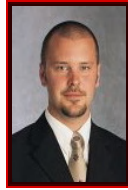


Intellectual Property & Trade Practices Law

Recent Case studies by Tom Cordiner and Alan Nash



Liquideng Farm Supplies Pty Ltd v Liquid Engineering 2003 Pty Ltd [2009] FCAFC 7 (13 February 2009)

Trade Marks – bona fide – accounting for costs of salary of infringer

This was an appeal from a judgment of Gordon J heard by Tamberlin, Sundberg and Besanko JJ who dismissed the appeal and allowed the cross-appeal in part.

Mr Edwards, in apparent breach of fiduciary duties owed to his employer, sought and obtained registration of the trade marks “Exit Rust” and “Fuel Set” which were in use by his employer. That employer went into liquidation and Liquid Engineering 2003 (LE2003) purchased its assets. LE2003 convinced a delegate of the Registrar of Trade Marks to remove Mr Edward’s trade mark registrations pursuant to section 92(4) which provides that an application for removal may be made on the grounds that the trade mark applicant had “no intention in good faith” to, *inter alia*, use the trade mark. Edwards appealed that decision.

Gordon J considered “good faith” for the purposes of s 92(4) required no more than a genuine intent to use the mark for commercial purposes as opposed to a token use or use for an ulterior purpose, and did not involve any element of honesty or subjective good intention: *Edwards v Liquid Engineering 2003 Pty Ltd* [2008] FCA 970 at [8]. Therefore, her Honour formed the view that LE2003 should have applied to expunge the trade mark under s 88 of the Trad Marks Act on the basis that he was not the owner of the unregistered marks. Her Honour refrained from giving judgment on the section 92(4) issue and granted leave to LE2003 to issue a section 88 application, but ordered that LE2003 pay Edwards’ costs of his appeal on the section 92(4) point.

On cross-appeal on the issue of costs of the section 92(4) application, the Full Court considered that Gordon J had not erred in holding that section 92(4) requires no more than a genuine intent to use the mark for commercial purposes. Accordingly, the costs order below was held was appropriate.

The main part of the appeal from Gordon J’s judgment dealt with her award of an account of profits against Edwards and his company for infringement of the trade marks which were found to be held by Edwards on constructive trust for LE2003. In short, the Full Court found that her Honour made minor errors as to the calculation of the account of profits, but which resulted in a significant increase in the final award. The main error was that Gordon J had included as an applicable cost of Edwards to his sales of infringing product, his salary. The Full Court noted that it is well-settled law that an infringing party cannot claim remuneration or director’s fees for carrying on

the infringing activities: see *Le Plastrier & Co Ltd v Armstrong Holland* (1926) 26 SR (NSW) 585 at [593]; *Tenderwatch v Reed Business Information Pty Ltd* [2008] FCA 931 at [17]-[19]. As such, the costs of Edwards' salary were removed from the account of profits.

***Futuretronics.com.au Pty Ltd v Graphix Labels Pty Ltd* [2009] FCAFC 2
(23 January 2009)**

Copyright – additional damages – adequacy in light of need for deterrence

Futuretronics is a designer, importer and wholesaler of electronic goods and accessories and had employed the second respondent, Mr Atta, as its National Sales Manager until September 2006. Atta was also subject to a separate confidentiality agreement with Futuretronics.

In 2005, while Atta was in the employ of Futuretronics, that company engaged Graphix to manufacture covers for mobile phones, iPods, handheld games and electronic game controllers, known in the trade as "skins". Atta moved to the employ of Graphix in October 2006.

Futuretronics alleged that it was an implied term of its agreement with Graphix that Graphix would not manufacture, distribute, promote, advertise or sell skins on its own behalf to any entity other than Futuretronics. The primary judge concluded that no term to that effect was to be implied.

The artwork on the skins was created by another employee of Futuretronics, Ms Hung. Futuretronics claimed, and the primary judge agreed, that it was an implied term of its agreement with Graphix that all artwork provided to Graphix was to be used solely for manufacturing the skins (the artwork implied term) and that Graphix breached that term by producing brochures and distributing them to three potential customers. The primary judge awarded Futuretronics nominal damages of \$10 under s 115(2) of the *Copyright Act 1968* (Cth) and \$10,000 additional damages under s 115(4).

Futuretronics also claimed that in breach of the confidentiality agreement, Atta disclosed certain confidential information (pricing information for the sale of Futuretronics' products) without its permission and used some of it in the course of his employment with Graphix for the latter's benefit. The primary judge did not accept that contention.

Futuretronics also alleged Atta owed it fiduciary duties which were breached by Atta using Futuretronics' resources for and on behalf of Graphix while still an employee of Futuretronics. In particular, it was alleged that in September 2006, Atta sent e-mails to Graphix setting out business plans for Graphix to operate in competition with Futuretronics, advising Graphix of business opportunities for skins (and of which he failed to advise Futuretronics). Futuretronics also claimed that the conduct above constituted a breach by Mr Atta of section 182 of the *Corporations Act 2001* (Cth), again claiming that Graphix had procured Mr Atta's breaches.

The primary judge concluded that none of the e-mails sent to Graphix by Atta constituted confidential information or a business opportunity diverted from Futuretronics, holding: "Whatever their merits, the business plans are unsophisticated and would have been obvious to anyone reasonably familiar with the industry. No other specific business opportunity is identified in the emails".

Futuretronics also claimed that Atta was in breach of his fiduciary duties after he left its employment by disclosing the identity of one of its suppliers, Storm Electronics, to a third party. Futuretronics claimed this conduct was also a contravention of section 183(1) of the Corporations Act. The primary judge held that “there is no evidence that the name of that company as a supplier to Futuretronics was not generally known outside Futuretronics or not generally known.”

Futuretronics appealed against the dismissal of its application save as to damages for infringement of copyright and breach of the implied term concerning copyright in the skins. The first issue on appeal was whether the primary judge erred in holding that Mr Atta did not breach his fiduciary duties or his duties under s 182 of the *Corporations Act* by sending the September 2006 emails to Graphix while still employed by Futuretronics. The Full Court agreed that there was no evidence that Atta had improperly used his position to gain an advantage for himself or for Graphix or to cause damage to Futuretronics.

The second issue on appeal was whether the primary judge erred in holding that the evidence did not establish that the name Storm Electronics as a supplier to Futuretronics was not generally known outside the company and was not in any material sense confidential information, thus leading him to dismiss the claims based on the communication of that information by Mr Atta’s email to a third party. The Full Court noted that Futuretronics did not lead any evidence that Storm Electronics’ name was not generally known outside Futuretronics so that it was “confidential information”. The Full Court concluded that Futuretronics had not discharged its onus. This highlights the importance of proving the confidential nature of allegedly confidential information. The difficulty of course is in proving a negative – that people do not know of the information.

The final issue on appeal was whether the primary judge’s award of \$10,000 in additional damages pursuant to section 115(4) of the *Copyright Act* was inadequate. In making that award, the primary judge noted that Graphix had removed the offending artwork from its brochure soon after Futuretronics’ complaint, and had given appropriate undertakings. Futuretronics’ complaint centred on the judge’s statement that deterrence was a “somewhat neutral factor”. It contended that the primary judge failed to give proper weight to the need to provide specific deterrence to Atta and general deterrence to ex-employees who might use their ex-employer’s copyright works for the benefit of a new employer. It was said that Atta knew what he was doing and that there was a high probability of him reoffending, and thus a strong case for specific deterrence.

The Full Court considered that no occasion had arisen for it to interfere with the award of additional damages. There was no doubt that the primary judge had regard to all the factors listed in section 115(4) as he was obliged to do.

TS Production LLC v Drew Pictures Pty Ltd
[2008] FCAFC 194 (19 December 2008)

Conflict of laws – simultaneous copyright infringement proceedings in Australia and the United States – ownership of copyright in cinematograph films – reversal of stay of proceedings – anti-suit injunctions

This was an appeal from a decision of Justice Sundberg (see *IP Forum Issue 73*) in a case involving competing claims to copyright ownership in the film “The Secret”, its screenplay, and a related book by the same title. TS Production’s claim was filed in the Federal Court; Drew Pictures’ claim has been filed in the US. Each party had applied, in effect, to have the other party’s proceeding brought to a halt pending the resolution of its own action. At first instance, Drew Pictures was successful in obtaining a stay of the Australian proceedings, with TS Production’s application to restrain the respondents taking any further steps in the US proceedings being rejected. Justice Sundberg had held, among other things, that Australia was clearly an “inappropriate forum” for the dispute; his Honour did not need to consider the question of TS Production’s anti-suit injunction.

On appeal before Finkelstein, Stone and Gordon JJ, the stay of TS Production’s proceeding was set aside. Gordon J (with whom Stone J agreed) rejected the notion that the Australian and US disputes sought to litigate a single controversy. Although there would be some overlap between the substratum of facts in each proceeding, the relevant rights in issue arise under different legislation and differ as to content. Insofar as TS Production seeks to enforce rights having their origin in Australian legislation, the Court cannot be said to be a “clearly inappropriate forum” in which to hear its claims.

After a useful review of English, Australian and US *forum non conveniens* cases concerning intellectual property disputes, Finkelstein J reached a similar conclusion. His Honour noted that he was not aware of any case that suggests that an Australian court can be a clearly inappropriate forum to resolve a dispute between Australian parties about the ownership of copyright arising under Australian law in respect of works substantially produced in Australia. Drew Pictures failed to establish that there was something more that would make the Australian proceedings vexatious or oppressive; pointing to the added cost of running two proceedings, and the fact that a trial date had been set down for the US proceedings, was not sufficient.

By the same token, the majority upheld Justice Sundberg’s rejection of TS Production’s application for an anti-suit injunction. In Justice Gordon’s view, none of the grounds for the grant of such an injunction were present in this case. In particular, to assert that the mere co-existence of parallel foreign proceedings was sufficient to justify an injunction would be too liberal. That some overlap between relevant facts existed, and so some inefficiency and additional cost would arise should both proceedings go ahead, is not sufficient.

Justice Finkelstein reached a different conclusion on this point. In his Honour’s view, there was nothing in the relevant authorities to suggest that such an injunction could not be available where, as in the present case; there was only partial overlap of issues in each action. In his Honour’s view, there would be nothing to be gained by the parties having to prepare for (and incur the great expense of) litigating those overlapping factual issues. TS Production’s action having been filed first, his Honour would have granted the anti-suit injunction.

Justice Gordon also set out a discussion of US authorities on anti-suit injunctions, but made it clear that there was no “legal obligation on the Australian court to take into account the response of the foreign court to a similar motion brought there”, and that her Honour’s decision was not based on those authorities.

Elwood Clothing Pty Ltd v Cotton On Clothing Pty Ltd
[2008] FCAFC 197 (23 December 2008)

Copyright –artistic vs literary works – whether look and feel an original artistic element

Elwood claimed copyright in two computer design drawings applied to t-shirts and swing tags for those shirts. The drawings have the look of sports attire comprising a particular arrangement of emblazoned numbers and words. Elwood asserted that Cotton On infringed that copyright by supplying t-shirts and swing tags which had drawings printed on them with a similar style and layout but different words and numbers to the alleged copyright drawings. Cotton On contended that copyright cannot subsist in the drawings and, even if they did, there was no infringement, and cross-claimed for groundless threats of infringement.

The fact of the drawings being exploited industrially did not deprive the drawings of copyright protection if they were original artistic works. Accordingly, Gordon J at first instance considered whether the arrangements of principally literary materials such as the Elwood drawings were literary rather than artistic works and concluded they were artistic works.

The Full Court, comprising Lindgren, Goldberg and Bennett JJ, agreed. They considered there was a single artistic work of which the words and numbers, including their size, font, placement and spatial relationships with other elements, form a part. Such semiotic meaning as the words and numbers conveyed were so insubstantial and vague that they did not constitute literary works.

Secondly, Gordon J considered whether the artistic works displayed sufficient originality for the purposes of protection as “original artistic works” under section 32 of the Act and what was the scope of that protection? Cotton On abandoned its argument of lack of originality.

Turning then to the scope of the protection afforded, Gordon J observed that copyright only protects forms of expression, not underlying concepts or ideas. Her Honour accepted a narrow description of the idea behind the drawing advanced by Elwood’s witness and concluded against Elwood that the more narrow the description, the narrower the scope of copyright protection available. Accordingly, her Honour stated that competitors could “ape the basic concept used by Elwood in its design” such that “the bare fact there is similarity of general layout does not establish infringement”.

The Full Court cautioned against seeking to apply the idea/expression dichotomy prior to consideration of the issue of infringement. Their Honours observed that, by eliminating from consideration that which Gordon J characterised as idea or concept, she was erroneously led to proceed on the basis that the protected copyright work was something less than the whole of the work, that is to say, the whole of each of the respective designs including the layout.

The Full Court concluded that the layout and the elements referred to by Gordon J that gave rise to the “look and feel” and resulted in the creation of an artistic work were matters of expression, not merely matters of idea or concept. The look and feel arose from the selection, arrangement and style of the elements regarded as a whole.

Finally, Gordon J considered whether the Cotton On items reproduced a substantial part of the copyright works. Gordon J found that, while Cotton On had blatantly taken the shape and form of the designs, that was only the underlying idea in Elwood’s

works. Cotton On had not taken the expressive elements of the works, namely the words and numbers.

The Full Court observed that Elwood's evidence was to the effect that by far the greater part of the effort, skill and time involved in designing of the artistic works was devoted to layout rather than with the choice of words and numerals. The Full Court concluded that, by taking these features of design or layout, Cotton On reproduced something that was or included a substantial part of that design or layout.

The Full Court concluded that Gordon J erred by relegating the layout and other elements of expression that gave rise to the intended look and feel of the designs to the category of un-protectable "ideas", even though she had correctly taken them into account for the purpose of classifying the Designs as artistic works.

Cotton On has not sought special leave to appeal this decision to the High Court.

Commissioner of Patents v Sherman
[2008] FCAFC 182 (20 November 2008)

Patents – appeal from opposition - evidence

A delegate of the Commissioner of Patents upheld an opposition by Merck & Co Inc to the grant of a patent arising from Sherman's Patent Application No 697696 on the grounds of lack of novelty, inventive step and entitlement. Sherman filed a notice of appeal pursuant to section 60(4) of the *Patents Act 1990* (Cth). Merck filed a notice of contention and a statement of grounds of opposition and particulars of objection, both of which Merck subsequently withdrew with leave. The Commissioner was added as a party to the appeal on the application of Mr Sherman.

The primary judge subsequently made orders that the Commissioner file and serve the "evidence to which she proposes to draw the Court's attention" and a "memorandum setting out the respects in which it will be submitted that that evidence should be of assistance to the Court". In conformity with these orders, the Commissioner filed a memorandum and an affidavit of the delegate set out in full in the reasons for judgment of the primary judge: see *Sherman v Commissioner of Patents* [2008] FCA 1026 at [4].

The delegate in his affidavit opined as to why the claims of the patent application lacked novelty and inventive step and referred to and exhibited declarations placed before him by Merck during the opposition. Sherman objected to such evidence and the primary judge agreed. The Commissioner sought leave to appeal and appealed that decision. The Full Court gave leave to appeal and allowed that appeal.

Section 160(a) of the *Patents Act* provides that, on hearing an appeal against a decision or direction of the Commissioner, the Federal Court may admit further evidence orally, or on affidavit or otherwise. As Emmett J said in *F Hoffman-La Roche AG v New England Biolabs Inc* (2000) 99 FCR 56 at [30], "[i]t would ... be open to an opponent simply to tender the material that was before the Commissioner" and the "Court could, subject to all proper objections, admit that evidence", although the opponent is not bound to this course.

The Commissioner argued that the use of the word "further" in section 160(a) showed that that section contemplated evidence filed before the Commissioner "being brought

before the Court and relied on in the determination of the appeal”, irrespective of whether it is capable of being characterized as admissible evidence under the *Evidence Act 1995* (Cth). Importantly, the Commissioner is not bound by the *Evidence Act* in opposition proceedings, but instead by administrative rules such as procedural fairness.

The Full Court rejected that argument. Whilst section 160(a) may contemplate that the evidence before the Commissioner is the starting point for the evidence on the appeal, section 160(a) is not concerned with questions of admissibility, considered from the perspective of the rules of evidence which are generally governed by the *Evidence Act*. Section 160(a) does not therefore disclose a legislative intention that the evidence on an appeal under s 60(4) of the *Patents Act* is not required to comply with the *Evidence Act*.

Furthermore, the Full Court held that Order 58, rule 8 of the *Federal Court Rules* did not assist the Commissioner. That rule provides that the material that was before the Commissioner is, with the leave of the Court and saving all just exceptions, admissible on the appeal. The Full Court held that the rule does not in terms make admissible as evidence that which would be otherwise inadmissible but instead provides that no evidence is admissible otherwise than “with the leave of the Court and saving all just exceptions” which incorporates the operation of the *Evidence Act*.

Nevertheless, the Commissioner successfully argued that the primary judge erred in finding that the delegate’s decision regarding the novelty and inventiveness of the claims was inadmissible under section 56(2) of the *Evidence Act* because it was irrelevant. The Commissioner was also successful in contending that the primary judge erred in rejecting the tender of prior art and declarations relied on by the delegate in forming his decision.

The Full Court held that evidence as to the decision of the delegate is relevant on two bases. First, the fact that it was made is a fact on which the jurisdiction of the Court depends. Secondly, the delegate’s stated opinion on novelty and inventiveness is a matter that the Court may take into account because the delegate (in contrast to the Court) is credited with having some technical expertise: *Commissioner of Patents v Emperor Sports Pty Ltd* (2006) 149 FCR 386 at [24]. Depending on the extent to which the evidence before the delegate and the Court overlaps, the delegate’s opinion on these matters carries some weight and is, therefore, plainly relevant. The opinion rule in section 76 of the *Evidence Act* does not apply, either because of section 77 (since the decision is relevant as a jurisdictional fact) or because of section 79 (the decision is the opinion of person with relevant specialised knowledge and is substantially based on that knowledge).

Since the delegate’s opinion as to novelty and inventiveness was admissible, the material he relied on was also admissible because, in order to understand the delegate’s decision, it is necessary to have regard to the material that the delegate thought pertinent to his decision on novelty and inventiveness.

Finally, the Full Court held that section 59(1) of the *Evidence Act*, which is a statutory statement of the hearsay rule, did not render the prior art and the relevant declarations inadmissible. This was because section 60 of the *Evidence Act* provides that “the hearsay rule does not apply to evidence of a previous representation that is admitted because it is relevant for a purpose other than proof of the fact intended to be asserted by the representation”.

**Barrett Property Group Pty Limited v Metricon Homes Pty Limited
[2009] FCA 51 (4 February 2009)**

Anshun estoppel – interrogatories

Barrett Property Group previously brought a successful claim of copyright infringement of house plans against Metricon Homes. In this proceeding, the same claim is brought but in respect of different house plans. Metricon asserts that Barrett Property Group ought to have brought the present claim in the earlier proceeding and that it is now estopped from now bringing the present claim. That *Anshun* estoppel point was heard as a separate question by Kenny J in February 2009 and is awaiting judgment.

This aspect of the case concerned a motion by Metricon Homes for leave to administer various interrogatories on Barrett Property Group. Those interrogatories were directed at establishing:

- (a) the date on which the applicants actually knew or should have become aware of the house plans at issue in this proceeding; and
- (b) how this knowledge was acquired or should have been acquired.

Barrett Property Group opposed leave being granted to administer those interrogatories, essentially on the basis that they were not relevant to any material fact in dispute. They also opposed them on the grounds that they were too broad and oppressive.

Kenny J concluded that, given the pleadings, evidence and the statement of case made by Barrett Property Group's counsel, the proposed interrogatories were not relevant to any material fact in dispute because, so far as relevant, those essential facts were not disputed.

We await with interest, Kenny J's decision on the *Anshun* estoppel point.

Nokia Corporation v Liu [2009] FCA 20 (21 January 2009)

Trade marks – infringement – assessment of damages – costs

These proceedings arose out of Liu's importation into Australia and sale of mobile phones and accessories bearing Nokia trade marks. According to Nokia's statement of claim, Nokia's complaints focus on Liu's sale of the infringing goods in an on-line e-Bay transaction (a trap purchase made on behalf of Nokia) and the seizure of a particular quantity of infringing goods by the Australian Customs Service.

The Court made a series of orders by consent as "final judgment" in the proceedings. These included declarations of infringement and the imposition of an injunction restraining further infringements of Nokia's marks, and orders requiring the delivery of goods bearing the relevant marks, associated documents and information as to the full extent of Liu's infringing conduct. Liu also was ordered to pay damages and Nokia's costs.

The goods seized by Customs were forfeited to the Commonwealth and disposed of. Liu provided limited documentation and information pursuant to the other orders. Nokia sought production of further documentation and examination of the respondent,

but soon after Liu's solicitors ceased to act for him and Liu himself declined to participate any further in the proceedings.

The question for the Court in the present case was the assessment of Nokia's damages and the award of costs. Nokia invited the Court to infer that Liu had sold infringing goods on a commercial scale and that Nokia had lost substantial sales as a result, to the tune of between \$50,000 and \$100,000 in loss and damage.

Justice Jessup declined to make an award of substance, however, and awarded nominal damages of \$10 for two main reasons. First, although accepting that the Court may at times be required to use broad estimations or guesswork in assessing damages, his Honour was critical of Nokia's failure to adduce evidence as to the money loss suffered by Nokia when a sale of a mobile phone is not made; no dollar value of Nokia's loss could be made without such information, even if the number of lost sales might be estimated. Secondly, in the orders made by consent the only finding of infringement against Liu related to the Customs seizure; accordingly the assessment of damage provided for in the consent orders was limited to damages arising from that importation.

As to costs, and in anticipation of an award of damages below \$100,000, Nokia sought to avoid the operation of O 62 r 36A of the *Federal Court Rules* (which reduces by one-third any costs orders made where damages are less than \$100,000). Jessup J declined to exercise the Court's discretion to exclude the operation of O 62 r 36A. In his Honour's view, it remains within the policy of O 62 r 36A that costs be reduced in copyright and trade mark cases, even if those cases appropriately are brought in the Federal Court and pursue remedies other than an award of damages (cf the *LED Builders* case discussed below). In the present case, Nokia's claims were relatively straightforward, it was unclear as to what extent the non monetary remedies sought were the more substantial. Further, the (not uncommon) difficulties Nokia may have faced in establishing the full extent of Liu's infringing conduct did not provide a reason to exclude the operation of O 62 r 36A.

***Kardas v Kalliakoudis* [2008] FCA 1913 (16 December 2008)**

Trade Marks - infringement – costs

Kardas is the owner of the registered trade marks "SPACEDANCE MYKONOS EXPERIENCE" and "SPACEDANCE MYKONOS EXPERIENCE". Kardas uses the marks to promote dance parties to the Greek community.

The respondents promoted three dance parties by reference to the marks. Mr Kardas commenced this action to restrain the respondents' alleged trade mark infringement and to recover damages or an account of profits. The first respondent, Kalliakoudis, agreed to submit to a permanent injunction restraining him from promoting any dance party by reference to the word "MYKONOS EXPERIENCE" (or a similar word) and formal orders were made disposing of the proceeding against Mr Kalliakoudis

The second respondent, Missailidis, consented to the imposition of a permanent injunction but no agreement was reached with respect to the account of profits claim against him. Orders were made that Missailidis' accountant file an affidavit setting out the profits Missailidis derived from the three dance parties. The accountant deposed that Missailidis had lost \$784 on the events. While Kardas asserted that the accountant's calculations were deficient in a number of critical respects, the action

ultimately settled. It was agreed that Kardas would discontinue his action against Missailidis without any prejudice to any claim for costs.

Kardas sought his costs fixed at \$45,000 (having actually incurred about \$65,000). It is rarely appropriate, in the absence of a hearing on the merits or other special circumstances, that any order other than an order that each party bear its own costs, can be made. Indeed, there is an underlying policy reflected in the *Federal Court Rules* that a discontinuing party should be liable for the other party's costs unless the court otherwise orders.

In reliance on *Melbourne University Publishing v Williamson* [2005] FCA 1910, Missailidis contended that Kardas should not get his costs because he quickly agreed to stop using the marks and no notice had been given prior to the proceeding being commenced (albeit that the proceeding was commenced urgently given the impending use of the marks). Finkelstein J considered that Kardas' rights clearly had been infringed and he had a good claim to protect those rights. Accordingly, he did not accept that Kardas should be deprived of his costs simply because he failed to write a letter of demand.

Finkelstein J considered that half of Kardas' costs were attributable to the first respondent and so should not be borne by Missailidis. Further, a reduction to take account of party and party costs should be in order of 40%, not 25% as Kardas contended. Finally, Finkelstein J considered that Kardas should not have all such costs because the claim for an account of profits was likely to produce a small return in relative terms.

Without referring to or applying O.62, r.36A of the Rules, Finkelstein J noted that parties should be discouraged from prosecuting, in a superior court, a money claim which on any view will be disproportionate to the costs of pursuing the action. His Honour fixed costs at \$15,000, being the party-party costs attributable to the claim against Missailidis until the date the permanent injunction was granted plus additional costs incurred by Kardas over a relatively short period to consider his position.

***LED Technologies Pty Ltd v Elecspeess Pty Ltd* [2008] FCA 1941
(18 December 2008)**

Designs – originality – infringement – authorship – extra-jurisdictional matters

LED Technologies (LED Tech) owns two registered designs of rear combination light emitting diode (LED) lights, under the name "LED autolamps". Each registration has the following statement of newness and distinctiveness: "Seperate (sic) clip in lenses. Base to take a variety of 2, 3 or 4 combination lenses for stop, tail, indicator, reverse LED lenses, no visible screws."

LED Tech contended that the corporate respondents infringed the Designs and, further, by representing their LED's were approved or compliant with product safety standards known as the Australian Design Rules (ADRs), contravened sections 52, 53 and 65C of the *Trade Practices Act 1974* (Cth) (the TPA). LED Tech also contended that certain directors of two of the corporate respondents authorised, directed and, further or alternatively, procured the conduct of those respondents.

All but one of the respondents cross-claimed for revocation of the design registrations on grounds that: (i) the representations were unclear and the monopoly lacks

certainty; (ii) LED Tech was not solely entitled to registration of the designs because another person also has a co-entitlement; and (iii) the designs were not new and distinctive but are substantially similar in overall impression to a design that forms part of the prior art base. There were also cross claims for unjustified threats of design infringement and misleading and deceptive conduct regarding certain statements made by LED Tech.

Gordon J found in favour of LED Tech on all matters other than its allegation of contravention of section 65C of the TPA and the directors' knowing involvement in the corporate respondents' contraventions of sections 52 and 53 of the TPA.

The respondents argued that registration of the designs should be revoked pursuant to section 120(1) of the Designs Act because the visual features of the registered designs were unclear and so the representations failed to adequately delimit the scope of the monopoly afforded by registration. The applicant submitted two styles of representations of the designs to the Designs Office. The first style was in black and white. The second was in faint pink. Ultimately, her Honour did not need to decide which representations were properly described as those being on the Register since she was of the view the less clear representations were clear enough.

The faint pink representations are those that ultimately appeared on IPAustralia's online searchable database. While her Honour accepted that some of the pink drawings, taken alone, may be insufficient to convey all the relevant features of the designs, taken as a whole, each design appeared "with reasonable clarity, and without necessity for unreasonably prolonged or complicated series of deductions, from the registered representation of an article to which the design has been applied."

Furthermore, her Honour was of the view that it could be presumed that persons who accessed the online database would be able to magnify the representations to see all the visual features of the design, clearly. Indeed, her Honour was willing to take judicial notice pursuant to section 144 of the *Evidence Act 1995* (Cth) of the fact that PDF images may be magnified in the software, Adobe Acrobat Reader, and that this fact has been and is general common knowledge to any user of computers and the internet during the relevant period of 2004 to the present.

As to entitlement, Gordon J accepted that the sole author of the designs was the employee of the applicant, Mr Ottobre. The respondents had contended that "M", the Chinese manufacturer engaged by the applicant, was the sole or joint author of the designs. Gordon J found that Mr Ottobre was the person who conceived the relevant shape, configuration and pattern of the designs and reduced them to a visible form; "M" simply converted that design to an electronic form in order to facilitate the production process. Even if "M" was an author of the design, her Honour concluded that "M" and its employees did the work "under a contract" with LED Tech within the meaning of section 13(1)(b) of the *Designs Act*. While it is not entirely clear, it seems that her Honour accepted that the design work itself must be part of the contracted services for it to fall within section 13(1)(b) of the *Designs Act*.

Turning then to the attack on newness and distinctiveness, section 16 of the *Designs Act 2003* provides that a design is new "unless it is identical to a design that forms part of the prior art base for the design" and is distinctive "unless it is substantially similar in overall impression to a design that forms part of the prior art base for the design". Gordon J considered that newness and distinctiveness are to be assessed not by comparing the design in question to the prior art base as a whole but by comparing it individually to each relevant piece of prior art. That is "a design that combines various features, each of which can be found in the prior art base when

considered as a whole but not in any one particular piece of prior art, is capable of being new or distinctive.”

Her Honour also observed that the existence of identical designs on the Register was irrelevant to the judicial determination of whether those products infringe earlier-registered designs and whether those designs are registrable. This may be compared to the *Trade Marks Act 1995*, where an alleged infringer’s own trade mark registration is a complete defence to infringement of another’s registered trade mark.

As to infringement, Gordon J disagreed with the proposition in some authorities that, as a general matter, a court should start out by comparing product with product rather than the registered design with allegedly infringing product. Further, her Honour observed that infringement is determined by comparing only the visible features of the design to the infringing product. Therefore, the fact that the products have different materials in the lens or have different voltages was irrelevant.

Interestingly, despite the fact that the allegedly infringing products (the **Condor products**) contained visible screws while the statement of newness and distinctiveness stated there were “no visible screws”, Gordon J concluded that those screws were not a feature which substantially distinguished the Condor products from the registered design. The presence of the screws did not create a different “visual appeal”. Her Honour concluded that the Condor products were “substantially similar in overall impression” to the designs.

Gordon J also considered whether the respondents could be considered primary infringers (persons who make an infringing product) or secondary infringers (persons who engage in any other infringing conduct) for the purposes of the innocent infringement defence in section 75(2) of the *Designs Act*. Gordon J held that, in this case, the respondents could not be primary infringers because the products were made outside of Australia and the *Designs Act* did not have operation beyond Australia, citing Kenny J’s decisions in *Review 2 Pty Ltd v Redberry Enterprise Pty Ltd* [2008] FCA 1588 at [77] and *Review Australia Pty Ltd v New Cover Group Pty Ltd* [2008] FCA 1589 at [48]. However, since the respondents had imported the products, they could be secondary infringers.

The innocent infringement test for secondary infringers under section 75(2) of the *Designs Act* is whether “at the time of the infringement, the defendant was not aware, and could not reasonably have been expected to be aware, that the design was registered” (as opposed to primary infringers having “taken all reasonable steps to ascertain whether the design was registered”). That is, a court cannot assume that there is always an affirmative duty to search the Register, but her Honour considered there may be circumstances where that was appropriate and this was such a case because the Condor products were very similar to LED Tech’s products on the market. In any event, the respondents had taken advice on the designs and so therefore knew of their existence.

As to damages for infringement of the designs, her Honour did not accept that LED Tech had lost all sales made by the respondents because, “among other things, the prices of the respective products were not the same, nor was it established that both sides’ products were stocked in the same places, such that a customer not able to obtain one would automatically turn to the other.” There was significant discrepancy between the applicant’s estimate of infringing products sold and the respondents’ estimates. Her Honour in the end awarded \$200,000 in comparison to the applicant’s estimate of \$542,000 odd.

As to the alleged contraventions of section 52 of the TPA, LED Tech complained that the Condor products bore one of: “Complies with ADR1”; “Complies with ADR6” or “Complies with ADR 49” together with the phrase “ADR Approved” (the **Captions**) and that the representations conveyed by those Captions were that each of the Condor Products: (1) complied with the ADRs; and (2) was approved for the purpose of compliance with the ADRs.

Her Honour was of the view that there were two distinct groups of consumers who would understand the Captions differently. Manufacturers of trailers and vehicles would consider the Captions conveyed the representations alleged since such manufacturers would understand what the acronym ADR stood for and involved.

The second group comprised consumers who purchase tail lights to replace one which has broken or to add another tail light to the existing tail lights on a vehicle or trailer (the **aftermarket consumers**). Gordon J held that the Captions conveyed to the aftermarket consumers that the goods complied with some governmental safety standard and were approved by some governmental body.

In any event, her Honour found that the Captions were misleading or deceptive to both groups of consumers and so the respondents contravened sections 52, 53(a) and 53(c) of the TPA.

The respondents did not contravene section 65C of the TPA which provides that “a corporation shall not, in trade or commerce, supply goods that are intended to be used, or are of the kind likely to be used, by a consumer if the goods are of a kind (a) in respect of which there is a prescribed consumer product safety standard and which do not comply with that standard.” LED Tech had failed, among other things, to adduce evidence that the lamps were in fact non-compliant.

LED Tech also failed to establish that it had suffered any damage by reason of the respondents’ contravention of the TPA. Importantly, there was no evidence to show that ordinary consumers, particularly aftermarket consumers, considered safety compliance to be so material as to prevail over factors such as price and convenience. Furthermore, there was a danger that any award of damages for contravention of the TPA would double up against the award for infringement of the designs. LED Tech had failed to prove that it had lost any sales by reason of contravention of the TPA in addition to those lost by reason of the infringement of the design. Therefore, her Honour refused to grant any relief in respect of contravention of the TPA.

It is noted that damage is not expressly an element of contravention of section 52 or 53 of the TPA, and only some of the provisions concerning relief. However, in *LED Technologies Pty Ltd v Elecspeess Pty Ltd (No 2)* [2009] FCA 141, Gordon J refused to grant declarations that the respondents had contravened the TPA (and injunctions restraining such conduct) notwithstanding authority which suggested that the Court had power to make declarations where the applicant had suffered no damage and the case was not one appropriate for injunctive relief.

Finally, on LED Tech’s claim, Gordon J considered the directors’ responsibility for the corporate respondents’ conduct. It was asserted that the directors: (1) acted in concert with one of the corporate respondents in respect of its infringement of the designs or wrongfully procured and or induced it to infringe the designs; and (2) was a person who aided and / or abetted and / or was directly or indirectly knowingly concerned in or party to the contravention by the corporate respondents of the TPA pursuant to sections 75B, 80 and 82(1) of the TPA.

Gordon J observed that the test for joint tortfeasorship by reason of “common design” is far from certain – there being two lines of cases as to the appropriate test that are not yet resolved in Australia. However, her Honour did not need to resolve the issue since (as in most cases) both directors knew of the designs and each was “personally an actor in invading” LED Tech’s rights and was therefore a joint tortfeasor in that infringement.

As for accessorial liability under the TPA, her Honour first noted that there could be no liability because LED Tech “did not establish an essential element of the cause of action – damage.” However, were that not the case, her Honour observed that the participation in the contravention required actual, rather than constructive, knowledge of the essential matters that make up the contravention. As to that, Gordon J held that while the directors’ understanding of the representations made by the Captions were possibly negligent or even reckless, it was not such as to suggest wilful blindness or actual knowledge of how a relevant purchaser might understand it.

As for the allegations that the applicant had made unjustified threats of design or copyright infringement and engaged in misleading and deceptive conduct, Gordon J concluded, among other matters, that there had been no proof of actual damage by the respondents and the conduct had ceased. Therefore, even if the applicant had contravened the relevant provisions of the statutes, no relief was granted.

At the time of writing, the respondents had issued appeals from Gordon J’s decision and her later decision as to the relief to be granted: *LED Technologies Pty Ltd v Elecspess Pty Ltd (No 2)* [2009] FCA 141. In that decision, it was clear that her Honour was of the view that it fell to the respondents to assert only some rather than all of them were liable for infringement of the designs. That matter will also be dealt with on appeal.

***Black & Decker Inc v Sunaone Pty Ltd* [2008] FCA 1827 (28 November 2008)**

Patent and design infringement claim – costs

O.62, r.36A(1) of the Federal Court Rules provides that where a party is awarded judgment for less than \$100,000 for a money sum or damages any costs ordered to be paid will be “reduced by one-third of the amount otherwise allowable under this Order unless the Court or a Judge otherwise orders”. Sub-rule (2) provides for the same reduction if the Court declares that a proceeding (including a cross-claim for a money sum or damages) could more suitably have been brought in another court or in a tribunal.

Black and Decker had successfully sued Sunaone for design and patent infringement: *Black & Decker Inc v GMCA Pty Ltd (No 2)* (2008) 76 IPR 99. Black & Decker elected to take an account of profits, which were duly assessed at \$77,275.10: *Black & Decker Inc v GMCA Pty Ltd (No 5)* [2008] FCA 1738.

Black and Decker’s actual costs were about \$1,600,000 and assessed as a gross sum at \$825,000. Accordingly, if its costs were reduced by a third, it would lose a further \$275,000 in costs paid.

Heerey J was satisfied that the Court should order that costs not be reduced by one third because the case was a substantial one concerning patent and design

infringement and validity running for seven days with substantial expert evidence and at least 45 pieces of prior art advanced by Sunaone.

Heerey J then went on to note that, practically speaking, Black & Decker had no alternative to commencing this proceeding in the Federal Court or some other “prescribed court” within the meaning of section 120(1) of the *Patents Act 1990* (Cth). That is, it was not possible for the company to bring the action in the Victorian County Court or Federal Magistrates Court which have lower scales of costs (although the County Court may have jurisdiction to determine patent infringement issues in the course of other proceedings: *AR Jamieson Investments Pty Ltd v Robak Engineering & Construction Pty Ltd* [1998] VSC 69).

Heerey J also observed that Sunaone could hardly complain about the forum given its vigorously contested cross-claim for invalidity could only be brought in a prescribed court. Finally, his Honour observed that the injunctive and non-monetary relief granted in addition to the account of profits was significant.

Review 2 Pty Ltd v Redberry Enterprise Pty Ltd (No. 2) [2008] FCA 1805 (28 November 2008)

Designs – rejection of offers of compromise

This is the decision as to costs in Review 2’s unsuccessful design infringement proceedings against Redberry and Redberry’s unsuccessful cross-claim for invalidity. It will be recalled that Justice Kenny rejected Review 2’s claims that Redberry’s garments infringed Review 2’s registered design, primarily on the basis that the colour of the garments depicted in the design was an important element and one that was not reproduced in Redberry’s garments. Her Honour did hold, however, the informed user would consider that Review 2’s design, as a whole, to be relevantly different in overall impression from the designs in the prior art base and as such was valid.

The present decision concerned whether Redberry was entitled to an award of indemnity costs from August 2007, being the date on which Redberry had made an offers of compromise. A problem for Redberry was that at that time, under O 23 of the *Federal Court Rules* no specific provision dealt with the situation where an applicant rejecting an offer of compromise is *wholly* unsuccessful in its claim (a situation now addressed by O 23 r 11(6)).

As such, the question was whether Review 2 “acted imprudently or unreasonably” in rejecting Redberry’s offer of compromise in relation to Review 2’s claim. Mere rejection of the offer was not enough. In her Honour’s view, a number of factors pointed against a finding that Review 2’s conduct was unreasonable in the circumstances. In particular, her Honour noted that as at August 2007, there were few decisions under the comparatively new statutory framework put in place by the *Designs Act 2003* (Cth); at the time, Redberry cited far fewer pieces of prior art than were relied upon at trial; Redberry also later adduced other evidence at trial not available to Review 2 when considering the offer; further, Redberry’s offer did not include a statement of reasons as to why the application should fail. Her Honour accepted that “with the benefit of hindsight, some of the applicants’ assumptions about their position proved misplaced”, but noted that hindsight was an unreliable guide in an application such as the present application.

Chanel Limited v Donoghue [2008] FCA 1643 (31 October 2008)

Trade Mark Infringement – default judgment – delivery up of unspecified other infringing articles not ordered

Chanel is the owner of various registered marks for CHANEL and the Chanel logo (two mirrored and slightly overlapping “C”s).

The Australian Customs Service (“Customs”) seized 92 pairs of sunglasses all bearing one or more of the Chanel Trade Marks. The consignment of goods was addressed to Donoghue. Therefore, Customs identified him as the designated owner of the goods within the meaning of the *Trade Marks Act 1995* (Cth): see sections 133A and 134(b).

Chanel instituted these proceedings for trade mark infringement and sought and obtained orders restraining Customs from releasing the allegedly infringing goods and for Donoghue to file and serve a defence. Donoghue did not file an appearance or take any other step in the proceeding. Accordingly, Chanel sought judgment in default pursuant to O 35A rules 2(2) and 3(2) of the *Federal Court Rules 1979* (Cth).

Gordon J granted most of the relief Chanel sought but refused to make orders for the delivery up, on oath, of any remaining infringing goods and materials in the possession of Donoghue. Her Honour considered that such an order would be inappropriate because Donoghue had not participated in the proceedings and none of the existence, location or nature of any other infringing materials has been specified or verified. Furthermore, Gordon J considered that an order for delivery up was likely to be futile and would only lead to unnecessary additional expense on the part of not only Chanel but also the Court in the event any attempt at enforcement was made.