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Case: *Northern Territory v. Collins*

Lina Guo

Ryan Rivard

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Court/Tribunal: High Court of Australia

Case: Northern Territory v. Collins

Respondents, Vincent and Anor Collins, sued the Northern Territory of Australia (“Territory”) alleging patent infringement. The Full Court of the Federal Court of Australia ruled in favor of Respondents. On appeal, the High Court of Australia reversed in favor of the Territory.

Respondents were the registered owners of a standard Patent, including the method of producing blue cypress oil from trees of species of the genus *Callitris*. Respondents alleged that the Territory had “supplied” the Australian Cypress Oil Company Pty Ltd (“ACOC”) by granting statutory licenses to ACOC to take timber from lands in the Territory, which it then used to produce blue cypress oil. The Respondents claimed that the alleged “supply” was infringement under §117 of the Patent Act (1990). Although the Respondents pleaded in general terms that the activities of ACOC constituted infringement, they did not join ACOC as a party to the action.

Section 117 of the Patent Act is headed “Infringement by supply of products” and addresses what is known as “contributory infringement.” The case dealt with Section 117(1) and Section 117(2)(b).

Section 117(1) states:

“If the use of a product by a person would infringe a patent, the supply of that product by one person to another is an infringement of the patent by the supplier unless the supplier is the patentee or licensee of the patent.”

The High Court noted that the reference to the “use of a product by a person” in 117(1) was, although not limited to, a reference to Section 117(2)(b). The effect of 117(2)(b) was that the use of “a staple commercial product” would not constitute a patent infringement, even if the “supplier had reason to believe” that it would be used for such purposes.

On appeal, the High Court addressed three questions raised by the Territory in order to decide whether the Full Court erred in its ruling. First, the High Court asked whether the supply of an “input” into a process, or resulting product, engages the operation of Section 117(1). Second, the Court asked whether the statutory licenses the Territory granted to ACOC constitute a “supply.” The final question was whether the timber taken under the licenses was a “staple commercial product.” The High Court answered all three questions in the affirmative.

In regards to the first question, the High Court determined that Section 117(1) applies to the timber supplied to ACOC. The court discussed the distinctions between an invention of a ‘product’ and that of a ‘process,’ current legislation involving patent law, Section 117(1) in the statutory scheme as a whole, and explored the meaning of “exploit” within the Act. This led the court to conclude that Section 117(1) can be engaged in respect of a supply of a raw material for carrying out a patented method. Thus, the court’s observations led to the conclusion that the Territory’s conduct indeed triggered Section 117(1).

In addressing the second question, the High Court stated that while the definition of “supply” was not exhaustive, the licenses granted to the Territory were a means of passing timber to ACOC for commercial exploitation. Thus, even though the licenses were subject to royalty obligations, they nevertheless constituted a “supply” of raw materials for commercial use.

Lastly, the High Court considered whether the timber taken by ACOC was a “staple commercial product”. In making its decision, the High Court emphasized legislative history of patent laws, the context of the phrase “staple commercial product,” and the undesirable effects in giving the phrase a narrow meaning. Additionally, the court considered patent law, particularly contributory infringement, in both the United States and United Kingdom, and noted that although the phrase “staple commercial product” was derived from the statutory language of these countries, the precise scope of the phrase was nevertheless unclear. Ultimately, the court, considering policy arguments and legislative intent, held that a “staple commercial product” meant a product supplied commercially for various uses. Therefore, the timber supplied by the Territory to ACOC, supplied on commercial terms, was covered under the court’s definition.

As a result, even though the grant of the licenses by the Territory to ACOC to take the timber amounted to a “supply” within the meaning of 117(1), that “supply” could not constitute contributory infringement by the Territory since the timber was a “staple commercial product.”

Written by: Lina Guo and Ryan Rivard, Chicago-Kent College of Law, Spring 2009