

Locutus

THE NEWSLETTER OF INTELLECTUAL PROPERTY LAW, STATUTORY DECEPTIVE
CONDUCT AND FRANCHISING LAW

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

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

E-mail: carmen.champion@stjames.net.au

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Welcome to Locutus

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Roadshow Films Pty Limited v iiNet Limited [2011] FCAFC 23

The principal question in the appeal was whether, within the meaning of s 101(1) of the Copyright Act, iiNet authorised such acts of infringement on the part of iiNet users as were found to have occurred. In relation to that question of authorisation, a number of issues arise as follows:

- The extent of iiNet's power to prevent the doing of the acts of infringement by iiNet users.
- The nature of any relationship between iiNet and its customers and between iiNet and iiNet users who are not customers.
- Whether iiNet took any reasonable steps to prevent or avoid the doing of the acts that constituted infringement.
- The extent of iiNet's knowledge of the relevant acts of infringement.
- Whether, in the circumstances, iiNet sanctioned, approved or countenanced the relevant primary acts of infringement

The primary judge had concluded that iiNet had knowledge of the infringements that were occurring and that it was possible for iiNet to stop the infringements occurring but found, as a matter of fact, that iiNet did not authorise the infringements. That finding was premised on the fact that iiNet did not provide the means by which the iiNet users infringed. His Honour also found that, even if that first finding be wrong, while iiNet could stop the infringements occurring in an absolute sense, the steps to do so were not a power to prevent the infringement or a reasonable step in the sense used in s 101(1A)(a) or s 101(1A)(c). Finally, his Honour found that iiNet did not approve, sanction or

countenance the acts of infringement by iiNet users.

The appeal was dismissed.

RESTRAINT OF TRADE CLAUSES

Informax International Pty Ltd v Clarius Group Limited [2011] FCA 183

This case looks at the restraint of trade doctrine and how it applies to labour hire firms.

The labour hire firm submitted that the restraint clauses could be seen as reasonably protecting two quite distinct legitimate interests. The first being its interest in maintaining its customer connexion with Woolworths. The second interest being what it referred to as the interest in avoiding the risk of “opportunistic disintermediation,” that is, the middleman’s risk of being cut out.

The Court accepted that the first interest, that is, customer connexion, is a recognised category of legitimate interest for the purposes of the law concerning covenants which are in restraint of trade but as regards the second commenced by saying the point that the second interest in avoiding opportunistic disintermediation is not yet recognised in Australia.

As regards the customer connection issue, the labour hire firm tried to argue this point in respect of a restraint on the customer rather than the employee! The Court said: *However, whatever one might say about cl 4.4 of Informax’s contract I do not think that such an interest can conceivably sustain cl 7.2 of the Woolworths contract which, at least so far as this case is concerned, operates as a covenant by the client not to be poached. It is one thing to say that Candle’s interest in its customer connexion justifies a restraint on its staff or contractors eloping with Candle’s clients. It is another thing altogether to suggest that such an interest could justify a fetter on the client’s freedom to contract with whom it pleases. Of course, if Candle’s contract with Woolworths were an exclusive arrangement other notions might well intrude. But it is not such an arrangement and I do not see that any interest that Candle has in maintaining its client base against the blandishments of its former staff or contractors can justify a covenant binding the client itself not to leave Candle’s stable. It follows that I do not accept that any interest of Candle in its customer connexion with Woolworths can support cl 7.2 of the contract between them.*

The Court also rejected the claim that the restraint was reasonable vis a vis the employee.

On the second issue the Court said: *Consequently, I am bound to reject the applicants’ argument that Australian law does not recognise any form of proprietary interest in the arrangement of employees or contractors. In that circumstance, I can see no other reason not to follow the United States authorities on the question of whether the disintermediation interest exists. I conclude, therefore, that a labour hire firm has a legitimate interest in protecting itself against the perils of opportunistic disintermediation.*

That, however, is not the end of the matter. The interest involved is an interest in recouping expenditure together perhaps with a profit component or, to put it slightly differently, it is an interest

in being permitted profitably to charge for the introduction of the contractor to the client. Whether such an interest actually exists in this particular case inevitably directs attention to the nature of Candle's business.

The labour hire firm was unsuccessful on this point also.

DESIGNS

LED Technologies Pty Ltd v Roadvision Pty Ltd [2011] FCA 146

Issues: whether designs uncertain; whether designs new and distinctive; whether infringed.

Also considers law relating to inducing breach of contract in circumstances where contracting party had lawful and unlawful means of complying with respondents' request. Whether respondents liable when contracting party chooses unlawful means.

PATENTS

Albany Molecular Research Inc v Alphapharm Pty Ltd [2011] FCA 120

Raises numerous issues relating to the validity of the patent.

Interpharma Pty Ltd v Aventis Pharma SA [2011] FCA 32

Issue: interlocutory injunctions – where damages will be an adequate remedy – where there has been undue and inadequately explained delay.

TRADE MARKS

Hills Industries Limited v Bitek Pty Ltd [2011] FCA 94

Issues:

- Section 44: whether “DIGITEK” –deceptively similar to opponent’s registered trade mark “DGTEC”; whether the applicant’s TV installation accessories and goods the subject of opponent’s trade mark (digital and electronic products including televisions, video players, DVD players, CD players, decoders and cameras) are “goods of the same description” within meaning of s 14(1) of Trade Marks Act 1995 (Cth).
- appeal from Registrar of Trade Marks. Standard of proof to be applied in determining grounds of opposition – whether opponent required to satisfy the Court that trade marks should clearly not be registered.
- whether honest concurrent use of trade marks established for purposes of s 44(3)(a) – whether evidence of use after the date the application for registration is made may be taken into account under s 44(3) – whether, because of “other circumstances” it is proper to allow registration of the mark under s 44(3)(b).
- whether opponent’s marks had acquired a reputation in Australia for purposes of s 60 – nature of evidence required to show reputation considered – whether s 60 subject to s 44(3) – whether applicant’s registration would be contrary to law under s 42(b) because its use would

constitute misleading and deceptive conduct under s 52 Trade Practices Act 1974 (Cth).

- whether grounds for removal under s 92(4) established – whether s 101(2) affords discretion to remove certain goods from registration notwithstanding that the application seeks removal of all of the goods – whether permissible for the Court to amend a registration to ensure that it accords with the scope of established use – exercise of discretion under s 101(3) – scope of s 101(4) – whether the opponent has established use of “similar goods” under s 101(4) - whether order for removal from the Register operates retrospectively to provide a defence to infringement.
- whether infringement under ss 120(1), (2) and (3) – whether applicant’s trade mark was “well known” under s 120(3) – s 122(1)(fa) - whether the respondent would obtain registration of its mark if it applied for it.
- whether applicant’s sale of set-top boxes constitutes misleading and deceptive conduct.

And finally...

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