

Locutus

The newsletter of intellectual property law, statutory deceptive conduct and franchising law.

Fourth Floor St James Hall, 169 Phillip Street Sydney NSW 2000
DX 330 Sydney
Phone Number: 9237 0536

Author and senders of this e-mail: **Carmen Champion, Barrister-at-Law.**

E-mail: <mailto:carmen.champion@stjames.net.au>;

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Welcome to Locutus

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Locutus is a newsletter of current news, recent cases, and practice decisions. It is authored by Carmen Champion Barrister-at-Law.

Recent Cases -

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Norm Engineering v Digga Australia [2007] FCA 761

This case concerned a claim of infringement of copyright in drawings for the components of an assembled industrial bucket used with 'Bobcat' equipment. Of particular interest is the detailed consideration the designs copyright overlap operation pre-17 June 2004 in respect of the reproduction of the various designs in two-dimensional form prior to their reproduction in three dimensional form and the effect had upon that step by the 17 June 2004 amendment.

The applicant sought a declaration as to infringement of its copyright in the plans for five components and assembly drawings; an injunction restraining the respondent from infringing the applicant's copyright in the plans by 'constructing or manufacturing any equipment by use of the plans or any substantial part thereof'; additional damages pursuant to s 115(4) of the *Copyright Act*; and an order for delivery up of all infringing copies of the plans and related relief.

The respondent had brought into existence a two-dimensional drawing representing a substantial reproduction of the applicant's work. That two-dimensional reproduction was used by the respondent to enable it to apply the corresponding design in the applicant's drawing to an article of manufacture. The applicant contended that the step of making a two-dimensional drawing which is a reproduction of the applicant's relevant work was not susceptible of protection under s 77(2) (*Amalgamated Mining Services Pty Ltd v Warman International Ltd* (supra) at 474; *Shacklady v Atkins* (1994) 30 IPR 387 at 393; *CIPEC v First Melbourne Securities Pty Ltd* (supra) at 530), because the statutory immunity applies only in relation to the application of a corresponding design to articles of manufacture. The two-dimensional drawings of the respondent are not articles of manufacture.

Justice Greenwood reviewed all of the authorities on this issue and concluded that s 77(2) in the period 2 December 2003 to 17 June 2004 did not operate so as to provide the respondent with an immunity from copyright infringement in relation to the applicant's artistic works reproduced by making a two-dimensional drawing as a step along the way to industrial application of a corresponding design (where applicable) to articles of manufacture reflecting the features of shape in the finished article.

Accordingly, in the period 2 December 2003 to 17 June 2004 the application of a corresponding design in relation to the applicant's drawings for the outside mounting bracket and inside mounting bracket to articles of manufacture by the respondent so as to bring into existence components of its 4 in 1 bucket which evince the relevant features of shape and thus a reproduction of each work did not involve an infringement of the copyright subsisting in the applicant's drawings. However, the making of a two-dimensional drawing as a step along the way amounted to a reproduction of the applicant's drawings for the outside and inside mounting brackets and was an infringement of the copyright subsisting in those artistic works.

Of interest is Justice Greenwood's approach to the issue of damages for that infringement. He held that although the making of the infringing drawing was a step along the way to non-infringing three-dimensional reproduction, the non-infringing act was arguably only made possible by engaging in the infringing act. He said: "*However, it seems to me that loss suffered by the applicant however it might be measured is referable to the non-infringing act rather than the reproduction of the drawing and accordingly reasonable compensation for the infringing act is a nominal amount of \$100 in respect of each drawing. Although nominal, the applicant is entitled to damages for this infringement pursuant to s 115(2).*"

This is a somewhat belated rejection of the argument which was put by a number of garment manufacturers and their lawyers a few years ago to the effect that the damages in those circumstances should be determined on the basis of garments sold by the alleged infringer even though s. 77 applied to the making of those garments.

As regards the post 17 June 2004 period, Justice Greenwood held that the new provisions, provide a defence to the respondent in respect of the three-dimensional embodiment of the corresponding design in those component parts corresponding with the applicant's drawings for the inside and outside mounting brackets, and a defence in relation to the making of two-dimensional drawings which are a reproduction of the applicant's drawings for the inside and outside mounting brackets as reproduction has occurred in the course of or is incidental to making the non-infringing product by embodying the corresponding design in the product.

Admissibility of Marketing Expert's Report.

Cadbury Schweppes Pty Ltd (ACN 004 551 473) v Darrell Lea Chocolate Shops Pty Ltd (ACN 000 498 386) [2007] FCAFC 70

The principal question in the appeal was whether the primary judge had erred in refusing in the course of the trial, to admit certain evidence of three marketing experts.

The primary judge had characterized the issues in the proceeding as being concerned with the making of consumer decisions for the purchase of items of commerce, namely, chocolate. His Honour considered that those issues are not outside the knowledge or experience of ordinary

persons, and that the disputed evidence consisted of opinions as to the knowledge or experience of ordinary persons. He held that, as a matter of law, the disputed evidence was not admissible. Cadbury argued that his Honour had erred in making that ruling.

The primary judge had characterised the proceeding as being concerned with the brand names, colours and get-up of rival manufacturers of chocolate and the likely effect of those features on retail purchasing decisions by consumers. He considered that virtually the whole of the Australian population over the age of about 8 years are purchasers or potential purchasers of chocolate, an inexpensive everyday product sold in hundreds of thousands of retail outlets throughout the country. He did not consider that consumers of chocolates could be considered as a special category of persons that would constitute an exception to the rule under the common law. His Honour characterised the questions thrown up by the proceeding as "*quintessentially questions of fact within the experience and knowledge of a trier of fact*".

On appeal the Full Court held:

- His Honour's approach ignored the language of ss 79 and 80 of the Evidence Act. Their Honours said: "*Certainly, opinion evidence will not be admissible unless the opinion is based on specialised knowledge and that specialised knowledge is in turn based on the opinion holder's training, study or experience. However, the former rule of the common law that excluded opinion evidence as to a matter of common knowledge no longer applies. Under s 80, evidence of an opinion is not inadmissible only because it is a matter of common knowledge.*"
- If the matter about which expert evidence is to be given is patent and known to all, the Court's time would normally be wasted by such evidence. Section 135 of the Evidence Act may be called in aid in those circumstances.
- An expert may still be of assistance to the Court, even in an area about which most people know something. So long as s 79 is satisfied, and the opinion evidence is based on specialised knowledge and that specialised knowledge is based on training, study or experience, that opinion evidence will be admissible, whether or not it might then be excluded in the exercise of the discretion conferred by s 135 .

Importantly, the primary judge had observed that the prime ground upon which senior counsel for Darrell Lea argued against the admissibility of the disputed evidence was that much of the opinion evidence was based on market research reports that had not been proved in evidence and were not likely to be proved. Unfortunately, Darrell Lea did not contest that view of s 79 in the appeal. It was therefore not necessary for the Full Court to deal with this issue, or the application of the statements made by Heydon JA in the Makita case. The Full Court did stress that their failure to do so should not necessarily be taken as endorsement of the correctness of the view adopted by the primary judge.

Full Court to make some observations on the matters that were argued in relation to the application of s 135. Their Honours said:

74 Section 135 calls for a balancing exercise. First it is necessary to consider the probative value of the opinion evidence in question. Next it is necessary to assess the danger that the evidence might cause or result in undue waste of time. Finally, the section requires determination of whether the former substantially outweighs the latter.

75 The opinions of Dr Gibbs in the section of his principal affidavit that dealt with Basic

Principles and Background issues contained material that, if accepted, could have a significant bearing on a judge's understanding of consumer behaviour. Perhaps more significant would be his opinions on consumer information-processing errors. That evidence had some probative value within the meaning of s 135 of the Evidence Act.

76 In the present case, the balancing exercise that is called for by s 135 required an assessment of time that would be unduly wasted by the evidence of Dr Gibbs. The primary judge does not appear to have been asked to embark on any assessment of the time that might be taken by the disputed evidence, much less of the time that might be wasted by the disputed evidence.

In rejecting the affidavits of Dr Gibbs and Messrs Stavros and Riches in their entirety, on the basis that the affidavits were wholly inadmissible, his Honour erred. While there may well be cogent reasons for suspecting that, even with the disputed evidence, the result would have been the same, the Full Court cannot be confident that that is the case. It is not possible, therefore, to conclude that there was no miscarriage of justice by reason of that error. Accordingly, the appeal should be upheld, the orders of the primary judge should be set aside and there should be an order for the proceeding to be remitted to the primary judge for further trial.

Patents

Lockwood Security Products Pty Ltd v Doric Products Pty Ltd [No 2] [2007] HCA 21 (23 May 2007)

Lockwood" appealed from a decision of the Full Court of the Federal Court in favour of Doric". . The appeal concerns the validity of certain claims of Australian Letters Patent No 702534 ("the Patent") held by Lockwood for an invention entitled "KEY CONTROLLED LATCH". The main issue was whether those claims in the Patent lack an inventive step.

Held: the Full Court erred in finding that there was an "implicit 'corollary' admission" in the Patent specification which led to the result that the solution to the problem with the Lockwood 001 was part of common general knowledge. The Full Court correctly construed the references to "ascertained" and "understood" in s 7(3) of the Act. The Full Court correctly treated the art relevant to the Patent as the manufacture and design of locks. The Full Court's finding that the sales of the storeroom locks could reasonably be regarded as s 7(3) information leading to the result that the alleged invention in claim 1 would have been considered obvious can hardly be criticised when it is recognised that storeroom locks fall within claim 1, and that the subject matter of claim 1 includes locks which were not rim mounted and rim mounted locks, as well as locks with detent means which moved axially, and locks with detent means which moved radially. The inferential conclusion of the Full Court, that claim 13 was obvious because claim 1 was obvious, was erroneous.

And finally...

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