

# 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 -

### COPYRIGHT

#### **The Polo/Lauren Company L.P. v Ziliani Holdings Pty Ltd [2008] FCA 49.**

**Issue:** whether the polo player logo, when lawfully embroidered overseas into the external surface of an article of clothing, is protected by copyright within the provisions of the *Copyright Act 1968* (Cth) so that it may not be imported for sale and sold in Australia without the consent of the person entitled to the copyright in Australia.

**Contentions:** There was no dispute that the articles of clothing were genuine or that they had been imported into and offered for sale in Australia without the consent of the owner of the copyright. The Respondent relied on sections 44C and 77 of the *Copyright Act 1968*.

S. 44C: The evidence was that the logo had considerable significance in identifying clothing as emanating from the Ralph Lauren group. Rares J was satisfied that the logo functioned as a label and therefore fell within paragraph (a) of section 10 of the Act which defines ‘accessory’. Accordingly, the section 44C defence succeeded.

S.77: Rares J held that the embroidered logo fell within the definition of ‘corresponding design’

in section 74 of the Act because it has visual features of shape or configuration being the distinctive alteration of the fabric created by the embroidery of the logo. It does not constitute a mere pattern or ornamentation of the garment into which it has been woven. Accordingly, the conditions necessary for the Respondent to satisfy under s 77(2) of the Act were met.

### **Haddad v Foxtel Management Pty Ltd [2008] FCAFC 11**

**Issue:** unauthorised use of broadcast decoding device – ‘smartcard piracy’ – ‘pirated’ Foxtel smartcards - whether Foxtel provided encoded broadcasts – meaning of ‘encoded broadcast’ – whether devices made and sold were ‘broadcast decoding devices’ – meaning of ‘general public’.

Held: that the fact that Foxtel made its broadcasts available without charge to certain "complimentary account holders" and to a number of unidentified charitable organizations and children's hospitals did not deprive Foxtel's broadcasts of being "encoded" for the purposes of Part VAA of the Copyright Act.

### **TRADE MARKS**

#### **Health World Limited v Shin-Sun Australia Pty Ltd [2008] FCA 100**

**Issue:** which version of section 60 of the Trade Marks Act applied. Held: “wrong to suggest that the Act contemplates that an expungement application may be brought upon the basis of a ground of opposition expressed in different terms from those that were applicable when the opposition was, or could have been, brought

On the issue of deceptive similarity held: “ No deceptive similarity between INNER HEALTH PLUS and Health*Plus*

See also detailed discussion of section 88 of the Act.

### **PATENTS**

#### **Polwood Pty Ltd v Foxworth Pty Ltd [2008] FCAFC**

**Issue:** inventorship. At trial two parties claimed sole entitlement to grant of patent – primary judge found joint inventorship.

**Principle:** “The entitlement to the grant of a patent as the inventor is not determined by quantitative contribution. The role of joint inventors does not have to have been equal; it is qualitative rather than quantitative. It may involve joint contribution or independent contributions. The issue is what the contribution was to the invention. What constitutes the invention can be determined from the particular patent specification which includes the claims..... One criterion for inventorship may be to determine whether the person’s contribution had a material effect on the final invention. It may be that an invention is made as part of a collaborative effort. In those circumstances, it would ordinarily follow that the collaborators are joint inventors of the product of the collaboration. .... To ascertain the inventor for the purposes of entitlement to the grant of the patent it is therefore necessary to determine the contributions to the invention described in the patent application. The claims may assist in that determination, bearing in mind that the claims may be to less than the totality of the invention. It may also be appropriate to investigate the contributions to the inventive steps giving rise to the invention.”

## **CONFIDENTIAL INFORMATION/RESTRAINT OF TRADE**

### **The Independent Liquor Group Distribution v Andrew Clement [2007] NSWSC 1507**

Motion for interlocutory orders. The Court accepted the undertaking proffered by the defendant. Counsel for the defendant sought an order that costs be assessed on the indemnity basis. He relied on a letter sent a little after six o'clock the evening before the hearing of the motion in which, "without prejudice save as to costs", the defendant offered the undertaking which the court accepted.

**Issue:** whether it was unreasonable of the plaintiff to go further at this interlocutory stage than the undertaking proffered and seek to enforce the restraint of trade.

Held: “ *Although it is difficult to extract any clear statement of principle from the authorities, including cases such as Leichhardt Municipal Council v Green [2004] NSWCA 341 in the Court of Appeal, it is, I think, reasonable to say that the failure to accept a “Calderbank” offer (which is what this in essence is) does not give any presumption in favour of indemnity costs. It requires an analysis of the whole situation.*

*In circumstances where the offer was made late last night and where, no doubt, the parties’ attentions were focussed on preparation for hearing, I do not think that the failure to accept the offer was of itself sufficiently unreasonable to expose ILG to a liability for indemnity costs.”*

## **FRANCHISING**

**NOTE:** *Ketchell v Master of Education Services Pty Ltd*: was granted special leave to appeal on 8 February 2008.

### **International Advisor Systems Pty Limited v XYYX Pty Limited & anor [2008] NSWSC 2**

Sale of franchise business **Issue:** whether contract conditional on grant to franchisor of new head lease of business premises, and if so, whether condition failed so as to entitle purchaser to rescind prior to completion. Considers issues of common intention of parties, unilateral mistake whether rescission or rectification available and the entitlement to an order for specific performance

Cross Claim/issue: Whether franchisor's employee represented that he did not anticipate any difficulty in obtaining new lease, that letter from lessor's agent contained terms upon which he expected new lease would be granted and that there would be no problems in obtaining a new lease. Whether such representations as made were misleading. Held; Purchaser's solicitor proposed amendments to contract and proceeded to exchange not in reliance on belief that there would be or was in place a new lease but on misconceived basis that contract protected purchaser's position in event that new lease was not forthcoming.

## **DESIGNS**

### **Review Australia P/L v Innovative Lifestyle Investments P/I [2008] FCA 74**

Respondents admitted that they sold, offered for sale or disposed of a product that was substantially identical to the applicant's design.

The denied the allegation based on them making the offending product. They sought to draw a distinction between a product made by persons employed by them, on the one hand, and a product made by an independent contractor retained by them for the purpose of making product for them. Court rejected that argument and held that for the purposes of section 71(1) (a) the reference to "makes" includes a product made at the behest of the respondents, that is if they directed, caused or procured the making of the product.

On the issue of damages the applicant's evidence was 'curiously deficient' in that it had failed to produce any evidence to the effect that it had lost sales as a result of the infringing conduct.

Applicant sought general damages upon the footing used in *Autodesk v Cheung*. Jessup J refused but did award damages of \$7,500 for damage caused to the applicant's reputation.

The respondents had argued that an award of damages under section 75(2) of the Designs Act was discretionary. That argument was rejected by Jessup J.

Jessup J also made the point that the operation of section 75(2) of the Designs Act is not subject to the honesty or integrity of the applicant's conduct nor any question of clean or unclean hands. He also held that the section operates only in relation to a design which is in fact registered at the time of infringement.

## **PRACTICE**

**Leave to Appeal in Trade Mark matters (s 195(2) of the Trade Marks Act:** *Scotch Whisky Association v De Witt* [2008] FCA 73 provides a comprehensive summary of the relevant principles.

**Scope of Federal Court's Power to make Consent Orders:** *ACCC v EDirect P/L* [2008] FCAA 65.

**Indemnity Costs:** *Barrett Property Group Limited v Metricon Homes P/L* [2007] FCA 1823.

Evidence illustrated a determined effort by the respondents to establish a defence on a central issue (derivation and copying) which they knew to be false. Indemnity costs granted in respect of 50% of costs of preparation.

**And finally...**

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