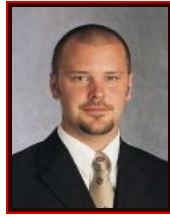


Intellectual Property & Trade Practices Law

Recent Case studies by Tom Cordiner and Alan Nash
Correspondents for Victoria



Carlisle Homes Pty Ltd v Barrett Property Group Pty Ltd **[2009] FCAFC 31 (19 March 2009)**

Copyright – house plans – collusion of witnesses in giving false evidence – obligation to give reasons

This was an appeal from a judgment of Heerey J in which his Honour found that Carlisle Homes in its “Provence” house design had reproduced a substantial part of Barrett Property Group’s “Seattle” house plan and had thereby infringed copyright therein. The focus of the appeal was on the primary judge’s finding that Carlisle Homes had copied the Seattle house plan.

At trial, Carlisle Homes argued that it had drawn inspiration for its “Provence” design from a third party’s house design (Henley Properties’ “Rochester” design) that predated the Seattle design. Three directors of Carlisle Homes gave evidence to that effect, and testified further that the Rochester design had been discussed at an initial conference between the directors and Carlisle Homes’ solicitors, Mallesons. The primary judge did not accept that evidence, however, and found that the directors colluded in giving untrue evidence to the Court concerning the conference. That finding of fact led to the primary judge’s conclusion that the Seattle plan was the most likely source of the presence of an “al fresco” quadrant in the Provence design.

On appeal, Carlisle Homes challenged the adequacy of his Honour’s reasons on that point, and argued that Heerey J failed to take into account relevant evidence. Given that his finding effectively was one of fraud on the part of the directors, it was further argued that his Honour adopted the wrong approach to the evidence available. Carlisle Homes also argued that his Honour had failed to use, or “palpably misused” his advantage in making findings concerning what was discussed at the conference.

At first instance, Heerey J noted that neither the Mallesons partner nor the solicitor present at the conference had made a written note of the Rochester being mentioned in what otherwise appeared to be comprehensive notes taken by experienced lawyers. Carlisle Homes argued, however, that Heerey J had failed to take into account evidence from the Mallesons’ partner at the conference from which it could be inferred that the Rochester design had been mentioned.

The Court disagreed, holding that the partner’s evidence on which Carlisle Homes sought to rely was general, vague or equivocal, and that the primary judge had been entitled to reach the conclusions that he had. As to the adequacy of the primary judge’s reasons, the Court found that for the most part Heerey J did refer to the evidence that conflicted with his findings concerning the conference. His reasons

were not inadequate simply because he did not refer to the *interpretation* of that evidence advanced by Carlisle Homes.

Similarly, the Court found no error with the primary judge's conclusions that Carlisle Homes' failure to mention the Rochester in its response to Barrett Property Group's letter before action, in its original defence or in its brief to its expert were matters that were inconsistent with the Rochester being mentioned at the conference, notwithstanding that Carlisle Homes offered alternative explanations for its failure to refer to the Rochester in those documents. Those conclusions were open on the evidence.

***PAC Mining Pty Ltd v Esco Corporation* [2009] FCAFC 18 (4 March 2009)**

Patents – obviousness – weight to be given to evidence of the inventor

Each of the parties produce “wear assemblies” for excavators. These are attachments designed to take the brunt of wear that occurs from digging rather than the excavator buckets; it is easier and cheaper to replace the attachments than the buckets. This was an appeal from a decision of Tamberlin J in which his Honour held that PAC Mining's wear assemblies infringed one of two patents of which Esco was the patentee.

The two patents were referred to as the “Jones II” and “Jones III” patents. The invention the subject of those patents was, in essence, an improvement on “Toplok” wear assemblies made in accordance with an earlier patent (unsurprisingly called the “Jones I” patent). Specifically, the latter two patents addressed a tendency of wear assemblies to work themselves loose of the excavator bucket by introducing an “adjustment assembly”.

At first instance, PAC Mining had argued that the invention the subject of the Jones II and III patents was obvious. PAC Mining's expert was of the view that the looseness of the assemblies was a design flaw the solution to which – the introduction of an adjustment or locking mechanism - would have been obvious to those skilled in the art. This contrasted with Esco's evidence from the inventor himself, to the effect that the Toplok products had worked well in practice, that problems only arose when large buckets were used, and that those problems were alleviated by means that did not involve any adjustment mechanism.

The primary judge held against PAC Mining on obviousness, preferring the inventor's evidence and noting a passage from the 14th edition of *Terrell on the Law of Patents* to the effect that the Court will attach “considerable weight” to the evidence of the inventor.

On appeal, PAC Mining took issue with that proposition. The Court accepted that there is “no general proposition of law that, when questions of obviousness are in issue, considerable weight should be given to the evidence of the inventor”, noting the High Court's decision in *Wellcome Foundation v VR Laboratories (Aust) Pty Ltd* (1981) 148 CLR 262. The Court also observed that the proposition did not appear in the more recent editions of *Terrell*.

PAC Mining failed on this ground of appeal, however. In the Court's view, the primary judge's based final determination on obviousness was not based on the proposition that the inventor's evidence should be given considerable weight, but rather that PAC Mining's expert's opinion had to be discounted because it was formed with the advantage of hindsight. Further, his Honour's consideration of the inventor's evidence

emphasised his experience with the original type of wear assemblies in practice; that was a factual matter from which the primary judge drew his own inferences. On this point, the Court noted that it should not be overlooked that “the inventors were employed by, or associated with, the commercial enterprise which was responsible for Toplok, and thus had every incentive to devise an improvement for that apparatus”. Further, the “fact that they did so only after a considerable period of giving attention to the problem speaks against the proposition that the solutions which they found would have been obvious to the notional mechanical engineer.”

PAC Mining ultimately succeeded on the basis that its wear assemblies fell outside the terms of claim 1 of the Jones II patent in that those products lacked a “rigid lock” with an “adjustment assembly”.

Weatherford Australia Pty Ltd v Screenex Pty Ltd [2009] FCA 331 (9 April 2009)

Patents – amendment of divisional patent application – Court’s discretion

Weatherford is the proprietor of two screening system patents, referred to as the “919 patent” and the “679 patent”. Screenex is alleged to have infringed those patents. In the course of the proceedings, it became apparent that there were irregularities in the manner in which application had been made for the 679 patent in November 1998. In particular, a divisional application had been made relying on the 919 patent (the “patent request”), even though the 919 patent had by that stage proceeded to grant and as such was no longer available as a basis for a divisional application. Instead, the divisional application should have been made on the basis of an earlier divisional application that had not yet proceeded to grant and, indeed, later lapsed.

Weatherford applied to amend the patent request, relying on the Court’s discretionary power in s 105(1) of the *Patents Act*. Screenex opposed the application.

Apart from being critical of the failure of Weatherford and its predecessors in title to detect the error over a period of some years and their lack of frankness as to how the error came about, Screenex argued that to allow the amendment would “substantially alter the balance of the parties’ rights and obligations with respect to” issues in the proceeding. In particular, allowing the amendment would entitle Weatherford to a priority date of 25 August 1989 as opposed to 19 November 1998, and would deprive Screenex of the ability to rely on the earlier, lapsed divisional application as prior art in support of an attack on the 679 patent. Further, Weatherford was seeking to regularise something done irregularly many years earlier and which could no longer regularly be done.

Jessup J noted that the starting point was “a recognition that s 105 of the Act is not concerned merely with the amendment of a court document by which a patentee seeks to enforce his or her patent”. On that basis, it had to be accepted that amendments that would give the patentee a basis for a claim of infringement (for example, by removing a ground of invalidity) were “within the range of outcomes contemplated by s 105”. The more important question, in his Honour’s view, was whether allowing the amendment would enable Weatherford to take unfair advantage of the original error, or would unfairly prejudice Screenex in the sense of leaving it “in a less beneficial position than it would have occupied if the correct details had been included in the first request when originally made”.

There was no evidence that Weatherford sought, or had in the past sought, to take unfair advantage of the original error. Nor could Screenex demonstrate any prejudice

in the relevant sense. Indeed, Weatherford was seeking to bring about a situation that corresponded with what have been the (albeit mistaken) impression that one would have obtained from examining the 679 patent, since in its own terms it ostensibly was a divisional application from the 919 patent. On that basis his Honour granted Weatherford's application.

Deckers Outdoor Corporation Inc. v Farley (No 2) [2009] FCA 256 (24 March 2009)

Trade marks – application for summary judgment – effect of rectification of the register

Deckers Outdoor is the owner of a word mark for UGG and a word and device mark consisting of “UGG”, “Australia” and a sun device, both registered in respect of footwear. In 2003, Deckers Outdoor became aware of counterfeit UGG products on the market in Australia and overseas. Some of the Respondents to the present proceedings were identified as the source; the resulting litigation was settled upon those parties consenting to, among other things, order restraining them from manufacturing or advertising footwear products by reference to Deckers Outdoor's marks. A second claim to the effect that those parties had breached the settlement also was settled.

In 2007, Deckers Outdoor became aware that counterfeit UGG products had again become available in Australia and overseas. Investigations (including search orders) revealed that the principal source was a factory in Melbourne in which the twenty-two present Respondents were involved. A number of those Respondents did not file defences, and in other cases settled the claim against them. The remaining six Respondents consisted of the protagonists in the previous litigation and companies controlled by them.

Deckers Outdoor applied for summary judgment against those Respondents under section 31A of the *Federal Court of Australia Act 1976* (Cth) in respect of its claims of trade mark and copyright infringement, and passing off. As noted by Tracey J, such an application requires that the applicant satisfy the Court that consider the evidence “reasonably excludes the possibility that facts essential to the success of the defence will be able to be established”.

The evidence led by Deckers satisfied Tracey J beyond reasonable doubt that the six Respondents actively were involved in the manufacture and distribution of footwear bearing the UGG mark, in combination with either the term “Australia” or the sun device. Although the precise registered word and device mark did not appear on the counterfeit goods, Tracey J rejected the Respondents' arguments that the marks on their products could not be deceptively similar to the mark in suit. His Honour noted that a consumer examining the boots and their packaging would not consider the elements of the registered mark in isolation. Further, the Respondents had gone so far as to include the ® symbol on their products. There was no doubt that a real likelihood of confusion existed.

The Respondents also argued that there was at least a reasonable prospect of them obtaining orders that the mark in suit be cancelled, pursuant to s 88 of the *Trade Marks Act*. The problem with that argument was, however, that the Respondents could offer no authority to support the proposition that such orders would operate retrospectively so as to absolve the Respondents' infringing conduct. Indeed, the authorities considered by his Honour tended to speak in favour of s 88 orders having prospective effect only. On that basis, his Honour held that the Respondents had no

reasonable prospects of defending the trade mark infringement claim and granted Deckers Outdoor summary judgment in respect of that claim.

Deckers Outdoor's application for summary judgment in respect of related copyright infringement claims was not successful, because his Honour could not exclude the possibility that the Respondents might make good a defence based on s 77 of the *Copyright Act*. Similarly, the application with respect to the passing off, *FTA* and *TPA* claims also failed, because Deckers Outdoor did not lead adequate evidence as to its reputation in the UGG name to satisfy the Court.