, or in case of opposition if the Commissioner (or in case of an appeal the Court) determines that the grant ought to be made, the Commissioner shall cause a patent to be sealed. Division 7 deals with " Revocations of Patents " : and section 86 therein after providing (1) that no proceeding by way of *scire facias* shall be taken to repeal a patent, and (2) that revocation of a patent may be obtained by petition to the High Court or the Supreme Court of a State, enacts (by sub-section 3) that " every ground on which a patent might at common law be repealed by *scire facias* shall be available as a ground for revocation." The section then proceeds to state who may present a petition for revocation, as to which it is sufficient to observe that a mere member of the public or a mere rival trader requires the authority of the Attorney-General. Part X is entitled " Miscellaneous " and contains

the section upon which the arguments on this part of the case have centred, viz. section 124. It runs thus:—

“ 124. The fact that an invention has been exhibited or tested either publicly or privately shall not in itself be deemed a ground for refusing a patent.

“ Provided that any public exhibition or testing must have been within one year of the date of the inventor lodging his application for a patent.”

Two other sections require to be noticed. Section 60 (which occurs in Division 2 of Part IV) provides:—

“ 60. A prior patent . . . granted . . . more than fifty years before the making of an application for a patent shall not bar the granting of the patent applied for, or affect the validity of the patent when granted, unless it is shown that the invention specified or described in the prior patent . . . has been used in Australia within fifty years of the date of the acceptance of the application.”

Section 118 (which occurs in Part X) provides:—

“ 118. The Commissioner may refuse to grant a patent for an invention of which the use would in his opinion be contrary to law or morality.”

It was contended by the appellants (1) that section 124 only operated to take away a ground or grounds upon which the grant of letters patent could be refused; (2) that the Patents Act by its provisions drew a clear distinction between the power to refuse a patent and the power to revoke a patent after grant, vesting the original jurisdiction in each case in a different tribunal with different procedures and different procedural powers; (3) that whereas section 60 in express terms provides that the matters therein mentioned should neither bar the granting of the patent nor affect its validity when granted, section 124 contains no words protecting the patent after its grant; (4) that section 86 expressly keeps alive “ every ground ” of revocation; and (5) that accordingly section 124 affords no answer to a petition for revocation, even though the facts upon which the petition is based are facts which under section 124 would not be deemed a ground for refusing a patent. It was further contended by the appellants that, in any event, what in fact had happened in the present case had gone far beyond anything covered by the word “ exhibition ”, and that accordingly section 124, and whatever protection it afforded to a patentee, could not apply to the patent in suit or operate in favour of the respondent. The respondent on the other hand argued that the facts of the present case disclosed or constituted no more than an exhibition in private within the meaning of section 124, and that the effect of that section was not only to prevent such an exhibition from being a ground for refusing a patent, but also to prevent it from invalidating and being a ground for revocation of the patent when granted.

Rich J. who tried the case, and the three learned judges of the High Court who heard the appeal, were unanimous in rejecting the contention that section 124 had no operation except to take away a ground or grounds upon which the

grant of letters patent could be refused, and in holding that it was available as a defence to proceedings for revocation of letters patent. As will appear it becomes unnecessary for their Lordships to pronounce any decisive opinion upon this point, in view of the conclusion at which they have arrived upon the evidence as to what actually occurred in the present case. They feel bound however to point out that upon consideration of the language used in the Patents Act, and in particular upon consideration of the language used in section 86 (3), the clear distinction which the Act draws in different places between refusal of the grant of a patent and revocation of a granted patent, and the contrast between the language used in sections 60 and 124 respectively, they find much support for the view put forward by the appellants. Their Lordships note that none of the above considerations are dealt with in the judgments appealed from, but they do not wish to say anything further upon this point at the present time, in as much as the point may never arise, or may only arise after amending or clarifying legislation has been passed to remove, one way or the other, difficulties under the existing statute now, perhaps for the first time, disclosed.

Their Lordships however are of opinion, upon an examination of the facts of the present case, that what in fact took place went far beyond the events contemplated by section 124, and that accordingly no protection can on any view be afforded to the patent by the section. This was in substance the view taken by Starke J. on the hearing of the appeal. The matter stands thus:—It was conceded, and rightly conceded, on behalf of the respondent that, but for the provisions of section 124, the facts as found would be fatal to the patent, and there could be no answer to a petition for revocation under section 86. Rich J. found that the bags were, shortly before the 17th February, 1925, shown by one McAuliffe to seven persons, viz., Williams, Randell, Corbin, Humphries, Symonds, Beattie and Newman, none of whom were under any duty of secrecy, or in any relation of confidence, or under any obligation of good faith. In this connection the evidence of Randell is of vital importance: the following is an extract from it:—

“ Did McAuliffe show you anything then?—Yes, he took me up to his room and showed me a paper bag. It was a bag like Exhibit C.

“ Did he demonstrate it to you?—Yes. He cut the bellows, that concertina effect there and showed me that the bag was built up of several layers of paper. He also showed me the valve at the end, which I remarked at the time was like the non-return valve on a bicycle.

“ Was this a matter of curiosity or a matter of business?—As a matter of business.

“ Did he give you anything on that day?—No, he only demonstrated it in a casual way at that time and said he had not decided what to do about the thing. He suggested that I should think over it if I could do anything and the next morning I took it along with Mr. Mitford and decided that I could do something and I came

in the next morning which would be Wednesday the 11th and got him to give me some bags and took them back to North Sydney because I wanted to go out that night.

"Did you show those bags to anybody?—I showed them to them that night and the next day I brought one of them to town again and showed it to several people.

"Were they all similar to Exhibit C?—Yes, they were all similar to that.

"Did you show those bags to those people as a matter of business?—Yes, and I took the same people across to the Hotel Australia to McAuliffe's room again.

"What were their names?—Leslie C. Seaborn, a partner in a firm of Solicitors in Sydney. He attended to the legal work. There was also Frank England and there was a man named Johns who lived where I lived in North Sydney. He was very interested in it at the time. There were quite a number of other people. I definitely showed it to those people, I can remember showing it to an Engineer?

"That same night?—On the Wednesday night.

"During that week?—Definitely.

"You showed it to those people?—Yes."

This evidence reveals, in their Lordships' opinion, the occurrence of facts which cannot, on any fair view of language, be described as an invention being exhibited privately. The bag was hawked about and the method of its manufacture was fully disclosed for the purposes of trade and exploitation in the Australian market. Bags were placed in the hands and control of Randell who was thus enabled to display them and their internal economy, to whomsoever he thought fit, and who apparently exercised his unlimited power to the full. Their Lordships agree with Starke J. that there was here something more, indeed they think much more, than the mere fact that the invention had been exhibited privately, and that the case falls outside whatever protection the section confers.

It follows from this conclusion that the petition should have succeeded, and the patent should have been revoked.

A decision in favour of the appellants upon this ground makes it, in strictness, unnecessary to deal with the validity or invalidity of the patent on other grounds. Their Lordships however feel bound to express to some extent their views upon this question also, in view of the facts that the greater proportion of the costs of this litigation must necessarily be attributable to its determination, and that justice cannot be fully done between the parties unless provision is made as to how all the costs are to be borne. On the other hand, however, their Lordships feel at liberty to state the conclusions which, after consideration of the evidence and arguments, they have reached without that wealth of detail which would otherwise be necessary.

The only claims which need be referred to, at all events in the first instance, are claims 1, 19 and 20. Claim 1 runs thus:—

"A paper bag of the kind hereinbefore referred to, having its walls composed of a plurality of plies of paper which are relatively moveable at the places subjected to bending and having one or both of its ends closed by means of sewing stapling or the like."

Four matters of construction were argued upon this claim. As to these their Lordships are of opinion (1) that the words "of the kind hereinbefore referred to" mean adapted for heavy service as defined in the opening paragraph of the specification; (2) that the claim according to its true construction suggests that there may be places in the bag at which the plies are not relatively moveable; (3) that the words "or the like" cover any method of closing which, like sewing and stapling, involves perforation of the plies; and (4) that the claim does not include a bag one end of which is closed by means of pasting and the other end of which is closed by means of sewing stapling or the like. So read claim 1 is a claim for a paper bag adapted for heavy service having (a) walls composed of a plurality of plies, (b) relatively moveable at the places subjected to bending, (c) the closed end (if only one is closed) or both ends (if both are closed) being closed by means of sewing stapling or the like. Does this reveal any subject matter, or call for any inventive step? In the art of making paper bags, plurality of plies was well known, the fact that they gave added strength was well known, the advantage of relative moveability for this purpose was well known. The only feature which cannot be said to have been already known in the art, was the closing of the ends of paper bags by means of sewing stapling or the like. Sewing and stapling were however matters of common knowledge in the paper trade, as ordinary and successful methods of fastening and keeping together a multiplicity of sheets of paper. Was there any inventive step in applying to the several sheets of paper, which compose the walls of a multi-ply paper bag, these well known methods of joining together sheets of paper when used for other purposes? Two things are to be observed. One is that the inventor in his specification gives no hint of any great invention or discovery residing in the adoption of sewing or stapling as a method of closure: sewing or stapling is adopted as a means of closure merely as a consequence of the bag being a multi-ply bag; pasting in such a case being stated to be impractical. The other is that Bates himself in his patent of 1922 (the full importance and effect of which has perhaps not been appreciated in this litigation) contemplated and described a process and apparatus for making and filling single ply bags made of paper, in which the seam may be sewn. In his specification he points out that as it is generally difficult to sew in paper, he prefers to use a reinforced seam. The reinforcement may be a paper reinforcing, and in his specification and accompanying drawings he describes how the bag seams can be integrally reinforced by inwardly folding the bag material, and thus securing that at certain places the seams run through four thicknesses of the bag tube. This means that at those places there would be, counting the paper reinforcing strip, six plies sewn together. And it is to be observed that in this patent addressed to competent

readers Bates so to speak throws in, as a more or less casual matter, this joining together of some six plies of paper by means of sewing. Indeed it would appear that the differences between the commercially successful bag Exhibit C, and a paper bag manufactured under the Bates 1922 patent, are to be found only (1) in the presence of the valve in the former and (2) in its being a multi-ply bag. As to the valve, that forms no part of claim 1, and indeed it is conceded that no inventive step lay in the valve. In regard to the multi-plies, their Lordships cannot but think that to add one or more plies to a Bates single ply paper bag, would be an obvious course for a paper bag manufacturer to suggest, had he been requested to suggest a method of strengthening it for heavier service.

And this leads their Lordships to deal briefly with one aspect of this matter. In determining the question of inventive step, a very important consideration is whether the alleged invention has satisfied a long-felt want and has in so doing proved a commercial success. The present case presents certain features which are peculiar to itself, and which appear to their Lordships to discount to a very large extent the value of the undoubted commercial success of Exhibit C as a factor for consideration in arriving at a decision on this point.

The commercial success here in question is nothing but the commercial success in the cement trade of the Exhibit C as a cement container, in which the method of closure is by sewing at both ends, and which is of such a size as to contain uniformly one cubic foot of cement weighing 94 lbs. The user of the bag for other purposes is negligible, and in some cases (e.g., bags for sugar) the size and conformation of the bag vary. For many years, before 1925 cement in Australia was packed in textile bags made of jute, the bags being of a capacity to hold 125 lbs. of cement. In regard to cement, it is to be observed that the unit of sale is the pound weight, but the unit of user is the cubic foot which weighs 94 lbs. There is no doubt that some disadvantages attached to the user of jute bags as cement containers when compared with the user of paper bags for that purpose. The cost is rather larger; they are not impervious to moisture; the fabric retains to some extent the cement; but those disadvantages do not appear to have been realised or at all events not to such an extent as to create a demand for a substitute. There is no evidence or suggestion of any demand for a substitute having been addressed to any one, and certainly not to any paper bag manufacturers. Indeed had such a demand existed, the natural addressees would have been the textile bag manufacturers, who were supplying the articles whose deficiencies created the hypothetical demand. Further the evidence shows that a great deal of the success of Exhibit C among cement users, was due to its contents being one cubic foot and therefore weighing 94 lbs. In 1927 (the year in

which Exhibit C was first used) the 94 lb. bag was standardized in a standard specification brought out in Australia by the Standards Association. Another fact must be recorded, viz., that the adoption of Exhibit C as a cement-container by the Australian concerns whose businesses involved the packing of cement, was assisted and indeed encouraged by the fact that many were financially interested in the success of the patent. The exploiters of the bag are Bates' Australasia Ltd., who are exclusive licensees. Mr. Hughes is the chairman and managing director of that concern, and his evidence shows that in order to ensure the exploitation of the bag, he successfully adopted the policy of inducing Australian cement companies, or their directors or principal officers to become shareholders with substantial holdings in the exploiting company.

In all these circumstances it is impossible, in their Lordships' opinion, to look upon the commercial success here attained by Exhibit C as a factor of any real weight in the determination of the existence of any inventive step. Having considered the evidence and reviewing the facts of this case and the state of knowledge at the date of the patent, their Lordships are unable to discover that any inventive step was made in closing the ends of this multi-ply paper bag by means of sewing stapling or the like. Indeed if sewing as a means of closure is disregarded and attention is confined to the other means covered by the patent, viz., stapling, the lack of invention becomes apparent. The evidence and an inspection of Exhibit 8 show that in an ordinary two ply paper bag with a block bottom, the block bottom is formed, not by pasting the inner ply and outer ply together, but by folding the inner ply into the outer ply, and pasting parts of the outer ply to other parts of itself. Further it is clear that it was a common practice to reinforce the paste, by means of a staple. Convert the single staple into a row of staples and the alleged invention would be achieved, for you would then have a bag completely satisfying the requirements of claim 1.

For these reasons their Lordships find themselves in accord with the view of Starke J., that claim 1 is bad, and that claims 2 to 18 inclusive fall with it.

Claim 19 is dependent upon all or any of the preceding claims, and is therefore dependent upon claim 1; its distinctive features being that the bag is formed of a nested series of tubes attached to each other only by the closures at the ends of the bag. This is the only claim which includes a bag having all the features of the commercially successful bag, in that it is the only claim which necessarily involves that the plies are free, i.e., relatively moveable throughout their length. It appears, however, to their Lordships both from the fact that nested tubes were well known and for the reasons already appearing, that claim 19 is as bad as claim 1 upon which it depends.

Claim 20 is not dependent on any preceding claim and must accordingly be construed as a separate claim, but with the aid, no doubt, of the light thrown on it by the specification. Their Lordships do not feel justified in construing it as being necessarily confined to a bag the end closure of which is effected by sewing stapling or the like. It is therefore impossible even to suggest an inventive step in relation thereto. It also is a bad claim. No other claims require to be considered.

One further matter should, their Lordships think, be referred to. Strenuous efforts were made to save this patent by suggesting that the true invention lay in the discovery that by resorting to "sewing stapling or the like", a seam was secured throughout which there existed relative moveability of the plies, and that the capacity of the bag to stand up to heavy service was largely due to that feature. Their Lordships are satisfied that no such idea crossed the mind of the inventor; if it did he has signally failed to inform the world of the fact. By the language used by him in his specification, the inventor shows that in his eyes his invention is the use of multi-plies with their relative moveability, and that (owing to the impracticability of pasting multi-plies) he resorts to another method of closure, viz., "sewing stapling or the like". This he does, not for the purpose of getting additional strength from relative moveability of the plies throughout the seam, but because pasting is impractical. He does point out that weakness in the seam arising from the consequent perforations will be compensated for by the consequent holding by frictional contact; but this has nothing to do with relative moveability in the seam. In truth, this alleged discovery looks like an afterthought, the first and true inventor of which is not the patentee. In any event, however, it must be borne in mind that the invention covers not only sewing as a means of closure, but "stapling" also: and the evidence of Mr. Steele shows that if you adopt stapling there could be no relative moveability within the clamp of the staple, but only in the spaces between the clamps.

Their Lordships are accordingly of opinion that the petition for revocation might well have succeeded on the ground that the patent was invalid for want of subject matter. It is unnecessary for them now to deal with the question of ambiguity; but it should not be assumed that the patent is free from all objections upon this score.

In the result their Lordships are of opinion that the appeal should be allowed and an order made for the revocation of Letters Patent No. 21,809 and they will humbly advise His Majesty accordingly.

The respondent must pay to the appellants their costs of the litigation in Australia and of the appeal to His Majesty in Council.

In the Privy Council.

PAPER SACKS PROPRIETARY, LIMITED

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NORMAN LETHBRIDGE COWPER

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