

FEDERAL COURT OF AUSTRALIA

MCKERRACHER, BURLEY AND O'BRYAN JJ

THE COURT:

1. INTRODUCTION

1 In this appeal **Oxworks** Trading Pty Ltd contends that the primary judge erred in finding that its product called the ColourSmart Plinth (**the Oxworks plinth**) infringed claims 1, 2, 4, 6 – 13 and 15 – 19 of Australian Patent No. AU2004291566 (**the patent**), which is owned by the respondent, **Gram** Engineering Pty Ltd.

2 The primary judge identified the only issue as being whether the Oxworks plinth alone, and as used in ColourSmart Fences, is a plinth “formed from sheet material” as that phrase is used in the asserted claims; *Gram Engineering Pty Ltd v Oxworks Pty Ltd* [2019] FCA 689 at [8]. The parties agreed before the primary judge and on appeal that this issue may be determined having regard to claim 1 of the patent. The primary judge found that it was, that the Oxworks plinth infringed the asserted claims and that Oxworks is liable to pay additional damages under s 122(1A) of the *Patents Act 1990* (Cth) in respect of the infringement.

3 Oxworks challenges each of these findings. In particular, Oxworks contends in ground 1 that the learned primary judge erred in construing claim 1 by failing to have proper regard to the language used in the claim and failing to construe the claim in the context of the specification as a whole. In ground 2 it contends that the primary judge erred in concluding that the Oxworks plinth infringed, even if one accepts the construction preferred by the primary judge. This ground focusses particularly on the meaning to be given to the word “sheet”. In ground 3 Oxworks contends that the primary judge erred in his exercise of discretion under s 122(1A) of the *Patents Act* by awarding additional damages in favour of Gram.

4 For the reasons set out below, we dismiss the appeal insofar as it concerns the primary judge’s findings of construction and infringement, but allow the appeal in part insofar as it concerns additional damages.

5 We address the specification of the patent in more detail in the context of our consideration of the arguments advanced by the parties. It is entitled “Fence Plinth”. Claim 1 reads:

A fence plinth formed from sheet material having spaced apart end margins and being profiled to incorporate stiffening formations that extend along the sheet between the end edge margins.

2. GROUND 1: ERROR IN CONSTRUING CLAIM 1

2.1 The arguments advanced by Oxworks

6 In ground 1 of the appeal Oxworks contends that the primary judge erred in construing claim 1 as encompassing a plinth made from a material with corrugations or profiles that has never been a flat material, rather than being limited to a plinth formed from a starting point of flat sheet material that is profiled by being bent or folded so as to incorporate stiffening formations that extend along the sheet. It contends that the primary judge erred in failing to construe claim 1 in the context of the specification of the patent as a whole, in finding as a point of significance that claim 1 is a product claim, and by construing claim 1 by reference to the alleged infringing article, being the Oxworths plinth.

7 Oxworks, which was represented by Mr Christian Dimitriadis SC who appeared with Ms Laura Thomas, submits that in claim 1 “formed” is the past participle of the verb “form”, meaning “to shape”, and “from” is a preposition indicating a starting point. Thus “formed from” means “shaped from a starting point of” sheet material. The ordinary meaning of “sheet” is a material that is broad and thin – that is, substantially planar or flat. Examples include a bed sheet, a sheet of paper or a sheet of glass. Thus, “formed from sheet material” describes a plinth shaped from the starting point of a substantially flat material. This is reinforced by describing the sheet material “being profiled to incorporate stiffening formations”. Here, “incorporate” means “to put one thing into the body of another”. This describes introducing into the sheet a shape (formation) that will stiffen the sheet. Oxworks relies on the Oxford English Dictionary definition of “profiled” as a transitive verb which includes “To provide (an object) with a profile of a specified nature... (Engineering) to shape (an object) by means of a profile machine”. It submits that this is the sense in which “profiled” is used in claim 1. Oxworks places emphasis on the fact that the primary judge accepted that a plinth made by profiling flat sheet material, by bending or folding it, would infringe claim 1. It submits that having accepted this, it was inconsistent for the primary judge to conclude that claim 1 also encompasses a fence plinth made from a “profiled sheet”, in the sense that it has a profile (a cross sectional shape) even if it has never been a flat material. Oxworks submits that these matters indicate that the language of claim 1 does not support the conclusion reached by the primary judge.

8 Oxworks submits that the primary judge also failed to construe the claim in the context of the specification as a whole, citing passages from the specification that it contends support its arguments as to the construction of the claim. Furthermore, Oxworks contends that the primary judge erred by finding (at [85]) that it was a point of significance that claim 1 is a description of a product claim rather than the specification of a process, citing *Synthetic Turf Development Pty Ltd v Sports Technology International Pty Ltd* (2005) 67 IPR 475 (at [8]) for the proposition that a product claim may include method aspects within it and also for the proposition that if the claim were to be construed as being for a product not limited to the manner in which the profile was created (from a flat sheet that has a profile imparted on it) then, as in *Synthetic Turf*, the claim would travel beyond the matter described in the specification and not be fairly based. This would militate against such a construction.

9 Gram, which was represented by Mr Anthony Franklin SC, defended the reasoning of the primary judge, also citing parts of the specification that supported his client's construction.

2.2 The reasoning of the primary judge

10 The primary judge noted that the question of construction was confined to the meaning, in context, of "sheet material" when used in claim 1 (at [80]). His Honour summarised the argument advanced by Oxworks (at [53], [54]) as being that "formed from" meant "shaped from a starting point of" sheet material and that this was consistent with the specification's reference to a plinth "formed from timber"; a plinth may be shaped from a starting point of timber, by cutting it to the desired shape. His Honour noted Oxwork's argument that a "sheet" of material was broad and thin – i.e. substantially planar or flat. Examples included a bed sheet, a sheet of paper or a sheet of glass, all of which are flat. Thus this integer described a plinth that was shaped from the starting point of a substantially flat material. His Honour recorded (at [41]) that the argument advanced by Gram was that claim 1 was broad and was agnostic as to how the profile was introduced into the sheet, being the "profiled metal sheet" from which the plinth was formed. In this respect Gram referred to Figure 2 (reproduced at [28] below) and to a reference in the body of the specification to that figure illustrating an embodiment of the invention in which a plinth is "formed from a profiled metal sheet".

11 After setting out further aspects of the parties' contentions, the primary judge's reasoning on the point was as follows:

80 The question of construction of the relevant claims is the meaning, in context, of "sheet material" when used in claim 1.

- 81 It seems to me to be clear that the word “sheet”, of itself, refers to certain dimensions of material, being broad and relatively thin. The word does not necessarily convey that the material is flat. It may have corrugations or profiles. The word “sheet” should be taken to mean the same in claim 1 each time it is used. It is used twice in that claim. The second time the word “sheet” is used in claim 1, in the phrase “being profiled to incorporate stiffening formations that extend along the sheet”, on any view the product meant by the word is not flat but has a profile.
- 82 My conclusion as to the ordinary meaning of the word in context coincides with the expert evidence that the word “sheet” in the building industry may be used to refer to profiled material, such as corrugated sheeting. I do not accept the evidence of Dr Stark to the effect that it is ordinary usage, or the common usage in the industry, to refer to a plinth “formed from a profiled metal sheet”, or what is depicted in Figure 2 of the specification (reproduced at [11] above), as a “beam”. This usage by Dr Stark, in my opinion, was idiosyncratic as the product was not necessarily used to bear a load and, further, the word “beam” is not used in the Patent. Dr Stark did not explain why the product he described as a “beam”, which description he accepted involved consideration of the product’s function, could not also be described as “sheet material” or a “sheet”, which in my opinion are descriptions of a product’s physical characteristics.
- 83 The word “sheet”, in its ordinary meaning, does not convey the material of which it is made. Similarly, “sheet material” may or may not be metal.
- 84 Turning to the context, claim 1 is a description of a product being a fence plinth. This is an element of a fence. The claim next states what physical characteristics the claimed product has. The product, a fence plinth, is formed from, which in my opinion is to say made from, a certain description of sheet material. In my opinion, that description is that the sheet material has “spaced apart and edged margins” and is “profiled to incorporate stiffening formations that extend along the sheet between the end edge margins.”
- 85 A point of significance is that claim 1 is a description of a product rather than the specification of a process or the description of an activity such as profiling or shaping.
- 86 I do not accept, therefore, that claim 1 requires that the fence plinth start as a flat sheet. I do not accept the respondent’s submission to the contrary.

12 The primary judge considered that the remaining claims of the patent did not shed any further light on the meaning of the relevant terms used in claim 1. He reviewed each of the dependent claims before concluding:

- 107 I do not accept the respondent’s contention that the sheet must be initially flat and thereafter bent or folded to form the stiffening formations. I do not accept the respondent’s contention that “formed from” in claim 1 means “shaped from a starting point of” sheet material nor the related contention that this integer described a plinth that was shaped from the starting point of a substantially flat material.
- 108 I do not accept the respondent’s contention that its construction of claim 1 is reinforced by the claim describing the sheet material “being profiled to incorporate stiffening formations” on the basis that that this integer described introducing into the sheet a shape (formation) that will stiffen the sheet. As I

have said, the word “sheet” should mean the same both times it occurs in claim 1.

13 Earlier in his reasons the primary judge provided a detailed review of the evidence before him. Within that review he made findings as to the characteristics of the Oxworks plinth. He found that it is produced from cylindrical aluminium billets. Each billet has a diameter of between approximately 200mm and 250mm, and a length of between approximately 600mm and 1000mm. The billets are heated and then extruded through a die. The result is the plinth, which is zig-zag in cross section. When the extrusion reaches a length of between 18m and 30m it is cut and then stretched. Further processes such as heating in an aging oven, powder coating and curing then follow. When these processes are complete a final cutting takes place leaving a product which is between 230cm and 650cm in length and between 15.3cm and 15.6cm in width with a thickness of between 1.35mm and 1.65mm.

2.3 Consideration of ground 1

14 Neither party suggested that the primary judge erred in his summary of the relevant principles of claim construction, which was as follows:

76 As the Full Court recently restated in *Davies v Lazer Safe Pty Ltd* [2019] FCAFC 65 at [42]-[45], although the claims are to be construed in the context of the specification as a whole, it is not legitimate to narrow or expand the boundaries of monopoly as fixed by the words of a claim by adding to those words glosses drawn from other parts of the specification. While it is legitimate to refer to the rest of the specification to explain the background to the claims, to ascertain the meaning of technical terms and resolve ambiguities in the construction of the claims, it is not legitimate to narrow or expand the boundaries of monopoly as fixed by the words of a claim by adding to those words glosses taken from other parts of the specification. The Full Court referred to *Welch Perrin & Co Pty Ltd v Worrel* [1961] HCA 91; 106 CLR 588 at 610.

77 The importance of the actual language used in the claim to define the invention was emphasised by another Full Court in *Fresenius Medical Care Australia Pty Limited v Gambro Pty Limited* [2005] FCAFC 220; 224 ALR 168 at [94]:

The whole of the specification must be read in order to construe the claim. So much is not in dispute. However, that does not mean that the words of the claim are to be ignored. Nor can it be ignored that the patentee has chosen not to include in a claim matters, integers or aspects of the invention that have been referred to in the body of the specification. This accords with the well-accepted principle enunciated in *Welch Perrin* at 610 that glosses drawn from the body of the specification cannot be used to narrow or expand the boundaries of the monopoly as fixed by the words of a claim.

15 In order to address the construction arguments it is convenient first to refer to the disclosure of the specification, to which the parties referred at length during the course of the appeal.

2.3.1 The patent specification

16 Under the heading “Field of the Invention” the patent states that the invention relates to fencing and more specifically to fence elements, known as “plinths”, used at the base of a fence construction. It states that the invention has been especially, but not exclusively, developed for metal fencing systems.

17 Under the heading “Background”, the patent states that it is often desirable in the construction of fences to have the fence closely follow the contour of the surrounding landscape. It says that in order to do so, in the past plinths have been installed under the main infill panel and that these plinths are typically constructed from concrete, stone, or timber and are either independently supported in the ground or secured to the fence posts. It says that timber planks have been used extensively to construct plinths.

18 The “Summary of the Invention” section is set out over several pages of the specification. It commences with a paragraph that closely corresponds with claim 1, and may be regarded as a consistory clause (page 2 lines 5 – 9):

According to a first aspect, the invention relates to a fence plinth formed from sheet material having spaced apart end margins and being profiled to incorporate stiffening formations that extend along the sheet between the end edge margins.

19 The summary continues by describing various forms of the first aspect of the invention. It says (page 2 lines 10 – 24):

In one form, the sheet is metal. In a particular form, the sheet is pre-painted galvanized steel. In one form, the edge margins are mountable to the posts.

In one form, the plinth is made from sheet metal that incorporates a protective coating, such as that provided by a zinc galvanized coating, and a paint coating as applied to pre-painted steel strip in a continuous manner.

In one form, the stiffening formations may be corrugations or ribs such that a cross-sectional profile of the plinth displays a regular wave form with crests and troughs displaced from a notional centre plane of the sheet. The wave form may be smoothly curved throughout, or it may comprise straight portions intersecting at relatively abrupt angles, or a combination of both these possibilities.

20 After describing further forms, the summary of the invention continues by describing the way in which the sheet material may be altered in order to produce the stiffening formations (page 3 lines 3 – 12):

In yet another form, the sheet material may be shaped or folded to form a structural section such as a z-section to provide for stiffening of the plinth.

In profiling the sheet, when made from pre-painted galvanised steel, to form the

stiffening formations, it is preferable that the radius of curvature of the bends in the sheet is at least 5mm, and preferably at least 7mm. In this way cracking of the pre-painted coating is minimised thereby inhibiting subsequent corrosion of the plinth.

21 At page 5 lines 5 – 21 of the specification, the summary of the invention refers to the plinth in the context of the fence:

In yet a further aspect, the invention relates to a fence comprising two spaced apart posts that include respective channels that face toward one another, a barrier panel extending between the posts, and a plinth located below the barrier panel and extending between the posts, the plinth being formed from sheet material having opposite side edges, and end edges that interconnect the side edges, the plinth being profiled to extend laterally out of a notional centre plane extending between the side edges so that in use the end edge margins of the plinth locate snugly within the channels.

A fence in accordance with the third aspect of the invention may also have the plinth profiled so as to incorporate at least one stiffening formation that is characteristic of the first aspect of the invention. In one form the plinth is also made from metal, such as pre-painted galvanized steel.

22 The summary of the invention also provides as a further aspect of the invention a method of making the plinths. This includes (page 6 lines 5 – 15):

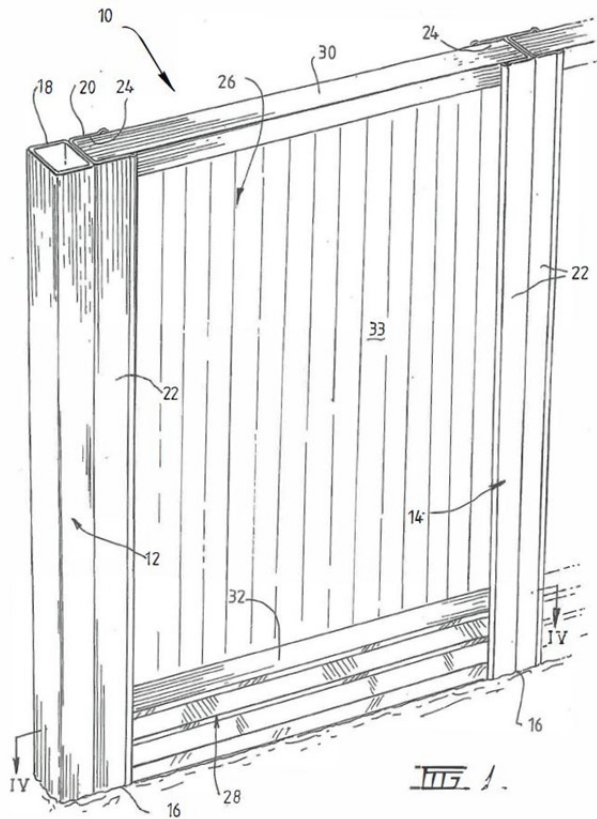
In another aspect of the invention there is provided a method of forming fence plinths comprising the steps of:

profiling a pre-painted galvanised steel strip to incorporate stiffening formations in the strip; and

shearing the strip at discrete lengths to form the plinths, the stiffening formations extending along the plinths between spaced apart end edge margins of the sheared strip.

23 The specification includes 9 figures, which are then described.

24 Figure 1 is a schematic perspective view of a fence including an end post 12 and intermediate post 14:



25 In Figure 1 the description identifies, by reference to the integers indicated, that the fencing includes an end post 12 and intermediate post 14. Both the end post 12 and the intermediate post 14 are said typically to be set in a concrete foundation 16. The channels 24 of adjacent posts face one another so that they can receive a barrier panel 26 and plinth 28. Each panel 26 includes a top and bottom rail (30, 32), and an infill panel 33. The infill panel may be “formed as an impervious rigid sheet, a roll formed profiled sheet, a sheet of expanded metal pickets, woven wire mesh or the like”.

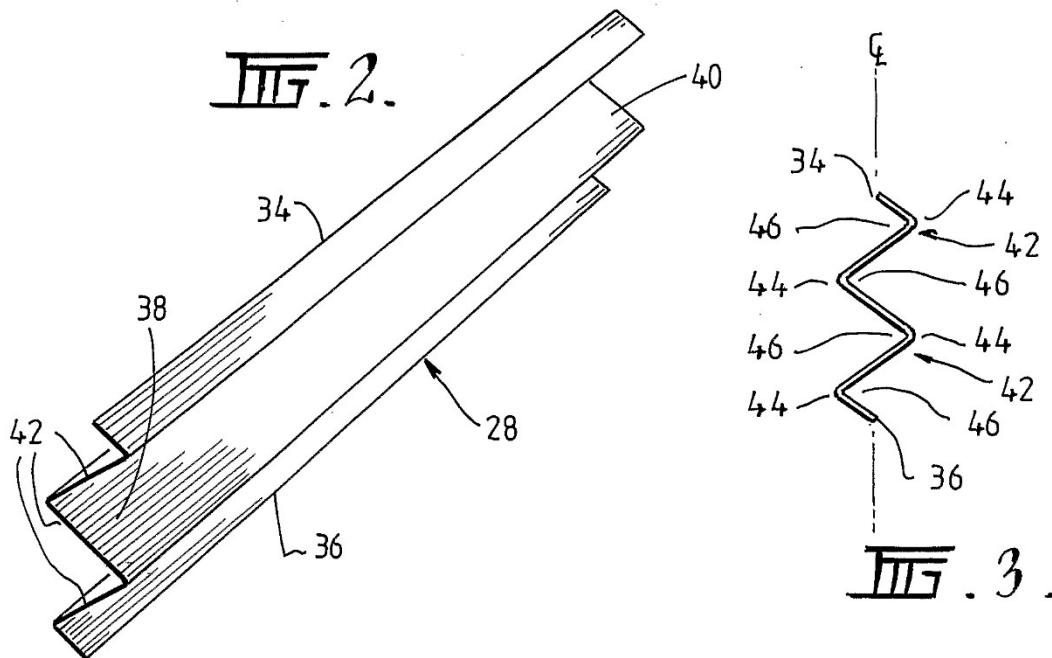
26 In a passage relied upon by both parties the specification provides (page 9 lines 14 – 31):

In traditional fence construction, the plinth 28 is formed from timber. However, in the embodiment shown, and as best illustrated in Figs. 2 and 3, the plinth 28 is formed from a profiled metal sheet. The metal sheet is pre-coated with a corrosive resistant Zn/Al metal alloy and incorporates a painted overlay which typically matches the colour of the fence posts and barrier panels. A suitable steel sheet is manufactured by Bluescope Steel Limited and sold under the trademark COLORBOND coated steel.

The plinth 28 includes an opposite side edges [sic] (34, 36) and opposite end edge margins (38,40) which interconnect the side edges (34, 36). The plinth is typically profiled in continuous lengths using a roll forming process and cut to size. With this arrangement the plinth includes stiffening formations 42 which extend linearly along the sheet between the end edge margins (38,40).

27 The expert evidence indicates that a roll forming process is a means of bending sheet metal into a shape.

28 Figures 2 and 3 are as follows:



29 The description of the drawings continues (page 9, line 32 to page 10, line 10):

In the illustrated form of Figs. 2 and 3, the plinth 28 is profiled so that the stiffening formations 42 are in the form of angular corrugations that display a regular wave form with crests 44 and troughs 46 displaced from a notional centre plane CL that extends between the side edges (34, 36). The radius of curvature at the bends is at least 5mm, and preferably at least 7mm in order to minimise cracking of the pre-painted coating and to inhibit subsequent corrosion of the plinth 28. The plinth is designed to allow free drainage across its major surfaces when in its in use position, to thereby minimise pooling of water against the plinth.

30 The specification then identifies various other advantages of the profile of plinth 28. It refers to Figures 4 – 8, which provide different views of the plinth and different profiles able to be used for the plinth. It then sets out 22 claims. Claim 1 is reproduced in [5] above. Claims 2 – 15 are dependent on claim 1 and variously add integers to the combination of claim 1, including integers that address the material from which the fence plinth is made, the arrangement of the stiffening formations and their profile, and the height of the plinth. Claims 15 – 19 are to a fence comprising spaced apart fence posts including a plinth according to any of the preceding claims. Claim 20 is an independent claim to a fence that includes a plinth described in similar

language to claim 1. Claim 21 is dependent on claim 20. Claim 22 is to a method of making fence plinths in the following terms:

A method of forming fence plinths comprising the steps of:

profiling a pre-painted galvanised steel strip to incorporate stiffening formations in the strip; and

shearing the strip at discrete lengths to form the plinths, the stiffening formations extending along the plinths between space apart end edge margins of the sheared strip.

2.3.2 Consideration

31 The correct approach to the construction of the claims is set out in *Davies v Lazer Safe* [2019] FCAFC 65 at [42] – [45] and was summarised by the learned primary judge in the passage set out in [14] above. There is no dispute that claim 1 contains no technical or scientific terms or words that have special meaning. There was evidence before the primary judge that the word “sheet” in the construction industry may refer to corrugated sheets (for instance corrugated iron roofing) or panels. Oxworks contested the relevance of that evidence but not its accuracy. Furthermore, the trial proceeded on the basis that it was unnecessary to adduce evidence of common general knowledge at the priority date of the patent in order to construe the claim. Accordingly, the Court was asked at trial (and on appeal) to construe the claim as words of ordinary English as they would be understood by a person skilled in the art to which the patent was addressed.

32 In our view the disclosure of the specification as a whole is of a fence plinth having certain specified characteristics and also of a method of making such a fence plinth. The advantages that lie in the product are that using sheet material that has a profile to it provides flexibility for the plinth to be tailored to the design of a particular fence. As the specification says at page 6 lines 14 – 25:

Forming the plinth from sheet material provides enhanced flexibility in the design of the fence construction as compared to the traditional timber plinths. The choice of profile on the plinth may be designed to match the expected design loading which is anticipated for the fence construction. The plinth is easier to handle as it is lightweight and can be stacked with other plinths in a nested arrangement for ease of transporting. By making the plinth from a pre-painted pre-galvanised steel sheet, it will not leach dangerous chemicals into the soil as in the case of plinths formed from treated timber.

33 Although this passage appears following the reference to a method of making the fence plinths, it is apparent that its content is not directed to the way by which it is made, but to the end result, which is a completed fence plinth with the advantages described. That is, by having a suitable

profile, steel sheet material confers the benefit of providing strength or stiffening that gives it sufficient strength to provide an alternative form of fence plinth to traditional wooden fences and also has additional flexibility in design, because it may be made with a profile to match the expected loading for the fence. Furthermore, steel sheet material with a profile can be stacked in a “nested arrangement” for ease of transport. Other passages, such as at page 10 lines 11 – 18, amplify the practical advantage of the stiffening formations as “improving the strength of the sheet to resist outward bowing from the plane on the fence” and thereby improving the ability of the sheet to resist back loading and allowing it to function as a retaining wall.

34 The specification also describes as another “aspect” of the invention a method of making the fence plinth by imparting a profile to a pre-painted galvanised steel “strip” in order to incorporate stiffening formations and shearing (cutting) the strip at discrete lengths to form the plinths, the stiffening formations extending along the plinths between spaced apart end edge margins of the sheared strip.

35 In our view, claim 1 is to a product, namely a fence plinth having the characteristics specified in the claim. It is not a product defined by reference to a method by which it has been made. Although the words “formed from sheet material” are perhaps capable of being read as a transitive verb meaning “shaped”, having regard to the language of the claim as a whole, taken in the context of the specification, this is not the correct or preferable construction and we do not consider that the primary judge erred in his conclusions in this respect. Our reasons for this are as follows.

36 First, the submission advanced on behalf of Oxworks before the primary judge and on appeal relies upon the notion that “formed from sheet material” describes a starting point of a substantially flat material that is then, in sequence, “profiled to incorporate stiffening formations”. However, “sheet material” need not be flat. Indeed, it is apparent from the claim itself that material that has been profiled to incorporate stiffening formations is still regarded to be a “sheet”, that being the word used to describe the profiled material in the second use of that word in the claim. That construction accords with the ordinary English meaning of the word “sheet”. As the primary judge found at [82] (and it is not challenged on appeal), the word “sheet” in the building industry may be used to refer to profiled material such as corrugated sheeting. Accordingly, the starting premise of the argument advanced by Oxworks – that the reference to “sheet” is to a substantially planar or flat material such as paper or glass, is not supported by the language of the claim itself.

37 Secondly, this construction is supported by the disclosure of the specification. For instance, Figure 2, which is a perspective view of an embodiment of the invention, is described as a “sheet”, it being a plinth with a zig-zag or “Z” profile. The specification says (page 10 lines 15, 16):

As such, the stiffening formations 42 extend linearly between the edge margins (38,40) and thereby increase the strength **of the sheet** to resist outward bowing from the plane on the fence”.

(Emphasis added.)

38 The description in the specification of a sheet has having the “Z” profile indicates that the patentee used the word to refer to the material so configured. That accords with the second reference to “sheet” in claim 1. That usage also appears in other parts of the specification (for instance, page 6 line 14, set out in [32] above).

39 Thirdly, as we have noted, the words in claim 1 “*formed from* sheet material” could perhaps either mean a fence plinth “made from sheet material” and having the characteristics identified in the balance of the claim (as the primary judge found) or “shaped from a starting point of sheet material” and subsequently “profiled” to incorporate or add the stiffening formations described (as Oxworks contends). However, once the meaning of “sheet” is ascertained, the Oxworks contention has little force. We consider that the words most naturally take the former meaning. The claim is for a fence plinth possessing the characteristics identified.

40 In this regard we do not understand the learned primary judge to have concluded at [85] that *because* the claim is to a product it cannot have a component within it that prescribes how part of it is made. That would be an incorrect approach. Each claim must be construed to ascertain the meaning of each integer within it, and labels such as “product claim” and “method claim” are no more than convenient descriptors. An integer within a product claim may operate to define the product by reference to the means by which a feature of the product is created. An example of this is seen in *Synthetic Turf* at [8] – [17]. However, in the present case, the primary judge found (at [84]) that as a matter of construction the claim does not include a method component but rather that the product, a fence plinth, is formed from, which is to say made from, a certain description of sheet metal. Having so found, his Honour noted as a point of significance (at [85]) that claim 1 is a description of a product, rather than the specification of a process. Having regard to the finding at [84] this notation was perhaps somewhat repetitive, but it reflects no error.

41 Fourthly, this construction of claim 1 is additionally supported by the language used in the body of the specification, which describes a product, being the fence plinth, which has certain characteristics. One of those characteristics is that it is made from sheet material and, in the preferred embodiments, sheet metal. In this connection it is to be noted that the specification distinguishes between a traditional fence construction where the plinth “is *formed from* timber” from the embodiment of Figures 2 and 3 where “the plinth is *formed from* a profiled metal sheet” (page 9 lines 14 – 18). It is plain from this language that the patentee is using “formed from” to mean “made from”, referring to the complete product. It is a fence plinth that has been made from metal sheet that is depicted in Figures 2 and 3.

42 Fifthly, we do not consider that the later appearing words in claim 1 “being profiled to incorporate stiffening formations” assist Oxworks. In the context of the claim, the word “being” is to be understood as meaning “that is” coupled to the adjective “profiled”, in accordance with the Oxford English Dictionary definition of “being”, when used “with adjective, noun or adjectival phrase, acting as a simple copula: stating of what sort or what something is”. The phrase taken in context means that the sheet material has a profile for a purpose, being to include stiffening formations which, as the specification explains (page 10 lines 15 – 18), increase the strength of the sheet to resist back loading on the plinth and thereby allow it to function as a retaining wall. The shape of the stiffening formations is not defined in claim 1. Rather, the formations are defined by the result that is to be achieved, which is to meet the purpose of stiffening the sheet. In claims 4 – 8, which are dependent on claim 1, the shape of the stiffening formations is defined with increasing specificity, such that in claim 8 the plinth is described to be “profiled to form a structural section such as a z-section to provide the stiffening formations”.

43 Contrary to the submissions advanced by Oxworks, we do not consider it to be apparent from the primary judge’s reasoning that he fell into error by construing the claims with an eye to the alleged infringement: *Welcome Real-Time SA v Catuity Inc* (2001) 113 FCR 110 (at [21]). His reasons addressing construction were separate to and not apparently linked to his subsequent consideration of the application of that construction to the impugned product. We do not consider that by describing the dimensions and scope of the Oxworks plinth in his recitation of the facts (and before he determined the question of construction) it may be inferred that his Honour fell into such an error. Nor do we consider that the construction that we have adopted is to be set aside because it is likely to be invalid for want of fair basis within s 40(3) of the

Patents Act. The disclosure of the specification as a whole, including the consistory clause for claim 1, provides ample fair basis for claim 1.

44 As a consequence of these matters, we consider that the primary judge did not err in his construction of claim 1. Ground 1 of the appeal must be dismissed.

3. GROUND 2: ERROR IN FINDING INFRINGEMENT

45 In ground 2 Oxworks contends that the primary judge erred in finding that it had infringed the patent, first, by reason of his construction of claim 1 and secondly, because he failed to appreciate that pursuant to the construction of the claim that he adopted, the Oxworks plinth did not infringe. Our rejection of ground 1 of the appeal resolves the first aspect of this ground adversely to Oxworks. We now turn to consider the second aspect.

46 Oxworks submits that the aluminium extrusions of the Oxworth plinths are initially between 18m and 30m long and 15cm wide. When cut to length, they are between 2.3m and 6.5m long and about 15cm in width. The primary judge found at [81] that the word “sheet” refers to a material that is “broad and relatively thin”. Oxworks submits that the primary judge erred in finding that its product satisfied this description.

47 The primary judge rejected this argument in the following manner:

109 I turn then to consider the respondent’s alternative submission that, regardless of which construction of claim 1 was adopted, the Oxworks Plinth did not infringe claim 1 because it was not formed from a flat sheet or a profiled sheet.

110 In my opinion, contrary to the respondent’s submission, this contention is not truly an alternative. This is because it relies on the phrase “formed from” as describing something done to “sheet material” to produce the fence plinth. However, I have rejected that meaning as a matter of construction by my findings that in claim 1 “sheet material” does not mean that the material is required to be flat and “being profiled” is a description and not something required to be done to a flat sheet. As I have said at [84] above, “formed from”, in that context, merely describes what the plinth is made out of.

111 I therefore conclude that the Oxworks Plinth is relevantly formed from, in the sense of made out of, sheet material. The dimensions of the aluminium extrusion out of which the Oxworks plinth is made, at least after it is cut as described at [37] above, do not mean that that extrusion does not fall within the ordinary meaning of “sheet material” as used in claim 1. I place no weight on the evidence of Dr Stark to the effect that he had not heard of the product coming off an extrusion press being described as a sheet or as anything other than an extrusion. He did not explain why an extrusion, if it had the right physical characteristics, could not be also accurately described as a sheet. To the contrary, his later answer was to the effect that if what was extruded was a long, flat and very thin piece of aluminium then that perhaps could be called a sheet in that particular case, although he said it would be termed a flat. I accept

the evidence of Mr Hunter who described the material coming out of the extrusion dye as a sheet or profiled metal sheet. I find that the extrusion, at least as cut, does fall within the ordinary meaning of “sheet material”.

48 Oxworks further submits that the primary judge erred in giving weight to the evidence of Mr Hunter. It submits that Mr Hunter construed the patent by reference to the alleged infringing article and that his infringement analysis involved no separation between consideration of construction and infringement. Accordingly, Oxworks submits that the acceptance of the evidence of Mr Hunter that the output of the extrusion was a sheet or a profiled metal sheet was in error.

49 The difficulty with Oxworks’ submissions is that his Honour was not in [110] relying on the evidence of Mr Hunter to construe the claim. His Honour had already completed that task. He was addressing Oxworks’ contention that the Oxworks plinth did not conform with the requirement that it was a fence plinth formed from *sheet material*. This was a question of fact to be determined having regard to the correct construction of “sheet”, which his Honour found to be a relative term (“broad and relatively thin”).

50 The evidence of Mr Hunter that was accepted by the primary judge was that the word “sheet” is apt to describe the Oxworks plinth having regard to its dimensions. As his Honour noted at [111], it was not to the point that the plinth was created by extrusion, because claim 1 was not concerned with how the product was made. His Honour was considering the correct application of the word “sheet”. Indeed, the expert called by Oxworks, Mr Stark, accepted in cross examination that a very long narrow piece of profiled material of 14m length and 38cm width was aptly described as a “sheet” in a product brochure by Lysaght (a major manufacturer of steel products). This evidence was consistent with the evidence of Mr Hunter that was accepted by the primary judge at [110]. We see no occasion to disturb the finding of fact made by the primary judge, having regard to the evidence before him, that the Oxworks plinth satisfied the description of “sheet material” within claim 1.

51 Nor do we accept Oxworks’ submission that Mr Hunter’s evidence of industry usage of the word “sheet” should have been given no weight having regard to the manner in which he was instructed. The primary judge was entitled to consider the evidence available to him in forming his conclusion on the matter of fact that arose. No appealable error is demonstrated in his acceptance of the evidence given by Mr Hunter.

4. GROUND 3: ADDITIONAL DAMAGES

52 The claim for additional damages, both before the primary judge and on appeal, is based on s 122(1A) of the *Patents Act*, which provides:

- (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.
- ...

4.1 The reasoning of the primary judge

53 After setting s 122(1A) out, the primary judge referred to a number of authorities, including *Zetco Pty Ltd v Austworld Commodities Pty Ltd (No 2)* [2011] FCA 848 (at [263] – [268]); *Industrial Galvanizers Corporation Pty Ltd v Safe Direction Pty Ltd* (2018) 135 IPR 220 (at [128] – [132]) and *Pacific Enterprises (Aust) Pty Ltd v Bernen Pty Ltd* (2014) 321 ALR 715 (at [13] – [14]) which were relied upon by Gram in support of its application for additional damages.

54 His Honour noted Gram's submission to the following effect:

- a. There was no dispute about the validity of the Patent and there was no subsisting cross-claim for revocation.
- b. Accordingly, this matter was clearly distinguishable from *Zetco*. In that case (at [267]-[268]) there was a cross-claim for revocation. The respondent/cross claimant had also earlier sought re-examination of the Patent. In the present case, no witness from [Oxworks] had given evidence that, for example, he or she took advice on infringement or formed the view that there was no infringement and that [Oxworks] could legitimately make the Oxworks Plinth.
- c. The controlling mind of [Oxworks] was Mr Hosking as the CEO. He was present and available to give evidence but did not.
- d. For a significant period (from about 2006 until early 2017) [Oxworks] purchased [Gram's] Gram steel plinth and other fencing products in

considerable quantities.

- e. [Oxworks] was twice provided with advertising material including the plinth brochure.
- f. Prior to engaging Rising Star, in December 2015, to look into the manufacture of aluminium plinths on its behalf, [Oxworks] clearly had access to [Gram's] website. Indeed, Mr Hosking sent an email to Mr Thornton of Rising Star including a link to webpages in [Gram's] website. At the relevant time [Gram's] website referred to the Patent in respect of the plinth product. [Gram's] brochure referring to the plinth and the fact that it was patented (and giving the patent number) was also on the website at the relevant time.
- g. Mr Hosking was not called to give evidence that he was not aware of the Patent or that he did not read the physical brochures or the statements on the website referring to the Patent (including the brochure uploaded to the website). An adverse inference should be made against [Oxworks] because of the failure to give such evidence.
- h. [Oxworks'] copying of the Gram plinth was slavish. [Oxworks] suggested that there was no "copying" because the plinth was made by an extrusion process and not by the method described in the body of the specification. That may be, but the product was almost exactly copied in its shape and dimensions, which were obtained from the specification pages in [Gram's] website. Indeed, Mr Hosking sent to Rising Star a link to a page on [Gram's] website depicting and describing the Gram plinth and asked Rising Star to make the product in aluminium.
- i. Mr Hosking approved each stage of the development of [Oxworks'] aluminium plinth.
- j. [Oxworks] received a cease and desist letter referring to the Patent and their infringement of it in on 9 May 2017.
- k. [Oxworks] continued to sell the infringing plinth even after that letter.

55 The primary judge observed that in summary, Gram submitted that there was a compelling case that the infringement had been flagrant. On the probabilities, Oxworks knew of the patent at all material times. It had access to the Gram website which referred to the patent and Factory Direct Fencing Pty Ltd (as Oxworks was then known) was provided with advertising material in relation to the Gram plinth. It had previously purchased plinths from Gram. It then deliberately copied the Gram plinth.

56 Oxworks submitted there were no factors relevant to additional damages present. Although Gram adduced evidence to show that certain pages of its website that concerned the plinth also had a reference to the patent at various times, Oxworks submitted that there was no evidence that any representative of Oxworks ever saw those pages.

57 The primary judge then set out his own findings, noting some further submissions:

- 68 On 17 December 2015, Mr Hosking emailed a link to [Gram's] website to Mr Thornton of Rising Star, which arranged for the manufacture of the Oxworks Plinth and imported it to Australia. Mr Thornton followed that link and looked at pages of [Gram's] website concerning its plinth, including the "Product Details", "Specification", "Data Sheet" and "Installation Data" tabs. None of those pages, [Oxworks] submitted, made any reference to the Patent. Mr Thornton's evidence demonstrated that it was perfectly possible to find a lot of information about [Gram's] plinth without being put on notice that it was the subject of a patent.
- 69 [Oxworks] submitted that it had not "copied" the Gram plinth as [Gram] had submitted. Rather it submitted the evidence showed that [Oxworks] asked Rising Star to produce a plinth via an extrusion process that otherwise had a similar shape to the Gram plinth.
- 70 In any event, [Oxworks] submitted, copying was not, in itself, sufficient to justify an award of additional damages. **Where, as here, the alleged infringer maintained an arguable case that the product did not infringe, additional damages would not be awarded simply because it did not cease selling the allegedly infringing product: *Zetco* at [267]-[269] per Bennett J; *Industrial Galvanizers Corporation Pty* at [132]-[133] per Burley J.**
- 71 When Mr Hosking received a letter of demand in relation to the Oxworks Plinth, dated 9 May 2017, he replied in an email dated 29 May 2017, from which it was clear that [Oxworks] had always been of the view that the Oxworks Plinth did not infringe the Patent. [Oxworks] submitted that view had been, and was, reasonably held. In those circumstances, [Oxworks] submitted there could be no flagrant infringement.
- 72 Finally, [Oxworks] submitted that, to the extent that it was said to be relevant that [Oxworks] was previously a customer of [Gram] and ceased purchasing plinths from [Gram] in about February 2017, the relevant emails showed that Oxworks had subsequently tried to purchase plinths from [Gram], but had been rebuffed.

(Emphasis added.)

58 His Honour found that Oxworks was twice provided with advertising material, including the plinth brochure. It was probable that Oxworks was aware of the contents of the brochure. The brochure expressly referred to Gram's Patent, by number, in juxtaposition to Gram's plinth. Gram's website as at 25 February 2017 expressly referred to the patent in juxtaposition to Gram's plinth. The position was the same for Gram's website as at 1 March 2017. It was probable that Mr Hosking had looked at Oxworks' website, including the references to the patent and knew about the patent. At the time Mr Hosking sent to Rising Star a link to Gram's website in December 2015, Gram's website referred to the patent in respect of the plinth product, albeit on what appears to be a different page to the page to which the link was addressed. Gram's brochure referring to the plinth and the fact that it was patented (giving the patent number) was also on the website at the relevant time. The primary judge was satisfied

Mr Hosking knew of at least one of those sources of information on Gram's website that referred to the patent.

59 The primary judge then found:

- 118 I do not give any weight to that part of Mr Hosking's 29 May 2017 email in which he said that he was not made aware that Oxworks held a patent in relation to the fence plinth.
- 119 Mr Hosking did not give evidence, although he was in a position to do so, to displace or qualify the inference I draw from what was apparent from the Oxworks website and my finding that he had looked at a relevant part of that website.
- 120 The respondent purchased considerable quantities of the plinths in question and other fencing products from the applicant during the period from 2006 until early 2017. As at 29 May 2017, the date of Mr Hosking's email to the solicitors for the applicant, Oxworks held inventory of the Gram's plinth.
- 121 I find and take into account that the respondent did copy the applicant's product the subject of the Patent. I find that it constituted copying even though the product was not of the same thickness and was made of aluminium and by an extrusion process. The respondent's product was copied in its shape and dimensions, which were obtained from the specification pages in the applicant's website which were sent by Mr Hosking to Rising Star as a link when he also asked Rising Star to make the product in aluminium. I find that the copying was deliberate. I find that Mr Hosking, or another employee or officer of the respondent, approved each stage of the development of the respondent's plinth.
- 122 I also find and take into account that the respondent received a cease and desist letter referring to the Patent and its infringement of it on 9 May 2017 but that the respondent continued to sell the infringing plinth even after that letter. This continued until July 2018, on the evidence of Mr Thornton. There is no evidence that the respondent obtained legal advice as to whether or not it was infringing the applicant's Patent.
- 123 These circumstances taken in combination, in my opinion, entitle the applicant to additional damages under s 122(1A). There is an additional element to the infringing conduct to warrant additional damages. In answering the separate questions, I do not see it is appropriate to go further by reference to the separate paragraphs of that provision.

4.2 Oxworks' appeal contentions

60 Oxworks appropriately acknowledged the discretionary nature of the power conferred by s 122(1A) of the *Patents Act*, such that an error of the kind identified in *House v The King* (1936) 55 CLR 499 (at 504-505) needs to be identified. Oxworks contended that the circumstances were such to warrant appellate intervention.

61 Oxworks' arguments on appeal focussed on two primary contentions:

- (1) The primary judge erred in failing to consider or take into account, in considering whether there was “flagrant” infringement within the meaning of s 122(1A)(a), the objective reasonableness of Oxworks’ views about the strength of its defence to infringement.
- (2) The primary judge erred by focussing on the flagrancy of the infringement without due regard to the other factors set out in s 122(1A) relevant to an assessment of whether the discretion conferred to award additional damages ought to be exercised.

62 In respect of the first contention, Oxworks focussed on the content of the 29 May 2017 email which reads as follows:

I confirm I have received a letter from you titled “ Unauthorised Use of Patent: Fence Plinth” on the 26th May, 2017. I acknowledge we have purchased Gram’s plinth in the past and still hold inventory of this product. I was not made aware that your client held a patent in relation to the fence plinth. The product that has featured in our previous advertising material was indeed the Gram Steel Plinth, sold to us by Gram in Perth.

Oxworks have recently trialled an aluminium extrusion with a variety of uses from an alternative supplier. This extrusion is powder coated and extruded from aluminium billet. I note from reading the Patent provided that your clients[?] product is “formed from sheet material”, “the sheet is pre-painted galvanised steel” and “the plinth is made from sheet metal that incorporates a protective coating, such as that provided by zinc galvanised coating, and a paint coating as applied to pre-painted steel strip in a continuous manner”.

Our company has no desire to infringe on the rights of your client. In order to quickly and efficiently resolve this issue, I would appreciate if you could detail how Oxworks has infringed the rights of your client, and specifically which part of the Patent has been breached....

63 Specifically, Oxworks contends that the email afforded evidence that Oxworks was of the view that its plinth did not infringe Gram’s patent and that that view was reasonable (put another way, that it had an arguable case). Oxworks submits that a finding to that effect is relevant to the assessment of the flagrancy of infringement under s 122(1A) of the *Patents Act* and would ordinarily negative a finding of flagrancy.

4.3 Consideration

64 It is apparent from the reasoning of the primary judge at [119] – [123] that he took into account the factors identified in s 122(1A) of the Act, although he did not consider that all were relevant.

65 He first had regard to the fact that Oxworks copied the Gram plinth from the website. In so doing, at [119] he rejected the contention made on the face of the 29 May 2017 email that Mr Hosking was not made aware of the patent prior to that date. At [122] he found that the copying

was deliberate and to be considered against a background of Oxworks having purchased considerable quantities of the plinths in question from Gram before the act of copying. In this regard no doubt his Honour was considering the flagrancy of the infringement within s 122(1A)(a). Next, in observing at [123] that Oxworks received a cease and desist letter on 9 May 2017 that referred to the patent and its infringement but nonetheless continued to sell the infringing plinth thereafter until July 2018 and also observing that there was no evidence that Oxworks obtained legal advice as to whether or not it was infringing, his Honour was addressing the conduct of Oxworks after the act of infringement within s 122(1A)(c). Finally, at [124] his Honour concluded that these factors in combination entitled Gram to additional damages under s 122(1A), noting that it was not appropriate for him to go further by reference to the separate parts of that section.

66 In summary, it is apparent that the primary judge found that the deliberate and continued copying of the Gram plinth by Oxworks was sufficient to warrant an award of additional damages. Stated at a level of generality, that may in some cases be so. However, in our respectful view the primary judge erred in this case by failing to attend to an important aspect of the argument advanced on behalf of Oxworks, namely that Oxworks had a reasonably arguable defence to the allegation of infringement based on its construction of the claims of the patent. Had he done so, he ought to have concluded in accordance with the authorities to which we refer below that the decision of Oxworks to continue to pursue its own commercial interests in the face of allegations of infringement that could objectively be considered to be reasonably defensible is a strong factor telling against the award of additional damages.

67 In *Zetco*, Bennett J said:

267 More than copying is required to enliven the application of s 122(1A). Patent infringement may occur whether or not there is copying. However, deliberate copying may be relevant to a decision whether to award additional damages. As in the application of s 115(4) of the *Copyright Act 1968* (Cth), there must be an additional element to the infringing conduct to warrant additional damages (as in *Raben Footwear Pty Ltd v Polygram Records Inc* (1997) 75 FCR 88 at 93 per Burchett J and 103-104 per Tamberlin J and *Sullivan v FNH Investments Pty Ltd* (2003) 57 IPR 63 at [91]). Austworld maintains that there is no evidence of flagrancy of infringement or of a calculated disregard of Zetco's rights to enliven the Court's discretion to award such damages (*MJA Scientifics International Pty Ltd v SC Johnson & Son Pty Ltd* (1998) 43 IPR 275 at 281-282). Austworld has at all times denied patent infringement and has maintained its contention that the Patent is invalid. It cross-claimed for revocation of the Patent. The right to file a cross-claim arises from s 138 of the Act and by reason of Austworld's position as a defendant in infringement proceedings (s 121 of the Act). As part of its continued assertion of invalidity, Austworld earlier sought a re-examination of the Patent in the Patent Office

under chapter 9 of the Act.

268 Zetco says that ‘*the only defence put forward is invalidity*’. That, however, is hardly unusual where patent infringement is asserted, even where infringement is admitted. At the hearing, the basis of that defence seemed to rely in a large part on the evidence of Mr Morris. That evidence was only adduced on the first day of the hearing. However, the defence of invalidity was at all relevant times based on the AVG Quickie Valve and the other prior art valves, as well as obviousness. It cannot be said that the invalidity case was hopeless or improperly pursued. In my view, an unsuccessful defence of invalidity is not of itself sufficient to warrant the award of additional damages.

68 In *Industrial Galvanizers*, after citing the above paragraphs of Bennett J’s judgment in *Zetco*, Burley J observed:

132 In my view Ingal has not established that it is entitled to additional damages for the following reasons. First, no evidence suggests that Mr Wallace or anyone else affiliated with Safe Direction had any knowledge of the amendments that were to be made to the Complete Patent until they were notified by Ingal’s letter before action on 15 December 2015. There is no suggestion that the RamShield Product was a copy of a product that embodies the claims of the Final Patent. Indeed, the Final Patent (as amended) was not advertised until 2 July 2015 and there is no evidence that Safe Direction became aware of it on that date. Secondly, upon receipt of the letter before action, Safe Direction raised a substantial defence to the allegation of infringement in the form of the external fair basis argument. Even on the hypothesis that my conclusions on that subject are wrong, it was certainly not a hopeless or improperly pursued defence. Thirdly, the decision on the part of Safe Direction to continue to pursue its own commercial interests in the face of allegations of infringement that objectively could be considered to be defensible is unlikely to amount to conduct that will attract an award of additional damages. Fourthly, the conduct of Safe Direction in continuing to market and sell the RamShield Product does not have the flavour of reprehensible conduct of the type that warrants an award of additional damages.

133 Taken together I am not satisfied that Ingal would be entitled, upon a finding of infringement, to an award for additional damages.

69 The authorities show that the reasonableness of arguments as to why there was no infringement is a relevant factor to take into account in considering whether the infringement was “flagrant” in the sense that word is used in s 122(1A) of the *Patents Act*. “Flagrant” in ordinary usage connotes conduct which could be described as “glaring, notorious, scandalous” (Oxford English Dictionary); to this the Full Court in *Raben Footware v Polygram Records Inc* (1997) 75 FCR 88 added: “or blatant” (at 103). The word derives from the Latin *flagrans* meaning “blazing, burning”.

70 At trial, Oxworks relied on the email sent by Mr Hosking on 29 May 2017 in response to the first letter of demand. It contended that it was apparent from that email that Oxworks contended

that it had a non-infringement argument that was reasonably maintainable, and that the fact that there was a reasonably arguable defence to infringement based on the construction of the claims was a relevant consideration to the exercise of the discretion as to whether or not to award additional damages. On appeal, Oxworks contends that the primary judge did not address that contention.

71 In our view there is substance to this submission. It is apparent from his Honour's reasoning that he did not turn his mind to the point. In the circumstances of the present case, that was a material consideration to the exercise of the discretion.

72 More than copying is required to enliven the application of s 122(1A). Patent infringement may occur whether or not there is copying. It is not illegitimate, or flagrant, for a competitor to examine the disclosure of a patent and to attempt to work around the monopoly claimed in the claims. An important public policy rationale for the requirements of s 40(2) of the *Patents Act* that the complete specification describe the invention fully, including the best method known, and that the specification end with a claim or claims defining the invention is to give the world access to the technical contribution to the field provided by the patentee. It is part of what is often referred to as the "consideration" given by the patentee in return for the fixed term monopoly granted by the patent: *Pfizer Overseas Pharmaceuticals v Eli Lilly and Company* (2005) 225 ALR 416 (per French and Lindgren JJ at [359], Crennan J agreeing at [405]); *Les Laboratoires Servier v Apotex Pty Ltd* (2016) 247 FCR 61 (at [97]). Equally, the patentee chooses to delimit the scope of its monopoly by reference to the language used in the claims. The function of the claims is to define clearly and with precision the monopoly claimed so that others may know the exact boundaries of the area within which they will be trespassers: *Electric and Musical Industries Ltd v Lissen Ltd* (1938) 56 RPC 23 (at 39); *D'Arcy v Myriad Genetics Inc* (2015) 258 CLR 334 (per French CJ, Kiefel, Bell and Keane JJ at [14]).

73 A competitor may take the patent, examine the scope of the claims, and endeavour to produce something that does not fall within them. Often, infringement cases are determined by having regard to contestable constructions of the claims. The fact that an alleged infringer fails to defend its reasonably arguable view as to the correct construction of the claim, and continues to produce infringing products in the face of that view, may result in an award for damages, but would not of itself trigger an entitlement to additional damages within s 122(1A) of the *Patents Act*.

74 Section 122(1A) was introduced to the *Patents Act* by the *Intellectual Property Laws Amendment Act 2006*, Schedule 5. The Explanatory Memorandum to the *Intellectual Property Laws Amendment Bill* notes that Schedule 5 implements the Government's response to a recommendation of the Advisory Council on Intellectual Property's *Review of Enforcement of Industrial Property Rights*. In its commentary to that recommendation the Advisory Council said that the provision should be introduced as a deterrent, to give the courts the power to award exemplary damages in cases of "wilful infringement". As an example, it gives the scenario where it is shown that an infringer had a legal opinion that its activities would amount to an infringement, but went ahead with those activities anyway. In such circumstances a finding would expose an infringer to an award of additional damages.

75 The primary judge observed at [122] that there was no evidence that Oxworks obtained legal advice as to whether it infringed Gram's patent. It may be accepted, as submitted by Oxworks, that no authority requires an alleged infringer to waive privilege in its legal advice in order to avoid an order for additional damages. Equally, it is open to an alleged infringer to adduce such evidence if it chooses to negative a finding of flagrancy (bearing in mind, however, that the onus lies on the patentee to establish an entitlement to additional damages). The Court is entitled to weigh the evidence before it in assessing flagrancy. However, it is apparent that the primary judge did not consider in the balance the question raised in the submissions for Oxworks that it was reasonable to hold the view that it would not infringe the patent. It follows, in our respectful view, that the primary judge erred in failing to consider a relevant consideration in the assessment of the flagrancy of infringement under s 122(1A) of the *Patents Act*.

76 Having identified error in the exercise of the discretion under s 122(1A), we consider that this is an appropriate case for the discretion to be re-exercised on appellate review. The same materials and considerations are before this Court as were before the primary judge.

77 In the present case it is apparent from the content of Mr Hosking's email of 29 May 2017 that, as at that date, a non-infringement argument addressing the "formed from sheet material" integer of claim 1 was contemplated. As may be apparent from the reasons set out in addressing grounds 1 and 2 of the present appeal, whilst that argument has been resolved in favour of Gram, we are satisfied that the non-infringement contention based on this integer was reasonably arguable. In this instance this weighs heavily against an award of additional damages. It diminishes the force of the submission that the act of copying was flagrant, because

it provides a legal basis for Oxworks to pursue that conduct, and it provides an explanation for the decision on the part of Oxworks to continue making and selling the Oxworks plinth after the cease and desist letter. While giving great deference to the discretionary nature of the decision, when the reasonableness of the arguments against infringement are taken into account, we do not think that the circumstances warrant the award of additional damages under s 122(1A) of the *Patents Act*. Accordingly, the first basis upon which this ground of appeal is advanced is accepted.

78 In the second argument pressed on appeal Oxworks contends that the learned primary judge erred by failing to address other matters in s 122(1A). Although senior counsel for Gram contended that the weight of authority suggested that flagrancy alone might warrant the award of additional damages, the natural reading of the words of s 122(1A) would not support the contention that the award of additional damages should be made by considering only one of the factors appearing under the subsection. Regard ought to be had to the considerations in paragraphs (a) to (d) and then “all other relevant matters” as contemplated by paragraph (e). It appears to us that, when determining an application for additional damages under s 122(1A), the Court must consider each of the factors appearing under s 122(1A) of the *Patents Act*. That is a natural reading of the conjunctive operation of the paragraphs of the subsection. Having done this, the statutory task is to consider whether it is appropriate to make such an award. This would not necessarily preclude an award of additional damages on the ground of a finding of flagrancy alone, but the statute does require that the other matters be considered in arriving at such a conclusion. However, a court would not be required to explicitly make findings in respect of each and every factor, as clearly in some cases certain considerations may not arise on the facts or pale into insignificance. Nor do we consider that adumbrating “principles” applicable to the exercise of the discretion are necessary or appropriate: cf *H. Lundbeck A/S v Sandoz Pty Ltd* [2018] FCA 1797; 137 IPR 408 (at [354], [355]). However, the discretion conferred by s 122(1A) is not without fetters; it may be exercised if the Court considers it appropriate “having regard to” the enumerated considerations in the subsection.

79 In the present case it is apparent that the learned primary judge directed his attention to all of the elements within s 122(1A). It was not necessary, in the exercise of his discretion, to explicitly identify each of the sub-paragraphs. It is apparent that his Honour considered each of the factors listed, and mentioned his findings in relation to each of those that he considered to be relevant.

80 However, in our respectful view, the exercise of discretion by the primary judge miscarried by failing to take into account the argument that non-infringement of the patent was a view which could reasonably be held at the time of the alleged infringement. Indeed, in exercising our discretion under the provision, we consider such a view should be held and is relevant to s 122(1A) of the *Patents Act* such that additional damages would not be warranted. The appeal would be allowed on this aspect alone.

5. DISPOSITION

81 We have determined that the appeal should be allowed insofar as the primary judge found that Oxworks is liable to pay additional damages pursuant to s 122(1A) of the *Patents Act*. Save for timetabling directions, no orders have been made by the primary judge concerning the quantification of damages, because questions of liability for patent infringement, unjustified threats and the entitlement to additional damages were heard separately and prior to all other issues, including quantification. Accordingly, save for allowing the appeal in part and making orders as to costs, it appears that no further orders are required. Having regard to the limited scope of the issues going to additional damages, our preliminary view is that the respondents should have all but 15% of its costs of the appeal and trial. The orders we propose to make are that:

- (1) the appeal be allowed in part;
- (2) Order 8 made by the primary judge on 5 June 2019 (costs) be set aside and in lieu thereof the appellants pay 85% of the respondents costs of and incidental to the trial of the separate questions (infringement, unjustified costs and additional damages); and
- (3) the appellant pay 85% of the costs of the appeal;
- (4) otherwise, the appeal be dismissed.

82 However, should either party wish to contest this outcome, or contend that further or other orders should be made consequent upon these reasons, they should file a written submission of no more than 5 pages in length by no later than 31 January 2020. Any responsive submission should be of similar length and be filed within 7 days thereafter. The final form of the orders will be determined on the papers. In the absence of such submissions the orders above will be made.