HIGH COURT OF AUSTRALIA

KIEFEL CJ,
GAGELER, GORDON, EDELMAN AND STEWARD JJ

Matter No S57/2022

REALESTATE.COM.AU PTY LTD APPELLANT

AND

JAMES KELLAND HARDINGHAM & ORS RESPONDENTS

Matter No S58/2022

RP DATA PTY LIMITED APPELLANT

AND

JAMES KELLAND HARDINGHAM & ORS RESPONDENTS

Realestate.com.au Pty Ltd v Hardingham
RP Data Pty Limited v Hardingham
[2022] HCA 39
Date of Hearing: 11 October 2022
Date of Judgment: 14 December 2022
S57/2022 & S58/2022

ORDER

Matter No S57/2022

1. *Appeal allowed in part.*

2. *Set aside the orders of the Full Court of the Federal Court of Australia made on 8 September 2021, 13 September 2021, and 1 October 2021 and, in their place, order that the appeal and cross-appeal be dismissed with costs.*

3. The first and second respondents pay the appellant's costs.

Matter No S58/2022

1. Appeal allowed.

2. Set aside the orders of the Full Court of the Federal Court of Australia made on 8 September 2021, 13 September 2021, and 1 October 2021 and, in their place, order that the appeal and cross-appeal be dismissed with costs.

3. The first and second respondents pay the appellant's costs.

On appeal from the Federal Court of Australia

Representation

A J L Bannon SC with H P T Bevan SC for the appellant in S57/2022 and the third respondent in S58/2022 (instructed by King & Wood Mallesons)

R Cobden SC with J Sleight and G R Rubagotti for the first and second respondents in each matter (instructed by Neville Hourn and Borg Legal)

M D Martin KC with A F Messina for the appellant in S58/2022 and the third respondent in S57/2022 (instructed by Mills Oakley)

CATCHWORDS

Realestate.com.au Pty Ltd v Hardingham
RP Data Pty Limited v Hardingham

Contract – Informal agreements – Implied term – Inferred term – Copyright – Where real estate agencies informally commissioned professional photographer and his company to take photographs and prepare floor plans of properties for use on platforms concerning marketing of properties for sale or lease – Where photographs and floor plans provided to each agency were uploaded to platform operated by Realestate.com.au Pty Ltd ("REA") – Where REA's terms and conditions provided that agency granted licence to REA to use and sub-license copyright in photographs and floor plans – Where REA sub-licensed copyright in photographs and floor plans to RP Data Pty Ltd ("RP Data") – Where RP Data kept photographs and floor plans from historical sales on subscription website – Whether agencies' licence and right to grant sub-licence limited to period of marketing campaign for sale or lease of property.

Words and phrases – "all the circumstances", "business efficacy", "copyright", "implied term", "inferred term", "informal contract", "intention", "licence", "mutual understanding", "objective theory of contract", "reasonable person", "words and conduct".

1 KIEFEL CJ AND GAGELER J. Mr Hardingham is a professional photographer and the sole director of Real Estate Marketing Australia Pty Ltd ("REMA"). REMA's business has been the supply of photographs taken and floor plans made of residential properties by Mr Hardingham in an editable digital form to real estate agencies for use in the marketing of those properties for sale or lease.

2 Upon receipt of the photographs and floor plans the commissioning agencies used the images in their marketing in various ways such as in brochures. One of those ways was by uploading them to the realestate.com.au platform operated by Realestate.com.au Pty Ltd (”REA"). The platform of REA is used by a majority of real estate agencies in Australia. REA then provided the images to RP Data Pty Limited, which operates a website and provides a service, RP Data Professional, to which real estate agencies subscribe.

3 The images provided by REMA to the agencies would appear on RP Data Professional within a few days of upload. The images would remain on REA's platform and RP Data Professional after the completion of the sale or lease of the property the subject of the images. They remained as part of the historical information about completed transactions presumably for purposes such as the assessment of price for future sales.

4 In proceedings brought in the Federal Court, Mr Hardingham and REMA claimed that RP Data had infringed and continued to infringe the copyright in a large number of the photographs and floor plans. The claims involved a substantial number of such works. With the consent of the parties the Court ordered that questions of liability for infringement of the copyright in the works relating to twenty properties, chosen by Mr Hardingham and REMA, be heard and determined separately from and before the determination of questions of infringement of the copyright in other works and questions of relief.

5 It does not appear to have been in issue in the proceedings that the photographs and floor plans were original artistic works within the meaning of s 32(1) of the *Copyright Act 1968* (Cth), or that Mr Hardingham was the author of those works and that he was the owner of the copyright in the works. It appears that Mr Hardingham granted REMA a licence to use and to sub-license the use of the works, at first informally, and then, in April 2018, by way of a formal deed of licence. It was also not in issue in the proceedings that in using the works as it did, RP Data would infringe the copyright in them if it did so without a licence referable to Mr Hardingham or REMA. Attention was necessarily directed to the terms of the licence, which it was not disputed that REMA gave to the agencies, which permitted the agencies in turn to sub-license the use of the works.

The licence issue

6 The agreements between REMA and the real estate agencies were not in writing. There was no express oral agreement for the grant of a licence by REMA to the agencies in terms which would enable them to license to REA. Nevertheless, Mr Hardingham and REMA knew that the agencies uploaded the images to the REA platform and that it was necessary that they do so. The primary judge found[1] that it was central to the objective of marketing sought to be achieved by all parties.

7 Consistently with that mutual understanding, Mr Hardingham and REMA's case was conducted on the basis that a licence was granted by REMA to the agencies and that that licence permitted the agencies to grant a sub-licence. But they contended that the licence which the agencies had was subject to a limitation. The limitation was that the images were to be used only for the purpose of marketing the property the subject of the images for a sale or lease. Once a sale or lease of the property was completed, the licence came to an end.

8 A licence subject to these limitations would not have permitted the agencies to accept the terms of the licence required by REA. The written subscription agreement which REA required the agencies to enter into included a term that, in consideration of REA granting the agency the right to upload listings to its platform, the agency "grant[s] ... an irrevocable, perpetual, world-wide, royalty free licence" to do many things including to license other persons. Clearly enough a term as broad as this would have authorised REA to sub-license to RP Data on terms which included permitting RP Data to maintain the images on its RP Data Professional service after the completion of the sale or lease of the property the subject of the images.

9 The primary judge found[2] that, objectively viewed, Mr Hardingham, REMA, and the agencies conducted themselves on the basis that the agencies had the right to upload the works to REA's platform in accordance with the terms and conditions required by REA. Mr Hardingham and REMA either knew or assumed that REA was permitted to make the works available after marketing campaigns had ended and the relevant sale and lease transactions had been completed.

10 His Honour further found[3] that Mr Hardingham and REMA knew that the agencies had to grant REA a licence on REA's terms. They knew that there was an agreement between RP Data and REA by which RP Data was provided with the

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1 *Hardingham v RP Data Pty Ltd* (2019) 147 IPR 489 at 506 [79].

2 *Hardingham v RP Data Pty Ltd* (2019) 147 IPR 489 at 504-505 [70]-[71].

3 *Hardingham v RP Data Pty Ltd* (2019) 147 IPR 489 at 505 [71]-[72].

content which had been uploaded to the REA platform and that RP Data made those works available to its subscribers.

11 His Honour held[4] that the objective circumstances relating to the twenty transactions were such that it is either: (1) to be inferred from the conduct of the parties including their course of dealings; or (2) to be implied into the agreements between them, in order to give business efficacy to those agreements, that Mr Hardingham and REMA agreed that the agencies were authorised, by way of a licence, to upload the images to REA's platform and to grant to REA a licence in the form required by REA. As mentioned earlier, his Honour considered[5] uploading the works to REA's platform to be central to the objective sought to be achieved by the parties. That objective could not have been achieved unless the agencies could grant a licence to REA on the terms and conditions it usually required.

12 It followed, his Honour concluded[6], that Mr Hardingham and REMA authorised, consented to, or permitted (which is to say licensed[7]) the agencies to sub-license the works to REA on REA's usual terms and conditions, which would include authorising REA to grant a sub-licence to RP Data. The sub-licence to RP Data did not go beyond that which was permitted by the sub-licence granted to REA by the agencies. Copyright was not infringed.

13 The majority in the Full Court (Greenwood and Rares JJ, Jackson J dissenting) allowed Mr Hardingham and REMA's appeal[8]. Greenwood J[9] (Rares J agreeing) considered that any inference as to the terms upon which the agencies could grant a sub-licence to REA required actual knowledge of the precise scope of the term. This was necessary because of the gravity of the effect of REA's usual terms and conditions. Their Honours, for reasons which differed, did not consider that the requirements for the implication of a term were satisfied.

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4 *Hardingham v RP Data Pty Ltd* (2019) 147 IPR 489 at 506 [78].

5 *Hardingham v RP Data Pty Ltd* (2019) 147 IPR 489 at 506 [79].

6 *Hardingham v RP Data Pty Ltd* (2019) 147 IPR 489 at 506 [80].

7 See *Hardingham v RP Data Pty Ltd* (2019) 147 IPR 489 at 499 [38], citing *Computermate Products (Aust) Pty Ltd v Ozi-Soft Pty Ltd* (1988) 20 FCR 46 at 49.

8 *Hardingham v RP Data Pty Ltd* (2021) 395 ALR 644.

9 *Hardingham v RP Data Pty Ltd* (2021) 395 ALR 644 at 671-672 [99].

14 The Full Court made orders restraining RP Data from infringing the copyright.

Ascertainment of terms

15 In a case such as this where the terms of an agreement between the parties have not been articulated, those terms must be ascertained by reference to the parties' words and conduct. The words and conduct of each party must be understood by reference to what the words and conduct would have led a reasonable person in the position of the other party to believe[10]. The ultimate question is what reasonable people with knowledge of the background circumstances then known to both parties would be taken by their words and conduct to have agreed.

16 In *Hawkins v Clayton*[11], in reasoning adopted by Brennan CJ, Dawson and Toohey JJ in *Byrne v Australian Airlines Ltd*[12] and by Dawson and Toohey JJ in *Breen v Williams*[13], Deane J said that the first step in ascertaining what was included in the agreement is one of inference of the actual intention of the parties, taking account of the circumstances disclosed by the evidence. It is only when that first enquiry is complete that consideration might be given, in an appropriate case, to whether a term may be implied as a matter of imputed intention[14].

17 Although Deane J in *Hawkins v Clayton* used the word "intention", indeed "actual intention", it must be understood as it is used in a contractual context[15]. In *Ermogenous v Greek Orthodox Community of SA Inc*[16], it was said that the word "intention" describes what it is that would objectively be conveyed by what was said or done, having regard to the circumstances in which those statements and

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10 *Toll (FGCT) Pty Ltd v Alphapharm Pty Ltd* (2004) 219 CLR 165 at 179 [40].

11 (1988) 164 CLR 539 at 570. See also *Byrne v Australian Airlines Ltd* (1995) 185 CLR 410 at 442 per McHugh and Gummow JJ.

12 (1995) 185 CLR 410 at 422.

13 (1996) 186 CLR 71 at 90-91.

14 *Hawkins v Clayton* (1988) 164 CLR 539 at 570.

15 cf *Codelfa Construction Pty Ltd v State Rail Authority of NSW* (1982) 149 CLR 337 at 352.

16 (2002) 209 CLR 95 at 105-106 [25], referring to *Codelfa Construction Pty Ltd v State Rail Authority of NSW* (1982) 149 CLR 337 at 348-353; *Royal Botanic Gardens and Domain Trust v South Sydney City Council* (2002) 240 CLR 45.

actions happened. It is not a search for the uncommunicated subjective motives or intentions of the parties. In *Pacific Carriers Ltd v BNP Paribas*[17], this Court confirmed the principle of objectivity by which the rights and liabilities of the parties to a contract are determined.

18 The conditions necessary to ground the implication of a term are well known[18]. Apart from being reasonable and equitable, capable of clear expression and non-contradictory of the express terms of the contract, to be implied a term must be necessary to give business efficacy to the contract (which will not be satisfied if the contract is effective without it), and it must be so obvious that "it goes without saying"[19].

19 In *Hospital Products Ltd v United States Surgical Corporation*[20], Deane J cautioned against an over-rigid application of the criteria for the implication of a term. In particular, his Honour said, there should not be such an approach to "business efficacy" where a term otherwise satisfies the requirement that it be "so obvious that it goes without saying". In *Hawkins v Clayton*[21], his Honour said that a term may be implied if it is "necessary for the reasonable or effective operation of a contract of that nature in the circumstances of the case". This general statement was approved in *Byrne v Australian Airlines Ltd*[22].

20 At this point it might be thought that there had been something of a departure from the criterion that a term be obvious. But in *Hospital Products*, Deane J had clearly stated obviousness to be a criterion and so too had McHugh and Gummow JJ in *Byrne v Australian Airlines Ltd*[23]. If a resolution of their approach is necessary, Hely J of the Federal Court may be thought to have

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17 (2004) 218 CLR 451 at 461-462 [22]. See *Toll (FGCT) Pty Ltd v Alphapharm Pty Ltd* (2004) 219 CLR 165 at 179 [40].

18 *BP Refinery (Westernport) Pty Ltd v Shire of Hastings* (1977) 180 CLR 266 at 282-283, applied in *Codelfa Construction Pty Ltd v State Rail Authority of NSW* (1982) 149 CLR 337 at 347.

19 *BP Refinery (Westernport) Pty Ltd v Shire of Hastings* (1977) 180 CLR 266 at 283.

20 (1984) 156 CLR 41 at 121.

21 (1988) 164 CLR 539 at 573.

22 (1995) 185 CLR 410 at 422, 442.

23 (1995) 185 CLR 410 at 446.

provided one in *Yau's Entertainment Pty Ltd v Asia Television Ltd*[24], as Jackson J in the Full Court in the present case observed[25]. Hely J pointed out that it is unlikely that a term which "fails to meet the obviousness criterion would be one which is *necessary* for the reasonable or effective operation of the contract" (original emphasis).

Inferences and implications

21 At first instance the issue in this case – what the licence from REMA to the agencies authorised the agencies to agree to when sub-licensing to REA – was approached by reference to two enquiries: what may be said to be inferred from all the circumstances and what may be implied. This may be seen to reflect the approach taken by Deane J in *Hawkins v Clayton*[26]. There his Honour observed that there are limits to what may be inferred from all the circumstances, and inferences may overlap with implications[27]. In *Breen v Williams*[28], Dawson and Toohey JJ observed that the line between an inference and an implication will not always be easy to draw.

22 The approach taken by Deane J should not distract attention from the full enquiry as to the rights and liabilities of the parties, which in the first place has regard to their words and conduct – here their conduct in particular – taking account of all the circumstances in which they took place. In focusing attention on the distinction between an inference and an implication his Honour should not be understood to be limiting that enquiry. His Honour himself said that it was necessary to have regard to the "circumstances disclosed by the evidence"[29]. His Honour's discussion of the enquiries there undertaken should be understood as referable to the facts of that case.

23 The principal question for the Court in *Hawkins v Clayton* was whether and to what extent a firm of solicitors was obliged to bring to the attention of an executor of a will, and those who may be taken to have had an interest under it, the

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24 (2002) 54 IPR 1 at 8 [35].

25 *Hardingham v RP Data Pty Ltd* (2021) 395 ALR 644 at 689 [179].

26 (1988) 164 CLR 539 at 570.

27 *Hawkins v Clayton* (1988) 164 CLR 539 at 569-570.

28 (1996) 186 CLR 71 at 91.

29 *Hawkins v Clayton* (1988) 164 CLR 539 at 569.

existence of the will and its contents following the death of the testatrix, who had left the executed will in the custody of the firm.

24 As to the first enquiry, Deane J observed that it was "obviously" in the contemplation of both the testatrix and the firm that the will might remain in the firm's custody at the time of her death. That being so, his Honour found that one might infer a term by which the firm assumed continuing responsibility for its safe custody. His Honour described as "[c]loser to the borderline between inference and imputation"[30] a further term that the firm was authorised to communicate the contents of the will to the executor and others having an interest under it when the testatrix died, but appears to have considered it to have been open to draw such an inference.

25 On the other hand, whether it was a term of the agreement between the firm and the testatrix that when she died the firm was under an obligation to take any positive steps to locate some or all of the persons named in the will, in his Honour's view, was an enquiry beyond the stage of inclusion of terms by inference. His Honour said "[i]t simply cannot be inferred or assumed as a matter of actual fact that the testatrix ever directed her mind to that question or that, if she did, there was any actual joint intention of herself and [the solicitor] which can be expressed as a contractual term"[31]. His Honour concluded that a term such as this would have to be implied[32]. But it is to be noted that there was little else in the surrounding circumstances and the dealings of the parties in that case which could be said to have informed their mutual understanding.

The present case

26 Mr Hardingham and REMA bear the onus of establishing infringement of copyright. Their case for infringement depended upon the scope of the licence given to the agencies, and the sub-licence which the agencies could grant to REA being limited in the way contended for.

27 Mr Hardingham, REMA, and the agencies dealt with each other in the context of an industry where residential properties were marketed for sale or lease in a particular way. How things were done to achieve this objective forms part of the circumstances in which their conduct is to be considered. This is not to equate what was understood to occur, and the reasons for it, with an industry practice akin to a custom or usage, from which a term might be implied. Rather it is relevant to

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30 *Hawkins v Clayton* (1988) 164 CLR 539 at 570.

31 *Hawkins v Clayton* (1988) 164 CLR 539 at 570.

32 *Hawkins v Clayton* (1988) 164 CLR 539 at 571.

the question of what might be considered to be the mutual understanding on which they dealt.

28 Most agencies in Australia conducted their marketing using the REA platform. This was well known. Mr Hardingham, REMA, and the agencies knew that REA uploaded photographs and floor plans of a property to be marketed to its platform and that it then maintained them there after the completion of the sale or lease as available to its subscribers as historical transactions. REA had done so since the platform came into existence in 2003 and over the course of the dealings between the parties. This is hardly consistent with the licence to be given by the agencies to REA being limited in the way contended for.

29 Within a few days of REA uploading the images they appeared on RP Data's service and remained there post sale or lease. This too must have been apparent to Mr Hardingham and REMA. And prior to their entry into the relevant transactions, Mr Hardingham and REMA understood that RP Data had a contractual relationship with REA by which REA licensed it not only to use the data but in terms which allowed RP Data to keep the data in its service.

30 Although Mr Hardingham and REMA may be taken to have understood what had transpired between the agencies, REA, and RP Data in relation to the transactions in question, they said nothing. They made no objection. No question of estoppel on the part of Mr Hardingham and REMA has been raised in the proceedings but that is not to say that their silence has no relevance to what may be taken as conveyed to the agencies. An agreement and its terms may be inferred from the acts and conduct of the parties, including the absence of their words. In light of surrounding circumstances that absence may evidence a tacit understanding[33]. Here, that tacit understanding may be understood to have been evident to the agencies in light of what was taken to be part of the mutual understanding on which the parties conducted their contractual relationships.

31 The silence of Mr Hardingham and REMA when they well knew what REA and RP Data did with the images, and for how long they continued to use them, is consistent with an acceptance of what was necessary to achieve the intended marketing. Both Mr Hardingham and REMA and the agencies appreciated that it could only be achieved if the agencies submitted to REA's terms to upload the images to its platform. The agencies were no doubt led to believe by the conduct of Mr Hardingham and REMA that they knew and accepted that as a commercial reality. In these circumstances it is not possible to conclude that it was intended

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33 *Integrated Computer Services Pty Ltd v Digital Equipment Corp (Aust) Pty Ltd* (1988) 5 BPR 11,110 at 11,117.

that the agencies could only license REA on the basis of the limitation contended for.

32 In these circumstances no question as to whether a term needs to be implied in the sub-licence to REA arises.

Conclusion and orders

33 The appeals should be allowed. We agree with the orders proposed by Gordon J, including the orders as to costs.

34 GORDON J. Mr Hardingham[34] is a professional photographer and the sole director of Real Estate Marketing Australia Pty Ltd ("REMA")[35]. Since its incorporation in 2009, REMA has been commissioned by various real estate agencies to produce photographs and floor plans of properties for use in marketing campaigns for the sale or lease of the properties.

35 In 2018, Mr Hardingham and REMA ("H/REMA") brought proceedings in the Federal Court of Australia against RP Data Pty Ltd[36] alleging that RP Data had, contrary to s 36 of the *Copyright Act 1968* (Cth), infringed, and was continuing to infringe, H/REMA's copyright in a number of its photographs and floor plans[37]. RP Data operates the website www.corelogic.com.au. Through that website, subscribers can access a product called "RP Data Professional". RP Data Professional includes reproductions of a number of H/REMA's photographs and floor plans. RP Data obtained the photographs and floor plans from Realestate.com.au Pty Ltd ("REA")[38]. REA is a wholly owned subsidiary of REA Group Ltd. REA Group supplies online residential property listing services to real estate agencies, including through the realestate.com.au website and mobile applications (collectively, "the realestate.com.au platform").

36 There was no dispute that on each occasion that H/REMA was engaged by a real estate agency to provide photographs and floor plans of a property, the contract between H/REMA and the agency included a term that H/REMA granted the real estate agency a licence to use the photographs and floor plans for the purpose of marketing the property in question, and a right to grant a sub-licence for that purpose (which would include granting a sub-licence to REA and RP Data).

37 The central issue was and remains the scope and terms of that licence and sub-licence and, in particular, whether the licence and the right to grant a sub-licence to REA and RP Data to use the photographs and floor plans was limited to the period of the agency's marketing campaign to sell or lease the property, or extended after the campaign.

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34 The first respondent in both appeals.

35 The second respondent in both appeals.

36 The appellant in appeal S58 of 2022 and third respondent in appeal S57 of 2022.

37 It was common ground that, for the purposes of the *Copyright Act*, the works in issue were original artistic works in which copyright subsisted, that Mr Hardingham was the author of each of the works and that ownership of the copyright vested in him and was the subject of an exclusive licence granted by him to REMA.

38 The appellant in appeal S57 of 2022 and third respondent in appeal S58 of 2022.

38 The trial judge ordered that questions of liability for infringement of copyright of the photographs and floor plans in respect of 20 properties[39] ("the Works") were to be heard and determined separately and before the hearing and determination of questions of any infringement of other works and questions of pecuniary relief. The 20 contracts between H/REMA and different agencies for preparation of the Works were entered into on various dates between September 2014 and June 2018. The agencies were not parties to the proceeding.

39 After the order for the separate question, RP Data was granted leave to file a cross-claim against REA asserting that if RP Data had infringed copyright, REA was liable to indemnify RP Data in respect of any loss or damage under the data licence agreements between RP Data and REA by which RP Data had obtained access to electronic versions of the Works.

Framing the question

40 H/REMA bore the onus of establishing infringement of copyright, with the result that it bore the onus of establishing that the licence to use the Works, and the right to grant a sub-licence which it granted to the agencies, did *not* extend beyond the marketing campaign[40].

41 The contracts between H/REMA and the agencies were informal, in the sense that they were not written agreements. So far as the evidence went, when an agency commissioned H/REMA to take photographs of a property or prepare a floor plan, nothing was said by either H/REMA or the agency about what licence H/REMA gave the agency to use the Works or what sub-licence the agency could grant.

42 The central question in this case is what would the words and conduct of the parties (H/REMA and each agency), when judged in light of what the parties knew, have led a reasonable person to conclude were the terms of the contract between them. More particularly, when both parties (H/REMA and each agency) knew that the Works that H/REMA provided to the agency to use in campaigns would be provided to RP Data and made available through RP Data Professional and neither H/REMA *nor* the agency said anything to the contrary, would a reasonable person conclude from what the parties knew, said and did at the time

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39 The 20 properties identified were chosen by H/REMA.

40 *Avel Pty Ltd v Multicoin Amusements Pty Ltd* (1990) 171 CLR 88 at 94-95, 119-120; *Acohs Pty Ltd v RA Bashford Consulting Pty Ltd* (1997) 144 ALR 528 at 543-544; *Acohs Pty Ltd v Ucorp Pty Ltd* (2012) 201 FCR 173 at 202 [169], citing *Purkess v Crittenden* (1965) 114 CLR 164 at 168; *Apotex Pty Ltd v Sanofi-Aventis Australia Pty Ltd [No 2]* (2012) 204 FCR 494 at 540-541 [207].

of each contract that H/REMA permitted use of the Works by RP Data after the campaign had ended? The answer is "yes".

Principles

43 The rights and liabilities of parties under a contract – whether oral, in writing, or partly oral and partly in writing – are determined objectively[41]. The concern is "not with the real intentions of the parties, but with the outward manifestations of those intentions"[42]. As this Court said in *Toll (FGCT) Pty Ltd v Alphapharm Pty Ltd*[43]:

> "It is not the subjective beliefs or understandings of the parties about their rights and liabilities that govern their contractual relations. *What matters is what each party by words and conduct would have led a reasonable person in the position of the other party to believe*. References to the common intention of the parties to a contract are to be understood as referring to what a reasonable person would understand by the language in which the parties have expressed their agreement. The meaning of the terms of a contractual document is to be determined by what a reasonable person would have understood them to mean."

And where the contract is commercial, it is necessary to ask what reasonable persons engaged in the respective businesses of the parties would have understood the words and conduct to mean[44].

44 As this Court held in *Toll*, a person who signs a contractual document conveys a representation to a reasonable reader of that document that the person

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41 *Mount Bruce Mining Pty Ltd v Wright Prospecting Pty Ltd* (2015) 256 CLR 104 at 116 [46], citing *Electricity Generation Corporation v Woodside Energy Ltd* (2014) 251 CLR 640 at 656 [35] and *Codelfa Construction Pty Ltd v State Rail Authority (NSW)* (1982) 149 CLR 337 at 350, 352. See also *Taylor v Johnson* (1983) 151 CLR 422 at 429; *Pacific Carriers Ltd v BNP Paribas* (2004) 218 CLR 451 at 461-462 [22]; *Toll (FGCT) Pty Ltd v Alphapharm Pty Ltd* (2004) 219 CLR 165 at 179 [40]; *Chitty on Contracts*, 34th ed (2021), vol 1 at 1107 [15-004].

42 *Taylor* (1983) 151 CLR 422 at 428. See also *Toll* (2004) 219 CLR 165 at 179-180 [41]; *Byrnes v Kendle* (2011) 243 CLR 253 at 275 [59].

43 (2004) 219 CLR 165 at 179 [40] (emphasis added).

44 *Bergl (Australia) Ltd v Moxon Lighterage Co Ltd* (1920) 28 CLR 194 at 199; *McCann v Switzerland Insurance Australia Ltd* (2000) 203 CLR 579 at 589 [22]; *Pacific Carriers* (2004) 218 CLR 451 at 462 [22]; *Electricity Generation Corporation* (2014) 251 CLR 640 at 656-657 [35]; *Mount Bruce Mining* (2015) 256 CLR 104 at 116 [47].

has read and approved its terms or is willing to take the chance of being bound by its contents[45]. If the document on its face appears to be a complete contract, it will contain the whole of the contractual terms[46]. Extrinsic evidence cannot be adduced to subtract from, add to, vary or contradict those terms, except in limited circumstances[47]. And a term will be implied only if, among other things, it is necessary to make the contract work[48].

45 The approach differs when a court is confronted with an informal contract. The first task is to consider the evidence and to find the relevant terms of the contract[49]. Ascertaining the terms is a question of fact[50]. The issue is not one of

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45 (2004) 219 CLR 165 at 180-181 [45]. See also *Equuscorp Pty Ltd v Glengallan Investments Pty Ltd* (2004) 218 CLR 471 at 483-484 [33]-[35].

46 *Hoyt's Pty Ltd v Spencer* (1919) 27 CLR 133 at 143-144; *Maybury v Atlantic Union Oil Co Ltd* (1953) 89 CLR 507 at 517. See also *Masterton Homes Pty Ltd v Palm Assets Pty Ltd* (2009) 261 ALR 382 at 401 [90(1)-(2)].

47 See, eg, *Codelfa Construction* (1982) 149 CLR 337 at 347; *Equuscorp* (2004) 218 CLR 471 at 484 [36]. See also Lewison, *The Interpretation of Contracts*, 7th ed (2020) at 145-153 [3.87]-[3.100].

48 *BP Refinery (Westernport) Pty Ltd v Shire of Hastings* (1977) 180 CLR 266 at 283. See also *Commonwealth Bank of Australia v Barker* (2014) 253 CLR 169 at 188-189 [28]-[29], 199 [56], 215-216 [113]-[114].

49 *Roxborough v Rothmans of Pall Mall Australia Ltd* (2001) 208 CLR 516 at 537 [55], citing *Byrne v Australian Airlines Ltd* (1995) 185 CLR 410 at 442. See also *Yau's Entertainment Pty Ltd v Asia Television Ltd* (2002) 54 IPR 1 at 9 [37]; *Marks and Spencer Plc v BNP Paribas Securities Services Trust Co (Jersey) Ltd* [2016] AC 742 at 756-757 [28].

50 *Crown Melbourne Ltd v Cosmopolitan Hotel (Vic) Pty Ltd* (2016) 260 CLR 1 at 14 [27], 20 [54], 77 [245]-[246]. See also *Deane v The City Bank of Sydney* (1904) 2 CLR 198 at 209; *Handbury v Nolan* (1977) 13 ALR 339 at 341-342, 346, 348-349. See also *Moore v Garwood* (1849) 4 Ex 681 at 684-685, 689-690 [154 ER 1388 at 1389, 1391-1392]; *Bolckow v Seymour* (1864) 17 CB (NS) 107 at 120-121 [144 ER 43 at 49]; *Palmer v Bank of Australasia* (1895) 16 LR (NSW) (L) 219 at 223-224; *Gardiner v Grigg* (1938) 38 SR (NSW) 524 at 532; *Carmichael v National Power Plc* [1999] 1 WLR 2042 at 2049-2050; [1999] 4 All ER 897 at 903-904; *Masterton Homes* (2009) 261 ALR 382 at 402 [90(4)]; *Thorner v Major* [2009] 1 WLR 776 at 794-795 [58], 800-801 [82]-[83]; [2009] 3 All ER 945 at 965, 970-971; *King v Adams* [2016] NSWSC 1798 at [65]; *Moore v Aubusson* [2020] NSWSC 1466 at [332]. See also Lewison, *The Interpretation of Contracts*, 7th ed (2020) at 218-219 [4.13]-[4.15].

interpretation, because there are no definitive words to interpret[51]; "we are here concerned not with construing a contract but with evidence as to what the terms of a contract were"[52]. The issue is one of fact and substance, not mere form[53]: what did the parties – here H/REMA and each of the agencies – agree[54]?

46 In determining that question in the absence of a written document containing, or a conversation constituting, the agreement in the relevant aspect – here the scope of the licence and the ability to grant a sub-licence between H/REMA and each agency – it is necessary for the court to consider the full range of circumstances, at least as those circumstances existed at the time of the contract[55]. In making factual findings of a term or terms of such a contract, the evidence of witnesses as to words written or spoken by the parties (and their knowledge of relevant matters at the time of the contract) must be weighed alongside the objective surrounding facts (which are undisputed or which are established by other objective evidence) and also with the apparent logic of events[56]. It may be difficult in this process to distinguish between terms of the contract based solely or centrally upon words used by the parties and those based only in part on those words but also upon surrounding facts and the logic of events.

47 The task is to ascertain what the words and conduct of the parties would have conveyed in all the circumstances to a reasonable person who had the

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51 *County Securities Pty Ltd v Challenger Group Holdings Pty Ltd* [2008] NSWCA 193 at [7].

52 *Ferguson v John Dawson & Partners (Contractors) Ltd* [1976] 1 WLR 1213 at 1221; [1976] 3 All ER 817 at 824.

53 *Handbury* (1977) 13 ALR 339 at 341.

54 *King* [2016] NSWSC 1798 at [65]-[69] and the authorities cited. See also *Handbury* (1977) 13 ALR 339 at 341-342, 346, 348-349; *Liverpool City Council v Irwin* [1977] AC 239 at 253-254.

55 *County Securities* [2008] NSWCA 193 at [8]. See also *Palmer* (1895) 16 LR (NSW) (L) 219 at 223-224; *J Evans & Son (Portsmouth) Ltd v Andrea Merzario Ltd* [1976] 1 WLR 1078 at 1083; [1976] 2 All ER 930 at 935; *Handbury* (1977) 13 ALR 339 at 341-342, 346, 348-349; *Masterton Homes* (2009) 261 ALR 382 at 402-403 [90(4)-(5)]; *King* [2016] NSWSC 1798 at [66]. See also Lewison, *The Interpretation of Contracts*, 7th ed (2020) at 147-148 [3.92]; cf 204-205 [3.189]-[3.190].

56 *Effem Foods Pty Ltd (t/as Uncle Ben's of Australia) v Lake Cumbeline Pty Ltd* (1999) 161 ALR 599 at 603 [15]-[16]; *Fox v Percy* (2003) 214 CLR 118 at 129 [31]; *Maggs v Marsh* [2006] BLR 395 at 400 [26]; *Re Hillsea Pty Ltd* [2019] NSWSC 1152 at [16]-[21].

knowledge reasonably available to the parties[57]. The essential question is whether the parties' conduct – what was said and not said and the evident commercial aims and expectations of the parties in the context of what they knew – reveals an understanding or agreement or, as sometimes expressed, a manifestation of mutual assent to be legally bound in some particular respect[58].

48 Put in simpler terms, the intention of H/REMA and each agency, objectively ascertained, about the scope of the licence and the ability to grant a sub-licence is to be identified from what was said and not said, from what was done, and from what they reasonably knew or ought reasonably to have known[59].

49 As is evident, that approach requires consideration and application of basic contractual principles, not reference to, or application of, a taxonomy of contractual terms as express or implied. A taxonomy of that kind depends on what content each "category" is given. If, as may be suggested, terms are separated into expressed (in the sense of being said) or implied (in the sense of being unexpressed or unsaid), it has long been recognised that a term will be implied upon conditions including the necessity to give business efficacy to a contract but, also, that there may be terms which represent the obvious presumed intention of the parties. Expressing the taxonomy in binary terms is apt to confuse the two different cases.

50 Further, given the ascendancy of the objective theory of contract and its "command of the field"[60], there is now little, if any, distinction between the latter

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57 *Crown Melbourne* (2016) 260 CLR 1 at 20 [53]-[54], citing *Gardiner* (1938) 38 SR (NSW) 524 at 532; see also 77 [246], citing *Thorner* [2009] 1 WLR 776 at 800-801 [81]-[83]; [2009] 3 All ER 945 at 970-971. See also *British Crane Hire Corporation Ltd v Ipswich Plant Hire Ltd* [1975] QB 303 at 310-311; *County Securities* [2008] NSWCA 193 at [150], [204]. See also *Codelfa Construction* (1982) 149 CLR 337 at 352; *Toll* (2004) 219 CLR 165 at 179 [40]; *Chartbrook Ltd v Persimmon Homes Ltd* [2009] AC 1101 at 1112 [14], 1121 [42]; *Byrnes* (2011) 243 CLR 253 at 284 [98].

58 cf *Branir Pty Ltd v Owston Nominees (No 2) Pty Ltd* (2001) 117 FCR 424 at 525 [369].

59 *Crown Melbourne* (2016) 260 CLR 1 at 77 [246], citing *Thorner* [2009] 1 WLR 776 at 800-801 [81]-[83]; [2009] 3 All ER 945 at 970-971. See also *Integrated Computer Services Pty Ltd v Digital Equipment Corp (Aust) Pty Ltd* (1988) 5 BPR 11,110 at 11,117-11,118; *Carmichael* [1999] 1 WLR 2042 at 2049; [1999] 4 All ER 897 at 903; *Branir* (2001) 117 FCR 424 at 525 [369]; *County Securities* [2008] NSWCA 193 at [2].

60 *Toll* (2004) 219 CLR 165 at 179-180 [40]-[41] and *Byrnes* (2011) 243 CLR 253 at 275 [59], both citing *Taylor* (1983) 151 CLR 422 at 429.

case of an "implied" term by reference to the obvious presumed or imputed intention of the parties, and the identification of the "express" terms of an agreement by reference to the objective intention of the parties. Older cases decided before the ascendancy of the objective theory of contract should be approached with caution. So, for example, the approach in *Hawkins v Clayton*[61] was that, where the contractual terms were "left largely unarticulated by the parties", the term could only be inferred to be a term of the contract if the court was satisfied as a matter of actual fact that the contracting parties directed their minds to the question. If not, the term had to be implied by the flexible application of criteria from *BP Refinery (Westernport) Pty Ltd v Shire of Hastings*[62]. That approach no longer applies.

51 When dealing with an informal contract, finding what was the objective intention of the parties requires consideration of the whole of the evidence, not just evidence about what was said. As will be seen, a reasonable observer would conclude from the conduct of H/REMA and the agencies, including what was said and not said, the evident commercial aims and expectations of the parties and the surrounding circumstances, that there was an understanding or agreement – a manifestation of mutual assent – that the licence to use the Works and the ability to grant a sub-licence for the use of the Works granted by H/REMA to each agency extended beyond the campaign[63]. Accordingly, RP Data did not infringe H/REMA's copyright in the Works.

Facts

52 It is necessary to make some more detailed reference to the facts of this case. The following summary is drawn from the reasons of the decisions below.

53 The primary evidence adduced in respect of the arrangements between H/REMA and the real estate agencies was "minimal" and consisted primarily of Mr Hardingham's affidavit evidence and invoices issued by REMA.

54 Since its incorporation in 2009, H/REMA has been commissioned by various agencies to produce photographs and floor plans of properties for use in marketing campaigns for the sale or lease of the properties. The separate question was limited to photographs and floor plans in respect of 20 properties – "the Works" – which were taken and prepared between September 2014 and June 2018.

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61 (1988) 164 CLR 539 at 570-571.

62 (1977) 180 CLR 266, as discussed in *Hawkins* (1988) 164 CLR 539 at 571-573.

63 *King* [2016] NSWSC 1798 at [65]-[69].

55 Mr Hardingham's evidence, which applied to each contract the subject of the separate question, was that H/REMA was usually engaged to supply photographs and floor plans to agencies as a result of a telephone call from an agent. Typically, an agent on behalf of an agency would say to Mr Hardingham "Hi James, we have just listed [property address]. The campaign is due to start [date]. Can you attend this week to take the photos for the campaign?". Sometimes he would be asked to prepare a floor plan. Neither REA nor RP Data was a party to the oral agreement made between H/REMA and the agency for each of the Works.

56 The parties proceeded at trial on the basis that Mr Hardingham took the photographs and prepared the floor plans. H/REMA provided the agencies with the photographs and floor plans in an editable digital form and the agencies paid invoices issued by REMA. As H/REMA acknowledged, each of the agencies then uploaded the photographs and floor plans to the realestate.com.au platform. H/REMA knew that one of the principal purposes for which the Works had been commissioned was to enable the Works to be uploaded to that platform.

57 REA operates the realestate.com.au platform. Many agencies in Australia list and advertise residential properties for sale or lease on behalf of vendors and landlords on this platform. The evidence at trial established that the overwhelming majority of Australian real estate agencies use the realestate.com.au platform and, as a matter of practical commercial reality, would use the platform in marketing properties. REA supplies these residential property listing services to agencies by selling "listing subscriptions" to the agencies. Each subscription agreement included an express acknowledgement by the agency that the "terms stipulated in this form and in the Terms and Conditions contained on our website [www.realestate.com.au/terms] form part of this Agreement". The terms and conditions included an express licence granted by the agency to REA:

> "**5. Your acknowledgements**
>
> You acknowledge and agree that at all times during the Term of this Agreement:
>
> (a) in consideration for us granting a right to upload listings to the Platform and the other services we provide, you grant us an irrevocable, perpetual, world-wide, royalty free licence to publish, copy, licence to other persons, use and adapt for any purpose related to our business any content you provide to us during the Term, and this licence survives termination of this Agreement by you or us;
>
> ..."

58 Obligations were also imposed on the agency including that only the agency, or an authorised third party, would upload listings to the realestate.com.au

platform; that the agency would ensure that any statement made to REA or any content or material supplied was not unlawful, was not provided for an improper purpose and was not misleading or deceptive; and that any material supplied would not include information that infringed the intellectual property rights of third parties or would otherwise expose REA to any liability, legal proceedings or other sanction.

59 On 28 January 2014, solicitors for H/REMA wrote to RP Data alleging that RP Data had infringed their clients' copyright, including by reproducing images on its website. In a letter of reply dated 9 April 2014, RP Data's solicitors said:

> "The facts as we know them are from the point at which your client provides the images to its agent clients the images are then used by the agent client at it/his/her discretion either as owner of the copyright or licence.
>
> During the course of any marketing campaign the agents, who are clients of your client provided those images to the listing portal realestate.com.au ('REA'). RP Data acquires the rights to use and display data and photographs from a range of third parties including REA.
>
> RP Data has a specific contract with REA which governs its relationship with REA. For the purposes of your contentions however that agreement is entirely irrelevant.
>
> *What is however relevant is the terms of the express licence granted by your clients [sic] agent client base to REA. Those terms are to be found on its webpage in the page headed 'Legal Information'. We specifically direct your attention to the provisions under the heading 'Contributions'*. The relevant terms of the REA webpage to which you should have reference is as follows:
>
> http://www.rs.realestate.com.au/cgi-bin/rsearch?a=v&t=res&id=13.
>
> *So as to avoid any confusion we set out below the relevant portion of those terms and conditions which affect your client's position*:
>
> > *'To the extent that any Contributions are proprietary in nature, you grant REA a worldwide, nonexclusive, royalty-free, perpetual, transferable and irrevocable licence to use, reproduce, modify, adapt, translate, distribute, publish, create derivative works from and display and publicly perform your Contributions throughout the world in any medium, whether currently in existence or not.* You also grant each user of our websites a nonexclusive licence to use, reproduce, adapt, translate, distribute, prepare derivative works of, display and perform your Contributions as permitted by REA and these terms.

> You grant:
>
> (i) REA, in respect of Contributions to its website the right to use your name or the name you submit with the Contribution, and, the right to represent and warrant that:
>
> (a) you own and control all of the rights to the Contributions; or
>
> (b) you have the lawful right including all necessary licences, rights, consents, and permissions to use and authorise REA to display the Contributions'.
>
> *These are the pertinent terms that your client's customers agree to when making contributions to REA.*
>
> As you will see they are very clear in that your client's customers grant REA a licence to use the images over which your client claims copyright. That licence permits REA to transfer the licence and to use or distribute those images to third parties including RP Data. The reason that REA has such terms is so that it can carry on business in the real estate space knowing that these types of disputes regarding copyright will not arise." (emphasis added)

The term in the letter was not, in fact, the same as the REA licence[64] but the differences do not affect the result. The substance of what H/REMA was told and knew was the same. H/REMA did not reply to that letter for nearly four years. The Works were all provided by H/REMA to the agencies after receipt of the letter of 9 April 2014.

60 As will be explained, the knowledge of H/REMA and the agencies was important. Before H/REMA took the photographs or prepared the floor plans in respect of any of the 20 properties that were the subject of the separate question, H/REMA knew that:

(1) the photographs and floor plans were being commissioned by the agencies in part in order for those agencies to upload them to the realestate.com.au platform;

(2) the photographs and floor plans remained on the realestate.com.au platform as historical information in relation to completed transactions and were not removed; and

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64 See [57] above.

(3) within a few days of an agency uploading the photographs and floor plans to the realestate.com.au platform, they appeared on RP Data Professional and continued to be made available to the public, including as historical information in relation to completed transactions.

61 Next, from at least early 2014 (that is, before Mr Hardingham took the photographs and prepared the floor plans in respect of any of the 20 properties the subject of the separate question), H/REMA knew that, in order for the agencies to upload content to the realestate.com.au platform under REA's terms and conditions, the agencies had to:

(1) grant to REA "an irrevocable, perpetual, world-wide, royalty free licence to publish, copy, licence to other persons, use and adapt for any purpose related to [REA's] business any content [the agency] provide[d] to [REA]";

(2) agree not to upload content which infringed third party intellectual property rights; and

(3) indemnify REA for loss and damage "as a result of any claim ... brought by a third party ... in connection with any content or material uploaded ... in connection with" the agencies' agreement with REA.

62 And, from the same time, H/REMA also knew that there was an agreement between REA and RP Data under which RP Data was provided the content uploaded to the realestate.com.au platform and that RP Data made the content so obtained available to paying subscribers to RP Data Professional, albeit H/REMA did not know the precise terms of that agreement.

The trial judge

63 The trial judge, Thawley J, found that H/REMA did *not* establish that RP Data infringed copyright in respect of any of the Works. His Honour found that uploading the Works to the realestate.com.au platform was "central to the objective sought to be achieved by the parties". His Honour held that H/REMA had authorised, consented to or permitted the agencies to sub-license the copyright in the Works to REA on REA's usual terms and conditions, which included authorising REA to grant a sub-licence to RP Data. His Honour found that the sub-licensing arrangement could be "inferred" from the conduct of H/REMA and the agencies, including their course of dealings, or, alternatively, it should be "implied" into the agreements between H/REMA and the agencies in order to give business efficacy to those agreements.

64 The trial judge therefore concluded that, for the purposes of the *Copyright Act*[65], the actions of RP Data were "deemed to have been done with the licence of the owner of ... copyright". That is, RP Data's acts were authorised by the sub-licence granted by the agencies to REA, being a licence which bound the owner of the copyright, and it was *not* established that RP Data's acts went beyond what was permitted by the licence granted by H/REMA to the agencies and the sub-licence granted by the agencies to REA.

The Full Court

65 H/REMA appealed. The Full Court of the Federal Court (Greenwood and Rares JJ, Jackson J dissenting) allowed the appeal on the basis that it was not satisfied that a term should be implied or inferred that H/REMA conferred authority on the agencies to grant sub-licences to REA on its "usual terms and conditions". The Court made orders restraining RP Data, whether by itself, its servants, agents or otherwise howsoever from infringing the copyright in the Works by reproducing or authorising reproduction in a material form of, in Australia, any of the Works, or communicating or authorising communication of any of the Works to the public within or outside Australia, without the licence of Mr Hardingham[66].

What were the terms?

66 As the question framed earlier in these reasons shows, the terms of the licence and sub-licence are to be identified by assessing the whole of the evidence – what was done, said and not said (and, where it is relevant, what H/REMA and the agencies knew at the time that they made their contract) – to decide what a reasonable person in the position of each party would have understood were the terms of the bargain in that particular respect.

67 In this case, both REA and RP Data asserted that the licence which H/REMA gave each agency permitted those agencies to sub-license the use of the Works to REA and to RP Data. None of the agencies were called to give evidence at trial. The evidence that was available, as explained above, was given by Mr Hardingham and was minimal. H/REMA did not assert that anything was said or done in the course of H/REMA's dealing with any of those agencies which sought to limit what use might be made of the Works. Hence, there being no dispute that, so far as the agencies were concerned, the agencies, REA and RP Data had always intended to use the Works in the way that they did, attention and

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65 *Copyright Act*, ss 15, 36.

66 The Full Court also ordered that the proceedings be remitted to the trial judge for the determination of the issues not included in the separate question, and the determination of the cross-claim.

argument focused only on what H/REMA knew about the use that would be made of the Works. In other words, H/REMA's words and conduct must be weighed against the surrounding facts which were undisputed or which were established by other objective evidence.

68 As the trial judge found, H/REMA and the agencies knew that the Works were being sought for a purpose which included uploading the Works to the realestate.com.au platform. Those parties knew that this was to occur in accordance with REA's usual terms and conditions including terms by which the agencies permitted REA to make further use of the Works. As we have seen, H/REMA knew the content and effect of those terms and conditions. H/REMA, in deciding whether to perform the work, dealt with the agencies with that knowledge and continued to deal with the agencies by accepting their requests to supply photographs and floor plans for valuable consideration. Those facts applied to each of the agreements that yielded the Works.

69 What H/REMA knew about intended use of the Works is important because it *may* inform what the words and actions of H/REMA would have led a reasonable person in the position of the agency (the counterparty to the agreement) to believe to be the rights and liabilities governing their relationship[67]. And it *will* inform that understanding if, as here, H/REMA knew that the agency, REA and RP Data would use the Works after the campaign had ended. It will inform that understanding because, nothing being said to the contrary, permission to use[68] what was provided in the way that it was, was a term of the bargain that H/REMA and each of the agencies made. A reasonable observer would conclude, from the parties' words and conduct in the context of that knowledge, that there was a common understanding that the licence granted by H/REMA to the agency to use and sub-license the use of the Works extended beyond the campaign[69].

70 It is for those reasons that the trial judge was right to decide that the contract between H/REMA and each agency in relation to the Works included a term that H/REMA granted the agency a licence to use the Works for the purposes of the campaign to sell or lease the property, together with a right to sub-license the use of the Works by RP Data *after* the campaign. Accordingly, RP Data did not infringe H/REMA's copyright in the Works.

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67 *Toll* (2004) 219 CLR 165 at 179 [40]; cf 180-181 [42]-[45], 183 [49]-[50].

68 See, eg, *Computermate Products (Aust) Pty Ltd v Ozi-Soft Pty Ltd* (1988) 20 FCR 46 at 49.

69 See authorities cited at fnn 57-59 above.

The wrong way to frame the question in this case

71 In the course of their reasons for judgment, the members of the Full Court extensively reviewed a number of decisions of this Court[70] and other courts[71] addressing whether a term is "implied" or "inferred" by the court. In applying those authorities, the Court took three steps which meant that it framed the wrong question. The first was to speak of the "actual intention" of the parties, the second was to approach the case through a rigid taxonomy of "express", "inferred" and "implied" terms, and the third was the tendency at times to conflate "inferred" and "implied" terms and to treat both as requiring some level of necessity. It is necessary to address each step.

72 First, as these reasons have identified, this is a case requiring regard to the basic principle that the terms of a contract are to be identified objectively, not by reference to the "actual intention" of the parties[72]. The test is what the reasonable observer would make of what passed between the parties[73].

73 Second, in informal contracts, terms a reasonable person would conclude are terms of the bargain based on what the parties said and did, understood in light of what they knew, might be, and sometimes have been, described as "inferred" terms[74]. It may be that describing them in that way suggests that they are a species of implied term, and indeed such terms have been described as "implied"[75]. But whether the description "inferred" or "implied" is correct depends entirely on what "inferred" or "implied" is intended to convey. As Dawson and Toohey JJ observed in *Breen v Williams*[76], "the line between inference and implication will

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70 *Codelfa Construction* (1982) 149 CLR 337; *Hospital Products Ltd v United States Surgical Corporation* (1984) 156 CLR 41; *Hawkins* (1988) 164 CLR 539; *Byrne* (1995) 185 CLR 410; *Breen v Williams* (1996) 186 CLR 71; *Barker* (2014) 253 CLR 169.

71 *Liverpool City Council* [1977] AC 239; *BP Refinery* (1977) 180 CLR 266; *Yau's Entertainment* (2002) 54 IPR 1; *Grocon Constructors (Victoria) Pty Ltd v APN DF2 Project 2 Pty Ltd* [2015] VSCA 190.

72 cf *Hardingham v RP Data Pty Ltd* (2021) 395 ALR 644 at 687 [170].

73 See [43] and [45]-[48] above.

74 *Hawkins* (1988) 164 CLR 539 at 570-572; *Byrne* (1995) 185 CLR 410 at 422, 442; *Breen* (1996) 186 CLR 71 at 90-91.

75 *Liverpool City Council* [1977] AC 239 at 254; *Hawkins* (1988) 164 CLR 539 at 571; *Breen* (1996) 186 CLR 71 at 102-103.

76 (1996) 186 CLR 71 at 91.

not always be easy to draw". And, in the present case, the use of either word is liable to lead to definitional disputes which would be wholly unproductive.

74 The contracts between H/REMA and the agencies in this case were not written. Dividing the terms of the bargain between those that were express and those that are inferred or implied also may distract attention from the proper inquiry. In particular, describing terms which the parties did not spell out in full in their oral exchanges as "implied" terms will distract if it suggests that what is set out in *BP Refinery*[77] should be applied before identifying those terms of the contract. It should not. As Lord Wilberforce said in *Liverpool City Council v Irwin*[78], the function of the court is "simply ... to establish what the contract is, the parties not having themselves fully stated the terms". The first task is to identify what a reasonable person would conclude were the terms of the bargain based on what the parties said and did, understood in light of what they knew.

75 Third, if the reference to "inferred" terms is directed simply to establishing the terms of an oral contract as a matter of fact, then there is no requirement for necessity[79]. The cases relied on by the Full Court as requiring some level of necessity before "implying" or "inferring" such a term do not mandate that outcome[80]. So much was made clear by what was said in the authorities, which distinguish between formal and informal contracts, and emphasise that, for the latter, the first task is to identify the terms[81]. In *Byrne v Australian Airlines Ltd*[82], the Court cautioned against automatic or rigid application of the *BP Refinery* criteria to informal contracts. There may be a term that went without saying not because the term is necessary to make the contract work but because it was so obvious it went without saying. And here the term was of that latter kind (not the former). Saying that the five requirements in *BP Refinery* can or should be applied "flexibly" suggests that there can be degrees of "necessity" when a court is determining, as an objective matter, what is necessary to make a contract work. I do not accept that. "Flexibility" is not to be used to diminish the importance of the requirement that terms are implied in a contract only if the term is necessary to

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77 (1977) 180 CLR 266.

78 [1977] AC 239 at 254.

79 See [45]-[48] above.

80 *BP Refinery* (1977) 180 CLR 266 at 283; *Codelfa Construction* (1982) 149 CLR 337 at 345-346; *Hawkins* (1988) 164 CLR 539 at 571-573; *Byrne* (1995) 185 CLR 410 at 422, 442, 446; *Breen* (1996) 186 CLR 71 at 90-91, 102-103; *Barker* (2014) 253 CLR 169 at 185-187 [21]-[23]; *Bell v Lever Brothers Ltd* [1932] AC 161 at 226.

81 See *Byrne* (1995) 185 CLR 410 at 422, 442; *Breen* (1996) 186 CLR 71 at 90-91.

82 (1995) 185 CLR 410 at 422, 442. See also *Hawkins* (1988) 164 CLR 539 at 571-572.

make the contract work. Discarding that requirement would be a very large step and no reason has been given for taking it. Either a term is necessary to make the contract work or it is not. Either the contract is effective without it, or it is not[83]. But there are terms that are not necessary, yet go without saying, and were not said by the parties, yet are objectively part of the contract. The relevant term in this case was of that latter kind. It was so obvious it went without saying because of what was said and not said, what was known, and what was done.

76 Where the contract is informal, there may well be terms that are implied by reference to the *BP Refinery* tests but that is not the whole universe of unexpressed terms. The terms to which *BP Refinery* directs attention are those which are not expressed but are necessary to make the contract work. That is a different question. It necessarily comes after the first task of identifying what were the terms of the contract.

77 Additionally, in the circumstances of this case, concepts such as "course of dealing"[84], "industry practice"[85] or "professional practice"[86] also distract attention from the proper inquiry. The question here – what were the terms of the licence and sub-licence granted, given what H/REMA knew, said to the agencies, and did not say to the agencies – is a different question to whether there was a course of dealing between H/REMA and the agencies. The latter question inevitably requires proof by evidence of what is said to be the consistent course of dealing between them and how, if at all, that course of dealing could be said to extend to authorising the sub-licence to RP Data[87]. But in this case there was not shown to be any course of dealing between two parties: there were dealings between H/REMA and a number of different agencies. It is also a different question to a contention that so-called industry practice usually includes a particular term. Such a contention involves precise identification of the industry, evidence and findings of a particular practice or term in that industry and then attribution of that practice to the relevant parties. In this case, those inquiries raise difficult questions not required to be

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83 *BP Refinery* (1977) 180 CLR 266 at 282-283.

84 See, eg, *McCutcheon v David Macbrayne Ltd* [1964] 1 WLR 125 at 129, 138; [1964] 1 All ER 430 at 433, 439; *Henry Kendall & Sons v William Lillico & Sons Ltd* [1969] 2 AC 31 at 90, 104, 105, 113, 130; *Byrne* (1995) 185 CLR 410 at 422, 442.

85 See, eg, *British Crane Hire* [1975] QB 303 at 310-311; *Hospital Products* (1984) 156 CLR 41 at 121; *Byrne* (1995) 185 CLR 410 at 422.

86 See, eg, *Hawkins* (1988) 164 CLR 539 at 573; *Byrne* (1995) 185 CLR 410 at 422, 440.

87 cf *Con-Stan Industries of Australia Pty Ltd v Norwich Winterthur Insurance (Australia) Ltd* (1986) 160 CLR 226 at 235-242.

addressed and which have not been answered, including, for example, whether the industry is the real estate industry, an aspect of that industry, professional photography or some other industry.

REA's costs of the hearing of the separate question before the trial judge

78 The liability of REA to indemnify RP Data under the cross-claim was not the subject of the separate question. However, before the trial judge, REA adduced evidence on the separate question in defence of the claim against RP Data and made submissions in relation to the liability of RP Data to H/REMA. The trial judge ordered H/REMA to pay REA's costs of the cross-claim brought against REA by RP Data, except the costs of and incidental to the hearing of the separate question (the "cross-claim costs order")[88]. The short point is that before the trial judge REA was given leave to appear and argue the separate question but, unlike RP Data, was not given its costs of the hearing.

79 REA filed a cross-appeal in the Full Court of the Federal Court seeking to set aside the cross-claim costs order and, in its place, seeking an order that H/REMA pay all of its costs. As Greenwood and Rares JJ held that the appeal should be allowed and that H/REMA was entitled to relief against RP Data, their Honours set aside the cross-claim costs order. The Full Court therefore allowed the cross-appeal but made different costs orders the effect of which was that RP Data would pay H/REMA's costs of the hearing of the separate question (including any extra costs caused by reason of RP Data's joinder of REA), and, as between RP Data and REA, the costs of and incidental to the hearing of the separate question were reserved. RP Data was ordered to pay REA's costs of the cross-appeal.

80 In this Court, REA sought an order that the proceeding be remitted to the Full Court of the Federal Court for determination on the merits of REA's cross-appeal to that Court. That aspect of the proceeding concerns only the question of costs before the trial judge. His Honour provided detailed reasons for decision. REA did not show any error of principle and the decision is not so unreasonable as to bespeak error. The proceeding should not be remitted.

Conclusion and orders

81 For those reasons, in S57 of 2022 the appeal should be allowed, in part. In S58 of 2022, the appeal should be allowed. In each appeal, the first and second respondents, H/REMA, should pay the costs of the appeal. The orders made by the Full Court of the Federal Court of Australia on 8 September, 13 September and

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88 *Hardingham v RP Data Pty Ltd [No 2]* [2019] FCA 2138.

1 October 2021 should be set aside and, in their place, order that the appeal and the cross-appeal be dismissed with costs.

EDELMAN AND STEWARD JJ.

Fundamental propositions of contract law in these appeals

82 In communication between people, meaning can only be conveyed by expression in words and by implications from conduct and circumstances. There is no communication that is not expressed or implied. But there can be a fine line between expression and implication. Understanding the expressed meaning of words almost always requires recognising implications from conduct and circumstances.

83 It is fundamental to the objective theory of contract, which is "in command of the field" of contract law[89], that a contract cannot exist without communication. The subjective views of the parties are irrelevant: "having it in your own mind is nothing"[90]. The terms of a contract − express or implied − therefore arise from the communication between the parties, understood in context, including by drawing inferences to identify the implied content of communication. Although the distinction between express and implied terms can be fine, it has long been accepted that there is a particular test to be applied for the recognition of an implied term[91]. The distinction cannot be ignored. Once these matters are appreciated, two very basic errors are exposed.

84 First, there is no third category of contract term called an "inferred term". Contract terms are communicated either expressly in words or impliedly from conduct and circumstances: "If a term is not expressed in a contract, there is only one other way in which it can come into it and that is [as an] implication."[92]

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89 *Taylor v Johnson* (1983) 151 CLR 422 at 429. See also *Toll (FGCT) Pty Ltd v Alphapharm Pty Ltd* (2004) 219 CLR 165 at 179-180 [40]-[41]; *Byrnes v Kendle* (2011) 243 CLR 253 at 275 [59], 285 [100]; *Mount Bruce Mining Pty Ltd v Wright Prospecting Pty Ltd* (2015) 256 CLR 104 at 116 [46].

90 *Brogden v Metropolitan Railway Co* (1877) 2 App Cas 666 at 692.

91 See *BP Refinery (Westernport) Pty Ltd v Shire of Hastings* (1977) 180 CLR 266 at 283. That test was recognised in decisions including *Secured Income Real Estate (Australia) Ltd v St Martins Investments Pty Ltd* (1979) 144 CLR 596 at 605-606 and *Codelfa Construction Pty Ltd v State Rail Authority of NSW* (1982) 149 CLR 337 at 347. See also at 344, 392, 404.

92 *McCutcheon v David Macbrayne Ltd* [1964] 1 WLR 125 at 134; [1964] 1 All ER 430 at 437. See also *Eggleston v Marley Engineers Pty Ltd* (1979) 21 SASR 51 at 62; *Tetra Pak (Aust) Pty Ltd v Johnstones Transport Industries Pty Ltd* (unreported,

85 The insistence that there is no category of contract term called an "inferred term" does not deny the relevance of the process of inference in discerning the existence of express terms. Nor does it deny that the process of inference is essential to the identification of implied terms. Inference is a method of legal reasoning that can identify the existence of an express term or the content of an implication. There is therefore a "critical distinction" between an implication and an inference[93].

86 Secondly, "[i]t is not analytically right" to say that there is a separate category of informal contracts (that is, contracts that are not, or not entirely, evidenced in a written form) which are governed by different rules[94]. We have a common law of contract, not different common laws for different categories of contract. Of course, context can affect the application of contractual rules. Hence, the more comprehensive a written contract appears to be, and the more apparent that the instrument has been drafted professionally[95], the more difficult it will be to establish that the words chosen do not bear their ordinary meaning or that the parties have omitted to express a term in the written document. However, the basic rules of communication remain the same whether the contract was entirely written, partly written and partly oral, partly written and partly by conduct, partly written and partly oral and by conduct, entirely oral, partly oral and partly by conduct, or entirely by conduct.

87 The issue on these appeals concerns the existence and content of a contract term that is not expressed in any words and is implied from the conduct of the parties and the circumstances. The dispute between the parties concerns the rules that govern the recognition of the existence and the content of implied terms in

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Supreme Court of New South Wales, 20 October 1988) at 17; *Pondcil Pty Ltd v Tropical Reef Shipyard Pty Ltd* (1994) ATPR (Digest) ¶46-134 at 53,651; *Hardwick Game Farm v Suffolk Agricultural Poultry Producers Association* [1969] 2 AC 31 at 104; *Circle Freight International Ltd v Medeast Gulf Exports Ltd* (unreported, Queen's Bench Division, 19 June 1987); *Cape Industrial Services Ltd v Ledwood and Construction Ltd* [2000] All ER (D) 1168 at [160].

93 *Wurridjal v The Commonwealth* (2009) 237 CLR 309 at 368 [120], referring to *Lubrano v Gollin & Co Pty Ltd* (1919) 27 CLR 113 at 118.

94 *Society of Lloyd's v Clementson* [1995] LRLR 307 at 330, quoted in *Yau's Entertainment Pty Ltd v Asia Television Ltd* (2002) 54 IPR 1 at 9 [36].

95 *Ridd v James Cook University* (2021) 95 ALJR 878 at 884 [17]; 394 ALR 12 at 19-20.

informal contracts. The dispute should be resolved consistently with the fundamental propositions set out above.

88 The first and second respondents to these appeals are Mr Hardingham, a professional photographer, and his company, Real Estate Marketing Australia Pty Ltd ("REMA"). REMA contracted with various real estate agencies (who are not parties to these appeals) to produce and supply photographs and floor plans of properties that the agencies would market for sale or lease. REMA was the exclusive licensee of Mr Hardingham's copyright over the photographs and floor plans.

89 The photographs and floor plans supplied by REMA to the agencies were displayed on the internet sites of the other two parties to these appeals, Realestate.com.au Pty Ltd ("REA") and RP Data Pty Limited ("RP Data"). The agencies contracted, on REA's standard written terms and conditions, to provide the photographs and floor plans to REA. REA then provided the photographs and floor plans to RP Data.

90 Mr Hardingham and REMA submitted that the contract between REMA and each agency contained a term to the effect that the licence provided to each agency would terminate upon the sale or lease of the relevant property. They submitted that the contracts authorised the agencies to sub-license the use of the photographs and floor plans, but the sub-licence could only be for the purpose of a marketing campaign to sell or lease the properties. Those terms were not expressed in words by any of the parties at any stage. By definition, if those terms existed, they must have been implied terms.

91 REA and RP Data submitted that the contracts between REMA and the agencies contained a term to the effect that the agencies were authorised to license the use of the photographs and floor plans on REA's standard terms and conditions, which included authorising REA to grant a sub-licence of the kind conferred on RP Data. Again, that term was not expressed in words at any time and so, if it existed, it must have been an implied term.

92 At every stage of the litigation below, each judge correctly approached their task by identifying whether the disputed term was express or implied and then determining the content of the disputed term. The primary judge in the Federal Court of Australia (Thawley J) accepted that in the circumstances of the case, including the conduct and (reasonable) knowledge of the parties, the contracts contained an implied term broadly in the form proposed by REA and RP Data. A majority of the Full Court of the Federal Court of Australia (Greenwood J, with whom Rares J agreed) allowed an appeal, concluding that the contracts contained an express term that a licence to use the photographs and floor plans, and to sub-license the use of the photographs and floor plans, was limited to use for the purposes of the marketing campaign for the sale or lease of the relevant property.

93 In dissent in the Full Court, Jackson J held that the contracts contained an implied term as identified by the primary judge. His Honour's conclusion, and that of the primary judge, as to the existence and content of the implied term was correct. The appeals should be allowed.

The background in more detail

94 The principal parties before the primary judge were, on the one hand, Mr Hardingham and REMA, and, on the other hand, RP Data. The principal claim was brought by Mr Hardingham and REMA against RP Data for infringement of copyright. An order was made for the determination, as a preliminary issue, of the claim for infringement of copyright in respect of photographs and floor plans relating to 20 properties.

95 RP Data joined REA as a third party to the proceeding by making a cross-claim, asserting that REA was liable to indemnify RP Data in respect of any loss or damage if copyright had been infringed. REA had provided the photographs and floor plans to RP Data pursuant to a contract between REA and RP Data, which included a warranty that the provision and use of the data would not breach third party intellectual property rights. That cross-claim was not the subject of the proceeding or these appeals.

96 No evidence was given by anyone from the numerous agencies who had contracted with REMA in the relevant transactions. One consequence of this was that there was minimal evidence of the contractual arrangements between REMA and the agencies. As will be explained later in these reasons, that gap in evidence should not be filled by a court speculating that the parties may have used words amounting to an express licence and which formed a term of the contracts. But inferences can be drawn, based on the matters reasonably known to REMA and the agencies, as to any terms that were implied in the circumstances.

97 Copyright generally subsists in works, including an "original ... artistic work", the author of which was a "qualified person"[96]. Before the primary judge and the Full Court of the Federal Court it was assumed that Mr Hardingham, as the professional photographer who took the photographs and produced the floor plans of the properties, was a qualified person who held the copyright in the photographs and floor plans. Mr Hardingham provided REMA, the company of which he was the sole director and which contracted with the agencies, with an exclusive licence to use and sub-license the photographs and floor plans.

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96 *Copyright Act 1968* (Cth), ss 32(1), 32(2), 32(4).

98 A licence is a freedom from a duty: "an authority to do something which would otherwise be wrongful or illegal or inoperative"[97]. A licence granted by the holder of copyright to use a work that is the subject of copyright thus provides the licensee with a freedom from the duty not to infringe copyright. Section 15 of the *Copyright Act 1968* (Cth) extends this freedom to third parties where the licensee is authorised by the holder of copyright to provide a sub-licence[98]. It provides that "an act shall be deemed to have been done with the licence of the owner of a copyright if the doing of the act was authorized by a licence binding the owner of the copyright".

99 Mr Hardingham and REMA did not dispute that REMA provided a licence to the agencies to use the photographs and floor plans which authorised the agencies to sub-license the use of those works to REA. But their case was that the licence and sub-licence were limited to the duration of the marketing campaign for the sale or lease of the properties.

100 The issues on these appeals reduce to whether: (i) the contracts between REMA and the agencies contained a licence which authorised the agencies to provide the photographs and floor plans to REA on the limited terms submitted by Mr Hardingham and REMA or (ii) the licence to the agencies extended to sub-licensing the use of those works to REA on REA's standard terms and conditions, which included perpetual use by REA and the power for REA to sub-license the perpetual use of those photographs and floor plans to RP Data.

101 The licence was necessarily a term of the contracts between REMA and the agencies. And since the contracts were between REMA and the agencies, the relevant facts from which the content of the licence can be inferred can only be words and other conduct between REMA and the agencies and circumstances of which REMA and the agencies should reasonably have been aware. On the objective theory of contract, private communications between Mr Hardingham and REMA, on the one hand, and RP Data, on the other, cannot inform the meaning of a term between REMA and the agencies.

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97 *Federal Commissioner of Taxation v United Aircraft Corporation* (1943) 68 CLR 525 at 533; *H Lundbeck A/S v Sandoz Pty Ltd* (2022) 96 ALJR 208 at 226 [90]; 399 ALR 184 at 204.

98 *Concrete Pty Ltd v Parramatta Design & Developments Pty Ltd* (2006) 229 CLR 577 at 583 [10]; *Corby v Allen & Unwin Pty Ltd* (2013) 297 ALR 761 at 774 [77]-[78].

The proper approach to recognising implied terms

(i) The first task: identifying the express terms of a contract

102 Contract terms are either expressed in words or not expressed in words. If a term is expressed in words, whether written or oral, it is called an express term. If the term is not expressed in words, then it must be a term that is implied from the circumstances, including the conduct of the parties.

103 As to express terms, since language is imperfect, the meaning of many express terms will include implications, such as explicatures arising from the words expressed and implicatures supplementing the words expressed: "language itself could not function if it did not sit atop a vast infrastructure of tacit knowledge about the world"[99]. Nevertheless, the term, as a whole, remains an express term: the implication, from the words in their context, is "included in and part of that which is expressed"[100], is "contained in the express words of the contract"[101], or is a necessary supplement to the words of the term.

104 In interpreting an express term, implications derived from and "underlying the words" make sense of the "parties' expressed intentions, however obscure and ambiguous the language that may have been used, to give a reasonable meaning to that language if it can do so without doing complete violence to it"[102]. The process is still one of interpreting the words expressed between the parties. The term as a whole – including any implications from the words – remains an express term.

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99 Pinker, *The Blank Slate: The Modern Denial of Human Nature* (2002) at 210.

100 *Lubrano v Gollin & Co Pty Ltd* (1919) 27 CLR 113 at 118, cited in *Wurridjal v The Commonwealth* (2009) 237 CLR 309 at 368 [120], *MZAPC v Minister for Immigration and Border Protection* (2021) 95 ALJR 441 at 478 [166]; 390 ALR 590 at 632. See also *Merchant Service Guild of Australasia v Newcastle and Hunter River Steamship Co Ltd [No 1]* (1913) 16 CLR 591 at 624, quoted in *R v Rigby* (1956) 100 CLR 146 at 151, *MZAPC v Minister for Immigration and Border Protection* (2021) 95 ALJR 441 at 478 [166]; 390 ALR 590 at 632.

101 *Carlton and United Breweries Ltd v Tooth & Co Ltd* (unreported, Supreme Court of New South Wales, 11 June 1985) at 19; summarised in (1985) 6 IPR 319 at 320. See also *Brambles Holdings Ltd v Bathurst City Council* (2001) 53 NSWLR 153 at 164 [28]; *Rankin Investments (Qld) Pty Ltd v CMC Property Pty Ltd* [2021] QCA 156 at [78].

102 *Whishaw v Stephens* [1970] AC 508 at 517, 522; *Mainteck Services Pty Ltd v Stein Heurtey SA* (2014) 89 NSWLR 633 at 658-659 [100].

105 It is only when an implication is sufficiently independent of the express terms, and can be seen as the subject of an entire term, that it will be treated as an implied term. But there can be a very fine line between, on the one hand, an implication contained in an express term and, on the other hand, an implied term[103].

106 An example of the fine line between an implication forming part of an express term and an implication that is a separate implied term can be seen in the reasoning in this Court in *Milne v Sydney Corporation*[104]. In that case, the written words of the contract included that the contract was "for the carrying out of the mechanical repairs to the plant" and that the Council was "desirous of having certain repairs ... done". One issue was whether the defendants were required to employ the plaintiffs exclusively to carry out all the necessary repairs to the plant or whether the plaintiffs would only carry out those repairs which the Town Clerk might choose to notify. Griffith CJ held that the obligation of exclusivity was a separate implied term of the contract[105]. By contrast, Isaacs J held that the obligation of exclusivity arose from "a proper interpretation of the actual words of the party charged"[106], and so formed part of an express term.

107 It is extremely well established that the first step in determining the terms of a contract and their meaning, whether formal or informal, is to identify the express terms and to ascertain their meaning. In *Byrne v Australian Airlines Ltd*[107], McHugh and Gummow JJ described the "first task" to be undertaken in respect of contracts where "the parties have not spelled out all the terms of their contract [in words]" as being a task "to consider the evidence and find the relevant *express* terms". These remarks of McHugh and Gummow JJ have been quoted or referred to in Australia with approval on many, many occasions[108]. In *Roxborough v*

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103 *H Lundbeck A/S v Sandoz Pty Ltd* (2022) 96 ALJR 208 at 227 [93]-[94]; 399 ALR 184 at 204-205.

104 (1912) 14 CLR 54.

105 (1912) 14 CLR 54 at 65-67.

106 (1912) 14 CLR 54 at 75.

107 (1995) 185 CLR 410 at 442 (emphasis added).

108 *Skeggs v Metropolitan Transport Trust* (unreported, Supreme Court of Tasmania, 4 June 1997) at 8; *Highland Harvesters Pty Ltd v K J & S M Williams Pty Ltd* (unreported, Supreme Court of Tasmania, 2 October 1998) at 4; *A R Griffiths & Sons Pty Ltd v Richards* [2000] 1 Qd R 116 at 125; *Hardchrome Engineering Pty Ltd v Kambrook Distributing Pty Ltd* [2000] VSC 359 at [130]; *Narni Pty Ltd v National Australia Bank Ltd* [2001] VSCA 31 at [18]; *Yau's Entertainment Pty Ltd v Asia*

Rothmans of Pall Mall Australia Ltd[109], Gummow J recognised that as part of the first task of identifying the express terms, and ascertaining their meaning, the express terms might be "deduced or inferred objectively from the documents" where there had been a course of dealing between the parties.

108 No party to these appeals suggested that this long-established "first step" of identifying express terms before implied terms should be discarded for some or all informal contracts. The parties were correct not to do so. An informal contract is not of a fundamentally different nature from a formal, written contract. Indeed, in some cases, the terms of an informal contract might be far more carefully formulated than those of a formal contract. For instance, an informal contract made by a process of following a carefully prepared script in a recorded telephone call might involve far more preparation than a simple "formal" contract with terms scribbled on the back of an envelope. In both instances, express terms must be identified before the test for implied terms is applied.

109 Only after the first step is completed, so that the express terms have been identified and interpreted, should the court undertake the next step of identifying, by inference, the implied terms of the contract. Thus, in the Supreme Court of the United Kingdom, Lord Neuberger of Abbotsbury PSC (with whom Lords Sumption and Hodge JJSC agreed) has reiterated that[110]:

Television Ltd (2002) 54 IPR 1 at 8 [32]; *County Securities Pty Ltd v Challenger Group Holdings Pty Ltd* [2008] NSWCA 193 at [159]; *Secure Parking (WA) Pty Ltd v Wilson* (2008) 38 WAR 350 at 378 [107]; *Rand v Uni-Roof Safe-T-Rail Pty Ltd* [2009] NSWSC 26 at [26]; *Central City Pty Ltd v Montevento Holdings Pty Ltd* [2011] WASCA 5 at [41]; *Aqua-Marine Marketing Pty Ltd v Pacific Reef Fisheries (Australia) Pty Ltd [No 5]* [2012] FCA 908 at [54]; *Iacullo v Remly Pty Ltd* [2012] NSWSC 191 at [83]; *Wolfe v Permanent Custodians Ltd* [2012] VSC 275 at [135]; *Grocon Constructors (Victoria) Pty Ltd v APN DF2 Project 2 Pty Ltd* [2015] VSCA 190 at [178]; *Yulema Pty Ltd v Simmons* [2015] NSWSC 640 at [51]; *AAP Industries Pty Ltd v Rehau Pte Ltd* [2017] NSWSC 390 at [64]; *Masters Home Improvement Pty Ltd v North East Solution Pty Ltd* (2017) 372 ALR 440 at 455 [60]; *Weatherbeeta Ltd v Hammersmith Nominees Pty Ltd* [2019] VSC 559 at [147]; *Muthu v Radeshar Pty Ltd* [2022] FCA 1157 at [62]. See also *Muriti v Prendergast* [2005] NSWSC 281 at [193]; *Short v Crawley* [2005] NSWSC 928 at [6]; *Junge v Junge* [2013] NSWSC 1842 at [64].

109 (2001) 208 CLR 516 at 537 [55]. See also *La Rosa v Nudrill Pty Ltd* [2013] WASCA 18 at [43].

110 *Marks and Spencer plc v BNP Paribas Securities Services Trust Co (Jersey) Ltd* [2016] AC 742 at 756-757 [28].

> "it is only after the process of construing the express words is complete that the issue of an implied term falls to be considered. Until one has decided what the parties have expressly agreed, it is difficult to see how one can set about deciding whether a term should be [recognised as] implied and if so what term."

(ii) The second task: identifying implied terms

(a) Identifying implied terms generally

110 As explained above, contractual implications can have two effects. First, they assist in understanding express terms. Secondly, they can constitute a separate implied term. Both types of implication are recognised by a process of inference from the circumstances, including the conduct of the parties. Neither implication is "an addition to the instrument" because both "only spell[] out what the instrument means"[111]. In short, "[e]very implication which the law makes is embodied in the contract just as effectively as if it were written therein in express language"[112].

111 Once the express terms of a contract have been identified and interpreted, including with all the implications they contain, the second task is to identify any implied terms. An implied term will be sufficiently separate from the express terms of a contract and will not be expressed in words communicated between the parties. The recognition of an implied term occurs by inference from all the circumstances. As will be explained below, these appeals concern the existence and content of an implied term.

112 A basic source of confusion in terminology and in thought can be seen in the common statement that implied terms are terms that are "implied into" a written contract. Implied terms are not "implied into" a contract at all[113]: they already exist in the contract. Implied terms are therefore recognised by the court, not created by the court. Nor does it make sense to suggest that there are different categories or classes of implied term according to whether a contract can be categorised as "informal". The same basic process of inference applies to identify an implied term

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111 *Attorney General of Belize v Belize Telecom Ltd* [2009] 1 WLR 1988 at 1993 [18]; [2009] 2 All ER 1127 at 1133.

112 *Hart v MacDonald* (1910) 10 CLR 417 at 427.

113 Garner (ed), *Black's Law Dictionary*, 11th ed (2019) at 904-905, "imply", quoting Garner, *Garner's Dictionary of Legal Usage*, 3rd ed (2011) at 430-431.

whether a contract is wholly in writing, mostly in writing, partly in writing or not in writing at all.

113 In *BP Refinery (Westernport) Pty Ltd v Shire of Hastings*[114], in a passage repeatedly approved in this Court[115], a majority of the Privy Council set out five criteria for the recognition of an implied term:

> "(1) [the implication] must be reasonable and equitable; (2) it must be necessary to give business efficacy to the contract, so that no term will be implied if the contract is effective without it; (3) it must be so obvious that 'it goes without saying'; (4) it must be capable of clear expression; (5) it must not contradict any express term of the contract."

114 Each of the *BP Refinery* criteria is flexible and is assessed as at the time the contract was made. As will be seen below, it can be especially important that the criteria are not applied in an "over-rigid" way in informal contracts[116]. "Reasonableness" and "equity" are elastic notions. Their content is assessed from the perspective of a reasonable person in the position of the contracting parties and will vary accordingly. That which is necessary for "efficacy" involves a range from highly ineffective to highly effective and "business efficacy" will depend upon the extent to which the contract concerns business. It is simply impossible to say that there is a single requirement of "necessity for business efficacy" that applies in the same way to every contract in every circumstance. So too, "obviousness" and "clarity" are concepts that describe a spectrum of possibilities which will be more demanding where the express terms of the contract are thorough and clear. Finally, although contradiction of an express term of the contract is a criterion of greater specificity, the more tension that exists between a proposed implied term and an express term, the less likely the court will recognise such an implied term.

115 The reason that the five criteria are flexible is important. The criteria serve only to answer the ultimate question: what would have been intended by a

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114 (1977) 180 CLR 266 at 283.

115 *Secured Income Real Estate (Australia) Ltd v St Martins Investments Pty Ltd* (1979) 144 CLR 596 at 606; *Codelfa Construction Pty Ltd v State Rail Authority of NSW* (1982) 149 CLR 337 at 347. See also at 344, 392, 404.

116 *Hospital Products Ltd v United States Surgical Corporation* (1984) 156 CLR 41 at 121.

reasonable person in the position of the contracting parties[117]? Hence, in *Commonwealth Bank of Australia v Barker*[118], French CJ, Bell and Keane JJ rightly described the implication of terms as "an exercise in construction". And, since the ultimate question for identifying express and implied terms is the same, as Mason J (Stephen and Wilson JJ agreeing) said in *Codelfa Construction Pty Ltd v State Rail Authority of NSW*[119], in identifying implied terms "the court is no more confined than it is when it construes the contract".

(b) Implied terms in informal or partly informal contracts

116 These principles apply to informal, or partly informal, contracts just as they apply to formal contracts. The flexibility of the five criteria, and their nature as guidelines to the ultimate question, can be particularly evident in the instance of an informal contract which contains very little expressed in writing by the parties. Many of the terms of such a contract must go without saying since few have been said. There is no need for the implied terms to be as obvious or as clearly expressed as express terms because few of the other terms are expressed at all. And the implied terms will not be likely to contradict an express term of the contract since few terms have been expressed.

117 The usual focus in informal contracts will therefore be on the first two criteria: (i) reasonableness and equity, and (ii) the necessity for the implied terms to make the contract effective. It has even been said that it is questionable whether reasonableness and equity will add anything where the other criteria, particularly the need for the term to make the contract effective, are satisfied[120].

118 *Byrne*[121] is an example of the flexibility of the five criteria. The employment of the appellants in that case was governed by a written award made under the *Conciliation and Arbitration Act 1904* (Cth). A clause of the award provided: "Termination of employment by an employer shall not be harsh, unjust or unreasonable." One question in that case was whether the express provision in the

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117 See *The Moorcock* (1889) 14 PD 64 at 68; *Attorney General of Belize v Belize Telecom Ltd* [2009] 1 WLR 1988 at 1994-1995 [24]-[25]; [2009] 2 All ER 1127 at 1134.

118 (2014) 253 CLR 169 at 186 [22], referring to *Attorney General of Belize v Belize Telecom Ltd* [2009] 1 WLR 1988 at 1994 [22]; [2009] 2 All ER 1127 at 1134.

119 (1982) 149 CLR 337 at 353.

120 *Marks and Spencer plc v BNP Paribas Securities Services Trust Co (Jersey) Ltd* [2016] AC 742 at 754-755 [21].

121 (1995) 185 CLR 410.

award had been "imported" by the award into the employment contract. If so, it would have been incorporated as an express term albeit with the "juristic source" in the award rather than an express promise[122]. A separate question was whether the contract contained an implied term which was to the same effect as the award provision[123]. Both arguments were rejected.

119 As to the implied term argument, Brennan CJ, Dawson and Toohey JJ commenced by referring to the five criteria to be considered before an implied term will be recognised[124]. Their Honours then said this, relying upon a judgment of Deane J[125]:

> "[T]he cases in which the criteria in *BP Refinery (Westernport) Pty Ltd v Shire of Hastings* have been applied in this Court are cases in which there was a formal contract, complete on its face ... [A] rigid approach should be avoided in cases, such as the present, where there is no formal contract. In those cases the actual [express] terms of the contract must first be inferred before any question of implication arises."

Their Honours explained that in such an informal contract the test for an implied term was that proposed by Deane J in another earlier case, where his Honour said[126]:

> "[A] court should imply a term by reference to the imputed intention of the parties if, but only if, it can be seen that the implication of the particular term is necessary for the reasonable or effective operation of a contract of that nature in the circumstances of the case. That general statement of principle is subject to the qualification that a term may be implied in a contract by established mercantile usage or professional practice or by a past course of dealing between the parties."

120 Putting to one side the confusion in language in the latter quotation concerning the process of inference that identifies the implied term, three aspects

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122 See *Amalgamated Collieries of WA Ltd v True* (1938) 59 CLR 417 at 431.

123 *Byrne v Australian Airlines Ltd* (1995) 185 CLR 410 at 418.

124 (1995) 185 CLR 410 at 422, referring to *BP Refinery (Westernport) Pty Ltd v Shire of Hastings* (1977) 180 CLR 266 at 283.

125 (1995) 185 CLR 410 at 422, referring to *Hospital Products Ltd v United States Surgical Corporation* (1984) 156 CLR 41 at 121.

126 *Hawkins v Clayton* (1988) 164 CLR 539 at 573, quoted in *Byrne v Australian Airlines Ltd* (1995) 185 CLR 410 at 422.

of this reasoning should be emphasised. First, as explained above, it is a long-standing proposition of law that before the existence of any implied terms can be considered, the first task is to identify the express terms of the contract.

121 Secondly, the elastic criteria in *BP Refinery* should never be rigidly applied. The flexibility can be seen to be especially important in those informal oral contracts or contracts by conduct that are not carefully expressed or communicated. In such cases, a proposed implied term need not be as reasonable, necessary, obvious, or clear as it would in a case, for example, of a formal contract that has been expressed in hundreds of pages drafted by professionals. In between these extremes might be a contract that is partly formal and partly informal, such as one that has been expressed partly orally and partly by carefully written terms.

122 Thirdly, Brennan CJ, Dawson and Toohey JJ were not suggesting that the rules for recognising implications, by inference, are different in cases where there is a "formal contract, complete on its face" compared with cases where there is not. But the rules will *apply* differently and, as explained above, the flexibility of those rules means that, where there is an informal contract made without considerable care, the usual focus from the five criteria will be upon reasonableness and equity and upon business efficacy. But, to reiterate, the five criteria in *BP Refinery* apply to all contracts only as an analytical framework for determining the ultimate question: what would have been intended by a reasonable person in the position of the contracting parties? Those Australian and English authorities that have suggested the contrary are not correct.

123 Since the five criteria apply to all contracts − even wholly informal contracts where all the terms must go without saying − McHugh and Gummow JJ were correct to emphasise in *Byrne*[127], echoing the words of Deane J in *Hospital Products Ltd v United States Surgical Corporation*[128], that in informal contracts "it still is necessary to show that the term in question would have been accepted by the contracting parties as a matter so obvious that it would go without saying".

(c) Implied terms in informal contracts arising from custom or dealing

124 As this Court said in *Con-Stan Industries of Australia Pty Ltd v Norwich Winterthur Insurance (Australia) Ltd*[129], "[t]he circumstances in which trade custom or usage may form the basis for the implication of terms ... have been

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127 (1995) 185 CLR 410 at 446. See also *Breen v Williams* (1996) 186 CLR 71 at 105; *Yau's Entertainment Pty Ltd v Asia Television Ltd* (2002) 54 IPR 1 at 8 [34].

128 (1984) 156 CLR 41 at 121.

129 (1986) 160 CLR 226 at 236.

considered in many cases". In addition to implied terms that arise from a trade or industry custom, there are also many cases in which it has been recognised that an implied term might be based upon a "past course of dealing between the parties"[130].

125 Where an industry custom is not expressed in words between the parties, the custom can form the basis of an implied term of the contract between the parties. In such circumstances, the effect of the *BP Refinery* criteria, particularly reasonableness and obviousness, is that before an implied term based on custom is recognised, there "must be evidence that the custom relied on is so well known and acquiesced in that everyone making a contract in that situation can reasonably be presumed to have imported that term into the contract"[131]. This case does not concern any alleged industry custom.

126 As to an implied term arising from a course of dealing, the dealing does not need to reflect an industry practice but must reflect a clear and obvious practice between the parties. Many instances of a course of dealing involve a practice that has been expressed in words on previous occasions as an express term, although not on the relevant occasion. Sometimes those words expressed as part of the course of dealing are treated as the basis of an implied term on the relevant occasion[132]. In many cases, however, it might be better regarded as an express term if the inference is that, on the relevant occasion, the parties incorporated, by their conduct, the previously expressed term.

The first task: identifying the express terms in REMA's contracts with the real estate agencies

127 Much of the evidence at trial, and before the Full Court, was not before this Court. That evidence may have included communications between

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130 *Hawkins v Clayton* (1988) 164 CLR 539 at 573. See also *Byrne v Australian Airlines Ltd* (1995) 185 CLR 410 at 422; *Breen v Williams* (1996) 186 CLR 71 at 80; *A R Griffiths & Sons Pty Ltd v Richards* [2000] 1 Qd R 116 at 125; *Yau's Entertainment Pty Ltd v Asia Television Ltd* (2002) 54 IPR 1 at 7 [30]; *Secure Parking (WA) Pty Ltd v Wilson* (2008) 38 WAR 350 at 378 [106]; *County Securities Pty Ltd v Challenger Group Holdings Pty Ltd* [2008] NSWCA 193 at [158]; *Pegela Pty Ltd v Oates* [2010] NSWCA 186 at [14].

131 *Con-Stan Industries of Australia Pty Ltd v Norwich Winterthur Insurance (Australia) Ltd* (1986) 160 CLR 226 at 236.

132 *McCutcheon v David Macbrayne Ltd* [1964] 1 WLR 125 at 128; [1964] 1 All ER 430 at 432; *Hollier v Rambler Motors (AMC) Ltd* [1972] 2 QB 71 at 76; *Rinaldi & Patroni Pty Ltd v Precision Mouldings Pty Ltd* [1986] WAR 131 at 140, 144-145, 148.

Mr Hardingham (for REMA) and the agencies on the relevant occasion or as part of a course of dealing. Those communications could have formed the basis of some express terms. In the Full Court, Greenwood J, with whom Rares J agreed, described four express terms of the oral agreement between REMA and the real estate agencies[133]:

> (1) "Mr Hardingham for REMA was to attend the nominated property (usually with the agent) and take one or more photographs of the property and, where relevant, originate a floor plan of the property";
>
> (2) "[Mr Hardingham and REMA] were to undertake the tasks and provide the works to the agency in consideration of the payment of a fee";
>
> (3) "the works would be provided to the agency in an 'editable digital form'"; and
>
> (4) "the agency enjoyed the right to 'use the works in a marketing campaign' for the sale or lease of the property by the owner in which the agent was acting as agent for the owner (and in circumstances where the marketing campaign was due to commence very shortly after the works were produced by [Mr Hardingham and REMA])".

128 The first three of these terms, and their nature as express terms, were uncontroversial on these appeals. The fourth was disputed. Greenwood J derived the fourth express term from the content of the typical oral exchange between Mr Hardingham and the agencies[134]:

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

129 At its highest, this oral exchange, together with implications from context, might reveal an express term that Mr Hardingham would take photos of the particular property for the agent, and that Mr Hardingham would provide the photos to the agent a reasonable time before the campaign began. But there is absolutely nothing expressed in the words of the oral exchange that could give rise to an express term concerning the scope or conditions of any licence to use the

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133 *Hardingham v RP Data Pty Ltd* (2021) 395 ALR 644 at 651 [22]-[26].

134 *Hardingham v RP Data Pty Ltd* (2021) 395 ALR 644 at 646 [6].

photographs. Nor was there even any evidence referred to by the primary judge or the Full Court of words expressed by the parties concerning floor plans.

130 It is unlikely that there was any evidence at trial that could have established an express term concerning any terms of a licence to use the photographs and floor plans. The primary judge observed that "[t]he evidence adduced in respect of the arrangements between [Mr Hardingham and REMA] and the agencies was minimal, consisting primarily of Mr Hardingham's affidavit evidence and invoices issued by REMA"[135]. Following the oral hearing of these appeals, this Court asked the parties to provide it with Mr Hardingham's two affidavits. Consistently with the observations of the primary judge, the affidavits are entirely bereft of any evidence of words expressed between the parties at the time of contracting concerning a licence to use the photographs and floor plans.

131 The lack of any words expressed by the parties concerning a licence precludes this Court from concluding that there was an express term of the contracts between REMA and the agencies concerning a licence. A contract term cannot be an express term if it is not expressed in words.

The second task: an implied licence term in REMA's contracts with the real estate agencies

132 The primary judge identified a number of circumstances from which it could be inferred that the contracts between REMA and the agencies contained an implied term of a licence permitting the agencies to supply the photographs and floor plans to REA on REA's standard terms and conditions. Some of those circumstances were framed in terms of the actual knowledge of Mr Hardingham and REMA but, consistently with the objective theory of contract, they must be taken as conclusions of matters that would have been known by a reasonable person in the position of each of the parties. Those circumstances, by which fees were set and the express terms were agreed, included that a reasonable person in the position of each of REMA and the agencies would have known that[136]:

(1) "the photographs and floor plans were being commissioned by the agencies in part in order for those agencies to upload the works to the [REA] platform";

(2) such photographs and floor plans, of which there were many thousands, had "remained on [the REA] platform as historical information in relation to completed transactions and were not

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135 *Hardingham v RP Data Pty Ltd* (2019) 147 IPR 489 at 491 [8].

136 *Hardingham v RP Data Pty Ltd* (2019) 147 IPR 489 at 503-505 [62], [68]-[72], [77].

removed" and that the standard terms and conditions of the contracts between the agencies and REA purported to give REA a licence to do so;

(3) REA's terms and conditions permitted it to provide RP Data with the photographs and floor plans and that within a few days of upload to REA's website the photographs and floor plans would appear on the website of RP Data, including as historical information in relation to completed transactions; and

(4) the agencies could not, in any practical sense, contract out of terms and conditions that permitted the above consequences.

133 In short, a reasonable person in the position of the parties would have known that one of the very purposes of REMA providing the photographs and floor plans to the agencies was so that the agencies could provide them to REA, and that the agencies had no real choice other than to accept a term requiring them to provide a licence to REA to use the photographs and floor plans indefinitely and to provide them to RP Data.

134 In these circumstances, the natural and obvious implication contained in the contracts between REMA and the agencies is that the agencies would have a licence to use the photographs and floor plans on the standard terms and conditions of the contracts between the agencies and REA. In the informal circumstances of the contracts, that implied term is plainly reasonable and equitable, necessary for business efficacy, obvious and clear, and does not contradict any of the limited express terms.

Conclusion

135 For the reasons given by Gordon J[137], this proceeding should not be remitted to the Full Court of the Federal Court for determination of REA's cross-appeal concerning costs. And for the reasons set out above, orders in both appeals should be made as proposed by Gordon J.

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137 At [78]-[80].