

Hardingham v RP Data Pty Limited - [2021] FCAFC 148

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FEDERAL COURT OF AUSTRALIA

Hardingham v RP Data Pty Limited [2021] FCAFC 148

File number(s): NSD 114 of 2020

Judgment of: GREENWOOD, RARES AND JACKSON JJ

Date of judgment: 18 August 2021

Catchwords: **COPYRIGHT** – consideration of copyright subsisting in photographs and floorplans – consideration of the terms of an oral licence conferred by the copyright owner and exclusive licensee on real estate agencies to use the works for the purposes of securing a sale or lease of the particular property – consideration of the principles governing whether a term is to be implied, in fact, into the oral informal agreements between the rights owners and each agency and the content and scope of such a term – consideration of the principles governing whether a term is to be inferred into the oral informal agreements from all the circumstances as a matter of the actual intention of the parties

CONTRACTS - consideration of the terms of an oral licence conferred by the copyright owner and its exclusive licensee of photographs and floorplans, on real estate agencies to use the works for the purposes of securing a sale or lease

of the particular property – consideration of the principles governing whether a term is to be implied, in fact, into the oral informal agreements between the rights owners and each agency and the content and scope of such a term – consideration of the principles governing whether a term is to be inferred into the oral informal agreements from all the circumstances, as a matter of the actual intention of the parties

Legislation:

Copyright Act 1968 (Cth), ss 10, 13, 15, 31, 32, 36,

Cases cited:

Acohs Pty Ltd v Ucorp Pty Ltd (2012) 201 FCR 173,

Attorney General of Belize v Belize Telecom Ltd [2009] 1 WLR 1988,

Avel Pty Ltd v Multicoin Amusements Pty Ltd (1990) 171 CLR 88,

Beck v Montana Constructions Pty Ltd [1964–5] NSW 229,

Bell v Lever Brothers Limited [1932] AC 161,

B.P. Refinery (Westernport) Pty Limited v Shire of Hastings (1977) 180 CLR 266,

Breen v Williams (1995) 186 CLR 71,

Byrne v Australian Airlines Limited (1995) 185 CLR 410,

Codelfa Construction Pty Ltd v State Rail Authority of NSW (1982) 149 CLR 337,

Commonwealth Bank of Australia v Barker (2014) 253 CLR 169,

Con-Stan Industries Pty Ltd v Norwich Winterthur Insurance (Australia) Ltd (1986) 160 CLR 226,

Electricity Generation Corporation v Woodside Energy Ltd (2014) 251 CLR 640,

Gold Peg International Pty Ltd v Kovan Engineering (Aust) Pty Ltd [2005] FCA 1521; (2005) 225 ALR 57,

Grocon Constructors (Victoria) Pty Ltd v APN DF2 Project 2 Pty Ltd [2015] VSCA 190,

Hardingham v RP Data Pty Limited [2019] FCA 2075,

Hardingham v RP Data Pty Limited (No 2) [2019] FCA 2138,

Hawkins v Clayton (1988) 164 CLR 539,

Hospital Products Limited v United States Surgical Corporation (1984) 156 CLR 41,

Liverpool City Council v Irwin [1977] AC 239,

Mount Bruce Mining Pty Limited v Wright Prospecting Pty Limited (2015) 256 CLR 104,

Prenn v Simmonds [1971] 1 WLR 1381,

Rinehart v Hancock Prospecting Pty Ltd; Rinehart v Rinehart (2019) 267 CLR 514,

Sekisui Rib Loc Australia Pty Ltd v Rocla Pty Ltd [2012] SASCFC 21; (2012) 291 ALR 140,

State of New South Wales v Banabelle Electrical Pty Ltd [2002] NSWSC 178; (2002) 54 NSWLR 503,

Toll (FCGT) Pty Ltd v Alphapharm Pty Ltd (2004) 219 CLR 165,

Yau's Entertainment Pty Limited v Asia Television Limited [2002] FCAFC 78; (2002) 54 IPR 1,

Division: General Division

Registry: New South Wales

National Practice Area: Intellectual Property

Sub-area: Copyright and Industrial Designs

Number of paragraphs: 201

Date of last submission/s: 20 October 2020

Date of hearing: 2 November 2020

Counsel for the Appellants: Mr R Cobden SC and Mr J Sleight

Solicitor for the Appellants: Neville Hourn + Borg Legal

Counsel for the First Respondent: Mr M D Martin QC and Mr A Messina

Solicitor for the First Respondent: Mills Oakley Lawyers

Counsel for the Second Respondent: Mr H P T Bevan

Solicitor for the Second Respondent: Corrs Chambers Westgarth

ORDERS

NSD 114 of 2020

BETWEEN: JAMES KELLAND HARDINGHAM
First Appellant

REAL ESTATE MARKETING AUSTRALIA PTY LTD
Second Appellant

AND: RP DATA PTY LIMITED
First Respondent

REALESTATE.COM.AU PTY LTD
Second Respondent

GREENWOOD, RARES AND JACKSON JJ

ORDER MADE BY:

18 AUGUST 2021

DATE OF ORDER:

THE COURT ORDERS THAT:

- I. Within seven days, the parties submit to the Associate to the presiding Judge, proposed orders giving effect to the reasons of the majority of the Full Court.

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

REASONS FOR JUDGMENT

GREENWOOD J:

Background and context

1. This appeal is concerned with the question of whether the primary judge erred in concluding that an agreement made between the appellants and a real estate agency for the taking of photographs and the making, where relevant, of a floor plan of a property by the first appellant Mr Hardingham (the sole director of the second appellant, Real Estate Marketing Australia Pty Ltd (“REMA”)) for use by the agency in the marketing of a property for sale or lease on behalf of the owner of the property (in the case of 20 transactions the subject of the proceedings), is subject to an “agreed” particular term either as a matter of *inference* from the conduct of the appellants (and that of the agency) including “their course of dealings”, or on the footing that the particular term “should be *implied into the agreements* between the applicants and the agencies, in order to give business efficacy to those agreements” [emphasis added].
2. The appellants contend that the primary judge fell into error in reaching such a conclusion.
3. Before turning to the particular term said to be inferred or implied as part of the foundation agreement between the appellants and the particular agency, it is necessary to consider the following matters.

4. The first appellant, Mr Hardingham, is a professional photographer. He is also the sole director of REMA. REMA was incorporated on 17 November 2009. It carries on the business of providing photographic and other graphic images including floor plans. It specialises in residential and commercial real estate. REMA's clients are predominantly real estate agents based in Sydney.
5. Since incorporation, REMA has been commissioned by various real estate agencies to "produce" and supply photographs of properties and floor plans of those properties for "use in marketing campaigns for the sale or lease" of the relevant property by the agency on behalf of its client owner: primary judge ("PJ"), [1].
6. The primary judge observes at [8] that the evidence adduced by Mr Hardingham and REMA (as applicants in the principal proceeding) concerning the "arrangements" between the appellants and the agencies was "minimal". No point of distinction arose in the arrangements as between the 20 agencies the subject of the proceeding except that for some of the transactions Mr Hardingham was asked to prepare a floor plan of the property. The evidence as to the arrangements applies to each transaction. Mr Hardingham's evidence recited by the primary judge at [8] and [9] was that REMA was usually engaged to supply photographs and floor plans to agencies as a result of a telephone call from a real estate agent. Typically, an agent on behalf of an agency would request Mr Hardingham to attend a particular property and take photographs to be "used" in a "marketing campaign". Generally, Mr Hardingham would be told that a property had been listed for sale or lease and a marketing campaign was due to commence for that purpose. He would be asked to visit the property and take photographs for the campaign and, where relevant, prepare a floor plan of the property for that campaign. Mr Hardingham took the photographs. He prepared the floor plans, that is, he is the author of the plan. Mr Hardingham, in his evidence, gave a typical example of the informal and limited content of the engagement. He put it this way:

Agent: *"Hi James, we have just listed [property address]. The campaign is due to start [date]. Can you attend this week to take the photos for the campaign?"*

7. Sometimes, as mentioned, the engagement would involve drawing a floor plan of the particular property.
8. On 24 April 2018, Mr Hardingham entered into a "deed of licence" with REMA by which Mr Hardingham granted REMA an exclusive licence of the copyright subsisting in works originated by him. The recitals to the deed state that the deed confirms arrangements which had existed since REMA commenced its business in November 2009.
9. The photographs and floor plans the subject of the arrangement were provided to the agency in an "editable digital form". Invoices were issued by REMA to the agencies and in each of the 20 transactions the invoiced fee was paid. As to the 20 transactions (oral agreements), the parties have provided a schedule of the transactions identifying the date of each transaction by reference to the date of the REMA invoice. It is not necessary to set out the dates of each transaction. It is enough to note that one occurred in September 2014, October 2014, January 2015, January 2017, March 2018, and June 2018; three in November 2014; two in December 2014; three in February 2018; four in May 2018; and two have no precise invoice date. Notwithstanding lack of a precise invoice date for two of the transactions, it seems that every one of the 20 transactions occurred after 9 April 2014 which is the date of a response by letter by the solicitors for RP Data Pty Limited

(“RP Data” or “RPD”), the first respondent, to a letter from the solicitors for the appellants dated 28 January 2014. The appellants’ letter asserted infringement of their copyright (as owner and exclusive licensee) subsisting in the photographs of the properties by conduct of RPD in reproducing the photographs on RPD’s website and manipulating the images so as to superimpose a logo. It will be necessary to return to this correspondence later in these reasons.

10. The photographs and floor plans provided to each agency were uploaded by the agency to an internet platform (and mobile application) described as the *realestate.com.au* platform. The primary judge at [9] observes that the appellants knew that one of the purposes for which the photographs and floor plans had been commissioned (from REMA) was to enable those works to be uploaded to that platform. The second respondent, Realestate.com.au Pty Ltd (“REA”), operates this “online channel”. REA is a wholly owned subsidiary of REA Group Ltd (“REA Group”). REA Group supplies residential property listing services to real estate agencies. Many agencies in Australia list and advertise residential properties for sale or lease on behalf of vendors and landlords on these online channels operated by REA: PJ, [3]. REA does so by selling “listing subscriptions” to real estate agencies. To list a residential property on the *realestate.com.au* platform, an agency must hold a real estate licence and enter into a “subscription agreement”. Notwithstanding the level of the subscription agreement entered into, each subscription agreement included an express acknowledgement by the agency that the “... terms stipulated in this form and in the Terms and Conditions contained on our website [*realestate.com.au/terms*] form part of this Agreement”: PJ, [11]. The Terms and Conditions on that part of the website included an express licence granted by the real estate agent to REA in these terms (PJ, [12]):

5. Your acknowledgements

You acknowledge and agree that at all times during the Term of this Agreement:

- (a) in consideration for us granting a right to upload listings to the Platform and the other services we provide, you grant us an irrevocable, perpetual, worldwide, royalty free licence to publish, copy, licence to other persons, use and adapt for any purpose related to our business any content you provide to us during the Term, and this licence survives termination of this Agreement by you or us.

...

11. The Terms and Conditions included a number of obligations on the part of the real estate agency. They included that the agency would only upload listings to the platform itself or by an authorised third party; that the agency would ensure that any statement made to REA or any content or material supplied was not unlawful, was not provided for an improper purpose, and was not misleading or deceptive (in the terms of the text); and that any material supplied does not include information that infringes the intellectual property rights of third parties or would otherwise expose REA to liability, legal proceedings or other sanction. The Terms and Conditions contain an indemnity by the agent given to REA and its officers, employees and agents in broad terms.

Some aspects of Mr Rechtman’s evidence for REA

12. At [14], the primary judge sets out some aspects of the evidence of Mr Rechtman, the Executive General Manager, Residential, of the REA Group. Mr Rechtman gave evidence that the platform

contained a “Buy” section where consumers could search for properties listed for sale; a “Rent” section; and a “Sold” section. The primary judge set out Mr Rechtman’s evidence concerning the “Sold” section in this way (PJ, [I4](c)):

- (c) The “Sold” section, located at the URL [URL cited]. The Sold section includes a search function that allows consumers to retrieve historical information on each property that has been listed for sale on the realestate.com.au platform, and realestate.com.au has been informed by the real estate agency that listed the property for sale that the property has been sold. The Sold section of the realestate.com.au platform has been active since at least 2003. The information available for each “Sold” listing includes the most recent date of sale, sale price, the property’s specifications (eg, number of bedrooms, bathrooms, car spaces etc), *and photographs and floor plans provided by the real estate agency for the listing used to advertise the property for sale*. In addition to information provided by the real estate agency, the “Sold” page for a property includes data that realestate.com.au obtains from third party sources, including the sold price.

[emphasis added]

13. As to the “Property Value” section, the primary judge identified Mr Rechtman’s evidence in these terms (PJ, [I4](d)):

- (d) The “Property Value” section, located at the URL [URL cited]. Since at least 2015, realestate.com.au has provided a service known as “page for every property” (P4EP) which is currently accessible via the Property Value search function on the realestate.com.au platform. When a consumer enters a property address into the “Property Value” search function, a page for the corresponding address is retrieved which includes at least the following information on the property:
- (i) Whether the property is for sale, for rent or off market.
 - (ii) *Any photographs or plans previously uploaded by real estate agencies on the realestate.com.au platform* in relation to the property, including photographs used in past sale or rental campaigns.
 - (iii) The property’s specifications (ie, number of bedrooms, bathrooms, car spaces, land size, floor area, year built, etc).
 - (iv) The property’s sale history and past prices at which it sold, if available.
 - (v) An estimate of the property’s current value, if available. This is only displayed for properties that are off market.
 - (vi) A summary of market activity for properties of similar size in the property’s suburb, including median sale and rent prices for the past 1 year, and 10 years.
 - (vii) Links to the P4EP for properties neighbouring the property.

Some aspects of Mr O'Donnell's evidence for RPD

14. The first respondent, RPD, operates a website described as *corelogic.com.au*. Through that website, subscribers can access a product described as "RP Data Professional". At [15], the primary judge notes by reference to the evidence of Mr O'Donnell, the senior leader of RPD's data operations team, that through this product, RPD, since 1999, has conducted an internet subscriber based website service that provides property data to various real estate professionals and investors for the purpose of marketing, for sale and lease, real property in Australia. The service also allows paying subscribers to conduct research into property in Australia to establish fair market value for the purpose of marketing a property for sale or lease: PJ, [15]. This was said to be one of the major purposes of the service: PJ, [16]. Subscribers to the service also included members of the general public although this cohort represented a smaller subscriber category: PJ, [16]. The more significant category was real estate professionals for whom the product was designed: PJ, [16].
15. At [17], the primary judge notes the further evidence of Mr O'Donnell that photographs are a "key aspect" of the data attributed to a property when marketed. The primary judge notes Mr O'Donnell's evidence on this topic in these terms:

Photographs are a key aspect of the data attributed to a property when marketed. Photographs enable a subscriber to be better informed and establish the marketability and market value through visual assessment of the elements of the property including the conditions, fittings, attributes, size, style and construction materials of a property. In particular the photos show obvious improvements, degradation or materially significant changes to the property over time. The photographs also provide a basis to compare properties in a market for advertising and listing purposes.

...

16. As to the functionality of the product, the primary judge notes Mr O'Donnell's evidence in these terms at [17]:

RP Data Professional enables its subscribers to:

- (a) search for properties advertised For Sale, For Rent, have Sold or have been rented to gain an understanding of the relevant local property market down to a single property address as well as what other properties are currently listed For Sale or For Rent;
- (b) search for properties within a geographic area to understand the total market size and breakdown of the types of properties that exist within a market;
- (c) identify the most effective marketing methods by providing a subscriber with access to the property campaign history which includes data points relating to 'days on market', listing price changes, *photographs*, *floor plans* and aerial and satellite images, listing description, and advertising mediums (online v print);
- (d) determine the physical elements of a property being marketed which is also used to create the listing description of a property listed For Sale or For Rent

through analysis of a *property's floor plan, property photographs* and aerial /satellite imagery to identify the attributes and feature information such as:

- (i) type, size and condition of the dwelling;
 - (ii) type, size and condition of the rooms within a dwelling;
 - (iii) type of fittings and the quality of the fittings within a dwelling;
 - (iv) the external environment and any potential hazards for consideration;
- (e) produce reports for the purposes of promoting their brand, showcasing their local expertise, marketing the property listed For Sale or For Rent, establishing market value and to meet compliance obligations when marketing properties for sale and for rent including:
- ... [Mr O'Donnell described the various reports which could be generated] ...
- (f) undertake comparable market estimates of the value of properties in any particular area or market, through reports that provide lists of properties advertised for sale, for rent, have sold or been rented. This information supports a real estate professional to determine and recommend to a vendor or owner the appropriate price at which to market a property For Sale or For Rent;
 - (g) produce material used to inform the market including property vendors and purchasers of the for sale and for rent activity of properties past and present in any particular area, *including photography* to support the estimate of market value through an assessment of the physical condition, attributes and features of the individual properties;
 - (h) be adequately informed about a particular property or property market by validating the real property identifiers such as the lot and plan details, title details including ownership and existence of any interests and encumbrances to be able to disclose with clients;
 - (i) produce marketing plans and marketing material to make informed assessments of the market position, market value and marketable features of a property when acting on behalf of a property vendor or purchaser.

[emphasis added],

RPD's product

17. Thus, RP Data operates a product service through its website that has the attractive force of the functionality described by Mr O'Donnell and of which photographs of each property are a key aspect of the data in marketing the property enabling subscribers to take advantage of the features of the product described at [15] and [16] of these reasons which has the effect of drawing a significant category of subscribers (various real estate professionals and investors) to the product and the website, giving rise to subscription revenue derived by RPD.

18. How did the copyright works of the appellants in the form of the photographs of the 20 properties (and where relevant, a floor plan) the subject of the oral agreements between the appellants and the agencies come to be displayed (reproduced) on RPD's professional real estate product site?
19. At [17], the primary judge gives the answer by noting Mr O'Donnell's evidence that "the photographs and floor plans the subject of the proceedings were provided to RP Data by REA".
20. Neither REA nor RPD is a party to the informal oral agreement made between the appellants and each agency in each of the 20 agreements in issue.

Core terms of the oral agreement

21. Subject to an examination of what might, or might not, be a "term" of the informal oral agreement between the appellants and each agency either as an "inferred" term or an "implied" term of that agreement according to the principles governing the orthodoxy of how such a conclusion is reached, these things can be said about the essential *express* terms of the oral agreement.
22. *First*, the agreement is informal in the sense that it derived from an oral exchange between Mr Hardingham on behalf of the appellants and an agent on behalf of the agency as described at [6] of these reasons. The agreement was sufficiently informal that neither party sought to reduce the agreement to writing.
23. *Second*, it contained a term by which Mr Hardingham for REMA was to attend the nominated property (usually with the agent) and take one or more photographs of the property and, where relevant, originate a floor plan of the property.
24. *Third*, the appellants were to undertake the tasks and provide the works to the agency in consideration of the payment of a fee.
25. *Fourth*, the works would be provided to the agency in an "editable digital form".
26. *Fifth*, the agency enjoyed the right to "use the works in a marketing campaign" for the sale or lease of the property by the owner in which the agent was acting as agent for the owner (and in circumstances where the marketing campaign was due to commence very shortly after the works were produced by the appellants).

The exclusive rights and the "consent" or "permission" of the appellants

27. It is common ground that the works in issue are original artistic works in which copyright subsists and that Mr Hardingham is the "author" of each photograph and floor plan and was a qualified person at the date of authorship: *Copyright Act 1968 (Cth)* (the "Act"), ss 32(1), (2) and (4).
28. In the proceedings before the primary judge, a contention arose on the part of the respondents that the copyright subsisting in the works may have been owned in equity by some other person (presumably the relevant agency). Defences advanced by RPD on this ground (or both respondents) were abandoned. The ownership of the copyright, upon authorship (including the taking of the photograph), vested in Mr Hardingham and was the subject of the exclusive licence granted by him to REMA confirmed and affirmed by the deed mentioned earlier.

29. An express term of the informal oral agreement was the appellants' conferral on each agency of the right (that is, the "consent" or "permission" of the appellants) to use the works in a marketing campaign for the sale or lease of the property due to begin imminently upon the agreement being made with the agencies. The phrase forming an essential part of the agreement, namely, "take photographs for the campaign" (see [6] of these reasons) or the phrase, "use the photographs and floor plans for a marketing campaign", is the lay expression of language conferring a consent or permission on the agency to reproduce the works for the promotional campaign in seeking to find a buyer or a lessee for the property. Those phrases also comprehend a consent or permission to communicate the work to the public in the sense contemplated by s 31(1)(b)(iii) of the Act taking into account the definition of "communicate" in s 10(1) of the Act.
30. In that sense, the oral agreement conferred an express licence in the language of lay people enabling the agency to exercise at least those two rights comprised in the copyright in the works (the "reproduction right" and the "communication right") for the purposes of the marketing campaign. The exercise of those rights might take the form of a brochure, particular advertisements or other means by which the agent would conduct a marketing campaign for the purpose of securing a buyer or lessee. As noted at [46] and [47] of these reasons, the appellants accepted that the licence granted to the agencies included a permission to sublicense others for the purpose of the marketing of the property including granting a sublicense to REA for the purposes of the marketing campaign. No doubt those other means included uploading the works to the agent's website and taking steps to manipulate the images. The authority to manipulate the images is no doubt the reason the agent was provided with an "editable digital version" of the photographs and floor plans.
31. The question in issue in these proceedings is whether the scope of the authority extended in the way contended for by the respondents or whether the scope of the authority is limited in the way contended for by the appellants.
32. At [39], the primary judge observes that the evidence did not establish an express written or oral licence.
33. I respectfully disagree with that conclusion.
34. The first step in seeking to examine whether an agreement comprehends an inferred term or an implied term either as a matter of fact or law is to isolate and find, as a fact, the elements of the agreement *actually made* by the parties. Here, the appellants and the agent (in all 20 cases) made an oral informal agreement. The parties did not use the language of "licence". The particular individuals were a photographer and a real estate agent and, had they turned their minds to a more formal set of arrangements, they might well have used the language of licence. They nevertheless made an informal oral arrangement which expressly conferred the permission or consent of the appellants on the agency (that is, granted the agency a licence) to "use" the works "for the purposes of the marketing campaign". Such an agreement (the licence) was necessarily an essential part of what each agency and the appellants agreed about the agency's authority to deal with the appellant's original works. There is no suggestion that the appellants assigned their property in those works to the agency.
35. The question is not whether a licence was a term of the informal agreement (because it clearly was) but rather one of where the boundaries of the licence begin and end, a question of scope.

36. In other words, the question is what is the *content* of the licence and are terms to be inferred or implied into the oral agreement as an incident of the permission or consent to “use the works for the purpose of a marketing campaign”, which define the boundaries of the licence in some other or additional way.
37. In that sense, the language of the agreement whether it be “can you attend this week to take photos for the campaign?” or “use of the photographs for the purposes of a marketing campaign” is capable of bearing a number of meanings such that extrinsic evidence of the surrounding circumstances may give rise to the conclusion that a term giving clarity might be capable of being inferred or implied into the oral agreement if the principles governing that matter, properly applied, so permit.

REA’s contention

38. On this issue, REA contends that the appellants granted an express or implied licence to each agency as an element of the oral agreement and the scope and terms of the licence as between the appellants and the agencies is to be found in the terms of the express licence given by each agent to REA under the REA Terms and Conditions (see [10] of these reasons) with the result that the appellants must be understood as having either expressly or impliedly agreed to the granting of a permission or consent to use the works in the proposed marketing campaign, understood (with some transpositions), as “an irrevocable, perpetual, worldwide, royalty free licence to publish, copy, licence to other persons, use and adapt for any purpose related to our business [the business of the agent] any content you [the appellants] provide to us [the agency] during the Term, and this licence survives termination of this Agreement by you or us [the appellants or the agencies]”.
39. There is no evidence that the appellants (by Mr Hardingham or anyone else for REMA) actually expressly agreed to such a licence or authority being conferred upon the agencies.
40. Is the permission or consent given by the appellants to each agency to use the works in the marketing campaign which was about to commence, to be understood by implication or inference as the conferral of a permission or consent in terms of an irrevocable, perpetual, worldwide, royalty free licence to copy, licence other persons, use and adapt for any purpose related to the agency’s business, any content the appellants might provide during the period of the oral agreement conferring the licence, and the licence so conferred would survive the termination of the oral agreement by either the appellants or the agency?
41. Suppose, for example, that the agency failed to pay the “fee” reflected in the invoice resulting in REMA terminating the oral agreement, is REA to be taken to enjoy, by force of the implied term, a “surviving” irrevocable licence in the terms it contends for, deriving from its licence from the agencies? How does such an implied licence sit with the actual express terms of the permission or consent granted by the oral agreement of a right to use the photographs and floor plans (where relevant) for the purpose of the marketing campaign for the property in question.
42. The licence contended for by REA contains the grant of an unqualified right to “licence to other persons”.
43. In the defence filed by REA to RPD’s *crossclaim* for indemnity in respect of any liability established by the appellants as against RPD for damages of other relief for infringement of the

appellants' copyright, REA contended that apart from the express licence in terms reflecting the agency/REA Terms and Conditions, the licence is implied having regard to:

- (A) the way in which the works were commissioned by the real estate agents, invoiced by the applicants (especially [REMA], paid for by the real estate agents, made available and delivered by the applicants to the real estate agents (especially in electronic or digital form);
- (B) the way in which real estate properties were and are marketed to the public, including but not limited to the internet by way of real estate agents' websites, residential property portals (including [REA's] site) and social media platforms, such marketing comprising current and historical listings in respect of the properties.

- 44. REA also contended in its defence to the crossclaim that the implied licence is "perpetual, irrevocable, worldwide, royaltyfree and includes the right to sublicense": para 3(d).
- 45. The right to "sublicence" is said to be the source of a right in REA to grant RPD the right to exercise rights in the copyright in the works in the *terms* RPD asserts.

The appellants' conduct of the case before the primary judge

- 46. At [24], the primary judge notes that the appellants conducted the case on the footing that REMA granted a licence to the agencies to use the works for the marketing of the properties depicted in the photographs in discharge of the oral agreement; contended that the boundaries of the licence are *limited* to use of the photographs and floor plans for the *particular purpose* of marketing the properties for sale or lease; accepted that an "implied" term of the licence is that the agencies were authorised "to grant a sublicense for marketing the properties for sale or lease"; and contended that the licence did not extend to use of the works *once* the sale or lease of the relevant property had been *completed*. The appellants contended that the licence came to an end "on completion of the relevant sale or lease transaction the subject of the marketing campaign": PJ, [56].
- 47. At [54] and [55], the primary judge observes that the appellants accepted that the licence granted to the agencies entitled the agent, as licensee, to grant a sublicense to others for the marketing of the property. The primary judge notes that the appellants accepted that the agent was entitled to sublicense use of the works to REA for the purpose of the agent undertaking the marketing campaign for the sale or lease of the relevant property. The primary judge at [54] notes that the appellants did *not contend* that the right to sublicense REA did not also comprehend a right to confer a power on REA to grant a further sublicense (in effect a subsublicence) to RPD (as part of the agent's use of the works for the purpose of the marketing campaign) although none of these propositions engage specifically with the question of the content or scope of the terms of the licence, the sublicense to REA or a subsublicence to RPD (if the licence from the appellants to the agencies contemplated downstream sublicences to RPD).
- 48. The primary judge at [59] also notes that the "evidence established" and the "applicants conducted their case" on the footing of four propositions.
- 49. *First*, the overwhelming majority of Australian real estate agencies use the realestate.com.au platform (the "REA platform") and, as a matter of "practical commercial reality", they would use the platform in marketing a property for sale or lease.

50. *Second*, the prospect of selling or leasing a property is enhanced by using the realestate.com.au platform and the consequent exposure it provides.
51. *Third*, one of the “principal purposes” for which the agencies commission photographs and floor plans from the appellants was to obtain works to upload to the REA platform.
52. *Fourth*, whilst theoretically possible, “at a practical level” agencies are not able to negotiate out of the usual terms and conditions required by REA in order for the agencies to upload content to the REA platform.

Findings and observations of the primary judge

53. At [60], the primary judge finds that the appellants and the real estate agents “knew”, “as a result of their course of dealing and experience” that works uploaded to the REA platform were “not removed on completion of the sale or lease transaction” for which the photographs were taken and that the photographs were made available “in relation to historical sale and lease transactions”. The primary judge describes suggesting otherwise as “unrealistic”: PJ, [60].
54. At [61] and [62], the primary judge notes that the appellants were not able to identify any example of a photograph or floor plan of which they were the owner or exclusive licensee of the copyright, ever having been removed from the REA platform.
55. At [63], the primary judge made findings concerning the agencies. His Honour found that agents commissioning works on behalf of their agency are likely to have used either or both of the REA platform and the RPD professional product in providing advice to clients about likely sale price or likely market rental (in that sense, using the sites for research purposes). His Honour concluded that agents regularly access photographs and floor plans concerning properties the subject of completed sale or lease transactions and that they knew such works remained available on the REA platform or the RPD site or both.
56. At [64], the primary judge notes Mr Hardingham’s evidence that once his photographs have been posted to the REA platform, they “also appear on the [RPD product site] within a few days”.
57. At [64], the primary judge observes that Mr Hardingham must have become aware of that matter or circumstance before 28 January 2014 as the contended matter of RPD infringing the appellants’ copyright in the photographs was complained about in the letter from the appellants’ solicitors to RPD dated 28 January 2014.
58. At [64], the primary judge infers that Mr Hardingham was “aware substantially” of that practice by RPD prior to 28 January 2014 “in light of his experience and involvement in supplying services to the real estate industry”.
59. As to the state of Mr Hardingham’s knowledge, the primary judge finds at [64] that the appellants “must have known that the works remained available on the [RPD product site] after completion of the sale and lease transactions” and the primary judge draws an inference that the appellants “knew or assumed that the works were obtained by [RPD] from REA”.
60. Having found that state of knowledge, the primary judge at [65] notes that the appellants gave no evidence of any discussion with the agencies “about intellectual property rights” and gave no evidence that “they sought to impose any restriction on the way in which the agencies dealt with

REA” and gave no evidence that “they informed the agencies that they were not authorised to give a licence to REA” as set out in the REA Terms and Conditions. The primary judge notes that nor did the appellants give evidence that over the years they sought to “limit the use” of the works by the agencies or REA or “limit the time” during which the works could be available.

61. At [66], the primary judge notes that there was no “direct evidence” as to whether the agents *actually read* REA’s Terms and Conditions although they knew that there were terms and conditions because they had to agree to them in order to upload content to REA’s platform. The primary judge concludes that in agreeing to the terms and conditions, the agencies represented to REA that they could grant the licence *framed* in the *terms* set out in REA’s Terms and Conditions and that the content would not infringe the intellectual property rights of third parties.
62. At [67], the primary judge concludes that the appellants “must have known” that the works they were to originate were to be (and works of the appellants had been) uploaded to REA’s platform “in accordance with the terms and conditions imposed by REA”. The primary judge finds that these terms and conditions “were freely available on the realestate.com.au website”.
63. At [68], the primary judge finds that “whether or not” the appellants in fact read the terms and conditions before early 2014, they “knew” before then the following three facts.
64. *First*, the works were being sought in part at least to enable the agencies to upload the works to REA’s platform.
65. *Second*, the works remained on the site after the completion of the sale or lease transaction.
66. *Third*, within a few days of uploading the works to REA’s site, the works appeared on RPD’s site as part of its RPD professional product offering.
67. As to the scope of the fees charged by the appellants, there was no evidence of what was taken into account in setting the fee. However, the primary judge notes that the appellants received “valuable consideration” for the work done so that the agencies could upload the works so originated under the agreement to the REA platform.

Further findings and conclusions of the primary judge

68. Against the background of these observations (and where already noted, findings) the primary judge reaches a series of ultimate conclusions. I will identify those conclusions and note some further features of the contentions of the parties:
 - (1) At a time from at least before early 2014, the appellants and the agencies “conducted themselves” on the basis that the agencies had the right to upload the works to the REA platform “in accordance with the terms and conditions between REA and the agencies”. Thus, on that footing, the content of the licence expressly granted by the appellants to the agencies included, by reason of a course of dealing between the appellants and the agencies, a right in the agencies to sublicense REA in the express terms of REA’s Terms and Conditions: PJ, [70].
 - (2) The primary judge finds that the appellants and the agencies “either knew or must have assumed” that REA’s Terms and Conditions contemplated that REA was permitted to make the appellants’ works available on REA’s platform after completion

of the sale and lease transaction, and permitted REA to provide the works to RPD: PJ, [70].

- (3) The significance of the reference by the primary judge to early 2014 is that the date of the response by RPD's solicitors to the letter of demand from the solicitors for the appellants asserting infringement by RPD by exercising the reproduction right, is 9 April 2014. In that letter, RPD's solicitors assert that during the marketing campaign by the agencies, the images are provided to REA's listing portal (platform) and RPD acquires the right to "use and display data and photographs" from, among others, REA, by virtue of RPD's "specific contract with REA", although that agreement was said to be "entirely irrelevant" to the rights asserted by the appellants. The *relevant* licence was said to be the licence granted by the agencies to REA on the *terms* quoted in the letter. Those terms, which presumably were the terms prevailing at 9 April 2014, are different in language and thus scope to the terms quoted by the primary judge at [12] (and quoted at [10] of these reasons). The terms of the licence *said* to have been granted by the agencies to REA are put this way in the letter:

To the extent that any Contributions are proprietary in nature, you grant REA a worldwide, nonexclusive, royalty-free, perpetual, transferable and irrevocable licence to use, reproduce, modify, adapt, translate, distribute, publish, create derivative works from and display and publicly perform your Contributions throughout the world in any medium, whether currently in existence or not. You also grant each user of our websites a nonexclusive licence to use, reproduce, adapt, translate, distribute, prepare derivative works of, display and perform your Contributions as permitted by REA and these terms.

You grant:

- (i) REA, in respect of Contributions to its website the right to use your name or the name you submit with the Contribution, and, the right to represent and warrant that:
- (a) you own and control all of the rights to the Contributions; or
- (b) you have the lawful right including all necessary licences, rights, consents, and permissions to use and authorise REA to display the Contributions.

...

- (4) The terms quoted at (3) are said to be the "pertinent terms" agreed to between the agencies and REA. It is then said that the licence enables REA to transfer that licence and to use or distribute images to third parties including RPD. The letter does not seek to come to grips with identifying the basis upon which the agencies purport to have acquired rights from the appellants in the terms the agencies purport to confer on REA, that is, the foundational upstream grant.
- (5) So, it seems that there were four versions of the scope or content of the licence in issue before the primary judge. *First*, there was the appellants' version that the works

were to be used for the purpose of the marketing campaign for the sale or lease of the property for which the works were originated by Mr Hardingham which carried with it an authority conferred on the agencies to grant a sublicense for marketing the properties as earlier described, with the primary licence granted to the agencies and any sublicense coming to an end on completion of the marketing campaign. The other three versions are those contended for by the respondents. Thus, the *second* version is the version identified by the primary judge based on the REA “subscription agreement” (presumably based on the evidence of Mr Rechtman) set out in the particular text at [10] of these reasons: PJ, [12]. The *third* version is the version pleaded by REA which selects only *some* of the text identified by the primary judge in the text as quoted at [10] of these reasons. The *fourth* version is the text of the *contended term* quoted by RPD’s solicitors on 9 April 2014. That text is said to be a version of the sublicense granted by the agencies to REA and it seems to be said by RPD that the right in REA to grant a further sublicense (or transfer) informs the content of the licence granted by the appellants to the agencies and then to REA unless it is said that REA, by reason of the sublicense from the agencies, was free to further sublicense on any basis it saw fit irrespective of the scope of the grant conferred by the appellants on the agencies. In other words, on such a view, water does flow upstream.

- (6) The terms of the licence described in the letter of 9 April 2014 are more expansive than the REA Terms and Conditions quoted at [10] of these reasons and extend to the right to “create derivative works” and include words such as “modify”, “translate”, “publicly perform” and extend to works “whether currently in existence or not”. This more expansive text is not present in the version of the implied scope of the express oral licence based on the text of the licence granted to REA by the agencies in the terms and conditions identified by the primary judge at [12] (see [10] of these reasons). Nor is it the text pleaded by REA and, of course, it is entirely different to the version of the licence contended for by the appellants.
- (7) At [71], the primary judge observes that there is “direct evidence” that from at least early 2014 the appellants “in fact knew” that in order for the agencies to upload content to the REA platform, under REA’s Terms and Conditions, the agencies had to grant REA “an irrevocable, perpetual, worldwide, royalty free licence to publish, copy, licence to other persons, use and adapt for any purpose related to [REA’s] business any content you [the agencies] provide to REA”; that the agencies had to agree not to upload content infringing third party intellectual property rights and to indemnify REA for loss or damage as a result of third party claims concerning uploaded content.
- (8) At [72], the primary judge finds that there is “direct evidence” that the appellants “knew” from at least early 2014 that an agreement existed between REA and RPD under which RPD was provided with content uploaded to the REA platform and that RPD made the works so obtained available to “paying subscribers to the [RPD product – “Professional”]” although “the [appellants] did ‘not know’ the precise terms of that agreement”.
- (9) The matters at (7) and (8) are said to “necessarily follow” from the content of the letter from RPD’s solicitors dated 9 April 2014 in response to the letter of demand from the appellants’ solicitors. However, there was no direct evidence as to whether the *agencies* in fact read REA’s Terms and Conditions: PJ, [66]; and no evidence of

discussions by agencies with the *appellants* about any terms and conditions imposed by REA on the agencies. The appellants' state of knowledge of REA's Terms and Conditions seems to derive from the apparent "fact" that they "must have known that the works they had been commissioned to prepare had been and were being uploaded *in accordance with the terms and conditions imposed by REA*" ([emphasis added]: PJ, [67]) and although the appellants were found to "know" the things described at (7) and (8) before at least early 2014, the primary judge accommodates the possibility at [68] as an open question of fact that the appellants may not have read the REA Terms and Conditions even though they were "freely available on the realestate.com.au website": PJ, [67].

- (10) The letter of 9 April 2014 from which the conclusions described at (7) and (8) are said to "necessarily follow" is concerned with the contended terms upon which the agencies purported to confer on REA a bundle of rights to deal in and with the appellants' works. It is true that from 9 April 2014 the appellants knew that RPD *contended* that the rights conferred on REA were those described in the precise language of the term quoted by RPD's lawyers. The contention in the letter did not reduce to a matter of "fact" that REA *had acquired* in that way, in the terms contended, a licence of a right to exercise rights comprised in the copyright owned by Mr Hardingham. The rights contended for in the letter ultimately needed to be found in the primary grant by the appellants to the agencies coupled with a power in the agencies to grant a sublicense to REA in terms which enabled a grant to RPD in the terms claimed by RPD. Otherwise, REA had no standing to grant a further sublicense (or transfer of its own sublicense) to RPD.
- (11) At [74], the primary judge observes that it was in the context of the letter of 9 April 2014 that the appellants continued to "deal with the agencies" in respect of each of the 20 transactions by accepting requests and supplying the works.
- (12) At [75], the primary judge repeats some of the earlier findings and concludes that the appellants and the agencies "knew" that the works were being sought for a purpose which included uploading the works to the REA platform; those parties "knew" that this was to occur in accordance with REA's "usual" Terms and Conditions; the appellants "knew" the "precise content and effect of the terms and conditions"; and the appellants in deciding whether to perform the work "dealt with the agencies with that knowledge".
- (13) At [76], the primary judge examines a possible counterfactual hypothesis to the effect that if the appellants had said to the agencies that they were not authorised to grant a sublicense to REA (presumably on the basis of the "precise content and effect" of the "usual" Terms and Conditions), the agencies may have retained a different photographer.
- (14) At [77], the primary judge observes that it was not commercially realistic for the agreement between the appellants and the agencies to be one in which the agencies did not have the authority to grant REA the licence which the appellants "knew the agencies had to give to REA in order to upload the works" sought by the agencies for that very purpose.

- (15) At [78], the primary judge reaches the ultimate conclusion that the “objective circumstances” concerning the 20 transactions, all of which occurred after 9 April 2014, are such that it is to be “inferred” from the conduct of the appellants and the agencies, including their course of dealings, that the appellants “agreed that the agencies were authorised, by way of licence from the [appellants], to upload the photographs and floor plans to the realestate.com.au platform and grant REA a licence in the form required by REA and contained in REA’s usual terms and conditions”.
- (16) The primary judge also concludes at [78] that in the alternative to the proposition at (15), “it should be implied into the agreements” between the appellants and the agencies, “in order to give business efficacy to those agreements”, that the appellants agreed in the same terms as the proposed inferred term set out at (15).
- (17) At [79], the primary judge concludes that the agreement between the appellants and the agencies would have failed to deliver what was “objectively intended” to be acquired by the agencies in commissioning the works if the term at [78] were not to be inferred or implied. The primary judge observes that the purpose of uploading the works to the REA platform was “central” to the “objective” sought to be achieved by the appellants and the agencies, and the objective could not have been achieved unless the agencies granted REA the licence contained in REA’s Terms and Conditions. The primary judge also notes at [79] that the agencies “could not lawfully grant the licence” on those terms unless the appellants had “authorised them to grant a licence of that scope”.
- (18) At [80], the primary judge said this:

It follows that Mr Hardingham and REMA authorised, consented to or permitted (that is licensed) the agencies to sublicense the copyright works to REA on terms which permitted the agencies to grant the licence contained in REA’s usual terms and conditions, which included authorising REA to grant a sublicense. REA granted a sublicense to [RPD] which was not contended to go relevantly beyond what was permitted by the sublicense granted to REA by the agencies. Nor was it submitted that [RPD] acted beyond the scope of the sublicense granted by REA.

69. Having regard to the reasoning of the primary judge it seems tolerably clear that the analysis of the factual circumstances (the circumstances the primary judge describes as the “objective circumstances”) as between the appellants and the 20 agencies, and the circumstances as between the agencies and REA leading to aspects of the position as between REA and RPD was undertaken for the purpose of deciding, as a question of fact, whether it is to be *inferred* that the appellants agreed a term as formulated by the primary judge and if not, whether alternatively, a term as so formulated formed part of the agreement between the appellants and the agencies as an *implied* term of the oral agreement.
70. The primary judge does not seem to have decided the question of an inferred or implied term on the footing that such a term might arise as a function of terms to be implied, as a matter of law, into all contracts of a *particular class* defined as contracts made between photographers of commercial and domestic properties on the one hand, and real estate agents, on the other. Apart

from anything else, such a proposition formed no part of the case of the respondents at trial or on appeal.

71. The term found by the primary judge to be either an inferred or implied term defining the scope of the express licence granted orally by the appellants to the agencies is an authority in the form of the text “contained in REA’s usual terms and conditions” which the primary judge understood to be the text at clause 5 of the Terms and Conditions which conferred a power or authority to “licence to others” content provided by the agencies to REA on REA’s usual Terms and Conditions: PJ, [12]; [10] of these reasons.

Considerations

72. I have had the benefit of reading the reasons for judgment of Jackson J. His Honour sets out the contentions of the parties on the appeal. It is not necessary to set out the detail of the contentions in these reasons. It is sufficient to make clear the basis upon which I consider the controversy on appeal is to be determined. In doing so, I propose to examine the authorities in a little detail.
73. As to the appellants’ claims of copyright infringement, the appellants as applicants bore the onus of making good in the evidence each of the integers of the cause of action. An element of the cause of action is that the first respondent has engaged in conduct falling within one or more of the bundle of exclusive rights conferred by the Act on the copyright owner and, in this case, the subject of the exclusive licence granted to REMA. It is also an element of the cause of action that the conduct engaging the exercise of acts comprised in the copyright was done without the licence or authority of the owner: s 36 ; s 13(1) of the Act .
74. The relevant rights engaged in these proceedings are the reproduction right and the communication right as described earlier and in the case of the communication right it includes the right to make the work available online or transmit the work to the public: s 31(1)(b)(iii) , s 10(1) .
75. In the proceedings before the primary judge, Mr Hardingham was not crossexamined by either REA or RPD. His evidence included evidence that, so far as RPD’s exercise of the reproduction right and/or the communication right is concerned, Mr Hardingham had not granted a licence to or authorised RPD to reproduce or publish the relevant photographic images.
76. That evidence was given by affidavit for all 20 transactions, example by example. RPD resisted the infringement claim on the footing that it had the licence of the copyright owner to engage in the conduct by force of the REA grant of the licence deriving from the sublicense from the agencies in turn deriving from the appellants.
77. Similarly, REA answers the case of the appellants on the footing that it had the authority of a sublicense falling within the scope of a grant from the copyright owner.
78. The onus of proving each and every integer of the cause of action in the 20 transactions falls to the appellants. However, once the copyright owner gives, as in this case, evidence (unchallenged by crossexamination) that no licence was granted, it falls to the respondents to establish an evidential foundation for the contended licence: *Acohs Pty Ltd v Ucorp Pty Ltd* (2012) 201 FCR 173, Jacobson, Nicholas and Yates JJ at [172][174] .
79. That obligation required REA to adduce evidence that the scope of the express oral licence granted by the appellants to the agencies included a term authorising the agencies to grant a

sublicence in the *form* of the *text* of the clause 5 REA Terms and Conditions and it required RPD to establish that the scope of the grant (the further sublicence by REA) was within the scope of the authority conferred on REA by the sublicence from the agencies and, in turn, the licence from the appellants to the agencies.

80. The evidence so adduced by the respondents would need to be probative of an express agreement to those terms, or establish a basis upon which the contended terms formed *part* of the oral agreement as either an inferred or implied term.
81. There is no evidence that the appellants *expressly agreed* to grant a licence to the agencies on terms that contained an authority in the terms set out in clause 5 quoted at [10] of these reasons or on the terms quoted at [68](3) of these reasons.

Matters of principle

82. As to the question of the principles to be applied in determining whether a term is to be implied in the oral contract between the appellants and the agencies, these foundational principles should be noted:
 - (1) When a court is called upon to determine the implication of a term, the court is engaged in an exercise in interpretation although not an “orthodox instance” of interpretation: *Codelfa Construction Pty Ltd v State Rail Authority of NSW* (1982) 149 CLR 337 (“*Codelfa*”), Mason J at 345.
 - (2) The reasoning carefully and sequentially developed by Mason J in *Codelfa* (Stephen J and Wilson J agreeing) was concerned with an implied term necessary to give business efficacy to a “particular contract”, not of an implied term which is a legal incident of a “particular class of contract”. As to the latter, an implied term is based “upon more general considerations”: Mason J at 345-346.
 - (3) With implication, the term is one which it is “presumed that the parties would have agreed upon had they turned their minds to it – it is not a term that they have actually agreed upon”: *Codelfa*, Mason J at 346.
 - (4) The more detailed and comprehensive the contract the less ground there is for supposing that the parties have failed to address their minds to the question in issue: *Codelfa*, Mason J at 346.
 - (5) One difficulty of implication of a term is “identifying with any degree of certainty the term which the parties would have settled upon had they considered the question”: *Codelfa*, Mason J at 346.
 - (6) Thus, courts “have been at pains to emphasise” that it is not enough that it is “reasonable” to imply a term; it “must be necessary to do so to give business efficacy to the contract”, or put more emphatically, it “must be clearly necessary”: *Codelfa*, Mason J at 346; *Bell v Lever Brothers Limited* [1932] AC 161 at 226.
 - (7) The conditions necessary to “ground the implication of a term” when the question is whether a term should be implied to give business efficacy to a contract (*Codelfa*, Mason J at 347), are those summarised in the wellknown observations of the Privy

Council majority in *B.P. Refinery (Westernport) Pty Ltd v Shire of Hastings* (reported at) (1977) 180 CLR 266 (“*B.P. Refinery*”) at 283 in these terms:

- (1) it must be reasonable and equitable;
 - (2) it must be necessary to give business efficacy to the contract, so that no term will be implied if the contract is effective without it;
 - (3) it must be so obvious that “it goes without saying”;
 - (4) it must be capable of clear expression;
 - (5) it must not contradict any express term of the contract.
- (8) See also the observations of French CJ, Bell and Keane JJ in *Commonwealth Bank of Australia v Barker* (2014) 253 CLR 169 at [21][23] where their Honours describe such implication as a term implied “in fact or ad hoc”. As Mason J observed in *Codelfa* (see (I) above), implication of a term *in fact* in a contract in order to give business efficacy to it raises issues as to the “meaning and effect” of the contract although implication is not an orthodox exercise in interpretation. Their Honours, French CJ, Bell and Keane JJ, observe at [22] that it is nevertheless an exercise in construction, quoting Lord Hoffmann in *Attorney General of Belize v Belize Telecom Ltd* [2009] 1 WLR 1988 at 1994, [22].
- (9) Although evidence of surrounding circumstances is admissible in aid of the construction of the agreement, the evidence is restricted to the factual background known to the parties at or before the date of the contract, including evidence of the “genesis” and objectively of the “aim” of the transaction: *Codelfa*, Mason J at 348; *Prenn v Simmonds* [1971] 1 WLR at 1383138 4. As to surrounding circumstances, evidence is admissible where the words in a contract are susceptible of more than one meaning, so as to show the “facts which the negotiating parties had in their mind”: *Codelfa*, Mason J at 350.
- (10) In this case, the evidence was, of course, admissible for the purpose of *establishing* the elements or terms of the oral agreement between the appellants and the agencies before turning to a consideration of all the surrounding circumstances to determine the question of implication and to address the problem of “identifying with any degree of certainty the term which the parties would have settled upon had they considered the question”. The five factors in *B.P. Refinery* “ground the implication” of a term because it is satisfaction of those factors which identifies, with any degree of certainty for the court, the term which the parties would have settled upon had they considered the question.
- (II) In *Electricity Generation Corporation v Woodside Energy Ltd* (2014) 251 CLR 640 (“*Electricity Generation Corporation*”) at [35], French CJ, Hayne, Crennan and Kiefel JJ said this (omitting the very extensive footnote citations):

The meaning of the terms of a commercial contract is to be determined by what a reasonable businessperson would have understood those terms to mean. That approach is not unfamiliar. As reaffirmed, it will require consideration of the language used by the parties, the surrounding circumstances known to them and the commercial purpose or objects to be secured by the contract. Appreciation of the commercial purpose or objects is

facilitated by an understanding “of the genesis of the transaction, the background, the context [and] the market in which the parties are operating”. As Arden LJ observed in *Re Golden Key Ltd* [2009] EWCA Civ 636 at [28], unless a contrary intention is indicated, a court is entitled to approach the task of giving a commercial contract a businesslike interpretation on the assumption “that the parties ... intended to produce a commercial result”. A commercial contract is to be construed so as to avoid it “making commercial nonsense or working commercial inconvenience”.

(12) This statement of principle from *Electricity Generation Corporation* at [35] has been recently affirmed in *Rinehart v Hancock Prospecting Pty Ltd; Rinehart v Rinehart* (2019) 267 CLR 514 (“*Rinehart*”), Kiefel CJ, Gageler, Nettle and Gordon JJ at [44].

(13) See also the observations of French CJ, Nettle and Gordon JJ at [46][49] in *Mount Bruce Mining Pty Limited v Wright Prospecting Pty Limited* (2015) 256 CLR 104 (“*Mount Bruce Mining*”). In *Mount Bruce Mining*, their Honours also said this at [50][52]:

50 Each of the events, circumstances and things external to the contract to which recourse may be had is objective. What may be referred to are events, circumstances and things external to the contract which are known to the parties or which assist in identifying the purpose or object of the transaction, which may include its history, background and context and the market in which the parties were operating. What is inadmissible is evidence of the parties’ statements and actions reflecting their actual intentions and expectations [footnotes omitted].

51 Other principles are relevant in the construction of commercial contracts. Unless a contrary intention is indicated in the contract, a court is entitled to approach the task of giving a commercial contract an interpretation on the assumption “that the parties ... intended to produce a commercial result” [footnotes omitted]. Put another way, a commercial contract should be construed so as to avoid it “making commercial nonsense or working commercial inconvenience”.

52 These observations are not intended to state any departure from the law as set out in [*Codelfa*] and [*Electricity Generation Corporation*] ...

(14) In *Heydon on Contract*, Lawbook Co. 2019, the author, J D Heydon, observes at [10.700] that Australian law appears to have adopted a “sharp bifurcation” between formal contracts in relation to which all five of the *B.P. Refinery* tests must be satisfied and informal contracts in relation to which those tests remain *relevant* but are not thought to be *decisive*. The author contends that in the case of informal contracts, what is decisive is whether “the implication of the term is necessary for the reasonable or effective operation of the contracts in the circumstances of the case”, citing *Byrne v Australian Airlines Limited* (1995) 185 CLR 410 at 442 (“*Byrne*”), McHugh and Gummow JJ. That view is thought to derive from the observations of Deane J in *Hospit*

al Products Limited v United States Surgical Corporation (1984) 156 CLR 41 at 121 (“*Hospital Products*”) and *Hawkins v Clayton* (1988) 164 CLR 539 at 571572 and 572573. In *Hospital Products* at 121, Deane J said this:

In a number of recent cases, this Court has accepted the summary of the majority of the Privy Council in [*B.P. Refinery*] of the criteria which must be satisfied before a term will be implied in a contract. Those cases in this Court, like the *B.P. Refinery Case* itself, were concerned with the question whether a term should be implied in a *formal contract* which was *complete upon its face* and care should be taken to avoid an overrigid application of the cumulative criteria which they specify to a case such as the present *where the contract is oral or partly oral and where the parties have never attempted to reduce it to complete written form*. In particular, I do not think that a rigid approach to the requirement “that it must be necessary to give business efficacy to the contract” should be adopted in the case of an *informal and obviously not detailed oral contract* where the term which it is sought to imply is one which satisfies the requirement of being “so obvious that it goes without saying” in that if it had been raised both parties would “*testily*” have replied “*of course*” ... As a general rule, however, the “so obvious that it goes without saying” requirement *must be satisfied even in the case of an informal contract* before the courts will imply a term which cannot be implied from some actual statement, from previous dealings between the parties or from established mercantile practice.

[emphasis added apart from *B.P. Refinery Case*]

- (15) In *Hawkins v Clayton*, four years later, Deane J repeated his Honour’s observations from *Hospital Products* and said this of the comparison between *formal* and *less formal* contracts at 571572:

In such cases, the insertion of an additional term effectively involves an alteration to what the parties have *formally accepted* as the *complete written record* of the [contract] between them. As the judgment of Mason J in *Codelfa* ... clearly indicates, the cumulative criteria [*B.P. Refinery*] formulated or accepted in such cases *cannot be automatically applied* to cases such as the present where the parties have not attempted to spell out all the terms of their contract but have *left most or some of them* to be inferred or implied. Where that is so, there is no question of effectively altering the terms in which the parties have seen fit to embody their agreement; the function of a court is, as Lord Wilberforce pointed out in *Liverpool City Council v Irwin* [citation omitted]: “simply ... to establish what the contract is, the parties not having themselves fully stated the terms”. In the performance of that function, considerations of what is “reasonable”, “necessary to give business efficacy to the contract” and “so obvious that ‘it goes without saying’” ... may be of assistance in ascertaining the terms which should properly be implied in the contract between the parties. There will not, however, be the need or the justification for the law to refuse to imply any imputed term which does not clearly satisfy all such requirements.

[emphasis added]

(16) Deane J also said this in *Hawkins v Clayton* at 572573 :

... [T]here are sound reasons for resisting the temptation to attempt to formulate a precise mechanical test for determining what terms, if any, should be implied in a case where the parties have not *sought to spell them out*. Such a precise *mechanical test* would introduce an element of inflexibility which would be likely to lead to injustice in the circumstances of particular cases and would preclude proper observation of Lord Tomlin's sensible admonition [*Hillas & Co. Ltd v Arcos Ltd* [citation omitted]] "so to balance matters that without violation of essential principles the dealings of men [and women] may as far as possible be treated as effective and that the law may not incur reproach as being the destroyer of bargains ...". The *most* that can be said *consistently with the need for some degree of flexibility* is that, in a case where it is apparent that the parties have not attempted to spell out the full terms of their contract, a court should imply a term by reference to the *imputed intention* of the parties *if, but only if*, it can be seen that the implication of the particular term is necessary for the reasonable or effective operation of a contract of that nature in the circumstances of the case. That general statement of principle is subject to the *qualification* that a term may be implied in a contract by established mercantile usage or professional practice or by a past course of dealing between the parties.

[emphasis added]

(17) In *Byrne*, Brennan CJ, Dawson and Toohey JJ observed at 422 that the five criteria in *B.P. Refinery* are recognised as involving "a degree of overlap" and accepted Deane J's observations that the *B.P. Refinery* criteria had been applied in the High Court in cases where there was "a formal contract, complete on its face". Their Honours accepted the point made by Deane J that "a rigid approach should be avoided" in cases (such as *Byrne*) "where there is no formal contract" and "[i]n those cases the actual terms of the contract must be inferred before any question of implication arises". Thus, the proper process is to reach findings or conclusions as to the "actual intention of the parties" before considering any presumed or imputed intention. Their Honours then adopted the test formulated by Deane J in *Hawkins v Clayton* at 573 quoted at (16) above.

(18) In *Byrne*, McHugh and Gummow JJ also accepted a distinction between an implication where there is a formal written contract complete upon its face and a less formal contract. As to a less formal contract, their Honours said at 442 that two consequences arise. *First*, "this species of implication is concerned with the particular circumstances of the particular case". *Second*, where the contract is not in writing and is oral or partly oral or it appears that the parties did not reduce their agreement to a complete written form, "caution is required against an automatic or rigid application of the cumulative criteria identified in *BP*". In such cases, their Honours observed that the "first task" is to consider the evidence and "find" the relevant express terms. Their Honours then said this at 442 :

Some terms may be inferred from the evidence of a course of dealing between the parties. It may be apparent that the parties have not spelled out all the

terms of their contract but have left some or most of them to be inferred or implied. *Some terms* may be implied by established custom or usage, as described above. *Other terms* may satisfy the criterion of being so obvious that they go without saying, in the sense that if the subject had been raised the parties to the contract would have replied “of course”. If the contract has not been reduced to complete written form, *the question is* whether the implication of the particular term is necessary for the reasonable or effective operation of the contract in the circumstances of the case; only where this can be seen to be true will the term be implied.

[emphasis added; citations omitted]

- (19) In *Breen v Williams* (1995) 186 CLR 71 at 9091, Dawson and Toohey JJ observed that in the case of a *formal contract complete* on its face, it may be said in general that no implication arises unless it is necessary or obvious, that is, necessary in the sense of being required to give business efficacy to the contract or obvious in the sense that it goes without saying. Their Honours observed that where there is no formal contract, the actual terms of the contract must be inferred (found) before any question of implication can arise. Their Honours then adopted the test formulated by Deane J in *Hawkins v Clayton* at 573 as quoted at (16) above. Their Honours then said this at 91:

That is to say, no question of there being an obvious implication arises in such a case because that which is obvious will be a term of the contract as a matter of inference. Moreover, the line between *inference* and *implication* will not always be easy to draw.

[emphasis added]

- (20) *Breen v Williams* is an authority in which the contractual relationship in question was an *informal doctor/patient relationship*. As to those circumstances, Gaudron and McHugh JJ said this at 102103:

Given the informal nature of the relationship, however, a contract between a doctor and a patient rarely contains many express terms. Because that is so, the courts are obliged to formulate the rights and obligations of the parties to the contract. As Lord Wilberforce has put it, in cases where the parties to a contract have not attempted to spell out all the terms of their contract, the function of the court is “simply ... to establish what the contract is, the parties not having themselves fully stated the terms”. The court does so by *implying terms* in the contract in accordance with established legal principles.

The common law draws a distinction between terms which are implied in fact and terms which are implied by law. Leaving aside terms that are presumed to apply because of the custom of a trade or business, the courts will only imply a term in fact when it is necessary to give efficacy to the contract. A term implied in fact purports to give effect to the presumed intention of the parties to the contract in respect of a matter that they have not mentioned but on which presumably they would have agreed should be part of the contract. A term implied by law on the other hand arises from the nature, type or class of contract in question.

- (21) It follows from all of these authorities that a coherent approach emerges to the essential principles to be applied in determining whether a term is to be implied in an agreement where the agreement is oral or partly (perhaps substantially) oral rather than where the agreement is formal and complete on its face such as large scale infrastructure contracts, joint venture deeds and similar such contracts which might be regarded as institutional documents.
- (22) The principles can be put in these terms.
- (23) The cumulative five criteria identified in *B.P. Refinery* form the wellrecognised essential foundation for the implication of a term as a question of fact. The five criteria have been repeatedly affirmed by the High Court. However, the five criteria are not to be applied rigidly as if some sort of checklist. Nevertheless, they must all be properly addressed according to the circumstances of the case as they all remain relevant but perhaps, in their own terms, not all equally decisive of implication. One or more of the criteria might engage more decisively with the particular circumstances of the transaction having regard to the objective circumstances surrounding the transaction and thus caution is required against a rigid or formulaic application of the five criteria. In *Codelfa*, Mason J recognised that the more detailed and comprehensive the contract, the “less ground” there is for supposing that the parties have failed to turn their minds to the question in issue and it seems to follow that the more informal the agreement the greater the likelihood that the parties have failed to turn their mind to the question in issue.
- (24) Where the parties have not spelled out all the terms of their contract, some terms may have to be *inferred* or *implied* according to a particular *touchstone* such as the notion that the term is so obvious that implying the term goes without saying. The “so obvious” criterion remains, however, particularly important and, according to Deane J in *Hospital Products* (see (14) above), the “so obvious” consideration, as a *general rule*, must be satisfied even in the case of informal contracts. In *Byrne*, McHugh and Gummow JJ, at 446, said this in the context of the *less formal* contract then before their Honours:
- In contracts of this nature, apparently lacking written formality and detailed specificity, it is still necessary to show that the term in question would have been accepted by the contracting parties as a matter so obvious that it would go without saying. That cannot be postulated here.
- (25) One question that seems to operate in a reductionist way in relation to the five criteria governing implication in the case of informal contracts is this: Is implication of the term necessary for the reasonable or effective operation of the contract in the circumstances of the case? See McHugh and Gummow JJ, *Byrne*, (18) above. What is, or is not, reasonable in the objective circumstances of the transaction is determined by what a reasonable businessperson would have understood the terms of the agreement (such terms having been found before turning to implication) to mean against the background of the observations in *Electricity Generation Corporation*, *Mount Bruce Mining* and *Rinehart* (see (11), (12) and (13) above) as an exercise in attributing meaning

and effect to the contract. An oral commercial agreement must, notwithstanding the oral informal character of the contract, be construed and interpreted in seeking to frame an implied term (which it is “presumed that the parties would have agreed upon had they turned their minds to it”; Mason J, *Codelfa* at (3) above; or that which is “taken” to have been the intention of the parties or the “latent unexpressed intention of the parties”, *Byrne*, McHugh and Gummow JJ at 447), on the assumption that “the parties ... intended to produce a commercial result”, rather than “working commercial inconvenience”.

83. As to inferred terms, there is some degree of overlap with the principles governing implication but important differences arise. The most notable point of distinction is that in considering whether a term is to be inferred, the Court asks itself this question: “What, if any, are the terms which can properly be inferred from all the circumstances as having been included in the contract as a matter of *actual intention of the parties*?” [emphasis added]. In the case of implication, the Court seeks to identify a term as a matter of presumed or imputed intention or the expression of the “latent unexpressed intentions of the parties”. One approach (inferring a term), seeks out the *actual* intention whereas implication seeks to adopt a presumed construct reflecting imputed intention on the assumption that had the parties addressed the relevant matter, they would have agreed it should be part of the contract: *Breen v Williams*, Gaudron and McHugh JJ at 102103. The extent to which the principles might be thought to be difficult to differentiate can be seen in this sense. Where, for example, the “so obvious” criterion is engaged which suggests a particular term reflecting the actual intention of the parties, no question of “obvious implication” is said to arise because that which is obvious will be a term of the contract as a matter of “inference” and thus the “line between inference and implication will not always be easy to draw”: see [82](19).
84. As mentioned earlier, there seem to be four versions of the proposed term which might be either inferred or implied as a term of the oral agreement as between the appellants and the agencies. One difficulty is that there is considerable confusion about the text of the term said by the respondents, over time, to be the term inferred or implied in the contract. The evidence before the primary judge on this topic consisted of an affidavit sworn by Ms Agrita Cliff on behalf of RPD which exhibits as ACC4 a document described as “Terms & Conditions – Residential (“Customer Terms”)”. This document bears the subheading: “Applicable to customers holding residential subscriptions with realestate.com.au”. There is also an affidavit affirmed by Mr Rechtman on behalf of REA which exhibits at AMR10 the same document. Thus, in terms of the affidavit evidence, the respondents identify a document which they say contains the terms and conditions applicable to customers who have entered into a “Subscription Agreement” with REA. That agreement contains, at clause 5(a), the term quoted by the primary judge and set out at [10] of these reasons.
85. However, the letter from the solicitors for RPD dated 9 April 2014 upon which so much emphasis was placed in relation to the subsequent 20 transactions, quoted a significantly different term which is set out at [68](3) of these reasons. That version of the relevant term is the version of the grant said to have been given by the agencies to REA of which the appellants were said to be on notice from 9 April 2014. That version was said to govern the state of knowledge of the appellants when entering into the 20 contracts with the agencies as the basis of the licence said to have been granted by the agencies to REA and which, in turn, governs the scope of the “authority” granted by the appellants to the agencies. Accordingly, there were two versions of the relevant term, one asserted by REA and another by RPD’s lawyers, although by the time of the trial the respondents agreed, by their evidence, that the relevant term was the term set out at clause 5(a). It seems that

the term quoted by RPD's solicitors in the 9 April 2014 letter is a term which does not apply to parties holding a Subscription Agreement with REA. That term applies to *ad hoc nonsubscription users* who access the REA site. That version of the term quoted in the 9 April 2014 letter could never have been part of the arrangements between the appellants and the agencies as the agencies only ever engaged with the REA platform through a Subscription Agreement, as the primary judge observes.

The resolution of the appeal

86. As described at [21] to [30] of these reasons, the expressly agreed core terms of the oral agreement contained the terms described at [22] to [26] of these reasons and the appellants accepted that the authority, conferred on the agencies to use the works for the purposes of the marketing campaign, included an authority conferred on the agencies to grant, in effect, a sublicense to others to use the works for the purposes of that campaign, that is, a right to exercise certain rights comprised in the copyright for the *purposes* of the campaign in finding a buyer or lessee of the property.
87. That right comprehended a sublicense capable of being granted to REA enabling the uploading of the works to the REA platform which could only be possible if the agency was capable of conferring a licence on REA enabling it to reproduce the works in a material form and communicate the works to any member of the public engaging with its website platform.
88. However, that does not mean that a term is to be implied in the contract in order to give business efficacy to the oral contract between the appellants and the agencies to the effect that the appellants are to be *taken* as having *agreed* to grant a licence of the scope or breadth of the REA licence on the contended footing, as the primary judge found, that the appellants are to be taken as having conferred an authority on the agents to grant sublicences to REA "on its usual Terms and Conditions" whatever they may be, irrespective of the actual knowledge of the appellants and the agencies as to the particular content of the so called usual terms.
89. The letter from RPD's lawyers of 9 April 2014 put to the appellants a contended version of the terms of the licence the agencies could confer on REA of broad scope including a power to licence others (that is, grant further sublicences to others including RPD). That statement by RPD of the scope of the licence said to have been granted by the agencies to REA was not in fact an accurate statement of the true terms and conditions of the licence obtained by REA. That follows because *both respondents* asserted in the proceedings before the primary judge by affidavits that the relevant terms and conditions are contained in clause 5(a) of the document in evidence. Secondly, the contention in the letter of 9 April 2014 put to the appellants' lawyers rose no higher than an assertion in response to the letter of demand from the appellants. The appellants were entitled to take the position that RPD's *contended version* of the licence terms granted to REA by the agencies was simply not correct on the footing that the contention contradicted the scope of the licence the appellants believed and understood they had granted to the agencies which could be the only *source* of the authority of the agents to actually grant a sublicense to REA.
90. As it turns out, the version of the licence terms put to the appellants by RPD's lawyers contradicted the actual terms and conditions upon which REA acquired a licence and in reliance upon which RPD asserts its rights, apart from contradicting the appellants' version of the limited scope of the licence.

91. The evidence now demonstrates that the version of the scope of the licence set out in the letter of 9 April 2014 is different in significant respects to the licence recited in the exhibits to the affidavits mentioned earlier.
92. Throughout the entire period in which the appellants entered into the 20 contracts with the various agencies, RPD's contention as to the term of the licence enjoyed by REA was incorrect.
93. The terms and conditions contained in the exhibits to the affidavits must be accepted as the terms and conditions of the licence REA *purported* to acquire from the agencies when engaging with them under the subscription arrangements, not the text recited in the letter of 9 April 2014.
94. The appellants contest the finding that they *must* be taken to have known that the agencies could only become a subscriber and upload the works on REA's "usual Terms and Conditions". They accept that the oral agreement in each of the 20 transactions contemplated that the agencies would enjoy the authority to provide the works to REA for "use" in the marketing campaign in seeking out a buyer or lessee for the property but they contest the "inferred term" that it formed part of the "actual intention" of the parties that the use of the works conferred upon the agencies would enable a grant *by them* to REA of:

an irrevocable, perpetual, worldwide, royalty free licence to,

publish, copy, licence to others, use and adapt, for any purpose related to the business of REA,

any content provided by the agencies to REA (during the Term, defined as "your Initial Term and Further Terms (if applicable)"), and the licence so granted survives termination of the Agreement by REA or the agencies.

[emphasis added]

95. That scope of licence with its particular language was coupled with the *power* to vary the terms of the grant "at any time", in the following terms set out in clause 5(d) of the Terms and Conditions:

5. Your acknowledgements

You acknowledge and agree that at all times during the Term of this Agreement:

...

(d) we may vary this Agreement or any of its constituent documents at any time and we will notify you of all variations via Agent Admin. In addition, for variations that may cause you material detriment, we will give you at least 30 days' written notice via email or post before the variation takes effect and you may terminate this Agreement by giving us written notice during the 30 day notice period.

96. Of course, the licence in the terms set out at clause 5(a) purports to survive termination of the agreement by the agencies or REA, in any event.

97. The oral agreement between the appellants and the agencies is an oral commercial contract in which the appellants sought to exercise the rights conferred upon them by the *Act* as a result of having originated the works and having supplied digital versions of them to the agencies for the purpose of enabling use of those works in a marketing campaign for disposal of the property by sale or lease, including an authority to upload the works to REA's website for use in that campaign. The recognition by the appellants that the oral arrangement comprehended an authority in the agencies to engage with REA and upload works to REA's platform in circumstances where, objectively viewed, the parties understood that terms and conditions in some form or other would likely need to be accepted in order to enable the agencies to realise their expectation of uploading the works to realestate.com.au is not a *sufficient basis* for inferring a term that the appellants and the agencies *agreed* that an authority was to be conferred on the agencies to grant a licence to REA on any terms of any kind whatsoever as might usually be published by REA and as might be amended unilaterally by REA at any time.
98. Such a term is sufficiently expansive that it may have enabled REA in practical terms to virtually expropriate the ownership of the copyright in the works from the appellants.
99. The *contended* entitlement conferred on REA said to necessarily fall within the authority conferred on the agencies was perpetual (that is, forever during the period of the subsistence of the copyright), irrevocable, worldwide and royalty free, conferring a power to exercise rights as described above and carrying with it a right in REA to "licence to others" to do so. It seems to me, in the context of the findings of fact relating to the surrounding circumstances, that a clause of this gravity in relation to rights conferred upon the applicants by the *Copyright Act* is not to be "inferred" lightly as part of the actual intention of the parties simply on the footing of a course of dealings by which the agents engaged the appellants on the oral terms earlier described, *unless* the evidence of all the surrounding circumstances demonstrates that both the appellants and the agencies were actively aware of, and held common knowledge of, the *precise* scope of the contended grant thus conditioning the content of the "authority" conferred on the agencies. An inferential finding that the appellants "must have known" that REA prescribed from time to time terms and conditions upon which subscribers would be entitled to upload works to its platform is not a sufficient state of knowledge to establish an actual inferential intention to contract with the agencies on terms authorising any and all usual terms and conditions at any time howsoever formulated by REA and subject to unilateral change at any time by REA.
100. Nor am I satisfied that a term reflecting the elements of the REA Terms and Conditions can be said to fall within an inferred term of the contract defining the scope of the actual authority conferred on the agencies so as to authorise the grant of a licence to RPD to exercise any and all of the rights REA purported to have acquired from the agencies. The appellants had no direct dealings with RPD and yet, through a power to "licence to others" conferred on REA, RPD purported to acquire the same scope of rights conferred upon REA with the result that RPD derives subscription revenue by reference to use of the photographs in its own professional product offering in circumstances where Mr O'Donnell described the photographs (of the appellants and generally) as "a key aspect of the data attributed to a property when marketed" and thus a key element of the RPD product offering for which the appellants derive no remuneration from RPD.

101. As to the implied term, I am not satisfied that a term should be implied that the appellants conferred an authority upon the agencies in the terms described above.
102. That seems to me to follow because the very point of a court implying a term in a contract is to give effect to a term the court presumes the parties *would have agreed upon* had they turned their minds to it. In this case, it is difficult to conclude that the parties would have agreed upon an authority conferred upon the agencies in the terms and conditions of the REA Terms and Conditions, had the appellants and the agencies turned their mind to the question of whether a licence, in those terms, should be conferred upon the agencies. The primary judge recognised the possibility that *had* the question actively engaged the mind of Mr Hardingham and the relevant representative from the particular agency in the case of each transaction, the appellants “may” have said to the agent in each case that the agent was not authorised by the appellants to confer a licence upon REA in the terms REA contends for. Further, the primary judge recognised that the agent might then have retained a different photographer. They may well have done so because there was no serious prospect of a particular agent being able to vary the terms prescribed by REA for access to its platform. The primary judge recognises that had the appellants refused to agree to the scope of the proposed authority, the agencies might have sought out a photographer who was willing to allow the agencies to grant an authority to confer a licence on REA in the terms sought by REA.
103. The proposed scope of the authority, said to support an implied term, is a term significantly against the interests of the appellants. It is not at all clear that in the context of this particular informal oral agreement, the Court can conclude that the scope of the proposed authority was so *obvious* that it would go without saying. That conclusion cannot be postulated here and thus an important aspect of the criteria in *B.P. Refinery* is not made out. Thus, implying the proposed term in order to give business efficacy to the oral contract is not made out. Whilst the agencies would, no doubt, have been willing to agree to an authority being conferred upon them to grant a licence to REA in the proposed terms and conditions, the appellants might well have taken a different view. Just as in *Byrne* where the proposed contractual provision would operate in a “partisan fashion” (McHugh and Gummow JJ at 442), the proposed implied term here had the potential to also operate in a partisan fashion. On the view of the respondents and in particular RPD, they enjoy a perpetual irrevocable licence to use the works of the appellants for every, and any, subsequent sale or lease of the property the subject of the works. Such is the measure of the partisan operation of the proposed term. One further matter should be noted. Considerable emphasis was placed by the respondents (particularly by RPD) upon the circumstance that RPD’s lawyers had responded by a letter of 9 April 2014 to the letter from the solicitors for the appellants dated 28 January 2014 asserting claims of copyright infringement by RPD. In the letter of response, RPD denied the claims and asserted its contended version of the licence it relied upon. Each of the 20 transactions in suit in these proceedings occurred after the receipt by the appellants of the letter of 9 April 2014. Much seems to be made of this chronology. However, the principal proceedings do not engage a question of estoppel by conduct on the part of the appellants nor is there any claim based upon laches. There are many reasons why a citizen (corporate or otherwise) may not commence proceedings in the face of a denial of claims. No doubt the cost of litigation and the risks associated with litigation are one of those reasons especially where respondents to a proceeding may be resourced entities. In any event, the real

point of the chronology is that the respondents and, in particular, RPD, were put on notice of the claims and they elected to act in reliance upon their own view but nevertheless squarely in the face of claims that the conduct was infringing conduct.

104. For all of the reasons identified above, I am not satisfied that the principles governing the adoption of an inferred term or an implied term as applied to the circumstances of the case support inferring a term or implying a term as found by the primary judge.
105. It follows that, I am satisfied that the primary judge fell into error in adopting, as a term of the oral agreement, either as inferred or implied term, the term proposed by the orders made by his Honour. I have also had the benefit of reading the reasons for judgment of Rares J. To the extent that his Honour's reasons are consistent with the views I have expressed, as I comprehend those reasons, I agree with them and as to his Honour's observations about the crossappeal and costs, I also agree with those reasons and the orders his Honour proposes.
106. Thus, I am satisfied that the appeal is to be upheld.

I certify that the preceding one hundred and six (106) numbered paragraphs are a true copy of the Reasons for Judgment of the Honourable Justice Greenwood.

Associate:

Dated: 18 August 2021.

REASONS FOR JUDGMENT

RARES J:

The appeal

107. I have had the privilege of reading Greenwood J's and Jackson J's separate reasons. I agree with Greenwood J for the reasons he gives that the appeal should be allowed with costs. I add the following observations by way of elaboration using the abbreviations and defined terms in Greenwood J's reasons.
108. The primary judge noted that none of the agencies with which the appellants dealt gave evidence of their dealings together and there was no evidence of any discussion between any agency and the appellants about intellectual property rights. Significantly, there was no formal contract between the appellants and the agencies.
109. REA's terms and conditions constituted the licence that each of the agencies purported to grant to REA in respect of its dealing with the appellants' works. That is because that grant was part of the express written terms that REA required the agencies to accept by signing (even online) and so became the contract between them: *Toll (FGCT) Pty Ltd v Alphapharm Pty Ltd* (2004) 219 CLR 165 at 179-180 [40]-[42] per Gleeson CJ, Gummow, Hayne, Callinan and Heydon JJ. However, the REA license is not the same as that asserted in the letter of 9 April 2014 from the solicitors for RPD to the appellants. Under the REA licence, the agency was responsible for ensuring that any material it supplied to REA did not infringe the intellectual property rights of third parties (see [11] above).

110. Thus, the question for decision is what was the content of an imputed or implied term granting a licence by the appellants to each agency to use the photographs and floor plan that “is necessary for the reasonable or effective operation of a contract of that nature in the circumstances of the case”: *Byrne v Australian Airlines Ltd* (1995) 185 CLR 410 at 422 per Brennan CJ, Dawson and Toohey JJ, applying Deane J’s test in *Hawkins v Clayton* (1988) 164 CLR 539 at 573. Their Honours approved the qualification to this test that Deane J had made, namely that “a term may be implied in a contract by established mercantile usage or professional practice or by a past course of dealing between the parties” (185 CLR at 422, see too at 442 per McHugh and Gummow JJ). The test must be applied to the circumstances at the time of formation of the informal or oral contract.
111. The factual scenario of the appellants’ dealings with the agencies negates that there was any necessity to imply the licence contended for by REA or RPD as a term of the contract that the agencies made with the appellants. The arguments of REA and RPD sought to imply a term that, if applied to the contracts the appellants made with the agencies, would also apply to every photographer who worked in the real estate industry and, in addition, could prepare floor plans. That amounts to an assertion that such a term must have been implied for the class of such contracts simply because many, but seemingly not all, agencies wanted to advertise on REA’s website. It was not necessarily the case that every agency with which the appellants might deal did advertise on REA’s website. Yet, if correct, the respondents’ argument must result in the implication of a licence on REA’s terms from the appellants whether or not the agency with which the appellants dealt intended to or did upload their work onto REA’s website. That is because the appellants would not know if every agency intended to upload the photography and floor plan to the REA website.
112. Although the respondents disavowed relying on a term implied by custom, it is difficult to see how anything that the appellants did on which the respondents relied would distinguish them from any other person who performed the same kinds of services for real estate agencies. The respondents’ argument depends on the fact, external to the direct contractual interaction between the appellants and the agencies, that almost all agencies agreed to REA’s terms and so, according to the argument, the appellants necessarily did too. The respondents rely on the requirement in the contract the agencies made on REA’s terms and conditions that each agency must agree to REA’s terms to be able to upload photographs and floor plans onto REA’s website. From this premise of the general, but not universal, position in the industry, the respondents sought to argue that the appellants must have agreed, by inference or implication, to REA’s terms when licensing the agencies to use the photographs and floor plans to market any particular property.
113. But, if this was not a term implied by custom (as they disavow and, in any event, could not be so implied: *Con-Stan Industries of Australia Pty Ltd v Norwich Winterthur Insurance (Australia) Ltd* (1986) 160 CLR 226 at 236–237 per Gibbs CJ, Mason, Wilson, Brennan and Dawson JJ), the respondents could not point to anything particular in the dealings that the appellants had with the agencies that necessitated the inference or implication of the plenary licence for which they contended. There was no established mercantile usage, professional practice or past course of dealing between the contracting parties to justify a finding that such a term should be implied as “necessary for the reasonable or effective operation of a contract of that nature in the circumstances of the case”: *Hawkins* 164 CLR at 573.
114. The respondents had the onus of proving that the agencies had a licence allowing them to upload the appellants’ works on REA’s terms and conditions. The respondents’ postulated implied term is, as Greenwood J noted, significantly against the appellants’ interests. Given the informality of

the oral engagement of the appellants that Mr Hardingham, on his and his company's behalf, had with the agencies, the implied term was not necessary for the reasonable or effective operation of those contracts in the circumstances: *Byrne* 185 CLR at 422, 442. In addition, the implied term is not so obvious that "it goes without saying": cf *BP Refinery (Westernport) Pty Ltd v Shire of Hastings* (1977) 180 CLR 266 at 283 per Lord Simon, of Glaisdale for himself, Viscount Dilhorne and Lord Keith of Kinkel.

The cross appeal and costs

115. It is necessary to consider what relief should be ordered now in respect of, *first*, the cross-appeal and, *secondly*, the primary judge's order that the appellants pay the costs (except those of and incidental to the hearing of the separate question) of REA, of the cross-claim that RPD brought against it (the **cross-claim costs order**): *Hardingham v RP Data Pty Limited (No 2)* [2019] FCA 2138.
116. Because Greenwood J and I consider that the appeal should be allowed and the appellants are entitled to relief against each respondent, the cross-claim costs order must be set aside. RPD should pay the appellants' costs of the proceeding below to date, including any extra costs caused by reason of RPD's joinder of REA.
117. The primary judge recorded that, at the commencement of the hearing of the separate question, RPD and REA had agreed that the issue of liability under the cross-claim was not an issue that arose for determination. Thus, his Honour did not make any decision on the claims that RPD made against REA in the cross-claim, and those issues now need to be resolved on remittal.
118. REA may wish to participate in the hearing of the issue of the relief to which the appellants are entitled as against RPD. In the ordinary course, RPD is likely to be liable to the appellants for those costs, and the primary judge will be able, subsequently, to determine which of RPD and REA, as between them, must bear those costs in the resolution of the cross-claim. However, these are questions that his Honour will have to determine based on what occurs on the remittal.

Conclusion

119. For these reasons, the appeal and cross-appeal should be allowed with costs, and the orders made by the primary judge on 17 December 2019 should be set aside. The parties should attempt to agree and file the form (or their competing versions in mark-up) of draft orders appropriate to decide the separate question within seven days. Those orders should include orders that the proceeding be remitted to the primary judge to assess the damages to which the appellants are entitled for RPD's breaches of copyright under the *Copyright Act 1968 (Cth)* and that RPD should pay the appellants' costs of the separate question.

I certify that the preceding thirteen (13) numbered paragraphs are a true copy of the Reasons for Judgment of the Honourable Justice Rares.

Associate:

REASONS FOR JUDGMENT

JACKSON J:

120. This is an appeal and a crossappeal from a decision dismissing a claim of infringement of copyright. The appeal concerns the question of infringement; the cross-appeal concerns the costs of a cross-claim.
121. For the reasons that follow, I respectfully differ from Greenwood J and Rares J, and would dismiss the appeal. Since the result will be that the appeal is allowed, it is unnecessary to reach a view on the merits of the grounds of the crossappeal.

How the issues arise

122. The dispute arises in the context of the real estate industry. The appellants are a professional photographer, James Hardingham, and his company, Real Estate Marketing Australia Pty Ltd (REMA). They have been in the business of providing services to real estate agencies, mainly in Sydney. On some occasions when the agencies needed photographs for the purpose of marketing their clients' properties for sale or for lease, they would ask Mr Hardingham to take photographs of the property. Sometimes they also asked him to draw up a floor plan. The agencies paid a fee for those services. It is common ground between the parties to this appeal that each of these transactions involved a contractual relationship between REMA and the agencies, and it is also common ground that under that contract, REMA granted the agencies a licence to use and to sub-license the photographs and the floor plans. The controversy is about the scope and terms of that licence.
123. The controversy arises in this way. On receiving the photographs and floor plans, the agencies then used those images in their marketing campaigns for the properties. In the course of those campaigns, the images were uploaded to realestate.com.au, a widely used website and app platform for real estate listings which is operated by the second respondent and cross-appellant, Realestate.com.au Pty Ltd (REA). REA then provided the images to the first respondent, RP Data Pty Ltd. RP Data operates its own website, www.corelogic.com.au. Subscribers to that website, who are mostly real estate agents and other real estate professionals, get access to a wide range of historical data about individual properties including, for some properties, photographs and floor plans produced by Mr Hardingham. As historical data, those images became or remained available on www.corelogic.com.au when the relevant property was no longer being marketed for sale or lease. The appellants claim that RP Data had no licence authorising it to publish the images on www.corelogic.com.au, so that in doing so, it infringed Mr Hardingham's copyright in the images.
124. There were several grounds of defence pleaded before the primary judge; the one which remains live in this appeal is an allegation by RP Data that REMA granted the real estate agencies who were its clients a perpetual, royalty-free licence to do a wide variety of things with the works, including to grant sub-licences. RP Data alleges that the real estate agencies provided the images

to REA on the terms of a licence contained in REA's standard conditions which authorised REA to sub-license the use of the images. REA, it is said, then licensed use of the images to RP Data. So, RP Data says, it has used the images in a way that is consistent with the original licence that the appellants granted to the real estate agencies.

125. The appellants' reply to this is that while they did grant a licence to the real estate agencies, it was a licence to use the images for the limited purpose of marketing the properties in question, and while there was a right to sub-license, it was limited to that purpose. The licence did not extend to ongoing use of the images once the sale or lease of the applicable premises was completed.
126. RP Data joined REA to the proceeding by making a cross-claim for indemnity. That was under provisions of data licence agreements between those two parties, in which REA warranted that providing relevant data, including the images, to RP Data would not breach third party intellectual property rights, and that use of the data by RP Data would not infringe any such rights. REA's defence to the cross-claim was substantially based on an allegation that RP Data had not breached any third party rights because its use of the images was consistent with the licence granted to the agencies.
127. The primary judge made orders for the trial of question of liability to be heard and determined separately. His Honour did so by reference to a list of 20 properties in the Sydney metropolitan area which the appellants provided by way of particulars of infringement. These were properties marketed by a number of real estate agency clients of REMA. So the question of liability turned on the scope and terms of the licence which REMA granted to the agencies in respect of those 20 properties. Nevertheless, those agencies were not parties to the proceeding.
128. After the trial of that issue, the primary judge dismissed the claim. The appellants now appeal from that order. His Honour also dismissed the crossclaim between RP Data and REA and made the orders as to costs which are the subject of the cross-appeal. I agree, for the reasons given by Rares J, that if the appeal is to be allowed, the cross-appeal should be as well.

The appeal - the factual background

129. The following account of the facts is mostly drawn from the reasons of the primary judge. As will be seen, no real challenge was made to his Honour's basic factual findings on appeal.
130. There was minimal evidence about the arrangements between the appellants and the real estate agencies. A real estate agent would typically engage REMA by way of a telephone call to Mr Hardingham asking him to go to a particular property and take photographs to be used in a marketing campaign. Mr Hardingham's evidence of a typical engagement was that the agent would say 'Hi James, we have just listed [property address]. The campaign is due to start [date]. Can you attend this week to take photos for the campaign?' Sometimes he would also be asked to prepare a floor plan.
131. While nothing turns on the precise arrangements between the appellants as to the copyright in the photographs and floor plans, it appears that Mr Hardingham granted REMA a licence to use and to sub-license the images, at first informally and from 24 April 2018 by way of a formal deed of licence.
132. Mr Hardingham then took the photographs and prepared the floor plans. REMA would give them to the agencies in an editable digital form. REMA issued an invoice to the agencies which

was paid. The agencies uploaded the images to realestate.com.au. The appellants knew that was one of the purposes for which the agencies commissioned the photographs and floor plans.

133. The agreements between the appellants and the agencies had no express written terms. There were no terms and conditions on the invoices. The primary judge held that the evidence did not establish an express written or oral licence.
134. Turning to REA's role in the series of events, it sells subscriptions to real estate agencies which permit them to list residential properties on its platform. The agencies entered into a written subscription agreement, either by signing a form or by signifying their agreement online. The subscription agreement included an express acknowledgement that the terms stipulated in 'Terms and Conditions' on realestate.com.au, form part of the agreement between REA and the agencies. Under one of those terms (cl 5(a) - the **REA Licence**)), the agencies (referred to as 'you') agreed with REA ('us') that:

in consideration for us granting a right to upload listings to the Platform and the other services we provide, you grant us an irrevocable, perpetual, world-wide, royalty free licence to publish, copy, licence to other persons, use and adapt for any purpose related to our business any content you provide to us during the Term, and this licence survives termination of this Agreement by you or us[.]
135. The agencies also agreed to ensure that any content or material supplied by them, including content uploaded to REA's platform, did not include information that infringes the intellectual property rights of third parties.
136. Extensive information about properties marketed for sale or lease is published on realestate.com.au. The website includes a 'Sold' section, which has been active since at least 2003 and enables users to retrieve historical information about each property that has been listed for sale on realestate.com.au, including photographs and floor plans. The website also includes a 'Property Value' section which, since at least 2015, has permitted users to obtain historical information about each property (the service is known as 'page for every property'), including photographs and plans previously uploaded by real estate agencies.
137. As for RP Data, via www.corelogic.com.au it provides an internet subscriber based service known as RP Data Professional. That service permits real estate professionals and investors to conduct research on properties for the purposes of marketing and in order to establish their market value. RP Data has carried on this business since 1999. The information about properties that is available via the service includes photographs and floor plans provided by REA. REA provides the photographs and floor plans pursuant to data licence agreements between it and RP Data.
138. On 28 January 2014 solicitors for the appellants wrote to RP Data alleging that RP Data had infringed their clients' copyright, including by reproducing images on its website. In a letter dated 9 April 2014 in reply, solicitors for RP Data said that their client acquired rights to use and display data from a range of third parties, including REA. The letter drew attention to terms and conditions on realestate.com.au and set out a particular term under which subscribers granted to REA a licence to use and reproduce 'Contributions'. The letter asserted that the licence permitted REA to 'transfer the licence and to use or distribute those images to third parties including RP Data'. However, the term set out in the letter was not the same term as the REA Licence; instead, its wording was as follows:

To the extent that any Contributions are proprietary in nature, you grant REA a worldwide, nonexclusive, royalty-free, perpetual, transferable and irrevocable licence to use, reproduce, modify, adapt, translate, distribute, publish, create derivative works from and display and publicly perform your Contributions throughout the world in any medium, whether currently in existence or not. You also grant each user of our websites a nonexclusive licence to use, reproduce, adapt, translate, distribute, prepare derivative works of, display and perform your Contributions as permitted by REA and these terms.

You grant:

- (i) REA, in respect of Contributions to its website the right to use your name or the name you submit with the Contribution, and, the right to represent and warrant that:
 - (a) you own and control all of the rights to the Contributions; or
 - (b) you have the lawful right including all necessary licences, rights, consents, and permissions to use and authorise REA to display the Contributions.

...

- 139. For reasons explained below and to distinguish it from the REA Licence, this will be referred to as the **Disputed Term**. While there are differences between the drafting of the two terms and, possibly, their effect, as explained below these differences do not affect the overall result.
- 140. The appellants did not reply to the letter of 9 April 2014 for nearly four years. In the meantime, Mr Hardingham continued to take photographs and prepare floor plans for real estate agencies on the basis described above. The 20 listings that were the subject of the separate question as to liability all took place after receipt of the letter of 9 April 2014.
- 141. There was a further exchange of solicitors' correspondence in March 2018 and the proceedings were commenced in July 2018.

The parties' cases before the primary judge

- 142. It was common ground that the photographs and floor plans were original artistic works, within the meaning of s 32(1) of the *Copyright Act 1968 (Cth)*, and that Mr Hardingham was the author of those works and a 'qualified person' within the meaning of that provision. So at law, at least, he owned copyright that subsisted in the works. It was also common ground that the use of the works which RP Data made would be an infringement of that copyright, if it was done without the licence of the appellants (henceforth for convenience I will refer to them as the appellants without regard to the different positions of Mr Hardingham and REMA, as nothing turns on that).
- 143. As has been said, it was also common ground before the primary judge that the appellants granted a licence to the real estate agencies that were their clients to use the images they provided, and to sub-license those images. The appellants did not suggest that the 20 contracts with the agencies were different to each other in any relevant way. The appellants alleged that the licence was granted pursuant to a term implied into those contracts. On their case, the licence

granted to the agencies was limited to using and sub-licensing the images for the purpose of marketing the properties for sale or lease. It did not extend to use once the sale or lease of the properties was completed.

144. RP Data raised arguments about equitable ownership of copyright before the primary judge which did not find favour with his Honour and are not the subject of any notice of contention. RP Data also contended that the original licence granted by the appellants permitted the agencies to grant to REA a sublicense associated with the marketing of the properties. It said that the agencies did, in fact, grant that sublicense to REA and that the appellants were bound by that sub-licence, so there was no infringement.
145. REA was given leave to adduce evidence and make submissions in the primary claim on the separate question as to the liability of RP Data to the appellants. REA submitted that the licence granted by the appellants to the real estate agencies was in turn embodied in the REA Licence and was of equivalent scope.
146. There was some difference between RP Data and REA as to the alleged terms of the licence. The primary judge (at [57]) described their respective contentions this way:

RP Data contended that the licence was 'a licence to use, reproduce, modify, adapt, translate, distribute, publish, create derivative works from and display the photographs and/or floor plans in marketing for sale or lease of the properties depicted therein'. This licence was said to be 'perpetual, irrevocable, world-wide, royalty-free and include[d] the right to sub-licence'.

REA contended that the applicants 'granted the real estate agents who commissioned and paid for the production of the artistic works a licence to use the artistic works for marketing in relation to the sale or lease of the properties depicted in the artistic works'. REA adopted a broad meaning of the word 'marketing' in this context, which included publication of the works for historical information and research purposes. REA contended that the licence was 'perpetual, irrevocable, world-wide, royalty-free and include[d] the right to sub-licence'.

The primary judge's reasoning

147. The primary judge approached the matter by determining, first, what the terms of the contracts between the appellants and the agencies were. By this his Honour meant terms that were express and terms that were to be inferred from the conduct of the parties. His Honour then considered what terms might be implied into the contract.
148. Given the informal nature of the contracts, the primary judge considered it important to approach those questions with an understanding of the context in which the appellants and the agencies contracted. In that regard, at [59]-[64], his Honour made some findings which need to be set out in full:

The evidence established, and the applicants conducted their case on the basis, that:

the overwhelming majority of Australian real estate agencies use the realestate.com.au platform and, as a matter of practical commercial reality, would use the platform in marketing properties for sale or lease;

the prospect of selling or leasing a property is enhanced by using the realestate.com.au platform and the consequent exposure that provides;

one of the principal purposes for which the agencies commissioned photographs and floor plans from the applicants was to obtain works to upload to the realestate.com.au platform; and

whilst theoretically possible, at a practical level agencies are not able to negotiate out of the usual terms and conditions required by REA in order for the agencies to upload content to the realestate.com.au platform.

The applicants and the real estate agents knew, as a result of their course of dealing and experience in the industry, that works uploaded to the realestate.com.au platform were not removed on completion of the sale or lease transaction for which the photographs were taken and that they were made available in relation to historical sale and lease transactions. It would be unrealistic to suggest otherwise.

By way of example, after a property sale completed, the photographs and floorplans continued to be available on the 'sold' section of the realestate.com.au platform, which existed from 2003. That had been the position over the entire course of dealing between the applicants and the agencies.

The applicants did not suggest that there was a single example of any photograph or floor plan, of which the applicants were the copyright owner or exclusive licensee, ever being removed from either platform. There were said to be many thousands of such works.

Agents commissioning works on behalf of their agency are likely to have used one or both of realestate.com.au and RP Data Professional in order to provide advice to their clients in relation to the likely sale price or market rental which might be achieved. Those agents would have done such research on any number of occasions in relation to numerous properties whether or not the subject of these proceedings. It is unrealistic to suggest that agencies did not regularly access photographs and floor plans relating to completed sale and lease transactions. It is equally unrealistic to suggest that they were not aware that the works uploaded by them remained available, including as historical information, on the realestate.com.au platform and on RP Data Professional.

Mr Hardingham gave evidence that 'once my photographs have been posted on the realestate.com.au, they [sic] also appear on the RP Data Professional within a few days'. It is not clear when Mr Hardingham became aware that photographs taken by him became available on RP Data. However, it must have been before 28 January 2014 when he instructed his solicitors to send the letter of demand to RP Data. In light of his experience and involvement in supplying services to the real estate industry, I infer he would have been aware substantially before that time. The applicants must have known that the works

remained available on RP Data Professional after the completion of sale and lease transactions. They did not adduce evidence to the contrary. I infer that they knew or assumed that the works were obtained by RP Data from REA.

149. No party adduced any evidence from any of the real estate agents. There was no evidence about any discussions between Mr Hardingham and the agents about intellectual property rights. There was no evidence that the appellants had ever sought to restrict the agencies' use of the images in any way, or that the appellants had made objections to the agencies about the appearance of the images on RP Data's website, or on realestate.com.au, after the marketing of the properties came to an end.

150. At [66] the primary judge found:

There was no direct evidence as to whether the agents in fact read REA's terms and conditions. They knew that there were terms and conditions, because they had to agree to them in order to upload content to the realestate.com.au platform. Irrespective of whether [the] agents in fact read REA's terms and conditions, they knew that the content uploaded by them continued to be available after completion of the relevant sale or lease transactions. In agreeing to the terms and conditions, the agencies represented to REA that they could grant the licence set out in those terms and conditions and that the content uploaded would not infringe the intellectual property rights of any third party.

151. On appeal the appellants did not challenge any of the above findings (the written submissions did challenge [66], but at the hearing senior counsel for the appellant accepted that it was correct). As described below, they did make one factual challenge but in my respectful view it was based on a misunderstanding of the content of the term which his Honour found was to be inferred, alternatively implied.

152. The primary judge found that from at least 2014, when the first solicitors' correspondence was sent, the appellants knew that the agencies were uploading the images they provided pursuant to terms and conditions that REA had imposed. Even before then, the appellants knew that the agencies were commissioning the photographs and floor plans to upload to realestate.com.au (among other uses), that those photographs and floor plans remained on that website as historical information after the marketing campaigns had come to an end, and that they also appeared on RP Data's website within a few days of being uploaded to realestate.com.au and continued to be available there as historical information in relation to completed transactions. While there was no evidence as to how the appellants set their fees for creating and providing the images, they were aware of all these matters when they set those fees. They received valuable consideration in return for providing photographs and floor plans which the agencies could upload to realestate.com.au.

153. The primary judge thus made the following findings (at [70][79]), which explain why his Honour found that the licence granted to the real estate agencies authorised sub-licensing to REA in accordance with its standard conditions. The passage is not susceptible to being condensed and so must be set out in full:

Objectively viewed, even before early 2014, the applicants and agencies conducted themselves on the basis that the agencies had the right, so far as concerned the applicants, to upload the works to the realestate.com.au platform in accordance with terms and conditions between REA and the agencies which the applicants and agencies either knew

or must have assumed contemplated that REA was permitted to make the works available after marketing campaigns had ended and after completion of relevant sale and lease transactions and which permitted the works to be provided by REA to RP Data.

From at least early 2014, there is direct evidence that the applicants in fact knew that, in order for the agencies to upload content to the realestate.com.au platform under REA's terms and conditions, the agencies had to:

- (1) grant to REA 'an irrevocable, perpetual, world-wide, royalty free licence to publish, copy, licence to other persons, use and adapt for any purpose related to [REA's] business any content you provide to [REA]';
- (2) agree not to upload content which infringed third party intellectual property rights;
- (3) indemnify REA for loss and damage 'as a result of any claim ... brought by a third party ... in connection with any content or material uploaded ... in connection with' the agencies' agreement with REA.

Further, there is direct evidence that the applicants knew, from at least early 2014, that there was an agreement between RP Data and REA under which RP Data was provided the content uploaded to the realestate.com.au platform and that RP Data made the works so obtained available to paying subscribers to RP Data Professional, albeit the applicants did not know the precise terms of that agreement.

The matters in the preceding two paragraphs necessarily follow from the content of the letter of demand and the 9 April 2014 response to it.

It was in that context that the applicants continued to deal with the agencies by accepting their requests to supply photographs and floor plans for valuable consideration. That context applied to each of the twenty transactions the subject of the separate question.

The applicants and the agencies knew that the commissioned works were being sought for a purpose which included uploading the works to the realestate.com.au platform. Those parties knew that this was to occur in accordance with REA's usual terms and conditions. The applicants knew the precise content and effect of the terms and conditions. The applicants, in deciding whether to perform the work, dealt with the agencies with that knowledge.

It may be that, if the applicants had said to the agencies that the agencies were not authorised by the applicants to give the aforementioned licence to REA, those agencies would have retained a different photographer. If the agencies had not agreed to REA's terms and conditions because they were not authorised by the applicants to give the licence which REA required, they would not have been able to use the platform in relation to the relevant property and would have sought a photographer who was prepared to allow them to grant the relevant licence.

Just as the agencies could not, in a practical sense, negotiate out of REA's terms and conditions, neither was it commercially realistic for the agreement between the applicants

and the agencies to be such that the agencies could not give to REA the licence which the applicants knew the agencies had to give to REA in order to upload the works which had been commissioned from the applicants for that very purpose.

The objective circumstances in relation to the twenty transactions the subject of the separate question, each of which occurred after 9 April 2014, are such that:

- (1) it is to be inferred from the conduct of the applicants and the agencies, including their course of dealings;
- (2) alternatively, it should be implied into the agreements between the applicants and the agencies, in order to give business efficacy to those agreements,

that the applicants agreed that the agencies were authorised, by way of licence from the applicants, to upload the photographs and floor plans to the realestate.com.au platform and grant to REA a licence in the form required by REA and contained in REA's usual terms and conditions.

The agreement between the applicants and agencies would have failed to deliver what was objectively intended to be acquired by the agencies in commissioning the works if such a term were not inferred or implied. The purpose of uploading the works to the realestate.com.au platform was central to the objective sought to be achieved by the parties. That objective could not have been achieved unless the agencies granted the licence contained in REA's terms and conditions. The agencies could not lawfully grant the licence in REA's usual terms and conditions unless the applicants authorised them to grant a licence of that scope.

154. Since there was no suggestion that RP Data's acts went beyond the terms of the permission the agencies had granted to REA by way of the REA Licence, the appellants failed to establish any infringement. The primary judge also held that s 15 of the *Copyright Act* was engaged. That section provides that for the purposes of the *Act*, 'an act shall be deemed to have been done with the licence of the owner of a copyright if the doing of the act was authorized by a licence binding the owner of the copyright'.

The appellants' case on appeal

155. There are seven grounds of appeal but they allege only three specific errors. The first is that the primary judge erred in inferring a licence on the 'Disputed Term' from the conduct of the appellants and the agencies and their course of dealings. The second alleged error is that his Honour ought to have determined that the only way a licence containing the terms he found to exist could be implied into the contracts with the agencies was by implication as a matter of law, rather than implication in fact, and that his Honour should have held that the licence was not implied by law. The third alleged error is that if it was permissible to approach the question as one of a term implied in fact, it should not have been implied in this case. That is said to be because the appellants' omission to raise any objection to the use of the images on REA's and RP Data's website did not support the implication of a licence, and there was no direct evidence that the agencies had read or executed REA's standard conditions. So, it is said, his Honour

should not have held that the conduct of the agencies supported the implication of a licence on 'the Disputed Term', including because that term was not necessary to give business efficacy to the agreement between the appellants and the agencies.

156. The 'Disputed Term' was a phrase defined in the grounds of appeal as 'a licence in the form required by REA and contained in REA's usual terms and conditions ([78]) (which included ([80]) authorising REA to grant a sub-licence)'. It became clear in the submissions that the Disputed Term was the actual licence said to have been included in REA's standard conditions which was set out in full in the letter of 9 April 2014, that is, the term set out at [138] above. It will be recalled that this term was not the same as the REA Licence. At the risk of perpetuating confusion, it will be necessary to refer to the REA Licence when describing the primary judge's conclusions, and to the Disputed Term when describing the appellants' submissions.
157. The primary reason why the appellants say that a licence in the terms found by the primary judge should not have been inferred or implied was that there was no evidence that the agencies who were the grantees of the licence from the appellants knew the terms of the Disputed Term. The appellants accept that the agencies knew that images uploaded to realestate.com.au continued to be available on that site, and RP Data's site, after the marketing of the relevant property had ended. But, the appellants submitted that, without knowledge of the wording of the Disputed Term, the agencies could well have explained the persistence of the images on those sites for any number of reasons, which did not require a term to be inferred.
158. The appellants specifically challenge the primary judge's finding at [67], where his Honour found that the appellants 'must have known' that the photographs and floor plans had been and were being uploaded in accordance with terms and conditions imposed by REA, which were freely available on the realestate.com.au website. The appellants say that this finding relates to the period before the solicitors' correspondence of 2014. It is said to be wrong because it requires an inference that the appellants read REA's standard conditions. The appellants say that if this point was to be found adversely to them, Mr Hardingham should have been crossexamined on it, when the respondents did not require him for crossexamination at all.
159. In their written submissions the appellants also refer to the primary judge's findings at [70] of his Honour's main judgment (quoted at [153] above) about the conduct of the appellants and the agencies before the solicitors' correspondence of 2014. The appellants say that the evidence does not support those findings, but do not explicitly say why; the reason would appear to be the lack of any evidence as to whether the appellants or the agencies knew before that correspondence what the Disputed Term said. To that extent, the finding at [75] of the primary judge's reasons that the appellants and the agencies parties knew that the images were to be uploaded to realestate.com.au in accordance with REA's standard conditions is challenged.
160. The appellants accept that after the solicitors' correspondence of 2014, Mr Hardingham knew that REA asserted that its agreement contained the Disputed Term. However, the appellants submitted that since that knowledge was not common to the agents and the appellants, the Disputed Term could not have found its way into the contracts between the agents and the appellants. And given the detailed and comprehensive terms in which the Disputed Term was drafted, it could not have been inferred simply by observing conduct which was consistent with it.
161. As for the term implied in fact, which the primary judge found in the alternative to an inferred term, the appellants submit that such implication does not meet the necessary standard of being

required to give business efficacy to the contracts between the appellants and the agencies. The written submissions do not explain this further, but it appears to be based on the same matter that negatives any inferred term, namely the agencies' lack of knowledge of the full content of the Disputed Term.

162. It remains to describe the appellants' argument based on the concept of implication of terms by law. A term implied by law was no part of the respondents' case at trial or on appeal, and was not an argument considered by the primary judge. Nevertheless, in their written submissions the appellants submit that the respondents 'were really seeking that a term be implied into all dealings of a certain class, viz between photographers of real estate, and real estate agents, and thus implied by law' (underlining in original). That is because the respondents' case is said to have the consequence that all persons who take photographs for agencies will have a licence equivalent to the Disputed Term imposed on them, at least if they are notified of the existence of that term in REA's standard conditions. The appellants submit that the primary judge did not consider the specific terms of the solicitors' correspondence of 2014 to be crucial to the result and that there is otherwise nothing to distinguish the contractual relationship between the appellants and the agencies in relation to the 20 properties from similar relationships between real estate agencies and professional photographers across Australia. So, the appellants say, what the primary judge was really doing was implying a term by law, and that was something his Honour should not have done, as the term is not necessary for the purposes of those contracts.

The respondents' case on appeal

163. RP Data argued that the appeal should be dismissed because the primary judge was correct in finding that the objective and unchallenged facts supported an implied licence in the 'unlimited' form of the second respondent's usual terms and conditions. To find otherwise, it is said, would not be commercially realistic and would not give business efficacy to the agreement between the appellants and the various real estate agents who engaged the appellants from time to time. Accordingly, a term in the form required by REA's terms and conditions should be inferred or implied, and the primary judge's findings to that effect should be upheld.
164. For its part, REA characterised the dispute as one which did not concern the Disputed Term, but rather whether the licence that existed between the appellants and the agencies had a practical scope which was equivalent to that contained in REA's standard terms and conditions, to which the agencies agreed. A licence agreement between the appellants and the agencies which did not provide the agencies with the ability to upload the images to REA on its standard terms and conditions would have failed to deliver what was objectively intended to be acquired by the agencies in commissioning those images. Accordingly, REA says, the primary judge's conclusion that a term to that effect should be inferred or implied should not be disturbed.

Principles

165. Subject to exceptions which are not presently relevant, the copyright in an artistic work is infringed by a person who, not being the owner of the copyright, and without the licence of that owner, does in Australia, or authorizes the doing in Australia of, any act comprised in the copyright: *Copyright Act* s 36(1). In the case of an artistic work, s 31(1)(b) provides that copyright in relation to the work is the exclusive right to do one or more of the following acts: reproduce the work in a material form; publish it; or communicate it to the public.

Onus of proof

166. As I have said, it is common ground that Mr Hardingham was the owner of the copyright in the images that were supplied to the agencies, and there is no doubt that RP Data have done one or more acts comprised in the copyright in relation to those images. The question is whether RP Data (and REA) did so without the licence of Mr Hardingham. The onus of proving that falls on the party who asserts the infringement (in this case, the appellants). That is because, in substance, the absence of licence is an element of the wrong of infringement, and the presence of a licence is not a justification or excuse for what would otherwise be a prima facie infringement: see *Avel Pty Ltd v Multicoin Amusements Pty Ltd* (1990) 171 CLR 88 at 9495 (Mason CJ, Deane and Gaudron JJ), 119120 (McHugh J),
167. However, that is an onus to be discharged on the whole of the evidence: *Acohs Pty Ltd v Ucorp Pty Ltd* [2012] FCAFC 16; (2012) 201 FCR 173 at [169]. In that case, where the party alleging infringement had established facts negating the existence of a licence in respect of most of the alleged infringing acts, it was necessary for the respondents to adduce evidence that in specific cases the licence did exist: see *Acohs* at [171][174].

Inferring a term

168. In finding the existence of an inferred term, the court is identifying the actual intention of the parties as can be properly inferred from all the circumstances: *Hawkins v Clayton* (1988) 164 CLR 539 at 570 (Deane J). In contrast, implied terms in fact are found as a matter of presumed or imputed intention in respect of a matter that the parties have not mentioned but on which presumably they would have agreed should be part of the contract had they turned their minds to it: *Hawkins v Clayton* at 570; *Byrne v Australian Airlines Ltd* (1995) 185 CLR 410 at 422 (Brennan CJ, Dawson and Toohey JJ); *Breen v Williams* (1996) 186 CLR 71 at 102103 (Gaudron and McHugh JJ); *Gricon Constructors (Victoria) Pty Ltd v APN DF2 Project 2 Pty Ltd* [2015] VSCA 190 at [137].
169. Where there is no formal agreement, the actual terms of the contract must be inferred before any question of implication can arise: *Breen v Williams* at 9091 (Dawson and Toohey JJ); *Hawkins v Clayton* at 570; *Byrne* at 422, 442. That is because it is necessary to arrive at some conclusion as to the actual intention of the parties before considering any presumed or imputed intention: *Byrne* at 422. But the line between inference and implication will not always be easy to draw: *Breen v Williams* at 91.
170. Consistently with the acceptance in Australia of an objective theory of contract, these references to 'actual intention' must be a reference to the parties' intention, determined objectively, and not necessarily to their subjective states of mind. It is true that in *Hawkins v Clayton*, when Deane J came to consider what terms could and could not be inferred in the contract between a testatrix and her solicitors, his Honour spoke in terms of whether the testatrix directed her mind to particular questions, but he also considered whether 'there was any actual joint intention of herself and [the solicitors] which can be expressed as a contractual term': see 570571. There is no warrant in the authorities to conclude that evidence as to the subjective states of mind of the parties can be relevant to the question of inferring a term. After all, that would be direct evidence of actual intention, where the question is what is to be inferred from the circumstances.

Terms implied in fact

171. As far as implication of a term in fact goes, the well-known criteria in *BP Refinery (Westernport) Pty Ltd v Hastings Shire Council* (1977) 180 CLR 266 at 282283 are applied in cases where there is a

formal contract complete on its face. Where there is not, a rigid approach should be avoided: *Hawkins v Clayton* at 571; *Byrne* at 422, 442. In *Hawkins v Clayton* at 573, Deane J said:

The most that can be said consistently with the need for some degree of flexibility is that, in a case where it is apparent that the parties have not attempted to spell out the full terms of their contract, a court should imply a term by reference to the imputed intention of the parties if, but only if, it can be seen that the implication of the particular term is necessary for the reasonable or effective operation of a contract of that nature in the circumstances of the case. That general statement of principle is subject to the qualification that a term may be implied in a contract by established mercantile usage or professional practice or by a past course of dealing between the parties.

172. This passage has been approved in *Byrne* at 422 and 442 and in *Breen v Williams* at 91 and 123¹²⁴. It involves consideration of what would make the contract workable in a business sense; a term may be commercially necessary notwithstanding that the contract can operate without it: *Sekisui Rib Loc Australia Pty Ltd v Rocla Pty Ltd* [2012] SASCFC 21; (2012) 291 ALR 140 at [50]; *Grocon* at [142].
173. Where there is a choice of various alternatives as to the contents of the term to be implied, the choice must be that which does not exceed what is necessary in the circumstances: see *Liverpool City Council v Irwin* [1977] AC 239 at 254^F G (Lord Wilberforce). In relation to an implied licence of copyright, in *Beck v Montana Constructions Pty Ltd* [1964–5] NSW 229 at 235, Jacobs J stated that:

the engagement for reward of a person to produce material of a nature which is capable of being the subject of copyright implies a permission, or consent, or licence in the person giving the engagement to use the material in the manner and for the purpose in which and for which it was contemplated between the parties that it would be used at the time of the engagement.

See also *Gold Peg International Pty Ltd v Kovan Engineering (Aust) Pty Ltd* [2005] FCA 1521; (2005) 225 ALR 57 at [83][84] (Crennan J).

Is it necessary for the term to be obvious?

174. In *Hospital Products Ltd v United States Surgical Corporation* (1984) 156 CLR 41 at 121, Deane J, as he was to do later in *Hawkins v Clayton*, spoke against an over-rigid application of the cumulative criteria in *BP Refinery*. In the course of doing so in *Hospital Products*, his Honour said:

As a general rule, however, the 'so obvious that it goes without saying' requirement must be satisfied even in the case of an informal oral contract before the courts will imply a term which cannot be implied from some actual statement, from previous dealings between the parties or from established mercantile practice.

His Honour made no reference to this general rule in his subsequent judgment in *Hawkins v Clayton*. There are nevertheless indications in the judgment of McHugh and Gummow JJ in *Byrne* that the criterion of obviousness is important. In that case, baggage handlers employed by an airline had been caught on video searching through passengers' bags to find items to steal. The airline summarily terminated their employment. The baggage handlers asserted that their dismissal was in breach of a clause of the applicable industrial award which prohibited harsh,

unjust or unreasonable termination, and contended that this clause had become a term of their contracts of employment. This was said to be for reasons including that there was an implied term in the contract which reproduced the term of the award.

175. In their discussion of whether the clause needed to be implied as a term to give 'business efficacy' to the contracts, Gummow and McHugh JJ said at 442:

It may be apparent that the parties have not spelled out all the terms of their contract, but have left some or most of them to be inferred or implied. Some terms may be implied by established custom or usage, as described above. Other terms may satisfy the criterion of being so obvious that they go without saying, in the sense that if the subject had been raised the parties to the contract would have replied 'of course' [*Hospital Products Ltd v United States Surgical Corporation* (1984) 156 CLR 41 at 121]. If the contract has not been reduced to complete written form, the question is whether the implication of the particular term is necessary for the reasonable or effective operation of the contract in the circumstances of the case; only where this can be seen to be true will the term be implied [*Hawkins v Clayton* (1988) 164 CLR 539 at 573].

176. McHugh and Gummow JJ's description of the question posed in the last sentence as being 'the' question suggests that there is no reason to independently consider whether the term to be implied is so obvious that it goes without saying. But in the reasoning that followed the passage just quoted (at 444446), their Honours placed some significance on their view that, in the case before them, the term was not obvious. At 446 their Honours said:

In contracts of this nature, apparently lacking written formality and detailed specificity, it still is necessary to show that the term in question would have been accepted by the contracting parties as a matter so obvious that it would go without saying. That cannot be postulated here.

177. In contrast, in *Breen v Williams* at 91, after quoting Deane J's statement of the test in *Hawkins v Clayton*, Dawson and Toohey JJ observed that where the parties have not attempted to spell out the full terms of their contract 'no question of there being an obvious implication arises in such a case because that which is obvious will be a term of the contract as a matter of inference'.
178. In GJ Tolhurst and JW Carter, 'The New Law on Implied Terms' (1996) 11 JCL 76 at 86, the authors suggested that the position can be reconciled by the view that:

in contrast with the BP criteria, obviousness relates to the need to imply some term, not the particular term sought to be implied. In other words, the requirement that it be 'apparent' that the contract is incomplete incorporates obviousness into what we have described as the 'threshold' question.

That is the threshold question of whether or not the contract is a formal one where the cumulative criteria in *BP Refinery* should be applied. But with respect, that question could not have been exercising the minds of McHugh and Gummow JJ in *Byrne*, where (at 442) their Honours described the evidence as to the form taken by, and the express terms of, the contracts of employment in question as 'exiguous'. I do not consider that the characterisation advanced by Tolhurst and Carter explains the position that the criterion of obviousness has in relation to the implication of terms into an informal contract.

179. A more promising reconciliation of the position, with respect, appears in the judgment of Hely J (Sundberg and Finkelstein JJ agreeing) in *Yau's Entertainment Pty Limited v Asia Television Limited* [2002] FCAFC 78; (2002) 54 IPR 1. At [35] his Honour said (emphasis in original):

As a matter of fact, it is unlikely that a term which fails to meet the obviousness criterion would be one which is *necessary* for the reasonable or effective operation of the contract. Where the question is whether a particular term will be implied into an informal contract as a matter of fact, the circumstance that the term is not 'so obvious that it goes without saying' is at least a relevant consideration: *Breen v Williams* (1996) 186 CLR 71 at 105; 138 ALR 259 at 283 per Gaudron and McHugh JJ.

See also *State of New South Wales v Banabelle Electrical Pty Ltd* [2002] NSWSC 178; (2002) 54 NSWLR 503 at [50].

180. In any event, making obviousness an invariable requirement for the implication of a term would be inconsistent with the repeated adoption in the High Court of Deane J's formulation of the test in *Hawkins v Clayton*, including its adoption by McHugh and Gummow JJ in *Byrne* itself and by Gummow J (without reference to obviousness) in *Breen v Williams* at 123124. In using the phrase 'if, but only if, that formulation is clearly describing a criterion that is both necessary and sufficient. The three other judges in *Byrne* applied the *Hawkins v Clayton* test without mention of obviousness: see *Byrne* at 422423 (Brennan CJ, Dawson and Toohey JJ).
181. In my view, it may be accepted that in most cases, if a term is not so obvious that it goes without saying, it will not be necessary for the reasonable or effective operation of the contract. Hence, in *Hospital Products* Deane J described the requirement of obviousness as a 'general rule'. If in the circumstances of the particular case the term is necessary for the reasonable or effective operation of the contract, that will be enough.

Terms implied by law

182. Implication of a term in the way considered above is known as implication in fact; it is necessary to prove facts leading to the implication, which is concerned with the circumstances of the particular case: *Byrne* at 442. That is to be distinguished from terms that are implied by law: *Breen v Williams* at 102 (Gaudron and McHugh JJ). Rather than being the presumed or imputed intention of the parties, a term implied by law arises from the nature, type and class of the contract in question: *Breen v Williams* at 103.

Consideration of the appeal

183. After considering the submissions of the appellants as described above, I have come to the view that their case in this appeal is based on a misconception as to the conclusions of the primary judge. The appellants have proceeded on the basis that his Honour found the existence of an inferred or implied term in the same terms as the Disputed Term. That is, that he found that the words of the Disputed Term, *mutatis mutandis*, comprise an inferred or implied term of the agreement between the appellants and the agencies. Hence the appellants' focus on establishing that the agencies, at least, did not know what the REA's standard conditions said, and in particular, did not know the full content of the Disputed Term. But with respect, that is not what his Honour found.

184. At [66] his Honour did not find that the agents had in fact read REA's standard conditions. At [67] he did not find that the appellants had in fact read REA's standard conditions. At [70] he found that the appellants and the agencies conducted themselves on the basis that the agencies had the right to upload the images to realestate.com.au 'in accordance with terms and conditions between REA and the agencies'. The only finding his Honour made there as to what the agencies (and the appellants) knew about the contents of those terms and conditions was that they were terms which they 'either knew or must have assumed contemplated that REA was permitted to make the works available after marketing campaigns had ended and after completion of relevant sale and lease transactions and which permitted the works to be provided by REA to RP Data',
185. At [75] his Honour found that both the appellants and the agencies knew that the images were to be uploaded to realestate.com.au in accordance with REA's standard conditions, but that only the appellants knew the precise content and effect of the terms and conditions (as a result of the solicitors' correspondence of 2014),
186. So, when the primary judge came (at [78]) to express his conclusion as to the content of the term that was to be inferred, alternatively implied, it was that:
- ... the agencies were authorised, by way of licence from the applicants, to upload the photographs and floor plans to the realestate.com.au platform and grant to REA a licence in the form required by REA and contained in REA's usual terms and conditions,
187. There may be some ambiguity in the primary judge's reference at [79] to the appellants having granted the agencies a licence of the 'scope' of the REA Licence. But then at [80] he says that the agencies were licensed 'to sub-licence the copyright works to REA on terms which permitted the agencies to grant the licence contained in REA's usual terms and conditions'. In the context of the findings I have just described, none of this was shorthand for saying that a licence in terms equivalent to the Disputed Term or the REA Licence was inferred or implied. It was a full description of the content of the inferred or implied term which did not depend on the agencies having actual knowledge of what REA's standard conditions said,
188. Once that is appreciated, the challenges the appellants make to the primary judge's inferences from his findings of fact fall away. They are all made on the basis that his Honour found or implicitly assumed that the agencies knew the wording of REA's standard conditions. He did not,
189. The primary judge's key findings therefore remain untouched by the appellants' case. As described above, they may be summarised as follows:
- (1) One of the principal purposes of the agencies commissioning the photographs and floor plans from the appellants was to upload them to realestate.com.au. The properties could not be effectively marketed otherwise.
 - (2) In order to do that, the agencies would have to agree to REA's standard terms and conditions. The images were being uploaded in accordance with those terms and conditions. There was no real ability for the agencies to negotiate those conditions.
 - (3) The appellants and the agencies knew that REA would leave the images for each property on realestate.com.au after the marketing of the property ceased. They also

knew from at least 2014 that RP Data would obtain the images from realestate.com.au and would keep them available on its website after the marketing of the property ceased.

- (4) The appellants and the agencies either knew or must have assumed that REA's standard conditions contemplated that REA could make the images available to RP Data, including for display after the marketing of the property had ended. The appellants dealt with the agencies with the above knowledge and set their fees with that knowledge.
- (5) It was not commercially realistic for the agreement between the appellants and the agencies to be one under which the agencies could not give REA the licence they had to give, in order to be able to upload the images to REA so as to fulfil the purpose of having commissioned them.

Inferred term

190. In my view it follows from these findings that if the agreements between the appellants and the agencies had not authorised the agencies to provide the images to REA on its standard conditions, then the agencies would not have been able to use the images for one of the principal purposes for which they were provided, namely putting them on REA's website and app platform. That is sufficient to infer that, objectively, the appellants and the agencies intended that the agencies could upload the images in accordance with REA's standard conditions. That was a licence to the agencies to use the images for the purpose for which it was contemplated between the parties that it would be used. In the circumstances of each case, that was the only way they could upload them, and take the benefit of the agreements in the way that the parties must be taken to have intended. If a licence in those terms had not been part of the agreements, it would have failed to deliver to the agencies that which it was objectively intended to give them: the right to use the images to market the properties on realestate.com.au.
191. The appellants submitted that the agents may have given a variety of explanations as to why the images appeared on realestate.com.au and RP Data's website after the marketing campaigns had ended. Examples given were that the agents thought that there was no copyright in the images, or that displaying the photographs on the websites was somehow permitted under the appellants' copyright in the images. But possible subjective and mistaken views of the agents are not relevant. Viewed objectively, the possibility that there can be more than one explanation for the conduct and circumstances established is relevant, as it provides possible explanations other than the inferred term. But it does not necessarily negate the existence of that term. The court still needs to decide, based on all the circumstances and on the balance of probabilities, whether or not the term should be inferred.
192. Here, the inference made by the primary judge followed from the circumstances which were established by his findings, and no sensible objective alternative explanation of those circumstances has been advanced. One explanation that the appellants advanced for the long term presence of the images on RP Data's and REA's websites was simply that those companies had been infringing copyright for many years. But that does not take account of the knowledge, common to the appellants and the agencies, that the agencies needed to agree to REA's standard conditions in order to be able to upload the images. Once that is appreciated, it follows that the

agreements between the appellants and the agencies had to authorise the agencies to upload the images on that basis. Viewing the circumstances objectively, no other explanation can be inferred.

193. The appellants submitted that there was no need from their point of view or those of the agents for the images to remain on realestate.com.au after the marketing campaign ended. There was no evidence of that, and it is not something that can necessarily be inferred from the circumstances. As counsel for REA pointed out, the agents may have had some incentive for sold properties to remain on the various websites to promote their success in selling the properties. But even if the appellants' submission is accepted, once again it overlooks the fact that there was a need to upload the images on realestate.com.au in accordance with REA's standard conditions. If the appellants' agreements with the agencies did not authorise that, they would not have been workable in a business sense.

Term implied in fact

194. That conclusion makes it strictly unnecessary to determine whether the licence should be implied. But since it was an alternative basis of the primary judge's decision and was fully argued, it is appropriate to make a determination about that too. In my view, a similar conclusion follows. If the term is not implied, then the contract would be one to supply artistic works which, viewed objectively, the recipient cannot use for one of the main purposes of the supply. The agencies had to provide the works to REA in accordance with REA's standard conditions, so it follows that in order to be commercially effective, the contracts must have authorised them to do that.
195. There is more room for doubt as to whether that term was so obvious that it goes without saying. By the time of the listing of the 20 subject properties, Mr Hardingham had already protested through his solicitors at RP Data's use of the images he had supplied to the agencies. He had also been informed of the content of REA's standard conditions, including the Disputed Term. Had he been asked at the time of making the agreements whether he authorised uploading on REA's standard conditions, rather than saying 'of course', he may well have said 'no'. On the other hand, he did continue to provide images to the agencies knowing that they would continue to be publicly available after the marketing campaigns had ended.
196. Nevertheless, the cases tend to deal with questions of that kind from an objective viewpoint, in terms of what the parties may be expected to have said had they been asked. That is consistent with the basis of implication in fact as an intention imputed to the parties, rather than a finding of their actual objective intention, let alone their actual subjective intention. It would also need to be considered whether the criterion of obviousness can resolve the dispute between the parties here, since there was a licence on *some* terms, and if the term contended for by the respondents is not obvious, the same can be said of the one that the appellants propound (see [193] above). If neither was found to be made out, the onus of proof may well become important.
197. In the end, it is not necessary to decide the question here, given that I have concluded that obviousness is not a distinct necessary criterion for the implication of a term. It is enough to say that, whatever Mr Hardingham's subjective views were, the necessity of the term found by the primary judge is objectively obvious, because if the contracts had not authorised the agencies to upload the images to realestate.com.au in accordance with REA's standard conditions, there would have been no other way that the images could be used to market the property effectively. This is another way of saying that the contracts would not have been commercially

effective without the term, which demonstrates the overlap between that criterion and the criterion of obviousness which is discussed above.

198. The best argument for the appellants in relation to the implied term is that the licence that they contend for is the minimum that is necessary for the reasonable or effective operation of the contract. They say that the point of the contract is to help with the marketing of the property, so that is as far as it needs to go. But once again, that overlooks the unchallenged fact that the marketing of the property required uploading the images to realestate.com.au. A prerequisite of uploading the images to realestate.com.au was agreeing to its standard terms and conditions. It follows from this that if the contract between the appellants and the agencies did not authorise the agencies to sub-licence the images to realestate.com.au on REA's standard conditions, then the contract did not give the agencies the right to use the images for the very purpose for which those images were provided.

Term implied by law

199. The ground of appeal which asserts that the implication was really one of law does not advance the appellants' position. It does not bear at all on the conclusion that the term was to be inferred as part of the actual intention of the parties. In so far as there was an implied term, the answer to the appellants' submission that it could only be implied by law is found in the following passage from McHugh and Gummow JJ's judgment in *Byrne* at 449 (footnote removed):

There is force in the suggestion that what now would be classified as terms implied by law in particular classes of case had their origin as implications based on the intention of the parties, but thereafter became so much a part of the common understanding as to be imported into all transactions of the particular description. The matter is put as follows in *Halsbury*:

'Perhaps the truth is that the ambiguous terminology enables the courts in the first instance to imply terms on the basis of the intention of the parties ... but later there comes a time when the particular implied term has become so much a part of common practice that the courts begin to import it into all transactions of that type as a matter of course; and the result is a rule of law of the type considered in this paragraph.'

See also *Breen v Williams* at 103.

200. The primary judge was making a determination about what followed from the circumstances of individual contracts, albeit 20 in number, and albeit in circumstances that were common to all of them. It is true that one of those circumstances included the dominant market position of REA across Australia. But his Honour was not called on to decide whether the prevalence of those circumstances meant that a term of the kind he found has become so much a part of the common understanding as to be implied by law into all transactions of that particular description, and nor did he do so.

Disposition of the appeal

201. In my view, the appellants have not established any error in the primary judge's conclusion, so the appeal should be dismissed with costs.

I certify that the preceding eightytwo (82) numbered paragraphs are a true copy of the Reasons for Judgment of the Honourable Justice Jackson.

Associate:

Dated: 18 August 2021