

# SUPREME COURT OF QUEENSLAND

CITATION: *Grant & Anor v Australian Temporary Fencing Pty Ltd*  
[2003] QSC 194

PARTIES: **DAVID THOMAS GRANT AND  
SUZANNE PATRICIA GRANT**  
(first plaintiff)  
**READY CO PTY LTD (ACN 078 092 047)**  
(second plaintiff)  
v  
**AUSTRALIAN TEMPORARY FENCING PTY LTD**  
**(ACN 060 402 048)**  
(defendant)

FILE NO: SC No. 6375 of 2002

DIVISION: Trial Division

PROCEEDING: Application

ORIGINATING COURT: Supreme Court Brisbane

DELIVERED ON: 11 June 2003

DELIVERED AT: Brisbane

HEARING DATE: 21 March 2003

JUDGE: Holmes J

ORDER: **The Defendant's application for summary judgment is dismissed.**

CATCHWORDS: INTELLECTUAL PROPERTY – PATENTS – REGISTER OF PATENTS – where defendant sued for infringement of patent – where defendant seeks rectification of the register – whether defendant is a person aggrieved

CONTRACTS – CONSTRUCTION AND INTERPRETATION OF CONTRACTS – OTHER MATTERS – where purported assignment and licence of patent – whether effective assignment of patent - whether grant in equity of licence – whether extended to standard patent – whether license exclusive

INTELLECTUAL PROPERTY – PATENTS – REGISTER OF PATENTS – whether register should be rectified – whether licensee has standing where no registration as exclusive licence

*Patents Act 1952 (Cwth)*

*Patents Act 1990 (Cwth)*  
*Patents Regulations (Cwth)*  
*Uniform Civil Procedure Rules r.293(2)*

*Bernstrom v National Australia Bank* [2002] QCA 231  
*Codelfa Constructions Pty Ltd v State Rail Authority of New South Wales* (1982) 149 CLR 337  
*Coflexip Stena Offshore Limited's Patent* [1997] RPC 179  
*Drew Robinson & Co v Shearer & Anor* (1914) 18 CLR 209  
*General Steel Industries Inc v Commissioner General Steel Industries Inc. v Commissioner for Railways (NSW)* (1964) 112 CLR 125  
*Hide & Skin Trading Pty Ltd v Oceanic Meat Traders Ltd* (1990) 20 NSWLR 310  
*Hillas & Co Ltd v Arcos Ltd* [1932] All ER 494  
*Murphy Corp Ltd v Acumen Design & Development (Qld) Pty Ltd* (1995) 11 BCL 274  
*Ritz Hotel v Charles of the Ritz Ltd* (1988) 15 NSWLR 158  
*Royal Botanic Gardens & Domain Trust v South Sydney City Council* (2002) 76 ALR 436  
*Sportsvision Australia v Tallglen Pty Ltd* (1998) 44 NSWLR 103  
*Swain v Hillman* [2001] 1 All ER 91  
*The Film Investment Corporation of New Zealand (receiver appointed) & Anor v Golden Additions Pty Ltd (t/as Hughes Leisure Groups)* (1994) 28 IPR 1  
*Three Rivers District Council v Bank of England (No. 3)* [2001] 2 All ER 513  
*Trollope & Colls Ltd v Atomic Power Construction Ltd* [1963] WLR 333  
*Unilever Aust Ltd v Karounos & Anor* (2001) 113 FCR 322  
*Uprising Dragon Ltd & Anor v Benedict Trading and Shipping Pty Ltd & Ors* (1987) AIPC 90-400  
*Vitamins Australia Ltd v Beta-Carotene Industries Pty Ltd* (1987) AIPC 90-417  
*White & Anor v Australia and New Zealand Theatres Ltd* (1943) 67 CLR 266

COUNSEL: Mr Crowe SC for the applicant defendant  
 Mr D. Logan for the respondent plaintiffs

SOLICITORS: Clarke & Kann for the applicant defendant  
 Redchip Lawyers for the respondent plaintiffs

*The application for summary judgment*

- [1] The defendant seeks summary judgment on a counterclaim it has brought against the first plaintiff, and, as against the second plaintiff, summary judgment on its defence. Essentially, the issues raised by the application are whether there was an

effective assignment of a patent (for a portable fencing used in roadworks) to the first plaintiff, and whether there was, in turn, a grant by the first plaintiff of an exclusive licence to the second plaintiff.

- [2] The respondent plaintiffs have brought a claim against the defendant for infringement of the patent. In establishing their respective interests, they plead, inter alia, an assignment of the patent to the first plaintiff, with an exclusive licence granted to the second plaintiff. The foundations of assignment and licence vary according to whether one looks to the statement of claim or the further and better particulars furnished by the plaintiffs. The statement of claim pleads that David Thomas Grant, one of the parties described as first plaintiff, became the registered proprietor of the patent on 23 November 2000, and that on 5 April 1997 he assigned ownership of the patent to himself and his wife, Suzanne Grant (nee O'Brien), that assignment being recorded in a deed dated 23 September 1997 and confirmed by a further deed dated 25 June 2002. The particulars, on the other hand, assert that the assignment was effected by the successive deeds. The statement of claim alleges that on 5 April 1997 the first plaintiff granted an exclusive licence to the second plaintiff, formalised by deed dated 25 June 2002; although matters are put on a different footing in the particulars: there the licence, while expressed to have commenced on 5 April 1997, was granted by an agreement dated 12 September 1997 and by the deed of 25 June 2002.
- [3] The applicant defendant asserts that the patent was not assigned to the parties described as first plaintiff. It seeks by counterclaim rectification of the Register of Patents, which records the first plaintiff as registered proprietors, to reflect what it says is the fact: that David Grant is the sole registered proprietor of the patent. It says, further, that the first plaintiff could not grant an effective licence to the second plaintiff; that the Patents Register records the second plaintiff as holding only a non-exclusive licence; and that as a matter of fact, if any licence was granted, it was not an exclusive licence. Accordingly, it contends that the second plaintiff has no standing to bring the proceedings, because, pursuant to s 120 of the *Patents Act*, infringement proceedings may be brought only by a patentee or exclusive licensee.

#### *The test for summary judgment*

- [4] Mr Logan, for the plaintiffs, maintained, largely because of what he said was ambiguity in the documents relevant to the questions of assignment and licence, that the plaintiffs' claim was not, in terms of the test posited by Barwick CJ in *General Steel Industries Inc v Commissioner General Steel Industries Inc. v Commissioner for Railways (NSW)*<sup>1</sup>, "so clearly untenable that it cannot possibly succeed"<sup>2</sup>. Rule 293(2) of the *Uniform Civil Procedure Rules* enables summary judgment to be given for the defendant if the court is satisfied that the plaintiff has "no real prospect of succeeding" on its claim, and that there is no need for a trial of the claim. As to the first of those elements, the question is whether there exists a realistic, as

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<sup>1</sup> (1964) 112 CLR 125.

<sup>2</sup> Note 2 at 130.

opposed to a fanciful, prospect of success<sup>3</sup>. That may not be quite so high a test as that relied on by Mr Logan. At all events, where documents may properly be construed without resort to further evidence, and where the process of construction is capable of resolving issues fundamental to the claim, defence and counter-claim, I consider it appropriate to undertake that process of construction and resolution.

### *Registration of interests*

- [5] Section 195(1) of the *Patents Act* 1990 makes the Register of Patents held at the Patent Office *prima facie* evidence of any particulars registered in it. Both of the parties described as the first plaintiff are registered as proprietors of the patent in respect of which they sue; but the defendant says that that *prima facie* evidence is displaced by an examination of the relevant documents, and on that basis seeks rectification of the Register.

### *Is the defendant a “person aggrieved”?*

- [6] A preliminary question arises as to whether the defendant is a “person aggrieved” within the meaning of s 192(1) of the *Patents Act*, so as to be entitled to seek rectification. The expression is not defined in the Act. Mr Crowe SC, for the defendant, relied on *Unilever Aust Ltd v Karounos & Anor*<sup>4</sup>. In that case, Hill J was considering an application for rectification of the Register of Trademarks. The applicant had been sent letters by the respondent alleging that it had infringed its registered trademark and threatening further action unless the alleged infringement ceased. Hill J, applying the principles formulated by McLelland J in *Ritz Hotel v Charles of the Ritz Ltd*<sup>5</sup>, concluded that those circumstances constituted “a sufficient disadvantage to [the applicant] in a practical sense to require the conclusion that it is a person aggrieved”<sup>6</sup>.
- [7] The facts in this case are different from those in *Karounos*, because there the applicant sought removal of the trademark allegedly infringed. Here the application for rectification has nothing to do with the propriety of registration of the patent, but rather with who is the appropriate registrant. More closely aligned with this case are the circumstances in *Coflexip Stena Offshore Limited’s Patent*<sup>7</sup>, which also involved registration of assignees. The original document which effected the assignment was unstamped. A later assignment document was stamped, and was sent to the patent office for recording purposes. The applicants for rectification, who were the defendants to a patent infringement action by the assignees of the patents in question, argued that the second document was a nullity (because the patents had already by then vested) and that reference to it in the register should be removed. The first document could not, however, be relied on, because it was unstamped.

<sup>3</sup> *Swain v Hillman* [2001] 1 All ER 91 at 92 per Lord Woolf MR; *Three Rivers District Council v Bank of England (No. 3)* [2001] 2 All ER 513 at 541; *Bernstrom v National Australia Bank* [2002] QCA 231 paras [36] – [38].

<sup>4</sup> (2001) 113 FCR 322.

<sup>5</sup> (1988) 15 NSWLR 158 at 193-196.

<sup>6</sup> (2001) 113 FCR 322 at 332.

<sup>7</sup> [1997] RPC 179.

Jacobs J considered that, even though it was not the normal type of rectification dispute between rival claimants to a patent, the fact that the applicants would escape substantial liability if their argument succeeded gave them sufficient standing to be regarded as “persons aggrieved”. Interestingly, he went on to reach this conclusion: that even if the register showed the existing proprietors by virtue of the wrong assignment document, it did not follow that the register should be rectified. If the entry in respect of the second assignment was removed, the register would show the original patentee as proprietor, and that would be misleading:

“From the public point of view what really matters is that the register should show who the proprietor is. How he came to be proprietor is of no or little importance.”<sup>8</sup>

- [8] For present purposes I am prepared to accept that the defendant, as the subject of proceedings by the first plaintiff, does have a real interest in rectification of the register. It is necessary, therefore, to turn to the question of whether there was an assignment, and for that purpose to go to the deeds by which the plaintiffs sought to effect it, while giving some of the background against which they were executed.

#### *The application history*

- [9] On 17 January 1997, David Grant made a provisional application, No PO4636, for a patent for his portable fencing invention. On 5 February 1997, he filed an application for a petty patent in order to obtain more immediate protection for the invention. On 4 April 1997, the second plaintiff was incorporated with the intention, Mr Grant says in his affidavit, that it be licensed to exploit the invention. The petty patent was granted on 5 June 1997, with the number 678755. On 16 January 1998, Mr Grant filed an international patent application with priority claims from the dates of the provisional and petty patent applications. According to his affidavit, he had by this stage made some improvements to the invention, which he incorporated into the international patent application “as a distinct invention from [his] original invention.” The application entered the Australian national phase on 19 July 1999, and on 23 November 2000, Letters Patent No 722776 were granted on the complete application.

#### *The deed of assignment*

- [10] A deed made 23 September 1997 recites a grant of letters patent to David Thomas Grant, and his assignment on 5 April 1997 of all his right, title and interest in and to the patent to David Thomas Grant and Suzanne Patricia O’Brien as trustees for the Grant Family Trust. Clause 2 of the deed of assignment records the assignment, effective from 5 April 1997, of:
- “(1) all the benefit of the patent and all rights arising from it together with
  - (2) all corresponding rights obtainable in respect of the inventions the subject of the patent and in the priority dates of the patent; and

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<sup>8</sup> Note 7 at 193.

- (3) all know-how and technical information relating to the patent;

and all rights, powers, liberties, and immunities arising or to arise from any applications and from any letters patent granted in relation to the patent ...”

The first clause of the deed defines “the patent” as meaning “the patent and the patent application particularised in the Schedule.” In the Schedule under the heading “Patent/Patent Application No” appear the words “Petty Patent No. 678755”.

- [11] The defendant contended that the assignment of 5 April 1997 referred to in the recital, not being in writing as required by s 14(1) of the *Patents Act*, was not effective. Indeed, Mr Grant did not in his affidavit swear to any assignment at that date; he said merely that it was the date on which the second plaintiff commenced exploiting the patent. Perhaps more importantly, Mr Crowe argued that it was clear from the terms of clauses 1 and 2, and from the particulars in the schedule, that the deed of 23 September 1997 operated to assign the petty patent, not the standard patent. He relied also on the fact that at cl 7(2) appear warranties that the patent “is presently subsisting” and that the particulars in the schedule are true and correct; pointing out that as at September 1997, only the petty patent had issued.
- [12] For the plaintiffs, Mr Logan argued that resort could be had to evidence of surrounding circumstances in order to interpret the deed, its language being susceptible of more than one meaning.<sup>9</sup> The relevant background was, he said, the filing of provisional patent application PO4636 in January 1997, which provided the priority date for both the petty patent and the standard patent. Mr Logan also relied on the affidavit of Mr Grant, in which he avowed his intention to assign rights to the patent as well as the petty patent. But while evidence of the factual background might, in the event of ambiguity, be permissible, evidence of Mr Grant’s subjective intention clearly is not<sup>10</sup>.
- [13] Mr Logan adverted to cl 2 of the Assignment Deed, arguing that the reference to assignment of, not only the benefit of the patent, but also “all corresponding rights obtainable in respect of the inventions, the subject of the patent and in the priority dates of the patent” as well as to “all rights ... arising or to arise from any applications” should be construed as encompassing the standard patent. The standard patent related to an invention derived from the invention the subject of the petty patent, and relied on the same priority date as the petty patent and the provisional application PO 4636. And, Mr Logan said, cl 7(6) of the deed contains a warranty that David Grant “has not granted any licences or other user rights to any persona in relation to any rights, title or interest in the patents, or the invention, the subject of the patent in the territory”, the nouns “patents” and “inventions” both being, obviously enough, in the plural. Although the standard patent had not been granted as at September 1997, the assignment operated, he said, as an equitable

<sup>9</sup> *Codelfa Construction Pty Ltd v State Rail Authority of New South Wales* (1982) 149 CLR 337 at 352.

<sup>10</sup> Note 9 at 352.

assignment, which took effect as a legal assignment from the date of the grant of the patent on 16 January 1998.

- [14] I do not think that the deed of assignment can be interpreted as referring to the standard patent. The definition of “the patent” in cl 1 is unambiguous in its reference to the patent and patent application particularised; and those particulars in turn are specific, both in the description of the patent as a petty patent, and in provision of the petty patent’s number, 678755. The “corresponding rights” referred to in cl 2(2) are obtainable in respect of the inventions the subject of the petty patent. That reference cannot extend to a distinct invention, the subject of a different patent. I do not consider that whatever rights may exist in relation to the priority date of the petty patent have any bearing on the standard patent. Nor can the subsequent international patent application can be characterised as an application “in relation to” the petty patent.
- [15] In sum, the language of cl 2, taken with the definitions and schedule particulars, leads inexorably to the conclusion that the parties intended to assign the petty patent, not the standard patent. The reference in cl 7(6) to “the patents, or the inventions the subject of the patent” cannot, alone, support an inference that some patent other than the petty patent was being assigned. And the many other references in the deed to “the patent” in the singular make it clear that the use of the plural in that sub-clause was simple error. My conclusion is that the plaintiffs have no real prospect of success on an argument that this deed assigned more than the petty patent.

*The confirmatory deed*

- [16] In November 2000, David Grant was registered as proprietor of the patent. Infringements of it by the defendant are alleged to have occurred between September 2000 and April 2002. On 25 June 2002, a further deed relevant to the question of assignment was made. It recites that David Grant has assigned the ownership of the intellectual property to David Thomas Grant and Suzanne Patricia O’Brien as trustees for the Grant Family Trust on 5 April 1997, that assignment being recorded in the agreement of 23 September 1997, and that the parties wish to enter the deed to confirm the terms of the September 1997 agreement. Clause 2 is an acknowledgement by Mr Grant that he has no right title or interest in the intellectual property rights and that David Thomas Grant and Suzanne Patricia Grant as trustees are the owner of the intellectual property and corresponding rights. Clause 3.1 duly confirms the terms of the agreement. Clause 3.2 assigns to David Thomas Grant and Suzanne Patricia Grant as trustees
- “to the extent that [they do not] own the Rights in the Intellectual Property.....
- (a) the Intellectual Property Rights absolutely as and from the date of creation of the Intellectual Property;
  - (b) The entire Intellectual Property Rights throughout the world and all other rights of a like nature in respect of the

Intellectual Property by the law in force in any part of the world, including all renewals and extensions; and

- (c) the right to take legal action, seek injunctive relief and recover damages for any infringement occurring prior to the Agreement or this Deed.”

[17] Clause 1 contains the relevant definitions. “Intellectual Property” is defined as including, but not limited to:

“the trademarks, trade names, business names, copyrights, processes, know-how, registered designs or other like Rights and without limiting the scope or generality of this definition, the Confidential Information, registered trademark No 727115, business name Readyfence and the Patent”.

“Patent” is defined to mean “standard patent no. 722776 and petty patent no. 678755”. “Right” is defined as including:

“a legal, equitable, contractual, statutory or other right, power, authority, benefit, privilege, remedy, discretion or cause of action and the Future Rights.”

and “Future Rights”, in turn, as meaning:

“... all of those Rights ... comprised in the Intellectual Property which may arise, be created, be granted or acquired in any way whatsoever in relation to the Product.”

[18] Mr Crowe contended that the June 2002 deed did not operate as an assignment of the intellectual property. The acknowledgement in cl 2, using the more widely defined term, “intellectual property”, was based on the false premise that the earlier assignment had included the standard patent, and added nothing. Clause 3.1, which merely confirmed the terms of the existing agreement to assign, was similarly ineffective. If the 23 September deed were not effective to assign the patent, Mr Crowe argued, the confirmatory deed could not do so. He relied on *The Film Investment Corporation of New Zealand (receiver appointed) & Anor v Golden Additions Pty Ltd (t/a Hughes Leisure Group)*<sup>11</sup> as authority for the proposition that a subsequent deed could not retrospectively give validity to an earlier licence or assignment. Clause 3.2, he said, assigned intellectual property rights, as distinct from intellectual property. All the new deed really assigned was the right to bring proceedings; but since only a patentee or an exclusive licensee could sue for an infringement it could have no effect.

[19] Mr Logan argued that the June 2002 deed both gave effect to the 1997 deed as assigning the standard patent and assigned further rights. He cited two cases as authority for the proposition that the deed could have retrospective effect: *Trollope and Colls Ltd v Atomic Power Construction Ltd*<sup>12</sup> and *Murphy Corp. Ltd v Acumen*

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<sup>11</sup> (1994) 28 IPR 1.

<sup>12</sup> [1963] WLR 333 at 339.

*Design & Development (Qld) Pty Ltd*<sup>13</sup>. In *Trollope and Colls* the defendants accepted the plaintiffs' tender for work as sub-contractors, and the plaintiffs commenced to carry out work on the project in question. Both parties intended at all times to enter a contract. Megaw J found that both parties had acted on the understanding that if and when a contract were made, it would govern what had been done preceding it. In that context, he expressed his opinion that no principle of English law precluded a contract from having a retrospective effect. In *Murphy Corp* the defendant had commenced work on the plaintiff's project some six months before a contract was signed. Williams J (as he then was) concluded that the parties intended their rights and obligations to be governed by the contract, and said that, if necessary, he would imply a term giving retrospective operation to it.

- [20] There is a marked difference between giving retrospective effect to a contract where it has always been understood between the parties that their relations will be formalised in a written agreement, and construing an agreement so as to permit it to give a new and different effect to an existing agreement. Thus, so far as the recital to the deed asserts that there was an assignment of the intellectual property on 5 April 1997 recorded in the agreement of September 1997, it is meaningless; and the acknowledgement in cl 2 and the purported confirmation in cl 3.1, of the terms of the September 1997 deed as assigning the intellectual property (including the standard patent), are equally futile.
- [21] But the deed also assigns the "Intellectual Property Rights" as of the date of their creation. In my view, the distinction which Mr Crowe seeks to draw, between "Intellectual Property" and "Intellectual Property Rights", is a distinction without substance. Intellectual property is, generally speaking, nothing more than a collection of rights. It is apparent that the use of the expression "rights" in the deed is far broader than, for example, a right to sue; it includes benefits and privileges. And it is clear that the makers of the deed perceived various forms of intellectual property as "Rights", as defined in the deed. The definition of "Intellectual Property" begins by referring generally to, *inter alia*, trade marks, business names and copyrights "or other like Rights", suggesting characterisation of those and other similar forms of intellectual property as rights; and then goes on to specify property within those categories: a registered trademark, the business name 'Readyfence' and the patent (defined as including both the petty and the standard patent).
- [22] The obvious conclusion is that, rather than seeking to distinguish between intellectual property and intellectual property rights, the parties equated the two. The patent is one of the "Rights" comprised in the intellectual property, as defined by cl 1, and the "Intellectual Property Rights" are assigned by cl 3.2. If that construction be wrong, the plaintiffs would, at worst, be entitled to adduce extrinsic evidence as to the rights assigned. Consequently, the plaintiffs have real prospects of successfully contending that the deed is effective in assigning the standard patent; probably from the date of its creation, but it is unnecessary to deal with retrospective effect.

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<sup>13</sup> (1995) 11 BCL 274.

- [23] Although it might be said that the Register is inaccurate, in that it indicates an assignment as at 23 September 1997, rather than one effective from January 1998, or 25 June 2002, and could in that respect be rectified, that is not the rectification sought on the counterclaim. Nor, as Jacobs J found to be the case in *Coflexip Stena*<sup>14</sup>, would it be of any utility. Since, on my construction of the documents, the parties described as the first plaintiff are entitled to be registered, the application for summary judgment on the counterclaim must be dismissed.

*The licence agreement*

- [24] On 12 September 1997 a licence agreement was entered between “David Thomas Grant and Suzanne Patricia O’Brien as trustees for the Grant Family Trust” on the one hand, and the second plaintiff on the other. The second of the recitals to the agreement is that the former have agreed to grant the latter “a licence with the right to grant sub-licences to use and exploit the intellectual property”. By that agreement, the grantors give the second plaintiff a licence to use the “Intellectual Property”, which is defined in cl 1 as including, but not limited to:
- “the trade marks, patents, copyrights, processes, know-how, registered designs or other like rights particulars of which are in the Schedule.”

The Schedule gives particulars of the intellectual property as “Australian Petty Patent No 678755”.

- [25] The right granted by the agreement is set out in cl 3(1) as the right “to use the intellectual property to make, have made, use, vend and market the product within the territory, with a right to grant sub-licences to use the product within the territory, for the term of this agreement.” The “product” is defined in cl 1 as meaning that set forth in the schedule to the agreement: “Ready Fence”, which, according to the definition, “incorporates the use of the intellectual property”. The territory is identified in the schedule as “Australia and its territories”, and the term of the agreement is set out variously, according to whether the property licensed is “a patented invention”, intellectual property protected by registration, intellectual property protected as confidential, or intellectual property protected by law.

*The confirmatory deed*

- [26] A deed made on 25 June 2002 between David Thomas Grant and Suzanne Patricia O’Brien as trustees for the Grant Family Trust, as grantors, and Readyco Pty Ltd, as grantee, recites that the former have granted the latter an exclusive licence from 5 April 1997 “to use the Intellectual Property in the Business pursuant to the terms of the License (sic) Agreement”, and that the second plaintiff “was granted an exclusive licence to use the Petty Patent in the Business pursuant to the Licence Agreement. It was intended that the Licence Agreement deal with all the Intellectual Property assigned under the Intellectual Property Assignment including the Patent”. Then it is said that the parties wish to enter the deed to confirm the

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<sup>14</sup> [1997] RPC 179.

terms of the agreement between them and record the exclusive licence of the patent and the intellectual property in a formal deed.

- [27] Clause 3 of the deed confirms, by sub-clause (1), the terms of the licence agreement “which provides for the use of the Petty Patent and was intended to include the Patent and all Intellectual Property under the Intellectual Property Assignment”; by sub-clause (2), the licence to use the “Intellectual Property”; and by sub-clause (3), that the Intellectual Property is that the subject of the assignment. “Intellectual Property” is defined in identical terms to those already set out for the other deed of the same date, in relation to the assignment; and “Patent” and “Petty Patent” are similarly defined as meaning, respectively, the standard patent No 722776 and the petty patent No 678755.

*The effect of non-registration as an exclusive licensee*

- [28] The request for registration by the second plaintiff, made in respect of the standard patent in October 2002, failed, in error, to indicate that what was sought was entry in the Register of Patents as an exclusive licence. Steps have been taken to correct the register, but for the present what it records is a non-exclusive licence, the relevant instruments being dated 12 September 1997 and 25 June 2002.
- [29] On the face of the Register, which was *prima facie* evidence of the nature of the licence, it was clear, Mr Crowe said, that the second plaintiff did not have standing to sue. He relied on a passage in Lahore, *Patents, Trade Marks & Related Rights*, at para 18,080, in which its authors express the view that the effect of s 187 of the 1990 Act, combined with that of reg 19.1, is to require that an exclusive licensee be registered in order to have standing to commence proceedings. He conceded that the CCH service, *Australian Industrial and Intellectual Property*, gives, at para 55-120, a contrary view. Relying on the case of *Vitamins Australia Ltd v Beta-Carotene Industries Pty Ltd*<sup>15</sup>, the authors of that service assert that an infringement proceeding can be commenced before registration of an exclusive licence, since it is the instrument which creates the licence, not registration.
- [30] Section 187(1) of the *Patents Act* requires registration of “particulars of standard patents in force”. Regulation 19.1(1) prescribes among the particulars which must be registered, “an entitlement as ... licensee ... to an interest in a patent”. Neither the section nor the regulation suggests that registration is necessary to entitlement to an interest as licensee, any more than did the provisions of the *Patents Act* 1952 under consideration in *Vitamins Australia Ltd v Beta-Carotene Industries Pty Ltd*. Section 120 of the current Act, as already noted, gives standing in infringement proceedings to “the patentee or an exclusive licensee.” The definition of “exclusive licensee” in the Act’s dictionary contains no reference to registration. As Mr Logan pointed out, this contrasts with the definition of “patentee” as “the person for the time being entered in the Register as the grantee or proprietor of a patent.” Sections 195 (making the Register *prima facie* evidence) and 196 (providing that a document in respect of which particulars have not been entered in the registry is not

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<sup>15</sup> (1987) AIPC 90-417.

admissible except in certain circumstances) suggest that the purpose of registration is to evidence, rather than confer, title. I conclude, therefore, that the want of registration of an exclusive licence is not a bar to proceedings by the second plaintiff.

*Was an exclusive licence granted?*

[31] In any event, Mr Crowe said, the licence agreement could not be effective because as at the date of it, 12 September 1997, the purported licensor, the first plaintiff, was not the owner of the patent or patent application. At the very best for the plaintiffs, there was no written assignment of the patent application until 23 September 1997. And the warranty at cl 7(6) of the deed of assignment that David Grant “has not granted any licences or other user rights to any persona in relation to any rights, title or interest in the patents, or the invention, the subject of the patent in the territory” was not consistent with a grant of a licence on 12 September. Moreover, the licence agreement, he said, by the definition of “Intellectual Property” in cl 1(1) only licensed the petty patent, not the patent.

[32] And, Mr Crowe contended, the licence granted by the licence agreement was not, as a matter of fact, exclusive, so as to give the second plaintiff standing to sue for infringement. An exclusive licence must, he says, incorporate all the rights of the grantor. The dictionary in Schedule 1 to the *Patents Act* defines “exclusive licensee” as meaning:

“a licensee under a licence granted by the patentee and conferring on the licensee, or on the licensee and persons authorised by the licensee, the right to exploit the patented invention throughout the patent area to the exclusion of the patentee and all other persons.”

Exploit is also defined, as follows:

“(a) where the invention is a product – make, hire, sell or otherwise dispose of the product, offer to make, sell, hire or otherwise dispose of it, use or import it, or keep it for the purpose of doing any of those things; or

(b) where the invention is a method or process – use the method or process or do any act mentioned in paragraph (a) in respect of a product resulting from such use.”

[33] Mr Crowe argued that since the licence confers no right to import, but merely a right to use the product within the territory, it does not meet that definition. Because it did not grant all the rights specified in the *Patents Act* as constituting a “right to exploit”, there was no grant of an exclusive licence. He relied on *Uprising Dragon Ltd & Anor v Benedict Trading and Shipping Pty Ltd & Ors*<sup>16</sup> for that proposition. The deed itself, he pointed out, makes no reference to the licence being exclusive, and it does not preclude the grantors from granting further licences.

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<sup>16</sup> 1987 AIPC 90-400.

- [34] Similarly, the confirmatory licence agreement could not retrospectively give to the licence agreement of 23 September 1997 an effect which it did not have. It did not of itself purport to grant any exclusive licence, or to extend rights already granted to the point of exclusivity. The net effect was that the second plaintiff had no standing to sue.
- [35] Mr Logan argued that as a matter of construction, cl 6 of the agreement, which provides for a conversion of the second plaintiff's rights under it into "non-exclusive rights" in the event of failure to pay the licence fees, indicated that the licence was exclusive. The recitals refer to a licence to "exploit", the term used in the *Patents Act* itself; that was indicative that all rights within the meaning of that term had been granted. There was in the agreement no reservation of rights by the patentee. The agreement, in using the definitions of "intellectual property" and "product", was broad enough to cover the patent and it should be read with the confirmatory deed as further clarification. Finally, he said, the licence took effect as an equitable exclusive licence or an agreement to grant an exclusive licence which became a legal licence upon title vesting in the first plaintiff. It was also arguable, he said, that the confirmatory deed gave rise to an exclusive licence. Alternatively, an exclusive licence might have come into existence partly in writing and partly by conduct.

*Was there an effective grant of the licence?*

- [36] I can start my consideration of this point by saying that I do not consider that the so-called confirmatory deed of 25 June of 2002 is capable of being ascribed any effect. So far as it purported to "clarify" the agreement of 12 September 1997, it was precisely the sort of attempt to rewrite history rejected in the *Film Investment Corporation* case. But it seems to have had no other purpose. It confers no further right. It must, therefore, be put to one side. The only document with any bearing on whether a licence was granted, and if so, whether it was exclusive, is the licence agreement of 12 September 1997.
- [37] It is, I think, clear that the licence agreement could not in law confer on the second plaintiff an exclusive licence in the standard patent. The first plaintiff was not, as Mr Crowe pointed out, on any view the owner of the standard patent at that time. Indeed, all the evidence suggests that it was not even the assignee of the petty patent at that stage. But so far as possible, the document should be construed so as to be given effect and in a way which makes commercial sense.<sup>17</sup> That can be achieved by treating the licence agreement as intended to take effect by conferring a licence in equity, perfected when the first plaintiff finally became the patentee by assignment. That is the construction I adopt. The next question is whether the terms of the licence agreement can be construed so as to include the standard patent.

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<sup>17</sup> *Hillas & Co Ltd v Arcos Ltd* [1932] All ER 494; *Drew Robinson & Co v Shearer & Anor* (1914) 18 CLR 209; *Hide & Skin Trading Pty Ltd v Oceanic Meat Traders Ltd* (1990) 29 NSWLR 310

*Did the licence extend to the standard patent?*

- [38] The licence agreement differs from the assignment deed of 23 September 1997. Where the latter identified the property assigned as the patent, with related rights and information, and particularised the patent as the petty patent, in the licence agreement the intellectual property licensed is defined as including, but not limited to, the particularised petty patent. The area of difficulty is as to the content of the intellectual property intended to be licensed beyond the specified petty patent. Some assistance might have been expected from the definition of “the product” in respect of which the intellectual property is to be used. Unfortunately the schedule identifies it merely as “Ready Fence”. No where in the material is there any indication of what the term “Ready Fence” embraces: whether it is the invention the subject of the petty patent, the amended invention the subject of the standard patent, or neither. All that can be gleaned from the pleadings is that “ReadyFence” is the business name of the second plaintiff.
- [39] It is at least clear, from the language of the licence agreement, that the intellectual property licensed was intended by the parties to extend beyond the petty patent. The reference, in the stipulation as to the licence’s term, to its operation “in respect of a patented invention, [for] the life of any and all patents” is an indication that other patents were its subject. It is possible that the vagueness of the provisions can be resolved by resort to extrinsic evidence. That extrinsic evidence might, given that what is in question is the subject matter of the agreement, permissibly extend to the subsequent conduct of the parties<sup>18</sup>; that they have acted consistently with a grant of licence in respect of the standard patent. Mr Grant’s affidavit, although not explicit on the point, at least suggests that such evidence would be forthcoming. The plaintiff’s case remains at least arguable with real, not fanciful, prospects of success on this point.

*Was the licence exclusive?*

- [40] *Uprising Dragon Ltd & Anor v Benedict Trading and Shipping Pty Ltd & Ors* is, for a number of reasons, of no assistance to my present task. Firstly, it did not purport to decide that the licence in question there was not exclusive, but merely that there was an arguable case to that effect. Secondly, it is distinguishable because the right of manufacture was there expressly excluded by the agreement; here, the agreement excludes nothing. Thirdly, and most significantly, the definition relevant to determining what constituted an exclusive licence was different. The 1952 *Patents Act* in s 6 defined an “exclusive licence” as:
- “a licensee under a licence granted by the patentee which confers on the licensee, or on the licensee and persons authorised by him, the right to make, use, exercise and vend the patented invention,

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<sup>18</sup> For the proposition that such evidence is admissible, see *White & Anor v Australian and New Zealand Theatres Ltd* (1943) 67 CLR 266; and for acceptance that it is at least arguable that *White* still constitutes good law on the point, notwithstanding a more recent tendency against admission generally of evidence of subsequent conduct as an aid to construction, see *Sportsvision Australia v Tallglen Pty Ltd* (1998) 44 NSWLR 103; *Hide & Skin Trading Pty Ltd v Oceanic Meat Traders Ltd* (1990) 29 NSWLR 310 per Priestley JA at 328; *Royal Botanic Gardens & Domain Trust v South Sydney City Council* (2002) 76 ALR 436 per Kirby J at 457 & footnote 105.

throughout Australia, to the exclusion of all other persons, including the patentee”.

- [41] It can be seen that the definition in the 1952 Act is exhaustive, and the rights cumulative: making, using, exercising and vending. That is in contrast with the non-exhaustive definition of “exclusive licensee” under the present legislation, which merely refers to a “right to exploit” and then separately defines “exploit” in an inclusive and distributive way: “make, hire, sell or otherwise dispose ..., use or import ...” (underlining added). The latter definition is at least open to a construction similar to that given s 101 of the English Patents Act of 1949, as discussed in *Ex Parte British Nylon Spinners Limited and Imperial Chemical Industries Limited*<sup>19</sup>: that because the definition of exclusive licence in that provision referred to a licence conferring “any right in respect of the patented invention” the way was open for a “plurality of exclusive licences”. But more importantly for present purposes, it makes no sense to say that the rights explicitly conferred by a licence must, in order to be exclusive, be an exhaustive list of what is comprised in the right to exploit in the legislation, when the legislation itself is not exhaustive in its definition of the term. Consequently, I reject the argument that the failure to include a right to import (which neither party may have contemplated exercising, before or after the grant of licence) is fatal to exclusivity.
- [42] My conclusion is that the licence granted by cl 3(1) of the agreement was intended by the parties to be an exclusive licence, conferring rights to be exercised exclusively by the licensee. This, in my view, is a necessary inference from the terms of cl 6, which provides for the conversion of those rights into non-exclusive rights in the event of failure to pay licence fees. I do not think that the failure expressly to preclude the patentee from granting further licences overcomes that inference. There is not, as Mr Logan pointed out, any reservation to the patentee of any such right. In sum, I consider that the second plaintiff has sufficient prospect of establishing that there was an exclusive licence granted in respect of the standard patent, perfected on its assignment, and thus that it has standing, to warrant its proceeding to trial.
- [43] For the reasons I have given, I dismiss the defendant’s application for summary judgment. I will hear the parties as to costs.

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<sup>19</sup> (1963) 109 CLR 336 at 340.