

Locutus

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

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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 -

PRACTICE AND PROCEDURE

Black & Decker (Australasia) Pty Ltd v GMCA Pty Ltd [2007] FCA 1623

Extension sought for filing of affidavits. Extension refused

For those of you who consistently ignore timetables set by the Court please note the following comments of Finkelstein J:

The courts, in no small measure, are responsible for allowing this state of affairs to come about. One of the chief causes is the chilling effect of the High Court's decision in Queensland v J L Holdings Pty Ltd (1997) 189 CLR 146. That was an appeal against the refusal by the trial judge to allow a party to amend its pleadings. The High Court ruled that case management, while a relevant consideration, does not trump justice to the parties. A close reading of J L Holdings shows that the High Court was confining its comments to the case where costs would provide full compensation to the opposite party. However, J L Holdings has been applied in many cases where a simple costs order will not do justice between the parties. The case has, in my view, unfairly hamstrung courts. Almost every day a defaulting party seeks the court's indulgence to extend time, amend documents or obtain some other allowance (often not for the first, second or third time) and successfully relies on J L Holdings to obtain relief.

4 It is time that this approach is revisited, especially when the case involves significant commercial litigation. One of the primary objects of a commercial court is to bring the litigants' dispute on for trial as soon as can reasonably and fairly be done. If, in some instances, the preparation of the case is not perfect so be it. A case that is reasonably well prepared is just as likely to be decided correctly as a perfectly prepared case.

5 I am of the firm view that parties should not be treated as leniently as they have been in the past. Commercial parties expect this approach from the courts and their expectation should be met. A useful rule to adopt is to allow an extension only if the failure to meet the existing timetable is the result of excusable non-compliance. In deciding whether there is excusable non-compliance the court should take into account, among other factors: (a) the direct and indirect prejudice to the opposing party; (b) the impact of the delay on the proceedings; (c) the reasons for the delay; (d) good faith or lack of good faith on the part of the party seeking to be excused; and (e) the effect of putting off a trial both on other litigants and generally on the court's ability to efficiently manage its cases.

***Autodata Limited v Boyce's Automotive Data Pty Limited* [2007] FCA 1517**

Confidentiality order sought. Need to assess the confidentiality of the information on both an objective and subjective basis. The objective factor is that the information in relation to which the claim is made must possess "the necessary quality of confidence about it": *Saltman Engineering Co. Ltd v Campbell Engineering Co. Ltd* (1947) 65 RPC 203 at 215. The subjective factor is that the information must be important or significant "not necessarily in the sense of commercially valuable ... but in the sense that the preservation of its confidentiality or secrecy is of substantial concern to the plaintiff": *Moorgate Tobacco* 156 CLR at 438. Stresses need for evidence dealing with both factors.

***Lynx Engineering Consultants Pty Ltd v The ANI Corporation Limited (No 2)* [2007] FCA 1510**

Whether an applicant is entitled to "identity discovery" under O 15A r 3 of the Federal Court Rules where information is sought in respect of the conduct of identified persons - whether the applicant had made reasonable inquiries under O 15A r 3 - whether the Court should exercise its discretion to permit the oral examination of a person under O 15A r 3.

COPYRIGHT

***Barrett Property Group Pty Ltd v Metricon Homes Pty Ltd* [2007] FCA 1509**

The applicants claimed that certain home designs had been copied by the first respondent to produce designs from which project homes had been built and sold to the public. It was also claimed that each of the individual respondents had authorized this infringement of copyright.

The case concerned whether, in respect of each plan and home, a substantial part had been reproduced by copying: s 14(1) and s 31(1)(b)(i) of the *Copyright Act 1968*. The applicants pointed to the particular combination in the alfresco quadrant as central to their claims.

The Court identified the problem in dealing with the infringement issue in the following terms: *Project homes, and the drawing of such plans, are distinct from paintings and musical works. The distinction lies in the fact that a project home involves a mixture of familiar ideas and common place features "based on the real world" (in the form of previous project homes and plans) and "labour, skill and judgment (in combining the various features)": Tamawood at [41]–[43]. The issue is further complicated when one bears in mind that the plan for a project home is "partly functional." For example, placing a kitchen in reasonable "proximity to a dining room" is, broadly, a functional consideration: see Tamawood at [41]. Accordingly, the "dividing line*

between that which is dictated by broad functional requirements and that which is not, is...often unclear": Tamawood at [56].

Importantly, one must bear in mind in this case, and as was explained in Tamawood, that an individual part of a plan or home considered in isolation may merely explain a common idea "...yet there will be copyright in the whole plan if the combination and arrangement originated with the author." (Emphasis added): Tamawood at [41].

Court identified task to be undertaken as follows:

Accordingly, three interrelated and overlapping issues arise in determining whether in this case, infringement is made out as to a substantial part of the applicants' works:

- first, the Court must identify the part of the applicants' works which is alleged to be reproduced and then decide whether it constitutes a substantial part of the applicants' works as a whole; and*
- second, the Court is required to compare the substantial part of the applicants' work with the respondent's works and assess whether there is a sufficient objective similarity between the works; and*
- third, the Court must determine whether the substantial part of the applicants' works identified has been used to derive the respondents' works.*

Was there copying: Copying is a question of fact: Skybase Nominees Pty Ltd v Fortuity Pty Ltd (1996) 36 IPR 529 at 531. Generally, access to the copyright works combined with the sufficient objective similarities between the copyright works and the alleged infringing works are relevant. It enables the Court to conclude that independent creation is unlikely and that actual copying has occurred, as I find below: Clarendon at [27]; Pacific Gaming Pty Ltd v Aristocrat Leisure Industries Pty Ltd (2001) 116 FCR 448 at [19].

Note: Where objective similarities are so close that it is open to the Court to draw an inference of copying, then such an inference may be rebutted by the respondents by evidence which explains the provenance of the similarities other than as the result of copying the applicants' copyright works: Pacific Gaming at [19] citing Ibcos Computers Ltd v Barclays Mercantile Highland Finance Ltd [1994] FSR 275, at 296-297; Ancher, Mortlock, Murray & Woolley Pty Ltd at 284; Francis Day & Hunter Ltd v Bron [1963] Ch 587 at 614.

Corporate respondent found to have infringed.

Futuretronics.com.au Pty Limited v Graphix Labels Pty Ltd [2007] FCA 1621

Skins product bore artwork. The copyright in artwork owned by applicant and the first respondent was licensed to reproduce artwork pursuant to arrangement to manufacture skins for applicant. First respondent reproduced artwork in brochure for its own use and gave spares of skins product bearing artwork to third party. Issue: whether reproduction of artwork a breach of Copyright Act 1968 (Cth); whether giving of spare product a breach of Copyright Act 1968 (Cth) and whether breach of implied term of license that first respondent not to use artwork or spare product except for the purposes authorized by the applicant.

Held: Reproduction of artwork in brochure constituted a breach of the Copyright Act 1968 (Cth). Giving spare product to third party did not breach Copyright Act 1968 (Cth), however, giving

spare product to third party did constitute a breach of the implied term of the license.

See also for discussion re confidentiality obligation of former employee, including alleged breach of Section 183 of the Corporations Act.

PATENTS

***Termite Tite (NZ) No 2 Limited v Term-Seal (Aust) Pty Limited* [2007] FCA 1493**

Issue; whether permissible to construe independent claims in patent by reference to subsequent dependent claims.

Held: Infringement turns on a comparison between the applicants' patent and respondents' product. Subsequent dependent claim no assistance in interpretation of independent claims in circumstances. Respondents' product contains all integers in claims of applicants' patent alleged to be infringed. Respondents infringed applicants' patent.

***E I Du Pont de Nemours & Co v Imperial Chemical Industries PLC* [2007] FCAFC 163**

Parent application found to lack novelty. An amended divisional application was subsequently accepted by delegate of Commissioner for Patents. Issue was whether delegate erred in rejecting claim of issue estoppel

On the issue estoppel the Court considered whether a finding that the parent application lacked novelty necessarily encompassed a finding that specific dependent claim within that Application also lacked novelty, and whether issue in the later proceeding in which estoppel raised as a bar "the same issue" as that decided by judgment in earlier action

***GenRx Pty Ltd v Sanofi-Aventis* [2007] FCA 1485**

Application for interlocutory injunction to restrain infringement of a patent where application made for the revocation of the patent. Prima facie case where patent is longstanding and has been exploited and revocation proceedings were not brought in timely fashion. Injunction granted

***Unilin Beeher BV v Huili Building Materials Pty Ltd (No 2)* [2007] FCA 1615**

Account of profits: approach to be followed where evidence unclear as to the financial dealings of the respondents. Right to set off between respondents.

TRADE MARKS

***Brother Industries, Ltd v Dynamic Supplies Pty Ltd* [2007] FCA 1490**

The alleged infringing conduct of Dynamic Supplies consisted of the sale of OEM products manufactured by Brother and sold to company X unbranded and with instructions not to use the Brother trade mark in respect thereof. The products were acquired by a third party who packaged them in packaging featuring the Brother trade mark. The respondent imported these genuine Brother products packaged in counterfeit packaging into Australia and sold them here.

Brother contended that the fact that Dynamic Supplies imports and sells the products does not mean that it does not 'use' the products within the meaning of s 17 of the *Trade Marks Act 1995*

(Cth). Brother argued that a retailer who resells goods which it has bought and imported 'uses' the trade mark attached to those goods. This was said to be so in the present circumstances where the retailer received counterfeit packaged goods and in circumstances where the infringing trade mark was applied not by the original manufacturer but by an overseas counterfeiter.

Held: Brother did not in any way project or authorize the sale or distribution of the OEM products into the Australian market. Contrary to its policy, the product was retailed in Australia by Dynamic Supplies as a Brother-branded product in counterfeit packaging which prominently displayed the Brother name and trade mark. Distinguished authorities such as *Estex Clothing Manufacturers Pty Ltd v Ellis and Goldstein Ltd* (1967) 116 CLR 254 and *R & A Bailey & Co Ltd v Boccaccio Pty Ltd* (1986) 4 NSWLR 701 on their facts.

Reasoning: *When a manufacturer takes steps to dissociate itself from a product by removing any trade mark and selling it as an OEM product, the manufacturer cannot be said to have 'used' a false copy of its trade mark which, without permission, is applied to its product by some disassociated entity in the distribution chain. In this case, Brother has disassociated itself from the OEM products which it sold to Company X. The express non-use of Brother's name, reputation and trade mark was clearly a term of supply of the OEM product. The fact that a counterfeiter, after supply, repackaged the OEM products in false Brother packaging cannot support the submission that Brother was the 'user' of the mark.*

In some circumstances, a retailer or importer may be said to lawfully 'use' a trade mark owned by an overseas manufacturer: see Transport Tyre 93 FCR at 440; Pioneer 137 CLR at 688; W.D. & H.O. Wills (Australia) Ltd v Rothmans Ltd (1956) 94 CLR 182 at 188. However, where a retailer imports for sale goods which are in packaging bearing a counterfeit trade mark, that importation will be an infringing 'use' of the mark. This is an application of the principle accepted by Lindgren J in Playboy Enterprises International Inc v Hong (2004) 63 IPR 533 at 538 and briefly described in Blanco White TA and Jacobs R, Kerly's Law of Trade Marks and Trade Names (12th ed, Sweet & Maxwell, 1986) at [14-13].

Further issue: whether the term 'consumables' falls within the ordinary dictionary meaning or terms in the specifications of Brother's Australian trade marks, in particular, the terms 'parts', 'accessories' and 'attachments'. The dictionary definition of 'accessory' had already been considered in the authorities and had been described as "an additional or subordinate thing; an adjunct, an accompaniment; a minor fitting or attachment": see *Nokia Corporation v Truong* (2006) 66 IPR 511 at 516. Accepted accept Brother's submissions that printer drum units are apparatus for the transmission or reproduction of images, and that the categorization of a printer drum unit as a 'consumable' does not take it outside the description of a 'part', 'accessory' or 'attachment'.

Section 123 argument: held that in order to make out a defence under s 123 of the Trade Marks, Dynamic Supplies had to demonstrate that the application of the 'BROTHER' trade mark was done with Brother Japan's express or implied consent. The respondent failed to do so.

FRANCHISING

ACCC v Kylie Pty Ltd [2007] FCA 1522

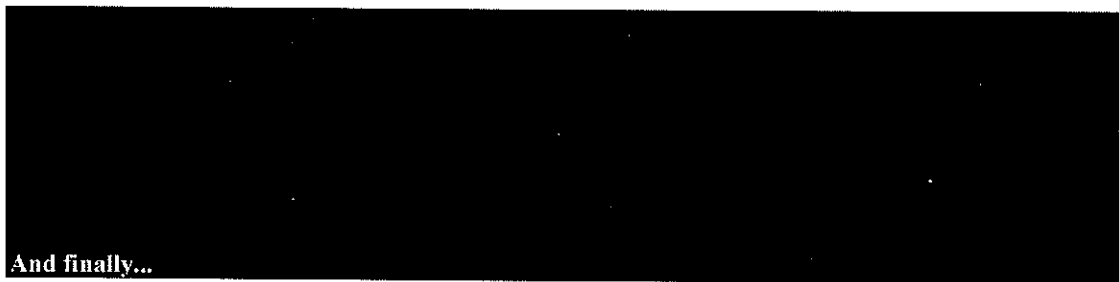
Enforcement of industry codes of practice. Respondents failed to provide disclosure statements and a copy of the Franchising Code to each Sub-Distributor at least 14 days prior to entering into

the alleged franchise agreements. Whether agreements between parties constituted "franchising agreements" for the purposes of the code especially – whether the respondents granted the purported franchisees the right to carry on a business under a "system or marketing plan"

Held –The agreements do not constitute the granting of a right to carry on a business under a system or marketing plan – Application dismissed

LEGISLATION/TREATY OBLIGATIONS

The WIPO Copyright Treaty and WIPO Performances as Phonograms Treaty as the came into force in Australia on 26 July 2007.



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