

HIGH COURT OF AUSTRALIA

GUMMOW ACJ
KIRBY, HAYNE, CALLINAN AND CRENNAN JJ

CONCRETE PTY LIMITED

APPELLANT

AND

PARRAMATTA DESIGN & DEVELOPMENTS
PTY LIMITED & ANOR

RESPONDENTS

Concrete Pty Limited v Parramatta Design & Developments Pty Ltd
[2006] HCA 55
6 December 2006
S54/2006

ORDER

1. *Appeal allowed with costs.*
2. *Set aside the orders made by the Full Court of the Federal Court of Australia on 29 July 2005 and 22 August 2005 and in their place order that the appeal to that Court be dismissed with costs.*
3. *Remit to the Federal Court of Australia for determination the inquiry into the quantum of damages referred to in Order 3 made by Conti J on 13 October 2004.*
4. *Grant leave out of time to the respondents to file a notice of cross-appeal in the form of Annexure A to the affidavit of Gordon Scurr sworn on 29 June 2006.*
5. *The cross-appeal be treated as having been instituted and heard instanter and be dismissed with costs.*

On appeal from the Federal Court of Australia

Representation

B W Rayment QC with A J Sullivan QC and D T Kell for the appellant
(instructed by Costa & Associates)

C R Birch SC with J-J T Loofs for the respondents (instructed by Hal Lawyers)

Notice: This copy of the Court's Reasons for Judgment is subject to
formal revision prior to publication in the Commonwealth Law Reports.

CATCHWORDS

Concrete Pty Ltd v Parramatta Design & Developments Pty Ltd

Intellectual Property – Copyright – Infringement – Architect's drawings – Two companies formed a joint venture and purchased a development site – Director and shareholder of one of the companies in the joint venture also sole director and shareholder of architectural firm engaged as architect to prepare drawings for a development application – Consent received from local council for development in accordance with the drawings – Joint venturer's dispute – Site sold by trustees for sale – Purchaser of site on notice that architect sought to deny the purchaser's use of the drawings – Whether purchaser of site had an implied licence to use the drawings.

Courts and judicial system – Apprehension of bias – Exchange between bench and counsel – Questioning of witness by trial judge – Whether trial miscarried on the ground of apprehended bias.

Words and phrases: "apprehended bias", "implied licence", "joint venture"

Copyright Act 1968 (Cth) ss 10(1), 202(1), 202(2).

Conveyancing Act 1919 (NSW) s 66G.

Environmental Planning and Assessment Act 1979 (NSW) ss 4(1), 78A-81, 95.

Local Government Act 1993 (NSW) s 68.

Real Property Act 1900 (NSW).

1 GUMMOW ACJ. The Full Court of the Federal Court (Branson, Kiefel and Finkelstein JJ)¹ dealt first with what appears to have been argued as the main issue before the Full Court. This concerned the freedom of Concrete Pty Limited ("Concrete") to use the architectural plans and drawings in question without infringing copyright subsisting in them as original artistic works, within the meaning of ss 31 and 32 of the *Copyright Act* 1968 (Cth) ("the Act"). Having decided that issue adversely to Concrete and disagreeing with the outcome at the trial, the Full Court went on to consider the challenge to the conduct of the trial which had been put on a quite different footing, namely, the alleged apparent bias of the primary judge. The Full Court upheld that challenge.

2 In proceeding in this way, the Full Court itself fell into error. The present respondents, Parramatta Design & Developments Pty Limited ("Parramatta") and Mr Fares, were permitted to present their arguments to the Full Court on inconsistent bases. If the bias submissions were to succeed, the remedy would be a retrial. If the copyright submissions were to succeed, the Full Court would itself provide the orders which should have been made and there would be no occasion to order a retrial.

3 The Full Court so disposed of the appeal as to accept the bias submissions but without consequential relief. If allowed to stand uncorrected, this outcome would have the adverse consequences for the administration of justice to which Kirby and Crennan JJ refer in their reasons for judgment in passages with which I agree. The application by Parramatta and Mr Fares for leave to file out of time a cross-appeal in this Court should be granted, but the cross-appeal dismissed.

4 As to the particular aspects of the conduct of the trial said to make out the complaint of apprehended bias, I agree with Callinan J and with Kirby and Crennan JJ that no such complaint is made out. In particular, the conclusion stated for the Privy Council in *Almeida v Opportunity Equity Partners Ltd*² by Lord Walker of Gestingthorpe applies in the present case. His Lordship said³:

"[T]he judge's interventions were motivated, not by partiality, but by the wish to understand the evidence (which was often obscure and inconsequential) and to push on the trial process."

1 *Parramatta Design & Developments Pty Ltd v Concrete Pty Ltd* (2005) 144 FCR 264.

2 [2006] UKPC 44.

3 [2006] UKPC 44 at [103]

5 There remains the copyright issue. Here I agree generally with what is said by Callinan J and by Kirby and Crennan JJ in their reasons for judgment and would add the following.

6 Concrete sued Parramatta and Mr Fares for unjustifiable threats made actionable by s 202 of the Act. In its defence and cross-claim, Parramatta pleaded the subsistence of its copyright in the plans and drawings in question, entry by its related company, Landmark Building Developments Pty Ltd ("Landmark"), into a joint venture to develop an apartment complex on the site at Nelson Bay, the breakdown of the joint venture, the sale of the site to Concrete, the absence of any implied licence in the joint venture thereafter to use the plans and drawings, and the inability of Concrete by contract to receive a better title or licence to those plans or drawings than that vested in the joint venture parties.

7 Two points should be noted as to the way in which the litigation was framed. First, there was no joinder by Parramatta of Landmark or of the other joint venturer, Toyama Pty Ltd ("Toyama") or its principals, Ms Haviland and Mr Rix. Secondly, Parramatta did not plead that any implied licence in favour of the joint venturers had been revocable by Parramatta and that Parramatta had effectively revoked that licence. Further, as Kirby and Crennan JJ point out in their reasons, the trial was not run on a basis of entitlement to revoke any implied licence; rather, the contention was that no such implied licence existed for want of satisfaction of a condition necessary for its existence.

8 Presented in terms of the Act, the copyright issues in this Court are: (a) whether Concrete is liable to restraint against the doing in Australia, or the authorising of the doing in Australia, of any act comprised in the copyright in the plans and drawings, "without the licence of the owner of the copyright" within the meaning of ss 13(1) and 36 of the Act; and (b) whether, to the contrary of (a), Concrete has been the object of unjustifiable threats of proceedings for copyright infringement and itself has an action for groundless threats under s 202 of the Act.

9 The Act contains a definition of "exclusive licence" (s 10(1)) which requires such a licence to be in writing and signed by the owner or prospective owner of the copyright; special rights are given to exclusive licensees (ss 117-125). No such licence is asserted by Concrete.

10 However, any act of Concrete with respect to the plans and drawings will be treated under the Act as done with the licence of Parramatta if the doing of the act "was authorized by a licence binding [Parramatta as] the owner of the copyright" (s 15). Section 15 is an important provision for this case. It accommodates instances of what ordinarily would be called a sub-licence⁴. The

4 Lahore, *Intellectual Property Law in Australia – Copyright*, (1977), §923.

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section also encompasses cases where the existence and scope of an effective licence is found in a consent binding the copyright owner other than by reason solely of the principles of contractual consideration and privity.

11 The facts and holding of the Privy Council in *Mellor v Australian Broadcasting Commission*⁵ would present such a case. There the appellants were publishers of band music and were owners of the sole right of performing in public within Australia a large number of musical works arranged for performance by brass and military bands. They published pamphlets containing price lists of their sheet music and words stating that the music was free for public performance anywhere. The licence or consent thereby given included broadcasting by the Australian Broadcasting Commission of band performances, with any necessary consequences of such broadcasting, including the use of wirelesses by listeners. The Commission had engaged bands, which had purchased the appellants' sheet music, to play some of the copyright works of the appellants and had caused the performances to be broadcast⁶.

12 It is here that the nature and scope of the joint venture in which Parramatta, Landmark and Toyama participated becomes critical. No written agreement was made recording the terms of the joint venture. Title to the development site was registered for a tenancy in common as to two-thirds for Landmark and one-third for Toyama. The land subsequently was sold in the circumstances explained in the other reasons for judgment. Title to the copyright of Parramatta was not conveyed by Parramatta to Landmark and the other members of the joint venture. However, the plans were made available for the purposes of the joint venture, in particular to procure the grant of the development application, an essential step to achieve the development of the site. Landmark had a substantial financial interest in that development and its proceeds, and Mr Fares, sole director and shareholder in Parramatta, was a principal of Landmark.

13 Contrary to the case asserted by Parramatta, the purposes of the joint venture extended, upon breakdown of relations between the parties, to such use

5 [1940] AC 491; cf *Hall-Brown v Iliffe & Sons Ltd* [1928-35] MacG Cop Cas 88 at 99-100.

6 The case was decided when the *Copyright Act* 1911 (UK) was in force in Australia by reason of the *Copyright Act* 1912 (Cth). This, unlike s 31(1)(iv) of the Act, conferred no distinct broadcast right. The Privy Council approached *Mellor* on the footing that there would be "a performance" if a broadcast were heard in public and the broadcaster might then be liable for authorising an infringement of the musical works: [1940] AC 491 at 499-500.

of the plans and drawings as was necessary and convenient to turn to account the development site and the current development approval.

14 As a matter of contract, Parramatta and Landmark were obliged to cooperate in the doing of acts necessary for the performance by the joint venturers of their mutual and fundamental obligations under their arrangements⁷. The better view of the facts is that, rather than manifested by distinct and several contracts, the joint venture arrangements were varied at the stages identified by Callinan J in his reasons and in accordance with the principles considered in *Federal Commissioner of Taxation v Sara Lee Household & Body Care (Australia) Pty Ltd*⁸.

15 Further, given the nature and scope of the joint venture arrangements, the joint venture possessed fiduciary characteristics of the kind identified in *United Dominions Corporation Ltd v Brian Pty Ltd*⁹. For Parramatta to deny consent to the use by Concrete of the plans and drawings as consequent upon the acquisition of the development site would be to pursue its interests in conflict with the purposes of the joint venture as earlier identified.

16 For these reasons, and as an implication drawn from the circumstances of the case, Concrete enjoys the authority of a licence binding upon Parramatta within the meaning of s 15 of the Act. In addition, for the reasons developed by Callinan J and by Kirby and Crennan JJ, the consent upon which Concrete may rely has not been given by Parramatta subject to revocation at will, as a bare licence; the reward to Parramatta was to be the fruits of participation in the joint venture in the manner described above.

17 As appears from the foregoing, the legal rights and duties of the parties to this dispute turn upon the particular circumstances. Concrete has acquired the Nelson Bay site by reason of the breakdown of the joint venture for the development of the site, with Parramatta's plans and drawings already having been used to obtain a still current development approval and Parramatta having, in substance, a share in the joint venture.

7 *Mackay v Dick* (1881) 6 App Cas 251 at 263, 270; *Byrne v Australian Airlines Ltd* (1995) 185 CLR 410 at 448-449; *Federal Commissioner of Taxation v Sara Lee Household & Body Care (Australia) Pty Ltd* (2000) 201 CLR 520 at 547 [89].

8 (2000) 201 CLR 520 at 533-534 [22], 545-546 [81].

9 (1985) 157 CLR 1 at 10-11.

18 Some of the cases discussed in detail by Kirby and Crennan JJ, particularly *Beck v Montana Constructions Pty Ltd*¹⁰ and *Blair v Osborne & Tomkins*¹¹, contain expressions which suggest the implication as a matter of law of a licence in a particular class of contract between architect and client where standard contract conditions and scales of professional fees are employed. The present dispute arises in very different circumstances. The argument in this Court of both sides to some extent placed too great a significance on what were the features within or outside the traditional relationship arising from the retainer of a member of the architect's profession by a client. As indicated above, I do not regard this case as turning upon any implication as a matter of law in a contract of a particular description.

19 I also would reserve for further consideration any application in the field of copyright licensing of the doctrines respecting non-derogation from grant¹² and the applicability in Australia of the reasoning in *Solar Thomson Engineering Co Ltd v Barton*¹³ and *British Leyland Motor Corp'n Ltd v Armstrong Patents Co Ltd*¹⁴.

20 The appeal should be allowed with costs and the cross-appeal dismissed with costs. The orders made by the Full Court on 29 July and 22 August 2005 should be set aside and in place thereof the appeal to that Court should be dismissed with costs. The setting aside of the orders of the Full Court has the effect of reinstating Order (3) of the orders made by the primary judge on 13 October 2004. Order (3) provided for an inquiry as to the quantum of damages sustained by Concrete by reason of the threats by Parramatta and Mr Fares. To place the matter beyond doubt, there should be an order of this Court remitting to the Federal Court for determination the inquiry into damages referred to in that Order (3).

10 [1964-5] NSW 229.

11 [1971] 2 QB 78.

12 *Canon Kabushiki Kaisha v Green Cartridge Co (Hong Kong) Ltd* [1997] AC 728 at 736-737.

13 [1977] RPC 537.

14 [1986] AC 577.

21 KIRBY AND CRENNAN JJ. This is an appeal from a decision of the Full Court of the Federal Court of Australia. The Full Court (Branson, Kiefel and Finkelstein JJ)¹⁵ allowed an appeal from the decision of the primary judge (Conti J)¹⁶ and ordered that the declarations and orders made at first instance be set aside. In this Court the appellant, Concrete Pty Limited ("Concrete"), seeks orders which would restore its success against the respondents at first instance.

22 The appeal to this Court raises two main issues. The first is whether the appellant has an implied licence to use architectural plans and drawings prepared by the first respondent, Parramatta Design & Developments Pty Limited ("Parramatta Design"), for the purpose of undertaking the development of 14 units at a site in Nelson Bay, New South Wales. The second issue is whether a case of apprehended bias could properly be established in regard to the conduct of the primary judge.

The facts

23 Parramatta Design is a company which provides architectural design services. The second respondent, Mr Ghassan Fares, is a qualified architect and is the sole director and shareholder of Parramatta Design. Mr Benjamin Barrak, a solicitor, conducts a legal practice under the name of Barrak Lawyers. Together Mr Fares and Mr Barrak established Landmark Building Developments Pty Ltd ("Landmark") as a property development company. Mr Fares is a director and shareholder of Landmark and he recognised at trial that Parramatta Design and Landmark are related companies.

24 The Nelson Bay site came up for sale in 1998. Mr Fares and Mr Barrak decided to seek a joint venture partner to help purchase and develop the site. Mr Barrak was acquainted with Ms Jeanette Haviland, a sole practitioner. He asked Ms Haviland and her former husband, Mr Kevin Rix, if they would like to be involved in the project presented to them as a joint venture arrangement. They agreed to take a one-third interest in the development through their company, Toyama Pty Ltd ("Toyama"). Accordingly, Landmark contributed two-thirds of the necessary funds for purchase of the site, while Toyama contributed one-third. No written agreement recording the terms of the joint venture was ever made. The site was purchased by the joint venturers on 2 October 1998 for \$560,000. Landmark and Toyama became the registered

15 *Parramatta Design & Developments Pty Ltd v Concrete Pty Ltd* (2005) 144 FCR 264.

16 *Concrete Pty Ltd v Parramatta Design & Developments Pty Ltd* [2004] FCA 1312.

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proprietors of the land as tenants in common, with a respective two-thirds and one-third interest.

25 It was agreed between the parties that Mr Fares and/or Parramatta Design would perform the architectural services for the joint venture. No written agreement for the provision of these services was drawn up. In any event, Parramatta Design prepared plans and drawings for an eight unit development on the site. Landmark and Toyama paid \$27,000 for the plans and drawings¹⁷. Planning approval for the eight unit development was sought on 7 March 1999, and granted by Port Stephens Council on 24 September 1999.

26 Some time after the eight unit development had been approved Mr Fares and Mr Barrak became aware that a neighbouring property had been granted approval to build a 16 unit development. They decided that it would be preferable, inferentially because it would be more profitable, to construct a 14 unit development on the site instead. In order to persuade Ms Haviland and Mr Rix to agree to the increased development, despite the additional costs and delay involved, Mr Fares offered to prepare the plans and drawings for the larger development at no additional cost beyond the \$27,000 already paid¹⁸. It was agreed between the joint venturers (one of whom was, of course, the architect) that the architect's offer to prepare the plans and drawings for the joint venture, free of charge, should be accepted.

27 Parramatta Design proceeded to prepare the new plans and drawings and to lodge an application for a development consent with Port Stephens Council on behalf of the joint venturers as owners of the land to which the development consent would apply. Consent for the 14 unit development was granted on 10 May 2000. Section 95 of the *Environmental Planning and Assessment Act* 1979 (NSW) ("the EPA Act") provides that, subject to any extension granted, a development consent will lapse if construction is not begun within five years. There was evidence at the trial which indicated that if the development consent lapsed a new regime of regulatory planning changes applied such that any future application for a development consent would be confined to an eight unit development.

17 At trial it was common ground that the payment of \$27,000.00 related to work undertaken prior to the decision to seek a 14 unit development approval. There was some dispute about whether this payment was a fee for services or to cover Parramatta Design's out-of-pocket expenses, which need not be resolved here because it does not affect the issues in the present appeal.

18 Evidence was led at trial that a reasonable fee for the preparation of the plans for a 14 unit development would be in the range of \$28,000 to \$30,000.

28 Development did not go ahead because of a falling out between the joint venturers. There was a dispute regarding whether they had agreed that Parramatta Design would build the units under a cost-plus contract. As a result of that dispute, the site was put up for sale in June 2002.

29 On 27 June 2002 a written offer to purchase the land for \$1.8 million was made by a company called Tangate Pty Ltd ("Tangate"). In response Mr Barrak wrote to Tangate on behalf of Landmark, accepting the offer on 10 July 2002 and stating that:

"The full size copy of the approved plans as requested ... in your letter may be collected from our office. Please telephone the writer ... in order to arrange a mutually convenient time for collection of the copy."

30 The reference to the "approved plans" was to the plans and drawings for the 14 unit development. Toyama communicated its individual acceptance of the offer directly to Tangate by letter dated 11 July 2002. However, the sale was ultimately called off by Tangate on 15 July 2002 because of alleged unprofessional behaviour on Mr Barrak's part.

31 The relationship between the joint venturers continued to deteriorate and Toyama made an application pursuant to s 66G of the *Conveyancing Act* 1919 (NSW) to the Supreme Court of New South Wales for the appointment of trustees for the sale of the site. An order appointing the trustees was made on 12 December 2002 and it relevantly provided that "the [Nelson Bay] land be vested in such trustees ... to be held by the said trustees upon statutory trust for sale under ... the *Conveyancing Act*". The trustees for sale were authorised to pay out two-thirds of the net proceeds of the sale to Landmark and one-third to Toyama. After the sale, Landmark received two-thirds of the net proceeds, but Toyama was prevented from obtaining access to its one-third share as a result of an injunction granted upon the application of Mr Fares and Mr Barrak by the Supreme Court.

32 Soon after the appointment of the trustees for sale, Parramatta Design put the trustees on notice that "we are the designers and owners of the copyright of an approved DA" ("DA" standing for development approval) for the 14 unit development and that it would not grant a licence for the use of "our copyright or our plans". As a result of the correspondence from Parramatta Design it was not clear what, if anything, the trustees could say to prospective purchasers about the right to use the plans and drawings, so they sought advice on this issue from the Supreme Court. In accordance with that advice the trustees attached to the

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contract of sale a copy of both development consents and included the following cl 7¹⁹:

"7 DEVELOPMENT CONSENTS

7.1 Annexed and marked with the letters indicated are copies of the following:

'A' Front page of Notice of Determination of Development Application 24 September 1999 from the Port Stephens Council excluding all conditions ('the First Development Consent').

'B' Letter from Port Stephens Council to Parramatta Design & Development ('the Council letter').

'C' Notice of Determination of Development Application 10 May 2000 from the Port Stephens Council ('the Second Development Consent').

7.2 The vendors are unable to provide copies of the plans and designs which accompanied the First and Second Development Consents.

7.3 The vendors disclose that a dispute exists in relation to the right to use the plans and designs which accompanied the Development Applications, including as to the existence of any licence to make use of the copyright in those plans and designs. The vendors further disclose that legal action has been foreshadowed in respect of any future use of those plans and designs.

7.4 The vendors give no warranty as to the availability or the right to use the plans and designs which accompanied the First and Second Development Consents.

7.5 The purchaser acknowledges that it has satisfied itself in respect of all matters referred in or arising out of the First and Second Development Consents and will not raise any objection, requisition or claim for compensation in respect of any of the matters arising out of the First and Second Development Consents."

33 The land was then offered for sale by public auction. It was advertised to have the benefit of the development consent, both Toyama and Landmark having agreed on 22 May 2003 before Young CJ in Equity that the contract of sale could disclose the existence of the development consent issued by Port Stephens

19 (2005) 144 FCR 264 at 267 [5].

Council. Concrete purchased the land for \$2,760,000 by contract of sale dated 7 August 2003. Prior to settlement Concrete's solicitors sent a letter to the trustees' solicitors enclosing a deed of assignment with respect to "the architectural plans and drawings lodged in respect of or accompanying the Development Applications" and asking for it to be signed. The trustees did not sign the deed of assignment. Upon completion of the sale on 15 September 2003 Concrete became, and remains, the registered proprietor in fee simple under the *Real Property Act* 1900 (NSW) of the Nelson Bay land.

34 Concrete wished to construct a 14 unit development in accordance with the development consent granted on 10 May 2000. After purchasing the land, Concrete approached Parramatta Design and offered to pay for a licence to reproduce the plans and drawings for the 14 unit development, but Parramatta Design refused to give its express permission to use the plans and drawings.

35 This led to a dispute between the parties, which resulted in Concrete commencing proceedings in the Federal Court on 7 October 2003. Following commencement of the proceedings, without admission of liability, Concrete offered to pay Parramatta Design \$33,000 plus costs for permission to use "any or all of the plans and drawings the subject of your clients' claim for copyright for the purpose of development in accordance with the development consent attached to the land ...". Parramatta Design responded by asking for \$5 million to license any use of its copyright material.

The Federal Court decision

36 At trial, Concrete asserted that it was permitted to use the plans and drawings in the relevant development application which were the same as the plans and drawings in the development consent. It averred it could do so without infringing Parramatta Design's copyright in the plans and drawings by virtue of an implied licence, and brought an action pursuant to s 202 of the *Copyright Act* 1968 (Cth) ("the Act") alleging the respondents had made unjustifiable threats to bring proceedings for copyright infringement. Section 202 of the Act relevantly provides:

- "(1) Where a person, by means of circulars, advertisements or otherwise, threatens a person with an action or proceeding in respect of an infringement of copyright, then, whether the person making the threats is or is not the owner of the copyright or an exclusive licensee, a person aggrieved may bring an action against the first-mentioned person and may obtain a declaration to the effect that the threats are unjustifiable, and an injunction against the continuance of the threats, and may recover such damages (if any) as he or she has sustained, unless the first-mentioned person satisfies the court that the acts in respect of which the action or

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proceeding was threatened constituted, or, if done, would constitute, an infringement of copyright.

- (2) The mere notification of the existence of a copyright does not constitute a threat of an action or proceeding within the meaning of this section."

37 Concrete's claims under s 202 were based primarily on two letters sent by the respondents' solicitors, Barrak Lawyers, to Concrete's solicitors, Costa & Associates. The first letter was dated 9 September 2003 and the most contentious sentence provided that "[i]f your client proceeds to build in breach of our copyright, it does so at its own risk". The second letter was dated 1 October 2003 and its final sentence stated "we again put you on notice that if your client breaches our client's copyright, it does so at its own risk".

38 The respondents denied that these letters constituted a threat of action within s 202(1), submitting instead that they were "mere notifications" of the existence of copyright within the meaning of s 202(2). The respondents also cross-claimed, alleging that Concrete could not use the plans and drawings without infringing their copyright in them, essentially because no payment had been made for the preparation of the drawings²⁰.

39 The primary judge held that it was clear that the letters "individually and cumulatively [could] fairly be read and understood as notice to Concrete to the effect [that the respondents were] ... prepared to exercise their legal rights of enforcement in relation to the subject matter of their claims to copyright"²¹. Thus, the main issue at trial became whether Concrete had the benefit of an implied licence to use the relevant plans and drawings for the purpose of undertaking development on the land, despite the respondents' refusal to give express consent to the use of the drawings.

40 Concrete advanced three separate, but somewhat overlapping, bases for establishing its implied licence to use the drawings²²:

- (i) as a legal incident of the engagement of the architect (or Parramatta Design) to prepare the drawings for use in applying for the development consent which runs with the land;

20 [2004] FCA 1312 at [3].

21 [2004] FCA 1312 at [44].

22 [2004] FCA 1312 at [56].

- (ii) by reference to the circumstance that an implied licence "typically arises" between an architect and client; and
- (iii) by reference to the five year duration of the development consent giving rise to the contention that the architect (or Parramatta Design) implicitly licensed the owners (or any successor in title) to use the drawings for the purpose of utilising or giving effect to the development consent.

41 The primary judge held that the three bases were well founded in the circumstances and accorded with established principles²³, and it followed that Concrete had an implied licence to use the plans and drawings, and that the respondents' cross-claim failed.

42 His Honour's findings in relation to the first two grounds flowed from the premise that a development consent "runs with the land"²⁴. From this the primary judge held²⁵:

"where the architect ... has prepared plans and drawings for the purpose of landowners ... obtaining development consent in respect of their jointly owned land, and since that consent runs with the land in accordance with the principles enunciated in those local government authorities, the architect has implicitly licensed any entity (here of course Concrete) who thereafter comes to own that land, that is of course any immediate or ultimate successor in title, during the currency of the development consent, that is until 10 May 2005, to use those plans and drawings for the purpose of implementing the basis, terms and scope of that earlier consent. To hold otherwise would sterilise the land in terms of its usage, in conformity with that development consent, in the hands of successors in title, notwithstanding that the development consent would remain otherwise in force and effect *vis-a-vis* the original grantee of that consent for the requisite statutory or regulatory period of time."

43 In respect of the third argument²⁶, his Honour held "that a term should be implied by law in the relevant contractual relationship" to the effect that the

23 [2004] FCA 1312 at [136], [148], [150] and [302].

24 [2004] FCA 1312 at [132].

25 [2004] FCA 1312 at [133].

26 The trial judge considered that this argument, by which an implied licence arises in favour of a purchaser during the currency of a development consent, would extend (Footnote continues on next page)

partners were entitled to use the plans and drawings for the purpose for which they were created, that is the construction of the development, and that "[s]uch a licence ... extends in principle to any purchaser of the subject property"²⁷. In this case the primary judge found that the implied licence had been "transferred from the joint venture companies to Concrete (being a purchaser for value) *per medium* of the trustees for sale"²⁸.

44 Accordingly, the primary judge found in Concrete's favour, declaring that threats made by Parramatta Design were unjustifiable within the meaning of s 202 of the Act and ordering that Parramatta Design be restrained from making any further threats. The primary judge further ordered that there be an inquiry into the quantum of damages sustained by reason of the threats and dismissed the cross-claim.

45 Before considering the findings on appeal to the Full Court of the Federal Court, it is relevant to note that there were a number of interlocutory applications made prior to the final hearing in this matter, all of which were unsuccessful²⁹. One such application, made on behalf of the respondents, occurred at the commencement of the third day of the hearing on 8 April 2004³⁰. The application sought the primary judge's disqualification from further hearing of the proceedings on the ground of apprehended bias. Senior counsel for the respondents declined to make the application or appear on the application, but it was pressed by junior counsel.

46 Substantial written submissions were presented to the Court, and the hearing took up almost a full day. The primary judge dismissed the application at the close of the submissions and delivered written reasons at a later date³¹. After the application for dismissal had been determined, a different senior counsel appeared for the respondents. On 21 April 2004, further written submissions were forwarded to the primary judge by the respondents, who

the dictum in the relevant authorities, but would do so in a logical and coherent way: [2004] FCA 1312 at [135].

27 [2004] FCA 1312 at [298].

28 [2004] FCA 1312 at [301].

29 [2004] FCA 1312 at [4].

30 [2004] FCA 1312 at [7].

31 *Concrete Pty Limited v Parramatta Design & Developments Pty Limited* [2004] FCA 483.

sought leave to re-open the disqualification application. The primary judge refused to grant the leave sought³².

The Full Federal Court decision

47 The Full Court unanimously allowed the appeal³³. The main issue on appeal was whether Parramatta Design had "conferred a licence on Concrete and its contractors to reproduce the architectural drawings by the construction of the development"³⁴. The Full Court found that it had not been suggested that Parramatta Design had given express permission to Concrete or to any other person to reproduce the drawings, so the question was whether it had done so by implication³⁵.

48 Looking to the contract between Parramatta Design and the joint venture partners, and assuming there was consideration to support the contract, the Full Court considered whether it was possible to imply a contractual term to the effect that the joint venturers were entitled to use the drawings for the purpose for which they were created, that is the construction of the 14 unit development, and further imply that such a licence extends in principle to any successor in the title to the land which had the benefit of the relevant development consent.

49 Applying general principles emerging from case law relating to implied terms and contracts with architects to the facts of the present case, the Full Court noted that very little was known about the terms of the contract between Parramatta Design and the joint venture partners³⁶. It appeared that Parramatta Design had agreed to prepare the 14 unit development plans and drawings for no fee because Mr Fares wanted to keep Toyama in the joint venture. The Full Court held that Toyama's agreement to remain in the joint venture might have been sufficient consideration to support the contract, but the agreement could not be characterised as the payment of a full fee for Parramatta Design's services³⁷. It could be accepted that Parramatta Design granted a licence to the joint venture partners themselves to construct a 14 unit development in accordance with the plans and drawings if planning approval were obtained. However, the Full Court

32 [2004] FCA 1312 at [8].

33 (2005) 144 FCR 264.

34 (2005) 144 FCR 264 at 266 [1].

35 (2005) 144 FCR 264 at 268-269 [11].

36 (2005) 144 FCR 264 at 271 [20].

37 (2005) 144 FCR 264 at 271 [20].

held that there was no reason to imply a term that this licence could be assigned to a purchaser of the Nelson Bay land³⁸.

50 The Court reasoned that an architect "should not be expected to work for free for the benefit of third parties" and that this position does not change even if "the architect has an interest in the proceeds of sale of the land"³⁹. Further, a sensible purchaser would not expect to be permitted to use an architectural drawing without having made any payment for the privilege, either to the architect or to the vendor by way of reimbursement⁴⁰.

51 The Full Court went on to hold, contrary to the primary judge's view, that even if an assignable licence to reproduce the plans and drawings were conferred on the joint venturers, that licence was not in fact transferred to Concrete because the existence of the so-called "implied term" was inconsistent with the tenor of cl 7 of the contract of sale: terms will not be implied if they are inconsistent with an express contractual term. Furthermore, trustees for sale can only dispose of property which has been vested in them and in this case the order of the Supreme Court only vested in the trustees the Nelson Bay land, but not a licence to use personal property such as the plans and drawings⁴¹. To hold that the sale of the land resulted in an implied licence to use the plans and drawings would ignore the terms of the order.

52 The Full Court further held that it was "difficult to know precisely how the [primary] judge was able to reach the conclusion that, in the circumstances he described, an architect implicitly licenses any entity who comes to own the land to use the plans" and that this view appeared to be based on the false premise that the land would otherwise be sterilised "in terms of its usage, in conformity with the development consent"⁴². The Full Court found that land is not "sterilised in terms of its usage" simply because a purchaser cannot use an architect's plans and drawings to develop the land without the consent of the architect. The land will have an exchange value and can be used for whatever purpose is permitted by the relevant planning laws. The Full Court said⁴³:

38 (2005) 144 FCR 264 at 271 [20].

39 (2005) 144 FCR 264 at 271 [20].

40 (2005) 144 FCR 264 at 271-272 [20].

41 (2005) 144 FCR 264 at 272 [21].

42 (2005) 144 FCR 264 at 272 [23].

43 (2005) 144 FCR 264 at 273 [23].

"Looked at more broadly, there is simply no basis upon which to found a licence to use an architect's drawings in favour of a purchaser which has neither paid for those drawings nor altered its position in the belief, induced by the architect, that the drawings would be available for its use."

53 Assuming that Concrete paid fair market price for the land, the Full Court concluded⁴⁴:

"Concrete's case, which the judge accepted to be a good case, is that a purchaser of land who does not before purchase obtain the architect's consent to use his (or her) drawings, who does not under the contract of purchase take an assignment of the right (if there be one) to use the drawings, who does not rely upon any conduct by the architect which represents that the purchaser can use the drawings, and who does not in any event pay anything for the drawings or for their use, nonetheless has the architect's irrevocable permission to reproduce the drawings. In our opinion that case cannot be sustained."

54 In relation to other points which had been raised on appeal, the Full Court held that the respondents' letters to Concrete's lawyers had threatened to instigate legal action for copyright infringement if Concrete used the plans and drawings, but that these threats were justified because Concrete had no right to use the plans and drawings⁴⁵. Justification is a defence to s 202 of the Act, which is the provision under which Concrete originally brought its action⁴⁶.

55 The Full Court also held that the trial had miscarried on the ground of apprehended bias⁴⁷. It was recognised that the test for a reasonable apprehension of bias is whether a fair-minded lay observer might reasonably have apprehended that the primary judge might not bring an impartial and unprejudiced mind to the

44 (2005) 144 FCR 264 at 273 [24].

45 (2005) 144 FCR 264 at 274 [28]-[29].

46 The Full Court also refused to rule upon a challenge to certain findings of fact made by the trial judge, as they could not change the result of the appeal, and held that arguing these issues was wasteful and costly: (2005) 144 FCR 264 at 275 [33].

47 (2005) 144 FCR 264 at 277 [41]. The Full Court made this finding despite the fact that they considered that their conclusions in respect of the other grounds of appeal rendered it "strictly unnecessary" to determine whether the trial judge had failed to maintain the necessary appearance of impartiality: (2005) 144 FCR 264 at 275 [34].

resolution of the question to be decided⁴⁸. Having particular regard to comments made during the trial and in the primary judge's reasons for decision, the Full Court held, by reference to the accumulated weight of this material, that this test had been satisfied⁴⁹. Accordingly, the appeal was allowed with costs, and orders entered in favour of Parramatta Design.

Appeal to this Court

56 The primary judge's finding that Concrete had an implied licence from Parramatta Design to use the plans and drawings in question must be restored. The reason for that is to be found in established principle, the relevant legislation and in the specific facts and circumstances of the case. The specific circumstances were that the owners of the land, which included Mr Fares, the architect, had him prepare the plans and drawings for certain purposes, which included the purposes for which Concrete now seeks to use them, having purchased the land with the benefit of a development consent. The owners of the land, including the architect, did not oppose the sale of the land with the benefit of the development consent.

57 It will also be found, in the reasons which follow, that the respondents have not established any reasonable apprehension of bias in respect of the primary judge.

Applicable law regarding architectural plans and drawings

58 We turn now to the copyright issues in the present case. An architect who is the author of two-dimensional architectural plans and drawings has copyright in those plans and drawings as "artistic works"⁵⁰ notwithstanding commonality in plans⁵¹. It will be an infringement of such copyright to reproduce⁵² or publish⁵³ those drawings without the architect's permission⁵⁴.

48 *Johnson v Johnson* (2000) 201 CLR 488 at 492 [11] and 498 [31].

49 (2005) 144 FCR 264 at 277-278 [41]-[46].

50 Section 10(1) of the Act: "**artistic work**" means "a ... drawing ... whether the work is of artistic quality or not"; and "**drawing**" includes "a ... plan"; see also ss 32(1) and (2), 35(2) and 36(1) of the Act. See also ss 3(1) and 48(1) of the *Copyright Act* 1956 (UK). For a history of the protection of architect's plans, *Copinger and Skone James on Copyright*, 12th ed (1980) at 101-102 [251]-[255].

51 *Lend Lease Homes Pty Ltd v Warrigal Homes Pty Ltd* [1970] 3 NSW 265; *Ancher, Mortlock, Murray & Woolley Pty Ltd v Hooker Homes Pty Ltd* [1971] (Footnote continues on next page)

- 59 The principles established by a series of cases concerning implied licences to use architectural drawings and plans were not in contest. Problems have frequently arisen in circumstances where the commissioner of architectural drawings and plans, a property owner (or a successor in title), wishes to assert an implied licence to use them in the absence of any express permission to do so. A non-exclusive licence to use architectural plans and drawings may be oral⁵⁵ or implied by conduct⁵⁶, or may be implied, by law, to a particular class of contracts⁵⁷, reflecting a concern that otherwise rights conferred under such contracts may be undermined⁵⁸, or may be implied, more narrowly, as necessary to give business efficacy to a specific agreement between the parties⁵⁹. A term which might ordinarily be implied, by law, to a particular class of contracts may

2 NSWLR 278; *Eagle Homes Pty Ltd v Austec Homes Pty Ltd* (1997) 39 IPR 565. See also *Merchant-Adventurers Ltd v M Grew & Co Ltd* [1972] Ch 242.

- 52 Sections 21(3), 31(1)(a)(i), 35(2) and 36(1) of the Act.
- 53 Sections 31(1)(a)(ii), 35(2) and 36(1) of the Act.
- 54 Sections 13(2) and 36(1) of the Act.
- 55 Section 196(4) of the Act; cf s 119 covering exclusive licences which must be in writing. See also *Devefi Pty Ltd v Mateffy Pearl Nagy* (1993) 113 ALR 225 at 233-234 per Northrop, Gummow and Hill JJ.
- 56 *Lorenzo & Sons Pty Ltd v Roland Corporation* (1992) 23 IPR 376 at 380-382. See also *Mellor v Australian Broadcasting Commission* [1940] AC 491. For the position in the United States of America see *Nimmer on Copyright*, vol 3 at 10-49, §10.03[A][7]. See also *IAE Inc v Shaver and Cantrell* 74 F 3d 768 (1996); *Saxelbye Architects Inc v First Citizens Bank & Trust Co* 129 F 3d 117 (1997); *Effects Associates Inc v Cohen* 908 F 2d 555 (1990).
- 57 Contracts between architects and clients have been recognised as one such class: *Beck v Montana Constructions Pty Ltd* [1964-5] NSWLR 229 at 234-235 per Jacobs J; followed in the United Kingdom in *Blair v Osborne & Tomkins* [1971] 2 QB 78.
- 58 *Byrne v Australian Airlines Ltd* (1995) 185 CLR 410 at 449-450 per McHugh and Gummow JJ.
- 59 *Codelfa Construction Pty Ltd v State Rail Authority of NSW* (1982) 149 CLR 337 at 345-347; *Castlemaine Tooheys Ltd v Carlton & United Breweries Ltd* (1987) 10 NSWLR 468 at 486-487 per Hope JA.

be excluded by express provision⁶⁰ or if it is inconsistent with the terms of the contract⁶¹. In some instances more than one of the bases for implication may apply⁶².

60 There is also a line of patent cases where an implied licence to use and repair a patented item has been upheld and recognised as an implied licence which runs with the patented item itself, as a result of which a purchaser of a patented item can both use and repair the item⁶³. That implied licence essentially arises because of the rights conferred by Letters Patent "to make, use, exercise and vend"⁶⁴ which can be reflected in the terms of a patent specification⁶⁵. That line of cases was considered in *British Leyland Motor Corporation Ltd v Armstrong Patents Co Ltd*⁶⁶ in which a manufacturer of car replacement parts submitted that it had an implied licence from the copyright owner of drawings to use those drawings. In a majority speech, Lord Templeman (with whom Lord Scarman agreed) preferred to uphold a right to repair an item, which is the subject of copyright drawings, by extending the principle of non-derogation from grant which originated in conveyancing law, rather than by implying a licence⁶⁷. This approach has been subsequently treated with some caution⁶⁸. There are

60 *Gruzman Pty Ltd v Percy Marks Pty Ltd* (1989) 99 FLR 116 at 118 per McLelland J; *Devefi Pty Ltd v Mateffy Pearl Nagy Pty Ltd* (1993) 113 ALR 225 at 240-241 per Northrop, Gummow and Hill JJ.

61 *Devefi Pty Ltd v Mateffy Pearl Nagy Pty Ltd* (1993) 113 ALR 225 at 240-241.

62 *Acohs Pty Ltd v RA Bashford Consulting Pty Ltd* (1997) 144 ALR 528 at 546-547.

63 *Solar Thomson Engineering Co Ltd v Barton* [1977] RPC 537 at 548 (and the authorities there referred to) per Graham J; see also *Interstate Parcel Express Co Pty Ltd v Time-Life International (Nederlands) BV* (1977) 138 CLR 534 at 549 per Stephen J.

64 *Copinger and Skone James on Copyright*, 15th ed (2005), vol 1 at 310 [5-217].

65 *Solar Thomson Engineering Co Ltd v Barton* [1977] RPC 537.

66 [1986] AC 577.

67 [1986] AC 577 at 639-644.

68 *Canon Kabushiki Kaisha v Green Cartridge Co (Hong Kong) Ltd* [1997] AC 728 at 737-738 per Lord Hoffmann who gave the judgment of their Lordships; *Mars UK Ltd v Teknowledge Ltd* [2000] FSR 138 at 147.

however Canadian authorities which permit a right to repair an item, the subject of copyright drawings, by reference to an implied consent⁶⁹.

61 By reference to the reasons of Jacobs J in *Beck v Montana Constructions Pty Ltd*⁷⁰ and the reasoning of the English Court of Appeal in *Blair v Osborne & Tomkins*⁷¹, the parties agreed that where an architect is engaged to prepare plans and drawings which are the subject of copyright, and is paid a professional fee to do so, if the fee would normally be taken to cover the use of the plans and drawings for the purpose of constructing a building in substantial accordance with them, the commissioner of the plans and drawings (or a successor in title) will have an implied licence to use the plans and drawings for that purpose.

62 It has been recognised, at least since *Blair v Osborne & Tomkins*⁷², that the preparation of plans and drawings as part of an application for a development consent by a local council is part of a progressive process governed by legislation. If a development application is successful it will form the basis of more detailed plans and drawings leading to final plans and drawings in accordance with which a building, as approved, will be built⁷³.

The relevant legislation

63 The EPA Act contains a comprehensive scheme for the management of development, which includes "the use of land" and the "erection of a building"⁷⁴. Part 4 contains detailed provisions for the making of a "development application"⁷⁵, for the assessment of such an application and for issuing a "development consent"⁷⁶, with or without conditions⁷⁷, which "makes lawful, in a

69 See, for example, *John Maryon International Ltd v New Brunswick Telephone Co Ltd* (1982) 141 DLR (3d) 193; *ADI Ltd v Destein* (1982) 141 DLR (3d) 370.

70 [1964-5] NSWLR 229.

71 [1971] 2 QB 78.

72 [1971] 2 QB 78.

73 [1971] 2 QB 78 at 87 per Widgery LJ.

74 Section 4(1) of the EPA Act, definition of "development" and also "building work".

75 Section 4(1) of the EPA Act.

76 Section 4(1) of the EPA Act.

77 Section 80A of the EPA Act; see also s 78A(6).

town planning context, what would otherwise be unlawful but does so by reference to the acts done and not to the identity of the actor"⁷⁸.

64 The main steps to be taken are set out from ss 78A to 81 inclusive. Two matters can be noted. First, s 78A(3) of the EPA Act provides that where a consent authority is a council, a person may combine any development application under the EPA Act, with any applications as are necessary for anything requiring approval under the *Local Government Act* 1993 (NSW) ("the Local Government Act")⁷⁹. Secondly, where a development application is made under s 78A(3), s 78A(6) provides that council may impose either or both of the following conditions:

"(a) a condition that the approval is granted only to the applicant and does not attach to or run with the land to which it applies,

(b) a condition that the approval is granted for a specified time."

65 The development consent granted for the 14 unit development contained general condition number 3:

"The development shall take place in accordance with the plans and documentation submitted with the application excepting as modified by the conditions of this development consent."

66 The development consent was also expressed to be subject to conditions made in accordance with s 80A of the EPA Act to ensure compliance with that Act and the Local Government Act. The Notes to the development consent contained a condition that the development consent was for a period of five years. It is important to observe that there were no conditions imposed restricting the development consent to the applicant, the owners of the land, or to the effect that the development consent did not run with the land. It is also important to note that "[a] development application may be withdrawn at any time prior to its determination"⁸⁰.

67 The legislative scheme and the steps taken in the processes covered by the legislative scheme in this case constitute the background against which Concrete's claim, to an implied licence to use the plans and drawings in the development consent, falls to be assessed. There is a longstanding principle that

78 *Eaton & Sons Pty Ltd v Warringah Shire Council* (1972) 129 CLR 270 at 293 per Stephen J (in dissent in the result, but with whom McTiernan J agreed at 276).

79 See the Table to s 68 of the Local Government Act.

80 Environment Planning and Assessment Regulation 2000, reg 52(1).

a development consent is not personal to the applicant but endures for the benefit of subsequent owners during the currency of the development consent. In *Ryde Municipal Council v Royal Ryde Homes*⁸¹, Else-Mitchell J said:

"... a consent to the development of land under a prescribed planning scheme is not personal to the applicant but enures for the benefit of subsequent owners and occupiers, and in some respects a consent is equivalent to a document of title."

Application to the facts

68 The question as posed in argument was whether there was an implied licence to Concrete, the successor in title to the land, permitting Concrete to use the plans and drawings prepared by Parramatta Design, for the land owners, Landmark and Toyama, for the application for development consent for the construction of the 14 unit development on the land. This question must be understood to arise in circumstances where the architect, Mr Fares (as principal of Parramatta Design), had prepared the drawings free of charge, for the land owners (which included him, as a principal of Landmark).

Implied licence

69 The complication in this case, namely that the architect is both the provider of architectural plans and drawings for the owners of the land and is also one of those owners does not take this case outside the principles set out in *Beck v Montana*⁸² and *Blair v Osborne & Tomkins*⁸³. However, that fact was the source of distinctions upon which the respondents attempted to rely. The respondents sought to distinguish *Beck v Montana*⁸⁴ and *Blair v Osborne & Tomkins*⁸⁵ in two ways. First, they submitted that no fee was paid for the drawings in this case. Secondly, they submitted that the purchaser bought the land with notice of the architect's claim to copyright.

81 [1970] 1 NSW 277 at 279 per Else-Mitchell J; see also dicta in *Eaton & Sons Pty Ltd v Warringah Shire Council* (1972) 129 CLR 270 at 293 per Stephen J.

82 [1964-5] NSW 229.

83 [1971] 2 QB 78.

84 [1964-5] NSW 229.

85 [1971] 2 QB 78.

70 To appreciate those distinctions it is necessary to examine the reasoning and facts in those two cases in a little more detail.

71 In *Beck v Montana*⁸⁶, a firm of architects contracted under a then standard form contract to produce plans for a block of units on particular land. When the owners sold the land they gave the purchaser the plans, and the purchaser decided to build in accordance with the plans but not to retain the architect. The rationale for finding an implied licence in favour of the purchaser to use the plans was explained by Jacobs J as follows⁸⁷:

"[T]he 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."

There was no reference in *Beck v Montana*⁸⁸ to any development consent or planning permission.

72 In *Blair v Osborne & Tomkins*⁸⁹ an architect was retained by land owners to prepare drawings for the purpose of obtaining a planning permission and his clients subsequently sold the land with the benefit of the planning permission and gave the purchaser the architect's drawings. Before approving *Beck v Montana*⁹⁰ in *Blair v Osborne & Tomkins*, Lord Denning MR (with whom Widgery and Megaw LJ agreed) said⁹¹:

"... when the owner of a building plot employs an architect to prepare plans for a house on that site, the architect impliedly promises that, in return for his fee, he will give a licence to the owner to use the plans for the building on that site. The copyright remains in the architect, so that he

86 [1964-5] NSW 229; it can be noted that this case was heard under the provisions of the *Copyright Act 1911* (Cth), but nothing turns on this fact.

87 [1964-5] NSW 229 at 235.

88 [1964-5] NSW 229.

89 [1971] 2 QB 78.

90 [1964-5] NSW 229.

91 [1971] 2 QB 78 at 85.

can stop anyone else copying his plans, or making a house from them; but he cannot stop the owner who employed him, from doing work on that very site in accordance with the plans. If the owner employs a builder or another architect, the implied licence extends so as to enable them to make copies of the plans and to use them for that very building on that site: but for no other purpose. If the owner should sell the site, the implied licence extends so as to avail the purchaser also."

- 73 The position may be otherwise if the architect has charged a nominal fee only to prepare drawings for the limited purpose of obtaining a planning permission⁹². *Beck v Montana*⁹³ and *Blair v Osborne & Tomkins*⁹⁴ have been followed or recognised on many occasions in Australia⁹⁵ and elsewhere⁹⁶. In those two cases and in *Stovin-Bradford v Volpoint Properties Ltd*⁹⁷ the architects were utilising standard contract conditions and scales of professional fees determined by their professional institutes and the rationale for implying a consent or licence in all of them depended on the architect's reward or fee.

Fees to the architect

- 74 Central to the respondents' pleadings and submissions was the fact that no payment was made to the architect by the owners of the land in this case. Where

92 *Stovin-Bradford v Volpoint Properties Ltd* [1971] Ch 1007.

93 [1964-5] NSW 229.

94 [1971] 2 QB 78.

95 *Ng v Clyde Securities Ltd* [1976] 1 NSWLR 443; *Bourke v Filmways Australasian Distributors Pty Ltd*, unreported, Supreme Court of New South Wales, 9 October 1979; *R & A Bailey & Co Ltd v Boccaccio Pty Ltd* (1986) 4 NSWLR 701; *Gruzman Pty Ltd v Percy Marks Pty Ltd* (1989) 99 FLR 116; *De Garis v Neville Jeffress Pidler Pty Ltd* (1990) 37 FCR 99; *Tucker v Bentley* (1996) 36 IPR 243; *Acohs Pty Ltd v RA Bashford Consulting Pty Ltd* (1997) 144 ALR 528 per Merkel J; *Torpey Vander Have Pty Ltd v Mass Constructions Pty Ltd* (2002) 55 IPR 542 at 549 per Spigelman CJ.

96 See, for example, *Netupsky v Dominion Bridge Co Ltd* (1971) 24 DLR (3d) 484 at 491 per Judson J (delivering the opinion of the Court). See also *John Maryon International Ltd v New Brunswick Telephone Co Ltd* (1982) 141 DLR (3d) 193; *ADI Ltd v Destein* (1982) 141 DLR (3d) 370; *Robertson v Thompson Corp* (2001) 15 CPR (4th) 147.

97 [1971] Ch 1007.

any contract is silent on whether a licence to use drawings can be implied when there has been no payment for the drawings the existence of an implication will depend on construing the relevant contract. In considering that question, Laddie, Prescott and Vitoria⁹⁸ have stated in their text:

"There are two alternatives: first, the licence is implied whether or not the architect has been paid and his only remedy for non-payment is breach of contract; secondly, the licence is conditional on the full fee being paid. It is submitted that the first alternative is to be preferred as the second would sterilise the site in the hands of the liquidator."

75 It can be noted that there is some authority to support the proposition that a bare licence to use drawings which are the subject of copyright, that is one given without consideration, is revocable at any time⁹⁹. In *Ng v Clyde Securities Ltd*¹⁰⁰ the argument that any licence to use architectural plans for a development was subject to an implied term that the licence could be revoked for non-payment of the architect's fees was not successful. On the assumption that *Beck v Montana*¹⁰¹ should be followed, it was concluded that it was not reasonable to imply a term into a contract between an architect and developer that the licence to use the plans and specifications, once granted and acted upon, could be revoked in the circumstances of subsequent non-payment of the architect's fees¹⁰².

76 At trial the architect did not seek to argue that he was entitled to revoke any implied licence on the basis of non-payment of any fee. Rather, he denied the existence of any implied licence on the basis that the joint venturers, Landmark and Toyama, had an oral agreement with Parramatta Design that it would build the 14 unit development on a cost-plus contract¹⁰³ and that the provision of the plans and drawings, without fee, was conditional on that agreement.

98 *The Modern Law of Copyright and Designs*, 3rd ed (2000), vol 1 at 917 [24.25].

99 *Hart v Hayman, Christy & Lilly Ltd* [1911-1916] MacG Cop Cas 301; followed in *Katz v Cytrynbaum* (1983) 2 DLR (4th) 52 at 56-57.

100 [1976] 1 NSWLR 443.

101 [1964-5] NSWLR 229.

102 *Ng v Clyde Securities Ltd* [1976] 1 NSWLR 443 at 446.

103 A point which arose but was not decided in *Gruzman Pty Ltd v Percy Marks Pty Ltd* (1989) 99 FLR 116; see also *Devefi Pty Ltd v Mateffy Pearl Nagy Pty Ltd* (1993) 113 ALR 225.

77 The primary judge rejected the claims of Landmark and Mr Fares that the joint venturers had agreed that Parramatta Design and/or Mr Fares would build the 14 unit development¹⁰⁴. This finding of fact was not overturned by the Full Court.

78 There was no contest about the fact that the architect (as principal of Parramatta Design) and the owners of the land (Landmark, of which the architect was a principal, and Toyama) agreed that no fee was to be paid in respect of the preparation of the drawings.

79 The fact that no fees were paid for the preparation of the architectural drawings falls to be assessed by reference to the broad purposes of the joint venture which were clear and not in contest, and the purposes for which, and circumstances in which, the joint venture commissioned the drawings.

80 The clear purpose of the joint venture between Landmark and Toyama was to purchase the land, obtain a development consent in respect of the land, build units in accordance with the development consent, then sell the units and share the profits on a respective two-thirds and one-third basis. The question of whether there was any implied licence to use the drawings falls to be decided at the time when the drawings were prepared at the request of the owners of the land and not at any later time. Such documentary evidence as exists records that the drawings were to be the responsibility of Mr Fares, working for Parramatta Design, for the clients, Landmark and Toyama.

81 The precise circumstances in which the drawings were agreed to be prepared free of charge were dealt with by the Full Court, which noted in its reasons that when Landmark proposed that the joint venture undertake a 14 unit development, instead of an eight unit development, Toyama agreed to the change and noted that according to Ms Haviland (Toyama) she said to Mr Fares and Mr Barrak that:

"[I]f you are satisfied to accept the \$27,000.00 you have already been paid and all we (Toyama) have to pay is our share of the fresh engineering plans etc. I suppose we should try for 14 units."

82 It was not contended that this consensus between the parties amounted to an express licence or consent and, as noted by the Full Court, it was not suggested by anyone that Parramatta Design had given express permission to any

104 [2004] FCA 1312 at [283].

person to reproduce the drawings¹⁰⁵. Accordingly there are no findings of fact to the effect that the licence was express, however it is likely in the circumstances recounted that if the parties could have foreseen the collapse of the joint venture they would have made a more formal contract expressly dealing with consent to use the plans and drawings¹⁰⁶. Here the architectural plans and drawings were contemplated to be used by the owners to develop the site from the stage of obtaining development consent, through to achieving profits from the sale of any development built in accordance with that development consent. Those purposes must encompass and include a sale of the land with the benefit of the development consent, by the owners, after the development consent has been obtained and before completion of the development.

83 Whilst it is not essential to decide the point, the fact that the company controlled by the architect who provided the plans and drawings to the owners did not charge a fee to those owners, suggests no more than that the architect was willing to contribute his architectural skills to the joint venture, for the benefit of himself and his co-venturers. Were the position otherwise, an architect could "sterilise"¹⁰⁷, that is, render unproductive, the land in the hands of owners (including any co-owners), any liquidator of the owners or any successor in title to the owners. This would be the case particularly where considerable costs might be necessary to prepare fresh and different plans or where, as here, legislative changes meant that a development consent for a project of a similar size would not be forthcoming.

84 The principle which applies to these facts is this: in the absence of an agreement to the contrary, an express contract or an express reservation of copyright, an owner (or a co-owner) of land who is an architect, who himself prepares plans or drawings, free of charge, for himself (or for himself and other co-owners) impliedly consents to himself as owner (or co-owner) using the plans and drawings for the purposes for which they have been prepared. The "reward"¹⁰⁸ to the architect in such circumstances is not the "fee"¹⁰⁹ which accompanies an orthodox retainer between an architect and client. The reward is

105 (2005) 144 FCR 264 at 268 [11].

106 See *Nichrotherm Electrical Co Ltd v JR Percy and GA Harvey & Co (London) Ltd* [1957] RPC 207 at 212.

107 The expression of Laddie, Prescott and Vitoria, *The Modern Law of Copyright and Designs*, 3rd ed (2000), vol 1 at 917 [24.25].

108 *Beck v Montana Constructions Pty Ltd* [1964-5] NSW 229 at 235 per Jacobs J.

109 *Blair v Osborne & Tomkins* [1971] 2 QB 78 at 85 per Lord Denning MR.

so much of the net profits expected to eventually flow at the conclusion of the joint venture in respect of which he is both "architect to the joint venture" and a "joint venturer", which are referable to the fact that the joint venture partners did not have to incur a disbursement for architect's fees. The fact that an architect might be prepared to share that part of the net profit with his co-venturers does not detract from the foregoing analysis. For this reason, the argument that there is no consideration in these circumstances must be rejected. It follows that such circumstances are distinguishable from those cases in which there is a bare licence, revocable at will.

The purchaser's position

85 The respondents sought to resist any conclusion that the purchaser obtained an implied consent to use the plans and drawings by relying on the architect's conduct in asserting copyright in the drawings and giving notice that no licence would be forthcoming prior to the sale of the land and the terms of cl 7 of the contract of sale.

86 Despite the architect's conduct prior to the sale, the implied licence in favour of the owners of the land to use architectural plans and drawings for the purpose for which they were commissioned also gives rise to an implied consent in favour of their successors in title, the purchaser, Concrete. This implied consent does not arise out of any contract between the purchaser and the architect, but is implied from the nature of the original arrangement between the owners and the architect. The owners requested and obtained the architectural plans and drawings for the purpose of obtaining a development consent which ran with the land for a period of five years and which would permit the building of units, for sale, substantially in accordance with that development consent. An earlier sale than was originally contemplated does not extinguish that implied consent.

87 Once the parties had fallen into dispute, the architect, Mr Fares, exhibited two differing and mutually inconsistent attitudes to the prospect of the sale of the land. For example, by letter of 18 November 2002, Mr Fares wrote to Toyama's solicitors on behalf of Parramatta Design and said of Toyama:

"We have not been engaged or instructed by [Toyama] to do anything. We have not accepted any instructions from your clients to perform any architectural service ...

All work conducted by us has been done purely as part and parcel of the agreement between [Landmark] and [Toyama] for Landmark to develop [the site] ...

[T]he documents [ie the architectural plans] came into existence purely to facilitate the development of the [site] by [Landmark]."

88 Then on 20 February 2003 the architect's solicitor, Mr Barrak, wrote on behalf of Parramatta Design to the trustees' solicitors as follows:

"... [Parramatta Design] was not engaged to design the development for payment and [Parramatta Design] has not been paid any moneys whatsoever for its substantial work on the approved [Development Approval]. We stress that [Parramatta Design] has not even issued an invoice for its work and does not seek payment for the plans ...

Furthermore, [Parramatta Design's] preparation of the plans is conditional on [Parramatta Design] building the project ...

The Development Approval does not run with the land in this instance due to established law."

89 On 14 April 2003, Mark Rahme & Associates, solicitors, wrote to the solicitors for the trustees on behalf of Parramatta Design stating:

"We again repeat that in accordance with the agreement of [Landmark and Toyama] the [development approval] plans were drafted by [Parramatta Design] to enable the two-third owner of the property, [Landmark] which shares common directors and shareholders with [Parramatta Design] to develop the land. There is no issue whatsoever of fees being payable to our client for the sole purpose of drafting the [development approval] plans. This is the reason why [Parramatta Design] has not sent any invoice to [Landmark and Toyama] for over 2 years for [Parramatta Design's] substantial work in preparing the [development approval] plans."

90 By way of contrast, on 21 May 2003, Mr Barrak wrote on behalf of Landmark to the trustees' solicitors to the effect that Landmark wanted "the Trustee to comply with the Orders of the Supreme Court dated 12 December 2002 by exercising its Powers of Sale" and demanded that "the Trustees proceed to sell the property forthwith".

91 As already noted, on 22 May 2003 Landmark's counsel was present when Young CJ in Equity advised that the property could be sold by reference to the development consent, albeit without giving any warranty as to the ability to use the plans and drawings.

92 It has been necessary to consider this evidence in some detail because Mr Fares, the architect, had inconsistent attitudes to the proposed sale depending on whether he was acting as director and shareholder of Parramatta Design, or

acting as a director and shareholder of Landmark, the owner and seller of a two-thirds share in the land, which had the benefit of the development consent.

93 In his capacity as a principal of Parramatta Design, he resisted the idea that the development consent ran with the land.

94 At the time of the proposed sale of the land, Toyama indicated to Young CJ in Equity that it had no objection to Concrete using the plans and drawings in the development consent for the purposes of building in accordance with the development consent during the currency of the development consent, whereas Landmark declined to give any such indication or undertaking. However, Landmark indicated its consent to the land being sold on the basis that the development consent had been obtained. This, coupled with the fact that this particular development consent ran with the land for five years is a sufficient circumstance from which to imply that Landmark, as one of the owners, held out to Concrete, as purchaser from trustees, that the plans and drawings used to obtain the development consent could be used by the purchaser for the purposes of building in accordance with the development consent during its currency. This is the case notwithstanding the fact that a dispute existed and no warranty could be given.

95 It has already been explained that this is not a case of a bare licence. However, in any event, in the absence of any reservation of copyright in the plans and drawings, or any withdrawal of the development application by Parramatta Design prior to its determination, once the development consent has been granted the implied licence or consent to the owners must be irrevocable, because one of the purposes for which the plans and drawings were prepared has then been achieved. Further, an owner who sells (or does not oppose the sale of) the land, with the benefit of the development consent, must be taken to be passing on the benefit of the implied consent it holds to the purchaser, such conduct being within the ambit of the implied consent which the owners originally received from the architect as explained above.

96 It is not necessary that the owners deliver the plans and drawings to the purchaser, as occurred in *Beck v Montana*¹¹⁰ and *Blair v Osborne & Tomkins*¹¹¹. Further, the consent is not vitiated by the owners giving notice of a dispute about whether a consent subsists, or insisting that no warranty can be given in respect of the availability of the plans and drawings for use, as reflected in cl 7 of the contract of sale. Those circumstances merely make it more difficult to imply the consent. They do not preclude its implication which flows from a consideration

110 [1964-5] NSW 229.

111 [1971] 2 QB 78.

of all the circumstances, including the circumstance that the development consent runs with the land for five years and can be presumed to add value to the land.

97 In our view, the conduct of the architect, as principal of Parramatta Design (or as a principal of Landmark), in insisting that the sale take place on the basis that no warranty be given in relation to the availability of the drawings for the use of the purchaser, reflected in cl 7 of the contract of sale, does not affect the foregoing conclusion. This is because Parramatta Design's ownership of copyright in the drawings, which it was perfectly entitled to assert, only operates subject to any consent to use, reproduce or publish any copyright drawings which had already been granted, expressly or impliedly.

98 Although those reasons do not reflect all that was said by the primary judge on the issue of the implied licence, his ultimate finding in that respect was correct and should not have been disturbed by the Full Court.

99 There is a further point. It sometimes happens that more than one legal basis for a conclusion is available. Landmark's conduct in agreeing to the sale of the land, with the benefit of the development consent, precludes the architect from seeking to derogate from the grant of an implied licence to the purchaser by assertion of Parramatta Design's copyright in the drawings, that is the architect "having given a thing with one hand is not to take away the means of enjoying it with the other"¹¹².

100 That principle, derived from the law of conveyancing, had particular application where a grant was made for a special purpose¹¹³. The principle has been followed on many occasions and extended to contexts outside conveyancing¹¹⁴. Here the grant of the implied licence originally was to enable the owners to build substantially in accordance with the drawings in the development consent, which is precisely what Concrete wishes to do. Leaving aside entirely the question of how much a development consent adds value to the sale price of the land, there is a clear benefit to a seller in holding a development consent. There can be no doubt that a sale of land by owners, with the benefit of a development consent which runs with the land, carries the possibility that a purchaser may wish to exploit the development consent that it obtains with the

112 *Birmingham, Dudley and District Banking Company v Ross* (1888) 38 Ch D 295 at 313 per Bowen LJ.

113 *Browne v Flower* [1911] 1 Ch 219 at 225-226 per Parker J.

114 *British Leyland Motor Corporation Ltd v Armstrong Patents Co Ltd* [1986] AC 577 at 641 per Lord Templeman.

land, rather than pursue the option, and associated costs, of applying for a fresh development consent.

101 The architect here acting for Parramatta Design was the grantor of an implied licence in respect of copyright. Given that an implied licence or an application, by extension, of the principle of non-derogation from grant are alternatives in that context¹¹⁵, the finding that an implied licence exists here in favour of the purchaser makes it unnecessary to rely also on the principle of non-derogation from grant.

102 However, the architect here, as a principal of Landmark, was also a grantor in respect of a discrete interest: the two-thirds interest in the land, sold with the benefit of the development consent. In respect of that grant it might have been submitted, although it was not, that he should not be entitled to derogate from it by resort to his ownership of copyright in the plans and drawings in the development consent. However, as it is not necessary to decide the point, it can be left to another occasion. The result of this analysis is that the Full Court erred in disturbing the orders of the primary judge in favour of Concrete. Subject to what follows, that conclusion requires that the appeal be allowed and the judgment for Concrete restored.

The bias issue

103 Before considering the application for disqualification it should be noted that there was an inherent tension in the position of Mr Fares arising out of his dual roles as architect, through Parramatta Design and as a tenant-in-common as to a two-third share of the land, through Landmark.

104 The respondents' application for the disqualification of the primary judge was based on certain comments which he made during the opening stages of the trial and during the cross-examination of Mr Barrak. It was conceded responsibly by senior counsel appearing on the appeal that the comments made by the primary judge during the opening stages of the trial would not be sufficient without more to give rise to any apprehension of bias. The transcript indicates that his Honour thought there was "something enigmatic" about the claims made by Parramatta Design and Mr Fares.

105 In further exchanges between his Honour and counsel, the primary judge sought to crystallise the issue as one where the second respondent, Mr Fares, the architect, denied that Concrete had a licence to use the drawings even though

115 *British Leyland Motor Corporation Ltd v Armstrong Patents Co Ltd* [1986] AC 577 at 639-644 per Lord Templeman.

Concrete had purchased the site on the basis that the site was subject to a particular development consent. The primary judge's comments were understandable and clearly part of dialogue between bench and bar aimed at clarifying the issues in the case. If the primary judge had formed a preliminary view that there was a tension between these aspects of the architect's evidence and case and did not express that view for comment and persuasion, Mr Fares might have had a legitimate complaint of a different kind.

106 During the course of Mr Barrak's cross-examination, the primary judge commented on the paucity of Parramatta Design's documentary records and indicated that he thought that was unusual. His Honour stated that he thought it was fair that he should indicate this concern to both parties. He then said:

"It may well be that I've misunderstood something or I haven't got an appreciation of the whole of the evidence, so I'll certainly keep an open mind ..."

107 The documents in question were put forward to evidence various expenditures made by Parramatta Design in preparing drawings for the eight unit development, including expenditures in relation to external draftspersons. Bearing in mind that contracts of service can be critical in determining questions of the ownership of any copyright in drawings¹¹⁶, of somebody who is not the author of those drawings, his Honour's concerns could hardly be considered unusual, even though the evidence was being led as part of the respondents' case that the payment of \$27,000 made to Parramatta Design was for disbursements only, including payments to external draftspersons in respect of the eight unit development. His Honour made it clear he was keeping an open mind despite his indication of concerns.

108 The respondents submitted that certain parts of the primary judge's reasons for judgment¹¹⁷ confirmed the apprehension of bias, noting that certain paragraphs were of particular concern to the Full Court¹¹⁸, which upheld the respondents' claims on this aspect of the case, about which more will be said later. Paragraph [21] contains a recitation of the facts. Paragraph [37] uses the epithet "commercially enigmatic" of a letter from Barrak Lawyers in which Parramatta Design claimed copyright in the relevant drawings. It was contended by the respondents' senior counsel in oral argument that this had to be read in the

116 See ss 35(2) and 35(6) of the Act.

117 [2004] FCA 1312.

118 [2004] FCA 1312 at [21], [37], [40], [52], [247] and [303].

light of the abovementioned exchange with Mr Barrak and it was submitted that this was the clearest passage confirming an apprehension of bias.

109 The record makes it clear that the word "enigmatic" was not used in paragraph [37] in the same way as it was used in exchanges with counsel in the opening stages, and there is nothing in the exchanges with Mr Barrak which renders the usage a matter for criticism. Paragraph [40] describes events leading up to institution of the proceedings. Paragraph [52] contains a description of the stance taken by each of the parties prior to the litigation. Paragraph [247] describes the evidence which confirms the respondents' assertion that Parramatta Design had incurred expenses in respect of the drawings for the eight unit development. Paragraph [303] repeats his Honour's view that there was something "enigmatic" about the respondents' copyright claims given that the owners of the land, Landmark and Toyama, had made such a substantial capital profit from their Nelson Bay venture in such a relatively short period of time.

The applicable principles

110 The appeal involves the application of well-established principles, which were not in dispute and were both reiterated and explained in *Ebner v Official Trustee in Bankruptcy*¹¹⁹ in the joint reasons of Gleeson CJ, McHugh, Gummow and Hayne JJ:

"Where, in the absence of any suggestion of actual bias, a question arises as to the independence or impartiality of a judge ..., a judge is disqualified if a fair-minded lay observer might reasonably apprehend that the judge might not bring an impartial mind to the resolution of the question the judge is required to decide. That principle gives effect to the requirement that justice should both be done and be seen to be done, a requirement which reflects the fundamental importance of the principle that the tribunal be independent and impartial. It is convenient to refer to it as the apprehension of bias principle ...

The apprehension of bias principle admits of the possibility of human frailty. Its application is as diverse as human frailty. Its application requires two steps. First, it requires the identification of what it is said might lead a judge ... to decide a case other than on its legal and factual merits. The second step is no less important. There must be an

119 (2000) 205 CLR 337 at 344-345 [6]-[8], footnotes omitted; see also *Smits v Roach* (2006) 80 ALJR 1309 at 1321-1322 [53] per Gleeson CJ, Heydon and Crennan JJ, 1322 [56] per Gummow and Hayne JJ, 1333-1334 [114]-[117] per Kirby J; 228 ALR 262 at 278, 278, 293-294.

articulation of the logical connection between the matter and the feared deviation from the course of deciding the case on its merits."

- 111 In assessing the logical connection between a matter complained of and any deviation from deciding a case on the merits, (the "second step" in *Ebner v Official Trustee in Bankruptcy*¹²⁰) it is important to bear in mind the characteristics of modern litigation as recognised by Gleeson CJ, Gaudron, McHugh, Gummow and Hayne JJ in *Johnson v Johnson*¹²¹:

"Whilst the fictional observer, by reference to whom the test is formulated, is not to be assumed to have a detailed knowledge of the law, or of the character or ability of a particular judge, the reasonableness of any suggested apprehension of bias is to be considered in the context of ordinary judicial practice. The rules and conventions governing such practice are not frozen in time. They develop to take account of the exigencies of modern litigation. At the trial level, modern judges, responding to a need for more active case management, intervene in the conduct of cases to an extent that may surprise a person who came to court expecting a judge to remain, until the moment of pronouncement of judgment, as inscrutable as the Sphinx. In *Vakauta v Kelly*, Brennan, Deane and Gaudron JJ, referring both to trial and appellate proceedings, spoke of 'the dialogue between Bench and Bar which is so helpful in the identification of real issues and real problems in a particular case'. Judges, at trial or appellate level, who, in exchanges with counsel, express tentative views which reflect a certain tendency of mind, are not on that account alone to be taken to indicate prejudgment. Judges are not expected to wait until the end of a case before they start thinking about the issues, or to sit mute while evidence is advanced and arguments are presented. On the contrary, they will often form tentative opinions on matters in issue, and counsel are usually assisted by hearing those opinions, and being given an opportunity to deal with them."

- 112 Sometimes judicial interventions and observations can exceed what is a proper and reasonable expression of tentative views. Whether that has happened is a matter of judgment taking into account all of the circumstances of the case¹²². However, one thing that is clear is that the expression of tentative views during

120 (2000) 205 CLR 337 at 345 [8] per Gleeson CJ, McHugh, Gummow and Hayne JJ.

121 (2000) 201 CLR 488 at 493 [13], footnotes omitted.

122 *Antoun v The Queen* (2006) 80 ALJR 497 at 502 [22] per Gleeson CJ, 503-504 [27]-[30] per Kirby J, 508-509 [56]-[57] per Hayne J, 517 [81] per Callinan J; 224 ALR 51 at 57, 58-59, 65, 76.

the course of argument as to matters on which the parties are permitted to make full submissions does not manifest partiality or bias¹²³.

Application to this case

113 All the comments made by the primary judge about which complaint has been made have to be considered in the context of the most striking feature of the facts of this case. The architect who claimed copyright in the drawings and purported to deny any implied consent to Concrete, the purchaser of the land with the benefit of a development consent, was also a principal of Landmark, the tenant-in-common as to a two-thirds share of the land, and had agreed to the sale of the land with the benefit of the development consent.

114 The inherent tension in the architect's dual roles led to the architect adopting inconsistent positions in respect of the facts which his Honour was attempting to understand. Those inconsistent positions are illustrated by the evidence extracted above of the architect's conduct prior to the sale. When what was said by his Honour is seen in that proper context, and given the necessity for a contemporary trial judge to identify the issues and "to understand the evidence"¹²⁴, and also given his Honour's assurances of keeping an open mind, there is nothing in his Honour's remarks taken individually, or considered cumulatively, which was capable of giving rise to a reasonable apprehension of bias. While correctly identifying the test to be applied, the Full Court, in assessing what the primary judge said in argument and in his later reasons, erred in failing to analyse, and give due weight to, the tension in the architect's dual roles and the inconsistent positions the architect adopted to the facts, at different stages of the dispute.

115 The respondents' submissions on this aspect of the case must fail. The Full Court's finding should be set aside.

116 Before leaving this topic it is necessary to say something more about the way in which the respondents pursued the complaint that the trial had miscarried by reason of an apprehension of bias in the primary judge. In the Full Court, the respondents sought no relief in their Notice of Appeal in respect of the allegations of apprehension of bias but made application orally in the hearing to the effect that even if all other grounds of appeal failed the orders made by the

¹²³ *Bienstein v Bienstein* (2003) 195 ALR 225 at 232 [34] per McHugh, Kirby and Callinan JJ.

¹²⁴ *Almeida v Opportunity Equity Partners Ltd* [2006] UKPC 44 at [103] per Lord Walker of Gestingthorpe (delivering the opinion of the Judicial Committee).

primary judge should be set aside and a new trial ordered. In this Court the respondents again sought to rely on those allegations in the alternative. If their other submissions failed, they sought leave after the hearing to file a cross-appeal seeking an order that the matter be remitted back to the Federal Court for a retrial of the substantive action by a court free of apprehended bias. That application for leave was opposed.

117 Allegations of this nature are serious. If made, the party making them is obliged to seek relief reflecting their seriousness. We agree generally with Callinan J's observations about the procedure followed in this case. An intermediate appellate court dealing with allegations of apprehended bias, coupled with other discrete grounds of appeal must deal with the issue of bias first. It must do this because, logically, it comes first. Actual or apprehended bias strike at the validity and acceptability of the trial and its outcome. It is for that reason that such questions should be dealt with before other, substantive, issues are decided. It should put the party making such an allegation to an election on the basis that if the allegation of apprehended bias is made out, a retrial will be ordered irrespective of possible findings on other issues. Even if a judge is found to be correct, this does not assuage the impression that there was an apprehension of bias¹²⁵. Furthermore, if, as here, an intermediate appellate court finds the allegation made out, but grants no relief because it otherwise finds in favour of the party making the allegation, a defect in the administration of justice has been found to have occurred which, in the absence of any successful appeal on the point, will remain unremedied. Inevitably, this adversely affects public confidence in the administration of justice. The respondents' application for leave to file a cross-appeal should be granted. However, the cross-appeal, addressed to the bias issue, should be dismissed.

Conclusion and orders

118 The appeal should be allowed. We agree with the orders proposed by Callinan J and would also dismiss the cross-appeal with costs.

¹²⁵ *Antoun v The Queen* (2006) 80 ALJR 497 at 499 [2] per Gleeson CJ; 224 ALR 51 at 52.

119 HAYNE J. I agree that the appeal should be allowed with costs, the
cross-appeal dismissed with costs, and consequential orders made in the terms
proposed by Gummow ACJ.

120 I agree that the complaint of apprehended bias on the part of the primary
judge was not made out.

121 The copyright issues are to be resolved by the application of the relevant
provisions of the *Copyright Act* 1968 (Cth), in particular s 15. In deciding
whether the use by Concrete Pty Limited of the architectural plans and drawings
was authorised by a licence binding Parramatta Design & Developments Pty
Limited, as the owner of the copyright, it is essential to examine the particular
contractual arrangements between Parramatta, Landmark Building Developments
Pty Ltd, and Toyama Pty Ltd, to develop the site to which the plans and drawings
related. The questions that arise are not to be resolved by attempting to
characterise the arrangements as being between an architect and a client. (And
even if that characterisation were possible, I would reserve for further
consideration what, if anything, is to be said to follow from the existence of a
relationship of that kind.)

122 The arrangements between Parramatta, Landmark and Toyama were
directed to completing the development, and turning the completed development
to the profit of the participants in the venture. As the reasons of Callinan J show,
the terms expressly agreed between participants were framed with those
objectives in mind, and no express arrangements were made about what would
happen if the objectives were not, or could not be, achieved.

123 Although there was no single written document which recorded terms
agreed between Parramatta, Landmark and Toyama, it would be wrong to treat
the rights and obligations of one company wholly controlled by Mr Fares
(Parramatta) as being wholly distinct and separate from the arrangements made
by another of his companies (Landmark) with Toyama. Rather, as the reasons of
the other members of the Court demonstrate, all three companies joined in the
common business enterprise. Parramatta's revision of the plans and drawings,
without additional fee, in order to enlarge the development, is explicable only on
the basis that Parramatta prepared the amended plans as a participant in that
common enterprise for the ultimate advantage of its principal (Mr Fares).

124 Once it is recognised that all three companies – Parramatta, Landmark and
Toyama – joined in a common business enterprise, it must also be recognised
that the relationship between those participants was one of mutual trust and
confidence. It matters not whether the participants could properly be described
as partners, or whether it is only the necessarily less precise expression "joint

venture"¹²⁶ that can be applied to their relationship. The critical consideration is that the relationship was one of mutual trust and confidence¹²⁷. The obligations of each of the participants, when the relations between them broke down, extended not only to realising, to the advantage of each of the participants, all of the assets that had been committed to the venture, but also to not impeding that realisation whether by pursuing the individual interests of one participant in conflict with the interests of others, or in some other way. As Gummow ACJ points out, for Parramatta to deny consent to the use by Concrete of the plans and drawings would be to pursue its interests in conflict with the interests of other participants. Section 15 of the *Copyright Act* was thus engaged.

126 *United Dominions Corporation Ltd v Brian Pty Ltd* (1985) 157 CLR 1 at 10-11.

127 *Birtchnell v Equity Trustees, Executors and Agency Co Ltd* (1929) 42 CLR 384 at 407-408; McPherson, "Joint Ventures", in Finn (ed), *Equity and Commercial Relationships*, (1987) 19 at 26-30.

125 CALLINAN J. This appeal raises issues of copyright, implied licence, contract, and apprehended bias in respect of a trial judge's conduct of a trial and his reasons for decision.

The facts

126 On 2 October 1998, Landmark Building Developments Pty Limited ("Landmark") and Toyama Pty Limited ("Toyama") bought land at Nelson Bay in New South Wales for \$560,000 upon which they intended to construct and sell home units. The land was bought in furtherance of an oral joint venture agreement. Landmark held an interest of two thirds and Toyama of one third in the land. Landmark held its interest on behalf of Mr Fares, an architect, and Mr Benjamin Barrak, a solicitor, while Toyama held its one-third interest for Ms Jeanette Haviland, also a solicitor, and Mr Kevin Rix. All dealings on behalf of, and between the joint venturers were conducted by the natural persons for whose ultimate benefit the land was bought and was to be developed and sold. Mr Fares at all material times also spoke for and on behalf of the first respondent, Parramatta Design & Developments Pty Ltd ("Parramatta").

127 The joint venturers contracted with Mr Fares and as the principal of Parramatta, an architectural company which also held a builder's licence, to prepare such architectural plans as might be necessary to obtain development approval from the relevant planning authority, the Port Stephens Council ("the Council"). The development first contemplated was of eight home units. The parties expressly agreed that the fees for the plans should be \$27,000. Payment of that sum was made, and development approval granted by the Council in September 1999.

128 In the meantime, the owner of an adjoining parcel of land made an application to build 16 home units on it. That application, despite the joint venturers' objection to it, was successful. Their neighbour's successful application prompted Mr Fares to propose to the other joint venturers that they now seek development approval for a more intense development, of 14 home units.

129 Toyama had initially been opposed to the larger development. According to Ms Haviland, Toyama relented however when it was agreed that Mr Fares' fees be confined to the sum of \$27,000 already paid. The enlarged proposal was the subject of a conference on the telephone between Ms Haviland, Mr Barrak and Mr Fares on 8 October 1999:

"MR BARRAK: We've found out that those idiots next door have sneaked through an approval for 16 units. We will have to get together to talk about it. We should reapply for more.

MS HAVILAND: Kevin and I just want to go with what we have; we have already invested a lot of money and time and we don't want to start all over again.

MR FARES: Yes, but we can get 14 units. 14's better than 8. I don't want any more money for doing the plans, but we will all just have to pay for fresh engineering plans and so on.

MS HAVILAND: Well if you are satisfied to accept the \$27,000.00 you have already been paid and all we [Toyama] have to pay is our share of the fresh engineering plans etc I suppose we should try for 14 units."

130 Fresh plans for a building to contain 14 home units were drawn and lodged for approval with the Council on 20 January 2000. Development consent for this proposal was granted on 10 May 2000.

131 Relations between the joint venturers began to deteriorate in July 2000. On 12 December 2002, trustees for sale of the land were appointed by the Supreme Court of New South Wales under s 66G of the *Conveyancing Act 1919* (NSW).

132 The approval of a building to contain 14 home units came to have particular but temporary utility, because, unless substantial development of the land was undertaken by May 2005, development of it would again probably be restricted to a building of eight units only. That this was so was apparently known to the appellant before it bought the land.

133 On 7 August 2003, the appellant purchased the land for \$2,760,000. The contract of sale contained these terms:

"7.2 The vendors are unable to provide copies of the plans and designs which accompanied the First and Second Development Consents.

7.3 The vendors disclose that a dispute exists in relation to the right to use the plans and designs which accompanied the Development Applications, including as to the existence of any licence to make use of the copyright in those plans and designs. The vendors further disclose that legal action has been foreshadowed in respect of any future use of those plans and designs.

7.4 The vendors give no warranty as to the availability or the right to use the plans and designs which accompanied the First and Second Development Consents."

134 These terms were included because the trustees for sale had sought and obtained the advice of the Supreme Court (Young CJ in Eq), pursuant to s 63(1)

of the *Trustee Act* 1925 (NSW). The advice, given on 22 May 2003¹²⁸, was as follows:

"On the motion by the trustee, I advise the trustee by order under s 63 of the *Trustee Act* that they would be justified in selling the property, 5 Laman Street, Nelsons Bay, as expeditiously as circumstances allow, on the basis that the contract of sale would disclose the existence of the development approval issued by the local council but specifically giving no warranty as to the availability of or ability to use the plans in relation to that development approval."

135 Following the sale of the land to the appellant, the respondents asserted copyright in the plans for the development of 14 home units, after refusing the appellant's request for permission to use them for, according to the Full Court of the Federal Court, a reasonable sum which it also described as a "modest sum"¹²⁹. There was no question, nor could there be, as Kirby and Crennan JJ point out, that an architect, subject of course to agreement otherwise, owns the copyright in plans and drawings made by him or her. The evidence, including some of the expert architectural evidence here, did not disclose the extent to which, or even whether, the drafter of the plans for the larger development would have derived any advantage, or saving in time and expense, by reason of having already prepared plans for a development of eight units on the land.

136 The appellant began proceedings in the Federal Court of Australia, under s 202 of the *Copyright Act* 1968 (Cth), seeking a declaration that the assertion of copyright was unjustified, and consequential relief. Section 202(1) of the *Copyright Act* is as follows:

"Where a person, by means of circulars, advertisements or otherwise, threatens a person with an action or proceeding in respect of an infringement of copyright, then, whether the person making the threats is or is not the owner of the copyright or an exclusive licensee, a person aggrieved may bring an action against the first-mentioned person and may obtain a declaration to the effect that the threats are unjustifiable, and an injunction against the continuance of the threats, and may recover such damages (if any) as he or she has sustained, unless the first-mentioned person satisfies the court that the acts in respect of which the action or

128 Reproduced in the judgment of Conti J: *Concrete Pty Ltd v Parramatta Design and Developments Pty Ltd* [2004] FCA 1312 at [20].

129 *Parramatta Design & Developments Pty Ltd v Concrete Pty Ltd* (2005) 144 FCR 264 at 267 [6].

proceeding was threatened constituted, or, if done, would constitute, an infringement of copyright."

137 Parramatta cross-claimed to allege infringement of copyright in the plans for the development of 14 apartments. Another issue which occupied much of the time of the hearing was the respondents' entitlement, if any, to design and build the proposed building for a payment to be calculated by reference to its cost. The other issues which were litigated appear from the orders which the Federal Court (Conti J) made.

138 The trial judge made the declaration sought and other orders in these terms¹³⁰:

"THE COURT DECLARES THAT:

1. The respondents' threats, or either of them (as contained in the letters dated 9 September and 1 October 2003 from Barrak Lawyers and further defined in the Statement of Claim), are unjustifiable within the meaning of s 202 of the *Copyright Act 1968* (Cth).

THE COURT ORDERS THAT:

2. Each of the respondents by itself, himself and its or his servants or agents be restrained from making any further threat in the form substantially of the respondents' threats.
3. There be an enquiry into the quantum of damages sustained by the applicant by reason of the respondents' threats.
4. The amended cross-claim of the cross-claimant be dismissed.
5. The costs of the proceedings to date be reserved pending:
 - (i) the receipt of written submissions of the applicant/cross-respondent on the issue of costs, and against whom such orders should be made, within three working days; and
 - (ii) the receipt of written submissions of the respondents/cross-claimant in reply, on the issue of costs, and against whom such orders should be made, within three working days thereafter.

130 *Concrete Pty Ltd v Parramatta Design and Developments Pty Ltd* [2004] FCA 1312.

6. Liberty to apply as to the making of orders as to costs, including as to default in complying with directions as to costs."

139 The declaration and orders were unanimously overturned by the Full Court of the Federal Court (Branson, Kiefel and Finkelstein JJ)¹³¹. The Full Court held, in addition to its finding that there was no implied licence, that the trial before the Federal Court had miscarried in any event, on the ground of apprehended bias on the part of his Honour¹³².

The trial

140 It is necessary therefore to refer to the course of the trial. Before any oral evidence was given, but no doubt after the trial judge had read the affidavits and other evidence filed by the parties, his Honour raised some matters with the respondents' counsel:

"HIS HONOUR: Doubtless the purchase price which Mr Rayment's client paid for this land was geared or related to the development consent that had been granted and the development consent related to certain plans. ...

Does anything arise in the present context and the issues which have evolved between the parties as to the significance of – or apparent significance – of a relationship between certain of the corporators of Parramatta Design and Developments and the corporators of the – or one, at least one of the joint venture companies which was a registered proprietor at the time there was a sale of the land with the trustees for sale? Does anything turn on that?

MR MURR: I'm sorry. I would have to ask your Honour to be more specific.

HIS HONOUR: Well, as I understand it, Mr Fares was a corporator, involved as one of the corporators of Parramatta Design. ...

The exact nature of his corporate interest, of course, is not before me but does anything turn on the circumstance that, as it were, he was a vendor – well, not a vendor. In the end he wasn't a vendor

131 *Parramatta Design & Developments Pty Ltd v Concrete Pty Ltd* (2005) 144 FCR 264.

132 *Parramatta Design & Developments Pty Ltd v Concrete Pty Ltd* (2005) 144 FCR 264 at 277 [41].

45.

but he was one of the, as it were, he shared in the beneficial proceeds. He was a beneficial owner of the proceeds of the sale by the trustees for sale, being a sale which implicitly involved the quantification of the purchase price by reference to the value of the land and the value of the land in turn was geared to any existing consent. Does anything turn on that? ...

Except that there is just this overriding troublesome element in the complex circumstances in this case, that is that the copyrighter has profited from the sale of the land by virtue of the fact that he prepared plans which were used to obtain a development consent and presumably the purchase price was geared to the existence of that development consent, it would be amazing if it was not. It would be an inference one would normally draw unless there was some strong evidence to the contrary, so that there is a – I am not saying that it falls with the equitable doctrine of clean hands but there is something of considerable concern as having profited indirectly by the sale of the land, the copyrighter then says: 'well, I've got the money in my pocket now. Bad luck, he can't use those plans.' Now is that a distorted way of looking at the facts of the case? ...

These parties were in the nature – pardon me to interrupt for just a moment, but these parties were in the nature of joint ventures were they – the predecessors in title – one was making the contribution of design, etcetera, etcetera and one was probably making some other form of contribution, I don't know, but there was a joint venture was there in place? ...

All right, that has given me a useful background, thank you. I think that, probably the best course for Mr Rayment, is if I read, continue the process of Mr Murr reading his affidavits and I presume there will be some cross-examination of the opponents. Yes."

141 The trial judge made these interventions during the cross-examination of
Mr Barrak:

"HIS HONOUR: You can't, as it were, boot strap a case by virtue of informal entries in unaudited pieces of paper and endeavour to show that somehow or other you are entitled to cause this applicant, Concrete Pty Limited, who has bought in good faith from trustees for sale, cause it to be frustrated for its utility of land which it has purchased and the proceeds of which were received by Landmark and Toyama and you are doing this on pieces of paper.

MR BARRAK: Your Honour has raised quite important points.

HIS HONOUR: They are obvious, aren't they?

MR BARRAK: They are very significant points, your Honour, and if I may state that this record is simply my record.

HIS HONOUR: Well, yes, but you were the solicitor on the record until about two weeks or a week ago and you were involved in the preparation of the affidavits, I would have thought having been in the profession for 40 years it was axiomatic to your case to have exhibited to your affidavits the statutory records at least plus the full cheque butts to demonstrate the authenticity of the financial circumstances of this company Parramatta Design and Developments Pty Limited. I mean the records are virtually, so far as they have been put before me, non-existent. I can't draw any inferences.

MR BARRAK: I'm not the accountant for Parramatta Design and Developments. This is simply my record that I give to the accountant to prepare the taxation return. To say that the records don't exist is, with all due respect, your Honour –

HIS HONOUR: They are not in evidence. I don't know whether they exist or not but for some reason you have chosen, in the time you were a solicitor on the record, not to adduce that material into evidence. I just think I should tell you what is in my mind, because at the moment I find the whole of this evidence that's been put on on behalf of the respondents as extraordinary –

MR BARRAK: Your Honour –

HIS HONOUR: – and I've been in commercial law all my life. I haven't seen anything like it in 30 or 40 years' practice.

MR BARRAK: Your Honour, this payment that you refer to relates to plans which are not the subject of these proceedings.

HIS HONOUR: I'm talking about records at the moment.

MR BARRAK: But this is why it's not included in documents which I've drafted when I was a solicitor on the record. These proceedings relate to a development of 14 units. This payment has no relevance to the 14 units. This is why it's not –

HIS HONOUR: I've heard that particular evidence and I think I should say no more and I'll leave it to Mr Rayment and Mr Murr to continue, but I think it's only fairness to both parties I should tell you what is in my mind. It may well be that I've misunderstood

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something or I haven't yet got an appreciation of the whole of the evidence, so I'll certainly keep an open mind but I just think you should know I've got very great concern about the circumstances on the basis of the material that I've thus far read, that this party who stands beyond the dispute, this syndicate dispute between Landmark etcetera on the one hand, or your company and/or Mr Fares' company on the one hand and Ms Haviland and Mr Rix's company on the other. I just don't understand how legitimately, leaving aside questions of morality and ethics, I just don't understand how legitimately Concrete Pty Ltd has been drawn into this dispute which is basically a dispute between joint venturers, or that's certainly its genesis.

MR RAYMENT^[133]: I just wanted to –

HIS HONOUR: Anyway, I think I should tell you what is in my mind because, as I say, I'm keeping an open mind because I've got, if I may say so, a lot of time for the advocacy of your counsel, as well as counsel of course for Concrete Pty Ltd, and I don't want anyone to think that I've foreclosed in any way my decision, but I've been sitting here for two days and struggling with trying to perceive or identify some kind of ordinary, business management involved in the financial affairs of Parramatta Design & Developments Pty Ltd, Landmark Building Developments Pty Ltd, those two companies. I'm struggling to find that there's any authentic, documentary material, which is at the heart of corporate governance.

MR BARRAK: Your Honour, I wish to say on the record that as far as Landmark is concerned, that's not to say that the records don't exist. They're simply not – in my submission when I was a solicitor on the record, they're not relevant to these proceedings.

HIS HONOUR: I'm sure Mr Murr will address me on that."

142 There was also this exchange, between the trial judge and counsel for the respondents at the time:

"HIS HONOUR: But I mean, it's as obvious as night follows day, that if you're an owner of property, particularly an owner who's bought it for the purpose of development, and the basis of a development approval that attached to these plans, that you're inherently aggrieved.

133 Counsel for the appellant.

MR DONOVAN: No, no, because we don't know what Concrete proposes to do.

HIS HONOUR: So we've – well, they're either going to – well, at any rate, look, I'll say no more, but you really are – I hope you've got some better submissions than that one."

143 Junior counsel for the respondents took the view that the trial judge was, by the second day of the hearing, manifesting apparent bias. Counsel who led him did not. This may explain why subsequently another senior counsel was briefed to make an application that his Honour disqualify himself.

144 In this Court, the respondents submitted that the remarks that I have quoted formed part of a pattern of apparent bias which came to infect the whole of his Honour's judgment. They pointed to this passage in it¹³⁴:

"It will thus be seen that the amount of \$27,000.00 charged by PDD related to the eight home unit development alone, the approval to which, as I have earlier indicated, was granted by Port Stephens Council in about March 1999. More will be later discussed in these reasons concerning that controversial payment. Incidentally, the PDD income tax return for the fiscal year ended 30 June 1999 disclosed *total income* of \$153,275 and total expenses of \$154,211, thus reflecting a net loss of \$936. Included in the expenses were subscription fees of \$1,025 paid to the Board of Architects, and also 'payments to Associated Person GF', thereby referring to Mr Fares. PDD sustained a similar small deficit for the preceding fiscal year ended 30 June 1998 of \$1,589.57. Those financial results could not be described as reflective of a thriving or substantial architectural practice then being conducted by Mr Fares, for what that might ultimately matter." (original emphasis)

145 Attention was also drawn to this passage¹³⁵:

"I conclude by observing the underlying reasons for this litigation are mystifying. It is somewhat enigmatic that such expensive and protracted litigation could have occurred in circumstances where Landmark and Toyama made such a substantial capital profit from their Nelson Bay venture in such a relatively short period of time, and why the persons respectively standing behind those companies have become locked into expensive litigation in this Court and (shortly) in the Supreme Court, and why Concrete as a third party has become embroiled in such

134 [2004] FCA 1312 at [247].

135 [2004] FCA 1312 at [303].

extraordinary litigation in the first place. Perhaps there is more to the circumstance of this litigation than 'meets the eye', but whatever the case may be, the Court has not been spared the task of a ten day hearing and of subsequent consideration of hundreds of pages of written submissions, and in the case of the respondents PDD and Mr Fares, containing a considerable body of material having no or no sufficient bearing upon the critical issues falling for resolution."

146 In reaching his decision, his Honour reviewed the evidence, the authorities, and the extensive submissions of the parties. He summarized his opinion in this way¹³⁶:

"It reasonably follows that in the present circumstances, where the architect (PDD and/or Mr Fares) has prepared plans and drawings for the purpose of landowners (Landmark and Toyama) obtaining development consent in respect of their jointly owned land, and since that consent runs with the land in accordance with the principles enunciated in those local government authorities, the architect has implicitly licensed any entity (here of course Concrete) who thereafter comes to own that land, that is of course any immediate or ultimate successor in title, during the currency of the development consent, that is until 10 May 2005, to use those plans and drawings for the purpose of implementing the basis, terms and scope of that earlier consent. To hold otherwise would sterilise the land in terms of its usage, in conformity with that development consent, in the hands of successors in title, notwithstanding that the development consent would remain otherwise in force and effect *vis-à-vis* the original grantee of that consent for the requisite statutory or regulatory period of time.

As I have earlier recounted, Concrete submitted, in my opinion correctly, that the requisite term may be implied in the contractual engagement of an architect, in the context for instance presently postulated, in at least three alternative ways:

- (i) as a legal incident of the engagement, whether expressly or by implication (see my earlier review of *Liverpool City Council*^[137], *Codelfa Construction*^[138], *Australis Media Holdings*^[139], *Simonius Visher*^[140] and *Byrne*^[141]);

136 [2004] FCA 1312 at [133]-[136] and [141].

137 *Liverpool City Council v Irwin* [1977] AC 239.

138 *Codelfa Construction Pty Ltd v State Rail Authority of New South Wales* (1982) 149 CLR 337.

- (ii) by reference to the circumstances and terms of a particular contract, and the need for business efficacy in relation thereto, even if there was no identifiable purpose in particular comprised or involved in the use of the copyright material by others (see my earlier citation from *Acohs*^[142]); and
- (iii) in the event of a sale of property by the owner who commissioned the preparation of the architectural plans and drawings for that site, separately from any contractual arrangement previously entered into between the architect and commissioning owner (*Blair*^[143]).

This third alternate way by which an implied licence or permission arises in favour of a purchaser, during the currency of a development consent, would extend the *dictum* in *Blair* and *Acohs* but, in my opinion, would do so in a logical and coherent way. In that regard, I refer to Lord Denning's reference in *Blair*^[144] to '... the people to whom they sold the plot, and by the surveyors and workmen of the purchasers ...', and to Merkel J's reference in *Acohs*^[145] to '... those other persons [subsequent to the person who commissioned the copyright material] to carry out that purpose ... within the licence implied by law ...'. It should be observed moreover, that PDD and/or Mr Fares do not allege, nor could they on Concrete's submissions allege, that they expressly reserved copyright or prohibited the assignment or licensing of copyright in the relevant plans and drawings, whether at the time of their engagement or prior to or at the time plans were submitted to Port Stephens Council. The question of whether an architect is deemed to have impliedly licensed a future owner of land, during the subsistence or continuation in operation of a development consent, despite any express reservation or prohibition, so as to give effect to the operation of the EPA Act and Regulations, does not stand to be determined on the facts prevailing in this litigation. I express

139 *Australis Media Holdings Pty Ltd v Telstra Corporation Ltd* (1998) 43 NSWLR 104.

140 *Simonius Vischer & Co v Holt & Thompson* [1979] 2 NSWLR 322.

141 *Byrne v Australian Airlines Ltd* (1995) 185 CLR 410.

142 *Acohs Pty Ltd v R A Bashford Consulting Pty Ltd* (1997) 144 ALR 528.

143 *Blair v Osborne & Tomkins* [1971] 2 QB 78.

144 [1971] 2 QB 78 at 85.

145 (1997) 144 ALR 528 at 547.

no opinion as to the operation of any such latter proposition, other than that the law of copyright, and licensing in respect thereof, should not be seen to so subsume local government and planning law as to leave a purchaser for full value at arms length in the position of being unable to use the copyright in plans which form part of the operation of a development consent running with the land.

In my opinion Concrete's first proposition is as correctly based in principle as it is meritorious generally, and should be upheld as soundly conceived. It accords with general principles of copyright in all relevant respects, and incidentally, contrary to the submissions of the respondents for reasons which I have found difficult in terms of viability, is not vitiated or weakened by any principle emerging from *Torpey*^[146]. For what it might matter, in this context, any claim for fees by an architect would in principle be recoverable by the architect from the principal or other client who originally retained the architect (see *Ng*^[147] and *Gruzman*^[148]). ...

In those circumstances it inevitably follows, as a matter of mutually implied contractual intention and expectation, equally in the case of each of the co-owners, that the purchaser from the trustees for sale for value would have an implied entitlement of copyright. The circumstance that one of the two co-owners (Landmark) prevailed upon the trustees for sale to withhold from any promise or assurance of copyright in favour of any prospective purchaser is not to my mind to be in point. The special conditions of the Contract for Sale did not of course eschew the existence of copyright, but in summary withheld from making any warranty or undertaking in respect thereof. The terms of an implied licence of copyright falls to be determined by and incorporated into the relationship the subject of the architect's retainer as at the time of the retainer, explicitly and/or implicitly."

147 The other issue of substance, the respondents' claim in respect of the alleged contract to design and construct the building, was also resolved against them¹⁴⁹.

146 *Torpey Vander Have Pty Ltd v Mass Constructions* (2002) 55 IPR 542.

147 *Ng v Clyde Securities* [1976] 1 NSWLR 443.

148 *Gruzman Pty Ltd v Percy Marks Pty Ltd* (1989) 16 IPR 87.

149 [2004] FCA 1312 at [161].

148 In the section of his Honour's judgment rejecting the respondents' claim that the joint venturers had agreed to engage Parramatta to design and construct the apartments, he necessarily made findings respecting the arrangements made between the other joint venturers and Mr Fares. In doing so, he also rejected the evidence given by Mr Fares of the various conversations between him and the other joint venturers concerning the arrangements between them. His Honour, after reviewing the evidence of the conversations, concluded¹⁵⁰:

"In all essentially or important aspects of her evidence, particularly under cross-examination, my perceptions and findings in relation to Ms Haviland were those of a truthful and essentially reliable witness. Whilst she betrayed a measure of emotion at times under cross-examination, being an emotion dominated by intense resentment as well as anguish by reason of her involvement in these proceedings at the request of Concrete, especially in the context of having been subjected at material times to illness and prolonged hospitalisation, I was left in no doubt as to her essential integrity as a witness. I make those findings *albeit* that she is facing the trauma of Supreme Court proceedings pending against her at the instance of Messrs Fares and Barrak or any corporate interests of those person[s]."

149 In his summary of it, his Honour quoted some evidence that had been given by Mr Kevin Rix of statements made to him by Mr Fares¹⁵¹:

"I don't want any more money for the Plans, but we will have to pay for fresh engineers and hydraulic plans. I am sorry we have wasted so much money on the plans and things, but if we get the 14 units, it will be well worth the extra expense."

A little later his Honour said this of Mr Rix¹⁵²:

"I have no hesitation in accepting the thrust and essence of Mr Rix's evidentiary account of both events and themes of conversations in issue. Obviously enough, in the absence of contemporaneous notes and records, it would be impossible for Mr Rix to have recalled the precise words used in the dialogue which he has purported to record. He struck me as a straightforward and intelligent witness with a reasonably reliable recall of events. The conversational material attributed to Mr Rix by

150 [2004] FCA 1312 at [182].

151 [2004] FCA 1312 at [188].

152 [2004] FCA 1312 at [203].

53.

Messrs Fares and Barrak was in at least all important or material respects as fanciful as it was unlikely."

150 His Honour was persuaded that Mr David Rix's evidence also should be preferred to the evidence of the respondents.

151 His Honour should be taken therefore to have accepted that it was Mr Fares on his own behalf and on behalf of Parramatta who initiated the enlarged proposal and that he did so with an assurance that the requisite plans, apart from engineering plans, would be prepared and lodged for the benefit of the joint venturers without any charge to the joint venture.

The Full Court

152 The Full Court overturned the findings of the primary judge of an implied licence. Its reasoning appears from the following paragraphs¹⁵³:

"These are the general principles. Now we must apply those principles here. It was earlier said that we know very little about the terms of the contract between Parramatta Design and the joint venture partners. Perhaps there is little to know. Parramatta Design certainly agreed to prepare the drawings and to do so for no fee. Mr Fares, its director, wanted to keep Toyama in the venture. While its agreement to stay in the venture might be sufficient consideration to support the contract, the agreement could not be characterised as the payment of a full fee for Parramatta Design's services. Moreover, the only reason why Parramatta Design agreed to prepare the drawings for no charge was to keep the joint venture going (a venture in which Mr Fares had a significant, albeit indirect, interest), to obtain planning approval for the 14-unit development, and then to see it constructed by the joint venture partners. It may be accepted that in those circumstances Parramatta Design granted a licence to the joint venture partners themselves to construct a building in accordance with the drawings if planning approval were obtained. But we see no reason to imply a term that this licence could be assigned by the partners to, say, a purchaser of the Nelson Bay site. Why should it be presumed that Parramatta Design would agree to such an assignment bearing in mind that it was not going to be paid for its work? Such a result might prove unfair, unjust and is, in any event, unnecessary. Architects should not be expected to work for free for the benefit of third parties. The position does not change merely because the architect has an interest in the proceeds of sale of the land. Equally, if it be relevant, a sensible purchaser would not expect to be permitted to use an architectural

153 (2005) 144 FCR 264 at 271-273 [20]-[23].

drawing without having made any payment for the privilege either to the architect or to the vendor by way of reimbursement. A later offer to pay a reasonable fee, as was made here, cannot retrospectively alter the contract.

Even if, contrary to our view, an assignable licence to reproduce the drawings was conferred upon the joint venture partners, that licence was not in fact transferred to Concrete. The judge thought otherwise. He said that the trustees for sale appointed under the *Conveyancing Act* stood 'in the shoes' of the co-owners and he accepted a submission from Concrete that 'the relevant factual and regulatory matrix strongly support the notion that the licence [has been] impliedly transferred with the land for the benefit of the purchaser'. With the greatest respect we do not accept this conclusion. There are at least two reasons why the judge's approach is in error. The most obvious is that the so-called 'implied term' is inconsistent with the tenor of cl 7 of the contract of sale. The principles upon which terms will be implied do not admit of an implication which is inconsistent with an express term: *FA Tamplin Steamship Co Ltd v Anglo-Mexican Petroleum Products Co Ltd*¹⁵⁴; *Equitable Life Assurance Society v Hyman*¹⁵⁵. There is in any event a more fundamental problem. Trustees for sale can only dispose of property which has been vested in them. According to the *Conveyancing Act* that property may be real or personal: see s 66G and the definition of 'property' in s 7. In this case the order of the Supreme Court only vested in the trustees the Nelson Bay land. The order could have but did not purport to vest in them any personal property, such as a licence to use the drawings. Therefore to hold that the transfer of the land by implication transferred a licence to use the drawings, if such licence existed, is to ignore the terms of the order.

To this juncture we have only disposed of the alternative basis (the existence of an implied term) upon which the judge decided the case. Our reasons for rejecting the judge's approach come close to disposing of the principal basis for his decision. But it is best that we explain more directly why on that ground the judge also erred. Remember that the judge decided that an architect who prepares drawings for a development approval implicitly gives permission to any person who becomes the owner of the land to which the approval relates to reproduce the drawings so that the subject matter of the drawings (eg a building) may be built. That permission, as it is framed by the judge, is, so it seems, given to the world at large. It is a permission which exists independently of the terms upon which the client engages the architect. It is a permission which, at least as the judge sees it, does not depend upon the consent of the client on

¹⁵⁴ [1916] 2 AC 397 at 422.

¹⁵⁵ [2002] 1 AC 408.

whose instructions the drawings are prepared and who pays the architect for his (or her) services. It is a permission which would significantly detract from the rights of an owner of copyright in an architectural drawing: *Copyright Act*, s 13(2).

It is difficult to know precisely how the judge was able to reach the conclusion that, in the circumstances he described, an architect implicitly licenses any entity who comes to own the land to use the plans. So far as we are able to tell his view seems to be based solely on the premise that the land would otherwise be sterilised 'in terms of its usage, in conformity with the development consent'. That premise is false. Land is not 'sterilised' in terms of usage (whatever that may mean) simply because a purchaser cannot, without the agreement of the architect, use the architect's plans to develop the land. The land will have an exchange value. Subject to local planning requirements it may be used for private, commercial or public purposes. So, provided the purchaser paid a fair price for the land (and whether he did or not is a matter for the purchaser) it suffers no loss by not being able to use the drawings. Looked at more broadly, there is simply no basis upon which to found a licence to use an architect's drawings in favour of a purchaser which has neither paid for those drawings nor altered its position in the belief, induced by the architect, that the drawings would be available for its use. Even if, by some new doctrine, there were such a licence, in the absence of any consideration or preclusion, it would be revokable at will."

153 The Full Court's reasons for upholding the appeal on the ground of apprehended bias appear from these paragraphs¹⁵⁶:

"After anxious consideration we have reluctantly formed the view that the ground of appeal which alleges that the trial miscarried on the ground of apprehended bias succeeds. We stress that it has not been suggested, and we do not find, that his Honour was actually biased. We do not think it necessary to canvass in detail every complaint upon which reliance was made; what is important is the cumulative weight of the material that the appellants rely upon. We record, however, that we have placed particular weight on the substantial intervention made by the judge, during the course of the cross-examination of Mr Barrak, a witness for the appellants, which is recorded between pp 331-335 of Vol 1 of the appellants' Supplementary Appeal Book. We have also placed particular weight on comments made by the judge at pp 153-158 of the appellants' Supplementary Appeal Book and in [21], [37], [40], [52], [247] and [303] of the reasons for judgment.

¹⁵⁶ (2005) 144 FCR 264 at 277 [41] and 278 [46].

...

A fair-minded lay observer who was aware of the observations made by his Honour during the course of the cross-examination of Mr Barrak and then saw them reflected in his Honour's reasons for judgment which were published some time later, might well, in our view, apprehend that his Honour had allowed his views to prejudice his approach to the case advanced by Parramatta Design. He or she might feel that support for that apprehension could be derived from the apparently gratuitous reflection in [247] of the reasons for judgment, at which it is not necessary to set out here, on the level of income apparently being generated by Mr Fares from his architectural practice through Parramatta Design."

(The passages referred to by the Full Court are substantially those that I have quoted in discussing the course of the trial.)

The appeal to this Court

The joint venturers' agreement

154 In seeking to identify and define the terms of the agreement for the joint venture, the Full Court immediately posed for itself the question whether there was, as the trial judge had found, a term implied by law in the relevant contractual relationship that the joint venturers and their successors in title were licensed to use the plans for the development approval of the larger development. Almost all of the ensuing discussion on this topic was of the authorities relevant to the implication of contractual terms "implied", as the Court said, "in fact" and, by contrast, by law. Their Honours then turned their attention to other cases¹⁵⁷ of contracts with architects involving quite different factual situations. As to the actual terms, as opposed to any implied terms, of the contract here, they made this observation¹⁵⁸: "Perhaps there is little to know." Next, they answered the following question in the negative¹⁵⁹:

157 *Meikle v Maufe* [1941] 3 All ER 144; *Beck v Montana Constructions Pty Ltd* [1964-5] NSWLR 229; *Stovin-Bradford v Volpoint Properties Ltd* [1971] Ch 1007; *Blair v Osborne & Tomkins* [1971] 2 QB 78; *NG v Clyde Securities Ltd* [1976] 1 NSWLR 443; *Liverpool City Council v Irwin* [1977] AC 239; *Devefi Pty Ltd v Mateffy Pearl Nagy Pty Ltd* (1993) 113 ALR 225; *Acohs Pty Ltd v RA Bashford Consulting Pty Ltd* (1997) 144 ALR 528.

158 (2005) 144 FCR 264 at 271 [20].

159 (2005) 144 FCR 264 at 271 [20].

"Why should it be presumed that Parramatta Design would agree to such an assignment [to a successor in title, of a licence to use the plans in favour of the joint venturers] bearing in mind that it was not going to be paid for its work?"

155 This approach, of immediately focussing upon the necessity or otherwise of implying a term, distracted the Full Court from an examination of the agreements actually made or varied by the joint venturers from time to time, which had been the subject of explicit findings, based heavily on credibility, by the trial judge, and which I have earlier set out. There were effectively three agreements, or two, and a variation of them: the agreement for the joint venture; the uncontroversial agreement for the architectural and related work between the joint venturers and the respondents for the obtaining of a development approval for eight home units; and the agreement for the preparation of the plans for the obtaining of approval for a development of 14 home units on the land, which might also, perhaps, be characterized as a variation of the joint venture agreement. Those agreements were, as I have already pointed out, made by the natural persons who spoke for the companies concerned. No one has suggested that Mr Fares did not speak for both the joint venturer, which held his interest in the land on his behalf, and indeed necessarily for Parramatta as the principal of it.

156 It is a well settled rule of construction of contracts that each party owes to the other a duty to co-operate in the doing of acts which are necessary to the performance by the parties, or any of them, of the contract¹⁶⁰. A corollary of that rule is that a party will not obstruct the performance of the contract. Not only should such a term be implied in the agreement for the joint venture here, but also regard should be had to the fiduciary relationship existing between joint venturers, giving rise to mutual rights and obligations¹⁶¹. Those matters do not mean that the respondents should, on account of them alone, necessarily forego any entitlement to, or intellectual property that they might possess in, the plans. But, as will appear, they are of considerable relevance to the resolution of the case.

157 There is another term which is discernible from the nature of the primary agreement, the agreement for the joint venture itself. It is that the purpose of the agreement was to maximize the financial return of all parties to it. Again, that does not of itself exclude any entitlement that the respondents might have to charge for, and recover, professional fees properly payable. But it does throw

160 *Secure Income Real Estate (Australia) Ltd v St Martins Investments Pty Ltd* (1979) 144 CLR 596.

161 See *United Dominions Corporation Ltd v Brian Pty Ltd* (1985) 157 CLR 1 at 11-12.

light upon the intentions to be imputed to the parties, in the event, apparently unforeseen at the time of the making of the joint venture agreement, of its breakdown. At that point, both terms, of co-operation and non-obstruction, and of the application of joint and several effort to maximize the financial return, and the underlying fiduciary obligations came into play, subject of course to any other agreement in favour of one or more of the parties.

158 Not only for the purposes of identifying the contract into which the parties have entered, but also in order to resolve uncertainties and ambiguities about their intentions and the meanings to be given to words and phrases constituting the contract, a court may have regard to relevant surrounding circumstances known to the parties at the time that they made their agreement¹⁶².

159 What were the relevant surrounding circumstances known to the parties? They included these. A development application and approval were, and are, entirely site-specific. They can have no utility, or indeed value or even relevance to any other site. Plans for them are likely to be conceptual rather than detailed¹⁶³. The respondents' case acknowledges this to be so by contending, unsuccessfully, that Parramatta had been engaged by the other joint venturers to *design* and *construct* the building. There may also be, as there was here, a temporal limitation upon the utilization of the approval. Furthermore, it was not contested that the development approval here ran with the land.

160 The significance in combination of the matters to which I have referred appears to have been overlooked by the Full Court but not by the trial judge. For example, and it is an example only of several such observations by him, his Honour said this¹⁶⁴:

"Furthermore in circumstances where the architect is one of two or more joint venturers, directly or indirectly, involved as a principal in the purchase and subsequent exploitation of realty for mutual profit, as well as the design of improvements thereto in aid of such exploitation, it would be foreign as well as enigmatic to the implicit mutual intention and objective of the joint venturers that the architect would be entitled implicitly to

162 cf *Codelfa Construction Pty Limited v State Rail Authority of NSW* (1982) 149 CLR 337 at 347-352 per Mason J.

163 See s 81A of the *Environmental Planning and Assessment Act* 1979 (NSW) as to the effect of a development consent and ss 109C-109G which prescribe some of the matters relevant to the construction and certification for use and occupation of a building.

164 [2004] FCA 1312 at [146].

defeat or seriously prejudice fulfilment of the commercial objectives of the joint venture by denying to a co-venturer the capacity to effect or enjoy, to the best financial advantage of the co-venturers as a whole, the realisation of the joint venture property. The fact that at the time PDD and/or Mr Fares prepared the plans and drawings for the subject fourteen home unit development, PDD and/or Mr Fares did so indirectly as a one third syndicate member beneficially in relation to the project (*albeit* indirectly, as one of two equal corporators of Landmark), can have no relevant bearing in favour of the case propounded by PDD and/or Mr Fares. The asset or principal asset the subject of the joint venture and co-ownership arrangements, as in the case of syndicated project arrangements generally, is inherently subject to the normal incident of human business associations, namely that they might subsequently break down, thereby involving the usual consequence of the mutual need and corresponding obligation to maximise the proceeds of realisation of the joint venture or syndicated property the subject of co-ownership, for the benefit of all persons entitled thereto, directly or indirectly. The reasonably implicit mutual intention to be attributed to the persons thus financially involved, directly or indirectly, in the subject syndicate, namely Mr Fares himself, Mr Barrak, Ms Haviland and Mr Rix (and their respective corporations Landmark and Toyama), was that such property should be allowed to realise the maximum price reasonably obtainable for the mutual benefit of all syndicated members, both directly and indirectly. The proceeds of any such realisation would be mutually expected to be enhanced by the operation, upon the circumstances of this case, that a development consent runs with the land. Once those principles are recognised, as I think they must, there can be no sensible room for the architect involved, indirectly as a principal party to a joint venture, to sabotage the maximisation of the earnings of the joint venture by seeking to obviate the realisation of those earnings, as indeed PDD and Mr Fares, in combination with Mr Barrak, have sought to do to the detriment of Toyama and its corporators Ms Haviland and Mr Rix. As Concrete submitted, any such attempt by one, or more than one joint venturer would be equivalent to the committal of fraud upon the other or remaining joint venturer." (original emphasis)

Before explaining the bearing that these matters have upon the appeal, there is another however to which reference should be made. The respondents were correct in submitting that there was no proper basis for the finding by the primary judge that the increase in value of the property from \$560,000 to \$2,760,000 was (all) inferentially attributable to the grant of the development approval by the Council on 10 May 2000 for the erection of 14 home units. On the other hand, it is unthinkable that the obtaining of the development approval for the larger development did not increase the value of the land, and therefore the financial return to the joint venturers to some extent at least on account of

it¹⁶⁵. By just how much the value would have been increased it is impossible however to say, in the absence of expert valuation evidence.

162 I earlier referred to the third agreement, or agreed variation, between the parties, the agreement by the respondents that they would provide free of charge whatever was necessary for the obtaining of development approval for the 14 home units. That agreement is the subject of an explicit finding by the trial judge. It was not challenged in this Court. It was, if need be, supported by consideration, the consent given, albeit reluctantly, by the other joint venturers in return for the assumption of an obligation by, and on behalf of, the respondents to prepare the requisite plans free of charge. Having regard to the relevant surrounding circumstances and the terms necessarily implied in the joint venture agreement itself, that obligation was assumed for the benefit of the joint venture, that is, all parties to it, with a view to maximizing the financial return to all of the parties, whether the apartments were built by them, or, as was still not foreseen, if the joint venture disintegrated and the land had to be sold as undeveloped land.

163 That last contingency having arisen, the joint venturers were able, and in the case of the respondents, obliged, to sell the land with any attributes of value that it had, including the development consent and the plans forming part of it, and by then, on the files of the Council, to the appellant. The respondents, having accepted that the development approval ran with the land¹⁶⁶, must be taken to have been aware of that matter when the plans were provided and used for the purpose of obtaining the development approval. The development approval, they must also have understood, was of little or no utility without the plans, by then forming part of it, and the right to use them to give effect to it. The respondents' attempts to frustrate that obligation, and the terms of the contract of sale of the land to the appellant, inserted in the contract, following a prudent application to the Supreme Court made no doubt out of an excess of caution, did nothing to impair or diminish the appellant's right of purchase of the land, and to develop it in accordance with the plans and to implement the development approval.

164 In the reasons for judgment the Full Court asked and answered in the negative, the rhetorical question which I earlier set out¹⁶⁷: querying why it

165 cf *Boland v Yates Property Corp Pty Ltd* (1999) 74 ALJR 209 at 264-266 [265]-[275]; 167 ALR 575 at 647-650.

166 It is unnecessary therefore to decide whether a development consent will ordinarily run with the land, but for the reasons given by Kirby and Crennan JJ it is likely that this is so, and the concession properly made.

167 (2005) 144 FCR 264 at 271 [20].

should be presumed that Parramatta and Fares would agree to an assignment of its interest in the plans bearing in mind that it was not going to be paid for its work. The immediate question was not one of assignment. The question of substance was of the terms of the provision of the plans to the joint venture for the joint venturers' joint purpose. The answer was: "to secure the consent of the other joint venturers and to maximize the return to all".

165 There is nothing in the *Copyright Act* which dictates any different a view. Section 15 of it states that an act is "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". The use of the words "deemed" and "authorized" is an indication that the express use of the word "licence" is not necessary for the conferral of a licence under the Act. Section 36, which deals with infringement of copyright, also refers to the authorization of the doing of an act interchangeably with a licence. Nor do the cases suggest otherwise. As to them, it is important to appreciate however that they are largely concerned with traditional arms-length relationships between architect and client, and not with modern joint venture agreements in which the participants, often, as here, professionals, who may have different skills and knowledge, and may be able to make different contributions accordingly.

166 Reference was made by the Full Court and the respondents to *Stovin-Bradford v Volpoint Properties Ltd*¹⁶⁸. That case depended, as does this one, on its own facts. Unlike here, nothing had been said there by the architect and his principals about the conditions of the latter's engagement¹⁶⁹. The judgments do identify however the differences apparent here, between plans supplied to obtain a development consent, and the more detailed plans and specifications required for the construction of the building.

167 *Beck v Montana Constructions Pty Limited*¹⁷⁰ was also cited in argument. Whether what the appellant acquired here should be expressed as an implied licence or a contractual permission validly conferred by the vendors to it, does not matter. But the events which happened were capable of producing the former, if that be the necessary characterization. With the exception of the complication of the absence of a holding out by the joint venturers, introduced, in breach of contract by the respondents, the observations of Jacobs J in *Beck* are relevant to this case¹⁷¹:

168 [1971] Ch 1007.

169 [1971] Ch 1007 at 1014.

170 [1964-5] NSW 229.

171 [1964-5] NSW 229 at 233-234.

"It is my view that in the circumstances of this case the second-named defendant was entitled to the benefit of an implied licence, permission or consent to make such use of the plans.

This aspect must be looked at in two steps. Firstly, did the person or persons who engaged the architects for reward to prepare these plans thereby obtain the right to use them in the manner in which they were ultimately used and secondly, if that be so, did the transferee of the land, in the circumstances where it was held out to him that plans were available and approved, obtain the like right?

I think that both these questions must be answered in the affirmative and I deal firstly with the second of them.

Assuming the right of the owner of land to make use of sketch plans for the purpose of erecting a building substantially in accordance with that sketch I think that when he sells the land and holds out to the purchaser that plans are available and approved from all authorities and shows those plans to the purchaser, then on the sale of the land there should be implied an agreement collaterally to the sale of the land whereby the vendor grants to the purchaser such right as he has to the use of the plans. This assumes that the right, that is to say the licence, permission or consent, however it is described, is assignable and that depends on the implied terms of grant of the original licence, permission or consent. It therefore seems to me that subject to the first matter then the second question may be answered in the affirmative."

168 *Torpey Vander Have Pty Ltd v Mass Constructions Pty Ltd*¹⁷² too was cited. There the issue, which arose out of a quite different set of circumstances, was whether a mortgagee exercising power of sale could confer a licence upon the purchaser from it to use the plans prepared by an architect for the owners and mortgagor who were also joint venturers, to obtain a development approval. Spigelman CJ nonetheless had no difficulty in implying a licence in favour of the joint venturers and a purchaser from them¹⁷³:

"The implied licence was established by reason of the relationship between the appellant and the Citron Developments joint venture. On the authority of *Beck* it would readily be concluded, as her Honour did conclude, that such a licence conferred permission to construct the dwellings in accordance with the plans and to transfer the right to do so to

172 (2002) 55 IPR 542.

173 (2002) 55 IPR 542 at 549 [31]-[32].

a purchaser of the property. The transfer in the present case was effected by means of a mortgagee sale.

Whether or not a mortgagee had a right to use the plans depends on whether or not the licence fell within the property the subject of the mortgage. This is a matter that has arisen on numerous occasions with respect to various kinds of licences relating to the conduct of businesses upon property or other aspects of the operation of the property. ... [T]he respondent did not tender the mortgage in this case. Accordingly it failed to prove that it had a licence. It cannot succeed on its defence in the present proceedings."

169 What his Honour said was consistent also with the observations of Lord Denning MR in *Blair v Osborne & Tomkins*¹⁷⁴: "[I]f the owner should sell the site, the implied licence extends so as to avail the purchaser also."

170 The appellant was, in the circumstances of this case, entitled therefore to utilize the plans without falling into any breach of any copyright subsisting in the respondents, or either of them.

Bias

171 The other issue is whether the Full Court was right to hold that the trial judge's conduct and judgment gave rise to any apprehension of bias.

172 It is not clear why the Full Court, having found against the appellant on the respondents' other grounds of appeal, thought it necessary to deal with the issue of apprehended bias. Sometimes it will be appropriate for courts other than final courts to deal with all issues. For example, in a case in which a plaintiff fail on the issue of liability, it will often be useful for a trial judge to assess damages to cover the possibility that an appellate court may take a different view of liability. But as a general proposition¹⁷⁵, all civil courts, including intermediate appellate courts, should confine themselves to the issues which are necessary for the disposition of the case. The decision of the Full Court here, on the first issue, was sufficient to dispose of the case completely. The decision that the trial judge had manifested apprehended bias does not, and would have called for an order for a fresh trial rather than the orders consequential upon the Full Court's other holdings in favour of the respondents.

174 [1971] 2 QB 78 at 85.

175 There are other exceptions. For example, courts of criminal appeal often can, and should, deal with all issues whenever it is reasonably possible to do so.

173 It is unfortunate that the trial judge did, on a few occasions, express himself in rather strong language. In my opinion he did not do so however in such terms as could be characterised as manifestations of apparent bias. His Honour's remarks need to be understood in the light of the way in which trials in the Federal Court, and indeed in some other jurisdictions on occasions, are now conducted.

174 The Federal Court has adopted a docket system. In that system a number of cases are assigned to a particular judge who then oversees, and makes directions with respect to, all interlocutory matters before hearing a case assigned to him or her. The procedure for trials in the jurisdiction also involves the preparation, exchanging and filing of statements and documents in advance of the hearing which may, and almost always will, be read before the trial begins.

175 This system has its disadvantages and dangers. On the one hand, the trial judge will be well educated in many of the details of the case on each side by the time that the hearing starts. But on the other hand, it may sometimes be difficult for the trial judge, apparently fully conversant with the facts and issues, not to have formed some provisional view at least of the outcome of the case. The justifications for the provision of written statements in advance of trial have been thought to be the avoidance of surprise and the shortening of hearing time. These advantages will often be more illusory than real. The provision of written statements by one side will afford to the other an opportunity to rehearse in some detail his or her response. It is also impossible to avoid the suspicion that statements on all sides are frequently the product of much refinement and polishing in the offices and chambers of the lawyers representing the parties, rather than of the unassisted recollection and expression of them and their witnesses. This goes some way to explaining the quite stilted and artificial language in which some of the evidence is expressed in writing from time to time, as it was here. *Viva voce* evidence retains a spontaneity and genuineness often lacking in pre-prepared written material. It is also open to question whether written statements in advance do truly save time and expense, even of the trial itself. Instead of hearing and analysing the evidence in chief as it is given, the trial judge has to read it in advance, and then has the task of listening to the cross-examination on it, and later, of attempting to integrate the written statements, any additional evidence given orally in chief, and the evidence given in cross-examination.

176 I mention these matters because in sum they may well incline a trial judge towards a degree of outspokenness of a kind to which he or she would not be inclined in a conventional trial on largely oral evidence. That this is so does not provide any excuse for the manifestation of apparent bias on the part of a trial judge but it may explain why a judge finds himself or herself speaking more candidly and strongly than he or she might otherwise do, or even have been able to do, in the past or in other jurisdictions. The question nonetheless remains whether the fair-minded lay observer might reasonably have apprehended that the

judge might not be bringing an impartial and unprejudiced mind to the resolution of the questions he was required to decide¹⁷⁶.

177 It is axiomatic that the perception of a lay observer will not be as informed as the perception of a lawyer, particularly a litigation lawyer. But the notional lay person should not be taken to be completely unaware of the way in which cases are brought to trial and tried. In any event, it would have been apparent to any observer from the trial judge's remarks here that his Honour was already well acquainted with the issues, and many of the details of the respective cases of the parties. Indeed, no other conclusion would have been open having regard to the matters which the trial judge raised and the way in which he expressed himself. That he had not formed any final view appears from the number and type of questions that he asked. For example, at one stage he enquired whether one way of looking at the case was a distorted way of doing so. A little later he said that the responses which had been made to him had given him useful background.

178 In cross-examination of Mr Barrak, his Honour raised some points which the witness himself said were important and significant. It was certainly not wrong for his Honour to point out to the witness that written material to which the witness was referring was not in evidence. After a number of exchanges his Honour made it clear that he was telling the parties what he provisionally had in mind but emphasising that he was keeping an open mind, and was anxious neither to foreclose his decision, nor to cause any person to think that he might have done so. At one point, his Honour said to counsel for the respondents that he hoped that he had some better submissions than the one that he had just made. Almost every counsel of any experience has, on occasion, been the subject of a judicial observation of that kind.

179 The respondents were correct in submitting, and the Full Court in holding, that it was right in determining this issue to look not only at the course of the trial, but also at the reasons for judgment, and to read them together to see whether the cumulative effect was one of apparent bias. As I have already indicated, the judicial interventions during the trial itself would not give rise to an apprehension of bias. Nor would the reasons for judgment, of themselves standing alone. It was not unreasonable for the trial judge to observe in his judgment that time and expense had been wasted on issues of no sufficient bearing upon the critical ones. Furthermore, it was not an expression of any apparently biased viewpoint, for his Honour to state that the nett income of Parramatta did not reflect a thriving or substantial architectural practice. There had been a real issue related to this matter, of Parramatta's entitlement to design and construct a building based on the plans for a substantial reward. Parramatta's

176 See *Johnson v Johnson* (2000) 201 CLR 488 at 492 [11] per Gleeson CJ, Gaudron, McHugh, Gummow and Hayne JJ.

experience and the extent of its architectural and building practice, were highly relevant to the likelihood or otherwise of an agreement by the joint venturers to engage Parramatta for these purposes.

180 Taken cumulatively, his Honour's interventions and reasons for judgment do not give rise to an apprehension of bias. Critical, strong and candid they may have been, but excessively so they were not. To some extent they may be taken to be expressions of exasperation, unfortunately so perhaps, but as a matter of degree, still falling short of apparent bias. This Court is in the same position as the Full Court in deciding the ground of appeal on the issue of bias. Both courts have to do so on the basis of the written record. The view that I take of that is, as I have already foreshadowed, that the appellant has established an absence of apparent bias.

181 The orders of the Court should be that the appeal be allowed; the orders made by the Full Court of the Federal Court of Australia on 29 July and 22 August 2005 be set aside; the respondents pay the appellant's costs of the appeal to the Full Court of the Federal Court and of this appeal; and remit to the trial judge the proceedings for the purpose of conducting the enquiry (the subject of par 3 of the Orders made by the trial judge on 13 October 2004) into the quantum of damages sustained by the appellant by reason of the respondents' threats.