

Larkden Pty Limited -v- Lloyd Energy Systems Pty Limited

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**Supreme Court
New South Wales**

Medium Neutral Citation:

Larkden Pty Limited -v- Lloyd Energy Systems Pty Limited [2011] NSWSC 268

Hearing dates:

17, 23 & 24 February 2011

Decision date:

01 April 2011

Jurisdiction:

Equity Division - Commercial Arbitration List

Before:

Hammerschlag J

Decision:

Challenge to jurisdiction fails

Catchwords:

COMMERCIAL ARBITRATION - Commercial Arbitration Act 2010 s 16(9) - jurisdiction of arbitrator to determine dispute concerning patents and patent applications - Contract - construction - meaning of term "dispute" in an arbitration clause - whether issues raised are purely hypothetical

Legislation Cited:

Commercial Arbitration Act 2010 (NSW)

Patents Act 1990 (Cth)

Cases Cited:

Comandate Marine Corp v Pan Australia Shipping Pty Ltd (2006) 157 FCR 45

Metrocall Inc (Successor by Merger to Pronet Inc) v Electronic Tracking Systems Pty Ltd (2000) 52 NSWLR 1

Siemens v Origin Energy Uranquinty Power [2011] NSWSC 195

Gordian Runoff v Westport Insurance (2010) 267 ALR 74

Desputeaux v Editions Chouette (1987) inc [2003] SCC 17

Tjong Very Sumito v Antig Investments [2009] 4 SLR(R) 732

Francis Travel Marketing Pty Ltd v Virgin Airlines Ltd (1996) 39 NSWLR 160

IBM Australia Ltd v National Distribution Systems Ltd (1991) 22 NSWLR 466

Bass v Permanent Trustee Co Ltd (1999) 198 CLR 334

Rediffusion (Hong Kong) Ltd v Attorney General of Hong Kong [1970] AC 1136

Re Trade Practices Act 1974 (s 163A) and Re an Application by Tooth & Co Ltd (1978) 19 ALR 191

Rediffusion (Hong Kong) Ltd v Attorney General of Hong Kong [1970] AC 1136

The Commonwealth v Sterling Nicholas Duty Free (1972) 126 CLR 297

Halki Shipping Corporation v Sopex Oils Ltd [1998] 1 WLR 726

Texts Cited:

Mustill and Boyd, Law and Practice of Commercial Arbitration in England, 2nd ed (1989)

Blackaby et al, Redfern and Hunter on International Arbitration, 5th ed (2009)

Born, International Commercial Arbitration (2009)

Merkin and Hjalmarsson, Singapore Arbitration Legislation Annotated (Informa, 2009)

Sutton et al, Russell on Arbitration, 23rd ed (2007)

Category:

Principal judgment

Parties:

Larkden Pty Limited - Plaintiff

Lloyd Energy Systems Pty Limited - Defendant

Representation:

Counsel:

A.S. Bell SC with T.M. Mehigan [Plaintiff]

R.P.L. Lancaster SC with A Bouris [Defendant]

Solicitors:

Allens Arthur Robinson [Plaintiff]

Mallesons Stephen Jaques [Defendant]

File Number(s):

2010/416290

Judgment

1Section 16(1) of the *Commercial Arbitration Act 2010* (NSW) ("the Act") provides that an arbitral tribunal may rule on its own jurisdiction. Section 16(9) provides that if the arbitral tribunal rules as a preliminary question that it has jurisdiction, any party may request, within 30 days after having received notice of that ruling, the Court to decide the matter. These proceedings come before the Court by way of such a request by the plaintiff.

BACKGROUND

The Licensing Agreement

2The plaintiff (or "Larkden") is the holder of US patent number 5994681, Australian patent numbers 694985 and 2005222444 (together "the Larkden patents") and corresponding patents in other parts of the world which embody inventions in the renewable energy field, more particularly methods of collecting energy, converting it to heat, transferring the heat energy to a storage medium based on graphite and extracting and releasing the heat energy into useable form.

3The defendant (or "Lloyd") is engaged in various forms of research and development at a development facility in Cooma, NSW. Lloyd is engaged in a project at Lake Cargelligo in Western NSW involving the construction of a solar thermal power station.

4On 16 November 2001 Larkden as Licensor and Lloyd as Licensee entered into a written Licensing Agreement ("the Licensing Agreement") under cl 3.1(a) of which Larkden granted to Lloyd a Licence in the following terms: Subject to the terms and conditions of this Licence, the Licensor grants to the Licensee a licence, applicable Worldwide (including the right to sub-license), to use, commercialise, exploit, adapt, modify and improve any and all aspects of the Technologies for the purpose of developing the Activities and exploiting the Project Objectives.

5Clause 1 of the Licensing Agreement defines "Patent" relevantly to mean

US Patent No. 5994681 and any other patents agreed to from time to time by the Licensor and the Licensee to form part of this Licence...

6 It defines "Licence Fee" or "Licence Fees" to mean the fees or royalties set out in Schedule C.

7 It defines "the Technologies" to mean

The Patent and any corresponding patents or rights registered or recognised in other jurisdictions, including any patented enhancements, and all apparatus, applications, designs, drawings, know-how, materials, processes, technical information, trade secrets and other intellectual property comprised in the Patent or those other patents for the:

(a) collection of various forms of energy and the conversion of that energy to heat;

(b) transfer of heat energy to, and storing energy in, a storage medium based on high purity graphite; and

(c) extraction of the heat energy from the storage medium and its conversion to useable form.

8 Clause 3.3 provides that in consideration for granting the Licence, the Licensee shall pay to the Licensor the Licence Fees.

9 Clause 5.4 of the Licensing Agreement is in the following terms

(a) If the Licensee develops any improvements or modifications to the Technologies, the Licensee will allow the Licensor to own such improvements and modifications.

(b) The Licensor grants to the Licensee a perpetual and worldwide licence of the improvements and modifications referred to in clause 5.4(a), on the terms of this licence, including the right to sub-licence and all rights of exclusivity granted under clause 3, but not including clauses 10, 11 (other than clause 11.3) and 12. This licence includes a licence of the Technologies to the extent necessary for the Licensee to exploit such improvements and modifications. Following any termination or expiry of this Licensing Agreement, the Licensee's rights to use such improvements and modifications, and the Licensor's obligations under this Licensing Agreement in respect to such improvements and modifications, survive and continue without limitation. In particular, following any termination or expiry of this Licensing Agreement, clause 3.1 (g) continues to apply to such improvements and modifications.

(c) The Licensee shall promptly and periodically without charge disclose to Licensor information and technical data then available to the Licensee to enable the Licensor to fully exploit the Licensee's improvements or modifications.

10 Clause 7.1 of the Licensing Agreement is in the following terms:

Licensee and Licensor shall inform the other immediately upon learning of any infringement of or any other matter adversely affecting the rights of the other whether in respect of the Technologies, their respective businesses, or otherwise.

11 Clause 19 of the Licensing Agreement is in the following terms:

(a) This licence shall be deemed to be a contract made under the laws of New South Wales and for all purposes shall be governed by and construed in accordance with the laws of those jurisdictions, as they shall from time to time be in effect.

(b) All disputes arising in connection with this Licence, which are not adjusted by Licensing Agreement between the parties concerned, shall be finally settled by arbitration. The arbitration shall be held before a single arbitrator appointed by the parties or in the absence of agreement by the Chair of the Law Society of New South Wales, and conducted in accordance with and under the *Commercial Arbitration Act 1984* of New South Wales. Judgment upon the award rendered may be entered in any court having jurisdiction, or application may be made to such court for a judicial acceptance of the award, or an order of enforcement as the case may be.

12 Schedule C of the Licensing Agreement is in the following terms:

The Licence Fees payable under clause 3.3 of this Licence are a payment of \$100 on the execution of this Agreement, and as follows:

(i) Project (site specific) Licence

Where a sub-licence is issued in respect of a particular project utilising the Technologies to be conducted on a specific site or location, a sum equal to 2% of the capital cost of that project, paid in tranches of 20% of the fee on commencement of construction and 80% on commissioning, or partial commissioning of that project. Capital costs include all construction, design, management services and associated work but excludes project financing costs.

(ii) General Licence

Where a general licence is issued to an existing owner or operator of a generation, transmission or distribution system to use the Technologies, as and when applicable within that system, the fee shall be equal to \$5,000 per GWh of the annual capacity for a once off 20 year licence, or \$500 per GWh of the annual capacity of that system per annum, paid annually in advance, for the term of the licence.

(iii) Product Licence (Royalty)

Where a sub-licence is issued or assigned for manufacture and sale of systems, or components of the systems, using the Technologies or any items, payment shall be made on a royalty basis. The royalty payable shall be 3% of the ex-works, wholesale price of the item (s).

(iv) Geographic Licence

A sub-license may be issued under clause 3.3(i), (ii), (iii) and (v) with respect to one or more Countries or part of a Country, on the same fees or royalty payable under those clauses.

(v) Other Licences

The Licensee may exploit the Activities and Project Objectives in a manner that is different to those referred to in clauses 3.3(i)-(iii), and in such case the Licensor will not unreasonably withhold its consent. Licensor and Licensee agree to negotiate in good faith on any fee or royalty to be payable under that different method of development or exploitation based on similar principles and methodologies used to set the fees and royalties referred to in clauses 3.3 (i)-(iii).

Events leading to arbitration

13Solfast Pty Ltd (or Solfast) is an Australian corporation. It is a wholly owned subsidiary of Lloyd.

14Areva Inc (previously Ausra Inc) is a Delaware corporation with a business address in California, United States. I shall refer to it as Ausra.

15On 6 June 2007, Ausra filed two US patent applications, each covering inventions which Larkden says are modifications of, or improvements to, the Technologies. Larkden claims that Ausra had gained access to confidential information about the Technologies via a contractor which had worked at Lloyd's Cooma facility, which contractor was later acquired by Ausra. The parties have referred to these applications as the Areva or the Ausra patent applications. I shall do the same.

16On 25 September 2008, Solfast filed a patent application relating to a device for collecting and regulating solar energy involving the use of graphite ("the Solfast patent application"). Larkden says that the Solfast patent application also covers modifications of, or improvements to, the Technologies. This proposed patent has also been described as the Solfast Solar Collector Patent.

17On 27 July 2009, as it was obliged to do under cl 7.1 of the Licensing Agreement, Lloyd informed Larkden (or, more accurately, Larkden's holding company, CBD Energy Limited) of a potential infringement by Ausra in respect of the Technologies. Correspondence then ensued between Larkden and Lloyd.

18By 7 December 2009, the Ausra patent applications had entered the national phase in Australia. The Solfast patent application has yet to do so.

19On 4 March 2010, Lloyd and Ausra entered into a written Patent Assignment and Settlement Agreement ("the Settlement Agreement"). Under cl 2.5 of the Settlement Agreement, in return for certain payments, Ausra agreed to transfer and assign to Lloyd or a Nominated Assignee, all of Ausra's right, title and interest to the Ausra patent applications.

20 On 12 July 2010, Lloyd wrote to Larkden asserting that they were in dispute in a number of areas involving the Larkden patents and the Licensing Agreement, including as to what rights and interests, if any, Larkden had to the Ausra and Solfast patent applications and whether, apart from the licensing fee payable on execution of the Licensing Agreement, Lloyd is required to pay any fees for anything it does directly in exploiting the Technologies.

21 On 28 July 2010, Lloyd again wrote to Larkden, relevantly, in the following terms:

1 Ownership of Intellectual Property

There is a dispute over what rights (if any) or interests (if any) Larkden has to certain Solfast and Ausra patents.

Lloyd's position is that Larkden has no rights or interests of any kind.

Larkden's position is not clear to Lloyd, but Lloyd assumes (from some of Larkden's correspondence and its interest in the Ausra arrangements) that Larkden believes that it has some rights or interests.

2 Fees under the Licensing Agreement

There are a number of disputes over the Fees under the Licensing Agreement.

Lloyd's position is that: apart from the "on execution of the Licensing Agreement" fee, Lloyd is not required to pay any Fees for anything that it does directly (eg where it constructs a plant itself)

22 On 13 August 2010, Larkden's solicitors wrote to Lloyd stating Larkden's position, amongst others, on the Ausra and Solfast patent applications and on the issue of the licence fees payable under the Licensing Agreement where Lloyd itself (rather than by sub-licensing) exploits the Technologies ("the 13 August 2010 letter"). Instead of setting out its contents (which run to more than 10 pages) I will summarise the materially relevant parts of the 13 August 2010 letter.

23 As to the Ausra and Solfast patent applications, Larkden:

(a) asserted that the Ausra and Solfast patents are (at least in part) modifications to or improvements of the Larkden patents;

(b) asserted that under cl 5.4(a) of the Licensing Agreement, if Lloyd develops any improvements or modifications to the Technologies, Larkden owns them, subject to the licence back under cl 5.4(b);

(c) required Lloyd immediately to exercise its rights under the Settlement Agreement and irrevocably to nominate Larkden as the Assigned Nominee for the patent applications the subject of the Settlement Agreement;

(d)required Lloyd to permit Larkden to take over the ongoing prosecution of all relevant patents and to provide reasonable assistance to Larkden in connection with this; and

(e)stated that if it did not receive a satisfactory assignment of the Ausra applications and the Solfast application, as required under cl 5.4(a) of the Licensing Agreement, within 90 days it would issue a formal notice of termination of the Licensing Agreement.

24As to Lloyd's direct exploitation of the Technologies, Larkden asserted that:

(a)Licence fees are payable under the Licensing Agreement where Lloyd itself directly exploits them;

(b)it was contemplated by the parties that the primary structure under the Licensing Agreement would be by way of sub-licence, however, it was not intended that this would be the only method nor was it intended that, if exploitation occurred at the instance of Lloyd itself, this would be royalty free; and

(c)it reserved all rights and would claim against Lloyd for appropriate royalties should Lloyd attempt to develop a project directly.

25As to the operation of the various fees payable under Schedule C, Larkden took the position that if Lloyd issued a Project (site specific) Licence and then entered into a subcontract for the manufacture and sale of systems or components of the systems using the Technologies there would, in addition to the Project (site specific) Licence Fee, be payable a Product Licence (Royalty).

26Lloyd responded by solicitor's letter dated 14 September 2010. The thrust of this letter was that insofar as the 13 August 2010 letter purported to give default notices, those notices were invalid, and that if Larkden issued a purported termination notice its conduct would be a repudiation of the Licensing Agreement and Lloyd would take action to protect its interests, including by seeking injunctive relief.

27On 16 September 2010, Lloyd gave Larkden what it described as an Arbitration Notice of Dispute ("the Notice of Dispute"). The Notice of Dispute included a schedule setting out particulars, in the form of questions, which were to be referred to arbitration. Paragraphs 2.1 to 3.4 of the Notice of Dispute are in the following terms:

2.1 Is Lloyd required to make Larkden the owner of all or any part of the following:

(a) the Solfast Solar Collector Patent, and underlying invention, owned by Solfast Pty Ltd;

(b) the patents the subject of the defined term "Assigned Patent Applications" in the 4 March 2010 Patent Assignment and Settlement Agreement between Lloyd and Ausra Inc; and

(c) any rights not within the description of (b) that are the subject of clause 2.5 of the 4 March 2010 Patent Assignment and Settlement Agreement between Lloyd and Ausra Inc (including, without limitation, rights to sue for infringement)?

2.2 If the answer to any one or more of 2.1(a), 2.1(b) and 2.1(c) is yes, then what is Lloyd required to make Larkden the owner of?

2.3 Is Lloyd required to make Larkden the Nominated Assignee under the 4 March 2010 Patent Assignment and Settlement Agreement between Lloyd and Ausra Inc?

2.4 Does Larkden have any right, title or interest (pursuant to clause 5.4(a) of the Licensing Agreement, any other provision of the Licensing Agreement or otherwise) of any kind (whether legal, equitable or otherwise) in or to all or any part of:

(a) the Solfast Solar Collector Patent, and underlying invention, owned by Solfast Pty Ltd;

(b) the patents the subject of the defined term "Assigned Patent Applications" in the 4 March 2010 Patent Assignment and Settlement Agreement between Lloyd and Ausra Inc; and

(c) any rights not within the description of (b) that are the subject of clause 2.5 of the 4 March 2010 Patent Assignment and Settlement Agreement between Lloyd and Ausra Inc (including, without limitation, rights to sue for infringement)?

2.5 If the answer to any one or more of 2.4(a), 2.4(b) and 2.4(c) is yes, then what right, title or interest (or rights, titles or interests) does Larkden have?

2.6 Does the expression "on the terms of this licence" in clause 5.4(b) of the Licensing Agreement include a reference to clause 5.4(a) of the Licensing Agreement?

3 Licence Fees

3.1 Is Lloyd required to pay to Larkden a Licence Fee under Schedule C of the Licensing Agreement for any use of the Technologies by Lloyd itself (for example, and without limitation, where Lloyd itself constructs a component that uses some (or all) of the Technologies)?

3.2 If the answer to 3.1 is yes, then under which provision or provisions of the Licensing Agreement (including, to avoid doubt the provisions in any Schedules), and in what manner, is the Licence Fee calculated?

3.3 Is Lloyd required to pay to Larkden a Licence Fee under Schedule C of the Licensing Agreement for any use, under a sublicense issued by Lloyd under the Licensing Agreement, that a wholly owned subsidiary of Lloyd makes of the Technologies (for example, and without limitation, where the wholly owned subsidiary of Lloyd constructs a component that uses some (or all) of the Technologies)?

3.4 If the answer to 3.3 is yes, then under which provision or provisions of the Licensing Agreement (including, to avoid doubt the provisions in any Schedules), and in what manner, is the Licence Fee calculated?

28 In a letter dated 29 September 2010, Larkden expressed concern that some or all of the issues in the Notice of Dispute, being matters concerning intellectual property, were not capable of being settled by arbitration. Lloyd responded by letter dated 30 September 2010 taking the stance that all of the disputes the subject of the Notice of Dispute arose in connection with the Licensing Agreement and there were no exceptions for particular types of disputes.

29 The President of the New South Wales Law Society appointed Mr Steve White, solicitor, as arbitrator, and Mr White accepted on 19 October 2010.

30 Larkden took objection to the jurisdiction of the arbitrator with respect to certain of the issues in the Notice of Dispute and, on 11 November 2010, the arbitrator heard that objection.

31 On 25 November 2010, Lloyd served a Statement of Claim in the arbitration. The parts of it which are directly relevant to the present dispute are extracted as Schedule A.

32 On 26 November 2010, the arbitrator ruled, as contemplated by s 16(9) of the Act, as a preliminary question, that he had jurisdiction.

33 On 17 December 2010, Larkden made applications to the Commissioner of Patents for declarations under s 36(1) of the *Patents Act* 1990 (Cth) ("the Patents Act"), that Ausra is not an eligible person but that Larkden is an eligible person in relation to the invention disclosed in the Ausra patent applications. At the same time, Larkden requested the Commissioner deal with the applications simultaneously.

34 On 17 December 2010, Larkden served a Defence and Counterclaim in the arbitration. These pleadings make clear that they were served without prejudice to Larkden's continuing objection to the jurisdiction of the arbitrator. They are lengthy and are not reproduced in this judgment.

35 With respect to the Defence, it suffices to say that Larkden asserts that both the Solfast and Ausra patent applications comprise (either in whole or in part) modifications or improvements to the Technologies "which Larkden is entitled to be made owner of" under cl 5.4 of the Licensing Agreement and that any activity engaged in by Lloyd in its own right that does not fall under par (i) to (iv) of Schedule C to the Licensing Agreement attracts the payment of a licence fee under par (v) of Schedule C.

36 With respect to the Counterclaim, Larkden seeks a determination or declaration that Lloyd take steps to make it owner of the Solfast and Ausra Patent Applications. Larkden also claims relief flowing from the alleged breach by Lloyd of cl 5.4(a) including a determination or

declaration that it is entitled to terminate the Licensing Agreement, orders requiring Lloyd to take certain steps, and compensation. Larkden also seeks a determination or declaration that any activity engaged in by Lloyd in its own right that does not fall under par (i) to (iv) of Schedule C of the Licensing Agreement (which is described as the Head Licence) attracts the payment of a licence fee under par (v) of the Licensing Agreement which is to be calculated using the same principles and methodologies referred to in par (i) to (iii) of Schedule C. It also seeks a determination or declaration that each paragraph of Schedule C applies separately to the activities described in each paragraph and that Lloyd is not excused from payment of a licence fee under one paragraph of Schedule C if a licence fee has been paid, or is payable, under a different paragraph of Schedule C.

37On 28 January 2011, Lloyd's solicitors wrote to Larkden's solicitors asserting that the applications to the Commissioner of Patents were inappropriate because they concerned matters which were the subject of the arbitration. Lloyd sought undertakings that Larkden not take any further step in connection with the applications until after the determination of these proceedings.

These proceedings

38On 10 December 2010 Larkden sued out of this Court a Summons and accompanying Commercial Arbitration List Statement, by which it requested the Court to decide the matter of jurisdiction determined by the arbitrator in his preliminary ruling.

39On 4 February 2011 the Summons was set down for hearing on 17 February 2011.

40On 10 February 2010, Larkden gave an undertaking, effective until 18 February 2010, not to take any further step in connection with the applications to the Commissioner of Patents for declarations as to eligibility. The Court was not informed of any extension of this undertaking.

41The hearing took place on 17, 23 and 24 February 2011. The arbitration is scheduled to resume on 9 May 2011.

42By its Summons (amended during the hearing) Larkden seeks an order pursuant to s 16(9) of the Act that the arbitrator does not have jurisdiction over any claims or issues embodied in the relief claimed in par 4.2 to 4.7 (inclusive) of the Statement of Claim (being issues 2.1 to 3.4 (inclusive) as described in the Notice of Dispute).

43Larkden challenges the arbitrator's jurisdiction in respect of issues 2.1 to 2.6 in the Notice of Dispute (which correspond to the relief claimed in par 4.2 to 4.4 of the Statement of Claim) on the grounds that they are not arbitrable because they concern matters exclusively within the province of the Commissioner of Patents or the Federal Court.

44 Larkden challenges the arbitrator's jurisdiction in respect of issues 3.1 to 3.4 in the Notice of Dispute (pleaded in par 2.47 to 2.51 and par 2.55 to 2.62 and roughly corresponding to the relief claimed in par 4.5 to 4.7 of the Statement of Claim) on the grounds that they are hypothetical only and do not give rise to a dispute within the meaning of cl 19(b) of the Licensing Agreement.

45 Each challenge will be dealt with in turn.

ARBITRABILITY OF ISSUES 2.1 TO 2.6 IN THE NOTICE OF DISPUTE

Relevant sections of the Patents Act

46 Sections 13(1) and (2) of the Patents Act provide:

(1) Subject to this Act, a patent gives a patentee the exclusive rights during the term of the patent to exploit the invention and to authorise another person to exploit the invention; and

(2) The exclusive rights are personal property and are capable of assignment and of devolution by law.

47 Section 14(1) provides:

(1) An assignment of a patent must be in writing signed by or on behalf of the assignor and assignee.

48 Section 15(1) provides:

(1) Subject to this Act, a patent for an invention may only be granted to a person who:

(a) is the inventor; or

(b) would, on the grant of a patent for the invention, be entitled to have the patent assigned to the person; or

(c) derives title to the invention from the inventor or a person mentioned in paragraph (b); or

(d) is the legal representative of a deceased person mentioned in paragraph (a), (b) or (c).

49 Section 29(1) provides:

(1) A person may apply for a patent for an invention by filing, in accordance with the regulations, a patent request and such other documents as are prescribed.

50 Section 32 provides:

If a dispute arises between any 2 or more interested parties in relation to a patent application whether, or in what manner, the application should proceed, the Commissioner may, on a request made in accordance with the regulations by any of those parties, make any determinations the Commissioner thinks fit for enabling the application to proceed in the name of one or more of the parties alone, or for regulating the manner in which it is to proceed, or both, as the case requires.

51Section 36 provides:

(1) If:

(a) a patent application has been made and, in the case of a complete application, the patent request and complete specification have not been accepted; and

(b) an application for a declaration by the Commissioner is made by one or more persons (the section 36 applicants) in accordance with the regulations; and

(c) the Commissioner is satisfied, in relation to an invention disclosed in the specification filed in relation to the application for the patent:

(i) that the nominated person is not an eligible person, but that the section 36 applicants are eligible persons; or

(ii) that the nominated person is an eligible person, but that the section 36 applicants are also eligible persons;

the Commissioner may declare in writing that the persons who the Commissioner is satisfied are eligible persons are eligible persons in relation to the invention as so disclosed.

(2) The Commissioner may make a declaration under subsection (1) whether or not the patent application lapses or is withdrawn.

(3) The Commissioner must not make a declaration under subsection (1) without first giving the nominated person a reasonable opportunity to be heard.

(4) If a complete application is made under section 29 by one or more of the declared persons, the priority date of the claims of a patent for the invention granted to the person, or persons, as the case may be, must be determined under the regulations.

(5) An appeal lies to the Federal Court against a decision by the Commissioner under this section.

52Section 60 provides:

(1) Where the grant of a standard patent is opposed, the Commissioner must decide the case in accordance with the regulations.

(2) The Commissioner must give the applicant and the opponent a reasonable opportunity to be heard before deciding a case.

(3) The Commissioner may, in deciding a case, take into account any ground on which the grant of a standard patent may be opposed, whether relied upon by the opponent or not.

(4) The applicant, and any opponent, may appeal to the Federal Court against a decision of the Commissioner under this section.

53Section 61(1) provides:

(1) Subject to section 100A, the Commissioner must grant a standard patent, by sealing a standard patent in the approved form, if:

(a) there is no opposition to the grant; or

(b) in spite of opposition, the Commissioner's decision, or the decision on appeal, is that a standard patent should be granted.

54Sections 154(1) and (2) provide:

(1) The Federal Court has jurisdiction with respect to matters arising under this Act.

(2) The jurisdiction of the Federal Court to hear and determine appeals against decisions or directions of the Commissioner is exclusive of the jurisdiction of any other court except the jurisdiction of the High Court under section 75 of the Constitution.

55Schedule 1 to the Patents Act defines "eligible person" to mean, in relation to an invention, a person to whom a patent for the invention may be granted under s 15.

The parties' submissions

56Each party provided written submissions. Oral argument took up two and a half days. Each party's position can be distilled into the following.

57Larkden submits that Lloyd is impermissibly seeking to have determined by private arbitration eligibility to the grant of the patents for the inventions covered by the Solfast and Ausra patent applications. It puts that this is something which only the Commissioner of Patents or the Federal Court may determine. It puts that the arbitration entails more than a private two party contractual dispute because Larkden seeks to have determined eligibility for patents where applications have been made by parties who are not in the arbitration and who will not be bound by it. Separately, it puts that the arbitrator cannot make the declarations as claimed in the Statement of Claim because such relief can be granted only by the exercise of judicial power.

58Larkden puts that matters of context "pointing strongly towards non-arbitrability" are:

(a)the nature and structure of the Patents Act regime;

(b)the peculiar and public nature of patents;

(c)the pendency of the patent applications by third parties which led to the dispute between Lloyd and Larkden;

(d)the connections between Larkden, Lloyd, Solfast (its wholly owned subsidiary) and Ausra (with whom it is in a contractual relationship) in relation to the patent application;

(e)the nature of the relief which Larkden seeks in the proceedings before the Commissioner of Patents; and

(f)the "artificial relief" which Larkden relevantly seeks in the arbitration.

59For its part, Lloyd submits that being arbitrated is a two party contractual dispute, which requires the arbitrator merely to determine whether the obligations in cl 5.4(a) of the Licensing Agreement are engaged in respect of certain intellectual property rights. It submits that it does not claim relief "in rem", that is, relief directed to establishing, in a manner binding on persons other than Larkden, the presence or absence of any right in and to the Solfast and Ausra patent applications or the inventions they cover.

60It submits that pendency of the Solfast and Ausra patent applications and the connections between Lloyd, Solfast and Ausra say nothing of the arbitrability of the dispute. It submits that the declarations sought in the arbitration reflect one available form of relief which may flow from the arbitration and that the form of relief sought is not determinative of arbitrability.

The applicable legal principles

61The applicable legal principles may be stated briefly.

62Generally, any dispute or claim which can be the subject of an enforceable award is capable of being settled by arbitration.

63There are, however, some exceptions. Some disputes are not susceptible to resolution by private arbitration because they are in the exclusive domain of a national court or other tribunal. It has been said that a common element to the notion of arbitrability is the presence of a sufficient element of legitimate public interest in the subject matter of the dispute to make its private resolution outside the national court system inappropriate: see *Comandate Marine Corp v Pan Australia Shipping Pty Ltd* (2006) 157 FCR 45 at 98. The types of remedies which an arbitrator can award are limited by considerations of public policy (which may be reflected in legislative enactments which deal with the area of controversy) and by the fact that he is appointed by the parties and not by the state; see *Metrocall Inc (Successor by Merger to Pronet Inc) v Electronic Tracking Systems Pty Ltd* (2000) 52 NSWLR 1 at 21 and

following, and more recently *Siemens v Origin Energy Uranquinty Power* [2011] NSWSC 195 at [36] - [45]; Mustill and Boyd, *Law and Practice of Commercial Arbitration in England*, 2nd ed (1989) ch 10.

64 Non-arbitrable matters include criminal prosecutions, determination of status such as bankruptcy, divorce, and the winding up of corporations in insolvency, and certain types of dispute concerning intellectual property such as whether or not a patent or trade mark should be granted. These matters are plainly for the public authorities of the state. Patents and trade marks are monopoly rights that only the state can grant; Blackaby et al, *Redfern and Hunter on International Arbitration*, 5th ed (2009) at 2.118.

65 The modern trend both domestically and internationally is to facilitate and promote the use of arbitration and to minimise judicial intervention in the process; see *Gordian Runoff v Westport Insurance* (2010) 267 ALR 74 at [105] and following. In *Desputeaux v Editions Chouette (1987) inc* 2003 SCC 17 at [38], the Supreme Court of Canada, in determining that a copyright dispute was arbitrable, referred to this trend particularly in modern Western legal systems. The trend was acknowledged by the Court of Appeal in Singapore in *Tjong Very Sumito v Antig Investments* [2009] 4 SLR(R) 732 at 745, [28] and following. See too Born, *International Commercial Arbitration* (2009) at p 806.

Consideration

66 The powers to grant a patent, to make a declaration of eligibility and to decide the case where the grant of a standard patent is opposed, are powers conferred by the provisions of the Patents Act on, and only on, the Commissioner of Patents or the Federal Court on appeal from the Commissioner. These statutory powers cannot, by private arrangement, be conferred by parties on an arbitrator.

67 There is, however, no impediment to the parties investing in the arbitrator power to resolve a dispute as between themselves as to their rights in and entitlements to a patent application, or for that matter an invention.

68 Does the Notice of Dispute call for the arbitrator to exercise, or to impinge upon the exercise of, powers reserved to the Commissioner of Patents and the Federal Court?

69 For the reasons which follow I do not consider that it does.

70 Firstly, neither the Notice of Dispute nor the pleadings in the arbitration call for the arbitrator to make any declaration as to eligibility or to grant a patent.

71 Secondly, the arbitrator is not (nor could he be) called upon, to resolve anything more than the dispute which has arisen between Larkden and Lloyd as to their respective rights and obligations under cl 5.4(a) of the Licensing Agreement in the events that have occurred.

72The nature and ambit of that dispute is revealed by the terms of the Notice of Dispute, the pleadings and the pre-arbitration exchanges.

73In its 12 July 2010 letter, Lloyd asserted that there was a dispute over what rights Larkden had to the Solfast and Ausra patents. This was repeated in its letter dated 28 July 2010. The 13 August 2010 letter made detailed and well articulated assertions that if Lloyd developed any improvements or modifications to the Technologies (covered by both the Solfast and Ausra patents), Larkden owned them. It asserted that Lloyd was in breach of its obligations under cl 5.4(a) of the Licensing Agreement and threatened termination if the breach was not remedied. Larkden counterclaims for relief flowing from the alleged breach by Lloyd of cl 5.4(a) including a determination or declaration that it is entitled to terminate the Licensing Agreement, orders requiring Lloyd to take certain steps, and compensation.

74That Solfast and Ausra have made patent applications or that Larkden has applied for declarations for eligibility in respect of what Lloyd denies (and Larkden asserts) are improvements or modifications to the Technologies developed by Lloyd, does not elevate the private contractual dispute between Lloyd and Larkden to one in which the public has an interest or the resolution of which involves the purported exercise by the arbitrator of any power given exclusively to the Commissioner of Patents or the Federal Court.

75Thirdly, arbitral determination of issues 2.1 and 2.2 in the Notice of Dispute that the Solfast and Ausra patent applications either embody or do not embody improvements or modifications to the Technologies which Lloyd must either allow or is not obliged to allow Larkden to own (as the case may be) will not, nor could it, bind the Commissioner of Patents or the Federal Court to declare who, as between Larkden, Solfast or Ausra (or anyone else), is or is not an eligible person under the Patents Act or who, as between them, should or should not be granted any patent.

76In the course of resolving a dispute in accordance with s 32 of the Patents Act as to who should be declared to be an eligible person under s 36, the Commissioner of Patents or the Federal Court might have to determine whether a particular person qualifies for eligibility. But neither the Commissioner nor the Federal Court is the sole repository of power to determine, in a binding manner, whether particular persons are in a relationship which would meet one of the descriptions in s 15. For example, questions of assignment and whether a person is the legal representative of a deceased are regularly determined elsewhere.

77The connections (and the facts surrounding them) between Larkden and Lloyd and between Lloyd and Solfast and Ausra respectively may be relevant before the arbitrator in his determination whether the subjects of the Solfast and Ausra patent applications are or are not improvements or modifications to the Technologies. The fact that the arbitrator may be required to make such a determination in the absence of Solfast and Ausra is unexceptional. Neither Solfast nor Ausra is a party to the Licensing Agreement, and as I have said earlier,

neither will be bound by the arbitrator's determination. The arbitration cannot prevent Solfast or Ausra from pursuing their patent applications or Larkden from pursuing its applications under s 36 of the Patents Act; see *Desputeaux v Editions Chouette* at [62].

78The position is no different with respect to issues 2.4 and 2.5. Although Lloyd claims that Larkden has no right, title or interest in the Solfast and Ausra patents or the inventions underlying them whether pursuant to cl 5.4(a) of the Licensing Agreement, **any other provision of the Licensing Agreement or otherwise, and whether legal, equitable or otherwise**, these articulations remain reflective of no more than a two party dispute. The arbitrator's jurisdiction always remains conditioned by the words in cl 19(b) that the dispute must arise in connection with the Licensing Agreement. Lloyd does not challenge jurisdiction on the basis that the disputes as pleaded do not arise in connection with the Licensing Agreement. In the arbitration the question whether Larkden has any or no right in or to the Solfast and Ausra patent applications, or the inventions they cover, remains one for determination only as between Larkden and Lloyd. The absence of Solfast and Ausra from the arbitration may, of course, influence the effectiveness of remedies which the arbitrator might give.

79Fourthly, the arbitrator cannot make a declaration which binds third parties or the public at large. But there is no reason why the arbitrator does not have authority to give either party such relief as would be available to it in a Court of law having jurisdiction with respect to the subject matter including, in this case, a determination declaratory of the position contended for by Lloyd, or for that matter Larkden; see *Francis Travel Marketing Pty Ltd v Virgin Airlines Ltd* (1996) 39 NSWLR 160 at 166-167; *IBM Australia Ltd v National Distribution Systems Ltd* (1991) 22 NSWLR 466. Whether any relief should be granted and, if so, in what form is a matter for the arbitrator.

80Fifthly, because the dispute remains a two party one and there is no impingement upon the powers and functions reserved to the Commissioner of Patents or the Federal Court, there is no or no sufficient public interest in the resolution of issues 2.1 to 2.6 to make that resolution inappropriate for private arbitral determination.

81Additionally, this conclusion accords with the judicial policy of facilitating and promoting arbitration and giving full effect to an agreement by parties that their disputes will be resolved by that mechanism.

82I do not accept Larkden's submission that the relief claimed by Lloyd is artificial because it is framed in negative terms. Lloyd's primary position, which Larkden disputes, is that cl 5.4(a) of the Licensing Agreement has no application on the facts of the present case. Lloyd's relief accordingly had to be framed in negative terms. This is not artificial in the circumstances. So far as the absence of Solfast and Ausra is concerned, neither could properly be joined in the arbitration.

83The result is that I determine that the arbitrator has jurisdiction to determine issues 2.1 to 2.6 in the Notice of Dispute and to grant the relief claimed in par 4.2 to 4.7 of the Statement of Claim in respect of them.

ISSUES 3.1 TO 3.4 IN THE NOTICE OF DISPUTE - PAR 2.47 TO 2.51 AND 2.55 TO 2.62 OF THE STATEMENT OF CLAIM

84Under cl 19(b) of the Licensing Agreement "All **disputes** ...arising in connection with this licence...shall be finally settled by arbitration" (emphasis added).

85Larkden puts that a purely hypothetical dispute is not, as a matter of contractual construction, a dispute within the meaning of the clause.

86It puts that the issues raised by par 2.47 to 2.51 and 2.55 to 2.62 of the Statement of Claim do no more than raise a hypothetical controversy, which does not enliven the arbitration mechanism. Hence, it puts, the arbitrator has no jurisdiction to settle them.

87Larkden submits that for a controversy to constitute a dispute within the meaning of cl 19(b), it must relate to a "live factual question between the parties". It puts that for such a dispute to exist there must be a disputed claim which is made by reference to facts either agreed or found and which is capable of resolution in a way which determines the rights and obligations of the parties.

88It puts that where a dispute is divorced from the facts it is considered hypothetical and not suitable for judicial resolution by way of declaration or otherwise because such a determination will not finally resolve any dispute between the parties or quell the controversy; see *Bass v Permanent Trustee Co Ltd* (1999) 198 CLR 334.

89It puts that what is pleaded in par 2.47 to 2.51 and 2.55 to 2.62 of the Statement of Claim is hypothetical because Lloyd does not plead that it has itself directly made use of any of the Technologies, that it has sub-licensed any rights under the Licensing Agreement to a third party or that it has subcontracted the manufacture of a component for use in a project where it has issued a Project (site specific) Licence. Hence, it puts, Lloyd is calling for the arbitrator to determine the operation of the Licensing Agreement in a factual vacuum. These, it says, are purely hypothetical disputes.

90It may be observed that par 2.47 to 2.51 of the Statement of Claim plead the issue whether Lloyd must pay a licence fee where it directly makes use of the Technologies in clear and concise terms. This is not so with respect to issues 3.1 to 3.4 in the Notice of Dispute which seek to have determined

(a) whether Lloyd is required to pay Larkden a licence fee "**(for example, and without limitation, where Lloyd itself constructs a component that uses some (or all) of the Technologies)**" ;

(b) under which provision or provisions of the Licensing Agreement (**including, to avoid doubt the provisions in any Schedules**), and in what manner , the licence fee is to be calculated;

(c) whether Lloyd is required to pay Larkden a licence fee for any use under a sub-Licence issued by Lloyd that a wholly-owned subsidiary of Lloyd makes of the Technologies "(**for example and without limitation, where the wholly-owned subsidiary of Lloyd constructs a component that uses some (or all) of the Technologies**)" .

91 These last mentioned paragraphs in the Notice of Dispute are reproduced in the Statement of Claim in a section entitled "Points in Issue", the role of which is unclear given the averments in the pleading. These paragraphs are manifestly objectionable because they refer to examples, use the phrase "without limitation" and in effect ask for legal advice as to what provisions apply in particular circumstances and how. They do not in my view articulate defined issues.

92 Larkden's submissions were, however, as I understood them, directed primarily to establishing that the issues pleaded in par 2.41 to 2.51 in the Statement of Claim (and the relief claimed in par 4.5) as well as the issues pleaded in par 2.55 to 2.62 (and the relief claimed in par 4.6 to 4.7) raised hypothetical disputes. No reference was made in submission to the Points in Issue section of the Statement of Claim. I propose to approach the matter on that footing. Deficiencies in Lloyd's pleading is a matter best left to the arbitrator.

93 Larkden did not draw attention to any authority which has construed the term "dispute" in an arbitration clause so as not to extend to a hypothetical dispute. Support for this proposition is, however, to be found in Merkin and Hjalmarsson, *Singapore Arbitration Legislation Annotated* (Informa, 2009) at p 22, where the learned authors say:

There is much authority on the meaning of "dispute". The general definition of dispute requires the making of a claim by one party and its rejection by the other. Whether this has occurred in the course of lengthy correspondence and negotiation between the parties is not always immediately obvious. The making of a formal claim with a time limit for response is perhaps the simplest method of requiring the other party to define his position, but even if this approach is not used a failure by the other party to respond to a claim does not necessarily deny the existence of a dispute particularly where there are clear unresolved disagreements following the conclusion of negotiations. A dispute may also be found to arise even though negotiations are still in progress, at least where it is clear that these are being protracted in an attempt to forestall proceedings. By contrast **there is no dispute** if a response to the claim is under consideration, **if the issues are purely hypothetical** or arise between the parties and a third party who is not subject to the arbitration clause (emphasis added).

94 It is well established that declaratory relief will not be granted with respect to questions which are purely abstract, the answers to which are incapable of affecting any existing or future legal rights of the party seeking the relief; see *Rediffusion (Hong Kong) Ltd v Attorney*

General of Hong Kong [1970] AC 1136 at 1158; *Re Trade Practices Act 1974 (s 163A) and Re an Application by Tooth & Co Ltd* (1978) 19 ALR 191 at 206 and following.

95A purely hypothetical dispute not susceptible to a determination, whether by way of declaration or otherwise, would clearly not be a dispute within the meaning of cl 19(b) of the Licensing Agreement. The clause undoubtedly applies only to disputes which can be settled by arbitration. If a dispute is not susceptible to arbitral determination because of its hypothetical nature, it could hardly be a dispute of the type which the clause contemplates.

96However, the fact that a dispute involves an element of futurity does not mean that it is hypothetical in the sense of not being susceptible to determination by way of affecting existing or future legal rights.

97In *Re Trade Practices Act 1974 (s 163A) and Re an Application by Tooth & Co Ltd* at 207 Brennan J pointed out that

Where the right, obligation or liability which an applicant seeks to establish depends upon facts which have not yet occurred, an hypothetical element is necessarily present in the question to be determined, for, the facts upon which the question depends may never occur. But mere futurity does not establish that the question is hypothetical in the relevant sense.

98In *The Commonwealth v Sterling Nicholas Duty Free* (1972) 126 CLR 297 at 305 Barwick CJ said:

The jurisdiction to make a declaratory order without consequential relief is a large and most useful jurisdiction. In my opinion, the present was an apt case for its exercise. The respondent undoubtedly desired and intended to do as he asked the Court to declare he lawfully could do. The matter, in my opinion, was in no sense hypothetical, but in any case not hypothetical in a sense relevant to the exercise of this jurisdiction. Of its nature, the jurisdiction includes the power to declare that conduct which has not yet taken place will not be in breach of a contract or a law. Indeed, it is that capacity which contributes enormously to the utility of the jurisdiction.

99In its letters of 12 July 2010 and 28 July 2010 Lloyd took the position that on the proper construction of the Licensing Agreement, in particular Schedule C, Lloyd has no obligation to pay licence fees where it exploits the Technologies directly. Larkden's response via the 13 August 2010 letter was that Lloyd's position is misconceived and that licence fees will be payable where Lloyd itself directly exploits the Technologies without the interposition of a sub-licence. This controversy is reflected in par 2.47 to 2.51 of the Statement of Claim, Larkden's traversal of these allegations and its corresponding Counterclaim.

100In the 13 August 2010 letter Larkden took the position that if Lloyd having issued a Project (site specific) Licence entered into a subcontract for the manufacture and sale of systems or components of the systems using the Technologies, there would, in addition to the Project (site specific) Licence Fee, be payable a Product Licence (Royalty). In a letter dated 16

September 2010 from its solicitors Lloyd disputed that a Product Licence (Royalty) was required to produce graphite blocks (i.e. components) to be used in connection with a project already the subject of a Project (site specific) Licence or that a licence fee was payable for the production of components to be used in a project which was already the subject of such a licence. This controversy is reflected in par 2.55 to 2.62 of the Statement of Claim, Larkden's traversal of these allegations and its corresponding Counterclaim.

101 There is thus clear disagreement between the parties on matters arising in connection with the Licensing Agreement. Each has claimed that the Licensing Agreement operates in a way which the other disputes; see *Halki Shipping Corporation v Sopex Oils Ltd* [1998] 1 WLR 726 at 757. See also the incisive discussion as to what constitutes a dispute in *Tjong Very Sumito v Antig Investments* at 747 and following, and Sutton et al, *Russell on Arbitration*, 23rd ed (2007) at [5-003].

102 The central issue to which par 2.47 to 2.51 of the Statement of Claim gives rise is whether, on the proper construction of the Licensing Agreement, Lloyd must pay a licence fee if, in its own right, it engages in any of the activities described in cl 3.1(a) of the Licensing Agreement. It is to be remembered that Lloyd has pleaded that in no case where it exploits directly is it liable.

103 The central issue to which par 2.55 to 2.62 gives rise is whether Lloyd must pay a Product Licence (Royalty) where it contracts with a third party to produce a product using the Technologies for use in a project in respect of which it has issued a Project (site specific) Licence.

104 Although both of these disputes involve an element of futurity they are not purely abstract or hypothetical in the sense which makes them incapable of being the subject of determination. They concern whether certain prospective conduct will result in liability to pay fees under the Licensing Agreement (or put another way whether in the event of that conduct occurring the failure to pay would be a breach of contract). It was not suggested that the prospect that that conduct would occur was fanciful.

105 It is of course another question whether, in the exercise of his jurisdiction, the arbitrator determines to grant the relief which Lloyd (or for that matter Larkden) seeks in relation to these disputes. This is not a question of jurisdiction but one of discretion: see *Re Trade Practices Act 1974 (s 163A)* and *Re an Application by Tooth & Co Ltd* at 206.

106 I determine that the arbitrator has jurisdiction to determine the claims and issues embodied in the relief claimed in par 2.47 to 2.51 and 2.55 to 2.62 of the Statement of Claim and to grant the relief claimed in par 4.5 to 4.7.

CONCLUSION

107 Larkden's challenge to jurisdiction fails.

108 It would seem to follow that the Summons is to be dismissed, but I will hear the parties on the form of orders which flow from these reasons, and on costs.

109 The exhibits are to be returned.

Schedule A

EXTRACTS FROM STATEMENT OF CLAIM

Solfast Solar Collector

2.19 On or about 14 May 2010, Allens Arthur Robinson (on behalf of Larkden) wrote to Kosmin & Associates (the then solicitors for Lloyd). The letter alleged, inter alia, that:

(a) the technology being developed [in] patent application number PCT Wo2010/034071 was an improvement of the Technologies under the Larkden/Lloyd Licensing Agreement; and

(b) in accordance with clause 5.4(a) of the [Head Licence], Larkden owns (or should own) that PCT application.

2.20 The applicant for patent application number PCT Wo2010/034071 is Solfast Pty Ltd.

2.21 The invention(s) the subject of patent application number PCT Wo2010/034071 is (are) referred to as a Solar Collector.

2.22 On or about 12 July 2010, Lloyd wrote a letter to Larkden. The letter stated, inter alia, that:

(a) there is a dispute over what rights (if any) or interests (if any) Larkden had to certain Solfast patents; and

(b) Lloyd's position is that Larkden has no rights or interests of any kind.

2.23 The Letter of 13 August, inter alia, alleged that Lloyd was required to vest in Larkden an appropriate ownership interest in Solfast Patent WO2010/034071.

2.24 On or about 16 September 2010, Expedite Legal (on behalf of Lloyd) wrote to Allens Arthur Robinson. The letter stated, inter alia, that:

(a) Lloyd disputed that (whether pursuant to clause 5.4 of the Licensing Agreement or otherwise) Lloyd was required to assign to Larkden (or allow Larkden to own) any right, title or interest of any kind in, to or relating in any way to, all or any part of the Solfast patent (or the Solfast invention or any other associated material or rights); and

(b) Lloyd disputed that (whether pursuant to clause 5.4 of the Licensing Agreement or otherwise) Larkden owns or has any right, title or interest of any kind (including, to avoid doubt, any intellectual property right or any economic right or interest) in, to or relating in any way to all or any part of the Solfast patent (or the Solfast invention or any other associated material or rights).

2.25 By reason, inter alia, of the matters referred to in paragraphs 2.19 to 2.24, Larkden and Lloyd are in dispute over whether Larkden has any rights, title or interest in or to:

(a) patent applications: Australian provisional applications 2008905010 and 2008905011, PCT/AU2009/001278, PCT W02010/034071 ("**Solfast Patent Applications**"); and

(b) the invention(s) the subject of the Solfast Patent Applications ("**Solfast Inventions**").

2.26 If Larkden has claimed or claims (which claim is not admitted) there is one Solfast Invention, then the Solfast Invention is not an improvement or a modification to the Technologies.

2.27 If Larkden has claimed or claims (which claim is not admitted) there is more than one Solfast Invention, then none of the Solfast Inventions is an improvement or a modification to the Technologies.

2.28 Lloyd is not required, in the events that have happened, whether on the proper construction of clause 5.4 of the Head Licence or otherwise, to vest in Larkden any rights of any kind in or to one or more Solfast Inventions.

Ausra Applications

2.29 On or about 12 July 2010, Lloyd wrote a letter to Larkden. The letter stated, inter alia, that:

(a) there was a dispute over what rights (if any) or interests (if any) Larkden had to certain Ausra Patents;

(b) Lloyd's position is that Larkden has no rights or interests of any kind; and

(c) Larkden's position is not clear to Lloyd, but Lloyd assumes (from some of Larkden's correspondence and its interest in the Ausra arrangements) that Larkden believes that it has some rights or interests.

2.30 The Letter of 13 August, inter alia, alleged that Lloyd was required to:

(a) nominate Larkden as the Nominated Assignee under the Ausra Settlement Agreement and to notify Ausra Inc of this nomination; and

(b) vest in Larkden appropriate ownership rights to the Ausra Assigned Patent Applications.

2.31 On or about 16 September 2010, Expedite Legal (on behalf of Lloyd) wrote to Allens Arthur Robinson. The letter stated, inter alia, that:

(a) Lloyd disputed that (whether under clause 5.4 of the Licensing Agreement or otherwise) Lloyd is required to nominate Larkden as the Nominated Assignee under the Ausra Settlement Agreement;

(b) Lloyd disputed that (whether pursuant to clause 5.4 of the Licensing Agreement or otherwise) Lloyd is required to assign to Larkden (or allow Larkden to own) any right, title or interest of any kind in, to or relating in any way to, all or any part of the Ausra Patents (or anything else that is the subject of the Ausra Settlement Agreement); and

(c) Lloyd disputed that (whether pursuant to clause 5.4 of the Licensing Agreement or otherwise) Larkden owns or has any right, title or interest of any kind (including, to avoid doubt, any intellectual property right or any economic right or interest) in, to or relating in any way to all or any part of the Ausra Patents (or anything else that is the subject of the 4 March 2010 Patent Assignment and Settlement Agreement between Lloyd and Ausra Inc).

2.32 By reason of, inter alia, the matters referred to in paragraphs 2.30 and 2.31, Larkden and Lloyd are in dispute over whether Larkden has any rights, title or interest in or to the inventions or applications the subject of the Ausra Settlement Agreement, including:

(a) whether Lloyd is required to vest in Larkden any ownership rights to the Assigned Patent Applications (as that term is defined in the Ausra Settlement Agreement) ("**Ausra Applications**"); and

(b) whether Lloyd is required to nominate Larkden as the Nominated Assignee under the Ausra Settlement Agreement.

2.33 Lloyd did not develop any of the inventions the subject of the Assigned Patent Applications (as that term is defined in the Ausra Settlement Agreement).

2.34 None of the inventions the subject of the Assigned Patent Applications (as that term is defined in the Ausra Settlement Agreement) is an improvement or modification to the Technologies.

2.35 Lloyd is not required, in the events that have happened, whether on the proper construction of clause 5.4 of the Head Licence or otherwise, to vest in Larkden any rights of any kind in relation to the subject matter of the Ausra Settlement Agreement (including, without limitation, the inventions and the patent applications the subject of the Ausra Settlement Agreement).

2.36 Lloyd is not required, in the events that have happened, whether on the proper construction of clause 5.4 of the Head Licence or otherwise, to make Larkden the Nominated Assignee under the Ausra Settlement Agreement.

Licence Fees for use of Technologies directly by Lloyd

2.47 By reason of, inter alia, the matters referred to in paragraphs 2.37 to 2.45, Larkden and Lloyd are in dispute over whether Lloyd is required to pay a Licence Fee to Larkden for any use that Lloyd itself directly makes of any of the Technologies.

2.48 The licence in clause 3.1 of the Head Licence granted by Larkden to Lloyd authorises Lloyd, in its own right, on a worldwide basis, to use, commercialise, exploit, adapt, modify and improve all aspects of the Technologies for the purpose of developing the Activities and exploiting the Project Objectives.

2.49 The licence in clause 3.1 of the Head Licence also authorises Lloyd to sublicense these rights to third parties.

2.50 The Head Licence does not, on its proper construction, impose an obligation on Lloyd to pay a Licence Fee in any circumstance or event where Lloyd does anything described in paragraph 2.48.

Particulars

Clauses 3.1 and Clause 3.3 of, and Schedule C and Schedule D to, the Head Licence.

2.51 For the reasons set out in paragraphs 2.48 and 2.50, Lloyd is not required to pay a Licence Fee to Larkden in any circumstance or event where Lloyd does anything described in paragraph 2.48.

2.55 Under the Head Licence:

(a) a Licence Fee is payable by Lloyd to Larkden if Lloyd issues a sublicense in respect of a project utilising the Technologies to be conducted at a particular site or location ("**Project (Site Specific) Licence**"); and

(b) the Licence Fee for a Project (Site Specific) Licence is calculated as 2% of the capital cost of that project.

Particulars

Clause 3.3 of, and Schedule C(i), to the Head Licence.

2.56 Under the Head Licence:

(a) a Licence Fee is payable by Lloyd to Larkden if Lloyd issues a sublicense for the manufacture and sale of a system, or a component of a system, that uses the Technologies ("**Product Licence (Royalty)**"); and

(b) the Licence Fee for a Product Licence (Royalty) is 3% of the ex works wholesale price of the system or component.

Particulars

Clause 3.3 of, and Schedule C(iii) to, the Head Licence.

2.57 On the proper construction of the Head Licence, the scope of a Project (Site Specific) Licence includes the right for the sublicensee of that Project (Site Specific) Licence to manufacture a system, or a component of a system, using the Technologies solely for the project that is the subject of that Project (Site Specific) Licence.

Particulars

Clause 3.3 of, and Schedule C(i) to, the Head Licence.

2.58 By reason of the matters referred to in paragraph 2.57, a Product Licence (Royalty) is not required by a sublicensee of a Project (Site Specific) Licence to manufacture a system, or a component of a system, using the Technologies where that system or component is used solely for a project that is the subject of the Project (Site Specific) Licence.

2.59 By reason of the matters referred to in paragraphs 2.57 and 2.58, the Head Licence does not impose an obligation on Lloyd, in any event or circumstance, to pay to Larkden a Product Licence (Royalty) Licence Fee where a sublicensee who has a Project (Site Specific) Licence issued by Lloyd under the Head Licence manufactures a system, or a component of a system, using the Technologies solely for the project that is the subject of that Project (Site Specific) Licence.

2.60 If, under the Head Licence, Lloyd issues a Project (Site Specific) Licence to a person for a project at a particular site, and Lloyd (also under the Head Licence) issues a Product Licence (Royalty) to the same person, or a different person, solely to manufacture a system, or a component of a system, that uses the Technologies for that project at that site, then the ex works wholesale price of the system or component would form part of the capital cost of that project at that site.

2.61 By reason of the matters referred to in paragraphs 2.55, 2.56 and 2.60, there would be impermissible double-counting in the calculation of the Licence Fees payable by Lloyd for that project and that system or component.

2.62 If, which is denied, on the proper construction of the Head Licence the scope of a Project (Site Specific) Licence does not include the right for the sublicensee of that Project (Site Specific) Licence to manufacture a system, or a component of a system, using the Technologies solely for the project that is the subject of that Project (Site Specific) Licence, then by reason of the matters set out in paragraphs 2.55, 2.56, 2.57 and 2.61, the Head Licence does not impose an obligation on Lloyd, in any event or circumstance, to pay to Larkden a Licence Fee for a Product Licence (Royalty) that is issued by Lloyd under the Head Licence for the manufacture of systems, or components of systems, using the Technologies

solely for use in a project that is the subject of a Project (Site Specific) Licence that has also been issued by Lloyd under the Head Licence and in such an event, only a Licence Fee for the Project (Site Specific) Licence would be payable by Lloyd to Larkden.

4 Relief Sought

4.1 A determination or declaration that the letter dated 13 August 2010 entitled "Larkden-Lloyd Head Licence and Other Issues" from Andrew Wiseman of Allens Arthur Robinson to the directors of Lloyd does not contain any valid notice of default under the Head Licence.

4.2 A determination or declaration that Lloyd is not required to make Larkden the owner of all or any part of:

(a) patent applications: Australian provisional applications 2008905010 and 2008905011, PCT/AU2009/001278, PCT Wo2010/034071 and/or the invention(s) the subject of those patent applications;

(b) any of the patent applications, and/or the inventions, the subject of the defined term "Assigned Patent Applications" in the 4 March 2010 Patent Assignment and Settlement Agreement between Lloyd and Ausra Inc; and

(c) any rights not within the description of (b) above that are the subject of clause 2.5 of the 4 March 2010 Patent Assignment and Settlement Agreement between Lloyd and Ausra Inc (including, without limitation, rights to sue for infringement).

4.3 A determination or declaration that Lloyd is not required to make Larkden the Nominated Assignee under the 4 March 2010 Patent Assignment and Settlement Agreement between Lloyd and Ausra Inc.

4.4 A determination or declaration that Larkden has no right, title or interest (pursuant to clause 5.4(a) of the Head Licence, any other provision of the Head Licence or otherwise) of any kind (whether legal, equitable or otherwise) in or to all or any part of:

(a) patent applications: Australian provisional applications 2008905010 and 2008905011, PCT/AU2009/001278, PCT Wo2010/034071 and/or the invention(s) the subject of those patent applications;

(b) any of the patent applications, and/or the inventions, the subject of the defined term "Assigned Patent Applications" in the 4 March 2010 Patent Assignment and Settlement Agreement between Lloyd and Ausra Inc; and

(c) any rights not within the description of (b) above that are the subject of clause 2.5 of the 4 March 2010 Patent Assignment and Settlement Agreement between Lloyd and Ausra Inc (including, without limitation, rights to sue for infringement)

4.5 A determination or declaration that Lloyd is not required to pay Larkden a Licence Fee under the Head Licence where Lloyd, in its own right, anywhere in the world, uses, commercialises, exploits, adapts, modifies or improves any aspect of the Technologies for the purpose of developing the Activities (as that term is defined in the Head Licence) and exploiting the Project Objectives (as that term is defined in the Head Licence), including, without limitation, in the events that Lloyd itself constructs a system or a component for a system that uses:

(a) some; or

(b) all,

of the Technologies.

4.6 A determination or declaration that on the proper construction of the Head Licence:

(a) a Project (Site Specific) Licence includes the right for the sublicensee of that Project (Site Specific) Licence to manufacture a system, or a component of a system, using the Technologies solely for the project that is the subject of that Project (Site Specific) Licence; and

(b) no additional Licence Fee is payable by Lloyd where the sublicensee of that Project (Site Specific) Licence manufactures a system, or a component of a system, using the Technologies solely for the project that is the subject of that Project (Site Specific) Licence.

4.7 In the alternative, a determination or declaration that on the proper construction of the Head Licence, Lloyd is required to pay Larkden only a single Licence Fee under Section (i) of Schedule C of the Head Licence in the event that Lloyd:

(a) issues a sublicense under Section (i) of Schedule C of the Head Licence for the construction of a project that utilises the Technologies; and

(b) issues a sublicense under Section (iii) of Schedule of the Head Licence for the manufacture of a system, or a component of a system, using the Technologies solely for that project.

Schedule A

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Decision last updated: 07 April 2011