

negotiations between the parties and their lawyers, include in that contract a statement in unambiguous terms they should, in the absence of fraud, be taken to be expressing their common intention to be bound by its terms without qualification. An entire agreement clause is an acknowledgement by the parties, in a somewhat pleonastic form, that —

- (1) the document they have signed is the whole agreement embodying the transaction, and
- (2) no representation made by one party to the other outside the agreement may be relied upon as a term of that transaction.

In those circumstances it is difficult to conceive of any reason of public policy which could be advanced to support the proposition that the parties' agreement should not be enforced in accordance with its terms. Indeed there are strong public policy arguments against such a proposition: they include the desirability of certainty in complex commercial dealings, and the avoidance of unnecessary litigation.

This result would be assisted if the Courts were to recognise, in appropriate cases, that the parties are in effect saying, "I have made all the necessary inquiries and sought and obtained all appropriate warranties and assurances, and these are now fully encompassed in the document I am signing and they are all that I intend relying on. I therefore surrender my right to sue you in respect of any inconsistent or incomplete statement you may have made with respect to this transaction at some earlier time". In light of such an acknowledgement, it is difficult to see how, the making of some earlier inconsistent or incomplete representation having been proved, a plaintiff could satisfy a Court that the chain of causation has not been broken.

The point surely is, not whether the conduct occurred, but whether the intervening contract has interrupted the casual connection such that there has been no reliance on the conduct.

The article by Andrew Terry appears to be ambivalent on the question of reliance, but quotes the statement of Gibbs C.J. in *Parkdale Custom Built Furniture Pty. Ltd. v. Puxi Pty. Ltd.*¹³:

"The heavy burdens which the section creates cannot have been intended to be imposed for the benefit of persons who fail to take reasonable care of their own interest. What is reasonable, will of course depend on all the circumstances . . . The conduct of a defendant must be viewed as a whole. It would be wrong to select some words or acts which, alone, would be likely to mislead if those words or acts, when viewed in their context, were not capable of misleading. It is obvious that where the conduct complained of consists of words, it would not be right to select some words only and to ignore others which provided the context which gave meaning to the particular words."

It is submitted that, when taken in context, an entire agreement clause is capable of providing an effective defence against an action for damages arising out of a pre-contractual representation which was allegedly misleading or deceptive.

**A. I. Tonking,
Chairman,
Trade Practices Committee**

¹ *Debates of the Australasian Convention, Third Session, Melbourne, 1898, Vol. 2, p. 2367.*

² *See McDonald's System of Australia Pty. Ltd. v. McWilliam's Wines Pty. Ltd. (1979) ATPR 40-140 and editorial comment thereon and on appeal at 40-188.*

³ *See Mister Figgins Pty. Ltd. v. Centrepoint Freeholds Pty. Ltd. (1981) 40-226.*

⁴ *Hornsby Building Information Centre v. Sydney Building Information (1978) ATPR 40-067 and Editorial Comment on Westham Dredging Company Pty. Ltd. v. Woodside Petroleum Pty. Ltd. & Ors. (1983) ATPR 40-338 at 44,062.*

⁵ *Smolgonov v. O'Brien (1982) ATPR 40-312.*

⁶ (1984) ATPR 40-489

⁷ (1986) ATPR 40-693

⁸ (1985) ATPR 40-605

⁹ (1987) ATPR 40-782

¹⁰ *The Hutchence case is also reported at (1986) ATPR 40-667, the passage cited from Wilcox J.'s judgment being at p. 47,378.*

¹¹ [1964] A.C. 465

¹² (1986) 14 ABLR at 499, 501 and 508.

¹³ (1982) 149 CLR 191 at 199

Intellectual Property Committee Report

1. Patent Law — Prior Secret Use of an Invention
2. Proposal to Abolish New South Wales Business Names Act

Prior Secret Use of an Invention

The Intellectual Property Committee of the Business Law Section has given detailed consideration to the

situation where an invention has been secretly used before the priority date of the relevant claims. This seemingly esoteric area of law causes many problems in practice and raises issues of basic patent law philosophy.

Secret use is relevant under the present Australian *Patents Act* 1952 (the Act) in two main respects:

1. No account is to be taken of any secret use when considering the novelty and obviousness of an invention in opposition and revocation proceedings — S.59(3) and S.100(2) respectively of the Act.
2. It is ground for revocation of a patent that the invention was secretly used before the relevant priority date — S.100(1)(1) of the Act.¹

This means that an invention can be held valid during opposition proceedings on the basis that the prior use alleged was a secret use, but that such a finding constitutes a ground on which the patent can be revoked immediately after grant. The Committee considered this to be an illogical and unjustifiable situation and was of the unanimous view that the law relating to prior secret use should be the same in relation to the grant of a patent and in relation to the revocation of a patent.

What constitutes “secret use” is unclear in the present law. The word “secret” is ambiguous and no clear meaning for the word in this context can be derived from the case law. In *Bristol-Myers Co. v. Beecham Group Ltd.*,² probably the most significant case on secret use, three different meanings which at times give rise to different results were given to the words “secret use” by the House of Lords. The Lords were considering the meaning of these words as appearing in S.14(3) of the U.K. *Patents Act* 1949, the equivalent of the Australian *Patents Act* 1952 S.59(3).

The three meanings are:

1. Per Lord Morris at p. 674, with whom Lord Reid agreed:

“In my view the secret use of an article denotes use which does not give knowledge or the means of knowledge to the public of the fact that the article is being used”.

2. Per Lord Diplock at p. 686, with whom Lord Kilbrandon agreed:

“So neither in the terms of ss.14 and 32 nor in the policy of the Act is there anything that requires one to give to “secret use” a meaning other than its primary one of a use which is intentionally concealed by the user”.

3. Per Lord Cross at p. 688:

“... and it is, to my mind more satisfactory to hold that if a man by selling the article in question puts it out of his power to prevent a purchaser from discovering, if and when he can, the presence of the substance in question he has made a “non-secret” use of the substance whatever be his own state of mind and whether or not analysis is, in the existing state of knowledge, possible”.

Therefore, by a 3-2 majority the House of Lords held that, on the facts of the case before them, the use of

ampicillin trihydrate by Beechams in the form of sales to the public of capsules containing a mixture including ampicillin trihydrate was not a secret use. This meant that Beechams could successfully oppose the grant of a patent for ampicillin trihydrate to Bristol-Myers on the ground of prior use. It was proved that before the priority date of Bristol-Myers’ claim for ampicillin trihydrate Beechams had manufactured at least 10,000 medicinal dosages of the substance but that Beechams had not realised that they had done so. Beechams had blended their ampicillin trihydrate with other forms of ampicillin and the resultant mixture was sold in capsules to the public. The blending procedure made it impossible to detect by analysis the presence of ampicillin trihydrate in the capsule.

Secret use was recently discussed by the Court of Appeal in *Wheatley’s Application*.³ It might have been thought that an application of all three meanings of the words “secret use” given in the *Bristol-Myers* case would have resulted in a finding that Mr. Wheatley’s use of his invention before the relevant priority date was a secret one. However, the Court of Appeal held that Mr. Wheatley’s use was not a secret one within S.14(3) of the *Patents Act* 1949. In this case Mr. Wheatley’s patent application was in respect of certain switching gear, known as pull-keys, which could be used on conveyor belts in coal mines. Before the priority date a prototype device was made by Mr. Wheatley, and to a limited extent demonstrated in confidence to a Mr. Stevenson of the National Coal Board, a potential purchaser of the pull-keys. Mr. Stevenson was impressed by what he had been shown and told Mr. Wheatley that he would like to try some of the pull-keys in order to see whether they would function in the working environment of a colliery. Mr. Stevenson thereupon placed an order for 10 pull-keys which order was accepted by Mr. Wheatley. Delivery of the pull-keys did not take place until the priority date. The probabilities were that at or about the time when Mr. Wheatley agreed to sell the pull-keys to the National Coal Board he retained a patent agent to file an application for a patent for his invention. Mr. Wheatley was advised by his patent agent not to deliver the pull-keys until his application had been filed.

The Court Appeal judges referred to the decision of the House of Lords in the *Bristol-Myers* case but no one view emerged as to the appropriate test for determining secret use. Two references to the *Bristol-Myer* case are of particular interest.

1. Per Oliver L.J. at p. 101 in relation to an argument by counsel for Mr. Wheatley that support for his client could be found in the speech of Lord Cross.

“Secondly, and in any event, the argument is as it seems to me another example of the danger to which Lord Diplock drew attention in *Erven Warnink B.V. & Anor. v. J. Townsend & Sons (Hull) Ltd. & Anor.*⁴ of the logical fallacy of the undistributed middle. What Lord Cross said was that whatever else “secret” meant a user which puts it out of the inventor’s power to prevent his purchaser discovering, if he can, the manner in which the invention

works cannot be termed a "secret user". But it does not at all follow that every user which does in fact preserve such a power to the inventor is necessarily a secret (or "non-public") use."

2. Per Dillon L.J. at p. 102

"The acceptance by the applicant of the Coal Board's order for ten pull-keys, if it was a use, could not have been a "secret use" of the invention since, on the decision of this Court and on the speeches of Lord Diplock and Lord Kilbrandon in the House of Lords, in the *Bristol-Myers* case, "secret use" connotes a conscious concealment of the use; in this case there was no concealment of the offer or its acceptance".

This uncertainty as to what constitutes secret use, is clearly unsatisfactory. There is no doubt that much difficulty and expense have been incurred in many cases trying to determine whether particular instances of prior user are secret uses.

The question of what the effect should be of any prior secret use is also difficult. Various philosophies give rise to conflicting results. If it is accepted that an important function of the patent system is to encourage the early disclosure of inventions, then it can be argued that prior secret use by the inventor or someone claiming through him should constitute a ground of invalidity. In other words an inventor must elect whether to rely on the patent system or secrecy, and if he decides to rely on secrecy then he should not subsequently be granted a patent monopoly. On the other hand, it can be argued that encouraging the early disclosure of inventions is not an important function of the patent system and that, in any case, when the inventor who has previously secretly used his invention applies for a patent he does disclose his invention to the public.

If the prior secret user is not the inventor or someone claiming through him, but a third party, different considerations arise. In such cases the inventor (that is the applicant for a patent or the patentee, as the case may be) is not the first inventor, and in one sense has made no original contribution to society. On the other hand, unlike the prior secret third party user, such an inventor has disclosed the invention to the public. Nevertheless, to grant the later inventor a patent would deprive the prior secret third party user of the right to continue doing after the grant of the patent what he was doing before the grant of the patent. This unsatisfactory result could be avoided by providing the prior secret user with immunity from infringement proceedings. In other words, prior secret use could constitute a defence to an infringement action.

It is also argued that if prior secret use does not invalidate a patent then an inventor who patents his invention after a period of secret use will enjoy a much longer monopoly period than the statutory period. On the other hand, it can be argued that while an inventor is

secretly using his invention he is not relying on the patent system to protect it, and that he should not be penalised if he subsequently decides to apply for a patent for his invention. This problem of an inventor gaining a longer monopoly period than the statutory period can be overcome by reducing the term of the patent by the length of time the invention has been secretly used.

There is, therefore, some merit in providing that prior secret use of an invention does not constitute a ground of invalidity and, on the other hand, there is some merit in providing that prior secret use does constitute a ground of invalidity. However, the Committee felt that if the latter position is adopted much needed certainty could be brought into this area of the law. It would become unnecessary in most cases to determine whether a proved prior use was a secret use or not. This could be achieved by summing prior secret use into the concept of prior use. Prior use, whether secret or not, and by whomsoever, would on this approach anticipate an invention. However, the Committee felt that prior secret use should continue to be excluded from the material upon which the obviousness of an invention is assessed. Given the nature of the test for obviousness the Committee did not consider that the retention of the concept of secret use here should cause significant problems.

Therefore the Committee finally concluded:

1. That prior use of an invention should no longer be a separate ground of invalidity as it is in s.100(1) of the *Patents Act 1952*.
2. That prior use, whether secret or otherwise, and by whomsoever, should constitute a ground of invalidity of a patent, and that this be so both in relation to the grant of a patent and in relation to the revocation of a patent. That is to say, prior use under the objection of want of novelty should include any prior use, whether secret or not.
3. That whatever the material against which the obviousness of a patent is to be assessed, the material should not include secret uses.

Footnotes

¹ However, S.100(3) provides:

"For the purposes of paragraph (1)(1), account shall not be taken of any use of the invention, so far as claimed in any claim —
(a) for the purpose of reasonable trial or experiment only; or
(b) by a department or authority of the Commonwealth, or of a State or Territory, or by a person authorized by such a department or authority, where the patentee, or a person from whom he derives his title, has communicated or disclosed the invention, so far as claimed, to the department, authority or person.

² [1974] A.C. 646.

³ [1985] R.P.C. 91.

⁴ [1979] A.C. at 742.

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