FEDERAL COURT OF AUSTRALIA

Coretell Pty Ltd v Australian Mud Company Pty Ltd [2017] FCAFC 54

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| Appeal from: | *Australian Mud Company Pty Ltd v Coretell Pty Ltd (No 4)* [2015] FCA 1372 *Australian Mud Company Pty Ltd v Coretell Pty Ltd (No 5)* [2016] FCA 444 |
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| File number: |  |
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| Judges: | **JAGOT, NICHOLAS AND BURLEY JJ** |
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| Date of judgment: | 3 April 2017 |
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| Catchwords: | **PATENTS** – whether patentee entitled to relief for infringement from date of patent or date of grant – consideration of the scheme of the *Patents Act 1990* (Cth) and *Patents Regulations 1991* (Cth) – purpose of complete specification being open to public inspection – divisional applications filed in respect of standard patent filed as divisional of a provisional patent application – infringement and accessorial liability –innovation patents **PATENTS** – invalidity – external fair basis and priority date – whether claims of innovation patents fairly based on disclosure in provisional application – whether innovation patents invalid on basis of prior use or prior secret use – meaning of “use” in *Patents Act 1990* (Cth) s 18**COSTS** – decision of primary judge to award costs on indemnity basis |
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| Legislation: | *Evidence Act 1995* (Cth) s 191*Federal Court of Australia Act 1976* (Cth) s 43*Patents Act 1990* (Cth) ss 7, 9, 13, 18, 24, 29, 40, 43, 49, 52, 53, 54, 55, 56, 57, 61, 62, 65, 67, 68, 79B, 101A, 101B, 101E, 101F, 120, 122, 129, 129A, 133, 138, 143A, Schedule 1*Patents Regulations 1991* (Cth) regs 2.2, 3.12, 6.3, 13.4*Patents Amendment (Innovation Patents) Bill 2000* (Cth), Revised Explanatory Memorandum |
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| Cases cited: | *Apotex Pty Ltd v AstraZeneca AB (No 4)* [2013] FCA 162; (2013) 100 IPR 285*Apotex Pty Ltd v Sanofi-Aventis Australia Pty Ltd (No 2)* [2012] FCAFC 102; (2012) 204 FCR 494*Australian Medic-Care Company Ltd v Hamilton Pharmaceutical Pty Ltd* [2009] FCA 1220; (2009) 261 ALR 501*Australian Mud Company Pty Ltd v Coretell Pty Ltd* [2010] FCA 1169; (2010) 88 IPR 270*Australian Mud Company Pty Ltd v Coretell Pty Ltd* [2011] FCAFC 121; (2011) 93 IPR 188*Australian Mud Company Pty Ltd v Coretell Pty Ltd (No 4)* [2015] FCA 1372 *Australian Mud Company Pty Ltd v Coretell Pty Ltd (No 5)* [2016] FCA 444*Azuko Pty Ltd v Old Digger Pty Ltd* [2001] FCA 1079; (2001) 52 IPR 75*Bradken Resources Pty Ltd v Lynx Engineering Consultants Pty Ltd* [2008] FCA 1257; (2008) 78 IPR 586*Britax Childcare Pty Ltd v Infa-Secure Pty Ltd (No 3)* [2012] FCA 1019*Clorox Australia Pty Ltd v International Consolidated Business Pty Ltd* [2006] FCA 261; (2006) 68 IPR 254*Comcare v PVYW* [2013] HCA 41; (2013) 250 CLR 246*Danisco A/S v Novozymes A/S (No 2)* [2011] FCA 282; (2011) 91 IPR 209*Delnorth Pty Ltd v Dura-Post (Aust) Pty Ltd* [2008] FCA 1225; (2008) 78 IPR 463*DSI Australia (Holdings) Pty Ltd v Garford Pty Ltd* [2013] FCA 132; (2013) 100 IPR 19*Grove Hill Pty Ltd v Great Western Corporation Pty Ltd* [2002] FCAFC 183; (2002) 55 IPR 257*House v The King* [1936] HCA 40; (1936) 55 CLR 499*Insta Image Pty Ltd v KD Kanopy Australasia Pty Ltd* [2008] FCAFC 139; (2008) 239 FCR 117*Kimberly-Clark Australia Pty Ltd v Arico Trading International Pty Ltd* [2001] HCA 8; (2001) 207 CLR 1*Kuru v State of New South Wales* [2008] HCA 26; (2008) 236 CLR 1*Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* [2004] HCA 58; (2004) 217 CLR 274*Lockwood Security Products Pty Ltd v Doric Products Pty Ltd (No 2)* [2007] HCA 21; (2007) 235 CLR 173*Longworth v Emerton* [1951] HCA 45; (1951) 83 CLR 539*Meyers Taylor Pty Ltd v Vicarr Industries Ltd* [1977] HCA 19; (1977) 137 CLR 228*Multigate Medical Devices Pty Ltd v B Braun Melsungen AG* [2016] FCAFC 21; (2016) 117 IPR 1*No-Fume Ltd v Frank Pitchford & Co Ltd* (1935) 52 RPC 231*Rehm Pty Ltd v Websters Security Systems (International) Pty Ltd* (1988) 81 ALR 79; (1988) 11 IPR 289  |
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|  | Bodkin C, *Patent Law in Australia* (2nd ed, Thomson Reuters, 2014)Dufty A and Lahore J, *Lahore Patents, Trade Marks & Related Rights* (LexisNexis, subscription service) |
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ORDERS

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|  | WAD 134 of 2016 |
|   |
| BETWEEN: | CORETELL PTY LTD ACN 119 188 493First Appellant**MINCREST HOLDINGS PTY LTD ACN 068 672 471** Second Appellant**NICKY KLEYN**Third Appellant**KLEYN INVESTMENTS PTY LTD ACN 118 967 687** Fourth Appellant |
| AND: | AUSTRALIAN MUD COMPANY PTY LTD**ACN 009 283 416**First Respondent**REFLEX INSTRUMENTS ASIA PACIFIC PTY LTD**ACN 124 204 191Second Respondent |

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| JUDGES: | JAGOT, NICHOLAS AND BURLEY JJ |
| DATE OF ORDER: | 3 APRIL 2017 |

THE COURT ORDERS THAT:

1. The appeal be allowed in part.
2. The Declaration and the Directions 7 and 8 made by the primary judge on 23 March 2016 be set aside and in lieu thereof there be the following Declaration and Directions:

**THE COURT DECLARES THAT:**

1**.** The respondents and each of them have from 16 December 2010 until 5 September 2013 infringed each of claims 1 to 5 of Australian Innovation Patent No 2010101356 (**‘356 Patent**) and from 15 September 2011 until 5 September 2013 infringed each of claims 1 to 5 of Australian Innovation Patent No 2011101041 (**‘041 Patent**) (together, the **Patents**).

**THE COURT DIRECTS THAT:**

2. There be an inquiry as to profits or damages and additional damages (if any) in respect of the respondents’ infringement of the Patents.

3. The respondents provide discovery (in the event that they have not already done so), to be verified by an affidavit of the third respondent by 21 April 2017, in accordance with r 20.15 of the Federal Court Rules 2011 (Cth), of the documents in the following categories:

(i) all invoices issued by Procept Pty Ltd to any of the respondents recording the supply of ORIshot orientation tools and/or any circuit boards for ORIshot orientation tools between 16 December 2010 and 5 September 2013; and

(ii) all invoices issued by Coretell Pty Ltd to its customers or agents recording the supply of ORIshot orientation tools between 16 December 2010 and 5 September 2013.

1. The appellants pay ninety per cent of the respondents’ costs of the appeal.
2. Order 3 hereof be suspended for a period of 28 days.
3. Any party wishing to apply for a costs order different to order 3 hereof may file and serve a written submission (limited to 3 pages in length) within 7 days.
4. Any party wishing to reply to such written submission is to file and serve a written submission in reply (limited to 2 pages in length) within 14 days.

Note: Entry of orders is dealt with in Rule 39.32 of the *Federal Court Rules 2011*.

REASONS FOR JUDGMENT

JAGOT J:

1. I agree with the reasons of Justice Burley and the orders which he proposes.

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| I certify that the preceding one (1) numbered paragraph is a true copy of the Reasons for Judgment herein of the Honourable Justice Jagot. |

Associate:

Dated: 3 April 2017

REASONS FOR JUDGMENT

NICHOLAS J:

1. I agree with the reasons of Justice Burley and the orders which he proposes.

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| I certify that the preceding one (1) numbered paragraph is a true copy of the Reasons for Judgment herein of the Honourable Justice Nicholas. |

Associate:

Dated: 3 April 2017

REASONS FOR JUDGMENT

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BURLEY J:

##### INTRODUCTION

1. Core sample orientation is commonly used in connection with geological surveying operations and other drilling operations. It is a technique whereby core samples of material extracted from the ground are oriented upon their removal from the bedrock. In December 2010 and August 2011, the Australian Mud Company Pty Ltd (**AMC**) filed two innovation patents, each entitled “Core Sample Orientation”, relating to this field. The first, the **System Patent**,was filed on 2 December 2010 and is innovation patent no. 2010101356. The second, the **Method Patent,** was filed on 16 August 2011 and is innovation patent no. 2011101041. They are referred to below collectively as the**Patents**.
2. After the Patents had been certified, AMC and its exclusive licensee, Reflex Instruments Asia Pacific Pty Ltd (collectively, **respondents**) sued the current appellants for infringement. One of the appellants, Coretell Pty Ltd (**Coretell**) filed a cross-claim alleging invalidity.
3. The present proceeding is not the first litigation between these parties. In 2007 AMC sued Coretell for infringement of innovation Patent no. 2006100113 which was also entitled “Core Sample Orientation” (**Device Patent**). It had a priority date of 3 September 2004 and was certified on 20 July 2006. The infringement suit was unsuccessful at first instance; *Australian Mud Co Pty Ltd v Coretell Pty Ltd* [2010] FCA 1169; (2010) 88 IPR 270 and on appeal; *Australian Mud Co Pty Ltd v Coretell Pty Ltd* [2011] FCAFC 121; (2011) 93 IPR 188. Undeterred, AMC filed the innovation patents in suit and sued again.
4. This time they were more successful. In a detailed judgment *(Australian Mud Co Pty Ltd v Coretell Pty Ltd (No 4)* [2015] FCA 1372), the primary judge found that the respondents had infringed the claims of each of the Patents and dismissed the cross-claim for invalidity. In a separate judgment (*Australian Mud Company Pty Ltd v Coretell Pty Ltd (No 5)* [2016] FCA 444), the primary judge ordered that the present appellants pay indemnity costs in respect of parts of the cross-claim.
5. The appellants do not contest the primary judge’s findings of infringement, but in substance challenge his Honour’s conclusions in respect of five of the 12 rejected grounds of invalidity. The appeal initially raised 26 grounds and was listed for hearing over five days. With admirable restraint, shortly before the hearing the appellants trimmed the grounds of appeal to 11, and the appeal was heard over two days.
6. The Act and Regulations have been amended a number of times. The parties agreed that the applicable versions of the Act and Regulations referred to in this judgment are those in force immediately prior to the passing of the “Raising the Bar” legislation. In these reasons, I have relied on the compilation of the *Patents Act 1990* (Cth) prepared on 30 January 2012 (**Act**), and *Patents Regulations 1991* (Cth) prepared on 1 October 2012 (**Regulations**).

###### The parties

1. The appellants are Coretell, Mincrest Holdings Pty Ltd (**Mincrest**), Mr Nicky Kleyn and Kleyn Investments Pty Ltd (**Kleyn Investments**). Mr Kleyn is the sole shareholder, director and company secretary of Coretell and also Kleyn Investments. He is one of two shareholders in, and directors of, Mincrest (the other being his wife). Although Coretell was the cross-claimant in the proceedings below, each of the appellants appeals against the primary judge’s orders and findings concerning invalidity.
2. The respondents are wholly owned subsidiaries of Imdex Limited (**Imdex**). A business division of Imdex is known as Ace Drilling.

###### The Patents

1. A number of matters significant to the grounds of appeal arise from dates relevant to each of the Patents.
2. The System Patent was filed on 2 December 2010. The Method Patent was filed on 16 August 2011. Both were filed as divisional applications made in relation to standard patent application no. 2010200162 (**162 Application**) pursuant to s 79B(1) of the Act. The filing date of the 162 Application is 15 January 2010. The 162 Application is in turn a divisional application filed in relation to standard patent application no. 2005256104 (**104 Application**) filed on 5 September 2005.
3. It is not in dispute that by application of s 43 of the Act and reg 3.12 of the Regulations, the earliest potential priority date of the Patents is 3 September 2004 (**priority date**). This is the filing date of provisional patent application no. 2004905021 (**Provisional Application**).
4. It is also not in dispute that by operation of s 65 of the Act and reg 6.3 of the Regulations, the “date” of the Patents is 5 September 2005, being the date of the filing of the complete application of the 104 Application. By operation of s 68 of the Act, this is the date from which the term of the Patents (which, being innovation patents, is 8 years) is calculated.
5. The System Patent was granted pursuant to s 62 of the Act on 16 December 2010 and certified pursuant to s 101E of the Act on 5 September 2011.
6. The Method Patent was granted pursuant to s 62 on 15 September 2011 and certified pursuant to s 101E on 1 November 2011.

###### Summary of grounds and conclusions

1. The appellants rely on a Substituted Further Amended Notice of Appeal filed on 14 November 2016 (**Notice of Appeal**). That document reduces the grounds of appeal relied upon, but retains the original numbering from the previous draft. In order to aid cross-referencing, I have below retained the numbering in that document.
2. Grounds 1, 2 and 3 concern the identification of the correct date in respect of which the respondents may obtain relief for infringement of the Patents. The contest shows a significant divergence of views. As I explain below, the primary judge implicitly followed the reasoning of Middleton J in *Britax Childcare Pty Ltd v Infa-Secure Pty Ltd (No 3)* [2012] FCA 1019 (***Britax***) which concluded that by operation of ss 13, 65 and 68 of the Act and reg 6.3 of the Regulations, the correct date was the date of the Patents, in this case being 5 September 2005. As a consequence, the primary judge found that the appellants may be liable for acts of infringement committed after that date. The appellants contend that the reasoning in *Britax* is incorrect and that the correct date should be the date of the grant of the Patents being between five and six years later, on 16 December 2010 (System Patent) and 15 September 2011 (Method Patent). In section 2 below, I accept the appellants’ submission, with the result that grounds 1 and 2 and parts of ground 3 of the appeal are allowed.
3. In ground 6 the appellants contend that the primary judge erred in his findings concerning the accessorial liability of Kleyn Investments. In section 3 I find that the appeal in relation to Kleyn Investments is partially allowed.
4. Grounds 15 and 16 challenge the primary judge’s findings as to the identification of the correct priority date for the Patents, which, if allowed, would have the consequence that the claims of the Patents are invalid for lack of novelty. These grounds call for consideration of whether or not the patentee is entitled to claim priority based on the disclosure of the Provisional Application. In section 4 below I find that the primary judge correctly applied the test for external fair basis and correctly determined that the Patents were entitled to the priority date.
5. Ground 19 of the appeal concerns an alleged novelty-defeating prior use of the invention in that Chardec Consultants Limited (**Chardec**) (the employer of the inventor of the Patents, Mr Parfitt) used and authorised the public use of the invention by disclosing it to third parties before the priority date. Ground 20 contends that if the learned primary judge found that the “grace period” provisions applied to such use, then he fell into error. In section 5, I reject ground 19 of the appeal and uphold his Honour’s findings. The respondents have filed a **Notice of Contention** to the effect that his Honour ought also to have also found that any public prior use of the invention benefitted from the grace period provisions under s 24 of the Act. I do not consider, in the circumstances, that it is necessary to address the Notice of Contention.
6. In ground 21 the appellants contend that the primary judge ought to have found that the claims of the Patents are invalid as a result of the prior secret use of the invention, pursuant to s 18(1A)(d) of the Act. In section 6 below I consider this ground and find that by reason of the operation of s 9(a) of the Act, there has been no invalidating prior secret use.
7. In section 7 I consider and reject the appeal against the primary judge’s costs’ orders.
8. In section 8 I address the disposition of the appeal and orders to be made.

##### ALLEGED INFRINGEMENT PRIOR TO GRANT – GROUNDS 1, 2 AND 3

###### Introduction

1. Grounds 1, 2 and 3 concern the identification of the earliest date from which relief for infringement of an innovation patent granted upon a divisional application filed pursuant to s 79B of the Act may be awarded. The appellant contends that the primary judge erred by determining that the relevant date from which a cause of action accrues, and in respect of which an act of infringement arises, is the date of grant of the patent. In the present case, the Patents were granted as innovation patents on 16 December 2010 for the System Patent, and 15 September 2011 for the Method patent.
2. The respondents contend that the primary judge did not make a determination of the date upon which the cause of action accrued. This is because the issues of quantum and liability were separated, and the primary judge has not yet considered quantum. However, if the question arises on appeal, the respondents argue that the correct date upon which the cause of action for infringement accrues is from the commencement of the term of the Patents. In the present case, by applying the formula prescribed under the Act, the appellants submit that the eight year term of these patents commenced on 5 September 2005, and it is from then that the respondents are entitled to remedies in respect of acts of infringement.
3. Although I accept that the primary judge did not need to determine the question, and for that reason (understandably) did not give reasons on the subject, it appears to me that he did implicitly find that the relevant date for assessing infringement was 5 September 2005. This arises at least from his conclusion at [420] where, in rejecting the defence of innocent infringement his Honour said (emphasis added):

… This defence has no prospect of success. The respondents were informed promptly of the existence of the Patents at the time that those Patents were granted **and, in respect of the period prior to grant, they were aware of the existence of the earlier patent applications on which the applicants’ claim for the relief depends.**

1. A similar finding is apparent from his Honour’s general acceptance that the applicants had made out their case for infringement (at [263]), in circumstances where that case was put by the respondents as arising from conduct commencing on 5 September 2005. On appeal the argument was raised and fully argued. In my view it is appropriate to consider and determine the question.

###### Statutory context

Divisional applications

1. In the present case the Patents began their lives as divisional patent applications filed in respect of their parent, the 162 Application, which was an application for a standard patent. The 162 Application was in turn a divisional application filed in relation to the 104 Application, which is the grandparent.
2. Section 79B of the Act provides for divisional applications (emphasis added; italics in original):

**79B Divisional applications prior to grant of patent**

(1) If a complete patent application for a patent is made (but has not lapsed or been refused or withdrawn), the applicant may, in accordance with the regulations, make **a further complete application** for a patent for an invention:

(a) disclosed in the specification filed in respect of the **first-mentioned application**; and

(b) where the first-mentioned application is for a standard patent and at least 3 months have elapsed since the publication of a notice of acceptance of the relevant patent request and specification in the *Official Journal*—falling within the scope of the claims of the accepted specification.

(1A) The reference to a complete patent application first-mentioned in subsection (1) does not include a reference to a divisional application for an innovation patent provided for in section 79C.

…

1. The “further complete application” within s 79B(1) is commonly referred to as a “divisional application”. It is an application which claims an invention that has been disclosed in an earlier filed patent or patent application (in s 79B(1) the “first-mentioned application”) which is commonly referred to as a “parent”. The parent of a divisional application may itself be a divisional application (s 79B(1)(b)) and is sometimes referred to as the “grandparent”.
2. A divisional application may either be for an innovation patent or a standard patent. With presently immaterial differences, the scheme of the Act concerning the commencement of the term of a patent and its priority date is the same for both.
3. There are several benefits to a patentee in filing divisional applications. One is that where the claims of the divisional are fairly based on matters disclosed in the parent (or, where relevant, the grandparent) the priority date of a divisional mirrors that of its ancestor; reg 3.12(1)(c) and (2C); Bodkin C, *Patent Law in Australia* (2nd ed, Thomson Reuters, 2014) (***Bodkin***) at [11120]. Another concerns the procedure for filing patents. As the author of *Bodkin* explains, the most obvious reason for filing a divisional application is to accommodate the requirement that the claims of a patent relate to a single invention only pursuant to s 40(4) of the Act. If a standard or innovation patent application filed is found upon examination to claim more than one invention, the applicant or patentee must delete or remove claims. The provisions in relation to divisional applications then permit the applicant or patentee to apply for a patent in respect of the invention disclosed, but no longer claimed; *Bodkin* at [11120]. Another benefit arises where patent applicants have not gained acceptance of their patent application within the available time from the date of the first examination report (normally within 12 or 21 months of the first examination report, depending on when examination was requested; reg 13.4). By filing a divisional application near the due date for acceptance of the parent, a further time extension is effectively granted; *Bodkin* [11130].

The “term” and “grant” of patents

1. Under the Act, a “patent” is defined (in the **Dictionary**, Schedule 1 of the Act) to mean a standard patent or an innovation patent. An innovation patent means letters patent for an invention granted under s 62, and a standard patent means letters patent for an invention granted under s 61. Accordingly, under the Act a patent is identified by reference to its date of **grant**.
2. Section 13(1) of the Act provides that “[s]ubject to this Act”, a patent gives the patentee the exclusive rights, during the **term** of the patent, to exploit the invention and to authorise another person to exploit the invention. The “term” of a patent commences from the “date of the patent” (ss 67, 68). The “date of the patent” is the date of the filing of the relevant complete specification, or as determined under the regulations; s 65. The Dictionary defines “exploit”, in relation to an invention to include: (a) where the invention is a product – make, hire, sell or otherwise dispose of the product or offer to do these things, or use, import or keep the product for the purpose of doing and of those things; or (b) where the invention is a method or process – use the method or process or do any act mentioned in (a) in respect of a product resulting from such use.
3. The date of the patent and the date of grant of the patent may differ. The present dispute concerns that difference. The exclusive right to exploit the patent commences with the term (i.e. date of patent). The pertinent question, then, is whether this means that the right to relief commences on that day also?
4. In relation to ***standard patents***, s 61 relevantly provides that the Commissioner of Patents (**Commissioner**) must grant a standard patent by sealing it in the approved form if there is no opposition to the grant or if the opposition to grant fails. The route to grant is summarised below.
5. Under s 29(1), a person may apply for a patent by filing a patent request and such other documents as prescribed. An application may be a provisional application or a complete application. If the patent request is in relation to a provisional application, it must be in the approved form and accompanied by a provisional specification. If the patent request is in relation to a complete application, it must be in the approved form and accompanied by a complete specification.
6. Section 40 provides the substantive requirements for a complete specification (s 40(2)) and a provisional specification (s 40(1)). A complete specification must, inter alia, disclose the best method known to the applicant of performing the invention and end with claims defining the invention. A provisional application must describe the invention (s 40(1)).
7. Section 49(1) provides, in relation to standard patents, that the Commissioner must *accept* a patent request and complete specification relating to an application for a patent if satisfied that the invention satisfies the substantive validity criteria set out in s 18(1)(b) and that there is no lawful ground of objection to the request and specification. Under s 49(5)(b), where the Commissioner accepts a patent request and a complete specification, the Commissioner must publish a notice of the acceptance in the Official Journal. Accordingly, acceptance of a standard patent application causes the application to become open to public inspection (unless it was already open).
8. Section 54(1) provides that, where a complete specification filed in respect of an application for a standard patent has not become open to public inspection, the Commissioner must, if asked to do so by the applicant, publish a notice that the complete specification is open to public inspection. Under s 54(3), where a complete specification has been filed in respect of an application for a standard patent, the prescribed period has ended and the specification is not open to public inspection, the Commissioner must publish a notice that the specification is open to public inspection.
9. Subsection 55(1) then provides that, where a notice is published under s 54, the specification concerned and other prescribed documents are open to public inspection. Subsection 55(2) provides that, where a notice is published under s 49(5)(b) in relation to an application for a standard patent (or under s 62(2) in relation to the grant of an innovation patent), the documents specified in s 55(2) that have not already become open to public inspection become open to public inspection. Under s 56, except as otherwise provided by the Act, documents of the kind mentioned in s 55 must not be published or be open to public inspection.
10. Section 57(1) adopts some significance in the context of the arguments on appeal. It applies to standard patents but not innovation patents. It provides that, after a complete specification relating to an application for a standard patent has become open to public inspection, and until a patent is granted on the application, the applicant has the same rights as he or she would have had if a patent for the invention had been *granted* on the day when the specification became open to public inspection.
11. However, s 57(3) provides that s 57(1) does not give the applicant a right to start proceedings in respect of the doing of an act unless:
12. a patent is granted on the application; *and*
13. the act would, if done after the grant of the patent, have constituted an infringement of a claim of the specification.
14. Section 57(4) provides that it is a defence to proceedings under s 57(1) in respect of an act done after the complete specification became open to public inspection, and before the patent request was accepted, if the defendant proves that a patent could not validly have been granted to the applicant in respect of the claims (as framed when the act was done) that are alleged to have been infringed by the doing of the act.
15. It follows from the language of s 57 that to make out an entitlement to relief for an act for infringement of a standard patent that took place before the date of the grant of a patent, that act must be shown to have infringed not only a claim of the patent as eventually granted, but also a published claim of the complete specification as it stood at the time when the relevant act occurred; see (in the context of s 129(b) of the Act) *Bradken Resources Pty Ltd v Lynx Engineering Consultants Pty Ltd* [2008] FCA 1257; (2008) 78 IPR 586 at [31] (Emmett J).
16. Section 59 of the Act provides that the Minister or any other person may oppose the grant of a standard patent on specified grounds. Pre-grant opposition is often a lengthy process. As noted above, s 61 provides for the grant of the standard parent if there is no opposition or if any opposition is dismissed.
17. In relation to ***innovation patents***,s 62 provides that the Commissioner must *grant* an innovation patent if he or she *accepts* a patent request and complete specification and no prohibition order is in force. As for a standard patent, the complete specification must, inter alia, disclose the best method known to the applicant of performing the invention and end with no more than five claims defining the invention (s 40(2)(c)).
18. If so granted, s 62(2) provides that the Commissioner must make the patent request and complete specification open to public inspection. Section 62(3) provides that if a divisional application is made for an innovation patent pursuant to s 79B and a notice is published in the Official Journal that the complete specification filed in respect of the divisional application is open to public inspection, the Commissioner must also publish in the Official Journal a notice that the complete specification filed in respect of the original application on which the divisional application is based is open to public inspection.
19. Unlike a standard patent, an innovation patent is not subject to pre-grant opposition. An innovation patent will be accepted (and thence granted under s 62) after the Commissioner is satisfied, on the balance of probabilities, that the application passes a formalities check; s 52.
20. Section 101A of the Act provides that after the grant of an innovation patent, the Commissioner may, if he or she decides to, and must, if asked by the patentee or another person to do so, examine the complete specification relating to an innovation patent. Section 101B provides a list of matters concerning the form and validity of an innovation patent that the Commissioner must consider in conducting such an examination. Section 101E provides that if the Commissioner is satisfied on the balance of probabilities that the innovation patent complies with the matters listed, and that the patent has not ceased under s 143A, then the Commissioner must issue a certificate of examination to the patentee, and publish in the Official Journal a notice of the examination having occurred. Otherwise, if the Commissioner is not satisfied of the relevant matters listed, the Commissioner may revoke the innovation patent; s101F. The issue of a certificate of examination pursuant to s 101E is often referred to as “certification”.
21. Sections 67 and 68 address the term of standard and innovation patents respectively. Section 67 provides that the term of a standard patent is twenty years from the date of the patent. Section 68 provides that the term of an innovation patent is eight years from the date of the patent.
22. Section 65 provides that the “date” of a patent is either (a) the date of filing of the relevant complete specification; or (b) where the Regulations provide for the determination of a different date, the date determined under the Regulations. Regulation 6.3 provides the formula for calculating the date under the Regulations. Sub-regulation 6.3(7)(c) relevantly provides that the date of a patent granted on a divisional application made under s 79B(1) is the earliest of the date of the first-mentioned application referred to in s 79B(1) or, if the first-mentioned application was itself a divisional application, the date that would be the date if a patent had been granted on the divisional application.

Infringement provisions

1. Part 1 of Chapter 11 of the Act is entitled “Infringement and infringement proceedings”.
2. Section 120 relevantly provides:

**120 Infringement proceedings**

…

(1A) Infringement proceedings in respect of an innovation patent cannot be started unless the patent has been certified.

…

(4) Infringement proceedings must be started within:

(a) 3 years from the day on which the relevant patent is granted; or

(b) 6 years from the day on which the infringing act was done;

whichever period ends later.

1. The Act does not define an “infringement of a patent”. However, s 119(1) gives some assistance. It provides that a person may, without infringing a patent, do an act that exploits a product, method or process and would infringe the patent if, immediately before the priority date of the relevant claim, the person was either exploiting the product, method or process in the patent area, or had taken definite steps to do so. In this context, it is apparent that Parliament intends that a claimed invention will be infringed if it is “exploited” within s 13 unless the exception within s 119 applies; see Dufty A and Lahore J, *Lahore Patents, Trade Marks & Related Rights* (LexisNexis, subscription service) (***Lahore***) at [18,000]. An infringing act arises when the essential integers of claims are taken; see, for example, *Meyers Taylor Pty Ltd v Vicarr Industries Ltd* [1977] HCA 19; (1977) 137 CLR 228 (***Meyers Taylor v Vicarr***). Accordingly, leaving aside considerations arising under s 117 of the Act, an act of infringement requires an exploitation of the patent within the scope of at least one of the claims of the patent.
2. Section 122 relevantly provides:

**122 Relief for infringement of patent**

(1) The relief which a court may grant for infringement of a patent includes an injunction (subject to such terms, if any, as the court thinks fit) and, at the option of the plaintiff, either damages or an account of profits.

…

###### The arguments and reasoning in *Britax*

1. In *Britax*, the issue was the identification of the earliest date of infringement of both a standard patent and several innovation patents. For the standard patent, the terms of s 57 applied, and so relief for infringement was available from the date on which the patent became open for public inspection.
2. For the innovation patents different circumstances applied. Each had been filed as a divisional application on standard patent applications under s 79B(1) of the Act and, by operation of reg 6.3(c) the “date of the patent” for each was 9 June 2005, being the date on which the parent patent was filed.
3. In *Britax* the respondents argued that the relevant date for infringement of the (divisional innovation) patents in suit is not the date of the parent patent application but the date of certification of each innovation patent. They relied on s 120(1A) which provides that infringement proceedings cannot be started unless the patent has been certified. The respondents also argued that s 57 of the Act provides that in the case of a standard patent, the patentee has the benefit of a provisional retrospective ability to sue in respect of acts of infringement prior to grant. No analogous provision applies for innovation patents. Accordingly, s 13 of the Act must be construed as being “subject to” and operating consistently with the express provisions of ss 57 and 120(1A) and it is these sections – not s 13 – that give the time from which liability for infringement arises for both standard and innovation patents.
4. Justice Middleton rejected these arguments. He reasoned that s 13(1) provides that an innovation patent gives the patentee the exclusive rights to exploit the invention during the term of such a patent and the term of an innovation patent is eight years from the “*date of the patent*” determined pursuant to s 65. Accordingly, the commencement of the date of the patent is the date from which infringement is to be calculated, being (in that case) 9 June 2005.
5. In rejecting the respondents’ arguments, Middleton J first considered that the requirement that innovation patents must be certified prior to commencement of infringement proceedings was not intended by the legislature to mark the date from which rights in respect of innovation patents accrue. Rather, the requirement that innovation patents be certified serves to ensure that certain policy aims of the innovation patent system are met. At [17] his Honour noted (by reference to the Revised Explanatory Memorandum to the *Patents Amendment (Innovation Patents) Bill 2000* (Cth) at [101], [102] and the Outline to that Revised Explanatory Memorandum), that these aims include the need to facilitate the quick and convenient grant of patents that are not subject to extensive pre-grant review, while ensuring that proceedings are only commenced (after certification) in relation to meritorious innovation patents that meet the criteria set out in Ch 9A of the Act.
6. Secondly, his Honour considered that the absence of an analogous provision to s 57 for innovation patents did not mean that patentees of innovation patents can only obtain relief for acts upon grant of the patent. He said (emphasis in original):

13 The absence of an analogous provision in the Act to s 57 for innovation patents simply reflects the reality of the operation of the innovation patent system. As noted in my reasons for judgment on construction at [25] to [26], the innovation patent system was introduced in 2001, when it replaced the previous petty patent system. It was intended that innovation patents would provide a relatively “inexpensive, quick and easy” way to protect inventions of a lower inventive standard than standard patents, or those with a short commercial life: see Commonwealth, *Parliamentary Debates*, House of Representatives, 29 June 2000, at 18,583 (per Warren Entsch). A major feature of this new system was the grant of such patents without first undergoing time-consuming and costly substantive examination.

14 Accordingly, in practice there may be little or no difference between the time of filing an application for an innovation patent, publication of a complete specification and the grant of such a patent. Indeed, under s 62(2) of the Act, publication of an innovation patent request and complete specification typically *follows* the grant of such a patent. These two events – publication of a complete specification and grant of an innovation patent – may therefore occur at or around the same time. Recourse to the Revised Explanatory Memorandum to the *Patents Amendment (Innovation Patents) Bill 2000* (Cth) (the Bill) indicates that for this reason, the legislature deliberately decided not to have an analogous provision to s 57 in the Act for innovation patents, as there is no practical need. Previously, a comparable provision to s 57(1) had existed in relation to petty patents (set out in now-repealed s 57(2)). The Revised Explanatory Memorandum to the Bill relevantly provides:

***Item 28 – Subsection 57(2)***

45. This item repeals subsection 57(2) of the Patents Act consequential to the repeal of the petty patent system. The subsection deals with the publication of petty patents prior to grant. This provision will not apply to innovation patents because innovation patents will only be published after grant.

1. Thirdly, his Honour rejected the contention that the effect of his construction would give anomalous results in that divisional applications for both standard and innovation patents would have more extensive rights than their respective parent applications. The respondents’ submission in this context was that any patent filed as a divisional application upon a parent or grandparent patent application could have as its “*date of the patent*” a date that pre-dated the date upon which it became open for public inspection. Accordingly, in the case of these patents, the right to relief for infringement commenced earlier than permitted for non-divisional patents. In the case of standard divisional patents, this irrationally extended the rights for those patentees beyond those permitted under the conditional extension granted pursuant to s 57. In the case of divisional innovation patents, it produces a similar anomaly.
2. His Honour said at [21]:

21. … The Act and the Regulations together expressly provide for divisional patents (whether innovation or otherwise) to share the ‘date’ of their parent patent or parent patent application. I do not consider that this necessarily affords the divisional Innovation Patents in this proceeding “greater rights” than those of their parent patent application. Indeed, to some extent it may be said that the opposite is true for these divisional Innovation Patents: the fixed eight-year term of these patents started to run from an earlier date (namely, the date of the parent patent application) than might otherwise be the case for non-divisional innovation patents, and under the Act, there is no provision for obtaining an extension of the term of innovation patents. …

###### The arguments in present appeal

1. In the present appeal the appellants adopted overlapping arguments to those rejected in *Britax* although, unlike in *Britax*, the appellants contended that the correct date from which relief for an act of infringement may arise for an innovation patent is the date of grant, not the date of certification. They submitted that the primary judge erred in finding the appellants had infringed the claims of both Patents by conduct going back to 5 September 2005 (i.e. the date of patents) even though the Patents did not then exist and were not open for public inspection until December 2010 and September 2011. This, they submitted, produces a surprising and incorrect outcome.
2. In answer, the respondents adopted the reasoning in *Britax*.

###### Consideration

1. I consider that the date from which the respondents are entitled to relief for infringement of the Patents is the date of their grant, for the following reasons.
2. First, the language of Part 1 of Chapter 11 of the Act supports this conclusion. Section 120(1) provides that the patentee or an exclusive licensee may start “infringement proceedings” in a prescribed court, or in another court having jurisdiction. As noted, an act of infringement will arise where an act is done in respect of the exclusive rights conferred pursuant to s 13. The term “infringement proceedings” is defined in the Dictionary to mean proceedings for infringement of *“a patent”,* which means a patent as *granted* pursuant to either ss 61 or 62. The term “patentee”is defined to mean the person for the time being entered in the Register as the grantee or proprietor of a patent.
3. Subsection 120(1A) of the Act provides that infringement proceedings in respect of an innovation patent cannot be started unless the patent has been certified. There is no equivalent provision in relation to a standard patent.
4. Accordingly, whilst a patentee of a standard patent may commence proceedings upon the grant of the patent, the patentee of an innovation patent must not only have received the grant of the patent but also certification under s 101E of the Act.
5. Section 122(1) provides that the relief which a court may grant *for* infringement of *a patent* includes an injunction (subject to such terms, if any, as the Court thinks fit) and, at the option of the plaintiff, either damages or an account of profits. The words “*for* infringement of *a patent*” (emphasis added) signify that relief is available in respect of an act of infringement of a patent that conforms with the definition of that term. Namely, a standard or innovation patent that has had the benefit of a grant within ss 61 or 62.
6. Accordingly, the language of s 122(1) of the Act indicates that it is the grant of the standard patent that entitles the patentee to commence proceedings (s 120(1)), the grant and certification of the innovation patent that entitles the patentee of an innovation patent to commence proceedings for infringement (s 120(1A)) and the focus is upon “grant”. The relief which may be obtained is *for* the infringement of the granted patent (s 122(1)).
7. Secondly, the statutory expression in s 122(1) “relief… for infringement of a patent” must be properly understood. Infringement arises when all of the features of the invention as claimed are taken; *Meyers Taylor v Vicarr*. Infringement is in relation to the claims, which define the monopoly, not the patent at large. This lends support for the appellants’ contention that ss 13, 65, 68 and reg 6.3(7)(c) cannot be interpreted literally to give the patentee an enforceable monopoly in respect of an “invention”. The rights to relief can arise only when claims have been brought into existence.
8. In this context, s 40(2) of the Act requires that a complete specification end with claims defining the invention. A divisional application filed pursuant to s 79B(1) of the Act must also contain claims. That application may adopt as the “date of the patent” the date of the filing of complete specification of its parent or grandparent (reg 6.3(7)(c)). However, the claims of that divisional patent may be different to the claims of the parent. The construction of ss 13, 65 and 68 of the Act adopted in *Britax* leads to the result that an act of infringement may arise *before* any claims defining the infringement have been brought into existence.
9. Thirdly, I accept the appellants’ submission that the purpose of the combined operation of ss 13, 65, 68 and reg 6.3(7)(c) is to set limits to the window of time in which a patentee might obtain an enforceable right “subject” to the Act. This gives force to the opening words of s 13(1) by reference to the language of Chapter 11 and s 57. Several examples arise as to restrictions on the rights conferred pursuant to s 13. One is seen in the compulsory licence provision (s 133), which operates to derogate from or limit the exclusive rights conferred. Another is s 120(4), which provides a statutory limitation period, limiting the ability of a patentee (or exclusive licensee) to obtain relief in respect of infringing acts that occur during the term of the patent. Another arises in relation to s 57, to which I refer further below.
10. In my view, the language of s 122 provides a further example of a relevant restriction, which by implication is to limit the entitlement to relief for infringement of those rights to the date of grant. Section 122 is explicitly directed to the relief that a court may grant “for infringement of a patent”. Section 13 is in general terms, and is not specifically directed to relief. In my view the more specific provision subordinates the general, in circumstances where the general explicitly is expressed to be “subject to” the balance of the Act.
11. Fourthly, the construction adopted in *Britax* leads to the result that a person may be liable for the infringement of claims of some patents granted on divisional applications from a time before those claims were drafted or published. The construction that I prefer leads to the conclusion that the right of a patentee for relief for an act of infringement will be preceded by the grant of the patent and the publication of the specification and claims, regardless of whether the patent is based on a divisional application. The facts of the present case demonstrate such a position. In my view this approach is consistent with policy.
12. Disclosure of the invention to the public by the patentee is the consideration that the patentee gives for the grant by the crown of the monopoly. *Lahore* records at [5000]:

A patent is a temporary monopoly granted by the Crown to the patentee in return for the disclosure of the invention to the public in the patent specification. The term is derived from “Litterae Patentes” (letters patent), open letters so called because they were not sealed up but were exposed to view with the Great Seal attached to the bottom.

1. In *No-Fume Ltd v Frank Pitchford & Co Ltd* (1935) 52 RPC 231 at 243 in a passage cited with approval by the High Court in *Kimberly-Clark Australia Pty Ltd v Arico Trading International Pty Ltd* [2001] HCA 8; (2001) 207 CLR 1 at [25], Romer LJ said:

[I]n other words, [it is essential] that the patentee should disclose his invention sufficiently to enable those who are skilled in the relevant art to utilise the invention after the patentee’s monopoly has come to an end. Such disclosure is, indeed, the consideration that the patentee gives for the grant to him of a monopoly during the period that the patent would run. …

1. The dual purpose of the claims was succinctly summarised by Gummow J in *Rehm Pty Ltd v Websters Security Systems (International) Pty Ltd* (1988) 81 ALR 79; (1988) 11 IPR 289 (***Rehm***) at 94-95 (where his Honour was addressing the *Patents Act 1952* (Cth)) (emphasis added):

… As s 40 itself indicates, the task of the body of the specification is fully to describe the invention including the best method of performing it known to the applicant. The description primarily is addressed to “all and sundry who may wish to construct the device after the patent has expired”: *Ludlow Jute Co Ltd v Low* (1953) 70 RPC 69 at [76]. **The function of the claims is to define the invention and mark out the ambit of the patentees’ monopoly, and primarily is addressed to potential rivals**: see generally Fox H G, *Canadian Law and Practice Relating to Letters Patents for Inventions*, 4th ed, pp 165-6, 193-6.

1. In *Clorox Australia Pty Ltd v International Consolidated Business Pty Ltd* [2006] FCA 261; (2006) 68 IPR 254, Stone J said that:

18. … The patentee must define the invention with sufficient precision to permit the monopoly to be determined and allow the general public to identify from the words of the claims the conduct prohibited: *British United Shoe Machinery Co Ltd v A Fussell & Sons Ltd* (1908) 25 RPC 631 at 650-651. The public are entitled to be able to design around the monopoly claimed in a patent and therefore they must be able to determine reliably the scope of the claims: *Beloit Technologies Inc v Valmat Paper Machinery Inc* [1895] 24 RPC 705 at 720.

See also; *Danisco A/S v Novozymes A/S (No 2)* [2011] FCA 282; (2011) 91 IPR 209 at [37] (not relevantly reversed on appeal); *Apotex Pty Ltd v AstraZeneca AB (No 4)* [2013] FCA 162; (2013) 100 IPR 285 at [231] per Jagot J; *Apotex Pty Ltd v Sanofi-Aventis Australia Pty Ltd (No 2)* [2012] FCAFC 102; (2012) 204 FCR 494 at [43] per Keane CJ for similar statements.

1. The purpose of the claims is accordingly to define the invention, and mark out the ambit of the monopoly for the public, including trade rivals. This may notify rivals of the territory which is forbidden so that they can avoid or design around the scope of the monopoly. The significance of the complete specification becoming open to public inspection forms a necessary part of that purpose; until it becomes so open, trade rivals are unable to see the claims or to understand the scope of the monopoly asserted.
2. Fifthly, the continuation of this policy rationale on the part of the legislature is apparent from the language of s 57 of the Act.
3. The language of s 57(1) reflects an assumed state of affairs (emphasis added).

**57 Effect of publication of complete specification**

(1) After a complete specification relating to an application for a standard patent has become open to public inspection and until a patent is granted on the application, the applicant has the same rights as he or she would have had if a patent for the invention had been **granted** on the day when the specification became open for public inspection.

1. The balance of s 57 provides protection to potential infringers:

**57 Effect of publication of complete specification**

…

(3) Subsection (1) does not give the applicant a right to start proceedings in respect of the doing of an act unless:

(a) a patent is granted on the application; and

(b) the act would, if done after the grant of the patent, have constituted an infringement of a claim of the specification.

(4) It is a defence to proceedings under subsection (1) in respect of an act done:

(a) after the complete specification became open to public inspection; and

(b) before the patent request was accepted:

if the defendant proves that a patent could not validly have been granted to the applicant in respect of the claims (as framed when the act was done) that are alleged to have been infringed by the doing of the act.

1. Accordingly, the position under s 57 serves to give provisional retrospective entitlement to relief in respect of acts prior to grant, but only upon grant and only where the conditions of ss (3) and (4) are satisfied. A potential infringer has the opportunity to scrutinise the claims of the patent application once it becomes open for inspection. It may seek to work around the claims or conclude that the claims of the patent, if granted, would be invalid and accordingly proceed with its planned conduct. In each case, the policy considerations relevant to the drafting of claims are preserved by the operation of s 57.
2. Section 57 also tends to confirm that the construction advanced by the appellants is preferable. The assumption within the language of s 57(1) is that but for the exception provided therein, no relief for infringement is available prior to grant. Where retrospective relief is permitted prior to the date of grant, the protections identified in ss (3) and (4) are available.
3. Sixthly, on the construction adopted in *Britax*, a patentee of a divisional standard patent would be able to secure relief in respect of a period prior to publication if based on a parent or grandparent. Section 57 does not, by its terms, prevent a patentee of a standard patent granted on a divisional application from obtaining relief prior to the date upon which the application first became open to public inspection. This would provide such a patentee with greater rights for a patent based on a divisional application. If such additional rights were contemplated, I would expect that the Act would have more explicitly provided for that circumstance. No policy rationale is apparent for such an approach. I consider this anomaly to be an indication that the result of the construction adopted in *Britax* is not intended.
4. Seventhly, s 57 does not apply to innovation patents at all (whether granted on divisional applications or otherwise). In *Britax*, the Court relied on the fact that the amendments that introduced into the Act the innovation patent did not include a reference to innovation patents within s 57. Section 57(2) had provided an equivalent provision for petty patents, so that a patentee was able to sue in respect of acts of infringement upon the specification becoming open to public inspection. Section 57(2) was removed with the introduction of the innovation patent system. The Court found that by deciding not to include innovation patents within s 57, Parliament had deliberately decided that the date in respect of which an act of infringement could be the subject of suit was the date of the patent.
5. In this regard Middleton J drew upon the Revised Explanatory Memorandum to the *Patents Amendment (Innovation Patents) Bill 2000* (Cth). The Revised Explanatory Memorandum said, in respect of that change (emphasis added):

**Item 28 – Subsection 57(2)**

46. This item repeals subsection 57(2) of the Patents Act consequential to the repeal of the petty patent system. The subsection deals with the publication of petty patents prior to grant. **This provision will not apply to innovation patents because innovation patents will only be published after grant.**

1. In my view, contrary to his Honour’s finding, the final sentence of that paragraph supports the view that I have taken. As noted above, an innovation patent is accepted swiftly after a “formalities check” and then the complete specification is granted and made open to public inspection in the one step. No pre-grant opposition is available. There is no need for the exception provided by s 57. Substantive consideration of the specification only takes place upon certification. By contrast, a standard patent is not accepted by the Commissioner of Patents until after it has undergone a substantive examination, and then may be subject to potentially lengthy grant opposition. Under the Act before it was amended, a petty patent was also subject to a substantive examination before acceptance (former s 50). The Revised Explanatory Memorandum records (at 1, 5) that in deciding to abolish the petty patent the legislature had elected to remove the step of substantive examination before grant so as to speed up the progression of a second tier patent to grant.
2. Section 57 provides a means by which the patentee upon a granted patent may seek relief dating from the date when the complete specification became open for public inspection, once the patent is granted. Given the substantive changes made to the system by abolishing petty patents and introducing innovation patents in their stead, the ameliorative effects of s 57 were not required for innovation patents. In my view the premise of the conclusion in *Britax* is that, in the absence of s 57, the right to relief for infringement accrues from the date of the commencement of the term of the patent. For the reasons set out above, that view is not, with respect, supported by the language of Part 1 of Chapter 11 of the Act.
3. Further, in *Britax* the Court rejected a submission that its construction would give to divisional applications more extensive rights than their respective parent applications (at [21]).
4. However, the interpretation adopted in *Britax* reflects a dramatic shift in the policy underlying the grant of substantive rights pursuant to the Act. It leads to the unattractive result that the owner of a divisional innovation patent may file a divisional application upon a much older standard patent and then sue for acts of infringement that took place well before the invention was defined in any claims. I would expect such a policy shift to have been clearly forecast in the language of the Act and in the secondary materials. No such shift is signalled in either.
5. Finally, the appellants raise the operation of s 129A as another example of an anomalous result. They submit that the *Britax* construction yields the result that the patentee may sue for infringing acts committed prior to certification but may not threaten infringement proceedings in respect of those acts prior to certification. I consider that this provides a further example of a consequence of the construction adopted in *Britax* which produces an anomalous result that is avoided by the construction that I have preferred.
6. Accordingly, I respectfully disagree with the conclusion reached in *Britax* and find that the relevant date for determining infringement of an innovation patent under the Act is the date of grant for the patent in suit.

###### Date of infringement – Ground 1

1. In ground 1 of the appeal, the appellants contend that the primary judge erred in finding that the appellants had infringed the claims of the Patents in the period from 5 September 2005 to the date of grant, in circumstances where neither of those patents were on the patent register during this period.
2. The System Patent was filed on 2 December 2010 and was granted on 16 December 2010. The Method Patent was filed on 16 August 2011 and granted on 15 September 2011. On the construction that I have adopted, the first date upon which the patentee was entitled to relief was the date of grant. Accordingly, to the extent that the primary judge concluded that the relevant date was earlier, I allow ground 1 of the appeal.

###### Innocent infringement – Ground 2

1. In ground 2 of the appeal, the appellants contend that the primary judge erred in finding that the defence to innocent infringement could not be made out during the period prior to the grant of the patents in suit.
2. Subsection 123(1) provides:

(1) A court may refuse to award damages, or to make an order for an account of profits, in respect of an infringement of a patent if the defendant satisfies the court that, at the date of the infringement, the defendant was not aware, and had no reason to believe, that a patent for the invention existed.

1. In this connection, the requisite knowledge is of “a patent for the invention”, “patent”, being a granted patent, and “the invention” being the invention as claimed in that patent (as I have noted, an invention can only be infringed if all of the features of the invention as claimed have been taken by the infringing act).
2. The primary judge found at [420] (emphasis added):

In relation to innocent infringement, the onus is on the respondents to show that, at the date of infringement, they were not aware and did not have reason to believe that a patent for the invention existed. This defence has no prospect of success. The respondents were informed promptly of the existence of the Patents at the time that those Patents were granted and, **in respect of the period prior to grant**, they were aware of the existence of the earlier patent applications on which the applicants’ claim for the relief depends.

1. I have found that a defendant cannot infringe an innovation patent in respect of acts done before it is granted. That is sufficient to dispose of ground 2 in favour of the appellants.
2. However, regardless of this conclusion, I would have found in favour of the appellants on this ground. A defendant cannot be aware of a patent, let alone the invention as claimed in the claims of a patent, before it is brought into existence.
3. The complete specifications of the Patents were filed on 2 December 2010 (System Patent) and 16 August 2011 (Method Patent). It was not until the Patents were granted on 16 December 2010 and 15 September 2011 that the complete specification of each became open for public inspection. Prior to those dates the appellants had no means of knowing that “a patent for the invention existed”.
4. In the present case it was not in dispute that the first date upon which the appellants were aware of the Patents was when they were notified by AMC that they had been filed in October 2011. It was from that date that the defence of innocent infringement ceased to be available.

###### Claim for additional damages – Ground 3

The arguments

1. In ground 3 the appellants contend that the error made in determining the date from which infringement occurred permeates the reasoning of the primary judge in his assessment of additional damages pursuant to s 122(1A) of the Act. This is said to be apparent from [428] of his Honour’s reasons, which summarised earlier conclusions reached by the primary judge concerning the conduct of the appellants well before the date of grant.
2. The respondents submit in answer that the primary judge correctly took into account a continuum of the appellant’s conduct running from prior to the date of grant and throughout the trial. They draw particular attention to the primary judge’s findings at [386] to the effect that Mr Kleyn had falsely claimed to have transferred proprietary rights to the ORIshot Tool to Coretell (a company of no assets) from Mincrest (a company with assets) in November 2006. His Honour found at [386] that this was a recent invention tailored for the purposes of this litigation. The respondents also submit that s 122(1A)(e) enabled the Court to take into account all relevant matters, which include those findings.

Consideration

1. Subsection 122(1A) provides:

**122 Relief for infringement of patent**

…

(1A) A court may include an additional amount in an assessment of damages for an infringement of a patent, if the court considers it appropriate to do so having regard to:

(a) the flagrancy of the infringement; and

(b) the need to deter similar infringements of patents; and

(c) the conduct of the party that infringed the patent that occurred:

(i) after the act constituting the infringement; or

(ii) after that party was informed that it had allegedly infringed the patent; and

(d) any benefit shown to have accrued to that party because of the infringement; and

(e) all other relevant matters.

1. This ground of appeal must be understood in the context of the litigation as a whole. At an early stage in the proceedings, interlocutory orders were made separating the issues of liability for infringement from the issue of quantum of any damages, in the event that infringement was found. As his Honour observed at [429], his findings on the subject of additional damages went to entitlement to such relief. The more nuanced question of quantum, which is assessed by reference to the factors identified in s 122(1A), is yet to be resolved.
2. Before the primary judge, the respondents contended that the appellants engaged in multiple acts of infringement over a number of years going back to September 2005. For the reasons previously explained, there could be no infringement before 16 December 2010, when the System Patent was granted.
3. The primary judge found at [428]-[429]:

[428] I consider that the infringement was flagrant. I accept that the conduct after becoming aware of the allegation of infringement, which has been outlined above, was an artificial contrivance perpetuated through the course of the trial at considerable length. The benefit of the infringement in the sales of the ORIshot Tool have been significant. The credibility and conduct of Mr Kleyn and, therefore, the respondents generally, on the topics in issue would certainly not assist the respondents in resisting an award of additional damages.

[429] Beyond reiterating those observations, which do no more than restate conclusions and findings that I have already made, the applicants would be entitled to an award for additional damages, but, again, the resolution of this would be deferred to any hearing of quantum.

1. It is clear from those paragraphs that the primary judge considered that the infringements alleged against the appellants were flagrant and that there were other matters that would justify an award of additional damages pursuant to s 122(1A). It seems likely that the flagrancy finding made was affected by his Honour’s mistaken view that the appellants commenced to infringe some years prior to the grant of the System Patent in September 2005.
2. The question whether the appellants’ infringements were flagrant should therefore be reconsidered by the primary judge when his Honour assesses damages. Nothing I have said is intended to suggest that a finding of flagrancy may not be open in this case.
3. As to Mr Kleyn’s evidence concerning the alleged transfer of proprietary rights in the ORIshot Tool from Mincrest to Coretell, I do not accept that this was not an irrelevant matter. His Honour was entitled to have regard to Mr Kleyn’s conduct in giving such evidence under s 122(1A)(e) and perhaps also s 122(1A)(c). The weight to be given to those matters in assessing the quantum of any additional damages that may be awarded is yet to be determined.

##### ACCESSORIAL LIABILTY – GROUND 6

1. In ground 6 of their appeal, the appellants contend that the primary judge erred in finding that Mincrest (second appellant and second respondent below) and Kleyn Investments (fourth appellant and fourth respondent below) were liable for direct and indirect infringement. This ground is also said to turn upon the findings as to the relevant date from which infringement can occur.

###### Kleyn Investments

1. The point on appeal insofar as it concerns Kleyn Investments is concerned may be addressed briefly. Having regard to a detailed analysis of its conduct, his Honour found that Kleyn Investments had been involved in a common design with the other corporate respondents sufficient to lead to the conclusion that they had each directly and indirectly infringed each of the System Patent and the Method Patent. The acts of infringement were found to have continued after 16 December 2010 and until the expiry of the Patents on 5 September 2013. These findings are sufficient to warrant his Honour’s conclusion that Kleyn Investments is liable for patent infringement, even allowing for my finding that the first date upon which the Patents could be infringed was on 16 December 2010 and 15 September 2011 respectively for the System and Method Patents. The question of the quantum of Kleyn Investment’s liability for activities after those dates remains to be determined following the hearing on pecuniary relief.

###### Mincrest

The arguments

1. The position in relation to Mincrest is less straightforward.
2. The appellants submit that by a statement of agreed facts dated several weeks before the commencement of the hearing before the primary judge, it was agreed that Mincrest ceased trading in approximately February 2010 (**agreed fact**). That agreement was recorded in the judgment at [57]. The appellants submit that had the primary judge addressed the liability of Mincrest having regard to infringing activities that took place only after the grant of the patents in suit (in December 2010 and September 2011), then his Honour was bound to find that Mincrest was not liable, because by then Mincrest had ceased to trade.
3. The respondents submit that the primary judge considered the whole of the evidence in relation to Mincrest and concluded that the purported transfer of the assets of Mincrest to Coretell was a sham and a recent invention for the purposes of the litigation. His Honour found not only that Mincrest had continued to be involved in dealings with the ORIshot Tool after November 2006 (when Mr Kleyn’s evidence was that he began ostensibly trading through Coretell), but that there was no effective assignment of the interests of Mincrest, and that Mincrest continued even at the date of judgment to own the intellectual property in the ORIshot Tool and any associated assets. Accordingly, the respondents submit that in the circumstances, his Honour was correct to set to one side the agreed fact and decide the matter on the weight of the evidence.

Consideration

1. The primary judge made a series of findings of fact that led to the conclusion at [392] that there was no effective assignment from Mincrest. It was these findings that resulted in his conclusion that Mincrest was liable as an accessory. His Honour’s conclusion at [392] follows detailed consideration of a number of factual matters raised below by the respondents and involved credit findings against Mr Kleyn (for example [383], [386] – [387], [396], [398]). His Honour was left (emphasis added):

371. … with the strong impression that the Notional Assignments [being assignments of assets which were alleged to infringe the patents in suit] **were totally defective** and that they were indeed simply concepts thought up after the event in order to minimise exposure if patent liability was established.

He concluded that it was clear on the evidence that Mincrest continued up until trial to be involved in dealing with ORIshot. His Honour found that in the absence of any effective assignment, all of the intellectual property rights and other assets continue to be held by Mincrest and that Mincrest entered into a distributorship agreement with DHS in November 2011. He concluded that each of the corporate respondents has authorised, procured, induced and used or engaged in a common design with customers to use the ORIshot Tool thereby indirectly infringing each of the System and Method Patents.

1. Section 191 of the *Evidence Act 1995* (Cth) provides:

**191 Agreements as to facts**

(1) In this section:

***agreed fact*** means a fact that the parties to a proceeding have agreed is not, for the purposes of the proceeding, to be disputed.

(2) In a proceeding:

(a) evidence is not required to prove the existence of an agreed fact; and

(b) evidence may not be adduced to contradict or qualify an agreed fact;

unless the court gives leave.

(3) Subsection (2) does not apply unless the agreed fact:

(a) is stated in an agreement in writing signed by the parties or by Australian legal practitioners, legal counsel or prosecutors representing the parties and adduced in evidence in the proceeding; or

(b) with the leave of the court, is stated by a party before the court with the agreement of all other parties.

1. The document recording the agreed fact purported to be a statement of agreed facts of the kind referred to in s 191. The Court was informed that the statement of agreed facts was filed but not adduced in evidence. Nor was the statement of agreed facts signed by the parties’ legal representatives. It follows that neither of the requirements imposed by s 191(3)(a) was satisfied in this case and s 191 was never engaged.
2. The parties’ failure to ensure that the requirements of s 191 were complied with is significant. Had the document been signed and adduced into evidence as required by s 191(3)(a), it would not have been open to either party to adduce any evidence to contradict or qualify the agreed fact without the leave of the Court. But in circumstances where s 191(3) was not engaged, the leave requirement in s 191(2) did not apply. It was therefore open to the primary judge to decide the case against Mincrest on the evidence as a whole rather than on the basis of an agreed fact that was inconsistent with other evidence.
3. Accordingly, I reject the appeal insofar as it concerns the position of Mincrest.

##### INVALIDITY – EXTERNAL FAIR BASIS AND PRIORITY DATE – GROUNDS 15 AND 16

###### Introduction

1. Grounds 15 and 16 of the appeal concern what is often called “external fair basis” and novelty. The appellants contend that the priority date should be found to be deferred to after 3 September 2004. If that is so, then it is common ground that the Patents are invalid in view of the publication of the **ACT Tool** (the tool which has been developed and commercialised by AMC for the orienting of core samples, described in the evidence as the ACT Tool or Ace Core Tool). As noted above, the Patents are divisional applications. It is not in issue that, as his Honour found at [440] – [443], any allocation of a priority date based on the Provisional Application arises by operation of ss 43 and 79B of the Act and reg 3.12 of the Regulations. The broad question is whether the claims of the patents in suit are fairly based on the matters disclosed in the Provisional Application.
2. The appellants contend first, that the primary judge made a finding that the claims of the System Patent and the Method Patent are not limited to an orientation device in which the components are present in one physical unit but encompass multi-component tools. Having done so, they submit that his Honour erred in finding that those claims were fairly based on the disclosure of the Provisional Application because, properly construed, that Application disclosed an invention limited to single unitary device (**unitary device argument**).
3. Secondly, the appellants contend that the primary judge erred in holding that the “fifth aspect of the invention” referred to in the Provisional Application provided an adequate disclosure of the invention claimed in the System Patent, because that aspect defines the invention by reference to function only, and not by reference to any device at all (**functional disclosure argument**).
4. Thirdly, the appellants contend that the primary judge erred in finding that there was sufficient disclosure in the Provisional Application of a device or method involving holding a core sample “in fixed relation to the inner tube”, when the Provisional Application included no reference to such a feature or function (**held in fixed relation argument**).
5. The respondents answer these allegations by relying, in particular, upon the disclosure of the fifth embodiment of the invention in the context of the disclosure of the provisional specification as a whole.

###### The relevant law

1. Subsection 43(2) of the Act provides that the priority date of a claim is either the date of filing of the specification or, where the Regulations provide for the determination of a different date as the priority date, the date determined under the Regulations. As noted, the Patents were filed as divisional applications pursuant to the terms of s 79B of the Act.
2. Regulation 3.12 relevantly provides:

**3.12 Priority dates generally**

(1) Subject to regulations 3.13 and 3.14 and subregulation (2), the priority date of a claim of a specification is the earliest of the following dates:

(a) the date of filing of the specification;

(b) if the claim is fairly based on matter disclosed in 1 or more priority documents, the date of filing the priority document in which the matter was first disclosed;

(c) if the specification is a complete specification filed in respect of a divisional application under section 79B of the Act and the claim is fairly based on matter disclosed in the specification referred to in paragraph 79B (1) (a) of the Act — the date mentioned in subregulation (2C);

…

…

(2C) The date for a specification to which paragraph 3.12 (1) (c) applies is the date that would have been the priority date of the claim if it had been included in the specification referred to in paragraph 79B (1) (a) of the Act.

…

1. There is a nuanced difference between the test for fair basis arising under s 40(3) of the Act and the test for determining priority dates pursuant to reg 3.12(1) above. The latter requires that the claim be “fairly based on matter *disclosed* in the specification” and the former requires that the claim described be “fairly based on *the* matter *described* in the specification” (emphasis added). A Full Court of this Court succinctly stated the practical effect of the difference in *Multigate Medical Devices Pty Ltd v B Braun Melsungen AG* [2016] FCAFC 21; (2016) 117 IPR 1 at [189] (citations omitted; italics in original):

… There are two linguistic differences in the phrase used for external fair basis. First, the definite article is omitted. Second, the reference is to what is *disclosed* rather than what is *described*. So, the absence of the definite article makes it plain that external fair basis can arise if some *part* of the overall disclosure made in the prior specification discloses the relevant matter.… Further, the use of “disclosed” rather than “described” connotes greater flexibility in the test for external fair basis in terms of ascertaining from the prior specification the requisite disclosure.

1. Whilst one must bear in mind this nuance, otherwise, the test for external fair basis is essentially the same as that set out definitively in *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* [2004] HCA 58; (2004) 217 CLR 274 (***Doric No 1***), where the High Court held that the requirement that a claim or claims be fairly based on matter described in the specification within s 40(3) of the Act requires a “real and reasonably clear disclosure” of what is claimed. At [69] the High Court referred with approval to the following passage in the judgment of Gummow J in *Rehm* at 95:

The circumstance that something is a requirement for the best method of performing an invention does not make it necessarily a requirement for all claims; likewise, the circumstance that material is part of the description of the invention does not mean that it must be included as an integer of each claim. Rather, the question is whether there is a real and reasonably clear disclosure in the body of the specification of what is then claimed, so that the alleged invention as claimed is broadly, that is to say in a general sense, described in the body of the specification.

1. The relevant inquiry is to ascertain what that patentee discloses to be the invention, which involves consideration of the whole document. The fact that some words in the specification match the claims in what is referred to as a “consistory clause” will not be determinative. As the High Court said in *Doric No 1* at [99]:

… the correct position is that a claim based on what has been cast in the form of a consistory clause is not fairly based if other parts of the matter in the specification show that the invention is narrower than that consistory clause. The inquiry is into what the body of the specification read as a whole discloses as the invention [*Welch Perrin & Co Pty Ltd v Worrel* (1961) 106 CLR 588 at 612-613]. An assertion by the inventor in a consistory clause of that of which the invention consists does not compel the conclusion by the court that the claims are fairly based nor is the assertion determinative of the identity of the invention. The consistory clause is to be considered by the court with the rest of the specification.

###### The Provisional Application

1. The Provisional Application is entitled “Core Sample Orientation”. The field of the invention is said to relate generally to identification of core sample orientation and, more particularly, to an orientation device for providing an indication of the orientation of a core sample relative to a body of material from which the core has been extracted. It also relates to a method for achieving this.
2. The “Background Art” section explains that core samples are obtained through a core drilling operation during which a core is generated using a core drill which consists of outer and inner tube assemblies. A cutting head is attached to the outer tube assembly. During a drilling operation, the core progressively extends along the inner tube. When a sample is required, the core is fractured from the base material and retrieved from the drill hole. Once out of the hole, the sample may be removed and subjected to analysis.
3. The “Background Art” section goes on to explain that typically the core drilling is performed at an angle to the vertical, making it desirable to have an indication of the orientation of the core sample relative to the base material from which it was extracted.
4. Prior art orientation devices are then described. One common method used is an “orientation spear” comprising a marker, such as a crayon, projecting from one end of a thin steel shank attached to a wire. It is lowered down the drill hole and, because of gravity, it leaves a mark on the core on the lower side of the drill hole. The inner tube assembly is then introduced into the outer tube, a core is extracted, and the mark left by the crayon is used to orient the core sample.
5. Other orientation devices are referred to. The “Background Art” section concludes by observing that the present invention seeks to provide a core orientation device which does not require a physical mark to be applied to the core.
6. There follows a section entitled “Disclosure of the Invention”. It was this section that attracted most attention during argument. Five aspects of the invention are described. The first four concern a device. It suffices for present purpose to set out the first aspect:

According to a first aspect of the invention there is provided an orientation device for providing an indication of the orientation of a core sample relative to a body of material from which the core has been extracted, the orientation device comprising means for determining and storing the orientation of the device at predetermined time intervals relative to a reference time, means for inputting a selected time interval, means for relating the selected time interval to one of the predetermined time intervals and providing an indication of the orientation of the device at the selected time interval.

Such an orientation device is typically attached to an inner tube assembly of a core drill and is fixed against rotation relative thereto. For this purpose, the orientation device according to the invention preferably includes means for attachment to the inner tube assembly.

Preferably, the orientation device further includes means for comparing the orientation of the device at the selected time interval to the orientation of the device that [sic, at] any subsequent time and providing an indication of the direction in which the device should be rotated in order to bring it into an orientation corresponding to the orientation of the device at the selected time.

1. The appellants emphasise the reference in the singular to “an orientation device” which has a number of “means” all of which are parts of a single device. Variations of the orientation device are addressed in the second to fourth aspects of the invention.
2. The “Disclosure of the Invention” section concludes with the fifth aspect of the invention (numerals have been added for convenience):

According to a fifth aspect of the invention there is provided a method of providing an indication of the orientation of a core sample relative to a body of material from which the core sample has been extracted, the method comprising: (1) drilling a core sample from a body of material with a core drill having an inner tube assembly; (2) recording the orientation of the inner tube at predetermined time intervals with reference to an initial reference time during said drilling; (3) recording the specific time interval beyond the reference time at which the core sample was separated from the body of material; (4) removing the inner tube assembly and core sample contained therein from the body of material; and (5) relating the recorded specific time to the recorded time intervals to obtain an indication of the orientation of the inner tube and consequently the core contained therein at the specific time interval.

Preferably, the method according to the invention is performed using an orientation device attached to the inner tube assembly, the orientation device being in accordance with either the first or second aspect of the invention.

1. It is notable that this aspect is expressed in broad, functional terms. The description is not limited to the manner in which the method may be carried out, although the use of a core drill having an inner tube assembly is required. Unlike the first four aspects described, the use of particular “means” is not identified.
2. After describing the method, it is noteworthy that the further paragraph quoted above, begins with the word “[p]referably”. This choice of language signifies that the method may or may not be performed using an orientation device attached to the inner tube assembly, such device being in accordance with either the first or second aspect.
3. It is clear from these paragraphs that the method so described is not constrained to be performed by any particular orientation device, as described in aspects one, two, three or four. No language in the fifth aspect mandates such an approach. The language in the final paragraph beginning with “[p]referably” tells against such a construction.
4. The specification then includes a section which refers to Figures 1 – 6 which are included in the Application, and describes, at length, what the inventor considered to be the best method for carrying out the invention. The section commences by observing that the *embodiment* shown in the drawings is directed to an orientation device for use with a core drill in order to provide an indication of the orientation of a core sample obtained in a core drilling operation.
5. The section describes a device which comprises an outer drill assembly (13) and an inner tube assembly (15) of “generally conventional construction” (I note that this, and similar references, adopt significance in the context of the “held in fixed relation” argument). The inner tube assembly (15) comprises upper and lower parts (15a) and (15b). The upper part has bearings (16), with the portion above the bearings being rotatable with the outer tube assembly, and the portion below the bearings being restrained against rotation because of its fixed frictional engagement with the core sample. The orientation device (10) “according to this embodiment” is incorporated in the inner tube assembly between the upper and the lower parts. This arrangement is depicted in Figure 1 which is set out below:



1. A number of other parts of the arrangement of the embodiment are then identified. In describing the component parts of the orientation device, the specification identifies the particular means by which this embodiment achieves the orientation.
2. The orientation device includes a triaxial accelerometer means comprising three internal silicon accelerometers pointing in orthogonal directions X, Y and Z. The three accelerometers measure components of the earth’s gravitational field. By mathematically transforming the outputs from the three accelerometers, the orientation of the device about its longitudinal axis can be determined. More particularly, signals produced by the triaxial accelerometer means are transmitted to a microcontroller. When the orientation device is operating, the orientation of the device is determined at regular intervals by a timer which is stored in a memory. In this way the orientation of the device is recorded and corresponds to the orientation of the lower part (15b) of the inner tube assembly (15) which in turn corresponds to the orientation of the core sample which is progressively entering the inner tube assembly, as the lower part (15b) does not rotate relative to the core sample.
3. The specification describes that once the orientation device has been started time duration is typically recorded by way of a timer such as a stopwatch. The inner tube assembly is inserted into the drill hole and core drilling operations commence. When the core is to be extracted, the operator records the time elapsed. He or she then initiates the procedure for breaking the core from the body of the material, ensuring that no rotation of the inner tube assembly occurs.
4. When the core is retrieved, a display on the orientation device is operated to give a graphical indication of the direction in which the orientation device and lower part (15b) of the inner tube should be rotated in order to bring the core into an orientation corresponding to its orientation at the time when it was in the ground. It can then be marked for analysis.
5. The following paragraph appears on the final page of the Provisional Application:

From the forgoing, it is evident that the present invention provides an orientation device which does not require physical marking of a core sample prior to extraction thereof from the ground. Indeed, the orientation device according to the embodiment is particularly convenient for an operator to use. All that is required is for the operator to start the orientation device prior to the inner tube assembly 15 being inserted into the drill hole, and contemporaneously start a timer for recording the time duration before the drilling operation ceases to allow the generated core sample to be retrieved.

###### The Claims in issue

1. For the purposes of this appeal, it is sufficient to set out claim 1 of each of the System Patent and the Method Patent (emphasis added):

*Claim 1 – 356 System Patent*

A core orientation system for use with a core drill, the core drill having an inner tube, the system comprising:

means for providing signals associated with the physical orientation of the inner tube of the core drill during drilling;

means for measuring a time measurement indicative of the time during drilling when the core sample is detached from the body of material from which it is taken **and held in fixed relation to the inner tube**;

input means for inputting the time measurement into the system;

one or more processing means for processing the signals to produce data indicative of the orientation of the inner tube;

one or more processing means for processing the data produced and the inputted time measurement to produce an indication of the orientation of the core sample relative to the material from which it is detached; and

display means for the indication of the orientation of the core sample relative to the material from which it is detached.

*Claim 1 – 041 Method Patent*

A method of providing an indication of the orientation of a core sample relative to a body of material from which the core sample has been extracted, the method comprising:

drilling a core sample from a body of material with a core drill having an inner tube;

recording the orientation of the inner tube at predetermined time intervals during the said drilling, the time intervals being referable to an initial reference time;

inputting the specific time beyond the reference time representative of when the core sample was separated from the body of material;

removing the inner tube, with the core sample **held therein in fixed relation to it**, from the body of material;

relating the inputted specific time to the recorded time intervals to obtain an indication of the orientation of the inner tube and consequently the core contained therein at the specific time; and

providing the indication.

###### The Unitary Device Argument

1. The appellants contend that properly construed, the Provisional Application describes a single “unitary” device that is referred to throughout the Application as the “orientation device”. They contend that the disclosure of the specification does not extend to a mechanism for the determining the orientation of the core sample that is made of a two (or more) part device which is not unitary. There is no dispute, and was no dispute at trial, that the claims of the Patents do not disclose any limitation that requires the device used to be of unitary construction.
2. Argument centred primarily upon the fifth aspect of the invention. The appellants contend that when that aspect is read in the context in which it appears, including the reference to the first to fourth aspects, the skilled reader is compelled to the conclusion that the inventor discloses only a unitary device, with that device being utilised in the performance of the method described in the fifth aspect. This, the appellants contend, reflects a correct approach to the construction of the invention for the purposes of fair basis as required in *Doric No 1*. The appellants draw attention also to the paragraph appearing on the final page of the Provisional Application (quoted above at [154]), where the inventor refers to the invention providing “*an* orientation device”. This, the appellants contend, demonstrates that the inventor did not disclose more than a single device, an embodiment of which is described in the detailed description of the best method and the components of which are described by reference to aspects one to four.
3. I do not agree with this analysis. When the invention is read as a whole, in order to understand the sense of its disclosure, it is my view that the invention is described to extend beyond the particular device described. It includes a method disclosed by reference to function. In particular, the disclosure of the fifth aspect of the invention is not confined in the manner for which the appellants contend. As a matter of language, the fifth aspect describes a method that employs a core drill having an inner tube assembly, but otherwise provides no constraint on the five functional steps to which the method refers. Nothing in the paragraph setting out the fifth aspect suggests that the method is confined to the use of a device as set out in the earlier aspects. The paragraph that immediately follows the description of the fifth aspect indicates, as I have observed above, that the inventor considered it to be preferable, but not essential, that the method be performed using an orientation device of the type described in the first two embodiments. Nor, in my view, does the detailed description of the best method provide any language to suggest that the invention is to be understood as confined to a device embodiment. Indeed, that section is particular in emphasising that it describes only an “embodiment”.
4. I have observed above that, as the High Court noted in *Doric No 1*, a broad statement of the invention made by the inventor may be sufficient to provide fair basis for the claims, although it is open to the Court to find that a claim which is based on what has been cast in the form of a consistory clause will not be fairly based if other parts of the matter in the specification show that the invention is narrower than that clause; *Doric No 1* at [99]. I have been unable to detect in the content of the specification a suggestion that the invention is narrower than that described in the fifth aspect. Whilst the appellant draws attention to the paragraph (quoted above) on the final page of the specification, I do not consider that, properly construed, that paragraph is to be understood as confining the disclosure of the invention to “an orientation device only”, and not the broader method set out in the fifth aspect. The statement in the first sentence of the paragraph that the invention “provides an orientation device” is plainly correct, but it does not limit the disclosure to that orientation device (singular) alone.
5. The learned primary judge observed at [450] – [453] that the fifth aspect contains no reference, be it unitary or otherwise, to the use of any particular orientation device. He found no assertion within the specification that limits the invention to only one particular way of achieving the invention. For the reasons that I have set out, I agree with that conclusion.

###### The functional disclosure argument

1. The functional disclosure argument is that the fifth aspect of the invention referred to in the Provisional Application cannot provide a basis for the claims of the System Patent, because it does not disclose any device or tool whatsoever. Further, the refinement in the paragraph that follows the fifth aspect (commencing with the word “[p]referably”) cross-references the first and second aspects. The appellants contend that the disclosure of the Provisional Application goes no further than disclosure of a single unitary device referred to in those two aspects. Insofar as the claims of the System Patent are not limited to such a device, the appellants contend that they are not fairly based.
2. In my view, this argument does not advance the appellants’ position beyond the unitary device argument. The relevant test for external fair basis invites consideration of the disclosure of the Provisional Application. As I have noted, in the fifth aspect, the inventor says his invention is a method whereby the functional effects described are achieved. That function may be achieved using any means that meets the function. The position is, as the respondents submitted, analogous to the facts in *Doric No 1* at [4] – [12], where the consistory clause in the specification included a broad statement directed to a latch assembly which had a lock release means described in terms of its function, but did not indicate anything in terms of the form which the lock release means may take. The High Court considered that to be sufficient description, and within s 40(3) of the Act, to satisfy the test for fair basis. In that case, the Court found at [38] that no words of limitation of the breadth of the functional disclosure were to be found in the body of the specification. The same applies in the present case.

###### The held in fixed relation argument

1. It is a requirement of all of the claims in suit that the core sample be held“in fixed relation to”the inner tube of the core drill. This can be seen from the emphasised passages in claim 1 of each of the Patents, quoted above.
2. The appellants contend that there is no express disclosure of this integer in the Provisional Application, and that the primary judge erred by reading an implicit disclosure into that document. The appellants also submit that the primary judge erred in relying on the cross-examination of Dr Skopec, first, because his evidence did not rise to the level of demonstrating that the core lifter would function to hold the core sample in fixed relation to the inner tube during the orientation process and secondly, because his evidence was predicated on assumptions that served to qualify his evidence such that it was not of assistance to the respondents’ case. Further, the appellants submit that even if it were appropriate to infer the presence of that feature – for instance that the Provisional Application disclosed a core lifter for fixedly holding the sample – such an inference might assist the validity of the System Patent, but would not provide fair basis for the Method Patent claims, which were not confined to any particular means by which the drilling equipment disclosed in the specification was to be used.
3. The respondents answer these contentions by again drawing attention to the language of the fifth aspect of the Provisional Application. They submit that by reading that aspect, a person in the art can discern that the disclosure, as a matter of logic, necessarily (and expressly) includes a requirement that the core sample be held in fixed relation to the inner tube of the core drill. This is what his Honour correctly found at [455]. His Honour was supported in that finding by the cross-examination of Dr Skopec. Further, the respondents contend that the evidence of each of Mr Brown, Dr Kepic, Mr Ballantyne and Dr Skopec confirmed that standard inner tube assemblies used in coring operations in mining exploration as at the priority date incorporated a core lifter for fixedly holding the sample. This supported the primary judge’s finding at [456], which should be regarded as a finding of common general knowledge.
4. In my view, the question of the basis for these integers of the Method and System Patents is resolved by reference to the language of the fifth aspect of the invention. The method disclosed involves the following steps (emphasis added):

(1) drilling a core sample from a body of material with a core drill having an inner tube assembly;

(2) recording the orientation of the inner tube at predetermined time intervals with reference to an initial reference time during said drilling;

(3) recording the specific time interval beyond the reference time at which the core sample was separated from the body of material;

(4) removing the inner tube assembly and core sample contained therein from the body of material; and

(5) relating the recorded specific time to the recorded time intervals to obtain an indication of the orientation of the inner tube *and consequently the core contained therein* at the specific time interval.

1. Step (4) involves removing the inner tube assembly and core sample “contained therein” from the rock material and step (5) involves obtaining an indication of the orientation of the inner tube “and consequently the core contained therein”. His Honour at [455] accepted that the very basis on which the invention works is by the core sample being held in fixed relation to the inner tube at the time of its detachment from the rock. I respectfully agree. In my view the language of steps (4) and (5) support that finding; step (4) because the core is contained in the inner tube assembly, and step (5) because the orientation of the inner tube and the core contained therein are the same.
2. It was to this point that the cross-examination of Dr Skopec was directed. It serves for present purposes to reproduce the passage set out at [457] of the primary judge’s reasons below (emphasis in original):

Can I ask you to look at the next phrase in that passage which says:

And relating the recorded specific time to the recorded time intervals to obtain an indication of the orientation of the inner tube and, consequently, the core contained therein at the specific time interval.

Do you see that? --- Yes.

That’s telling you, isn’t it, that the indication of the orientation of the inner tube is intended to give an indication of the orientation of the core contained therein at the time of detachment. That’s right, isn’t it --- Right, assuming that the core and the inner tube are one and the same and there has been no rotation or movement and it’s one continuous homogeneous piece of rock.

In order for that to happen, that is, in order for the indication of the orientation of the inner tube to give you an indication of the orientation of the core contained in the inner tube, you have to have the core held in fixed relation to the inner tube since the time of detachment, don’t you? --- You do.

You understand that from reading this passage, don’t you? --- Yes.

I suggest then that that subsequent phrase is indicating to you that in order for this fifth aspect of the invention to work as is set out the core must have been held in fixed relation to the inner tube since the time of detachment. That’s right, isn’t it? --- If we work on that assumption.

Well that’s what it’s telling you as to how it’s intended to work, isn’t it --- Right. **Yes. I – not that I accept it but I agreed that that’s what they’re trying to explain**.

**That’s what it’s disclosing to you; correct? --- Right**.

You have an issue with whether or not it would actually work that way in practice?--- Correct.

1. The primary judge was entitled to form his own view as to the meaning of the fifth aspect. However, he correctly found that the evidence of Dr Skopec directly supports his construction at [455]. Namely, that the person skilled in the art would understand that in order for the indication of the orientation of the inner tube to provide an indication of the orientation of the core contained in it, the two must be held in fixed relation to each other. Contrary to the Appellants’ submission, I do not consider that the assumption offered by Dr Skopec diminishes the content of his evidence. That assumption was offered by him in the context of his apparent scepticism as to whether the method would work at all, but does not diminish the evidence he gave as to the meaning of the passage quoted.
2. I do not accept that this construction might assist in providing fair basis for the System Patent, but not the Method Patent. The language of the fifth aspect demonstrates that there must be a fixed relationship between the core and the inner tube of the core drill. It does not require that a core lifter be used to establish that relationship, although the primary judge’s findings at [456] demonstrates that a core lifter was commonly known and used before the priority date and would achieve the requisite fixed relationship, if desired. The fifth aspect leaves open the prospect that other means might be used to establish that relationship.
3. Accordingly, I agree with the learned primary judge that the fixed relationship integer is fairly based on the disclosure of the Provisional Application.

##### PRIOR USE – GROUNDS 19 AND 20 AND PARAGRAPH 1 OF THE NOTICE OF CONTENTION

###### Introduction and the primary judge’s findings

1. Grounds 19 and 20 of the Notice of Appeal, and paragraph 1 of the Notice of Contention, concern the alleged novelty-defeating prior use of the invention claimed in the Patents by the use of the ACT Tool before the priority date of 3 September 2004. In ground 19 the appellants contend that the primary judge erred in finding that the method of using the ACT Tool was not novelty defeating (a) when Mr Parfitt of Chardec disclosed it to Mr Bradford of Imdex (**disclosure (a)**), (b) when Mr Bradford disclosed it to Mr Miitel of Mosslake Drilling (**Mosslake**) (**disclosure (b)**) and (c) when Mr Bradford disclosed the it to Mr Forde of Drill Corp (**disclosure (c)**). These disclosures were said by the appellants not to have been made under any obligation of confidence. In ground 20 the appellants contend that the primary judge erred in giving any consideration to the availability of the “grace period” exceptions provided pursuant to s 24(1) of the Act, in circumstances where the respondents had not at trial contended that disclosures (a) – (c) were said to have been a working of the ACT Tool in public for the purposes of reasonable trial and there was no finding that reg 2.2(2)(d) applied.
2. In paragraph 1 of the Notice of Contention, the respondents contend that if the primary judge is found to have erred in concluding that there was no prior use of the invention, then the primary judge ought also to have found that such use fell within the grace period provided for in s 24(1) of the Act, and the regulations.
3. The primary judge found, in relation to prior use:

611 I consider that the activities that took place in relation to the ACT Tool prior to 3 September 2004 involved the testing of prototypes, and that testing was for the purpose of reasonable trial.

612 It is common ground that in early 2002, Mr Parfitt visited Ace Drilling at Osborne Park in Western Australia. He was at that time, in effect, the owner of Chardec. Chardec were the manufacturers and designers of the Reflex and ‘Flexit’ down-hole cameras. While visiting, Mr Parfitt discussed with Mr Munyard of Ace Drilling the possibility of developing an electronic core orientation tool.

613 Almost two years later in late 2003, Mr Parfitt informed Ace Drilling that he had prepared two prototype tools. He requested that field testing be conducted to determine, amongst other things, how the tool would perform, ‘in the field’.

614 After Mr Bradford attended Chardec’s workshop in the United Kingdom in mid-January 2004, and took delivery of the two units of the ACT Tool prototype for field testing at drilling rigs, those tests were conducted on the three key occasions. No remuneration was received for any of the trials, which is standard for commercial demonstrations. They were supervised by Imdex employees and feedback from the tests was provided to Chardec on the prototypes’ performance. As a result, subsequent changes were made to the ACT Tool prototype. Mr Parfitt gave evidence to this effect. A number of modifications were made as a result of recommendations and observations, including, as explained in detail by Mr Parfitt:

(a) shortening the top coupling as a result of the operational time delays revealed during the Mosslake trial;

(b) re-design of the connector wires, which had dislodged during the Drill Corp test, causing the tool to lock up;

(c) modification of the display case, resulting from water ingress and corrosion encountered during the Barminco trial; and

(d) reprogramming of the microprocessor to enable an 999 minute coring operation.

615 There was some debate, following evidence from Mr Bradford, as to who had control over the ACT Tool equipment, but specifically in the case of the Manjimup and Drill Corp tests. I have found that the Ace Drilling employees operated the prototype equipment and took it away with them after the testing.

616 It is clear that the field testing involved different types of locations. The Mosslake test involved a small portable surface rig at shallow depths. The Drill Corp tests, on the other hand, involved a high powered rig with large hydraulic pumps in deep clawing operations. The test with Barminco involved testing the prototype in an underground rig environment. Feedback was obtained from the drilling rig operators in each of the trials in relation to the accuracy of the ACT Tool and with suggestions as to potential design changes.

617 Although the technical team gave consideration to conducting laboratory testing, it was decided that field testing would be the most appropriate test because of the harsh and onerous environment that such a tool would encounter. The view was taken that, in the absence of specimen data about conditions encountered underground, vibration testing would be difficult to replicate in a laboratory and would not, in any event, measure all of the forces encountered during drilling.

618 It is true that following the field testing of the prototype ACT Tool in April and May 2004, Chardec and AMC discussed terms for the supply and manufacture of the ACT Tool. There were a number of emails on this topic and in June 2004, the negotiation of the distribution agreement commenced. It concluded during Mr Weston’s visit to the United Kingdom in September 2004.

…

664 As I have found that there was no relevant public use or disclosure of the invention prior to the Priority Date, it is unnecessary to resolve the grace period argument.

1. In relation to the operation of s 24(1), the primary judge found that the activities conducted by Chardec and the respondents before 3 September 2004 “comfortably satisfy the reasonable trial description”, but that as there was no relevant public use or disclosure of the invention prior to the priority date, it was unnecessary to resolve the grace period dispute.

###### The arguments

1. The appellants submit that disclosure (a) was sufficient of itself to deprive the Patents of novelty. It was a disclosure in the nature of a demonstration during which Mr Parfitt imposed no obligation of confidence upon Mr Bradford. The appellants particularly rely on the primary judge’s findings at [568] and [621] to demonstrate that the primary judge erred in finding that an obligation of confidence was imposed upon Mr Bradford.
2. The appellants submit that disclosures (b) and (c) were made in circumstances that indicate that they were made available to persons who were free in law and equity to make use of the information; *Insta Image Pty Ltd v KD Kanopy Australasia Pty Ltd* [2008] FCAFC 139; (2008) 239 FCR 117 (***Insta Image***) at [124]. They submit that the primary judge erred in concluding that these disclosures were trials conducted in order to determine how the ACT Tools were working, and were not disclosures made for marketing and promotional purposes. They submit that such a conclusion “misses the point” because they were *disclosures* made to potential customers, and there was no basis to infer that they were confidential. The appellants further submit that while the demonstrations to Mr Forde and Mr Miitel were not a working in public of the invention, they did constitute a demonstration by which the information was made publicly available to those individuals, who were free in law and equity to make use of the information conveyed. These matters, the appellants contend, were pleaded disclosures as summarised by the primary judge at [582(b) and (c)], being (respectively) prior use by Ace Drilling/Imdex to Mosslake in Perth on 11 or 12 March 2004 and prior use by Ace Drilling/Imdex to Drill Corp at its offices at Wangara in Perth in April 2004.
3. In relation to the grace period provisions, the appellants argue that none of the disclosures presently relied upon were said by the respondents to have fallen within s 24(1) of the Act, and that, to the extent that the primary judge made any findings that they did, his Honour fell into error. The respondents contend that the grace period was generally pleaded, disclosures (a) – (c) fell within that pleading, and that the primary judge ought to have found as such. Further, they submit that the uses identified in [582(d) – (f)] of the primary judgment were undoubtedly accepted to have been field trials, and that it would be incorrect and rob the grace period provisions of practical utility if disclosure made as a necessary anterior step to the conduct of a field test were not covered by the grace period, when the actual conduct of the field test was.

###### The relevant law

1. The relevant statutory context arises from ss 18(1A)(b)(i) and 7(1) of the Act:

**18 Patentable inventions**

…

*Patentable inventions for the purposes of an innovation patent*

(1A) Subject to subsections (2) and (3), an invention is a patentable invention for the purposes of an innovation patent if the invention, so far as claimed in any claim:

…

(b) when compared with the prior art base as it existed before the priority date of that claim:

(i) is novel; …

**7 Novelty and inventive step**

*Novelty*

(1) For the purposes of this Act, an invention is to be taken to be novel when compared with the prior art base unless it is not novel in the light of any one of the following kinds of information, each of which must be considered separately:

(a) prior art information (other than that mentioned in paragraph (c)) made publicly available in a single document or through doing a single act;

…

1. The decision of a Full Court of this Court (per Lindgren, Bennett and Logan JJ) in *Insta Image* at [124] was set out by the primary judge at [566] and conveniently sets out the test for “public availability” within s 7(1)(a):

124 In respect of the issue whether information was “publicly available” before the priority date, the following principles emerge from the cases:

* The information must have been made available to at least one member of the public who, in that capacity, was free, in law and equity, to make use of it (*PLG Research Ltd v Ardon International Ltd* [1993] FSR 197 at 226 per Aldous J cited in *Jupiters* at [141]). (This test of communication to a member of the public who is free in law or equity to use the information as he or she pleases had been enunciated by the English Court of Appeal as early as 1887 in *Humpherson v Syer* (1887) 4 RPC 407 at 413 per Bowen LJ.)
* It is immaterial whether or not the invention has become known to many people or a few people (*Sunbeam Corporation v Morphy-Richards (Aust) Pty Ltd* (1961) 180 CLR 98 at 111 per Windeyer J). As long as it was made available to persons as members of the public, the number of those persons is not relevant. Availability to one or two people as members of the public is sufficient in the absence of any associated obligation of confidentiality (*Fomento Industrial S.A. v Mentmore Manufacturing Co Ltd* [1956] RPC 87 at 99–100; *Re Bristol-Myers Co’s Application* [1969] RPC 146 at 155 per Parker LJ).
* The question is not whether access to an invented product was actually availed of but whether the product was made available to the public without restraint at law or in equity (*Merck & Co Inc v Arrow Pharmaceuticals Ltd* (2006) 154 FCR 31 (*Merck*) at [98]–[103]).
* In order to be “available”, information said to destroy novelty must be of a kind that would disclose to a person skilled in the relevant art all of the essential features or integers of the invention (cf *RD Werner & Company Inc v Bailey Aluminium Products Pty Ltd* (1989) 25 FCR 565 at 593–594).
* In order to be “available”, information said to destroy novelty must “enable” the notional person skilled in the art at once to perceive, to understand, and to be able practically to apply the discovery, without the need to carry out further experiments in order to arrive at that point (*Stanway Oyster* at 581–582).
1. As the above quotation demonstrates, it is a requirement for a disclosure to be novelty defeating for one person to be free in law or equity to use the information as he or she pleases. Conversely, disclosure to a person bound by an express obligation of confidentiality not to disclose the information will not qualify. Similarly, disclosures to a person of information in circumstances where equity implies an obligation of confidence upon them will not be novelty defeating.
2. In this context, in *Delnorth Pty Ltd v Dura-Post (Aust) Pty Ltd* [2008] FCA 1225; (2008) 78 IPR 463 (***Delnorth***) (Gyles J) his Honour said (emphasis added):

[71] The second aspect of this matter is — whether, and, if so, what, information was made publicly available by the doing of an act. The “act” pleaded was “the development and design of a post formed of spring steel by Mr Peter Turner … which act was made publicly available when disclosed at least to Mr Michael Turner in approximately 1999”. The somewhat awkward statutory phrase is “information made publicly available … through doing [an] act”. Construed liberally, this could encompass giving the prototype to Mr Michael Turner.

[72] This topic was discussed by the Full Court recently in *Insta Image Pty Ltd v KD Kanopy Australasia Pty Ltd* [2008] FCAFC 139 (*Insta Image*), the principle being discussed at [121]–[125]. Reference was made to the earlier discussion of the topic by the Full Court in *Jupiters Ltd v Neurizon Pty Ltd* [2005] FCAFC 90, (2005) 222 ALR 155, (2005) 65 IPR 86 and *Merck & Co Inc v Arrow Pharmaceuticals Ltd* (2006) 154 FCR 31, particularly at [98]–[103].

[73] The present case is not like *Jupiters* [2005] FCAFC 90, 222 ALR 155, 65 IPR 86, where the system was operating in what amounted to a public place and could be observed. In my view, the evidence does not enable any such finding to be made here. Even if it was left around the factory, nobody was invited to look at it and nobody would have had any occasion to take any notice of it. In any event, the matter was not pleaded in that way. Rather, the case turns on the principle that, if a product is made available to a member of the public without restraint at law or in equity as to the use of that product that is regarded as public disclosure. That principle has been applied for a very long time when various formulations of the statutory test have applied. In the present context, that would be the equivalent of making the information publicly available by an act. It is well-recognised that a duty of confidence in the recipient would negate the public nature of the act.

[74] *Insta Image* [2008] FCAFC 139 illustrates both branches. It was held that there was public disclosure at motocross and jet-ski races open to the public where the article was present. On the other hand, the inventor went to a metal fabricator to have parts welded and that fabricator and his employee were involved and observed the articles. The trial judge had held that the circumstances strongly suggested that the information contained was confidential and could not be imparted by the fabricator to others or used by himself. The Full Court said the following (*Insta Image* [2008] FCAFC 139 at [153]–[156]):

The primary Judge recorded that Mr McKinnon showed the Original to Mr Forster and Mr Soward for the purposes of their assisting in the design and manufacture of the structure (at [65]). Mr Soward was the “owner” of Tom Soward Steel Fabrication Pty Ltd which was to undertake the manufacture of the brackets. Mr Forster was an employee. The primary Judge concluded that the circumstances of the collaboration were such that it could not be inferred that they were at liberty to make use of the Original. The circumstances, she said, strongly suggested that the information available from an inspection of the Original was confidential and could not be imparted to others or utilised by Mr Soward or Mr Forster (at [72]).

The appellants maintain that they did not rely on Mr Soward and Mr Forster seeing the structure in the course of design and manufacture as an instance of public use. They rely upon evidence not adverted to by the primary Judge concerning the showing of the Original to Mr Soward after his company had fabricated the brackets and Mr McKinnon had taken them away to assemble his canopy. This, the appellants submit, constituted an open disclosure, unaffected by any confidentiality, and a demonstration to Mr Soward of the way in which the canopy worked.

We are not satisfied that the evidence establishes that the confidential relationship between Mr McKinnon and Mr Soward, as found by her Honour, did not still exist when Mr McKinnon showed Mr Soward the finished product. We are not satisfied that her Honour was in error in finding that the showing of the canopy to Mr Soward did not constitute a prior use for novelty purposes within the meaning of the Act, whether the demonstration was of the finished product before or after parts were manufactured by Mr Soward.

Her Honour specifically concluded that the circumstances of the relationship with Mr McKinnon “suggest strongly that the information … was confidential and could not be imparted to others” (at [72]). No error is shown in this conclusion or in her Honour’s resolution of the issue of disclosure to Mr Soward and Mr Forster.

1. In *Australian Medic-Care Company Ltd v Hamilton Pharmaceutical Pty Ltd* [2009] FCA 1220; (2009) 261 ALR 501 at [636] – [637] Finn J also considered circumstances in which obligations of confidence might be implied:

[636] There are two tests that have been employed commonly enough in commercial settings to determine whether a duty of confidence arises by reason of the subject matter and the circumstances in which the subject matter has come into the hands of the person said to be subject to the duty. The first is the “reasonable person” test and derives from Megarry J’s judgment in *Coco* (at 48):

If the circumstances are such that any reasonable person standing in the shoes of the recipient of the information would have realised that upon reasonable grounds the information was being given in confidence, this should suffice to impose on that person the equitable obligation of confidence: see Dean, [3.275]; see also Toulson and Phipps, 3-007 – 3-010.

[637] The alternative test — the “purpose” test — asks:

Has confidential information been imparted for what was known, or ought reasonably to have been known, to be only for a particular purpose? If it has, its use must be limited to that purpose.

This approach has commonly been used in cases in which confidential industrial information has been disclosed (usually under contract) to a manufacturer either by way of licence for a period or so as to manufacture a product for the confider: see *Saltman Engineering* at 213; *Nichrotherm Electrical Co Ltd v Percy* [1956] RPC 272 at 280; *Ackroyds (London) Ltd* at 104; *Torrington Manufacturing Co Ltd v Smith & Sons (England) Ltd* [1966] RPC 285. Its use extends beyond that context: see *Interfirm Comparison* at 117; and Gurry “Breach of Confidence” in Finn (ed), *Essays in Equity*, 118 (1985); *Smith Kline & French* at 96.

###### Consideration

Prior use – Ground 19

1. The issue arising from ground 19 distils to the question of whether the primary judge erred in concluding that disclosures (a), (b) and (c) were made subject to obligations of confidence imposed upon the recipients. The appellants submit, in effect, that there was no basis to find or infer that any confidentiality attached to the disclosures. For the reasons set out below, I reject that submission.
2. The primary judge found that in early 2002 Mr Parfitt, who was at the time, in effect, the owner of Chardec and later to be named as the inventor of the invention claimed in the Patents, visited Ace Drilling at Osborne Park in Western Australia. While visiting, he discussed with an employee of Ace Drilling the possibility of developing an electronic core orientation tool. Then, in late 2003, Mr Parfitt informed Ace Drilling that he had prepared the two prototype tools and requested that field testing be conducted to determine, amongst other things, how they would perform “in the field”. Mr Bradford was at that time the “rental and repair coordinator” with Ace Drilling. The primary judge found that Mr Bradford attended Chardec’s workshop in the United Kingdom in mid-January 2004 and took delivery of two units of the ACT Tool prototype for the purpose of field testing. Those tests were then conducted on three occasions, including by Mosslake and by Drill Corp. The disclosures to Mr Miitel and Mr Forde were made during the course of preparing for those field trials.
3. The primary judge found that Mr Bradford was bound by an obligation of confidence not to disclose the ACT Tool other than for the purpose of the field trials, and that he had received the tools from Mr Parfitt so that Ace Drilling, Mr Bradford’s employer, could assist in conducting them. Relevantly his Honour found (emphasis added):

614 After Mr Bradford attended Chardec’s workshop in the United Kingdom in mid-January 2004, and took delivery of the two units of the ACT Tool prototype for field testing at drilling rigs, those tests were conducted on the three key occasions. …

…

621 Consistent with this finding of fact was the acute awareness on the part of key AMC witnesses that commercialisation could not be effected until the application for the patent had been lodged. While Coretell seizes on the fact that Mr Parfitt was keen for there to be as much testing as possible, his evidence, **which I accept, was that he most likely informed Mr Bradford that field testing should be carried out ‘as confidentially as possible … with as little fanfare as possible**’.

1. The appellants emphasise the words “*as confidentially as possible*” to suggest that Mr Parfitt had accepted that some leakage of information was acceptable, and that Mr Bradford had not been the subject of obligations of confidence. However, I am not able to accept that submission for several reasons.
2. First, I disagree with the appellants’ construction of his Honour’s reasons. The effect of the quoted passage of Mr Parfitt’s evidence was that an express obligation of confidence was imposed. That is confirmed by the passage of his evidence from which the quoted passage is taken:

… Now, did you say to Mr Bradford that, “I want you to ensure that this is all done confidentially?” ---Yes. That would be our normal advice; six to nine months testing as confidentially as possible. If something went wrong, you wouldn’t want to damage the reputation of the product or the company, so to try to do it with as little fanfare as possible.

1. Secondly, other evidence supported the finding that Mr Bradford was bound by obligations of confidence in respect of the conduct of the field trials, and preparation for the field trials. This included Mr Bradford’s employment contract with Imdex, which provided that he should not except by the direction of his employer divulge either directly or indirectly any knowledge of information which he may have acquired during his employment coupled with the evidence of Mr Weston, a part-time consultant with Imdex and the general manager of Ace Drilling, who gave evidence that Mr Bradford was not authorised to make any disclosure other than for the purposes of arranging the field trials.
2. Mr Weston also gave evidence that the field testing was arranged with three “trusted and long-standing customers of Imdex” and, as the primary judge found at [628], Mr Weston stressed that the testing included practical measures to be put in place in order to limit the information provided to drillers to mitigate the risk of unauthorised disclosure.
3. Thirdly, the only counterpoint to the evidence of Mr Parfitt was from Mr Bradford. After observing him give evidence, and having regard to a number of unsatisfactory aspects of his evidence, the primary judge found that Mr Bradford was an “unimpressive witness” whose “unreliability… poses… a central difficulty for [the appellants]”, as central aspects of the their cross-claim relied heavily upon his evidence. The primary judge found that Mr Bradford was a “disaffected and unhappy ex-employee whose account was, and should have been, more seriously examined by Coretell before resting such heavy reliance upon it”.
4. Fourthly, the primary judge considered the evidence of Mr Miitel and Mr Forde. He found that Mr Miitel was at the relevant time employed by Barminco as the general manager for diamond drilling. In 2004 he was the human resources and operations manager at Mosslake. He was accepted as a good witness. He made clear that the prototype was used at Manjimup for the purpose of conducting tests, as his Honour found (at [204]). Mr Forde’s evidence was also accepted by the primary judge. He said that it was clear to him that the purpose of his meeting with Mr Bradford in April 2004 was to discuss the testing of the prototype.
5. The primary judge found that the circumstances of the relationship between Chardec, Ace Drilling and the drilling companies for whom Mr Miitel and Mr Forde worked were such that one would imply an obligation of confidence arising in relation to the conduct of the field testing. In [607] the primary judge said:

607 Broadly speaking, the argument for the applicants is that the ACT Tool was not supplied and used commercially until after 3 September 2004, and that all of the activities associated with its development and testing before that date were confidential, and did not render the claimed inventions publicly available.

1. His Honour explained that this finding arose from his acceptance, at [610], that if the facts in *Delnorth* supported a finding of absence of any public disclosure, then the facts of the present case “*are well within that ambit*”.
2. That was a significant finding and represented a shorthand way of setting out that the primary judge had considered and accepted that, regardless of any explicit obligation of confidence, each of Mr Bradford, Mr Forde and Mr Miitel (and their respective companies) had received the ACT Tool prototypes as part of an enterprise that by its nature imported an equitable obligation of confidence upon them. The paragraph from *Delnorth* quoted immediately above at [610] of the primary judge’s reasons was:

[76] In my opinion, Mr Michael Turner was not given or shown the prototype in order that he could use it as he sought fit without restraint. In my opinion, he was under a duty not to use it or disclose it without the consent of Mr Peter Turner. …

1. In *Delnorth* the evidence disclosed that Mr Peter Turner had developed a flexible roadside post that fell within the ambit of the claims in suit. He gave evidence that he had disclosed this post to Mr Michael Turner for the purpose of asking him to manufacture it for him. Mr Peter Turner gave evidence that he considered Mr Michael Turner not to be bound by any obligation of confidence constraining him in the use of the information that he had received. Even so, Gyles J found an implied obligation of confidence arising from the circumstances of the transaction. The primary judge in the present case considered that the facts of the present were “*well within that ambit*” of *Delnorth*. That was no doubt because in the present case, the evidence was that each of Mr Parfitt and Mr Bradford’s employers considered that the transaction was one in which there *were* obligations of confidence necessarily implied. This was confirmed by the evidence given as to the circumstances under which the trials were conducted.
2. In the circumstances, it is clear to me that the primary judge accepted the contention that the field trials, and the ancillary disclosures relied upon which were made for the purpose of facilitating those trials, being disclosures (a), (b) and (c), were conducted in circumstances that warranted the implication that they were conducted in confidence. This was explicit in his Honour’s finding at [610], mentioned above, and also at [664] where his Honour found:

As I have found that there was no relevant public use or disclosure of the invention prior to the Priority Date, it is unnecessary to resolve the grace period argument.

1. It was after reviewing all of the evidence, parts of which have been summarised above, that the primary judge found that the activities that took place in relation to the prototype prior to the priority date involved testing for the purpose of reasonable trial.
2. In these circumstances I disagree with the submission that the findings by the primary judge “missed the point”. The relevant question is whether or not the respondents below (or, to be precise, Coretell) had established that the invention as claimed was not novel in accordance with ss 18 and 7(1) of the Act. That required them to establish that the invention had been disclosed to a person free in law and equity to use the information conveyed. In my view the finding that Mr Bradford was not so free is unimpeachable. The same applies to the findings in relation to Mr Miitel and Mr Forde, who received the information from Mr Bradford for the express purpose, as the primary judge found, of conducting field trials upon the prototype.
3. Accordingly, I reject ground 19 of the appeal.

Grace period – Ground 20 and paragraph 1 of the Notice of Contention

1. Ground 20 is advanced upon the contingency that in the event that the primary judge considered and found that the “grace period” provisions within s 24(1) of the Act (validity not affected by certain publication or use) applied to disclosures (a) – (c), his Honour was in error. This ground does not arise, because the primary judge found that it was unnecessary to make findings in relation to the applicability of that section and in my view did not do so; see [664], [666].
2. Paragraph 1 of the Notice of Contention is raised upon the contingency that I find that the primary judge erred in concluding that disclosures (a) – (c) were not novelty defeating. Given that I have rejected ground 19 of the Notice of Appeal, that contingency also does not arise. In the light of the conclusions that I have expressed in relation to ground 19, in my view it is not necessary or appropriate to address these issues; *Kuru v State of New South Wales* [2008] HCA 26; (2008) 236 CLR 1 at [12].

##### PRIOR SECRET USE – GROUND 21 AND PARAGRAPH 2 OF THE NOTICE OF CONTENTION

###### Introduction

1. The appellants contend in ground 21, that the primary judge erred in failing to find that, insofar as certain uses that were made of the ACT Tool before the priority date were not public uses, those uses were not invalidating secret uses within s 18(1A)(d) of the Act. In submissions the appellants clarified that the specific uses upon which they rely are disclosures (a) – (c) (as identified in section 6, above) and disclosures (d) – (f) set out in [582].
2. The respondents defend the primary judge’s reasons for rejecting this ground of invalidity, and in paragraph 2 of their Notice of Contention, contend that in addition to the reasons given, the primary judge ought also to have found that any secret use of the invention by Mr Bradford which was other than for the purpose of reasonable trial was not use conducted with the authority of the patentee or its predecessor in title pursuant to s 18(1A)(d) of the Act.

###### The findings of the primary judge

1. The relevant findings of the primary judge are:

753 The question then is whether Coretell has established that the authorised use of the prototype ACT Tool before the Priority Date was not for the purpose of ‘reasonable trial and experiment only’ within the meaning of s 9(a) of the Act. As I have already found, the prototype had to be trialled in real world conditions and it was reasonable to do so in different locations, having regard to the different conditions experienced in those locations which could affect the nature of the apparatus and the claimed invention. This was discussed in detail in dealing with the prior use case, but I reiterate that my conclusion, for the reasons already given, is that activities which took place in Australia prior to 3 September 2004 involved the reasonable trial of the ACT Tool and did not involve any commercial exploitation. There were no orders for the ACT Tool submitted or received before 3 September 2004, indeed, there was not a distributorship agreement which would have permitted such commercial dealing until after that date. While that would not in itself be determinative, the parties made it clear that until the agreement was formally reached, there would be no orders submitted and delivered, either between the applicants and Chardec or from third parties.

754 Coretell also argues that steps undertaken by Mr Parfitt to order parts for the ACT Tool involved a use that was not for the purposes of reasonable trial or experiment. However, such activities did not involve any use of the claimed inventions, namely, the system and the method in the Patents.

755 To the extent that Coretell relies upon the argument that Mr Parfitt himself had no intention of patenting the invention, in my view, this does not assist Coretell as the real question is not only what the subjective intention of the inventor was, but what actually occurred in the trial processes. It was abundantly clear that those who were to file a provisional patent intended to do so. The whole exercise of trialling the ACT Tool prototype was occurring in conjunction with preparations for filing a provisional patent and in conjunction with negotiating and arriving at terms on the distributorship agreement. All of these things had to come together. Unless the tool worked in the trials, either modified or unmodified (and the evidence is clear that modifications were made following the trials), clearly the parties would not have reached the ultimate distributorship agreement, nor would there have been any purpose in filing a provisional patent.

1. The primary judge made specific factual findings in relation to the purpose of the trials at [612] – [618], which I have set out above in [174]. Those findings included; that Mr Bradford had taken delivery of the Prototypes for field testing at drilling rigs, that those tests were conducted on three key occasions, but no remuneration was received for any of the trials, that they were supervised by Imdex employees and feedback from the tests were provided to Chardec on the performance of the prototypes. Subsequent changes were made to the prototypes. A number of modifications were made as a result of recommendations and observations. Further, field testing involved different types of locations because, his Honour found, the technical team considered that conducting laboratory testing was less appropriate because of the harsh and onerous environment that a tool of the type being developed would encounter.
2. Further, the primary judge found that whilst there were discussions and negotiations during which Chardec and AMC discussed terms for the supply and manufacture of the ACT Tool, those negotiations were not concluded until September 2004, after the priority date, when Mr Weston visited the United Kingdom. No delivery of units of the ACT Tool for commercial usage took place until after the signing of the distribution agreement.

###### The arguments

1. The appellants contend that the primary judge erred in finding that there had been a secret use of the claimed invention before the priority date within s 18(1A)(d) of the Act, because the exception within s 9(a) applied. In this context, the appellants submitted first, that s 9(a) required that the purpose of the reasonable trial or experiment must, to some extent, be directed to “*getting the invention into a form where a patent application might be filed*”. In this regard they rely upon *Longworth v Emerton* [1951] HCA 45; (1951) 83 CLR 539 (***Longworth***) at 550 – 551.
2. Secondly, the appellants submit that at the time of the use, Mr Parfitt and Chardec had no intention to file a patent application. Consequently, the use by Ace Drilling and AMC was use as a potential customer of Chardec and not for patent related purposes.
3. Thirdly, the appellants submit that AMC conducted the trials on behalf of Chardec for the purpose of seeing whether it was worth doing a deal with Chardec. They submit that the primary judge erred, and misapplied *Longworth*, by discounting the subjective intention of the tester (AMC). As a result of the trials, Chardec entered into Heads of Agreement with AMC and commenced negotiation for a distribution agreement. The terms of the Heads of Agreement confirmed that the testing was largely, if not entirely, conducted for a commercial purpose on the part of Chardec and AMC.
4. Finally, the appellants contend that each of AMC (the patentee) and Chardec (the patentee’s predecessor-in-title) had gained a commercial advantage by what was done before the priority date. The consequence was that the patentee had engaged in conduct before the priority date that resulted in a de facto extension of the patent term which was the “*mischief*” to which the secret use provisions were directed, citing *Azuko Pty Ltd v Old Digger Pty Ltd* [2001] FCA 1079; (2001) 52 IPR 75 (***Azuko***) at [181] (per Gyles J, Beaumont J agreeing at [72]).
5. The respondents defend the primary judge’s findings. They submit that the primary judge was correct to find that the experiments conducted were “reasonable”, and that the combined operation of ss 18(1A)(d) and 9(a) did not require that reasonable use only be for the purpose of getting the invention into a form where a patent application may be filed. In addition, the respondents relied on paragraph 2 of their Notice of Contention that the primary judge ought to have found that any secret use by Mr Bradford was *not* on behalf of or with the authority of the patentee pursuant to s 18(1A)(d) of the Act. The appellants answer this contention by saying that this contention misses the point; the use was not by Mr Bradford but by Ace Drilling/Imdex/AMC (there being no relevant distinction between these entities) with the authority of the patentee’s predecessor in title, Chardec.

###### The law

1. Section 18(1A)(d) of the Act provides:

**18 Patentable inventions**

…

*Patentable inventions for the purposes of an innovation patent*

(1A) Subject to subsections (2) and (3), an invention is a patentable invention for the purposes of an innovation patent if the invention, so far as claimed in any claim:

…

(d) was not secretly used in the patent area before the priority date of that claim by, or on behalf of, or with the authority of, the patentee or nominated person or the patentee’s or nominated person’s predecessor in title to the invention.

1. Section 9(a) of the Act provides:

**9 Secret use**

For the purposes of this Act, the following acts are not to be taken to be secret use of an invention in the patent area:

(a) any use of the invention by or on behalf of, or with the authority of, the patentee or nominated person, or his or her predecessor in title to the invention, for the purpose of reasonable trial or experiment only;

…

1. The authorities establish the following matters relevant to the consideration of the parties’ contentions.
2. First, the reference to “use” in the context of “not secretly used” in s 18(1)(d) (and s 18(1A)(d), which is relevantly the same), does not have the same meaning as “exploit”, but nor does it exclude the other aspects of the monopoly reflected in the definition of “exploit”. Rather, a correct understanding of the word arises from an understanding of the word “use” derived from the historical genesis of the secret use provisions; *Azuko* (per Gyles J [180] – [185], Beaumont J agreeing at [72]).
3. In *Azuko*, the patentee was found to have manufactured products within the claims prior to the date upon which the patent was filed. The respondent contended that this amounted to a secret use within s 18(1)(d). There was no dispute that the manufacture of products within the claim fell within the definition of “exploit” in the Dictionary. However, Gyles J concluded that “use” and “exploit” were not synonyms for the purpose of s 18(1)(d) of the Act. “Use” had a narrower meaning and was to be understood by reference to a practical test, which was consistent with the historical antecedent of the secret use provisions. This called for an inquiry as to whether, by virtue of the impugned conduct, the patentee had reaped commercial benefit from what was done before the priority date. If so, the patentee had obtained a de facto extension of the patent term; *Azuko* at [181].
4. On the basis of the facts in that case there had been no de facto extension and accordingly no relevant use. The mere retention of products for ultimate sale, after the filing of a patent, of manufactured items that fell within the claim did not amount to relevant “use”. His Honour postulated, in persuasive obiter dicta, that the test for “use” based on the illegitimate extension of patent term is one which yields satisfactory results:

[183] The test of illegitimate extension of the patent term yields satisfactory results in differing circumstances. If the invention is a process or method, to secretly use the process or method to make goods for sale can readily be seen as a secret commercial use of the invention which would extend the patent if done prior to the priority date. Another example of secret commercial use of that character is if the product which is manufactured according to a product claim is then secretly used as part of a manufacturing process to make other goods before the priority date. Another example would be the use of a device made according to the SDS patent as part of a drill rig engaged in commercial drilling, but in conditions of secrecy, prior to the priority date. To make an article for ultimate sale has, no doubt, a commercial aspect, but does not amount to use of the product made and does not involve any de facto extension of the term of a patent claiming the product. The manufacturing of goods is not, in my opinion, commercial use of those goods.

1. Justice Gyles noted, however, that the proposed definition of “use” within s 18(1)(d) does not depend on “use” being exclusive to other aspects of the monopoly granted to the patentee within the definition of “exploit” in the Act (at [186]). It may be that the various kinds of exploitation within that definition may overlap in different circumstances, for example, to “sell” goods may be seen as a “commercial use” of the goods.
2. The view expressed by Gyles J was referred to with apparent approval by Dowsett J in *Grove Hill Pty Ltd v Great Western Corporation Pty Ltd* [2002] FCAFC 183; (2002) 55 IPR 257 (***Grove Hill***) at [212], [213] (French J – as he was then – and Gyles J generally agreeing at [125], [349]).
3. Secondly, in *Grove Hill*, Dowsett J considered that although the words “secretly used” in s 18(1)(d) and “secret use” in s 9(a) are not defined in the Act, it is likely that secret use and public use are mutually exclusive (at [212]). That was the approach adopted by Gyles J in *Azuko* at [178] and [182] – [183].
4. Thirdly, the exception in s 9(a) will arise if the use is for the purpose of reasonable trial and experiment *only*. That will be satisfied if the true purpose of the use is for reasonable trial or experiment, even if there is a collateral commercial advantage that accrues to the inventor.
5. This was explained in *Grove Hill*. In that case, the inventor had used the invention (a row cultivator for crop cultivation) on his farm from September 1992 until December 1993, which included two growing seasons. The purpose of using the equipment was to prove the concept and test the equipment, the subject of a proposed patent, in different conditions. The inventor had already satisfied himself that he knew by that stage that he had an invention that would work. Justice Dowsett explained at [229] (French and Gyles JJ agreeing at [125], [349]):

The [party seeking revocation] also pointed out that the use was in connection with the cultivation of commercial crops. This was no doubt true, but it is difficult to conceive of any field trial of the invention which would not involve such use. If the true purpose of the use is for trial, and the trial is reasonable, any collateral commercial advantage to the inventor is irrelevant. As to the question of reasonableness, Mr Mansur’s explanation of his objectives must be a relevant consideration. It was said that there was no evidence that his trials addressed the problems identified in the patent and that there were no experimental notebooks or other records. While all of this may be true, it does not necessarily follow that the trials were unreasonable. …

1. It is clear that the question of what is the “true purpose” is a question of fact, to be determined by the Court on the basis of the evidence before it.
2. In this context, the word “only” where it appears in s 9(a) cannot exclude a circumstance in which some commercial benefit may arise. On one view, any experimentation in advance of the priority date, whether it be to refine with precision the language of the specification and claims in the patent, or whether it be to ensure that the invention actually works, may well have a commercial benefit.
3. Fourthly, the operation of s 9(a) also calls for consideration of what use is *reasonable* trial and experimentation. In *Grove Hill*, Dowsett J found (at [232]) that this will be determined based on the nature of the equipment in question, the tasks for which it was designed and conditions under which it is to be used. Again, it is a question of fact.
4. Fifthly, the onus of satisfying the Court that there has been a disqualifying secret use, having regard to the combined operation of ss 9 and 18 of the Act, lies on the party seeking revocation. That includes the onus of excluding reasonable trial and experiment; *Grove Hill* at [221], [233]. That does not preclude an evidentiary onus falling upon a respondent such that it must raise the issue of reasonable trial or experiment, and perhaps even address that issue insofar as it would lay within its knowledge; *Grove Hill* at [221]. However, the overall burden lies with the would-be revoker.

Consideration – ground 21

1. The submissions advanced on behalf of the appellant tend to distract from the statutory language of s 9(a) of the Act by dissecting it into what it contends to be its component parts. Pursuant to the section, an act is not taken to be secret use if it involves any use of the invention by or on behalf of the patentee (or predecessor-in-title) for the purpose of reasonable trial or experiment only. The appellant argues that there must be a “patenting purpose” for the trial or experiment to fall within s 9(a) and that as the inventor had fully conceived the invention prior to the conduct of the tests relied upon, this requirement could not be satisfied.
2. Subsection 9(a) is to be understood as providing an exception to s 18(1A)(d). A secret use that is not for reasonable trial or experiment may, subject also to ss 9(b) – (d), amount to disqualifying commercial use. However, the fact that tests are conducted such that there may be some commercial benefit will not deprive the tests of the requisite character within s 9(a). Thus in *Grove Hill*, the use of the invention by the inventor on his farm for two seasons fell within s 9(a). See also *DSI Australia (Holdings) Pty Ltd v Garford Pty Ltd* [2013] FCA 132; (2013) 100 IPR 19 at [175].
3. In my view, *Longworth* does not dictate a different conclusion. In that case, the Court said (at 550 – 551):

On the facts of the present case it appears to be reasonably plain that the appellant used his invention freely in the district in which he and his brother and brother-in-law lived, taking no precautions to keep its character secret or to confine its use to those who were in confidential relations with him, and that he did so without any view to definite improvements or experiment of a specific character and not for the purpose of developing the actual invention applied for. The use was not experimental except in the possible but vague sense that the appellant might not have been quite satisfied that the qualities of the machine had been fully tested and might have remained uncertain whether some further improvements might not be effected to make it more efficient. This, in our opinion, was not enough to protect the disclosure which he made in the course of the use of the machine. The use seems to have been wide and unguarded and it could not be considered as reasonably necessary **in order to bring the invention to such a condition that he might apply for a patent and describe his invention in a specification, whether complete or provisional.** We cannot agree in the contention that it is for an inventor to judge what experimentation is required or how far it should be carried. …

1. In *Grove Hill* at [229], Dowsett J cited parts of this passage as authority to support the proposition that if the true purpose of the use is for trial, and the trial is reasonable, any collateral commercial advantage of the inventor is irrelevant. His Honour noted the second sentence of the quotation from *Longworth* above in which the High Court finds that the use by the inventors was not in fact experimental (except in the vague sense to which the Court refers). Justice Dowsett further noted (at [230]) the findings of the High Court (in the first sentence quoted) that there appeared to be no experimental purpose involved in the use. The finding of the High Court in that sentence also demonstrates that there was no relevant “secret” use, as the inventor in that case had openly used the invention with no attempt to keep it confidential.
2. The observations of the High Court in the emphasised passage above do not support the proposition advanced by the appellants that use for trial or experiment must in all cases be in order to bring an invention into a form suitable for applying for a patent. The facts must enable a finding that the trial or experiment is for the development or validation of the invention disclosed and described. But is not a requirement of s 9(a) that the trial or experiment be for the purpose of conceptualising or drafting the specification. Tests conducted to prove or refine the concept will suffice, so long as the purpose is reasonable trial or experiment.
3. Accordingly, I do not accept that it is a necessary requirement of s 9(a) that the trial or experiment be directed towards the drafting of the patent application (or provisional application).
4. The findings of the primary judge at [753] demonstrate that his Honour was satisfied that the purpose of the trials was to use the ACT Tool prototype in real world conditions and that they were reasonable. He also found (at [755]) that the subjective intention of the inventor (in this case, not to file a provisional patent application at the time that the trials were conducted) was not determinative. The fact was that a provisional patent application was subsequently filed and that the ACT Tool prototype fell within the invention disclosed. That was, in my view, sufficient to satisfy s 9(a).
5. Accordingly, I reject the first and second arguments advanced by the appellants.
6. The appellants’ third and fourth arguments are, in essence, that the primary judge erred in failing to find that the trials were for a commercial purpose by failing to appreciate the significance of the Heads of Agreement and failing to take into account the subjective intention of AMC. I reject these arguments for the following reasons.
7. After reviewing extensive oral and documentary evidence, the primary judge concluded that the purpose was for reasonable trial or experiment only. The primary judge’s findings of fact at [753] – [755] were underpinned by earlier findings of fact set out in [611] – [618], which I have summarised above, and involved extensive consideration of a large body of evidence. The appellants have not demonstrated that the conclusions reached by the primary judge were not reasonably open on the basis of the materials before him; *Comcare v PVYW* [2013] HCA 41; (2013) 250 CLR 246 at [142] (per Gageler J).
8. Further, although the appellants submit that the correct understanding of the Heads of Agreement reflects the purpose of the tests as being commercial, in my view the primary judge correctly found (at [619] – [620]) that the entry into the Heads of Agreement did not per se amount to commercial exploitation before the priority date. I do not consider that cl 3.2 of the Heads of Agreement, upon which the appellants place emphasis, alters that conclusion. It provides:

the Client has had the opportunity to inspect and examine the Prototype and is satisfied in all material respects as to the proposed design and functionality of the Product, as embodied in the Prototype.

1. As the authorities demonstrate, the fact that later commercial benefits may accrue from the testing, does not deprive the use made by Chardec and AMC/Imdex/Ace Drilling of the requisite character for s 9(a).
2. I do not accept the proposition that the primary judge rejected as irrelevant the evidence going to AMC’s intention in conducting the tests on behalf of Chardec. At [562] the primary judge noted (emphasis added):

While outlining Coretell’s contentions, I must observe in passing that, in my view, this submission for Coretell misapprehends the effect of *Longworth v Emerton* which is focussed upon the nature of the testing, not **only** the subjective intention of the tester. …

1. It is apparent from the word “only” that his Honour did not reject consideration of subjective intention of AMC, amongst the many other factors that were considered. I agree, with respect, with his Honour’s view that the correct focus for the purpose of s 9(a) is upon the nature of the testing, not only the subjective intention of the tester.
2. Finally, I do not accept the proposition that if, at a later date, the party conducting a trial or experiment accrues a commercial advantage as a result of the testing, that must lead to the conclusion that a prohibited and invalidating de facto extension of term has been obtained. The analysis of the historical genesis of the secret use provisions by Gyles J in *Azuko* was directed to s 18(1)(d), not the exceptions within s 9. By enacting s 9, the legislature, as construed by the authorities to which I have referred, has determined that if the purpose of the use is for trial or experiment only, then even if there is a collateral commercial advantage that accrues to the inventor, there will not be invalidating prior use. Once a “secret use” has been established, the exceptions within s 9 are available. Accordingly, a use that is a de factoextension of term may be permitted, and not invalidating, if the exceptions apply.
3. Accordingly, I reject ground 21 of the Appeal.

Consideration – paragraph 2 of the Notice of Contention

1. Subsection 18(1A)(d) of the Act requires that the secret use be by, on behalf of, or with the authority of the patentee or its predecessor in title. The respondents’ contention is that; (a) in the event that Mr Bradford’s evidence as to his involvement in the commercialisation of the ACT Tool is accepted, and (b) that this activity was secret rather than public use, then his use would nevertheless not be an invalidating use because it would not have been made by, on behalf of, or with the authority of Chardec (the predecessor in title to the patent). The respondents contend that the absence of authority from Chardec is apparent from the evidence of Mr Weston and Mr Parfitt. The primary judge made findings as to that evidence, to which I have referred at [188] – [189] above.
2. The appellants answer this contention by submitting that the relevant secret use was by Ace Drilling/Imdex/AMC, which use was with the authority of Chardec; the appellants observe that they seek to make no separate case based on the activities of Mr Bradford alone. This observation would appear to render paragraph 2 of the Notice of Contention redundant. No alternative contention is advanced on the basis of any alternative findings concerning the conduct of Ace Drilling/Imdex/AMC.
3. Accordingly, I dismiss paragraph 2 of the Notice of Contention.

##### COSTS – GROUNDS 21A AND 25

1. On 29 April 2016, the primary judge gave reasons and made orders concerning the costs of the proceedings *Australian Mud Company Pty Ltd v Coretell Pty Ltd (No 5)* [2016] FCA 444 (**costs judgment**). In ground 21A, the appellants challenge an indemnity costs award made in respect of the invalidity grounds that they advanced based on prior use and secret use. In particular, they challenge his Honour’s award of indemnity costs on the basis of the evidence of Mr Bradford. In ground 25, the appellants contend that the primary judge fell into error in finding that the matters raised in grounds 19, 20 and 21 of the appeal were not reasonably arguable and did not have any prospects of success.
2. The primary judge relevantly ordered that the appellants pay the respondents’ costs on an indemnity basis in relation to the prior use and secret use issues as set out in certain sub-paragraphs of the fourth further amended particulars of invalidity dated 8 May 2014.
3. The appellants contend, in relation to ground 21A, that the primary judge’s decision proceeded in large part upon the rejection of the evidence from Mr Bradford and his expectation that Mr Bradford’s evidence should have been more seriously scrutinised by the appellants prior to trial. The appellants contend that his Honour’s analysis puts the obligation upon the appellants “too high”.
4. The discretion to award costs, including indemnity costs, arises from s 43 of the *Federal Court of Australia Act 1976* (Cth).
5. In order to succeed on this ground, the appellants must establish that the primary judge has acted upon a wrong principle, allowed extraneous or irrelevant matters to guide or affect him, mistaken the facts or failed to take into account some material consideration; *House v The King* (per Dixon, Evatt and McTiernan JJ).
6. The appellants’ submissions identify no such error. Rather, they contend that as a matter of weight, too much emphasis was placed on the role of Mr Bradford. This distils to the proposition that, in the appellants’ view, the primary judge ought to have reached a different conclusion on the facts. In my view, the reasons given by the primary judge adequately support the findings that he made. No error of principle has been identified.
7. The premise of ground 25 of the appeal is that if the Court finds that grounds 19 to 21 on appeal reflect an arguable case, then the award of indemnity costs was in error. In my view, this premise is unjustified.
8. The appeal was conducted in a different manner to the presentation of issues at trial. It excised large parts of the case run below and focused on narrow points. Further, as is typical on appeal, it did not involve consideration of much of the evidence advanced at trial. Accordingly, the presentation of the appeal was quite different to that at trial. The conduct of such arguments as those advanced in grounds 19, 20 and 21 does not serve as a proxy for the conduct of a trial. Nor does it provide a means by which the primary judge’s consideration of the costs of the trial can be reconsidered.
9. Accordingly, in my view, the appellants have failed to establish the requisite error in order to disturb the learned primary judge’s findings in relation to indemnity costs.

##### DISPOSITION

1. I have found that the correct date from which an act of infringement of the Patents arises is the date of grant. That finding is likely to have a bearing on the result of the hearing in relation to quantum, and results in success for the appellants in respect of grounds 1 and 2 of the appeal, and partial success in relation to grounds 3 and 6. However, in my view the orders of the primary judge do not require substantial modification. The declaration of infringement should be amended to record the dates from which infringing conduct occurred but otherwise the primary judge’s findings as to the direct and indirect infringement by all of the corporate respondents after 16 December 2010 remain unaffected. In giving directions relevant to the inquiry as to damages the primary judge ordered that documents be produced recording the supply of ORIshot orientation tools between January 2009 and 5 September 2013. As the correct first date from which infringement might occur is 16 December 2010, insofar as those directions have not been carried out, the order should be amended to reflect that date.
2. In my view the respondents have been substantially successful in resisting the appeal. In my view it is appropriate that they should have 90 per cent of the costs of the appeal. There should be no order as to costs in relation to the Notice of Contention. However, the parties have not made any submissions as to costs. In the event that they desire to make submissions to contend that a different costs order should be made, they should file submissions of no more than three (3) pages length within seven (7) days of the date of delivery of these reasons and any reply thereto of no more than two (2) pages length should be made within fourteen (14) days.

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| I certify that the preceding two hundred and fifty-five (255) numbered paragraphs are a true copy of the Reasons for Judgment herein of the Honourable Justice Burley. |

Associate:

Dated: 3 April 2017